

Policy Brief

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Taxation Policies, Processes, and Performances of Mobile Money Providers in Côte d'Ivoire

Hannelore Niesten¹

This policy brief examines the effects of cumulative, specific 7.2 per cent taxes on mobile money (MM) service providers in Côte d'Ivoire. It assesses the unique tax framework, which deviates from the consumer-centric trend observed in many African countries, where end-users typically bear the burden. Initially targeting telecom companies, the tax expanded to encompass MM providers created by licensed telecom operators (Orange Money, MTN Money, and Moov Money) and, later, all companies providing MM operations. Concerns over potential investment declines persist, yet concrete evidence is absent. The data available suggests a decrease in MM turnover, partially due to lowered MM service prices, though telecom regulator reports note a lack of communication in MM revenue reporting. If specific taxes were reduced or abolished, the funds originally allocated could be reinvested, particularly to bolster agent commissions in rural zones, given the heightened competition between diverse payment service players in Côte d'Ivoire. The study emphasises the importance of a level playing field with other money transfer services provided by banks, local businesses, and fintech.

Introduction

Côte d'Ivoire stands at the forefront of digital financial services (DFS), particularly mobile money (MM),² within the Economic Community of West African States (WAEMU).³ With over 45 million electronic MM accounts – which represented 35 per

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² Côte d'Ivoire has many e-money initiatives, including 13 e-money licences awarded to the private sector and 27 partnerships between banks and telecommunication operators or technical providers. See: BCEAO, Etablissements de Monnaie Electronique: <https://www.bceao.int/fr/content/etablissements-de-monnaie-electronique>

³ WAEMU comprises eight countries: Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, and Togo. Its central bank – BCEAO – is the single financial regulator in the WAEMU and is situated in Dakar, Senegal.

cent of the region's total by the end of 2021⁴ – and a rapidly growing economy, it is an important player in the DFS landscape. In 2022, in a population of 28.2 million (15.8 million working-age population), there were 174 mobile cellular subscriptions for every 100 individuals.⁵ Mobile network operators (MNOs) play a central role, partnering with banks and establishing e-money subsidiaries.

Côte d'Ivoire presents an interesting case study for understanding the causes and consequences of taxes on MM service providers. While turnover taxes are not uncommon,⁶ the unique design of the MM provider taxes in this country offers valuable insights that countries with similar taxes can learn from. The Finance Act 2019 introduced three specific taxes totalling 7.2 per cent on MM providers. These came into effect on 2 January 2019 and initially targeted telecom companies. These tax reforms aimed to harmonise tax obligations across entities, focusing on telecom companies and products linked to mobile phone transactions, helping to ensure that tax revenue would be sufficient to cover the government's spending commitments.

The MM framework in Côte d'Ivoire is unique in several key aspects:

- Taxes are applied to MM transfer service providers rather than directly to consumers.⁷ Taxes on profits from MM usage can increase consumer tariffs, as seen in other countries.⁸ In Côte d'Ivoire, the taxation burden may not immediately affect the affordability and accessibility of MM services for users, but it will likely impact prices in the longer term.
- The taxes were initially applied only to telecom companies from 2 January 2019, but from 2 January 2020 this was expanded to encompass all entities conducting MM transfer operations, including banks and fintech firms.
- The taxes are intended to be borne exclusively by electronic money issuers licensed by the Banque Centrale des Etats De L'Afrique De L'Ouest (Central Bank of West African States – BCEAO).

Taxing MM companies in Côte d'Ivoire has raised concerns about fairness and regulatory coherence, posing challenges to regional financial inclusion efforts.⁹ If poorly designed, excessive taxation can hinder financial benefits, impeding progress toward sustainable development goals (Munoz et al. 2022).¹⁰ Critics argue that exclusive provider taxes treat the sector as a 'fiscal cash cow' (Deveaux 2019).

To address these concerns, a detailed analysis of provider taxes in Côte d'Ivoire is imperative. Through desk research and interviews, this policy brief evaluates the implications of taxing MM service providers on the supply and demand sides.

⁴ BCEAO 2022a. At the time of writing, the BCEAO has yet to release its annual report for the year 2022.

⁵ World Bank, World Development Indicators. <https://data.worldbank.org/indicator/IT.CEL.SETS.P2>

⁶ Provider taxes on mobile money service entities vary by country and are often calculated based on revenue or turnover. Other countries with provider DFS taxes include Burkina Faso (7 per cent), Benin (5 per cent), Congo, Republic (1 per cent), and Congo, Democratic Republic (3 per cent). See ICTD DFS TaxMap: <https://digitalfinancialservices.tax/dfs-map/>.

⁷ Consumer taxes include sales tax, value-added tax (VAT), excise taxes, stamp duties, and DFS-specific levies on transaction amounts or provider fees. Countries with value-based consumer taxes include Ghana (1 per cent), Nigeria (N50 over electronic transactions exceeding N10,000), Cameroon (0.2 per cent), Chad (0.1 per cent), Tanzania (tiered levy structure), Uganda (0.5 per cent), and Zimbabwe (2 per cent). Countries with consumer taxes based on provider charges include Kenya (15 per cent excise duty), Uganda (15 per cent excise duty), and Tanzania (10 per cent excise duty and 18 per cent VAT). See ICTD DFS TaxMap.

⁸ M-Pesa transfer and withdrawal tariffs in Kenya have risen since introducing the excise tax on financial services in 2013 (Ndung'u 2019).

⁹ The BCEAO acknowledged regional financial inclusion efforts in both its Rapport Annuel 2021 (BCEAO 2022a) and its report specifically on financial inclusion (BCEAO 2022b). Côte d'Ivoire established the Agency for the Promotion of Financial Inclusion in 2018 and adopted the National Financial Inclusion Strategy 2019–24, focusing on accessibility, digital finance, client protection and education, regulations and supervision, and a favourable tax and policy framework.

