

Inclusive FinTechs in Francophone Africa

Togo country report



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Abbreviations

API	Application Programming Interface
BCEAO	Banque Centrale des Etats de l'Afrique de l'Ouest (Central Bank of West African States)
BDS	Business Development Services
B2B	Business to Business
DFS	Digital Financial Services
FS	Financial Services
FEFA	Federation of Entrepreneurs and Businesswomen
GISAPE	Groupement des Incubateurs de Start up & Associations de Promotion de l'Entrepreneuriat (Start-ups Incubators and associations promoting entrepreneurship)
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
P2P	Person to Person
QR	Quick Response
USD	US Dollars
USSD	Unstructured Supplementary Service Data

Executive summary

Togo has ambitious plans to embrace digitization as a lever to modernize the economy and society, and has created innovation centers to support the startup industry and provide an environment conducive to innovation and research and development. In the World Bank's Doing Business 2020 Report, Togo was rated Africa's 2019 best reformer.



Key success factors for FinTechs to stimulate financial inclusion: the government's efforts to drive financial literacy and to include FinTechs into its digitization strategies, the offering of second-generation services.



Financial inclusion can increase with FinTechs through partnerships with incumbents, streamlining banks' processes to lower costs, designing for client needs, the use of alternative data, and enacting effective regulation.



Ecosystem 17 FinTechs, 10+ enablers and funding partners.
App-based solutions are the primary technology.

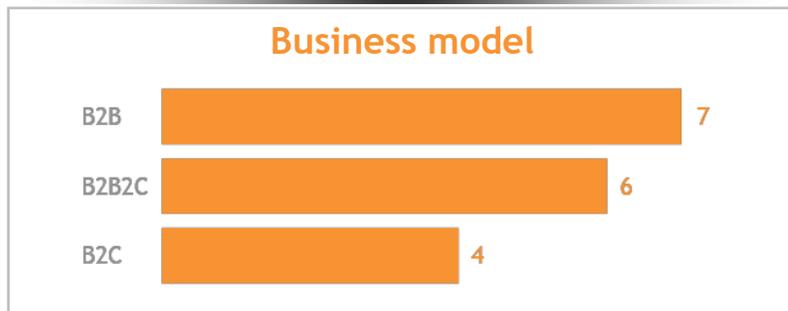
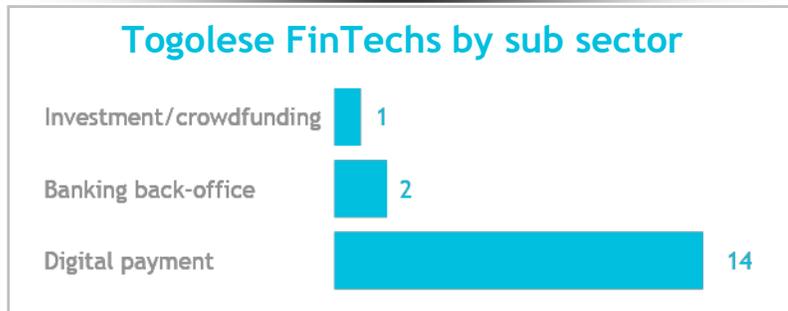
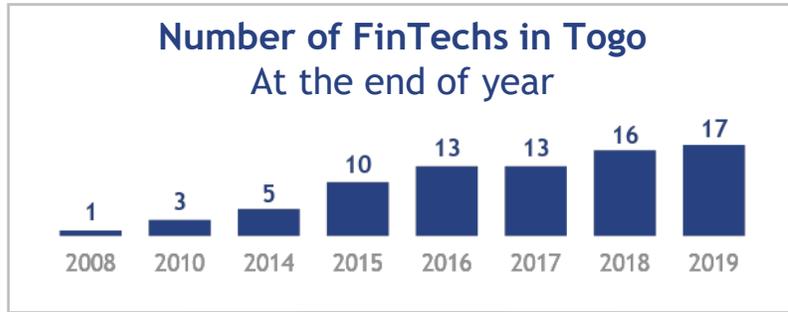


Trends: Business reforms have improved tax systems thereby simplifying the lives of SMEs, digitization has introduced speed (for instance, it takes four hours to create a business online), and lower costs to establish a business.



Challenges: Low financial literacy and education, low population incomes, informal inclinations of operations by start-ups, limited capacity for start-ups to pay for support services.

The Togolese FinTech space is young, but dynamic



Most of the FinTech start-ups were created less than four years ago and are led by young men. Ten are locally owned and 7 have foreign owners.



5% 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



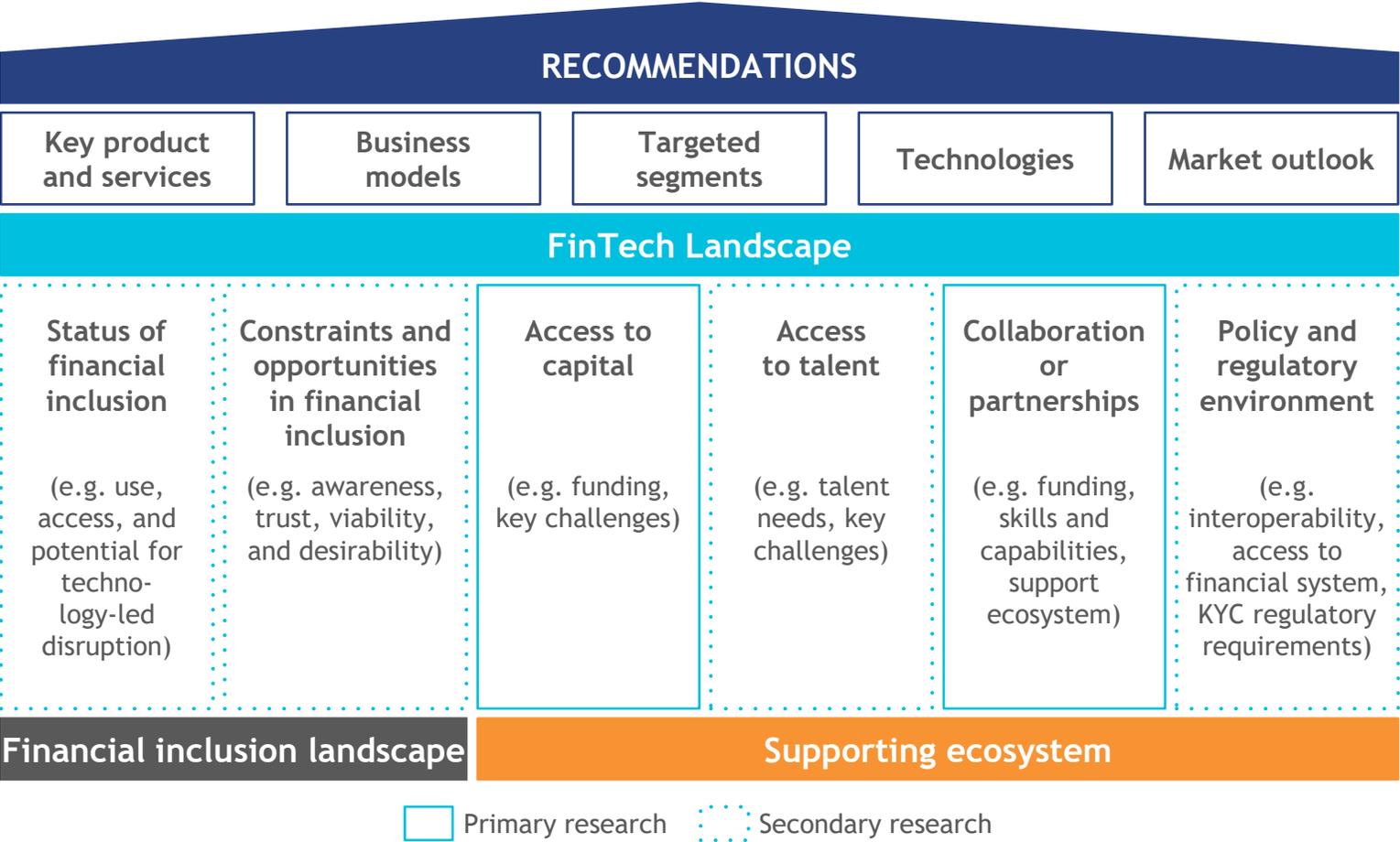
Business angels and VC funds



B2B and B2B2C are the preferred models due to limitations in the regulations constraining the services FinTechs can offer. Most of the 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, 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 Togo

