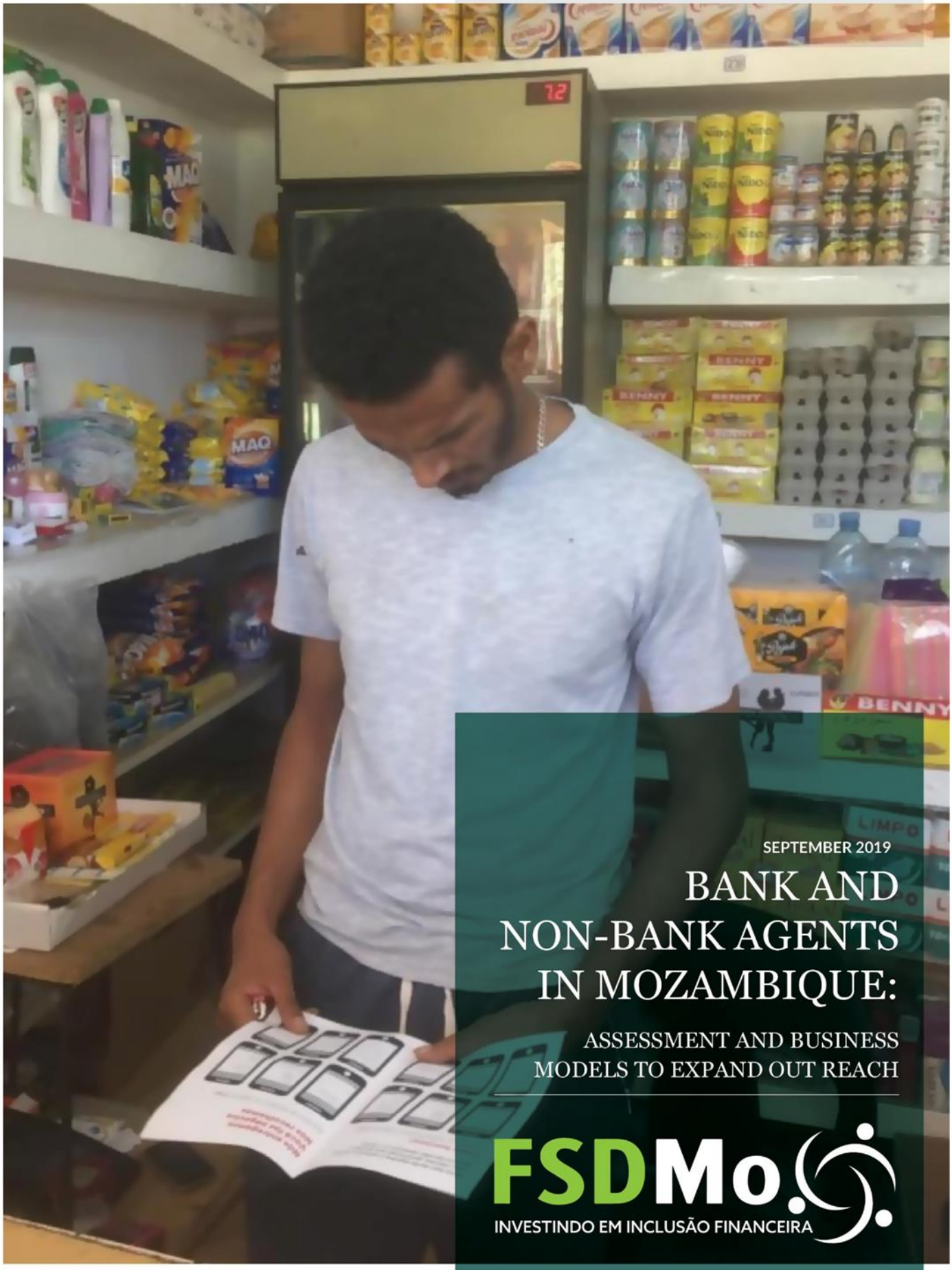
UKaid from the British people

SWEDEN



SEPTEMBER 2019

BANK AND NON-BANK AGENTS IN MOZAMBIQUE:

ASSESSMENT AND BUSINESS MODELS TO EXPAND OUT REACH

FSDMo

INVESTINDO EM INCLUSÃO FINANCEIRA

Financial Sector Deepening Moçambique is a facility for financial sector development with a focus on expanding levels of inclusion. We direct our investments and insights to address constraints in the financial market, helping the diversification of Mozambique's economy and bringing prosperity and economic resilience to Mozambique's people. At the core of our strategy, are women, youth and the rural low-income population, as well as small businesses that lack access to appropriate and accessible financial services. We support our key stakeholders to both innovate and expand financial services, using technical expertise and targeted funding to boost their capacity and the people they serve.

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PARTNERS

FOREWORD

Objective of the FSDMozambique Research Study

Introduction to Agents and Relevance to Financial Inclusion

Since the emergence of the practice in Brazil nearly two decades ago, financial institutions in many developing countries have been using agents, often defined as micro or small retail businesses, to expand the distribution of financial services outside of the traditional branch and ATM channels. This includes both financial transactions such as deposits and money transfer and non-financial transactions such as account opening and customer service. More recently, non-banks such as mobile network operators (MNOs) and fintech start-ups have developed mobile money businesses that depend on the critical "cash-in and cash-out" infrastructure that these same retail agents provide, where cash is effectively converted to electronic money and vice-versa. (While the use of retail agents is similar, the motivations for banks and non-banks are different; see Part A of Chapter 1 for a comparison of these two models).

Furthermore, having a thriving, extensive agent network is viewed as a cornerstone of the infrastructure needed to enable financial inclusion, both for banks and non-banks. In the case of Brazil, for example, Bradesco, a large bank, has opened over 14 million new accounts through close to 47,000 agent points in the country in the eleven years since it started its agent program in 2002. Safaricom Kenya, which launched its well-known mobile money program M-Pesa in 2007, is bolstered by over 160,000 agents; the Central Bank of Kenya reports through a recent survey that formal financial inclusion more than trebled, from 27% to 83%, from 2006 to 2019, in large part due to M-Pesa. (We discuss the cases of Brazil and Kenya later in Part A of Chapter 1 and the specific examples of Bradesco and Safaricom in Part B).

Purpose and Objective of Research

As discussed in more detail in Part C, like many countries on the continent, Mozambique has seen several initiatives involving the use of retail agents: all three MNOs have launched mobile money programs since electronic-money institutions were permitted by the Central Bank of Mozambique in 2011, and a handful of banks have launched their own banking agent programs over the last few years. Yet, to-date, the presence of bank and non-bank agents, particularly in semi-urban and rural areas, remains limited, as are the variety of products and services that are enabled at the agent site.

FSDMozambique, a facility that focuses on expanding financial inclusion in the country, commissioned Digital Disruptions, a boutique consulting firm in financial services and innovation, to undertake a research engagement to evaluate the bank and non-bank agent ecosystem as well as to discuss plausible agent models that could expand financial inclusion and access in the country.

From December 2018 to April 2019, the firm conducted secondary research on agents, interviewed key bank, non-bank, and regulatory stakeholders in Mozambique, analyzed current regulations, conducted interviews with agents in various parts of the country, and ran design sprints and industry and regulatory workshops. The complete methodology and approach can be found in the Annex.

Overview of the Report

The report is comprised of four main chapters. Chapter 1: Introduction to Agents, provides an overview of bank and non-bank agents and their respective business models and of relevant case studies from Brazil, Kenya, Senegal, and Tanzania. Ideas from recent deployments and research on interoperability, agent economics, and regulation in other markets are also touched upon.

The next two sections are deep-dive assessments. Chapter 2: Assessment of Supply and Demand begins with the current state of deployments in Mozambique. It then looks more closely at how banks and non-banks perceive the agent ecosystem, as well as how the users themselves - the agents and customers – view their current experience through agents. The role of other value-chain players, most notably superagents, is also discussed. Chapter 3: Assessment of Regulatory Framework, analyzes the key laws affecting banks and non-bank agents in Mozambique as well as their implications for the growth and performance of the agent ecosystem.

Based on the first three chapters, Chapter 4: Problem Statements and Considerations then elaborates on the key obstacles, both at tactical and strategic levels. Specific considerations for industry and policy-makers alike are discussed, and user reactions to several business model concepts that were designed, prototyped, and tested are reported.

In addition to the standard bibliography, glossary, and methodology, the Annex also contains a full table of all relevant laws both for banks and non-banks, categorized by topic, and their implications for the business model. This report is hyperlinked throughout to allow the reader to navigate to relevant sections easily.

Abbreviations

Abbreviation	Meaning
AML-CFT	Anti-Money Laundering and the Combating of Financing of Terrorism
ATM	Automatic Teller Machine
CGAP	Consultative Group to Assist the Poor
DFS	Digital Financial Services
E-Money	Electronic Money
HCD	Human-Centered Design
FMCG	Fast-Moving Consumer Goods
KYC	Know Your Customer
MNO	Mobile Network Operator
OTC	Over-the-Counter
POS	Point-of-Sale
SMS	Short Message Service
USSD	Unstructured Supplementary Service Data
VAS	Value-Added Services

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INTRODUCTION TO BANK AND NON-BANK AGENTS

CHAPTER 1
Introduction to Bank and Non-Bank Agents

A. Business Models for Bank and Non-Bank Agents

History and motivation of bank agents: The case of Brazil

A series of regulations in Brazil in the early 2000s permitted banks (and eventually other regulated entities) to form partnerships with retailers, who were then termed "banking correspondents" (*correspondentes bancários* in Portuguese). These are usually small commercial outlets such as convenience stores, pharmacies, gas stations, and supermarkets but also include the country's publicly run post office and lottery chains.

While, in the 1980s and 1990s, financial inclusion had been the remit of the state-owned banks, the aim was now to permit all banks to extend their range of financial services, not only those such as bill payments but also account opening, deposits and withdrawals, receiving and forwarding loan requests, and collection services, to more dispersed parts of the country (social benefits payments can now also be withdrawn through agents)[1]. The financial institution would effectively leverage the physical premises, retail staff, and consumer familiarity with the outlet to conduct transactions with the aid of the bank's technology (e.g., Point-of-Sale devices, satellite technology), regulatory oversight, trusted bank brand, and suite of existing products. In turn, the outlet received a commission per transaction and ostensibly received more customer 'footfall' (traffic) in its stores, which in turn would lead to higher sales.

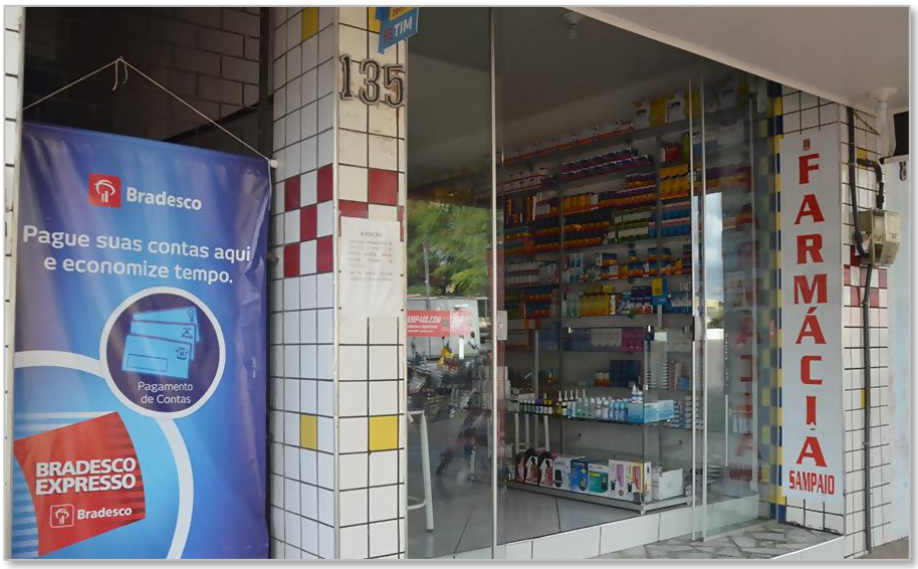


Figure 1. Bradesco Expresso Agent

[1] World Bank Group, 2006.

Since then, close to 99% of Brazil's 5,570 municipalities[2] are covered through a banking agent, driven mainly by state-owned banks Caixa Economica and Banco do Brasil and private banks Bradesco, HSBC, and Itau. As of April 2019, there were 349,909 agent points across the country, according to the Central Bank of Brazil, and over 250 financial institutions using a bank agent of some sort. Part B describes the case of Bradesco in further detail.

The nascent success of Brazil in the early years led policy-makers in other Latin American markets such as Peru, Bolivia, and Colombia (in 2005 and 2006) and Ecuador, Venezuela, Argentina, and Mexico (from 2008 to 2010) to enact supportive legislation to allow bank partnerships with agents. The bank agent model, often using card-based Point-of-Sale terminals, is still widespread in Latin America despite the ubiquity of mobile phones and the mobile money programs that have been deployed by MNOs in a number of Latin American countries. While banks in these countries have deployed agents ostensibly to reach rural populations that were previously unserved by their branches, some agents are also located near to urban branches as a way of 'decongesting' branches and serving as a lower-cost alternative channel.

History and motivation of non-bank agents: The case of Kenya

While the case of Safaricom's M-Pesa is well-known, the first emergence of MNO-led mobile money was in the Philippines. In 2001, Smart Communications, one of the country's MNOs, partnered with Banco de Oro, a local bank, to launch SMS-based Smart Money, the world's first mobile money deployment. This was soon followed in 2004 by the launch of a similar product, G-Cash, by its MNO rival, Globe Telecom. Because the main focus of these products was domestic and international money transfer, with agents being used to support the cash-in and cash-out infrastructure, for the first few years, agents were obliged to obtain a remittance license and attend a one-day training course. They were also initially prohibited from opening accounts.

The original M-Pesa team, a joint effort between Vodafone in the UK and Safaricom in Kenya, no doubt benefited from the experiences in the Philippines when they began developing their own agent proposition prior to the full launch in March 2007. Also, the Central Bank of Kenya initially took a 'wait and see' approach and did not rush to regulate the nascent innovation of either the mobile payment concept or the agent network. Instead, it issued letters of no objection to allow non-banks such as Safaricom to recruit agents, allow agents to open mobile money accounts (within certain limits on total balance amount and transfer volume), and put in a monitoring system to flag any suspicious transactions.

[2] Alliance of Financial Inclusion (AFI), 2012.

In 2010, it issued regulations in Agency Banking – interestingly, citing the success cases of banking agents in Brazil and Colombia[3].

The results have been nothing short of astounding: as of the end of December 2018, the Communications Authority of Kenya reports 223,931 mobile money agents, the vast majority of whom are agents for Safaricom (168,620); Airtel and T-Kash have just under 25,000 each (there were 31.6 million subscriptions; note that some individuals can have more than one subscription).

Table 1. Mobile Money Agent Performance in Kenya

	Period from October 2018 - December 2018			
Mobile Money Service	# of Agents	# Active User Subscriptions (millions)	# of Transactions (millions)	Value of Transactions (billions USD)
M-Pesa	168,620	25.6	616.9	16.3
Airtel Money	23, 659	3.8	4.0	0.09
Equitel Money	-	2.1	166.4	4.6
T-Kash	24,744	0.1	0.2	0.04
Mobile Pay	6,908	0.09	0.4	0.14
Total	**223,931**	**31.6**	**787.8**	**21.0**

One point to highlight is that not all agents are "exclusive" to the service provider; as in Mozambique, the law permits an agent to carry on multiple agent relationships with several providers, with one research firm estimating that roughly 16% of agents have more than one relationship[4]. (Safaricom initially insisted on agent exclusivity in its contracts but dropped the requirement in early 2014 after it had established a network of around 85,000 agents).

Another dynamic of countries such as Kenya (and Tanzania) with developed mobile money programs is that a number of mobile money agents are dedicated exclusivity to mobile money. In other words, while the first cohort of agents was conducting mobile money transactions as an additional service beyond their existing retail businesses, these dedicated agents were set up for the express and exclusive purpose of providing mobile money transactions. While set-up costs are relatively low (often just a simple kiosk), the agent relies on strong customer demand to drive volumes and hence commissions. In a 2016 study[5] in Tanzania, it was estimated that roughly 50% of the country's 87,000+ agents were stand-alone, dedicated mobile money agents.

It should also be noted that, in a number of markets, some models are "OTC" (Over-the-Counter), which refers to the practice where the transactions that are conducted at the agent site are either wholly or

[3] Central Bank of Kenya, 2010.
[4] Helix Institute, 2017.
[5] IFC, 2016.

partially assisted by the agent as a formal part of the operating model (this occurs informally with programs such as M-Pesa, but it is not intentionally designed in this manner). Notable OTC models in the African context are fintech start-ups Zoona (which has gained solid traction in Zambia but recently exited Mozambique) and Wari (which began in Senegal, is currently in nearly 15 markets, and is looking to enter the Mozambican market). There are more details on Wari in sub-section B of this chapter.

Comparison of bank agents and non-bank agents

While the customer's point of interaction with these services is the same – the agent – the bank and non-bank models are fundamentally different.

For banks, while agents can be used either as a way of attracting new (and usually more rural and/or unbanked) customers, it is also used as an alternative channel, often located nearby branches, to serve existing, often middle to high-income customers. In a number of markets, such as in Latin America, where electronic payment acceptance is still not as ubiquitous as in North America or Europe, cash transactions still dominate, and thus even middle-end customers (e.g., urban salaried workers) frequently stand in long queues to withdraw cash at the bank branch or ATM. Having agents to "decongest branches" is thus a viable motivation for the bank to develop an agent network.

For non-banks such as MNOs, mobile money is fundamentally a new product – vastly different from their existing business line of providing voice and data services – although targeted, at least initially, to its existing customer base. The agent network serves as a necessary backbone to convert cash to electronic money and vice-versa, even though many transactions are conducted through the customer's handset.

The table below, based on a comparative framework developed by Digital Disruptions, summarizes the two sub-models of bank agents and the main model of MNO mobile money. Note that non-banks such as start-ups have a different model than the ones described here; since banks and MNOs operate the most prevalent agent models worldwide and are currently the only two models that exist in Mozambique, we compare these two for simplicity.

