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UGANDA MOBILE MONEY ASSESSMENT AND CASE STUDY

EXAMINING CASH PAYMENT STREAMS AND
THEIR ELECTRONIC ALTERNATIVES AMONGST
USAID IMPLEMENTING PARTNERS

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DISCLAIMER

The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

TABLE OF CONTENTS

ACRONYMS	5
EXECUTIVE SUMMARY	6
INTRODUCTION AND PURPOSE	7
ANALYSIS OF UGANDAN MOBILE PAYMENTS ENVIRONMENT	8
OVERVIEW	8
Figure 2.1: Mobile Telephone vs. Bank Penetration in Uganda.....	9
Table 2.1: Mobile Phone and Mobile Money Usage by Provider	10
Figure 2.2: Traditional financial services access points vs. mobile money agents	11
REGULATORY ENVIRONMENT	11
MOBILE MONEY PRODUCTS AND SERVICES	12
Table 2.2: P2P Tariff Comparison for a transaction of UGX 300,000 / USD 120.00	12
Table 2.3: Illustrative B2P Tariff Comparison.....	14
Table 2.4: Cost Comparison of Money Transfer Fees.....	14
Table 2.5: Mobile Money Services in Market Today.....	16
CONSUMER PROTECTION.....	16
Table 2.6: General Consumer Protection for Mobile Money	17
ANALYSIS OF IMPLEMENTING PARTNER PAYMENT STREAMS	17
BACKGROUND	17
SIGNIFICANT CASH PAYMENT STREAMS.....	18
Table 3.1: Average monthly payments for one health sector training.....	19
TRANSITIONING TO MOBILE MONEY: OPPORTUNITIES AND CHALLENGES.....	20
Table 3.2: Sample Chart of Common Challenges and Potential Solutions.....	21
THE COST OF CASH: AN ILLUSTRATIVE.....	22
Figure 4.1: Sample Chart of Common Challenges and Potential Solutions.....	22
CASE STUDY: PLAN UGANDA	23
BACKGROUND	23
ELECTRONIC PAYMENT SOLUTION.....	24
COST COMPARISON	24

Figure 5.1: Cost Comparison for Plan Uganda (USD).....	25
Table 5.1: Detailed Cost Comparison for Plan Uganda	25
SUMMARY OF BENEFITS	26
CASE STUDY: SUPER SAVERS.....	26
BACKGROUND	26
ELECTRONIC PAYMENT SOLUTIONS	27
COST COMPARISON	28
Figure 6.1: Cost Comparison for Super Savers (USD)	29
Table 6.1: Detailed Cost Comparison Super Savers.....	29
SUMMARY OF BENEFITS	30
TOWARDS FINANCIAL INCLUSION: MPANGA TEA FACTORY AND KENYA COMMERCIAL BANK (KCB)	30
BACKGROUND	30
ELECTRONIC PAYMENTS SOLUTION	31
SUMMARY OF BENEFITS	31
RECOMMENDATIONS FOR IMPLEMENTORS	32
FINAL ANALYSIS AND CONCLUSIONS	34
APPENDIX 1: RESEARCH METHODOLOGY	35
APPENDIX 2: INTERVIEW QUESTIONS	37
APPENDIX 3: FULL TARIFF SHEETS.....	39
APPENDIX 4: USAID FINANCIAL DOCUMENTATION REFERENCE TOOL [WORKING DOCUMENT UP-TO-DATE AS OF NOVEMBER 2012].....	43
APPENDIX 5: MOBILE MONEY OPERATOR QUESTION AND ANSWER SHEET: AIRTEL, MTN, AND WARID.....	52

ACRONYMS

B2P	Business-to-person money transfer, also known as bulk payment service
BOU	Bank of Uganda
BTC Alliance	Better Than Cash Alliance
EFT	Electronic Funds Transfer
IPA	Innovations for Poverty Action
KCB	Kenya Commercial Bank
LEAD	Livelihoods and Enterprises for Agricultural Development program
MEDA	Mennonite Economic Development Associates
MM	Mobile Money
MNO	Mobile Network Operator
NGO	Non-governmental organization
P2B	Person-to-business money transfer, also known as bill pay service
P2P	Person-to-person money transfer
PEB	Procurement Executive Bulletin
PEDN	Private Education Development Network
PIN	Personal identification number
PTA	Parent Teacher Association
SAGE	Social Assistance Grants for Empowerment
SST	Super Savers team
UCC	Uganda Communications Commission
Uganda IRS	Uganda Indoor Residual Spraying Program
UGX	Ugandan Shillings (currency unit)
USAID	United States Agency for International Development
USD	United States Dollars (currency unit)
WFP	World Food Program

EXECUTIVE SUMMARY

In just three years, mobile money usage in Uganda has grown from zero to at least **1.5 million active users**¹. This rapid expansion highlights the fact that there is clear need for safe, inexpensive, and efficient ways to send money around the country. Due to this, USAID/Uganda requested an assessment of how current partners are utilizing mobile money as an electronic payment system to replace cash for both operational and programmatic payments.

Organizations operating in Uganda struggle with cash payments, mainly for issuing per diems for training participants and paying field staff. To make these payments, they experience many of the problems commonly associated with cash: cash can be dangerous, costly, and can lack transparency since it is hard to track. In recognition of the problems with cash that exist worldwide, the United States Agency for International Development (USAID) has made a commitment to the [Better Than Cash Alliance](#) (BTC Alliance) to examine how electronic payments solutions, such as mobile money, can improve aid effectiveness and strengthen programs.

This assessment contributes to a wide variety of reference materials and tools which USAID is producing as part of this commitment. It summarizes the findings of a team of consultants from USAID/DC, Nethope, and Mennonite Economic Development Associates (MEDA), who supported USAID/Uganda in conducting a survey of implementing partners, a literature review, and in-country interviews with implementing partners and key stakeholders.

After describing the reasoning behind this report in more detail within Section II, Section III provides an overview of the mobile money market in Uganda as of November 2012. This industry has expanded rapidly in terms of both active clients and number of agents, and the product offerings are becoming increasingly diverse.

Section IV takes a more in-depth look at how implementing partners are using cash for last mile payments in the field, and in Section V uses one organization's own assessment to further understand the risk and cost of these cash payments. Sections VI and VII detail the experiences of two organizations, Plan International and IPA's Super Savers program, who are already piloting the use of mobile money as a replacement for cash payments. These examples show that there are still challenges for organizations using mobile money, mainly due to the young mobile money agent network, but that the overall experience is positive and is showing preliminary benefits of cost savings, increased flexibility, and time savings for both staff and program participants.

Section VIII looks at an innovative partnership between three private sector companies: Mpanga Tea, Kenya Commercial Bank (KCB), and Airtel. This partnership is one example of private sector innovation which is pushing the mobile money industry forward to the use of this new technology to expand financial inclusion by offering convenient access to salary payments, small loans, and savings accounts to previously unbanked populations, in this case, small tea farmers.

Based on these examples and the assessment of the mobile money market, Section IX provides recommendations to implementers and donors on how both can properly assess opportunities and challenges for using mobile money to replace cash payments. Finally, in the appendix,

¹ Primary interviews

there is additional information on many of the themes covered in the report, including the USAID Draft Financial Documentation Reference Tool, which provides detailed information on the functionality that different mobile money providers in Uganda offer for tracking and recording bulk payments.

In summary, there is a clear possibility for organizations to benefit from the use of mobile money in their operations and program. At the same time, they need to conduct thorough due diligence by assessing provider capabilities and completing a cost-benefit analysis of the financial and non-financial costs of both cash and non-cash options. Only through this due diligence can implementing partners determine if mobile payments are truly better than cash for their program, at this time.

INTRODUCTION AND PURPOSE

Today, the technology gap between the developed and developing world is rapidly closing. With the explosive growth of mobile technology throughout Africa, Latin America, and Asia, innovative solutions are offering cheaper and more relevant financial, health, and agricultural services to a down market population. People who have never before been able to access basic financial services can now use mobile money to store value directly on their cell phone, and use this electronic value to receive and send money to their friends and family, pay bills, and even purchase products.

The United States Agency for International Development (USAID) has made a commitment to the Better Than Cash Alliance (BTC Alliance) to examine how electronic payments solutions, such as mobile money, can improve aid effectiveness and strengthen programs across the globe. The BTC Alliance is a coalition of corporations, international development organizations, and governments committed to promoting cash-lite societies across the globe. The BTC Alliance promotes the use of electronic payments as a replacement to physical cash in order to catalyze financial inclusion, transparency, and efficiencies in payment and revenue streams in the developing world. Electronic payments can be defined as card based payments, electronic fund transfers between banks, cloud based payments, or funds that can be held and disbursed via a mobile phone (i.e mobile money). As part of its commitment to the BTC Alliance, USAID has begun an iterative process that examines how it can utilize its financial footprint and global presence in more than sixty countries to encourage a systematic movement away from the use of physical cash in the field by its implementing partners.

Through a variety of activities including a working group, surveys, online courses, and field visits, USAID has begun to collaborate with its country Missions to better understand where implementing partners can benefit from an increased use of electronic payments, and how, if at all, this transition can improve program transparency, security, and cost effectiveness. Through this process, USAID will develop reference documents and tools to inform implementing partners of the best ways to analyze and implement a transition within their programs.

USAID/Uganda was the first Mission to volunteer to host a team focused on exploring the alternative payment systems to cash in the country. The Mission requested a focus on mobile money payments, as card-based payments are not very common, and the standards around Electronic Funds Transfer (EFT) were fairly well known. The team, comprised of mobile money specialists from the USAID Mobile Solutions office, NetHope, and Mennonite Economic Development Associates (MEDA) conducted an online survey, desk research, and field

interviews to examine the implementing partner landscape and determine where, if at all, opportunities exist for a transition from cash payments to mobile money payments.

Uganda has seen explosive growth in mobile money adoption growing to 7 million registered accounts in just four years. This robust mobile money ecosystem makes Uganda a perfect candidate to analyze where this new tool can be utilized by implementing partners and explore the products available that can provide safe and efficient alternatives for programs that still experience significant challenges with the use of physical cash.

ANALYSIS OF UGANDAN MOBILE PAYMENTS ENVIRONMENT

OVERVIEW

Out of 140 mobile money deployments worldwide, it is estimated that only eleven of those have reached 1 million registered customers and the number of those with over a 1 million active customers is even smaller.² Three of the deployments where mobile money usage has skyrocketed come out of the East African region - Kenya, Uganda and Tanzania. Kenya, the well-known front-runner in the adoption of mobile money, has certainly played a part in encouraging uptake in usage among its neighbors, but it is more than that. The circumstances that allow for this innovative financial service to be used on a wide scale also thrive in Uganda. Some of the factors that explain the uptake of mobile money are:

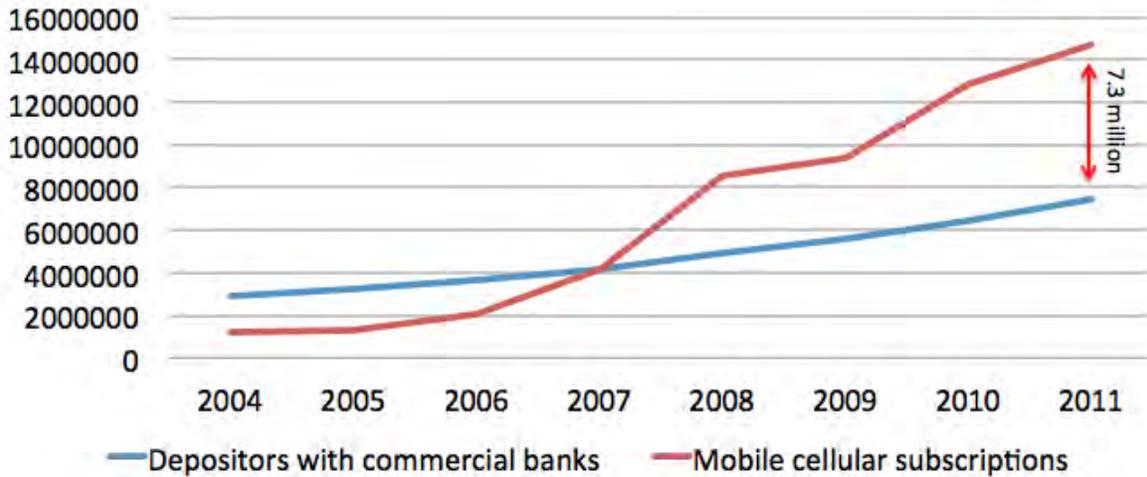
- A combination of a literate and relatively young population;
- Strong demand for sending money to friends and family quickly and securely;
- A rapidly growing market penetration for mobile phones;
- An enabling regulatory environment; and
- A competitive market place, where supply is racing to meet demand.

These factors, among others, have catalyzed a large number of fast moving and flexible mobile financial service products that have become available to a wide swath of the population. Mobile money adoption in Uganda has grown at an astounding rate and continues to follow a steep trend upward.

This is due in large part to 2 factors: first, the rapid expansion in use of the mobile phone, and following, the rapid expansion in access to mobile money services. Mobile penetration is currently 44% of the population, and 97% of the population is covered by one or more of the mobile network operator (MNOs) networks. Figure 2.1 below compares mobile penetration to bank penetration in Uganda since 2004, displaying the rapid growth of the mobile phone vs. traditional financial services.

² Mobile Money for the Unbanked "Annual Report 2012" GSMA Note: in this particular report, active costumers are defined as having conducted at least one transaction in the last 90 days.

Figure 2.1: Mobile Telephone vs. Bank Penetration in Uganda³



Building on this wide access, the MNOs launched mobile money services, starting with MTN Mobile Money in 2009. In just 3 years, approximately 7 million Ugandans have registered for mobile money, which is nearly half (47%) of the total number of registered SIM cards. Based on primary interviews while in country, the number of active mobile money accounts (in this case defined as those with 1 or more transactions recorded over the last 30 days) has reached 1,475,000 people. This is an important figure because while many mobile money providers in other countries have registered large numbers of clients, these clients are not actively using the service. On the other hand, in Uganda, this active client base is equal to 10% of all registered SIM cards. As mentioned earlier, this level of active mobile money customers puts Uganda in a select few deployments that are on their way to reaching critical mass.

