HOW TO SUCCEED IN YOUR DIGITAL JOURNEY:
A SERIES OF TOOLKITS FOR FINANCIAL SERVICE PROVIDERS

TOOLKIT #2: BE AN AGENT

PART 2: CASE STUDIES

- TSCU IN LIBERIA
- KAFO JIGINEW IN MALI

By PHB ACADEMY and MICROLEAD

Courtesy of TSCU Liberia

The MasterCard Foundation

PHB Academy towards financial inclusion

UNCDF MICROLEAD

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Courtesy of TSCU

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AUTHORS

PHB Development: Lisa Chassin

UNCDF MicroLead: Pamela Eser, Hermann Messan, Ivana Damjanov

REVIEW COMMITTEE

PHB Development: Aurélie Wildt Dagneaux and Marie-Sophie Tar

The Mastercard Foundation: Ruth Dueck-Mbeba and Prabhat Labh

ACRONYMS

BCEAO	Banque Centrale des Etats d'Afrique de l'Ouest
CBL	Central Bank of Liberia
DFS	Digital Financial Services
DFSP	Digital Financial Services Provider
FCFA	Franc CFA
FSP	Financial Service Provider
LCUNA	Liberia Credit Union National Association
LD	Liberian Dollar
M&E	Monitoring & Evaluation
MIS	Management and Information System
MM	Mobile Money
MNO	Mobile Network Operator
PAR	Portfolio at Risk
PoS	Point of Sale
SMS	Short message Service
TSCU	Trust Savings and Credit Union
USD	United States Dollar
USSD	Unstructured Supplementary Service Data
VPN	Virtual Private Network
VSAT	Very Small Aperture Terminal
WOCCU	World Council of Credit Union

DEFINITIONS

CONCEPTS	DEFINITIONS
DIGITAL FINANCIAL SERVICES (DFS)	Refers to financial services provided to clients through alternative distribution channels (mobile, internet, agents) that have developed over the past 10-15 years.
MOBILE FINANCIAL SERVICES (MFS)	Refers to financial services provided to clients through mobile phones and mobile devices (eg: tablets). The term is gradually being replaced with DFS, which is broader also covering other distribution channels.
ALTERNATIVE DELIVERY CHANNELS	Comprises new distribution channels that have developed over the past 10-15 years: internet banking services, mobile banking services, agency banking service (as opposed to traditional distribution channels such as brick & mortars and ATMs).
FINANCIAL SERVICE PROVIDERS (FSPS)	Comprises banks, MNOs, and financial institutions providing financial services to clients.
NON BANK FINANCIAL INSTITUTIONS (NBFI)	Comprises MFIs, cooperatives and SACCOs, and MF Banks, as opposed to MNOs and traditional Banks, providing financial services to clients.
MOBILE AS A SERVICE	Refers to financial transactions performed using mobile technologies, such as the mobile phone or tablet, and impacting the bank account of the financial service provider.
AGENCY BANKING	Clients can transact on their mobile wallet and FI account either directly themselves or be assisted by a third party (e.g: agent). Note that deposits (cash in) and withdrawals (cash out) require agent as intermediary. Agents are contracted by a FSP (FI, PSP, or MNO). In toolkits 3 and 4, we will detail the type of transactions and the interactions between the mobile money and the bank account.
AGENT	Any third party acting on behalf of a bank, a mobile network operator, or other financial services provider to deal directly with customers. (source: CGAP, 2016)
ELECTRONIC MONEY (E-MONEY)	A monetary value represented by a claim on the issuer that is stored in electronic form, including magnetic; issued immediately against delivery of funds of an amount not less than the monetary value issued; and accepted as means of payment by persons or entities other than the issuing institution. (source: CGAP, 2016)
CASH-IN/CASH OUT	Cash-in is the exchange of cash for electronic value (e-money); cash-out is the exchange of electronic value (e-money) for cash. (source: CGAP, 2016)
ELECTRONIC WALLET (E-WALLET)	Electronic accounts that clients can manipulate directly to send payments to other wallets or merchants. (source: CGAP, 2016)
E-MONEY ISSUER	Banks, financial institutions specialized in payments (or payment institutions), authorized microfinance institutions, and other authorized nonfinancial institutions that have been authorized by BCEAO as EMEs. (source: CGAP, 2016)
FLOAT	The balance of e-money, or physical cash, or money in a bank account that an agent can immediately access to meet customer demands to purchase (cash in) or sell (cash out) electronic money. (source: CGAP, 2016)
MOBILE BANKING	The client can transact directly him/herself on his/her FI account without requesting assistance from a third party (e.g: agent). Note that deposits (cash in) and withdrawals (cash out) still require an agent as intermediary. In toolkits 5 and 6, we will detail the type of transactions and the interactions between the mobile money and the bank account.

CONCEPTS	DEFINITIONS
CORE BANKING SYSTEM (CBS)	A core banking system is the back-end data processing application/software for processing all transactions that have occurred during the day and posting updated data on account balances (source: Gartner[a]).
MANAGEMENT INFORMATION SYSTEM (MIS)	A MIS is the entire back office system, including portfolio management, and reporting. It is broader than CBS, which is for capturing and processing the data. As described by World Bank, a MIS is a system that helps management make, carry out and control decisions. It captures and stores data, processes data to produce meaningful and relevant reports, and supports operations by enforcing defined processes and providing an audit trail. (source: CGAP, 2012[b])
POINT OF SALES (POS)	A payment terminal, also known as a Point Of Sale terminal, credit card terminal, or Electronic Funds Transfer at Point of Sale terminal, is a device which interfaces with payment cards to make electronic funds transfers.
MPOS (MOBILE POINT OF SALE)	An mPOS (mobile point of sale) is a smartphone, tablet or dedicated wireless device that performs the functions of a cash register or electronic point of sale terminal. (source: TechTarget[c])
GPRS	General Packet Radio Service (GPRS) is a widely-deployed wireless data service, which enables people to enjoy advanced, feature-rich data services, such as e-mail, multimedia messages, social networking and location-based services (definition from GSMA[d]). The data system charges based on volume of data transferred, instead of billing per minute of connection time.
EDGE	Enhanced Data rates for GSM Evolution (EDGE) is a technology that can provide up to three times the data capacity of GPRS. EDGE enables the delivery of more demanding mobile services, such as multimedia messaging, full web browsing and e-mail on the move. (source: GSMA[e])
WAN	A wide area network (WAN) is a telecommunications network or computer network that extends over a large geographical distance. The Internet is an example of a WAN.
KNOW YOUR CUSTOMER (KYC)	A set of due diligence measures undertaken by a financial institution, including policies and procedures, to identify a customer and the motivations behind his or her financial activities. KYC is a key component of anti-money laundering/combating the financing of terrorism efforts. (source: CGAP, 2016)
MOBILE NETWORK OPERATOR (MNO)	A company that has a government-issued license to provide telecommunications services through mobile devices. Mobile penetration rate Measured by the number of SIMs in circulation as a percentage of the total national population number. (source: CGAP, 2016)
OVER-THE-COUNTER (OTC) TRANSACTIONS	An OTC transaction occurs when clients hand cash to or receive cash from agents, who execute transfers electronically on behalf of senders and receivers. In such transactions, clients do not need to have their own e-wallets. (source: CGAP, 2016)

a http://www.gartner.com/it-glossary/core-banking-systems/

b https://www.cgap.org/sites/default/files/CGAP-Technical-Guide-Information-Systems-Jan-2012.pdf

c http://searchcio.techtarget.com/definition/mPOS-mobile-point-of-sale

d http://www.gsma.com/aboutus/gsm-technology/gprs

e http://www.gsma.com/aboutus/gsm-technology/edge

Courtesy of TSCU

SECTION 1: **OVERVIEW**

This case study presents the digital journey of two financial institutions (FI) that are mobile money agents for a mobile money operator in their respective countries of operations.[1] It complements our Toolkit #2, presenting the second business model an FSP can choose - to be an agent of a digital financial service provider (DFSP).

Trust Savings and Credit Union (TSCU) – one of MicroLead's partners in Liberia – was established in 2013 by the World Council of Credit Unions under MicroLead's Credit Union Revitalization Program. With 1,620 members and 15 branches and points of sale as of August 2016, TSCU's operational scale is small. By contrast, the other institution in our case study, Kafo Jiginew, is a leading institution providing financial services to low-income populations in Mali, with more than 357,000 members and a wide physical presence through 168 service points. While TSCU started its mobile money operations (MMO) quite recently (in February 2014), Kafo was a forerunner in Mali, starting in 2010 when the Mobile Network Operator (MNO) Orange Mali had just launched Orange Money.

These are two organisations with **different backgrounds and market presence.** Yet, interestingly, they have had a **similar experience vis-à-vis digital finance.** Both seek additional revenues, an increased customer base, improved customer service and added-value for customers from their DFS agent activities in order to distinguish themselves from the competition. For them, becoming a mobile money agent initially appeared like low-hanging fruit, where potential gains were more important than incurred investments and risks (most of the expenses are actually covered by the MNO).

The digital services offered by these two institutions entail mobile money customer registration, cash-in and cash-out. These services are provided with little technology, primarily utilizing smartphone devices and USSD technology. In return for these services, TSCU and Kafo Jiginew receive commissions from their MNO (Lonestar Cell and Orange, respectively). Yet, the share of the commission differs greatly from one institution to the other, depending on the negotiations and agreements each institution has managed to close.

As demonstrated in this case study, implementation efforts and challenges when becoming a mobile money agent for an MNO are limited compared to other digital options for FSPs. This is also why this model is so appealing for DFS-novice MFIs like Kafo and TSCU.

At TSCU, mobile money activity is rising significantly. In 2016, the number of transactions increased by 187% compared to 2014, while the commissions rose by 203%. During the first half of 2016, commissions from mobile money amounted to 30% of the credit union's overall revenues. At Kafo, revenues earned from mobile money transactions are quite significant in value, amounting to 30 million FCFA in 2015 (52,000 USD) but represent only a small percentage (1%) of the institution's revenues. Furthermore, Kafo's performance recently registered a slight decrease. Commissions, for example, have decreased by about 10% between 2014 and 2015. This downgrading can be attributed to the increased competition in the Malian mobile money sector, indicating that, as the market matures, this business model's performance can become less attractive for FSPs.

The following key take away should be remembered from the case studies:

- **Being an agent of a DFSP can be an entry point to DFS.** This model is attractive to FSPs that do not yet have digital financial services experience. There is a low level of investment and few risks. Also, the model requires few prerequisites or organizational adjustments. This can allow FSPs to learn by doing and gain confidence in the system while simultaneously gaining client's trust. It can be a springboard to transition to more complex models.
- **The model "Being an agent of a DFSP" can be implemented by very different FSPs.** Both large and small FSPs can benefit from this model, as proven by the respective reported profits and size of the two FIs presented here.
- **The model "Being an agent of a DFSP" can be implemented in different environments.** This case study demonstrates that the model can apply to very different environments – Mali vs. Liberia. Demand for such services is widespread, and FSPs can contribute to meeting the money transfer needs of their clients and non-clients in areas with little or no payments infrastructure. However, as markets are maturing, more competition is pushing FSPs to consider more complex and profitable models.
- **Negotiation with MNOs is a key success factor.** MNOs play a key role in this model, so FSPs can only be successful if the partnership/negotiation is managed well. Support from national FSP networks (e.g.: network of MFIs) in negotiating with the MNO can prove critical for small FSPs.
- **Getting the most out of being an agent of a DFSP requires some monitoring and evaluation (M&E) tools.** Investment in M&E will help better leverage this model. M&E proves useful in assessing cross-selling opportunities and the impact of the services on client retention and satisfaction, as well as measuring results from a financial perspective.

1 As a reminder, when being an agent for a digital financial service provider (often an MNO), the financial service provider (FSP) delivers the DFS provider's products/services through the FSP's own network of branches.

SECTION 2:
THE DIGITAL PATH

Gaining additional revenues and increasing membership were the two strongest motivations for TSCU in Liberia and Kafo Jiginew in Mali to become mobile money agents. To both, this model originally appeared like a simple and achievable model, with potential gains significantly exceeding incurred investments and risks.

Courtesy of TSCU Tappita Branch

THE INSTITUTIONS AT A GLANCE

TSCU, Liberia

TSCU is one of four credit unions formed in Liberia by the World Council of Credit Unions (WOCCU) under the Credit Union Revitalization Program, supported by UNCDF in partnership with The MasterCard Foundation. The aim of the project was to revitalise the credit union movement in a country where the financial sector had been severely damaged by decade-long civil wars (see Annex 1).

Table 1: Trust Savings and Credit Union (TSCU), data as of August 2016

Regulatory status	Credit Union Regulations issued by the Central Bank of Liberia
Operating since	September 2013
Geographical coverage	Region 3 (i.e. Bong, Lofa and Nimba counties)
Products	• Loans (agriculture, business, school fees, at 12% interest) • Savings products for members only • Mobile money (i.e. cash-in, cash-out, registration) for all Lonestar Cell subscribers
Number of members	1,620, incl. 102 institutional members (i.e. groups or institutions like schools, churches, etc.)
Loan portfolio (USD)	12,579
Average loan size (USD)	572
Number of staff/ volunteers	6 full time, 15 volunteers

TSCU is a young organisation which opened in September 2013. It was formed with the aim of facilitating access to finance to the largely unbanked rural population in Bong, Lofa and Nimba counties (Region 3 in Figure I). The population of these three counties amounts to 1,1 million people (over 3,5 countrywide).[2]

2 2008 National Population and Housing Census: Preliminary Results, Government of the Republic of Liberia, 2008.

