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USAID/PHILIPPINES SCALING INNOVATIONS IN MOBILE MONEY (SIMM) PROJECT

**QUARTERLY PROGRESS REPORT: SECOND QUARTER 2012
JULY – SEPTEMBER 2012**

SEPTEMBER 2012

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PHOTO ON LEFT: USAID, BSP, and the leading mobile money providers, BPI-Globe BankKO, Inc., G-Xchange, Inc. (GCASH), and Smart Communications, Inc. (Smart Money) forge partnership for the implementation of the USAID/SIMM Project. Seated from left: BPI-Globe BankKO President Teresita Tan, GXI President Paolo Baltao, USAID Mission Director Gloria Steele, BSP Monetary Board Member Ignacio Bunye, USAID Chief Innovation Officer and Senior Counselor to the Administrator Dr. Maura O’Neill, BSP Deputy Governor Nestor Espenilla, Smart’s Financial Services Head Tricia Dizon. Standing from left: SIMM Project Deputy Chief of Party Vicente Catudio, DAI Vice President for Information Management and Technology Lawrence Campbell, GXI Key Accounts Manager Jonathan Nazario, USAID Project Management Specialist Maria Teresita Espenilla, SIMM Project Chief of Party Mamerto Tangonan, Smart’s Corporate Affairs Head Ramon Isberto, and Smart’s Senior Manager for Domestic Alliances Maybelle Santos.

PHOTOS ON RIGHT: Dr. Maura O’Neill led the launch of the SIMM Project at the Bangko Sentral ng Pilipinas. At the bottom right, USAID pose with BSP officials and the country’s major mobile money providers during the kick-off ceremony for the two-year, USAID-funded SIMM Project.

(Photos by Gay/USAID/SIMM)

Scaling Innovations in Mobile Money (SIMM) Project Second Quarterly Progress Report

USAID-DAI Contract No. AID-492-C-12-00004

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ACRONYMS

ADGB	authorized depository government bank
BFA	Bankable Frontier Associates
BLGF	Bureau of Local Government Finance
BPLS	Business Permit and Licensing System
BSP	Bangko Sentral ng Pilipinas
BPCCI	Batangas Province Chamber of Commerce and Industry
CCT	conditional cash transfer
CDI	Cities Development Initiative
CFO	Commission on Filipinos Overseas
CICO	cash-in/cash-out
COA	Commission on Audit
DBM	Department of Budget and Management
DILG	Department of Interior Local Government
DSWD	Department of Social Welfare and Development
DTI	Department of Trade and Industry
ECO	E-Commerce Office
EMI	electronic money issuer
FMCG	fast moving consumer good
G2P	government-to-person
GIS	geographic information system
GXI	G-Xchange, Inc.
HDMF	Home Development Mutual Fund
LBP	Land Bank of the Philippines
LGU	local government unit
MABS	Microenterprise Access to Banking Services
MCPI	Microfinance Council of the Philippines, Inc.
MFI	microfinance institution
MicSMEs	micro, small, medium enterprises
MIMO	money-in/money-out
m-money	mobile money

MMP	mobile money provider
MOU	memorandum of understanding
NCR	National Capital Region
NDA	non-disclosure agreement
P2P	person-to-person
P2G	person-to-government
PCCI	Philippine Chamber of Commerce and Industry
PFG	Partnership for Growth
PHIC	Philippine Health Insurance Corporation
PMP	performance management plan
RBAP	Rural Bankers Association of the Philippines
SIMM	Scaling Innovations in Mobile Money
SSS	Social Security System
USAID	U.S. Agency for International Development

EXECUTIVE SUMMARY

The Scaling Innovations in Mobile Money (SIMM) Project, a two-year project supported by the U.S. Agency for International Development (USAID) builds upon USAID interventions in microenterprise access and mobile banking (m-banking) to further expand financial services. SIMM advances interconnected goals of increasing financial inclusion for broad-based economic growth through boosting expansion and rapid adoption of m-money services, and creating an enabling environment for m-money. To reach these goals, SIMM will target three broad areas of strategic intervention: the payment system, government services, and electronic payroll (e-payroll) distribution.

SIMM is working with various national and local government agencies and the private sector to build and strengthen the local components of the mobile money ecosystem in select pilot areas specifically for government services, electronic payroll distribution, and payment system.

This quarter's implementation yielded significant progress on its national and local partnership-building initiatives, which are key in accelerating mobile money adoption for government services, payroll, and other major payment and revenue streams. SIMM has successfully obtained the buy-in of major partners representing various stakeholder segments from business with the Philippine Chamber of Commerce and Industry and the Batangas Province Chamber of Commerce and Industry, the microfinance sector with the Microfinance Council of the Philippines, Inc. (MCPI) and the Rural Bankers Association of the Philippines (RBAP), and government, the City Government of Batangas. Meanwhile, strategies for the piloting of mobile money ecosystems in select geographical locations called SIMM Cities were formulated and groundwork has been initiated in Batangas City, one of SIMM's Year 1 pilot areas.

One major milestone for this quarter is the signing of the memoranda of understanding (MOU) and non-disclosure agreements (NDAs) with SIMM's mobile money partners, BPI-Globe BankO, G-Xchange, Inc., and Smart Communications, Inc. which formalized the industry's commitment to work with SIMM and to achieve the mutual goal of financial inclusion. Together with the mobile money providers (MMPs), SIMM conducted the first mobile money training series with USAID employees and implementing partners in August and September wherein the MMPs participated as resource speakers.

The second quarter ended on a high note with the launch of the SIMM Project on September 11 during the visit of USAID Chief Innovation Officer and Senior Counselor to the Administrator Maura O'Neill. The event which brought together key players from government, the business sector, and the mobile money industry exemplified mobile money's potential to become a gamechanging tool for increasing transparency and efficiency in government services and expanding access to financial services especially of the poor and the marginalized.

Considering that the project has just commenced its implementation phase this quarter, PMP reporting for this period focuses on four key indicators that SIMM has directly contributed to through conduct of joint activities with the MMPs, as shown below.

Number of new m-money users

For this quarter, 55 new users have activated their mobile money accounts following the mobile money training and activation sessions that SIMM conducted in August and September. M-money uptake is expected to pick up in succeeding quarters with SIMM ramping up implementation of national- and local-level activities for payroll, government services, and payments.

Number of people opening savings accounts via branchless banking

For this reporting period, 39 people opened savings accounts via branchless banking as a result of the mobile money training and activation event that SIMM conducted with BPI-Globe BankKO in September. To hit its Year 1 target, SIMM together with its partners will work on expanding demand for branchless banking services to yield a monthly average of 500 or more new BankKO depositors in the next six months.

Number of people trained in financial education and literacy

A total of 130 people were trained in financial education and mobile money literacy in August and September through the mobile money training and activation events that were conducted with BankKO, GXI, and Smart. More than half of the trainees were female. This number is expected to increase in the next few months with the development of training curriculum on consumer education and protection for targeted audience.

Value of activities funded by cost-sharing/contribution arrangements with SIMM

For this quarter, value of activities funded through cost-sharing arrangements with SIMM was estimated at \$2,100 (PHP88,000). This includes costs incurred for the SIMM Project launch with BSP hosting the event (venue, use of amenities). There were also cost-sharing arrangements for the conduct of the mobile money training with the MMPs wherein MMPs shouldered cost for marketing collaterals such as distribution of free SIMs and tokens such as tote bags and water bottles estimated at \$230 (PHP2,100).

This past quarter, SIMM has come to bear with local realities that may possibly impede implementation. Such is not unique to SIMM as most development projects have, at one point or another, been encumbered with similar challenges. These have only prompted implementers to explore alternative opportunities for engagement and re-formulate strategies to respond better to the project's changing needs and unexpected circumstances.

Despite these challenges, SIMM is constantly on the lookout for opportunities to scale up mobile money. The project banks on the successes of previous mobile money deployments in the country to tailor its strategies for the project's beneficiaries. SIMM Project team is also utilizing its own network to tap into potential partnerships with other players in the financial sector even government.

Moving forward, SIMM's approach next quarter will be more targeted and results-focused. To realize SIMM's objectives, major project strategy needs to shift from partnership building and outreach to straight out implementation. This means mobilizing resources for mobile money ecosystem build-up—expanding source, uses, and reach of mobile money products by enabling payroll, loan disbursement, social welfare benefit payout, and bills payment that would create the habit for mobile money usage and driving consumer adoption through a mix of commercial and social marketing approaches. SIMM will continue to engage key national and local partners to walk them through the process of setting up and implementing mobile money platforms for payroll, payments, and government services

CHAPTER 1: INTRODUCTION

The U.S. Agency for International Development (USAID) believes that development entails facilitating access to economic opportunity. Financial services provide the means for the poor and unbanked to build assets, better withstand shocks, and participate more broadly in the formal economy. In the Philippines, the lack of rural access to financial services presents a major barrier to achieving broad-based economic growth. Across the nation, 610 out of 1,635 municipalities do not have banks. With just 26 percent of Filipinos enjoying access to formal financial channels, a latent demand for financial services remains largely untapped.

Meanwhile, the Philippines enjoys a high penetration rate (100.3%) of mobile phone subscribers and registers more than 9.5 million electronic wallet accounts, more than any country in the world, save Kenya. An enabling regulatory environment has facilitated the expansion of mobile money (m-money) and has aided the creation of three unique electronic money models. Ubiquitous airtime distribution networks provide an established infrastructure to expand reach. These positive factors have created a ripe opportunity to leverage existing electronic money channels to address development challenges of financial and economic inclusion.

Despite many positive factors that have enabled the Philippines to become one of the most successful m-money markets in the world, other factors have constrained its growth. USAID has an opportunity to address constraints to catalyze this emerging sector and leverage electronic money for financial inclusion.

1.1 OBJECTIVES AND KEY RESULTS

The Scaling Innovations in Mobile Money (SIMM) project builds upon USAID interventions in microenterprise access and mobile banking (m-banking) to further expand financial services. SIMM advances interconnected goals of increasing financial inclusion for broad-based economic growth through boosting expansion and rapid adoption of m-money services, and creating an enabling environment for m-money.

To reach these goals, SIMM will target three broad areas of strategic intervention: the payment system, government services, and electronic payroll (e-payroll) distribution.

Cutting across these strategic areas, the activities of SIMM will also address supply and demand constraints to broader adoption of m-money in the Philippines and promote global knowledge sharing.

Working with the government, the MNOs, financial institutions, and local organizations, SIMM will address obstacles that are impeding the growth of branchless banking in order to achieve growth-oriented sustainable results and impact. SIMM focuses on three primary areas: creating business models that scale, achieving inclusive user uptake, and promoting global knowledge sharing of m-money. SIMM will be responsible for delivering the following results.

- Growth of m-money to more than 1.3 million active users (of which one-quarter are new subscribers to m-money services).
- More than 12,500 people trained (via financial education and literacy on the uses of m-money and m-money services) for improved household financial management.
- More than 10,000 people opening savings accounts via m-banking.

- Increased e-payroll implementation and adoption to 100 (small, medium, and large) businesses and two Government of the Philippines agencies/local government units (LGUs).
- An additional 2,500 CI/CO merchant partners operating mostly in rural areas.
- Increased volume (monetary value) of m-money transactions by more than 200 percent.
- Three conferences and venues for networking supported; and
- Three research papers and assessments produced for knowledge sharing.

1.2 OVERVIEW OF QUARTERLY REPORT

This report covers the progress of the SIMM Project during the three months period from July 1, 2012 to September 30, 2012. Section 2 describes the status of the main activities and tasks that were planned for the period. Major tasks accomplished were mostly towards establishing partnerships with targeted government agencies and private sector groups. As a nascent payment system, an ecosystem of payers and payees representing significantly large payment streams have to be shaped. Forging partnerships is key to achieving such ecosystem. This culminated in the launch of SIMM between USAID and the major mobile money partners of SIMM, namely BPI-Globe BanKO, Globe G-Cash, and Smart Money on September 11, 2012 which was graced by no less than Dr. Maura O’Neill, Senior Counselor and Chief Innovations Officer of USAID. The event was also witnessed by BSP officials led by Monetary Board member Hon. Ignacio Bunye and Deputy Governor Nestor Espenilla. Section 3 looks at the emerging challenges and opportunities from this quarter’s implementation particularly on regulatory constraints that may affect how workplan strategies and activities will be carried out in the ensuing quarters. Section 4 provides an overview of the key activities and expected results for next quarter’s implementation.

