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Ukraine IP-FSS Project

Component 4 - Initial Assessment Report

18 May 2016

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mobile banking/payments, technology and innovation to restore formal financial transactions in underserved areas

18 May 2016

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1. Executive Summary

The Digital Financial Services (DFS¹) space in Ukraine is in its early stages with great potential to provide financial services to under-served areas by: (1) providing access to financial services to the unbanked; (2) improving financial inclusion; and (3) reducing costs and improving efficiencies for government services. DFS could be used as the vehicle to restore confidence in the banking industry (due to closure of more than 70 banks in 2015) and move the population from cash based society to digital financial services.

The infrastructure required for such implementations is available with the introduction of 3G technology by the three major mobile telecom operators (MTOs) covering most of the country. Statistics show that use of DFS has increased during the past several years due to ease of use, access and efficiency. There are more mobile phone connections than the population of Ukraine (penetration is 130% of the population) and smartphone penetration (25% in 2015) is growing due to introduction of cheaper smartphones. Internet usage is widespread (nearly 50% of the population) and the e-commerce revenue in 2015 was UAH 202 billion. The majority of the smartphone, Internet and e-commerce users are between 18-50 years old, and most products and services are targeted towards this age group.

The high literacy rate, infrastructure and other key factors required to rollout DFS products and services are available, but the Ukraine regulators must enhance the current regulations that govern payments, telecommunication, e-money etc. to encourage private sector investment. Interoperability of MTOs is a vital requirement for the growth of DFS and should be addressed as a priority. The government should also adopt policies tailored to market conditions in Ukraine (and not just replicate other country models), and learn from emerging countries that have successfully implemented DFS strategies. It is also important that Ukraine regulations are in line with EU regulations.

The government should also encourage capital investment in the DFS space by improving conditions for market players such as mobile telecom operators, financial institutions, and payment platform providers as well as the general population, a strategy adopted by many other emerging economies to spur DFS usage. These improvements could include incentives to the general population and DFS providers in form of lower transaction costs, MTO interoperability and unified tariffs etc. to induce the population to use these products and services and move from the current cash based economy to digital.

The Government of Ukraine (GoU) should undertake some DFS initiatives such as Government to People (G2P) payments of Pensions; payments of student scholarships, internally displaced people (IDP); and Deposit Guarantee Fund payments to improve efficiency and deliver services at a reduced cost. These initiatives will also help the DFS private sector investors to sustain and expand their services.

This report is based on a two-week assessment of the Ukrainian DFS landscape conducted by an International Mobile Money (IMM) Advisor, based on meetings² with DFS regulators at the National Bank of Ukraine (NBU) and service providers. The report identifies key initial DFS implementation activities, including assistance to enhance regulations, pilot projects to spur DFS products and services, and support Better Than Cash Alliance (BTCA) efforts with the NBU.

¹ Digital financial services includes agent banking, e-money, mobile financial services (MFS), branchless banking and other new technologies that are being introduced to provide solutions for greater financial inclusion at low transaction cost.

² Refer Appendix A – List of Persons Met/Spoken

2. Background information

Supporting transformation to cashless economy and introduction of digital finance technology and innovation solutions will be both critical for the GoU to increase efficiency and transparency in financial markets operations as well as to restore formal financial transactions in underserved areas or areas affected by conflict.

With gradual penetration of 3G, residents of villages where telecommunications companies cannot lay cables due to inconvenience will be able to make purchases on the Internet and use online banking, which will greatly simplify the management of personal finances and business transactions. Financial inclusion is recognized as a powerful driver of growth and development; more than 250 million people worldwide use their mobile devices to pay for goods and services with a turnover exceeding \$ 235 billion a year. In Ukraine, this technology is gaining momentum; the launch of 3G technology will significantly speed up the process.

Ukraine's aspirations to utilize digital finance tools will open the opportunity to include millions of adults without full access to formal financial services and introduce proper risks management and protection, which are critical to enhance consumer well-being and stability of the financial system. Collaboration between the private sector and government will foster the development of inclusive and effective digital financial systems that protect consumers and equip them with the tools necessary to achieve their financial goals.

2.1.National Bank of Ukraine (NBU)

The National Bank of Ukraine (NBU) recently adopted a policy vision to significantly reduce the use of cash by 2020, and is now leading a government-wide effort to establish an inter-ministerial working group tasked with implementation. To facilitate this process, the NBU has appointed a project team with three units to focus on the following areas:

Subject Area	Focus	Activities
Payment Systems	Cashless payment development	Access to the market of international electronic payment systems. Innovative payment products, development of e-payments and e-payment infrastructure. Amendments to laws covering cash circulation. Development of direct debit system.
Retail Payments	National payment system development	National System for Mass Electronic Payments (NSMEP) rebranding. Development of a central router.
Cash Circulation	Transformation of cash flow	Cash center strategy. Engaging Cash-In-Transit (CIT) companies

Source: NBU

By 2020, the following key performance indicators should be achieved by the NBU.

Level 1 - NBU Indicators. The market share of NSMEP shall be raised:

- up to 30% of the total payment card issue;
- over 80% of the acquiring network;
- to 30% of cashless payments (payments in the retail trade network through NSMEP payment system)

Level 2 - The indicators of inter-agency task force. Policy development at the state level aimed at:

- developing cashless payments and reducing cash volumes;
- identifying key areas of payment infrastructure development and mandatory requirements for economic entities ensuring cashless payments on payment devices.

Level 3 - Indicators of Comprehensive Program for the Development of Financial Sector. By 2020:

- the level of cash in the economy shall not exceed 12%
- the number of payment terminals shall be up to 4000 - 4300 terminals per 1 million persons (3791 currently. Also provided the Cabinet of Ministers of Ukraine has implemented Article 14.19 of the Law of Ukraine *On Payment Systems and Money Transfer in Ukraine*)
- laws have been amended.
- EU directives have been implemented (EU laws and directives)

The NBU has also identified a list of legal acts to be revised, EU regulations and directives to be incorporated. They are:

Legal Acts	EU Directives
<ul style="list-style-type: none"> • Law of Ukraine – On banks and banking • Law of Ukraine – On payment systems and money transfer • Civil code of Ukraine • Law of Ukraine – On enforcement proceeding • Code of administrative violations • Tax code of Ukraine 	<ul style="list-style-type: none"> • Directive 2013/36/EU of the European Parliament and of the Council of 26.06.2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms • Directive 2009/110/EC of the European Parliament and of the Council of 16.09.2009 on the taking up, pursuit and prudential supervision of the business of electronic money institutions • Directive 98/26/EC of the European Parliament and of the Council of 19.05.1998 on settlement finality in payment and securities settlement systems • Directive 2007/64/EC of the European Parliament and the Council of 13.11.2007 on Payment Services in the Internal Market • Regulation (EC) 1781/2006 of the European Parliament and of the Council of 15.11.2006 on information on the payer accompanying transfers of funds

NBU has also initiated discussions with the Better Than Cash Alliance (BTCA - <http://www.unCDF.org/en/btca>). Ukraine will evaluate and consider being a member of BTCA. Subject to the membership, BTCA will offer NBU toolkits, knowledge sharing etc.

