

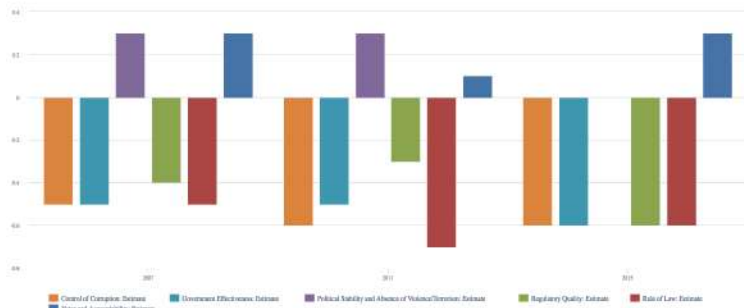
E-Tontine for La Poste du Benin

1. DEVELOPMENT RELEVANCE

Economic and poverty context

Benin is one of the poorest countries on earth, with a GDP per capita of less than USD 800 per year. In the UN ranking for 2015, Benin is the 172nd of 195 countries classified by GDP per capita. As can be seen in the poverty index chart below, the majority of the population still has no sanitation, electricity, or cooking fuel. It is therefore a very challenging environment, in which reducing poverty is a key issue.

Governance indicators chartⁱ (Benin, 2015)



Country: Benin
Source: Worldwide Governance Indicators
Created on: 07/17/2017

Multidimensional poverty index chartⁱⁱ (Benin, 2017)

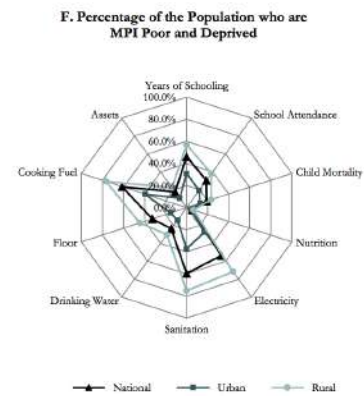


Table 1 ⁱⁱⁱ : Population and economic indicators	
Population in million (2017)	10.9
GDP growth (2016)	4.0%
Inflation (2016)	-0.93%
Trade balance (% of GDP) (2016)	-9.11%
Foreign direct investment (net) (% of GDP) (2015)	1.81%
Net ODA received (% of GNI) (2015)	5.21%
Remittances received (% of GDP) (2015)	2.59%
Economic Freedom Index ^{iv} (Rank among 186 countries) (2017)	59.2
Poverty indicators	
GDP per capita (USD) (2015)	789.44
Gini Index (0= equality 100= inequality) (2011)	43.44
International poverty rate (2011; at 1.90 USD/day)	53.11%
National poverty rate (2011)	36.2%
National rural poverty headcount rate (2011)	39.7%

Financial sector context

The financial sector is clearly underdeveloped in Benin, and the government has no overarching policy for financial inclusion. The country has a very low bank penetration rate of 7 percent for commercial banks, although the rate for MFIs is higher (20 percent). However, neither MFIs nor banks have conducted market research to map and understand the needs of Beninese consumers. In addition to lending, there is a limited range of formal savings and insurance products available to the unbanked segment. In addition, multiple scandals in the MFI sector have increased distrust of financial institutions, and led consumers to reorganise their financial habits outside of any formal channel.

The regulator is the BCEAO, the regional central bank for the French-speaking West African states. The 13 commercial banks in Benin do not serve the masses, while the 56 MFIs accessible to the unbanked in remote

areas do not have the necessary core banking capacity. The La Poste savings bank is the largest financial service provider in terms of number of accounts, with more than 500,000 clients.

Key indicators for Benin (World Bank Global Findex): account at a formal institution: 10.5%; loan from a financial institution in the past year: 4.2%; saved any money in the past year: 32%; saved at a financial institution: 7%; saved using a savings club in the past year: 15.6%.

Partner financial institution

La Poste du Benin is a postal institution fully owned by the government of Benin. It offers both postal and financial services to a broad clientele. Its original financial business model is based on the collection of savings and the investment of such funds in government bonds. In recent years, it has also started to provide low-risk loans to civil servants who receive their salaries into accounts with La Poste.

Mission: To satisfy a diversified and demanding client base by offering postal services, financial services, digital services and other activities meeting the needs of new markets.

Vision: To turn La Poste du Benin into a profitable company, and a vehicle for the development of postal and financial services, as well as information and communication technologies.

