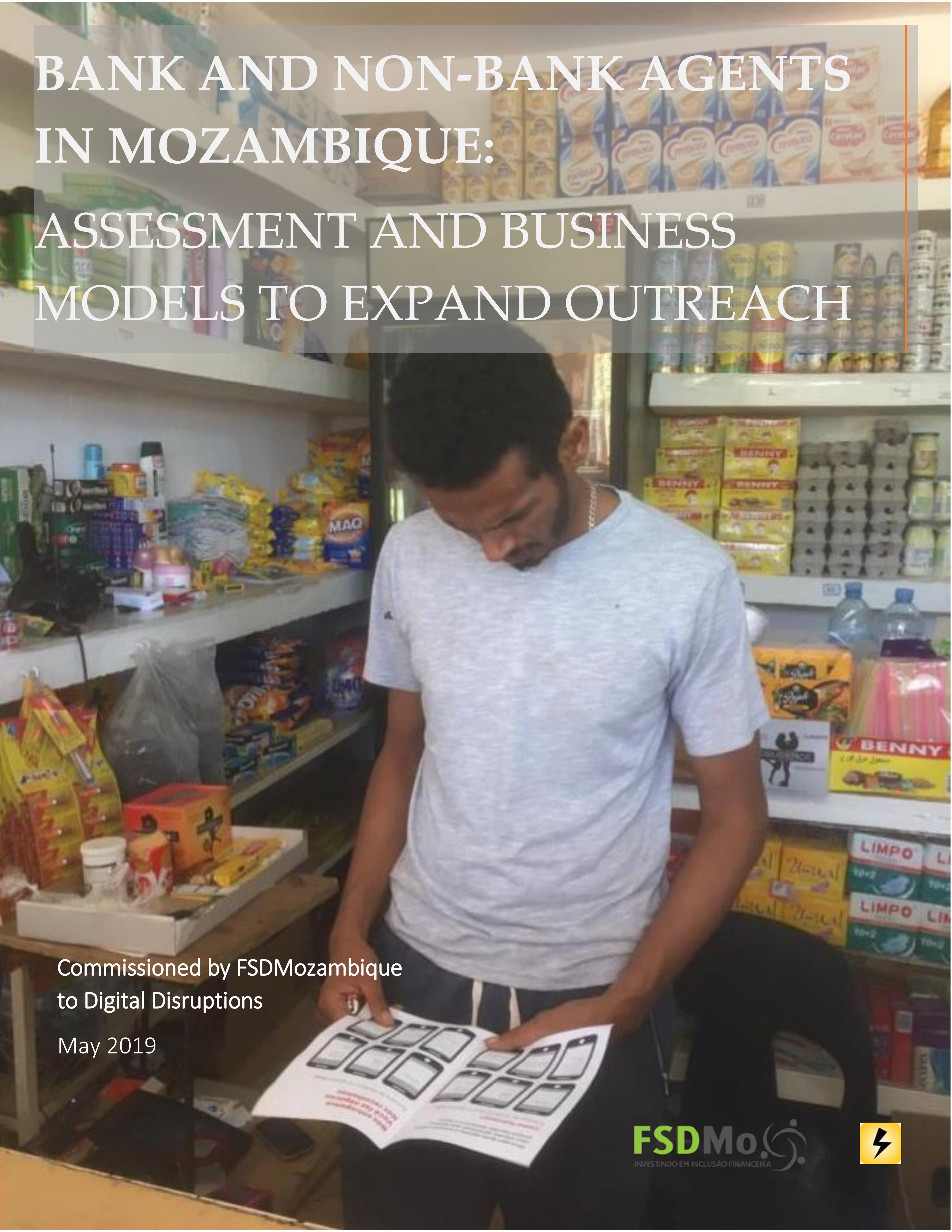
BANK AND NON-BANK AGENTS IN MOZAMBIQUE:

ASSESSMENT AND BUSINESS MODELS TO EXPAND OUTREACH



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FSDMo
INVESTINDO EM INCLUSÃO FINANCEIRA

The Financial Sector Deepening Moçambique is a facility for financial sector development with a focus on expanding levels of inclusion. We direct our investments and insights to address constraints in the financial market, helping the diversification of Mozambique's economy and bringing prosperity and economic resilience to Mozambique's people. At the core of our strategy, are women, youth and the rural low-income population, as well as small businesses that lack access to appropriate and accessible financial services. We support our key stakeholders to both innovate and expand financial services, using technical expertise and targeted funding to boost their capacity and the people they serve.

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PARTNERS

FOREWORD

Objective of FSDMozambique Research Study

Introduction to Agents and Relevance to Financial Inclusion

Since its emergence in Brazil nearly two decades ago, financial institutions in many developing countries have been using agents, often defined as micro or small retail businesses, to expand the distribution of financial services outside of the traditional branch and ATM channels. This includes both financial transactions such as deposits and money transfer and non-financial transactions such as account opening and customer service. More recently, non-banks such as mobile network operators (MNOs) and fintech start-ups have developed mobile money businesses which depend on the critical "cash-in and cash-out" infrastructure that these same retail agents provide, where cash is effectively converted to electronic money and vice-versa. (While the use of retail agents is similar, the motivations for banks and non-banks are different; see Part A of Chapter 1) in this section for a comparison of these two models).

Furthermore, having a thriving, extensive agent network is viewed as part of the cornerstone infrastructure needed to enable financial inclusion, both for banks and non-banks. In the case of Brazil, for example, Bradesco, a large bank, opened over 14 million new accounts through close to 47,000 agent points in the country in the eleven years since it started in 2002. Safaricom Kenya, which launched its well-known mobile money program M-Pesa in 2007, is bolstered by over 160,000 agents; the Central Bank of Kenya reports through a recent survey that formal financial inclusion has more than trebled, from 27% to 83%, from 2006 to 2019, in large part due to M-Pesa. (We discuss the cases of Brazil and Kenya later in Part A of Chapter 1, and the specific examples of Bradesco and Safaricom, in Part B).

Purpose and Objective of Research

As discussed in more detail in Part C, like many countries on the continent, Mozambique has seen several initiatives involving the use of retail agents: all three MNOs have launched mobile money programs since electronic-money institutions were permitted by the Central Bank of Mozambique in 2011, and a handful of banks have launched their own banking agent programs over the last few years as well. Yet to-date the presence of bank and non-bank agents, particularly in semi-urban and rural areas, remains limited, as are the variety of products and services that are enabled at the agent site.

FSDMozambique, a facility which focuses on expanding financial inclusion in the country, commissioned Digital Disruptions, a boutique consulting firm in financial services and innovation, to undertake a research engagement to evaluate the bank and non-bank agent ecosystem, as well as discuss plausible agent models that could expand financial inclusion and access in the country.

From December 2018 to April 2019, the firm conducted secondary research on agents, interviewed key bank, non-bank, and regulatory stakeholders in Mozambique, analyzed current regulations, conducted interviews with agents in various parts of the country, and ran design sprints and industry and regulatory workshops. The complete methodology and approach can be found in the Annex.

Overview of Report

The report is comprised of four main chapters. Chapter 1: Introduction to Agents, provides an overview of bank and non-bank agents and their respective business models and relevant case studies from Brazil, Kenya, Senegal, and Tanzania. Ideas from recent deployments and research on interoperability, agent economics, and regulation in other markets are also touched upon.

The next two sections are deep-dive assessments. Chapter 2: Assessment of Supply and Demand begins with the current state of deployments in Mozambique. It then looks more closely at how banks and non-banks perceive the agent ecosystem, as well as how the users themselves - the agents and customers – view their current experience through agents. The role of other value-chain players, most notably superagents, is also discussed. Chapter 3: Assessment of Regulatory Framework, analyzes the key laws in Mozambique for banks and non-bank agents, as well as their implications for the growth and performance of the agent ecosystem.

Based on the first three chapters, Chapter 4: Problem Statements and Considerations, then elaborates on the key obstacles, both at tactical at strategic levels. Specific considerations for industry and policy-makers alike are discussed, along with a description of user reactions of several business model concepts that were designed, prototyped, and tested.

In addition to the standard bibliography, glossary, and methodology, the Annex also contains a full table of all relevant laws both for banks and non-banks, categorized by topic, and implications for the business model. This report is hyperlinked throughout to allow the reader to easily navigate to relevant sections of the report.

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CHAPTER 1:

INTRODUCTION TO BANK AND NON-BANK AGENTS

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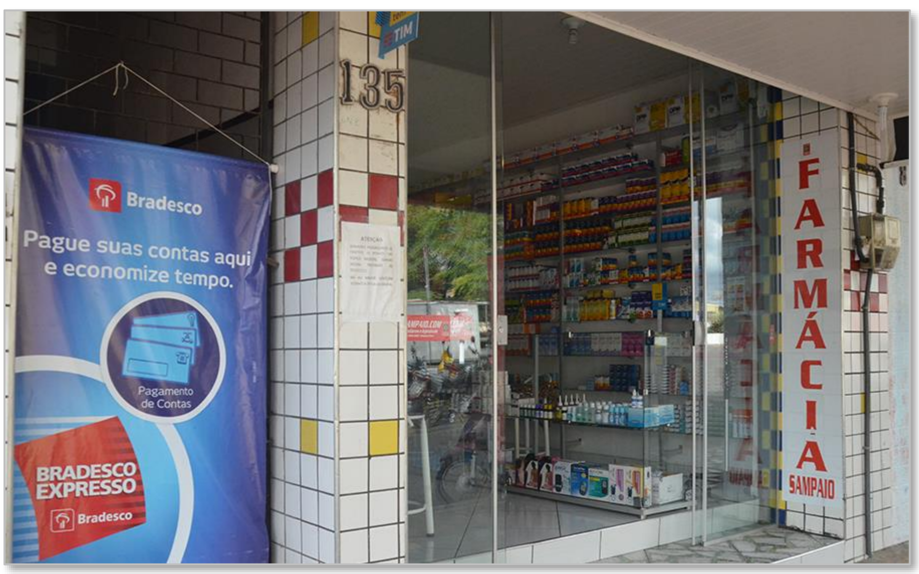
Introduction to Bank and Non-Bank Agents

A. Business Models for Bank and Non-Bank Agents

History and Motivation of bank agents: The case of Brazil

A series of regulations in the early 2000s in Brazil permitted banks (and eventually other regulated entities) to form partnerships, called "banking correspondents" (*correspondentes bancários* in Portuguese), with retailers. These are usually small commercial outlets such as convenience stores, pharmacies, gas stations, and supermarkets, but also include the country's publicly run post office and lottery chains.

While previously the remit of financial inclusion were the state-owned banks in the 1980s and 1990s, the aim was to permit all banks to extend their range of financial services not only such as bill payments but also account opening, deposits and withdrawals, receiving and forwarding loan requests, and collection services to more disperse parts of the country (social benefits payments can now also be withdrawn through agents)[1]. The financial institution would effectively leverage the physical premise, retail staff, and consumer familiarity of the outlet to conduct transactions, with the aid of the bank's technology (e.g., Point-of-Sale device, satellite technology), regulatory oversight, trusted bank brand, and its suite of existing products. In turn, the outlet received a commission per transaction, and ostensibly received more customer 'footfall' (traffic) in its stores, which in turn would lead to greater sales.



[1] World Bank Group, 2006.

Since then, close to 99% of Brazil's 5,570 municipalities[2] are covered in Brazil through a banking agent, driven mainly by state-owned banks Caixa Economica and Banco do Brasil, and private banks Bradesco, HSBC, and Itau. As of April 2019, there were 349,909 agent points across the country, according to the Central Bank of Brazil, and over 250 financial institutions using a bank agent of some sort. Part B describes the case of Bradesco in further detail.

