

Emergence of New Forms of Informal Economy in Benin

An Analysis of Digital Microenterprises

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Abstract

This article focuses on local digital businesses and entrepreneurs in a context of high digital penetration in people's activities in Benin. Starting in 2016, the Beninese government displayed a political will to embark on a dynamic aimed at making digital technology the primary driver of its socio-economic development. Since then, initiatives have been undertaken at the state level to facilitate the establishment of an ecosystem conducive to the emergence and strengthening of the digital economy. These new measures, combined with the process of digitizing public services, have led to the expansion in the number of microenterprises of various kind, and have fostered the emergence of a new category of digital entrepreneurs: e-service providers. How do these microenterprises operate, and what kinds of relationships do they maintain with the state and their customers? A significant portion of these businesses still operate outside government control. They often operate without official registration, thus escaping regulation and taxation despite their significant role in the informal economy. Moreover, the dematerialization of public services has been an opportunity for the creation of services that digital entrepreneurs offer to people with no digital literacy skills.

Keywords

Digital economy, informal economy, e-services, digital entrepreneurs, digital literacy

Introduction

This article focuses on digital businesses and entrepreneurs in the city of Parakou in a context of gradual high digital penetration in people's activities in Benin. Considered a driver of opportunities for accelerating economic growth, digital technology has undergone remarkable development and widespread adoption in social and administrative practices across Africa over the past two decades, given its social, political, and economic implications. Digital technology has succeeded in firmly establishing its importance in the public imagination as a tool for accelerating economic growth, reducing social inequalities, generating and sharing knowledge, fostering innovation, and enabling new social interactions. Benin has recognized this opportunity by making digital technology a lever for accelerating economic growth and promoting social inclusion (Acumen & Aced, 2023, p. iii).

Starting in 2016, the Beninese government displayed a political will to embark on a dynamic aimed at making digital technology the primary driver of its socio-economic development. Since then, initiatives have been undertaken at the state level to facilitate the establishment of a digital ecosystem conducive to the emergence and strengthening of the digital economy. These include the implementation of a national digital policy, which has led to the gradual establishment of a smart administration ("Smart Gouv"), and the widespread use of e-commerce. As a result, the government of Benin has accelerated the gradual dematerialization of administrative procedures and the digitization of public administration that have been initiated over the past five years. Furthermore, the government's focus on the digital sector has led to the creation in 2016 of the Ministry of Digital Economy and Communication, later renamed now the Ministry of Digitalization and Digitization, as well as the establishment in 2020 of the Digital Entrepreneurship Support Fund (Faen)¹ (Acumen & Aced, 2023).

Although the development of the digital economy has been shown to lead to the disappearance of certain professions (Colin et al., 2015; Rotman, 2013), in Benin, these provisions have contributed to the proliferation of various types of digital microbusinesses of various kinds (e-commerce, delivery services, web development, and graphic design etc.). Additionally, the digitization of public services has facilitated the emergence of a new category of digital entrepreneurs, specifically e-service providers. These "network effect" digital enterprises (Colin et al., 2015, p. 3), operating predominantly in the informal sector, are the focus of this article. According to the National Institute of Statistics and Economic Analysis (Insee), two main criteria define the formal nature of a business: possession of a statistical (or tax) number and maintaining accounting records. The informal sector, therefore, includes businesses that do not have a statistical (or tax) number or do not keep accounts with administrative value (Insee, 2010, p. 18). This article aims to describe and analyze these microenterprises, focusing on their operational modes and their relationships with the state and the beneficiaries of their services.

We argue that the reforms undertaken by the Beninese government in the digital sector have created an ecosystem favorable to the creation and development of digital economic activities. On the one hand, the facilitation of Internet access and its increasing use, alongside the widespread penetration of mobile phones, has provided opportunities for offering new services and products. On the other hand, the digitization of public services has generated new needs and demands (Abou Moumouni & Krauß, 2023) that state institutions are unable to fully meet. This institutional and structural incapacity has significantly contributed to the emergence of these digital microenterprises. In a context of heightened state control over resource mobilization to meet public expenses and amidst Benin's dense tax system (Aguemon, 2018), these predominantly informal, "network effect" enterprises play an increasingly important role in the local economy. At the same time, they develop strategies to escape state control.

¹ It should be noted that this fund was dissolved in 2022, and its responsibilities were transferred to the Small and Medium Enterprises Development Agency (ADPME).