Figure I: UNCDF and WOCCU Credit Union Revitalization Program

UNCDF MICROLEAD: CREDIT UNION REVITALIZATION IN LIBERIA PROGRAM

KEY: HQ and Brick & mortar branches run by Credit Union Staff
Region 1 POS — Region 2 POS — Region 3 POS — Region 4 POS

TSCU offers individual memberships as well as institutional memberships for cooperatives, credit unions, churches and schools. As of August 2016, 1,620 members were registered. Of these, 102 are institutional members. The institution experiences high dormancy rates; only 200 members out of these 1,620 have active members.[3] These numbers are far from the Credit Union Revitalization Program objectives of obtaining 30,000 members within three years. TSCU is struggling to restore confidence in the financial system in a country where many have been victims of fraudulent financial operations. The goal of TSCU is to gradually build a wider physical presence in rural areas, where the cores of their members live. As of now, they have established six branches and nine points of sales (POS) in the three counties where they operate and the number of point of services is growing.

Given its small operational scale, TSCU is confronted with the challenge of limited capital to further expand. Initially supported by WOCCU/MicroLead (through the Credit Union Revitalization Program)[4], TSCU now relies on member registration fees and commissions earned from mobile money transactions to cover staff salaries and operational costs.[5]

3 An active member has done at least one operation over a period of 12 month.

4 WOCCU provided funds to cover staff salaries, equipment maintenance, administrative costs, member recruitment and capacity building from June 2013 to June 2016.

5 Loan interest is used to pay dividends on members' shares and interest on members' personal savings.

Similar to other institutions in Liberia, TSCU was severely affected by the Ebola crisis, which proved fatal to some of its members. However, the credit union did not cease operations and, with preventive measures taken, continued supporting members through difficult times.

Kafo Jiginew, Mali

Table 2: Kafo Jiginew, data as of September 2016

Regulatory status	Microfinance license under the authority of the BCEAO
Operating since	1987
Geographical coverage	Urban and rural
Products	• Group and individual loans • Savings • Mobile money services
Number of members	368 961 (31 Dec. 2015)
Total savings (USD)	Approx. 45 million
Loan portfolio (USD)	Approx. 48 million
Average loan size (USD)	771
Number of staff/ volunteers	677

Courtesy of Kafo Jiginew

Kafo Jiginew is a savings and loan institution providing financial services (savings, credits, transfers, etc.) to under-banked, low-income populations in Mali with the aim of improving their living conditions. Kafo Jiginew initially represents the will of peasants and artisans to organize themselves and control their own development, by managing the resources available to them. Initially supporting the production of cotton, the institution has progressively diversified its activities to urban areas and other agricultural products and their value chains.

With almost 30 years' experience in microfinance, Kafo Jiginew is the first microfinance institution in Mali with five regional offices and 168 points of services, of which 22% are in urban areas and 78% are in rural areas. This allows good coverage of rural communities. As of December 2015, the institution had almost 370 000 members, including 258,514 men, 90,723 women, and 19,724 groups. Of these members, 62.5% live in rural areas.

OBJECTIVES OF GOING DIGITAL

While TSCU started its mobile money operations (MMO) quite recently in February 2014 (a few months after its inception and three years after the introduction of mobile money in Liberia), Kafo Jiginew is a forerunner in Mali, starting MMO back in 2010 when Orange Mali had just launched Orange Money. Consequently, Kafo Jiginew benefits from its longer experience. Despite different backgrounds, the two institutions' first steps towards digital financial services were guided by the same objectives.

For both organizations, the opportunity to become a mobile money agent was introduced by telecom operators wanting to expand their distribution networks. None of these organizations had previous experience in digital finance, and this model seemed like an easy entry point.

The specific objectives for this business model were:

1. To **earn additional revenues** through mobile money commissions;
2. To **increase the number of clients** (membership) by converting mobile money users into members/clients (representing a cross-selling opportunity);
3. To **retain members** by offering more convenience/proximity services (reducing the costs of sending and receiving money);
4. To **offer innovative services** that would **differentiate them from competitors** and increase their credibility vis-à-vis local community members.

TSCU, as a freshly established organization, immediately saw a win-win situation, where both institutions (the credit union and the mobile network operator) could grow and profit from their mutual collaboration. At the time, TSCU's operations were nascent, with less than 400 members and no loans disbursed. Thus, the opportunity of gaining additional revenues and attracting new people at their premises was attractive. Additionally, the investments required were almost nil. TSCU also believed mobile money services could help serve clients better. For example, in Tappita

(Nimba county), TSCU had just opened a branch next to one of the biggest hospitals. There, paying for hospital bills is a real burden, as cost of treatment is high, and accessing money is difficult. No point of service to withdraw money was available nearby at the time. TSCU thought of introducing mobile money at this branch as an opportunity for patients (and patients' families) to send and receive cash through the service next door.

The same rationale led Kafo Jiginew to become a mobile money agent. In 2010, when Orange suggested that Kafo Jiginew become its agency network's backbone, Kafo Jiginew's management saw a not-to-be-missed opportunity for growth. On the one hand, there was the prospect of an additional income stream at low cost, but there was also a breakthrough possibility to distance itself from its growing competitors.

Becoming a mobile money agent was thus initially perceived by both as a quick and easy win, a new service that offered clients and FSPs much with little effort required.

THE DIGITAL JOURNEY

Kafo Jiginew's experience is a particularly good example of how easily this business model can be implemented. According to Kafo Jiginew, only initial negotiations with the mobile network operator were delicate to handle. Having learned its lesson from a previous (and failed) experience with a money transfer provider, Kafo Jiginew knew the importance of carefully negotiating the contract's terms and conditions with the potential partner MNO. They took their time to discuss the contract (four months), anticipate any potential loopholes and get the most out of the agreement. This demonstrates to all institutions willing to implement this business model that they need to be patient during the negotiations with MNOs so that they can reach a win-win partnership. After this was achieved, the institution successfully went through pilot, launch and full deployment in more than 100 points of service in less than six months (see Figure II).

Orange, out of its own pocket, equipped and trained Kafo Jiginew's staff so they could handle mobile money operations. Training sessions consisted of learning how to use mobile devices and how to manage liquidity (cash and e-money), and conduct operations such as enrolling clients, performing cash-in and cash-out transactions, requesting supply of e-money, and buy-back when exceeding. Over a two-months period, trainings were provided on Saturdays to each pilot 'caisse'/branch, followed by a week-long on-the-job coaching, during which Orange staff provided on-site technical assistance to Kafo's branches.

Kafo Jiginew then started the pilot in fourteen selected branches near Bamako. It didn't take long for Kafo Jiginew to realise that clients were extremely interested in the service. So after a couple of weeks, the organisation decided to launch the service to its entire branch network. The rapidity of this go-to-market decision was also made possible because no investment was necessary. After four months, the agency network was fully deployed. In 2016, six years after the official launch, the mobile service is available in all 168 branches.

For TSCU, the process was even simpler, as there was no opportunity assessment, and negotiations were initiated by MicroLead's technical service provider WOCCU. Additionally, the service was deployed in much fewer branches/points of service. Mobile money transactions first began at TSCU's Central Branch in Ganta, Nimba County, and gradually spread to other locations, including Tappita, Foya, Saclepea, Bluntuo and Karnplay branches, where the service is in active use. Expansion of the service to other branches is currently being explored, as the experience has been quite positive in the current areas of operations. However, the availability of staff and cash (liquidity management) seem to be barriers that first need to be addressed before expanding to other geographical provinces.

Figure II: Kafo Jiginew's implementation process of the digital solution

SECTION 3:
THE DFS IMPLEMENTATION APPROACH

1. REGULATION AND PARTNERSHIPS

If, like Kafo Jiginew, you are a leading FSP with a considerable number of points of service/branches, and/or if you have the chance to start mobile money operations soon after a MNO launches mobile money, the partnerships you may consider to succeed as an agent are with an MNO and a bank (where the e-money is stored). Negotiating as a value-added partner rather than as a mere distributor will be the key to success.

Unfortunately, being in such a strong negotiating position is rare for FSPs. In most African countries, MNOs' mobile money services are now reaching scale, both in terms of operations and network development. MNOs clearly have ascendancy over small (sometimes unstable) microfinance institutions. In such cases, it is difficult for FSPs to enter into level playing field negotiations. MNOs often impose pre-established contractual terms which tend to work in the MNO's favour. Identifying your key strength (e.g. geographical coverage of rural areas) to bring added value to the digital financial service provider (often an MNO) is necessary to rebalance negotiations.

However, for small FSPs like TSCU, there is an opportunity **to partner with other small to medium sized FSPs to have more negotiating power**. TSCU tried this approach. The WOCCU Liberia led negotiations with Lonestar Cell, uniting the voices of the four credit unions established under MicroLead. Through this partnership, the four credit unions were able to join forces and negotiate as one with the MNO. They lobbied for improved contractual terms, presenting a better opportunity for Lonestar Cell to reach rural and far-flung areas. However, there might have been greater impact and traction if LCUNA, the apex institution for credit unions in Liberia, had been involved into the negotiations[6]. There is an implied opportunity for national microfinance or credit union networks (like LCUNA in Liberia) to be the voice of the sector and to unite and represent microfinance players' interests.

Neither TSCU nor Kafo Jiginew were required to gain approval from their regulators to implement this business model. The license/approval is, however, necessary at the MNO or bank level. Yet, it was useful for both institutions to enquire at the regulator on which operations they were allowed to perform as agents (not all regulators enable agents to perform registration of clients, for instance) and whether they need to be exclusive or not to the DFSP (again, depends on each regulator).

6 Liberia Credit Union National Association (LCUNA) is not a regulator rather an apex institution responsible to advocate, network, train and assist credit unions in setting up financial records.

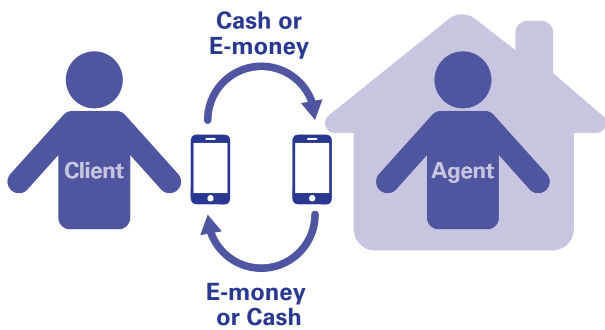
2. PRODUCTS AND SERVICES

Mobile money services are available to a wider audience than just Kafo Jiginew's or TSCU's member base. Everyone owning a SIM card from the partner DFSP/MNO can register for the service. Hence, there is high potential for these FSPs to leverage cross-selling opportunities and grow their customer base. As they mainly operate in rural areas, they particularly target, through mobile money, rural populations without access to a bank.

The mobile money services are provided at the FSP's branches acting as agent of the DFSP.[7] Services are similar to basic over-the-counter (OTC) transactions.[8] These consist of:

- **Customer enrolment/registration:** At Kafo Jiginew, the FSP staff register clients on a computer that is configured and connected through VPN to Orange Money's platform;[9] TSCU directly performs the registration on a dedicated smartphone;[10]
- **Cash-in services:** (or sale of e-money to clients): Clients deposit funds into their mobile money account with e-money by giving the equivalent in cash to the agent;
- **Cash-out services:** Clients exchange their e-money (from their mobile money account) against cash at the agent, withdrawing funds.

Figure III: Cash-in/Cash-out services at agents



7 In some cases, the services can be provided in the field by the FSP staff equipped with POS or mobile phones. For security reasons (cash management), many FSPs have discarded that option.

8 Although services are similar, mobile money has possibilities to go beyond cash in and cash out, mostly because of the sales force of MM agents over OTC agents. MM agents have increased marketing abilities, like for example being able to explain all possibilities of MM wallet versus a typical OTC account.

9 A virtual private network (VPN) is a network that is constructed using public wires — usually the Internet — to connect to a private network, such as a company's internal network. There are a number of systems that enable you to create networks using the Internet as the medium for transporting data.

10 Mobile money agents (volunteers) move from communities to communities and conduct registration on a programmed mobile phone (Axon Fone A4 Smart Phone).

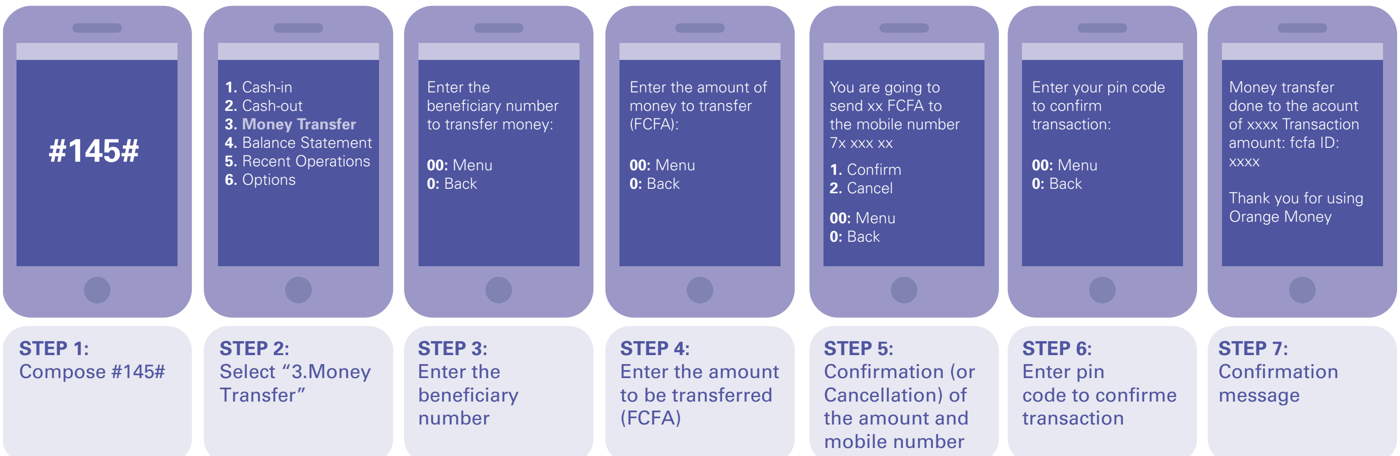
Courtesy of WOCCU MicroLead

Others services can be available with Orange Money or Lonestar Cell, like bill payments, airtime top-up, etc., but these are not provided by Kafo Jiginew or TSCU.[11] Clients can use their accounts to pay bills like satellite TV, electricity, school fees, and buy air time without going to an agent, provided they know how to conduct the transaction on their phones by themselves.