The nascent success of Brazil in the early years led policy-makers in other Latin American markets to enact supportive legislation to allow bank partnerships with agents, such as Peru, Bolivia and Colombia (in 2005 and 2006) and Ecuador, Venezuela, Argentina, and Mexico (from 2008 to 2010). The bank agent model in Latin America, often using card-based Point-of-Sale terminals, is still largely widespread, despite the ubiquity of mobile phones and mobile money programs deployed by MNOs that have emerged in a number of Latin American countries. While banks in these countries have deployed agents ostensibly to reach more rural populations that were previously unserved by their branches, the agents are also located nearby urban branches as a way of 'decongesting' branches and serving as a lower-cost, alternate channel.

History and Motivation of non-bank agents: The case of Kenya

While the case of Safaricom's M-Pesa is well-known, the first emergence of MNO-led mobile money was in the Philippines. In 2001, Smart Communications, one of the country's MNOs, partnered with a Banco de Oro, a local bank, launched SMS-based Smart Money, the world's first mobile money deployment. This was soon followed a similar product, G-Cash, in 2004 by its MNO rival, Globe Telecom. Because of the focus on domestic and international money transfer as a key product, while agents were used to support the cash-in and cash-out infrastructure, for the first few years, agents were obliged to obtain a remittance license and attend a 1-day training. They were also initially prohibited from opening accounts.

The original M-Pesa team, a joint effort between Vodafone in the UK and Safaricom in Kenya, no doubt benefited from the experiences in the Philippines when they began developing their own agent proposition prior to the full launch in March 2007. The Central Bank of Kenya also initially took a 'wait and see approach' an did not rush to regulate the nascent innovation of either the mobile payment concept or the agent network. Instead, it issued letters of no objection to allow non-banks such as Safaricom to recruit agents, allow agents to open mobile money accounts (within certain limits on total balance amount and transfer volume), and put in a monitoring system to flag any suspicious transactions. In 2010, it issued regulations in Agency Banking – interestingly, citing the success cases of banking agents in Brazil and Colombia[3].

[2] Alliance of Financial Inclusion (AFI), 2012.
[3] Central Bank of Kenya, 2010.

The results have been nothing short of astounding: as of the end of December 2018, the Communications Authority of Kenya reports 223,931 mobile money agents, led in large part by Safaricom (168,620); Airtel and T-Kash have just under 25,000 each (there were 31.6 million subscriptions; note that some individuals can have more than 1 subscription).

	Period from October 2018 - December 2018			
Mobile Money Service	# of Agents	# Active User Subscriptions (millions)	# of Transactions (millions)	Value of Transactions (billions USD)
M-Pesa	168,620	25.6	616.9	16.3
Airtel Money	23, 659	3.8	4.0	0.09
Equitel Money	-	2.1	166.4	4.6
T-Kash	24,744	0.1	0.2	0.04
Mobile Pay	6,908	0.09	0.4	0.14
Total	**223,931**	**31.6**	**787.8**	**21.0**

One point to highlight is that not all agents are "exclusive" to the service provider; as in Mozambique, the law permits an agent to carry on multiple agent relationships with several providers, with one research firm estimating that roughly 16% of agents have more than one relationship[4]. (Safaricom initially had enforced agent exclusivity in its contracts, but dropped the requirement in early 2014 after it had a network of around 85,000 agents).

Another dynamic of countries such as Kenya (and Tanzania) with developed mobile money programs is that a number of mobile money agents are dedicated exclusivity to mobile money. In other words, while the first cohort of agents were conducting mobile money transactions as an additional service beyond their existing retail business, these dedicated agents were set up for the express and exclusive purpose of providing mobile money transactions. While set-up costs are relatively low (often just a simple kiosk), the agent relies on strong customer demand to drive volumes and hence commissions. In a 2016 study[5] in Tanzania, it was estimated that roughly 50% of the country's 87,000+ agents were stand-alone, dedicated mobile money agents.

It should also be noted that in a number of markets, there are some models that are "OTC" (Over-the-Counter), which refers to the practice that the transactions that are conducted at the agent site are either wholly or partially assisted by the agent as a formal part of the operating model (this occurs informally with programs such as M-Pesa above, but it is not intentionally designed in this manner). Notable OTC models in the African context are fintech start-ups Zoona (which has gained solid traction in Zambia, but

[4] Helix Institute, 2017.
[5] IFC, 2016.

recently exited Mozambique) and Wari (which began in Senegal and has currently in nearly 15 markets, and is looking to enter the Mozambican market). More details on Wari are in sub-section B of this chapter.

Comparison of bank agents and non-bank agents

While the customer's point of interaction with these services are the same – the agent – the bank and non-bank models are fundamentally different.

For banks, while agents can be used either as a way of attracting new (and usually more rural and/or unbanked) customers, it is also used as an alterative channel, often located nearby branches, to serve its existing, often middle to high-income customers. In a number of markets, such as in Latin America, where electronic payment acceptance is still not as ubiquitous as in North America or Europe, cash transactions still dominate, and thus even middle-end customers (e.g., urban salaried workers) frequently stand in long queues to withdraw cash at the bank branch or ATM. Having agents to "decongest branches" is thus a viable motivation for the bank to develop an agent network.

For non-banks such as MNOs, mobile money is fundamentally a new product – vastly different than their existing business line of providing voice and data services – although targeted, at least initially, to its existing customer base. The agent network serves as a necessary backbone to convert cash to electronic money and vice-versa, even though many transactions are conducted through the customer's handset.

The table below summarizes the two sub-models of bank agents and the main model of the MNO mobile money. Note that non-banks such as start-ups have a different model than the ones described here; since banks and MNOs operate the most prevalent agent models worldwide, and currently are the only two models which exist in Mozambique, for simplicity we compare these two)

	RATIONALE	BANK AGENT MODELS Type 1: Serve existing customers	BANK AGENT MODELS Type 2: Acquire new customers	NON-BANK AGENT MODEL Adjacent or new business line
SEGMENT AND VALUE PROPOSITION	Target Agent Segment	Medium to large stores; well-established businesses	Smaller shops	Small shops, stand-alone kiosks, and 'ambulantes'
	Agent Value Proposition	Increased footfall (and sales) for primary business; some addditional commission	Moderate commission from agent business; some additional footfall	Moderate to high commission from business
	Target Customer Segment	Existing banked customers (mainly middle to high income and urban)	Unbanked or underbanked lower-income customers; urban and semi-urban but might extent to rural	Existing telco customers; underbanked customers; all geographies
	Customer Value Proposition	Convenience: do transactions nearby, don't wait in line for branch or ATM	Functional Benefit: keep your money safe in a bank account	Functional benefit and convenience: do transfers easily through phone, and store your money safely
	Permissible Transaction Types	Deposits and withdrawals, some bill payments - can be greater range to align with those offered at a branch	Usually deposits and withdrawals, some bill payments - all at agent	Account opening, deposits (cash-in), and withdrawals (cash-out) at agent; money transfers, bill payments, airtime top-up through mobile
TECHNOLOGY	Front-End Technology	Agent: POS, PC, Printer, etc. Customer: Card-based	Agent: POS, PC / Tablet, Printer Customer: Card-based; biometric	Agent: Mobile phone Customer: Mobile phone
	Back-End Processing	Bank platform; standard, secured connection; full account functionality	Bank platform; standard, secured connection; account may have limited functionality	E-money platform; prepaid account functionality
AGENT OPERATIONS	Selection and Recruitment	Coordinated with nearby branch (sales agents, promoters, etc.)	In-house (separate unit at bank) or outsourced to third-party Agent Network Manager (ANM)	Non-bank will set criteria; actual recruitment often outsourced to third-party ("superagent");
	Onboarding and Training	Branch staff	Separate bank team or outsourced to Agent Network Manager (ANM)	Often oursourced to third-party (superagent)
	Agent Support (incl Liquidity Management)	Branch staff; regular call center	Bank team, ANM; dedicated call center	Third-party (superagent); dedicated call center; branded stores
MARKETING	Brand Awareness and Advertising	Often light; marketing material at nearby branches and on bank website; branch staff promote nearby agents to customers	More prominent around zones to target customers and agents	Very prominent; involves more sophisticated marketing mix
	Sales Force Promotions	Light; usually involves nearby branch staff	Moderate; often involves promoters to directly engage agents (and customers)	Heavy; high engagement, particularly first 1-2 years, to sell, onboard, and train agents and customers alike on a 1:1 basis
STAKEHOLDERS	Role Within Core Organization	Under Alternative Channels or Branch Operations; small team at HQ, individual branch operations more involved	New Business or New Product unit; larger team at HQ, branch operations involvement moderate to light	New Business or New Product, or under Value-Added Services (VAS); medium to large dedicated team
	Partnerships	Few to none	May involve Agent Network Manager for operations	Superagents for agent management, banks for liquidity management, vendor for transaction processing platform
FINANCIAL	Customer Pricing	Harmonized with branch; deposits free, free or flat fee for withdrawals	Deposits free, flat fee for withdrawals and bill payments	Cash-in free, tiered pricing for cash-out; tiered pricing for transfers; flat fee for bill payments
	Agent Commissions	Flat for every transaction	Tiered commission based on volume for deposits and withdrawls; flat for bill payments	Tiered commission (revenue-sharing from customer fee) on volume for cash-in and cash-out; flat for other transactions such as account opening
	Other Financial Drivers for Service Provider	Lower-cost channel to serve	May involve cross-selling higher margin services such as facilitation of credit or loan applications	Increased revenue on core business services (ARPU); decreased churn
BUSINESS MODEL	Overall Business Model	Alternative, indirect, low-cost channel to provide convenience for existing customers; necessary cost to serve and retain customers	Lighter-touch business model, involving indirect agent channel, to expand geographic footprint and acquire and serve new, previously unbanked customers	New business line, distinct from core business, which leverages existing assets; deepens engagement with current customers and boosts top-line revenue

B. Case Studies

As part of the research, we reviewed several cases of agent network around the world. We decided to focus on four cases, three of which are in Africa: Bradesco in Brazil, Safaricom in Kenya, Wari in Senegal, and Tigo in Tanzania.

In part they were chosen for the diversity of service provider operator models - a mix of agents managed by banks, MNOs, and third-parties alike – as well as geography, technology, customer services, and regulation. The case studies are not meant to be an exhaustive deep-dive, but highlight some of the pertinent aspects, both specific to agent management and relevant to the Mozambican context. These are discussed more explicitly later in this sub-section.

Brazil – Bradesco Expresso

As mentioned earlier in this section, Brazil pioneering banking agents as far back as 2001. Bradesco, one of the country's largest private banks, began agent operations with a partnership with the state-owned postal chain, called *Correios*, and called the agent program Banco Postal (it was since sold to state-owned Banco do Brasil in 2014).

It late re-branded its agent program to "Expresso", which is now estimated at 65,000 agents across the country. Base on a report by the country's banking association[6], by end of 2013 Bradesco opened over 14 million new accounts for customers, all of which receive a debit card. Because these are full banking services (rather than simplified or limited accounts), the technology at the agent is mainly through banking-grade point-of-sale (POS) terminals and securely connected to the banks' core banking system. The bank manages much of the operations in-house, and provides an extensive list of services at the agent site to its customer.

[6] Febraban, 2014.

BRADESCO EXPRESSO (BRAZIL)
~65,000 agents; launched in 2001

Customer Services at Agent

- Withdrawals and deposits
- Forwarding proposals for opening accounts
- Balance statement
- Forwarding of loan proposals and credit card applications
- Bill Pay, Mobile recharge
- Money transfer within Bradesco accounts
- Payment of social security benefits

Agent Operations

- Bradesco has a separate business unit for Expresso that manages the agent network.
- This includes defining the selection criteria, on-the-ground recruiting, terminal installation (e.g., POS) and testing, branding and marketing, monitoring, and general servicing.