2.2. Pension Fund of Ukraine (PFU)

PFU is a high profile organization as it deals with 12 million pensioners. During discussions, it was revealed that 45% of the pensions payments are paid directly to their bank accounts and the balance, 7 million pensioners, are paid via the Post Office. The Post Office delivers the pension to the pensioner’s homes and costs nearly UAH 1.8 billion a year.

The classifications of the pensioners are defined below. All military service pensions are paid to their bank accounts.

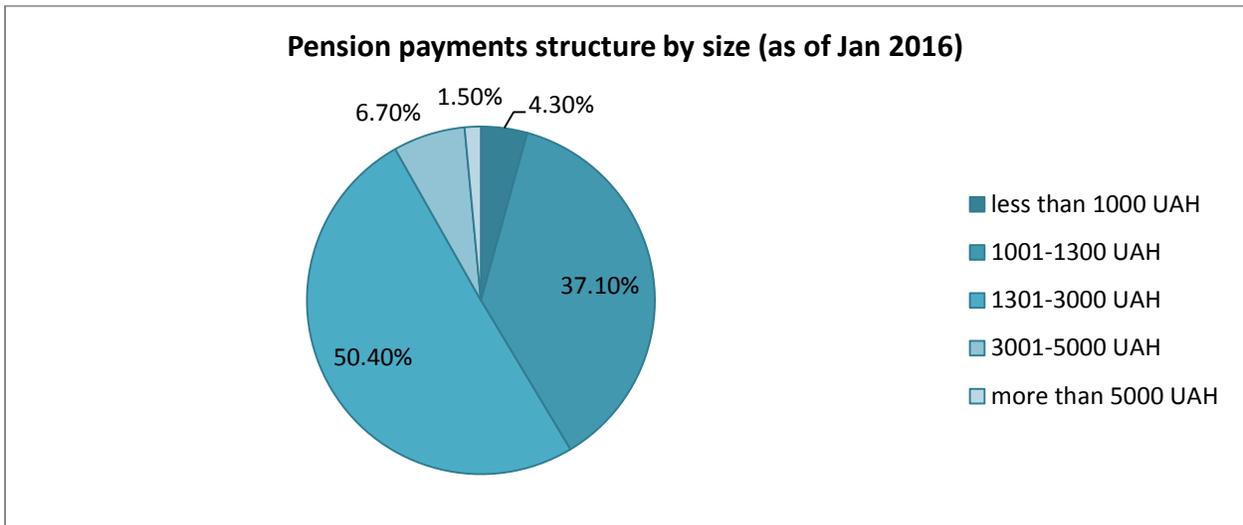
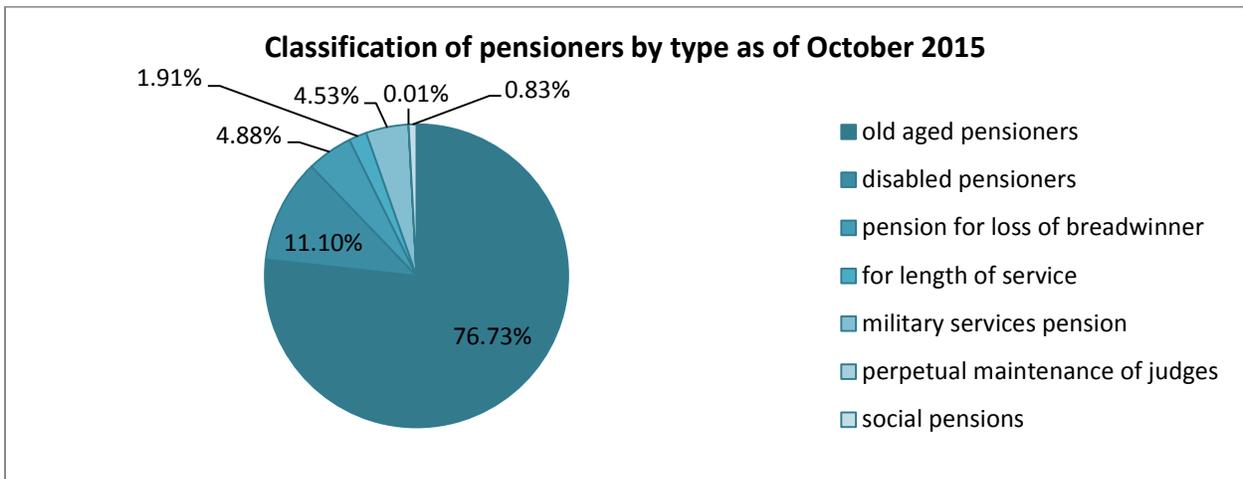




Figure A: Source³

DFS strategies could be adopted to facilitate payments currently made via the Post Office, resulting in considerable savings on service fees, and delivering pensions in an efficient manner.

2.3. Deposit Guarantee Fund (DGF)

DGF was established to protect the rights of individual depositors (natural persons) in Ukraine. The major objective of the Fund is to ensure the functioning of the household deposit guarantee system and insolvent banks resolution. Currently, 67 banks are under liquidation and 6 are under temporary administration.

DGF makes many G2P (Government to People) payments including monthly payments to depositors of insolvent banks. Most of these payments are made via multiple banks; DFS strategies could be adopted to make these payments in a cost effective and efficient manner for smaller amounts. An assessment study will be undertaken to review the possibility of using DFS channels for G2P payments.

2.4. Student Scholarship Payments

There are 1.6 million students in Ukraine as per Ministry of Education statistics defined below.

