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FS SERIES #9: ENABLING MOBILE MONEY INTERVENTIONS

MODEL SCOPES OF WORK

APRIL 2010

This document was produced for review by the United States Agency for International Development. It was prepared by Chemonics International Inc. for the Financial Sector Knowledge Sharing Project, delivery order number EEM-E-03-05-00006-00.

MODEL SCOPES OF WORK

Short-Term Technical Assistance Scope of Work

Assessment and Recommendation

As noted in the primer and case studies, the complexity of m-banking and MMTs and the actors involved to make it successful require analysis and strategic planning to be able to increase access to finance to target populations and areas. This section provides a two-step approach and, therefore, two model scopes of work. The first provides USAID with a comprehensive “Assessment and Recommendations” on m-banking and MMTs. This model scope of work is a short-term technical assistance consultancy that first determines the status or current position of m-banking and MMTs in the country and region.

Used in conjunction with the diagnostic checklist in Annex A, the second model scope of work builds on the results of the assessment and provides USAID with targeted interventions for needed reform and development. This approach will help ensure that the relevant issues for m-money interventions are covered.

1. Objective

The objective of this model scope of work is to provide USAID with a comprehensive assessment and recommendation report of the regulatory environment and market factors affecting the development of branchless banking, specifically m-banking and MMTs in [country]. [Include as appropriate] The exercise is specifically focused on identifying solutions that [include target populations, expand access to finance in rural areas, and other considerations important to the mission]. The Scope of Work includes an enhanced market analysis of m-money interventions, evaluates the legal and regulatory framework and technological capacity for branchless banking, and ends with conclusions and recommendations that prioritize feasible development interventions for USAID/[country]’s consideration.

2. Background and Rationale

The convergence of mobile communications and financial services has the potential to significantly increase access to financial services to individuals at the base of the pyramid. M-banking is a potentially powerful platform for delivering financial services if a commercially viable business model and strategic partnerships with the private sector can be established and there are minimal regulatory constraints for such transactions.

[Paragraphs citing USAID mission strategy, programming, and other concerns that place the content of the Scope of Work in broader context and highlight any specific expectations of the exercise.]

[The background should include an overview of what is known about m-banking and MMTs in the country and describe why the mission is considering these interventions.]

3. Tasks and Activities

The consultant is expected to bring to bear his/her experience, judgment, and industry knowledge in financial services, mobile network operations, and enabling environments, as it relates to electronic money or m-banking, to complete the following tasks and activities:

1. Review current regulations on national payment systems, anti-money laundering (Know Your Customer/Anti-Money Laundering/Counter-Terrorism Financing), electronic money, electronic or internet banking, licensing, risk management, and/or other related documents that relate to branchless banking or m-banking in [country].
2. Conduct desk research on relevant reports, assessments, articles, or other papers about [country] as it relates to branchless banking or m-banking as a means to increase access to finance.
3. Meet with a targeted selection of government agencies (financial oversight and regulatory bodies), telecommunications and mobile network operators, commercial banks, microfinance institutions and third party providers to discuss:
 - the regulatory and infrastructure requirements to implement a m-banking scheme.
 - the existence or development of appropriate technologies to facilitate m-banking and the accessibility of those technologies to low-income individuals and individuals in rural or remote areas.
 - the current market for financial products and services and the capacity to develop and deliver m-banking solutions with other products.
4. Prepare a written report on the viability of m-banking and/or MMTs in [country]. This assessment will include, but not be limited to:
 - Regulatory or policy issues that must be clarified, amended or approved to facilitate the development of branchless or m-banking, including a discussion of non-bank agents, anti-money laundering regulations including Know Your Customer (KYC), electronic money, consumer protection and payment systems regulation.
 - Market research including: potential demand among target market, availability and accessibility of financial services, market share of MNOs, etc. Include information on potential private sector partners for m-banking and MMT.
 - Summary of any existing branchless banking or m-banking initiatives in [country], including: names of organizations involved (donors, MNOs, FIs, etc.), products and services offered, customer base and description of agent network (if any).
 - Description of any existing third party providers for m-banking services that are interested in expanding to rural areas [or other USAID target markets].