Table 2. Digital Disruptions' Comparative Framework of Bank and Non-Bank Agent Models

		BANK AGENT MODELS		NON-BANK AGENT MODEL
	RATIONALE	Type 1: Serve existing customers	Type 2: Acquire new customers	Adjacent or new business line
SEGMENT AND VALUE PROPOSITION	Target Agent Segment	Medium to large stores; well-established businesses	Smaller shops	Small shops, stand-alone kiosks, and 'ambulantes'
	Agent Value Proposition	Increased footfall (and sales) for primary business; some addditional commission	Moderate commission from agent business; some additional footfall	Moderate to high commission from business
	Target Customer Segment	Existing banked customers (mainly middle to high-income and urban)	Unbanked or underbanked lower-income customers; urban and semi-urban but might extent to rural	Existing telco customers; underbanked customers; all geographies
	Customer Value Proposition	Convenience: do transactions nearby, don't wait in line for branch or ATM	Functional benefit: keep your money safe in a bank account	Functional benefit and convenience: do transfers easily through phone, and store your money safely
	Permissible Transaction Types	Deposits and withdrawals, some bill payments - can be greater range to align with those offered at a branch	Usually deposits and withdrawals, some bill payments - all at agent	Account opening, deposits (cash-in), and withdrawals (cash-out) at agent; money transfers, bill payments, airtime top-up through mobile
TECHNOLOGY	Front-End Technology	Agent: POS, PC, Printer, etc. Customer: Card-based	Agent: POS, PC / Tablet, Printer Customer: Card-based; biometric	Agent: Mobile phone Customer: Mobile phone
	Back-End Processing	Bank platform; standard, secured connection; full account functionality	Bank platform; standard, secured connection; account may have limited functionality	E-money platform; prepaid account functionality
AGENT OPERATIONS	Selection and Recruitment	Coordinated with nearby branch (sales agents, promoters, etc.)	In-house (separate unit at bank) or outsourced to third-party Agent Network Manager (ANM)	Non-bank will set criteria; actual recruitment often outsourced to third-party ("superagent");
	Onboarding and Training	Branch staff	Separate bank team or outsourced to Agent Network Manager (ANM)	Often outsourced to third-party (superagent)
	Agent Support (incl Liquidity Management)	Branch staff; regular call center	Bank team, ANM; dedicated call center	Third-party (superagent); dedicated call center; branded stores
MARKETING	Brand Awareness and Advertising	Often light; marketing material at nearby branches and on bank website; branch staff promote nearby agents to customers	More prominent around geographic areas to attrach prospective customers and agents	Very prominent; involves more sophisticated marketing mix
	Sales Force Promotions	Light; usually involves nearby branch staff	Moderate; often involves promoters to directly engage agents (and customers)	Heavy; high engagement, particularly first 1-2 years, to sell, onboard, and train agents and customers alike on a 1:1 basis
STAKEHOLDERS	Role Within Core Organization	Under Alternative Channels or Branch Operations; small team at HQ, individual branch operations more involved	New Business or New Product unit; larger team at HQ, branch operations involvement moderate to light	New Business or New Product, or under Value-Added Services (VAS); medium to large dedicated team
	Partnerships	Few to none	May involve Agent Network Manager for operations	Superagents for agent management, banks for liquidity management, vendor for transaction processing platform
FINANCIAL	Customer Pricing	Harmonized with branch; deposits free, free or flat fee for withdrawals	Deposits free, flat fee for withdrawals and bill payments	Cash-in free, tiered pricing for cash-out; tiered pricing for transfers; flat fee for bill payments
	Agent Commissions	Flat for every transaction	Tiered commission based on volume for deposits and withdrawals; flat for bill payments	Tiered commission (revenue-sharing from customer fee) on volume for cash-in and cash-out; flat for other transactions such as account opening
	Other Financial Drivers for Service Provider	Lower-cost channel to serve	May involve cross-selling higher margin services such as facilitation of credit or loan applications	Increased revenue on core business services (ARPU); decreased churn
BUSINESS MODEL	Overall Business Model	Alternative, indirect, low-cost channel to provide convenience for existing customers; necessary cost to serve and retain customers	Lighter-touch business model, involving indirect agent channel, to expand geographic footprint and acquire and serve new, previously unbanked customers	New business line, distinct from core business, that leverages existing assets; deepens engagement with current customers and boosts top-line revenue

B. Case Studies

As part of the research, we reviewed several cases of agent networks around the world. We decided to focus on four, three of which are in Africa: Bradesco in Brazil, Safaricom in Kenya, Wari in Senegal, and Tigo in Tanzania.

In part, they were chosen for the diversity of service-provider operator models - a mix of agents managed by banks, MNOs, and third-parties – as well as geography, technology, customer services, and regulation. The case studies are not meant to be an exhaustive deep-dive but to highlight some pertinent aspects both of agent management in general and of relevance to the Mozambican context. These aspects are discussed more explicitly later in this sub-section.

Brazil – Bradesco Expresso

As mentioned earlier in this section, Brazil pioneered banking agents as far back as 2001. Bradesco, one of the country's largest private banks, began agent operations with a partnership with the state-owned postal chain, *Correios*, and named the agent program Banco Postal (the venture was later sold to state-owned Banco do Brasil in 2014).

It later re-branded its agent program "Expresso", which is now estimated as having 65,000 agents across the country. Based on a report by the country's banking association[6], by the end of 2013, Bradesco had opened over 14 million new accounts for customers, all of which receive a debit card. Because these are full banking services (rather than simplified or limited accounts), the technology at the agent is mainly banking-grade point-of-sale (POS) terminals and is securely connected to the banks' core banking system. The bank manages much of the operations in-house and provides an extensive list of services at the agent site to its customer.

[6] Febraban, 2014.

BRADESCO EXPRESSO (BRAZIL)
~65,000 agents; launched in 2001

Customer Services at Agent

- Withdrawals and deposits
- Forwarding proposals for opening accounts
- Balance statement
- Forwarding of loan proposals and credit card applications
- Bill Pay, Mobile recharge
- Money transfer within Bradesco accounts
- Payment of social security benefits

Agent Operations

- Bradesco has a separate business unit for Expresso that manages the agent network
- This includes defining the selection criteria, on-the-ground recruiting, terminal installation (e.g., POS) and testing, branding and marketing, monitoring, and general servicing

Pricing

- Commissions are paid for each financial transaction conducted by the customer
- Additional commission for facilitating account opening, loan applications, or credit card applications

Technology

- Most agents have a Point-of-Sale device, personal computer, barcode reader (for bills), keypads for PIN numbers
- Agents can be linked via telephone line or cable
- Transactions take place in real-time via high-speed internet connections

Partners

- Few partners, as most of the agent operations for Bradesco Express are conducted in-house

Regulation

- Distinction between a "full service" and "negotiation" agent; the latter can conduct payment services and forward requests but cannot facilitate account opening or take deposits
- Wide variety of eligible agents: supermarkets, drugstores, bakeries, etc.

Figure 2. Bradesco Expresso Agent Model

Kenya – Safaricom M-Pesa

With over 165,000 agents under its management, Safaricom Kenya is the largest operator of agents in the world. From the inception of M-Pesa in 2007, this MNO leveraged its existing partnership with Top Image, a branding agency that had been providing services for its airtime reseller agent network, to recruit, train, and monitor agents. The outsourcing strategy was a success, and the company now works with other aggregators and superagents, who provide different levels of services to agents.

Another noteworthy development was on agent criteria: Safaricom agents have a relatively high bar to pass – such as being in operation for six months, various technological requirements, being a registered business – with some exceptions for stand-alone businesses. This is a Safaricom policy, not one imposed by the Central Bank of Kenya. But by keeping standards high, it has helped assure its customers of the "integrity" of the M-Pesa system.

SAFARICOM M-PESA (KENYA)
~168,000 agents; launched in 2007

Customer Services at Agent

- M-Pesa account activation
- Cash-in and Cash-out (cash-out also to non-M-Pesa customers)
- Encouraged to provide M-Pesa education to customers
- Combination of "dedicated" agents and small business agents

Agent Operations

- Agents are supported by an Agent Network Manager (ANM) to select, recruit, manage, and monitor agents
- ANMs can be superagents, aggregators, or other third parties that manage airtime resellers (e.g., Top Image)
- The ANMs provide liquidity management services (assist with cash and e-money conversion)

Pricing

- Agents are paid both on cash-in and cash-out. The commission structure varies by a tiered amount – e.g., for $1 to $5 USD deposit or withdrawal, the commission is $0.08, and for $10 to $15, it is $0.10
- No distinction between registered and non-registered users

Technology

- Separate till (SIM card) for agent
- Agent can use a USSD menu or a smartphone app
- Agent statement available via USSD
- Dedicated contact centre for agents

Partners

- Safaricom relies on several ANMs (Agent Network Managers) – the MNO only sets the criteria but not get involved with operations
- It also partners with several banks to allow agents for manage their cash and float liquidity

Regulation

- No agent exclusivity - agents allowed to service all financial institutions and mobile money providers
- Stand-alone agents ("dedicated" agents) permissible
- KYC requirements – normal merchant requirements
- Agents are mostly recruited based on strict criteria set by Safaricom (registered business, 6 months in operation, technology requirements, etc.)

Figure 3. Safaricom M-Pesa Agent Model

Senegal – Wari

Wari is a Senegalese fintech company that began operations in 2008 in Senegal. Like its MNO rivals that offer mobile money services, its focus is on domestic transfers, but unlike them, its main model is "OTC", or Over-the-Counter. Similar to the customer experience at most international money transfer organizations, this means that a customer simply hands over cash (and their ID) to a Wari agent, the transaction is processed by Wari's system agent to agent, and the recipient withdraws cash on the other end (also with just an ID and a secret PIN number).

The model has proven successful, especially in Senegal; one report[7] estimates that it manages nearly 34% of the agent points in the country (versus an estimated 25% for the other OTC competitor, Joni Joni). It has since rolled out in over a dozen countries in Africa and is eyeing an impending launch in Mozambique.

[7] Helix Institute, 2016.

WARI (SENEGAL)
~20,000 agents (est); launched in 2008

Customer Services at Agent

- Money transfer (domestic) via OTC (Over-The-Counter) model
- Bill payments and airtime recharge
- International remittances at certain locations

Agent Operations

- Wari has an extensive in-house operation to manage the agent retail operation
- This includes agent selection and recruitment, terminal installation, and extensive monitoring
- In some cases, it will facilitate liquidity management, but generally agents are expected themselves to go to a nearby bank branch or other service point

Pricing

- Customers are charged for domestic money transfer in a tiered fee structure by volume; agents receive a tiered fee commission

Technology

- Agents are expected to have a PC and high-speed connection to process money transfer connections – even in rural areas.
- Central contact centre for agents

Partners

- Wari partners with over 12 local banks to allow agents to conduct liquidity management (convert cash and e-money)
- It has also partnered with international MTOs (e.g., World Remit) to facilitate cross-border transfers

Regulation

Figure 4. Wari Agent Model

Tanzania – Tigo Pesa

As M-Pesa began to take off in Kenya, mobile operators in Tanzania began offering their own mobile money services. Unlike in Kenya, three mobile operators in Tanzania have a roughly equal share of the main telecommunications business as well as the mobile money market. This has led to a boost in quality and innovation for both agents and customers.

Tigo, part of the Millicom group of mobile operators, launched Tigo Pesa in 2010 and now counts over 150,000 agents across the country. Beyond cash-in and cash-out, it has pioneered the ability to offer cash advances to agents (to help with immediate float liquidity) and "doorstep" liquidity management services through a fleet of motorcycle riders provided by superagents (acting as agent network managers.)

TIGO PESA (TANZANIA)
~150,000 agents; launched in 2010

Customer Services at Agent

- Cash-in and Cash-out
- SIM and account activation (in real-time)
- Agent cash advance (through NMB Bank)
- Mix of merchant-agent business and agent-only businesses

Agent Operations

- Super Agents (SAs) & Retail Agents (RAs) relationship
- SAs service their RAs with daily cash delivery
- Bank cash partners with >3 banks exist where RAs can deposit and withdraw cash at a branches.
- Agent can rebalance each other (send money to each other in exchange for cash)

Pricing

- Cash-in is free for customer; cash-out is charged at around 2% of the value
- Healthy commission split between SAs & RAs

Technology

- Separate till (SIM card) for agent
- Agent uses a USSD menu, and cannot make or receive calls on that line (to mitigate fraud)
- Advanced analytics are currently being tested in Tanzania
- Central contact centre for agents

Partners

- Cash Partners (banks provide liquidity management)
- Super Agents, where some banks use branches to manage agents (e.g. Equity Bank distribute up to 200 agents within 100 km radius per branch)

Regulation

Figure 5. Tigo Pesa Agent Model

Inspiration for the Mozambican Market

Each of the models described above has found success in its respective market, and we are careful not to automatically ascribe a "best practice" for the unique context of Mozambique. That being said, industry and policy-makers alike can draw inspiration from certain elements of the different models.

Bradesco's use of tiered agents – "full service" and "credit only" – has helped it expand more rapidly across the country (the broader topic of agent segmentation along service function lines is discussed in Part C). In particular, the idea of expanding services to facilitate the more lucrative lending process, such as facilitation of credit cards and loans (and paying a commission to agents in turn), shows promise.

Two of the highlights of Safaricom's successful model (and there are many) are the more stringent criteria they place on agent eligibility and the frequent monitoring of agent quality conducted by its Agent Network Manager partners. A high-quality, active agent network is not only needed to enable basic transactions; customers feeling that agents are non-performing (e.g., providing a mediocre service, having inadequate liquidity, committing fraud, or surcharging) threatens to pull down the entire mobile

money brand. In short, particularly at the launch of a new service, ensuring a consistently high-quality experience is paramount to gaining customer trust and eventual adoption of the service.

In a similar vein, one of the secrets of Wari's success was "obsessing" over the agent experience. While many of the best service providers (correctly) strive to improve the experience for their customers, Wari recognized that, particularly in a mobile money business, it is fundamentally a two-sided market: *both* customer and agent need to be kept happy for the system to work. In Senegal, for example, the company made sure to allow agents to manage their liquidity with a network of banks that it signed agreements with (unlike some MNOs, which only offered one or two banks as partners), which addressed a critical pain point for the agents.

Due to the competitive nature of mobile money in Tanzania, Tigo Pesa has also had to innovate continually to manage its network of agents. Liquidity management, particularly in areas that are less densely populated, is a persistent challenge; Tigo Pesa innovated by allowing nearby agents to "rebalance" each other rather than insisting that an agent employee physically go to a bank branch or superagent. This provides not only convenience but an extra commission for the agent who helps rebalance the neighboring agent.

C. Looking Beyond Mozambique: Recent Ideas to Expand Agent Networks

In addition to a review of the relevant case studies, a number of recent ideas on improving agent performance – on economics, regulation, and interoperability – were surveyed. Below are summaries of the relevant studies.

Cash-in and cash-out agent economics

In 2018, the Boston Consulting Group (BCG), a global consulting firm, conducted an analysis of over 100 mobile money agents in four "mature" mobile money markets: India, Bangladesh, Kenya, and Tanzania[8]. They particularly focused on the economics, both the revenue and the main cost drivers, from the agent and service-provider sides.

From a cost perspective, the firm found that rent and utilities averaged over 50% of the monthly costs for mobile money agents – not surprisingly, this was less for "non-dedicated" mobile money agents, as they are able to allocate these fixed costs across their other business lines (in most cases, their primary shop). Moreover, set-up costs such as initial cash and float capitalization – the elements needed to provide the

[8] Boston Consulting Group, 2018

fundamental cash-out and cash-in services, respectively – averaged $1600, a substantial amount of liquidity in these markets for many retailers and especially those individuals looking to be dedicated agents.

As a consequence of rent being a major cost driver, another key finding is that rural costs are significantly lower than urban costs. Moreover, there is a substantially lower volume of fraud and lower employee costs in rural areas than in urban ones. As the chart below illustrates, this means that rural non-dedicated agents had nearly a third of the total costs of their urban, dedicated counterparts ($54 vs. $154), although only about a third less than their urban, non-dedicated ones (54$ vs. $84).

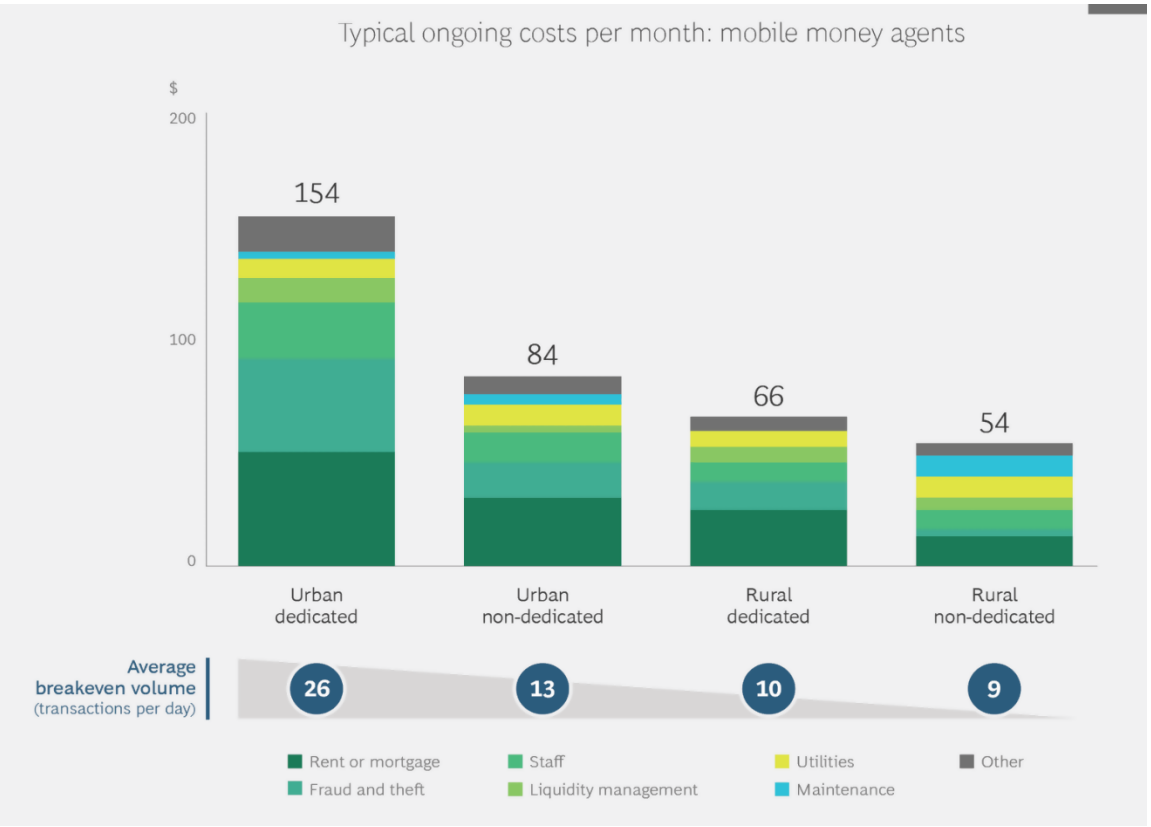


Figure 6. Costs Per Month for Mobile Money Agents (BCG Analysis)

Two key implications arise from the study for the case of Mozambique. The first is that the average number of transactions to breakeven was calculated to be lower in rural areas than in urban ones, between 9 and 10 transactions a day, which is a relatively modest amount. This is because while the transaction volumes in urban areas, or other areas with high levels of economic activity, are much higher, there is a proportionally greater supply of agents, diluting the transactions that each one conducts. Thus, even in areas where there may be relatively little economic activity, the establishment of one or two agents may still be a profitable endeavor.