CHAPTER 2: KEY PROGRESS TO DATE

The second quarter implementation of SIMM yielded significant progress on its national and local partnership-building initiatives to accelerate mobile money for government services, payroll, and other major payment and revenue streams. Strategies for the piloting of mobile money ecosystems in select geographical locations called SIMM Cities were formulated and groundwork has been initiated in Batangas City, one of SIMM's Year 1 pilot areas.

"We are hugely believers of mobile money to be fundamental game changers in development ... And really the seeds of that innovation really were nurtured here in the Philippines. And so it is a particular honor for me to be here and to launch the Scaling Innovations in Mobile Money. We know that good ideas come from all different places and the Philippines is one that brought this. We also know that there's much to do before we can make this a robust system that has a network effect that really creates more opportunity for financial inclusion."

- **Dr. Maura O'Neill**
*USAID Chief Innovation Officer
and Senior Counselor to the
Administrator during the
SIMM Project Launch*

For government services, discussions with key government partners such as the Department of Budget and Management for the central payroll program, the Department of Interior Local and Government and the Bureau of Local Government Finance (BLGF) for person-to-government services (P2G), and the Commission of Filipinos Overseas (CFO) for overseas remittances have commenced with all indicating interest to adopt mobile money (m-money) to the extent that is allowable by law. Noting government regulatory constraints, specifically the lack of clear guidelines on the issuance of and acceptability of electronic receipts as a possible major barrier to m-money adoption, SIMM reached out to the Department of Trade and Industry E-Commerce Office (DTI-ECO) to clarify policies governing electronic payments and together with ECO look into practicable policy alternatives that would contribute to a more enabling policy environment for m-money.

Meanwhile, parallel efforts were made in soliciting support from the private sector to integrate mobile money as an alternative payment mode in their businesses. SIMM now counts the Philippine Chamber of Commerce and Industry (PCCI), the Rural Bankers Association of the Philippines (RBAP), and the Microfinance Council of the Philippines, Inc. (MCPI) among its key national partners from the business and financial sectors that will provide support in operations research and demand generation for mobile money services among their respective memberships. Preparation of partnership MOUs is underway and implementation of joint activities with said partners are expected to go full blast in the ensuing months. SIMM is also exploring other avenues of partnership from other mobile money players like NationLink and b2bpricenow.com and possibly a new entrant, Plantersbank.

A major milestone for this quarter is the signing of the memoranda of understanding (MOU) and non-disclosure agreements (NDAs) with SIMM's mobile money partners, BPI-Globe BanKO, G-Xchange, Inc., and Smart Communications, Inc. which formalized the industry's commitment to work with SIMM and to achieve the mutual goal of financial inclusion. Together with the mobile money providers (MMPs), SIMM conducted the first mobile money training series with USAID employees and implementing partners in August and September wherein the MMPs participated as resource speakers. The training resulted in the activation of 55 new mobile money users.

The second quarter ended on a high note with the launch of the SIMM Project on September 11 during the visit of USAID Chief Innovation Officer and Senior Counselor to the Administrator Maura O’Neill. The event which brought together key players from government, the business sector, and the mobile money industry exemplified mobile money’s potential to become a gamechanging tool for increasing transparency and efficiency in government services and expanding access to financial services especially among the poor and the marginalized.

The succeeding sections of this report detail the progress of the second quarter implementation as described in the Year 1 and Life of Project workplan.

2.1: BUILDING MOBILE MONEY ECOSYSTEMS IN SIMM CITIES

SIMM’s holistic approach will cover addressing supply and demand side constraints to broaden adoption of mobile money in the Philippines. The approach is being piloted in select cities and municipalities, called SIMM Cities and as soon as proof of success is established, will be replicated in other parts of the country. Through the SIMM Cities, SIMM will show evidence as to what strategies work in scaling mobile money. Figure 1 illustrates SIMM’s strategy in building mobile money ecosystems in the SIMM Cities.

On the supply side (sources of mobile money), SIMM is tapping the major payment streams to push mobile money into circulation. This is being done through “few-to-many” approach like e-payroll distribution by private and government entities and loan proceeds disbursement by microfinance institutions within SIMM Cities. On the demand side (uses of mobile money), SIMM is tapping payment applications that will promote the development of consumer mobile money habits. The goal is to make consumers pay through their mobile money at least 2 ½ times a month. This can be achieved through “many-to-few” approach by tapping utility companies for bills payment (electricity, water, CATV, telephone), microfinance institutions for loan collection, local governments for real property taxes, business permits and licenses, and business enterprises for trade payments.

SIMM is engaging various stakeholders, both on the supply and demand sides, to develop a working and sustainable ecosystem for mobile money.

- Local government units (LGU). SIMM is targeting both G2P (e-payroll of employees and petty cash disbursements) and P2G (collection of real property tax, business permits and licenses, market fees, etc.).
- Micro, small, and medium enterprises (MicSMEs). Through partnership with PCCI and its local chambers, SIMM is targeting e-payroll for local enterprises as well as trade payments to suppliers.
- Rural banks (RB). Through partnership with RBAP and the local rural bank federation, SIMM continues to expand the mobile banking project of Microenterprise Access to Banking Services (MABS) for deposits, withdrawals, loan disbursements and loan payments.
- Microfinance institutions (MFI). Through MCPI, SIMM will enable mobile money to MFIs for loan disbursements and loan collections.
- Fast moving consumer goods (FMCG) Distributors. Through partnership with FMCG companies, SIMM is engaging distributors for e-payroll and trade collections.
- Utility companies. SIMM is also engaging utility companies (i.e., electricity, water, CATV, etc.) for bill payments.
- Cash-in/cash-out (CICO) and money-in/money-out (MIMO) agents. Together with the mobile money providers, SIMM is expanding distribution of mobile money through accredited CICO and MIMO outlets.

SIMM is also pushing for national initiatives that will promote mobile money adoption and complement the ecosystem build-up in SIMM Cities. SIMM is working with the DBM to enable the movement of funds from national government employees' payroll account in authorized government depository banks (ADGB) to employees' mobile money accounts. This will allow government employees to do fund transfer from their payroll account to their mobile money account and use mobile money for money transfers, bill payments and payment of goods and services.

The project is also eyeing possible engagements with the Home Development Movement Fund (HDMF) or Pag-Ibig, the Social Security System (SSS), and the Philippine Health Insurance Corporation (PHIC) promote the adoption of mobile money for loan disbursements, loan payments and payment of Pag-Ibig contributions; individual remittances, loan disbursements, loan collection, retirement benefits, and contributions for SSS; and payment of benefits like medical reimbursements from PhilHealth. Pag-Ibig has over 11 million members to date. Five million of which have multipurpose loans and over 700,000 members have housing loans.

Government subsidy is a major payment stream which benefits millions of citizens. The conditional cash transfer (CCT), which is managed by the Department of Social Work and Development (DSWD), is the biggest government subsidy given to the poorest of the poor. As of 2011, there are a total of three million beneficiaries of the CCT program and is projected to increase to 3.8 million next year. SIMM will work with DSWD for the implementation of mobile money as an alternative channel for CCT distribution which is more cost-effective and efficient as compared to existing modes of benefit distribution.

Phase I – SIMM Cities

Implementation Approach: Build MM ecosystem

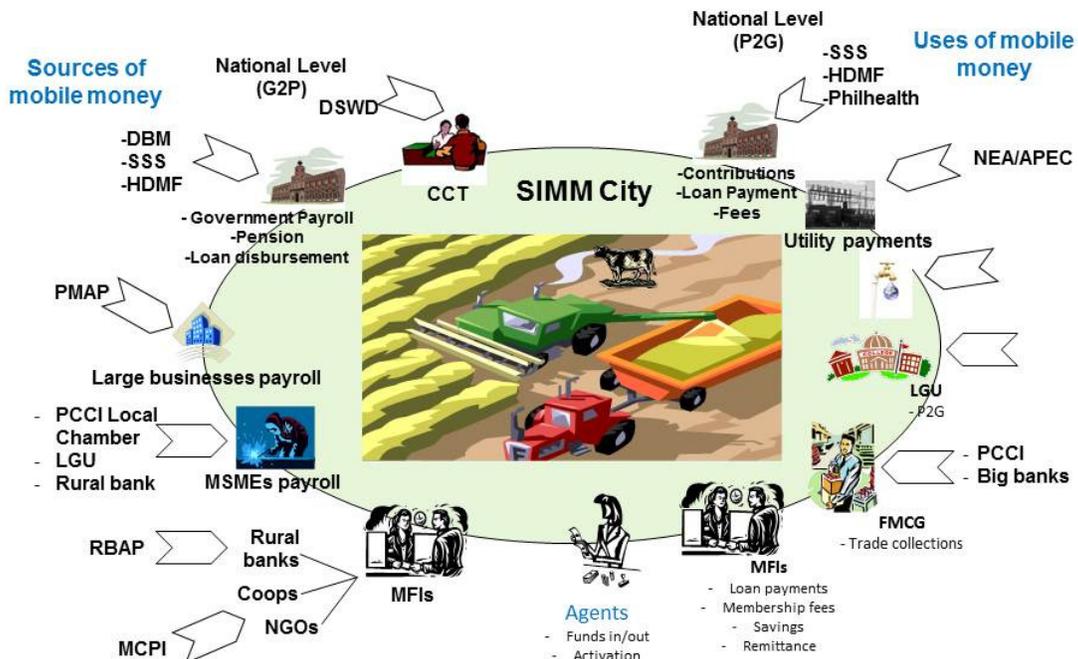


Figure 1. SIMM Cities model

Previous studies on mobile money reveal that the lack of trust in the system, lack of awareness on the product, and limited access to cash merchants are causing the slow uptake of mobile money in the country. Financial literacy and mobile money education will be key components to the SIMM Cities

approach. Further, SIMM is developing agent network channel management strategies to facilitate expansion of viable cash merchants. This includes working with mobile money providers to tap new channels, review and modify, if needed, the channel structure, compensation scheme and training of cash merchants.

For its Year 1 implementation, SIMM selected three (3) areas to pilot the mobile money ecosystem build-up. The SIMM Cities prioritization is based upon the criteria: speed to market; potential project impact; and presence of large addressable market. SIMM noted the need to have a mix of highly urbanized (or urban), semi-urban and rural areas to have a better representation of local scenarios. The Year 1 SIMM Cities are Batangas City, Valenzuela City, and the municipality of La Paz, Tarlac.

2.1.1: Activating stakeholders in the m-money ecosystem

Engaging the appropriate stakeholders in each SIMM City will be instrumental in ensuring the success of the mobile money pilot implementation. Figure 2 enumerates the steps that SIMM project team has been undertaking in the mobile money ecosystem build-up in the SIMM Cities this quarter.

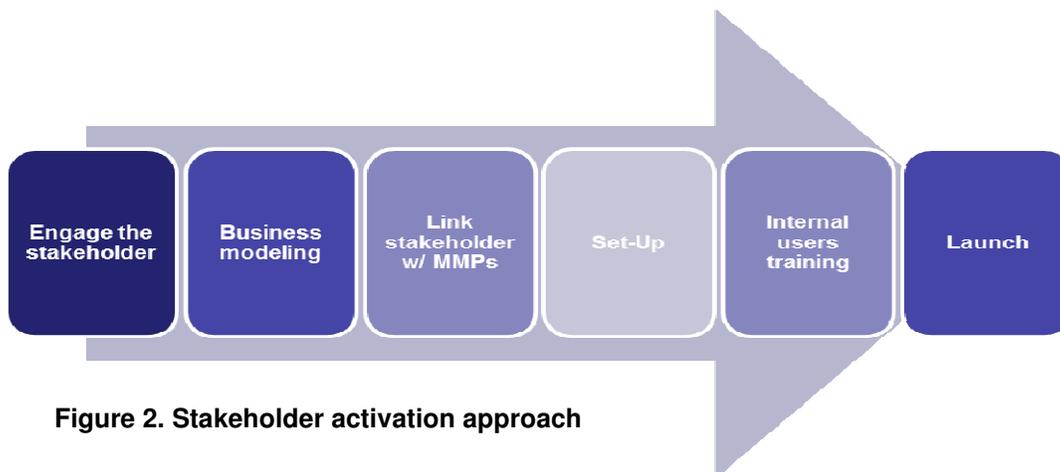


Figure 2. Stakeholder activation approach

Stakeholder engagement requires a formal presentation to key decision makers such as the local chief executive, association presidents, to name a few. Generally, memorandum of understanding (MOU) may not be required to formalize the partnership, but in certain cases where the partnership would require specific deliverables from the stakeholder, an MOU may be necessary. Stakeholders that are strongly affiliated with national federation or associations will require engagement with the national association such as PCCI, MCPI, and RBAP to complement the engagement with the local associations or chapters in the SIMM Cities.

