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**MOBILE MONEY ACCELERATOR PROGRAM (MMAP)
ANNUAL REPORT
(OCTOBER 2014 – MARCH 2015)**

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Mobile Money Accelerator Program (MMAP)

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Acronyms

ACE	Agriculture Commodity Exchange
AICC	African Institute of Corporate Citizenship
CSR	Center for Social Research
e-voucher	Electronic voucher
e-wallet	Electronic wallet
FGD	Focus Group Discussion
FISP	Farm Input Subsidy Program
FLTWG	Financial Literacy Technical Working Group
FMB	First Merchant Bank
GIS	Geographic Information Systems
MACRA	Malawi Communications Regulatory Authority
MFI	Microfinance Institution
MMC	Mass Media Center
MMCG	Mobile Money Coordinating Group
m-money	Mobile money
MNO	Mobile Network Operator
MoAIWD	Ministry of Agriculture, Irrigation and Water Development
MoF	Ministry of Finance
MSB	Malawi Savings Bank
MUSCCO	Malawi Union of Savings and Credit Cooperatives
MWK	Malawian Kwacha
NASFAM	National Smallholder Farmers' Association of Malawi
NGO	Nongovernmental Organization
NPC	National Payments Committee
OIBM	Opportunity International Bank of Malawi
RBM	Reserve Bank of Malawi
SACCO	Savings and Credit Cooperative
THP	The Hunger Project
TNM	Telekom Networks Malawi
USAID	United States Agency for International Development
USG	United States Government
VSLA	Village Savings and Loans Association
WFP	World Food Program

I.0 Program Overview

1.1 Program Overview

On September 3, 2012, USAID signed the FHI 360 two-year Mobile Money Accelerator Program (MMAP) Award which focuses on Scaling Usage of Mobile Money to Boost Financial Inclusion. In June 2013 FHI 360 had its cooperative agreement amended to include the e-voucher as one of the pilots under MMAP. With this amendment, the MMAP end-period was extended to May 30, 2015. The USAID Forward Initiative includes mobile money as one of its strategies to accelerate financial inclusion and helps achieve broader USG goals. These include increasing financial inclusion, improving transparency and rooting out corruption, and unlocking the private sector to develop innovative solutions to poverty.

1.2 Summary of Achievements during the Reporting Period

During this reporting period MMAP has made steady progress to ensure the transition to mobile money as a viable option to promote financial inclusion. A primary focus over the reporting period has been to launch pilot activities and work with organizations to incorporate mobile money into transaction streams. MMAP has begun implementation on five pilots – two in agriculture value chains, two in microloans, and another in general financial services. The FISP pilot was completed during this reporting period and successfully covered eighteen districts with a redemption rate of 92.8%. Further, MMAP finalized implementation plans on two additional pilots for the Ministry of Gender on social cash transfers and and CARE Malawi for village savings and loan groups.

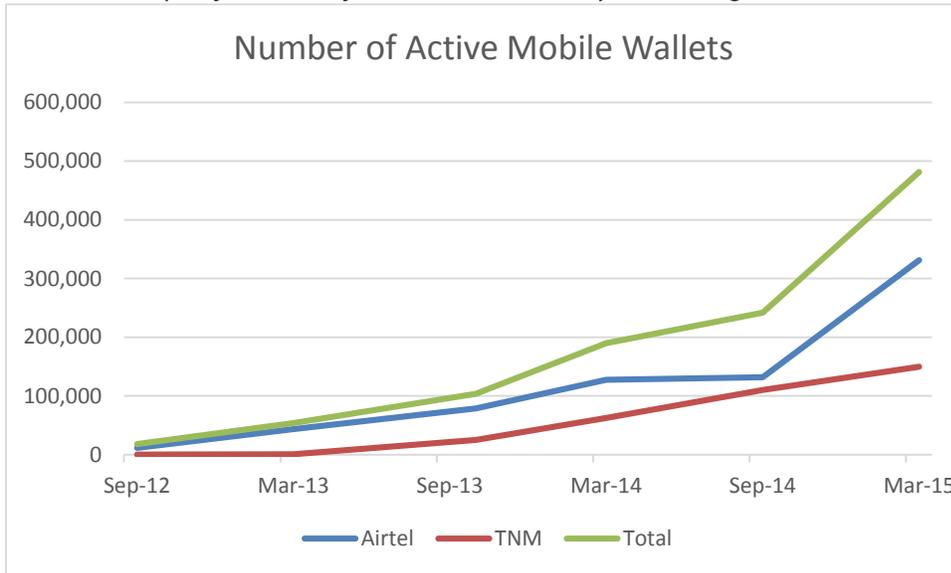
Overall MMAP continues to show steady progress in a number of areas. Under agent capacity building we have completed a comprehensive GIS mapping exercise targeting ten districts in the country (Lilongwe, Mchinji, Salima, Mulanje, Blantyre, Machinga, Mangochi, Balaka, Mzimba & Rumphu). The mapping exercise identifies locations that might participate in a mobile money or branchless banking ecosystem either as agents or affiliated merchants and identifies and quantifies major cash-based transaction patterns in selected geographies. The mapping exercise also included tools that help to collect information on pre-agent selection, agent selection, agent training, agent operations and support, and agent commissions.

During the period under review several achievements have been made on public awareness. Public awareness efforts involve a variety of media and outreach methods, as well as broader financial literacy initiatives. MMAP has worked with the two leading broadcaster in Malawi, MBC and Zodiak, to air radio and TV spots, comedies, and documentaries to provide consumer education. Even more directly, more than 24,000 individuals attended community meetings and roadshows. The road shows, conducted with the Mobile Network Operators, generated more than 2,500 new mobile money subscribers.

MMAP has also continued to provide technical and administrative support to the MMCG with two meetings over the last six months. Further, the National Switch went live in December 2014 and which is beginning to lay the groundwork for network interoperability.

The MNO subscriber data that MMAP has collected continues to show improving trends. The percentage of mobile subscribers with an active mobile wallet showed a sharp increase of 8.5% over the last six months (from 22.8% to 31.3%). The total number of registered wallets climbed to over 1.5 million showing great progress in registrations. The value of transactions during the reporting period totaled over \$100 million USD showing that there is definitely increasing activity in the system. The graph below depicts the increase in active mobile wallets over the past 18 months.

Exhibit 1: Graph of number of Active Mobile Money Wallets against time



With regards to the agent network, the total number of agents is showing a steady climb and has reached over 20,000. However, the number of active mobile money agents is indicating slower progress. In the past six months, the number of active agents has increased only 2.5% to a total of 8,348. MMAP recognizes that there is a need to focus on activation of the agent network rather than solely on registration of agents. MMAP and Open Revolution are ramping up efforts to work with MNOs on agent capacity building.