# of students in Ukraine	as of Jan 2016
I-II level of accreditation (thousand)	230.1
III-IV level of accreditation (thousand)	1,375.2
Total students (thousand)	1,605.3

³ Refer Appendix B for details

Nearly one million students receive scholarship payments paid directly to their account or e-card. DFS strategies could be adopted in an efficient and cost effective way to make this payment to an e-wallet, as most students are technologically savvy and would be users of smartphones. They could use the e-wallet to make payments for train tickets and other expenses.

An assessment study will be undertaken to review the possibility of using DFS to pay scholarship payments to technical and/or banking students.

2.5. National Securities and Stock Market Commission (NSSMC)

NSSMC is in the process of upgrading their legal framework, technology platforms and procedures. They also plan to facilitate stock market trading using mobile applications to spur the masses to participate in trading.

2.6. Mobile Telecom Operators (MTOs)

The Ukrainian mobile market is served and dominated by three major operators. The market share and coverage are listed in the following table:

2.6.1. Mobile Operators Overview (as of July 2015)

Mobile Telecom Operator (MTO)	%	# of clients (millions)	Network coverage of the inhabited Ukraine's territory, %
Kyivstar (owned by VimpelCom and Telenor)	44%	25.7	99% of the inhabited Ukraine's territory
Vodafone (owned by MTS Russia/brand Vodafone)	34%	20	99% of the inhabited Ukraine's territory
Lifecell/Astelit (owned by Turkcell)	18%	10	98% of the inhabited Ukraine's territory
Ukrtelecom (Utel/3mob) (owned by Ahmetov)	4%	3.8	Covers almost all regions
PEOPLEnet			Mostly Western part of Ukraine
Intertelecom			Covers almost all regions
Other			
Total	100%	60	

Mobile operators penetration, %	130%
# of active sim-card per person	1.4

Figure B: Source⁴

⁴ Refer Appendix B for details

2.6.2. Regulatory Landscape – Mobile banking

MTOs are subject to the Law of Ukraine *on Telecommunications*, and they are authorized to extend telecommunications services. This Law does not provide for money transfer services by MTOs, nor does it provide for customers' money prepaid for telecommunications services, to be paid for services other than telecommunications.

Under Article 68 of the Law of Ukraine *on Telecommunications*, payments for telecommunication services shall be made, provided a customer has been rendered the service he/she ordered and prepaid. If prepayment was not used over a billing period, the remaining balance will be credited to the next billing period, unless otherwise defined in the contract. Debiting balance of customer's account by MTOs or mobile network operators (MNOs), including for their own benefit, is not allowed.

Pursuant to Articles 4 and 5 of the Law of Ukraine *on Financial Services and State Regulation of Financial Services Markets* (hereinafter referred to as the *Law on Financial Services*), money transfers are financial services that can be provided by financial institutions. General procedure for money transfers within Ukraine is defined by the Law of Ukraine *on Payment Systems and Money Transfers in Ukraine* (hereinafter referred to as the *Law on Payment Systems*).

In accordance with Article 9 of the *Law on Payment Systems*, money transfers in Ukraine can be performed via domestic and international payment systems. Banks and other financial institutions, licensed by the NBU for money transfers without opening accounts, can be members of payment systems. As specified in Article 15 of the *Law on Payment Systems*, only banks are authorized to issue e-money.

Different authorities regulate operations of MTOs and money transfer activities:

- Money transfer activities are subject to regulation by the NBU (Article 21 of the *Law on Financial Services*);
- Regulatory authority in the area of telecommunications is the National Commission for the State Regulation of Communications and Informatization (Article 17 of the *Law on Telecommunications*).

The Ukrainian legal framework has no requirements and does not designate any authority to perform state regulation and supervision over MTOs in the area of financial monitoring.

The NBU performs state regulation and supervision over resident non-bank financial institutions that are payment institutions and/or members or participants of payment systems, with regard to money transfer financial services which they extend under a special license, in particular, under that of the NBU (except for postal service operators with regard to money transfer services provided by them), branches of foreign banks and banks (Article 14 of the Law of Ukraine *on Preventing and Counteracting Legalization (Laundering) of the Proceeds from Crime, Terrorism Financing and Financing Proliferation of Weapons of Mass Destruction*).

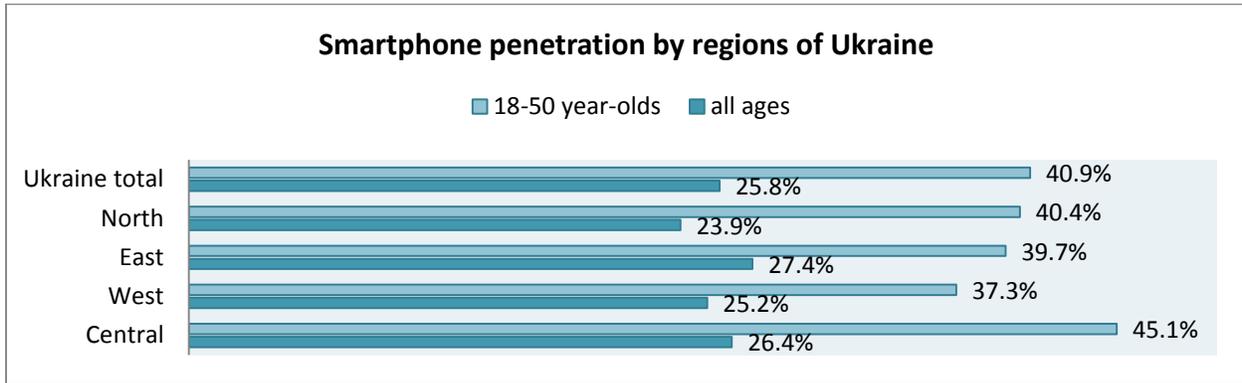
Under current regulations, MTOs cannot perform digital financial transactions unless they have a banking license.

2.6.3. 3G Coverage and Smartphone Market

The majority of the country is covered by 3G technology; there is 2G-coverage throughout the country, as required for applications that supports Mobile money or Mobile banking operations.

As of March 2016, 25% of the Ukraine mobile users have smartphones. The majority of smartphone users (59%) are in the 18-29 year old age group. Most DFS service providers will target this age group to offer products and services.

The smartphone usage in all the regions are similar and could assume the growth too will be similar in the short term.



Smartphone usage in the cities, are higher as expected and lower in the villages.