La Poste is one of the main providers of financial services to the most underserved segment of the population. This is part of its plans to increase its financial services offering, looking at ways to increase financial inclusion in the country. Given its outreach in rural areas, its low barriers to entry and low costs, La Poste is clearly one of the best-positioned institutions to achieve this goal.

2. INTERVENTION APPROACH

Capacity-building needs

The La Post savings bank is a large institution with a huge impact on financial inclusion. However, much capacity-building remains to be done in terms of technology, processes and meeting client needs. The bank still works with paper passbooks, for example.

The key upscaling constraints for the Poste du Benin were: 1. lack of IT capacity; 2. lack of client needs analysis; and 3. lack of resources.

Main activity areas (goals, targets, resources and time frame) and outputs

The goal of the project was to use technology to increase formal micro-savings at La Poste du Benin by digitising and building bridges with traditional savings practices known as 'tontines'. To do so, E-Savings set itself the task of developing a special platform tailored to the particular characteristics of Benin and La Poste. The team also supported the partner financial institution with the launch and growth of this product, known as 'e-tontine'.

Activities covered five key phases over a 24-month period: i) the design and development of the 'e-tontine épargne' product; ii) product launch; iii) the monitoring, evaluation and improvement phase; iv) the design and development of the customer relationship management (CRM) module; and v) the launch of this CRM module. We did not create the CRM module (points iv and v), but instead, at the request of La Poste, focused on building a strong reporting tool which would allow it to gather all the information it requires from its e-tontine clients. Although this is not a full CRM module, of course, in view of La Poste's technology situation it is still a very useful tool to get to know their clients better, and also for operational purposes.

The planned and unplanned outputs of the project were as follows:

1. An Android e-tontine app adapted to local conditions. This is used by field officers in Benin to open accounts remotely for female market traders directly from their stalls, and to track deposit collections by field officers.
2. The reporting tool. It covers more than 30 different reports, as requested by La Poste, and allows it to track performance and to ensure proper product operation.
3. A manual, explaining how the app/product works
4. Training for more than 20 of La Poste's field officers on how to use the app and how to promote the service.



The Post has more than 100 branches, and is the largest formal financial network in the country.

The main output that we did not manage to achieve was the interface with La Poste’s MIS. The poor degree of technological sophistication within La Poste’s IT department was the main reason for this. Despite E-Savings.club experts having dedicated the necessary time and effort, issues on La Poste’s side meant that it was not possible to build the interface. For example, our IT consultants had to deal with test servers being turned off, with a lack of programming knowledge in the IT department, and with complete dependence on the external provider. Furthermore, the MIS provider – which did actually have the capability to build its part of the MIS – was focused on implementing its own delayed timeline. Despite this setback, we still managed to move the project forward by finding alternative ways to create accounts without a direct interface with the MIS.

The resources devoted to this work consisted of a lead consultant (who moved to Benin for three months to understand clients’ needs, and to build the product on the commercial side and the delivery model), a financial consultant (to formulate the business model and projections, and to report to La Poste), a senior IT consultant (to code the app and the reporting tools), and four junior IT consultants to support the senior IT consultant in creating the app, adapting it and maintaining it while making the modifications that came up in interaction with clients. One of the roles of the junior IT consultants was to act as local liaison between La Poste and E-Savings.club.

The project was conducted over a two-year period from March 2015 to March 2017, with April and May 2017 dedicated to transferring the technology to La Poste du Benin. In February 2016, UNCDF got in touch with La Poste du Benin as it was interested in supporting this initiative. However, this supposed co-funding ended up doing the project more harm than good.

3. RESULTS ACHIEVED AND NOT ACHIEVED

Client level

From the pilot to the end of the project, overall client satisfaction was good, based on a qualitative study conducted by an independent external party (PHB Consulting, an international consulting firm based in Belgium and specialising in digital financial services) via focus groups on product satisfaction. The consultants organised nine focus groups in three different towns, covering 65 e-tontine users, to understand the benefits of the product. Specifically, the study showed that:

- Clients found the explanation of the product clear and easy to understand.
- The reason for opening an e-tontine account was the perceived safety of their funds with the La Poste savings bank, which is state-owned and thus enjoys considerable trust. The security of funds in a market that suffers from constant fraud by both established and informal financial providers was a key value proposition.
- Clients started with low amounts to test the product, and slowly increased the amount saved daily, as they built trust in the product and field officer.
- Among the key customer satisfaction points noted in the report was the relationship with the agent. Some of them considered the agent their friend and appreciated that they adapted to their schedules and got to know them well. For instance, they would plan their visits at the time of day when they knew the client had money. Also, face-to-face interaction encouraged clients to save.
- On the negative side, clients would have liked to receive cash advances and loans on top of the savings products. This is something that La Poste was not able to offer for regulatory and operational reasons. A second issue was the problem with text messages not always being delivered by the mobile network provider (this is independent of E-Savings.club and due to poor mobile infrastructure).