- Description of existing technologies and platforms to support m-banking solutions, including core banking systems, inter-bank switch, POS/ATM networks, mobile phone coverage in rural areas (access to fiber optic cable), etc. in operation by either mobile network operators or financial institutions and an assessment of required investments to develop appropriate technologies if the technologies do not exist or are underdeveloped.
 - Assessment of interest and capacity (financial and human resources) of financial institutions and microfinance institutions to distribute m-banking services or solutions through their networks.
 - A summary of conclusions and opportunities for high-impact USAID interventions to meet the stated objectives.
5. Create a presentation about the assessment report for USAID and stakeholders; present an evaluation of the legal and regulatory framework, market environment and technological capacity for m-banking/MMT in [country]. Include recommended next steps for USAID or other parties, as appropriate. This presentation will be a discussion guide to educate the banking and telecommunications sectors, government officials, and other stakeholders on the advantages of m-banking, recommended changes for [country], and why these changes are important to further develop m-banking as a viable financial product for economic growth.

4. Deliverables

- A. A comprehensive assessment and recommendation report of the regulatory environment and market factors impacting the development of m-banking and MMT.
- B. A presentation of the assessment report and recommended next steps

5. Period of Performance and Level of Effort (LOE)

This consultancy will be carried out between [date] and [date]. A total of 30 days LOE are provided.

6. Places of Work

The work performed under this scope of work will be in [city, country]. If needed, up to three (3) days of to the allotted LOE may be performed at the consultant's home office for initial review of regulatory framework, reports, and other desk research to prepare for the in-field work.

Model Long-Term Technical Assistance Scope of Work

Developing the M-Money Ecosystem

1. Objective

The objective of this scope of work is to increase access to finance in rural areas by developing m-banking and m-money transfers in [country] into a sustainable and profitable sector.

M-money ecosystems are the vital networks of organizations and individuals that must be in place for MFS to take root, proliferate, and scale up. They are characterized by interdependence and coordination among any number of actors – such as MNOs, banks, airtime sales agents, retailers, utility companies, employers, regulators, international financial institutions and donors, and even civil society organizations. Developing this ecosystem has been one of the main challenges to m-money interventions reaching critical mass. This Scope of Work will focus on a few key areas in ecosystem development: enabling environment, capacity-building (for both MNOs and financial institutions), financial education and knowledge sharing.

2. Background and Rationale

One of the factors hindering economic growth in [country] is the lack of access to formal financial services, particularly in rural areas or by specific groups (e.g. women, farmers, etc.). In [country], formal financial services provided in rural areas [or to women or other USAID target groups] are minimal due to: lack of branches in rural areas; high costs of transactions; and a generally poorly developed banking system [etc].

Providing financial services to these groups utilizing a mobile channel, such as a mobile phone, has proven to be fast, convenient and cost-effective in other countries. By promoting MFS and extending outreach to rural areas, several positive consequences will follow if the aforementioned objectives are fulfilled [state the expected results].

[The background should include an overview of what is known about m-banking in the country and describe the expected results. Insert paragraph(s) citing USAID mission strategy, current related programming, and other concerns that place the content of this scope of work in a broader context and highlight its specific expectations.]

3. Tasks and Activities

The long-term m-banking specialist is expected to bring to bear his/her experience, judgment, and industry knowledge in developing m-banking and MMTs to complete the following tasks and activities:

3a. Review the “Assessment and Recommendation Report”

This report, provided under the previous short-term technical assistance, is the foundation for planned interventions. Once the document is reviewed, it should be widely distributed among stakeholders.