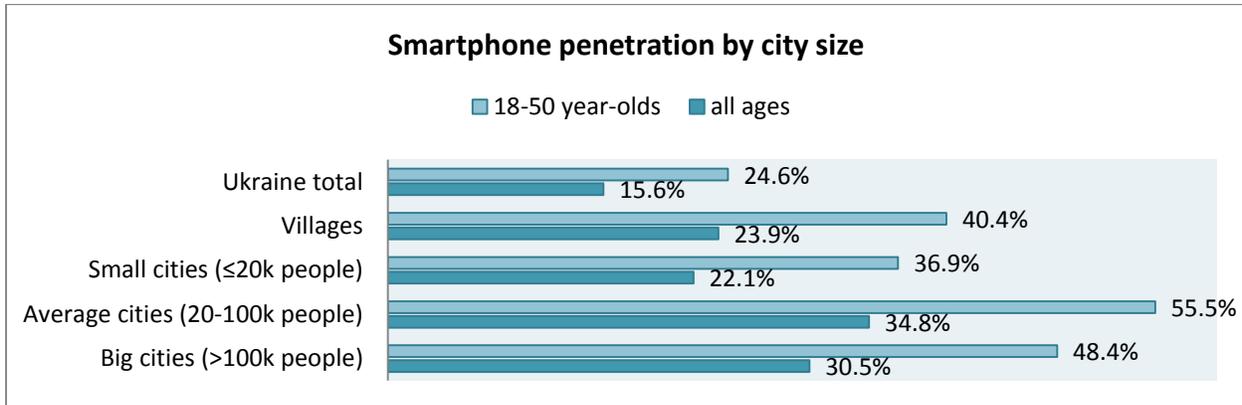


Figure C: Source⁵

2.6.4. Kyivstar

The market leader for telecom services plans to offer Mobile money products from May 2016. In order to facilitate this process, they have setup a financial company and will obtain the necessary registrations and license to perform these services.

The initial services will include utility payments, payments to merchants and person-to-person (P2P) money transfers. They plan to expand to other services, have procured a system to manage these transactions, and it is currently being implemented and tested. Currently have 106,000 agents that they plan to use as cash in/out points. The holding company has extensive experience in providing mobile

⁵ Refer Appendix B for details

money services in many markets and they use their internal expertise to setup, implement and operate these services. They want NBU to re-examine regulations and ease barriers to entry for DFS.

2.6.5. Vodafone

Vodafone is the second largest MTO in Ukraine, with a client base of 40 million and 60 million SIM card sales. 30-35% of the clients use smart phones and the users are mainly in large cities. They plan to launch a mobile wallet product with the assistance of their holding company that has implemented such services in other countries. The major barriers they envisage are: public preference to use of cash, low confidence in the banking sector, tax policy, and current regulations related to e-transactions.

2.6.6. Lifecell

Lifecell is the third largest MTO in Ukraine, with services targeted towards the young population of Ukraine. It has 10 million clients and 40% are smartphone users, currently provides a wallet solution, and plan to expand their products and services. Lifecell is interested only in low value but high transaction volumes. One of the major barriers to expand is the requirement for a banking license.

2.6.7. DFS products and services offered by MTOs

All MTOs offer DFS products and services as summarized in the table below. Kyivstar offers multitude of products and services, and plans to expand further in to providing financial products in the near future.

Digital products	Kyivstar	Vodafone	Lifecell	Ukrtelecom (Utel/3mob)	Intertelecom	Peoplenet
Mobile (transfer funds online to any operators)	yes	yes	yes (only to Lifecell's numbers)	yes	yes	yes (only Peoplenet numbers through Privatbank)
Internet, Phones, TV payments	yes	yes	yes	No	no	no
Utility payments	yes	yes	declared but not available yet	No	no	no
Financial services						
<i>(a) transfer to cash box</i>	yes	no	no	no	no	no
<i>(b)transfer to bank card (loan repayment, deposits, account replenishment etc)/sms banking</i>	yes	yes (through Fidobank)	no	no	yes	no
Insurance purchase	yes	no	no	no	no	yes through Privat bank

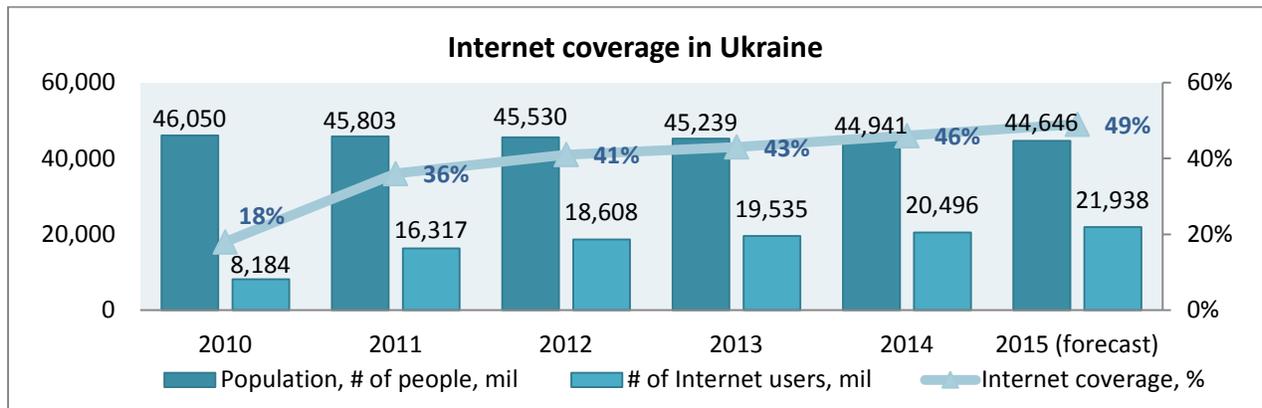
Digital products	Kyivstar	Vodafone	Lifecell	Ukrtelecom (Utel/3mob)	Intertelecom	Peoplenet
Games and Social networks	yes	no	no	no	no	no
Penalties (police fines) payment	yes (State Automobile Inspection)	no	declared but not available yet	no	no	no
Distribution	yes	no	declared but not available yet	no	no	no
Lottery purchase	yes	no	no	no	no	no
Taxi payment	yes	no	yes	no	no	no
Social projects	yes	no	no	no	no	no
Tickets purchase	yes	no	no	no	no	no
Advertisement in a newspaper	no	no	yes			

The daily limit for a transaction ranges from UAH 500 to 100 and the monthly limit ranges from UAH 12,000 – 1000 based on the MTO.

2.7. Internet and e-Commerce Landscape

Usage of Internet as well as e-commerce will help expand the DFS space. The current situation is summarized below:

Nearly 50% of the population uses the Internet.