This client is a baker who makes and sells bread in Porto-Novo. He is a regular e-tontine client and contributes daily to his e-tontine account. He says it helps him save. At the end of the month, when he collects the money he puts it into a long-term savings plan at La Poste du Benin. E-tontine thus gives him the savings discipline he would not have otherwise. He told the consultants that, once he has enough saved, he will invest it in his business.



This lady (left in the picture) from Cotonou was the first client of 'E-tontine'. She is a travelling market trader who does not have enough money to own a stall of her own, and therefore moves around the market selling glasses and small electric appliances, among other items she carries on her head. She started her 'E-tontine' with FCFA 500 and was very eager to find a place to save.

Given the short duration of the project, it is difficult to find hard evidence of the improvements in quality of life, business performance and financial literacy levels. However, we have empirical evidence that the product has had a positive effect on all of these variables. The fact that the poor female entrepreneurs did not lose valuable time going to the post office to deposit their savings resulted in a higher savings rate and improved business productivity, and therefore impacted positively on the quality of life of 'E-tontine' clients.

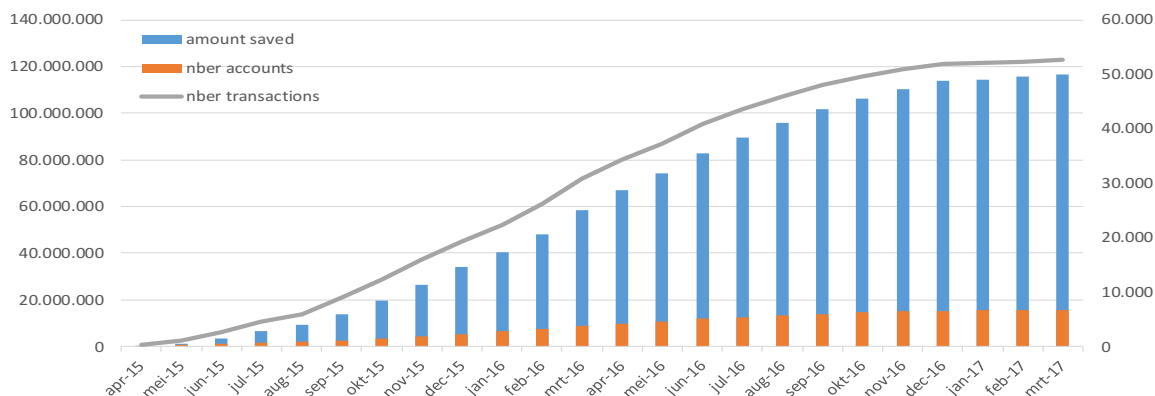
Partner financial institution level

E-tontine has positioned La Poste in its quest to **expand its range of financial services and become self-sufficient**. Despite the very early stage of the product, there is a clear business case for the 'E-tontine product. La Poste collects one deposit per round, per client, which compensates for the high transaction costs. In the future, La Poste will leverage its e-tontine client base to cross-sell additional services (microloans but also micro-insurance products, among others).

Furthermore, it has also helped to build a new image of La Poste, positioning its **brand as one of a dynamic and innovative institution that has embraced the digital era**. We believe this has had an effect on demand for other postal services.

Outreach and portfolio trends: Over the short duration of the project, **6,680 savings accounts were opened** (as of March 2017), for a total of approximately **FCFA 117 million in savings collected (approx. CHF 200,000)**. The vast majority of accounts were opened by first-time account-holders in markets and street shops. The great majority of e-tontine clients are **micro-entrepreneurs** (86%) and are predominantly **female** (64%). The median deposited amount has been **FCFA 1,000** and the average deposited amount **FCFA 2,200**. This is a clear evidence of outreach to lowest-income micro-entrepreneurs, located mainly in the markets in urban and peri-urban areas. Most e-tontine accounts have a **daily deposit frequency** (95%). More than two thirds (67%) of accounts were renewed.

Productivity varies greatly from one agent to another. Overall, the average number of accounts managed per agent is 50 per month. However, the most consistent agents handle a **portfolio of some 141 accounts**. On average, the product reports total monthly transactions ranging from **3,000 to 3,500**, with a peak at 4,700 in the most productive month.