¹⁰ In Côte d'Ivoire, high transaction fees and taxes had already constrained sector growth and innovation (IFC 2018: 80). This led to 15 per cent of inactive DFS subscribers attributing their return to cash to high prices (World Bank 2015).

A multi-criteria framework, informed by fundamental tax principles, such as efficiency, simplicity, and equity, guides the assessment (Table 1).

Table 1. Framework for assessing DFS taxation in Côte d'Ivoire

Efficiency	Simplicity	Equity
<ul style="list-style-type: none"> ● <i>Economic efficiency</i>: Balancing revenue mobilisation with economic development. ● <i>Administrative efficiency</i>: Limiting tax administration costs and compliance costs (including evasion and avoidance costs) for governments and businesses. 	<ul style="list-style-type: none"> ● <i>Clarity</i>. Enabling DFS operators and users to understand their obligations and entitlements. ● <i>Transparency</i>. Promoting investments through transparent tax systems. 	<ul style="list-style-type: none"> ● <i>Horizontal equity</i>. Ensuring a similar tax burden in equal circumstances. ● <i>Vertical equity</i>. Avoiding regressive and excessive taxation of essential goods.

Source: Author's adaptation of internationally recognised fundamental tax principles.

In the next two sections, the analysis focuses on existing regulatory and tax frameworks for Ivorian MM providers, emphasising the need for clear and transparent tax regulations. The brief then explores policymaking processes, tax revenues, market dynamics, and financial inclusion trends. The study underscores the importance of balancing fair taxation with fostering healthy market competition for sustainable economic stability.

Regulatory framework

Côte d'Ivoire has made strides in promoting financial inclusion and digital payments, with non-bank financial institutions driving enhanced access to finance.

Yet in 2006, BCEAO authorised non-bank institutions to issue electronic money,¹¹ enabling telecom operators to enter the market with MM services under e-money regulation.¹² As the impact on the financial sector of MM's usage grew, the BCEAO sought better regulation.

In May 2015, the BCEAO issued Instruction No. 008-05-2015, clarifying the e-money¹³ responsibilities of nonbanks in WAEMU member states.¹⁴ This instruction restricted e-money issuance to specific entities, such as banks and authorised financial payment institutions (see also Meagher 2017).¹⁵ Telecom companies complied by creating subsidiaries dedicated to MM transfer activities,¹⁶ such as Orange's e-money subsidiary, licensed in February 2016, and MTN's, licensed in September 2016. The way that BCEAO categorised MM activities in the financial sector led to a loss in government tax revenue as these activities were exempt from taxation. Timeline 1 outlines key regulatory developments.

¹¹ Instruction N° 01/2006/SP du 31 Juillet 2006 Relative à l'Émission de Monnaie Électronique et aux Établissements de Monnaie Électronique (replaced by Instruction N° 008-05-2015).

¹² E-money issuers can be bank-affiliated, or non-bank entities licensed by the central bank, namely Orange, MTN, and Moov (the three leading MNOs in Côte d'Ivoire, licensed through their partner banks), and CelPaid and Qash Services (two non-bank e-money issuers).

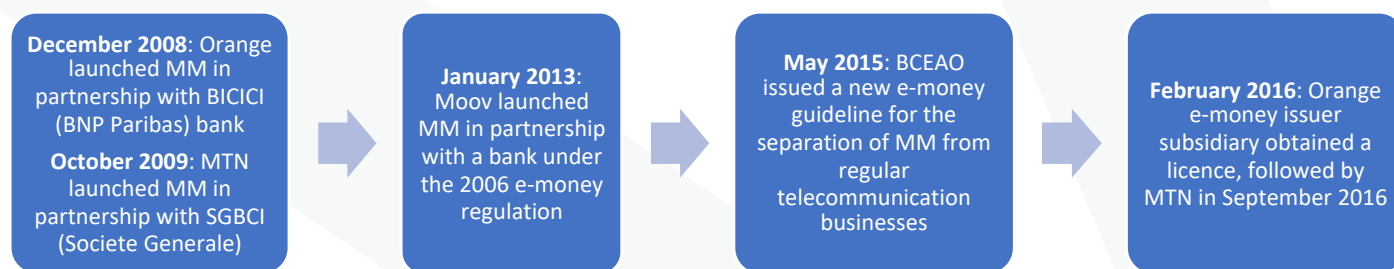
¹³ BCEAO defines e-money as a monetary value in electronic form, issued without delay against funds in (at least) equal amount, and accepted as a means of payment by third parties. Instruction N°008-05-2015, Art. 1, Sec. 16.

¹⁴ Instruction N°008-05-2015 Régissant les Conditions et Modalités d'Exercice des Activités des Émetteurs de Monnaie Électronique dans les États Membres de l'Union Monétaire Ouest Africaine, issued on 21 May 2015, mentions: 'Elle entre en vigueur à compter de sa date de signature et sera publiée partout où besoin sera', https://www.bceao.int/sites/default/files/2017-11/instruction_no008_05_2015_intranet.pdf The instruction became effective immediately upon signing. See also Riquet and Mattern 2019 and Riquet and McKay 2019.

¹⁵ Art. 9 of Instruction N°008-05-2015 dictates the legal structure and registration requirements, mandating that institutions must be established as limited companies, limited liability companies, cooperatives, or economic interest groups, with a sole focus on the specified activity.

¹⁶ Explanatory statement of Art. 14 of the 2019 Tax Annex.

Timeline 1. Developments in the regulatory framework



Source: Author's own creation.