³ World Bank Database

Table 2.1: Mobile Phone and Mobile Money Usage by Provider⁴

MNOs ⁵	Market Share Voice services	Mobile Money Subscribers	Mobile Money agents
MNO #1	18%	1.5 million	8,000
MNO #2	49%	3.3 million	14,000
MNO #3	14%	400,000	N/A
MNO #4	15%	1.8 million	8,000
MNO #5	3.5%	N/A	N/A
Other MNOs	0.5%	N/A	N/A
Total	100%	7 million	15,000 ⁶

This rapid expansion of mobile money provides an opportunity to fill the large gap in the use of financial services by the Ugandan population. This gap exists because, although present in Uganda for the last 100 years, formal financial institutions, including banks and microfinance institutions (MFIs), have not effectively reached the majority of the population. Approximately 20% of Ugandans have access to financial services⁷, and the banks struggle to find a feasible and profitable way to engage down market clients. This small banking footprint means that both EFT and card-based payments are available, but not widely used. Low levels of saving, low levels of lending, high margins and costs are main reasons why Uganda has only an estimated 468 bank branches today, clearly insufficient for serving the population of 34 million.⁸

This is in contrast to mobile money services, which, in just four years, have developed a network of over 15,000 unique agent locations, which are the points of access for mobile money clients to withdraw or deposit cash into their mobile wallets. Due to this expansive nationwide network, there is clearly an opportunity to leverage mobile money as a strong channel to offer financial services to a larger number of people, especially the poor. Figure 2.2 compares the number of access points of traditional financial services to mobile money agent networks in Uganda today.

⁴ Information found from interviews during site assessment with MNO mobile money providers and other market stakeholders

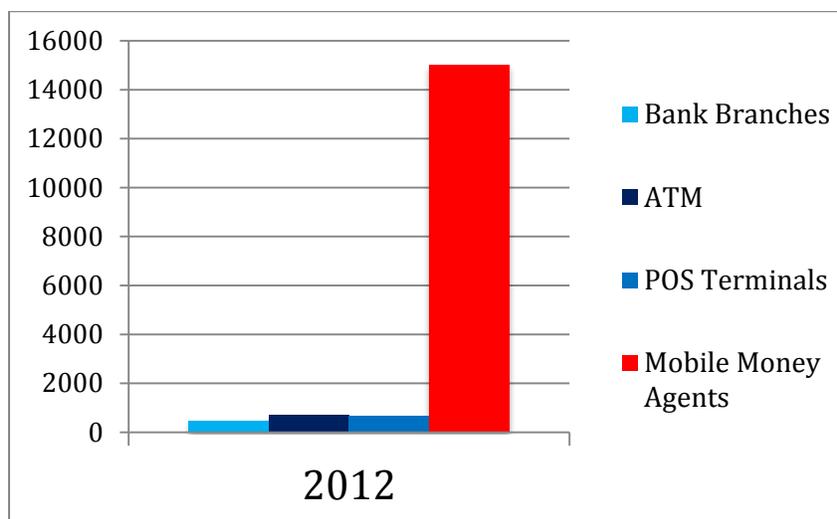
⁵ Company names are withheld at the request of the service providers, who were forthcoming with such information during interviews only with a guarantee of anonymity due the competitive nature of the industry.

⁶ This number reflects an estimate of total agents, taking into account that many agents work with multiple mobile money providers which causes overlap. This estimate is based on discussions with the mobile money operators and field researchers highly familiar with the Uganda mobile money landscape.

⁷ FInScope Uganda, 2011

⁸ This is a projected amount based on the World Bank Database 2010. The report uses this estimate, although it is almost twice as high as other estimates – including the Bank of Uganda’s own estimate of less than 500 branches in 2010.

Figure 2.2: Traditional financial services access points vs. mobile money agents



REGULATORY ENVIRONMENT

The Bank of Uganda (BOU) is not yet heavily regulating mobile payments. This is a similar approach to that of the Bank of Kenya, which did not implement strong regulations when M-Pesa (the largest mobile money product in Kenya) first launched, in order to allow the industry to develop quickly and to encourage innovation⁹. According to interviews with a GIZ consultant (the international development agency for the government of Germany) who is working closely with the BOU on financial inclusion, the regulators have followed Kenya's example in order to let MNOs take the lead in terms of the business model for mobile money. The BOU understands clearly that the MNOs are interested in serving a market that has historically not been of interest to financial institutions.

The BOU has issued Letters of No Objection to banks who have partnered with MNOs to provide mobile money services. Therefore, although mobile money in Uganda is being predominantly driven by MNOs, each MNO is required to partner with a regulated bank and to store all funds associated with mobile payments in supervised bank accounts. The bank partner is thus responsible for ensuring that electronic value is always matched by the value of funds held in the bank, thus ensuring that there is no impact on the stability of the national currency.

The BOU is currently in the process of drafting more formal guidelines in cooperation with the Uganda Communications Commission (UCC), due to be released in July 2013. The guidelines are being drafted by a committee tasked with expanding financial inclusion, and they are working closely with GIZ to develop innovative financial services for the poor. The working group is divided into sub-groups, each of which is focused on key areas of necessary regulation,

⁹ For more on the regulation of mobile money and elsewhere, reference CGAP publications, especially those on Non-Bank E-money issuers by Michael Tarazi (2010 and 2012.)

including customer identification, fraud mitigation, counter terrorism funding, anti-money laundering and agency banking. Although many in the mobile money industry in Uganda would like the guidelines to be released sooner, it is encouraging that there is a clear commitment on behalf of the regulators to develop policies to support the sound expansion of all financial services, including those using mobile payment channels.

MOBILE MONEY PRODUCTS AND SERVICES

Based on the wide availability of mobile money, there is an opportunity for organizations to utilize these services. To understand this opportunity, it is first necessary to understand the current services offered by mobile money providers. While there are a number of groups and organizations using mobile money in a variety of ways, the actual service offerings can be broken down into five basic choices, all of which are currently or soon to be offered by the four main mobile money providers: P2P, B2P, Bill Pay, Mobile Banking (i.e., joint offer with a Bank Account), and international money transfer.

1. P2P, or person-to-person transfers: P2P is the most common use of mobile money globally, in Uganda and other areas of the developing world. Of approximately 87.5 million mobile money transactions conducted by Ugandans in 2011, valued at UGX 3.7 trillion,¹⁰ the vast majority were P2P. P2P allows clients to transfer value from a prepaid mobile wallet to another user's mobile wallet. P2P services are commonly used to send money to friends and family elsewhere within the same country (i.e., domestic remittances.) Similar to other countries, mobile money users in Uganda can transfer money to an un-registered user, or a user of another service.

Table 2.2: P2P Tariff Comparison¹¹ for a transaction of UGX 300,000 / USD 120.00¹²

Tariff UGX	MTN	Airtel Money ¹³	Warid (Warid clients)*
Maximum Wallet size	UGX 4 million USD 1575.00	UGX 12.5 million USD 4,920.00	UGX 3 million USD 1180.00
Maximum transaction size	UGX 4 million USD 1,575.00	UGX 1 million USD 393.00	UGX 3 million USD 1180.00
Deposit Money	Free	Free	Free

¹⁰Annual Supervision Report, Bank of Uganda, December 2011 Issue No. 2

¹¹ For comparison purposes, the analysis will only look at cost of the 3 providers with significant market share of the mobile money market (more than 500,000 customers.)

¹² Exchange rate of 2500 UGX: 1 USD used throughout the document.

¹³ In May 2013, after this report was drafted, Airtel Uganda's India-based parent, Bharti Airtel Group, won regulatory approval to buy Warid Telecom Uganda and merge it with Airtel Uganda.

Send Money (Registered User)	UGX 800 USD 0.31	UGX 800 USD 0.31	UGX 700 USD 0.28
Send Money (Unregistered User)	UGX 10,000 USD 3.94	UGX 10,000 USD 3.94	UGX 800 USD 0.31
Withdraw Cash (Registered User)	UGX 5,000 USD 1.97	UGX 5,000 USD 1.97	UGX 4,700 USD 1.85
Withdraw Cash (Unregistered User)	Free	Free	UGX 8,500 USD 3.35

*Warid allows customers to have a Warid Pesa account on any SIM, regardless of the network. They charge different prices to those accessing their Warid Pesa wallet from the SIM of another provider. This pricing information is not listed in this chart for comparison purposes.

As the mobile money providers use different pricing strategies, the table above compares transactions cost for a transfer of UGX 300,000 (USD 120). See full tariff sheets in Appendix 3.

2. B2P, or business-to-person, or Bulk Payment Service. This service allows an organization, whether it is a business, government ministry or NGO, to pay multiple recipients at one time by transferring money (also referred to as pushing funds) into their mobile money corporate account. Because a large portion of rural and/or seasonal workers across Uganda lack bank accounts, organizations have needed to find ways of delivering cash to pay salaries and expenses. Cash payments, especially in large volumes, naturally carry with them a great deal of risk, not to mention expense and vulnerability to theft and corruption¹⁴. These risks are described in more detail in the following Section IV. Currently, some of the larger users of bulk payments in Uganda are the World Food Program (WFP), the Social Assistance Grants for Empowerment (SAGE), and British American Tobacco. Specific case studies highlighting opportunities and challenges for organizations already using bulk payments in Uganda are detailed in Sections VI and VII.

Transaction fees are generally lower for those with corporate accounts than those of P2P accounts, since they are effectively purchasing P2P services in bulk. The rates in the table below describe the cost per transaction for a company making a payment of 100,000 UGX to 120 recipients.

¹⁴ Bulk Payments also offer reporting systems associated with them using a web interface. They can provide both stand alone documents and excel-type of documents that can be downloaded, providing detailed transaction history including proof of where funds are transferred to an individual, when, and how much. For more information about this, please see Appendix 4, which includes a draft Financial Documentation Guide, showing standard Mobile Money processes, internal controls and documentation produced by these web-based bulk payment client interfaces.

Table 2.3: Illustrative B2P Tariff Comparison

Tariff UGX	MTN	Airtel Money	Warid
Deposit Money	Free	Free	Free
Send Money (Registered User)	UGX 300 USD 0.12	UGX 250 USD 0.10	UGX 500* USD 0.20
Send Money (Unregistered User)	N/A	UGX 250 USD 0.10	UGX 500 USD 0.20
Withdraw Cash (Registered User)	UGX 1600 USD 0.63	UGX 1600 USD 0.63	UGX 1600 USD 0.63
Withdraw Cash (Unregistered User)	N/A	UGX 1500 USD 0.59	

*Warid Pesa offers the option pay a flat fee or a percentage of the value per transaction. Companies may choose based on what option is cheaper, the above value is the flat fee for sending payments to 10 to 249 recipients.

Mobile money can sometimes be a good value to businesses looking to move money quickly and efficiently. The table below compares the transfer fees associated with each type of traditional payment (checks & EFTs) and mobile money bulk payments with a value of 100,000 UGX.

Table 2.4: Cost Comparison of Money Transfer Fees

	MTN	Airtel	Check Printing/Clearing	EFT
Cost of a money transfer	UGX 300 USD 0.12	UGX 350 USD 0.14	UGX 10,000 USD 3.94	UGX 3,000* USD 1.18

*EFT charges differ when made within the same bank or between banks. The numbers above represent the fees of one particular bank in Uganda when transferring funds to another bank.

3. P2B, or person-to-business, or Bill Pay Service: This service allows a user to pay a company using their mobile money account. A common complaint in Uganda and other developing countries has been the need to travel to the bill pay location, often the capital city, and stand in line for long periods of time to pay bills, resulting in extra expense for travel and productive time lost away from work. Currently, popular uses of bill pay in Uganda are for utility bills and television bills. One particular use of this service is by microfinance institutions (MFIs), which can use the Bulk Payment and Bill Pay capabilities of mobile money to disburse and collect repayment for loans. Although not yet widely used in Uganda,

both FINCA and Opportunity International are planning to launch pilots for loans disbursement and collection in Uganda.

4. **Mobile Banking:** This is a term used to describe a product which allows a client to use their mobile phone to access a formal bank account. Adoption of mobile money services has been largely driven by money transfers, a simple but highly demanded service. However, using mobile payments to expand the use of robust financial services requires linking to formal financial institutions, since banks, deposit-taking MFIs, and other prudentially regulated financial institutions are still the only institutions that are allowed to pay interest on savings and to generate credit history. In Uganda, these linkages are still nascent. However, the banking sector is showing keen interest and foresight to take advantage of mobile money services, which allow them to reach new customer segments without the expensive overhead costs of traditional brick and mortar branches.

Kenya Commercial Bank (KCB), Standard Chartered, Pride Microfinance and Stanbic Bank all have relationships with one or more of the mobile money operators in Uganda. These relationships are just beginning to move beyond the bank's initial role of holding float for mobile money operators. They are now looking at a variety of different services, including ATM integration and linking a bank account directly to an individual's mobile money account. This linkage will enable clients to push money from their mobile wallet into their bank account, as well as pull money from their bank account onto their mobile wallet. With this push and pull mechanism, the mobile wallet works much like a debit card, allowing a portion of funds in a bank account to be accessed easily and quickly for daily cash needs (critical in a country with very low ATM penetration.) If successful, these services will allow banks to access down market clientele while providing basic financial services to a currently unbanked population. These partnerships have not yet proven to be scalable in the more mature market of Kenya¹⁵; however, new products such as M-Shwari, are showing promising results.

