

**Second Regional Workshop Project Mobile Financial Services-Union for the Mediterranean
(UfM) in Barcelona September 7, 2015**

**Financial service distribution models based on mobile finance/branchless banking
implemented by partnerships including Microfinance Institutions in Morocco, Tunisia, Egypt
and Jordan**

Note explaining the purpose and aspects
for discussion for the working session

The Mobile Finance Project was awarded the UfM label in June 2014 and aims at supporting expanded access to financial services across the population in the Mediterranean region, through the development of innovative retail payment solutions such as mobile financial services. This objective is to be achieved through a comprehensive package of technical assistance and capacity building actions adapted to the specificities of each country.

Regulation was the first challenge to be analysed for the deployment of mobile financial services in the region, in particular e-money and agent regulation. In accordance with the work program of the labelled project, the UfM organized last October 2014, to support the regional dimension of the project, a working session in Barcelona with the purpose to share the experiences of selected European Central Banks in the transposition of the Directive on Payment Services (2007/64/EC) and the E-Money Directive (2009/110/EC). On this occasion the project was officially launched.

In this second regional workshop to take place in Barcelona on September the 7th 2015 at the UFM Secretariat headquarters in Barcelona, the UfM plans to examine the question of the effectiveness of alternative financial service distribution models based on mobile finance/branchless banking implemented by partnerships including Microfinance Institutions in Morocco, Tunisia, Egypt and Jordan. Indeed, mobile finance/branchless banking (Mobile financial services) business models can expand access to finance to the unbanked by reducing transaction costs through the use of prepaid platforms, agents' networks, alternative risk management policies, optimisation of remittances, and new or reformed retail payment architectures.

According to the World Bank's Global Findex, in 2014, the percentage of adults (older than 15) with an account at a financial institution reached 46% in the MENA region, up from 35% in 2011, lower than the average for the upper middle income group of countries where (Tunisia and Jordan belong) and approximately the same as the average for the low middle income group of countries where Morocco, and Egypt belong. However, regional averages mask differences across countries: Morocco has the highest percentage of adults with an account at a financial institution (38%, 2011 data), followed by Tunisia (27% decreasing from 32 % in 2011), Jordan (25%, the same as 2011) and Egypt (14%, increasing from 9,72% in 2011). Thus, they all face an important challenge in terms of access to finance that jeopardizes their economic development and equality.

Mobile Cellular Penetration Rates in the four countries studied is however very high, almost 100% or above in some cases. According to the EIB Study "Mobile Financial Services in Mediterranean Partner Countries", mobile cellular penetration was in 2011 in Morocco 109%, in Tunisia 116%, in Jordan 116% and in Egypt 97%. Thus the mobile penetration average rate for the four countries studied is 109% while access to finance average for the same countries is only of 26%.

The combination of high mobile penetration and low access to financial services means that there is an opportunity for the implementation of alternative financial service distribution models based on mobile finance/branchless banking in the Southern Mediterranean region. However, potential customers need to see the value proposition before using a new service. This suggests a need for extensive customer awareness campaigns for the uptake of mobile

financial services. Potentially highly demanded “Killer” applications for the uptake of mobile financial services in the region could be:

- International remittances due not only to the importance they have for the economies of the region in terms of GDP, especially for lower income segments of their populations, but also because prices of remittances in the region are still high compared to other regions.
- Remote and bill payments in the context of policies implemented by the central banks of the region in order to improve their retail payments regulations and infrastructure and to develop national switches for mobile payments.
- ***Mobile financial services offered by microfinance institutions in the context of the needed strengthening of the sector’s technical and technological capacities of most MFI’s in the region. Indeed, mobile financial services offered by the microfinance industry could not only become the killer application for the development of mobile financial services but also a critical tool for their sustainability in terms of improved efficiency and lesser delinquency ratios.***

As result, this second regional workshop aims at analyzing financial service distribution models based on mobile finance/branchless banking implemented by partnerships including Microfinance Institutions in Morocco, Tunisia, Egypt and Jordan by:

- 1- Reviewing new developments in the regulatory framework/financial infrastructure of mobile financial services and branchless banking per country
- 2- Identifying existing mobile financial services /branchless banking offerings implemented by:
 - a. Mobile operators
 - b. Financial Institutions
 - c. Independent Mobile Financial Service Providers
 - d. Remittances providers
 - e. Payments providers and payments networks
 - f. Microfinance institutions (MFIs)
- 3- Analyzing MFIs participation in the partnerships and the services offered
- 4- Evaluating the existing partnerships where MFIs participate based on their financial inclusion potential (number of customers and services offered)
- 5- Determining potential follow up projects to support existing or potential partnerships with financial inclusion potential

The final objective of the working session is to select at least one initiative per country where MFIs participate using a Mobile financial services/branchless banking business model:

- a. ***To produce a guide of best practices to implement Mobile Financial Services in the region that could be used by other MFIs***
- b. ***To undertake a Mobile financial services usage impact analysis including:***
 - i. ***Benefits and costs study for the MFIs selected***
 - ii. ***Socio-economic impact for MFIs customers using randomized evaluation.***