

Inclusive FinTechs in Francophone Africa

Democratic Republic of the Congo country report



Abbreviations

API	Application Programming Interface
ARTP	Autorité de Régulation des Télécommunications et des Postes (Telecom Regulator)
ATM	Automated Teller Machine
BCC	Central Bank of Congo
BDS	Business Development Services
CICO	Cash In/Cash Out
CICO	Cash In/Cash Out
DRC	Democratic Republic of the Congo
DFS	Digital Financial Services
FS	Financial Services
G2B	Government to Businesses
G2P	Government to Persons
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
NSDT	Near Sound Data Transfer
QR	Quick Response
SADC	Southern African Development Community
USD	US Dollars
USSD	Unstructured Supplementary Service Data
VAS	Value-Added Services

Executive summary

The DRC offers massive market potential for nascent technology start-ups. The political environment is currently supportive of innovation, entrepreneurship, and digital services. The national digital plan aims to drive a vibrant market and improvements to infrastructure will help accelerate opportunities to drive financial inclusion. The country is highly reliant on cash creating challenges for financial institutions to hold bulk cash in order to facilitate transactions, increasing costs and slowing economic activity.



Key success factors required for FinTechs to stimulate financial inclusion: Government efforts to drive entrepreneurship and financial literacy, government's interest to resolve start-up constraints, targeted investments and efforts to deliver solutions for financial inclusion, **fostering innovation** and attracting more investment, highlighting successes of local entrepreneurs.



Financial inclusion can increase with FinTechs by looking beyond payments to second generation services combined with **creative bundling** of services.



Ecosystem: 12 FinTechs, 22+ enablers and funding partners.
App-based solutions are the primary technology used by FinTechs.

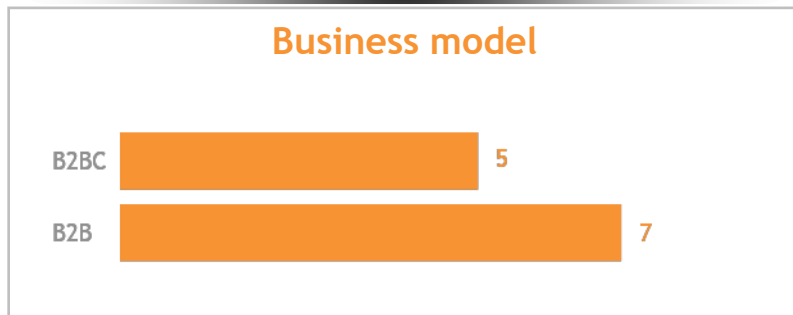
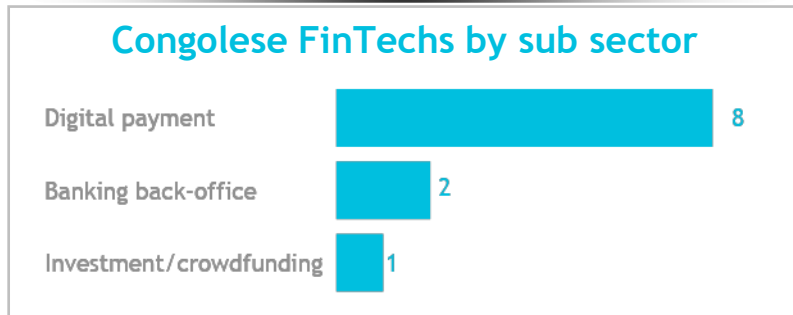
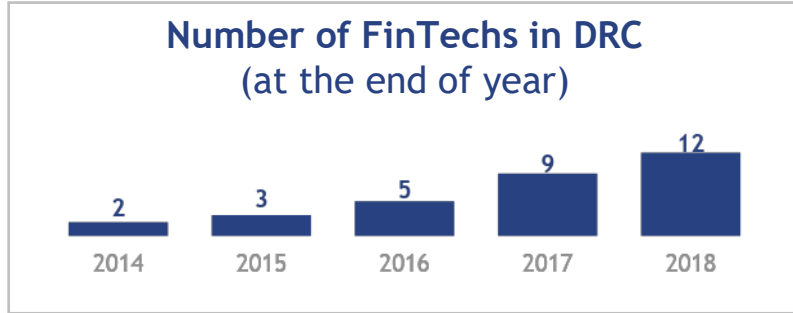


Trends: Mindset shift by corporates to utilize start-ups, **implementing sandbox** in 2020.

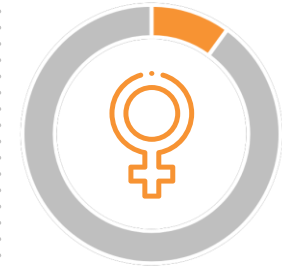


Challenges: High cost of Internet access, lack of entrepreneurial skills, overall Public Relations image of the DRC, limited capacity for start-ups to pay for support services, shortage of local support structures, limited support from incubators, dependence on the informal economy is high with an average of nine out of 10 people depending on it.

The DRC FinTech space is nascent but financial innovations are on the rise



Most start-up FinTechs were created less than four years ago and are led by young men.



10% 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



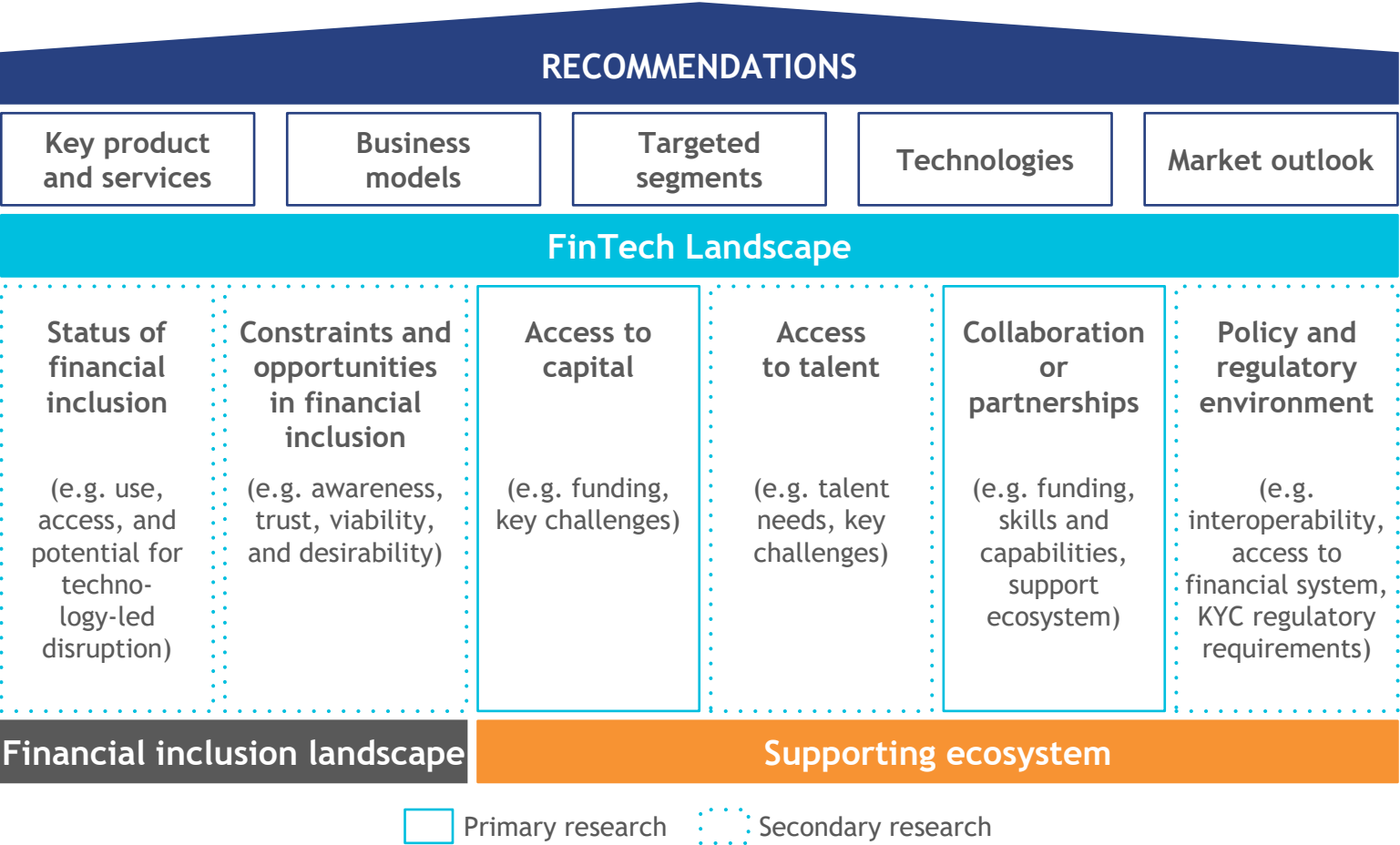
Business angels and VC funds



The main business model is B2B in order to build a strong base of partners and set a foundation for future growth, closely followed by B2B2C. FinTechs have been developed and launched without the support of an incubation program or angel investment.