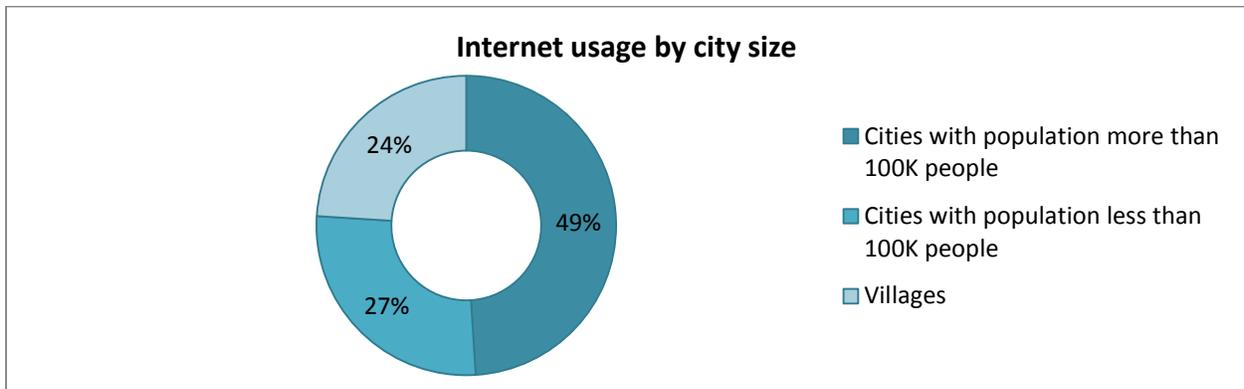
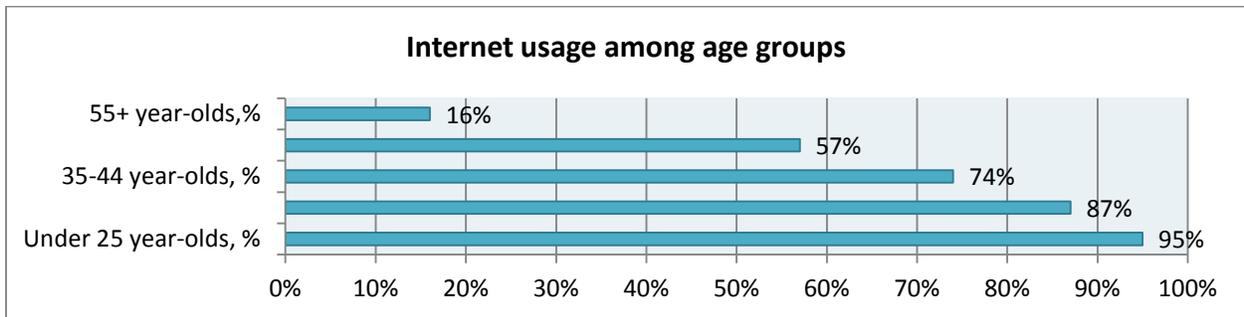
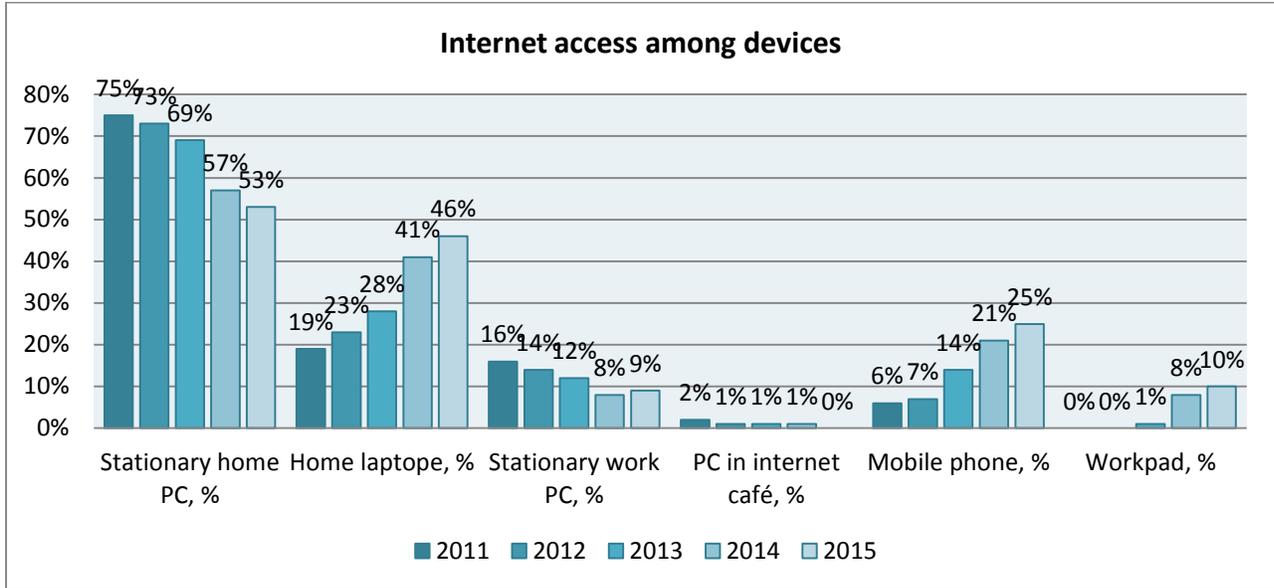


Figure D: Source⁶

e-Commerce turnover has been growing steadily during the last few years and in 2015 it was worth UAH 202 billion.