The second is that non-dedicated agents, particularly *ambulantes* (those without significant fixed costs such as rent and utilities), may be well-suited to rural areas. While the study did not cover ambulantes, all items being equal, they would have about 60% less of the fixed and variable costs per month of those with fixed structures. This may mean, for example, that the combination of an ambulante (i.e., an ultra-low-cost structure) and a rural area (i.e., little economic activity but also few or no competing agents) may represent a winning combination for agents, customers, and service providers alike. (We discuss the potential of expanding the ambulante model in Chapter 4).

Regulatory segmentation: different requirements for different agents

Earlier this year, the Consultative Group to Assist the Poor (CGAP), an independent think-tank housed at the World Bank that conducts financial inclusion research, wrote an article[9] proposing that "not all agents be regulated in the same way".

CGAP asserts that because the transactions are completed in real-time and agents are "pre-funding" their agent accounts, the risk of "misappropriation" and overall fraud is relatively low, particularly in the case of agents that only conduct cash-in and cash-out services (versus, for example, those that open accounts or cross-sell other financial products such as loans). It offers a simplified segmentation for agents based on the broad categories of services they offer.

	Sales	Account Opening	Cash In	Cash Out
Tier 1	X	X	X	X
Tier 2		X	X	X
Tier 3			X	X
Tier 4				X

Figure 7. Hypothetical Agent Segmentation by Transaction Type (CGAP)

For the case of Mozambique, there is no question that, to adhere to AML and CFT (Anti-Money Laundering and Combating the Financing of Terrorism) policies, the account opening function requires greater scrutiny and regulatory requirements. It may be plausible to consider if agents who *facilitate* account opening, as well as those who open or facilitate "simplified accounts" (i.e., accounts subject to lower transaction limits and balance maximums, and thus lower risk), may require less regulatory oversight. Moreover, those agents that are exclusively conducting cash-in and cash-out transactions – in

[9] CGAP, 2019.

real-time, with digital receipts, and verified by the customer – may require relatively little regulation. (Chapter 3 on the Regulatory Framework goes into further detail on AML-CFT requirements).

Shared Agents in Uganda

As in the cases of Kenya and Tanzania discussed earlier, Uganda also has a mature mobile money system and a well-established agent network in place. Financial Sector Deepening Mozambique's counterpart there, Financial Sector Deepening Uganda, has been playing a leadership role in developing a platform bringing together the various bank agent networks. The project is described below[10].

Uganda saw its rate of financial inclusion double from 2006 to 2018 (at 58%), mainly due to the development of MNO-led mobile money services over the last decade. For example, close to 1 billion transactions were made in 2016, with $12 billion transacted in value.

Mobile money agents far outstrip bank agents – by the end of 2016, for example, the United Nations estimates that there were over 41,794 mobile money agents but only 3,000 bank agents[11]. The Bank of Uganda formally unveiled agency banking regulations in 2017, but the requirements were relatively stringent: a physical address (i.e., a brick and mortar store), an existing business (no "dedicated" agents exclusively conducting financial services transactions), having been in operation for at least 1 year, and application being subject to approval by the Bank of Uganda.

As a result of the relatively high cost of delivery, several banks began discussing the creation of a shared agent platform. Led by the Uganda Bankers Association in coordination with FSD Uganda, they envisioned a system inspired by the four-party model merchant acquiring models of Visa and Mastercard (see Figure 8 below), along with a similar fee-sharing distribution (e.g., interchange). The purported benefits were not only cost savings and greater outreach but also to serve as a viable competitor to the large MNO-led mobile money programs.

[10] Presentation by FSD Uganda, 2018.
[11] United Nations Capital Development Fund (UNCDF), 2019.

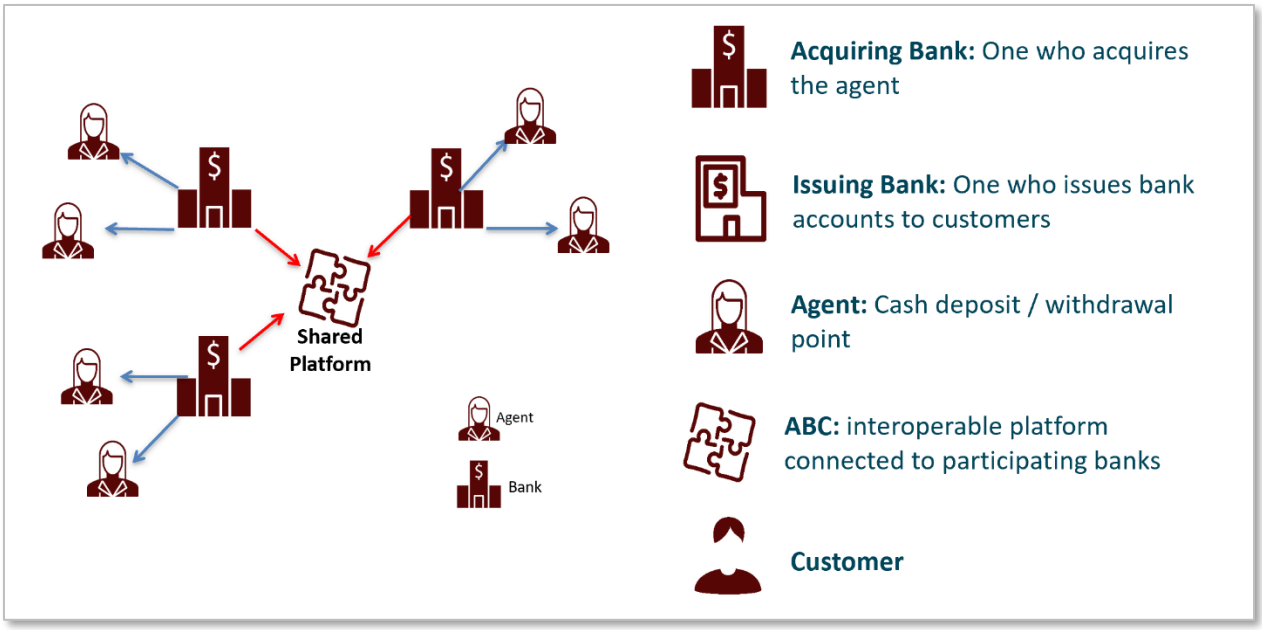


Figure 8. Proposed Operating Model for Agent Interoperability in Uganda

Since the May 2018 launch, eight banks, including the country's largest, have participated in the shared agency project, although many have also run their own proprietary networks in parallel. Moreover, the main functionality offered is primarily cash-in and some bill payments (cash-out functionality is still being developed), and the agent commission structures have not yet been harmonized. In the six months post-launch, nearly 1000 agents have signed up, and the average transaction is close to $300 (vs. $15 for mobile money), although this may be due to the fact that many banks have targeted their existing customers rather than using agents as a channel to acquire new ones (the two main bank agent models are described in Part A).

The broad concept above – collaboration among like-minded institutions (such as banks) to extend outreach while simultaneously reducing individual service provider costs – is one that may well hold promise for Mozambique and in fact was prototyped and tested with end-users during a Design Sprint that Digital Disruptions conducted as part of this project. This is explored further in sub-section D in Chapter 4 on Problem Statements and Considerations.

CHAPTER 2:
SUPPLY AND DEMAND ASSESSMENT

CHAPTER 2
Assessment of Supply and Demand

Chapter 2 covers supply and demand factors regarding agents in Mozambique. Sub-section A includes an overview and assessment of the bank and non-bank agent market, including key figures that are available for the number and type of agents across the country as well as growth over time and by province.

Sub-sections B and C then discuss the "supply" (the existing and potential service providers involved in bank and non-bank agent programs) and "demand" (the agents and customers) from the perspective of the respective groups: much of the assessment on the service providers is through individual interviews conducted on-site with a number of key institutions as well as subject-matter experts not associated with service providers who were nonetheless familiar with their initiatives and motivations. The perspectives of agents and customers were gleaned from field interviews in the northern and southern parts of the country. A list of stakeholder interviews and an overview of fieldwork methodology are in the Annex.

A. Current State of Bank and Non-Bank Agents in Mozambique

History of initiatives

With much of East Africa initiating mobile money initiatives in the late 2000s, Mozambique's MNOs began their own initiatives shortly thereafter. mCel, the country's state-owned telecom operator, launched mKesh in 2011, followed in May 2013 by Vodacom with its M-Pesa service, modeled mainly after the success of its sister programs in Tanzania and Kenya.

In the first few years, mKesh benefited from a strong parent brand presence and no mobile money competition, but in the summer of 2016, due to financial problems in the parent company, it was decided to merge mCel and the fixed-line company, TdM (Telecomunicações de Moçambique), into a single firm called Mozambique Telecom. Since then, there has been a steady lack of investment in mKesh as the firm looks to gradually phase it out. During this time, Movitel, a Vietnamese majority-owned telecom operator, launched its telecommunications business in 2012 and launched e-Mola, in 2017.

Initiatives with banking agents in Mozambique have been more recent. Over the last two to three years, banks, such as Millenium BIM, Ecobank, and Moza Banco, and microfinance banks, such as Letshego and BancaABC, have developed banking agent programs – some to support existing customers, others to capture a lower-income client base. (See Part B for a deeper dive into their programs)

But these initiatives have been decidedly modest, in part because the core banking business has so far fared well despite a general downturn in the local market: profitability among the six largest banks in the country (which collectively account for between 85% and 90% of the country's loans, deposits, and assets) more than trebled in 2018 compared to 2017, and Return on Equity was over 18%, a level among the highest in recent years[12].

The result is that over the last four years, according to statistics from the Central Bank of Mozambique, bank account growth has stayed the same, while mobile money growth, bolstered by M-Pesa, has nearly doubled to 8 million accounts[13], which would appear to cover half of the country's adult population[14].

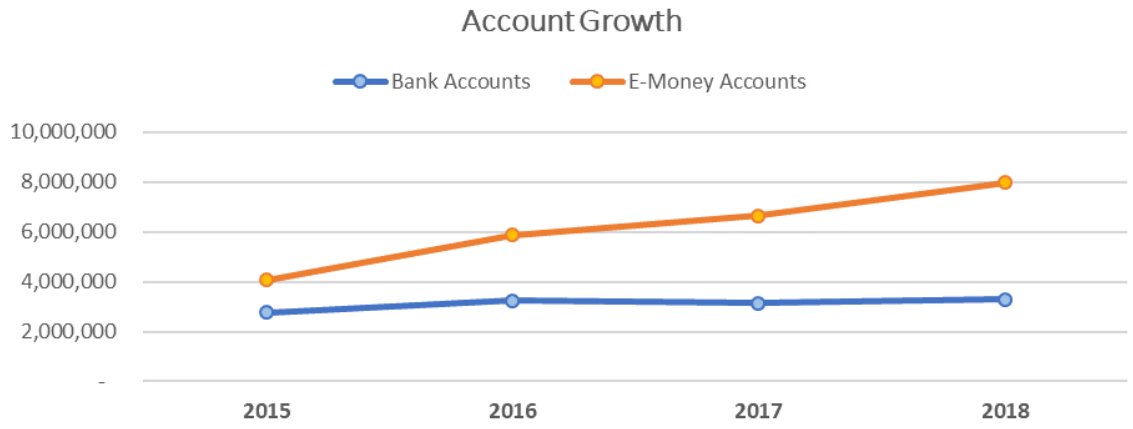


Figure 9. Account Growth in Mozambique 2015–2018

Stakeholder mapping and implications

Non-bank agent networks are unique in a number of ways (the term effectively applies only to MNO mobile money programs, as those are the only type of non-bank agent network currently operating in Mozambique). The first is that the MNO's only fixed, direct channel (i.e., the one that they own or operate) as a customer touchpoint is their retail store, the main objective of which is to sell and provide support for their core telecommunications business. The agent management is outsourced to a third-party, a superagent (see Spotlight later in this section), which in turn manages the individual agents at the retail level. Here, the MNO has the flexibility to bring on board both fixed agents, not only existing shops but also "dedicated" stores or kiosks (i.e., whose sole objective is to be a mobile money agent), and ambulante agents (which are also dedicated to mobile money business but have the advantage of being mobile and thus usually very low-cost).

[12] The Banker, 2018

[13] Note that these reflect accounts and not unique users. Individuals often possess multiple bank accounts; some individuals may possess more than one mobile money account, but our assessment is that this is less common. It is also estimated that there is relatively little overlap between those bank account holders who also possess a mobile money account.

[14] Note that about half of Mozambique's population of 30 million inhabitants are adults over 18 years of age.

As described at the end of Part A in Chapter 1 , there are effectively two banking agent models: as a lower-cost, alternative channel for existing customers or as a separate channel (often involving an altogether different business model) for new customer acquisition. In the former case, the customer has a number of physical (branch, ATM) and virtual (call center, online, mobile) channels at her disposal. In the second case, the customer may not necessarily have access to the rest of the banking infrastructure, and, for the most part, the customer experience is not mobile-based. Both models are currently in operation by banks in Mozambique.

Another characteristic of bank agents is that they are managed entirely in-house. As with its other channels, this means that the bank has greater control (and thus can control risk more effectively); the downside is a greater fixed cost for the bank (versus a variable one if they hire a third-party as the MNOs do), and, without substantial volumes, this often means that the overall cost is significantly higher.

Furthermore, the regulation (see Chapter 3, Part B on Use of Agents) requires bank agents to be a "physical establishment" (i.e., fixed) as well as already having a primary business (in practice, this is usually their store). So while the MNO can, and does, take advantage of different types of agents, the bank is limited to only existing stores. As described in Chapter 4, this limitation can severely hinder the overall banking business model and particularly make it challenging to find a viable model for rural areas, where non-store agent models may be more effective.

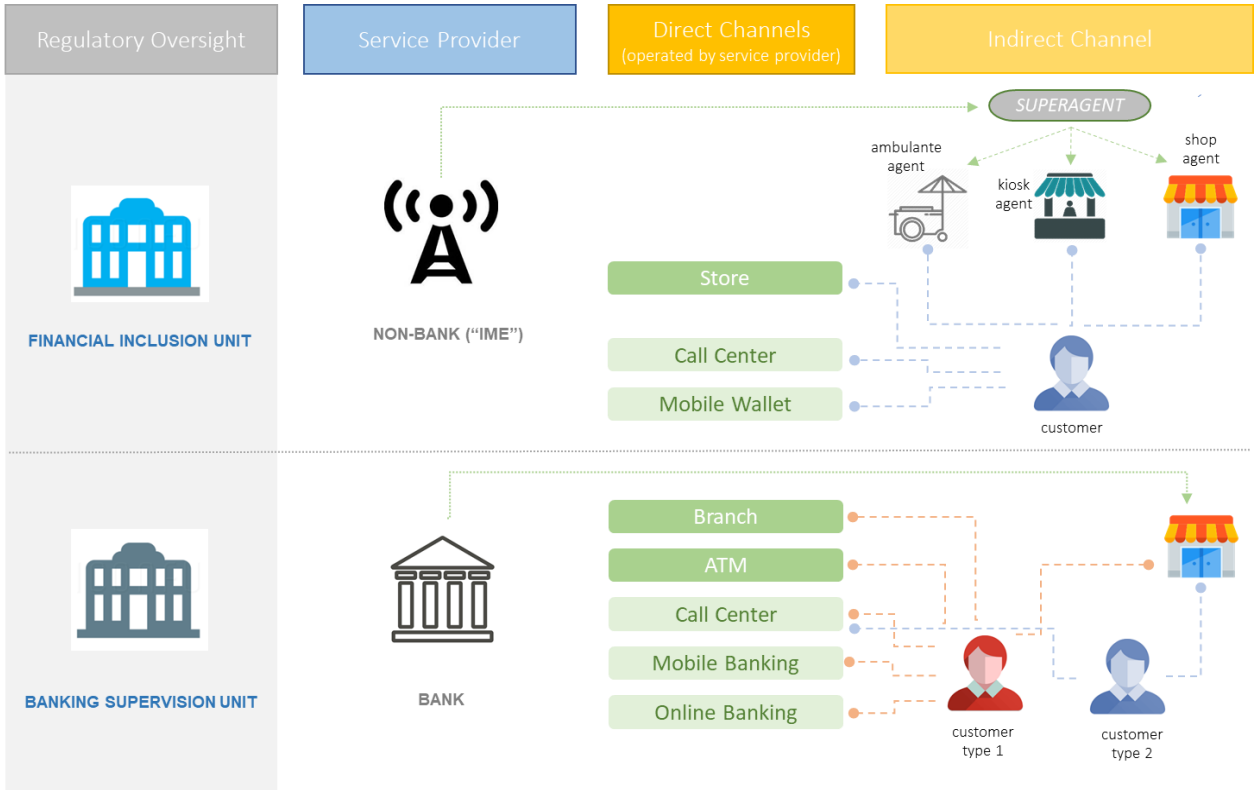


Figure 10. Comparison of Bank and Non-Bank Agent Operating Models

Mapping of bank and non-bank agent

Unsurprisingly, most bank branches are concentrated in the population-dense areas of Maputo City, the province of Maputo, and more broadly along the coast. Maputo City, in particular, stands out, with 224 branches (compared to 686 overall), which is a third of the total; even though Maputo City, with over 1 million inhabitants, houses only about 3% of the population of Mozambique, the bulk of the economic activity (and higher-income earners) resides there.

The pattern for banking agents elsewhere is more mixed; the ratio is roughly 1 bank agent for every 1 branch, although it is higher in Inhambane and, to a lesser degree, in Maputo Province. That being said, it is well below the ratio that may be expected if banks were looking to either use the agent as an alternative channel to support branch operations or as a new channel to acquire more rural customers.

Similar provincial variations are seen in mobile money agent density, but here the numbers are significantly larger. Because there is no equivalent of "branches" in mobile money, just under half of the country's agents are in Maputo City and Maputo Province (which contains the country's largest city, Matola, which, while only 15 kilometers from Maputo City, is technically in Maputo Province).

However, there are large numbers of such agents in the population-rich coastal provinces of Nampula, Sofala, Inhambane, and Zambezia, averaging over 3,000 per province.

In brief, at over 43,000 mobile money agents, there are roughly 1,000 more mobile money agents than there are banking agents in the country.