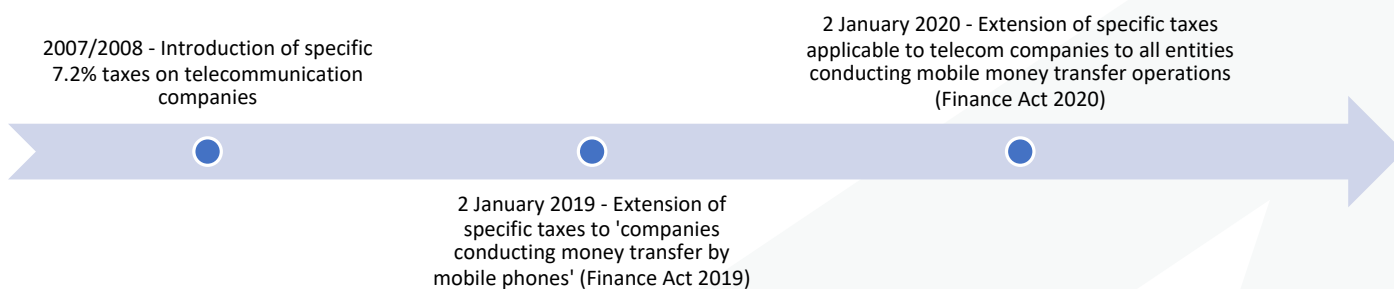
The telecom regulator, ARTCI (Autorité de Régulation des Télécommunications), oversees telecom operators and service providers, reporting quarterly on the performance of three major MNOs in the MM market. As of June 2023, Orange CI (Orange Money) dominates with a 56 per cent market share, followed by MTN Mobile Money and Moov Money at 34.9 per cent and 9.1 per cent. However, market share data is inconclusive because it omits US fintech WAVE.

Tax policy formulation

Fiscal legal framework

Several key developments in Côte d'Ivoire have led to the implementation of specific taxes on telecommunication companies and their extension to money transfer companies. Timeline 2 summarises the key developments in implementing the 7.2 per cent taxes on MM providers.

Timeline 2. Developments in the tax framework



Source: Author's own creation.

The Tax Annex to the Finance Act 2019 extended the specific taxes originally applied to telecom companies to companies conducting money transfers by mobile phones ('entreprises effectuant des transferts d'argent par téléphone mobile').¹⁷ Effective from 2 January 2019, telecom companies, in addition to paying corporate income tax on industrial and commercial profits, have to pay specific taxes earmarked for specific purposes. These include:¹⁸

- 2 per cent specific tax for the development of new technologies in rural areas (introduced in 2007);¹⁹
- 0.2 per cent specific levy ('prélèvement') for the promotion of culture (introduced in 2007);²⁰

¹⁷ Annexe Fiscale à la Loi N° 2018-984 du 28 Décembre 2018 Portant Budget de l'Etat pour l'Année 2019, Art. 14. <https://www.dge.gouv.ci/sites/default/files/dgeDoc/2018-984.pdf>

¹⁸ In addition, a tax on telecommunications and information technology communications (3 per cent) applies on telecom companies.

¹⁹ Arts. 1127 and 1128 Code Général des Impôts.

²⁰ Art. 1129 Code Général des Impôts.

- 5 per cent specific tax on telecommunications and information technology companies (introduced in 2008), with 95 per cent allocated to the state budget and 5 per cent to traffic control and fraud prevention in telecommunications.²¹

These taxes, totalling 7.2 per cent, are calculated based on a company’s turnover (monthly gross revenue, excluding taxes), including revenue from mobile phone transactions. This impacted Orange Money from Orange CI, MTN Mobile Money from MTN, and Moov Money from Moov.

Creating separate entities for conducting MM transfer activities (see previous section) resulted in telecom companies paying specific taxes that no longer included revenue from MM transfer activities. To mitigate this tax planning approach, the Tax Annex required all mobile phone money transfer companies to pay the same taxes as telecom companies.²² This move highlights the deliberate nature of the tax optimisation strategy and its impact on ARTCI’s supervisory role. The Tax Annex to the Finance Act 2019 has initiated discussions about telecoms’ intentions behind adopting this strategy for MM transfer activities.²³

The Finance Act 2020 expanded specific taxes, initially applicable to telecom companies and companies conducting money transfers by MM providers, to include all entities conducting MM transfer operations.²⁴ Effective from 2 January 2020, this extension addressed the previous oversight by the Finance Act 2019, which only considered e-money issuers created by telecom operators. This situation would likely distort competition rules and undermine tax fairness.²⁵ Consequently, the 7.2 per cent taxes now apply to all entities conducting money transfer operations through mobile phones (‘entreprises effectuant des transferts les opérations de transfert d’argent, par téléphone mobile’), including banks and other financial institutions.

Telecom activities and money transfers are also subject to general taxes, including a corporate income tax rate of 30 per cent for telecom companies (higher than the 25 per cent standard)²⁶ and a cumulative tax burden of 7.2 per cent on gross revenue. Telecom providers face an additional 3 per cent specific tax on phone calls and IT and communication services, but this tax does not apply to MM transfer companies.²⁷ Table 1 outlines the applicable taxes for telecommunication and MM service providers.

Table 2. Taxes applicable to telecom and MM providers

Telecom providers	MM providers
2% tax for the development of new technologies in rural areas 0.2% levy for the promotion of culture 5% tax on telecommunications and information and communication technology companies	
30% corporate income tax on telecom companies	25% corporate income tax
3% specific tax on telephone communications and information technology	NA

Source: Author’s own creation.

²¹ Arts. 1130 and 1131 Code Général des Impôts.

²² Annexe Fiscale à la Loi N° 2018-984 du 28 Décembre 2018 Portant Budget de l’Etat pour l’Année 2019, Art. 14, p. 8.

²³ Art. 14 of the Tax Annex to Finance Act 2019.