Business modeling is required to build and present a compelling business case for mobile money adoption of stakeholders. The Business Model Canvass¹ (see Annex A) which covers nine business model building blocks will be used in the study that SIMM will commission. The business model will cover the articulation of a value proposition, the activities that needs to be undertaken to implement mobile money, how mobile money will be communicated to the users and cost and benefit analysis to determine economic and financial viability.

¹ Osterwalder, Pigneur & al. 2010

To link the stakeholder to mobile money providers, a “use case” (see Annex B) analysis is required to help the providers develop appropriate pricing. This requires identifying the specific payment transactions (i.e., disbursement of salaries, real property tax collection, trade collections, etc.), the frequency of the transaction, the average value per transaction, and the payer’s possible sources of mobile money. The role of SIMM will be to facilitate the negotiation. The stakeholder will be primarily responsible in negotiating with the mobile money providers (MMPs) the technical and commercial terms of the service.

Set-up will cover both technical and business processes. The technical side will cover the set-up by the MMPs, such as the creation of merchant code, setting-up data connection (if required), and developing reports required by stakeholder. On the part of the stakeholder, activities may include setting up data connection with the mobile money provider and testing upload or integration of reports to accounting system. Business processes of the stakeholder will have to be modified to incorporate mobile money processes. This will require updating or developing new process manuals. Training of internal users is required to familiarize users with the new processes such as daily checking and reconciliations and transaction upload to accounting system.

Launch will require communication campaigns, subscriber acquisition/registration, and financial literacy training. SIMM will develop required training materials such as video presentation and leave-behind wallet flyers. Moreover, SIMM will conduct a train-the-trainer training to ensure continued implementation of financial literacy training. MMPs may also provide marketing support such as flyers, posters and blitzes (subscriber registration booths).

2.1.2: Batangas City

One of the areas selected for Year 1 is Batangas City, the capital city of the Province of Batangas. It is known as the “Industrial Port City of CALABARZON” (composed of the provinces of Cavite, Laguna, Batangas, Rizal and Quezon). Batangas City is one of the fastest urbanizing cities of the Philippines with a population of 312,109² and a population density of 1,094³ persons per square kilometer. Batangas City has a total of 63,311 households and an average household income of PHP180,912 (\$4,300) per annum.

The city government collected a total of PHP1.3 billion (\$31 million) in revenues in 2011 and an Internal Revenue Allotment (IRA) of PHP570 million (\$14 million). The city is expected to increase its annual revenue to close to PHP2 billion (\$48 million) in the next two years given the increased investments and economic activities in the city. Batangas City is part of the Cities Development Initiative (CDI) under USAID’s Partnership for Growth (PFG) program.

Batangas City is the center of trade and commerce in the Province of Batangas. Batangas is a top investment destination given the strategic location of its port which serves as a gateway to industries in CALABARZON as well as the National Capital Region (NCR). It is also the home of one of the largest oil refineries in the country, Pilipinas Shell and three natural gas power plants namely Keilco, First Gas, and Malampaya On-Shore Gas Plant. Other major industries operating in Batangas City are San Miguel Food Corporation, JG Summit Petrochemical Corporation, Universal Robina Corporation, Himmel Industries Inc., Chemphil Bulk Terminal, San Lorenzo Power Plant, First Philippine Industrial Corporation, and most recently AG&P. As a result, the city draws thousands of transient and migratory workers, with 35 banking institutions, four major hospitals, three major hotels, and various government agencies. The city has a total labor force of 104,520 with 13.1% unemployment rate.

² 2010 Population Census of the National Statistics Office (NSO)

³ 2011 Batangas City Socio-Economic, Physical & Political Profile (SEPP)

Batangas City is also the center of education in the province with three of the largest universities and a few international schools situated there.

Engaging the Batangas City LGU

Through USAID's INVEST Project, the city is currently taking steps to promote investments and one of the activities is the streamlining of business processes for business permits and licenses to make setting-up a business quick, simple, and business-friendly. This requires reducing the steps from 17 to 3. Moreover, this entailed setting up a one-stop-shop unit, automation to integrate the different offices and systems, and introduction of online or electronic payment forms. Online payments such as electronic fund transfer services offered by commercial banks will cater to large businesses for bulk payments. On the other hand, mobile money will cater to small businesses and individual taxpayers which make more frequent payments but in small amounts.

"The problem with Batangas City is that it has small streets and it's difficult to park especially if you are going to the city hall to transact. Mobile money gives us the prospect of eliminating the need to go to the city hall for face-to-face transactions. Tax payers can save on transportation cost and time for traveling to the city hall. A son who works in Manila and used to send money to his mother who lives in the rural area to pay for local taxes can now pay directly the city government."

- **Atty. Reginald Dimacuha**
Secretary of the Mayor, Batangas City

Initial meeting was held on August 23, 2012 in Batangas City. The project was presented to Mayor Vilma Dimacuha and her department heads, including Atty. Reginald Dimacuha, secretary of the Mayor, City Treasurer Tess Geron, the City Planning and Development Officer and the HR Department Head, among others. An agreement was reached to implement mobile money and to make Batangas City a "SIMM City." An MOU will be signed between the USAID and Batangas City next quarter to signify its partnership with SIMM.

Based on initial discussions with city officials, SIMM has identified potential opportunities for P2G mobile money implementation with the city government namely, business permits and licenses, real property tax, market fees, and civil registry fees. The LGU also identified salary payment for city health workers deployed in rural areas as well as contractual employees for e-payroll service.



Mayor Vilma Dimacuha and key officials from Batangas City learn about the practical applications and benefits of utilizing mobile money for government transactions during SIMM's visit to the City Mayor last August. Batangas City is one of the SIMM Cities for Year 1 implementation.

SIMM is targeting to launch the Batangas City LGU project in December, peak season for real property tax and business permit fees payments.

Throughout this process, SIMM will harmonize its efforts with the USAID/INVEST Project to ensure the timely launch of the new BPLS system with the mobile money payment feature.

Actions to be undertaken to ensure the mobile money implementation in Batangas City include:

1. MOU signing between USAID and Batangas City LGU;
2. development of the use case analysis to identify and prioritize payment applications for mobile money implementation;
3. MMPs' product presentation to city officials (i.e., City Treasurer, Secretary of the Mayor, etc.);
4. LGU IT consultant's development of solution on how LGU system will capture mobile payment reports;

5. negotiation (through the City Mayor or her authorized representative) of commercial terms and rates with the MMPs;
6. implementation of technical set-up by MMPs and LGU;
7. development of business processes and conduct of user training; and
8. implementation which covers communication campaign, training / financial literacy and subscriber enrollment.

Engaging the Batangas-Philippine Chamber of Commerce and Industry

The Batangas Province Chamber of Commerce and Industry (BPCCI) is a key stakeholder in Batangas City owing to the economic miracle brought about by the booming business activities in the province. There are 10,919⁴ registered business establishments in Batangas City in 2011 which are predominantly micro, small and medium enterprises (MicSMEs). There are only 15 large businesses in Batangas City. SIMM is collaborating with BPCCI to accelerate adoption of mobile money to its MicSME members for e-payroll and trade payments and collections. Initial meeting was conducted on August 24, 2012 with BPCCI officers led by Mr. Faustino G. Caedo, president and Ms. Ma. Magdalena Cajanding, executive director. BPCCI has agreed to adopt mobile money for collection of membership fees and dues to help the BPCCI secretariat save on transportation costs just to collect dues from members. An MOU will be signed between USAID and BPCCI to document the partnership on mobile money as a tool to help MicSMEs achieve operational efficiency.

Together with BPCCI, SIMM is planning to conduct its first mobile money forum with business owners in November. Target MicSMEs with significant employee base under the manufacturing, construction, personal services, distribution and trading/wholesaling/retailing sectors will be invited.

Actions to be undertaken to ensure the mobile money implementation in Batangas City include:

1. signing of MOU between DAI and BPCCI to work together to help MSMEs achieve operational efficiency through mobile money;
2. conduct forums on mobile money with MSMEs as target audience in partnership with BPCCI;
3. MMP's product presentation to MSMEs;
4. MSMEs' enrollment/sign-up for e-payroll, trade collection, disbursements;
5. technical set-up by MMPs and MSMEs;
6. development of business processes and conduct of user training; and
7. implementation which covers communication campaign, training / financial literacy and subscriber enrollment.

Other Stakeholders in the Pipeline

The other stakeholders that SIMM will be working with are the microfinance institutions through MCPI, the rural banks members of RBAP, the cooperative members of the Cooperative Development Council of Batangas, local utility companies such as the Batangas City Water District and a local cable TV provider, Batangas CATV, Inc., and schools like the University of Batangas and Lyceum University-Batangas City). Updates on these engagements will be included in the next quarterly reporting.

2.1.3: Valenzuela City and La Paz, Tarlac

Activities to engage the two other SIMM Cities, Valenzuela City and the municipality of La Paz, Tarlac are underway; status of which will be reported next quarter.

⁴ City Planning and Development Office, Batangas City

2.2: FACILITATING E-PAYROLL DISTRIBUTION

SIMM continues to promote mobile money as a cost-effective tool for administering payroll especially among micro, small, and medium businesses that may find it difficult to access banking services due to the absence of branches in rural, remote areas in the country or in areas where bank facilities are available, comply with commercial banks' payroll requirements, e.g., required documentation and average daily balance. Despite current regulatory constraints precluding government agencies from putting money in non-authorized government depository banks, SIMM is still pursuing talks with the DBM who had earlier expressed interest to integrate mobile money in the piloting of the government's central payroll system.

2.2.1: Facilitate the e-payroll implementation of businesses not currently served by commercial banks

One of the strategic partnerships that SIMM has forged this quarter is with the Philippine Chamber of Commerce and Industry. PCCI is the largest umbrella organization of micro, small, and medium-sized enterprises (MicSMEs) in the Philippines comprising 110 local chambers, 1,500 direct corporate partners, 120 industry associations, and 30,000 businesses nationwide. SIMM recognizes that in order to achieve its objective of having 100 businesses implementing e-payroll, it should take on a "one-to-many approach" utilizing PCCI and its extensive network in the business sector as a platform for engagement. SIMM is currently developing a program for MicSMEs that would lay down the process in setting up corporate m-money payroll, packaging it as a business solution that would help MicSMEs increase their efficiency and productivity.

SIMM: Walking the talk
Beginning next quarter, SIMM employees will start receiving a portion of their salary through their mobile money accounts. SIMM Project staff thought that in order to become credible advocates for mobile money, they should become m-money users themselves. SIMM enrolled their corporate payroll with BPI-Globe BankKO, GXI, and Smart and will soon be using mobile money to pay for staff communication, lodging and air travel expenses.

With sustainability as one of the end goals of the project, SIMM is also looking at how the program can be institutionalized with the local chambers as potential service providers for other businesses that may be interested to adopt m-money services for payroll. SIMM is working with the MMPs in devising incentive schemes that would appeal to the local chambers and motivate them to continue marketing the program to other businesses beyond SIMM.

Similarly, SIMM has engaged the Batangas Province Chamber of Commerce and Industry (BPCCI) during its meeting with BPCCI officials on August 23. Together with BPCCI, SIMM will identify member SMEs that can adopt mobile money for payroll and payment services. Next quarter, a series of m-money forum with business owners will be organized in Batangas City where MMPs will be invited to present their payroll products, features, and benefits.

In September, SIMM was approached by Planters Development Bank (Plantersbank) to explore possible partnership on mobile money. Plantersbank is a privately-owned and managed bank with a complete range of commercial banking products and services especially geared towards promoting the interest of SMEs. According to a study by the Department of Trade and Industry (DTI), there are 66,535 SMEs in the country as of 2009 which employ 1,864,559 employees. Most of these SMEs distribute payroll manually given the barriers to bank-based payroll services. Given its SME client base, Plantersbank has an opportunity to offer an electronic money-based payroll product to SMEs. SIMM recommended to Plantersbank to productize e-payroll for SMEs and will support the bank secure a USSD with telecommunications companies for its planned mobile money product. Plantersbank is currently applying for an electronic money issuer (EMI) license with the Bangko Sentral ng Pilipinas (BSP).