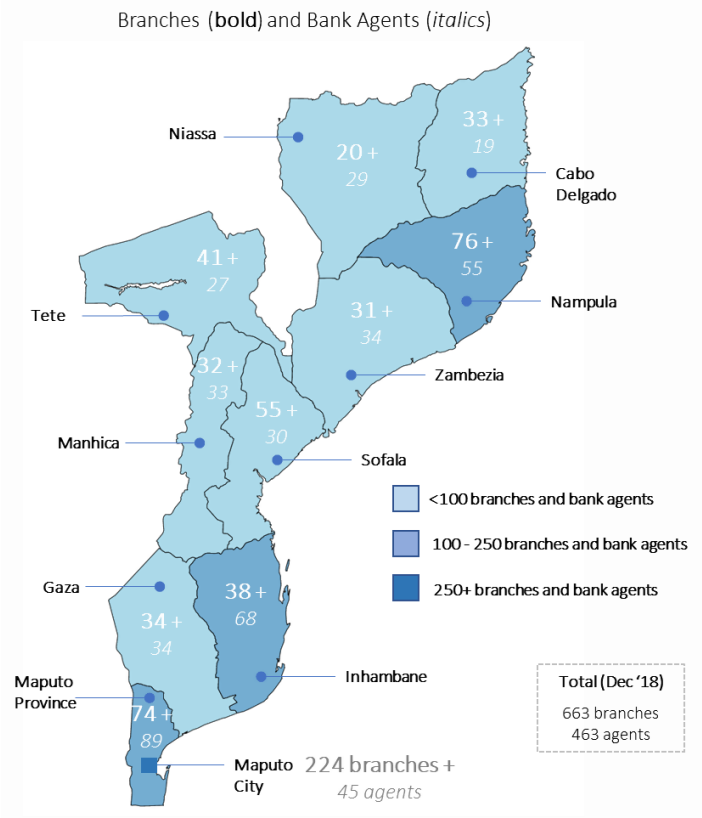


Figure 11. Branches and Bank Agents in Mozambique

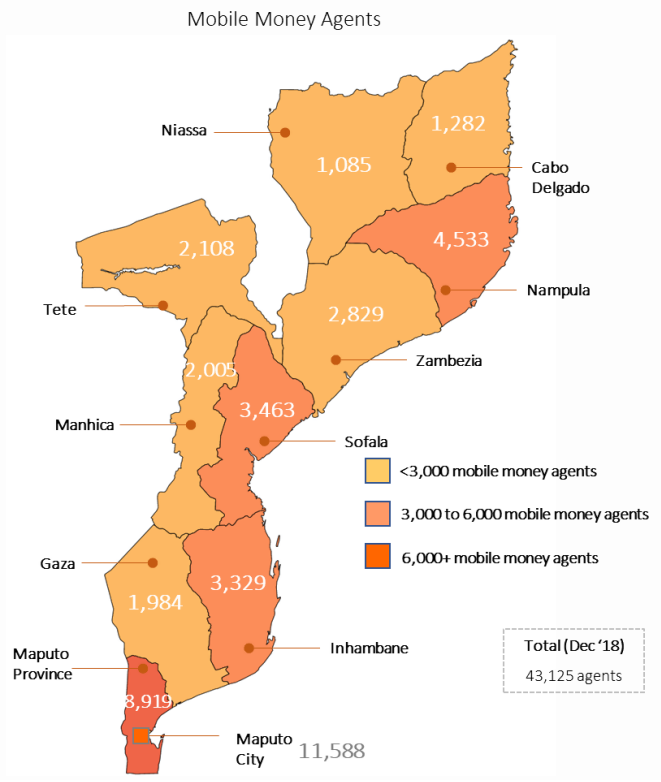


Figure 12. Non-Bank Agents in Mozambique

Estimated growth of agents and transactions over time

In absolute terms, the growth of mobile money agents has been substantial in the south of the country in Maputo City and Maputo Province, doubling over the four years from 2015 to 2018. (It is likely that much of the growth in Maputo Province is in the urban center of Matola.) Maputo City has close to 12,000 mobile money agent points, and it is common to see multiple M-Pesa agents, for example, next to each other on the same street.

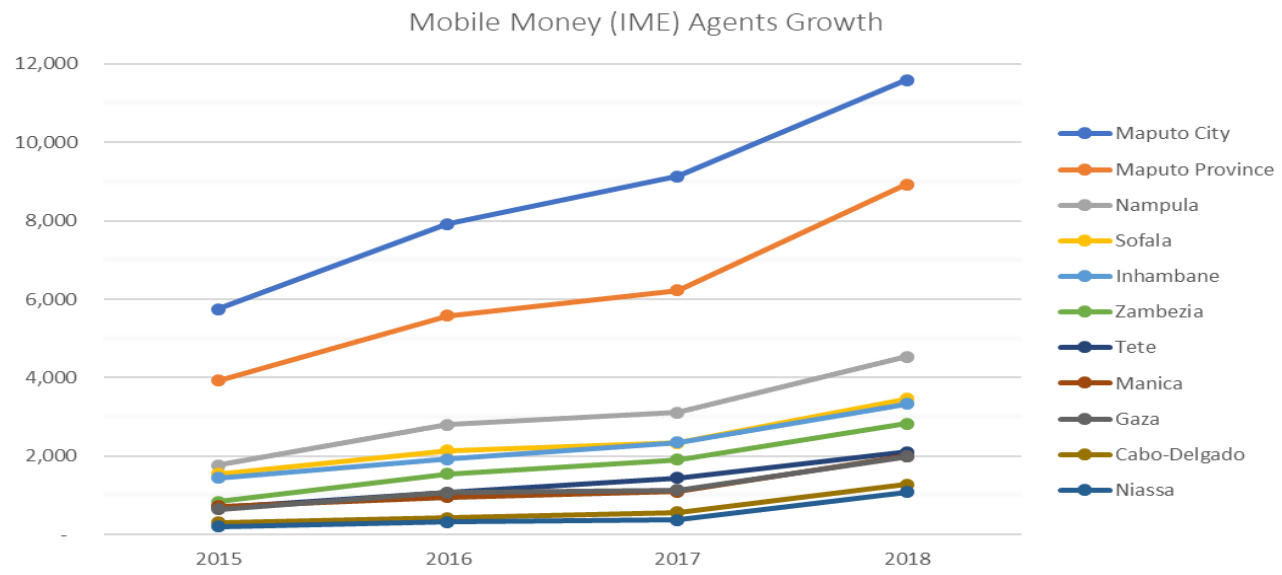


Figure 13. Growth of Mobile Money Agents 2015–2018

Although it may not seem immediately obvious from the chart above, other provinces have also seen impressive growth: Nampula went from 1,771 agents in 2015 to 4,553 in 2018, a jump of over 250%. The smaller provinces had even greater increases in the same time period: Gaza increased by 3 times (to 1,984 agents), Cao Delgado by 4 times (1,282 agents), and Niassa by over 5 times (1,084 agents).

From a transactions perspective, the story is more mixed. There were major jumps in the numbers of transactions for deposits, withdrawals, and transfers from 2016 to 2017 but decreases from 2017 to 2018. The hypothesis is that this was caused by the growth of M-Pesa during this time but also, in 2017 and 2018, by the slowdown of the mCel program.

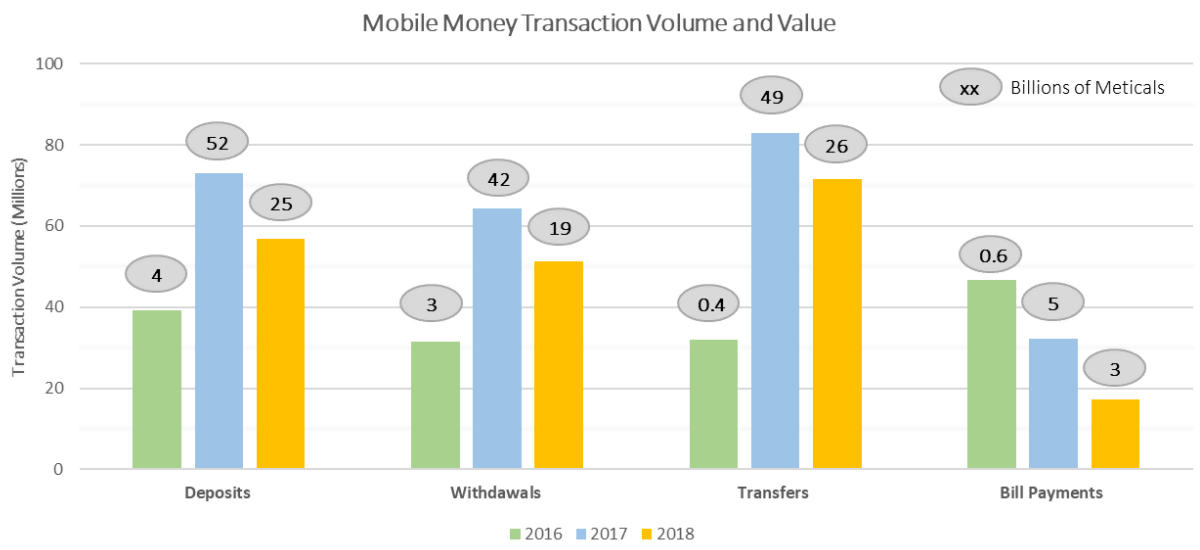


Figure 14. Mobile Money Transactions by Volume and Value 2016–2018

The transaction value trend reveals a more complicated story. Although it decreased across the board across all four transaction categories, the average value transacted was lower than in previous years. For example, in 2017, mobile money customers conducted 49 billion meticais ($784 million USD)-worth of transfers, in just under 83 million transactions. This represents an average transfer of 595 Meticais, or about $9.50 USD. But in 2018, customers made slightly fewer transfers – 72 million – but only about 26 billion Meticais of value, or 356 Meticais per transaction ($5.70), a decrease in value per transaction of 40%. However, these ratios increased for cash-in (deposits) and cash-out (withdrawals) over this same time period: in 2018, the average cash-in transaction in 2018 was 2,253 Meticais (~$36 USD) and cash-out was 2,659 Meticais (~$42.50).

Comparison to growth in branches, ATMs, and POS merchants

On the banking side, total branches have been in the 600s and have barely increased over the last few years – the country has been adding about 10 new branches per year, although there were 30 new branches from 2015 to 2016. ATMs have seen better growth; there are now over 2,000 ATMs across the country, an increase of 33% from 2015. (Note that it is not clear how many of these are inside branches, although the assumption is that the majority are).

Merchant acceptance – in other words, businesses that accept bank cards – has also increased, especially during the 2015 to 2017 time-frame, where the country went from 20,000 to over 30,000 POS terminals. Because of the requirements to become a merchant, the need for more consistent electricity and connectivity, and the cost to the merchant to own a POS terminal, it is also assumed that these are primarily in larger cities such as Maputo, Matola, and Nampula.

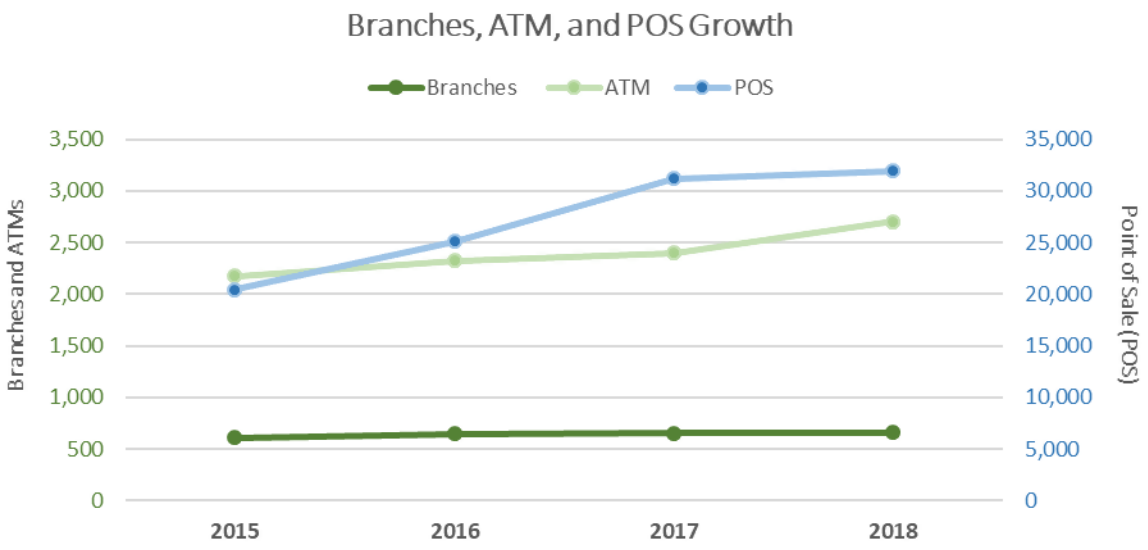


Figure 15. Branch, ATM, and POS Growth 2015–2018

Note that due to the relatively low number of bank agents and their only recent introduction into the marketplace, there is no publicly available data on transactions through banking agents.

Note on usage rates by agents and customers (bank/non-bank)

The above figures include only registered customer accounts and registered agents for both bank and non-bank (primarily mobile money) and are self-reported by the service provider to the Central Bank. As such, there is no precise information on usage rates, either for customers or agents.

Through the fieldwork, it is estimated that the majority of M-Pesa users are active, but a minority of e-Mola are (mKesh is being slowly decommissioned and thus is not an accurate gauge of activity). Similarly, M-Pesa agents do appear to be mainly active (due to strong customer demand); in other countries such as Tanzania, overall agent activity is estimated at nearly 65%. But for e-Mola, this is almost certainly less; a number of agents with formal e-Mola branding (and thus that may technically be counted as a registered agent for statistical purposes) are no longer in operation.

It is more complex to discern the activity rates of bank agent customers and bank agents. Only Letshego and BancaABC have designed separate bank agent programs to target new customers (i.e., separate from their existing business and customers), and we did not encounter enough customers to make an assessment of activity rates. That being said, it is clear that overall transnationality is low, and thus we estimate anywhere from 20–40% of 30-day activity for both customers and agents alike.

B. Perspective of Service Providers

Non-Banks

As mentioned in Part A of this chapter, the MNOs were the first entities to begin working with agents for the provision of financial services. Their rationale for launching mobile money was much the same as that of other MNOs elsewhere in the world: top-line revenue from mobile money transactions and higher Average Revenue Per User (ARPU) for their core business of voice and data, along with cost-savings due to reduced churn and airtime top-up directly from the mobile wallet. The standard services at the agent are on offer – customer account opening, cash-in, and cash-out – and domestic money transfers, airtime top-up, and bill payment through the wallet using the USSD channel.

In general, the MNOs do not have overly detailed segmentation criteria for agent recruitment or selection – in other words, if the agent meets the basic requirements (e.g., registered business, sufficient float), they are soon onboarded onto the system. That being said, the MNOs interviewed for this study believed that the best-performing agents tended to be in economically strong areas and managed their liquidity (cash and e-float) effectively.

One of the best practices appears to be where MNOs form partnerships with agent network managers and banks. Most of the agent network operations are outsourced to "superagents" that recruit agents, provide training, troubleshoot technical issues – and on a case-by-case basis, provide liquidity directly to selected agents (e.g., sending digital float before receiving cash as a deposit). Similarly, the MNOs have struck partnerships with multiple banks so that agents can go to the nearest available branch to convert cash to electronic float and vice-versa. (Vodacom has taken the partnership a step further: M-Pesa customers can now pay with M-Pesa at certain bank-owned POS terminals at selected merchants).

The MNOs cited several obstacles to maintaining and expanding the agent network. The first was customer demand and economic activity: in other words, if there was relatively little economic activity in an area, it was unlikely that they would target it to install an agent (note that per Chapter 2, Sub-Section C, in some cases there may be an opportunity here). A greater obstacle might be liquidity management: even in those (primarily rural) areas where an agent could conceivably generate enough transactions to be viable, managing liquidity over long distance would be untenable for them – and as a matter of policy, not all MNOs get involved in liquidity management (one does, however).

Another issue that surfaced, particularly in rural areas, is that some agents (somewhat brazenly) charged the customer an additional fee on some transactions; while surcharges are against the MNOs' policies (and Central Bank regulation), customers were hesitant to report it lest the "only agent in town" were pulled.

It should be noted that the discussion on non-banks mainly centered around MNOs since they are the entities currently active in the market. Zoona, a fintech start-up that provided OTC domestic transfers through a series of manned kiosks around the country, decommissioned its service in 2018; Wari (see Case Study in Chapter 1) is seeking to launch in 2019 but is not yet operational.

Banks

Banks in Mozambique have only recently (i.e., in the last 12–24 months) began implementing banking agent programs. The rationale for doing so varies, but, in general, they claim it is to expand their geographic footprint in a lower-cost way and as a complement to a bank branch, which can cost hundreds of thousands of dollars to launch and operate. Banks did not have an agreed-upon target segment. Some sought to use agents to acquire new customers, especially if they aimed to place them in rural areas; in other cases, using agents was clearly meant as a way of servicing existing customers (and for some banks, there was no clear-cut target segment).

Customer services at these agents include deposits, withdrawals, bill payment, and intrabank funds transfers (i.e., within the same bank). Importantly, the agent is permitted to facilitate account opening for a customer (e.g., collecting forms and remitting them to the bank) but is not legally allowed to open the account, as regulation stipulates that only an authorized bank member can do so. Unlike mobile money agents, bank agents never conduct transactions exclusively with a mobile device. In fact, while the front-end hardware technology varies from one bank agent program to the next, it tends to be more sophisticated (and hence costly): PCs, tablets, biometric scanners, POS terminals, thermal printers, and other equipment are standard. Along with other hardware provided by airtime re-sellers, some agents end up having multiple devices (see photograph on the right taken in a mid-size retail store in Nampula during a field interview).

Figure 16. A Nampula Agent with multiple bank and non-bank agent terminals

Most banking agent network operations are

conducted in-house. This is partly due to a bank's more cautious nature: due to regulatory policies, they are more conservative with "outsourcing" certain functions to third parties (e.g., account document collection, agent recruitment). Another reason is that agents that are alternative channels for existing customers can effectively be "managed" by the nearby bank branch.

Like MNOs, banks do not have strict segmentation criteria, either in selection or on-going retention. As one bank put it: "all the best agents are already with a bank or MNO" – and thus part of the selection process of some banks is simply approaching those that are already active with another service provider and assuming that they have already been "vetted" (not only in terms of regulatory requirements but also performance).

Banks – both those currently managing an agent network and those in the process of considering doing so – raised a number of obstacles. Some were more tactical but no less relevant, such as that only a bank employee can open a customer's bank account (unlike electronic money accounts, which can be opened directly by the agent), or the incidence of fraud at the agent. But the issues about which banks expressed the greatest concern were strategic: whether there was a truly viable business model (particularly given the high set-up and on-going costs of running an agent network) and whether they could offer a strong value proposition to agents – one that would be compelling and distinct enough compared to that offered by MNOs.

C. Perspective of Agents

Nearly three dozen bank and non-bank agents were interviewed in urban, semi-urban, and rural parts of the country. Below are observations from the fieldwork on the extent to which the core value proposition is being met as well as their perspective along the "agent experience value-chain" of onboarding, usage, and servicing.

Bank Agents vs. Non-Bank Agents

- Value Proposition
    - The primary motivation of bank agents in becoming an agent was to acquire new customers for their main business (per the regulation, bank agents must already have an existing business), while "earning additional revenue" was a far second. They almost universally indicated themselves "happy" with their existing business, although typical downsides – space limitations, spending money in rent, lack of capital, lack of new products – came up.

Reactions were mixed when asked if the agent business met expectations; many complained that few new customers showed up and that overall customer demand was weak (one agent complained that the "[bank] does not send traffic over").

- For non-bank agents, the rationale for becoming an agent was reversed: most expressed a need for additional commission, and the need to attract more clients ranked second[15]. They are content with their core business, and in the case of Vodacom agents, are universally happy with being an M-Pesa agent.