²⁴ Art. 28 of Annexe Fiscale à la Loi N° 2019-1080 de 18 Décembre 2019 Portant Budget de l’Etat pour l’Année 2020.

²⁵ Annexe Fiscale à la Loi N° 2019-1080 de 18 Décembre 2019 Portant Budget de l’Etat pour l’Année 2020, p. 50.

²⁶ Art. 51 Code Général des Impôts.

²⁷ Art. 1141 Code Général des Impôts.

Furthermore, consumers are subject to 18 per cent VAT on MM fees.²⁸ Côte d'Ivoire also imposes a stamp duty on consumers of 100 Central African Francs (FCFA) (US\$ 0.16) on deposits exceeding FCFA 5,000 (US\$ 8.1).²⁹ Low-value deposits are excluded from stamp duties to avoid penalising socially vulnerable populations, and to advance the government's commitment to financial inclusion and poverty alleviation.³⁰

Tax policy processes

Several developments in Côte d'Ivoire prompted the extension of specific taxes from telecom companies to money transfer companies, illustrating a shift from a repealed tax to an alternative approach.

In pursuit of adhering to the WAEMU fiscal deficit target of 3 per cent in 2019 under an IMF programme,³¹ the country sought additional revenue sources due to fluctuating global cocoa prices.³² Exploiting the burgeoning digital economy, especially MM transfers, was identified as a promising avenue. However, despite significant transaction values, tax contributions from money transfer companies were considered suboptimal.³³

Discussions regarding taxing MM began in late 2017, resulting in a 0.5 per cent tax on money transfers by local telecom operators and local providers effective from 2 January 2018.³⁴ Despite an anticipated revenue of 10 billion FCFA (US\$ 16.3 million),³⁵ this tax was swiftly revoked due to widespread public opposition.³⁶

Ahead of the 2020 presidential elections, the Finance Act 2019 expanded specific taxes to include MM providers, aligning them with telecom companies to safeguard public finances. The tax base for turnover-based taxes on telecom companies includes revenues from telecom activities and MM transfers initiated from mobile phones. However, stakeholders, including consumer associations and telecom unions, voiced discontent over the lack of consultation in developing MM tax policies (Akani 2019).³⁷ Despite expressing concerns to various entities, including the National Assembly and BCEAO, stakeholders received minimal response until consumer pressure prompted clarification from telecom unions (Akani 2019).³⁸

Tax revenue collection

Official government statistics on tax revenue collection are not available in Côte d'Ivoire. The data from the OECD suggests consistent increases in the tax revenue collected with minimal fluctuations and substantial growth over the years (Figure 1). Revenue collection from the tax on telecommunications became particularly notable

²⁸ Art. 359 Code Général des Impôts.

²⁹ Art. 873 Code Général des Impôts. The Finance Act 2014 removed the FCFA 100 (US\$ 0.16) on deposits less than or equal to FCFA 5,000 (US\$ 8.1).

³⁰ Annexe Fiscale, Projet de Loi de Finances Portant Budget de l'Etat pour l'Année 2024, Art. 17. <https://www.dgbf.ci/wp-content/uploads/2024/03/Loi-de-Finances-Portant-Budget-de-lEtat-pour-lannee-2024.pdf>

³¹ Côte d'Ivoire, Staff Report for the 2018 Article IV Consultation and Third Review under the arrangement under the extended credit facility and extended arrangement under the extended fund facility, and request for modification of a performance criterion – Debt Sustainability Analysis update. 4 June 2018. <https://www.imf.org/-/media/Files/DSA/external/pubs/ft/dsa/pdf/2018/dsacr18182.ashx>

³² World Bank, n.d.

³³ Loi N° 2017-870 du 27 Décembre 2017, Portant Budget de l'Etat pour l'Année 2018, Art. 38, p. 7.

³⁴ Loi N° 2017-870 du 27 Décembre 2017, Portant Budget de l'Etat pour l'Année 2018, Art. 38, which introduced Art. 1144 Code Général des Impôts.

³⁵ Loi N° 2017-870 du 27 Décembre 2017, Portant Budget de l'Etat pour l'Année 2018, Art. 38, p. 7.

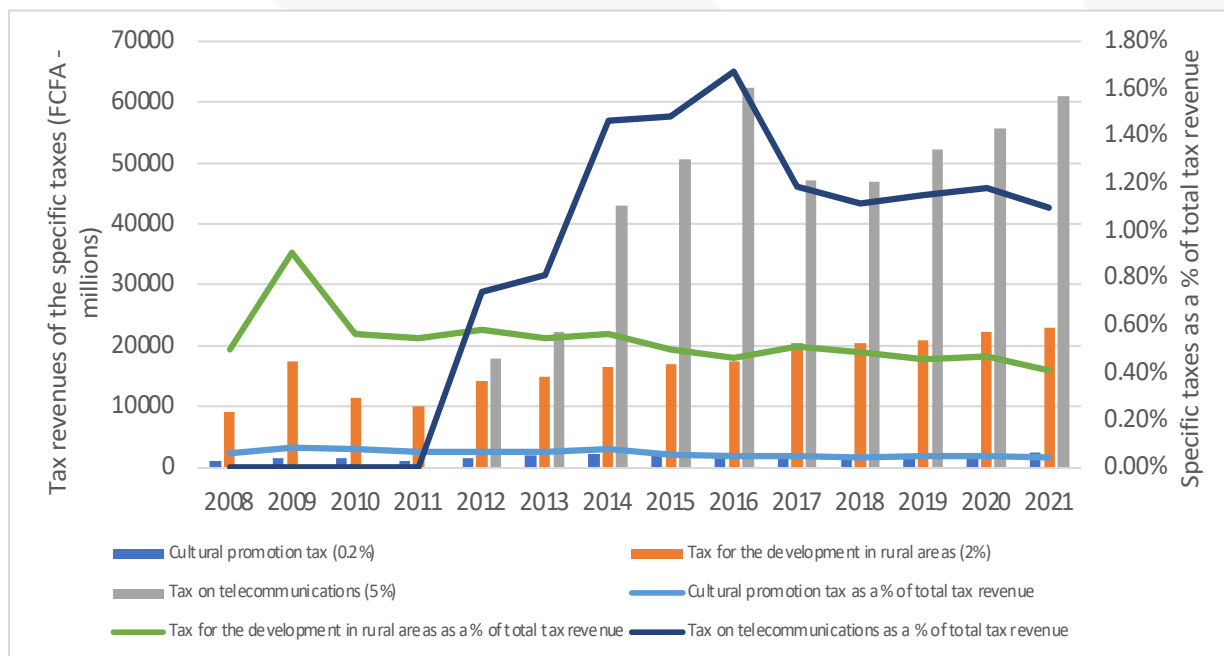
³⁶ Ordonnance N° 2018-145 du 14 Février 2018, Art. 1. <https://pwic.gouv.ci/wp-content/uploads/documents/lois/O2018.45%20taxe%20exportations%20bois%20en%20grumes.pdf>