⁶ Refer Appendix B for details

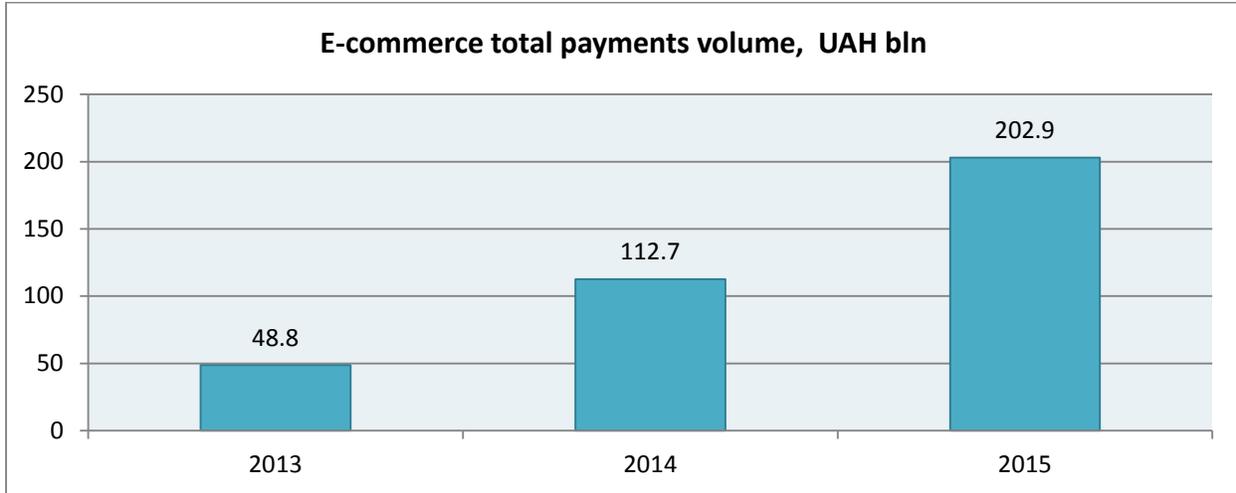


Figure E: Source⁷

2.8. Payment Service Providers

Visa and MasterCard are the leading payment service providers in Ukraine, with MasterCard having the majority of the market share. There are other 3rd party providers such as Payforce that provides customized services to financial institutions. There are two governmental national payment systems, SEP (System of Electronic Payments) and recently launched NSMEP (Prostir), that also compete in the same space. Paypal and Google Wallet are due to launch their services in the near future.

2.9. Banks

Fewer than 10 banks in Ukraine offer DFS related products and services. Their services are summarized in the table below:

Digital Financial Services	Major banks in DFS						
	Privat Bank	Oschad bank	Raiffeisen Bank	Ukrsib bank	UkrExim	UniCredit UkrSots	Alfa Bank
Make payments	+	+	+	+	+	+	+
Statements (control movement of funds in a bank account)	+	+	+	+	+	+	+
Pay for your mobile (mobile operators)	+	+		+	+	+	+
Utility payments	+	+	+	+	+	+	+
Money transfers around the world To Visa/MasterCard cards, WesternUnion, to Liqpay accounts.	+			+	+		+
Transfer funds between cards	+	+	+	+	+	+	+
Saving accounts Open/manage saving accounts	+	+	+	+		+	+
Internet, Phones, TV payments	+	+	+	+	+	+	+
Tickets purchase	+	+		+			
Loan repayment	+	+	+			+	

⁷ Refer Appendix B for details

Digital Financial Services	Major banks in DFS						
	Privat Bank	Oschad bank	Raiffeisen Bank	Ukrsib bank	UkrExim	UniCredit UkrSots	Alfa Bank
Carry out foreign exchange transactions	+						
Gold purchase	+						
System of providing of Internet Services	"Privat 24"	"Oschad bank 24/7"	"Raiffeisen Online"	"Star24"	"Enter Exim"	"UniCredit Online"	"My Alfa Bank"/"Alfa Mobile"
SMS-banking	+			+	+	+	
Mobile banking	+	+	+	+		+	+
DFS on ATM's	+	+	+				
DFS on Terminals	+	n/a	+				
# of ATM (2)	19,778	2,080	2,851	1,165	699	910	202
# of Terminals (2)	2,640	6,609	2,746	1,083	282	635	314
# POS (2)	109,977	17,563	16,023	2,796	5,507	6,569	
# of branches (2)	2,500	4,500					
# of total issued cards (2)	29,577,952	8,922,833	4,342,121	2,071,497	743,486	1,419,778	1,028,526
# of issued active cards (2)	16,311,053	4,404,560	2,105,468	1,083,895	450,734	815,487	988,398
# of DFS clients	4,000,000	500,000	n/a	n/a	n/a	n/a	n/a

Figure F: Source⁸

Apart from Privat Bank and a few others, most banks have not shown an interest in moving to the DFS space. It is vital that benefits of DFS are communicated to banks so that they will commence providing such services to clients. Privat Bank has developed an innovative front-end mobile application that is being used by most smartphone users amounting to nearly 4 million users and will grow in the future.

⁸ Refer Appendix B for details

3. Issues/ Problems Encountered

3.1.Regulations

NBU is actively reviewing the regulations connected with Mobile Money, Payments, e-money etc. to be in line with EU standards and to learn from success stories in emerging countries which successfully implemented DFS.⁹

3.2.Transaction Limits

The current limits for DFS transactions are low. It will be prudent to re-visit these limits when regulations are reviewed and revised. The usual practice in other countries is to have two levels of KYC (know your customer) standards where the customer can operate with a lower limit if limited information is provided. The other level can provide the necessary compliance information so that they can operate with higher limits. Such revisions will spur SME cashless transactions to enhance efficiency and ease of use.

3.3.MTO interoperability

Most emerging countries are moving towards MTO interoperability by enhancing the necessary regulations. resulting in benefits to MTOs and customers¹⁰. NBU or the necessary authority should take the lead to facilitate this process addressing several challenges, including transfer pricing, cash in/out agents and their commissions, etc. The Indonesian model may be a good starting point to review as they successfully implemented MTO interoperability recently. With the revision of regulations, interoperability should also be included.

3.4.Incentives to invest in DFS

The general public is comfortable dealing in cash as they are concerned with taxes, lacks confidence in the banking sector due to recent events and other regulatory aspects. Most countries at the initial stage of DFS implementations provided incentives such as lower service fees to move the unbanked (mainly who uses cash) to make use of DFS services so that they are brought into the formal financial sector. Most Ukrainians prefer not to perform e-transactions due to high service fees and taxes. Many countries are in the process of moving their operations and services to e-Government to provide services to the public in an efficient manner and at reduced costs. Ukraine should learn from other countries and implement strategies that is suitable for the Ukrainian market.

3.5.Encourage the formal Banking Sector to invest in DFS

Most of the large banks in Ukraine are not planning to move to the digital economy and services in the near future. When asked, the answer was that they are watching the marketplace and regulations. Some mentioned that they do not wish to invest due to the prevailing economic situation. The government could provide technical assistance to banks so that they could setup these facilities that will help bring the population from cash to the formal financial sector.