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, MSC (MicroSave Consulting) conducted a study on the role that 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 challenges do they face?
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 for next steps towards increasing financial inclusion through a FinTech lens.

Key strengths and weaknesses of the FinTech landscape and supporting ecosystems in DRC

KEY SUCCESS FACTOR

KEY STRENGTHS AND OPPORTUNITIES

KEY WEAKNESSES AND CHALLENGES

Fintech landscape

- MNOs are deploying in rural areas with difficult access
- Local start-up CEOs offer mentoring services
- Kinshasa has 1.7 million active smartphone users¹

- 17% of the market has Internet access¹, and the cost of Internet access is high
- Weak electric grid and infrastructure in general
- FinTech focus is concentrated in Kinshasa, Lubumbashi and Goma
- Lack of data and minimal access to statistics that limit the understanding of market needs

Doing Business, Policy and regulatory environment

- Launch of the Confédération Nationale des Junior-Entreprises (National Commission for Young Entrepreneurs) (CNJE)

- Ranked 184 out of 190 countries in the [Doing Business 2019](#) report on business regulations
- Tax and KYC laws are ambiguous
- There is no national ID system
- Dollarization of almost all transactions

Access to talent

- International companies support events, such as Digital Week and coding camps
- Returning expatriates bring ideas, capital, and knowhow to the sector

- Incubators lack funding to provide a full spectrum of services, so offerings are limited to working spaces and very basic BDS; the cost of accessing incubator services is high
- Most providers tend to use off-the-shelf BDS products that are usually created for larger businesses
- Lack of management and financial skills
- Lack of experienced mentors, only a few understand start-up businesses

Collaboration or partnerships

- Corporates have started to look at options to collaborate with FinTechs and have an open tender process
- Local aggregator services ease access for banks to deliver mobile services

- Corporate partner decisions are made outside of the country

Access to finance for FinTech

- Grants and competitions are available for seed funding

- Limited funding available for early-stage start-ups
- Grant mentality
- Lack of collateral and absence of solid financial records
- Investors often require documents in English and are wary of the political and security risks

¹ <https://disrupt-africa.com/2019/12/drc-has-an-image-problem-but-is-a-land-of-opportunity-for-tech-startups/> ² <https://www.finextra.com/pressarticle/73913/mobile-money-driving-financial-inclusion-in-sub-saharan-africa>

Key insights related to financial inclusion

KEY SUCCESS FACTOR

KEY STRENGTHS OR OPPORTUNITIES

KEY WEAKNESSES OR CHALLENGES

Financial inclusion landscape

- Financial inclusion on the rise with 26% financially included
- Specific financial products tailored to women are available
- An ambitious goal by the government to increase financial inclusion to 60% over the next two to three years

- Low incomes
- High credit risk is mainly due to missing business plans and the lack of cash flow history, thereby requiring banks to emphasize assets and liquid guarantees as collateral
- Lack of awareness of services or understanding their value proposition
- Low level of trust of financial institutions
- High reliance on the informal sector
- Due to high cash usage and poor infrastructure, financial institutions must bulk up on cash to meet needs
- Underdeveloped financial sector

Financial capacity

- Remittances can drive the adoption of formal financial services, one-third of the remittance activities occurs intra-regionally among four main regions (Kinshasa, Kongo Central (Bas-Congo), Katanga, and North Kivu)*

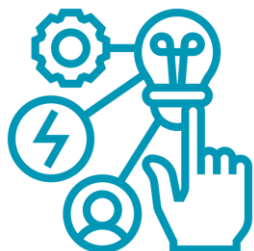
- Working population growing 1.5-2 million annually
- High reliance on informal revenues
- Low consumer confidence due to bank closures in the 1980s and 1990s and recent MFI disclosure (2016)

Digital awareness

- Despite low Internet usage, the DRC has a large population, which translates to 2.4 million active mobile social media users with a 20% annual growth and 5.3 million Internet users**

- 16% of adults use mobile money¹ lack of familiarity and concerns of network failure inhibit uptake
- The DRC scores low on the ranking on readiness–capacity to access the Internet, including skills, cultural acceptance, and supporting policy

Potential opportunities for disruption



- Financial and non-financial services linked to remittances
- Research to better understand client needs to tailor products and services
- Nano credit for emergencies
- Alternative data to address information asymmetries that prevent SME lending
- Healthcare savings linked to discounted services
- Digitize G2P and G2B transactions to promote digital finance knowledge
- Bill payment aggregators with affordable transaction costs to enable digital single payments, either on mobile phones or via agents and through the interfaces of economic groups in rural areas (for example: cooperatives)

* Hootsuite, **Intermedia

Summary of key recommendations

KEY SUCCESS FACTOR	RECOMMENDATIONS	PRIORITY
FinTech landscape	<ul style="list-style-type: none"> Expand activities to other areas outside of the three main cities—Kinshasa, Lubumbashi, and Goma Promote success stories to drive interest in investment and partnerships 	<ul style="list-style-type: none"> Medium Medium
Policy and regulatory environment	<ul style="list-style-type: none"> Create a regulatory fact sheet for FinTechs in simple language Create a regulatory policy for FinTechs and define the conditions and authorizations clearly Address the existing large infrastructure gap, starting with electricity and Internet services Encourage the creation and growth of FinTechs and provide incentives for the first operating year (exemption from taxes and social security contributions) Promote success stories at the national and international levels to help create awareness of local Fintechs Integrate FinTechs into digital strategy as they could increase financial inclusion, job creation and productivity Lead by example and create APIs for the reporting function of financial institutions Develop entrepreneurship curricula, starting at secondary education levels 	<ul style="list-style-type: none"> High High High High High High Low Low
Access to talent	<ul style="list-style-type: none"> Create or support investment funds to introduce incubators activities outside of Kinshasa, Lubumbashi, and Goma Foster positive experience by sharing initiatives and highlighting success stories to help young people discover that FinTechs or start-ups can be a viable career Create spaces for networking and exchange of experiences 	<ul style="list-style-type: none"> High Medium Medium
Collaboration or partnerships	<ul style="list-style-type: none"> Incentivize incubation programs, corporates and multinational experts mentor and coach FinTechs Consolidate resources between government, financial institutions, and MNOs to provide bespoke offerings to reduce the need for new entrepreneurs to work with multiple suppliers (for instance in 2019, Microsoft partnered with First Bank of Nigeria Limited, Vodacom Business Nigeria, and MTN Nigeria to drive the growth of SMEs within the Nigerian context, by providing easy access to productivity tools, capacity building and a platform for SME education) Interoperability Non-exclusive or dedicated agents 	<ul style="list-style-type: none"> Medium Medium Medium Medium
Access to finance	<ul style="list-style-type: none"> Boost investment in local start-ups through tax incentives and promote fundraising campaigns Organize investor events to explain and reassure local and foreign investors Promote private investment opportunities through incentives to establish venture capital firms and business angel networks Encourage partnerships between banks and incubators providing simpler and more flexible financing solutions to the incubated startups 	<ul style="list-style-type: none"> High High High High

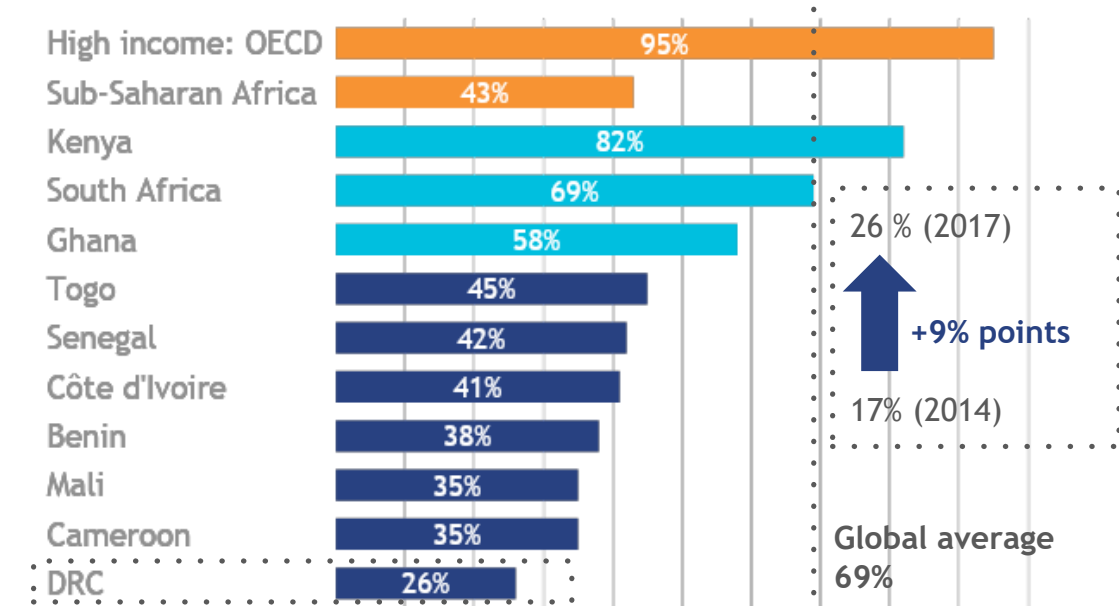
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The current state of financial inclusion in DRC