Exhibit 2: Graph of number of Total Agents versus Active Agents

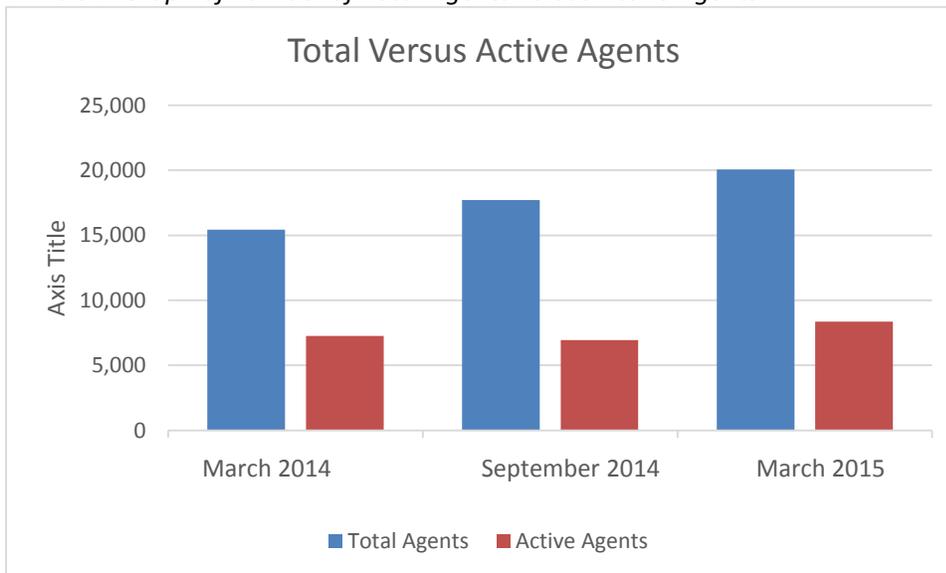


Exhibit 3: Table of figures throughout MMAP project cycle

	September 2012	March 2013	October 2013	March 2014	September 2014	March 2015
Number of Mobile Subscribers (million)						
Airtel	2.0	2.6	3.01		3	3.101
TNM	1.6	2.0	2.1	2.14	2.4	2.5
Other	0.4	0.5				
Total	4.0	5.1	5.11	7.24	5.4	5.6
Mobile Penetration	28%	36.4%	36%	51.7%	38.5%	39.16%
Number of Registered Mobile Wallets						
Airtel	115,000	230,931	407,316	661,044	712,000	913,432
TNM	0	599	82,200	233,056	350,000	622,000
Other	65,000	124,000				
Total	180,000	355,530	489,516	894,100	1,062,000	1,535,432
Number of Active Mobile Wallets						
Airtel	11,500	43,428	78,876	127,761	132,000	331,272
TNM	-	599	24,985	62,308	110,000	150,000
Other	6,500	10,000				
Total	18,000	54,027	103,861	190,069	242,000	481,272
Percentage of mobile subscribers with active M-Wallet	0.5%	15.1%	21.2%	21.258%	22.787%	31.3%
Number of mobile wallet transactions during reporting period						
Cash in	54,000	76,055	618,828	3,001,199	2,607,871	2,310,320
Cash out	54,000	90,072	87,625	360,910	1,092,998	730,074
Peer to Peer		4,910	50,566	289,251	300,462	266,844
Airtime top up	216,000	330,955	6,426,317	20,430,268	6,953,119	6,022,303
Other	72,000	80,131	248,920	1,526,046	274,602	1,430,091
Total	396,000	582,123	7,431,896	25,607,674	11,229,052	10,759,632
Total Value of Transactions during reporting period (USD)	1,512,000	7,530,397	1,087,500¹	65,623,585	8,715,909²	104,893,000
Number of Mobile Money Agents						
Airtel	3,500	5,358	9,191	13,854	15,403	16,752
TNM	-	583	1,000	1,587	2,300	3,311
Total	3,500	5,358	10,191	15,441	17,703	20,063
Number of active mobile money agents						
Airtel				6,431	5,733	6,766
TNM				824	1,200	1,582
Total				7,255	6,933	8 348
Percentage of mobile money agents that are active (agents actually transacting)				46.99%	39.16%	41.6%

¹ Information was only made available from TNM. MMAP was not able to obtain data on transactions from Airtel.

² Information was only made available from TNM. MMAP was not able to obtain data on transactions from Airtel.

1.3 Summary of Program Results Framework and Development Hypothesis

Our results framework, presented in Annex A, is a graphical presentation of the development hypothesis, overarching key result areas, the program's intermediate results and the overall project objective. The goal of the project is to increase access to and usage of mobile money, which will in turn increase financial inclusion in Malawi. The mutual determination of the public and private sectors is such that MMAP does not need to spearhead the push for mobile money in Malawi. It is instead our goal to ensure that the benefits are lasting and not concentrated in urban population centers that already enjoy relatively good access to financial services. Our development hypothesis is that if a) the demand for mobile money is increased; b) the mobile money infrastructure and systems are strengthened; and c) the legal and regulatory framework to enable mobile money strengthened; then there will be an increase in access to and usage of mobile money. We have made progress towards the key result areas described in the results framework through the achievements detailed in this report. Our monitoring and evaluation approach is supported by data collected throughout the life of project. The specific performance monitoring indicators that we collect data against are included in Annex B, and we have aligned the key result areas from the results framework with each indicator.

We have continued to outline the annual report under the three project intermediate result areas: 1) demand for mobile money increased; 2) mobile money infrastructure and systems strengthened; and 3) the legal and regulatory framework to enable mobile money strengthened.

2.0 Program IR 1: Demand for Mobile Money Increased

MMAP's IR 1 programming consists of technical assistance to various program entities to support the establishment and deployment of an m-money public awareness campaign. It involves a variety of media and outreach methods, as well as broader financial literacy initiatives. It should also be noted that while demand for mobile money is generated through the various pilot initiatives and this intermediate result is also reached through those initiatives, they are reported under IR2.

Key Highlights for Intermediate Result 1

- 62,100 Information Education Communication materials, including posters, fliers and stickers, were produced and distributed to the public
- Radio and TV spots, comedies, documentaries broadcasted on MBC and Zodiak, the two leading broadcasters in Malawi
- A total of 2,500 subscribers opened mobile money accounts as a result of the roadshows that were organized jointly with the Mobile Network Operators
- A total of 24,000 individuals attended the community meetings and roadshows
- Financial literacy training conducted for 2,178 people

2.1 Public Awareness and Outreach Campaign

During the period under review MMAP through its contractor, Mass Media Corporation, intensified public awareness and outreach activities. The public awareness campaign focused on use of mass media outlets as well as community outreach activities.

2.1.1 Outreach Activities

Outreach activities during the reporting period concentrated on two main components—community meetings and community dramas. These provided the general public an opportunity to seek clarity on any

misconceptions they had about mobile money. The Mobile Network Operators (MNOs) also utilized these forums to engage the public in getting feedback on how they can improve their brand.

Community Meetings – A total of twenty community meetings were convened during the reporting period targeting MMAP priority districts. These districts include Mchinji, Lilongwe, Mzimba, Rumphu, Blantyre and Mangochi with a minimum of three meetings held in each district. More specifically, MMAP targeted areas such as Malingunde where one of the MMAP pilots is concentrated. The community meetings engaged Village Savings and Loans (VSL) groups from the project implementation sites. Through Focus Group Discussions (FGDs), the majority of the group members expressed interest in mobile money to secure their savings. During the extension period, MMAP intends to support CARE Malawi to transition VSL groups to mobile payments – particularly those from Mchinji. Additionally some MNOs are also reaching out to groups directly where they are providing support to accelerate the adoption of mobile money.

Community Dramas – A total of 31 participatory community drama performances were conducted targeting the six MMAP priority districts referenced above (a minimum of five performances per district). The participatory drama performances gave communities the opportunity to access mobile money messages that emphasized various aspects of the mobile money processes including registration, usage, and its economic and social importance. This medium has proven effective because the performances are rooted in everyday life and reinforce the advantages of mobile money.

2.1.2 Media Campaign

MMAP, with subcontractor Mass Media Corporation (MMC) launched a media campaign centered on radio and television transmissions with advertising, comedy and documentary programming. MMC also included other outdoor media channels such as billboards in strategic areas, reflector vests for moto taxis, as well as Information Education Communication (IEC) materials (fliers, stickers, leaflets and posters of various sizes). During the same period MMC also designed a Facebook page³ and a blog site⁴. Documentaries and comedies were particularly helpful as they provided the audience with context on different scenarios where mobile money would prove essential. According to feedback from audience members during outreach meetings, awareness efforts were successful in creating public awareness and clarifying misconceptions around mobile money.

Radio and Television – Radio and television messages were transmitted through three broadcasters: Luntha TV,



Billboard at Chitukuko in Lilongwe

The table below highlights radio and TV programs by type and number of airings.

Mass Media Product	Airings
Radio Spots	435
Radio Comedies	45
Radio Documentary	43
Television Spots	215
Television Comedy	49

³ <https://www.facebook.com/pages/Mobile-Money-Malawi/727774520649766?ref=hl>

⁴ <http://www.mobilemoneymw.com/>

Malawi Broadcasting Cooperation (MBC) TV, and Radio and Zodiak Broadcasting Station (ZBS). All schedules were harmonized with broadcasters to ensure close monitoring. Additionally, MMC engaged an independent media monitoring firm to verify the media monitoring reports from broadcasters. This helped to provide documented evidence which was used to follow up with broadcasters whenever there were inconsistencies in the reports. According to MACRA’s listenership survey in 2012, 54% of households in Malawi have access to radio, out of which Zodiak reaches 76% and MBC reaches 43% of those households.

Billboards – A total of eight billboards were mounted – three in Blantyre, four in Lilongwe, and one in Mangochi. The billboards enhanced the visibility of the project and augmented the other mass media activities.

IEC Product	Number Produced
A1 Posters	500
A2 Posters	10,000
A3 Posters	500
Fliers	50,000
A5 stickers	1,000
A3 stickers	100
Reflector Vests	0

IEC Materials – IEC materials were produced to disseminate specific messages as well as enhance visibility. All materials were distributed during the community outreach campaign and through the MMAP and MNO distribution networks including airtime distributors, TNM / Airtel dealers and mobile mobile money agents. Reflector vests are still under production and have not yet been distributed.

Comic Strip, Chichewa Column and Print Media Publication – During the reporting period a total of ten comic strips and ten Chichewa columns were published in Mkwaso Newspaper, a leading paper that targets rural populations in Malawi with a readership of 10,000 people across the country. The Chichewa columns were designed to educate the rural masses about mobile money and how they can effectively use the e-value to either buy goods and services or send and receive money. The comic strip and the Chichewa column became a regular feature in the paper appearing in full colour on the second page of the publication – a development that helped to maximize visibility for MMAP. There was a deliberate strategy to develop the comic strips based on MMAP radio scripts as a way of reinforcing messages that encourage people to maintain e-value when purchasing using mobile money. In addition to the comic strips and Chichewa columns a total of five feature articles on mobile money appeared in the leading daily newspaper and other popular blogging sites including online newspapers. The feature articles showcased success stories and best practices emanating from the awareness campaign.



Comic strip in Mkwaso Newspaper

2.1.3 Key Lessons Learned from Public Awareness Efforts

- There is a great need to market mobile money differently to urban and rural populations. They have different needs and seem to respond to different aspects of mobile money. A good example is an emphasis on bill payment which mostly applies to the urban population.
- It is important to note that raising awareness in itself will not increase trial and adoption of mobile money if the ecosystem is not capable of incorporating new subscribers due to agent capacity, agent liquidity, or network challenges. Raising awareness can have negative impacts as potential users try and fail to use mobile money successfully

- Involvement of MNOs in outreach activities is pivotal. Engaging the service providers has shown huge potential in maximizing campaign outreach results. For instance, the presence of the MNOs enabled the communities to secure on spot registrations, witness live demonstrations of transactions, and seek clarity on issues regarding mobile money. The MNOs managed to deal with all pertinent issues that require their direct responses such as high tariffs among other things.