5. **International Money Transfer:** MTN Mobile Money has partnered with Western Union to allow mobile money subscribers in Uganda to send and receive money to and from countries where Western Union operates. To use this service, senders transact with Western Union as usual, by visiting a Western Union agent location in their own country or visiting the Western Union website to send money online. When the intended recipient in Uganda receives the transfer, he can either withdraw as usual at a Western Union location, or he has the option to pull the value of the transfer into his MTN Mobile Money account. Once the value of the transfer has been transferred to the mobile money account, the customer can store the money for future use or withdraw it from any MTN Mobile Money agent.

This service takes advantage of the vast network and experience of Western Union, while providing the convenience of receiving money directly to a mobile phone and allowing customers to store this money for future use in a secure manner. While MTN is the only provider yet to launch such a service, it is likely that the other providers will do so in the near future.

¹⁵ For a more in-depth discussion of the experience of financial institutions partnering with M-Pesa in Kenya, refer to "Analysis of Financial Institutions Riding the M-Pesa Rails," available at www.microsave.org.

Table 2.5: Mobile Money Services in Market Today

	MTN	Airtel Money	Warid
P2P	√	√	√
Bulk Payments	√	√	√
Bill Pay	√	√	√
Joint Offer w/ Bank Account	√	√	√
International Money Transfer	√		

As mobile money has developed in several countries, there has also been another set of businesses developing – those that provide an alternative to dealing directly with the MNO providing the mobile money service. In Uganda, some examples are mCash, Yo! Payments, and EzeeMoney. These providers offer a variety of value-added services, including but not limited to bulk payments services. Many, such as Yo! Payments, provide bulk payments services with user-friendly interfaces that the standard MNO product, more security measures, and the ability to send money to multiple users on different networks at the same time. This is a critical development in MNO-led mobile money markets where mobile wallets are not interoperable, because it allows a company to use these services for payroll or per diems without forcing all of the recipients to use the same cell phone company. It can also help to avoid complaints of missed payments from recipients who have to switch SIM cards in order to receive a payment. In addition, this space has proven in Kenya to drive innovation and push the market towards more sophisticated mobile payments services, such as paying for goods at retail outlets and allowing for microinsurance, micro-loans, and other financial services products.

Three MNOs, Airtel, MTN, and Warid have answered specific questions asked by implementing partners surrounding the mobile money services offered. This question and answer sheet, found in Appendix 5, provides a more detailed look into some of the relevant services, such as bulk payments, offered by MNOs in Uganda.

CONSUMER PROTECTION

While each mobile money service provider is different and has a different set of standard operating procedures, each its own set of internal controls to prevent fraud within the corporate structure, by agents, and against clients/users. The following is a brief overview of the general consumer protection measures that MNOs in Uganda implement.

Table 2.6: General Consumer Protection for Mobile Money

General Consumer Protection for Mobile Money	
PIN Number	<p>All mobile wallets are protected by a PIN number (usually 4-digits), which is selected by the owner of the mobile wallet and can be changed at any time. Mobile handsets often provide customer the choice to require a separate passcode to access the mobile phone, which provides an extra level of security.</p> <p>Clients can get different registered SIM cards and use them in the shared handsets on receipt of money and during transactions without compromising the accessibility of funds by third parties.</p>
Customer Care	<p>Each mobile money provider has a unique customer care line for users, corporate clients and agents. These customer care lines vary in user experience, but the purpose is to avail themselves to report issues of fraud, consumer challenges, and consumer protection issues.</p>
Agent Network Management	<p>Most providers also monitor their agents closely, as the agent is the point of contact for the customer. Providers are in essence outsourcing customer service to a network of agents, and therefore in order to ensure a high quality of service there must be significant attention paid to recruitment, training, and monitoring to ensure that agents are well prepared to manage the customer relationship. This Agent management is also critical to ensuring that agents maintain a balanced liquidity of cash and electronic float, since both are necessary to allow customers to transact. Each provider in Uganda uses a similar system that generally involves multiple levels of agents (including bank branches to ensure liquidity) and regional managers to monitor liquidity and to respond to customer complaints.</p>
Bulk Payments	<p>In the bulk payments process, it is standard practice to require dual authorization before payments are made. In other words, each payment requires a maker and a checker, with different user names, mobile numbers, and passcodes. This is standard in most financial systems to protect against fraudulent incidents. Depending on the system, the mobile money provider may have more than one verification unit within their corporate operations. While one mobile money provider in Uganda does not offer this protection, all of the others do offer it – a reminder of the need for due diligence when choosing a provider. The specifics of each service offering are described in more detail in the USAID Draft Financial Documentation Reference Tool (Appendix 4).</p>

ANALYSIS OF IMPLEMENTING PARTNER PAYMENT STREAMS

BACKGROUND

USAID/Uganda is amongst the largest Missions in sub-Saharan Africa in terms of obligated program funds¹⁶, and the flow of money spent by its implementing partners highlights how any

¹⁶ USAID Website, “Where Does USAID’s Money Go?” <http://transition.usaid.gov/policy/budget/money/>

organization in Uganda can benefit from the growth of mobile money described in the previous section. The objective of the following analysis is to provide a context-specific understanding of the types of payment streams that still are primarily conducted through physical cash payments in Uganda, and to show how organizations can assess if their specific payment needs will benefit from a transition to electronic payment mechanisms.

To inform this analysis, USAID/Uganda conducted a survey in July 2012 that assessed the use of cash versus electronic payments amongst a variety of implementing partners, a majority of whom focus on agriculture and health¹⁷. The survey divided a program's payment streams into two areas, the operational and the programmatic. Operational payments refer to any disbursement of funds to non-program participants, meaning employees, consultants, employee travel expense, office supply vendors, and other merchants. Programmatic payments are defined as funds disbursed to anyone considered a beneficiary of the program, meaning attendees to training workshops, cash for work participants, cash transfer recipients, loan recipients, and others.

The survey findings produced two overarching conclusions:

1. Programs are already using EFT often when the recipient of the payment has access to a bank account. In these cases, there were challenges reported due to the fact that at times field staff in rural areas had little or no access to bank branches where they could receive payments.
2. Programmatic costs in the form of training per diems and transportation reimbursement are major payment streams that still are conducted via cash.

Survey participants did not list alternative electronic payments solutions such as mobile money as a common form of payment. Despite the fantastic growth in the mobile money sector recently, it seems at the time of the survey, implementing partners were just beginning to explore the ways these payment services can be integrated into the financial management of their programs. The following section details the challenges that cash payments pose for implementing partners, as these challenges present an opportunity for a payments solution such as mobile money to reduce administrative burden and risk, as well as to lower the cost of operations. In the following section, three examples demonstrate how organizations in Uganda are tackling these challenges and starting to benefit from transitioning these cash payments to electronic form.

SIGNIFICANT CASH PAYMENT STREAMS

Training Per Diems

Programs that contain a high number of trainings tend to require more cash-based transactions than those that provide strict technical assistance through staff. USAID/Uganda has a strong focus on strengthening health systems, and therefore many implementing partners conduct capacity building workshops and trainings for district health workers. This translates into multiple trainings per month across several districts with an average of around 26 participants.

¹⁷USAID/Uganda has 5 focus areas: Peace and Security; Democracy and Governance (DG); Health, HIV/AIDS, and Education (HHE); Economic Growth (EG); and Humanitarian Assistance. The majority of those who responded to the survey focus on HHE and on agriculture (which is part of EG.)

Depending on the location of the training, per diems are paid out to participants to cover transportation to the training, lodging, and meals. Based on interviews with four large health programs, the table below shows the estimated cash burden for one training, on average¹⁸.

Table 3.1: Average monthly payments for one health sector training

No. of Attendees	No. of days	Per Diem Rate per trainee	Total cash handled by staff per training, on average
26	4	UGX 53,000 USD 20.87	UGX 5.5 million USD 2,165

With multiple trainings occurring per month across a variety of districts and regions, the amount of cash being handled by field staff is significant. In one program alone, it was estimated that approximately USD 793,000 was pushed out through cash last year, which constituted 26% of the program's national site level budget (in other words, the budget that is dedicated to the field rather than international and national headquarter administrative costs). The implementing partners that were interviewed articulated several challenges associated with these cash payments, including:

- Security risks to staff which was by far the most frequently cited as the primary concern;
- Administrative staff time to prepare and track cash payments;
- Security of program participants, As the days cash is disbursed are well-known in small towns and villages, participants can be targeted for theft;
- Transports costs including vehicles, fuel, driver salaries, and insurance;
- Impact on Organizational Cash Flow as often, the full amount of payment due for one training is withdrawn from the bank as an advance, and the organization cannot fully reconcile cash flow until the funds are paid out to participants and all documentation and receipts of disbursement are returned to the office and processed.

Field Staff Payments

Many USAID programs within Uganda operate in rural regions where bank branches do not exist. However, field staff frequently are paid per diems and travel funds to cover expenses. At times, field staff are required to travel to Kampala or a regional office to collect their per diem and travel funds, forcing the employee to incur high costs in terms of both time and money.

An illustrative example (provided by the USAID Livelihoods and Enterprises for Agricultural Development (LEAD) program) is that of a field officer working in Mbale. To collect the per diem for days spent outside his/her region, the field staffer occasionally has to travel 11 hours round trip into Kampala to collect the money. The trip results in a day of work lost and costs approximately UGX 40,000 in travel costs.

The USAID LEAD program, when possible, coordinates the transfer of funds to field staff in rural areas with trips the Kampala office takes to the field. However, this requires field staff to wait for

¹⁸ All numbers are estimates based on responses to specific questions during primary interviews from October 29 to November 9, 2012.

per diems, making this cash payment stream inflexible and inefficient. LEAD staff have now begun to use mobile money as an alternative disbursement mechanism. Field staff are already using mobile money for personal reasons, and therefore already know and trust the payment channel. Albeit informal, in this case, mobile money is a flexible and cost-effective payment stream for issuing this large payment stream.

A second illustrative example is provided by another USAID program called the Uganda Indoor Residual Spraying Program Phase II (Uganda IRS), a program which has been proactive about overcoming the challenges and costs associated with cash. The program aims to reduce malaria-related mortalities in Northern Uganda through the use of bi-annual insecticide sprayings within targeted households. To do so, the program must pay 3,600 local labor sprayers across ten districts each spray cycle. In the past, this resulted in scenarios where cash payments were organized in Kampala, consuming three full days of four staff members' time. The entire head office staff would then go out into the field, taking on average seven cars (some program owned, some rented) and deliver the cash payments to each parish where sprayers were located. The program recounted stories of head office staff taking turns staying awake during the night to ensure security of the cash from thieves in in-secure hotels.

This sort of experience motivated the Uganda IRS program to explore other options to disburse the payments to the sprayers. In 2010, they analyzed a variety of bank payment services, and decided to use PostBank, an organization that provides a cash transportation service in the form of a van. This is not a use of electronic mobile money; however, it was the best option available in 2010 when MTN Mobile Money was only just beginning to operate. The PostBank solution has successfully cut staff and transportation costs associated with cash, by transferring the cash burden onto the bank, an organization which is much better equipped to transport cash securely.

To continue their transition away from cash, the Uganda IRS program has already met with MTN Mobile Money to discuss options for bulk payments, which they understand can provide a cheaper and more flexible option than the PostBank solution if the MTN Mobile Money agent network is well-developed in the areas where the sprayers are located.

TRANSITIONING TO MOBILE MONEY: OPPORTUNITIES AND CHALLENGES

Because of the challenges associated with these two key payment streams, training per diems and field staff payments, there is an opportunity for mobile money to help alleviate some of the risks and administrative burdens that come with cash management of this scale. Yet, mobile money is still a new industry in Uganda, and organizations do face barriers in transitioning away from cash. These barriers can and are being overcome through proper due diligence and creative solutions.

Table 3.2: Sample Chart of Common Challenges and Potential Solutions

Area of Consideration	Potential Challenge	Potential Solution
Agent availability	Agents located close to the trainings do not always have sufficient funds for all participants to withdraw cash at once.	<p>Work with the MNOs to ensure that they can provide extra support to their agents on the day of a training;</p> <p>Understand which Super Agents are supporting liquidity for nearby smaller agents and communicate the need for extra support;</p> <p>Encourage participants to store funds in their mobile wallets until needed.</p>
Participants access to phones	Participants must all have access to phones and the organization must have accurate phone numbers	<p>Develop a running database of all program participants and their mobile phone numbers.</p> <p>Track attendance electronically cut down on paper trail and human error.</p>
Tracking of Payments	For proper financial management, organizations need a way to track whether or not participants received the payments made with mobile money.	<p>Bulk payment services provide statements with a record of all transactions (both successful and unsuccessful). See Annex 4 for more details.</p> <p>Field staff have training participants verify whether they received their money when they sign the attendance form.</p>
Network Outages	MNO Network Outage.	<p>When selecting a MNO to partner with, request an analysis of their network outages (Uptime Report).</p> <p>When educating payment recipients of new payment methods, communicate that outages are likely and may inhibit the funds transfer. Request they check their balance again at another time before assuming that payment was not received.</p>

The rest of this report will focus on specific examples of four organizations in Uganda that either have considered transitioning from cash-based payments in their operations or have made the transition. These examples illustrate the opportunities, challenges, costs and benefits associated with the transition from cash to mobile money in the Ugandan context.