The DRC: lagging behind on financial inclusion but ongoing adoption of DFS is reassuring

Adults (age 15+) with an account,* 2017

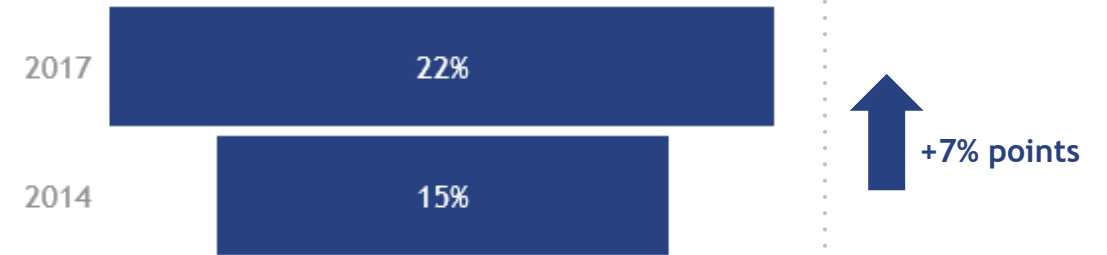


The number of adults with an account in the DRC increased from 4% in 2011 to 17% in 2014 to 26% in 2017. Formal remittances and informal savings drive financial inclusion in the DRC. But, the lack of awareness and low incomes are among the key barriers for the unbanked. Cultural and historical elements also feed into each other creating an obstacle for uptake due to lack of trust in banks. Both banks and agents face liquidity issues due to poor infrastructure.

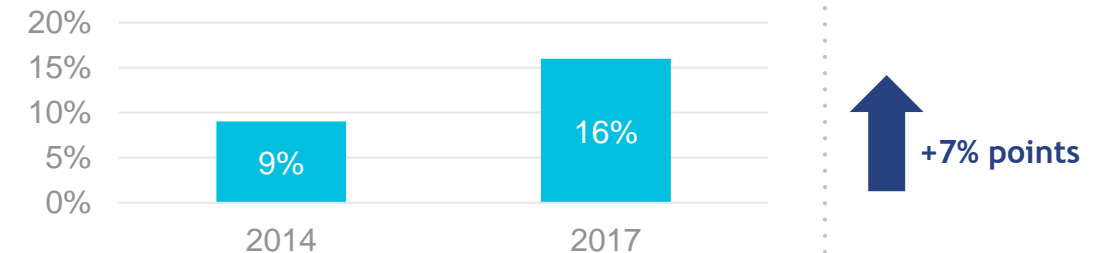
Source: World Bank Global Findex data (2017); The DRC Finscope survey, FinmarkTrust (2014)

* Includes accounts at a bank or another type of financial institution or use of a mobile money service in the past 12 months, **Ethnographic Study on Mobile Money 2017

Payments: 22% of adults (age 15+) made or received digital payments in 2017



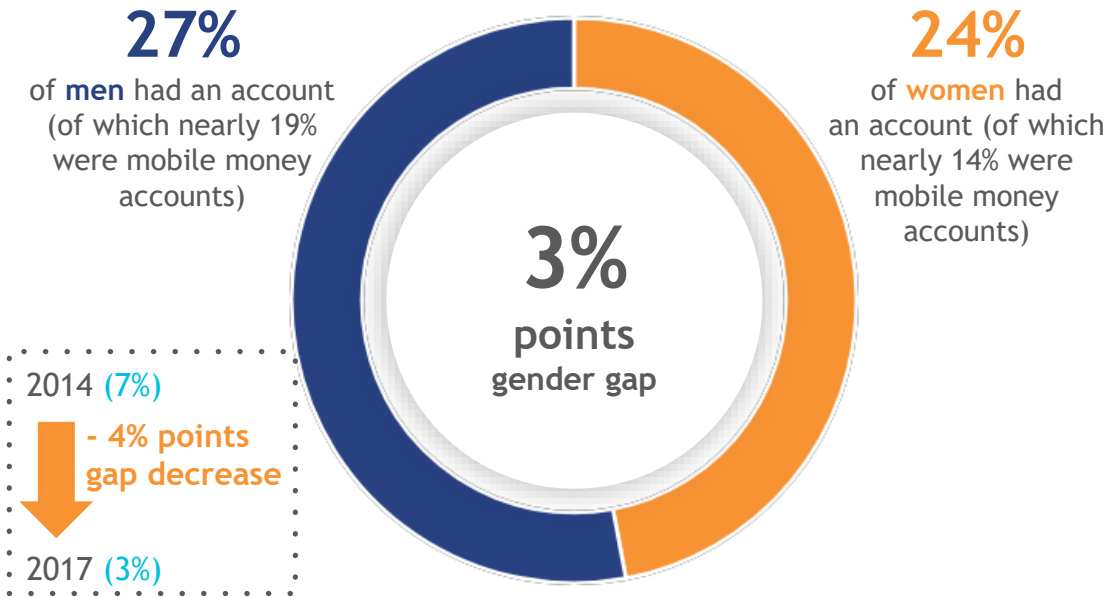
Holders of mobile money account (age +15)



The growth of digital payments keeps pace with the adoption of mobile money. However, mobile use and ownership is low when compared to other countries in SADC. Providers need to focus on relevant use cases for the Congolese market rather than promoting only P2P and remittances.

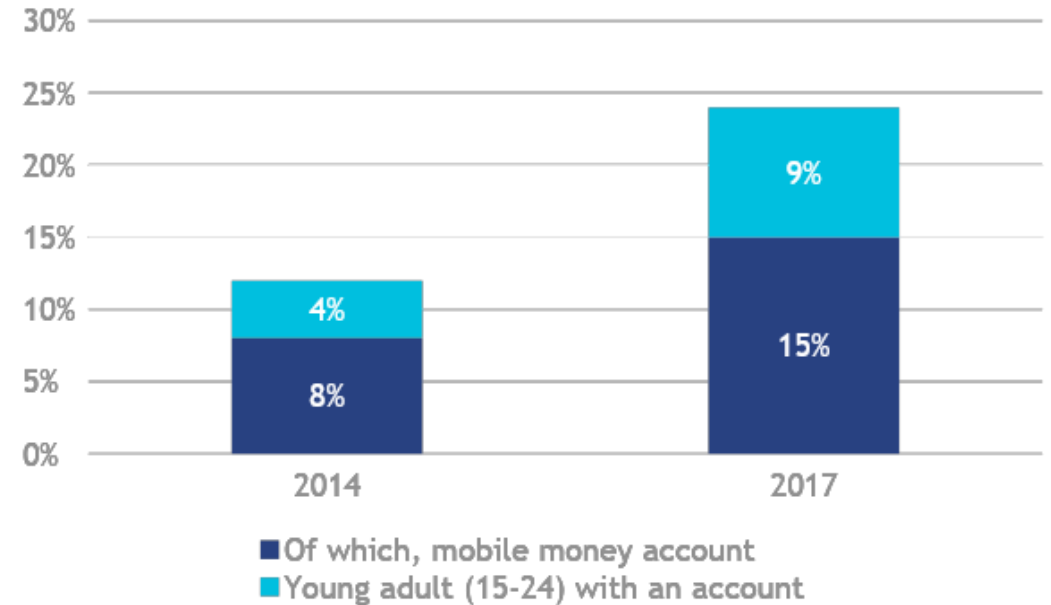
Increasing access to financial services is a challenge for all segments of the population regardless of gender

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



The gender access gap is currently low in the DRC as a result of the many programs that have been designed in recent years to financially integrate women and girls as well as a change in the family law allowing women to open accounts without the consent of their husband. There has been an increase in products and services specifically targeting girls and women.

Change in the percentage of youth (aged 15-24) with an account, 2014-2017



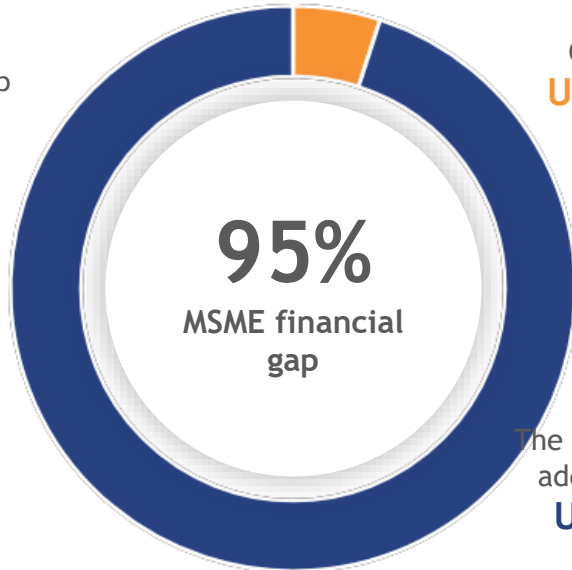
Access for basic financial services, such as savings, remains low for youth, although this trend tends to be reduced by mobile money services. Youth use mobile money as it reduces the need to travel and in their adaptability to use mobile phone “grammar” and the coded ways it is used to communicate.**

