Regulations Drive Success of Digital Finance in Côte d'Ivoire

"In 2006, a year before the rise of M-Pesa in Kenya, the Central Bank of West African States (BCEAO) released its *Guidelines for Electronic Money Issuers*, which allowed both banks and non-banks to issue e-money and establish agent networks. Within just two years, Orange Money would become the first player in Cote d'Ivoire to introduce a mobile money service followed two months later by MTN and by Moov in 2013. Following a political crisis in 2010 and 2011, during which many Ivorians turned to the security of mobile money to send money to friends and family cut off by violence and instability; hopes were high that Côte d'Ivoire would rapidly emerge as a leading market for DFS in Sub-Saharan Africa." (CGAP, 2019).

"However, the inadequacies of the 2006 regulations quickly became apparent. Despite permitting MNOs and other non-banks to become e-money issuers, the regulations lacked clarity on several important aspects, such as the compliance obligations for non-banks and the respective roles and responsibilities of e-money issuers and distributors." These regulations "left MNOs at the mercy of bank partners, which served as intermediaries between the MNOs and BCEAO and whose approval was required to recruit new agents or introduce new products and services." (CGAP, 2019).

"After engaging with industry players and observing regulators' approaches in markets like Kenya and the Philippines, BCEAO recognized the need to provide greater regulatory certainty and decided to take action. In 2015, the central bank issued new regulations that clarified the position of non-banks and encouraged them to abandon partnerships with banks and begin issuing e-money themselves through subsidiaries under BCEAO supervision." (CGAP, 2019).

Quick facts

Barriers addressed

Cost
Non-transparent fee structures / hidden costs >

Information Availability & Capability
Financial literacy >
Digital literacy >

Consumer Protection
Difficulty resolving complaints >
Potential (or actual) privacy violations >

Segment focus

1 2 3 4

Customer Journey Relevance

Geography

Côte d'Ivoire

Key stakeholders involved

Central Bank of West African States (BCEAO)
Service providers

Sources

CGAP, 2019; IFC, 2021; CGAP, 2018.

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Key activities

The 2015 regulations introduced "the ability of non-banks to recruit and manage their own agent networks and launch their own products, measures to ensure price transparency, customer recourse mechanisms, and personal data protection... The new regulations also clarified rules around the non-exclusivity of agents, promoting competition and allowing providers to take advantage of the existing agents network built by others to establish their own presence in previously underserved areas." (CGAP, 2019).

Outcomes/results

The independent management of agent networks, price transparency, and customer recourse mechanisms allowed the private sector to expand their agent network from fewer than 20,000 agents in 2014 to nearly 100,000 by 2018.

"Orange quickly launched an e-money subsidiary and received a license from BCEAO in February 2016 followed shortly thereafter by MTN. The autonomy, flexibility and agility that full ownership of mobile money services bestowed on the MNOs—particularly the ability to directly manage their agent networks and obtain new revenue from interest earned on customer float held at banks—had an almost immediate impact on investment. For instance, annual growth in Orange Money's agent network, which stood at just 37% in 2014, skyrocketed to 70% in 2015 and continued to accelerate through 2018." (CGAP, 2019).

"By 2018, with more and more Ivorians adopting and using mobile money, the volume and value of mobile money transactions had grown dramatically," as well as the number of registered and active mobile money users (CGAP, 2019).

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Key enabling environmental factors for the intervention

BCEAO adopted an enabling regulatory approach with basic regulatory enablers, including agent networks/use of agents, price transparency, and customer recourse mechanisms.

Key design elements that led to successful outcomes

Aside from implementing basic regulatory enablers previously discussed, BCEAO engaged with industry players and studied other regulatory approaches in markets including Kenya and the Philippines. These activities helped inform Cote d’Ivoire’s own regulations.

Potential for scale/replicability

BCEAO’s experience with adopting regulations indicates that these regulations can be replicated across markets; BCEAO took learnings and best practices from other markets and key industry players in forming its own regulations. CGAP notes that BCEAO can also do—more to introduce more regulations, such as allowing mobile money providers to pass along the interest earned on float to customers.

Challenges encountered during the program

According to CGAP, “other issues, such as the lack of a simple and affordable e-signature process and biometric national ID, have impeded the introduction of second-generation products like savings, credit and insurance. And limits on non-MNOs’ access to USSD has made it harder for fintechs to offer innovative products and services to customers.” Additionally, “BCEAO prevents mobile money providers from passing along the interest earned on float to customers.” (CGAP, 2019).

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Recommendations from the research

CGAP offers several recommendations for BCEAO:

1. Allow mobile money providers to pass along the interest earned on float to customers to increase the value of these services to customers.
2. Implement a simple and affordable e-signature process and biometric national ID to introduce second-generation products like savings, credit, and insurance.
3. Remove limits on non-MNOs’ access to USSD to enable fintechs to offer innovative products and services to customers.

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By 2018, with more and more Ivoiriens adopting and using mobile money, the volume and value of mobile money transactions had grown dramatically, as well as the number of registered and active mobile money users.