2.2 Financial Literacy

Creation of a Financial Literacy Facilitators' Database – In preparation for the various pilots that are lined up, MMAP recruited 25 financial literacy facilitators (11 females 14 males). The facilitators underwent a rigorous mobile money and financial literacy training to equip them with knowledge and skills to be able to impart the same. MMAP has developed a database of the facilitators and trainers who may be called upon when required to conduct trainings for beneficiaries or referred to other institutions in need of the same services.

During the reporting period, MMAP had delivered financial literacy training to 2,178 beneficiaries associated with pilots (detailed below in the pilots section). Further, several organisations such as Airtel, Self Help Africa and Save the Children have expressed interest to use MMAP facilitators to conduct various mobile money and financial literacy trainings.

Review of the Financial Literacy Manual – A notable output from the financial literacy trainings championed by MMAP is the development of a Financial Literacy Manual in January 2014 that has proved to be very useful not only to MMAP but to other institutions as well. During this reporting period, MMAP took a closer look at pre- and post-tests and decided to review the manual to take into account the specific needs and interests of the target audience. For instance, there was a need to review the content and steps required in order to accommodate the literacy levels of some beneficiaries. MMAP is currently consulting with different stakeholders to finalize this review process. The exercise is expected to be completed during the next reporting period.

Financial Literacy Week – During the month of October 2014, MMAP participated in the “Financial Literacy Week” at the invitation of the Reserve Bank of Malawi (RBM). Financial Literacy Week is designed to raise awareness of financial literacy matters to the general public. Activities during the week included mass awareness (print publications, radio and TV programs) and outreach activities (road shows and community meetings). The week was officially opened by the Minister of Finance and Economic Development. MMAP was asked to share literature on mobile money and financial literacy. MMAP shared with RBM an article on mobile money in addition to the Financial Literacy manual referenced above.

2.3 Agent Capacity Building

One of the primary focus areas for MMAP is to support the development of agent networks to support the growth and expansion of the mobile money ecosystem. MMAP directly engages MNOs Airtel and TNM as well as other relevant parties (e.g. current or potential mobile money agents) to build agent capacity. In the context of mobile money, building capacity involves activities that fit into two major categories:

- *Institutionally focused* – This type of capacity building seeks to diagnose then improve how service providers approach, conduct, and evaluate various aspects of their mobile money agent networks, from selection, training, and activation to management and evaluation. Given the newness of mobile money and its distinct characteristics that separate it from traditional mobile telecom and financial products (e.g. mobile airtime or a checking account), neither institution can draw on extensive experience in service design and deployment or enlist human resources with tailored skill sets. Therefore, in some instances, building capacity requires growing an awareness of

alternative methods (e.g. evaluating different agent commission models); re-conceptualizing how existing policies and protocols can be adapted to achieve better results (e.g. selecting higher quality agents); or providing training in a specific area (e.g. agent oversight and support).

- *Individually focused* – Capacity building aimed at specific individuals seeks to strengthen how mobile money services are actually promoted, provided, and explained by agents to customers. As with institutions, there is a lack of specific familiarity with the product and associated responsibilities among agents or would-be agents. However, depending on the type of business or other revenue-generating activities they are familiar with, these individuals can benefit from various types of trainings if properly designed and delivered. Small shopkeepers, for example, can grasp basic concepts of inventory management and re-stocking, which is relevant for maintaining adequate reserves of cash and e-money to provide cash-in/-out services. Medium to large scale retailers and other enterprises may themselves use formal financial products and therefore know how a bank account functions as a value storage mechanism similar to a mobile wallet.

With respect to institutionally focused capacity building, MMAP undertook the following activities in the most recent reporting period:

- Integrated questionnaire responses from Airtel and TNM regarding current agent network management strategy and operations into the design and content of a supplemental field collection tool used during a GIS mapping exercise of 10 Districts to identify multiple operational footprints in urban, peri-urban, and rural areas to support the expansion of mobile money services nationwide (see details in 3.1 GIS Mapping).
 - The types of data sought (e.g. PIN visibility, length of time as an agent, customer service) were intended to serve as a baseline to better evaluate core aspects of existing mobile money agent networks and whether improvements can be made to how service providers select and train their agents
 - 952 mobile money agents were identified during this preliminary round of GIS mapping, with over 85% success rate collecting partial or full data from each agent
- Developed an in-depth mobile money agent evaluation tool intended to generate a detailed picture of an agent's experiences as he/she moves through different phases: selection, training, and activation. This tool has two purposes.
 - First, gather qualitative feedback from agents regarding how service providers engaged them and what specifically they did to acquire, train and activate these agents so these insights could be applied to future strategic decision-making and operational activities by the service provider.
 - Second, construct an indirect evaluation of the service provider's performance vis-à-vis agent network management to support constructive one-on-one conversations with service providers about potential changes to approach, resourcing, policies, or tactics regarding agent network management throughout the agent lifecycle. Results from these in-depth interviews may also provide a basis to generate Malawian-specific insights around general lessons learned and best practices suitable for broader publication to aid entities seeking to launch or manage mobile money agents.

In addition to conducting capacity building at different levels, MMAP is also employing a graduated approach that seeks to build on prior, relevant program activities to introduce follow-on activities with a specific mobile money agent capacity building purpose. One such example is the use of e-vouchers by smallholder farmers and selected Ag input suppliers in the Farm Input Subsidy Program (FISP), which is explained in greater detail below.

Over the past two agriculture growing seasons, MMAP has supported the Ministry of Agriculture to implement the Farm Input Subsidy Programme (FISP) by facilitating the introduction of e-voucher system as an alternative to paper coupons. With this new system, provided by Zoono and managed by the Ministry's designated intermediary AICC, MMAP has assumed responsibility for directly engaging and supporting various agro-dealers who are critical to the electronic redemption process.

With over 152,000 e-vouchers successfully redeemed in the last season, many authorized agro-dealers have processed hundreds, perhaps thousands, of digital voucher transactions. This degree of recurring exposure to a mobile-based service that has multiple similarities with mobile money (e.g. an e-wallet account to receive vouchers, PIN protection) creates a proving ground of sorts, from which potential mobile money agents can be identified and trained. MMAP, based on analysis of transaction reports from the service provider, identified different segments of FISP e-voucher agro-dealers that exhibited varying degrees of potential to serve as mobile money agents. After engaging both mobile money service providers and making them aware of this analysis, MMAP was asked to undertake trainings of those agro-dealers that showed the greatest potential in order to enhance their capacity to become active mobile money agents. Specifically, a total of 114 (81 male and 33 female) agro-dealers were trained from the five e-voucher districts in the Central Region (Lilongwe, Mchiniga, Dowa, Salima, and Nkhosachota) and four districts in the Southern Region (Mulanje, Blantyre, Balaka and Mangochi). Over half of the 114 participants (a total of 66 – those who had the necessary documentation) registered on the spot to become mobile money agents and mobile money merchant traders. Efforts are being made by the MNOs to finalize the registration process with the remaining 48.

2.4 Workshops and Stakeholder Engagement

The concept of mobile money is still new in Malawi. A lot of effort is still required to drive the message home. During the reporting period, MMAP continued to seize opportunities and engage various partners to create awareness about mobile money at both individual and institutional levels.

Following an invitation from USAID/Malawi, MMAP delivered presentations on e-payments during a financial management training organized by USAID/Malawi for its partners in Lilongwe and Blantyre on October 23 and 30 respectively. In these presentations, MMAP presented the concept of e-payment and mobile money, MMAP's achievements so far and the technical support that MMAP can provide to organizations that wish to migrate from cash-based to mobile money payment systems. The presentations elicited interest for mobile money at both individual and institutional levels.

Following a request from the World Food Program (WFP) in November 2014, MMAP engaged with WFP for a possible collaboration in implementing WFP's cash transfer using mobile money targeting 399,472 beneficiaries in Malawi. WFP's interest was such that they expressed willingness to make financial resources available to MMAP for undertaking the assignment. Although the engagement did not result in a tangible pilot with WFP, it has laid the groundwork for future collaboration between the two organizations.

MMAP collaborated with Save the Children in December 2014 to implement cash transfers using mobile money in Zomba District, targeting 5,300 beneficiaries. Just like with WFP, Save the Children also expressed willingness to make financial resources available to MMAP for undertaking the assignment. Although this did not result in a collaborative project with Save the Children, first steps for future collaboration have been covered.

Due to the fact that discussions with WFP and Save the Children were initiated at a time when MMAP was committed with other activities and also considering the fact that MMAP's closeout was just a few months away, it was not possible for MMAP to effectively take on the additional activities. However there are plans to follow this up in the event that MMAP is extended.