Sources: *Global Findex, **[Ethnographic Study on Mobile Money 2017](#)

MSMEs and LMI segments remain largely less targeted

Financial inclusion for MSMEs, based on real and estimated finance needs, 2017

The financing gap for MSMEs in DRC is estimated at **USD 9.3 billion**



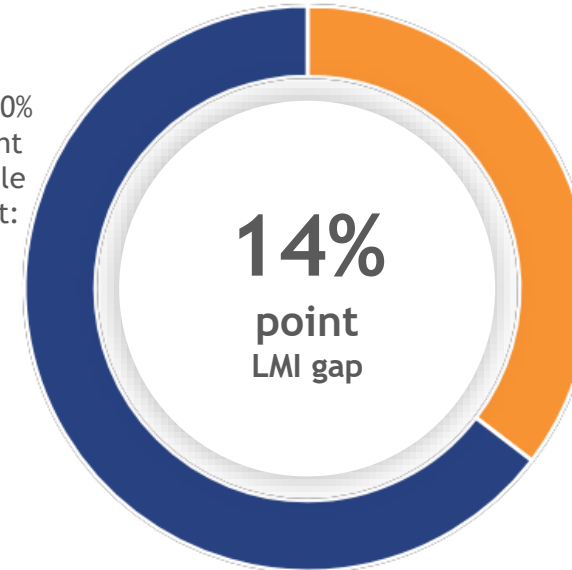
Current supply is **USD 447 million**

The potential demand for additional financing is **USD 9.7 billion**

Access to finance remains a challenge for MSMEs. Over 90 percent of firms are small (1-9 employees), and nearly half of them have been on the market for less than five years. The primary reasons include the lack of experience, banking history, and collateral. Complex procedures and the assumption that credit would not be approved are the most common reasons why firms do not apply for credit in the DRC. Additionally, around 20 percent of formal firms, mostly SMEs, find loan application procedures too complex, especially in the service sector.

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

31%
of the richest 60% have an account (of which mobile money account: 19%)



17%
of the poorest 40% have an account (of which mobile money account: 12%)

+3% point gap increase since 2014

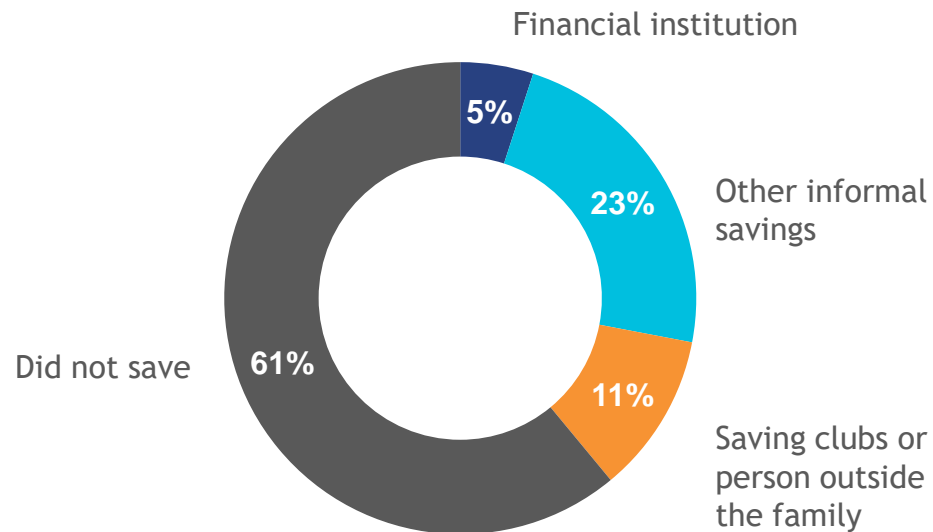
Global LMI gap: 13% (74%-61%)

The majority of the Congolese population is poor, living on less than \$2 a day. Many financial institutions do not offer products and services adapted to this segment or do not have the technical capacity to manage remittances. Regular family support is a main reason for sending remittances.

Sources: Global Findex, Enterprise Financial Gap database (2017), Global Financial Development Database, Enterprise Survey DRC
Note: micro: 1-9 employees, small: 10-49 employees; medium: 50-250 employees

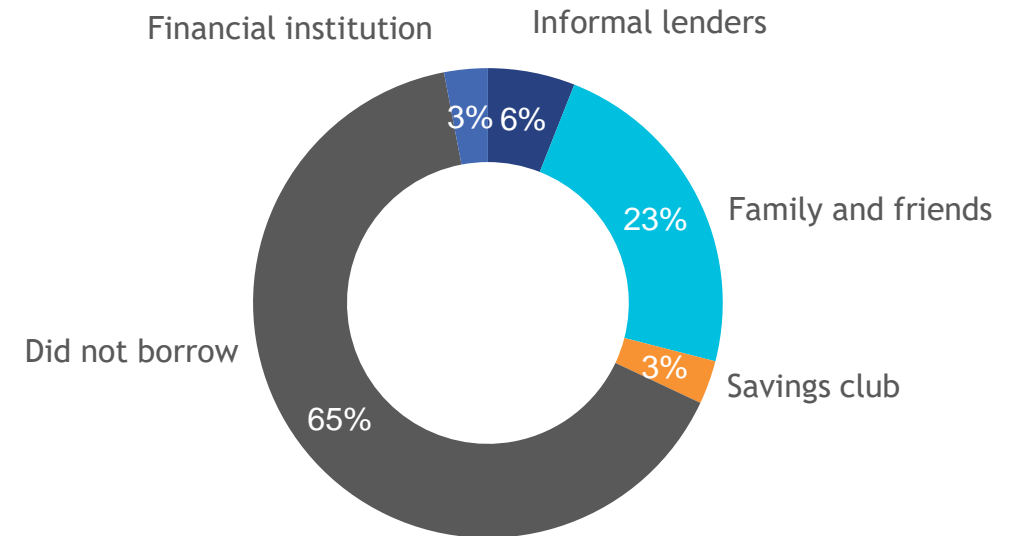
Savings and credit practices: informal tools are still preferred

Savings: 39% saved money in the past year



A lack of disposable income is the biggest limitation on savings. The biggest reason for saving is for planned and unplanned emergency savings. Informal savings (in gold, or items of great value) is the greatest medium for savings. There are about 10 bank branches and ATMs per million people in DRC.

Credit: 35% borrowed in the past year



Congolese have a large fear factor of taking out loans and entrepreneurs fear business secrets will be relayed to competitors due to lack of professionalism by banks. Medical spending, food, and developmental reasons feature among the drivers of borrowing. The population still prefers to borrow from loan sharks or family members. In emergencies, people resort to local loan sharks with daily interest rates of more than 20%.



Democratic Republic of the Congo

Key constraints to financial inclusion and potential opportunity for digital disruption



Innovative approaches will drive financial inclusion

Current state

Traditional branch-based banking is not feasible for most of the 81 million residents in the DRC, while other channels remain scarce. However, people still need basic financial services. Even a small savings account can help a family cope with setbacks, which are all too common. Without that safety net, life can devolve into a daily financial scramble.

- 9 out of 10 people in the DRC rely on the informal economy. They, therefore, have to rely on their own savings as a source of working capital and business investments.
- Low financial literacy drives low financial inclusion; financial education is integral to the uptake of FinTech solutions.
- SMEs often have short-term financing needs that could be addressed with alternative lending products linked to invoice financing or remittance transactions.

Touch-tech approach

For example, FINCA, an MFI, is shifting to a “touch-tech” service delivery model that combines FinTech innovation with a human-centered approach to delivering impactful financial services.

New and reliable sources of data are needed; FinTechs can help address information asymmetries that prevent SME lending, including poor financial records that stem from cash-based business models.





Limited access to the Internet requires solutions that use USSD to reach remote populations, as well as the use of “trusted intermediaries” to act as agents to onboard clients from financially underserved communities. FinTechs can play the role of aggregators to scale the services.

Through FinTech innovations, financial institutions can bring banking closer to where people live and work, and offering them more customized options.

FinTechs solutions could increase financial inclusion if they are tailored to specific segments





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

Savings

Segments	Percentage
Women 	40%
Rural 	39%
Youth 	35%
MSME 	unavailable





Most people save to either start, operate, or expand a farm or business and for education. This data also includes the share of savings in savings clubs because people are accustomed to savings clubs and only a handful save at a formal financial institution.