Methodological Approach

This article uses a methodological approach centered on field research. The data utilized was collected through interviews conducted in October 2022 and completed between July and August 2024 with digital entrepreneurs and the beneficiaries of their services in the municipality of Parakou. A few companies known to us were initially identified. Through a snowball sampling method, additional companies were contacted.

In total, repeated interviews were conducted with 123 individuals (85 men and 38 women) aged between 18 and 45 years. The sample consisted of clients (17.88% of respondents) and actors/entrepreneurs who owned businesses (82.12%) providing digital services, particularly in the field of e-services. Among these digital businesses, only 28.57% were officially registered, while 71.43% operated informally. Additionally, 17.89% were mobile financial service providers, 39.02% provided e-services facilitating access to digitized public services, and 43.09% were engaged in e-commerce. The data from these interviews were complemented by those obtained from observations made at companies and reprography centers. These observations specifically focused on the interactions between digital companies and entrepreneurs and the beneficiaries of their services, offering insights into the nature of their services and the modalities of their operations.

The research was conducted in the city of Parakou, located in the Borgou department, 415 kilometers from Cotonou (Fig. 1).

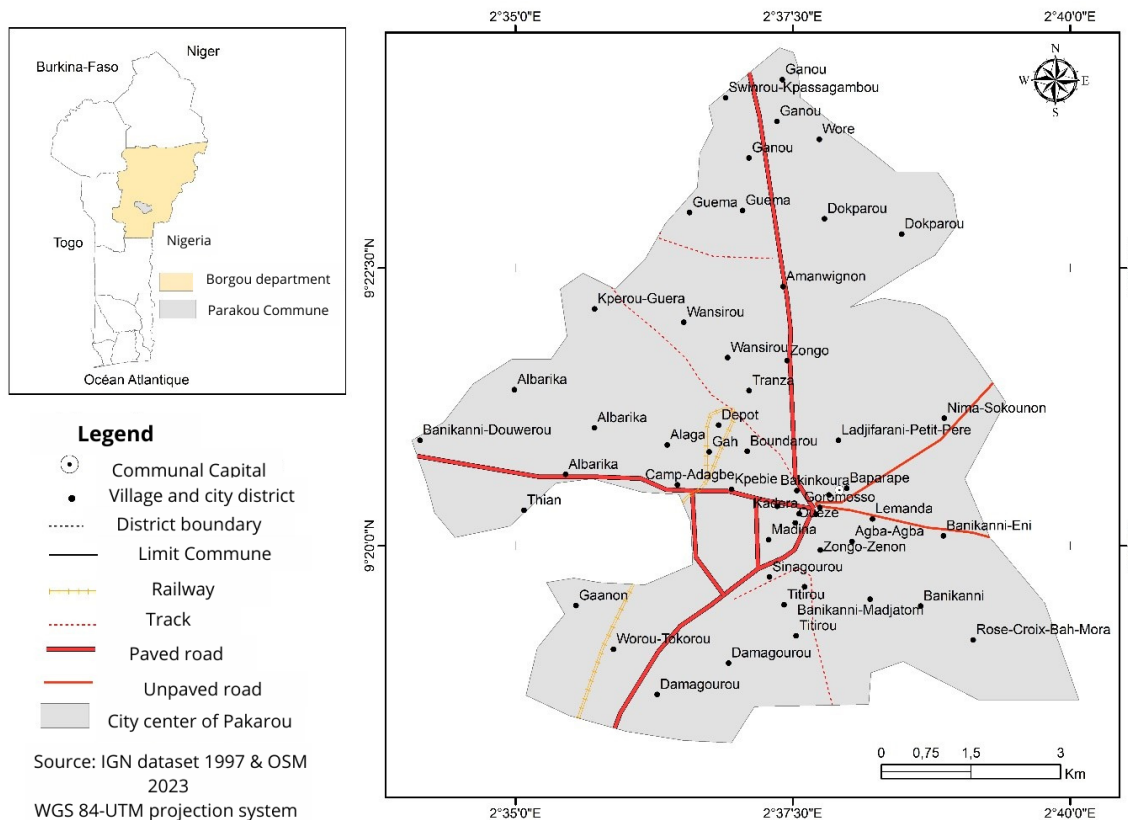


Figure 1: Map of Parakou City Center.