KEY SUCCESS FACTOR

KEY STRENGTHS OR OPPORTUNITIES

KEY WEAKNESSES OR CHALLENGES

FinTech landscape

- Women-focused incubation, annual tech camps for women
- Active business associations

- High costs and low usage of Internet by population, 19% have access to mobile broadband but fail to access it¹
- High degree of informality
- Small market size

Policy and regulatory environment

- The government focuses on products adapted to the needs of poor and vulnerable people; policies are in place to enable financial inclusion
- The country has approved a system of electronic signature and created a national agency for cybersecurity
- Togo has worked to improve the education system for technical and science schools
- The country intends to house the headquarters of the Agency for Artificial Intelligence in French-speaking Africa

- Low possession of national IDs
- The USSD portal is still not open for the industry

Access to talent

- Universities are connected via an intranet and students get 100 hours of free access a month
- Open classroom partnership with Orange for online courses
- Africa Code Week, CCIT events, and training sessions
- Returning expatriates

- High cost of experienced staff
- Lack of professional management skills
- Copycat behavior without underlying research to validate business sense
- Mismatch of education and vocational skills to market needs

Collaboration or partnerships

- Partnerships with banks focused on savings issues
- Togopay, an interoperable platform for financial services

- Banks are reluctant to work with start-ups
- Lack of collaborative culture

Access to finance for FinTech

- Startups leveraging crowdfunding platforms
- The Chamber of Trade and Industry (CCIT) was looking to set up an investment and guarantee fund for SMEs and SMIs, as of the time of writing
- The Government of Togo has first-loss capital commitment in the [BLOC impact fund](#)

- Limited funding available for early-stage funding
- Limited investors due to high transaction costs and limited presence of investable entities
- Banks wary of SMEs and start-ups due to lack of long-term vision, poor recordkeeping, and low managerial capacity

¹ GSMA 2019

Key insights related to financial inclusion

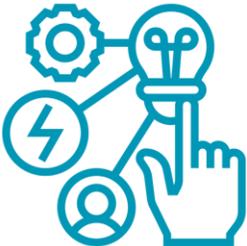
KEY SUCCESS FACTOR

KEY STRENGTHS OR OPPORTUNITIES

KEY WEAKNESSES OR CHALLENGES

Financial inclusion landscape	<ul style="list-style-type: none"> • High activity rates for mobile money • 80% of adults own a phone and 35% of agents are within 30 minutes of the rural population • Access to financial institutions growing due to services available over the phone and internet 	<ul style="list-style-type: none"> • Financial transactions are primarily in cash • Low and irregular incomes • Preference for borrowing locally within known networks • Access to finance a major barrier for SMEs
Financial capacity	<ul style="list-style-type: none"> • The government has been actively pursuing initiatives to increase financial literacy • Radio continues to be the easiest accessible communications platform 	<ul style="list-style-type: none"> • A very young population with 60% aged under 25 and 54% having a primary education or less. A rate of over 50% in terms of financial exclusion in Centrale, Kara, and Savanes regions • Little to no recordkeeping by SMEs and farmers • A FinMark Trust study notes that only 24% of Togolese exhibit good financial literacy capacity • High reliance on informal revenues
Digital awareness	<ul style="list-style-type: none"> • High ownership of smartphones by youth 	<ul style="list-style-type: none"> • 24% of adults use mobile money • 65% national coverage of mobile networks and 22% for 3G

Potential opportunities for disruption



- Integrate FinTechs into the national financial inclusion and literacy strategies by offering voice-based solutions
- Usage of alternative data for credit for SMEs and the agricultural sector
- Digital record-keeping tools for SMEs and farmers
- Mutualized MIS to lower costs for MFIs
- Interest on mobile wallet
- Bundled services that include BDS tools in order to access credit over time

¹ GSMA 2019

Summary of key recommendations

KEY SUCCESS FACTOR	RECOMMENDATIONS	PRIORITY
FinTech landscape	<ul style="list-style-type: none"> Strengthen the dialogue between BCEAO, the government, technology start-ups, and banks for a better approach to digitalization and financial inclusion 	<ul style="list-style-type: none"> High
Policy and regulatory environment	<ul style="list-style-type: none"> Create a regulatory fact sheet for FinTechs in simple language Create a regulatory framework for FinTechs and define the conditions and authorizations clearly Encourage the creation of FinTechs and incentivize actors to focus on agriculture and SMEs Set up a convening mechanism to monitor and address issues faced by start-ups working with GISAPE Encourage financial service providers to develop digital financial products tailored to customer needs Encourage liberalization of USSD codes Diversify entrepreneurship courses 	<ul style="list-style-type: none"> High High High High High High Low
Access to talent	<ul style="list-style-type: none"> Launch investment funds to introduce incubators and accelerators in cities outside of Lomé Foster positive experience-sharing initiatives and highlight success stories to help young people discover skillsets 	<ul style="list-style-type: none"> High Medium
Collaboration or partnerships	<ul style="list-style-type: none"> Encourage telecom companies to facilitate access to APIs Encourage banks to start using Open Banking APIs with the support of BCEAO to expose a range of data to third-party financial service solution providers including payment initiators, account aggregators, and other emerging FinTechs 	<ul style="list-style-type: none"> High High
Access to finance	<ul style="list-style-type: none"> Establish a guarantee fund to facilitate access to loans needed to implement credible business plans Boost investments in local start-ups through tax incentives and promotional campaigns Promote private investment opportunities through incentives to establish venture capital firms and "business angel" networks Conduct information campaigns on funding programs 	<ul style="list-style-type: none"> High High High Medium