Credit

Segments	Percentage
Women 	31%
Rural 	33%
Youth 	33%
MSME 	8%

The majority of the population in the DRC borrows for healthcare reasons, to start an activity or business, or to fund primary studies. A large proportion of loans are informal between family or friends. Only a handful borrow from formal financial institutions. Access to finance is a major barrier for 64% of MSMEs with 54% using non-financial banks.**

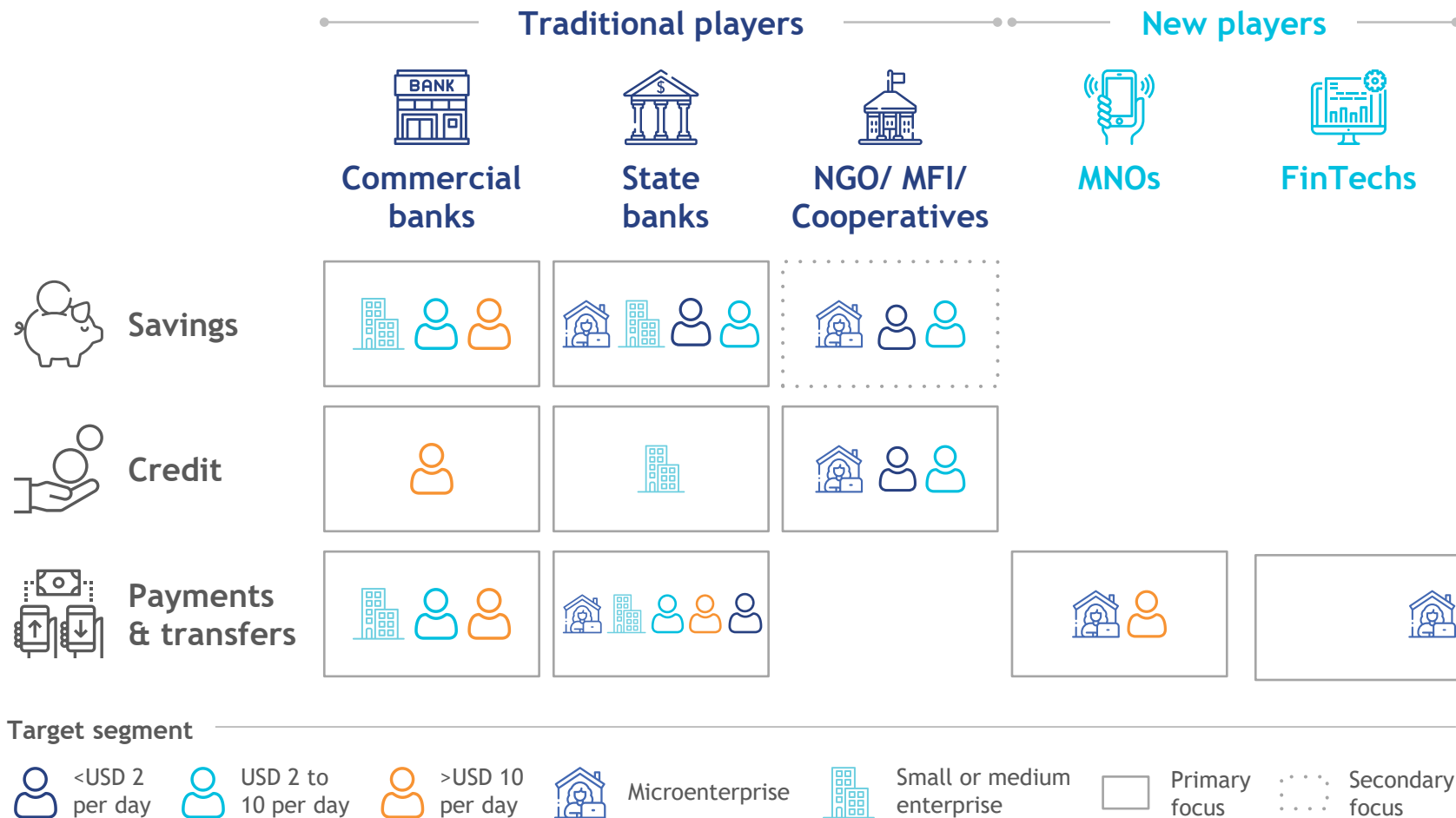
Payments and transfers

Segments	Percentage
Women 	19%
Rural 	17%
Youth 	20%
MSME 	unavailable

In terms of targeting remittance corridors, one-third of the remittance activity (sending and receiving) occurs intra-regionally. Most people in this segment receive remittances through mobile funds, financial institutions, or through a person in cash. Most payments are received in cash as the population has not yet fully embraced digital payments.

Source: *Global Findex database, 2017, ** IFC Enterprise Finance Gap, 2018

Digital financial products and services need to shift to second generation solutions tailored to local needs



Source: MicroSave's analysis



[Trust Merchant Bank](#) has a mobile banking service using NSDT technology. It also offers an agent network and regional remittance services.

[Equity Bank](#), well known in the MSME segment, has an agent network "Cash Express."

[Rawbank](#) offers a mobile banking service with an e-wallet and an agent network.

[Finca](#) and Vodacom launched Finca Mobile, a tool that allows for account management, as well as access to certain basic services from mobile phones.

[Vodacom](#) expanded partnerships with Equity Bank to facilitate the withdrawal from the M-PESA account at Equity ATMs with a product called M-PESA "solola na mur".

Finca and M-PESA launched "lona o defa," a nano-credit product.

[Bcecolans](#) is a digital MFI that offers credit services, agricultural insurance, savings, and foreign exchange services.



Democratic Republic of the Congo

The FinTech ecosystem



Spotlight on an incubator

[Orheol](#) is an incubator founded in 2016 by 10 young entrepreneurs and professionals living in several cities in the DRC and around the world. They joined forces to bring and support an entrepreneurial culture in their hometown and later throughout the country. The main office is in South-Kivu in the east of the DRC.

With its strategy of limiting the trial and error of young entrepreneurs, Orheol mixes local entrepreneurial and academic coaches to manage the incubatees. It offers entrepreneurial training, connection cafés, and mentoring.

Orheol is aware of how difficult for entrepreneurs to access credit, as the incubator itself was created with funds from a group of friends. Thus, in partnership with SMICO (Société de Microfinance du Congo), Orheol incubatees have easy access to credit. Young entrepreneurs who stand out during the incubation period can benefit from a credit of between \$500 and \$20,000 with favorable conditions, as they do not require the restrictive guarantees that often block beginners.

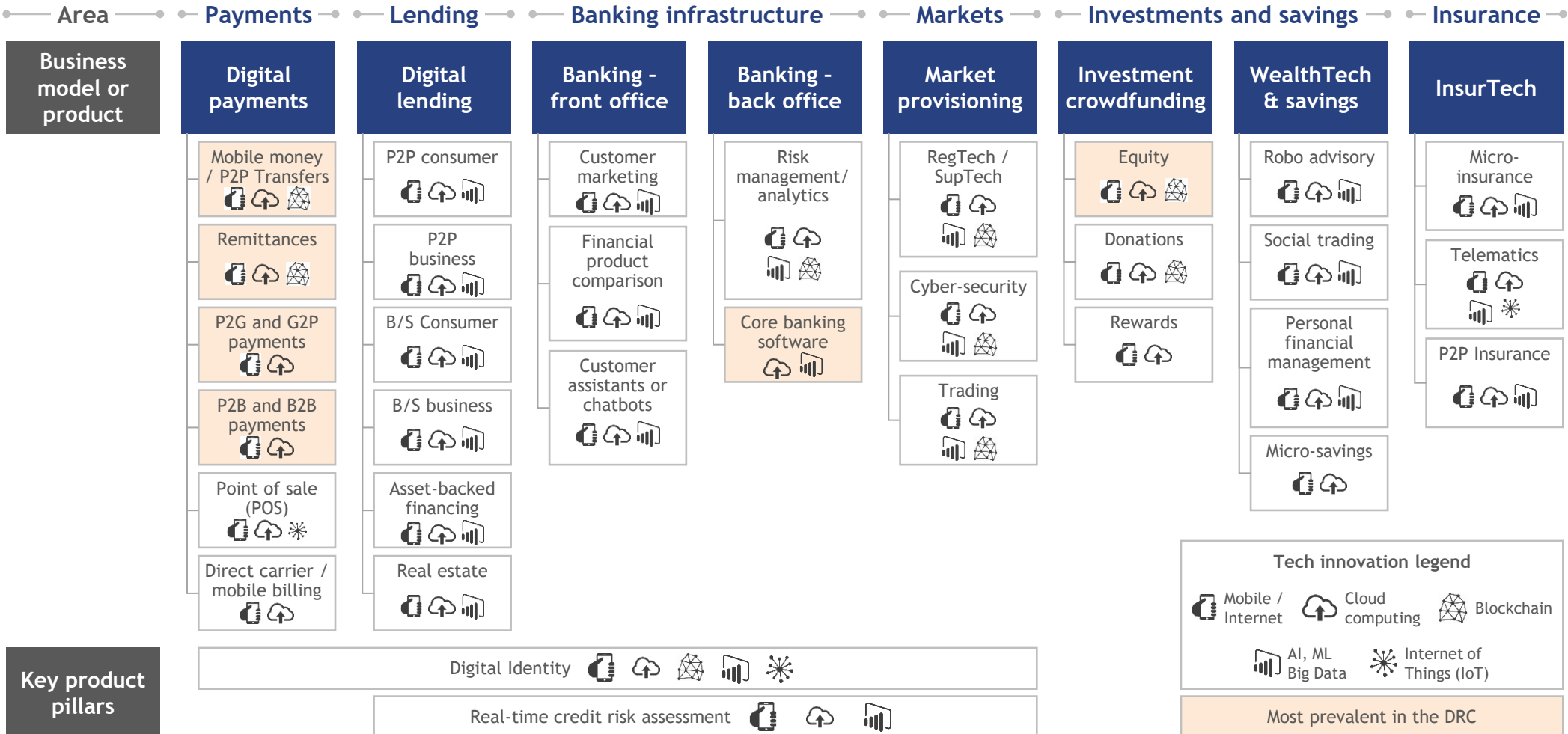
Due to the vagueness that reigns in the regulation and taxation of FinTechs and start-ups, Orheol also helps youth and female entrepreneurs. For the first 2 years they operate under the cover of the incubator, pairing them with large institutions.