The payroll product of MMPs can also be utilized for payroll-like transactions such as B2P and G2P, also known as “few to many” payment. One of the “few to many” payment applications that SIMM is working on is loan proceeds disbursement for microfinance institutions (MFIs). SIMM has engaged the Microfinance Council of the Philippines, Inc. (“MCPI”) to promote adoption of mobile payment by its MFI members focusing on improving operating efficiency in loan disbursement and collection processes thus, expand the outreach and footprint of MFIs. Using e-payroll product of MMPs to disburse loan proceeds will eliminate the manual disbursement of loan proceeds through loan officers. The level of effort freed from manual disbursements can be used by loan officers to expand membership in other areas. The engagement with MCPI will include development of business model and pilot implementation covering eight MFIs operating in the SIMM Cities to test the business model and full implementation for the remaining MFI members of MCPI.

I understand the efficiency brought about by mobile money on money transfer but I think the civil servants’ proposition is not on the transfer because most of their families are here. The value proposition is really about expanding the available services to them by allowing them to go to the mall, pay their bills, buy airtime, better financial management.

- Usec. Richard Moya
Chief Information Officer, Department of Budget and Management

2.2.2: Promote e-payroll options to established businesses

Priority for the quarter focused on securing government’s buy-in for mobile money payroll adoption given the strategic partnership that was forged with DBM in late June. Still, SIMM recognizes the potential of business districts to become a key mobile money accelerator for payroll considering its scale and reach. SIMM will be deliberate in engaging companies in business districts as it scales up m-money in the SIMM Cities by next quarter.

2.2.3: Support the implementation of e-payroll to public sector agencies

SIMM held meetings with DBM and later Land Bank of the Philippines (LBP) in July and August to explore ways how mobile money can become an acceptable payment option for the central government payroll. Initial discussions with DBM Undersecretary Richard Moya brought to the fore issues that may hinder government adoption of mobile money. Chief of which is the current regulation that prevents governments agencies from putting money in non-government depository banks. Land Bank administers about 70% of the government’s payroll. Despite this setback, DBM is keen on partnering with SIMM whose objectives, Usec. Moya said is aligned with the Aquino administration’s goal of increasing transparency in all government transactions.

A consensus from that meeting was mobile money will be presented as an option to employees, a complement to their regular payroll bank account. SIMM and DBM agreed to work on enabling Land Bank accounts to be a source of funds for employees who will opt to have their own mobile money accounts. Usec. Moya also proposed to pilot and launch the m-money payroll scheme with the 9,000 employees from participating government agencies through a financial inclusion education and activation campaign where SIMM mobile money kits will be distributed to employees. However, crucial to this piloting is ensuring that appropriate systems (Land Bank linking up with the mobile money providers) will be in place to mobile money-enable the Land Bank payroll accounts.

Initial plan was for Land Bank to enter into mobile banking arrangements with BanKO, GXI, and Smart so employees would be able to link their mobile money accounts with their



DBM Usec. Richard Moya met with SIMM and mobile money providers, BanKO, GXI, and Smart to explore how mobile money can be an acceptable payment option for the government’s central payroll system.

Land Bank accounts and have the option to push funds from their bank account to their mobile wallet. However, during the meeting with DBM and LBP in August, Land Bank First Vice President of the Card and E-Banking Group Marilyn Tiongson expressed reservation about their system's development capacity in light of LBP's business priorities. One avenue explored was using LBP's interconnection with b2bpricenow.com as a gateway to the mobile money providers' systems. B2bpricenow.com is the official e-marketplace of the Philippines for the agriculture and fisheries sector endorsed by Congress. The company is partially owned by Land Bank and is integrated with the national payments system. The next step for SIMM is to explore if BanKO, GXI, and Smart would be willing to interconnect with a third party payment provider.

2.3: REDUCING TRANSACTION COSTS IN THE PAYMENT SYSTEM

To reduce transaction cost in the payment system, SIMM is expanding adoption of person-to-government (P2G) payments and facilitating use of mobile money payments for private sector firms.

2.3.1: Support and expand the wide adoption of P2G at one Government of the Philippines agency

For P2G payments on the local level, SIMM aims to have mobile money as payment option for local government units (LGUs) and for water utility firms which are government corporations. Following up on the consultations with major water districts last June, SIMM met with Engr. Alfredo Silva, President of the Philippine Association of Water Districts (PAWD), on July 5, 2012 in order to facilitate future engagements of SIMM with the water districts. Per Engr. Silva, the decision to accept mobile money as payment option rests with the boards of each water district. With its power to convene, PAWD can help promote mobile money among its members efficiently especially during their regular meetings.

On August 23, 2012, SIMM met with Batangas City officials led by Mayor Vilma Dimacuha in order to establish cooperation on SIMM. The city officials agreed to support mobile money as payment option for the city government, e.g. real property tax, business permits and licensing fees, etc. They would also like to explore using mobile money to pay their employees, casuals and individual contractors who are far from the city center. Initially, a concern was raised regarding the legality of local governments' acceptance of mobile money. After SIMM pointed out relevant regulations from BSP, DOF, DTI and COA, there were no other issues identified. City officials believe that an ordinance is not required to implement mobile money. However, signing agreements with mobile money providers have to be cleared with the city legislative body.

On the national level, SIMM is working to have mobile money as acceptable payment methods for national government agencies and corporations such as SSS, PhilHealth, HDMF, etc. SIMM met with DILG Usec. Panadero on July 23, 2012 in order to facilitate SIMM's future engagements with LGUs. The undersecretary welcomed the use of mobile money for LGUs and suggested for SIMM to work with the innovative mayors and governors in the initial stages of the effort. He also suggested that we work with prestigious award giving bodies to LGUs as most local officials are strongly motivated by these awards. Lastly, he recommended we coordinate with BLGF for smooth implementation of SIMM with LGUs as they have oversight on the treasury function and processes of LGUs.

SIMM met with BLGF Executive Salvador del Castillo on August 17, 2012 to obtain their buy-in for LGUs use of mobile money. He immediately saw the potential of mobile money in achieving efficiency and transparency in cash management of the LGUs. He is willing to support by mandating all LGUs to accept mobile money, starting with pilot implementations, once COA comes out with a definitive regulation for P2G. SIMM agreed to pursue this with COA.

2.3.2: Facilitate an efficient payment system to private sector utilities via m-money

Following the successes of electronic payments in Hong Kong, Japan and Singapore where wide adoption were triggered by the use of e-payments for mass transportation, SIMM would like to explore replicating the success by using NFC-based stored-value RFID chips in mobile phones, which can be topped up by mobile money, as the preferred payment option for the city trains which are suffering from long queues of commuters buying one-time use cards to use the trains. The same payment method can also be used for buses. In preparation for eventual meeting with the government operators of MRT and LRT, SIMM met with potential technology provider, Verifone, which is the worldwide market leader in point-of-sale (POS) devices, including RFID terminals. SIMM met with Mr. Neil Matheson, Verifone's Vice President for Asia, on several occasions from July 6, 2012 to August 24, 2012 to scope out their possible role and to confirm the use of RFID technology for this purpose. Mr. Matheson affirmed their products fitness for this purpose and offered to draft a concept paper to pursue this initiative. However, SIMM has not received the document to date and is therefore considering engaging other potential vendors while moving to arrange meetings with LRT and MRT operators.

On facilitating use of mobile money payments for private sector firms, SIMM held consultative meetings with Cantilan Bank (a rural bank) and ASHI MFI on September 17, 2012 and September 19, 2012, respectively, in order to assess their levels of interest in adopting or expanding the adoption of mobile money for MFI loan disbursements and weekly collections. Both expressed very keen interest. In fact, Cantilan Bank has started using G-Cash for mobile banking and is considering expanding with Smart Money. In order to reach a great number of MFIs and rural banks in the most efficient manner, SIMM met with MCPI and RBAP on August 22, 2012 and September 3, 2012, respectively, to get their support for their constituents' adoption or expansion of adoption of mobile money. As a result, MCPI agreed that in order to facilitate acceptance of mobile money among its members, SIMM would conduct a research project to create a mobile financial services business model for the MFIs.

For the coming quarter, SIMM will work together with the MMPs in preparing programs for the water districts, LGUs, and national government agencies and corporations to motivate and incentivize them into accepting mobile money payments. We will also meet with Valenzuela City officials to confirm their desire to be among the SIMM Cities. Considering the response received from municipal officials of La Paz, Tarlac, SIMM will select the third SIMM City from the prioritized list of cities and municipalities prepared during the first quarter of SIMM project.

We will also begin consultation meetings with electric cooperatives and, together with the MMPs, prepare a similar program for them. SIMM will also meet with COA to facilitate the issuance of national regulations for adoption of mobile money for P2G payments. We will pursue and follow-up previous requests to Philhealth to meet with their head of treasury for mobile money premium payments especially for over four million individually-paying voluntary members.

2.4: IMPROVING PUBLIC SERVICE DELIVERY (G2P)

To improve public service delivery, SIMM is increasing transparency of social protection programs with mobile money. SIMM will also enhance financial literacy of CCT beneficiaries and promote asset building via mobile banking of target CCT households.

2.4.1: Increase transparency, reduce leakages, and efficiently scale up social protection programs with m-money

Towards increasing transparency and reducing leakages of CCT program using mobile money, SIMM has reviewed existing government policies for potential roadblocks in the use of mobile money in

government-to-person (G2P) payments and CCT disbursements. Based on the review of BSP circulars, DOF administrative orders and COA regulations governing electronic disbursements, there was no material impediment found. After consulting with the BSP on September 20, 2012, SIMM learned that no BSP regulation would be violated for as long as the MMP will not keep any amount to be disbursed in its own account overnight, but pay them to beneficiaries' accounts within the day. SIMM also met with the LBP on August 28, 2012 as they are the primary authorized government depository bank.

2.4.2: Enhance financial literacy of CCT beneficiaries

Regarding financial literacy of CCT beneficiaries, SIMM scanned some of the existing training materials on financial literacy to gather best practice in terms of the messages and media used. For this purpose, SIMM met with MCPI and ASHI on August 22, 2012, with Cantilan Bank on September 17, 2012, and with Mercy Corps on August 17, 2012. Based on these meetings, SIMM's preference is to use video materials for standard and consistent message delivery. Training would be delivered through existing training programs of organizations already involved in this space.

2.4.3: Promote asset-building via m-banking of target CCT households

To promote asset building via mobile banking for CCT households, SIMM held consultations with its partner BankKO on August 2, 2012 and with Cantilan Bank on September 17 as these two institutions are both actively offering their bank savings products to low-income segment people including CCT beneficiaries.

For the coming quarter, SIMM will perform comparison and benefit-cost analysis of mobile money vis-à-vis current methods of CCT distribution in preparation for a consultation meeting with DSWD for its adoption of mobile money as a disbursement alternative. SIMM will also identify specific potential partners to deliver financial literacy on mobile money for CCT beneficiaries. A plan of action and program would also be prepared for targeting CCT beneficiaries in SIMM Cities to ensure that they also benefit from the increasing use of mobile money in their locale.

2.5: PROMOTING SUPPLY-SIDE NETWORKS

There are current debates as to whether consumer adoption has to grow first for agent network to follow or it is agent network growth that will trigger consumer adoption. SIMM will work on both sides simultaneously, promoting mass-scale adoption and promoting cash-in/cash-out agent network expansion. SIMM will work with MMPs to craft a channel management strategy that is sustainable, provide technical assistance to support channel managers and MMP managers, build capacity of channel management networks and encourage interoperability among agent networks (MMP-agnostic agent network) and among MMPs and banks.

2.5.1: Develop focused channel management strategy

SIMM employed an approach to understand and analyze the channel management strategy of its mobile money partners. The approach covers understanding the sales structure, its levels and roles per level, identifying the channels that MMPs are tapping as CICO agents, requirements for accreditation, agent classification if any, the distribution reach of agents, the agent compensation scheme, and the liquidity rebalancing mechanism.

Before SIMM in conjunction with the MMPs can build on existing channel management strategies that would better respond to the evolving needs of the market, SIMM needs to understand first how current operational structures of MMPs work. To do this, SIMM met with G-Xchange, Inc. (GXI) in September get oriented on their agent distribution channels, incentive schemes, requirements for accreditation, to

name a few. The succeeding part of this report details the results of that meeting. Next quarter, SIMM will meet with BPI-Globe BanKO and Smart Communications, Inc. distribution heads to gain insights on their respective approaches to channel management. A workshop with the MMPs will be conducted next quarter to formulate the focused channel management strategy which will be implemented in the SIMM Cities.

Structure

There are two groups handling agent network management for GCASH namely Regional Management and Key Account Management. Key Account Management covers acquisition and management of national retail chains while Regional Management covers acquisition of local and individual outlets. GCASH employs a Regional Management Head and a Key Account Management Head. Region Heads also employed by Globe deployed per region and reporting to the Regional Management Head manage the local acquisition and management of agents.