All these services can be provided by the FSP with little technology, as they primarily require (smart)phone devices and access to the USSD technology. At Kafo Jiginew, transactions are performed through Orange Money's USSD menu on merchant phones (Figure IV).

Client registration requires additional devices, such as scanners (to scan clients' identification documents) and printers (to print receipts). TSCU directly registers clients on a dedicated smartphone, connected to Lonestar Cell's mobile money platform platform via Internet.

Figure IV: Example of an Orange Money transaction operated by a Kafo Jiginew agent through USSD



11 For more detail on the type of services that can be provided by a FSP acting as agent of a DFSP, please refer to the toolkit.

3. DISTRIBUTION CHANNELS

Agent network and management

As an agent of a DFSP/MNO, FSPs become part of another institution's distribution network. Thus, FSPs do not manage their own agent network,[12] but rather offer their agencies/access points to distribute, through its own staff, someone else's services and products. DFSP/MNOs are quite often interested in tapping into the FSP's wide network of branches/access points (another key reason is liquidity, as we will see later).

Although Kafo Jiginew and TSCU provide the same services, the number of access points between the two institutions is hardly comparable. Kafo Jiginew is a bigger institution, with more than 357,000 members and a wide physical presence through 168 points of service as of October 2016. All 168 branches have a mobile money counter. In contrast, TSCU offers mobile money in a selected number of branches (six out of 15). These six branches were selected because of the mobile network availability and a high level of demand (the branches are centrally located for several surrounding communities).

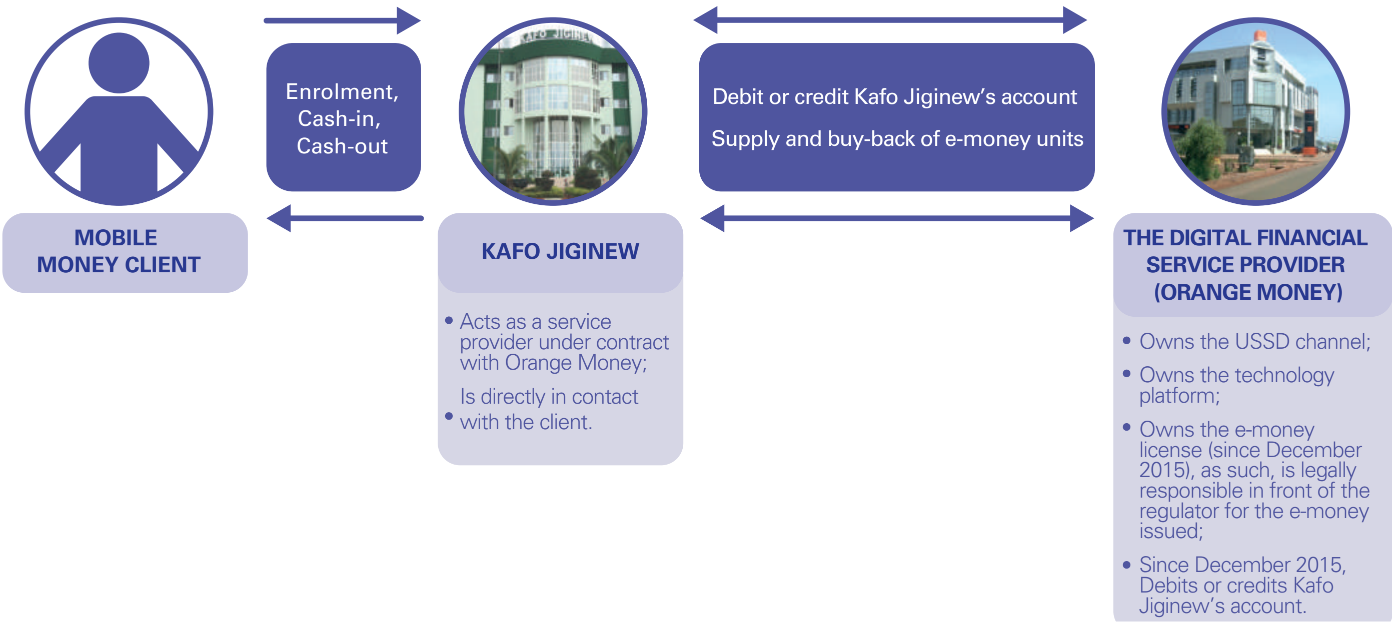
This contrast in terms of operational scale and physical footprint between Kafo Jiginew and TSCU demonstrates that FSPs, regardless of their size, geographical coverage or technological advancements, can implement this model.

Mobile money staff and structure of the distribution channel

The agents performing client transactions are staff of the FSP. Neither Kafo Jiginew nor TSCU have dedicated staff only for mobile money operations. The FSPs' designated mobile money staff at the different branches are also in charge of classic microfinance operations. To ensure mobile money services do not negatively impact core microfinance activities, these two FSPs offer mobile money services at a limited number of counters. At Kafo Jiginew's headquarters, one staff member is responsible for mobile money operations' oversight, including serving as the focal point for Orange and managing branch liquidity.

Figure V illustrates how the distribution channel works between Kafo Jiginew and Orange Money. It highlights the roles of the different players and the nature of their interaction.

Figure V: Distribution channel and structure at Kafo Jiginew



12 This will be addressed in Toolkit #4: Develop own agent network.

4. INTERNAL ORGANIZATION

Implementation efforts and challenges when becoming a mobile money agent for a DFSP/MNO are limited compared to other digital options. Some changes in the organizational structure or processes are required, but nothing drastic. These can include defining new roles or redefining existing roles, adapting existing processes, or managing reconciliations. Training needs and investments are also reduced to a minimum. This is why this model is so appealing for DFS-novice FSPs.

For Kafo Jiginew, being an Orange Money agent required some operational adjustments and necessary changes to the organisational structure. From employees' job specifications to money management and bank account creation, the transformations undertaken are presented in Table 3.

Operational adjustments for TSCU consisted of spending more time educating potential clients and credit union members about mobile money. TSCU raised awareness not only on tariff grids but also on Lonestar Cell's mobile mobile money services in general, explaining how to dial the short code on the phone to access the USSD menu. This proved critical for clients – illiterate clients in particular – to fully understand the service.

Table 3: Impact on internal organization

INTERNAL PROCESSES AND STANDARDS	• Create processes and a process manual specifically for Orange Money transactions; • Develop invoicing and accounting procedures at the head office and branches; • Implement Orange Money's cash register at the head office and branches; • Create an incentive structure for MM cashiers: This consisted of allocating the 200 FCFA commission at enrolment entirely to the cashier who completed the registration.
NEW ROLES IN THE ORGANIZATIONAL STRUCTURE	• Place a person at the head office in charge of e-money liquidity management/ rebalancing,[13] i.e. supply and return of e-money units at the head office, as well as supply and receipt of e-money units from the points of sale; • Nominate a cashier in each branch to perform MM operations: enrolling clients and conducting cash-in and cash-out transactions;[14] • Train each of these staff involved in mobile money operations (done by Orange at its own cost, with a Training of Trainers (ToT) approach); • Create incentives to get staff buy-in: In addition to the 200 FCFA given to cashier for client enrollment, a contest is organized on a monthly basis between the branches. The branch with the highest registration numbers receives a sheep worth 150,000 FCFA. The sheep belongs to all agents at the branch. The goal of this incentive is that each agent is committed to the product.
(BEFORE DECEMBER 2015)[15] BANK ACCOUNT CREATION	• Create trust accounts for the head office and the different branches for Orange Money transactions (where customers' digital wallet balances are held); • Open a remunerated bank account at Orange Money's partner bank, so Kafo Jiginew could deposit the minimum required investment upfront to be able to ensure cash-in/cash-out operations.[16]
BRANCHES' PROMOTIONAL SET UP	• Install Orange Money's sales and promotional material (banners, brochures, posters, etc.) in all branches.

13 Please refer to the toolkit for more explanation on rebalancing.

14 Not all cashiers are servicing mobile money, so some are still available for microfinance clients. Nominated cashiers also perform traditional microfinance transactions.

15 The partner MNO Orange obtained an e-money licence in December 2015, so from there onwards, all operations are between Kafo and Orange directly. Kafo has since closed its mobile money accounts at the bank.

16 Orange doesn't specify the minimum and maximum amount Kafo Jiginew has to mobilise at the bank, but the balance cannot be negative.

5. FINANCIALS

CAPEX and OPEX

Being an agent for a DFSP/ MNO is a business model that is financially affordable, even for small FSPs like TSCU, as little investment is required. Most of the expenses are paid by the MNO, as evidenced by numerous projects and confirmed by these two cases.

In Mali, Orange provided all the material required, including 150 mobile phones for Kafo Jiginew's agents with free airtime use during office hours. They also provided the scanners necessary for client enrolment. Orange supported the marketing campaign fees (brochures, posters, billboards, etc.) and the customisation of branches. Lastly, Orange organised and paid for Kafo Jiginew's staff training on mobile money transactions. The training duration - all branches considered - was two months, with one day of formal training (following a Training of Trainers (ToT) approach) followed by a one-week on-the-job coaching per branch.

Kafo Jiginew also uses an Open VPN on a Pfsense firewall. Both are open source and free so the institution did not have to pay for any licensing. However, they use homogeneous Internet connections – which means with guaranteed operations and availability - through which they channel the VPN. They use Orange Internet connection in large cities and mini VSAT in rural outlets for an annual cost of 31.8 million FCFA (approx. 350,000 USD).[17] These connections are not only used for Orange Money's transactions, but for any other transactions between branches, messaging, etc.

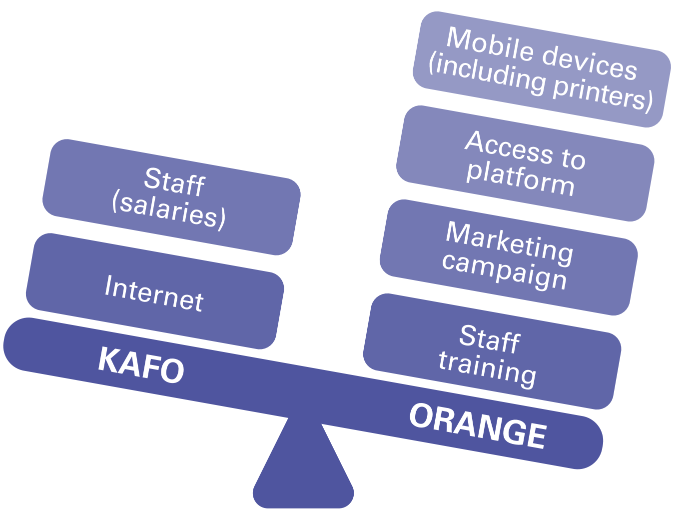
In the end, the related expenses to becoming an agent for Kafo Jiginew were nothing more than the usual running costs or existing operational expenditures - staff salaries and other operating costs such as the Internet connection, etc.

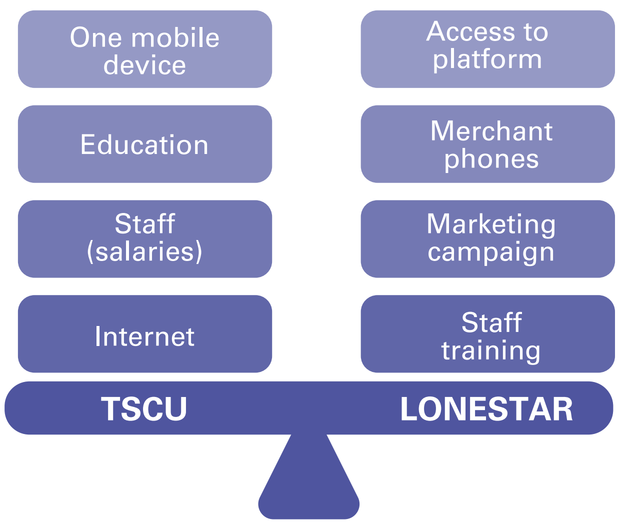
In Liberia, Lonestar Cell paid for the promotional material such as tariff sheets, banners, registration forms, and customisation of branches. They also initially provided basic merchant phones and one smartphone with capacity to register clients[18] - and added two more when Foya and Saclepea branches started offering mobile money. Lonestar Cell also trained TSCU staff on how to use the service. Lastly, Lonestar Cell is granting access to its platform directly through the MM phones, so no investment from TSCU was necessary for platform integration. However, in this scenario, TSCU had to bear some of the costs:

- Purchase of one smartphone device for the MM operations and client registration: L$28,000.00 (i.e. 300 USD), and
- Expenses related to education activities to recruit new members (e.g. awareness campaigns, flyers,[19] town hall meetings, etc.): estimated at L$23,000.00 (i.e. 250 USD) from beginning of activities to Q4 2016.
- Recurring expenses (Opex) consisting of Internet, data for mobile devices and salaries of staff. These recurring expenses are non dedicated to mobile money, thus we should only consider a share of these).