THE COST OF CASH: AN ILLUSTRATIVE

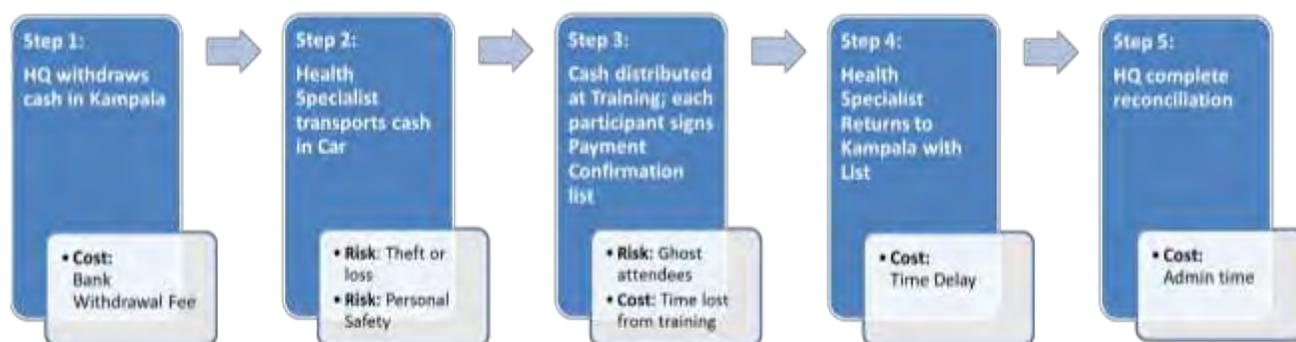
To better understand a program's cash landscape and how it can pursue alternatives, the following example takes a deeper look into a USAID health program, which has asked to remain anonymous for this report. This program was launched in 2009 to support comprehensive HIV/AIDS and TB services within 12 districts of a specific region in Uganda. The overall objective of this program is to increase access to, coverage of, and utilization of high-quality, comprehensive HIV & AIDS and TB prevention care, and treatment services within the district health facilities and their respective communities.

The program's extensive work in the field often requires them to operate in physical cash in areas where financial institutions are sparse. Small cash payments occur on a highly frequent basis across all 12 districts. There are two primary areas in which cash is frequently used are:

- 1) Training Per Diems: The program provides support and training to the staff of over 140 clinics throughout their area of operation, and offer per diems to these participants as previously discussed.
- 2) Direct Support: The program also provides direct support to clinics and community health advocates who educate the local population on the services clinics offer in their region.

The following is a depiction of the typical process for distributing cash payments to training participants, with the breakout boxes listed the typical costs and risks which the organization highlighted during interviews.

Figure 4.1: Sample Chart of Common Challenges and Potential Solutions



The organization distributes approximately USD 66,000 each month in this way, and for each training, the end-to-end time from withdrawal to reconciliation is six weeks, on average, which means that at any given time, the organization could have as much as USD 134,000 outstanding that is not reconciled or reimbursed.

Spurred on by these challenges, the program's Director of Finance and Administration has investigated solutions to resolve the risks and costs associated with cash management. First, his team conducted an in depth analysis of where cash is used and the actual amount that is

disbursed on an average monthly basis. Second, his team developed a request for proposals (RFP) outlining the problem statement, where cash was being used, and the frequency of the use of cash, which was submitted to several banks.

The program initially chose to engage with banks, rather than the mobile money providers directly, since banks are regulated and the program had existing relationships with several banking partners. Out of the three bank proposals received, two suggested partnerships with a mobile money product, due to the convenience of mobile money agents near the training center. The next step will be to gain approval for one of the proposals from the organization's headquarters in the United States¹⁹.

This USAID health program is an example of an implementing partner that has taken a proactive approach in dealing with their cash management issues. This level of due diligence is crucial for achieving solid benefits from the transition to electronic payments, benefits which are highlighted in the following case studies.

CASE STUDY: PLAN UGANDA

BACKGROUND

The following two case studies highlight two USAID implementing partners that have already transitioned payments in the field from cash to mobile money. Both Plan International and the Super Savers program are in the early stages of this transition, and the analysis shows that both organizations have already seen substantial benefits of cost reduction, risk mitigations, and increased flexibility.

Plan International, a non-profit organization committed to child rights and development, has been working in Uganda since 1992. Plan currently works in 5 districts across the country, and regularly holds workshops and trainings on issues such as the Prevention of Mother to Child Transmission, nutrition, and school engagement.

For each workshop or training, many of the large costs, such as payments to vendors for food and conference space, are sent via bank transfer (EFT). It is the common practice for implementing partners make to these types of payments to vendors. However, similar to other implementers in Uganda, payments to workshop participants are still paid in cash. Plan does not pay per diems, but participants are reimbursed for transport costs. These reimbursements historically have been paid in cash at the end of each workshop. Workshops, on average, last 4 days, and have 50-100 participants that each need to receive approximately 24,000 shillings per day to cover transport. There are a minimum of 2 workshops per month. This amounts to an estimated total of UGX 9,600,000 – 19,200,000 (USD 3,780 - 7,560) that is paid out in cash per month.

¹⁹ Note that after the workshop conducted as part of this assessment in November 2012, the program's financial director decided to engage the mobile money providers directly. The workshop showed the program that many of these providers do, in fact, have robust audit trails for bulk payments customers, new information to many of the organizations in attendance.

Plan identified several issues with paying in cash. First, there are costs associated with the withdrawal of cash from the bank and the transport of this cash back to headquarters. Then, the cash is transported from headquarters to the training by the coordinator who is actually teaching the course, in order to save on additional transport costs. The coordinator assumes responsibility for the cash, and at the end of each day of training, is required to take attendance and pay each participant, taking up valuable learning time. Since it is hard to know exactly which participants are coming in advance of the training, the coordinator often has to bring back a balance to headquarters. Plan's Office of Finance then has to process the documentation in order to account for the money spent and not spent, which generates significant amounts of paperwork and consumes finance staff time.

ELECTRONIC PAYMENT SOLUTION

In July 2012, Plan began paying transport reimbursements to participants in trainings that last a minimum of two days through MTN Mobile Money. Plan is also using this service for staff, including drivers, who need money quickly for various reasons. The organization chose MTN as a service provider mainly because this is the MNO used by 98% of Plan staff. Plan now issues bulk payments through an agent recommended by MTN, rather than becoming their own agent by using the bulk payments service, which would allow them to issue the payments directly through an online interface.

Now, the coordinator no longer has to assume the risk of cash. Rather, at the end of the first day of training, the coordinator sends a soft copy of the attendee list with name, phone number, and verification as to whether the attendee is registered for MTN Mobile Money. Headquarters finance staff put this document into the MTN bulk payments format and submit it to a bulk payments agent. Once the agent has paid all participants, he/she should send a report confirming all payments, or, on the contrary, notify Plan of any errors that need to be corrected (such as a wrong phone number.)

After piloting this service for five months, Plan is satisfied with the cost and time savings and they have received positive feedback from participants who are pleased that they are receiving their money quickly. However, there are still challenges that need to be worked out over the next few months. The main issues stem from the use of an agent to make the bulk payments. The agent sometimes runs out of float (electronic money) in the middle of a bulk payment, and the agent does not always send the report on time. If Plan was to become its own agent, they would avoid these issues and also save additional money since bulk payments via MTN are offered for a low flat fee of UGX 300 (USD \$.012.)

COST COMPARISON

The following is an estimated cost comparison based on one month with two trainings, each with 50 participants. For mobile money payments, it is estimated that 40 out of 50 of the participants are registered MTN Mobile Money users (referred to as on-net transfers.)

Figure 5.1: Cost Comparison for Plan Uganda (USD)

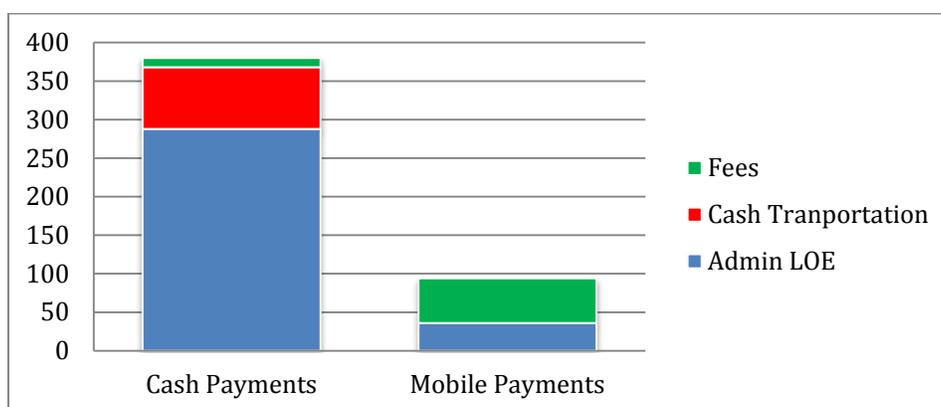


Table 5.1: Detailed Cost Comparison for Plan Uganda

	Cost of Cash Payments, Inputs	Cost of Cash, Total per Month	Cost of Mobile Payments, Inputs	Cost of Mobile, Total Per Month
Administrative LOE	2 Admin Salary LOE ²⁰ of 3 days per month	USD 288.00 UGX 731,000.00	2 Admin Salary LOE of 0.5 day per month	USD 48.00 UGX 122,000.00
Cash transportation	Driver Salary, LOE of 4 days per month	USD 80.00 UGX 230,000.00	N/A	USD 0.00 UGX 0.00
Fees	Cash Withdrawal Fee	USD 2.00 UGX 5,080.00	Mobile Money Fees* Transfer fees – On-net at \$0.32 (UGX 800) Off-net at \$0.64 (UGX 1600) Withdrawal fees – On-net at \$0.28 (UGX 700) Off-net at \$0.00 (UGX 0)	USD 36.00 UGX 91,000.00
Total		USD 370.00 UGX 966,000		USD 85.00 UGX 213,000.00

*On-net refers to registered MTN Mobile Money users, while off-net refers to those who are not registered.

Note that the cost of the mobile payments would be reduced even further to USD 31 (UGX 77, 500) if Plan signed up the bulk payments service offered by MTN and disbursed the funds via the online interface.

²⁰ LOE = Level of Effort required for employees to complete the task.

SUMMARY OF BENEFITS

- Cost savings of 77% per the previous section.
- Time savings for participants who no longer have to wait up to two hours after a training is complete to receive cash payments
- Increased productivity of administrative staff who have less paperwork to complete, and for coordinators who are able to dedicate more time to training content, rather than on participant payments.
- Increased transparency as mobile payments can be more easily tracked to participants that attend an entire training.
- Reduced risk for both the organization and for the coordinator who is no longer responsible for large amounts of cash.

CASE STUDY: SUPER SAVERS

BACKGROUND

Innovations Poverty for Action (IPA) has partnered with the Private Education Development Network (PEDN) to implement a savings program in Ugandan government primary schools. The goals of the Super Savers program are to 1: enable pupils and their families to save money for education 2: incentivize and financially enable pupils to remain in school and 3: encourage the practice of savings amongst participating pupils and their families.

During the 2009 scholastic year, IPA and PEDN piloted the program in eight government primary schools. The positive response to the pilot motivated researchers to scale the program and conduct a randomized evaluation of its impact.

The intervention has scaled to 78 new schools in Jinja, Iganga and Mayuge Districts. In these schools, pupils in certain classes bring money to school to save. Savings are stored in class lockboxes and recorded in individual children's passbooks and a teacher's control card. The box is locked with two keys, one of which is kept by an elected community representative and the other by the program's financial institution.

In order to safely store pupils' savings, IPA and PEDN partnered with FINCA, Uganda, a licensed micro-deposit taking institution to collect and store savings in school accounts. The team designed a group school savings account to be owned collectively by the greater community of each school. At the end of every term, the Super Savers team travels with a FINCA teller to collect savings from the school and immediately deposit into each school's bank account. At the beginning of every term, the team returns to each school to withdraw and payout the savings to individual pupils. For the first year of the program, IPA subsidized the costs of FINCA's mobile transit unit. For the second year, the Super Savers team purchased a vehicle to facilitate the collection and payout of savings.

Visiting each of the program's 86 schools, coordinating with account signatories and key holders takes 8-9 days. This exercise is completed at the beginning and end of every school term, 6 trips every year. All program costs have been provided by IPA. From 2008 to March 2012, IPA was supported by a grant from an anonymous donor. The program is currently supported by a grant from USAID's Development Innovations.

ELECTRONIC PAYMENT SOLUTIONS

In 2012, IPA implemented a new research design aiming to test the program's sustainability and potential for scale. IPA is testing multiple strategies for scaling the program. One approach, introduced to 29 new schools, is to test whether schools and communities will be willing and able to continue the program with less direct support from IPA staff. A second approach, introduced to 8 schools, is to test a mobile money collection strategy with the 8 original pilot schools. The mobile money pilot is designed to test a different method for achieving sustainability, by finding a low-cost, decentralized solution that will give schools more independence and control over the collection and payout of savings. Though Uganda's mobile money system is not yet fully established, the idea is to conduct a small, non-rigorous pilot to inform future work and research.

The Super Savers team began by conducting a census of all mobile money operators in the Busoga Region. The team also facilitated focus group discussions with key stakeholders at each of the 8 pilot schools. All schools chose MTN Mobile Money to be their provider. It is the most popular and established brand in the mobile money field and most importantly has the best mobile money agent network. Though cell phone network coverage is a challenge for a number of schools, MTN is at present the best option.

Each school was given an MTN SIM card and mobile money account, covered by the program. In an ideal scenario, a mobile money agent would travel to the school, collect the cash savings and send e-money to the school's mobile money account for the equivalent amount saved. Schools could coordinate with the mobile money agent to determine the best time and frequency for collection. At the beginning of the following school term, the agent would deliver the money to the school, and the administration and liaison teachers would distribute individual savings to pupils.

One of the key challenges, however, is that MTN's mobile money agents are not, in reality, very mobile. The vast majority of agents are associated with small businesses and are thus unable or very unwilling to travel to schools. Additionally, trust and accountability are very significant concerns. The Super Savers team has worked to establish a very strong rapport and relationship with parents and other community members. This has been critical in building communities' trust in the Super Savers Program. The majority of parents do not trust teachers to handle their money unassisted. Though schools were charged with selecting their own agent, these are not yet vetted and trusted members of the community and program.

In practice, Super Savers Program officers accompany and usually transport the mobile money agent to the school and oversee all transactions. The hope is that as this process becomes more familiar, schools will be able to deposit independently. The withdrawal process, though, will still require the presence of a program staff member as the PIN number associated with each school's account is kept by the Super Savers team Program Manager. Schools were unanimous and insistent in their request that the Super Savers team be responsible for the PIN number. This highlights a primary concern for the transition from bank to mobile money system: the loss of accountability.