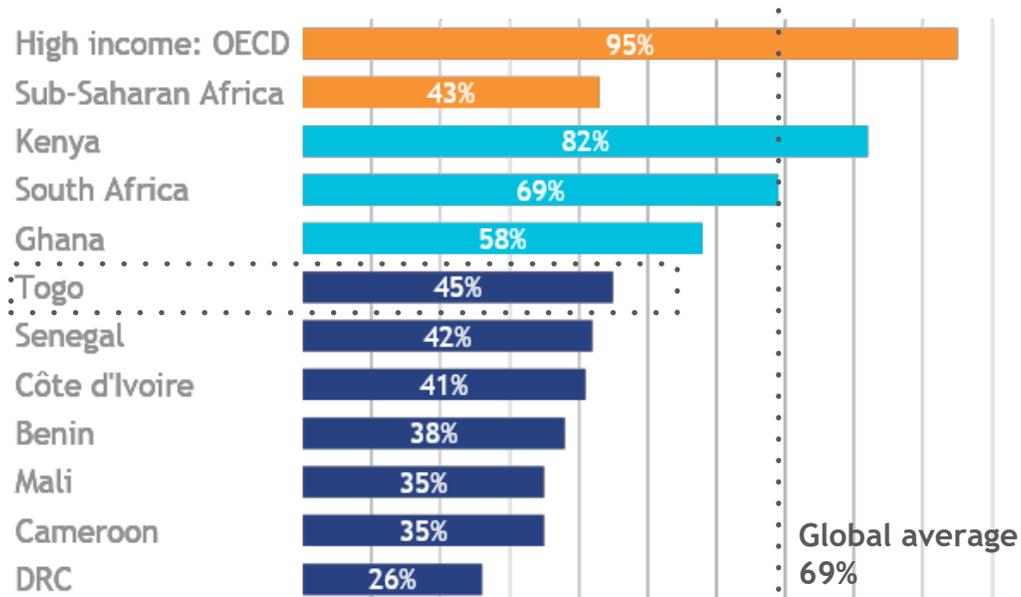


Togo

The current state of financial inclusion in Togo

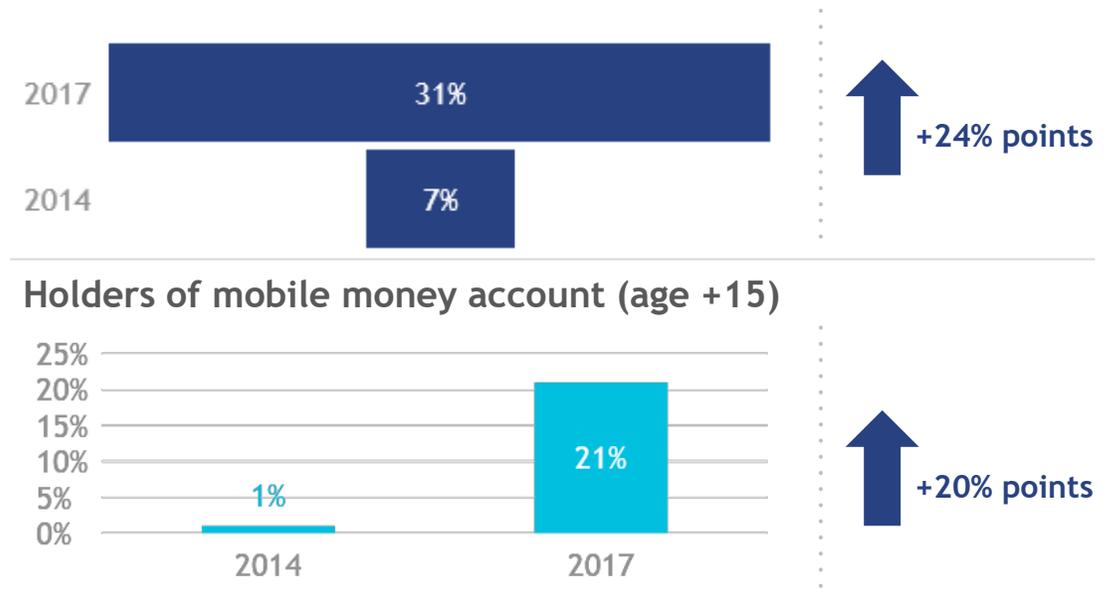
Togo has achieved 45% financial inclusion, driven primarily by mobile money services used to access various social program benefits provided by the government*

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



Togo's progress in financial inclusion exceeds the average rate of account holders in Sub-Saharan Africa. This sharp increase can be attributed to the government's push for providing cash transfers to beneficiaries of various social programs via DFS with 49% receiving government payments into a financial institution account and 30% of beneficiaries opened their first account to receive their payment.

31% of adults (15+) made or received digital payments in 2017



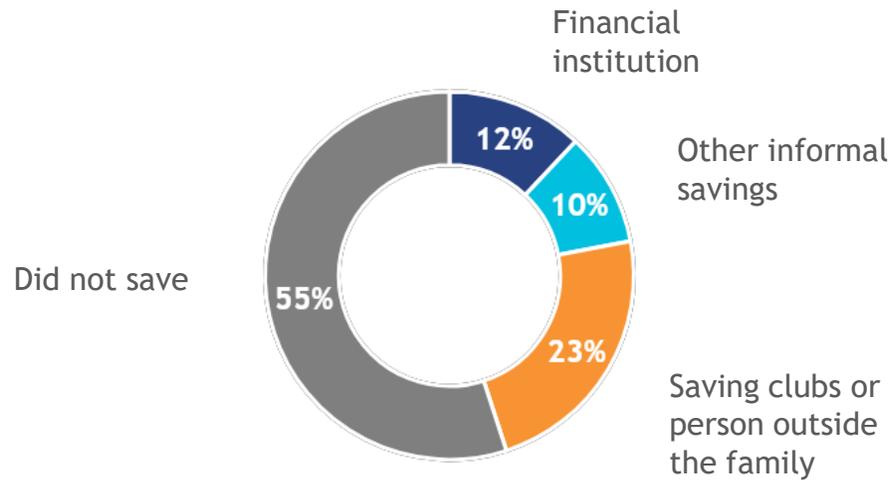
The fast rate of mobile money adoption is characterized by P2P transactions primarily between “digital natives,” or the generations born in the era of mobile phones, whose precarious economic situations and unemployment make the low cost and convenience of mobile transactions attractive. Digital payments are consistent with the national average for youth and rural areas however women who have made or received digital payments is at 23%.**

Source: *See page 28 for some examples; **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

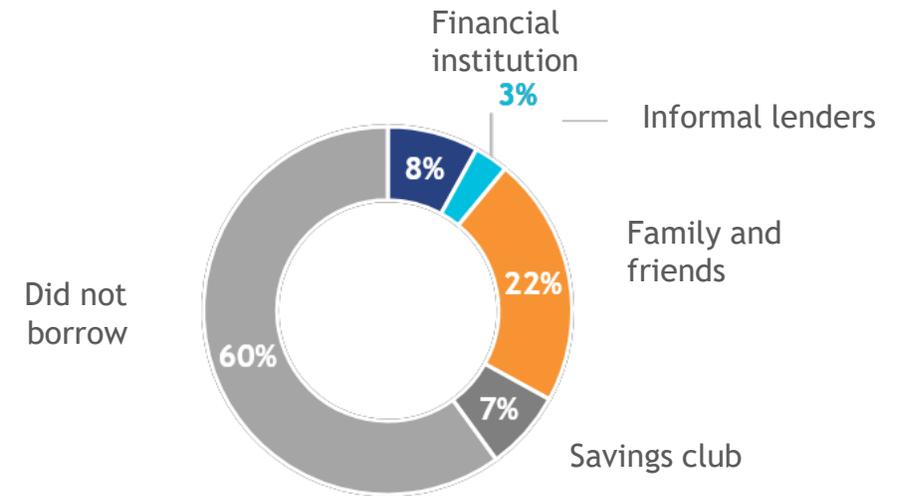
Despite rapid progress in expanding DFS, the vast majority of the population remains excluded from the financial system primarily due to low and irregular incomes

Savings: 45% saved money in the past year



In the past year, 45% of Togolese saved primarily through savings clubs or outside the family, followed by accounts held at financial institutions as deposits are required to access credit. Savings are primary for coping with emergencies and unexpected expenses however 17% have saved to start, operate or expand a business or farm.