The city of Parakou was chosen as the research site for two main reasons: the high concentration of decentralized state district services and its significant economic potential. Recognized in Benin as a municipality with special status, Parakou is a cosmopolitan urban area. With a population exceeding 255,478 inhabitants in 2013, it covers an area of 441 km² divided into three districts. It is the largest city in northern part of Benin, where the widest range of economic activities are developed and

carried out. In the digital age, Parakou is equipped with infrastructures that provide relatively easy access to the Internet. As the departmental capital, the city hosts all the decentralized state structures and digital infrastructure established by the government to support the development of an ecosystem conducive to the emergence of the digital economy.

State-Level Initiatives for the Emergence of the Digital Economy in Benin

The Beninese context is witnessing growing dynamism in the fields of the digital economy and digitalization. Efforts by the government, supported by various partners, have improved the country's digital ecosystem (Ado, 2023, p. 20). Like most West African countries, Benin is undergoing profound transformation in the digital sector. The government's ambition is clearly outlined in its sectoral policy statement. According to the President of the Republic, the aim is to "transform Benin into West Africa's digital services platform for accelerated growth and social inclusion" (Presidency of the Republic of Benin, 2021).

To meet this challenge, the government has focused its efforts on several strategic pillars. The first, political in nature, involved establishing a national policy for the digital sector. In this respect, it is important to highlight the development of the 2021 strategic guidelines document for the digital economy. This document outlines Benin's ambitions, encompassing six flagship projects² to be implemented over five years (2016–2021) and six reforms to be carried out.

The second is the nationwide rollout of the high-speed internet infrastructure. Notable achievements include Benin's connection to SAT-3 and Africa Coast to Europe (ACE) fiber optic submarine cables, which facilitated the deployment of 4G high-speed Internet platforms. Starting in 2016, the rollout of the fiber optic backbone network (also known as the "Internet backbone") spanning more than 3,000 km, achieved 86% coverage of Benin's municipalities (Acumen & Aced, 2023).

Actions aimed at developing a digital governance framework have resulted in the creation of a Ministry dedicated to the digital sector, as well as the Agency for Information and Digital Systems (ASIN), which is supposed to ensure greater rationality, efficiency, and coherence in public action in the digital sector. The adoption of the Digital Code in 2017, amended in 2020³, is an important element in the process of developing a legal framework to regulate digital development. Alongside the Digital Code, other acts have been taken to strengthen the legal arsenal in this sector to boost trust among citizens, businesses, and investors in digital service.

As Ado (2023) points out, youth digital entrepreneurship remains a significant potential vector for Benin's economy. Current reforms are therefore rightly aimed at boosting this vital sector. The development of digital entrepreneurship also involves strengthening human capital. With this in mind, in 2017, Benin launched the Sèmè City project, designed to foster human capital development and improve career prospects for Beninese youth. Today, according to the information available

2 These projects involve: 1) the rollout of high-speed and ultra-high-speed Internet throughout the country, to meet the need for access to high-speed Internet connections at competitive rates, which is essential for the creation of a digital ecosystem and the development of innovative services; 2) the transition to digital terrestrial television (DTT) so that it is accessible to 100% of Benin households; 3) the implementation of Smart Gouv, which aims, on the one hand, to improve the efficiency and openness of the administration by refocusing public service around the user and, on the other hand, to promote good governance and the fight against corruption; 4) the widespread use of e-commerce; 5) the widespread use of digital technology in education and training, to enhance the quality of teaching and national skills, and prepare new generations for digital uses; 6) the promotion and development of digital content. For more information on these projects and the reforms undertaken by the government, please refer to the sectoral policy statement: Présidence de la République du Bénin (2021).

3 These are Law No. 2017-20 of April 20, 2018, on the Digital Code in the Republic of Benin and Law No. 2020-35 of January 6, 2021, amending Law No. 2017-20 of April 20, 2018. In addition, State initiatives include the creation by law n° 2014-14 of July 9, 2014 of the Autorité de régulation des communications électroniques et de la poste (Arcep), which ensures compliance with the rules of free competition and guarantees fair access to the electronic communications and postal markets. Also, by decree no. 2013-213 of May 3, 2013, Benin set up a national structure to combat cybercrime (Office central de répression de la cybercriminalité - OCRC), which has jurisdiction over all offenses related to computer systems and the ways in which they are processed, stored and communicated.

on the website, Sèmè City has nearly 650 learners, 1,000 entrepreneurs, and 115 researchers⁴, and envisages the creation of at least 100,000 jobs by 2032. This initiative thus contributes to the country's technological and digital transformation (Ado, 2023, p. 15).