³⁷ This was confirmed during an interview with Gertrude Koné Kouassi, the executive director of UNETEL (Union Nationale des Entreprises de Télécommunications) in December 2023.

³⁸ Akani 2019.

from 2012 onward, with a significant impact on the overall revenue collected. In 2021, the telecom tax contributed around 1.1 per cent of total tax revenue; for comparison, the cultural promotion tax and the tax for development in rural areas contributed 0.04 per cent and 0.41 per cent respectively.

Figure 1. Tax revenue collection (2008–2021)



Source: OECD Tax Revenue Statistics, Details of Public Revenues.

Supply-side outcomes

Ivorian MM price hike controversy

In January 2019, the Ivorian government extended the 7.2 per cent taxes to MM transfer companies. Initially, MM providers suggested passing this tax on to consumers, resulting in proposed fee increases from 1 February 2019.³⁹

However, on 7 February 2019, the tax administration clarified that consumers were not liable for these taxes, emphasising that they fell solely on the companies.⁴⁰ The tax administration deemed it illegal and a misappropriation of the tax law's intent to pass these taxes on to consumers, contrary to the state's tax policy of supporting households through increased social actions. Despite this, on 25 February 2019 MM transfer companies notified their customers via text messages of fee increases, attributing this to government taxes.⁴¹

³⁹ <https://unetelci.org/cote-divoire-de-nouvelles-taxes-dun-montant-cumule-de-7-sur-le-mobile-money/>

⁴⁰ Communiqué de la Direction Générale des Impôts (DGI), Mise au Point Relative à l'Application des Taxes sur les Transferts d'Argent par Téléphone Mobile, 7 February 2019, <https://www.gouv.ci/doc/1551183616COMMUNIQUE-DE-LA-DGI-SUR-LA-MISE-AU-POINT-RELATIVE-A-L-APPLICATION-DES-TAXES-SUR-LES-TRANSFERTS-D-ARGENT-PAR-TELEPHONE-MOBILE.pdf> The press release was published on the tax administration's website only on 26 February 2019. Portail Officiel du Gouvernement de Côte d'Ivoire, 'Mobile Money: La Repercussion de Nouvelles Taxes sur les Consommateurs Est Illégal, Selon le Directeur Général des Impôts', 26 February 2019, https://www.gouv.ci/_actualite-article.php?recordID=9759

⁴¹ Press Côte d'Ivoire, CI (2019) 'Les Tarifs Ont Augmenté Depuis ce Lundi', 25 February, <https://www.pressecotedivoire.ci/article/1142-cote-divoire-mobile-money-les-tarifs-ont-augmente-depuis-ce-lundi>, BankAssurAfrik (2019) 'Mobile Money: En Côte d'Ivoire, Confusion Autour de l'Augmentation des Tarifs', 26 February, <https://bankassurafrik.com/2019/02/26/mobile-money-en-cote-divoire-confusion-autour-de-laugmentation-des-tarifs/>

Subsequently, on 26 February 2019, regulatory authorities demanded MM providers cease transferring these costs to consumers, leading to the suspension of new rates.⁴²

Timeline 3 below shows pricing framework changes related to fee increases.

Timeline 3. Pricing developments



Source: Author's own creation.

Limited transparency in consumer MM pricing persists (IPA 2023), with high off-network transfer costs.⁴³ As of January 2024, Orange Money and Moov Money are the only mobile operators that have published their tariffs on their websites.⁴⁴ Orange Money has applied a 1 per cent charge on all withdrawals since 20 October 2021 and free national transfers.⁴⁵ Moov Money charges 0 per cent on same-network money transfers (P2P), 1 per cent on withdrawals, and tiered fees for withdrawals from other networks.⁴⁶ Newcomer WAVE offered no cash-in and cash-out fees and 1 per cent for money transfers.

Increased competition and disruption

Competition heated up as WAVE's entry into the market triggered turmoil among agents, and pricing wars. WAVE, a US fintech, entered the Ivorian market in April 2021. In April 2022, it became the first non-banking structure and non-telecom operator to receive an e-money licence, intensifying market competition.⁴⁷ MM subscriber bases show consistent growth, with a notable decline in Q2 2021, particularly for Orange (-8.7 per cent) and MTN (-1.7 per cent), attributed to WAVE's entry into the market.⁴⁸

While determining WAVE's market share is challenging,⁴⁹ the company's entry impacted agent networks and pricing structure. WAVE's entry disrupted traditional norms, introducing user-friendly money transfer apps and innovative solutions like QR code cards for non-smartphone customers.