Working with bank accounts required the involvement of account signatories, elected by each school to authorize all transactions. With mobile money, there is no longer the need for these stakeholders. The team is still investigating ways in which to mediate this concern.

Despite these challenges, feedback on the use of mobile money has been very positive. The mobile payment mechanism is cheaper, more individualized and faster than the process of serving all eighty-seven schools at once. It also avoids the paperwork associated with the bank accounts. Though the lack of account signatories is a concern for accountability, it makes the collection and payout processes extremely more efficient. The Super Savers team experienced routine, costly delays when working to mobilize account signatories. The mobile money system has no such challenges.

The experience of the eight pilot schools shows that a mobile money payment system has definite potential with the Super Savers Program. In particular, the independence and long term sustainability it might be able to offer schools is very promising. The issue of agent mobility and accountability will have to be addressed, possibly on a case by case basis. Some schools are still almost an hour's drive from the nearest mobile money agent. Others have licensed agents on their school management committee or PTA. The team intends to further investigate these issues as it plans for the future.

COST COMPARISON

The following charts intend to highlight the cost differential referenced above in relation to the mobile money versus bank savings collection. It is important to keep in mind that if one school wanted to have the bank continue to collect savings every month, the cost would be greater than depicted here, as the school wouldn't benefit from the economies of scale realized by servicing all eighty-seven schools at the same time.

These figures illustrate best estimates, focusing on operational costs. Since the initial mobile money pilot only included eight schools, it is hard to calculate the potential changes in staffing the system would require. The Super Savers Program's greatest cost is the continuous monitoring and support the team offers schools. Based on preliminary evidence, it appears that working with mobile money will potentially decrease the amount of oversight our team would need to provide. This will be tested further once the program expands the system to more schools.

Additionally, mobile money will enable much more frequent collection. Though these estimates are calculated on a monthly basis, with the current Super Savers staff levels it is not actually feasible to complete a monthly bank collection. This is a definite advantage to mobile money.

Figure 6.1: Cost Comparison for Super Savers (USD)

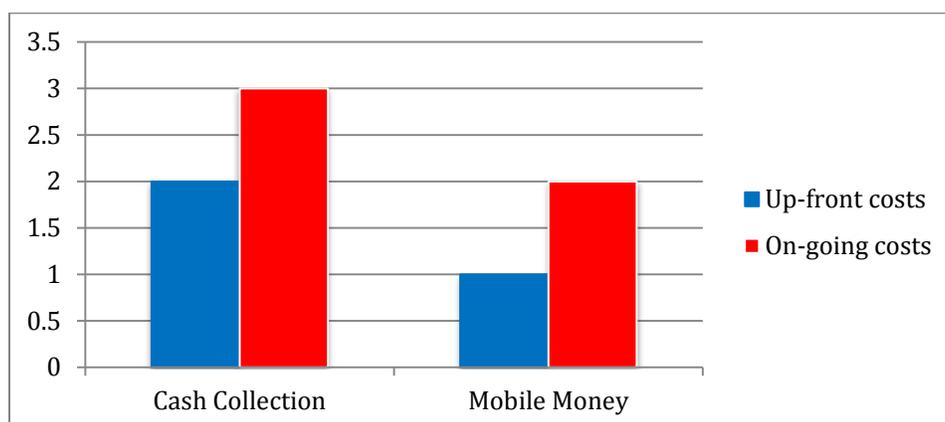


Table 6.1: Detailed Cost Comparison Super Savers

	Cost of Cash Payments, Inputs	Cost of Cash, Total per Month	Cost of Mobile Payments, Inputs	Cost of Mobile Payments, Total Per Month
Up-front costs				
	FINCA account opening	USD 2 UGX 5000	SIM Purchase	USD 1 UGX 2500
On-going costs				
Cash transportation	Fuel Super Savers spends 1.5 million UGX on fuel to service all 87 schools one time during the 3-month term. For comparison purposes, this cost has been converted to represent the cost for 1 school for 1 month.	USD 3 UGX 7500.00	Agent Transportation In the ideal scenario, schools cover the transport cost for the agent to visit a school, which is on average UGX 2000 – 5000.	USD 1.40 UGX 3500
Fees	N/A	USD 0 UGX 0	Transfer fee	USD .64 UGX 1600
Staff	FINCA teller for 8-9 days	Unknown	MM agent for 1 hour	unknown
Total		USD 5 UGX 12,500		USD 3.40 UGX 7600

Formal financial services are the gold standard for achieving the ultimate goal of expanding financial inclusion to the unbanked. However, in this situation, the FINCA is not facilitating long-term savings or expansion of credit, but is hired only to do cash collection and short-term savings. This system, therefore, highlights many of the problems with cash: it is expensive, inflexible, and carries a high administrative burden. The mobile money solution, on the other

hand, is highly flexible, and it localizes the cost of the program so that is possible for local schools and communities to carry on with the savings program, if they choose, without an external funder to hire a truck and pay for fuel.

SUMMARY OF BENEFITS

- On-going cost savings estimated to be 32% per school per month.
- Increased sustainability as the program can continue based on community preference
- Increased productivity by program staff can spend 8 to 9 days on programmatic issues, which were previously spent on picking up cash.
- Increased flexibility to adapt the savings mechanism to meet the localized needs of the community.

TOWARDS FINANCIAL INCLUSION: MPANGA TEA FACTORY AND KENYA COMMERCIAL BANK (KCB)

BACKGROUND

The previous case studies clearly show that organizations can benefit from using electronic payments both in their programs and operations. At the same time, USAID recognizes that the ultimate goal of increasing the adoption of mobile payments is to expand financial access. The following example highlights how the expansion of mobile money in Uganda has created new market opportunities for the private sector to design products tailored to the unbanked and underbanked for the first time in Uganda.

This initiative is the result of an innovative partnership between three private sector companies, KCB Bank, Mpanga Tea, and Airtel. KCB is a commercial bank operating across East Africa. Their strategy is to leverage their existing Mobibank²¹ mobile banking product to reach new clients and promote financial inclusion. The company has set a benchmark of having 90% of their clients on Mobibank and 10% on internet banking. They have integrated the Mobibank platform with Airtel Money, and plan to integrate with additional mobile money service providers in the near future.

In order to achieve their aggressive benchmarks despite having only 9 branches in Uganda, KCB realizes that it must find partners that can provide access to new customer segments. Their partnerships with Airtel Money and Mpanga Tea provide exactly that, while at the same time providing Airtel with an increased transaction revenue and Mpanga Tea with an easy and secure way to pay their tea farmers.

Mpanga Tea processes tea for both local consumption and export, and is a publicly traded company owned through shares by the smallholder tea farmers that supply its inputs. They pay 6000 smallholder farmers each month in cash, which requires significant time and materials to transport cash securely. In addition, these smallholder farmers have shown demand for very

²¹ For more information, visit the KCB website at www.kcbbankgroup.com.

small loans (approximately USD 50 or UGX 125,000) to buy agricultural inputs to expand their productivity, which are difficult and expensive both in terms of disbursements and collection of repayments.

ELECTRONIC PAYMENTS SOLUTION

Mpanga Tea has introduced a pilot using KCB's Mobibank platform to pay salaries via mobile money. Each farmer is paid into a KCB savings account, which is linked to an Airtel Money account. They are notified of payment via text message, and can deposit or withdraw money at any nearby Airtel Money agent, which is significantly more convenient than KCB branches. The product is a push and pull service, that allows clients to have direct access to their bank accounts through their Airtel Money mobile wallets. When clients need to withdraw cash, they can simply pull money from their KCB bank account onto their Airtel Money wallet and cash out at the nearest agent. They can also make deposits by cashing in at an Airtel Money agent and pushing their e-float back into their KCB bank account.

The pilot has been successful thus far for the first 600 farmers, and all partners are looking forward to expanding the payment of salaries to all 6000 farmers. It is already achieving the objective of bringing convenient financial services, including savings accounts, to farmers, since every farmer signs up for an account with KCB, which did not happen with the previous cash payment system. In addition, it is allowing KCB to learn about serving lower-income market segment. KCB is already planning to partner with a microfinance institution to issue the small loans demanded by the farmers, understanding that there is a market opportunity but that KCB, as a commercial bank, does not have the necessary knowledge to approve or maintain loans of this size. The same mobile money delivery channel will allow these small loans to be delivered in a cost-effective manner. The main lesson learned from the initial group is that there needs to be increased effort to educate farmers about the new service, since the farmers are used to cash payments, and therefore extra effort must be exerted in to promote trust in the new service mobile-based service.

SUMMARY OF BENEFITS

- Increased access to formal financial services for the farmers who now have access to savings accounts and in the future to small loans to increased productivity.
- Increase financial literacy due to efforts to sensitize farmers to new banking products in order to increase uptake.
- Increased revenue for Airtel mobile money agents, which is a key factor in improving agent performance and access to mobile money products.
- Increase financial sector innovation which is driving financial services to new, underserved markets.

RECOMMENDATIONS FOR IMPLEMENTORS

Through USAID’s commitment to the Better than Cash Alliance, USAID is encouraging the transition to electronic payments (including mobile money) in all USAID programs and operations, where appropriate. To do so, USAID is providing a variety of resources to assist implementers in conducting proper due diligence to determine if electronic payments are appropriate and beneficial to their program, and if so, which form of electronic payments are most suitable (EFT, mobile payments, or card-based payments, for example.)

In Uganda, where mobile money usage is growing rapidly and the USAID Mission has expressed clear support for implementers to transition to mobile payments, where appropriate, we recommend the following steps. These steps may be different in countries with less developed mobile money markets and/or a USAID Mission with different objectives.

	Activity	Reference Document Available
1	Conduct a preliminary assessment of where cash is used in your program and your operations (for example, per diems for field staff and workshop participants.)	Uganda Mobile Money Assessment and Case Studies Document. USAID Electronic Payments Survey.
2	Based on this preliminary assessment, discuss with key stakeholder if there is a potential for a transition of these payment streams to mobile money to improve operational efficiencies and/or programmatic goals. This conversion should include both financial and non-financial considerations, such as safety and security of staff.	N/A
3	Assess provider capabilities and get a better understanding of products offered.	USAID Draft Financial Documentation Reference Tool
4	Conduct a full analysis of the costs and potential benefits associated with transitioning to mobile money.	USAID Draft Cost Analysis Tool
5	If you do find provider capabilities and clear benefits to your program, develop an implementation plan and implement the transition.	N/A

For USAID/Uganda Mission and other Donors

- Hortatory language within procurement documents: Donors have the ability to encourage implementing partners to reconsider how they are disbursing funds to their own staff as well as their program participants by placing encouraging language within procurement documents such as request for proposals. USAID Washington has developed such language, and distributed it through a Procurement Executive Bulletin (PEB). To see the PEB, please visit <http://nethope.org/assets/uploads/PEB-july10.pdf>.

- **Encourage Implementing Partner Participation:** Where and when the Mission deems it appropriate, it can articulate its support of the use of e-payments in programs to all levels of implementing partner organizations (e.g., international headquarters, local headquarters and field offices). In some cases, implementing partners have already begun analyzing how to alleviate the administrative cash burden on their programs. Yet, at times there can be disconnect between the field office and the implementing partner organization's main headquarters as to whether there is support from USAID for this type of examination or change. Where appropriate, USAID/Uganda can strengthen the voice of the local field office by publically supporting programs that are looking for electronic payment solutions (i.e. through the hortatory language). USAID/Uganda can also disseminate communications collateral that speaks to the need to seek alternatives to physical cash where appropriate.
- **Technical Assistance to Implementing Partners:** Donors can support implementers who see programmatic or operational benefits to transitioning away from cash by providing access to the tools listed above. In addition, they can support technical assistance through short-term, small grants focused on helping implementers conduct proper due diligence as outlined in the previous sections and/or help to transition offices of finance and administration to using the mobile money system, and finalize agreements with payment providers.
- **Implementing Partner Aggregation:** The Uganda Mission works with over 70 implementing partners. Payment service providers, particularly MNOs with mobile money products, view this as an untapped market for their corporate solutions products (i.e. bulk payments). The Mission has the ability to aggregate potential demand for these services, and negotiate lower fees. As was seen during the workshop conducted during this field visit, gathering implementing partners and MNOs together can result in an increased interest and understanding of alternative payment services²².
- **Support to SMEs to build Value-Added Services:** There are already companies working independently from the mobile money providers to build more robust services that improve the functionality and security of existing mobile money services. For example, Yo Payments! offers a bulk payments product that provides a robust audit trail and allows a company or NGO to pay people using different mobile money providers at the same time. Supporting the development of similar platforms will help to address many of the outstanding challenges with bulk payments, including security and lack of interoperable payments systems and will greatly support further development and maturity of the mobile money ecosystem.
- **Continued participation:** As the commitment USAID has made to the BTC Alliance continues to mature, more reference tools, supporting research, and similar site assessments to Uganda will become available. Continuing to participate in the internal working group as well as any online courses or other learning opportunities produced by USAID or other industry stakeholders will foster stronger understanding of the potential mobile money and other forms of electronic payments hold for USAID and its implementing partners.

²² Note that since the workshop, the USAID Uganda Mission Health team has requested assistance from USAID/DC in negotiating bulk transaction rates with the MNOs.

FINAL ANALYSIS AND CONCLUSIONS

The rapid growth of mobile money usage in Uganda shows that there is clear need for safe, inexpensive, and efficient ways to send money around the country. Thus far, individuals have been the drivers of this growth, sending money through P2P transfers. As adoption and agent networks expand and mobile money providers work to enhance the solutions offered to corporate clients, the value proposition for organizations to adopt these services for their own needs is increasing.

Organizations operating in Uganda struggle with cash payments, mainly for training per diems and field staff payments, since transporting cash is risky, hard to track, and often expensive. This clear need for change resulted in the USAID/Uganda Mission's request for an assessment of the potential for their implementing partners to leverage mobile money as an electronic payment system.