Benin's many digital development initiatives have made the country one of the most secure cyberspaces in West Africa. For example, in 2022, based on the UEMOA E-government index (EGDI), which measures the level of digital use in terms of access to services, Benin, with a score of 0.52 in terms of the extent and quality of online services, is ranked second in the UEMOA space and tenth in Africa. Additionally, in terms of prevention and management of cyber threats, Benin, with a score of 58.44 out of 100, ranks first in the UEMOA region and in West Africa (Acumen & Aced, 2023, p. 10).

However, these achievements are far from hide the real challenges hindering the development of the digital economy and entrepreneurship. These challenges are numerous and are expressed in terms of lack of funding for digital startups, the need for specialized training in digital entrepreneurship, public reluctance to adopt digital solutions due to cybercrime risks, and the requirement for stronger technological infrastructure and connectivity, particularly in rural areas (CTD & GIZ, 2023, p. 37). Nevertheless, these actions have created a favorable institutional, legal, and infrastructural environment for the emergence of new digital economy models, which are the focus of this study in the context of Parakou.

Emerging Informal Digital Economies

The digitalization of informal economies refers to the use of digital technologies to enhance, transform, or facilitate economic activities that are not regulated by the state. This includes using smartphones, mobile apps, online platforms, and digital financial services to support and develop informal economic activities. Entrepreneurship plays a crucial role in net job creation, inclusive economic growth, and poverty reduction (Benoît, 2021, p. 77). In a context of digital transformation, digital entrepreneurship is gaining momentum with the initiation of digital economic activities. Without claiming to be exhaustive, we have identified three categories of activity that are increasing in the city of Parakou. These are the most remarkable micro-businesses, most of which operate on the borderline between the formal and informal sectors, but which undeniably contribute to the development of the local economy.

Service Providers Facilitating Access to Online Public Services

The first category includes service providers facilitating access to online public services. The process of digitizing and dematerializing public services, initiated by the government since 2016, has led to the increase of service providers who act as digital intermediaries between public administration and users. Reforms aimed at improving the business climate through the digitization of several services have resulted in the launch of a number of platforms by the Beninese government⁵. The ambition to establish a smart administration (Smart Gouv) has led to the creation of the national public services portal with over 500 online services, more than 70 delivered services, and a dozen fully dematerialized e-services.

However, the community digital points (CDPs)⁶ established at the municipal level to train and assist users in accessing public services cannot meet the ever-growing demand. Additionally, the creation of the National Agency for the Identification of Persons (NAIP)⁷—aimed at producing identity-related

⁴ <https://semecity.bj/a-propos/qui-sommes-nous/>

⁵ These include the tax download and payment platform; the financial transactions platform; and the public procurement access platform. For further information, please visit: <https://www.service-public.bj/public/services/e-services>

⁶ More than 47 community digital points have been installed.

⁷ Anip is created and governed by the provisions of Law no. 2017-08 of June 19, 2017 on the identification of individuals in the Republic of Benin, and with the mission of modernizing the process of identifying individuals. It is in charge of all operations relating to the design and technical implementation of the national register of natural persons, the design and implementation of communal registers of natural persons, the determination, allocation and conservation of the personal identification number (NPI), technical assistance to all structures and persons entitled to access or use the national register of natural persons, in accordance with the provisions of the law, authentication, conservation and protection of identification data.

documents and integrated systems—has resulted in the production and issuance of digital civil status documents (secure birth certificates, personal identity certificates, biometric ID cards, etc.) and increase demand for online services. Unfortunately, the practical measures put in place fail to meet users' needs. In Parakou, NAIP agents serve a population of nearly 300,000 residents from a single office located in the 2nd district.

This situation has facilitated the emergence of e-service providers. Laurent, the director of a reprography center, shared the context of his involvement in this activity:

Starting in 2021, with the advent of e-services, I noticed that many of my clients were in need, many were requesting these services. I was already providing services, but it was only to help people connect and print pay slips for government employees, such as teachers. But as the demand for CIP, secure birth certificates, and criminal records became increasingly high, I decided to expand my services by offering these documents. And, on my part, it grew quickly since the demand was already strong.