This split of costs was the result of the negotiation each FSP conducted with the DFSP/MNO. Although having the DFSP/MNO pay for marketing and training is quite common, there are no set rules, and it all depends on the outcomes of the negotiation. It is not uncommon that the FSP has to buy its own mobile devices.

A market and opportunity assessment, usually linked with the introduction of a new product or service, is not a prerequisite to launch mobile money as an agent, but it can prove useful. Kafo Jiginew prepared a business case prior to engagement, which confirmed the financial opportunity at the time. As for TSCU, they recognise that they could have benefited from working on a sustainability plan before the go-to-market to prevent and mitigate the challenges they are currently facing (which we will address later).





17 The 31,800,000 FCFA was a one time prepaid cost for the whole organization. More precisely, it was for 29 branches, hence 1,100,000 FCFA per branch.

18 When TSCU became a mobile money merchant, only two branches were offering mobile money. They were equipped with merchant phones, and one registration phone each (one offered by Lonestar Cell and the other one purchased by TSCU).

19 Only 10% of the flyers' costs are supported by TSCU– the other 90% are supported by Lonestar.

Commissions

In the business case of "being an agent", commissions are the main source of revenues for FPSs performing MM operations.[20] As agents, TSCU and Kafo Jiginew receive commissions from their partner MNO for the operations performed. However, the extent of the commission differs greatly from one institution to the other. This directly derives from the negotiations and agreements both institutions have managed to close with Lonestar Cell and Orange respectively. Negotiating the commission structure has been one of the major source of dispute between the MNOs and the two FSPs (and in the case of TSCU, still is). As shown in Table 4, the terms and conditions negotiated by Kafo Jiginew are more advantageous than those of TSCU and are on the extreme high end of what a FSP can expect. It should be considered a best case scenario rather than a baseline.

Table 4: Commission structure

	TSCU	Kafo Jiginew
CASH-IN	Receives 5% of the fees charged by the MNO to the client.	Receives 33% of the fees charged by the MNO to the client.
CASH-OUT	• Receives 40% of the fees charged by the MNO to the client. • The remaining 60% are split between Lonestar Cell and the partner bank (the e-money issuer).	Receives 66% of the fees charged by the MNO to the client.
CLIENT ENROLMENT	Fixed: 0,05 USD.	Fixed: 200 FCFA (0,34 USD).

In the case of TSCU, Lonestar Cell had its mobile money service running for a few years (since 2011) when they reached out to the credit union in 2014. The MNO already had an established network of agents (including the biggest national banks), and an established commission structure, applicable to all distributors. Since, from the MNO's point of view, the outreach potential brought by TSCU was limited, TSCU was in a tough position to negotiate a higher split in the commissions charged to customers.

The situation was different for Kafo Jiginew. Both timing and its large network played in its favour. As already mentioned, Kafo Jiginew entered into an agreement with Orange right from the beginning of Orange's MM operations. At that time, Kafo Jiginew had more branches than any other MFI or bank in the country, offering the largest distribution network. Kafo Jiginew thus managed to turn the pricing structure to its advantage. The initial agreement proposed by Orange was a 50% split on all commissions. But Kafo Jiginew preferred to agree on a 2/3 split for cash-out (which brings higher fees than cash-in) and a 1/3 split for cash-in. Registration fees were fixed at 200 FCFA per new client. Kafo Jiginew has been exclusive to Orange for many years, but with the introduction of the 2015 e-money guidelines, is now free to enter into agreement with other MNOs in Mali.

Commission automation

As mobile phones used by TSCU for mobile money operations are linked to Lonestar Cell's platform, the MNO automatically receives the amount transacted, including the fees charged, from the merchant's phone. In return, commissions are automatically transferred back into the merchant's (TSCU's) e-wallet. At the beginning, commissions were allotted directly to the e-wallet with no specific distinction of the money earned via transactions. But Lonestar Cell's new platform (launched in early 2016) now distinguishes the main/operational electronic cash from the commission, so that TSCU can easily identify the share of commissions.[21]

Each end of the month, Lonestar Cell sends a monthly Excel statement of all mobile money transactions for each MM centre. This also helps TSCU determine the number of transactions and amount of commissions they've earned.

For Kafo Jiginew, commissions are directly going into the bank account the institution opened for this purpose. Commissions are calculated on a daily basis and Orange sends a reporting to Kafo Jiginew each end of month. Kafo Jiginew needs to send a commission payment request and Orange proceeds to payment by check.

Liquidity management

Kafo Jiginew established a well-run automated system where a central account at headquarters (the treasury) manages transactions with Orange and distributes mobile money units to all Kafo Jiginew's branches. The process is as follows:

- Branches cannot make mobile money requests directly to Orange. When their mobile money balance is low, they must make a phone request to the general treasury, specifying the amount needed.
- When receiving a liquidity request from one of the branches, the treasury sends the e-money and records the operation manually into the transactions' diary.
- A confirmation SMS is automatically and instantly sent to both the branch and the treasury on their mobile money-dedicated phones.

20 Cross-selling being another potential source of revenues.

21 See the section « achievements » for figures.

- At the end of the day, the treasury logs into the Orange Money account (via VPN) to print the transaction diary and makes the reconciliation between the manual diary and Orange's electronic diary. Once done, the transaction diary's data set is entered into the Kafo's MIS.
- There are no cash transactions between the treasury and the branches as both have a bank account at the headquarter. On a daily basis (end of business), the MIS takes care of the compensation of the treasury's current account and the branch's current account. The branch's account is either deducted (in case of request for e-money) or credited (in case of return of e-money).

Liquidity is managed manually at TSCU. For lack of a better option and for cost reasons, liquidity management is informal at the moment, so when a branch needs money, the staff travel (in motorbikes) to the central branch and brings back the cash. Staff is not comfortable with that option, which is risky and takes time (even more during the raining season).

6. TECHNICAL REQUIREMENTS

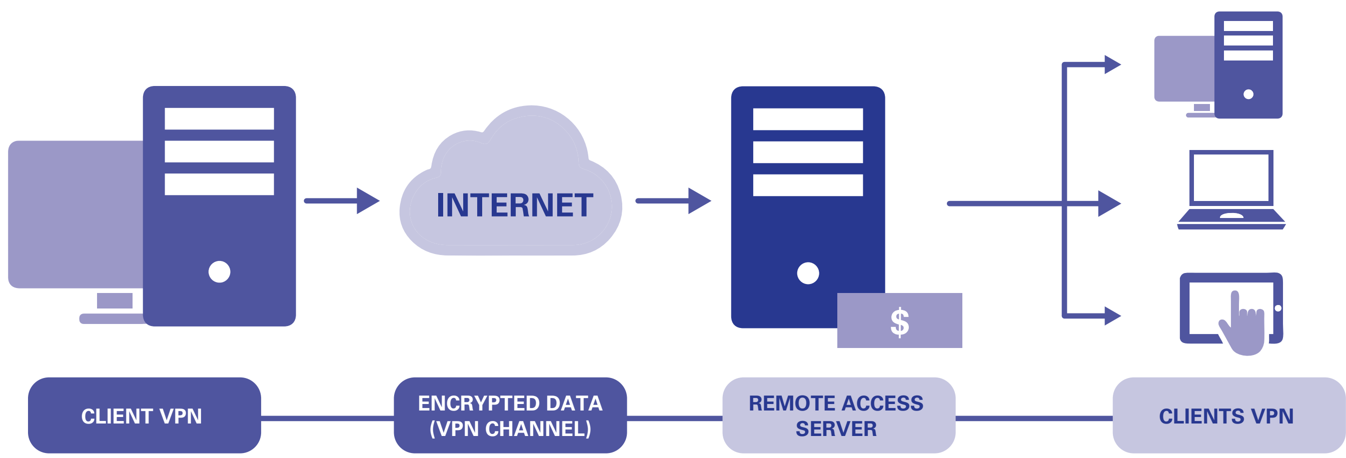
As far as management and information systems (MIS) are concerned, Kafo Jiginew managed to set up an open VPN on all branches' computers used to enrol clients. The institution also had to develop a process for recording all Orange Money's daily transactions. But no integration to Orange platform was needed. Transactions are conducted in real time via USSD from merchants' mobile phones on Orange Money's platform. Cashiers (or agents) keep journals in which they manually record all daily operations. These transactions are then entered, in the late afternoon, in the system before the end of business.

The Open VPN is an open source system, hence Kafo Jiginew had advantages and disadvantages to use it. The main benefits are data and network security: a VPN offers a much higher level of secure communication when compared to other remote methods of communication, with advanced technologies protecting the network from unauthorized access. But in return, configuring and protecting the VPN key required a professional IT level to choose the best type of VPN configuration and anticipate some of the security issues that can occur when using a VPN.

Other benefits are the fact that the solution was free and the system was easy to install and administer. However, using a VPN makes Kafo (and its clients) dependent on an internet connection: when clients connect, they must have a stable internet connection.

Since TSCU uses mobile phones that are directly connected to Lonestar Cell's platform, there was no need to change the MIS or make enhancements so it could interact with the partner's platform. No integration between TSCU's MIS and Lonestar Cell's platform was needed.

Figure VI: Management Information System at Kafo Jiginew



SECTION 4:
ACHIEVEMENTS

Mobile money services are popular among clients, and both institutions are getting considerable traction out of them. However, due to market saturation, Kafo Jiginew's growth curve is now starting to reverse.

FULFILLMENT OF OBJECTIVES FOR DIGITAL FINANCE

TSCU and Kafo Jiginew's achievements have to be analysed in light of their original objectives in digital finance. These were to increase revenues, widen their member base, and improve client retention by offering more convenient services. However, measuring achievements for these two organisations proves challenging for a number of different reasons.

Table 5: Fulfillment of TSCU and Kafo Jiginew's objectives

● Achieved ● Partially achieved ● Not achieved

ORIGINAL OBJECTIVE	TSCU'S ACHIEVEMENTS	KAFO JIGINEW'S ACHIEVEMENTS
1. REVENUE STREAM	● (Achieved) More than 30% of the institution's overall revenue is earned from commissions for TSCU (first semester 2016)	● (Not achieved) Less than 1% of the institution's overall revenue is earned from commissions for Kafo Jiginew (2014)
2. GROWING CUSTOMER BASE (CROSS-SELLING)	Not tracked	Not tracked
3. IMPROVE CUSTOMER SERVICE BY OFFERING A USEFUL PRODUCT	● (Partially achieved) Positive informal client satisfaction feedback (no formal study of client satisfaction has been conducted)	
4. DIFFERENTIATION FROM COMPETITION	● (Achieved) Transparency in mobile money operations helped TSCU gain clients' trust.	● (Achieved) Kafo Jiginew was one of the first MM agents, which was a competitive advantage. However, as the sector developed, many other FSPs became MM agents as well. To differentiate from competition today, Kafo Jiginew would need to evolve to a more advanced business model.

BENEFITS FOR THE FINANCIAL SERVICE PROVIDERS

Additional revenues with limited investment

As stated in Toolkit #2, many institutions pursue this business model with the rationale of getting an additional income stream. In reality, too few end up being satisfied with the level of revenues earned. Yet, TSCU and Kafo Jiginew are two exceptions to this point. Since the beginning of the project in 2014, the commissions earned by TSCU are modest, totalling 10 000 USD, with 6 542 USD as profit. Yet, as a young member-based institution maturing in a hostile/untrusted environment, TSCU's overall revenues are low. The money collected represents almost one third of its total revenues and has been used to support the construction of Tappita branch and Foya branch, in addition to complementing community support and donations. It has also been used to cover overhead costs. It is considered as a way to make the institution more sustainable.

Although decreasing, the additional revenue for Kafo Jiginew amounts to more than 50,000 USD for 2014 but represent only 1% of the institution's revenues.

Cross-selling opportunity

By adding mobile money to their list of services, both TSCU and Kafo Jiginew benefited from non-members entering their premises to perform mobile money transactions. These non-client visits translated into potential for cross-selling their own credit and savings products. As Kafo Jiginew indicated, the assigned mobile money agent at Kafo Jiginew's mobile money counter has the duty to ask each mobile money client if they are already a client of Kafo Jiginew. If not, the agent shares relevant information and brochures presenting Kafo Jiginew's offerings. Both institutions believe that this cross-selling opportunity may have helped widen the client base. Yet, neither Kafo Jiginew nor TSCU could quantify the number of new clients that was brought through this channel, because none has implemented a tracking mechanism.

Indirect savings

Besides the additional income stream and the cross-selling opportunities, Kafo Jiginew is taking advantage of extra benefits. With the mobile devices provided by Orange, airtime during office hours comes free-of-charge. By using this free airtime for its internal and external communications, Kafo Jiginew is making some savings on telecommunications.[22] Additionally, Orange Money promotional campaign (billboards, TV ads, etc.) are promoting Kafo Jiginew, at no cost to the FSP.

Stronger relationship with clients

The introduction of mobile money has enabled TSCU to get closer to its members and slowly gain their trust. In Liberia, trust is a real issue for the financial services sector, as many have suffered from financial malpractices. As TSCU strictly charges the fees communicated by Lonestar Cell – and not more as many of its (informal) competitors do – client confidence is slowly being built. With this confidence comes a deeper and more loyal relationship. For TSCU, providing mobile money services is also a way of achieving its social mission/impact.