While organizations such as Plan International, Super Savers, and Mpanga Tea are all starting to see benefits from piloting mobile payments, there are still many challenges in transitioning to evolving mobile money platforms. As a result, organizations that see a possibility for the use of mobile money in their operations and programs need to conduct due diligence by assessing provider's capabilities and analyzing the internal operational costs, both financial and non-financial. Only through this due diligence can implementing partners determine if mobile payments are truly better than cash for their program, at this time.

To overcome the existing challenges, the Bank of Uganda needs to implement strong, yet flexible, guidelines. In addition, the mobile money operators need to strengthen their own internal controls. In order to support this, USAID/Uganda and other donors can help drive demand by encouraging implementing partners to explore mobile payment options through hortatory procurement language, technical assistance, facilitation of partnerships, and support of innovation in value-added services.

USAID recognizes that each implementing partner operates in a different country and context, and those solutions that work in one place may not be beneficial in another. Uganda is one country where there is a clear opportunity to leverage mobile money for payments to counter the challenges with cash. Through its commitment to the BTC Alliance, USAID will continue to work with local partners to examine how electronic payments solutions, including mobile money, can improve aid effectiveness in their particular situation.

APPENDIX 1: RESEARCH METHODOLOGY

This research consisted of a survey issued to USAID implementing partners in Uganda, followed by a 2-week in-country assessment. The assessment included interviews with the following organizations:

Sector	Organizations
Mobile Network Operators (MNOs)	Airtel MTN Warid
Financial Institutions	KCB FINCA Opportunity International
Third Party Platform Providers	Yo! Payments Ezee Money Bankshire Technologies
Government	Bank of Uganda/GIZ
Donors/NGOs	USAID/Uganda Health USAID/Uganda Economic Growth UNICEF WFP

Based on the survey results, where partners conveyed a use of cash as well as additional desk research on programs outside of USAID's portfolio, USAID/Uganda and the consulting team met with the following implementing partners:

Implementing Partner	Sector Focus
Mercy Corps (Agri Fin Mobile)	Agriculture, Economic Growth
Social Assistance Grants for Empowerment (SAGE)	Cash transfer, Humanitarian Assistance
Catholic Relief Services (SILC program)	Community Savings Groups, Economic Growth
Innovations for Poverty Action (Super Savers program)	Research, Economic Growth

Grameen Foundation (App Lab)	Economic Growth through innovative technologies
Concern Worldwide	Humanitarian Assistance
Private Education Development Network (Super Savers)	Education, Economic Growth
ABT Associates (IRS Phase II)	Health (Malaria)
Marie Stopes Foundation	Health (Clinic Support)
Management Sciences for Health (STRIDE, SURE, STAR-E)	Health
JSI Research (STAR-EC)	Health
TetraTech ARD (LEAD)	Agriculture, Economic Growth

APPENDIX 2: INTERVIEW QUESTIONS

The following is a sample of the guiding questions for the interviews which resulted in the case studies developed for this report.

Organizational Objectives	
Target geographies	
Target populations types	
What are your average transaction frequency and amounts?	
What are all of the areas within your work where you must send and receive money to individuals?	
To organizations? What types of organizations?	
How are you currently processing these payments?	
Did you need to partner with an MNO or other 3 rd party vendor?	
If yes, what was this experience like?	
Were you able to negotiate bulk or special rates for your organization?	
Can you describe obstacles to this change? Political, technical, training, other?	
How did you determine the level risk associated with the new program?	
Did you change the prices of your products/services as a result?	
How did you educate consumer/beneficiaries about the change? Do you have any lessons learned as to how to best approach this?	
How do you find the new system?	
Are the back-end reports sufficient?	
Have you received feedback from employees/clients/beneficiaries?	
Do you plan to expand the program?	

Salaries (finance, HR, back office data entry)	
Cash transportation (vehicle, fuel, security, insurance, courier charge, accommodation for drivers)	
Bank fees, check clearing charges	
Errors & leakage	
Technical development	
Training of staff	
Training for clients	
Transaction fees	
SMS reminders	
Airtime	
Head office processing	
Phones for clients	
Staff time for partnership development/management	
Travel time to conduct transaction	
Training time	
Training benefits (i.e. new skills learned)	
Transaction fees	
Ability to track funds	
Ability to respond to audits	
Ability to innovate/digitize further	
Ability to reach new target populations	

APPENDIX 3: FULL TARIFF SHEETS

The following are the full tariff sheets for deposit, withdrawal, mobile money transfers, and separately, bulk payments, for the three largest mobile money providers in Uganda.

A. MTN MobileMoney

MTN Mobile Money rates.

Activity.	Transaction tiers – UGX.		Charges UGX.
Pay in cash (buying Mobile Money).	500	– 4 000 000	0
Sending money.			
1) To an MTN Mobile Money registered user.	500	– 5 000	400
	5 001	– 4 000 000	800
2) To a non-registered user (MTN or other networks).	500	– 5000	800
	5 001	– 30 000	1 600
	30 001	– 60 000	2 000
	60 001	– 125 000	3 700
	125 001	– 250 000	7 200
	250 001	– 500 000	10 000
	500 001	– 1 000 000	19 000
	1 000 001	– 2 000 000	36 000
	2 000 001	– 4 000 000	64 000
Withdrawing.			
1) By a registered MTN Mobile Money user.	500	– 5000	300
	5 001	– 30 000	700
	30 001	– 60 000	1 000
	60 001	– 125 000	1 600
	125 001	– 250 000	3 000
	250 001	– 500 000	5 000
	500 001	– 1 000 000	9 000
	1 000 001	– 2 000 000	17 200
	2 000 001	– 4 000 000	31 200
By a non-registered user (MTN or other networks).	500	– 4 000 000	0
Buy MTN airtime.	50	– 1 000 000	0

• Daily limit: UGX 5 000 000.
 • Minimum account balance: 0/-
 • Maximum account balance: UGX 5 000 000.
 • Minimum transaction amount: UGX 500.

Note: The charges are deducted automatically when you make a transaction.
Do not pay the agent any transaction fees.
Keep your PIN safe and secret.



everywhere you go

Bulk Payments: Flat fee of UGX 300 per transaction

B. Airtel Mobile Money

Transaction Type	Transaction Limits		Customer Charge (UGX)
	Min	Max	
Deposit/ Cash-In: Registered airtel money customers	500	5,000	FREE
	5,001	30,000	
	30,001	60,000	
	60,001	125,000	
	125,001	250,000	
	250,001	500,000	
	500,001	1,000,000	
Send money to a registered customer	500	5,000	300
	5,001	1,000,000	800
Send money to a non-registered customer (airtel or other networks)	500	5,000	300
	5,001	30,000	1,600
	30,001	60,000	2,000
	60,001	125,000	3,700
	125,001	250,000	7,200
	250,001	500,000	10,000
	500,001	1,000,000	19,000
Withdraw/ Cash-out: By registered airtel money customers	500	5,000	250
	5,001	30,000	700
	30,001	60,000	1,000
	60,001	125,000	1,600
	125,001	250,000	3,000
	250,001	500,000	5,000
	500,001	1,000,000	9,000
Withdraw/Cash-out: By non-registered customers (airtel or other networks)	500	5,000	FREE
	5,001	30,000	
	30,001	60,000	
	60,001	125,000	
	125,001	250,000	
	250,001	500,000	
	500,001	1,000,000	

Tariff plan for Bulk payments

Airtel				
Company	Transaction Amount	Sending fee	Cash Out Fee	Total Fee
Airtel				
On-net	500-1,000,000	250	9,000	9,250
Off-Net		1500		
Note	1,500 caters for both sending & cashing out while dealing with off net customers like MTN , Warid etc			

C. Warid Pesa

Transaction Type	Transaction Limits		Warid Customer	Non-Warid Customer
	Min	Max		
Send Money	5,000	15,000	700	800
	15,001	1,000,000	800	900
	1,000,001	2,000,000	1,200	1,300
	2,000,001	3,000,000	2,000	2,100
Withdraw Money [Registered Customers]	5,000	30,000	700	800
	30,001	60,000	1,000	1,100
	60,001	125,000	1,600	1,700
	125,001	250,000	3,000	3,200
	250,001	500,000	5,000	5,300
	500,001	1,000,000	9,000	9,500
	1,000,001	2,000,000	14,000	15,000
Withdraw Money [Unregistered Customers]	2,000,001	3,000,000	22,000	25,000
	5,000	15,000	1,500	1,600
	15,001	30,000	1,600	1,700
	30,001	60,000	2,000	2,100
	60,001	125,000	3,700	3,800
	125,001	250,000	7,200	7,500
	250,001	500,000	10,000	10,000
	500,001	1,000,000	19,000	19,000
1,000,001	2,000,000	26,000	30,000	
2,000,001	3,000,000	34,000	38,000	

Bulk Payments

Cost Option 1:

No. of Batch Payment	Cost UGX
10 to 249	500
250 to 499	250
500 to 999	100
1,000 and above	Free

Cost Option 2:

Total amount transacted	Cost
Below 10m	2%
10 - 25 m	1%
Above 25m	Free

I. Introduction

In some situations electronic payment systems have been found to be safer, faster and more cost effective than cash disbursements. Various electronic payment systems are emerging in the developing world that have the ability to potentially alleviate administrative burdens on program operations as well as accelerate financial inclusion for billions of people who would otherwise have no access to financial services. Increased innovation in this arena has brought real and feasible electronic payment products to down market populations.

There are a variety of electronic payment methods available today and some examples include electronic funds transfer (EFT), point-of-sale (POS) devices used in conjunction with pre and post- paid credit, debit and/or smart cards and more recently mobile money.

- i. Electronic funds transfer – this is the most popular form of funds transfer originated by a bank when it transfers funds electronically to the bank account of the recipient.
- ii. Point of Sale Devices with pre/post paid debit/credit cards and/or smart cards – Card based payment systems utilizes magnetic stripes to store financial and identification information that end users can swipe via a POS terminal. Cards can be pre paid, meaning they have a pre-loaded value, or post-paid meaning your payment will be reconciled at a date in the future.
- iii. Mobile Money - These are money transfer services usually offered by Mobile Network Operators (MNOs) as seen in countries like Kenya, Haiti and Afghanistan, or as a value added service offered by banks (sometimes in partnership with an MNO), or by third-party service providers typically independent from any specific bank or MNO

Mobile money is not intended to replace established electronic payment systems traditionally offered by the banking sector. Mobile money payment systems are suited to replace disbursements that were typically undertaken via payment of cash. Mobile money is a tool that allows individuals to safely and easily store, withdraw or transfer money electronically without ever travelling to a bank. Its users are able to transfer funds to other mobile phone users, pay for goods and services and access a whole range of financial services.

To access mobile money, a mobile phone user visits a mobile money agent who is typically a registered agent of a Mobile Network Operator (MNO) or a financial institution such as a bank. The user then provides required national identification documents and registers his/her mobile phone SIM card (i.e. his/her mobile number).

MTN Mobile Money Registration Example:

- 1) Subscriber mobile number
- 2) Full name
- 3) Gender
- 4) DOB
- 5) Type of ID: Passport, Driver's License, Employer ID, National ID, Student ID, Voter's card, LC certificate, Other (please specify)
- 6) ID number
- 7) Nationality
- 8) Address, district, LC 1 area (specific neighborhood or area of residence within the district)
- 9) The registration form then asks for the signature and confirmation that the customer agrees with the terms and conditions of MTN Mobile Money

The agent records the identity of the mobile phone user, takes a picture of user, and photocopies their ID. Some agents ask that you bring the photo with you, passport sized. From there, the agent sets up the end user's mobile money account with the MNO. Since mobile phone manufacturers typically do not include payment systems on their phones, MNOs place their payment systems on the user's phones using a SIM toolkit, which is the software placed on the SIM card itself that holds the mobile money application. The other way to load the mobile phone with the mobile money payment software is through the use of the unstructured supplementary service data (USSD), which is software available on even the most basic mobile phones that creates a direct link to the MNOs central computer system. The individual then pays an amount of cash to the registered agent and the equivalent of the cash amount is then loaded electronically onto the user's mobile phone to store, transfer, pay for goods and services as well as bills along with a range of other services. The ability to perform all this activity without having to travel to a bank is critical for the 2.5 billion people without access to basic financial services. It also directly supports the broader United States Government goals of improving transparency, rooting out corruption, and empowering the private sector and local entrepreneurs to develop innovative solutions to poverty.

The Issue of Financial Controls

More and more USAID implementing partners are replacing cash disbursement transactions with some form of electronic payment system with mobile money being the new entrant into the landscape. Increasingly widespread use of mobile money transfers has raised questions regarding transaction tracking, reporting and validating. Financial controls exist on a variety of levels in order to ensure that documentation is available to perform audits and also to prevent fraud. As such, payment transactions are tracked as part of a system of internal controls and payment processes must be tested and auditable.

II. Proof of Funds Being Received

The scope of this guidance is to focus on the audit trails available when an organization decides to utilize Mobile Money systems for payment in order to ensure that the transactions are properly tracked, reported and validated. As used here, an “audit trail” is any information, paper, digital or electronic, that can be used to capture, record or recreate the events in the life cycle of a mobile money transaction.

An audit trail should answer questions such as:

- 1. How does an organization verify that funds transmitted by a mobile money provider reached the intended recipient?**
- 2. What sort of customer confirmation, notification or follow-up for transmittal of funds can the implementing partner rely on?**
- 3. What is documented in the process?**

c. Mobile Money:

- i. Process to Sign up for a Corporate/Bulk Payments Account with an MNO or a Mobile Money Account with a Bank

In addition to individual Person to Person (P2P) mobile money transfers, most MNOs offer Business to Person (B2P) services which enable organizations to send money electronically to widely dispersed individuals through their mobile phones as well as Person or Customer to Business (P2B or C2B) services, which allow mobile phone users to use their mobile phones to pay an organization or other corporate organization such as a utility company. Though each MNO surveyed tagged it’s service by a different name (“Corporate Account Services” or “Bulk Payment Services” to name a few), the services are similar across the board in that it permits entities (corporate or non-governmental) through one transaction, to initiate payments to the registered mobile phones of a large number of individuals who are usually widely dispersed.