Financial sector level

Our efforts generated results beyond La Poste. Indeed, a large local microfinance institution known as PADME contacted La Poste management to ask for help making the e-tontine service available to its clients. Also, e-tontine is considered by La Poste as its flagship digital finance product. For instance, on 22 May 2017, after

the project was concluded, La Poste du Benin representatives promoted it as their best practice at a regional meeting on financial inclusion in Abidjan organised by the Gates Foundation.

4. LESSONS LEARNED

One of the key lessons learned was confirmation that leveraging, digitizing and improving existing, well-entrenched informal financial practices, instead of creating new financial products which do not necessarily respond to a need, is a good path to success. Despite all of the issues faced by the project both politically and operationally, the product still managed to gain significant traction and to build up a loyal client base who appreciated it and continued saving in it. In a more benign setting this product has the potential to become a major driver of financial inclusion on a massive scale.

The first phase of product implementation was very successful. The main driver of success was the comprehensive review of the existing informal and formal range of tontine saving products in Benin, with the lead consultant going to the markets and talking directly to the potential customers. This was done before the design and coding phases.

The implementation phase was more difficult. One of the key factors for the e-tontine product to be successful is the network of agents that promote the product and collect savings door-to-door. The fact that they were young independent contractors, instead of established La Poste staff who have few incentives to perform, was also a success factor. However, La Poste's inability to meet the commitment made to the agents (salary payments delayed by up to five months, etc.) had a clear negative impact on growth after the first few months. This directly affected the motivation of the sales staff, which was quite volatile during the implementation phase. Staff turnover was a key issue.

Another major lesson was that it should not be assumed that partner financial institutions in least developed countries have IT departments capable of absorbing new technology, or the technical skills to integrate innovative solutions. This was not the case at La Poste du Benin, where there is no in-house programmer per se, with the institution relying on the external MIS provider, which had little incentive to collaborate.

The technological aspect of the e-tontine product also remains a challenge, especially with illiterate market traders. Furthermore, the lack of a printed receipt as a proof of the deposit was a limitation, as some potential clients did not want to accept a text message as the only evidence of their transaction. This was mostly due to the fact that in Benin, as in many infrastructure-constrained countries, only 90% of messages arrive, or there is a delay in reaching the recipient. However, it is striking to see how market traders who had little technological, financial, or general literacy took up the product and adopted it to a broad extent. This shows not only that the product responds to a need, but that it should be highlighted as a success.

With this intervention, SCBF again learned that multilateral donors tend to crowd out (smaller) social entrepreneurs by spending substantial money on classic donor project interventions that do not follow a systemic market development approach (as advocated by CGAP). Instead of strengthening the nascent business relationship between La Poste du Benin and E-Savings.club through both capacity building at the former and strengthening market incentives (perhaps through partial risk sharing), as well as helping to improve the policy and regulatory framework, UNCDF's initial 'top-down' entry with a comprehensive market study (which cost as much as the entire market entry grant of the SCBF) and greater expectations on the part of La Poste du Benin of substantial donor grants, was a factor in weakening La Poste's business commitment to E-Savings.club. UNCDF's attempt to piggy-back on the innovative, high-potential market entry of E-Savings.club ultimately contributed to its being crowded out in Benin.

The factors of success for e-tontine are the following:

- The development of a customer-centred product based on traditional savings practices
- The lack of an account-opening fee, and a very low minimum deposit of FCFA 500
- The daily frequency of deposits mimics that of the informal sector
- The security that gives the client the assurance that their money is with a formal and trustworthy institution
- The combination of state-of-the-art technology with the physical presence of agents on the ground (virtual + face-to-face)
- And most importantly, the fact that a person comes to the door every day to collect the money and to refund savings when an account is closed.

ⁱ The World Bank Group (2016). Worldwide Governance Indicators database. Washington, DC. <http://databank.worldbank.org>. Accessed (16/07/2017)

ⁱⁱ Oxford Poverty and Human Development Initiative (2016). Global Multidimensional Poverty Index Databank. OPHI, University of Oxford.

http://www.dataforall.org/dashboard/ophi/index.php/mpii/country_briefings Accessed (16/07/2017)

ⁱⁱⁱ The World Bank Group (2016). World Development Indicators database. Washington, DC. <http://data.worldbank.org>. Accessed (10/07/2017)

^{iv} Heritage Foundation, (2017) Index of Economic Freedom, <http://www.heritage.org/index/ranking> Accessed (10/07/2017)