3.0 Program Intermediate Result 2: Mobile Money Infrastructure and Systems Strengthened

Key Highlights for Intermediate Results 2

- Completion of the e-voucher pilot to cover 18 districts with a redemption rate of 92.8%
- Begun implementation on five pilots – two in agriculture value chains, two in microloans, and another in general financial services
- Finalized implementation plans on two additional pilots for the Ministry of Gender and CARE Malawi
- Completed a GIS mapping exercise for pay points to collect market intelligence on mobile money.

MMAP supports and advances the growth of mobile money in Malawi through coordinated interventions that include strategic pilots as well as targeted technical assistance to key public and private sector stakeholders. Mobile money activities in the grant program are expected to have the following results:

- Increased number of participants in the formal financial sector (i.e. number of new m-wallet accounts, number of m-wallet accounts linked to an existing or new bank account, etc.)
- Improved transparency as payments and funds transfers go directly from the payer to the ultimate recipient
- Improved consumer security as the need for physical currency diminishes and the visibility into an individual's transaction patterns (types, amounts, and frequencies) diminishes
- Reduced transaction costs for a range of payments in the overall economy (e.g., value chain payments, social welfare, utilities, loans,)
- Increased access to and accelerated development of value-added financial services tailored to specific target segments, including secure savings products and insurance products

3.1 Cash Transfer Payments for Social Welfare Recipients

3.1.1 Ministry of Gender Pilot

Social welfare cash transfer programs are designed to provide regular supplemental income to poor and vulnerable households. Use of cash, as opposed to in-kind support, is considered a cost-effective mechanism of delivering support to people in need of assistance. During the reporting period, MMAP finalized the development of a pilot on use of mobile money in social welfare cash transfers with the Ministry of Gender and Child Welfare (the secretariat for social cash transfers). The pilot will be implemented in Thyolo district in TA Chimaliro targeting 1,725 cash transfer recipient households. The pilot has been included in MMAP's extension request.

In this pilot, key activities will include training cash transfer participants on how to use mobile phones and the mobile money application. A secondary activity will be ongoing monitoring of cash transfer participants and agents in the implementation of the cash transfer program. Monitoring efforts will focus on assessing local perceptions, usage, and interest in the mobile wallets.

The overall Ministry of Gender cash transfer programme is currently being implemented in nine districts of Mchinji, Likoma, Salima, Machinga, Mangochi, Phalombe, Chitipa, Balaka and Thyolo targeting over 30,000 households. According to the Ministry of Gender, the social cash transfer program is estimated to reach 319,000 households by 2015. This is creating the potential for further growth of mobile money services in Malawi.

While the rest of programme being implemented in the districts with funding from various donors, the cash transfer component in Thyolo is being implemented with the government's own funding, illustrating their commitment to the pilot. MMAP considers this pilot to be very strategic since it will help to demonstrate to the government the use of e-payments in financial transactions. This could help MMAP to secure interest in other government bodies, such as the teacher salary payment pilot that MMAP initially planned to implement with Ministry of Education and Ministry of Finance during first two years of the program. This pilot is currently pending USAID approval and is slated to begin in the coming period.

MMAP also conducted a Payment Innovations and Cost Utility analysis to set the benchmarks for transitioning to mobile money payments for the Ministry of Gender Social Cash Transfer program. Overall the analysis shows that it is cheaper and cost effective to effect Social Cash Transfers to beneficiaries using mobile than cash payments. In this regard there is a strong justification to proceed with the pilot and draw lessons from the experience.

3.2 Agricultural Value Chains

MMAP successfully developed two key pilots under this component – a pilot with the National Smallholder Farmers' Association of Malawi (NASFAM) and another with the Agriculture Commodity Exchange (ACE).

3.2.1. NASFAM Pilot

National Smallholder Farmers' Association of Malawi (NASFAM) is a local organization in Malawi with a membership of thousands of smallholder farmers. NASFAM's project aims to improve agriculture-based productivity and profitability of its smallholder farmers, with the ultimate goal of improving their livelihoods. This pilot focuses on the Integrating Nutrition in Value Chains (INVC) project that is funded by USAID under the Feed the Future initiative. This pilot originated from one of the Feed the Future partners' meetings, held in 2014, where USAID funded partners meet to share experiences. It therefore demonstrates a commitment to the USAID/Malawi promoted 3-Cs approach which focuses on geographical **Co-location**, **Coordination** and **Collaboration** in program implementation.



Participants making a presentation during refresher training for NASFAM pilot: March 2015

Implementation of the pilot started in December 2014. The pilot is implemented in Malingunde area, Lilongwe, targeting a total of 2,110 farmers. Under the pilot, NASFAM, with financial support from MMAP, will migrate the process of settling payments for farmers to using mobile money to facilitate speedy payment as well as to reduce administrative costs.

As part of the pilot, MMAP first conducted a baseline survey in December 2014 to establish benchmarks against which to measure progress. The findings of the survey confirmed that use of cash is the main means of payment for agricultural produce. 97% of respondents indicated they receive payment via cash with a small proportion of respondents (2%) indicating they receive payment via their bank accounts. The survey further revealed that while some level of awareness on mobile money exists in Malingunde area, 46% of respondents were unfamiliar with mobile money. The survey also found out that 32% of respondents had mobile phones; however, only 2% had mobile money accounts.

Immediately after the baseline survey, MMAP conducted an initial training for farmers on mobile money and financial literacy in December 2014. A total of 1,945 people were trained. During the training, those who had mobile phones (235 people) opened mobile money accounts (167 Airtel Money; 68 TNM Mpamba).

In mid March 2015, MMAP conducted a refresher training for the participants. A total of 1976 farmers (1053 females; 923 males) attended the training. This refresher training had an average pre-test score of 49%; and a post-test average score of 83%. This training also prepared farmers to kick off the agriculture selling season in April 2015. The training familiarized them with the mechanics of using mobile money to receive payment for agriculture produce from NASFAM. Sale of agriculture produce, more specifically legumes such as soy beans and groundnuts, normally starts early April every year.

During the next six months, MMAP will monitor progress of the pilot and provide support services to NASFAM for successful delivery of the pilot. Among other support services will include facilitating linkages between NASFAM and MNOs, supporting opening of mobile money accounts for more farmers, conducting review meetings with pilot participants, and documentation of best practices and lessons.

During initial consultation meetings for the pilot with farmers in April 2014, a grievance noted by women was that some husbands take advantage of the cash-based payment system and never disclose to their wives how much has been received from sales due to the lack of an audit trail. MMAP will monitor the extent to which mobile money can improve or change household spending and other secondary benefits potentially impacting women and children.



Training sessions for farmers under the NASFAM pilot in Dec 2014

3.2.2 Agriculture Commodity Exchange Pilot

The Agricultural Commodity Exchange (ACE) is a non-profit commodity exchange platform that links farmers to markets. Established in 2004 by NASFAM, ACE supports farmers to sell their agriculture produce through a Warehouse Receipt System. In turn, ACE settles payment for agriculture produce using cash or checks. However, the use of cash or checks to settle payments and contracts has presented challenges to both ACE and farmers. This pilot is aimed at shifting their cash based system to one using mobile money.

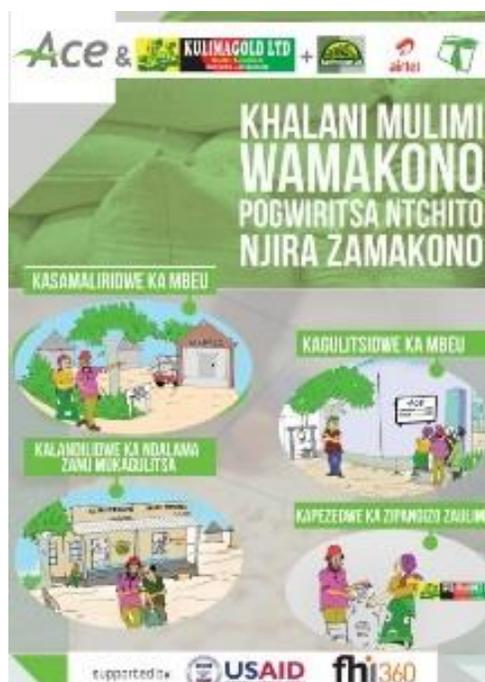
Implementation of the pilot started in December 2014. The first activity was training for ACE staff on mobile money and financial literacy. A total of 23 staff (5 females and 18 males) from ACE and Kulima Gold (3 staff inclusive) attended the training. The training had an average pre-test score of 90% and a post-test score of 98.5%.

Following this training, MMAP supported ACE to conduct a baseline survey for the pilot in February 2015 to collect benchmarks against which progress of the pilot will be measured. By the end of the reporting period, ACE, with support from MMAP, was analyzing the baseline data and preparing the report of findings. It is expected that a final report for the baseline will be available by mid April 2015.

In March 2015, ACE started sensitization meetings and registration of farmers on mobile money. By end March 2015, total of 1,963 farmers (886 females and 1,077 males) had been sensitized.

In February 2015, ACE developed awareness and promotional materials on mobile money. These included radio programs and posters on mobile money applications in agriculture value chains, especially payment settlement for agriculture produce sales. By the reporting period, these materials were going through a clearance and approval process by FHI 360 to ensure alignment with MMAP's branding and marking plan. Airing and distribution of these materials is expected to start in April 2015.