  Mobile money agents found the service easy to use and mentioned that demand was strong ("clients appear and ask for services" in the words of one satisfied agent). One of the chief complaints was the commission structure, which had recently been adjusted to lower rates, and occasional incidences of fraud.

- Onboarding
  - In all cases, bank agents said that sales staff approached them to become an agent, that the sign-up process was relatively straightforward in terms of documentation, and that the turnaround took between two to four weeks. Agents universally said that the training was good and adequate, and although the "heavy" hardware technology deployed was intimidating at first, after training (and usage) they eventually felt comfortable with it. Their main gripe was that while the branding at the agent point-of-sale was sufficient, the bank providers did not "do enough marketing" – in other words, did not provide enough above-the-line advertising (radio, TV, billboards) or below-the-line promotions (sales staff directly targeting prospective customers) to stimulate customer demand.

  - Despite the strong brand presence of M-Pesa and its popularity in the marketplace, in the majority of cases, agents said that they were the ones approached by the MNO – not the other way around – reflecting the need for a continual sales presence. Agents found the registration process straightforward, but a number of agents complained of the "lengthy" turnaround time for approval (anywhere from 1 to 3 months), particularly for Vodacom.

    The rest of the onboarding elements, such as technology set-up, training, and branding, were extremely well-received by agents. Because of the simplicity of the mobile phone and USSD menu as the agent terminal and interface, respectively, no complicated technological integration was needed nor detailed training required. Agents felt that the

[15] Note that the sample is a partly skewed since this includes "dedicated" agents whose only business is mobile money

branding, especially for Vodacom, both at the agent site and generally in the marketplace, was strong and appreciated marketing collateral such as T-shirts and umbrellas that were provided free-of-charge.

- Usage
  - Bank agents had mixed reactions in terms of whether the banking service brought in new customers; similarly, there was no clear consensus regarding whether they promoted the service. (Through observation, it is believed that agents did not – and would not expect to – actively promote a service, as they do not do that for their existing products.).

    The "rebalancing" (liquidity management) process was seen as something of a hassle but not a deal-breaker; one bank, in fact, provides doorstep liquidity management, and agents welcomed that service. Commissions were mainly paid at the end of the month (one bank does it almost instantly), but the overall commission was so low that many banking agents claimed that "[it] does not compensate the effort" required of them.

  - Non-bank agents, especially M-Pesa agents, strongly indicated that their mobile money business was being used both by existing customers of their core business and by new customers that came in to use it – providing a double-benefit of sorts. Most of them also indicated that they had "no need to promote it" since Vodacom does so already, although in Nampula a number of agents mentioned that they do proactively raise the subject with customers. They also generally had fewer issues with liquidity management. This is mainly because the MNOs have signed multiple agreements with banks; one rural agent said that his MNO even provides cash directly to the store when he asks.

    One issue that did surface a handful of times was the incidence of customer fraud, such as when a customer carries out a large cash-out transaction at an agent and then calls customer service saying that there has been an error (or claims that the agent has defrauded them). One agent reported that this had been occurring more prevalently in recent months.

- Servicing
  - In some ways mirroring their initial experience with a sales agent, bank agents were content with the level of agent servicing provided; in most cases, this was the same individual, and the agents often called them directly regarding any questions or needs and made frequent, proactive visits to check up on the agent. (Note that due to the small

number of agents that each bank manages in a particular zone, a sales agent or promoter has the capacity to provide such "high-touch" service; it is not clear if this would be financially viable in the long-run once more agents come on board). In other cases, they were content with the USSD (for statement balances) or call center service that the banks provided.

- Mobile money agents were pleased with the support they received from the MNOs, in part because the simplicity of the mobile money service means there is less of a need for agent support than in the case of the bank agent service. In Vodacom's case, they have activated a dedicated call center for agents (and customers), which received mainly positive reviews (although some complained about long hold times or, in some cases, that the actual resolution of a technical issue was not as fast as they had hoped). The need for a well-staffed and centralized call center is partly because the "caseload" of the sales agent/promoter for Vodacom (i.e., the number of agents they are responsible for attending to) is at this point many times higher than that of a bank, and thus they cannot provide a similarly high-touch or on-call service.

Other Variables: Geography and Business Size

The dynamics of the Mozambican agent market is such that in semi-urban and especially rural areas, there are few to no banking agents. There are two reasons for this. The first is that, as mentioned earlier, some banks see the bank agent strategy as being a complementary channel to a bank branch, and thus, in rural areas where there are no branches, the bank will not seek to recruit agents, either. The second is that even in the case of a bank using an agent as a customer-acquisition channel, the cost of implementation is high (mainly due to hardware demands) and the revenue relatively low (both on a per-transaction basis and overall), so the financial viability is difficult to ascertain.

The consequence is that semi-urban and rural areas are dominated by mobile money agents, and particularly by M-Pesa agents. In these areas, there are fewer medium and large businesses (and less salaried employment in general), and thus agents are more commonly small shops or *ambulantes* (see Box below). This has its advantages: set-up and operational costs are low, and because there are so few agents (often no more than two or three in a rural area), there is often enough economic activity to provide a moderate customer demand for each agent.

Another relevant variable was the size of the business vis-à-vis interest in becoming an agent and eventual agent performance. Not surprisingly, medium or large businesses that had agent businesses tended to have a lower level of commitment to running it: it represents only a tiny fraction of their overall revenue, does not necessarily provide a higher margin compared to other retail products, and, since they

already have a well-established clientele, being a bank or non-bank agent may not necessarily bring in new customers.

Smaller stores or dedicated agents (including but not limited to ambulantes) necessarily have higher levels of commitment and are more engaged. The agent business is often 'owner-operated' (rather than being operated by an employee, as in a larger store) and has a stronger bond of trust with its customers. Moreover, because they depend on the agent business more than a larger store (and in the dedicated case, exclusively so), they are more determined to 'make the business work' – whether that means proactively selling to customers, ensuring they have liquidity on hand, or staying open late.

Spotlight: Ambulante Agents

Ambulante agents are a particular class of agents that are "dedicated" (they have no other business line) but also do not have a fixed location (they are 'ambulatory'). With no rent, utilities, or employees to pay for, their set-up costs are extremely low (usually just a stand) and the on-going costs are close to zero. They can stay open as long as they want and even move locations to suit customer needs (though, in practice, few do). Ambulante agents were just as prevalent in busy urban and semi-urban zones (several in a row in front of a market, for example) as in rural areas, where there may be a lone agent in the 'town square' (see photograph on the right, taken during a fieldwork interview in a rural town in Maputo Province).

D. Perspective of Customers

Roughly a dozen customers were also interviewed in the same urban, semi-urban, and rural parts of the country. Because of the near-absence of bank agents in rural areas and low usage of banking agents overall, more of the sample were non-banking agent customers than bank agent customers.

Bank Agent Customers vs. Non-Bank Agent Customers

- Value Proposition of Agent Banking
    - Customers with bank agents indicated that they were initially sold by the bank's promoters. They found the solution "impressive" (perhaps due to the sophisticated hardware) and said that they were initially attracted to the solution because it appeared safe. Customers also indicated that they had other mobile money and bank products.

      There were mixed reactions as to whether the current experience was meeting their needs. One customer said that the technology platform was easy to use, but said he almost rarely used it. Another said that when he once lost his PIN, obtaining a new PIN was a major pain point, and he was dissatisfied.

    - Non-bank customers, somewhat surprisingly, indicated that they also had bank accounts. They were initially attracted to M-Pesa based on "what they heard" from friends and family and some of the advertising material they had seen elsewhere. (Compare this to bank agents, where promoters need to sell the service to customers proactively.)

      Generally, especially in the case of M-Pesa, the service has matched or exceeded their expectations; customers cited the "ease of use" quality more than any other factor and generally found the service a useful mechanism for storing and managing their money.

- Experience of Using Agents
    - Bank agent customers find the onboarding process relatively simple, in part due to the training and explanation provided by the bank promoters. Customers mentioned the lack of promotional and advertising material outside of the agent making them concerned whether the program was "still running", especially since they did not know anyone else using the product.

      While customers found agents generally helpful, they did not find the customer service at the call center as reliable. It is unclear if there is a dedicated line for service or whether

call center staff are equipped to handle issues directly or simply pass on resolution to field staff such as promoters.

- Non-bank customers were pleased overall with their interaction with the agents. The onboarding process, effectively the first "touchpoint" with the agent, was cited as easy and fast; customers liked not having to show too much documentation and were able to open the account almost instantaneously while still at the agent site.

  Usage was relatively simple, too – they found the USSD interface easy to navigate (although a couple customers mentioned occasional downtimes in the system) and generally found the fee structure fair. While a handful did use the contact center for help with issues, in practice most simply went to their nearby agent for help. However, especially for M-Pesa, few technical or customer issues appeared to arise, so the incidence of requests for help may be relatively low.

Spotlight: Superagents and Promoters

We also interviewed superagents and promoters: both of these groups play key roles in the agent value-chain.

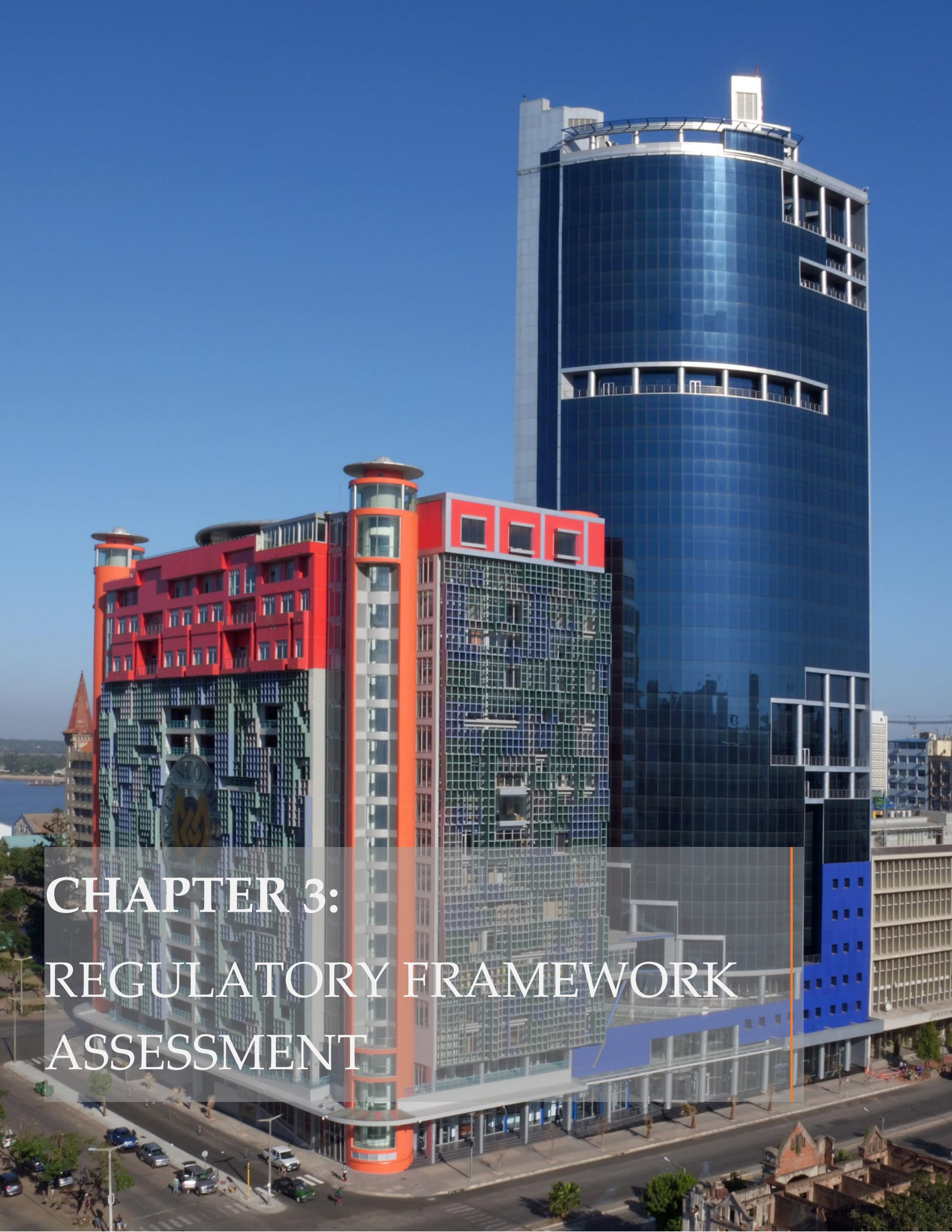
Almost all MNOs worldwide use one or several superagents to manage their mobile money operations, and in that way, they are effectively agent network managers (ANMs). Most superagents are third-party entities with which the MNO had a prior commercial relationship, carrying out such functions as buying and selling handset devices, airtime reselling at retailers, and in some cases, even operating the MNO-branded store-fronts.

Typical responsibilities include recruiting and registering an agent, onboarding (providing devices, SIM cards, agent training, and point-of-sale branding material), and ongoing support and agent servicing. One superagent made the distinction that only superagents were able to sell float and handle cash for the agent, whereas pure "aggregators" conducted all of the previously mentioned functions except liquidity management. (Note that terminology differs in each country: one superagent said that the term is strictly intended to mean providing liquidity management, while those who are "aggregators" provide on-the-ground operational support. It is therefore possible for a single entity to play both the role of superagent (financial activity) and aggregator (operational activity)).

The "caseload" of each superagent – the number of agents under their supervision – varies from several hundred to several thousand, and a single staff member is often responsible for several hundred agents (of which a third or half may be 'active' and thus require more frequent support). Superagents make revenue in two ways: from a customer-fee revenue-sharing agreement with the agent (i.e., often a cash-out) or as charges directly to the agents for sending and receiving e-money (often a percentage of the overall amount).

On the banking agent side, promoters are a more recent addition. Because banks typically have not outsourced agent management functions to third-parties, promoters are bank staff whose aim is chiefly to recruit, train, and provide customer support to banking agents and, in some cases, promote the service to customers. In Mozambique, only a couple of banks have hired promoters (and done so very recently), and those that have view the banking agent program as a new customer-acquisition channel.

It should be noted that the MNO-led mobile money programs do employ "promoters" and conduct many of the same sales and support activities described above, although they are typically sales staff of the superagents. Whether under a bank or non-bank model, there is no doubt that a robust and extensive sales force is imperative for building and growing an agent network and helping stimulate customer demand.



CHAPTER 3: REGULATORY FRAMEWORK ASSESSMENT

CHAPTER 3
Assessment of Regulatory Framework

A. Overview of Key Regulatory Agencies within the Central Bank of Mozambique

As the supervisor of financial institutions, the Central Bank of Mozambique is responsible for regulating the functioning of the financial market and for establishing a link between financial institution activity and monetary and financial policy directives. The analysis of the regulatory environment was made in consultation with two agencies of the Central Bank of Mozambique: the Banking Supervision department and the Payment Systems department.

The Banking Supervision department is responsible for overall supervision of all regulated financial institutions, and as such, on banking agents specifically. It manages the database of banking agents and supervises the contracting institutions of banking agents (i.e., the banks themselves), to ensure that agents comply with the legislation in force. The unit responsible for banking legislation is the Department of Regulation and Licensing (DRL or *Departamento de Regulamentação e Licenciamento*), while the unit responsible for statistics is the department of Statistics and Reporting (DER or *Departamento de Estatistica e Reporte*). Finally, a dedicated unit exists for Financial Inclusion (GIF or *Gabinete de Inclusão Financeira*); this department regulates Electronic Money Institutions or EMI (in Portuguese, known by the acronym IME for *Instituições Monetárias Electrónicas*), which are the contracting institutions of non-banking agents, and is also responsible for financial inclusion.

B. Detailed Analysis of Relevant Laws

General approach

The analysis of the regulatory environment was structured based on the *Branchless Banking Diagnostic* framework of the Consultative Group to Assist the Poor (CGAP). CGAP classifies branchless banking (defined as all types of financial services outside of a branch, often using technology) as a cross-cutting theme because it involves several regulatory domains. The suggested diagnostic analytical structure covers thirteen regulatory domains.

In the Mozambican context, based on the current legislation and following the guidelines of the Central Bank of Mozambique and the various stakeholders in the sector, six regulatory domains were analyzed:

1. The Use of Agents
2. Electronic Money
3. Electronic Payments
4. Anti-Money Laundering (AML)
5. Consumer Protection
6. Pricing

In each of the domains, laws, notices, and decrees were analyzed for relevance to bank and non-bank agents. The table below lists the selected laws and the topics covered by them.

Table 3. Summary of Regulatory Domains

Regulatory domains	Law / notice/ decree	Topic	Non-banking agents	Banking agents
1. The Use of Agents	Decree 30/2014	Promotion of Financial Inclusion	√	√
	Notice 3/2015	Banking Agents		√
	Notice 2/2018 Notice 13/2017	Code of Conduct for Financial Institutions Commission charges and their nomenclature	√	√
2. Electronic Money	Decree 56/2004	Issuance of electronic money	√	√
3. Electronic Payments	Notice 2 GBM/2015	Single network connection	√	√
	Notice 2 GBM/2014	Regulation on the provision of electronic payment for products and services	√	√
4. Anti-money laundering	Decree 66/2014	Know Your Customer (KYC)		√
	Law 14/2013 for Anti-Money Laundering	Legal regime - prevention of money laundering	√	√
5. Consumer Protection	Notice 2 GBM/2018	Responsible institutions for consumer protection and related monitoring measures to be implemented	√	√
6. Pricing	Notice 13/2017	Regulation on permitted pricing to end-users	√	√

Analysis of the main laws

In Mozambique, banks are authorized to subcontract to banking agents. Decree 30/2014 promotes financial inclusion through the expansion of financial services and the optimization of the payment infrastructure. The decree foresees that credit institutions, including banks and financial companies, may extend their activities through other forms of representation, including banking agents.

1. The Use of Agents

Banking Agents

Banking agents are entities that perform one or more activities or operations on behalf of banks and "microbanks" (*microbancos*). The latter are responsible for the activities of the agents who represent them. The activities of banking agents are governed by Notice 3/2015, which lists the services that can be offered by banking agents as including account opening, deposits, withdrawals, facilitating requests for opening, closing and blocking accounts, and credit applications.

Entities that qualify to be banking agents must already have a primary business activity (in other words, no "dedicated" agents are permissible). Furthermore, these must be commercial establishments with physical facilities that satisfy safety criteria and have employees with the capacity to carry out banking operations.

Banks should evaluate potential agents on the basis of the above criteria. Entities eligible to provide banking agent services range from commercial establishments to public institutions such as post offices, registration services, notary offices, and educational establishments. It should be noted that mobile telephone companies and electronic money institutions are also eligible (see part 2 below).

Once it has ascertained that the prospective agent satisfies the above eligibility requirements, a bank then needs to request the legal documentation necessary to register them as a banking agent. Among the documents required, the agents must present an identification document, a tax identification number, a commercial license, their criminal record, a "certificate of discharge" (i.e., clearance of no outstanding tax liability), financial statements, and proof of financial resources.