Pricing

- Commissions are paid for each financial transaction conducted by the customer
- Additional commission for facilitating account opening, loan applications, or credit card applications.

Technology

- Most agents have a Point-of-Sale device, personal computer, barcode reader (for bills), keypads for PIN numbers.
- Agents can be linked via telephone line or cable
- Transactions take place in real-time via high-speed internet connections.

Partners

- Few partners, as most of the agent operations for Bradesco Express are conducted in-house.

Regulation

- Distinction between a "full service" and "negotiation" agent; the latter can do conduct payment services and forward requests, but cannot facilitate account opening or take deposits.
- Wide variety of eligible agents: supermarkets, drugstores, bakeries, etc.

Kenya – Safaricom M-Pesa

At over 165,000 agents under its management, Safaricom Kenya is the largest operator of agents in the world. From the inception of M-Pesa in 2007, the MNO leveraged its existing partnership with Top Image, a branding agency that had been providing services for its airtime reseller agent network, to recruit, train, and monitor agents. The outsourcing strategy was a success, and the company now works with other aggregators and superagents which provide different levels of services to agents.

Another noteworthy development was on agent criteria: Safaricom agents has a relatively high bar to pass – such as being in operation for six months, several technological requirements, being a registered business – with some exceptions for stand-alone businesses. This is a Safaricom policy, not one imposed by the Central Bank of Kenya. But by keeping standards high, it also helped ensure the "integrity" of the entire M-Pesa system to its customers.

SAFARICOM M-PESA (KENYA)
~168,000 agents; launched in 2007

Customer Services at Agent

- M-Pesa Account activation
- Cash-in and Cash-out (cash-out also to non M-Pesa customers)
- Encouraged to provide M-Pesa education to customers
- Combination of "dedicated" agents and small business agents

Agent Operations

- Agents are supported an Agent Network Manager (ANM) to select, recruit, manage, and monitor agents.
- ANMs can be superagents, aggregators, or other third parties that manage airtime resellers (e.g., Top Image).
- The ANMs provide liquidity management services (assist with cash and e-money conversion).

Pricing

- Agents are paid both on cash-in and cash-out. The commission structure varies by a tiered amount – e.g., for $1 to $5 USD deposit or withdrawal, the commission is $0.08, and for $10 to $15, it is $0.10.
- No distinction between registered and non-registered users.

Technology

- Separate till (SIM card) for Agent
- Agent can use a USSD menu or a smartphone app
- Agent statement available via USSD
- Dedicated contact centre for agents

Partners

- Safaricom relies on several ANMs (Agent Network Managers) – the MNO only sets the criteria but not get involved with operations
- It also partners with several banks to allow agents for manage their cash and float liquidity.

Regulation

- No agent exclusivity - agents allowed to service all financial institutions and mobile money providers
- Stand-alone agents ("dedicated' agents) permissible
- KYC requirements – normal merchant requirements.
- Agents are mostly recruited based on strict criteria set by Safaricom (registered business, 6 months in operation, technology requirements, etc.).

Senegal – Wari

Wari is a Senegalese fintech company that began operations in 2008 in Senegal. Like its MNO rivals that offer mobile money services, its focus is on domestic transfers, but unlike them, its main model is "OTC", or Over-the-Counter. Similar to the experience behind most international money transfer organizations, this means that a customer simply hands over cash (and their ID) to a Wari agent, the transaction is processed by Wari's system agent to agent, and the recipient withdraws cash on the other end (also with just an ID and a secret PIN number).

The model has proven successful, especially in Senegal; one report[7] estimates that it has nearly 34% of the agent points in the country (it is estimated that the other OTC competitor, Joni Joni, has 25%). It has since rolled out in over a dozen countries in Africa, and is eyeing an impending launch in Mozambique.

[7] Helix Institute, 2016.

WARI (SENEGAL)
~20,000 agents (est); launched in 2008

Customer Services at Agent

- Money transfer (domestic) via OTC (Over-The-Counter) model
- Bill payments and airtime recharge
- International remittances at certain locations

Agent Operations

- Wari has an extensive in-house operation to manage the agent retail operation.
- This includes agents selection and recruitment, terminal installation, and extensive monitoring.
- In some cases, it will facilitate liquidity management, but generally agents are expected to go themselves to a nearby bank branch or other service point.

Pricing

- Customers are charged for domestic money transfer in a tiered fee structure by volume; agents receive a tiered fee commission.

Technology

- Agents are expected to have a PC and high-speed connection to process money transfer connections – even in rural areas.
- Central contact centre for agents

Partners

- Wari partners with over 12 local banks to allow agents to conduct liquidity management (convert cash and e-money).
- It has also partnered with international MTOs (e.g., World Remit) to facilitate cross-border transfers.

Regulation

- No agent exclusivity; in Senegal it is quite common for agent to work with multiple partners.
- Standalone ("dedicated") agents also permitted
- Interoperability does not yet exist at the agent level

Tanzania – Tigo Pesa

As M-Pesa began to take off in Kenya, mobile operators in Tanzania began offering its own mobile money services. Unlike in Kenya, three mobile operators in Tanzania have a roughly equal share of the main telecommunications business as well as the mobile money market. This has led to a boost of quality and innovation for both agents and customers.

Tigo, part of the Millicom group of mobile operators, launched Tigo Pesa in 2010 and now counts over 150,000 agents across the country. Beyond cash-in and cash-out, it has pioneered the ability to offer cash advances to agents (to help with immediate float liquidity) and "doorstep" liquidity management services through a fleet of motorcycle riders provided by superagents (acting as agent network managers.)

TIGO PESA (TANZANIA)
~150,000 agents; launched in 2010

Customer Services at Agent

- Cash-in and Cash-out
- SIM and Account activation (in real-time)
- Agent cash advance (through NMB Bank)
- Mix of merchant-agent business and agent-only businesses

Agent Operations

- Super Agents (SAs) & Retail Agents (RAs) relationship
- SAs service their RAs with daily cash delivery
- Bank cash partners with >3 banks exist where RAs can deposit and withdraw cash at a branches.
- Agent can rebalance each other (send money to each other in exchange for cash)

Pricing

- Cash-In is free for customer; cash-out is charged at around 2% of the value
- Healthy commission split between SAs & RAs

Technology

- Separate till (SIM card) for Agent
- Agent use a USSD menu, and cannot make or receive calls on that line (to mitigate fraud)
- Advanced analytics is being tested in TZ today
- Central contact centre for agents

Partners

- Cash Partners (banks provide liquidity management)
- Super Agents, where some banks use branches to manage agents (e.g. Equity Bank distribute up to 200 agents within 100km radius per branch)

Regulation

- KYC requirements – normal merchant requirements.
- No agent exclusivity (standalone agents allowed to service all financial institutions)
- Agents are mostly recruited based on strict criteria (KYC, min. investment, cross-referenced) and supported w financial education

Inspiration for the Mozambican Market

Each of the models described above have found success in their respective markets, and we are careful to automatically ascribe a "best practice" for the unique context of Mozambique. That being said, industry and policy-makers alike can draw inspiration from a few of the elements.

Bradesco's use of tiered agents – "full service" and a "credit only" – has helped it expand more rapidly across the country (the broader topic of agent segmentation along service functions is discussed in Part C). In particular, the idea of expanding services to facilitate the more lucrative lending process, such as facilitation of credit cards and loans (and paying a commission to agents in turn), shows promise.

One of the highlights of Safaricom's successful models (and there are many) is the more stringent criteria they place on agent eligibility, as well as the frequent monitoring of agent quality conducted by its Agent Network Manager partners. A high-quality, active agent network is not only needed to enable basic transactions; if customers sense that agents are non-performing (e.g., mediocre service, inadequate liquidity, incidence of agent fraud or surcharging), it threatens to pull down the entire mobile money brand. In short, particularly at the onset of a new service, ensuring a consistency of high-quality experience is paramount to gaining customer trust and eventual adoption of a service.

In a similar vein, one of the secret of Wari's success was "obsessing" over the agent experience. While many of the best service providers (correctly) strive to improve the experience for their customers, Wari recognized that particularly in a mobile money business, it is fundamentally a two-sided market: *both* customer and agent need to be kept happy for the system to work. In Senegal for example, the company made sure to allow agents to manage their liquidity with a network of banks which it signed agreements with (unlike some MNOs, which only offered one or two banks as partners), which addressed a critical pain point for the agents.

Due to the competitive nature of mobile money in Tanzania, Tigo Pesa has also had to continually innovate to manage their network of agents. Liquidity management, particularly in areas that are less densely populated, is a persistent challenge; Tigo Pesa innovated by allowing nearby agents to "rebalance" each other, rather than insisting that an agent employee physically go to a bank branch or superagent. This provides not only convenience, but an extra commission for the agent that helps with rebalancing the neighboring agent.

C. Looking Beyond Mozambique: Recent Ideas to Address Agent Networks

In addition to a review of the relevant case studies, a number of recent ideas on improving agent performance – on economics, regulation, and interoperability – were surveyed. Below are summaries of the relevant studies.

Cash-in and cash-out agent economics

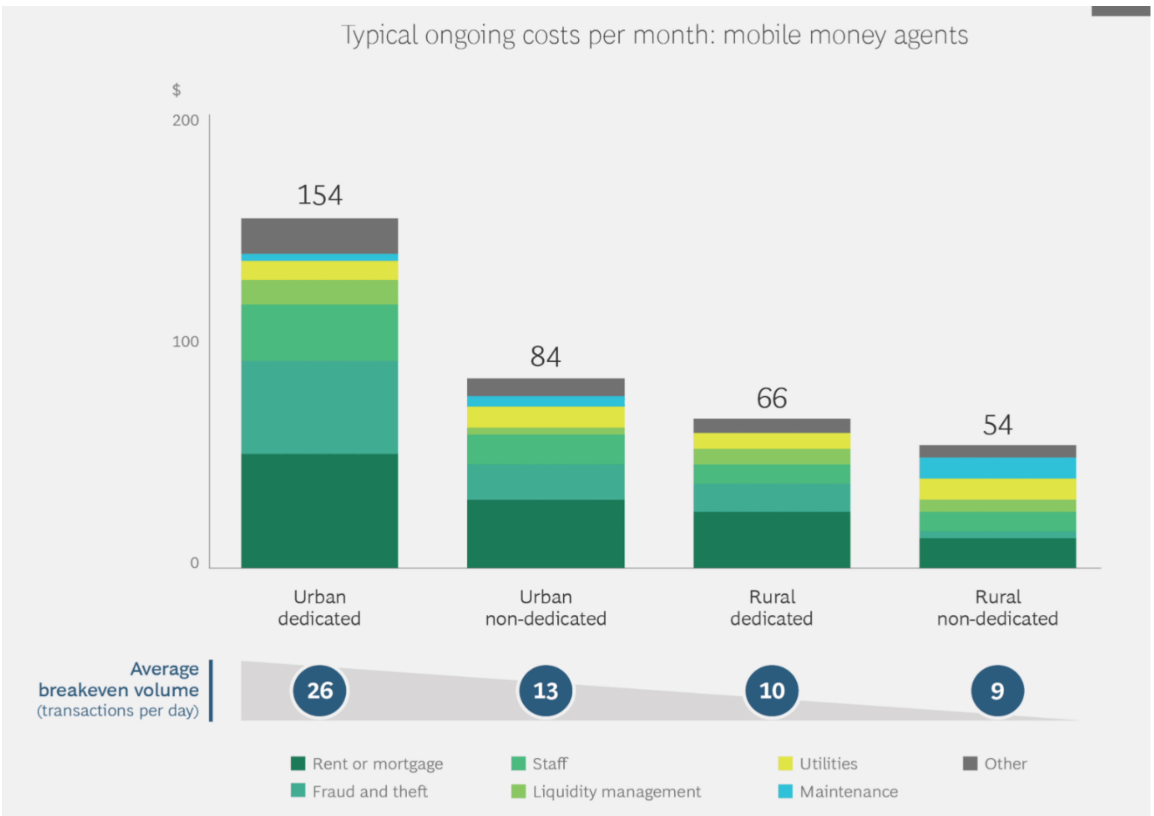
The Boston Consulting Group (BCG), a global consulting firm, conducted an analysis of over 100 mobile money agents in four "mature" mobile money markets: India, Bangladesh, Kenya, and Tanzania in 2018[8]. They particularly focused on the economics, both the revenue and main cost-drivers, from the agent and service provider sides.