Brand visibility

For TSCU in particular, getting involved in the mobile money business as a merchant also implies promoting TSCU's image in the region. Lonestar Cell – as many mobile network operators in Africa – is a trusted brand. Becoming associated with the MNO translates into a better perception of TSCU's brand among the population.

For Kafo Jiginew as well, partnering with Orange translated into better brand visibility, especially in Bamako, where Kafo Jiginew started operations only in 2008, coming from a rural background.

Benefits for the clients

From the clients' perspective, the game-changer with this business model is to be able to do considerable savings in time and money compared to what they would have previously spent to transfer/receive money. This also translates into gains in client productivity (more time for income-generating activities) and peace of mind.

Courtesy of TSCU

22 Kafo Jiginew has not quantified these savings.

Easier access to a wider range of services

Clients living in rural areas benefit from accessing a range of new services that would not have reached their area otherwise. People in Liberia face difficulties traveling, because most roads are in poor condition. This makes it difficult for rural people to physically access basic services, including financial services. Additionally, nearby mobile money services can prove critical during economic, political or humanitarian crises. During the Ebola outbreak, TSCU continued to provide mobile money services in far-flung locations in Liberia, allowing people to receive necessary funds for their survival while most of the country's economic players were on-hold.

Savings in transportation time and costs

Having nearby access translates into significant savings for clients, both in terms of time and transportation costs. As previously highlighted, road conditions in Liberia are poor. It can take hours to travel less than a hundred kilometres. The further clients have to go to access a mobile money service point, the longer the time they spend on the roads. This is time that could be spent more productively, particularly for entrepreneurs who have to close their business to travel to the nearest point of access. Cost of transportation is also an issue. Someone who wants to make a deposit can spend more on transportation than the actual amount she wants to deposit/transfer.

Security

As a consequence of the proximity benefit, there is a direct gain in terms of security. Members living in faraway locations spend less time carrying their deposits /cash, which reduces the risk of theft or loss.

☺	Less time and money spent to complete a transaction as access points are closer	☹	Lack of liquidity at agent's location, which makes the transaction impossible
	Fairness and transparency in pricing (not being over-charged)		Network failure in rural parts of Liberia and Mali, which also makes the transaction impossible


Courtesy of TSCU

"My little boy is sick and I have to take him to the hospital, but I don't have the cash. My husband is in Monrovia right now. He transferred me the amount necessary for the treatment via mobile money. I'm grateful that TSCU offers this service in Tappita. That way, I don't have to travel 90 km on a bad road and spend LD 2,000.00 Liberian Dollars for transportation."

Madame Mary Kruah, Tappita

Summary of benefits

Benefits for TSCU and Kafo Jiginew	Benefits for the clients
Cross-selling opportunity	Easier access to a wider range of services
Additional revenues	Savings in time and transportation costs
Stronger relationships with clients	More security
Indirect cost-savings	
Reputation and brand visibility	

Adoption and use of the DFS channel

TSCU transactions volume is slowly growing, as clients gain trust in the system. Tappita is the most active branch, recording 60% of the overall MM transactions. This is also where the amount of commissions earned per transaction is the highest (41LD for an average of 36LD), meaning that clients handle higher amounts there. This is linked to the high demand in the locality, with the presence of the county's biggest hospital nearby. This indicates that the branch location is clearly a success factor.[23] Bluntuo and Karnplay branches have only recently opened, which explains their respective low volume of operations.

Figure VII: TSCU MM activity

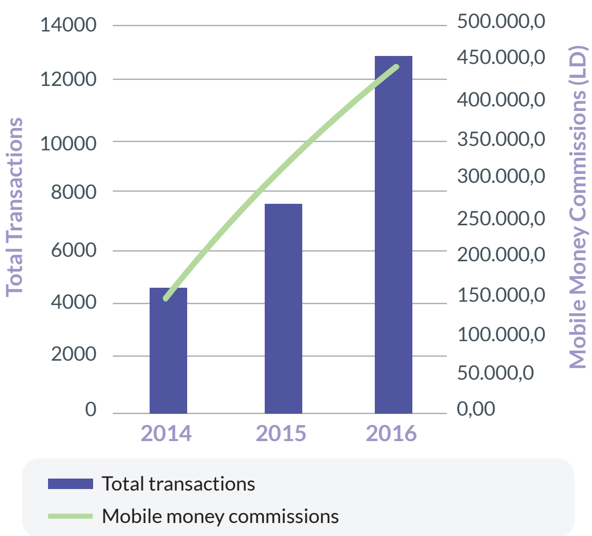
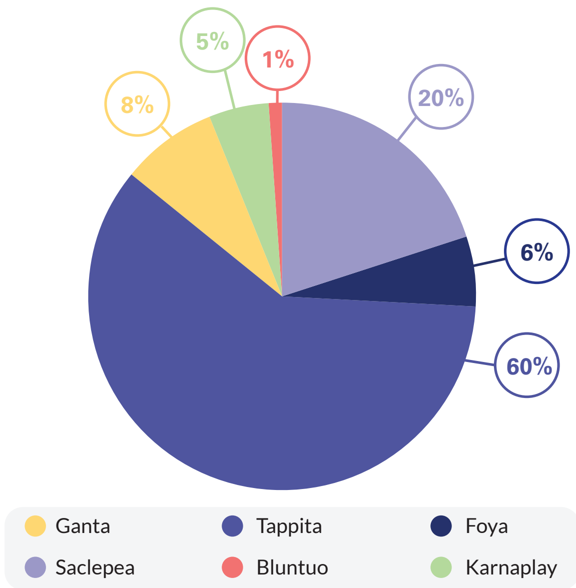


Figure VIII: MM operations per branch, TSCU, 2015

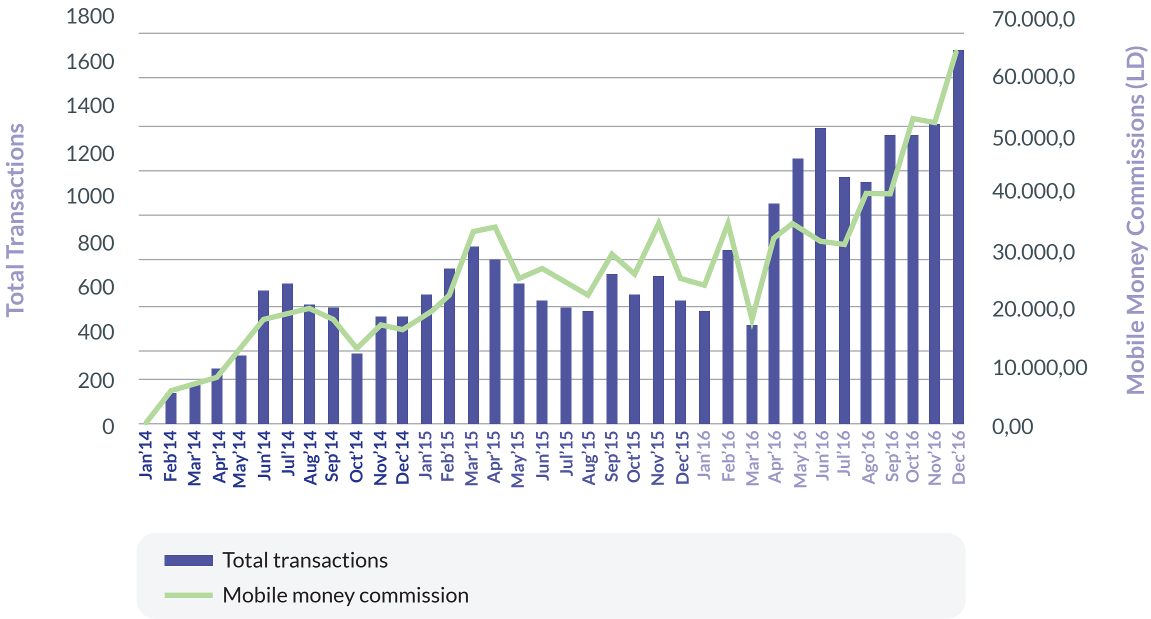


Up to December 2016, TSCU's total commissions from mobile money operations reached 908 000 Liberian dollars, i.e. a little more than 10 000 USD. This number may seem low, but bearing in mind the size and development stage of this young organization, this is actually substantial. Commissions from mobile money represented 30% of its overall revenue stream for the first semester of 2016. As shown in Figure IX, the number of transactions per month can reach up to 1600, eight times the number of financially active members.[24] However, the potential for cross-selling cannot be leveraged due to financial impediments, specifically limited access to financial resources to fulfill the demand for credit.

23 Please refer to Section 5 for more information on the success factors.

24 TSCU and Lonestar Cell are only tracking the number of transactions. There is no information on the number of clients.

Figure IX: Total transactions and commissions per month – all branches, TSCU

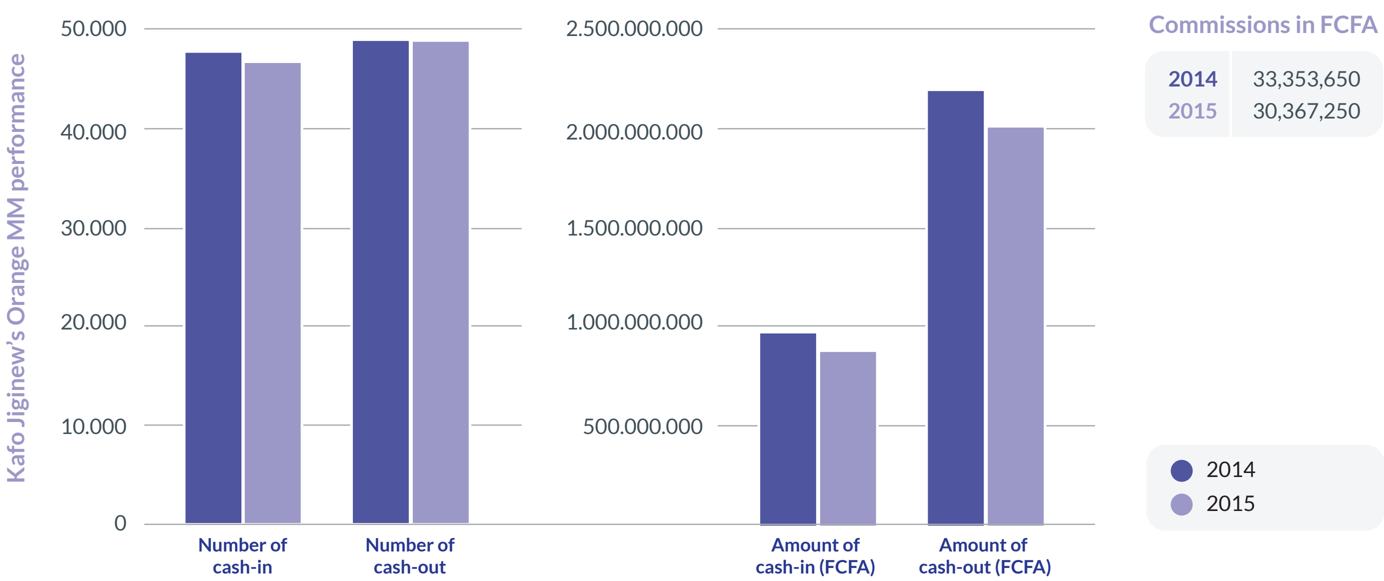


Although satisfactory from TSCU's point of view, these numbers are not reaching forecasts. But managers are optimistic that the numbers are moving in the right direction.

In contrast, Kafo Jiginew's revenues earned through cash-in and cash-out transactions is quite significant in amount, amounting to 33 million FCFA in 2014, and 30 million in 2015 (respectively 57,000 and 52,000 USD).

However, this represents less than 1% of the institution's overall revenues, which amounted to 4.6 billion FCFA in 2014. As shown in Figure X, the institution shows a slight decrease in all performance indicators.[25] Commissions, for example, have decreased by about 10% between 2014 and 2015.[26]

Figure X: Total transactions and commissions, Kafo Jiginew, 2014-2015



25 Commissions for client registration are not recorded, as this commission is directly allocated to the agent who made the registration.

26 Kafo Jiginew is not tracking the number of clients, only transactions.

This decreasing trend can be attributed to the increased competition in the Malian mobile money sector. Not only are there more FSPs acting as agents in the market, but the MNOs have their own agents, adding to the competition. As the market matures, this business model's performance is less and less attractive for FSPs. This also underlines the importance of conducting a thorough market maturity/opportunity assessment before an FSP considers embracing this model.