Banking agents formally operate under the regulatory guidance of the contracting financial institution. The latter must regularly provide information to the Central Bank on the activities of their agents as well as on any infringements of existing laws or regulations. (For that reason, banking agents should maintain records related to all banking transactions carried out as an agent, and these are formally owned by the contracting bank.)

While the Central Bank does not monitor the agents directly, it has the right to terminate the contract of an agent who violates the laws and regulations that govern this activity. The Central Bank is authorized to have complete access to the systems of internal control, documents, reports, and archives, including copies of the respective necessary documentation, whenever it deems necessary.

Non-banking agents

There is no law, notice, or decree regulating the activity of non-bank agents. Law 9/2004 simply includes electronic money institutions (EMIs) as credit institutions authorized to receive deposits but not authorized to offer credit. The EMI must secure a partnership with one or several banks to store the funds that come from the operations of its agents.

Implications for the market

Growth of banking agents

The contracting of banking agents by the banking system is limited by the list of entities eligible to be considered as banking agents and the criteria for evaluating potential banking agents (e.g., facilities, security, the technical capacity of their employees, and the level of ownership of the establishment). In certain cases, this sort of documentation may be difficult to obtain outside of provincial capitals. Moreover, proof of adequate financial means may only be available to medium-sized or more sophisticated businesses with a certain level of management and organized accounting procedures in place.

As a consequence, many banking agents currently in existence in Mozambique have been selected on the basis of their being medium-sized, fairly well-established commercial entities, in addition to having the required "stable primary business activity" and financial capability. However, this impedes banks from contracting with other types of entities that they may wish to, such as banking agents (such as *ambulantes*) who may be more dedicated to the agent business, more mobile, and better located in zones with high levels of economic activity (such as near markets). In short, banks lose out by not being able to select from a range of banking agents with varied business profiles, from micro to small and medium-sized businesses, which in turn attract a diverse profile of existing customers and potential customers to the banking agents.

Moreover, other regulations limit the overall viability of the bank agent model. Insisting that banking transactions be processed in real-time may require certain types of costly hardware, and prohibiting cash

advances or loan limits potential profitability for the bank (and in turn, the agent, should they receive some benefit for selling it).

Performance of banking agents

Many non-bank agents have already been in the market for several years (as mobile money programs began in 2011), and thus some banking agents may find it especially difficult to compete with them in terms of attracting customers. Due to the more stringent requirements in terms of eligibility and transaction processing, banking agents are at a further disadvantage compared with non-bank agents, even though technically the services they provide to customers are different (formal banking services vs. mobile money services). Lastly, requirements on the customer side may dissuade users for engaging with banking agents; to open an account, for example, a client of a bank agent must provide their identification document with a letter proving residence and their unique tax identification number (abbreviated *NUIT* in Mozambique), while a mobile money client only has to provide their ID card or equivalent document to the non-bank agent to open an electronic money account.

2. Electronic Money

Banking and non-banking agents

According to Article 57 of Decree 56/2004, electronic money institutions (EMIs) and banks are authorized by the Bank of Mozambique to issue and manage electronic money and store data in electronic form on behalf of other entities. The Central Bank may authorize other credit institutions to issue electronic money.

These EMIs may provide financial and non-financial services strictly related to the issuance of electronic money such as electronic money management by performing operational functions and other functions linked to their issuance. The EMIs are permitted to carry out any necessary foreign exchange operations in the course of their activities.

This decree also makes it a condition that the issuance of electronic money to be against the issuance of actual funds. In other words, the minimum value of e-money issued cannot be less than the monetary value issued; moreover, the option to reimburse the electronic money in coins and bank notes or by bank transfer should not be subject to unnecessary or extra charges to the consumer.

Implications for the market

Performance of Bank and Non-Banking Agents

This law is common to both bank and non-bank agents and clarifies the functions between the contracting institutions and their agents. However, both types of agents face difficulties in managing converting electronic money into cash and vice-versa; this liquidity management problem adversely affects the customer experience.

Some service providers “outsource” liquidity management to the superagents, which may be a more efficient solution to the cash and e-money float management issue, but, so far, this is not a common occurrence. Moreover, because banking agents in particular must necessarily have a “primary economic activity” (usually their retail store), smaller banking agents (with a sole owner or a single employee) may struggle to leave their premises and go to the bank branch and buy electronic money or retrieve cash.

Moreover, some superagents – in certain circumstances, and only with select, trustworthy agents – have been known to send a small amount of “digital float” to the agent before having received the necessary funds in cash from them. Often the delay between receipt of cash and float issuance is a matter of hours, and generally not more than a day, although this is technically not permissible under the regulatory guidelines.

3. Electronic Payments

Banking and non-banking agents

Two of the laws governing electronic payments are Notice 2 GBM/2015, "Single network connection", and Notice 2 GBM/2014, "Regulation for the provision of electronic payment products and services". These laws define the types of services within the category of electronic services, which are payment transactions involving the transfer of funds as well as all operations related to the management of bank accounts, namely balance and bank statements and execution of debits. It also includes the issue or acquisition of payment instruments.

While the Central Bank regulates and authorizes the provision of electronic payment services, institutions interested in providing electronic payment services are permitted to do so and should inform the Central Bank. The Central Bank, however, reserves the right to suspend or not authorize any electronic payment service that may violate the rules applicable to banking activity.

Payment service providers (PSPs) are credit institutions, regulated financial institutions, and specialized payment companies, and all PSPs must be authorized by the Central Bank. The first two are already registered and licensed and are supervised by the Central Bank; payment companies are those entities that are exclusively dedicated to electronic payments through channels such as electronic payment terminals and ATMs. These payment companies offer customers the benefit of a range of services without necessarily having a bank account or mobile account and thus enhance market competitiveness.

Notice 2/2015 provides guidance on the technological requirements for the provision of the payment service, such as connecting to a single SIMO network (SIMO is the interbank switch in Mozambique) with the aim of optimizing the use of payment infrastructures (single-network and internal-operations management systems).

Another relevant policy is Law 2/ 2017 on regulating electronic transactions relevant to broader information and communication technologies (aka "ICT"), such as commercial transactions and e-government. While somewhat general, the law states that the Central Bank should issue standards that establish security guarantees for all payments made by any other carrier using an electronic payment instrument and that standardized data processing be in place for eligible credit and regulated financial institutions.

Implications for the market

Performance of bank and non-banking agents

Notices 2 of 2014 and 2015 make no mention of the measures required for risk management and supervision of electronic payment services. The only stipulation is that institutions wishing to provide electronic payment services should inform the Central Bank about the risk management processes associated with the product, including internal control mechanisms. But what specifically those "internal control mechanisms" are is not explicitly described, and thus is at the discretion of the service provider.

The above regulations also:

- Do not distinguish between the treatment given to credit institutions, financial companies and other providers of electronic payment services such as payment companies;
- Do not make a clear distinction or reference to potential types of payment services via electronic money to potential consumers or to bank and non-bank agents.

(It should be noted that Law 2 of 2017 has introduced some measures such as the resolution of errors in electronic transactions and the importance of considering a data processor that enables greater electronic payment instrument security.)

The lack of clarity and detail in certain aspects of the regulations regarding potential risks and measures for the supervision of electronic payments can contribute to a lack of consistent treatment between the various providers, leading to problems such as money transfers being sent to incorrect accounts or mobile numbers.

Additionally, some articles of the regulation may appear overly onerous to the service provider and hinder other actors for wanting to become payment service providers for fear of non-compliance. For example, Article 37 of the regulation insists that the service provider must notify the Central Bank of any communication error that occurs during the first 24 hours of the electronic transaction if the other party has not yet "benefited" from it. In practice, not all payment service providers are aware of these communication errors, and resolution may not necessarily be as fast as expected.

4. AML (Anti-Money Laundering)

Banking and Non-Banking Agents

The anti-money laundering laws, namely Law 14/2013 and Decree 66/2014, apply to both financial and non-financial institutions and cover two main areas: a) the procedures for detecting suspicious transactions and b) the concrete steps to be taken in case of such a detection. The specific guidance is that any suspicious transaction should be reported immediately to the government GIFM (*Gabinete de Informação Financeira*, or Financial Information Office). The law also indicates which government agencies are responsible for the supervision of financial and non-financial institutions in the field of money laundering, which are the Central Bank and the GIFM.

The laws also indicate that financial and non-financial institutions have the responsibility to identify and verify the identity of their customers. The main document that individual consumers should provide is the Identity Card, although a number of other documents, such as driving licenses, voter registration cards, birth certificates, military cards, passports, and worker identification cards, are also acceptable. For institutional clients (such as businesses), the primary document to verify identity is the Certificate of Registration.

This customer verification (sometimes referred to as KYC or Know Your Customer) is done at the beginning of the business relationship or at the beginning of each transaction. The law indicates that transactions

that require the identification of clients include opening and moving bank accounts, securities transfer, custodian services, private banking, and online banking. It should be noted that most of the services mentioned are, by design, bank-related services; there is no explicit mention made of transactions related to the management of mobile accounts with non-banking agents.

The law also indicates that money laundering prevention programs, such as adopting internal procedures for reporting suspicious transactions, policies, and internal controls, should be developed and applied by financial and non-financial institutions alike. Money laundering-prevention programs include the designation of an official report regarding suspicious transactions, the establishment of continuous monitoring systems, the establishment of risk management policies, and the development of internal risk management strategies.

Decree 66/2014 classifies customers into three categories: individual, corporate, and low-risk customers. The Central Bank provides guidance on the main criteria to be considered in the risk analysis and authorizes banks to include additional criteria for the same purpose. Low-risk customers are subject to simplified KYC requirements, such as having witnesses of "recognized reputation" or a community administrative entity confirming certain aspects of a customer's profile in lieu of the documentation requirements mentioned previously.

Importantly, the decree provides for the possibility of outsourcing services to facilitate the identification of clients but recommends that financial institutions be alert to the risk of money laundering, as they are ultimately held liable for the transaction. Moreover, as standard protocol, all transactions in cash equal to or greater than 250,000 Meticais (roughly $4,000 USD) or equivalent and all electronic transactions with a value equal to or greater than 750,000 Meticais (roughly $12,000 USD) or equivalent are considered suspicious.

The law provides recommendations on documentation storage as it pertains to all types of customer transactions. Specifically, institutions are expected to keep the original copies of the documents relating to the transactions (such as receipts) for 5 years and the copies for 10 years after the termination of the business relationship so that the details of the transactions can be validated if required.

Implications for the market

Performance of banking agents

As detailed above, there are several KYC requirements that institutions need to follow – and which banking agents, in turn, must adhere to (while the transactions or operations of non-bank accounts are not subject to many KYC requirements). This means that transactions through non-bank agents can run more quickly

and smoothly from a customer experience perspective, as fewer documents need to be presented to the agent plus the non-bank services are more accessible to the so-called “low-risk customer” category described above.

Banks are also disadvantaged from a customer registration perspective. In addition to the identification document, for example, a customer wishing to open a bank account requires their NUIT (tax identification number), limiting the type of individual who could be a prospective bank customer. In contrast, opening a non-bank account only requires an identity card, making doing so easier for the customer (and, in turn, the agent).

The documentation storage requirements for the bank mean that bank agents also have to meet the same requirements. The archiving of physical documents (originals and copies) of the transactions, and for so many years, is too onerous for banking agents; non-bank agents do not fall under this requirement. (Moreover, in practice, bank agents do not strictly adhere to the documentation storage requirements, although this puts them, and more importantly their bank provider, at risk for non-compliance.)

5. Consumer Protection

Banking and Non-Banking Agents

Notice 2/2018, an update of Law 15/99 and Law 9/2004, sets out the code of conduct for credit institutions and financial institutions in terms of providing full transparency of activities vis-à-vis customer engagement. The notice also defines consumer protection entities including the Central Bank of Mozambique, Complaints Units of Credit Institutions, Arbitration Centers Conciliation and Conflict Mediation, consumer associations, and the judicial courts.

The notice further indicates the requirements of the above institution to ensure customer transparency:

- make available the updated terms and conditions for each banking service or product;
- obtain all relevant information about the customer's ability to comply with their obligations;
- disclose and inform clients about any fees, commissions, and other charges relating to the pre-contractual phase and whether they are repayable;
- disclose or inform customers about fees related to the collection of checks, transfers and other transactions;
- inform the customer of the average processing time for credit evaluations, cashier services, and answering customer complaints or inquiries.

Importantly, the notice prohibits the collection from the customer of any fees, commissions, or charges related to the exercise of activities that are not foreseen in the price of the contracting institution; these must have been previously prepared according to the system of commissions and other charges approved by the Central Bank.

Implications for the market

Performance of bank and non-banking agents

Both banking and non-banking agents do not necessarily or explicitly disclose commissions and pricing to customers; in practice, only a few agents have branded marketing collateral clearly indicating the pricing or rates charged per service. Moreover, even agents themselves do not seem to be fully aware of the commissions they receive for the types of transactions or volumes that they conduct (not all providers, for example, provide SMS receipts or online or mobile agent portals to verify this information).

So far, the regulatory requirements of consumer protection do not appear to have inhibited (or promoted) the performance or growth of banking or non-banking agents. A service provider being "proactively" transparent about items such as customer pricing is advisable and enhances the customer experience, of course; but the greater issue would be the curtailment of negative practices (such as agent surcharges to the customer or customer frauds to the agent) that are clearly in violation of regulation and service provider policy but are occurring regardless.

6. Pricing

With the aim of promoting financial inclusion, notice 13/2017 and notice 19/2017 describe the system of fees and charges for financial services. From a communications perspective, it requires that institutions should have a simplified pricing schedule available for customers. Furthermore, the price list must be clearly visible and contain accurate and updated information. It also requests that institutions adopt a common nomenclature for all the commissions and charges for financial services.

In regards to actual price-setting, the Notice stipulates that a number of common financial services be at no cost to the customer. These include account opening and closing, bank account maintenance, bank account inactivity for a 12-month period, statement balance printout once a month, balance inquiry four times at the counter, and two free bank withdrawals per month. This is extended to internet banking and mobile banking as well, where free services include items such as balance checks, statement downloads, and any changes in account activity. On the e-money side, the following services must be free: account

opening and closing, issuing of electronic money, change of PIN, account maintenance, and balance consultation once a day.

Implications for the market

Growth of the network and performance of banking agents

While price-list transparency has no effect on the growth of the agent networks – if anything, like consumer protection, it only enhances the customer experience – the stipulation of making certain transactions free, while advantageous to the customer, means that it becomes more challenging for service providers to earn top-line revenue for agent programs. This, in turn, means that agent profitability may be harder to come by since most providers do share a portion of the revenue generated by customers with their agents (and superagents if they have any).

Of particular relevance is the clause of "four free withdrawals per month" for bank customers, which means that bank agent withdrawals cannot have customer fees. As explained earlier, mobile money pricing is such that customers can "cash-in" (make deposits) free of charge but pay a small percentage of the volume for any "cash-outs" (withdrawals). This restriction can be positioned two ways: while it affects bank agent profitability (because some customers may otherwise have been willing to pay for a withdrawal from the agent), banks can market the "two free withdrawals a month" as a differentiator from mobile money services.

CHAPTER 4: PROBLEM STATEMENTS AND CONSIDERATIONS

CHAPTER 4
Problem Statements and Considerations

Based on the secondary research, stakeholder interviews, fieldwork with agents and customers, and regulatory assessment in the previous sections, this chapter outlines what are believed to be the key problem statements for bank and non-bank agents, both at 'tactical' and 'strategic' levels. From there, several ideas are proposed for banks and non-banks to explore, and considerations for regulators are put forward. Finally, three broader 'business model' ideas are proposed that show early promise in expanding outreach and better serving agents in a sustainable, cost-effective way.

A. Key Problem Statements Observed

One of the main objectives of this research is to understand more clearly why the agent model has yet to fully take off in Mozambique. Some of these so-called 'problem statements' are more tactical in nature; resolving them will help but may not necessarily result in major gains. Still, some are relatively easy to address, and doing so is a necessary step in putting the agent model on a more solid footing.

Other problem statements are more strategic; for the most part, these do not require a 'quick fix' but a fundamental re-thinking on how to approach the agent model. Their resolution, however, has the potential to dramatically improve agent growth and performance in the country.

Tactical

For bank agents, a number of tactical pain points emerged:

- **Customers have low brand-awareness of bank agents**. Many potential bank agent customers are not aware of bank agents, both those near branches acting as an alternative channel and farther afield aiming to acquire new customers. Banks both need to invest in above-the-line marketing in specific zones to raise awareness and use existing branch operations (premises and bank staff such as tellers) to promote agents (see next point).

- In general, **the branch operations seem 'divorced' from bank agent operations**. A tighter integration (beyond the marketing mentioned above) would help, such as the branches offering agent training, ongoing agent servicing, and liquidity management support.

- **The hardware infrastructure for the agent is heavyweight and costly**. Compared to the mobile money model, the front-end equipment at the agent is relatively sophisticated, and there may well be opportunities to find ways to reduce the cost while still being compliant with any regulations (e.g., around real-time transmission)

- **There is limited customer functionality through the mobile channel**. Most services in the bank agent programs occur at the agent site, but there is an opportunity to provide more functionality and value to the customer if some transactions could be done through the mobile phone (even, for example, they receive a confirmation receipt or make an intra-bank transfer).

Several other tactical items apply both to the majority of banks and non-banks:

- **Agents often do not feel they have adequate service and support**. Whether the issue is a lost PIN, suspected fraud, problems with equipment, or the need for new branding, agents need to be able to have their problems resolved swiftly.

- **Service providers, both banks and non-banks, do not have a sufficiently developed strategy for finding agents, optimizing their performance, and retaining the best agents**. For the most part, service providers are content with meeting the minimum requirements or using proxy criteria (e.g., "a large store", "existing agent") to approach agents. Few providers take the necessary steps to manage the agent network actively – rewarding the best-performing agents and taking corrective action on those that are not meeting minimum performance criteria.

- On the customer side, **there is often no clear pricing list at the agent site,** and the transaction receipt may not indicate it either. Clear pricing, in addition to being a regulatory requirement, is essential to ensure customer trust.

Strategic

Five main strategic problems emerged from the assessment:

1. **Banks are unclear as to the optimal strategy for their agent channel**. Most banks do not seem to have fully considered the characteristics of the two main models (serving existing customers or acquiring new ones) or the implications from a business model perspective. Because of this, the metrics they measure (or do not measure), and the

financial and human resources they put behind their agent program, may not be fully coherent.

2. **Running an agent business, whether bank or non-bank, is a costly affair for the service provider, especially in rural areas**. Service providers need to incentivize agents to conduct financial transactions but also keep customer fees in check. If customer fees are low, and a healthy portion goes to agents, the only way to make the business model viable is to have substantial volume and/or heavily decrease the fixed cost-base.