Laurent's experience is not an isolated case. Like him, many actors already involved in reprography have expanded the scope of their services by incorporating new demands arising from the implementation of reforms of public services. Thus, with the digitalization of public services, actors with digital literacy skills and a good understanding of procedures have positioned themselves as service providers to process requests for administrative documents and civil status records on behalf of people seeking them, in exchange for a fee. This has led to the development of a new type of business. Some people have ventured into offering e-services to make some money, so as to fend for themselves. This is the case, for example, of Edgar, a student, who says:

I started in 2022. I noticed that many people were having trouble getting their documents online. And since I was struggling, I saw an opportunity. So, I got trained by a friend. That is how I started with a few people in my circle, family members, and little by little, I decided to make money from it to cover my small needs.

These digital entrepreneurs often use social media and discussion groups to communicate about their services, as indicated by Fofana, who reveals: "I created a visual showcasing the different services I offer and shared it on WhatsApp and Facebook groups, as well as with friends, to communicate digitally". The main clients of these service providers are people without digital literacy skills. They often turn to these providers to access documents online. The coordinator of the NAIP agents in Parakou estimates that more than 50% of users first try the services of these providers. She states, "Among those who come here, more than half go through providers first. It is only when they are dissatisfied or there is an issue that they come to us". This statement clearly shows the preference users have for providers, at the expense of the official system for accessing dematerialized public services.

The main factors explaining this preference for providers are the insufficiency of community digital points (Parakou has only two digital centers) or the lack of awareness of their existence altogether, and the relatively short time it takes to obtain the requested documents from the providers. Indeed, these providers have become an important link in the process of accessing public online services. In this regard, Laurent testifies:

Clients save a lot of time because in the districts, it takes at least a day. The demand is higher there. Not only do you have to wait in line first, but they will always tell you to go and come back in the evening. And to collect it, you will have to wait in line again. Whereas with us, we do everything right away. For the CIP card, in 30 minutes at most, you have already got it printed and laminated.

The Mobile Financial Services (MFS)

The second category concerns mobile (or digital) financial services (MFS), which require the use of mobile phones to access financial services or conduct financial transactions. MFS on electronic communication networks are provided by three main companies: MTN with its “mobile money” (Momo), Moov with its “Moov Money” (FlooZ), and “Celtis Cash”. These services offer transactional features such as depositing or withdrawing money, transferring money, and paying for services via mobile phones. Through these platforms, it is possible to send or receive money through mobile or bank accounts, pay for goods and services from affiliated merchants (online shopping, bill payments, etc.), or top up airtime, call plans, or data plans on one’s phone or that of a relative as needed. Digital financial services have gained gradual success due to the low banking penetration rate. Mobile financial services offer the advantage of great flexibility and speed in transactions. This condition is particularly attractive to actors in the informal economy, who prefer immediate and discreet payment methods. This convenience further strengthens the use of these services in contexts where economic activities are either poorly or not regulated.

According to data from the Regulatory Authority for Electronic Communications, Post, and Press Distribution (Arcep), the number of mobile financial services accounts grew by 327% between 2018 and 2023. The same trend can be observed in the use of mobile money accounts. In Benin, holders of these accounts carried out a total of 2.07 billion transactions in 2023, compared with 202.6 million transactions recorded in 2018, an increase of around 920%. In addition, the penetration rate of mobile money rose from 23% to 89% between 2018 and 2023, according to Arcep⁸.

This sector generally attracts young people who are out of school or unemployed and turn to this activity to make a living. Alongside the authorized points of access for paid electronic communication services, which are required by operators under Article 101 of the Digital Code, these actors establish parallel sales points, often without authorization. Locally known as “cabine”, they are visible (about every 100 meters or so) along streets and in public areas with high traffic. Most of these actors and their microenterprises, depending on operators’ strategies, are not registered and fall under the vast informal sector (Chéneau-Loquay, 2012). Only a few have official licenses, and all the others benefit from a certain level of state tolerance. They are an important link in the distribution network set up by operators to reach the deeper parts of neighborhoods. In principle, to open a “mobile money” sales point, one must have a merchant chip, which requires holding a business registration. However, there are strategies to circumvent this requirement. Registered companies, but without sufficient capital to operate “mobile money” services or those that no longer wish to continue for whatever reason, sell their merchant chips to actors who want to engage in this activity.

Young people often invest in these activities temporarily, with the intention of changing jobs later. It is, therefore, an “interim” activity. However, some end up sticking with it, viewing the activity as a way to become self-employed. This is the case with Bénédicte, who started this business after completing her law degree. She admits: “My activity suits me perfectly. By being self-employed, I am my own boss. I do not envy an employee with a net salary of 250,000 CFA francs”.