Credit: 40% borrowed in the past year



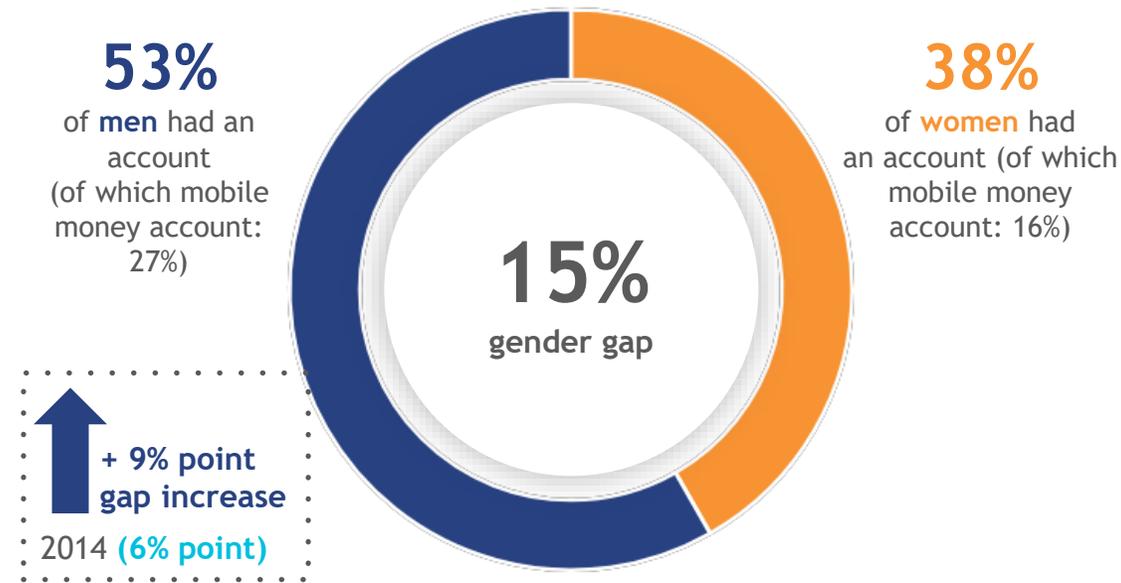
Barely 40% of Togolese borrowed money in the past year, and those who have done so chose family and friends as creditors. Contrary to savings, Togolese prefer borrowing within their local communities.

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

* Monthly income in Togo varies between USD 58 (for youth) and USD 90 (for adults) - Finscope Togo Youth 2018 Dashboard

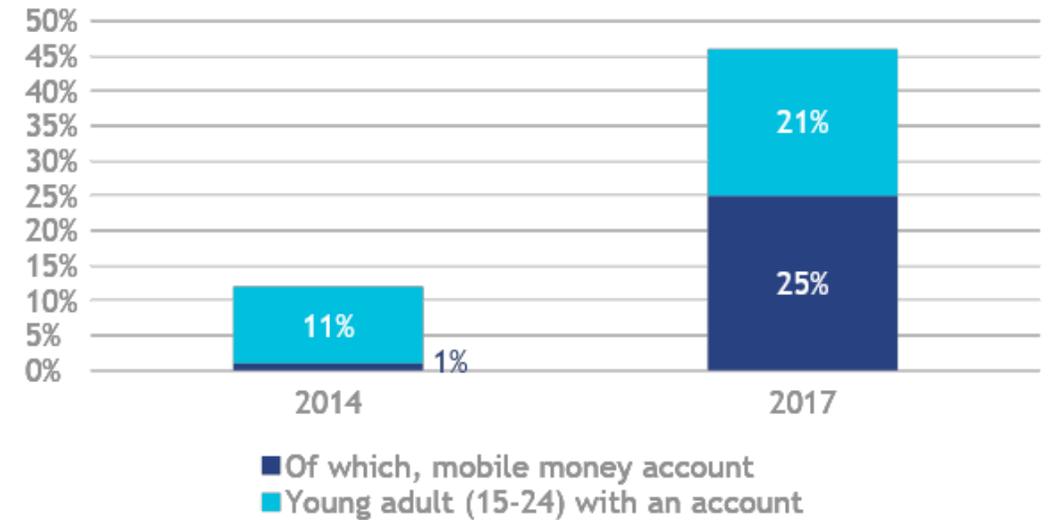
Gender and social gaps in the usage of financial services are larger in Togo than elsewhere in the region, but opportunities exist to equalize access particularly within the digital-savvy youth segment

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



The gender gap in financial inclusion based on accounts dropped significantly for mobile account holders. Given that employment, assets, and access to credit are the main contributors of gender inequality in Togo,* the use of mobile accounts by women will contribute to closing the gap. Education also plays a role with the literacy rate for women at 51% compared to 77% for men.

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



Mobile money accounts are catching up with traditional financial accounts among youth as they find it more convenient and accessible, and less costly than using traditional bank accounts. The usage of mobile money among the youth is only slightly higher at 25% compared to 21% for people over the age of 35. Internet access is low with 10% of youth having access despite the high mobile phone penetration.

Sources: Global Findex, Enterprise Financial Gap database (2017), Global Financial Development Database, Finscope Togo Youth 2018 Dashboard, UNESCO

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

* Agbodji, Akoété Ega, Yélé Maweki Batana, and Denis Ouedraogo. "Gender Inequality in Multidimensional Welfare Deprivation in West Africa: The Case of Burkina Faso and Togo." Oxford: University of Oxford, 2013

MSMEs and LMIs access to financial accounts has increased, but the rates remain low with significant gaps among income groups

Financial inclusion for MSME, based on real and estimated financing needs, 2017

The financing gap for MSMEs in Togo is estimated at **USD 390 million**

Current supply is **USD 232.4 million**



The total potential demand for financing was **USD 622.4 million**

In 2016, **26%** of firms used banks to finance investments

As Togo is becoming a financial hub, MSMEs benefit from greater access to financial products and services.

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

52%
of the richest 60% have an account

35%
of the poorest 40% have an account



+ 5 point gap increase since 2014
Global LMI gap: 13% (74%-61%)

The gap between account holders per income group could be closed with greater adoption of digital accounts.

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



Togo

Key constraints of financial inclusion and potential opportunities for digital disruption

The government has new sought ways to drive financial inclusion, which creates opportunities for FinTechs to serve the LMI segment. FinTechs should partner with financial institutions to innovate and increase financial access.

- Financial literacy is low and FinScope Togo 2016 reported that 40% of financial exclusion could be reduced by improving the overall financial literacy of adults.
- The informal sector plays a particularly important role in rural areas, where 69% of the people financially included use informal products and services either exclusively or in combination with formal products. For them, informal financial channels are the most important means of saving, borrowing, accessing insurance, transferring money.
- Credit for emergencies, medical reasons and for farm inputs are among the top needs.
- SME financing sees limited innovation and SMEs need to improve their recordkeeping and business skills. Professionalism needs to be fostered and BDS activities should be tied to access to credit.

How can FinTechs help lower the cost to serve the market's needs?



Informal SMEs are predominately women-led, have short-term financing needs and require alternative solutions to access credit or trade finance



Farmers earn the highest revenues yet need to fill gaps during the growing season and seek access to credit and savings



Youth lack access to financial information, yet are interested in savings products, investment, credit, and obtaining budgeting skills.