From a cost perspective, the firm found that rent and utilities averaged over 50% of the monthly costs for mobile money agents – not surprisingly, this was less for "non-dedicated" mobile money agents as they are able to allocate these fixed costs across their other business lines (in most cases, their primary shop). Moreover, set-up costs such as initial cash and float capitalization – the elements needed to provide the

[8] Boston Consulting Group, 2018

fundamental cash-out and cash-in services, respectively - averaged $1600, a substantial amount of liquidity in these markets for many retailers and (especially) those individuals looking to be dedicated agents.

As a consequence of rent being a main cost driver, another key finding is that rural costs are significantly less than urban. Moreover, there is substantially less volume of fraud and employee costs in rural areas than urban ones. As the chart below illustrates, this means that rural non-dedicated agents had nearly a third of the total costs than their urban, dedicated counterparts ($54 vs $154), although only about a third less of their urban, non-dedicated ones (54$ vs $84).



There are two key implications that arise from the study for the case of Mozambique. The first is that the average number of transactions to breakeven was calculated to be lower in rural areas than in urban ones, between 9 and 10 transactions a day, which is a relatively modest amount. This is because while the transaction volumes in urban areas, or other areas with high economic activity, are much higher, there is a proportionally greater supply of agents, diluting the transactions that each one conducts. Thus even in areas where there may be relatively little economic activity, the introduction of one or two agents may still be a profitable endeavor for them.

The second is that non-dedicated agents, particularly the *ambulantes* (those that do not have significant fixed costs such as rent and utilities), may be suited for rural areas. While the study did not cover ambulantes, all items being equal, they would have about 60% less of the fixed and variable costs per months than those with fixed structures.   This may mean, for example, that the combination of an ambulante (i.e., an ultra-low-cost structure) in a rural area (i.e., little economic activity but also with few or no competing agents) may represent a winning combination for agent, customers, and service providers alike. (We discuss the potential of expanding the ambulante model in Chapter 4 on Considerations).

Regulatory segmentation: different requirements for different agents

Earlier this year, the Consultative Group to Assist the Poor (CGAP), an independent think tank housed at the World Bank which conducts financial inclusion research, wrote an article[9] proposing that "not all agents be regulated in the same way".

CGAP asserts that because the transactions are completed in real-time, and that agents are "pre-funding" their agent accounts, the risk of "misappropriation" and overall fraud is relatively low, particularly those agents that only conduct cash-in and cash-out services (versus, for example, those that open accounts or cross-sell other financial products such as loans).   It offers a simplified segmentation for agents based on the broad categories of services they perform.

	Sales	Account Opening	Cash In	Cash Out
Tier 1	X	X	X	X
Tier 2		X	X	X
Tier 3			X	X
Tier 4				X

For the case of Mozambique, there is no question that to adhere to AML and CFT (Anti-Money Laundering and Combating the Financing of Terrorism) policies, that account opening function requires a greater scrutiny and regulatory requirements.   It may be plausible to consider if agents who *facilitate* account opening, as well as those who open or facilitate "simplified accounts" (i.e., subject to lower transactions limits and balance maximums, and thus less risk) may require less regulatory oversight. Moreover, those agents that are exclusively conducting cash-in and cash-out transactions – in real-time,

[9] CGAP, 2019.

with digital receipts, and verified by the customer – may require relatively little regulatory demands. (Chapter 3 on the Regulatory Framework into further detail on AML-CFT requirements)

Shared Agents in Uganda

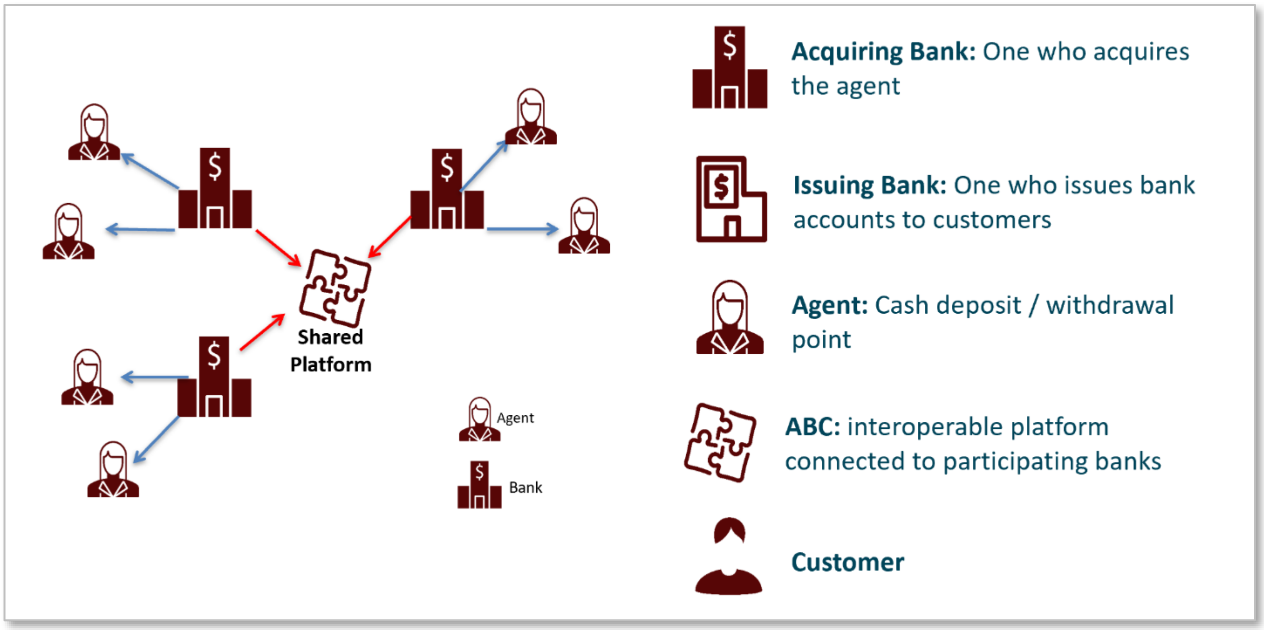
As in the cases of Kenya and Tanzania discussed earlier, Uganda also has a mature mobile money system, and a well-established agent network in place. Financial Sector Deepening Mozambique's counterpart there, Financial Sector Deepening Uganda, has been playing a leadership role in developing shared platform among the various bank agent networks. The project is described below[10].

Uganda has seen its rate of financial inclusion double from 2006 to 2018 (at 58%), mainly in part to MNO-led mobile money over the last decade. At the end of 2016, for example, there were close to 1 billion transactions conducted that year and $12 billion transacted in value.

Mobile money agents far outstrip bank agents – by end of 2016, for example, the United Nations estimates that there were over 41,794 mobile money agents but only 3,000 bank agents[11]. The Bank of Uganda formally unveiled agency banking regulations in 2017, but the requirements were relatively stringent: a physical address (i.e., brick and mortar store), an existing business (no "dedicated" agents exclusively conducting financial services transactions), and in operation for at least 1 year, and subject to approval for the Bank of Uganda.

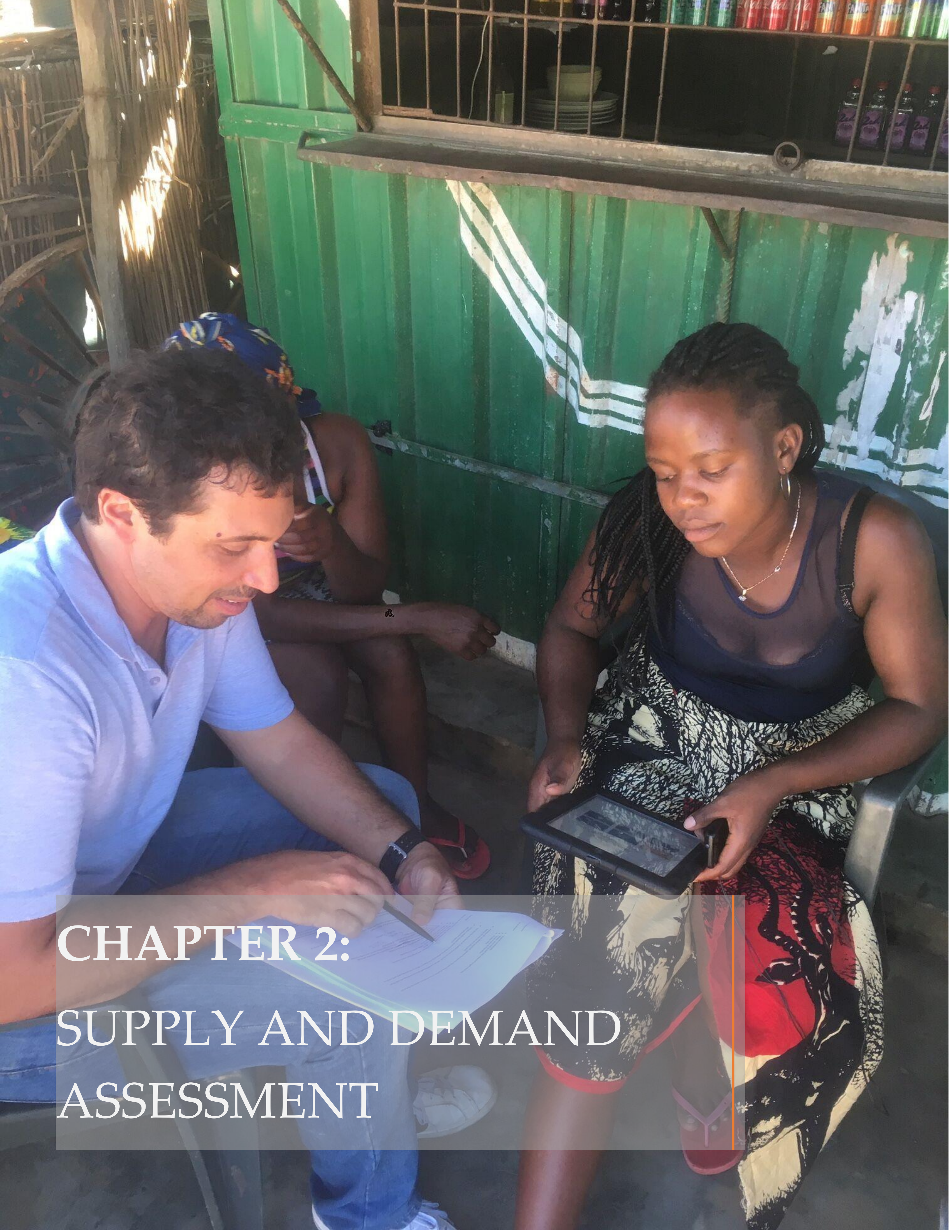
As a result of the relatively high cost of delivery, several banks began discussion the creating of a shared agent platform. Led by the Uganda Bankers Association in coordination with FSD Uganda, they envisioned a system inspired by the four-party model merchant acquiring models of Visa and MasterCard (see figure below), with similar fee sharing distribution (e.g., interchange) as well. The purported benefits were not cost savings and greater outreach, but also to serve as a viable competitor to the large MNO-led mobile money programs.