This statement shows the extent to which the management of access points for paid electronic communication services, whether licensed or not, can be a profitable digital business activity. Bénédicte currently owns three cabins, which we had the opportunity to discover during the field phase. She manages the main cabin and employs two other young people who run the other two. In the city of Parakou, these services are rapidly expanding. Visible about every 100 meters, these access points are becoming an integral part of the urban fabric and greatly facilitate financial transactions. This expansion is largely due to the commitment of young people, often unemployed or waiting for professional opportunities.

⁸ See <https://www.agenceecofin.com/monetique/1006-119384-benin-le-nombre-d-abonnes-mobile-money-a-augmente-de-327-en-cinq-ans>

E-Commerce

The third emerging digital activity is e-commerce, although it is still largely in its developing stage. While it is often seen as a modern and formal activity, it can also become a vector for the informal economy, particularly in contexts where regulations are not strictly enforced, and actors can escape administrative constraints. With the ongoing digital transformations, Benin is witnessing a continuous growth of platforms enabling certain retailers to conduct their businesses, often without any administrative processes. These new digital merchants generally operate in total ignorance of laws, taxation, and all regulations surrounding e-commerce. However, transactions through e-commerce platforms are now taxed in Benin. Under the provisions of Article 224 of Law No. 2021-15 of December 23, 2021, on the General Tax Code, updated by Law No. 2022-33 of December 9, 2022, relating to the finance law for the 2023 fiscal year, it is specified that all service transactions of any nature conducted through e-commerce platforms, whether foreign or local, are subject to value-added tax (VAT). Article 232 of the General Tax Code stipulates that “all transactions carried out in Benin are subject to VAT, even if the domicile or registered office of the taxpayer is located outside the country’s territorial limits”. This measure applies to sales of goods, services, and other transactions carried out via e-commerce platforms. This tax provision is intended to strengthen various reforms initiated by the administration to broaden the tax base. The taxation of operations via e-commerce platforms in Benin is intended to establish tax equity.

These new merchants communicate via various platforms to acquire customers and sell their services and products without hassle. This type of sales is growing and spreading in Benin, sometimes outside the official legal and fiscal framework, thus avoiding taxes, duties, and regulatory obligations. To our knowledge, more than 18 e-commerce platforms are active in Benin, with their establishments unevenly distributed across the national territory. At least two of these platforms are active in Parakou: faala.net and ahiyoyo.com.

The faala.net⁹ platform’s mission is to offer bundled product offers through technological innovation to simplify transactions, promote local products, and create an inclusive community. As a facilitator between producers, suppliers, and consumers, it directly connects these two communities (consumers on one hand, and local suppliers and producers on the other) and facilitates economic exchanges that are fair and sustainable. The approach involves setting up a networking system for buyers, allowing them to access products at lower prices. In practice, Faala facilitates the networking of buyers, leveraging their large number to pool their needs or orders and negotiate for collective purchases at advantageous rates with its partner suppliers and producers. Thus, Faala facilitates the group purchasing process by connecting, through its platform faala.net, buyers who share a common interest in a specific product or service. When the minimum required order is reached, discounts are applied.

Ahiyoyo is a company registered in the trade and personal credit registry, with its headquarters located in Parakou. Ahiyoyo owns the e-commerce platform <http://www.ahiyoyo.com/>, known as the “Ahiyoyo platform”, where various products are marketed and sold primarily through e-commerce to a community of registered users, to whom the company offers various services. This platform enables people to sell their products online. Before listing products for sale, Ahiyoyo requires sellers to guarantee that they have the right to sell all the products and services listed in their shop, and that they fully comply with all applicable laws of the country, including tax laws and regulations, that they have obtained all necessary authorizations, and that they possess all required licenses to sell legally restricted products.

Apart from these platforms, many merchants use social networks, particularly Facebook, WhatsApp, and TikTok, as advertising spaces to promote their products. In their respective “statuses” and forums they belong to, they post samples of their items for wider visibility. In this way, any potentially interested consumer can directly contact them for negotiations, and transactions are made through mobile financial services.

9 “Faala” is in the Dendi language and refers to what is cheaper, or even free. Dendi is a national language spoken mainly in the northern part of Benin. It is spoken by around 2.3% of the population.