The gap between access to formal and informal financial products offers an opportunity for FinTechs to meet the needs of marginalized segments

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

Savings

Segment	Percentage
Women 	37%*
Rural 	45%
Youth 	41%
MSMEs 	unavailable

Youth who manage to save do so within their close circle of friends. On the other hand, farmers have low disposable income but prefer to save through informal institutions irrespective of whether they are in their inner circle or not. The national average is 45%.* Around one fifth of adults have a savings account with a bank or a formal non-bank financial institution.*

Credit

Segment	Percentage
Women 	37%*
Rural 	41%
Youth 	37%***
MSMEs 	10%**

The national average is 40%. Borrowing from formal institutions shows no differences from level of education, income or age. Most adults who use credit obtain it from informal services. Only 1 in 5 youth adults have a national identity card. Access to finance is a major barrier for 47% of MSMEs with 14% using non-financial banks.**

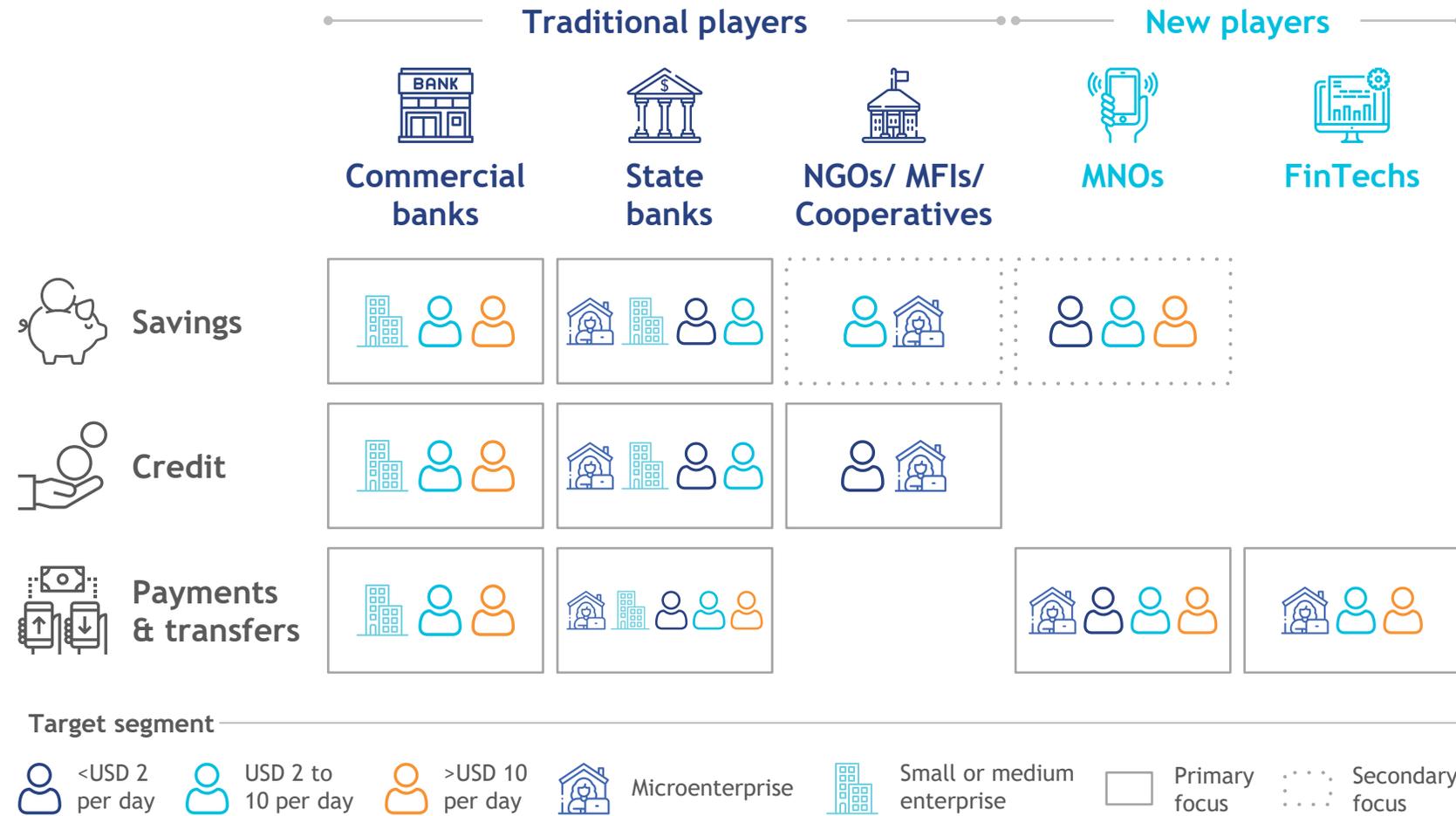
Payments and transfers

Segment	Percentage
Women 	23%*
Rural 	32%
Youth 	34%
MSMEs 	unavailable

The national average is 31% up from 7% in 2014 primarily due to government payments. There is still work to do to encourage digital payments from individuals as 8% of men and 5% of women have either paid bills or purchased something online.*

*Source: Global Findex 2017, ** IFC Enterprise Finance Gap, 2018, *** Finscope Togo Youth 2018 Dashboard

The ecosystem of supply-side players in Togo has evolved rapidly and diversified according to the increasing, specific needs of customers



In June 2016, the public operator, [Cellulaire](#), launched a service called TMoney, which allows financial transactions to be carried out from an electronic account associated with a customer's telephone number.

In July, 2018, Ecobank launched the MBanking Flooz-Ecobank service in partnership with [Moov Togo](#). This is a mobile banking app that allows Moov customers of the pan-African Bank to link their bank accounts to their Flooz accounts.

[Orabank](#) has partnered with Moov Togo to offer their subscribers virtual accounts that allow them to manage their funds directly from their mobile phones.

[Moov Togo](#) launched Bank'vi, a tontine (group savings) product.

[ECO CCP](#) savings accounts are free to open and earn 2% interest. Over 110,000 accounts opened via mobile phones in its first year of operations in 2019.