[10] Presentation by FSD Uganda, 2018.
[11] United Nations Capital Development Fund (UNCDF), 2019.



Since the May 2018 launch, close to 8 banks, including the country's largest, have participated in the shared agency project, although many have also run their own, proprietary networks in parallel. Moreover, the main functionality offered was primarily cash-in and some bill payments (cash-out functionality is still being developed), and the agent commission structures have not yet been harmonized. In the six months post-launch, nearly 1000 agents have signed up, and the average transaction is close to $300 (vs $15 for mobile money), although this may be due to the fact that many banks have targeted their existing customers rather than using agents as a channel to acquire new ones (the two main bank agent models are described in Part A).

The broad concept above – collaborating among like-minded institutions (such as banks) to extend outreach while simultaneously reducing individual service provider costs – is one that may well hold promised for Mozambique, and in fact was prototyped and tested with end-users during a Design Sprint that Digital Disruptions conducted during this project. This is explored further in sub-section D in Chapter 4 on Problem Statements and Considerations.



CHAPTER 2:
SUPPLY AND DEMAND ASSESSMENT

CHAPTER 2
Assessment of Supply and Demand

Chapter 2 covers the supply and demand of agents in Mozambique. Sub-section A includes an overview and assessment of the bank and non-bank agent market in Mozambique, including key figures available of number and type of agents across the country, as well as growth over time and by province.

Sub-sections B and C then discuss the "supply" (the existing and potential service providers involved in bank and non-bank agent programs) and "demand" (the agents and customers) from their perspective: much of the assessment on the service providers is through individual interviews conducted on-site with a number of key institutions, as well as subject-matter experts not associated with service providers who were nonetheless familiar with their initiatives and motivations. The perspective of agents and customers were gleaned from field interviews in the northern and southern parts of the country. A list of stakeholder interviews and overview of fieldwork methodology can be found in the Annex.

A. Current State of Bank and Non-Bank Agents in Mozambique

History of initiatives

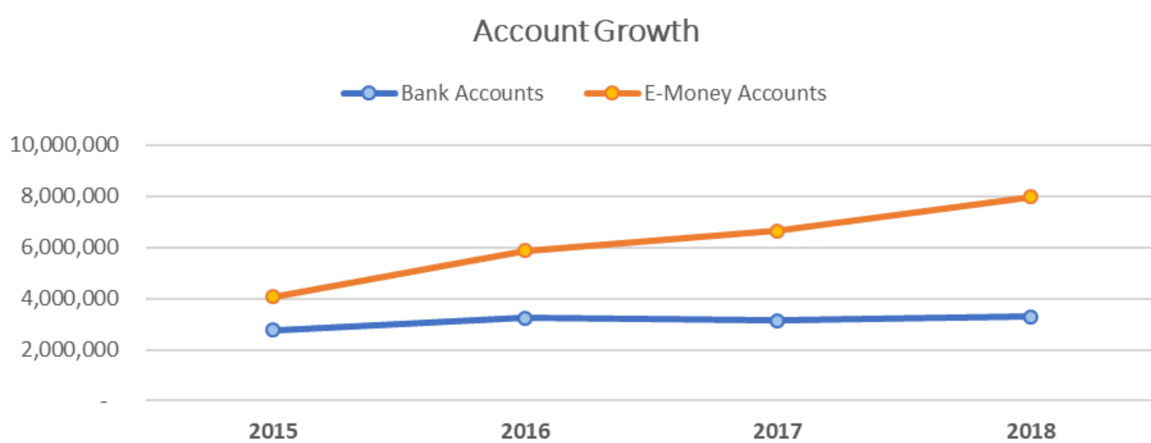
With much of East Africa initiating mobile money initiatives in the late 2000s, Mozambique's MNOs began its own initiatives shortly thereafter. mCel, the country's state-owner telecom operator, launched mKesh in 2011, followed by Vodacom with its M-Pesa service, modeled mainly after the success of its sister programs in Tanzania and Kenya, in May 2013.

In the first few years, mKesh benefited from a strong parent brand presence and no mobile money competition, but in the summer of 2016, due to financial problems from the parent company, it was decided to merge mCel and the fixed-line company, TdM (Telecomunicações de Moçambique), into a single firm called Mozambique Telecom. Since then, there has been a steady lack of investment in mKesh as the firm looks to gradually phase it out. During this time, Movitel, a Vietnamese majority-owned telecom operator, launched its telecommunications business in 2012 and launched e-Mola, in 2017.

Initiatives with banking agents in Mozambique has been more recent. Over the last two to three years, banks such as Millenium BIM, Ecobank, and Moza Banco, and microfinance banks such as Letshego and BancaABC, have developed banking agent programs – some to support its existing customers, other to capture a lower-income client base. (See Part B for a deeper-dive on their programs)

But these initiatives have been decidedly modest, in part due the core banking business has so far fared well, despite a general downturn in the local market: profitability among the six largest banks (which collectively account for between 85 and 90% of the country's loans, deposits, and assets) in the country more than trebled in 2018 compared to 2017, and Return on Equity was over 18%, representing some of the highest in recent years[12].

The result is that over the last four years, according to statistics from the Central Bank of Mozambique, bank account growth has stayed the same, while mobile money growth, bolstered by M-Pesa, has nearly doubled to 8 million accounts[13], which would appear to cover half of country's adult population[14].



Stakeholder mapping and implications

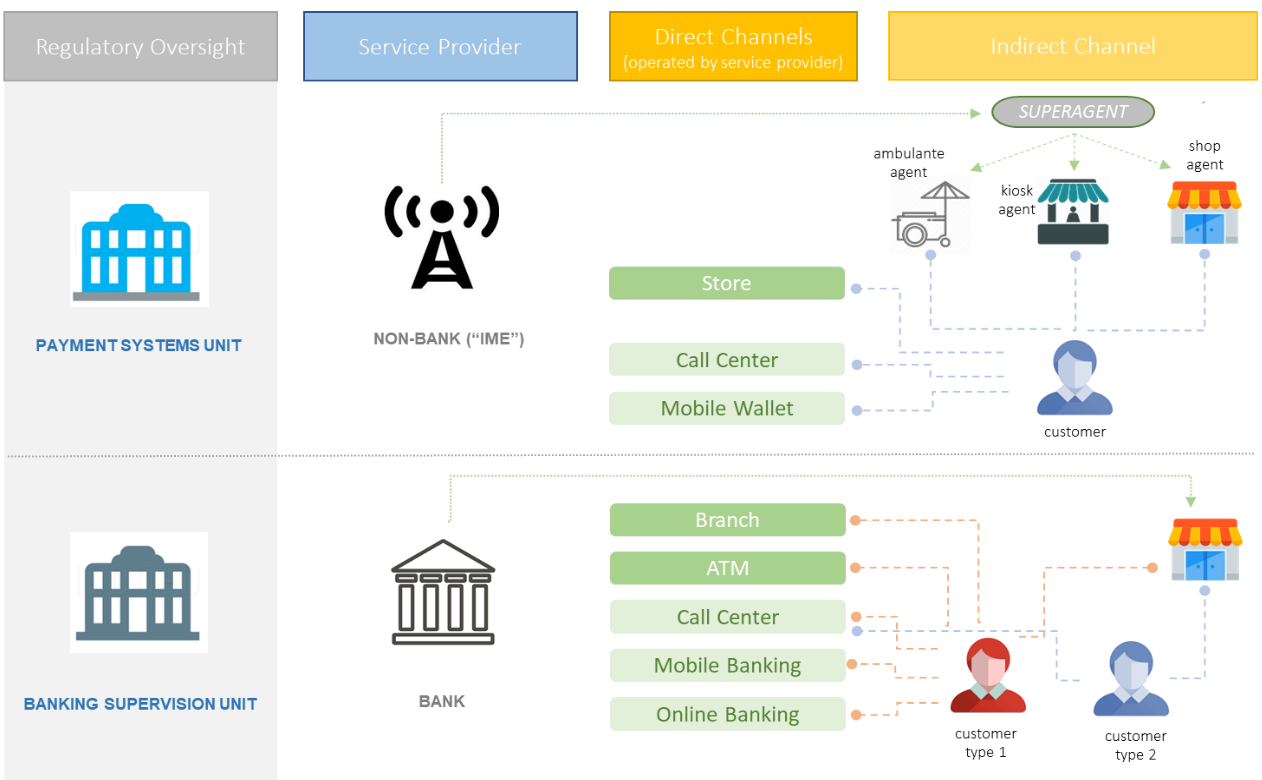
Non-bank agent networks are unique in a number of ways (for our purposes we will use MNO mobile money programs, as those are what currently exists in Mozambique). The first is that the MNO's only fixed, direct channel (i.e., the one that they own or operate) as a customer touchpoint is their retail store, whose main objective is to sell and provide support for their core telecommunications business. The agent management is outsourced to a third-party, a superagent (see Spotlight later in this section), which in turn managed the individual agents at the retail level. Here, the MNO has the flexibility to bring on board not only existing shops as agents, but also "dedicated" stores or kiosks (i.e., whose sole objective is to be a mobile money agent), which are fixed, or ambulante agents, which are also dedicated to mobile money business but have the advantage of being mobile, and thus usually very low cost.

[12] The Banker, 2018
[13] Note that these reflect accounts and not unique users. Individuals often possess multiple bank accounts; some individuals may possess more than one mobile money account, but our assessment is that this is less common. We also estimate that there is relatively small overlap between those bank account holders who also possess a mobile money account.
[14] Note that about half of Mozambique's population of 30 million inhabitants are adults over 18 years of age.

As described at the end of Part A in Chapter 1 , there are effectively two models for banking agents: as a lower-cost, alternative channel for existing customers, or as a separate channel (often involving an altogether different business model) for new customer acquisition,   In the former case, the customer has a number of physical (branch, ATM) and virtual (call center, online, mobile) channels at her disposal to use. In the second case, the customer may not necessarily have access to the rest of the banking infrastructure, and for the most part the customer experience is not mobile-based. Both models are currently in operation by banks in Mozambique.

Another characteristic of bank agents is that they are managed entirely in-house. As with its other channels, this means that the bank has greater control (and thus can control risk more effectively); the downside is a greater fixed cost for the bank (versus a variable one if they hire a third-party as the MNOs do), and without substantial volumes this often means that the overall costs is significantly higher.

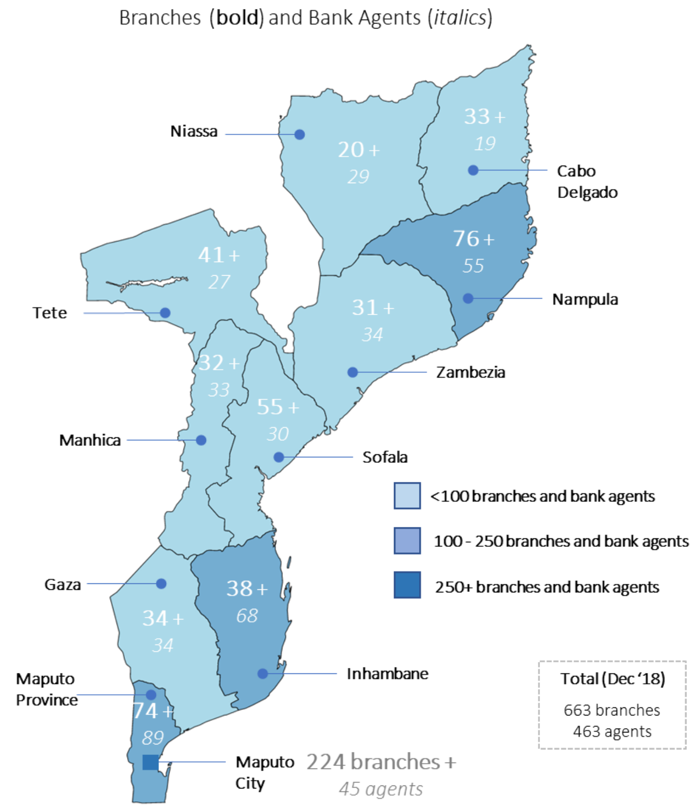
Furthermore, per the regulation (see Chapter 3, Part B on Use of Agents) requires bank agents to be a "physical establishment" (i.e., fixed) as well as already have a primary business (in practice, this is usually their store). So while the MNO can, and does, take advantage of different type of agents, the bank is limited to only existing stores. As described in Chapter 4, this limitation can severely hinder the overall banking business model, and particularly make it challenging to find viable model for rural areas, where non-store agent models may be more effective.