Orheol is determined to become the flagship of Congolese inventiveness, coaching young people that propose technical, practical and digital solutions to the recurring social problems experienced in their communities.



FinTechs in the DRC

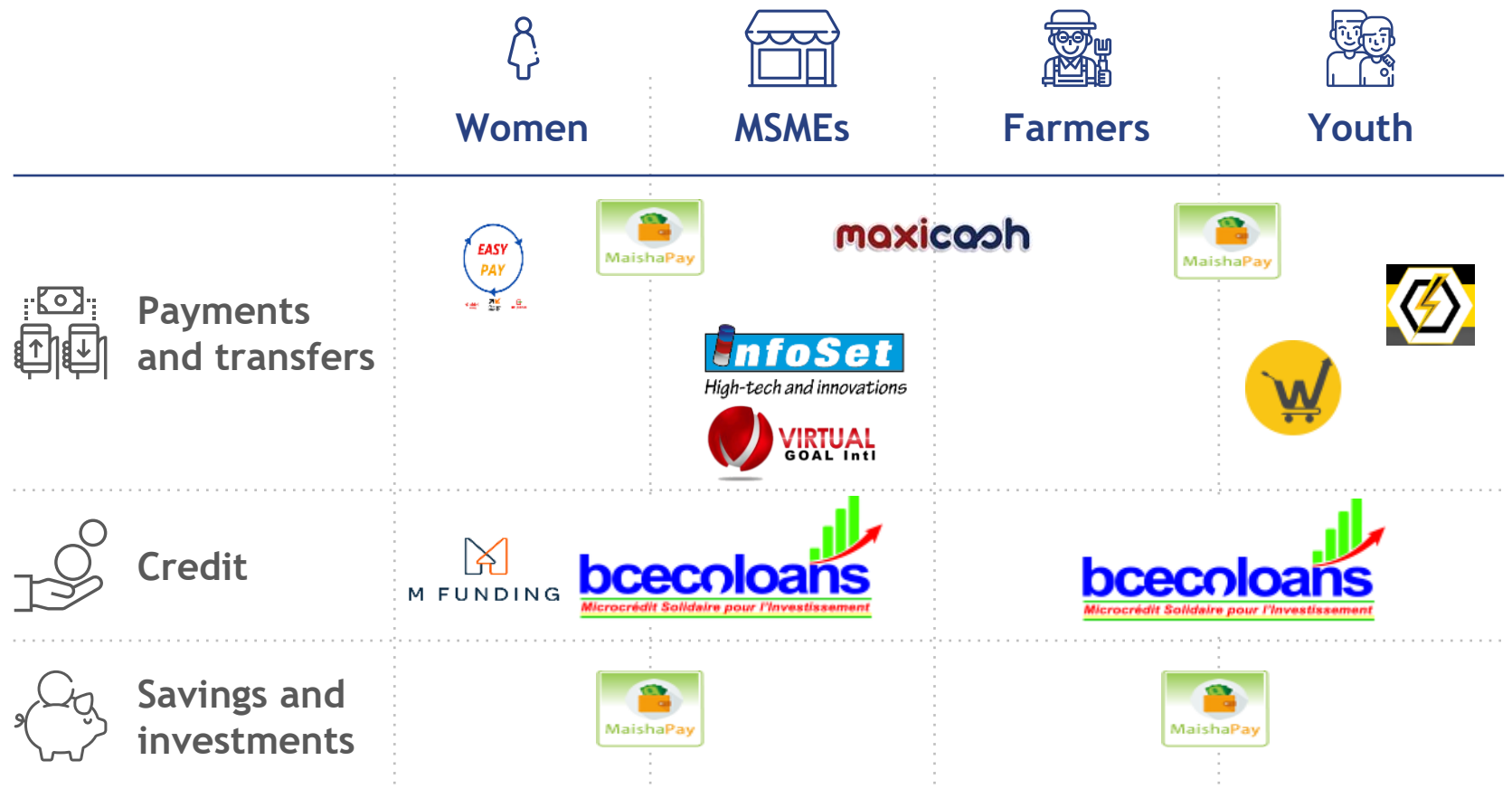
FinTech ecosystem is nascent and the planned regulatory sandbox in 2020 will boost financial innovations in the coming years



List of FinTechs:

- [bcecoloans](#)
- [Cfc Flash App](#)
- [Easy Pay](#)
- [Egov](#)
- [Infoset](#)
- [Maishapay](#)
- [Maxicash](#)
- [Mfunding](#)
- [Odiplay](#)
- [Virtual Goal Intl](#)
- [Wooddapp](#)
- [x2osoft](#)

Congolese inclusive FinTechs target different market segments, however the agricultural sector remains largely untapped



CFC with its Flash app offers access to electronic payments and ticketing for low-income consumers

Maxicash is a financial support ecosystem built around smart remittances and electronic payments. It offers a prepaid card for women who are engaged in business with China

Virtual Goal International is a digital infrastructure provider for universities, hospitals, schools, restaurants, etc.

Infoset with its SmartSchool product offers a payment gateway for school fees

M-Funding helps social impact entrepreneurs in Africa access investments through crowdfunding

EasyPay is a mobile application and platform that allows clients to pay for online purchases without a credit card and send money from one mobile operator to another

Created in 2016 with an initial capital of USD 300, [MaxiCash](#) allows the diaspora to send money via a mobile app. Merchants can collect payments in their MaxiCash account using multiple payment channels, such as credit cards, Visa, MasterCard, MaxiCash, PayPal, mobile money, and mobile banking. It allows members of the diaspora to reload money through a remote MaxiCash Visa card. Entrepreneurs can use the solution to transfer all payments received from their account to their MaxiCash Visa cards, which can be easily withdrawn without going to a bank. Current partners include: Equity Bank, United Bank of Africa (UBA) and the DRC PayGate.



Context of solution

A financial aid ecosystem built around smart payment and e-payments for the African market and its diaspora to support their families and improve people's lives. It extends its service by offering a payment solution for untapped markets, enabling consumers to receive or make payments electronically via its virtual wallet.

How can the plethora of payment methods be centralized into one easy to use solution?

How it works ?	Opportunity	Business Model	Impact
<p>Enrollment</p> <ul style="list-style-type: none"> Download the app on Google Play, Apple Store E-mail address, phone number <p>Collection</p> <ul style="list-style-type: none"> Dedicated agents ATM (MaxiCash Visa cards, GetCash System) Many partners (MNOs & Banks) 	<p>Financial Services</p> <p>MaxiCash API, P2P transactions (CICO, Mobile Payment, Money Transfer, and savings accounts), and P2B Gateway</p> <p>Target Clients</p> <p>Merchants, start-ups, businesses, individuals, students, diaspora, and entrepreneurs</p>	<p>On-boarding: free of charge</p> <p><u>Top-up (in USD):</u> Credit card 4.5%, mobile payments and retail shop 2.5%, bank payment 1.5%</p> <p><u>For withdrawals(in USD):</u> MaxiCash card 1%, get cash 1%, bank payment 1% (Withdrawal fees are between \$ 2- 10)</p> <p><u>Transfers:</u> MaxiCash user to local: 0%, international 2.5%, bank account to local 1%, international 4.5%, e-wallet or ATM to local 1%, international 4.5%, NGO or church to local 0%, international 0%</p>	<ul style="list-style-type: none"> Customized responses to business needs for online or e-payment Easiest, fastest and most affordable way Congolese students in South Africa can receive money easily from their families in the DRC Increase the use of digital payments via mobile money

Case of MaishaPay



[MaishaPay](#) was launched in October, 2017 with initial capital of USD 20,000, initially offering only payment and transfer solutions domestically and internationally. MaishaPay is an electronic wallet offered to everyone with withdrawals, deposits, mobile payments, money transfers, current and savings accounts. MaishaPay develops merchant websites with a free API and has an agent network (cash points) where customers make deposits and withdrawal transactions. Tailored to the African environment, clients can make transactions in the local currency (Congolese francs) as well as 7 other currencies including dollars and euros.



Context of solution

Originally designed for the Congolese market, the model has evolved based on the transaction needs of the Congolese and African diaspora for multiple currencies. The system is built on blockchain allowing costs to remain low while security remains high. The service runs on smartphones and GSM phones (SMS and USSD) to enable reach into rural areas only covered by 2G.

How to facilitate affordable money transfers between students living abroad to their families or rural Congolese?