ACE is implementing this pilot with four other partners (Kulima Gold, Rab Processors, TNM Mobile Money and Airtel Money). As part of this partnership, ACE signed MOUs with these organisations in February 2015. Kulima Gold and Rab Processors are key players in the agriculture value chains in Malawi. They have a wide geographical footprint in Malawi. Both of these organisations are involved in selling farm inputs, buying agricultural produce from farmers, and processing.



Draft ACE pilot promotional material

3.2.3 Farm Input Subsidy Programme

The Farm Input Subsidy Programme (FISP) is a government initiative that supports resource poor farmers to access quality farm inputs. The overall goal looks at improving food and nutrition security among these farmers. Although marred by challenges with counterfeit coupons, theft and recycling of coupons, the programme has registered increased yield output in the past nine years.

The e-voucher pilot project was conceived as an alternative to the traditional paper vouchers with the potential to improve efficiency in the implementation of FISP. Though initially piloted in 2013/14 growing season, the 2014/15 pilot sought to scale-up and validate the efficiency of e-vouchers in the seed and fertilizer components. 152,298 farmers from eighteen districts were targeted in this second phase as compared to 52,000 from six districts previously.

During implementation, the initial step was briefing project stakeholders, including the Ministry of Agriculture, Irrigation and Water Development (MoAIWD) FISP Coordination unit, district executive

committee members, area development committee members, seed companies, Agriculture Development Divisions, District Agriculture Offices and Extension Planning Area staff. The briefings highlighted the main purpose of the project, changes the project would bring in FISP, and the different roles stakeholders would play.

Trainings were organized by FHI 360 for the project implementing team which included AICC, the FISP coordination unit and FISP logistics unit to equip them with skills for sustainable technical backstopping to other stakeholders. In addition, 263 MoAIWD staff members were trained from all levels. As frontline staff which directly deals with FISP beneficiaries, they were taken through the steps on which the e-voucher system operates in addition to preparing them to handle beneficiary queries. Agro-dealers had a special training on redemption which saw 560 seed retailers and 102 fertilizer agents (ADMARC and SFFRFM) practically redeeming vouchers on the e-voucher platform. Over 90% of beneficiaries were sensitized on e-voucher redemption.



Through another FISP implementing partner, AICC, Zoon International was hired to develop and manage the e-voucher platform. Procurement of e-voucher scratch cards was also done through Zoon. The e-voucher distribution process was done following the set FISP practices and procedures.

Initially, system integration was done with Airtel. This negatively impacted the redemption process in the first two weeks. Network congestion delayed

farmers from redeeming inputs for hours or days. The situation was rectified once TNM, another MNO, got on board. Redemption could now take one or two minutes and the worst case being five minutes.

The pilot registered a number of benefits from different stakeholders. Overall the redemption rate is at 92.8% with maize seed at 95%, legume seed at 85%, NPK fertilizer at 90%, and UREA at 90%. Generally, the system managed to curb the malpractice of counterfeit voucher production. Since inception in 2013/14 there have been no reported cases of fake e-vouchers on the market. *“Selling of coupons has ended in the homes. Indeed this time around, vendors have panicked and have struggled to buy fertilizer at ADMARC let alone SFFRFM because they are asked to say their secret ID number”*, Oline Gondwe, Kasawambe village, Bolero EPA, Rumphi District said.

The system has also given an opportunity to farmers to have their vouchers replaced once stolen or damaged. With paper coupons, once the coupons are lost, the farmers have no recourse. E-vouchers enhanced security of inputs among farmers. At the same time, agro-dealers felt secure with the system due to the e-value of the vouchers which cannot be stolen – a common problem under the paper-based system. Another notable benefit has been the traceability of vouchers to ascertain whether they have been redeemed or not.

Although the second pilot was an improvement to the first, still it faced some challenges. Most notable was an overwhelmed network which could not support multiple transactions at once. This meant that some farmers faced a delay accessing their inputs while others failed completely. Poorly trained agro-dealers, especially those that joined in the middle of the programme affected the redemption process. Some farmers were being sent back to Agriculture offices for further assistance purely on reasons to do with misinterpretation of feedback messages from the e-voucher platform. Some agro-dealers felt the system was cumbersome and preferred to serve farmers with paper coupons over those with e-vouchers.



An agro-dealer redeeming inputs with e-vouchers

Further, it was noted that the e-vouchers were mishandled by agriculture staff and the beneficiaries themselves. For instance, the vouchers and IDs were mixed up thus making redemption difficult for agro-dealers. Poorly registered IDs could be assigned to multiple vouchers while the e-voucher system only recognizes one ID per voucher. The biggest challenge was the erratic supply of legumes in those areas implementing e-vouchers, an issue unrelated to the use of e-vouchers at all.

Through reviews and regular monitoring of the pilot, the general consensus is that the e-voucher system should again be performed in the eighteen districts before scaling up nationally. Fertilizer should further be piloted in the remaining twelve districts. All this should be done after improving network infrastructure. As a way forward, FHI 360 and AICC will conduct an external evaluation of the project and share feedback with the government and other policy makers.

3.3 Micro Loan Pilot Program

MMAP finalized the development of two pilots on micro loans during the reporting period, in addition to work with The Hunger Project which began in the first year of implementation. These pilots are with MUSCCO on SACCOs and CARE Malawi on VSLs. The sections below gives details and progress on these pilots.

3.3.1. The Hunger Project Pilot

The Hunger Project pilot was planned to migrate 200 micro loan recipients to receive loans via mobile money (TNM Mpamba) in Blantyre (Mpingo) and Ntcheu (Champiti). Implementation of the pilot started in year two of MMAP. During year two, the pilot managed to disburse micro loans to a total 23 (20 females; 3 males) recipients, disbursing a total of MWK 732,000 via TNM's mobile money. In the first quarter of year three, implementation of the pilot was put on hold while finalizing a grant agreement for the pilot to proceed.

During the better part of the reporting period, MMAP continued to process the grant agreement for the pilot, which became ready for signing in November 2014. However, the The Hunger Project did not sign the grant agreement immediately because there were some preliminary issues raised by The Hunger Project that both parties needed to work out before kicking off the pilot.

In an effort to revive the pilot, MMAP held a meeting with The Hunger Project on January 29, 2015. During this meeting, MMAP and The Hunger Project resolved to complete the pilot. Following this decision, The Hunger Project and MMAP jointly developed activities leading to the conclusion of the pilot. Key activities are 1) Disbursement of micro-loans via mobile money and 2) documentation of lessons and experience sharing.

Monitoring reviews of the pilot held in March 2015 revealed that the pilot has started bearing fruits. A number of pilot participants that were trained on mobile money and financial literacy under the pilot are regularly using mobile money in their financial transactions. The pilot has also had significant benefits for women. For example, one of the beneficiaries, Tinyade Chazuka aged 39 from Msamanyada village, TA Champiti in Ntcheu District shared that she uses her mobile money account as a “bank account” where to keep her money secure. Before she had a mobile money account, Tinyade says: *“I used to keep my money in a handbag but very often I could find that the money is not there. My husband drinks beer so he could take the money regardless of where I hid it; this was causing quarrels. With a phone, I have done away with him. He does not even know the PIN for my mobile money account”*. Tinyade says there is now peace in her family.

During the widespread flood crisis⁵ that affected Malawi in January 2015, Tinyade says she used her mobile money account to contribute money in support of flood victims. *“I was touched with how people were affected by the floods in districts such as Chikwawa and Nsanje. I heard from the radio that any money was important .. it would be used to buy salt or soap I sent MWK200 (USD0.47) via mobile money to contribute support”*.



Tinyade sharing with other people how she has used her mobile money account: March 2015

3.3.2 MUSCCO Pilot

The Malawi Savings and Credit Cooperatives (MUSCCO) is an apex organisation that supports Savings and Credit Cooperatives (SACCOs) in Malawi. MUSCCO has SACCOs in each district of Malawi serving over 100,000 micro loan clients across Malawi. During the reporting period, MMAP successfully finalized development of the MUSCCO pilot. The pilot aims to support MUSCCO to implement the mobile-enhanced technology based delivery of financial services to its clients in five SACCOs⁶ to benefit 30,129 micro loan clients.

SACCOs targeted under MUSCCO pilot

	SACCO name	Location	Number of micro-loan clients
1	Fincoop	Lilongwe	18,000
2	Mzimba Teachers	Mzimba	5,280
3	SUCOMA Employees SACCO	Nchalo, Chikhwawa	4,349
4	PTC Group Employees	Blantyre	1,650
5	Rumphi Teachers SACCO	Rumphi	850
	TOTAL		30,129

⁵ <https://www.unicefusa.org/donate/help-children-affected-malawi-floods/21261>

⁶ Initially, the pilot was planned to target 13 SACCOs. This was revised downwards to 5 SACCOs in February 2015 due to resource constraints for integrating MUSCCO banking system to MNOs' systems.

Under the pilot, these SACCOs will link their core banking system to the MNOs' mobile money platform (currently TNM and Airtel). This pilot will enable members of these SACCOs to make deposits and withdrawals directly from their SACCO accounts via the mobile solution which would be configured at MUSCCO's headquarters. In addition, the clients will be able to check account balances remotely, pay utility bills, transfer funds and track loan approvals via their mobile phones.