⁹ More detailed analysis of related regulations included in a companion report: “Cashless Economy: Legal-Regulatory Ecosystem Assessment”

¹⁰ http://www.gsma.com/mobilefordevelopment/wp-content/uploads/2012/06/mmu_interoperability.pdf
<http://www.cgap.org/blog/interoperability-branchless-banking-and-mobile-money-0>

4. Suggested Action Items

There are many DFS initiatives that can be undertaken but due to the short duration of the current USAID project, the following priority activities are suggested.

4.1. Advisory and Technical Assistance to NBU

NBU could learn from experiences from other countries to avoid some of the challenges faced by them. It is also important to adopt DFS strategies suited and applicable for the Ukrainian market and not to replicate other implementations that may fail. A good example will be M-PESA model, a success story in Kenya was replicated by some DFS implementers in Afghanistan, but it failed. The IMM Advisor will be available throughout the project period to provide assistance to NBU required on topics such as DFS regulations, capacity building, knowledge sharing etc.

4.2. Technical Assistance - PFU

The IMM Advisor had initial discussions with PFU to explore options and to use DFS products and services to facilitate payments to pensioners. The main focus was to address payment made in person to an estimated 7 million pensioners by the Post Office. This process costs UAH 1.8 billion annually. DFS strategies for social payments have been successfully implemented in many countries¹¹.

The proposed plan is to identify an Urban/Rural area with 3G connectivity, away from Kiev and develop a pilot with 500-1000 pensioners. The draft activities are as follows, subject to approval by PFU:

- Identify a group of pensioners in semi urban/rural region.
- Carryout a survey to assess the household use of smartphones and internet by pensioners and their families. Also assess IT/Mobile literacy levels etc.
- Develop a DFS strategy and methodology for pilot implementation.
- Identify pilot implementation providers and obtain a letter of understanding with the relevant institutions.
- DFS pilot implementation.
- Monitor and evaluate the challenges faced and propose alternatives or solutions.
- Document cost benefit analysis and lessons learned.
- Based on the outcome, plan rollout to other regions.

This pilot could be the baseline project to implement other government G2P initiatives and could be customized to suit different needs. Many emerging countries have implemented DFS strategies for pensions payments and have been successful in delivering quality customer service at reduce costs to the government.

¹¹ <http://www.cgap.org/publications/social-cash-transfers-and-financial-inclusion>

4.3. Technical Assistance - DGF

Similar to the activities envisaged at PFU, DGF also has a requirement to develop DFS strategies and methodologies to implement payments (G2P). Discussions are planned during April, and a pilot will be developed subject to agreement with DGF.

4.4. Technical Assistance - Scholarship Payments

The IMM Advisor will commence discussions with identified universities to develop a DFS pilot for scholarship payments. The activities will be similar to Item 4.2 above. The adoption of DFS scholarship payments may be high as the target age group uses Internet on a regular basis and many are smartphone users. Initial discussions will take place in April to identify a pilot institution and develop a detail action plan.

4.5. DFS Knowledge Sharing Conference

With the recent initiatives from NBU to focus on the Cashless economy, it is vital that international DFS experiences are shared with the regulators, banks, mobile operators, payment platform providers, government agencies etc. for knowledge sharing. The project plans to invite international experts to present experience in other countries at a conference organized in Kiev. Topics will range from regulations, strategies adopted by countries for specific areas such as Pension payments, Interoperability regulations, Agent network development etc.

4.6. Facilitate BTCA Activities

The IMM Advisor facilitated the initial discussion and more is due to take place this March between BTCA and NBU. The Advisor will facilitate this process and will provide support NBU and BTCA for activities undertaken in the future during the project period.

4.7. Market Assessment – Branchless Banking & Mobile Banking

Constant review of the DFS market in Ukraine is vital to provide feedback to NBU as well as private and public sector stakeholders. The IMM Advisor will be available for general advice to DFS market players as well as to participate in workshop and seminars to be resource persons and speakers.

4.8. Component 4 – Work Plan

A detail work plan¹² was developed to perform activities identified in this section. This plan will be revised to include activities or to revise/change activities based on stakeholder feedback and requests during the project period. Additional technical assistance requirements too will be updated.

¹² Refer Appendix C - IP-FSS Objective 4 Workplan V2 for details

Appendix A - Persons Met/Spoken

Organization	Name	Position
National Bank Of Ukraine	Mr. Sergiy Shatskyi	Director of Retail Payments Department. Leader of the NBU Cashless Project.
	Ms. Natalia Lapko	Director of the Payment Systems Department. NBU Cashless Project team.
	Mr. Mykhailo Vidyakin	Head of the Office for Banking System Strategy and Reform
	Ms. Julia Liakh	Project Manager – Cashless project, Office for Banking System Strategy and Reform
	Mr. Arsen Makarchuk	Project Manager – Cashless Project, Office for Banking System Strategy and Reform
	Ms. Tatiana Burak	Project Manager, Office for Banking System Strategy and Reform
	Mr. Volodymyr Kharchenko	Head of Office, Payment Systems Department. Member of the working group on Cashless Project implementation.
	Ms. Inna Protsko	Division for International TA Coordination and Bilateral Relations
National Securities and Stock Market Commission	Mr. Timur Khromaev	Chairman
KyivStar	Mr. Taras Gorkun	Head of Treasury and Mobile Financial Services
Vodafone/MTS	Ms. Irina Frolova	Acting CFO, MTS Ukraine
	Mr. Alexander Aslanian	Head of department for development and product management
	Ms. Olena Ikonnikova	Head of B2B marketing department
	Mr. Dmitriy Koval	B2B marketing department, product expert
	Yevgeniy Chornyy	Head of data transfer and VAS (value added services) division
Lifecell	Ms. Valentyna Moiseienko	Manager of Content Products and Partnerships Management Unit
UniCredit Bank	Ms. Tamara Savoschenko	Chairman of the Board & CEO
	Ms. Alyona Gavura	Head of Global Banking services; Member of the Board
	Mr. Dmytro Kovalenko	First Vice President, Head of Department of Marketing and Segments
	Ms. Liubov Syrovatska	Vice President, Head of Individuals Business Clients
PAYFORCE LLC	Mr. Ivan Istomin	CEO
VISA	Mr. Dmytro Krepak	Country Manager Ukraine
	Mr. Vladyslav Radysh	Director, Global Government Relations
MasterCard	Mr. Sergiy Frantsishko	Vice President, Business Development