For most entities, the process begins by registering for the corporate account services with one of the MNOs. The MNOs typically require information such as the corporate/business name, address, registration documents, certificate of incorporation etc. The information needs vary from service to service, but the corporate account essentially unlocks a higher limit mobile money account with the MNO.

As part of the registration process, some MNOs ask for the names of at least two separate individuals within the organization, sometimes three or more, to act in the capacity of “Maker” ,“Checker” and “Verifier” (others refer to it as the “Initiator”, “Authorizer” and “Administrator” or “Validator”, “ Verifier” and “Confirmer” the options are varied).

- The “Maker” is the designation for the individual who prepares and uploads the MNO systems with the file containing the names, mobile numbers and payment

amounts for all individuals the organization desires to pay via the mobile money system.

- The “Checker” is the individual who verifies that the information loaded by the “Maker” is accurate,
- Most times, there is also the “Verifier” who actually authorizes the payment.

In the cases where the MNO requires multiple names on the account, each individual is assigned a unique user name for the web based payments platform, with their designated assignments, which dictates the level of functionality their account has on the platform. Once the registration process is complete, the organization has successfully set up a corporate account with the MNO and can begin the process of making bulk mobile money payments.

Some MNOs allow it’s mobile money registered users to transfer mobile money to mobile phone users on competitor’s networks, however, the recipient will typically need to register with the MNO of the originating transferor in order to withdraw or transfer funds or if registration is not required, s/he may pay a higher withdrawal or transfer transaction cost. As such, most entities performing bulk payments will usually require prospective recipients to register with the MNO whose mobile money transfer platform they intend to utilize. This has the effect of lowering transaction costs for the payer and/or receiver. Although this hasn't happened in Uganda as of yet, some MNOs have partnered with banks such that, at the point of registering for the MNOs mobile money system, the user is also opening a bank account. This gives users the ability to withdraw cash from the MNO’s registered agents and also directly at the bank’s branches and at its ATMs. Users are also required to set up personal identification numbers in order to access any cash payments made to their mobile phones and to protect their mobile cash balances.

Several countries, including but not limited to Afghanistan, Haiti and Kenya are already utilizing mobile money systems ranging from the bank-led to the MNO-led models. Many banks, as a value added service to corporate customers, will perform the back office functions typically performed by the payroll staff of the organization, and make bulk payments through the MNOs systems to the individual recipients whose names and mobile phone numbers have been provided by the organization. Some entities through its payroll staff will directly interact with the MNOs to make bulk payments. Each model will typically produce the same type of back end report, which is an MNO report showing the individuals paid, the amounts, their mobile phone numbers and their transaction confirmation numbers.

ii. Steps to effect a mobile money payment

1. Collection – The organization collects the names, mobile phone numbers and other information from the prospective recipients and captures the information on a spreadsheet.

2. Validation – The organization, through its payroll staff, or if using a bank for back office operations, through the bank, will verify that the registered mobile numbers match up with the names of the recipient and that the recipient is registered with the appropriate MNO. Any discrepancies such as a mismatch between the name of the recipient on the payroll and the name of the registered user of the mobile phone are resolved at this stage in order to ensure the right individual is paid. See Fig A.
3. Payroll Preparation: The organization will prepare a spreadsheet with the name, telephone number and amount to be paid by individual and the information is verified by several layers of control personnel within the organization. Once the information has been vetted, the information is then uploaded into the MNO system for processing. See Fig B, B.1
4. Transaction Processing: The “Maker” logs into the MNO’s systems and initiates the upload of the organization’s spreadsheet. After the upload is completed, an automatic email is generated alerting the “Checker” that a file has been uploaded and available for review authorization. After the initial “Checker” has reviewed, another level of authorization is required for final approval of the payment.
5. After the transaction is complete, the entities corporate account is debited with the payment sum and attendant transaction fees (if using a bank for back office support, the bank transfers the required sum from the organization’s bank account to the MNO) and the payments are credited to the recipients mobile phone numbers. The recipients are notified via short messaging system (SMS) of the credit and amount. The MNO creates and retains a record of each mobile transaction and generates a transaction report for the organization that shows:
 - Start and End dates of bulk payment transaction
 - Bulk payment Identification number
 - Any unique identifying name for the bulk payment (e.g. “Payments to Field Workers for Agriculture Program” or “ Payments to Election Observers” etc.)
 - The identification codes for the individuals within the organization who acted as Maker and Checker for the bulk payment transaction
 - The total amount of the payment
 - The total fees
 - Name of recipient
 - Mobile phone number of recipient
 - Amount paid to recipient

- Charges if any
- Status (completed, in progress)
- Payment Status (Paid, Not Paid)
- Transaction Code (some MNOs create a unique transaction code for each recipient payment made, while other MNOs can identify each transaction made by using the just the mobile phone number.

See Fig C., C.1, C.2.

The information mentioned above, together with other associated documents will form the organization's books and records which are maintained for audit, regulatory and recordkeeping purposes and preserved for the length of time as required by law or by the contract or grant instrument under which the organization operates.

III. Conclusion

Electronic payment systems are dynamic and undergoing rapid change and innovation. Paypal and other internet based payment schemes are not discussed here as such, any changes to the books and records produced, maintained and preserved for and by the organization for audit trail purposes must be clearly documented, including the changes required due to a rapidly evolving landscape, in order to ensure clarity and continuity during any examination process.

APPENDIX

Fig. A. Example of validation report for transfer summary using Yo! Payments as well

Fields in black are mandatory

Upload Payroll File

Payroll File

Amount

Bulk Payment Summary Report

Name Commission
Description Commission for October
Activity Status COMPLETED
Authorization Status AUTHORIZED
Progress 100%
Total Beneficiaries 10
Total Paid 10
Total Unpaid 0
Report Generated On: 5th November 2012 1:38 PM

Account Number	Account Type	Name	Email	Status	Amount
256783086797	MOBILE MONEY	Phiona Namuddu		PAID	UGX 12,000/=
256783086792	MOBILE MONEY	David Karungi		PAID	UGX 12,000/=
256771234567	MOBILE MONEY	Joseph Tabajjwa		PAID	UGX 10,000/=
256783086704	MOBILE MONEY	Joseph Kabasa		PAID	UGX 12,000/=

*The "Status" column allows you to confirm that the money arrived in the end user's account. If it was denied you may go into the sub-account audit trail

Welcome to MTN MobileMoney - Windows Internet Explorer provided by MTN Uganda

https://mobilemoney.mtn.co.ug/menuFrame.html

Welcome to MTN MobileMoney

MTN

Statement Enquiries

- Register ▶
- Payments ▶
- Transfer Float ▶
- Refund ▶
- Buy MobileMoney ▶
- Withdrawal ▶
- Authorization ▶
- Update ▶
- View ▶
- Upload ▶
- Download ▶
- Change PIN
- Log Out

MTN MobileMoney

Done Local intranet 100%

ZAP DISTRO FUNDS

MY CURRENT BALANCE AS OF 21-Sep-2010 20:09:13 PM 60,000,000.00

Select file:

LESS CASH

The file is uploaded.

*	SERIAL NUMBER	MISDN	AMOUNT	STATUS
1	0000007250000000018	260977453328	100,000.00	2010/09/21_08:18:13 SUCCESS
2	0000007250000000019	260974044909	150,000.00	2010/09/21_08:18:13 SUCCESS
3	0000007250000000020	260977453328	1,200,000.00	2010/09/21_08:18:13 SUCCESS
4	0000007250000000021	260978980733	1,500,000.00	2010/09/21_08:18:13 Destination Account is Locked
5	0000007250000000022	260978980221	11,000,000.00	2010/09/21_08:18:13 SUCCESS
6	0000007250000000023	260978980238	15,000,000.00	2010/09/21_08:18:13 SUCCESS

Fig. C. Example of MTN MobileMoney Successful/Unsuccessful transaction report screen, from here you can select the number under "Records Uploaded Successfully" to see an excel sheet of all the successful payments, and click the number under "Failed Records" to see an excel sheet of all the unsuccessful payments.

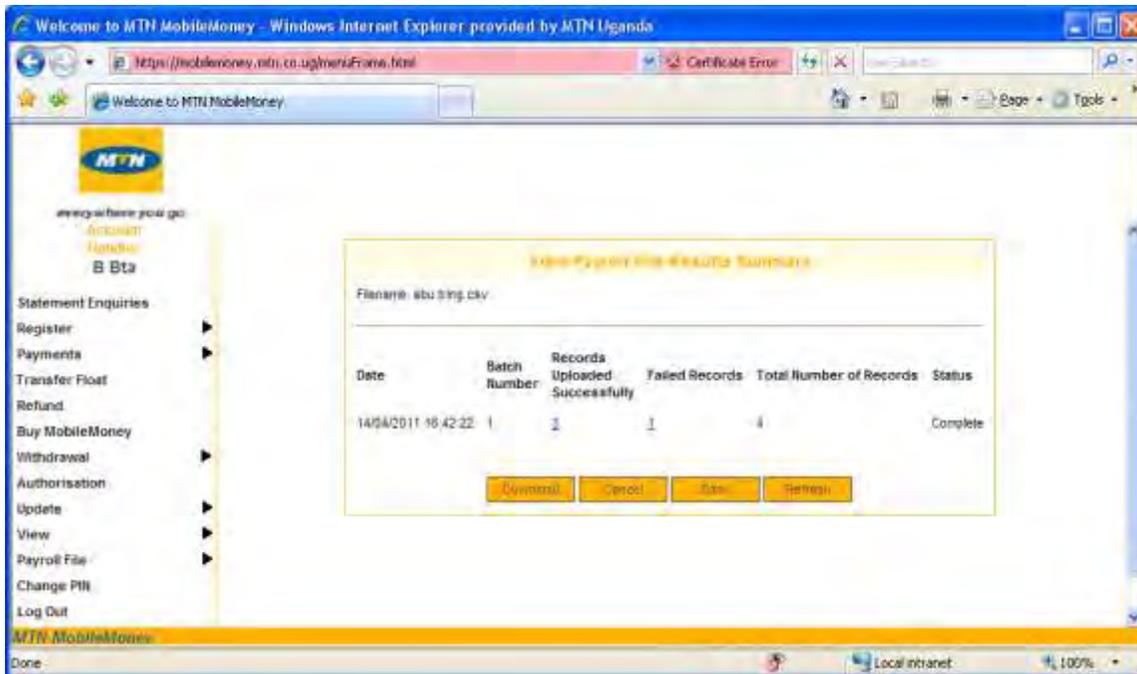


Fig. C.1. Example of Airtel Money completed transaction report screen

DATE TIME	REFERENCE ID	SOURCE NUMBER	DESTINATION	STOCK BEFORE	STOCK AETER	AMOUNT	KEY COST	DESCRIPTION	REFERENCE	TYPE
9/21/2010 8:10:38 AM	77	TESTD,TESTD,260977807980	CHAILA,EMMANUEL,260977453328	60000000	59900000	100000	0	SUCCESS		BATCH PAYMENT
9/21/2010 8:10:38 AM	78	TESTD,TESTD,260977807980	MUHARALA,MOSES,260974044909	39900000	39750000	150000	0	SUCCESS		BATCH PAYMENT
9/21/2010 8:10:38 AM	82	TESTD,TESTD,260977807980	260978980238	47350000	32350000	15000000	0	SUCCESS		BATCH PAYMENT
9/21/2010 8:10:38 AM	81	TESTD,TESTD	MUNGO,NICHOLAS	58550000	47350000	11000000	0	SUCCESS		BATCH

Fig. C.2. Example of Yo! Payments completed transaction

Audit Trail for Sub-Accounts

All activity carried out by sub-accounts is tracked, and may be viewed in this section. The listing below shows the latest few actions which have been carried out on your account by a sub-account. To get the detail on any one entry, click the corresponding "Open" button.

Search

Display 15 rows per page Go Clear Search Download

Action Date	Action	Status	Name	Action
2012-11-05 14:44:10	MOBILE_MONEY_STATEMENT_LIST_VIEW	PERMITTED	Tabajwa3	Open
2012-11-05 14:42:48	MOBILE_MONEY_STATEMENT_LIST_VIEW	PERMITTED	Tabajwa3	Open
2012-11-05 14:18:40	MOBILE_MONEY_STATEMENT_LIST_VIEW	PERMITTED	Tabajwa3	Open
2012-11-05 14:07:05	MOBILE_MONEY_STATEMENT_LIST_VIEW	PERMITTED	Tabajwa2	Open
2012-11-05 13:58:25	MOBILE_MONEY_STATEMENT_LIST_VIEW	DENIED	Tabajwa	Open

[View 15 rows](#)

APPENDIX 5: Mobile Money Operator Question and Answer Sheet: Airtel, MTN, and Warid

1. For potential clients who are located in remote areas without banking services, but with rural beneficiaries with shares mobile phones how can the beneficiaries be helped/assisted?
 - Airtel: The principle of mobile wallet highly depends on one-wallet-one-PIN for security. Clients can get different registered SIM cards and use them in the shared handsets on receipt of money and during transactions without compromising the accessibility of funds by third parties.
 - MTN: For potential clients who are located in remote areas without banking services, but with rural beneficiaries that share mobile phones, we propose one of our products called the MTN EASY TALK. This product allows whoever has an MTN EASY TALK SIM card to Access a Public Terminal & withdraw money as long as a Mobile Money Agent is positioned next to the phone. We have successfully done this with the World food programme & Ministry of Gender.
 - Warid: We have opened up over 9000 Warid Pesa retail outlets countrywide; they are available to service all customers with deposits, withdrawals and airtime purchase. We have made a deliberate effort to open Warid Pesa retail outlets in each trading centre countrywide. We are not available only in Karamoja regions.