Mapping of bank and non-bank agent

Unsurprisingly, most of the branches are concentrated in the population-dense areas of Maputo City, the province of Maputo, and more broadly along the coast. Maputo City in particular stands out, with 224 branches (compared to 686 overall), which is a third of the total; even though Maputo City, with over 1 million inhabitants, is only about 3% of the population of Mozambique, the bulk of the economic activity (and higher-income earners) reside there.

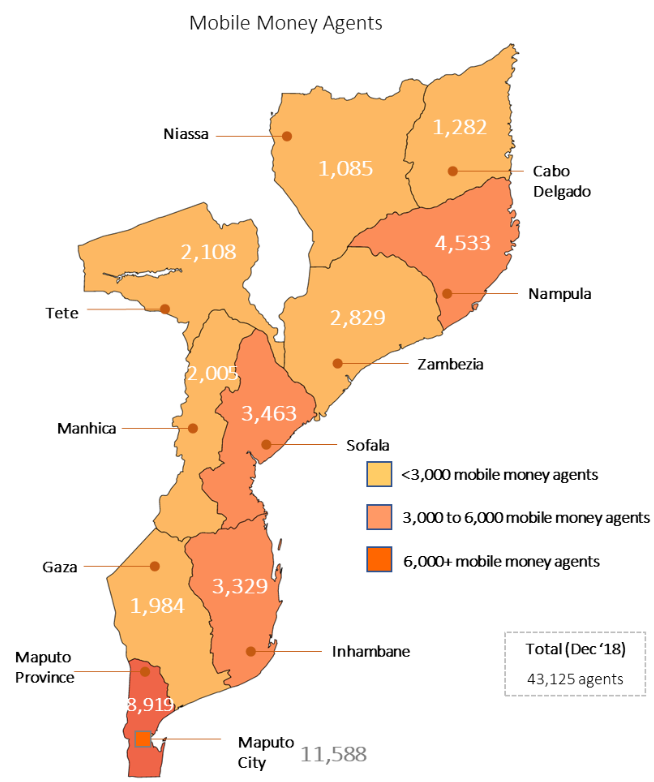
The pattern elsewhere for banking agents is more mixed; the ratio is roughly 1 bank agent for every 1 branch, although it is higher in Inhambane and, to a lesser degree, in Maputo Province. That being said, it is well below the ratio that may be expected if banks were looking to either use the agent as an alternative channel to support branch operations, or as a new channel to acquire more rural customers.



The provincial emphasis for mobile money agents paints a similar story, but here the numbers are significantly larger. Because there are no equivalent of "branches" in mobile money, just under half of the country's agents were in Maputo City and Maputo Province (which contains the country's largest city, Matola, which, while only 15 kilometers from Maputo City, is technically in Maputo Province).

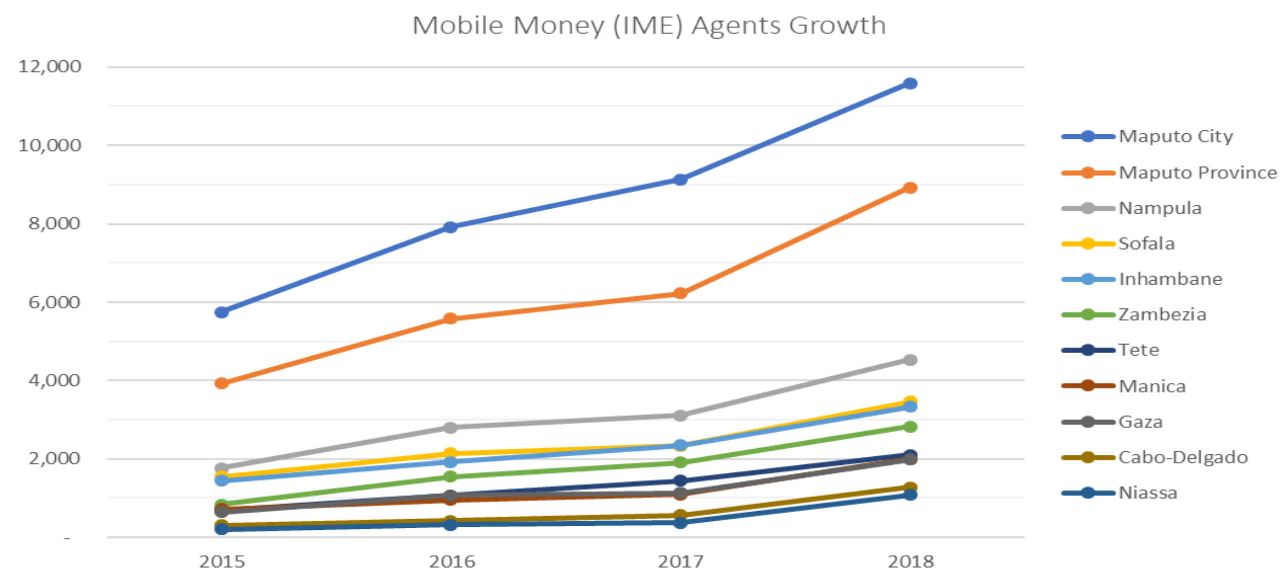
But there were high numbers in the population-rich coastal provinces of Nampula, Sofala, Inhambane, and Zambezia, with an average of over 3,000 agents.

In brief, at over 43,000 mobile money agents, there are roughly 1,000 more mobile money agents than there are banking agents in the country.



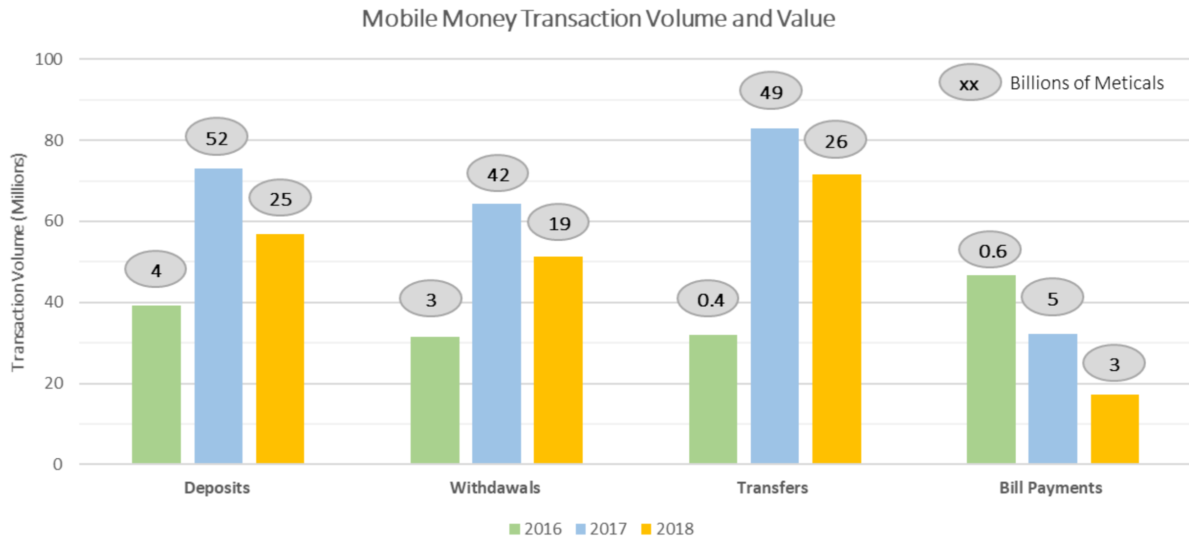
Estimated growth of agents and transactions over time

In absolute terms, the growth of mobile money agents has been pronounced in the south of the country in Maputo City and Maputo Province, doubling over the four years from 2015 to 2018. (It is likely that much of the growth in Maputo Province is from the urban center of Matola.) Maputo City has close to 12,000 mobile money agent points, and it is common to see multiple M-Pesa agents, for example, next to each other on the same street.



Although it may seem immediately obvious from the chart above, other provinces have also saw impressive growths: Nampula went from 1,771 agents in 2015 to 4,553 in 2018, a jump of over 2.5 times. And the smaller provinces had even greater increases in the same time period: Gaza increased 3 times (to 1,984 agents), Cao Delgado 4 times (1,282 agents), and Niassa over 5 times (1,084 agents).

From a transaction perspective, the story is more mixed. There were major jumps in the number of transactions for deposits, withdrawals, and transfers from 2016 to 2017, and but decreases from 2017 to 2018. The hypothesis is that this corresponds to the growth of M-Pesa during this time, but also, in 2017 and 2018, the slowdown of the mCel program.

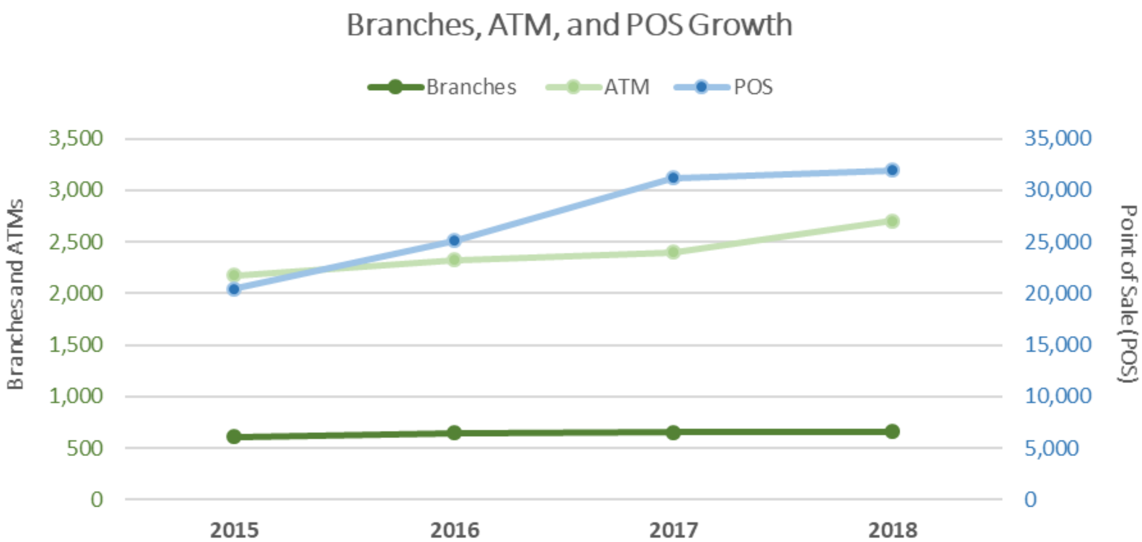


The transaction value trend reveals a more complicated story. Although it decreased across the board across all four transaction categories, the average value transacted was lower than in previous years. For example, in 2017, mobile money customers conducted 49 billion meticais ($784 million USD) worth of transfers, through just under 83 million transactions. That represents an average transfer of 595 meticals, or about $9.50 USD. But in 2018, customers did slightly less transfers – 72 million – but only about 26 billion meticals of value, or 356 meticals per transaction ($5.70), a decrease of 40%. However, these ratios increased for cash-in (deposits) and cash-out (withdrawals) over this same time period: in 2018, the average cash-in transaction in 2018 was 2,253 meticals (~$36 USD) and cash-out was 2,659 meticals (~$42.50).