Organization	Name	Position
	Ms. Anna Onyshchenko	Senior account Manager, International Markets
Otpbank	Mr. Volodymyr Mudryi	Member of the Board
	Ms. Liliya Lazepko	Member of the Board
PFU	Mr. Vladislav Mashkin	Deputy Board Chairman
	Ms. Tetyana Korol	Director, Budget Department
	Mr. Oleksandar Maletskyi	Head of IT
	Mr. Victor Kolbun	Head of Advisory Committee
	Mr. Greg Mctaggart	USAID Pension Advisor
BTCA	Mr. Juan Blanco	Membership and Advocacy Officer
USAID	Mr. Stephen Goneya	Head, Office of Economic Growth
	Ms. Natalia Berezhna	Program Manager – Financial Sector, Office of Economic Growth
	Mr. Timothy Dubel	eGov Advisor, Regional Mission for Ukraine, Belarus, Moldova and Cyprus
	Mr. Roman Woronowycz	Senior Communications Advisor, Regional Mission for Ukraine, Belarus, Moldova and Cyprus
	Mr. Brian Fink	Director, Office of Program Coordination and Strategy, Regional Mission for Ukraine, and Belarus
Deloitte	Ms. Natalia Samoiloa	Partner
	Mr. Alexey Aristov	Director Financial Advisory Services
	Ms. Margarita Postupaieva	Senior Manager
	Ms. Anastasiia Kovalova	Manager

Appendix B – Data Sources

Figure A

http://www.segodnya.ua/economics/business/rebranding-i-novye-tarify-cto-tvoritsya-s-operatorami-mobilnoy-svyazi-v-ukraine-682883.html
http://www.kyivstar.ua/en/kr-620/mm/service/coverage/
http://www.mts.ua/ua/internet/smartphone/prepayment/coverage
http://www.lifecell.com.ua/uk/
http://3mob.ua/map?lang=en
http://peoplenet.ua/covering/big/
http://www.svs-technology.com/pokritie-intertelecom.html

Figure B

Kyivstar 2G coverage (http://usb-modem.com.ua/karty-pokrytija/karta-pokrytija-operatora-kyivstar/)
Vodafone 2G coverage (https://www.vodafone.ua/en/network)
Lifecell 2G coverage (http://www.lifecell.com.ua/uk/mobilnij-internet/3g-pokrytija/)
3mob 2G coverage (http://3mob.ua/map?lang=en)
Kyivstar 3G coverage (http://www.kyivstar.ua/en/kr-620/mm/about3g/)
Vodafone 3G coverage (https://www.vodafone.ua/en/network)
Lifecell 3G coverage (http://www.lifecell.com.ua/uk/mobilnij-internet/3g-pokrytija/)
3mob 3G coverage (http://3g.multitest.ua/?pos=48.1114,33.41709,6)

Figure C

Lead9 report (http://docslide.us/business/ukraine-smartphones-usage-2015-by-lead9.html)
http://www.usprwire.com/Detailed/Telecommunications/Ukraine Telecommunications Report Q3 2015 - New Market Research Report 337382.shtml

Figure D

World Bank, UN, EY (http://hub.kyivstar.ua/ryнок-elektronnoy-kommercii-ukrainy/)
http://www.ey.com/Publication/vwLUAssets/ey-ukranian-e-commerce/\$FILE/ey-ukranian-e-commerce.pdf
Factum Group Ukraine report (http://gazeta.ua/ru/articles/life/ kolichestvo-regulyarnyh-internetpolzovatelej-v-ukraine-vyroslo-do-218-mln/633061)
Google (https://www.consumerbarometer.com/en/insights/?countryCode=UA)
TNS (http://www.volynpost.com/news/66284-internet-banking-v-ukraini-stav-populiarnishym-zasocmerezhu)

Figure E

EY, Euromonitor (http://www.ey.com/Publication/vwLUAssets/ey-ukranian-e-commerce/\$FILE/ey-ukranian-e-commerce.pdf)
E-commerce Foundation
GFK (http://www.slideshare.net/cisbankers/ukrainians-online-trends-and-opportunities-54638096?qid=5a933b79-2316-47ee-8a0e-9ea390e8f378&v=&b=&from_search=21)

Figure F

www.privat24.ua	privatbank.ua
NBU http://bank.gov.ua/control/uk/publish/category?cat_id=79219	
http://hubs.ua/economy/bankiry-ishhut-dohodnost-v-tsifrovyy-h-tehnologiyah-47796.html	
https://online.oschadbank.ua/wb/auth/userlogin?execution=e1s1	http://www.oschadbank.u a
https://online.aval.ua	https://www.aval.ua
https://my.ukrsibbank.com/en/personal/operations/account_management/	https://ukrsibbank.com/ru /
https://bank.eximb.com	
https://ua.unicreditbanking.net/disp?link=login.tplogin.system_login&contentname=rta2&smallcontentname=ra4&&r=0.3319262175736176	
alfabank.com.ua	

Appendix C – IP-FSS Objective 4 Work Plan

Draft Work Plan : May - Dec 2016 (Subject to change) - revised 17May2016																
USAID Project Objective 4: Mobile banking/payments, technology and innovation to restore formal financial transactions in underserved areas																
The main objective of this activity is to support formulation of regulations for e-payments and cashless economy, developing e-payments and their infrastructure, transition of government benefits, humanitarian aid assistance, payroll, and supplier payments from cash to electronic.																
USAID Advisor (Component 4/Lead) will assist and provide advisory services to the National Bank of Ukraine, Cashless Economy Project to carryout following activities:																
					2016											
					May	Jun	July	Aug	Sept	Oct	Nov	Dec				
TASK 1: Support development of Strategy for Cashless Economy for the National Bank of Ukraine																
TA advisory services to Cashless Economy & Payments Units (Regulations, Cash in/out, Agent network development, Case studies etc.)																
Knowledge and capacity building of cashless economy and e-payment																
TASK 2: Facilitate G2P e-Payments (Implement one or more activities such as IDPs, Student Scholarships, Government salaries, Pensions etc.)																
Student Scholarship Payments (commenced)																
Initial assessment																
Develop a pilot model to pay scholarships using epayments with Banking University, KyivStar, NBU and USAID IP-FSS team																
Develop action plan for pilot implementation: Facilitate implementation																
Analyze cost benefit																
Plan rollout for all payments																
TASK 3: Knowledge Sharing Conference																
Plan/Invite speaker/Organize conference with stakeholders																
Workshop/Seminar on DFS with Banking University - Kyiv & Lviv																
Workshop/Seminar on DFS with Engineering University - Odessa																
Other capacity building workshops with NBU and private sector DFS providers																

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