MUSCCO has chosen these SACCOs based on the following reasons:

- These are relatively bigger SACCOs within the MUSCCO SACCO membership and as such the pilot will have wider impact. In addition, these larger SACCOs will act as role models to smaller SACCOs.
- These SACCOs have the necessary capacity in terms of human resources and finances to handle this pilot.
- These SACCOs offer the pilot a wide geographical representation in Malawi – in the North, Centre and the Southern region.
- With Fincoop SACCO based in Lilongwe, there is a contribution to the 3Cs approach promoted by USAID/Malawi.

Implementation of this pilot started in December 2015. In December 2015, MUSCCO started developing partnerships with MNOs (TNM and Airtel). Alongside this, MUSCCO started recruitment of the software engineer consultant, Kenya-based Craft Silicon, who will do the system integration for the pilot. By the reporting period, this recruitment was at an advanced stage.

MMAP developed baseline survey data collection tools in December 2014. However, implementation of the baseline is awaiting system integration of the MUSCCO's core banking system to MNOs' mobile money platforms. This is because failure to integrate these two systems will place the entire pilot in jeopardy.

3.3.2. CARE Malawi Pilot

CARE International in Malawi (CARE Malawi) has been implementing various development initiatives, including Village Savings and Loans Associations (VSLAs), through a number of different food security programs for the past fifteen years. VSLAs are self-managed groups that do not receive any external capital and provide people with a safe place to save their money, access small loans, and obtain emergency insurance⁷. Care Malawi notes that while the VSLA intervention significantly improved income levels of target beneficiaries, managing cash-based transactions has revealed challenges related to security of the cash, especially during the off lending season when VSLAs find themselves with large sums of cash in cash boxes stored in treasurers' homes. This approach puts both the cash box keeper and their savings at risk of loss or burglary. VSLA members need security for their money and a mechanism to effect instant money transfers.

During the reporting period, MMAP finalized development of the pilot on VSLAs with CARE. The pilot will be implemented in Mchinji District⁸. It aims to migrate 160 VSLAs from using cash to mobile money in their financial transactions, benefiting 3,200 participants. Under the pilot, VSLA participants will open mobile money accounts. These accounts will then be linked to formal bank accounts (to be maintained at Opportunity Bank) to enable them to benefit from the 'Pull and Push' mobile money service. This service enables mobile money wallet holders to conduct financial transactions between bank accounts and

⁷http://www.google.com/url?url=http://www.mastercardfdn.org/pdfs/VSLA_Website_Brief.pdf&rct=j&frm=1&q=&esrc=s&sa=U&ei=y7MSVYbrCKbX7Qbd-YC4Dw&ved=0CBQQFjAA&usg=AFQjCNHTX-q7Y6XezJTsh7jHm3ws-zjY6Q

⁸ These groups are in TA Mkanda, Dambe, Zulu, Mlonyeni and Nyoka

mobile money accounts in the comfort of their homes. This is a convenient service for people in rural areas where banks are scarce.

MMAP spent the larger part of the reporting period in processing this grant. This pilot has been re-submitted to USAID as part of the proposal for extension of MMAP.

VSLAs are becoming popular in Malawi. They are a key initiative that the Government of Malawi is promoting to improve the economic status of poor people. However, cases of loss of money from VSLAs through burglary have become very common. Successfully integrating mobile money will offer increased security to many VSLAs. CARE Malawi currently serves as a secretariat for the Government's Technical Working Group on VSL making it an ideal partner to both implement the pilot and disseminate the learning that results.

3.4 General Financial Services Pilot

3.4.1. Malawi Savings Bank (MSB) Pilot

Malawi Savings Bank (MSB) was formerly a Post Office Savings Bank. The Bank has more than 494,000 customers, making it the fifth largest bank in terms of customer base in Malawi. The bank currently has 47 branch and mini-branch representations and an ATM network of 47. MSB has 94,006 civil servant accounts; over 28,000 are active (accessed within the past 180 days) and receive their salaries and allowances through MSB on a monthly basis.

During the reporting period, MMAP successfully finalised development of the pilot with MSB. The contract agreement for the pilot was signed in November 2014. The pilot targets civil servants in the education and health sectors in Balaka and Mulanje Districts. This pilot will therefore involve working very closely with District Education Managers and District Health Officers.

Through this pilot, MSB will integrate civil servants' bank accounts with their mobile money accounts (Airtel Money). This will enable the pilot participants to access financial services quickly and easily, especially those in remote, rural areas. It will enable the pilot participants to pull salaries into their mobile phones and cash out at the nearest mobile money agents within their localities. In the process, this will cut costs incurred by civil servants in accessing the monthly salaries. Based on experiences from this pilot, MSB will scale the mobile money solution to cover other account holders.

In December 2014, MSB started the process of integrating their banking system to the Airtel Money system. In February 2015 Airtel Money started upgrading their mobile money system to a new system. The MSB/Airtel integration was therefore delayed to wait for the new Airtel Money system to come online. Airtel finalised upgrading to the new system in mid March 2015 thus making it ready for integration with MSB banking system at the end of the reporting period.

Along side the above activity, MMAP developed data collection tools for a baseline exercise to enable collection of benchmark information for measuring success or lack thereof for the pilot. A critical element of this pilot is successful integration of MSB banking system with MNOs mobile money systems. Therefore, the baseline exercise has been put on hold awaiting for this integration to be finalized.

In March 2015, MMAP jointly with MSB conducted a training for Mobile Money Agents in Balaka and Mulanje on Mobile Money, with a focus on liquidity management. A total of 86 mobile money agents (34 in Balaka; 31 in Mulanje) attended the training. This was done to prepare the agent network to support this pilot.



Mobile money agents training in Balaka – March 2015

The MSB pilot contract has a 30th April deadline. However, with these delays, a pilot period extension will need to be considered in the event that MMAP is also extended.

Being a pilot that will target civil servants, the MSB pilot is also very strategic to MMAP in generating evidence that can be used to lobby the government for larger scale adoption of mobile money and e-payments in financial transactions, especially civil servants' salary payment.

3.5 GIS Mapping & Data Visualization

In the many markets that have witnessed the launch of mobile money or other digital financial services, a majority have yet to achieve significant commercial scale. The causes for this are numerous and varied and often times unique to the dynamics within a given market. That said, one observation that does apply to a large number of mobile money deployments regardless of market size, location, etc. is that these deployments are taking place in “data light” environments. Specifically, this means that service providers cannot source or easily aggregate and analyze large volumes of digital information that would be relevant to their strategy or operations. The volume and type of data accessible, for example, via Google Maps and other, open-source user-driven mapping tools (e.g. OpenStreetMaps) is rather small and frequently localized in country capitals and major cities, which are already the default priorities of most mobile money service launch strategies given population density and disposable income levels.

As part of its broader agent network management and service provider capacity building mandates, MMAP decided to conduct a GIS mapping exercise of existing and relevant networks of service points for mobile money providers as well as other networks that could become part of a mobile money ecosystem as either agents or merchant acceptance locations. In coordination with both mobile money service providers, MMAP focused on the following types of locations:

- Current providers of traditional financial service/payments/money transfer services as well as key mobile telecom infrastructure (e.g., bank branches, cell towers)
- Current alternatives to traditional financial service/payments/money transfer services (e.g., MNO-led mobile money agents, bank-led mobile banking points)
- Potential e-payments service points (e.g. hospitals, schools, government buildings, Agro-dealers, Ag Associations, other large merchants) that would either accept and use such services or become mobile money agents

Beyond simply identifying their locations, MMAP developed a field collection tool tailored to the needs of service providers which generated information about these locations that would help them better evaluate their potential to join their service ecosystems (e.g. access to power, hours of operation, cash management practices, ownership). The GIS mapping exercise was undertaken in the following ten

Districts: Blantyre, Mulanje, Balaka, Machinga, Mangochi, Mchinji, Salima, Lilongwe, Rumphu and Mzimba. It took place roughly over a four month period from August 8 to November 28, 2014.

The objective of this mapping effort was to provide mobile money service providers and other interested local parties with new information tied to geographic locations to help inform investment, strategy, or operational decision-making. The intended consequence would be either that mobile money services expand more rapidly or that they expand into places where demand exists but had been previously overlooked due to insufficient market intelligence. Once the data had been aggregated and validated, a data visualization tool was developed whereby a web application would project a digital map of Malawi with all of the different points and corresponding data plotted. Users who access this tool can then choose which networks or “layers” of points they want to visualize and discover specific information about a single point or about an entire District (e.g. population size). A link to the publicly accessible website can be found here: www.mapapp.ngen.co

An additional objective of the GIS mapping and data visualization tool was to support ongoing agent network management practices of the mobile money sector. Agent network management and expansion comprise some of the largest operating expenses for a service provider. Therefore, MMAP wanted to generate relevant data that would allow for analysis of current agents and more informed decision-making about which existing agents are worth the expense and which may not be and should be considered for de-activation. MMAP sought to achieve this by collecting information through field observation and direct engagement (e.g. conducting a mobile money transaction as well as asking specific questions). The GIS Field Teams were asked to categorize these agent locations in terms that would allow for an analysis of their mobile money transaction potential based on multiple criteria (i.e., number of months serving as an agent, visibly displaying the agent PIN number, cell signal strength, capacity to execute a mobile money transaction, general product knowledge, as well as quality of service).