2. What is the contact information if I am interesting in signing up for Bulk Payments?
 - Airtel: Stephen Waiswa - Corporate Account Manager +256752601123 stephen.waiswa@ug.airtel.com
 - Airtel: Sarah Suubi - Corporate Account Manager +256752608125 Sarah.Suubi@ug.airtel.com
 - MTN: Corporate Account Manager in charge of Bulk Payments – Angela Gitta 0772121062 gittaan@mtn.co.ug
 - MTN: Mobile Money Product Development Controller – Immaculate Kashebuka 0772712179 kashebi@mtn.co.ug
 - Warid: Iris Kissiti 0700403924 iris.kissiti@waridtel.co.ug (Warid Pesa Coordinator)
 - Warid: Ogwal H. Isaac 0704006428 isaac.ogwal@waridtel.co.ug (Retail Sales manager, Warid Pesa)

3. Can an organization transfer money across all the countries in the East Africa Region?
 - Airtel: As per Bank of Uganda Licensing, Airtel money transfer is restricted to Uganda only. Technically Airtel has the capability, and we are working on opening up this functionality upon obtaining a no objection from the Central Bank.
 - MTN: No, the MTN Mobile Money Bulk solution can only send to MTN SIM cards in Uganda.
 - Warid: Currently, our agent network only covers Uganda.

4. Do you have any solutions for alphanumeric illiterate clients?

- Airtel: Currently, assistance is sought from the Agents. Airtel has a Luganda translation of the menu under development.
 - MTN: Yes we do. When an organization signs up with such a kind of clients, we offer them training in a language that they best understand, mostly in their local language. However, like we do for most of our projects we encourage teams from the client's side to be present on all possible payment days & help with these problems.
 - Warid: We have a plan for supporting multiple languages. This is still under development.
5. When a transaction fails, what happens to the transfer fee in your mobile money service?
- Airtel: No transfer fees deducted for failed transactions.
 - MTN: A transaction fee is only deducted when the transaction is successful. If the transaction fails, the transaction fee cannot be deducted.
 - Warid: Customer is not debited. If the debit happened, it is reversed.
6. Is your mobile money service linked to any commercial banks in Uganda?
- Airtel: Yes , Standard Chartered Bank is our main sponsor Bank (Escrow account Holder where all the customer funds are held), we also have relationships with the following Banks; Centenary Bank , Equity bank , KCB Bank , Eco Bank , Post bank , Pride Micro Finance Ltd , Finance Trust Bank for Cash in-Cash out. Direct Airtel – Bank integration is with Standard Chartered Bank, Kenya Commercial Bank (KCB) and Pride Micro Finance hence one can move funds to and from their bank accounts.
 - MTN: No but plans are underway.
 - Warid: Yes. Currently we are linked to Equity Bank, Post bank, Centenary bank, Global Trust bank, Uganda Finance Trust and Pride Micro finance. All in total, 210 Bank branches Linked to Warid Pesa.
7. What options do you have for clients that do not possess a handset (phone)?
- Airtel: Currently web interface is available for only Dealers and Merchant accounts. The solution is not yet to be deployed for agents. No solution is in place for ordinary customers (who are neither agents nor dealers nor merchants); these require handsets.
 - MTN: We propose one of our products called the MTN EASY TALK. This product allows whoever has an MTNEASY TALK SIM card to Access a Public Terminal & withdraw money as long as a Mobile Money Agent is positioned next to the phone. We have successfully done this with the World food programme & Ministry of Gender _ find attached presentation.
 - Warid: We can make arrangements for installment purchases of low-cost handsets with agreement from partner.

8. Would you offer a discount to USAID projects using bulk payment systems with your service?
- Airtel: Yes, however, this depends on the volumes of transactions and frequency of payments.
 - MTN: offers a competitive bulk payments rate of 300/- per transaction.
 - Warid: Absolutely. We are willing and able to offer FREE bulk payment services to USAID in support of the work they do.
9. How does your service allow for receipts to show that payment has occurred? For example, with utility payments, USAID rules and regulations require submission of an original receipt as proof of payment before reimbursement of expatriate allowances. Does mobile money allow for this?
- Airtel: Proof of payment is showed by the SMS notification sent to recipient and full report of payment given to client upon request. Reports on Bulk Payments and collection accounts are accessed via the web-interface and can be exported as PDF or CSV or xls file format.
 - MTN: provides a client with a web interface that enables them run statements directly from the mobile money platform.
 - Warid: Currently proof of payment is by SMS, e-mail and personal statements which can be obtained free of charge from any Warid Business centre. Or downloaded from the interface given to the organization as proof of payment on a real-time basis.
10. Please describe the measures you have in place to prevent fraud, both within your company, by agents, and by clients of your service.
- Airtel has zero tolerance for fraud and this has been embedded in the staff policies and trained staff on the same (a whistleblowing policy is enforced). 1) Vetting of agents during recruitment to fit the criteria set forth by the regulators (BOU, UCC and Standard Chartered) and as per the AML/KYC guidelines. 2) Dual control on e-value allocation, De-allocation, transaction reversals 3) Daily/ Real-Time Transaction Monitoring and system access (Compliance, Internal Control & Revenue Assurance Teams 4) Dual Reconciliation Teams (Country & Group level) together with Daily Standard Chartered Reconciliation team 5) 24-7 Dedicated Airtel Money Customer support (these support clients and block client accounts pending investigations) (1155 & 1166 for Agents and Partners; 1100 for customers) 6) 360 degrees audit process (PWC- internal audit and E&Y – external audit).
 - MTN: There is no possibility of Fraud with the Bulk payments solution once you make a transfer to MTN & it's reflected on the system, the same will be credited to your account to allow you pay your beneficiaries. Once the Money is paid out to clients MTN is no longer liable however, we encourage clients to keep their Mobile Money PINs secret to keep their money safe.
 - Warid: Itemized Billing, systematic real-time event audit reports, a detailed transaction reversal process, call and cell location audits, maker-checker

functionality, transaction and authorization PIN requirements, round-robin sensitization and training of staff, agents and clients on fraud and prevention of fraud.

11. If funds have been sent to the incorrect individual, please describe the process by which an organization can get those funds returned to them.
 - Airtel: Client immediately calls the call center (1100,1155,1166) to have the e-wallet account of the recipient blocked, both sender and recipient are called by our Airtel Money dedicated team when performing due diligence, small amounts are then reversed if the team is satisfied with the responses. If amounts are large, issue is escalated to finance team for further verification upon which transaction is reversed and e-wallets unblocked.
 - MTN: If the number that received the money is dormant account/does not exist, the money is sent back to the sender within 2 days. If the account is active and the money is still on the recipients account, the account is suspended and a journal is made back to the Organization's account within 4 days. However, since your Accountant will be making these payments, MTN encourages them to make sure they are doing the right thing.
 - Warid: A call is made to Warid Pesa help line on 144 to report the wrong transfer, a reversal process will be initiated by Warid Telecom to allow the funds be reversed to the sender.

12. What steps is your service taking to ensure agents have enough liquidity to handle bulk payments, especially if they are focused in one geographical region? And if they are focused in rural/remote areas? Do you have any specific solutions for programs based in Karamoja?
 - Airtel: Using existing Aggregators in the areas of interest to carry out the cash out function at times when the funds are disbursed. Using Existing Bank Mobile van facilities to help out during the cash outs scenario. Special agent camping at the designated locations where beneficiaries are located.
 - MTN: As long as we are aware of how much money is going to be paid out, we encourage potential mobile money agents to move to those areas with enough cash to pay out, which they willingly do because at the end of the day, there is a commission to be earned out of each transaction. We already have programs running in Karamoja where over 15,000 beneficiaries are paid on a quarterly basis and we have had no challenges especially with issues around liquidity.
 - Warid: A periodic audit on capital holding (Cash and Float) is done to these retail outlets, this we do to monitor their capacity to handle customer's expectations. We also give advice to the retail outlets to recapitalize their business depending on the needs of customers in a particular geographical regions, this includes the liquidity needs of the customers. We also have the backing of at least seven banks and about 80 financial SACCO's who have higher liquidity levels than the average agent outlet. Our coverage in Karamoja is sufficient to serve clients in that region.

13. What are your options for offline payments?
- Airtel: does not support offline payments.
 - MTN: Offline payments can only be done in cases of a consistent system failure on the payment days. However, in cases of areas with no network, offline payments cannot be done.
 - Warid: N/A
14. If my organization would like to be a mobile money agent, or have one on site, what are the requirements, and what support is offered to agents by your service?
- Airtel: Refer to Appendix 1 and a minimum opening float balance of 200,000 UGX. Airtel has regional Manager and Trade executives that will provide daily support at the agent point. Training, Branding and visibility is also the role of Airtel.
 - MTN: See Appendix 1
 - Warid: See Appendix 1
15. Please describe your current network maintenance strategy and the statistics of how often your network is up?
- Airtel: Airtel Money IT department has a robust business continuity program i.e. incremental and full system backups to enforce high availability of the service in liaison with the GSM networks team and a system-up-time monitoring tool is used to provide alerts and reports. As per BOU requirement, system uptime should be maintained at minimum of 95% which rate is surpassed by Airtel as per attached sample – Appendix 2.
 - MTN: has a team of engineers and technicians across Uganda who ensure high uptimes of all our sites.
 - Warid: Our network has about 98% up-time since launch on the average. Since our platform is very new maintenance requirements are low; but new and updated versions are scheduled for re-deployment every six months to ensure we keep up with current business requirements.
16. Do you offer business-to-business payments with your service? Are the transaction limits different for this service?
- Airtel: Yes Airtel offers B2B transactions and uses same tariff structure like Bulk payment transactions (Details can be obtained from Corporate Sales Managers).
 - MTN: MTN offers a host of business / corporate solutions e.g. bulk payments, collection accounts, Web access, agency, etc. The transaction limits vary based on the product and the customer.
 - Warid: Yes. Transaction limits are higher than normal transactions.
-

Other Questions

17. Are there technical assistance resources available to implementing partners interested in using mobile money in their programs and operations?

- Visa Innovation Grants program: Visa and NetHope are distributing grants for organizations interested in making a transition away from cash towards electronic payments. Application deadline is January 9th, 2012. Information can be found at the following link: <http://nethope.org/page/visa-innovation-grant>.
 - The Better Than Cash Alliance was launched in September 2012. See the website: www.betterthancash.org. Although the technical assistance facility is not yet active, there will be an opportunity for organizations making a commitment to transition away from electronic payments to have the ability to apply for technical assistance.
 - USAID has developed an implementing mechanism called mSTAR – the Mobile Solutions Technical Assistance and Research Program. Through this mechanism, USAID Missions can buy in and have access to one of 30+ mSTAR consortium partners that can provide technical assistance to USAID and their partners in the fields of mobile money, mobile data, and mobile access.
 - There are several tools that USAID has developed to help implementing partners interested in transitioning to the use of electronic payments and mobile money in the "Resources" section at this link:
 - Uses and Costs of Cash Analysis Tool
 - Financial Documentation of Mobile Money Reference
 - Hortatory (Encouraging) language that can be used in sub-contract/sub-awardee contract language
18. How is electronic money integrated into standard monetary systems, that were originally built for physical, or "hard" currency
- Mobile money, or e-float, is always backed by the equivalent cash value. For instance, when a customer cashes in they give cash to the agent who then pushes the same value of e-float onto the customer's mobile money wallet. This e-float is pegged to that physical cash value, therefore avoiding any currency being created out of the transaction. E-float is essentially an electronic storage of physical cash, which is defined by a country's central bank in a typical fiat monetary system.
-

Agent Registration Requirements

Airtel:

Association	Sole Proprietor	Individual (sub Agent)
<ul style="list-style-type: none"> a. Certified copy of Certificate of Incorporation b. Memorandum & Articles of Incorporation, Constitution or equivalent c. Certified copy of Trading Licence or its equivalent Completed agent application & registration forms d. Certified copy of Lease/Tenancy / Title Document for the company premises e. Certified copy of Statement of Particulars of Directors/ Partners f. Copies of two Directors' ID Cards / Passports (Passport Compulsory for foreigners) g. Proof of Residence of two Directors/ Members 	<ul style="list-style-type: none"> a. Certified copy of Certificate of Registration (business names) b. Completed agent application & registration forms c. Certified copy of TIN/ VAT Certificate d. Trading Licence or its equivalent e. Certified copy of Lease/Tenancy / Title Document for the company premises f. Copies of Directors' ID Cards / Passports (Passport Compulsory for foreigners) g. Proof of Residence of Owner 	<ul style="list-style-type: none"> a. Valid Passport (Compulsory for foreigners) or Voter Registration Card or National ID b. Proof of Residence (Utility Bill, Tenancy/Lease Agreement, L.C ID etc.)* c. Completed agent application & registration forms d. Recommendation from village L.C Chairperson with photograph of Applicant e. Trading Licence/Local receipt f. Filled Subscriber Registration Form as per UCC guidelines

MTN:

What do I need to become a Corporate Mobile Money Agent?

-Prospective client must be a registered company

They should then present copies of the following:

- Copy of Certificate of Incorporation/Registration
- Copy of Certified Memorandum and Articles of Association
- Photocopy of Valid Identification of one of the signatories
- Official email and phone contacts.

The Corporate Account Manager will then provide the forms below for a client to fill in;

- A Corporate Agent Application form.
- A Web Access form
- A handler Form.

- MTN provides the kits (actual cards used for Transactions)
- MTN provides branding and administrative support.

Warid:

Agent Requirements

- A) A passport size photograph
- B) Photocopy of identity card
- C) Capital (cash for float and withdrawal purposes) This we can discuss for better advise that suits the needs of your clientele

Supporting Documentation – AIRTEL Sample of Uptime Summary Report (Sept'12 and Oct'12)