Agent commissions in Côte d'Ivoire were unregulated until WAVE's arrival. WAVE's unique agent commission model, based on daily transaction volume rather than per transaction, undercut industry standards. This led to decreased profits for other providers and closures of rural-based agents (CGAP 2023; Karombo 2023). CGAP

⁴² ARTCI (2019), 'Communiqué Relative aux Tarifs du Mobile Money', 26 February. Issued under Article 174 of Ordinance No. 2012-293, <https://www.artci.ci/index.php/33-actualites/informations/514-communique-relatif-aux-activites-mobiles-money.html>

⁴³ The launch of WAVE in April 2021 disrupted the dominant market positions of Orange and MTN, which together served more than 75 per cent of the Ivorian market in Q1 2021.

⁴⁴ While the website does not mention the prices, secondary sources indicate that MTN Momo charges 1 per cent withdrawal fees for amounts above FCFA 100,000 (US\$ 162.6), capped at FCFA 5,000 (US\$ 8.1) for amounts above FCFA 500,000 (US\$ 813.8). <https://blog.julaya.co/frais-mobile-money-mtn-ci-passe-a/#:~:text=En%20effet%2C%20cette%20bonne%20nouvelle,additionnels%20plafonn%C3%A9s%20%C3%A0%205000%20FCFA>

⁴⁵ Website, Orange Money, <https://www.orange.ci/fr/tarifs-orange-money.html>

⁴⁶ For money deposits, Moov Money charges FCFA 0 for FCFA 100–500,000 (US\$ 813.8) and FCFA 100 (US\$ 0.16) of fees and stamp from deposits of FCFA 5,001 (US\$ 8.1) for money deposits at 500,001 (US\$ 813.8) to FCFA 1,500,000 (US\$ 2,441.5). <https://www.moov-africa.ci/moov-money/tarifs-moov-money/>

⁴⁷ Decision BCEAO, 14 April 2022, referencing 'EME.SM 017/2022'. See also: <https://www.wave.com/en/wdf/>

⁴⁸ ARTCI, Rapports Statistiques du Secteur des Télécoms en Côte d'Ivoire [Statistical Report of the Telecommunications Sector in Côte d'Ivoire], 2nd trimester of 2021, <https://www.artci.ci/index.php/marches-regules/observatoire-telecoms/statistiques-du-marche-telecoms/historique.html>

⁴⁹ ARTCI lacks precise data to ascertain WAVE's market share, as it only tracks the number of SIM cards linked to MM accounts, whereas WAVE accounts operate through a mobile application. According to ARTCI, within a target population of 24.5 million aged five and above, there are approximately 11.3 million individuals with a MM account linked to a mobile phone number. This includes six million males and 12.7 million females, with 14.6 million residing in urban areas and 9.9 million in rural areas. Additionally, the number of individuals holding a WAVE account is approximately 6.1 million, comprising 3.3 million males and 2.8 million females, with 5.1 million in urban areas and 1.0 million in rural areas. ARTCI 2023: 14.

proposed reallocating resources to support these agents through bonuses, liquidity management, and tailoring financing (CGAP 2023).

WAVE's competitive pricing, offering free deposits, withdrawals, and bill payments with a 1 per cent transfer fee,⁵⁰ triggered a market-pricing war (Milingita 2022).⁵¹ Competitors responded by slashing tariffs to match WAVE's pricing, impacting transaction fees and agent commissions (Milingita 2022).⁵² By October 2021, providers had aligned their prices with WAVE's, leading to a 50 per cent drop in agent commissions (Milingita 2022). Despite expectations of increased customer transactions, a nationwide strike by dissatisfied agents in August 2022 temporarily disrupted operations.⁵³

These disruptions and the impact of the new market entrants posed challenges for accurately assessing providers' turnover. Since January 2019, the 7.2 per cent tax on e-money issuers' commissions has raised concerns about its impact on MM providers' turnover. However, assessing the impact from Q2 2019 to the end of 2020 is difficult due to the absence of national statistics, and incomplete telecom regulator reports.⁵⁴

Data from Orange, MTN, and Moov shows fluctuating turnover patterns, with Orange Mobile Money Côte d'Ivoire not sharing its data with ARTCI.⁵⁵ The competition, fuelled by newcomers like WAVE and other fintech, triggered a price war, reshaping market shares, transaction fees, and agent commissions.

While revenue distribution has shifted over the years, with mobile internet becoming prominent,⁵⁶ MM services remain significant. Despite representing a consistent percentage of revenue for Ivorian operators,⁵⁷ alternative payment service providers pose a threat to MM's revenue growth.

Demand-side outcomes

Penetration rates surge despite new provider taxes

Despite the imposition of the 7.2 per cent taxes on MM providers, MM services in Côte d'Ivoire are increasingly popular, although penetration rates remain lower compared to East Africa. Leading operators include Orange Money, MTN Mobile Money, Moov Money and WAVE (not monitored by ARTCI).

From March 2018 to December 2019, MM penetration rates grew from 45 to 53 per cent, and from March 2020 to September 2022, they increased from 74 to 88 per cent, overcoming the challenges posed by the COVID-19 pandemic. Concurrently, mobile telephony penetration rates rose from 122 per cent in Q1 2017 to 168 per cent in Q3 2023, possibly influenced by factors such as the prevalence of multiple SIM card usage (see Figure 2).

⁵⁰ The transfer charge to neighbouring countries is 1.5 per cent, below the market average.