Source: MSC analysis



Togo

The FinTech ecosystem



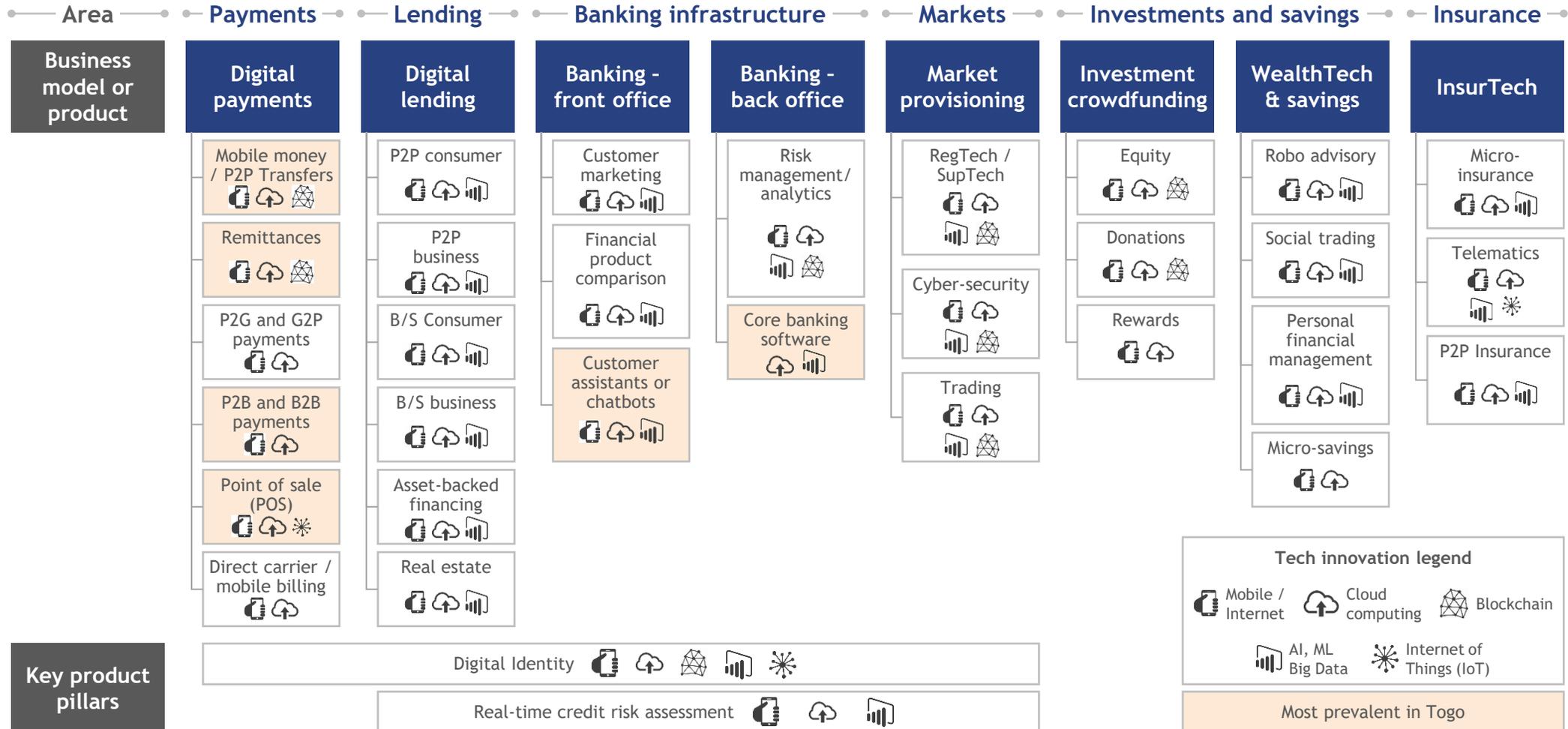
Spotlight on an entrepreneur

Edem Adjamagbo is the CEO and Founder of the [Semoa Group](#), a start-up created in 2015. Edem started Semoa Group after a visit to Ukraine where he saw payment terminals for bill pay. In Togo, this is a major pain point as it is necessary to queue often for hours to pay a bill. The service offers bulk payments via Semoa Pro, wallet interoperability, and social banking. Its social banking service is a virtual customer advisor in the form of a chatbot accessible via WhatsApp and Messenger using voice commands adapted to the local market needs.

According to Edem, the biggest challenge facing start-ups in Togo is that there is no source of capital locally to support start-ups. Local ecosystem actors do not have a culture of venture capital investment.



Togolese FinTechs have gained strong expertise in IT infrastructure and have started to diversify their offering



List of FinTechs:

- [Cagecfi](#)
- [Cinetpay](#)
- [Koosmik](#)
- [Mojipay](#)
- [NamCredit](#)
- [Paygate](#)
- [QuickCash](#)
- [Relika](#)
- [Semoa](#)
- [Weebi](#)

Togolese FinTechs have not yet gained traction in the market except for government solutions, but could vary their offerings with the right assistance and collaboration

	 Women	 MSMEs	 Rural	 Youth
 Payments and transfers		  		 
 Credit				
 Investments and savings				

FEFA, launched [Innov'Up](#), a business incubator for Togolese businesswomen and cohorts have been more focused on agrobusiness and the services sectors to date.



[PayGate](#) is an aggregator for MSMEs to accept mobile money payments online

[Perfect Mobile](#) is CAGECFI's solution designed for MFIs to offer digital credit

[Mojipay](#) is a digital money transfer solution that is not yet operational

[Semoa Pro](#) allows MSMEs to pay salaries through mobile money; it also offers WhatsApp banking services

[Relika](#) is a mobile phone-based solution that allows MSMEs to manage outstanding customer bills to avoid currency loss on both sides due to lack of coins for change

[Paychap](#) is a provider of online payment services and mobile money transfer platform

Case of Relika



Launched in 2016, [Relika](#) is a mobile application also available on the web. It aims to resolve the challenge of lack of small coins for sellers and buyers. There is also a planned crowdfunding component to the wallet to invest in projects from the balance on the mobile wallet. The company seeks out interesting innovations or community projects to propose to users for investment.



Context

Change is constantly in short supply in Togo which means that the seller or the buyer often loses out in a financial exchange due to lack of small bills or coins and this can often lead to dissension. If a store or buyer does not have change, the balance can be either loaded or transfers from the mobile wallet.

Problem Statement: How to reduce the pain point of lack of change?

How it works ?	Opportunity	Business Model	Impact
Enrollment <ul style="list-style-type: none">• Merchants download the application can and make payments up to USD 1.• Client receives a notification and can withdrawal via mobile money; bank account or a Relika agent or virtual wallet.	Financial Services <ul style="list-style-type: none">• Savings• Investment Target Clients <ul style="list-style-type: none">• Shop owners and stores• Store clients	<ul style="list-style-type: none">• B2B B2C• License subscription based (USD 25)• 2% on recharged amount	<ul style="list-style-type: none">• 33 000 end users• 164 merchants (pharmacy and supermarket)

PayGate is a FinTech startup created in 2016. PayGate has democratized the integration of payment methods on e-commerce and merchant industry in Togo via [Flooz](#) or [T-Money](#), by allowing merchants to accept online payments, reduce fraud and maximize revenue. The merchant opens an account on the website by filling out a form, receives a confirmation message containing all the necessary instructions to start the integration. Paygate provides a simple API to use, clear documentation with code examples in the users chosen language, and customers can pay immediately via Flooz or T-Money. PayGate provides an interface to view payments received and balance at any time.



Context

As in many African markets, online payments grew rapidly in 2016 but the Togolese market was facing many challenges :

- Lack of bank account
- Lack of credit/debit cards usage
- Lack of online payment culture
- Non existence of online payment system like PayPal

Problem Statement: How to optimize merchant payments using the mobile money offerings of the telecom operators ?

How it works ?	Opportunity	Business Model	Impact
Enrollment <ul style="list-style-type: none"> • Account creation free • Configure private interface • Payment acceptance Collection <ul style="list-style-type: none"> • Mobile Money 	Financial Services <ul style="list-style-type: none"> • APIs Target Clients <ul style="list-style-type: none"> • Merchants 	<ul style="list-style-type: none"> • B2B • 0% on all Flooz transactions • 4% on all T-Money transactions 	<ul style="list-style-type: none"> • Increase merchants outreach customers • Increase the use of digital payment via mobile money • 10 contracted municipalities • 42 active merchants



Togo

The supporting ecosystem

FinTechs in Togo are at an early stage of development but daunting internal constraints already threaten their survival

Internal barriers

Impact on viability



Skills

- Entrepreneurial success in Togo requires experience; skills associated with entrepreneurship are not taught in school, universities or specialized business schools. Most entrepreneurs in Togo have no formal training in business management or entrepreneurship strategy and lack the professional skills to maintain good financial management or optimize their business operations. Low collaboration between stakeholders, low trust, many copycat solutions, and stakeholders that work in silos. *“The country ecosystem is too immature to succeed in raising significant funding.”* - An Incubation Program Manager
- Lack of an incubation program that specifically supports FinTech start-ups *“There is no incubator in the country with tech profiles to support FinTech start-ups.”* - An Incubator Manager