GXI outsources the actual recruitment and management of agents to third-party agencies. A third-party agency is typically represented by an Area Manager who is assigned to a specific area (usually province or group of cities and towns). An Area Manager has Territory Managers who are responsible for the day-to-day acquisition and management of agents in their assigned territory. Each Region Head has at least two Area Managers and each Area Manager has at least two Territory Managers.

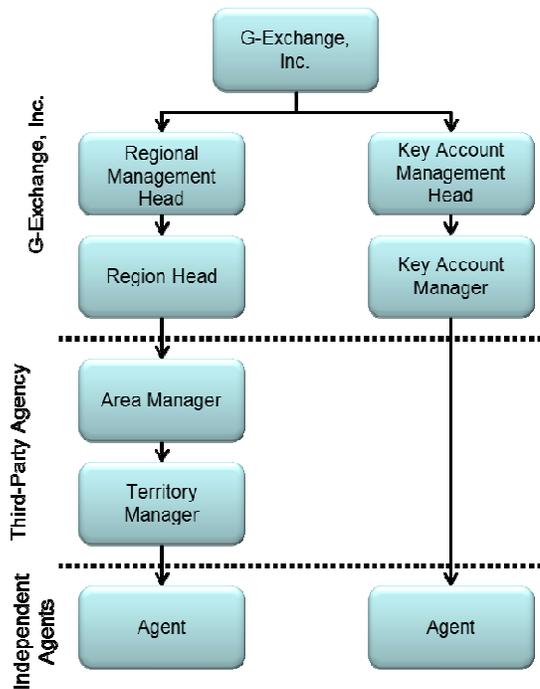


Figure 3. GCASH agent network management structure

The CICO agent is the last mile in the GXI distribution structure. Agents can process cash-in and cash-out transactions and accept domestic remittances or disburse remittance claims presented by customers (for GCASH Remit Agents). Figure 3 illustrates the agent network management structure of GCASH.

Channels

GXI uses at least six channels as CICO agents, namely: 1) Globe business centers; 2) pawnshops, 3) money changers; 4) rural banks; 5) convenience stores; and 6) e-load sub-distributors and /or retailers.

Similar to other MMPs, GCASH is tapping into national retail chains to quickly expand its CICO agent network. National retail chains or key accounts as they are commonly referred to in FMCG distribution is considered a strategic channel given their location (usually in malls or commercial centers with high foot traffic) and their distribution reach (retail chains like 7-11, Tambunting Pawnshops, and others have outlets ranging from 500 to over 1,000). However, most of these national retail chains are only found in cities or highly urbanized locales, usually in areas where there are banks. Thus, they may not be ideal channels for financial inclusion. In fact, some retail chain outlets have facilities similar to banks that can potentially drive away the unbanked.

While GXI has started tapping its e-load distribution network in the last few years, the experience has not been that successful as e-load sub-distributors and retailers have been its biggest source of inactive agents. There is a need to review the initial implementation to understand and address the issues. Globe

Telecom's e-load distribution network has over 800,000 registered outlets, and this channel can be a key source of agents if GXI is going to scale up.

GXI's distribution reach is approximately 6,000 agents (excluding ATMs) by October 2012.

Requirements for accreditation

GXI has simplified its agent accreditation process by limiting the number of requirements to three documents: 1) application form; 2) business permit/SEC registration/DTI registration; and 3) valid identification of the owner. GXI does not require prospective agents to show proof of liquidity nor minimum liquidity level. Poor liquidity of agents can affect the credibility of a mobile money provider, like GXI. This can be a problem if agents are unable to meet the cash-in/cash-out requirements of walk-in customers.

Agent classification

There are two types of GXI agents namely full service agent where the agent can do cash-in/cash-out and GCASH Remit and cash-in/cash-out agent where the agent cannot do GCASH Remit.

GXI is pushing for the conversion of all CICO agents to full service agents where they can also accommodate GCASH Remit transactions. With GCASH Remit, agents can better manage their liquidity as they will have a huge source of GCASH through remittance claims of customers which they can use for cash-in transactions, thus minimizing the need for liquidity rebalancing.

Compensation scheme

All GXI agents either CICO only or full service are compensated as follows: 1% on cash-in (seeded by GCASH to the agent) and 2% on cash-out (manually billed by agent to the customer). In addition, a full service agent is compensated for remittance transactions as follows: PHP50.00 (\$1) for every international remittance picked up from the outlet; 25% of fees for "send" domestic remittance; and PHP50.00 (\$1) for every domestic remittance picked out from the outlet.

Liquidity rebalancing

GCASH maintains settlement accounts with 16 commercial banks where agents can rebalance their liquidity (convert cash to GCASH and vice-versa). In addition, GCASH agents can also go to any Globe Business Center for liquidity rebalancing.

Others

GCASH has problems on non-registered/accredited agents who are using "person-to-person" (P2P) transfer to do money transfer. These non-registered agents can impose higher charges while using the mobile money platform at very minimal or no cost. GCASH recently started imposing P2P charges (1% of transaction value) to discourage non-registered agents and to push them to come out in the open and apply for registration/accreditation with GCASH. This is seen as an attempt by GCASH to regulate its agent network.

2.5.2: Support CI/CO channel managers and partner vendor managers

Consultations with value chain actors of each channel will be conducted in parallel with the crafting of the channel management strategy to determine support needed such as marketing, agent accreditation, activation support, and others. SIMM will provide technical assistance such as trade mapping through the use of the Geographic Information System (GIS) to map existing agents thus identify areas with low agent penetration. Additionally, SIMM will help MMPs in developing business opportunity session materials which can be used by prospective agents. All these will be executed first quarter of 2013.

2.5.3: Build capacity of channel management networks

One of the primary factors for identifying a channel for mobile money is the capability of agent in terms of organizational set-up, business processes, and manpower skills. Considering the complex nature of mobile money, agent channels will require capacity building interventions to ensure both organizational and technical competence of channel actors. SIMM will conduct consultations with MMPs and agent channel networks to assess existing capabilities, channel strengths and weaknesses, perform gap analysis, and develop program to close the gaps. This will be executed in parallel with 2.5.2 in the next six months.

2.5.4: Encourage platform integration (merchant network with banking bank office)

Interoperability in the mobile money ecosystem will simplify the flow of funds from one provider to another as well as from bank account to mobile money account and vice versa. The result is the ‘network effect’ which SIMM believes will help mobile money in the Philippines reach scale and critical mass, safeguard the gains from previous and existing mobile money programs, and support the industry to scale up more quickly. SIMM will study experiences in interoperability to understand how and when to promote interoperability in the Philippines mobile money system in order to contribute to achieving the goal of increasing financial inclusion among the poor.

The scope of the interoperability study will look into the business case of merchant networks interoperability (mobile money provider agnostic agents), interoperability with commercial banks through inter-bank fund transfer (IBFT) and mobile money platform interoperability. Currently, the cash card/debit card of mobile money providers are interoperable with the ATM networks of Bancnet, Megalink and Expresslink.

Initial discussions with Bangko Sentral ng Pilipinas (BSP) were held this quarter to define the scope of the study. Task 2.7.1 provides additional information for this research. SIMM is currently finalizing the terms of reference for the study which will be outsourced to a reputable third-party consulting firm.

2.6: DRIVING CUSTOMER USAGE

Despite early successes of mobile money deployments in o parts of the developing world, m-money awareness remains low (4%) in the Philippines, according to the Demand Study of Domestic Payments in the Philippines commissioned by The Bill and Melinda Gates Foundation in 2010. SIMM intends to bridge this seeming gap in knowledge on m-money uses and benefits utilizing a mix of commercial and social marketing approaches as a way to accelerate mobile money adoption. For this reporting period, SIMM conducted three mobile money training events in collaboration with USAID and the MMPs. SIMM has also initiated its baseline research on m-money consumer behavior.

2.6.1: Build awareness and understanding of m-money through marketing campaigns

Evidence suggests that low awareness of mobile money in the Philippines has contributed to its slow uptake. That said considerable efforts should be undertaken in order to broaden public awareness on mobile money and its potential benefits to consumers, businesses, and governments. SIMM’s strategy in marketing m-money as a tool for cost-efficiency, transparency, and convenience is deliberately taking into account the experiences and needs of the consumers. But key to launching an effective marketing campaign is to have an accurate and thorough understanding of the different m-money products of SIMM’s mobile money partners.

To do this, much of the second quarter was spent learning about the different mobile money products in the market. SIMM has developed the mobile money products matrix, an internal tool that SIMM utilizes to keep staff informed on the latest product offerings, services, and transaction charges of its mobile money partners. Product information is obtained from mobile money partners. This tool is updated quarterly by the SIMM Information and Communication Technologies (ICT) Specialist and submitted to USAID. The mobile money products matrix is seen here as Annex C.

To better appreciate and experience the full benefits of mobile money, SIMM is in the process of integrating mobile money in its corporate payroll. In July, SIMM submitted its application for mobile money payroll with BankO, GCASH, and Smart Money. The application with BankO was approved in late September and project staff was briefed on the web facility of BankO including the crediting and settlement process for administering payroll through mobile money. Applications for GCASH and Smart Money are still in process and are expected to be approved in October.

SIMM had a soft launch of its marketing campaign through the conduct of the Mobile Money Training and Activation Events this quarter. From August to September, SIMM organized its first training series on mobile money with USAID employees and implementing partners as participants. BankO, GXI, and Smart served as resource speakers for the training. The training briefed the participants on mobile money and its uses. The trainees also did exercises with the mobile money providers to simulate the m-money user experience. SIMM trained about 100 participants, half of which ended up activating their new mobile money accounts.

Also this quarter, SIMM has begun compiling materials for the development of the generic mobile money toolkit that can be used to market m-money products. This toolkit will familiarize businesses, NGOs, MFIs, even consumers who are interested in adopting mobile money on the features, application requirements, transaction fees, and other relevant to information on m-money products. SIMM will soon implement a pilot project with MCPI that would test the applicability of the toolkit through training of participating MFIs. SIMM will work with MMPs to tailor their product offerings in ways that add value to the broader consumer market but will require minimal efforts to learn.



PHOTO ON LEFT: A Smart Money ambassador assists a USAID-supported project employee in linking her Smart Money account to her mobile phone.
PHOTO ON CENTER: G-Xchange, Inc. Training Head Leticia Go shows USAID employees how to navigate the USSD interface of GCASH.
PHOTO ON RIGHT: Training participants from USAID and USAID implementing partners fill up the application forms for their new BPI-Globe BankO savings account.
(Photos by Pua & Suegang/USAID/SIMM)

2.6.2: Launch public and client education campaigns on consumer protection

After the initial meeting with Director Ma. Lourdes Yaptinchay of the DTI-ECO in June, activities for the launch of the consumer protection campaign have stalled this quarter to give way to more pressing project activities needed to secure buy-in of key implementation partners at the national level and at the SIMM Cities. Pace of implementation of this task is expected to pick up in the ensuing quarters. SIMM will

collaborate closely with Bangko Sentral ng Pilipinas (BSP) and DTI-ECO on the integration of consumer protection module in all its communication and outreach materials and activities.

2.6.3: Conduct market analysis of consumer behavior and readiness to adopt m-money

SIMM has been compiling relevant literature on m-money to help inform the design of project strategies, activities, even education materials targeting specific market segments for m-money. This quarter, SIMM met with partner organizations that have implemented mobile money projects in the Philippines to learn about their experiences and to understand better their perspectives in creating local mobile money ecosystems specifically what worked, what did not, and what can be done to address them. This fits right into SIMM's plans of building a knowledge base on m-money implementation in the Philippines to share with the global community especially m-money practitioners in other developing countries.

SMART's Island Activation Project

Smart Communications, Inc. with funding support from the GSM (Groupe Speciale Mobile) Association Mobile Money for the Unbanked (MMU) implemented their Island Activation Project from August 2009 to October 2010. The project was aimed at developing mobile money ecosystems to support livelihood programs in rural, hard-to-reach areas in the Philippines. Smart pointed to three critical lessons gleaned from their Island Activation Project.

- Having a local partner with experience in grassroots organizing and capacity building such as SEEDFINANCE was vital in rolling out the project to their partner cooperatives.
- To reach the unbanked, it is important to customize messages and select appropriate communication channels that will cater to their specific needs. While above-the-line marketing may help in increasing brand awareness, grassroots marketing is still the best way to engage this market.
- In developing mobile money products for the unbanked consumer living in remote rural areas, considerations should be made on this segment's realities, their difficulties in activating accounts, lack of identification, etc.