How it works ?	Opportunity	Business Model	Impact
<p>Enrollment</p> <ul style="list-style-type: none"> Download the app on Google Play, Amazon Store or on site Subscribe with the national ID number <p>Collection</p> <ul style="list-style-type: none"> Dedicated agents ATM (MaishaPay Visa cards) Banking and telecom partners 	<p>Financial Services</p> <p>P2P and P2B transactions (CICO, Mobile Payment, Money Transfer, and savings accounts)</p> <p>Target Clients</p> <p>Farmers, Ranchers, Herders, market women and Congolese students in diaspora</p>	<p>On-boarding: free of charge</p> <p><u>P2P transfers (in USD):</u></p> <ul style="list-style-type: none"> From 1-1,000: Free Beyond 1,000: USD 5 fee <p><u>For merchant payments:</u></p> <ul style="list-style-type: none"> MaishaPay earns 80% commission and 20% returns to merchants. <p><u>For withdrawals(in USD):</u></p> <ul style="list-style-type: none"> From 1-100: USD 1 fee. 100 to 1,000: USD 5 fee <p><u>For refill and withdrawals with cards</u></p> <ul style="list-style-type: none"> Customers pay USD 2 	<ul style="list-style-type: none"> More than 5000 active MaishaPay accounts Shopping possible in more than 34 e-commerce connected Parents can transfer funds to their children's accounts abroad



Democratic Republic of the Congo

The supporting ecosystem

MSC 

Experienced managerial talent is needed to complement technical talent

Internal barriers description

Impact on viability



Skills

- Local start-ups lack business experience because education among the population is poor quality and the curriculum does not include teaching skills in entrepreneurship.

“FinTechs need to be trained to understand how to run a business” - An MNO Manager



Capital

- Facing a lack of risk capital, entrepreneurs are looking to a combination of grants and investments to seed, derisk, and scale up their startups. They also need equipment to develop or deploy their applications.

“All our funding comes from love-money [friends and family] and personal savings” - A FinTech CEO

“We are struggling to find capital, banks request collateral, business angels are not developed in central Africa and VCs are for advanced start-ups.” - FinTech CEO



Talent management

- The supporting ecosystem is weak, while acceleration and incubation programs are lacking. The educational system is not designed to prepare entrepreneurs or equip them with the skills needed to manage startup businesses.

“Many candidates come with ideas that go in all directions. It takes a lot of time to train them so that by the end of the program they have sufficient knowledge of project management.” - An Incubation Manager



Collaboration

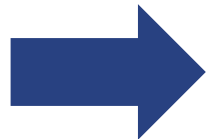
- The value proposition of FinTechs is weak as they propose solutions that are not in line with consumers' needs. For instance, FinTech solutions may not always be appropriate for SMEs, which may require more simple solutions unrelated to technology.

- “We met FinTechs that surely had creativity but their solutions don't reflect the market constraints” -*



FinTechs founders are pushing the regulator because the environment is unclear and too demanding

Barriers perceived by FinTechs



Comprehensive regulation and protection for start-ups are lacking
Fintech regulation remains unclear: Should they be regulated according to MNOs or financial institutions?

The internal management of Fintechs in BCC (Banque Centrale du Congo) is cumbersome and demanding:

- If FinTechs want to operate in payments or financial transactions, they need a BCC agreement or no-objection, even if they are in partnership with a bank
- They are managed by the Payment Systems Department for technical agreements
- For financial governance, they are managed by the Department of Supervisory and Financial Intermediation

Public-Private initiatives

Many private organizations undertake activities to bring Fintechs together for harmonization with the regulator:

- Kinshasa Digital Week
- Kinshasa Start-up Summit
- Hackthon Ebola
- Africa Fintech Forum in partnership with Kin Start-up Academy
- Various e-commerce and Fintech salons

Central Bank of Congo

February 2019: BCC in partnership with FSD Africa and Elan RDC (both financed by Ukaid), launched its first regulatory sandbox framework for FinTechs.

This challenge has 2 components:

- Financial Innovation for social and economic development
- Financial Innovation for solidarity

“The laws are rigid, if the BCC could understand what FinTech and telcos can offer they could change them.”
- An MNO representative

“The regulations are favorable for the services I am offering to the public.”
- A FinTech CEO

Do the regulations enable innovations in DRC?

“We are looking forward to positive changes with the appointment of the Digital Advisor which will wake up the sector.”
- A FinTech CEO

“The regulations are conducive especially with the requirements for identification to receive services.”
- A FinTech CEO

DFS regulation has evolved in the recent past, but a national strategy for financial inclusion is still absent



Progress to date

Digital financial inclusion

- **Financial inclusion:** The Cenfri roadmap 2016-2020 shows awareness, commitment, and determination from decision-makers to set up an inclusive and stable sector of financial services.
- **Digital identification:** Biometric authentication is allowed exclusively for remote transactions in financial institutions. The biometric identification campaign for all Congolese citizens, which will launch in 2020 and will endow the country with a digital register.
- **Consumer protection:** A law for free basic financial services has been adopted that includes CI/CO transactions at bank channels.
- **Cybersecurity:** The DRC recently joined the GABAC (Action Group to prevent Money Laundering in Central Africa), which formulated recommendations on anti-money laundering and cyber-criminality measures.



Limits for digital financial inclusion

- A national strategy to coordinate efforts with stakeholders to reach a large section of the population is absent.
- Sources of biometric identity at the national level are absent. For the moment, the country accepts the presentation of various non-standardized identity documents. The national digital plan in the DRC will remain a challenge until the biometric identification of populations becomes operational.
- The country ranks 174/175 on the Global cybersecurity index, which means that an effective management system and capacity building of stakeholders needs to be implemented urgently.
- GSMA research notes that financial inclusion could increase if there is a reform of mobile sector taxation. By doing so it could help increase access to mobile data and broadband, particularly among lower income rural communities, as more than 70 per cent of new subscribers come from low-income groups in all scenarios.

DFS regulation has evolved, but is not mature and specific enough for FinTechs to easily do business



Progress to date

Digital financial inclusion

- **Infrastructure:** The President had launched and validated the National Digital Plan-Horizon 2025 in September, 2019. A Counselor has been designated on Digitalization to foster the submission of laws on technological innovations.
- **Competition:** At the time of writing, ARTP had issued an agreement for VAS and the BCC issued an electronic money license for non-financial institutions.
- **Interoperability:** A private switch has been in the market since December 2015, which allows the development of "bank-to-portfolio" services. A national switch project managed by the BCC is in progress.



Limits for digital financial inclusion

- An excise tax of 10% applied on the Internet by consumers since March 2018 may slow down the national digital plan project.
- The competitive dynamics favor MNOs, while other types of FinTechs have difficulties accessing and using reliable USSD and API channels equitably.
- The multipay network is only operational for four banks. Only the national switch project launched by the Central Bank will ensure interoperability between all types of providers.

Regulations related to credit and savings remain strict, while specific policies dedicated to the development of such services is absent



Products

Progress to date

Limits for DFS development

Payments and transfers

- Instruction 29 (2016) authorizes MFIs and banks to create agent networks.
- E-money issuers can also execute an agreement to create an agent network.

- Until interoperability is effective and the regulations clarify how FinTech could be integrated, FinTechs need to contract with each provider or use an aggregator.

Savings and Lending

- Only banks, MFIs, and credit unions are allowed to grant credit.

- In addition to the banks, MFIs and credit unions that are allowed to collect savings, Level 2 MFIs that have a minimum capital of USD 50,000 require an agreement with the Central Bank to collect public savings.
- The license to issue electronic money prevents MNOs and FinTechs from issuing a credit and savings account, except for products given out by a bank or MFI that can be used to issue e-money.

Perspectives on partnerships

What do stakeholders say?



Partnerships with financial institutions are essential for FinTechs to offer basic first-generation products enabling them to reach a large part of the population

DFS market player	What are the benefits for FinTechs to build partnerships with this market player ?	What are the challenges faced when building a partnership with this market player ?	Partnership approach
Banks	<ul style="list-style-type: none"> • Being able to offer first-generation products • Using banks' client base 	<ul style="list-style-type: none"> • Banks are large players with a slow, centralized decision-making process, making it difficult for FinTechs to link with them locally • Banks are increasingly developing their own digital solutions on a call-for-tender basis and few work with local FinTechs 	<ul style="list-style-type: none"> • Banks collaborate with local FinTechs as e-money issuers for FinTechs <ul style="list-style-type: none"> - UBA works with a few FinTechs, such as CFC and its application Flash POS on which they co-create to develop innovative solutions, as well as with MaishaPay - Maxicash currently works with local banks
MFIs	<ul style="list-style-type: none"> • Being able to offer first-generation products • Using MFIs' client database for client-centered products 	<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"> • Collaborations between MFIs and local FinTechs are far and few <ul style="list-style-type: none"> - CFC and Baobab in negotiations to sign a partnership agreement for Baobab agents to use the Flash POS platform

At this time, FinTechs that work with MNOs mostly work as distributors of MNO services