⁵¹ WAVE's low-cost services deviated from the previous complex tiered fee system (that averaged 6 per cent and 4 per cent on withdrawals). <https://www.cgap.org/blog/can-disruptive-innovation-favor-financial-inclusion-in-cote-divoire>

⁵² <https://www.mfw4a.org/blog/price-wars-and-agent-motivation-rural-areas-cote-divoire>

⁵³ <https://www.cgap.org/blog/can-disruptive-innovation-favor-financial-inclusion-in-cote-divoire>

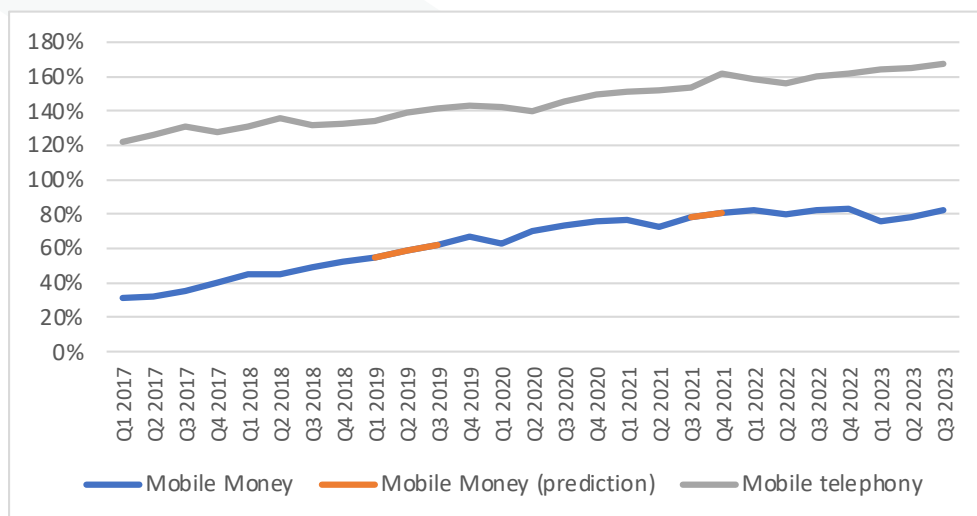
⁵⁴ ARTCI reports quarterly turnover data for the top three licensed MM providers (Orange, MTN, and Moov) but excludes significant periods (Q2 2019 to end of 2020) and information from WAVE (see also Akeko 2023). ARTCI, Rapports Statistiques du Secteur des Télécoms en Côte d'Ivoire, <https://www.artci.ci/index.php/marches-regules/observatoire-telecoms/statistiques-du-marche-telecoms/historique.html>

⁵⁵ In Q1 of 2018, Orange experienced an increase in total revenue, but Q1 2019 witnessed a sharp decline in Orange Mobile Money Côte d'Ivoire. Subsequent quarters show a recovery for MTN and Moov, with Orange CI reporting MM revenues solely from mobile financial services using its telecom infrastructure. ARTCI 2019.

⁵⁶ In 2015, voice traffic dominated with a staggering 81 per cent, gradually decreasing to 47 per cent by 2023. Meanwhile, mobile internet emerged as a key revenue driver, increasing from 4 per cent in 2015 to 40 per cent in 2023.

⁵⁷ Commission Bancaire de l'UMOA 2023 provides financial data on electronic money institutions; however, WAVE is unfortunately not included. https://www.cb-umoa.org/sites/default/files/Rapport_Annuel_SGCB_2022.pdf

Figure 2. Penetration rates (in %) between 1 October 2016 and 30 June 2023

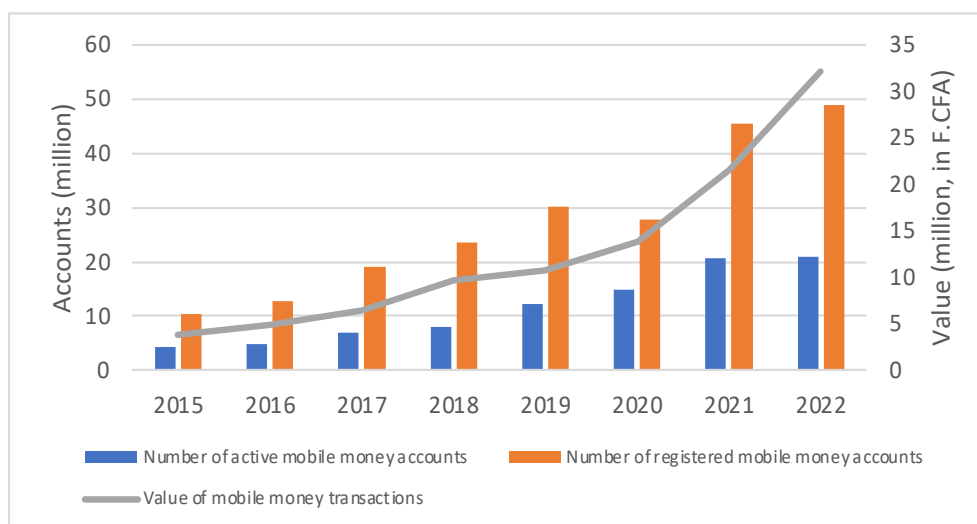


Source: ARTCI, Rapports Statistiques du Secteur des Télécoms en Côte d’Ivoire [Statistical Report of the Telecommunications Sector in Côte d’Ivoire]. <https://www.artci.ci/index.php/marches-regules/observatoire-telecoms/statistiques-du-marche-telecoms/historique.html>

MM adoption flourishes despite new provider taxes

Despite new taxes on MM providers, Côte d’Ivoire saw a consistent upward trend in the value and number of MM transactions between 2019 and 2020. By December 2021, the number of registered MM accounts had reached 45.6 million, marking a 77 per cent increase since 2020 (BCEAO 2022a) (Figure 3). Despite initial price increases in 2019, the sector thrived as the government shielded individual users from taxes absorbed by providers.