A similar set of criteria was developed to evaluate the locations of potential mobile money agents or merchant acceptance points. GIS field teams were instructed and trained on evaluation methods and techniques and were asked to assign subjective scores (1 = lowest potential / 5 = highest potential) in addition to the raw data generated by the field collection tool).⁹ The GIS mapping exercise generated over 8,500 unique points with over half that number qualifying to receive a score for potential mobile money agent or potential merchant acceptance point. This, therefore, gives current service providers a relatively large and rich data set to analyze and use to support their network expansion plans.

4.0 Program Intermediate Result 3: The Legal and Regulatory Framework to Enable Mobile Money Strengthened

Key Highlights for Intermediate Result 3

- 2 MMCG meetings were held from October 2014 to March 2015
- The MMCG invited two more members to ensure more financial sector participation
- The National Switch officially went live in December 2014

⁹ Experience from MMAP’s mobile money technical support specialists suggests that, even though a given location may look “good” based on the criteria, there is value in incorporating the sentiment of the data collector in the field. Provided these individuals are properly trained and supported, their ability to physically observe and process other aspects of their experiences at a particular location are relevant and would not otherwise be captured.

4.1 Legal and Regulatory Environment

In the previous reporting period, MMAP had contracted the services of a Legal and Regulatory Consultant and the findings were presented to the MMCG in September 2014. The bills and acts that will impact the digital and financial space have not been enacted. MMAP is working with the World Bank to advocate for forward movement; however, the enactment of these amendments have shown no progression with parliament.

The table below includes the bills that are with the Ministry of Justice and the legislative calendar as to when they will be presented to the National Assembly.

Bill	Status
Electronic Bill, 2004	Submitted to E-Government
Financial Services Bill (Amendment), 2004	Drafting in Progress
Payments Systems Bill, 2014	Awaiting clarification from MOF
Bills of Exchange Bill (Amendments), 2014	Drafting in Progress
Communications Bill, 2014	Submitted to Ministry of Information and Civic Education

It should be noted that the bills that are being presented are the ones that will potentially have the highest impact on the digital and mobile money space. All the bills except from the Bill of Exchange were targeted to be presented to the National Assembly in the February 2015 sitting. The Electronic Bill has been submitted to E-government which is a part of government which is in charge of delivering government information and services to its citizens electronically.

Progress seems somewhat stalled for getting the bills amended and presented to parliament. The Payments Bill has been pushed back to Ministry of Finance for clarification on some of the proposed amendments. This will subsequently delay its presentation to the National Assembly. At the time of this report, very little progress has been made.

The Financial Services Bill and the Bill of Exchange are still in the drafting stage. This situation is not ideal as every delay poses a threat to the growth and management of the mobile money space by both regulators. The change of governments in the past three years has affected the progress on getting the relevant bills presented and addressed in parliament. It is imperative for the bills to be presented so that the amendments are enacted and put into law allowing this industry to really move forward.

MMAP is ready to provide support to the regulators in the case of an extension as amendments are enacted. MMAP is prepared to conduct a capacity assessment with a focus on harmonizing policy and regulatory requirements for pro-poor mobile financial services. Based on the gaps identified through this assessment, MMAP will then coordinate with The World Bank, UNCDF, IMF, and other relevant stakeholders to mobilize the necessary technical assistance.

4.2 Support to MMCG

As the secretariat of the MMCG, MMAP has continued to call for meetings during this performance period. Two MMCG meetings were held in December and in February.

In the last MMCG meeting that took place in February 2015, members discussed some of the recommendations from the MMCG report resulting from the study MMAP contracted in July 2014. Based on the recommendation in the report on the tenure of the chairman, it was agreed by the grouping that

a one year tenure for the chairman is going to be adopted moving forward. Further, MMAP started to work with the MMCG on a succession plan for the role of the secretariat. MMAP will be stepping down as the secretariat in September 2015 and will remain as a member of the MMCG..

After analyzing the recommendations by the MMCG consultant, it was agreed that MMCG should be part of the financial inclusion technical working group. The only problem with the technical working group is the current lack of regular meetings by its members. The Ministry of Finance chairs this group and as such it reassured the committee that regular meetings of the financial inclusion technical working group will resume in 2015 and the MMCG will be invited to be part of the group. It was reported in the last annual report that the MMCG was accepted and incorporated to be part of the National Payments Council. Since the communication came from RBM, the MMCG has not been invited to any meetings. RBM reported that since the last NPC meeting in August, they have not called for any meetings hence the lack of invitation to the MMCG. The focus during this reporting period was in getting the national switch up and running.

The MMCG has extended an invitation to two new members, OIBM and NBS Bank. It was noted that as much as the Banker's Association of Malawi (BAM) is part of the grouping, a lot of issues and information that is shared during these meetings have not trickled down to some of the major players in the banking sector who are active in the digital financial space. Because of issues of consumer protection, the Consumer Association of Malawi will be invited to attend these meeting when it's necessary but they will not be considered an official member of the group. Zoona was also mentioned as a possible member, but they will only be invited once they are fully licensed by RBM.

4.3 Interoperability

With the assistance of the World Bank, Malawi now has its own National Switch which is managed by the NatSwitch Company Ltd. Currently, NatSwitch has five employees. The switch is owned by the banks in Malawi through shareholder agreements.

In December 2014, the National Switch went live, but only two banks were connected, due to the lack of readiness among the others. In February 2015, eight banks connected to the National Switch. These are MSB, OIBM, NBS Bank, CDH Investment Bank, Eco Bank, National Bank, Indebank. Nedbank, FMB and Standard Bank are not connected to the switch. Nedbank is in the process of updating its own switch. FMB has been updating its core banking systems and its own internal switch and this has somehow caused a delay for them in connecting the national switch.

Standard Bank and Nedbank have not progressed very far because all the decision making related to the national switch is by the parent companies in South Africa.

All banks have retained their switches, and it's their own internal switches that are now connected to the National Switch. During this first phase, the integration is only for the usage of ATM's only. The next phase of the integration will see that all Points of Sale (POS) and Visa card systems are fully operational by May 2015.

It was envisaged that MNOs will be connected in the second phase which is supposed to start in April 2015. This integration will not happen automatically for the MNO's according to NatSwitch. The MNOs will be required to write a proposal as to why they want to be connected to the switch. The MNOs are not pleased with this latest development because they see it as a barrier to entry. The NatSwitch committee is a bit hesitant to allow the MNOs to be connected to the switch over fears that MNOs will not abide by the necessary National Switch agreements.

There is an MOU between RBM and BAM that is supposed to offer guidance as to which regulatory body will supervise and monitor different aspects of the digital and financial issues. This is also proving to be a barrier to entry for MNOs because the owners of the National Switch, who are the banks, would only like one regulator to manage this space. They believe that by having two regulators, which is the same in all markets where mobile money is being offered, it leaves a lot of grey areas that are subject to misinterpretation by the already overzealous MNOs.

5.0 Monitoring and Evaluation, PMP, and Knowledge Management

During the reporting period, MMAP continued to monitor progress of activities and successes of the project through various efforts. On a bi-weekly and monthly basis, MMAP has been compiling updates capturing progress of activities and status of the operating context. These have been key in informing decision making regarding MMAP progress.

To promote sharing of success and experiences, MMAP continued to document emerging successes of the project. During the reporting period, the e-voucher pilot presented a lot of successes especially on the component of fertilizer and benefits for agro-dealers through the e-voucher. Success stories are included in Annex C of this report.

During the reporting period, MMAP ensured that each pilot has a structured baseline. In December 2014, MMAP conducted a baseline survey for the NASFAM pilot. In February 2015, MMAP supported ACE to collect baseline information for the pilot against which progress will be measured. By the reporting period, analysis of the data and preparation of the report of findings was in progress. MMAP also completed the design and development of tools for MSB and MUSCCO pilots' baseline surveys in December 2015. However, implementation of the baselines for these was put on hold awaiting successful integration of MSB's and MUSCCO's banking systems to MNOs' mobile money systems. This integration is very critical for these two pilots. With a lead role by AICC, MMAP also supported the baseline data collection for e-voucher pilot in January 2015.



Participants undertaking a pre-test during a refresher training for Nasfam pilot: March 2015

Field visits formed a key part for monitoring and confirming progress of activities. Both the e-voucher, public awareness campaign and the other pilots for MMAP were subject to regular field visits by MMAP staff and partners. These visits helped to give first hand information in terms of progress of activities as well as any need for immediate course correction. For example, it was through these field visits that corrective measures were made by management when the e-voucher system was not functioning satisfactorily in the first few weeks of farm inputs redemption in November 2014.

On a quarterly basis, MMAP compiled progress along the lines of its PMP indicators. This was done through filling in quarterly data forms that MMAP developed. This has helped MMAP to evaluate its progress.

In February 2015, MMAP revised the PMP to align it with developments and priorities associated with a potential extension to November 2016. Key revisions in the PMP included increasing the targets on indicators based on the extension period and activities.

During training activities, MMAP continued to administer pre- and post-tests to participants to assess acquisition of knowledge and skills with a view to identify areas for improvement in delivery of MMAP trainings. During this reporting period, the minimum pre-test score registered was 35% while the minimum post-test score 72%.