Comparison to growth of branches, ATMs, and POS merchants

On the banking side, total branches have been in the 600s and have barely increased over the last few years – the country has been adding about 10 new branches pre year, although there were 30 new branches from 2015 to 2016. ATMs have seen better growth; there are now over 2,000 ATMs across the country, an increase of a 33% from 2015. (Note that it is not clear how many of these are inside branches, although the assumption is that the majority are).

Merchant acceptance – in other words, businesses that accept bank cards – also has increased, especially during the 2015 to 2017 time-frame, where the country went from 20,000 to over 30,000 POS terminals. Because of the requirements to become a merchant, the need for more consistent electricity and connectivity, and the cost to the merchant to own a POS terminal, it is also assumed these are primarily in larger cities such as Maputo, Matola, and Nampula.



Note that due to the relatively low number of bank agents, and only recent introduction in the market place, there is no publicly available data on transactions through banking agents.

Note on usage rates of agents and customers (bank / non-bank)

The above figures include only registered customer accounts and registered agents, for both bank and non-bank (primarily mobile money), and is self-reported by the service provider to the Central Bank. As such, there is no precise information on usage rates, either for customers or agents.

Through our fieldwork, it is estimated that the majority of M-Pesa users are active, but a minority of e-Mola are (mKesh is being slowly decommissioned and thus is not an accurate gauge of activity). Similarly, M-Pesa agents do appear to be mainly active (due to strong customer demand); in other countries such as Tanzania, overall agent activity is estimated at nearly 65%. But for e-Mola, this is almost surely less; a number of agents that had formal branding of e-Mola (and thus may technically be counted as a registered agent for statistical purposes) were no longer in operation.

It is more complex to discern activity rates for bank agent customers and bank agents. Only Letshego and BancaABC have designed separate bank agent programs to target new customers (i.e., separate from their existing business and customers), and we did not encounter enough customers to make an assessment of activity rates. That beings said, it is clear that overall transnationality is low, and thus we estimate anywhere from 20-40% of 30-day activity for both customers and agents alike.

B. Perspective of Service Providers

Non-Banks

As mentioned in Part A of this chapter, the MNOs were the first ones to begin working with agents for the provision of financial services. Their rationale for launching mobile money in much of the same way as other MNOs elsewhere in the world: top-line revenue from mobile money transactions and higher Average Revenue Per User (ARPU) for their core business of voice and data, along with cost-savings due to reduced churn and airtime top-up directly from the mobile wallet. The standard service at the agent were on offer – customer account opening, cash-in, and cash-out – and domestic money transfers, airtime top-up, and bill payment through the wallet using the USSD channel.

In general, the MNOs do not have an overly detailed segmentation criteria for agent recruitment or selection – in other words, if the agent meets the basic requirements (e.g., registered business, sufficient float, etc.), they are soon onboarded on the system. That being said, the MNOs believed that the best performing agents tended to be in high economic areas and managed their liquidity (cash and e-float) effectively.

One of the best practices appears to be the partnerships with agent network managers and banks. Most of the agent network operations are outsourced to "superagents" that recruit agents, provide training, trouble-shoot technical issues – and on a case-by-case basis, provides liquidity directly to select agents (e.g., sending digital float before receiving cash as a deposit). Similarly, the MNOs have struck partnerships with multiple banks so that agents can go to the nearest available branch to convert cash to electronic float and vice-versa. (Vodacom has taken the partnership a step further: M-Pesa customers can now pay with M-Pesa at certain bank-owned POS terminals at select merchants).

The MNOs stated several obstacles in maintaining and expanding the agent network. The first was customer demand and economic activity: in other words, if there was relatively little economic activity in an area, it was unlikely that they would target it to install an agent (note that per Chapter 2, Sub-Section C, in some cases there may be an opportunity here). A greater obstacle might be the liquidity management: even in those (primarily rural) areas where an agent could conceivably make enough transactions to be viable, managing liquidity over long distance would be untenable for them – and as a matter of policy, not all MNOs get involved in liquidity management (one does, however).

Another issue that surfaced, particularly in rural areas, is that some agents (somewhat brazenly) charged the customer an additional fee on some transactions; while surcharges are against MNOs' policy (and Central Bank regulation), customers were hesitant on reporting it lest that the "only agent in town" is pulled.

It should be noted that the discussion on non-banks mainly centered around MNOs, since they are the ones currently active in the market. Zoona, a fintech start-up that provided OTC domestic transfers through a series of manned kiosks around the country, decommissioned its service in 2018; Wari (see Case Study in Chapter 1) is seeking to launch in 2019 but is not yet operational.

Banks

Banks in Mozambique have only recently (i.e., last 12-24 months) began implementing banking agent programs. The rationale for doing so varies, but in general they claim it is to expand the geographic footprint in a lower-cost way, and as a complement to a bank branch, which can run hundreds of thousands of dollars to launch and operate. Banks did not have an agreed-upon target segment. For some, they sought to use them to acquire new customers, especially if they aimed to place agents in rural areas; in other cases, it was clearly meant as a way of servicing their existing customers (and for some banks, there was no clear-cut target segment).

Customer services at these agents include deposits, withdrawals, bill payment, and intrabank funds transfers (i.e., within the same bank). Importantly, the agent is permitted to facilitate account opening for a customer (e.g., collecting forms and remitting them to the bank) but is not legally allowed to open the account, as regulation insists that only an authorized bank member can do so. Unlike mobile money agents, no bank agents conduct transactions exclusively with a mobile device. In fact, while the front-end hardware technology varies from bank agent program to the next, it tends to be more sophisticated (and hence costly): PCs, tablets, biometric scanners, POS terminals, thermal printers, and other equipment is standard. Along with other hardware provided by airtime re-sellers, some agents end up having multiple devices (see photo at right taken of a mid-size retail store in Nampula during a field interview).

Most banking agent network operations are conducted in-house. Part of this is due to a bank's more cautious nature: due to regulatory policies, they are more conservative with "outsourcing" certain functions to third-parties (e.g., account document collection, agent recruitment, etc.). Another is that for those agents that are alternative channels for existing customers, they can effectively be "managed" by the nearby bank branch.

Like MNOs, banks also do have strict segmentation criteria, either in the selection or on-going retention. As one bank put it: "all the best agents are already with a bank or MNO" – and thus part of some banks' selection criteria is simply approaching those that are already active with another service provider, and assume that they have been "vetted" (both to meet minimum regulatory requirements but also agent performance) accordingly.

Banks – both those currently managing an agent network, and those in the process of considering it – raised a number of obstacles. Some were more tactical but no less relevant, such as that only a bank employee can open a customer's bank account (unlike electronic money, which can be opened directly by the agent), or the incidence of fraud at the agent. But the more ones that banks expressed the greatest concern were strategic: if there was a truly viable business model (particularly given the high set-up and on-going costs of running an agent network), and if they could offer a strong value proposition to agents – one that would be compelling and distinct enough compared to that offered by MNOs.

C. Perspective of Agents

Nearly three dozen bank and non-bank agents were interviewed in urban, semi-urban, and rural parts of the country. Below are observations from the fieldwork on the extent to which the core value proposition is being met, as well as their perspective along the "agent experience value-chain" of onboarding, usage, and servicing.

Bank Agents vs Non-Bank Agents

- Value Proposition
    - For bank agents, their primary motivation of becoming a bank agent was to acquire new customers for their main business (per the regulation, bank agents must already have an existing business), while "earning additional revenue" was a far second. They almost universally indicated they are "happy" with their existing business, although the typical downsides – a small space, spending money in rent, lack of capital, lack of new products – came up.

Reactions were mixed when asked if the agent business met expectations; many complained that few new customers showed up, and that overall customer demand was weak (one agent complained that the "[bank] does not send traffic over").

- For non-banks, the rationale to become an agent was reversed: most expressed the need for additional commission, and secondly to attract more clients[15]. They are content with their core business, and in the case of Vodacom agents, are universally happy with being an M-Pesa agent.

  Mobile money agents also found the service easy to use and mentioned that demand was strong ("clients appear and ask for services" in the words of one satisfied agent). One of the chief complaints was the commission structure, which had recently decreased, and occasional incidences of fraud.

- Onboarding
  - In all cases, bank agents said that sales staff approached them to become an agent, and that the sign-up process was relatively straightforward in terms of documentation, and the turnaround took between two to four weeks. Agents universally said that the training was good and adequate, and although the "heavy" hardware technology deployed was intimidating at first, after the training (and usage) they eventually felt comfortable with it. Their main gripe was that while the branding at the agent point-of-sale was sufficient, the bank providers did not "do enough marketing" – in other words, did not provide enough above-the-line advertising (radio, TV, billboards) or below-the-line promotions (sales staff directly targeting prospective customers) to stimulate customer demand.

  - Despite the strong brand presence of M-Pesa and its popularity in the marketplace, in the majority of cases, agents said that they were the ones approached by the MNO – not the other way around – reflecting the need for a continual sales presence. Agents found the registration process straightforward, but a number of agents complained of the "lengthy" turnaround time (anywhere from 1 to 3 months), particularly for Vodacom, to get approved.

    The rest of the onboarding elements, such as technology set-up, training, and branding, were extremely well-received by agents. Because of the simplicity of the mobile phone and USSD menu as the agent terminal and interface, respectively, there was no

[15] Note that the sample is a partly skewed since this includes "dedicated" agents whose only business is mobile money

complicated technology integration needed, nor detailed training required. Agents felt that the branding, especially for Vodacom, both at the agent site and generally in the marketplace was strong, and appreciated marketing collateral such as T-shirts and umbrellas that they provided free-of-charge.

- Usage
    - Bank agents had mixed reactions in terms of whether the banking service brought in new customers; similarly, there was no clear consensus whether they promoted the service. (Through our observations, we believed that agent did not – and would not expect to – actively promote a service, as they do not do that for their existing products.).

      The "rebalancing" (liquidity management) process was seen as somewhat of a hassle, but not a deal-breaker; one bank, in fact, provides doorstep liquidity management, and agents welcomed the service. Commissions were mainly paid at the end of the month (one bank does it almost instantly), but the overall commission was so low that many banking agents claimed that "[it] does not compensate the effort" that they need to put in.

    - Non-bank agents, especially M-Pesa agents, strongly indicated that their mobile money business was being used both by existing customers of their core business, as well as new customers that came in to use it – so a double-benefit of sorts. Most of them also indicated that they had "no need to promote it" since Vodacom does that already, although in Nampula, a number of agents mentioned that they do pro-actively raise it with customers. They also generally had no issues with liquidity management; the MNOs have signed multiple agreements with banks, and even in rural areas, one agent said that his MNO even provides cash directly to the store when he asks.

      The one issue that did surface a handful of times was the incidence of customer fraud, such as when a customer does a large cash-out transaction at an agent and then calls customer service saying that there has been an error (or claims that the agent has defrauded them). One agent explained that this had been occurring more prevalently in recent months.

- Servicing
    - In some ways mirroring their initial experience with a sales agent, bank agents were content with the level of agent servicing provided; in most cases this was the same

individual, and the agents often called them directly for any questions or needs, and made frequent, pro-active visits to check up on the agent. (Note that the due to the small number of agents that each bank manages in a particular zone, a sales agent or promoter has the capacity to provide such "high-touch" service; it is not clear if this would be financially viable in the long-run once more agents come on board). In other cases, they were content with the USSD (for statement balance) or call center service that the banks provided.