Figure 3. MM transaction value and volume



Source: BCEAO data extracted from IMF, Financial Access Survey 2023, <https://data.imf.org/?sk=E5DCAB7E-A5CA-4892-A6EA-598B5463A34C&sid=1460054136937>

In Côte d’Ivoire, traditional financial access points such as ATMs and bank branches are declining, while non-traditional access points such as retail agents and MM agents are gaining popularity due to MM services’ convenience and accessibility.⁵⁸ MM has

⁵⁸ ATMs and bank branches declined from 1,001 to 935 and 706 to 664, respectively, between 2017 and 2022, while registered MM agents surged from about 98,000 to more than 419,000 (IMF, Financial Access Survey 2023).

enhanced financial inclusion by providing accessible and affordable financial services to the previously unbanked,⁵⁹ mitigating distrust in the banking system.⁶⁰

A survey by APIF, CGAP, and Observatory of the Quality of Financial Services (OQSF) revealed widespread usage of MM transfers (88 per cent), deposits/withdrawals (84 per cent), phone credit purchases (83 per cent), and bill payments (29 per cent) in Côte d'Ivoire.⁶¹ Despite the benefits of DFS, gender disparities persist, with a majority of DFS users being male (56 per cent), urban (85 per cent), and young (72 per cent), while women face more significant challenges.⁶²

While MM account ownership in Côte d'Ivoire surpasses many other West African countries (with the exception of Senegal), it trails behind its East African counterparts.⁶³ Despite its popularity, DFS usage carries risks, with 88 per cent of users experiencing at least one risk annually, including financial losses due to fraud or transaction errors. Transparency and cost understanding remain hurdles, with only a third of DFS users receiving information about service costs before transactions and 31 per cent not receiving receipts.⁶⁴

Concluding remarks

Côte d'Ivoire implemented tax reforms in the telecom and information technology sectors to stimulate economic growth. While MM transfer companies face similar tax obligations to telecom companies, the MM sector has flourished, witnessing increased transaction values and volumes. This growth indicates that taxes have not significantly hindered the market. However, further analysis is needed to ascertain whether the tax burden has shifted to consumers through other services, or if it has limited providers' investment capacity, particularly in areas like agent network expansion and training.

Insights from the MM service provider tax framework offer several recommendations for MM policymaking:

- African countries can explore eliminating tax discrepancies between providers offering traditional and digital services to sustain a balanced tax framework for this challenging-to-tax industry. Côte d'Ivoire's adjustments based on public sentiment and industry dynamics, such as repealing the initial 0.5 per cent MM transfer tax in 2018, underscore the importance of maintaining tax neutrality (Niesten 2023). Levelling the playing field between digital and traditional financial services, as seen in the Finance Act 2020, promotes fairness.⁶⁵
- Governments can enact reforms to promote competition and protect users from increased costs in MM transfer operations. Effective oversight is crucial to reducing the impact of provider taxes on consumers, emphasising the need for ongoing monitoring of new taxes' long-term effects. Regulatory frameworks supporting fair pricing, transparency, and consumer protection are essential for fostering a competitive marketplace (Biemi, Totokra and Enokou 2018).

⁵⁹ Despite a high mobile phone penetration rate (72 per cent), financial inclusion in Côte d'Ivoire remains modest at 51 per cent of adults, including various account types. MM has driven financial inclusion growth, with 40 per cent having MM accounts (up from 24 per cent in 2014) (Global Findex 2021, <https://www.worldbank.org/en/publication/globalindex/Data>). However, a significant share of the African and Ivorian population lacks access to financial benefits, including credit, savings, insurance, and money transfers, crucial for welfare improvement, the exploitation of opportunities, and the mitigation of economic shocks (Duvendack and Mader 2019).

⁶⁰ World Bank 2016.

⁶¹ APIF CI 2022: 21.

⁶² APIF CI 2022 and Riquet, Duflos and Carlos 2022.

⁶³ Sixty-nine per cent in Kenya, 54 per cent in Uganda, and 45 per cent in Tanzania.

⁶⁴ Riquet et al. 2022.

⁶⁵ Fairness was also the objective of the 2015 memorandum that harmonised rules between banks and money transfer companies. The memorandum subjected all member groups and companies, including banking establishments and non-banking companies, to the obligation of VAT on money transfer operations. N° 1265/MPMB/DGI/DLCD.

- Earmarking of DFS tax revenue for specific purposes demonstrates a commitment to aligning fiscal policies with broader societal goals, enhancing public acceptance. While earmarking can popularise DFS taxes (Buchanan 1963; Athanassakos 1990; Flores-Macias 2016), ongoing evaluation is necessary to assess their effectiveness in achieving sectoral objectives.
- A deeper analysis of the impact of taxes on DFS providers is necessary to prevent adverse effects on profitability, infrastructure investment, and innovation. Ongoing monitoring is essential to determine their effect on the industry's growth (AFI 2021: 9; Clifford 2020).
- Targeted, evidence-based research, including consultations with providers and users, is needed to secure government revenue and economic growth. Increased transparency in the fiscal legal framework for MM taxes can promote understanding, compliance, and a fair business environment.
- Collaboration between governments, regulators, and industry stakeholders is vital to fostering innovation, investment, and fair taxation practices. Côte d'Ivoire can reassess MM taxation, collaborate with WAEMU states, and strengthen BCEAO initiatives to ensure financial inclusion and economic development impacts.

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Credits

Hannelore Niesten is an Associate Postdoctoral Fellow at the International Centre for Tax and Development at the Institute of Development Studies. She also works on various tax and legal projects focusing on gender and tax policy analysis in developing countries for the World Bank Group.

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ICTD is based at the Institute of Development Studies, Brighton BN1 9RE UK.

Tel: +44 (0)1273 606261

E-mail: info@ictd.ac

Web: ictd.ac

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