DFS market player	What are the benefits for FinTechs to build partnerships with this market player ?	What are the challenges faced when building a partnership with this market player ?	Partnership approach
MNOs	<ul style="list-style-type: none">• FinTechs work as sub-agents of MNOs. FinTechs are able to propose the services of MNOs to their own clients and use the MNO's client base• FinTechs can gain access to USSD code	<ul style="list-style-type: none">• Some MNOs, such as Airtel, are reluctant to work with young start-ups due to an internal policy at the Africa-level that specifically restricts the promotion of innovation• Partnering with Orange Money requires approval from the headquarters, which makes the process cumbersome• In contrast, Vodacom seems to be open to collaboration with young start-ups• It is necessary to explain what value the FinTech can bring to the MNO's bottom line	<ul style="list-style-type: none">• FinTechs that partner with MNOs work mostly as distributors of MNO services.<ul style="list-style-type: none">- CFC operates on a B2B business model and proposes services of most MNOs. In the near future, it could engage in a B2C model once it settles the project of operating as sub-agents of MNOs- Flash app and OdiPAY are working with MNOs to offer their services to their clients- Airtel works with Maxicash and Itransact on an aggregation project as well as on international transfers

The DFS+ market offers opportunities for the development of FinTechs

DFS market player	What are the benefits for FinTechs to build partnerships with this market player ?	What are the challenges faced when building a partnership with this market player ?	Partnership Approach
Institutions	<ul style="list-style-type: none"> National and local governments need to increase the mobilization of domestic revenues by securing and formalizing tax collection Developing solutions for individuals and their family 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 already has a partnership with an MNO to promote mobile money-based payment of public schools' fees* 	<ul style="list-style-type: none"> Infoset (Payschool) partners with the Ministry of Education to collect exam tuition fees nationally
Utility providers	<ul style="list-style-type: none"> Utility public and private providers of goods and services, such as energy, water, public transport, real estate, petrol stations, insurance, e-commerce, and pharmacies, operate large volumes of transactions Scope to capture 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 	<ul style="list-style-type: none"> CFC partners with Canal+ and StarTime for TV program payments
Economic interfaces	<ul style="list-style-type: none"> Build on the determination of economic organizations in the informal economy, especially for small activities such as cooperatives, trade unions, migrant organizations Access to an aggregate of informal and low-income workers 	<ul style="list-style-type: none"> Despite the presence of key aggregators, most platforms are not sizeable enough to develop profitable single solutions with them, which requires FinTechs to concurrently partner with multiple actors 	<ul style="list-style-type: none"> N/A

The DRC National Digital Plan: 2019-2025



Objectives

- The establishment and modernization of infrastructure
- The extension of MNOs coverage and digital access
- Securing channels and access to digital content
- The digital transformation of administrations and companies
- The operation of financial technology platforms
- The improvement of human capital
- Production, promotion, hosting and backup; and national content
- The monitoring and appropriation of the technological progress of the Digital Age
- The promotion of the Digital Plan by public policies

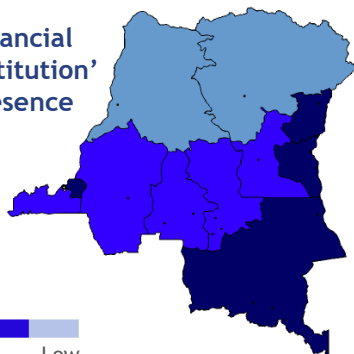
Context and Concept idea

- The elaboration of this plan reflects the nation's will to rise to the level of modern and prosperous states. This desire has been expressed many times by the Congolese people at both national and international meetings.
- Reduce costs and lead times with the added guarantee of maximum transparency.

Vision

- Making the Congolese Digital Agenda a lever for integration, good governance, economic growth and social progress

Financial Institution' presence



High Low

Four strategic pillars have been identified

Infrastructures

- Broadband infrastructure
- Secure data centers
- Incentives for access to the connected revolution

Applicative usages

- Digital culture
- e-Administration
- Securing uses

Data

- Local digital industry
- Human capital and leadership
- Mega-data (Big Data, Open Data)

Governance-Regulation

- Legal framework
- Inter-regulation
- Cybersecurity

Overview of recent events

- Kinshasa Digital Week: participation of transmission media providers (satellites, optical fiber, radio frequencies), developers, application integrators, Internet service providers, OTTs, startups, incubators, Congolese experts, the Congolese diaspora, call centers and many other actors
- Salon Osiane: meetings with several authorities involved in digital technology in Africa
- Salon Vivatech: participation-countries of the DRC with its startups, coupled with Afrobytes and Congo Business Network Paris events
- ID4Africa: with producers of tech-solutions for the security and integration of centralized databases for biometric identification

MSC is recognized as the world's local expert in economic, social and financial inclusion



International financial, social & economic inclusion consulting firm with **20+** years of experience



180+ staff in **11** offices around the world



Projects in **~65** developing countries

Our impact so far

550+
clients

>850
publications

Assisted development of digital G2P services used by **875 million+** people

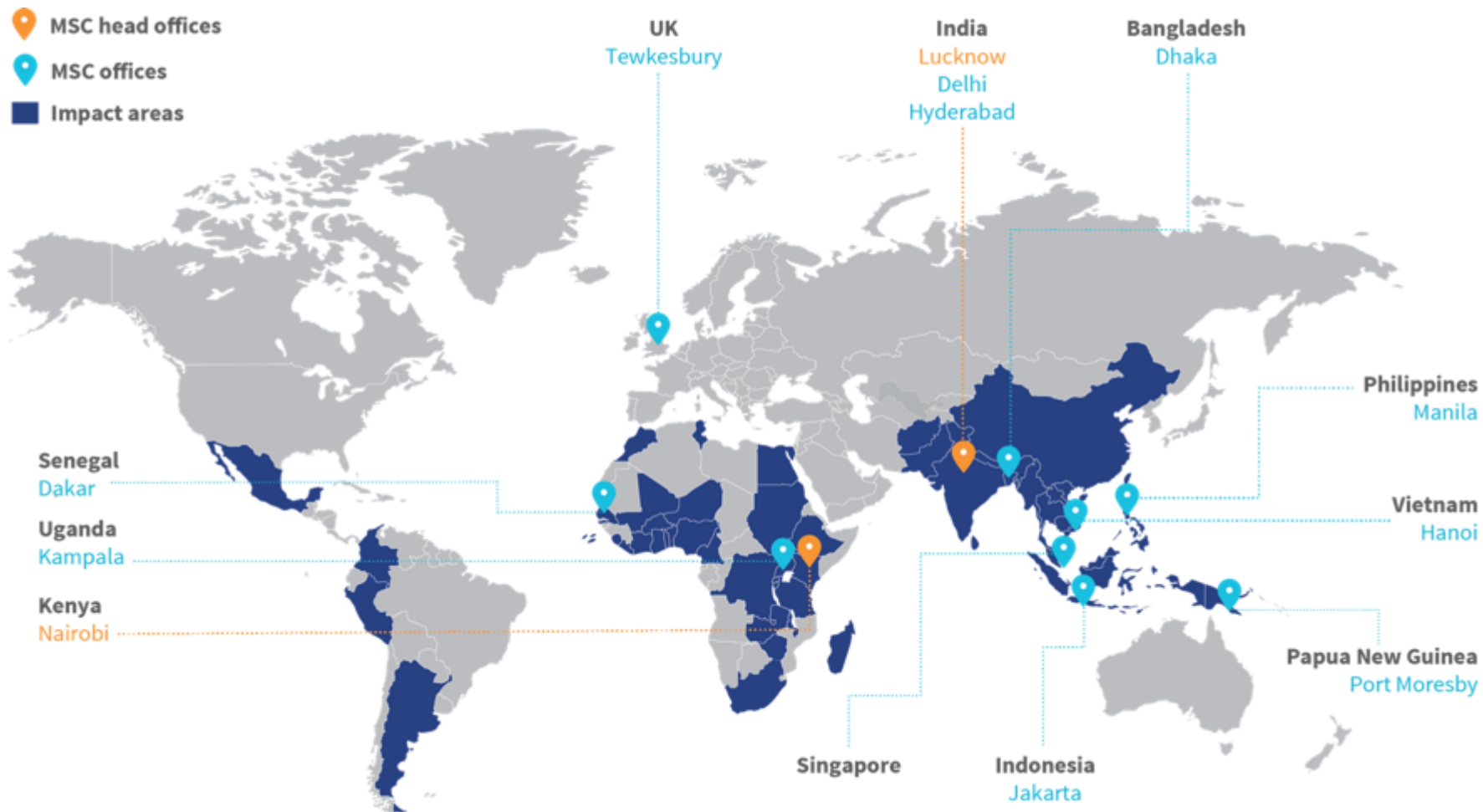
Implemented **>850 DFS projects**

Developed **275+ FI products** and channels now used by **55 million+** people

Trained 9,000+ leading FI specialists globally

Some of our partners and clients





[MSC corporate brochure](#) | Contact us at info@microsave.net

Asia head office

28/35, Ground Floor, Princeton Business Park,
16 Ashok Marg, Lucknow, Uttar Pradesh, India 226001
Tel: +91-522-228-8783 | Fax: +91-522-406-3773 | Email: manoj@microsave.net

Africa head office

Shelter Afrique House, Mamlaka Road,
P.O. Box 76436, Yaya 00508, Nairobi, Kenya
Tel: +25-420-272-4801 | Fax: +25-420-272-0133 | Email: anup@microsave.net