Below is the summary of these pre and post training tests:

Nature of training	Pre-test score	Post test score
E-voucher training for Agro-dealers	35%	80%
Initial training for NASFAM pilot participants on mobile money and financial literacy	46%	72%
Mobile money agents training	71%	92%
Training for ACE staff on mobile money and financial literacy	90%	98.5%
Refresher training for NASFAM pilot participants on mobile money and financial literacy	49%	83%

The lower pre-test score of the refresher training for NASFAM pilot was due to the fact that the refresher training included some new participants. Farmers that had limited literacy skills were advised to come along with family members who would be assisting them in transacting mobile money. So in some cases, this turned out to be their first training rather than a refreshed, hence, the low pre-test result.

MMAP also ensured that future programming of similar initiatives are guided by clear lessons. During preparation of a proposal for extension, MMAP examined and consolidated lessons learned in implementing MMAP. These lessons guided the priorities and design of interventions for MMAP beyond May 2015. Exhibit below gives a summary of these lessons:

Lessons Learned/Best Practices
<ol style="list-style-type: none"> 1. Two things to consider first when implementing a pilot are awareness and financial literacy. These have to be considered both at the organizational level and at the level of the end user. It is often incorrect to assume that an organization who is aware of mobile money and even interested in it is actually familiar with the features and utility. Pilots should start at the most basic levels from introducing what mobile money is and how you use it, both as an organization and as an individual. 2. Never underestimate the value behind the entire ecosystem when trying to scale up geographically. If you don't have the agents in place, or the agents don't have the knowledge or liquidity, then when people test the product it will fail. And you've lost them as an active user. 3. Keep an eye on transaction streams and how money is actually moved when evaluating points of entry.

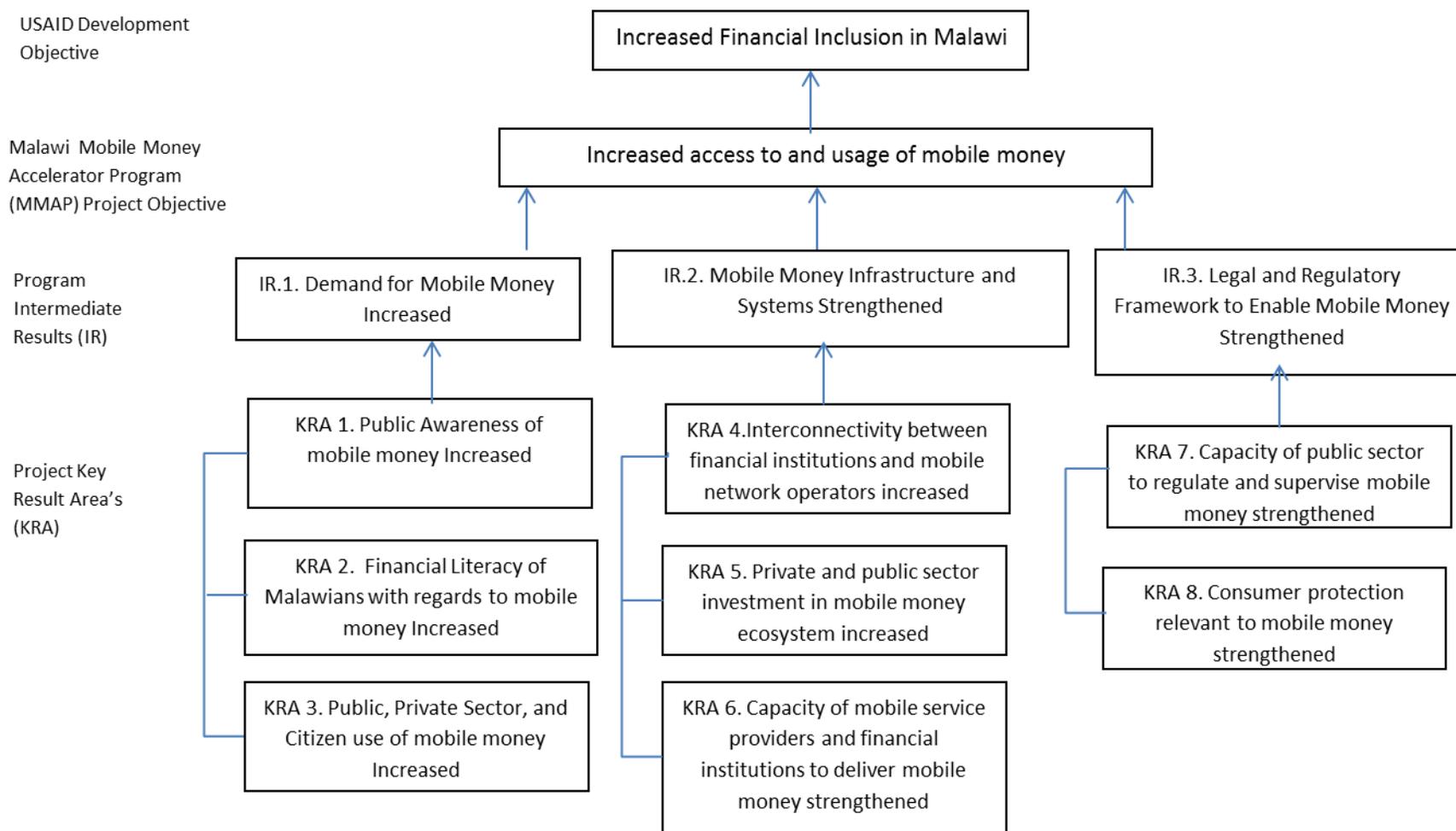
4. While many payments streams are seasonal, mobile money is not seasonal. Money is moving constantly regardless of the season. When looking at transitioning payment streams, do not approach it as a seasonal or temporary change.
5. It is always important for beneficiaries to “buy into” the program and make their own contribution regardless of the beneficiary group or where they fall on the socio-economic scale. Handing out phones is a band-aid solution to some of the internal barriers of implementing a pilot but does not always lead to a good solution on the beneficiary’s end. It is important to take a close look at when subsidizing phones makes sense and when it should be avoided.
6. Business incentives are not necessarily aligned with behavior when it comes to private sector support for rolling out mobile money – such as ensuring that you have a strong and knowledgeable agent network.
7. The mobile money platform is not growing with demand and has been known to crash when there is too much traffic.
8. Private sector partnerships can be critical. Programs can benefit from the motivation that comes from within the private sector. One example is with the e-Voucher. By opening the program up to the private sector, the goods were always made available to the beneficiaries because of the profit driven models of the private sector suppliers.
9. Resistance to transitioning to mobile money often comes from those who have something to lose in the process. Some people make their livelihood through the cash management process. Incentives are different for different people and for central staff versus beneficiaries. When transitioning a payment stream to mobile money, it is important to scrutinize every step in the process to see where there may be winners and losers.
10. Agent liquidity is always an issue. And while there may not be a quick fix to the overall problem, there are some steps you can take to manage it. For example, when you know there is going to be a spike in the demand for cash-outs, ensure that agents are informed ahead of time. Engage chain stores, like MMAP has done with Kulima Gold, who have the liquidity and have better rural penetration. Engage super agents to be on site when there is a cash out. Partner with financial institutions to access their branch outlets and bank agents.
11. More service providers means better access to services and more coverage. Working with one alone restricts access and can drive up prices. Zoono has entered market. Zoono is more expensive but they have capitalized on the convenience.
12. It’s been a learning curve for everyone, including private sector service providers as well as the government. When implementing a new system (such as mobile money) you can expect some challenges along the way. One example is that it seemed like the MNOs didn’t really distinguish between what it takes to sell airtime versus what it takes to be an agent when first establishing the agent networks. There were also fluctuating policies such as the agent commission structures changing from immediate commissions to receiving them later when they actually had the e-value. The resulting confusion from the changing policies created an entry point for MMAP – particularly when looking at how agents were acquired, trained, and retained.
13. When mobile money was just coming to Malawi, MNOs received a letter of no objection to be able to operate, leaving them significantly less regulated than banks. There were certain things that slipped through the cracks, like KYC standards. Now it is becoming more and more evident that policies need to be aligned and enforced.
14. Business incentives aren’t producing the effect that you think they would for private sector service providers. For example, when it comes to agent networks, it would be assumed that the MNOs would want to ensure that their agents are trained and knowledgeable when it comes to their services. You would also think that MNO has data on all of their agents. But this

has not always been the case. The MMCG has helped moved them in certain places and bring some accountability and there have been improvements.

15. The MMCG took had a steep climb in the beginning to get where it is now. Initially, when we put competitors in the same room it was very difficult to get data. It took a lot of relationship building to get to a place where they feel that the MMCG is a safe space where they discuss actual issues. Now, two years later, they even have a shared company to maintain towers. MMAP considers the formation of the MMCG a best practice in terms of the way that it was established and managed. Often times when a project puts a structure like this place, it is with a cost structure that doesn't allow it to be sustainable. The way that this MMCG operates is that the members' incentive is around participation rather than money.

Annex A: Results Framework

Malawi Mobile Money Accelerator Program (MMAP) Results Framework



Annex B: PMP Indicators Table

Please see attached spreadsheet for updates on indicators and progress against targets.

Annex C: Success Stories

See attached success stories.