3b. Engaging the regulators

One of the most important roles for the long term m-banking specialist is to act as the facilitator between the Central Bank (or Ministry) and other m-money actors, including MNOs and financial institutions. Leveraging on USAID's existing government relationships, the specialist should serve as the conduit between the regulators and other m-money actors to discuss proposed m-money products and services and related regulations. Specific activities and issues to address include, but are not limited to:

1. Prepare draft regulations on the use of agents or needed amendments if a law exists (written by host-country nationals). The development of agent regulation will include, but not be limited to, a review of outsourcing guidelines, agent requirements and eligibility, service restrictions (cash, payments, KYC), liquidity management, transaction limits, settlement Timeframes, price transparency and agent liability
2. Review anti-money laundering (AML) rules, rules for combating financing of terrorism (CFT), as well as know your customer (KYC) laws to ensure they are flexible enough to allow for the development of m-banking. Key issues to review include KYC and proof of identity and address, daily/monthly transaction limits, proportionate risk flexibility and reporting of suspicious transactions.

3c. Development of Public Private Partnerships

Building on the recommendations from the Assessment Report, the long term specialist should approach and facilitate long term relationships with leading MNOs and financial institutions to develop and promote MFS. Cost-sharing agreements should be agreed upon with these organizations.

3d. M-Money Capacity-Building

Capacity-building is critical objective of the long-term m-banking specialist scope of work. Companies interested in offering MFS need guidance as the industry evolves and best practices to develop their businesses and their (m-money) industry. In addition, new companies, including MNOs, financial institutions and possibly third party providers should be encouraged to enter the market and nurtured through technical assistance on managing and growing a sustainable (m-money) business. Technical assistance would provide guidance and support for existing and new companies to establish best practice lease operations, and policies and procedures.

1. *Product development.* MFS is a relatively new and fast growing field and must be promoted as such to encourage usage and uptake of m-money. The long-term m-banking consultant will work with the m-money industry, particularly MNOs and financial institutions [specific company or companies], to develop m-money products with the objective of linking clients to formal financial institutions, either banks or MFIs. The consultant should provide input on product features, security mechanism, product pricing and back office administration procedures to support the delivery of MFS. New products may include deposits, savings, payroll services for firms, etc.

2. *Technical training.* Training comes in many forms and can include:

- a) *Formalized training.* Training can be organized for different groups, such as financial institutions and MNOs. Though financial institutions may need training in providing and marketing m-money services, particularly for low-income clients, MNOs may need courses on different topics such as agent development and incentive structures.
- b) *M-banking Conferences.* Support the attendance of [country] at international or regional m-money conferences (such as those organized by GSMA or MMT) and/or support the m-money industry to host an international conference to bring in and examine other country's practices and perspectives.

3e. Promoting Financial Education

One of the reasons for limited use of m-banking services in other countries includes very low financial literacy among the underserved segment of the population. The long-term m-banking specialist will work with communications specialists to develop key messages that USAID could provide to partners and stakeholders both inside and outside of [country] to promote the understanding of m-banking services as well as services and products offered by the micro-finance sector. The specialist will develop key messages that promote awareness on 1) budgeting, 2) saving, 3) understanding financial transaction behavior, and 4) analyzing options for financial transactions among the unbanked segment of the population.

3f. Knowledge-Sharing of Best Practices

The long-term m-banking specialist will conduct round-table discussions, workshops, or other forums with international trainers for private- and public-sector stakeholders, including financial institutions and MFIs, MNOs, regulators and third party providers. These gatherings will highlight best practices and lessons learned from other countries implementing branchless banking and m-banking initiatives. [These forums provide an opportunity to create a deeper understanding of the value of MFS and identify other issues or market barriers that are relevant and should be incorporated into any proposed law or amendment to existing laws or regulations.]

4. Deliverables

- Increased access to finance to unbanked by [x percent] (number of new bank accounts)
- New and/or amended regulations related to branchless banking, specifically related to use of nonbank agents and reduce anti-money laundering (AML) and know your customer (KYC) rules; advocate their adoption
- New mobile finance services launched targeting [rural, unbanked or other target population specified by USAID] [x number]
- Established non-bank, agent network of [x] agents throughout the [country]
- Implemented financial education program for clients borrowers

5. Period of Performance and Level of Effort (LOE)

This consultancy will be carried out over a two-year period, with possible [x]-year extensions. In addition to necessary local staff, an international expert with m-banking operations and/or legal and regulatory framework expertise will be a full-time resident advisor and utilize a cadre of m-banking specialty experts (local or international) to implement this scope of work.

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