Capital

- FinTechs are managing their businesses with their own funds. They are unable to fully develop solutions and deploy them due to a constant shortage of funds. *“Tensions related to a cash crunch forced me to remove the multi-service terminals in the market because I did not have the means to ensure their management.”* - A FinTech CEO
- Some FinTechs are not legally registered and operate informally because of a lack of information and experience in managing a formal business. *“My payments app is available on the Play Store but I have not registered my company yet.”* - A FinTech CEO



Talent management

- FinTechs are led by talented developers but some of them have full-time jobs, thus they lack time to finalize prototypes or deploy solutions. Finding talent with IT skills (developers) and managers is difficult and FinTechs are unable to recruit experienced talent due to a lack of financial resources. *“It is difficult to recruit managerial profiles and developers because I have little financial incentive to offer them.”* - A FinTech CEO



Collaboration

- FinTechs find it challenging to access MNO channels due to their lack of business experience and reputation. There is little collaboration between stakeholders, low trust (plagiarism), and stakeholders work in silos.
- A FinTech association has just been set up and needs to onboard members. Thus far, FinTechs have little leverage, know-how, and confidence to hold discussions with government and incumbents. *“Someone needs to be the voice of the voiceless FinTechs to the government and incumbents [for the ecosystem to thrive].”* - A FinTech CEO



Togo is characterized by a dynamic government that has integrated digital into its systems to facilitate access



AgriPME—farmers receive grants for fertilizers into an electronic wallet

AgriPME is an electronic platform to improve fertilizer distribution. It is managed by the Central Supply and Management of Agricultural Inputs (CAGIA) of the Ministry of Agriculture in collaboration with the Ministry of Post and Digital Economy. This service makes it possible to ensure effective management of the state subsidy by introducing a mobile wallet mechanism.



CIZO—pay as you go off-grid energy paid through mobile phones

The objective of the CIZO presidential initiative is to facilitate access to electricity for more than 2 million Togolese by 2022.

Officially launched on 2nd December, 2017, the objective of the initiative is to distribute individual solar kits at affordable costs based on an innovative business model that allows customers to pay in installments via the electronic wallet solutions offered by mobile operators, thus promoting digital banking among the population.



ECO CPP—interest-based digital savings account accessible through a USSD code

Officially launched in May, 2018, the ECO CCP account is a free mobile savings account that pays 2% interest, developed by the Société des Postes du Togo in partnership with mobile operators Moov (Floodz) and Togo Cellulaire (Tmoney).

The objective of the Eco CCP account is to encourage the mobilization of savings from vulnerable social groups, to contribute to the financial education of young people, and to encourage the participation of rural areas in Togo's digital economy.



Social security & Revenue authority (taxes)—e-filing and e-payments via mobile money

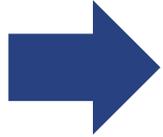
The Caisse Nationale de Sécurité Sociale (CNSS), Ecobank, Orabank-Togo and the Union Togolaise de Banque (UTB) have launched a joint platform for online banking payments of social security contributions. The objective of this 24/7 platform is to make CNSS's service offerings more inclusive.

The Office Togolais des Recettes (OTR) has implemented an e-payment reform that has been piloted with Ecobank. It has been expanded with the Union Togolaise de Banque (UTB) and the Banque Togolaise pour le Commerce et l'Industrie (BTCl). In addition to e-payment via banks, the OTR has recently validated mobile money and was working on credit card payment solutions at the time of writing.



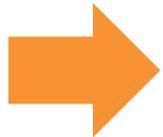
The perception of FinTechs is that they are forced to compete with the government to deliver innovative services

Barriers perceived by FinTechs



- The government is a direct competitor of FinTechs by providing DFS without involving local FinTechs. Consequently, consumers are more confident in using products backed by the government.
- Tax and duties are disproportionately levied to the financial business model and the financial situation of FinTechs

Opportunities perceived by FinTechs



- A government fund that supports economic activities by youth ([FAIEJ](#)) gives out limited grants to start-ups, in general, via incubators.
- UEMOA's current agreement on interoperability will allow FinTechs to be included in the program.
- The Central Bank has openly engaged in discussions with FinTechs to better understand their way of working. This needs to occur periodically.
- The government has launched the construction of a data center
- The government deployed an interoperability platform for digital financial services
- The "Declaration of Lome" calls for the elaboration of a legal framework that recognizes and supports social businesses as unique entities different from traditional businesses or NGOs.

"Regulation is not an issue for my development because as an aggregator, I do not need a license from the Central Bank to do business." - A FinTech CEO

"There needs to be a single-desk where FinTechs can go for information, support, and assistance on regulatory matters." - A FinTech CEO

Do the regulations enable innovations in Togo?

"We had to stop our activities for some time because the regulator did not understand our business model and thought that we were collecting deposits." - A FinTech CEO

"The business environment is difficult for the development of start-ups because of the tax fees we need to pay." - A FinTech CEO

The government has created an enabling environment for DFS providers to become part of the daily lives of the Togolese population



Progress to date

Digital financial inclusion

- **Financial inclusion:** The 2018-2022 Declaration of Digital Economic Policy includes measures on digital infrastructure, promotion of the use of IT in the economy, and increased competition. A financial inclusion fund offers micro-loans to LMIs that are excluded from the financial system
- **Digital identification:** The e-ID project is underway to enable government to have reliable information on citizens, reduce fraud in the financial system, give out grants in the social sector, and facilitate access to health services, etc.
- **Consumer protection:** Law N° 2017-007 on electronic transactions and Decree N° 2018-062 on the regulation of electronic transactions and services that apply to e-commerce, e-filing, and e-payment of taxes and duties
- **Cybersecurity:** A yet-to-be-adopted law on cybersecurity plans the creation of a national agency in charge of cybersecurity and the set-up of a computer emergency response team, as well as a security operation center



Limits for digital financial inclusion

- The lack of a regulatory framework for FinTechs prevents them from collaborating and trying specific approaches to improve financial inclusion
- The cost and process of obtaining a license are cumbersome
- 60% of the adult population remains without national identity cards
- As FinTechs operate outside the central bank purview, this results in a grey area regarding consumer protection. As a result, transparency, customer complaint management, data privacy, and service quality in terms of availability and reliability are managed on discretionary principles
- Togo ranks 151st out of 175 in the world and 33 out of 44 in Africa regional ranking on the Global Cybersecurity Index, which means that there is opportunity to continue improving, especially capacity-building of the stakeholders

While restrictions from the Regional Central Bank (BCEAO) hamper DFS development, the Togolese government has implemented national measures to make the DFS environment more favorable



Products

Progress to date

Limits for DFS development

Payments and transfers

- TogoPay is a national interoperable payment platform that facilitates e-payments nationally between MNOs and financial institutions.
- Instruction n° 15-12/2010/RB regulates all types of payments
- Instruction n° 008-05 regulates electronic money
- An interoperable regional payment platform was upcoming at the time of writing
- Electronic transactions: Law LTE N° 2017-007 on electronic transactions was promulgated into a decree and includes measures on electronic signatures and certificates, website security, and e-commerce

- Until interoperability is effective and the regulation clarifies how FinTechs could be integrated into the interoperability program, FinTechs need to partner with each provider or use aggregators.
- There is no specific regulation for FinTech aggregators on their payment and money transfer solutions
- Credit pricing is a blocking factor, with interest rate caps of 15% for banks and 24% for microfinance institutions, making it challenging for FinTechs to develop a profitable business model and prevents the launch of new initiatives
- BCEAO only allows licensed financial institutions to give out credit, therefore, FinTechs need to obtain a banking license in order to offer digital credit and savings. However, the cost and process of obtaining a license are high and cumbersome.