COST AND BENEFIT ANALYSIS

TSCU

Figure XI: Cost-benefit analysis, TSCU, cumulative from January 2014 to June 2016 (in USD)

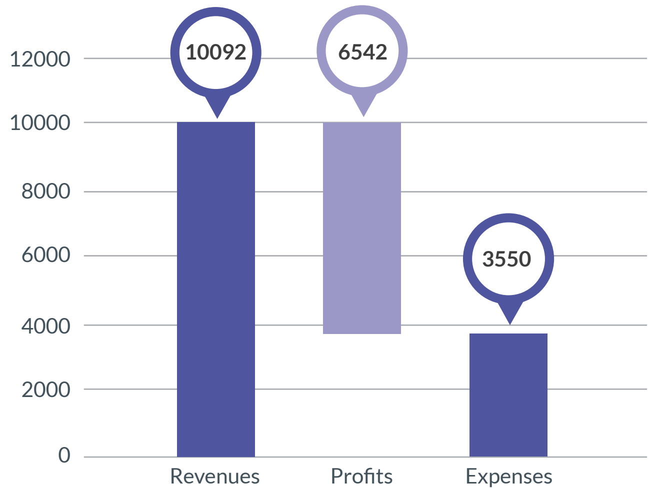


Table 6: Revenues and costs at TSCU (cumulative 2014-2016)

TSCU Revenues (cumulative 2014-2016)	TSCU Costs (cumulative 2014-2016)
• Commissions (cash-in/cash-out) • Apart from commissions, mobile money operations helped TSCU decrease some of its costs, as internal money movements (from branch to head office) can be done electronically. This makes long and costly travels unnecessary.	• Most of the costs are taken as charges by Lonestar Cell except for: ◦ Mobile devices for the MM operations: L$28,000LD (i.e. 300 USD) ◦ Sensitisation-related activities to recruit new members and explain mobile money (e.g. costs, tariffs, procedures, etc.): awareness campaigns, flyers, town hall meetings, etc.: L$23,000 (i.e. 250 USD) ◦ Running costs: staff salaries: L$ 275,000 (i.e. 3,000 USD)

Over the past 2 years, TSCU made a net profit of 6 542 USD. This money has been used to build new facilities (e.g. the Tappita and Foya branches), and to pay the branches' rent and staff. Although the profit would seem low for many FSPs, it is a substantial 'bonus' for TSCU, for which the only sources of income are commissions and TSCU member registration fees.[27] However, TSCU is expecting to increase profits in the months and years to come as the market and the institution matures.

27 Loan interest is used to pay dividends for members' shares and interest on members' personal savings.

Kafo Jiginew

Figure XII: Cost-benefit analysis, Kafo Jiginew, 2015 (in USD)

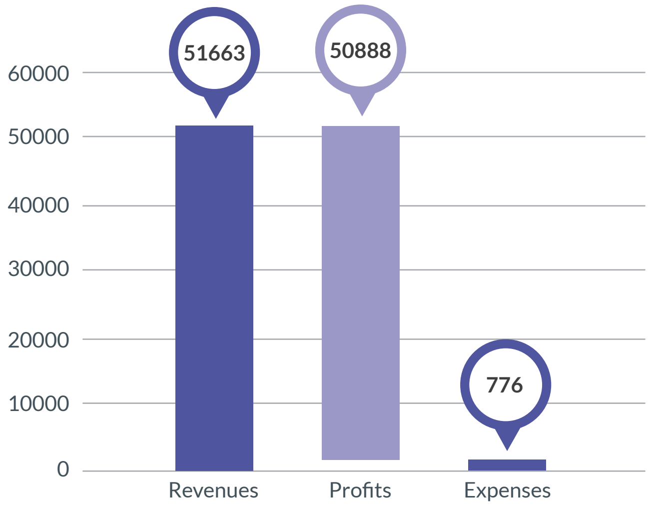


Table 7: Revenues and cost at Kafo Jiginew (2015)

Kafo Jiginew Revenues (2015)	Kafo Jiginew Costs (2015)
Direct revenues: • Commissions (cash-in/cash-out) • Bank account's interests (data not available) Indirect financial gains: (not included in Figure XII): • Reduction in telecommunication costs (as Orange provides free airtime on MM phones) • Free advertising (via Orange promotional campaign)	*All costs are paid by Orange* • Kafo Jiginew is only bearing running costs like electricity, Internet, staff, etc. Mobile money costs for operations are estimated to be almost nil, representing 1% of the overall institutional costs.[28]

In 2015, Kafo Jiginew made a financial profit of approximately 51,000 USD. This number does not take into account the indirect financial gains from mobile money that Kafo Jiginew received - the FSP receives free airtime and advertising from Orange- as Kafo was unable to quantify the benefit. Financial profits reach a considerable amount of money, but unlike TSCU, this only represents a tiny portion of the institution's overall profit.

Nonetheless, Kafo believes that these results perfectly meet the expectations, since the supply of Orange Money did not generate any additional cost. This also allowed Kafo Jiginew to have a major competitive advantage in rural areas where there are not many competitors to Orange Money.

28 his percentage is informed by Kafo Jiginew's management.

SECTION 5:
KEY INFLUENCING FACTORS AND LESSONS LEARNT

Little prerequisites are needed for this model. It is a simple model for FSPs to implement, but not without its challenges. It is easier for large and structured institutions like Kafo Jiginew to meet the requirements that do exist. Smaller institutions like TSCU might struggle more.

Mobile money distribution is often a first step towards more sophisticated projects in digital finance.

ANALYSIS OF READINESS

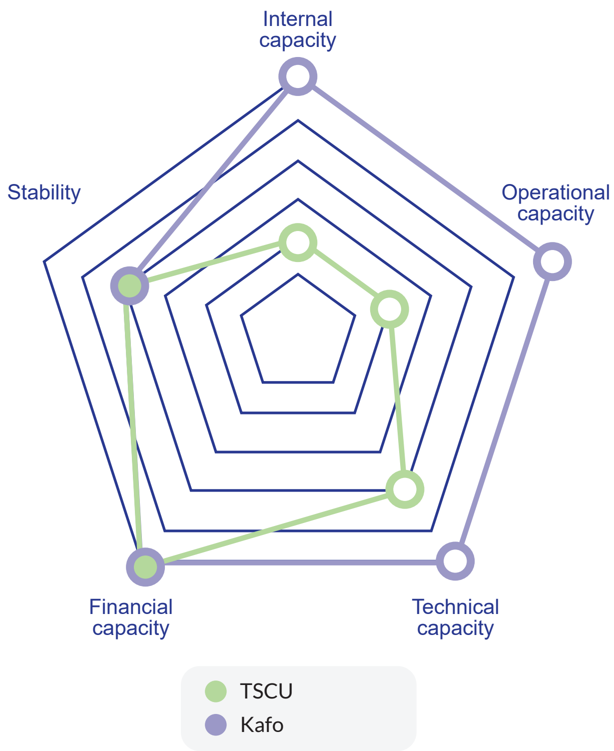
Readiness at the time of DFS engagement

The spider chart in Figure XIII briefly summarizes the institutions' readiness at the time of their engagement in the distribution of mobile money for a mobile money operator (i.e. roll-out of the solution), including:

- Internal capacity (staff capacity, management, and HR policies),
- Operational capacity (liquidity management, regulatory compliance, and sustainability),
- Technical capacity (connectivity, MIS and interfacing),
- Financial capacity (resources to pursue the business model), and
- Stability (PAR and governance).

With a well-oiled system in place achieved through six years of experience, Kafo Jiginew scores very high in almost all parameters (see Figure XIII). This implies that it was in a good position and ready to take on the project of being an agent.

Figure XIII: Readiness at the time of DFS engagement



However, TSCU was not realistically ready, with low internal and operational capacity. But the decision to go ahead was led by the need for additional revenues to cover their overhead costs and for new means to attract members. They made little adaptation to their current modus operandi but are continuously learning from their experience and challenges. Liquidity oversight, in particular, is a major challenge. That is why they are starting slow with only a few branches. Later, with more experience and lessons learnt on major issues such as this, they will hopefully be ready to expand to other geographical areas. On the technical and financial aspects, TSCU complies with the requirements, mainly because little is required.

MEETING THE RECOMMENDED PREREQUISITES

All dimensions are further described below.

Table 8: Recommended prerequisites for model #2

Achieved | Partially achieved | Not achieved

DIMENSION	PREREQUISITE	DESCRIPTION OF THE PREREQUISITE	TSCU'S STATUS	KAFO JIGINEW'S STATUS
INTERNAL CAPACITY	MANAGEMENT	A channel manager needs to be appointed within the staff at headquarters but does not need to be exclusively dedicated to this. The channel manager can inform his or her supervisors of the MM activity on a regular basis (e.g. receive weekly reports at the beginning which can later evolve to monthly).	Not achieved: TSCU does not have an appointed channel manager.	Achieved: Kafo Jiginew has appointed a champion that supervises mobile money activities, but who is not wholly dedicated to this. This person is also in charge of the MIS department. However, no reporting structure is formally in place.
	STAFF OF FSP	Time is especially needed at the launch. On a daily basis, there needs to be a partially dedicated team of tellers to provide the MM service at the branch and a manager/managers in charge of liquidity management, settlement with the DFSP, KPIs being reached, etc.	Partially achieved: TSCU has a partially dedicated team of tellers in charge of mobile money transactions. Staff also promote MM during all education/promotion activities. However, there is no manager in charge of liquidity management, which is an important challenge for the institution.	Achieved: Kafo Jiginew has a partially dedicated team of tellers in charge of mobile money transactions. Additionally, there is a person at the head office who is responsible for processing the liquidity management requests of all branches.
	HR POLICY AND TRAINING	Job descriptions need to be adapted/created and staff involved in the new channel need training (generally provided by the DFSP).	Not achieved: No job descriptions adapted/ created.	Achieved: Job descriptions adapted.
FINANCIAL CAPACITY	FINANCIAL RESOURCES	The FSP can use its own or external resources	Achieved: Little financial resources were needed. Lonestar Cell covered most of the expenses.	Achieved: Little financial resources were needed. Orange covered all the expenses.
OPERATIONAL CAPACITY	LIQUIDITY/CASH MANAGEMENT	Cash is needed for the initial deposit with the DFSP to be able to start transacting, and a daily oversight of the liquidity of all branches is essential to ensure proper service.	Partially achieved: There is little oversight of the liquidity at the branches.	Achieved: Liquidity at Kafo Jiginew is well managed. A central account oversees all branches' liquidity.
	OSS/ BREAKEVEN	Operational Self Sufficiency should be higher than 70%.[29]	Not achieved: 59%	Achieved: >70%
	REGULATION	The FSP should have a regular FSP license (no need for a special license for this model) but should check the regulation of their country regarding activities that agents can perform and if the agents are required to be exclusive or not.	Achieved: Regular FSP licence.	Achieved: Regular FSP licence.

29 Although 100% should be the ultimate target, conditions are less stringent for this business model than for upcoming business model (Leverage an agent network, Build own agent network, Build own mobile banking channel, Be a provider)

Achieved · Partially achieved · Not achieved

DIMENSION	PREREQUISITE	DESCRIPTION OF THE PREREQUISITE	TSCU'S STATUS	KAFO JIGINEW'S STATUS
TECHNICAL CAPACITY	CONNECTIVITY	Internet access in all branches involved in DFS and/or mobile network connectivity (depending on the model).	TSCU's staff is using mobile phones for mobile money transactions. Mobile network connectivity is good.	All Kafo Jiginew's branches have Internet and mobile network connectivity is good.
	MIS	Decentralized MIS is acceptable if there is central consolidation of data at HQ. The MM platform should be able to export reports in Excel format for the FSP.	Decentralised MIS. In negotiation with Lonestar Cell to use its MM platform and be able to monitor all its devices. Currently, all transactions are monitored by Lonestar Cell.	Decentralised MIS with consolidation at HQ. In the process of transitioning to a centralised MIS. Connection to Orange's platform via VPN.
	INTERFACES	The FI can perform all transactions through the merchant mobile handset interface or the VPN provided by the DFSP. There's no need for an integration between the MIS/CBS of the FI and the MM platform of the DFSP.	TSCU directly uses Lonestar Cell's platform through the merchant mobile handset interface.	VPN provided by Orange.
STABILITY	QUALITY OF PORTFOLIO	PAR 30 less than 10% or a Capital Adequacy Ratio of minimum 8%.	PAR 30: 10%	PAR 30: 9%
	GOVERNANCE	It is acceptable that the FSP has been under temporary management from the central bank or the FSP regulator for minor mismanagement in the past (but not acceptable if it is still currently the case).	No mismanagement ever reported.	Governance has showed flaws in the past, but capacity has been progressively built and is now functional.

KEY INFLUENCING FACTORS

Value proposition for all stakeholders (FSP, DFSP, clients)

The win-win situation is the real success factor of this business model. While it widens both MNOs' distribution networks (Lonestar Cell and Orange) and potential market growth, it clearly benefits Kafo Jiginew and TSCU through additional income at limited cost. It also provides many advantages to clients (such as convenience), which leverage uptake.

Negotiation process

As demonstrated by the cases of Kafo Jiginew and TSCU, the negotiation process is a crucial step for FSPs willing to implement this business model. By investing time and effort, Kafo Jiginew convinced Orange to agree on more balanced contractual terms. Of course, this was also leveraged due to contextual factors (timing and market positioning). But Orange's openness and the ongoing relationship between the two partners were also important. MNOs play a key role in this model, thus FSPs can only be successful if the partnership/negotiation is managed well. Support from national FSP networks in negotiating with the MNO can prove critical for small FSPs.

Location of points of access

The success of this business model is less due to the FSP's capacity to brand and sell the product (this is more the partner MNO's responsibility) than it is the ability to identify the best locations to provide the service. Therefore, analyzing the level of demand and the competitive advantage it has in a particular area is essential. As the example of TSCU's Tappita branch demonstrates, knowing where needs are most present is the best way for FSPs to ensure the success/uptake of the service.[30]

30 As a reminder, Tappita branch is located next to one of the biggest hospitals. Demand for cash/mobile money cash outs is huge as people have to pay for hospital bills. Today, this branch represents 60% of TSCU's total number of transactions.

Business Case - Beware of market saturation

Assessing the commercial opportunity through a detailed business case is a very important indicator for the go/no-go decision. This should indicate the sector's maturity and if the market shows signs of saturation – which will have significant impact on uptake and revenues.