3. **To date, there is limited 'customer value' at the agent site itself**, especially for bank agents. Apart from deposits and withdrawals, and in certain cases, bill payments, customers may have little need to visit the agent, preferring instead to save money informally (or in a mobile money program). Lower customer value at agents means fewer customers, fewer transactions at the agent – and thus fewer agent commissions.

4. **There are onerous customer requirements to open a bank account at an agent, and equally onerous requirements to become, and operate as, a bank agent**. There are a number of requirements for a customer to open a formal banking account but not for an e-money account. Customers may rightly be dissuaded from trying and/or may be denied from opening one at an agent. Similarly, bank agents are restricted to existing physical stores, and, technically speaking, must keep a number of original transaction records for bank agent business.

5. **Agent liquidity management remains a problem in some areas**, especially in semi-urban and rural areas, and particularly for small stores or independent agents who may need to close their operations. The continual need to 'rebalance' cash and e-float is a constant struggle for many agents. Some have become habituated to frequent trips to the bank branch, but this comes at a price: closing up their store and taking public transport means lost sales and additional cost.

B. Considerations for Industry

A number of considerations for banks and non-banks stem directly from the tactical problem statements mentioned above. The list below addresses these and applies both to banks and non-banks.

- Devising a detailed agent segmentation strategy. This would cover both specific requirements for recruiting agents (for example, using a simple points-based system

covering a number of key variables, where agents can be recruited based on a minimum threshold) and a tiered system to manage them actively.

- Similarly, service providers should include a dedicated agent customer service line and build a dedicated agent portal. The customer service line should be well-staffed to reduce average hold times and have extended hours for servicing, as agents often work much later than regular branches. Furthermore, issue-resolution should be near-immediate, with tighter integration between call centers and field staff.

- Service providers should insist that all agents display clearly visible and updated price lists. This should also be checked through their agent monitoring (see the first point). Receipts should also clearly indicate to the customer any fees that have been charged as a result of a transaction, and customers should be able to automatically see a price list through their mobile (either through a USSD menu request or through an application).

- Banks and non-banks can also consider offering the ability for agents to 'rebalance' each other. From the technological and financial perspectives, this would be straightforward to implement as it would be nearly identical to the experience of a customer: handing over cash and receiving electronic money in their account (or vice-versa). Service providers could decide whether to craft a separate use-case (perhaps with an adjusted commission structure to benefit the agent providing the cash or e-money and with reduced fees for the agent requesting it).

A number of considerations specific to banks can address the remaining tactical concerns.

- The first is that banks need to make the necessary investments to raise awareness of the service. The obvious first (and easy) step is through the branch, both through informational posters and brochures, as well as having branch staff informing existing customers. A more costly effort would be to invest in above-the-line marketing campaigns in specific zones and a below-the-line sales force to actively approach (and persuade) potential customers and recruit agents.

- Integrating branch operations with bank agents would also go a long way to increasing efficiency. This is especially the case if the bank agent program is an alternative channel (and thus likely in close proximity to a branch), but even if the agent is farther away, assigning branch staff to monitor agents, provide liquidity help, and service agents as needed would be beneficial.

- Banks also need to consider how to provide additional functionality through the mobile channel, especially if banking agents are used as an acquisition channel for unbanked customers. As of now, the 'form factor' the customer uses at the agent site is usually a card; by offering other services through the mobile – even as simple as financial information (a balance check, or the aforementioned fee information) – the overall proposition for the customer can be enhanced.

A number of strategic considerations – namely decreasing operational costs, expanding to rural areas, and addressing agent liquidity – are addressed in part D, on Business Models.

Start-Ups and New Entrants

The above considerations largely apply to those players currently offering agent banking services in the market or banks currently exploring launching them. That being said, non-banks such as start-ups and other new entrants such as technology companies can come into play in two main roles.

The first is as a lead service provider of financial services. This would entail heavy up-front investment to develop the appropriate technology for both customers and agents and, perhaps even more challenging, to develop a compelling value proposition for agents and customers at the same time, to ensure that the two-sided market remains 'balanced'.

The second is as a key collaborator in the overall value chain. As sub-section D highlights, both banks and non-banks may be better served by outsourcing certain technological, marketing, or operational functions – such as agent training, liquidity management, document collection, technology platforms, and loyalty programs – to reputable third-parties.

C. Considerations for Policy-Makers

One of the aspects of the regulation that stands out most strongly is that different requirements are placed on bank agents and non-bank agents. The extra requirements on bank agents include:

- Several Know-Your-Customer (KYC) requirements must be met for the customer to open a bank account, and this extends to doing so at a bank agent. One consideration would be to simplify the documentation requested, either for all bank accounts or for a new, simplified account that could be opened at the agent site.

- The documentation requirements are also extensive for a bank agent. It is recommended that only an identification document, the tax identification number (NUIT), commercial license, and criminal record be required. The "certificate of discharge" (i.e., evidence of no outstanding tax liability), financial statements, and proof of financial resources are not imperative and in many cases would deter prospective agents from signing up. In either case, it is preferable that the documentation requirements be the same or similar for both bank and non-bank agents.

- The data storage of original documents and copies could also be simplified, and agents could be provided the option to store them in electronic format (e.g., taking a photograph, text receipts). As discussed earlier, the law currently recommends that documentation related to customer transactions be filed and that institutions (and by extension the bank agents) must keep the originals of transactions for 5 years and the copies for 10 years after the end of the business relationship.

The main recommendation is to ensure "regulatory parity" as much as possible between the bank agents and non-bank agents, thus putting all service providers on a level playing field. In practical terms, this means that either more stringent requirements be placed on non-bank agents or the requirements on bank agents be relaxed. The preference is to take a risk-based approach and relax the existing bank agent requirements to align with those for non-bank agents.

Another aspect in which regulatory parity should be improved is the eligibility criteria for agents. Ideally, the banking agent regulations could be relaxed to allow:

a) agents that do not necessarily have a fixed infrastructure (physical establishment), and
b) agents that do not necessarily have a primary business.

This would allow banks to target "dedicated" kiosks and ambulantes, just as the mobile money programs do. Furthermore, the agents would be permitted to conduct the following operations:

- Withdrawals
- Deposits
- (Simplified) account opening
- Pre-credit requests

Even if there were no simplified accounts, the agent could take a scan or picture of the original documents, send it to the bank, and (preferably) receive approval near-instantaneously so that the customer could begin transacting. This would mimic the experience that customers have when opening an e-money account at mobile money agents.

The management of the liquidity of banking and non-banking agents is also an issue worthy of attention. Agents often run out of float, and because many agents are small store owners as well (this is a requirement for bank agents), it is a challenge for them to close their store or otherwise spend time and money to go to the bank branch. The regulator could make it permissible for banks and non-banks to offer immediate electronic float distribution under certain conditions (e.g., no more than 2,000 Meticais, only for certain agents, and with the cash balance being paid back within 24 hours) to ease the liquidity crunch.

A related topic is the extent to which service providers could offer credit lines to either start or grow an agent business (technically, the float distribution could be viewed as an instant credit that would need to be repaid within a short timeframe, such as under 24 hours). While banks, by virtue of being credit institutions, do have the ability to offer credit lines, non-banks do not. That being said, there is no obstacle to a non-bank partnering with a bank and offering short-term or longer-term credit to existing or prospective agents, whereby the credit underwriting and risk are undertaken by the bank, and the non-bank is responsible for distribution and the relationship with the agent.

It is also suggested that a relaxation in the locational requirements for bank agents (and also branches) be considered. The legislation currently recommends that banking agents be relatively close to a banking agency (Article 7 of Notice 3/2015), but this limits the outreach of certain agents. Moreover, the regulation requiring a bank to open a branch in pre-selected rural areas for every three new urban branches (Notice 1 GBM/2015, Article 4) may also be undesirable from a bank's perspective, whereas a series of lower-cost bank agents, who could provide many of the key transaction services, may suffice.

From a monitoring perspective, it would also be beneficial for the Central Bank to gather specific statistics on both bank and non-bank agents beyond what is already reported by the institutions. With the aforementioned principle of achieving a 'harmonization' between the requirements for bank and non-bank agents, it is recommended that all service providers be required to provide the following information on a quarterly basis:

- Number of Registered Agents per District (preferably, separated into dedicated agents, ambulante agents, and agents with existing businesses)
- Number of 30-day and/or 90-day Active Agents Per District (where activity is any customer-facing transaction, such as cash-in, cash-out, or account opening)
- Number of Closed Agents per District over the last quarter
- Number of Transactions per District (or Per Province), by Transaction Type (Cash-In, Cash-Out, Account Opening)
- Volume of Transactions per District (or Per Province), by Transaction (Cash-In, Cash-Out)
- Number of Incidences of Fraud or Suspected Fraud per District (or Per Province)

As agents are permitted to be associated with several service providers, there would likely be agents that would be reflected in several figures provided by service providers. For that reason, it may be challenging for the Central to determine the number of 'unique' agents across the country. While in theory this could be resolved by insisting that agents have a single document to register (e.g., tax ID), it would necessitate the Central Bank receiving individual agent document IDs from each service provider (rather than the total number of agents), and eliminating duplicate entries. Not only does this greatly increase the burden for each service provider, it also increases the regulatory burden for the agents in question. For that reason, while not ideal, a certain amount of 'double-counting' of agents may be inevitable.

The ideas above are the main strategic considerations for regulators; the table below summarizes all of the key challenges and the associated recommendations. It should be noted that a number of these could be suitable candidates for 'testing and learning' in a controlled environment through the Central Bank's "Sandbox" initiative, launched in 2018.

Table 4. Summary of Obstacles and Recommendations for Policy-Makers

Challenges and obstacles	Recommendations
The Use of Agents	
Non-banking agents:	*Non-banking agents*
There is a lack of a legal instrument that directly regulates non-bank agents.	The regulator should introduce a legal instrument regulating the activities of non-banking agents similar to Notice 3/2015. The regulator should ensure that the conditions of competition between the two types of agents take place in a regulatory context that is as similar as possible as regards, e.g., the eligibility of agents, the documentation required for the registration of agents, the documents submitted for the opening of accounts and other operations plus the process of archiving them, and risk management oversight measures.
Banking Agents:	*Banking agents*

The recruitment of banking agents by the bank is limited by the eligibility criteria that must be applied in the selection of economic agents.	The eligibility criteria for the selection of bank agents should be more flexible, as should the types of documentation requested (ID, tax ID, criminal record, business license). This might include informal vendors as eligible institutions (Notice 3/2015 art 5) and allow for fewer requirements to be met in the verification of agents (Notice 3/2015 art 9).
Electronic Money *Banking and Non-Banking Agents* Agents experience difficulties converting electronic money into cash and notes and vice-versa, which brings about liquidity problems.	*Banking and Non-Banking Agents* To ensure adequate liquidity, the regulator should recommend an operational model that includes the provision and distribution of funds to the agent, identical to that used by the bank for the provisioning of ATMs (see Article 57 of Decree 56/2004.)
Electronic Payment Services *Banking and Non-Banking Agents* Regulations do not mention the risk management mechanisms that should be considered in the provision of this type of service. Regulations make no mention of the supervisory mechanisms that should be implemented for electronic payment services. No distinction is made between the treatment given to credit institutions, financial companies, and other providers of electronic payment services.	*Banking and Non-Banking Agents* Laws concerning electronic payment services should provide an indication of the supervision and risk management measures to be implemented in order to ensure the provision of a more secure service through this payment option. For example, the law should refer to the potential risks related to the service such as those related to electronic transactions and the possibility of data cloning and use of data by others. The law should also refer to errors that may occur in the electronic payment process and enable them to be reversed whenever possible.

No clear reference is made to potential types of payment services via electronic money and potential users or to bank and non-bank agents. It should be understood that these are ambiguous since they fall within the category of credit institutions.	
Anti-money laundering *Banking Agents* Banking agents encounter difficulties offering services to low-risk clients due to the need to fulfill their KYC obligations. Moreover, banks cannot compete with their non-bank counterparts with agent programs, as the KYC requirements for the different types of agents are significantly different.	*Banking Agents* It is necessary to harmonize the legislation of the two types of agents as much as possible. For example, the required documents should be the same for the same transactions regardless of whether they are being made through a bank or non-banking agent.
Pricing List *Banking and Non-Banking Agents* Banking and non-banking agents do not always have customer price lists clearly visible and do not appear to have detailed knowledge of the system of commissions to which they are subject. This does not allow them to pass on trusted information to customers, who may end up being exposed to potential scams.	*Banking and Non-Banking Agents* The Central Bank should require contracting institutions to supervise their agents better so that the agents more actively promote their pricing and their services when interacting with customers. For example, laws should require contracting institutions to ensure the disclosure of their pricing. To this end, banks and non-banks should supervise their agents on a more frequent basis to ensure compliance with pricing transparency.

D. Business Model Ideas and User Prototypes

The considerations above, if properly implemented, have the potential to improve both the bank and non-bank agent networks. But there are three specific ideas, implemented separately or combined in a holistic package, that have the potential to expand agent outreach and boost performance substantially.

Those three ideas are:

1. Agent Interoperability through a Shared Platform
2. "Doorstep" Liquidity Management
3. Bank Agent "Ambulante"

A three-day design sprint was undertaken to address these ideas. It involved refining the idea, building simple prototypes, and, on the last day, testing with users directly in urban and semi-urban settings. These three ideas are described below, with the observed problem and design challenge indicated under each idea.

It is important to note that the purpose of the design sprint is to gauge initial reactions from prospective customer and agents, not necessarily to validate technical feasibility or financial viability. Should the initial reactions to the core value propositions be positive, the next step would be to develop the concept into a more detailed, realistic solution that could then be further tested with end-users.

1. Agent Interoperability through a Shared Platform

OBSERVED PROBLEM		DESIGN CHALLENGE
Running an agent business is a costly affair for the service provider	⇨	*How might we help service providers decrease cost-to-serve and/or increase the value of agent operations in rural areas?*

The idea here was to provide the customer with a single interface and experience at an agent where they could choose from a variety of services in a clear, coherent manner, preferably on a large, touch-screen tablet. Customers had the option of conducting the transaction themselves or having the agent 'assist' them.

These services would include key financial transactions such as deposits, withdrawals, transfers, airtime top-up, and bill payments, opening an account (bank or e-money), and information-based services such as learning more about products or the service provider or reaching customer service.

Figure 17. Screen Shots of Agent Interoperability Prototype

Importantly, this would be available to any participating service providers – banks and/or non-banks – so that the customer would have a 'one-stop shop' for their financial transactions and which service provider they used would ultimately be their choice. Note that this would not involve the standardization of products or services – every provider would be able to design services (new or existing) at their discretion; the concept is more about providing a single channel to multiple providers.

The prototype was developed on a touch-screen tablet and tested with two customers and one agent in a semi-urban area in Maputo province (see photograph on the right with a customer; a Digital Disruptions staff member is acting as store owner). The core concept - a single interface permitting a range of services from multiple providers – resonated with customers and the agent alike. The users particularly enjoyed the user interface and the ease of use of navigating screens and completing transactions.

Figure 18. Testing the Agent Interoperability Prototype

In terms of implementation, it was intentionally not specified which stakeholders would be operating the solution, as that detracts from the purpose of the design sprint. But the concept would likely involve a number of providers coming together, identifying an agent network manager (creating their own, having a single provider take the lead, or hiring a third-party such as a bill payment aggregator or a Fast Moving Consumer Goods (FMCG) company) and associated commercial agreements (e.g., revenue sharing) and agreeing on a single brand marker and user interface.

Coming together would help decrease individual costs while selecting the highest quality agents for the service. It would also drive aggregate revenue for the agent, which would help their viability. Lastly, the addition of additional revenue-generating services, such as bill payments and loan facilitation, would further help the business case from the service provider's perspective.

2. "Doorstep" Liquidity Management

OBSERVED PROBLEM		DESIGN CHALLENGE
Agents, especially ambulantes and small shops, find it hard to keep enough cash or e-float in more remote areas of the country	⇨	*How might we address the problem of agents' liquidity management so customers can be served without delay when they need to cash-in or cash-out?*

As discussed earlier, liquidity management is a constant pain point for agents, especially in rural areas. The concept that was developed involved agents requesting "cash delivery or collection" from their mobile phone through a USSD menu, selecting a list of pre-set amounts (15,000 Meticais or $200 USD) and a specific time of day. The system would then alert nearby drivers on motorcycles who would then deliver or collect cash directly to the agent. These drivers would be part of the fleet of the superagent or agent network manager. The drivers would receive a commission in either case, but the agent would pay only for cash delivery, while cash collection would be free.

Figure 19. Brochure for Doorstep Liquidity Management Prototype

The flyer above was prototyped as a concept with three agents in the semi-urban area of Salamanga in Maputo province. It was generally well-received; agents there often struggle with cash and float management, and the closest branch is not within walking distance (and closes at 5 pm). There was some concern about the safety of cash delivery or collection, but concerns were eased when it was mentioned that they would not be held liable for any theft during transport.

From an implementation perspective, this would be relatively straightforward; the cash-on-delivery solution is already being used by one mobile money operator in Mozambique (though it is unclear under what circumstances and conditions). Moreover, several mobile money operators in Tanzania currently use a similar system with motorcycle drivers as part of the superagent network.

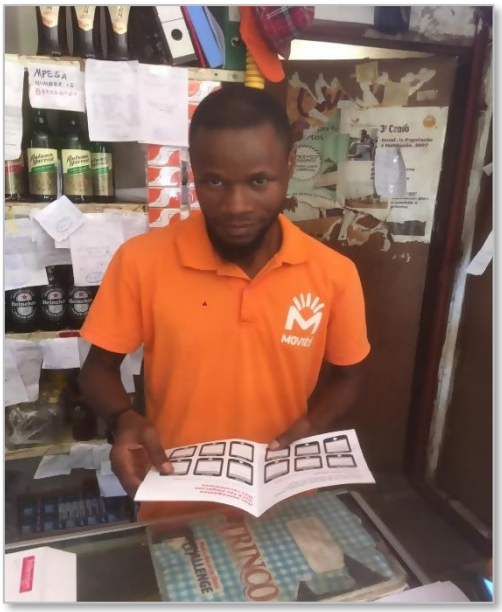


Figure 20. Testing the Doorstep Liquidity Management Prototype

3. Bank Agent "Ambulante"

OBSERVED PROBLEM		DESIGN CHALLENGE
Certain financial institutions desire to expand their agent network in a cost-effective way, but, unlike non-banks, are not permitted to use 'ambulantes'	⇨	*What type of ideal services that a bank ambulante would perform, and how would it vary for banks and non-banks?*

The ambulante agent has been a critical piece of the mobile money agent network in Mozambique. With extremely low costs to operate and presumably an ample number of unemployed individuals looking to set up a business, the aim was to see how customers and agents would react to the concept of extending this concept to bank agents.

Simple posters were developed to show an ambulante agent offering the services of a hypothetical bank called Banco Estrela (Star Bank). One poster had an ambulante only providing services with the bank, and the other had multiple service providers, including existing mobile money providers. The services offered were cash-in and cash-out (up to 2,000 Meticais or $35), bill payment, and "pre-opening" of accounts. The prototype was tested with two existing agents and one customer in Maputo.