The situation described is not specific to Parakou. The different forms of informal digital economy mentioned can also be observed in major cities in Benin, particularly Cotonou and Porto-Novo. As an illustration, the majority of active platforms in Benin are headquartered in Cotonou, the country's economic capital. The predominance of these platforms in Cotonou shows in many ways that the emergence of these informal digital economy forms is not exclusive to Parakou. Given the status of Cotonou as the economic capital, it is evident that this reality is much more developed in this city than anywhere else in Benin. Furthermore, it is undeniable that the penetration of smartphones into everyday life, combined with increased access to the internet, has contributed to the proliferation of digital entrepreneurs who seize the opportunities offered by new information and communication technologies to develop their economic activities. Thanks to the digital ecosystem promoted by the government, smartphones have become tools that facilitate the emergence of a local digital economy that is gradually taking root in various forms in the practices of digital entrepreneurs. This digital ecosystem promotes transaction flexibility, reduces infrastructure costs for merchants, and allows them to expand their activities without relying on expensive traditional distribution channels. Despite existing legal provisions, these digital entrepreneurs manage to escape state control.

Digital Entrepreneurs Facing the State and Consumers

Although there is a legal framework governing digital activities in Benin, the former leaves digital entrepreneurs with leeway, allowing them to escape state control. The legal arsenal surrounding digital activities includes, among others, the law governing the Information and Communication Code, the law governing the Digital Code, the policy rules for the protection of critical information infrastructures, and the repository of requirements for the qualification of digital security service providers. These provisions contribute to providing the necessary legal security for businesses, investors, and users; ensure the cleaning up of the digital sector; rationalize the market for the emergence of efficient actors; and simplify the taxation system in the sector.

However, these provisions seem insufficient to allow the state to exercise strict and total control over digital businesses and to better benefit from their existence and actions. The relationship between the state and these digital companies is characterized by avoidance strategies. One of the weaknesses of the state system lies in the tax system, which is primarily based on the principle of self-reporting and the lack of effective means of monitoring entrepreneurs in their economic activities. Indeed, even assuming the control of declared revenues and profits, the tax administration is practically unable to control transactions that are entirely conducted online or to accurately identify taxpayers. In Benin, many small traders carry out their commercial activities via platforms without being registered. Consequently, digital companies and, in particular, private individuals, are less exposed to taxes, especially in a context where consumers have little to no culture around invoices, even less so that standardized invoices. The standardized invoice was introduced by the state to combat tax fraud through the monitoring of company turnover and to secure commercial transactions. On the ground, we observed that some traders apply different prices for the same item depending on the type of invoice the customer requests (standardized or not). The price is usually increased to include the related tax if the customer prefers a standardized invoice. As a result, many customers opt for a non-standardized invoice to minimize the cost of the item.

In practice, there is a lack of full traceability of online transactions. Sales paid via Mobile Financial Services (Momo, Flooz, Celtiis Cash) often slip through the state's control. Small businesses and individual entrepreneurs using these services to receive payments do not declare all their income.

As for the relationships between e-service providers and their clients, they are characterized by smooth interaction adapted to customer needs. Their exchanges remain focused on efficiency and speed. The flexibility of these providers enables them to respond to a wide range of requests, from printing and laminating services to online administrative procedures. One of the advantages of e-service providers is the proximity they maintain with their clients. Unlike formal structures, often

perceived as “too” bureaucratic and slow, informal providers offer a more accessible and rapid service. In this regard, one of our interviewees (a service provider from CNTEI) shared his strategy toward his clients:

... As I mentioned, respect and trust are values I have established over time. I remember the faces of my regular clients, which helps maintain a strong relationship with them. I have also instructed my secretaries to remain polite and respectful with the clients. From time to time, I stop by to ask the costumers present if everything is going well and if they are being attended to.

This proximity not only builds customer loyalty, but also a relationship of trust. Clients do not hesitate to return to the same service providers for recurring services or to recommend them to others. Furthermore, the success of e-service providers depends on their ability to retain clients through the quality of their services, but also through the respect they establish to ensure satisfaction becomes a key driver to attract new customers. Indeed, satisfied clients implicitly become true ambassadors, spontaneously recommending the provider’s services to others without the need for a personal relationship. This is highlighted by Adam, a service provider interviewed:

When I perform the service well, clients do not hesitate to recommend me to their colleagues or friends. For example, I once helped an uncle, a primary school teacher, with obtaining his IFU number, and in the days that followed, I found myself doing the same service for all the other teachers at his school. This allowed me to gain new clients and maintain contact with them.