CHALLENGES EXPERIENCED AND MITIGATION STRATEGIES

Liquidity management

Lack of physical cash is a significant barrier for TSCU. All branches are in rural areas, where mobile money clients are typically recipients of transactions. Hence, more money is cashed out than cashed in. TSCU uses its own cash to perform MM operations and bears the risk of carrying it to the different branches so they have enough physical cash to serve clients. Some conditions make liquidity management even more difficult. The rainy season (July-August) makes travel almost impossible. Transporting cash to a hard-to-reach location can then take up to four days, during which the branch remains cashless. The festive season (December/January) is also a challenge, as the number and volume of transactions increase, and more people are cashing out simultaneously. This is a major pain point for an institution the size of TSCU, which relies heavily on members' trust. If members come to cash out and find the agents' funds empty, they might question the whole system. As of today, TSCU is still trying to figure out ways to better manage liquidity. Because of their distance from traditional banking institutions, one recommendation would be to find "super agents"[31] and informal networks which can become their liquidity partners.

How to handle liquidity: Recommendations for other FSPs from Toolkit #2:

1 **Opportunity assessment**
• Assess your institution's capacity for liquidity management beforehand.

2 **Go to market strategy**
• Define rules for cash and e-value management (procedures for liquidity management at branches and supervision from the head office).

3 **Pilot preparation**
• Develop or refine business processes impacted by the use of MM (process manual).
• Prepare mapping of risks and mitigation strategies.

4 **Pilot**
• Improve cash management process if needed, if certain branches cannot perform transactions because they run out of cash or e-value for example.
• Adapt business processes as needed.

5 **Launch**
• Use the findings of the pilot to ensure proper liquidity management
• Make use of super agents for liquidity.

6 **Improvements**
• Based on assessments, define quick wins, near-term improvements and mid-term improvement.

HR related issues

Ensuring a high level of commitment and motivation proved challenging for both TSCU and Kafo Jiginew.

For TSCU, MM staff are paid on a commission basis (the more transactions they do, the more they get paid) as the institution does not have the funds to offer fixed salaries. However, commissions from MM, which are given back to employees as salaries, are not competitive, and the institution is facing serious problems in retaining qualified staff.

For Kafo Jiginew, cashiers' involvement to enrol new customers has long been motivated by the reward of a 200 FCFA commission paid directly to the person who performed the operation. This has also positively impacted on cross selling because cashiers were passing on information on Kafo Jiginew to all customers coming for MM operations; Cashiers report that many immediately subscribed. This demonstrates the power and usefulness of incentive policies. However, Orange no longer pays the 200 FCFA registration fee, so this source of motivation no longer exists.[32]

How to handle HR related issues: Recommendations for other FSPs from Toolkit #2:

1 **Opportunity assessment**
• Assess branch staff capability and willingness to be part of the project.

2 **Go to market strategy**
• Determine whether your existing staff is capable of handling the additional new MM tasks or if new staff needs to be hired.
• Prepare/adapt job descriptions
• Negotiate commission structure with the potential DFSPs.

31 "Super agents" provide options for rebalancing (sell and buy electronic value to and from agents) instead of having to travel to an operator-owned branch or to the branch of the DFSP's bank partner. Super agents can perform the same activities as standard agents but are entrusted by the DFSP to provide the intermediary service of rebalancing other agent's cash/e-value. See toolkit #2 for more information.

32 These fees were granted for a period of 6 months. It was an agreement between Orange and Kafo Jiginew. After that period, they were abolished. As it was only for registration, this has not impacted agents' motivation – no effect on the number of deposits-withdrawal transactions. However, the number of account openings decreased because of a higher competition: other banks, pharmacies, gas stations, stores, shops began to offer Orange Money, in addition to the thousands of Orange's kiosks set up across Mali.

3 **Pilot preparation**
• Define incentives for mobile money staff (for example offering them part or all of the commission obtained by the FSP for customer registrations).

4 **Pilot**
• Test incentive structure.

5 **Launch**
• Ensure motivation of staff.
• Adapt incentives if needed.

6 **Improvements**
• Identify efficiency opportunities in internal organization, resources and processes.
• Evaluate the incentive structure.

Literacy issues

As a direct result of the two consecutive civil wars in Liberia,[33] 51% of the over four million Liberians are under 18 years old. Many did not attend school, resulting in high illiteracy rates (52.4%).[34] This has a direct impact on the level of demand for financial services. As for any other digital finance business model, an illiterate population requires more explanation for using the service. Written marketing techniques are not working. That is why TSCU staff diligently spend time in the field explaining how to use the service.

How to handle literacy issues: Recommendations for others FSPs from toolkit #2:

1 **Opportunity assessment**
• Assess the literacy levels of the target population
• Establish a first segmentation per literacy issues encountered.
• Probe a few options for addressing literacy to see how clients perceive them (eg: using agents to educate clients).

2 **Go to market strategy**
• Define the literacy level of your target groups per locality according to previous client segmentation.
• Ensure marketing campaigns of the DFSP integrate literacy components.

3 **Pilot preparation**
• Train your staff on communicating and spreading product awareness to the illiterate.

4 **Pilot**
• Start with a limited product range. Although many DFSPs offer a wide range of services you might want to start with the most essential services to not overwhelm your staff.

5 **Launch**
• Extend training (including client education to MM) to all staff involved with the mobile money service offering.

33 The first civil war happened between 1989 and 1996, and the second civil war lasted four years (1999-2003).

34 Liberia CIA World Factbook, Liberia UNDP Human Development Report 2015, Trading Economics Liberia.

6 **Improvements**
• Align and assess the mobile money offering within your branches (quantity, quality, localization, performance) and client experience through focus groups.
• Align customer segmentation, value proposition, and customer journey.

Network quality in rural areas

In Liberia and Mali, connectivity (Internet and telecommunication network) is weak in rural areas. When networks fail, both Kafo Jiginew and TSCU are unable to perform transactions. This impacts customers' trust and willingness to use the service again in the future.

In Mali specifically, the most used and affordable type of connection in rural areas is the 3G. But the problem is that the quality of this connection is poor, and it is not intended for professional use. Solutions still exists, such as VSAT mini, but they are rather expensive.

How to handle issues on network quality in rural areas: Recommendations for others FSPs from toolkit #2:

1 **Opportunity assessment**
• Assess your Internet and mobile connectivity in all branches that will be providing the service.

2 **Go to market strategy**
• Shortlist MNOs with best coverage in your branches.

3 **Pilot preparation**
• Test selected MNOs' coverage in targeted locations.

4 **Pilot**
• Regularly test the coverage and if connection is poor, investigate other options (VSAT...).

5 **Launch**
• Record transactions manually in a booklet (if regulation permits) and enter them in the system when network returns.

6 **Improvements**
• Evaluate the connectivity of mobile devices.
• Evaluate the merchant mobile handsets (loss of data, ease of use, time per transaction, etc.).

COMPETITION AND RELATIONSHIP WITH THE DFSP

Competition

In more mature mobile money markets like Mali, competition can be perceived as a barrier. With the increasing number of mobile money outlets (particularly Orange's) near Kafo Jiginew's branches, Kafo's MM activity is slowly decreasing. Kafo Jiginew also feels threatened by Orange's increasing operational scope, as the MNO is working on a nano credit (credit scoring) solution, felt as a direct competition for the FSP.

Relationship with the DFSP

TSCU is facing issues on the relationship front with Lonestar Cell, as the DFSP often fails to meet its obligations on time, e.g. payments of commissions, availability of monthly transaction for reporting purposes. These can be unnecessarily delayed. Discussions are currently ongoing between the two entities to try to resolve the issue.

How to handle relationship with DFSP: Recommendations for others FSPs from toolkit #2:

1 Opportunity assessment
• Carry out a market study to identify which locations (branches) would make the most sense to transform into agents and identify which MNO is the most popular among your clientele. Focus groups in different areas of FSP's presence should be able to address the latter.

2 Go to market strategy
• Develop shortlist of DFSPs and look at their market strategy: positioning, customer value proposition, market expansion strategy, etc.
• Discuss with potential DFSPs the main elements of the future partnership.
• Get in contact with current partners/agents of the shortlisted DFSPs to get a sense of their performance, involvement and capacity to meet their obligations.

3 Pilot preparation
• Finalize the agreement (partnership) with selected DFSP.
• Ensure all key elements of the contract are discussed and mitigation strategies planned for issues that may arise.

4 Pilot
• Test the different elements of the relationship to see whether issues arise and how they are handled.
• If needed, rediscuss service arrangement or offering with the DFSP.

5 Launch
• Expand service offering over time if desired.

6 Improvements
• Maintain regular contacts and discussion with DFSP to handle any issue arising.
•Revise contract if needed.

LESSONS LEARNT

- **Plan for liquidity management.** FSPs should carefully plan ahead for liquidity so they have enough cash (1) in places where there is supposedly more cash-outs than cash-ins and (2) at particular times of the year (rainy season, holidays, etc.).
- **Incentivize agents adequately.** FSPs need to come up with attractive initiatives to drive sales. Because they are the interface with your clients, motivated agents are a key to success for this model.
- **Contribute to client education efforts** along with the MNO, as MNOs most likely do not know rural communities/low-income segments as well as you do. You will know better how to talk to clients and help them understand the service.
- **Conduct an opportunity assessment and prepare a business case** prior to deciding to implement the model. As shown by our examples, market and/or opportunity assessments are important decision points to identify the best locations for your MM operations and for assessing competition. For example, an assessment can highlight if the market is saturated, in which case this business model will be less attractive for you. A business case would, in turn, plan for expected revenues and costs and help assess whether the model is worth it or not.
- **Set up a simple project management and M&E system** to enable you to track your performance. Even though the model seems easy and 'free', FSPs still must plan for it like any other project. Project management guidelines, a definition of clear objectives linked to key performance indicators, and a sustainability plan and tracking records of client satisfaction (through client satisfaction surveys) are absolute necessities to ensure consistency and to assess the success of your operations.[35]

35 Refer to the toolkit #2 for practical tools to assist you in your digital journey.

LOOKING FORWARD: WHAT IS NEXT?

After a few years of experience with mobile money, both FSPs now want to widen their horizons with a deeper involvement in digital financial services. This involvement both implies building more partnerships and offering more services.[36]

	TSCU	KAFO JIGINEW
MORE PARTNERSHIPS	Expanding the number of partner MNOs: Lonestar Cell was the only mobile money provider in Liberia in 2014, but a competitor just entered the market (March 2016). Discussions are ongoing to see if TSCU and the new MNO can enter into an agreement.	Kafo Jiginew envisions partnering with more MNOs (potentially Mobicash and/or Malitel) now that the new BCEAO regulation allows non-exclusivity.[35] But they would have to do a detailed cost analysis of the potential benefits they can get out of these partnerships and assess financial sustainability. For example, would they have to buy the PoS? Would commissions be enough to pay for that?
MORE SERVICES	WOCCU, which provided technical assistance and support to TSCU, succeeded in connecting TSCU (and other credit unions created by WOCCU) as partners with Lonestar Cell. This will enable money transfers between clients' Lonestar Cell mobile money accounts and their TSCU savings and loan accounts. Technically, this means connecting Lonestar Cell's mobile money platform to Loan Performer, the Regional Credit Unions' MIS.	Kafo Jiginew wants to deepen its partnership with Orange to offer more services to clients (model #3 in our framework). By linking Orange Money's accounts to Kafo Jiginew's accounts, this model allows clients to perform mobile money operations from their Kafo Jiginew account directly, such as: • Loan disbursement/reimbursement, and • Direct credit application via mobile (credit scoring). However, model #3 will only be possible once Kafo Jiginew has a centralised MIS, but the process is ongoing.
OTHERS	The institution first needs to deal with internal issues such as staff retention, sustainability, and internal capacity before thinking of expanding to another model.	Equipping loan officers with mobile phones to conduct on-site transactions currently cannot be an option for security reasons. Several cases of attacks have already been reported. This would be worsened if field officers were carrying significant amounts of cash with them. Kafo Jiginew first needs to come up with security measures to prevent possible attacks in the field before possibly having agents collect/disburse cash using a mobile device.

36 BCEAO, instruction n°008-05-2015, May 2015.

Financial Institutions' market situation

Recent history has not been kind to Liberia. Whether affected by civil wars that spanned over 14 years, killed 200,000 people and forced 1.8 million people to flee (out of a pre-war population of 2.8 million), or more recently, by the Ebola outbreak which killed around 5,000 people and left 40% of the employed population out of work, the country's economic and social wellbeing has been severely damaged over the past decades.

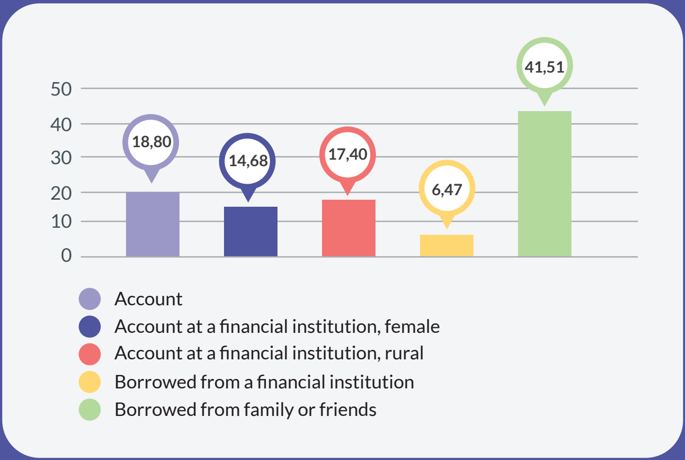
The financial sector has been no exception. Many financial institutions lost deposits and records during the conflicts, and institutions' staff have since received little training. As a result, only 18.8% of people had a formal account in 2011, which is below the regional average of 24% in Sub-Saharan Africa. Physical access points are rare, with less than four branches for 100,000 habitants.