Cantilan Bank's mobile banking project with MABS and GCASH

In September, SIMM participated in an observation study tour to Cantilan, Surigao del Sur to explore replicable opportunities on m-money that can potentially scale in the SIMM Cities. Cantilan Bank is one of the beneficiary banks of MABS which pioneered the implementation of mobile banking services for rural banks. Cantilan Bank implemented GCASH in late 2005. The bank initially offered CICO services before expanding to a wider menu of GCASH services in 2007 such as Text-A-Payment, Text-A-Deposit, Text-A-Withdrawal, and GCASH Remit. But the killer application that triggered the adoption of mobile money was Text-A-Suweldo, a payroll disbursement service for Cantilan Bank's employees. While the program met initial success, it is now facing challenges as transaction volume decreases due to:

- limited availability of the service, mostly to the 300 Cantilan Bank employees only;
- bank's adoption of native technology, Moneycard ATM which supplanted Text-A-Suweldo;
- consumer reliance on cash merchants or agents to perform mobile money transactions for them;
- limited uses to keep m-money in circulation; and
- new pricing scheme of GCASH which some agents and bank customers viewed as a disincentive.



SIMM Chief of Party Mamerto Tangonan and Deputy Chief of Party Vicente Catudio hie off to Cantilan, Surigao del Sur to learn about Cantilan Bank's experience in mobile money ecosystem build-up and see if this model can be replicated in the SIMM Cities. In these photos, SIMM team interview two mobile money agents in the area.

Some key insights from the study tour:

- Payroll is an effective application to catalyze mobile money usage.

- To instill the habit of mobile money usage, consumer education is key in empowering m-money adopters to utilize the technology themselves instead of delegating it to family members, friends, or agents.
- MMPs should review the compensation scheme of CICO/MIMO agents, prioritizing incentives for agents to sign up new customers and render cash-in transactions.
- New sources of funds and additional uses of m-money should be introduced into the system to increase m-money circulation.
- Explore with the MMPs the idea of partnering with MFIs to serve liquidity rebalancing requirements of CICO/MIMO agents rather than limiting the pre-funding outlets to commercial banks.

2.7: PROMOTING GLOBAL KNOWLEDGE SHARING OF M-MONEY

Integral to SIMM's objectives is ensuring that the lessons and experiences in scaling up m-money in the Philippines whether done at a national or local scale are thoroughly documented and communicated not only to local stakeholders but more so to the global community. SIMM has optimized the use of the Internet and social media applications like Facebook and Twitter in helping educate the public about the benefits of going mobile. SIMM has also begun groundwork for the conduct of two major research studies on interoperability of mobile payment systems and the integration of mobile financial services in microfinance institutions. These along with the development of the project website are just some of the accomplishments of SIMM on m-money knowledge management this quarter.

2.7.1: Support research agenda into the needs of the unbanked

SIMM shares BSP's goal of advancing financial inclusion especially of the unbanked by expanding opportunities for the poor and marginalized sectors to access basic financial services at the least possible cost. SIMM believes that by shifting to electronic payments, consumers would be more empowered to manage their finances better. Vital to this process is ascertaining the needs of consumers especially the unbanked. While extant literature has lent useful insights into the popular use-cases of mobile money in the country, not much has been written about the market orientation of potential m-money user segments. For SIMM, this could be anyone from employees receiving payroll, consumers paying utility bills, members availing MFI loans, to name a few. Special attention, however, will be given to understanding the needs of the unbanked as they have the most to gain from this project.

In August, SIMM initiated separate discussions with BSP, Mercy Corps, Bankable Frontier Associates (BFA), and MCPI to develop the design of two research studies on m-money platform interoperability and the adoption of mobile financial services of MFIs for loan availments and collections, respectively.

Research on mobile financial services for MFIs

SIMM has drafted the terms of reference for the study on m-money integration in MFI operations specifically for loan issuance and payments. MCPI has agreed to partner with SIMM on this research that will create a mobile financial services business model for MFIs, pilot it among participating MCPI MFIs in SIMM Cities, document evidence of success, build capacity of MFIs in integrating mobile money into their operations, and build capacity of MCPI to sustain the project beyond SIMM's life. SIMM is currently drafting the MOU that will solidify its partnership with MCPI and the conduct of the study is set to begin next quarter.

Business case on interoperability

SIMM will conduct a research with the Bankable Frontier Associates (BFA) and Mercy Corps on the interoperability of m-money next quarter to aid BSP in crafting regulations that can help foster a market-driven environment. In a meeting with BSP Deputy Governor Nestor Espenilla last August, he raised the

issue on interoperability and whether the optimal point for mobile money players to interconnect has been reached. He furthered that while BSP envisages this, they are wary about mandating lest it will stifle innovations from the industry. Soon, BSP will be coming out with a policy on the interoperability of point-of-sale (POS) and CICO agent interoperability. This will require all POS and electronic data capture (EDC) terminals to accept debit cash cards of other banks/issuers.

In the meeting with BSP last September, it was identified that the scope of the business case on mobile money interoperability will cover the:

- assessment of the current state of mobile money in the country (platform, integration with cash card/ATM, issues on CICO liquidity and exclusivity);
- rationale or need for interoperability;
- path to achieving critical mass through interoperability;
- glide path to full interoperability (from ATM interoperability given interoperability of Expressnet, Megalink, and Bancnet, IBFT through ATM switch; POS interoperability, CICO interoperability and mobile money platform interoperability);
- technical description (gateways, switches);
- commercial arrangement (tariff rates, treasurer bank);
- cost-benefit analysis;
- implementation plan; and
- success story (ATM experience).

2.7.2: Promote global enabling regulatory environment

SIMM continues to coordinate closely with USAID especially on key regulatory issues on mobile money. The policy environment for m-money in the Philippines while generally supportive to industry players, still suffers from a lack of shared understanding among regulatory agencies on guidelines governing the use of electronic money. COA for one has yet to come up with a policy that would recognize payments using e-money. The project has begun archiving relevant policies on m-money on its website as a resource for local and international m-money practitioners.

SIMM's outreach activities for this quarter extended to government partners that have shown interest in adopting m-money but needed to broaden their understanding of mobile money and the policies that support its implementation first. From July to August, SIMM held separate meetings with DBM Usec. Richard Moya, DILG Usec. Austere Panadero, BLGF Executive Director Salvador del Castillo, CFO Secretary Imelda Nicolas of the Commission on Filipinos Overseas, and DTI-ECO Director Ma. Lourdes Yaptinchay. In all these meetings, SIMM underscored the aims of USAID's Better Than Cash Alliance, calling on governments to make the operational shift from cash- to electronic payments as a way of promoting financial inclusion, transparency, and efficiency in payment and revenue streams in developing countries.

2.7.3: Integrate knowledge sharing component

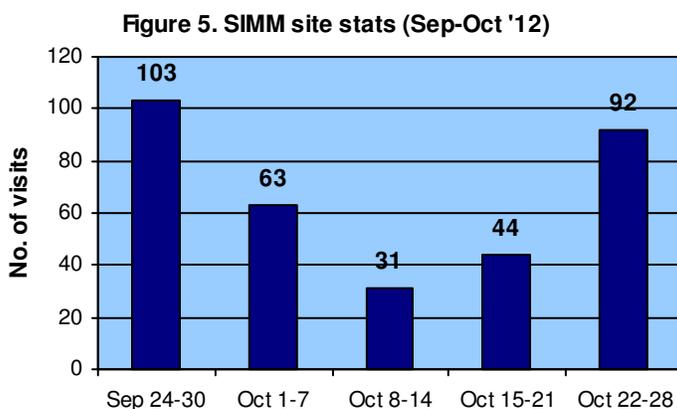
With technical support from DAI home office, development of the SIMM project website was completed this quarter. SIMM project staff and the IT team from DAI closely collaborated on the design and technical execution of the website from its staging phase in August until it was pushed live in September. The website features various news articles, research, regulations, and relevant statistics on mobile money in the Philippines. The website is linked to the SIMM Geographical Information System (GIS) map that shows live and up-to-date geographical data on potential market for m-money for payroll and utilities. The screenshot below captures the web interface of www.simmphil.org.

The website with its complementary social media pages will be an important communication platform for SIMM to popularize m-money, reaching to a broader base of stakeholders to foster meaningful knowledge exchange and sharing. Much effort will be put into managing and updating the site to ensure the timely dissemination of information. Currently, project staff are populating the site with relevant and up-to-date information on m-money in the Philippines. For this reporting period, the website had a total of 289 hits, which peaked on the week of September 24-30 at 103 site visits. The website will be officially launched to partners next quarter.

Figure 5 presents the counter stats of the website from September 24 to October 28.



Figure 4. Interface of the SIMM Project website



Meanwhile, management of SIMM’s social media sites on Facebook and Twitter is ongoing though site traffic is still quite lower than expected. SIMM is in the process of formulating its social media strategies to help drum interest on m-money through its Facebook and Twitter pages.

2.8: QUARTERLY PROGRESS PER PMP PROJECT INDICATORS

In late July, SIMM submitted its Performance Management Plan (PMP) to USAID as part of its contractual deliverable. The PMP, in the context of USAID’s objective of promoting broad-based and inclusive economic growth, grounds the project’s goals, objectives, and intended outcome- and output-level results that will be measured through 15 project-level indicators. SIMM’s strategies for implementation underpin the achievement of the PMP. To measure performance, SIMM is utilizing a mix of quantitative and qualitative data collection methodologies to capture data from national and local partners that are attributable to the project’s set of interventions. Data attributions would be worked out jointly with the mobile money providers, whose quarterly generated reports on mobile money usage will be SIMM’s major data source for the PMP. So far, only Smart has shared their initial data to SIMM which together with data from GXI and BanKO will form part of the project’s baseline figures.

PMP Results as of Q2 (July-September 2012)

Considering that the project has just commenced its implementation phase this quarter, PMP reporting for this period will focus on three key indicators that SIMM has directly contributed to in terms of conduct of joint activities with the MMPs, as shown below.

Number of new m-money users

New m-money users here are defined as people who have applied and activated mobile money accounts for the first time. This is an output indicator that will result from SIMM and the MMPs’ combined outreach and marketing activities like mobile money training, consumer education, and activation events. For this quarter, 55 new users have activated their mobile money accounts following the mobile money

training and activation sessions that SIMM conducted in August and September. M-money uptake is expected to pick up in succeeding quarters with SIMM ramping up implementation of national- and local-level activities for payroll, government services, and payments.

Number of people opening savings accounts via branchless banking

For this quarter, 39 people opened savings accounts via branchless banking as a result of the mobile money training and activation event that SIMM conducted with BPI-Globe BanKO in September. BanKO is known for pioneering the branchless banking method of service delivery in the Philippines through a network of BanKO partner outlets that perform cash-in/cash-out transactions and conduct customer identification (KYC) for savings and loan applications. Since this service is unique to BanKO, data for this indicator will be obtained from BanKO alone.

For this indicator, SIMM is still below its target of 3,000 for Year 1 which is 30% of the life of project’s overall target. To hit the target, SIMM together with its partners will work on expanding demand for branchless banking services to yield a monthly average of 500 or more new BanKO depositors in the next six months.

Number of people trained in financial education and literacy

A total of 130 people were trained in financial education and mobile money literacy in August and September through the mobile money training and activation events that were conducted with BanKO, GXI, and Smart. More than half (61%) of the trainees were female. This number is expected to increase in the next few months with the development of training curriculum on consumer education and protection for targeted audience.

Value of activities funded by cost-sharing/contribution arrangements with SIMM

Part of SIMM’s partnership agreements is to leverage resources from its public and private sector partners, be it in cash or in-kind like technology, methodology, expertise, use of facilities, promotional materials, and personnel time, in order to help achieve the goals and objectives of the project. For this quarter, value of activities funded through cost-sharing arrangements with SIMM was estimated at \$2,100 (PHP88,000). This includes costs incurred for the SIMM Project launch with BSP hosting the event (venue, use of amenities). Per BSP, typical cost for the rental of the function room where the event was held is about \$1,900 (PHP80,000). There were also cost-sharing arrangements for the conduct of the mobile money training with the MMPs wherein MMPs shouldered cost for marketing collaterals such as distribution of free SIMs and tokens such as tote bags and water bottles estimated at \$230 (PHP2,100). Cost-share value may still be underestimated as this computation excludes staff time. SIMM will take this variable into consideration for next quarter’s reporting.