Savings and Credit

- Credit reference bureaus are being set up in all WAEMU countries
- Diversified offering of payment and savings digital products by the Government of Togo

- The current authorizations for electronic money issuing prevents FinTechs from providing credit
- BCEAO only allows licensed financial institutions, including banks and MFIs, to collect savings

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

Partnerships require an understanding of what value can be brought to the table and big picture thinking



FinTechs have slowly built partnerships to deliver value to incumbent business models

DFS market player	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"> • Issuing e-money • Accepting credit card payments • Debiting and crediting bank accounts from FinTechs' platforms • Possibility to offer push and pull services (sending money from a bank account to a wallet) • Credibility, visibility, and access to the bank's subsidiaries across Africa and the world • Possibility to obtain equity or loans from banks to deploy a solution 	<ul style="list-style-type: none"> • Banks have long and cumbersome processes • Most banks are still attached to traditional products and lack a digital culture in terms of adequate department resources, staffing, and tools; they hesitate to go the digital route 	<ul style="list-style-type: none"> • Semoa's WhatsApp banking service has been developed in partnership with BPEC Togo. Clients can view their balance, account history, make account-to-account transfers, and merchant payments through a Chatbot and voice commands
MFIs	<ul style="list-style-type: none"> • Innovation with digital credit offering • Indirect access to LMIs: understanding spending and savings patterns to develop and refine financial products and services 	<ul style="list-style-type: none"> • MFIs do not value digital channels for reporting and have little understanding of DFS • Few MFIs have the means to invest in platforms for digital services 	<ul style="list-style-type: none"> • Cagecfi's main clients are MFIs and has shifted to a cloud model to improve affordability
MNOs	<ul style="list-style-type: none"> • Possibility to send and receive payments via mobile money on FinTechs' platforms • Diversified product offerings through innovative technology 	<ul style="list-style-type: none"> • FinTechs find it difficult to seek cooperation from MNOs who are suspicious and possibly view FinTechs as competitors • Access to APIs • High commission rates from MNOs 	<ul style="list-style-type: none"> • From the start, Mojipay and PayGate established partnerships with MNOs to aggregate mobile money solutions

Greater interaction between FinTechs and DFS market players are needed for stronger partnerships to attain the common goal of financial inclusion

DFS market player	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"> Digitize key government services and administrative procedures Scale to reach LMIs through a mix of product offerings from the government and FinTechs 	<ul style="list-style-type: none"> The government has embarked on an ambitious e-government program that is underway without the collaboration of local FinTechs 	<ul style="list-style-type: none"> The Agency for Enterprises Creation (CFE) uses the aggregator PayGate to collect payments online via mobile money
Utility providers	<ul style="list-style-type: none"> High volumes of transactions and long-term partnerships with billers, such as for utilities, health, education, and other social services, etc. 	<ul style="list-style-type: none"> A fragmented ecosystem where lack of communication and low trusts prevails preventing market players from sharing information and granting the necessary authorizations 	<ul style="list-style-type: none"> Semoa kiosks include payments for utility bills and can be found in post office agencies
Economic interfaces	<ul style="list-style-type: none"> Scaling across the country to reach LMIs and the excluded groups that operate informally Enhancing financial inclusion 	<ul style="list-style-type: none"> Difficulty in leveraging other start-ups or FinTechs to reach these segments 	<ul style="list-style-type: none"> The start-up Gozem, dubbed “the Uber of taxi-motorbikes” pays drivers with Semoa’s mass payment solution and accepts online payments with the aggregator PayGate

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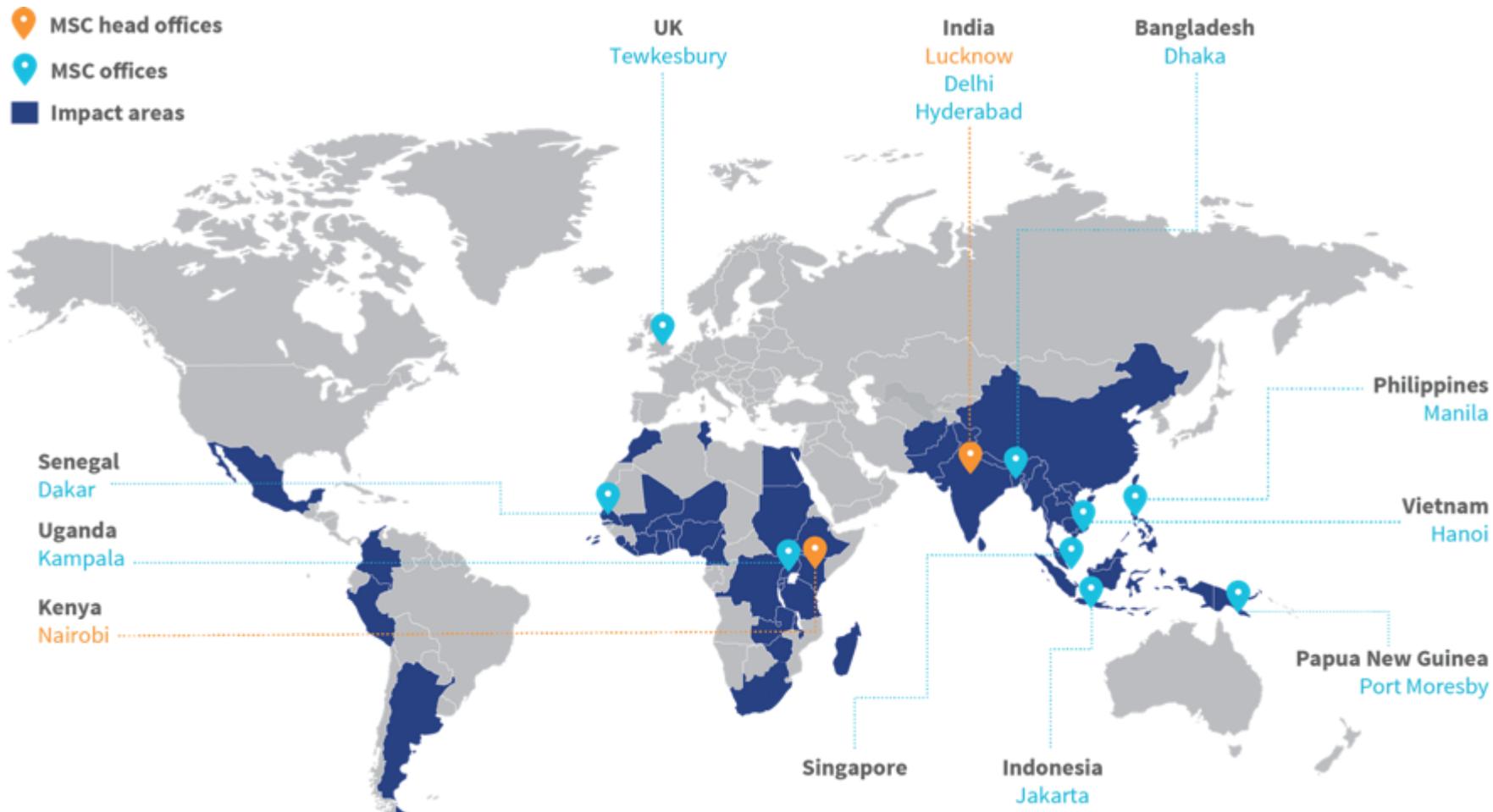
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