However, the interactions between e-service providers and their clients are not always transparent and free of unpleasant experiences. On the contrary, they are often marked by overcharging, deception, and fraud. Indeed, taking advantage of the client’s vulnerability (illiteracy [digital], urgency of the service, ignorance of official pricing), some e-service providers set their prices arbitrarily, at their whim, and based on the client’s perceived status. This lack of transparency leads to inflated prices, which clients reluctantly agree to pay, either due to the urgency of the service or because they are unaware of the actual, lower prices. One client shared their experience:

Once, I paid 3,500 francs to a service provider to get a CIP card. When I went to renew it with another provider, the latter only charged me 2,000 francs, revealing that the actual cost was 1,000 francs and that printing and lamination would cost 700 francs. I was surprised, but since I did not know any better, I paid without questioning the price the first time...

This lack of transparency regarding prices sometimes creates frustration among clients, who are not always sure if the amount paid corresponds to the actual value of the service. The variation in the cost of services is also observed between service providers who have not managed to standardize the costs of the services. The table below shows some variations observed during the data collection.

Documents and services requested	Official cost (FCFA)	Cost of service providers (FCFA)
Duplicate Ravip receipt	500	1 000
Secured birth certificate	1 000	1 500 to 2 000
Personal Identification Certificate (PIC)	1 000	3 000 to 4 000
National biometric identity card	6 000	7 500 to 8 500
Personal identification number PIN	0	500 to 1 000
IFU number	0	1 000 to 2 000
Criminal record	1 900	2 500 to 3 000
Trade register	10 000	12 500 to 15 000
Creation of standardized invoicing accounts	0	3 000 to 5 000
Biometric passports ¹⁰	30 000	32 000 to 35 000
Online payment of traffic fines	Variable amount	500 to 1 000

Table 1: Variation in the Costs of E-Service Provision

Source: field data, August 2024.

As can be seen in Table 1, depending on the service providers, the cost of a service can vary from one provider to another, sometimes doubling the official cost. Thus, providers sometimes take advantage of specific contexts to adjust prices based on demand or the client’s profile, without providing a clear explanation. In this regard, Immaculé, one of the service providers, shares with us:

Initially, my prices varied depending on the costumer; meaning, if I noticed that someone was not familiar with digital tools at all, I would increase the rates, just as I would when the request was urgent or a bit complex... But now, I do not do that anymore because it is not honest.

This behavior harms the relationship, especially when clients discover more competitive prices elsewhere. This negatively impacts the provider’s reputation.

Conclusion

The aim of this article is to help understand the economic dynamics introduced by the government’s plan to develop the economy through reforms in the digital sector. Various initiatives taken at the state level have contributed to the creation of an ecosystem conducive to the emergence of new forms of local digital economies. The digital microenterprises that have emerged mostly operate informally and are beyond the state’s control by to the dual ineptitude of the state: its inability to subject these digital microenterprises to taxation, as well as its failure to provide citizens with the necessary skills to adapt to the new requirements for accessing public services.

As About Moumouni and Krauß (2023) point out, by generalizing and imposing the digitization of public services, the state seems to assume that citizens possess a minimum level of competency to communicate with the administration, even though it does not provide the required digital literacy skills. However, this reform has led to the emergence of new types of illiterate people, who are now obliged to rely on skilled digital literacy mediators to access public services.

¹⁰ This mainly concerns the online application procedure via a dedicated platform. The user must complete an online form correctly, enclosing the required documents. Before submitting his application, he can choose a date and time for an appointment, within the next two to three weeks, thanks to an online calendar proposed by the platform, then proceed to the payment of the passport fee and validate. You will then receive an e-mail summarizing your application.

Thus, the dematerialization of public services has been seized as an opportunity to create services that digital entrepreneurs offer to people with no digital literacy skills. The emergence of these digital entrepreneurs can be seen as one of the unexpected effects of the digitalization policy, since through it, the state hoped to gain more control over businesses with a view of broadening the tax base.

Moreover, many of these businesses still escape the state's control, as they often operate without official registration, thus avoiding regulation and taxation despite their importance in the informal economy. The regulatory provisions adopted by the state appear to be less effective in controlling microenterprises than large digital businesses, demonstrating the obsolete nature of the Beninese tax system, which needs to be adapted to the digital age. It is only through this revision of the tax system that the Beninese state can maximize the benefits of its digital ecosystem.

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