Microfinance institutions and credit unions play an important role in the financial inclusion landscape, especially in rural areas, serving 70% of individuals who borrowed money from a financial institution in 2013. However, many people still prefer to borrow from friends and family (>40%).

Number of Commercial Banks	9
Number of bank branches	87
Microfinance Institutions	21
Credit Unions	400
Village Savings and Loans Associations	1,450
Licensed Rural Community Financial Institutions	9

Source: Central Bank of Liberia, 2015

Financial inclusion countrywide (in % age 15+)



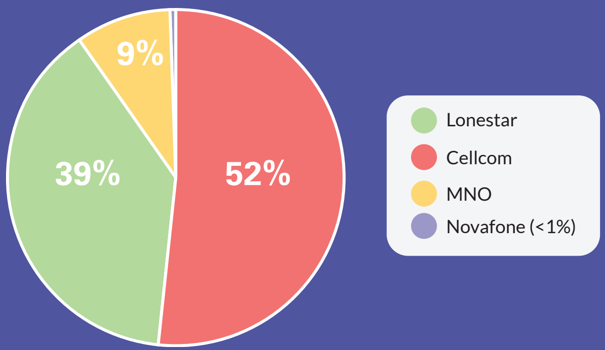
Source: Global Findex 2011[36]

Telecom sector

Presently, 68% of the population in Liberia has access to mobile phone services, and approximately 4% has access to broadband Internet services. Lonestar Cell/MTN is the market leader, with more than 1.3 million subscribers in 2013. Cellcom follows closely with almost 1 million subscribers, while Novafone and Libtelco are distant competitors with 236,778 and 4,621 subscribers respectively.

On average, mobile subscriptions have been increasing by 30% year on year. The telecommunication market has high prospects, with network expansion to many rural parts of the country.

MNOs market shares, 2013 (% of subscribers)



Source: Liberia Telecommunication Authority, 2013-2014

Digital Financial Services (DFS) initiatives

Since its introduction in 2011, the use of mobile money has been rising fast across the 15 counties of Liberia. The number of mobile money accounts in 2014 was estimated at 4% of the population – still lower than the Sub-Saharan African average of 8%, but higher than in other fragile states that are typically around 1%.[37] For DFS to achieve further growth, a few issues will need to be tackled: network connectivity, rapid customer identification, and easy conversion between USD and Liberian dollar within the system. A large portion of assets are dominated by the US dollar whereas people use Liberian dollars for their small size transactions. There are only two mobile money providers: 2 of the 4 MNOs. One is Lonestar Cell Mobile Money Company Incorporated, a subsidiary of MTN. Lonestar Cell total deposits and total withdrawals at the end of October 2015 were respectively L$ 227.1 million and L$258.7 million (i.e. USD 2.41 million and USD 2.75 million). The other company is Cellcom Technologies Ltd., who was licensed in February 2016 and launched operations on March 18, 2016.

Regulation of Digital Financial Services

The Central Bank of Liberia first issued Mobile Money Guidelines in 2011 before releasing a fully fledged regulatory framework in 2014 (2014 Mobile Money Regulation). This regulatory framework now allows for the establishment of non-bank financial institutions to provide mobile money services, which could open the market to new players (MFIs, MNOs, and other service providers).

36 2011 data are the latest data available on Global Findex.
37 IMF Financial Access Survey.

Financial Institutions' market situation

Access to finance in Mali is limited. The country's high poverty levels, large landmass, and low population density make financial inclusion a challenge. As per the latest Findex survey, only 20% of the population had access to an account in 2014 (vs. 34.2 for the rest of Sub-Saharan Africa). This tumbles to 13.2% when considering only formal financial institutions. Rural populations remain particularly underserved.

Banks dominate the financial sector. By the end of 2014, there were 14 banks holding over 80 percent of the sector's assets. However, the microfinance sector is slowly growing (1.8 million members in 2014, compared with 0.8 million in 2005). Most of the 146 MFIs are member-based organisations.

Yet, the sector has experienced a major crisis for over six years, with leading MFIs ceasing operations and others going technically bankrupt. This crisis was exacerbated by the political turmoil of 2012, which led to deterioration of the active microfinance sector. Non-performing loans (NPL) peaked in 2012, with a portfolio at risk (PAR) over 90 days of 11.8%. Many depositors lost their savings, which resulted in a complete loss of confidence in the sector. The crisis has also been attributed to the weaknesses in the former regulation (i.e. a lax licensing policy and low capacity of the national supervisory body). The new WAEMU regional legal framework, effective since 2010, strengthens the regulatory (licensing, prudential requirement, reporting) and supervisory framework, shaping a sound and inclusive microfinance sector.[38]

Number of Commercial Banks	14
Financial companies [39]	3
Number of bank branches	516
Microfinance Institutions	146
Number of MFI branches	461

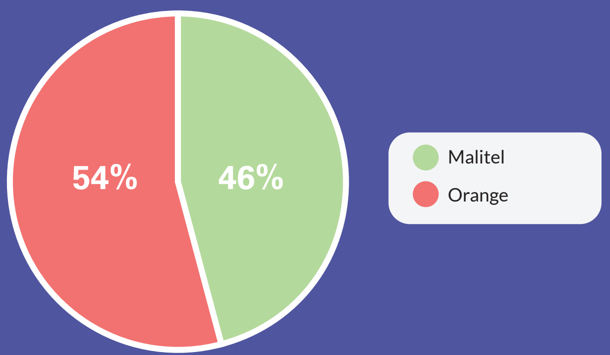
Source: Secrétariat Général de la Commission Bancaire, 2014;
Direction Générale de la Stabilité et de l'Inclusion Financières, 2014

Telecom sector

The number of mobile subscribers reached 23.5 million at the end of 2014,[40] a 19% rise compared to 2013. This translates into a penetration rate of 138%. Unfortunately, the number of unique subscribers is not available from the telecom regulator.

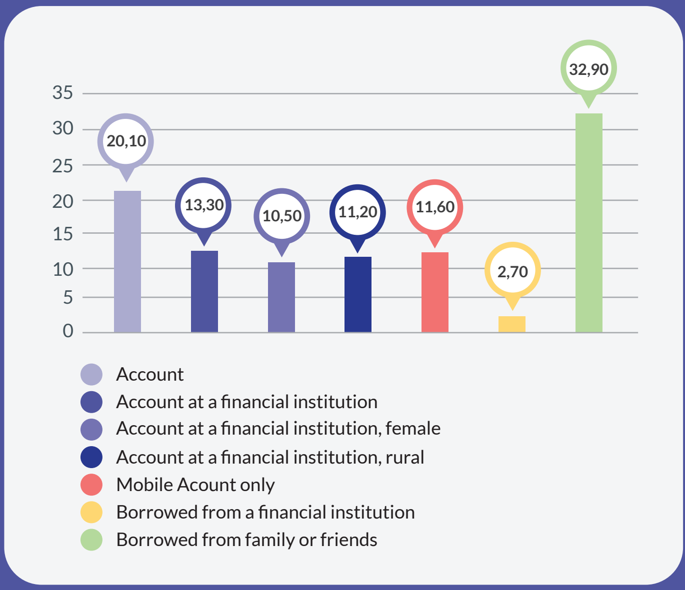
The mobile telecom sector mostly consists of prepaid clients (99% in 2014). Orange Mali is the market leader, with 54% of market share (12.83 million subscribers in 2014). Its only (and growing) competitor, Malitel from SOTELMA-SA, registered 10.67 million subscribers in 2014, holding about 46% market share.

MNOs market shares, 2014 (% of subscribers)



Source: Autorité Malienne de Régulation des Télécommunications/TIC et Postes (AMRTP), 2014

Financial inclusion countrywide (in % age 15+)



Source: Global Findex, 2014

Digital Financial Services (DFS) initiatives

Mobile money is growing rapidly and holds promise for reaching rural areas which cannot be sustainably served by traditional branch banking. In 2014, 11.6% of the population (age 15+) had a mobile money account, which is almost as high as the number of people with a formal financial account. This is a clear indication of the importance of mobile money in the country. Yet, existing services need to be broadened from basic payment services to a more comprehensive menu of remittance, savings, credit, and insurance products.

Orange Money was first to market (2010), followed by Mobicash from Malitel (2014), and Lemonway (2014) and Wari (2015), two mobile payment providers.

Regulation of mobile financial services

Mobile financial services in Mali are subject to the unified regional prudential supervision of the Central Bank of West Africa, or BCEAO. The BCEAO issued new regulatory instructions for e-money issuers in May 2015, (instruction n°008-05-2015), which now authorizes a variety of actors to issue electronic money, including banks, MFIs, MNOs and other service providers. These new guidelines also forbid agents' exclusivity. Although it is a considerable step forward for the sector, there are still opportunities for improvement, especially on pushing towards interoperability, agency banking and customer protection.

38 Financial Sector Assessment Program – Development Module Mali, The Microfinance Sector Technical Note, December 2015, World Bank Group.
39 Translate from French : Etablissement financiers
40 2015 data not available.

ABOUT MICROLEAD

MicroLead, a UNCDF global initiative which challenges financial service providers to develop, pilot and scale deposit services for low income, rural populations, particularly women, was initiated in 2008 with support from the Bill & Melinda Gates Foundation and expanded in 2011 with support from The MasterCard Foundation and LIFT Myanmar. It contributes to the UN's Sustainable Development Goals, particularly SDG 1 (end poverty), SDG 2 (end hunger, achieve food security and promote sustainable agriculture) and SDG 5 (achieve gender equality and economic empowerment of women), as well as the Addis-Abeba Financing for Development Agenda (domestic resource mobilization).

MicroLead works with a variety of FSPs and Technical Service Providers (TSPs) to reach into previously untapped rural markets with demand-driven, responsibly priced products offered via alternative delivery channels such as rural agents, mobile phones, roving agents, point of sales devices and informal group linkages. The products are offered in conjunction with financial education so that customers not only have access but actually use quality services.

With a specific emphasis on savings, women, rural markets, and technology, MicroLead is a performance-based programme that supports partnerships which build the capacity of financial institutions to pilot and roll out sustainable financial services, particularly savings. As UNCDF rolls out the next phase of MicroLead, it will continue to focus on facilitating innovative partnerships that encourage FSPs to reach into rural remote populations, build on existing digital financial infrastructure and emphasize customer-centric product design.

For more information, please visit www.uncdf.org/microlead. Follow UNCDF MicroLead on Twitter at @UNCDFMicroLead.

ABOUT PHB ACADEMY

PHB Academy provides training and coaching aimed at improving financial inclusion. We focus on increasing the take-up and usage of digital financial services (DFS). PHB Academy offers training and coaching face-to-face and online, as well as in blended format (a mix of face-to-face and e-learning). Workshops and programmes can be custom-designed and tailored to our clients' specific needs. The design of our programmes is based on the latest insights in adult learning and executive coaching. We change behaviour by doing more than just transferring technical knowledge. We focus on the development of the practical skills and positive attitudes that managers and field staff need to design, manage and deliver DFS in a sustainable manner. Experiential learning methods and a focus on self-management are key to our success. Our offer is available to financial institutions, mobile network operators, remittances & payment providers and development agencies that pursue financial inclusion through innovative delivery channels.

PHB Academy is the Training & Development Practice of PHB Development, a specialist consulting firm with operations across the world. Since 2006, PHB Development has been committed to increasing financial inclusion in underserved markets. PHB has helped its clients develop viable financial services and delivery channels throughout more than 100 projects.

For more information, please visit http://phbdevelopment.com/. Follow PHB at @PHBDevelopment on Twitter.

ABOUT UNCDF

UNCDF is the UN's capital investment agency for the world's 48 least developed countries. With its capital mandate and instruments, UNCDF offers "last mile" finance models that unlock public and private resources, especially at the domestic level, to reduce poverty and support local economic development. UNCDF's financing models work through two channels: financial inclusion that expands the opportunities for individuals, households, and small businesses to participate in the local economy, providing them with the tools they need to climb out of poverty and manage their financial lives; and by showing how localized investments — through fiscal decentralization, innovative municipal finance, and structured project finance — can drive public and private funding that underpins local economic expansion and sustainable development. By strengthening how finance works for poor people at the household, small enterprise, and local infrastructure levels, UNCDF contributes to SDG1 on eradicating poverty and SDG 17 on the means of implementation. By identifying those market segments where innovative financing models can have transformational impact in helping to reach the last mile and address exclusion and inequalities of access, UNCDF contributes to a number of different SDGs.

For more information, please visit www.uncdf.org and sign up for our Newsletter at http://uncdf.org/en/content/subscribe-our-newsletter. Follow UNCDF at @UNCDF on Twitter and Facebook.

ABOUT THE MASTERCARD FOUNDATION

The MasterCard Foundation works with visionary organizations to provide greater access to education, skills training and financial services for people living in poverty, primarily in Africa. As one of the largest private foundations its work is guided by its mission to advance learning and promote financial inclusion to create an inclusive and equitable world. Based in Toronto, Canada, its independence was established by MasterCard when the Foundation was created in 2006.

For more information and to sign up for the Foundation's newsletter, please visit www.mastercardfdn.org. Follow the Foundation at @MastercardFdn on Twitter.

Contact details:

Project Sponsors

Pamela Eser
UNCDF – MicroLead
pamela.eser@uncdf.org

Philippe Breul
PHB Development
pbreul@phbdevelopment.com

Project Management and content

Hermann Messan
UNCDF – MicroLead
hermann.messan@uncdf.org

Aurélie Wildt Dagneaux
PHB Development
adagneaux@phbdevelopment.com