Figure 21. Flyer for Bank Agent Ambulate Prototype

The reactions were overwhelmingly positive. One customer which was interviewed said that she really liked the M-Pesa ambulantes because they were easy and quick, and that banking agent ambulantes would be great, particularly since it would reduce queues at the branch or ATM ("*Os ambulantes M-Pesa são ótimos! É muito rápido, muito easy. Esse serviço para bancos seria muito bom, iria diminuir as bichas*.")

An agent, who had been an M-Pesa ambulante for four years, also responded positively to the concept, saying that his decision to join would depend on the customer demand he could expect. He was ambitious, saying "where there is work, I want it." He furthermore recommended a cap of 15,000 Meticais, in part to gain more commission.

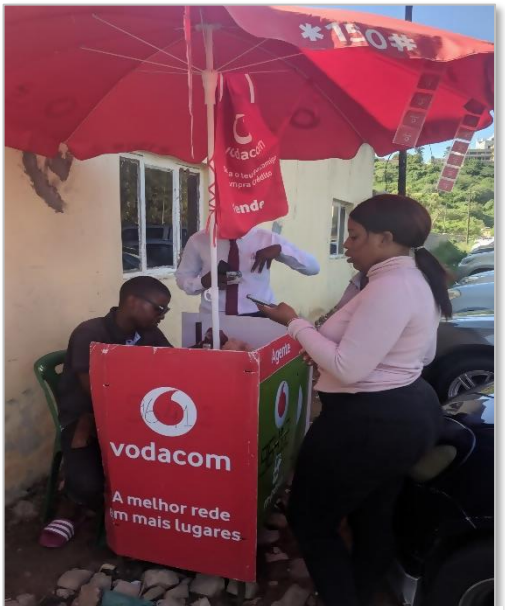


Figure 22. Testing the Bank Agent Ambulante Prototype

From an implementation perspective, it should not be overly difficult to convince ambulantes to become bank agents, particularly if the onboarding experience is as intuitive and straightforward as those provided by mobile money operators. Certain conditions would need to be put in place to manage the associated risk (e.g., account opening, transaction limits).

It should be noted that this idea was prototyped specifically to provide feedback as to the initial desirability from the user perspective (agent and customer), as this practice is not yet permissible by the Central Bank under current regulations. The hope is that this could be further developed as a 'live' prototype (actual transactions being conducted) by a service provider through the Central Bank's "Regulatory Sandbox" initiative, which offers a controlled environment in which to test and learn about various innovations.

E. Looking Ahead

Service providers and policy-makers can work together to overcome the aforementioned obstacles to improve and expand bank and non-bank agent networks. Many of the tactical recommendations are relatively straightforward to implement; both banks and non-banks can expect to see immediate gains in agent and consumer adoption. But the truly move the needle and substantially expand outreach and user satisfaction, banks and non-banks need to rethink the fundamental business models of their agent networks and, given the inherent uncertainty, take a 'test and learn' approach to iterate a solution that resonates with agents and customers while making financial sense for the service provider.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Leva um giro aqui :-)
Agente
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ANNEX

Annex

A. Authors and Acknowledgements

This report was written by Amitabh Saxena and Eneida Monteiro of Digital Disruptions, a strategy and design innovation consulting firm based in the US which focuses on fintech in emerging markets. Further support was provided by João Campoa Rodrigues, Maria Clara Rezende, and Martin Annandale. The team wishes to thank the Financial Sector Deepening Mozambique team for their guidance throughout the project. The team further appreciates the contribution of various private sector and public sector stakeholders (see sub-section B below) that generously provided their time and input, as well as the many agents and customers who agreed to be interviewed.

Lastly, this report would not have been possible without the overall support of DAI Limited and the UK's Department of International Development (DFID) and the Swedish International Development Cooperation Agency (SIDA).

B. Stakeholder Interview List

The organizations below were interviewed for this assessment.

Type	Organization
Bank	Millennium BIM
Bank	BCI
Bank	BancaABC
Bank	Letshego
Bank	Barclays
Mobile Operator	Vodacom
Mobile Operator	Mcel
Regulator	Central Bank – Financial Inclusion Office Central Bank – Banking Supervision (Conduct and Prudential) Central Bank – Regulation and Licensing Central Bank – Banking Services and Payment Systems
Research Institution	Nova School of Business (Portugal)
Development Agency	GiZ (German Development Agency) in Mozambique

C. Methodology for Agent and Customer Interviews

Over fifty in-depth interviews (IDIs) were conducted with agents and customers in the Maputo (south) and Nampula (north) regions of the country. A mix and diversity of users were sought, along transnationality (high, medium, low, and non-users), size Large, medium, small, and 'ambulante' agents), service provider (bank and non-bank), and geography (urban, semi-urban, and rural areas).

Specifically, 38 agent interviews and 12 customer interviews were conducted with banks and non-bank agents in Maputo and Nampula provinces. Superagents and promoters were also interviewed.

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E. Table of Key Regulatory Themes

The table on the following pages presents a list of key regulatory themes, its relevance to either banking agents or non-banking agents, and a brief implication for the business model, if any.

#	Regulatory Theme	Banking Agents	Non -Bank Agents	Business Mode Implications
General Information				
1	General Regulation governing agents	Notice 3/2015 - Banking Agents Law 15/99 - Law on credit institutions and financial corporations Article 7 decree 30/2014 - Promotion of the complete financial sector Notice 2 / 2018- Code of Conduct for financial institutions	Notice 2/2018 - Code of Conduct for financial institutions Article 7 decree 30/2014 - Promotion of the complete financial sector Law 9/2004 - Law update 15/99	-
2	Eligible institutions to be agents	Notice 3/2015 - Banking Agents a) Business entrepreneurs; b) Registration or notary services; c) Public educational institutions; d) State-owned companies; e) Fixed and mobile telephony operators; f) Postal sector operators; or g) Credit cooperatives; h) Electronic money institutions; i) Other entities authorized by the Bank of Mozambique in a timely manner.		*Banking Agents* Banks have a list of specific institutions that can be hired to be agents. But none of these institutions allow for a wide enough physical outreach that can compete with the network of non-bank agents. Banks thus end up being limited in the type of agents they can hire
3	Non-eligible institutions	Notice 3/2015 - Banking Agents a) Entities engaging in illegal or prohibited activities, as well as activities linked to gambling; b) Entities whose management or equivalent bodies are members covered by the provisions of no. 2 of A Article 9 of this Notice;	-	N/A

		c) Entities whose sole or principal object is the provision of banking agent services or whose corporate control is exercised by the contracting institution or which are in control by a common entity; and d) Entities whose corporate control, directly or indirectly, is exercised by a director of any companies that are related to the contracting institution.		
4	Requirement for hiring agents	Notice 3/2015 - Banking Agents a) Name of the company; b) Certificate of registration of legal entities or other equivalent document; c) Permit, valid activity license or similar document, issued by a competent authority; d) Audited financial statements of the previous fiscal year, as applicable; e) 'Certificate of discharge' (no pending tax liability) issued by the respective Directorate of the Area or fiscal division; f) Certificate of criminal record of the persons indicated in paragraph d) of nº 1 of this article; g) Address and contact details; and h) Proof of possession of financial resources or funds to ensure the banking agent activities, particularly cash deposits and withdrawals, as		*Banking Agents* Some of the documentation required for registering bank agents is difficult to obtain in certain places in the country. For example, the criminal record and the discharge certificates. It also requires financial capabilities and management (e.g., bookkeeping) that only mid-sized businesses organized accounting procedures will tend to have. For this reason, banks tend hire business agents with the same (higher-end) profile, and consequently there is little variety of banking agents.

		applicable.		
5	Type of services/ products offered	Notice 3/2015 a) Deposit and withdrawal of cash, within the limits established by the contracting institution; b) Bank transfers; c) Disbursement and receipt of repayments of credits approved by the contracting institution; d) Payments of services rendered by third parties; e) Provision of bank account balance; f) Provision of mini account statements; g) Reception and forwarding of requests for opening, blocking and closing of deposit accounts in the contracting institutions; h) Reception and submission of proposals regarding credit operations of the contracting institution; i) Receipts and transmission of requests for issuance and replacement of debit, credit and pre-payments; and j) Others that the Bank of Mozambique, on a case-by-case basis, may authorize. Law 2/2014 Article 3 a) Issuance of means of payment in the form of electronic money Electronic payment services notice	Law 9/2004 a) Only credit institutions may carry out the loan to activity of servicing the public. Law 2/2014 Article 3 a) Issuance of means of payment in the form of electronic money Electronic payment services notice b) Balance Check c) Transfer of funds d) Debt Payments	*Banking and Non-Banking Agents* The banks' main competitive advantage over non-banks is that they can provide credit to consumers. Moreover, non-banks are obliged to deposit all consumer deposits from the non-bank agent business in a regulated bank account.

		b) Balance Check c) Transfer of funds d) Debt Payments		
6	Authorization process for hiring of agents	Not required; according to the law the hiring institution should follow the guidelines for the hiring and provide information on agents' performance to the Central Bank.	Not required	

7	Operational requirements	Article 7 Decree 30/2014 Credit institutions and financial companies authorized to provide electronic payment services including mobile financial services shall have their banking operations management systems linked to a single shared common network of electronic payments. This was established under the terms defined by the Bank of Mozambique, which is also responsible for defining the procedures and conditions of this connection, as well as the deadlines for compliance with credit institutions and financial companies currently in operation. An internal banking management system is defined as the computer system whose function is to manage the operations of customers of credit institutions and financial companies. A single network is defined as the technological solution of national and exclusive scope of common use and shared by credit institutions and financial companies whose function is to manage all electronic transactions, including the management of information of cards and other electronic payment instruments, as well as terminals and electronic payment	Article 7 Decree 30/2014 (Same as Banking Agents; see second column).	*Banking and non-banking agents* Regarding the infrastructure requirements, it is positive for the model which is sharing the existent infrastructure (single network) because it brings less costs if one has to consider the interoperability in the service offer.

		services including mobile financial services of the entities connected to it. Article 7 Notice 3/2015 1. The contracting institution shall ensure that the transactions carried out by the banking agents take place in real time and are carried out within the establishment of the banking agent. 2. Without prejudice to other technologies and/or payment channels, the contracting institution shall make available to the automatic payment terminal agent (POS) where is applicable, for the activities listed in Article 6. 4. The contracting institution shall designate the bank branch to monitor the closest activities to the banking agent.		
8	Timeframe to settle transactions			
9	Limitations imposed on agents	Article 9 Notice 3 Criteria for evaluating bank agents: 1. Before contracting, the contracting institution must evaluate the entity to be contracted as a banking agent to		*Banking Agents* The evaluation criteria of the potential bank agents present requirements that limit the choice of the potential agent to be contracted.

		ensure compliance with at least the following conditions: a) To be engaged in an economic activity and has a permanent establishment; b) Does not have, in the last six months, type 4 or 5 credit, nor does it appear on the register of issuers of checks without provision; c) Have adequate physical facilities and human resources capable of ensuring the provision of services safely and efficiently; and d) Suitability of owners, managers, partners and members of the governing bodies of entities that are eligible for banking agents.		Aspects such as physical infrastructure, human resources with capacity for bank operations management, further limit the options for banks to select agents.
10	Institutions responsible for inspecting agents	(Not clear in the regulations)	(Not clear in the regulations)	*Banking and non-banking agents* The supervision of banking agents is not clear in Notice 3, and service providers end up each having their own strategy.
11	Legal liability of banks towards customers who use agents	1. The banking agent acts on behalf of and under the guidance of the contracting institution, being responsible for all its acts, in the framework of the execution of the activities for which it has been contracted. 2. The contracting institution especially ensure the integrity, reliability, security	-	

		and confidentiality of the transactions carried out, as well as compliance with the rules applicable to the activity carried out, through the banking agent. Article 4 Notice 3/2015 The contracting institutions must ensure the availability to the public of information on products and services provided by the banking agents; in all branches, on their Internet pages and in the establishments of the banking agents, in a conspicuous place, of direct and easily identifiable access. Article 14 Notice 3/2015 The Bank of Mozambique may determine the termination of the contract when the bank agent violates the laws and regulations that govern the activity of credit institutions and financial companies and the rights of consumers in general, as well as when not complying with the institution's determinations contractor, jeopardizing the interests of depositors and other creditors Art 12 notice 3 2015		
12	Legal liability of agents towards their customers	*Provide information about hiring institution's offers - Article 10 Notice 3*	-	N/A

		The obligation, in the assistance provided in the financing operations related to goods and services provided by the banking agent himself, to present to the clients the offers of the contracting institutions with which he has signed a service contract. *Pricing transparency - Article 10 Notice 3* Make collection of any fees, commissions or charges related to the exercise of activities that are not foreseen in the price of the contracting institution, which must be prepared according to the system of commissions and other charges approved by the Bank of Mozambique;		
13	Price Transparency – legislation reference	Notice 13/2017 - Commission Charges and Respective Nomenclature Notice 3/2015 - Banking Agents	-	*Banking agents* Banks cannot currently charge additional fees for banking agent use to the end-user, but almost always have to pay bank agents through a commission structure. This may make the financial viability of the banking agent model more challenging.
14	Transparency requirements	Article 10 Notice 3	-	N/A

		The contracting institutions must keep a copy of the contract signed with each bank agent available for verification by the Bank of Mozambique. The contracting institutions shall ensure the availability to the public, in all branches, on their Internet pages and in the establishments of the banking agents, in a conspicuous place, of direct and easily identifiable access: a) This updated list of its banking agents should include the name, address and telephone number or any other means of communication.		
15	Compliance of agents with transparency	All charges by the agent should follow the pricing set of the hiring institution. (I.e., agent cannot charge any additional fees).		
16	Pricing - legislation reference	In the main laws, Notice 3 and Notice 13/2017 Regime of commissions and financial charges Article 4.	(Same as Banking Agents; see second column)	
17	Pricing requirements	Article 4 Notice 13 /2015 Institutions (i.e., agents) must have a simplified and a complete price list with objective and up-to-date true information in clear language	(Same as Banking Agents; see second column)	*Banking and Non-Banking agents* Banking and non-banking agents do not always have price lists outlined clearly, and do not appear to have detailed knowledge of the system of

		Institutions shall keep their prices permanently in a visible place. The information regarding benefits, commissions, and charges must be provided prior to executing the services.		commissions to which they are subject to. As a result, agents may not always pass on trusted information to customers, who end up being risked exposed to potential scams.
18	Client information data secrecy – legislation reference	Institutions (i.e., service providers) shall ensure that all employees with access to information about clients adhere to Notice 2 Article 7 Article 4 Notice 3/2015 The contracting institution must ensure in particular the integrity, reliability, security and confidentiality of the transactions carried out, as well as compliance with the rules applicable to the activity carried out, through the banking agent.	(Same as Banking Agents; see second column).	N/A
19	Anti-Money Laundering and KYC obligations – Legislation Reference	Decree 66/2014 - Legal regime of prevention of money laundering Law 14/2013 Ant-Money Laundering	(Same as Banking Agents; see second column).	-
20	Client Account Registration -	Article 4 66/2014	(No specific requirement identified for non-bank agents)	*Banking and Non-Banking agents*

	Information prerequisites	Client account registrations should have the following information captured: Individuals • Name and signature • Date of birth • Nationality • Gender • Marital status • Address • Affiliation • Letter from the employer • ID card/passport, electoral card, electoral military card, driving license, • Tax ID Permissible documents: • ID or ID stub accompanied by completed ballot/certificate • Passport • Recruitment electoral card • Job ID card • Service record book • Refugee identification card • Political exile card • Driving license		Banks must adhere to far stricter requirements, and corresponding documentation, to allow their customers to open bank accounts. Since bank agents are an intermediary of the bank, they necessarily need to follow the same requirements. Conversely, there is no explicit law stipulated to open a non-bank account, thus non-banks (and their agents) have a far easier time acquiring customers.
22	Type of operations that require compliance	Decree 66/2014 Article 10 Stipulates type of operations under compliance:	Relevant transactions for non-banking	

		• Opening and moving bank accounts • Provision of custody services • Securities Transfer Services • Private banking • Distance banking • Services rendered to individual or collective clients • Relationship with correspondent banks • Carrying out stock exchange operations • Intermediation activities in securities • Carrying out stock exchange operations • Management of pension funds • Carrying out occasional transactions of a value equal to or greater than 450 000 Meticais • Casino transactions, games of chance equal to or greater than 90 000 Meticais	• Services rendered to individual or collective clients • Securities Transfer Services	
23	Data Storage Requirements	Notice 3 Article 10 - Contractual clauses The obligation of the agent to ensure the protection of records, data, documents or processes of the operations carried out, establishing for the purpose the duty to transfer them	Original documents must be available for 5 years after the transaction Decree 66 /2014 – Money Laundering	*Banking and Non-Bank Agents* Anti-Money Laundering (AML) requirements are difficult for agents to manage because it requires physical documentation to be filed and stored for many years. This also requires more complex management and therefore a

		to the contracting institution at specified intervals. Decree 66 /2014 – Money Laundering Financial institutions and financial entities must keep for a period of 15 years after the end of the business relationship and closure of the account related to customer due diligence records • Copies of documents proving compliance with the customer's identification duty • Recording of national and international transactions that are sufficient to allow the reconstitution of each operation so as to provide evidence as necessary in criminal proceedings • All documentation related to transactions carried out by correspondent banks • Rationale for the decision not to notify GIFM by the Suspected Operations Communication Officer The records shall be kept in original documents either by means of physical documents in the first 5 years after termination of the business relationship and closure of the account, or by any	(Same as Banking Agents; see second column)	more qualified service delivery capability on behalf of the agent.

		other technological process under terms to be established by the supervisory authorities in the remaining period. (The same applies to non-financial institutions.)		
24	Suspicious Transactions	Article 18 14/2013 Financial institutions and non-financial entities should immediately submit a communication to GIFIM (Financial Intelligence Office) whenever they suspect or have reason to suspect that funds or assets are products of criminal activity. This includes all transactions in cash equal to or greater than two hundred and fifty thousand (250) Meticais and all transactions with a value equal to or greater than 750 thousand Meticais	(Same as Banking Agents; see second column).	N/A
25	Consumer protection	Notice 2 GBM/2018 Banking agents are required to keep in secrecy of all transactions carried out by their clients on behalf of the contracting institution.	(Same as banking agents; see second column)	
26	E-money legislation	Decree 56/2004 – Article 58 Banks are permitted to issue electronic money. The Bank of Mozambique may	(Same as banking agents; see second column)	

		authorize other credit institutions that have adequate financial and technical conditions to issue electronic money.		
27	Payments System	Notice 2 GBM/2015 - Single network connection Notice 2 GBM/2014 - Regulation making electronic payment products and services available Payment services offered by credit institutions don't require any other registration licensing or supervision other than the one required for the constituency of the institution as per Article 13 of Law 9 / 2004 (Law on credit institutions and financial companies and Decree 56/2004 Article 3).	(Same as banking agents; see second column)	