Figure 6. Cost-share value in dollars (Aug-Sep '12) (SER: \$1-PHP42)

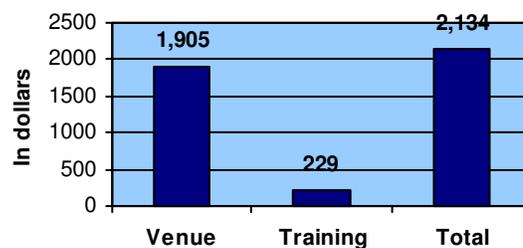


Table 1 shows the progress in PMP accomplishments based upon Year 1 targets.

Table 1. SIMM's PMP accomplishments (as of Q2)

Performance Indicator	Unit of Measurement	Q1	Q2	% Accomplishment per Y1 Target	Year 1 Target	LOP Target
Strategic Objective 1.0: Create an Enabling Environment for Mobile Money						
1. Percent (%) of activities that improved financial inclusion of women ⁵	Percent of activities	0%	0%	0%	15%	50% ⁶
2. Percent (%) of activities that improved financial inclusion for individuals and households in rural areas ⁷	Percent of activities	0%	0%	0%	30%	90% ⁸
3. Value of activities funded by cost-sharing/contribution arrangements with SIMM	Dollar value of activities	0	\$2,100	.07%	\$0.03 million	\$0.1 million ⁹
IR1.1: Create Business Models that Scale						
1.1.1 Number of cash-in/cash-out merchant partners operating mostly in rural areas	Number of new CI/Cos	0	0	0%	750	2,500
1.1.2. Number of new agents trained	Number of agents trained	0	0	0%	600	2,000
Strategic Objective 2.0: Boost Expansion and Rapid Adoption of Mobile Money Services						
1. Number of active users ¹⁰	Number of people	0	0	0%	0.39 million	1.3 million ¹¹
2. Number of new m-money users ¹²	Number of people	0	55	.07%	75,000	250,000
3. Percent (%) increase in volume (monetary value) of m-money transactions	Percent increase	0%	0%	0%	60%	200% ¹³ from baseline
IR 2.1: Achieve Inclusive User Uptake						
2.1.1 Number of SMEs and/or large businesses using e-payroll and e-bills payment	Number of new businesses	0	0	0	30	100
2.1.2 Number of people opening savings accounts via branchless banking	Number of persons	0	39	1.3%	3,000	10,000

⁵ Refers to the ratio of activities wherein participation of women is greater than men versus total activities conducted.

⁶ Cumulative percentage of Y1 and Y2.

⁷ Refers to individuals who opened savings account through branchless banking and receive financial literacy training.

⁸ Cumulative percentage of Y1 and Y2.

⁹ Total contribution of partners through cost-sharing scheme in the implementation of different SIMM activities.

¹⁰ Refers to a subscriber who has used m-money related services during the past 90 days (Definition from AFI standards).

¹¹ Cumulative result of Y1 and Y2.

¹² Measured based on the number of mobile subscribers who activated m-money services during the reporting period.

¹³ Cumulative result of Y1 and Y2.

Performance Indicator	Unit of Measurement	Q1	Q2	% Accomplishment per Y1 Target	Year 1 Target	LOP Target
2.1.3 Number of government agencies using e-payroll	Number of agencies	0	0	0%	2	5
2.1.4 Percentage (%) by which transaction costs are reduced ¹⁴	Percent decrease in transactions costs	0%	0%	0%	10%	10%
2.1.5 Number of people trained in financial education and literacy	Number of CCT beneficiaries; Number of non-CCT beneficiaries trained	0	130	4%	3,600	12,000
Cross Cutting IR 3.1 Promote Global Knowledge Sharing						
3.1.1 Number of conferences supported to share knowledge	Number of conferences	0	0	0%	1	3
3.1.2 Number of research papers shared and developed	Number of research papers	0	0	0%	1	3

¹⁴ At individual/household and institution level.

SIMM CELEBRATES A FIRST: Project launch with USAID top officials and Philippine mobile money leaders in September

USAID brought together the country's leading mobile money innovators for the inauguration of its first full-scale mobile money project. USAID launched the Scaling Innovations in Mobile Money (SIMM) Project during the visit of USAID Chief Innovation Officer and Senior Counselor to the Administrator, Dr. Maura O'Neill. The Government of the Philippines and USAID agreed to implement SIMM during a meeting between President Benigno S.C. Aquino III and USAID Administrator Rajiv Shah last June 8, 2012.

USAID/Philippines officials Mission Director Gloria Steele and Deputy Mission Director Reed Aeschliman as well as officials from the Bangko Sentral ng Pilipinas, Monetary Board Member Ignacio Bunye (who also delivered the welcome remarks) and Deputy Governor Nestor Espenilla attended this high-level event. Also in full force were key partners from the private sector led by top executives from the mobile money industry, BPI-Globe BankO, Inc. President Teresita Tan, G-Xchange, Inc. (GXI) President Paolo Baltao, and Smart Communications, Inc. Financial Services Head Tricia Dizon.

In his speech, Bangko Sentral ng Pilipinas Monetary Board Member Ignacio Bunye hailed the landmark partnership between USAID and the mobile money providers as a pivotal step towards "building a truly inclusive national system" envisaging that the implementation of SIMM would serve as a catalyst for broadening mobile money adoption in the Philippines. MBM Bunye expressed continued support from BSP in fostering an enabling environment for mobile money and other innovative development solutions to financial exclusion and poverty.

Dr. O'Neill called mobile money as "fundamental gamechangers in development" that has the potential to lift millions of people out of poverty." She called on SIMM's partners to build on the work they have started in creating a robust mobile money ecosystem that will expand opportunities for financial inclusion in the Philippines.

For their part, BPI-Globe BankO, GXI, and Smart avowed their full support and commitment to realizing the objectives of SIMM and look forward to a time when majority of Filipinos can fully experience the benefits of mobile money. Though seen as industry competitors, all were one in their appreciation for the opportunity to collaborate with USAID and BSP on the SIMM Project.

Mission Director Gloria Steele closed the program by thanking those that have been instrumental in getting SIMM off the ground especially the public and private sector partners who together will realize the objectives of the SIMM Project for promoting inclusive growth and financial inclusion of the unbanked.

CHAPTER 3: CHALLENGES AND OPPORTUNITIES

This past quarter, SIMM has come to bear with local realities that may possibly impede implementation. Such is not unique to SIMM as most development projects have, at one point or another, been encumbered with similar challenges. These have only prompted implementers to explore alternative opportunities for engagement and re-formulate strategies to respond better to the project's changing needs and unexpected circumstances.

Challenges

- There is a perception by certain stakeholders that the project's main objective is to sell the mobile money product of telcos leading some to view USAID as promoting products of private enterprises in the context of its development work. SIMM will address this by positioning the project as a means to support the government's goals for financial inclusion and transparency in governance.
- Some sectors look at it as a product of telcos thus is intended for profit rather than as a low-cost and innovative technology that will enable them to serve their customers better or to achieve operational efficiency. Hence, certain sectors look at mobile money as product that they can resell and thus make money in the process. Their question is always "how much profit will I make from it?" rather than "how much will I save if my operations is efficient?" or "how much additional revenue will I make if I can expand my customer-base?" There is a need for "paradigm shift" on how certain sectors look at mobile money product.

Despite these challenges, SIMM is constantly on the lookout for opportunities to scale up mobile money. The project banks on the successes of previous mobile money deployments in the country to tailor its strategies for the project's beneficiaries. SIMM Project team is also utilizing its own network to tap into potential partnerships with other players in the financial sector even government.

Opportunities

- Pag-Ibig Fund will be implementing an automated system which will be linked to mobile money for collections such as monthly premium payments and monthly loan payments, and disbursements to members such as multi-purpose loan proceeds. Pag-Ibig Fund has a total of 11 million members of which over 5 million members are with multi-purpose loan and over 700 thousand members with housing loans.
- The engagement of Soro-Soro Ibaba Development Cooperative, Inc. (SIDCI), the biggest cooperative in Batangas City, which is also one of the leading cooperatives in the country is an opportunity for growing the m-money market for payroll, payments, and loan disbursements and collections. Once we implement the pilot project which will cover payroll for its 600 employees and eventually loan disbursement and loan collection for its 17,000 members we will have a solid business case for mobile money adoption for cooperatives. SIMM can use the SIDC experience to tap into the 23,133¹⁵ cooperatives in the country with over 8.7 million members.

¹⁵ State of Cooperative Address, Dr. Emmanuel Santiaguél, Cooperative Development Authority, Oct. 11, 2012

CHAPTER 4: HIGHLIGHTS FOR NEXT QUARTER

Moving forward, SIMM's approach next quarter will be more targeted and results-focused. To realize SIMM's objectives, major project strategy needs to shift from partnership building and outreach to straight out implementation. This means mobilizing resources for mobile money ecosystem build-up—expanding source, uses, and reach of mobile money products by enabling payroll, loan disbursement, social welfare benefit payout, and bills payment that would create the habit for mobile money usage and driving consumer adoption through a mix of commercial and social marketing approaches.

For next quarter, SIMM will continue to engage key national and local partners to walk them through the process of setting up and implementing mobile money platforms for payroll, payments, and government services.

SIMM Cities Mobile Money Ecosystem Build-up

Signing of partnership agreements with SIMM Cities stakeholders is scheduled for next quarter. Working closely with local governments in the SIMM Cities, SIMM will shore up the business automation processes of each city by enabling mobile money for government payments and later for disbursements of social welfare benefits as a way of enhancing efficiency, increasing transparency, and restoring trust into the system.

SIMM will support the City Government of Batangas in streamlining its business processes that will make it possible for constituents to pay their real property tax and other government fees using their mobile phone. Also in Batangas, SIMM will formalize partnership with SIDCI, the largest cooperative in the city that has agreed to adopt mobile money for their payroll and loan disbursement and collection. Realizing the potential for cooperatives to be a driver for mobile money payments, SIMM will also engage OCVAS to scale up mobile money in Batangas. To enable mobile money for payroll, SIMM together with BPCCI will convene a Mobile Money Forum for Business Owners in November which will target specific business sectors that could potentially yield high-volume mobile money transactions and volume.

In October, SIMM will engage Valenzuela City as its second SIMM City. A consistent awardee for being the Most Business-Friendly Local Government Unit (LGU), SIMM sees high potential in this engagement. The project will also ensure that partnership with La Paz, Tarlac will be forged before the end of next quarter.

Business modeling and strategy development

Two planning workshops with the MMPs will be conducted next quarter to craft strategies and plans for mobile money scale-up for LGUs, MicSMEs, MFIs, FMCGs, and other stakeholders in the SIMM Cities. On the agenda will be development of the channel management strategy, business modeling for targeted agent networks, and rollout plans. Outputs from these workshops will be used in designing mobile money program for each stakeholder segment.

Research on mobile money

SIMM will conduct two research studies next quarter focusing on the application of mobile financial services for MFIs and the business case on interoperability in collaboration with MCPI and BSP

respectively. This will help firm up SIMM's and other implementers' strategies in accelerating m-money adoption. Research findings will be shared to stakeholders through the research dissemination forum that SIMM will organize next year.

Continuing engagement with key government agencies and private sector partners

Government, being the steward of all development efforts in the country will remain a vital partner to SIMM as it ramps up implementation. SIMM will meet with two major agencies, the Department of Social Welfare and Development (DSWD) and the Commission on Audit (COA) to seek opportunities for partnership particularly for G2P services through DSWD's CCT program. In the course of its work, SIMM has identified policy issues that may impede government's adoption of mobile money specifically the lack of clear guidelines on electronic payments. SIMM will actively solicit support from government for the crafting of enabling policies that would catalyze mobile money. COA's role is pivotal as they can influence and effect the acceptability of electronic receipts for government transactions.

SIMM will also pursue promising engagements with Pag-Ibig and PhilHealth with the aim of enabling contributions and loan issuance/payments of members.

Equally important to SIMM is sustaining collaborations with its private sector partners, among them the mobile money providers who will be primarily responsible in fostering the growth of the mobile money sector in the Philippines, bringing innovative and low-cost technology that would help improve the lives of Filipinos everywhere.

ANNEX A

The Business Model Canvas Designed for: _____ Designed by: _____

<p>Key Partners </p> <p>Who are my partners? Who are my suppliers? Which key resources are being supplied? Which key activities do I perform? Which key partners are I looking for?</p> <p>Key Partners: Suppliers Distributors Channels Complements</p>	<p>Key Activities </p> <p>What key activities do we perform? Do I do things myself? Customer Relationships? Revenue Streams?</p> <p>Key Activities: Production Logistics Platform Development</p>	<p>Value Propositions </p> <p>What is the benefit of the customer? What are my customer segments? What is the benefit of my customer segments? What is the benefit of my customer segments? What is the benefit of my customer segments?</p> <p>Value Propositions: New Better Cheaper Convenient Customized Reliable Risk Reduction Simplicity</p>	<p>Customer Relationships </p> <p>What type of relationship does each customer segment expect? Do you need to be a digital customer? What are the channels? What are the channels? What are the channels?</p> <p>Customer Relationships: Personal Self-Service Automated Co-creation Community</p>	<p>Customer Segments </p> <p>Who are our customer segments? Who are our customer segments? Who are our customer segments?</p> <p>Customer Segments: Mass Niche Segments</p>
<p>Key Resources </p> <p>What key resources do we need to perform our key activities? Do I do things myself? Customer Relationships? Revenue Streams?</p> <p>Key Resources: Physical Intellectual Financial Human</p>			<p>Channels </p> <p>How do we reach our customer segments? How do we reach our customer segments? How do we reach our customer segments? How do we reach our customer segments?</p> <p>Channels: Direct Indirect Partners Intermediaries Distribution Sales Retail Wholesale Franchise Agency Retailer Distributor Reseller Agent Broker Dealer Retailer Distributor Reseller Agent Broker Dealer</p>	
<p>Cost Structure </p> <p>What are the most important costs of our business model? What are the most important costs of our business model? What are the most important costs of our business model?</p> <p>Cost Structure: Variable Fixed Semi-variable Overhead Variable Fixed Semi-variable Overhead</p>		<p>Revenue Streams </p> <p>How do we generate revenue? How do we generate revenue? How do we generate revenue? How do we generate revenue?</p> <p>Revenue Streams: Transaction Subscription Commission Advertising Rental License Royalty Resale Brokerage Service Usage-based Performance-based Subscription Transaction Commission Advertising Rental License Royalty Resale Brokerage Service Usage-based Performance-based</p>		

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ANNEX B

SCALING INNOVATIONS IN MOBILE MONEY USE CASE ANALYSIS

Name of Payment	Value per Transaction (Min, Max & Ave.)	Frequency of Transaction	Aggregate Value of Transaction	Biller	Payer	Source of M-money	Value Proposition

ANNEX C

	SMART Money	G-Cash	BanKO
<i>Country</i>	Philippines	Philippines	Philippines
<i>Technological platform</i>	STK using SMS bearer	USSD/STK on menu and request but SMS on confirmation	USSD on menu and request but sms on confirmation
<i>Date of operation</i>	December 2003	November 2004	July 2009
<i>Exchange rate to USD</i>	1 USD = 42 PHP	1 USD = 42 PHP	1 USD = 42 PHP
The Players			
<i>Who brands the service?</i>	Smart Communications, as SMART Money	GXchange (GXl), a wholly-owned subsidiary of Globe Telecom, as G-Cash	BPI Globe BankO, Inc.
<i>Which mobile network may be used by users?</i>	Smart	Globe or Touch Mobile	Globe or Touch Mobile
<i>What kinds of accounts are offered?</i>	Postpaid and Prepaid accounts	Postpaid and Prepaid accounts	Globe Postpaid and Prepaid accounts
<i>Who are the issuers?</i>	Banco de Oro; account data is maintained by Smart on its servers	Held by G-Cash	Held by BPI
<i>What license does the issuer have? What are the reserve or capital requirements?</i>	Full banking license (Banco de Oro)	Licensed as remittance agent; 100% of prepaid balances are deposited as a pooled account (in GXl's name) at 16 licensed banks	Full banking license (BPI)
<i>Which payment networks are used? Who manages them?</i>	Smart's platform for transactions between users built by GFG; Mastercard for card transactions at POS	GXl's proprietary platform, built by Utiba	BankO Partner Outlet
Account Opening			
<i>Where and how do customers register for the service?</i>	Over the Air (Sending "MONEY" to 343) Receive SMS Confirmation with new Smart Money account	Over the Air *143# select gcash or REG <4-digit PIN/mother's maiden name/first name/last name/address> to 2882	On the registration at BankO partner outlets.
<i>When does the customer go through KYC procedures and by whom?</i>	When they collect their SmartMoney card to any wireless center	At time of first cash transaction (in or out), by the agent; user shows ID and fills out a 1-page form	Upon registration at BankO partner outlets.

	SMART Money	G-Cash	BanKO
<i>Account opening requirements and fees</i>	1 Valid ID PHP 120 for card personalize card (with name printed on card) Php 100 for generic card (no Name printed on card)	Free; no minimum deposit Optional: G-Cash Card at PhP100	1 valid ID Php50-card PhP50-initial deposit
<i>What customer setup is required for the mobile service?</i>	New 64K SIM may be required (STK applet can be sent OTA)	None (based on USSD)	None (USSD Based)
<i>How does the user get a PIN?</i>	W-PIN is required upon registration (6 Digit)	M-PIN is required upon registration (4 digit)	M-PIN is required upon registration (6 Digit)
<i>Is a card associated with the account?</i>	Yes, Mastercard branded debit card	Optional if user willing to pay AMEX card fee of PhP100	Yes, BanKo Card
<i>Can a user have multiple accounts?</i>	Yes; maximum of 2 accounts menu prompts for account selection when user wants to transact	Not on the same phone number	No, account is linked to phone number
Account Maintenance			
<i>Are there limits on account size?</i>	Maximum 50K PHP on wallet (P100,000 for remittance accounts)	Maximum 40K PHP on wallet	No limit
<i>Is there a recurrent or maintenance charge?</i>	Dormancy fee 50PhP Free for Non-Loyalty	No	No
<i>Are accounts remunerated? Who keeps float?</i>	Not remunerated; issuing bank keeps float	Not remunerated; GXI keeps float	Not remunerated; BPI keeps float
Electronic Transfer of Money (Basic P2P)			
<i>Are there limits on size, number, or frequency of transactions?</i>	Wallet to wallet transaction limit 10K PhP per transaction 100K PHP per month	maximum transaction limit of P40,000 per day and a maximum transaction limit of P100,000 per month (both for incoming and outgoing transactions)	No limits per month But has limit on CI/CO, Min of P50 and Max of P15,000
<i>How does the user initiate a transaction?</i>	User selects transaction type from STK menu on phone; handset prompts user for necessary data, one piece at a time (e.g., phone number, amount, PIN), and then presents transaction summary for confirmation by sender, before sending by SMS	User can use the following: 1. Menu on STK 2. Using USSD by dialing *143# 3. GCash Apps for smartphones User will select transaction type and prompt user for necessary data	Using USSD by dialing *118*1# User will select transaction type and prompt user for necessary data

	SMART Money	G-Cash	BankO
<i>How does the user authorize the transaction? How is the user authenticated?</i>	Through 6 digit WPIN	Through 4 digit MPIN	Through 6 digit MPIN
<i>Who authorizes the transaction?</i>	User thru W-PIN	User thru M-PIN	User thru M-PIN
<i>How are sender and recipient notified of the transaction?</i>	Both get a confirmation by SMS	Both get a confirmation by SMS	Both get a confirmation by SMS
<i>Can the user transact from another person's SIM/phone?</i>	No, but user can transact using the associated MasterCard	No but user can transact using the associated AMEX card	No
<i>Who monitors and reports on suspicious transactions?</i>	Smart, in delegation from the issuing bank	GXI	BPI-Globe BankO
<i>Fee for person-to-person transfers</i>	5 Php per transaction deducted from airtime	P10 for every P1000 and any amount in excess deducted from account	P10 for every P1000 and any amount in excess deducted from account
Transacting to/from Non-users and Other Bank Accounts Held by Users			
<i>Can the user send money to non-users?</i>	Yes through retail outlet account number (smart Padala)	Yes, but the receiver has to activate the Gcash account to cash-out	Yes, but the receiver has to activate the Gcash/BankO account to cash-out
<i>Can users receive money from non-users?</i>	Yes (Domestic Padala service or bills payment at BDO branches)	Yes through Cash-In agent and give the recipient mobile number(Cash in to others) Charges P20 for every P1000 and any amount in excess	No
<i>Can user top up from other accounts it holds at other banks?</i>	Yes, from customer accounts at 15 m-money partner banks	Yes, from select banks only (like BPI, UnionBank)	No
<i>Allow payments to third-party bank accounts?</i>	No	Yes, Text-a-Deposit	No
Merchant Transactions for Cash or Purchase of Goods			
<i>What device does the merchant use?</i>	mobile phone or POS device	Mobile phone	Mobile phone
<i>Who acquires the merchants?</i>	MasterCard for card-based POS; Smart for cash retailers	GXI	BankO
<i>Who initiates phone-based purchase of goods and how?</i>	User will select on their STK menu and pay the biller	Merchant; user gets SMS with amount to pay, and confirms with return SMS (YES + PIN)	User will select on USSD menu and pay the biller

	SMART Money	G-Cash	BankO																		
<i>Who initiates phone-based cash deposit transactions and how?</i>	User fills in a slip, goes to cashier, and shows valid ID; merchant sends standard P2P payment request by SMS	User fills in a slip, goes to cashier, and shows valid ID; merchant sends standard P2P payment request by SMS	User fills in a slip, goes to cashier,																		
<i>Who initiates cash withdrawal transaction and how?</i>	User fills in withdrawal slip, goes to cashier, and shows valid ID User can draw out cash from any ATM	User fills in same slip, goes to cashier, and shows valid ID; user sends standard P2P payment request by SMS	User fills in same slip, goes to cashier, and shows valid ID; user sends standard P2P payment request by SMS																		
<i>Fee for cash deposits?</i>	It varies on the agent but normal is 10PhP or 1% whichever is higher of the amount deposited	Cash-In self is free Cash-In to other is P20 for every P1000 and any amount in excess	First 4 cash cash in transaction per month is free. Succeeding transaction is <table border="1"> <thead> <tr> <th>From</th> <th>To</th> <th>Charges</th> </tr> </thead> <tbody> <tr> <td>50</td> <td>499</td> <td>1.25</td> </tr> <tr> <td>500</td> <td>1,999</td> <td>5</td> </tr> <tr> <td>2,000</td> <td>4,999</td> <td>12.5</td> </tr> <tr> <td>5,000</td> <td>9,999</td> <td>25</td> </tr> <tr> <td>10,000</td> <td>15,000</td> <td>37.5</td> </tr> </tbody> </table>	From	To	Charges	50	499	1.25	500	1,999	5	2,000	4,999	12.5	5,000	9,999	25	10,000	15,000	37.5
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<i>Fee for cash withdrawals</i>	It varies on the agent but normal is 10PhP or 1% whichever is higher of the amount withdraw ATM: charge of P3 for BDO and P13 PHP for other ATM (Eff. 10/15/12 BDO-P5 and other ATM-P15) ATM with Cirrus logo P200 per withdrawal	Cash-Out charged P20 for every P1000 and any amount in excess	Cash-Out from BPO: <table border="1"> <thead> <tr> <th>From</th> <th>To</th> <th>Charges</th> </tr> </thead> <tbody> <tr> <td>50</td> <td>499</td> <td>7.5</td> </tr> <tr> <td>500</td> <td>1,999</td> <td>22.5</td> </tr> <tr> <td>2,000</td> <td>4,999</td> <td>52.5</td> </tr> <tr> <td>5,000</td> <td>9,999</td> <td>112.5</td> </tr> <tr> <td>10,000</td> <td>15,000</td> <td>180</td> </tr> </tbody> </table> ATM: charge of P20 for every P4,000 withdrawal	From	To	Charges	50	499	7.5	500	1,999	22.5	2,000	4,999	52.5	5,000	9,999	112.5	10,000	15,000	180
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Other Available Services and Transaction Charges																					
<i>Account management (change PIN, check balance, etc.)</i>	Phone: 2.50 per inquiry deducted from Airtime	Free	Free																		
<i>Buy airtime</i>	Php 2.50 (debited from airtime) Customer get 5% bonus	Free Customer get 10% Discount	Free Customer get 10% Discount																		
<i>Bill paying</i>	Yes Php 2.50 (debited from airtime)	Yes Free of charge	Yes Free of charge																		
<i>Direct deposit of salaries</i>	e-Sueldo Charges Php 7 per credit to employee Free if withdrawn from	Power pay plus Charges Php 5 per credit to employee Free for twice a month	Yes (Using BankO Website) Charges Php 5 per credit to employee																		

	SMART Money	G-Cash	BanKO
	DBO ATM	transaction	Php 15 per atm withdrawal
<i>International remittances</i>	Yes, in conjunction with 47 overseas remittance partners in 19 countries	Yes, in partnership with United Coconut Planters Bank or partner retail franchises like 7/11 to allow cash deposits	No overseas partner outlet yet

Source: As modified by the SIMM Project Team, USAID