- Mobile money agents were pleased with the support they received from the MNOs; in part because of the simplicity of the mobile money service, there is also less of a need for agent support as in the case of the bank agent service. In Vodacom's case, they have activated a dedicated call center for the agents, which received mainly positive reviews (although some complained that it took long to answer, or in some cases the actual resolution of a technical issue was not as quick as they had hoped). Part of the need for a well-staffed and centralized call center is because the "caseload" of the sales agent / promoter for Vodacom (i.e., the number of agents they are responsible for attending to) is at this point many times higher than that of a bank, and thus they cannot provide as much of a high-touch or on-call service.

Other Variables: Geography and Business Size

The dynamics of the Mozambican agent market is such that in semi-urban and especially in rural areas, there are few to no banking agents. This is due to two reasons: the first is that, as mentioned earlier, some banks see the bank agent strategy as being a complementary channel to a bank branch, and thus in rural areas where there are no branches, the bank will not seek to recruit agents, either. The second is that even in the case of a bank using an agent as a customer acquisition channel, the cost to implement is high (mainly due to hardware demands), and the revenue relatively low (both on a per transaction basis and overall), thus the financial viability is difficult to justify.

The consequence is that the semi-urban and rural areas are dominated by mobile money agents, and particularly by M-Pesa agents. In these areas there are fewer medium and large businesses (and less salaried employment in general), thus it is more common to see small shops or *ambulantes* as agents (see Box below). This has its advantages: set-up and operational costs are low, and because there are so few agents (often no more than two or three in a rural area), and there is often enough economic activity to justify a moderate customer demand for each agent.

Another relevant variable was the size of the business vis-à-vis interest in becoming an agent and eventual agent performance. Not surprisingly, medium or large businesses that had agent businesses tended to have a lower level of commitment to running it: it represents only a tiny fraction of their overall revenue, does not necessarily provide a higher margin compared to other retail products, and, being a larger retail store already with a well-established clientele, being a bank or non-bank agent may not necessarily bring new customers.

Smaller stores or dedicated agents (including but not limited to ambulantes) necessarily have higher levels of commitment and are more engaged. The agent business is often 'owner-operated' (rather than an employee or a larger store) and has a stronger bond and trust with its customers. Moreover, because they depend on the agent business more than a larger store (and in the dedicated case, exclusively so), they are more determined to 'make the business work' – whether that means pro-actively selling to customers, ensuring they have liquidity on hand, or staying open late.

Spotlight: Ambulante Agents

Ambulante agents are a particular class of agents that are "dedicated" (they have no other business line) but also do not have a fixed location (they are 'ambulatory'). With no rent, utilities, or employees to pay for, this means is that their set-up costs are extremely low (usually just a stand) and the on-going costs are close to zero. They can stay open as long as they want, and even move locations to suit customer needs (though in practice few do). Ambulante agents were just as prevalent in busy urban and semi-urban zones (several in a row in front a market, for example) as the lone agent in the 'town square' of a rural area (see photo at right during a fieldwork interview in a rural town in Maputo Province).

D. Perspective of Customers

We also interviewed roughly a dozen customers in the same urban, semi-urban, and rural parts of the country. Because of the near-absence of bank agents in rural areas, and low usage of banking agents overall, more of the sample was non-banking agent customers than bank agent.

Bank Agent Customers vs Non-Bank Agent Customers

- Value Proposition of Agent Banking
  - Customers with bank agents indicated that they were initially sold by the bank's promoters. They found the solution "impressive" (perhaps due to the sophisticated hardware), and said that they were initially attracted to the solution because it appeared safe. Customers also indicated that they had other mobile money and bank products.

    There were mixed reactions as to whether the current experience was meeting their needs. One customer said that the transaction was easy to use, but said he almost rarely uses it. Another said that once he lost his PIN, the resolution of a new PIN was a major pain point and he was dissatisfied.

  - Non-bank customers, somewhat surprisingly, also indicated that they had other bank accounts. They were initially attracted to M-Pesa based on "what they heard" from friends and family, and some of the advertising material they had seen elsewhere. (Compare this to bank agents, where promoters need to pro-actively sell the service to customers.)

    Generally, especially in the case of M-Pesa, it has matched or exceeded their expectations; customers cited the "ease of use" quality more than any other factor, and generally found it was a useful mechanism to store and manage their money.

- Experience of Using Agents
  - Bank agent customers find the onboarding process relatively simple, in part due to the training and explanation provided by the bank promoters. Customers mentioned the lack of promotional and advertising material outside of the agent as a concern if the program is "still running", especially since they did not know anyone else using the product.

    While customers found the agent generally helpful, they did not find the customer service at the call center as reliable. It is unclear if there is a dedicated line for service, or whether call center staff are equipped to directly handle issuer or simply pass on resolution to field staff such as promoters.

  - Non-bank customers were overall pleased with their interaction with the agents. The onboarding process, effectively the first "touchpoint" with the agent, was cited as east and fast; customers liked not having to show too much documentation, and were able to open the account almost instantaneously while still at the agent site.

Usage was relatively simple, too – they found the USSD interface easy to navigate (although a couple mentioned occasional downtimes in the system) and generally found the fee structure fair. While a handful did use the contact center for any issues, in practice most simply went to their nearby agent for help. However, especially for M-Pesa, there was not appear too many technical or customer issues, so the incidence may be relatively low.

Spotlight: Superagents and Promoters

We also interviewed superagents and promoters: both of these groups play key roles in the agent value-chain.

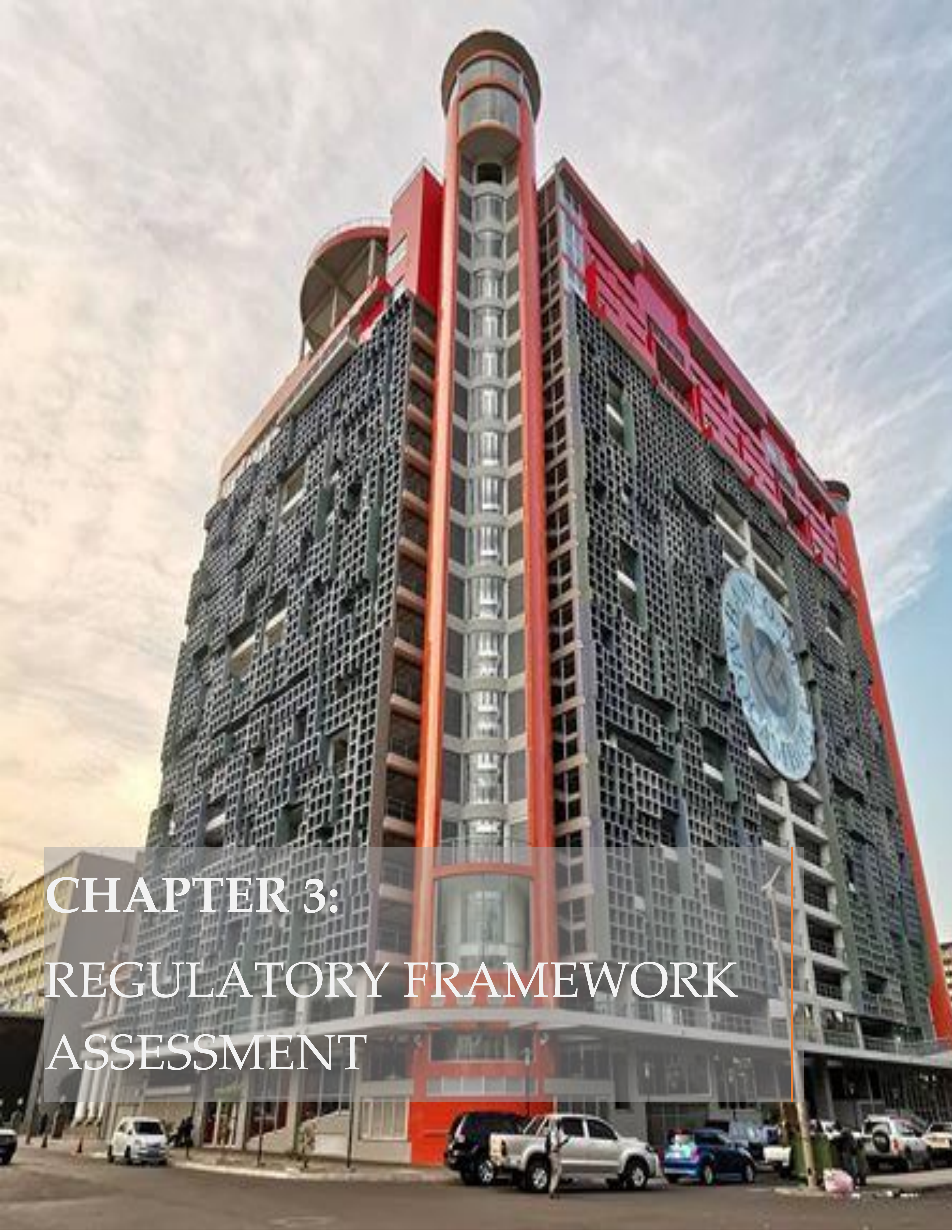
Almost all MNOs worldwide use one or several superagents to manage their mobile money operations, and in that way, they are effectively agent network managers (ANMs). Most superagents are third-party entities that the MNO had a prior commercial relationship, such as buying and selling handset devices, airtime reselling at retailers, and in some cases, even operating the MNO-branded store-fronts.

Typical responsibilities include recruiting and registering an agent, onboarding (providing device, SIM card, agent training, and point-of-sale branding material), and ongoing support and agent servicing. One superagent made the distinction that only superagents were able to sell float and handle cash for the agent, whereas pure "aggregators" conducted all of the previously mentioned functions except liquidity management. (Note that terminology differs in each country: one superagent said that the term is strictly intended to mean providing liquidity management, while those who are "aggregators" provide on-the-ground operational support. It is therefore possible that a single entity play both the role of superagent (financial activity) and aggregator (operational activity).)

The "caseload" of each superagent – the number of agents under their supervision – varies from several hundred to several thousand, and a single staff is often responsible for several hundred agents (of which a third or half may be 'active' and thus require more frequent support). Superagents make revenue in two ways: from a revenue-sharing agreement with the agent from customer fees (i.e., often a cash-out), as well as charges directly to the agents for sending and receiving e-money (often a percentage of the overall amount).

On the banking agent side, promoters are a more recent addition. Because banks typically have not outsourced agent management functions to third-parties, promoters are bank staff whose aim is chiefly to recruit, train, and provide customer support to banking agents and, in some cases, promote the service to customers.   In Mozambique, only have a couple of banks have hired promoters (and done so very recently), and those that have view the banking agent program as a new customer acquisition channel.

It should be noted that the MNO-led mobile money programs do employ "promoters" and conduct many of the same sales and support activities described above, although they are typically sales staff of the superagents. Regardless of bank or non-bank model, there is no doubt that a robust and extensive sales force is imperative to build and grow an agent network, and help stimulate customer demand.



CHAPTER 3:
REGULATORY FRAMEWORK ASSESSMENT

CHAPTER 3
Assessment of Regulatory Framework

A. Overview of Key Regulatory Agencies within the Central Bank of Mozambique

As the supervisor of financial institutions, the Central Bank of Mozambique is responsible in regulating the functioning of the financial market and to establish the link between their activity and the monetary and financial policy directives. The analysis of the regulatory environment was made in consultation with two agencies of the Central Bank of Mozambique: the Banking Supervision department and the Payment Systems department.

The Banking Supervision is responsible for overall supervision of all regulated financial institutions, and as such, on banking agents specifically. It manages the database of banking agents and supervises the contracting institutions of banking agents (i.e., the banks themselves), to ensure that agents comply with the legislation in force. The Payment Systems unit, meanwhile, is responsible for banking legislation and statistics and electronic clearing. This department regulates Electronic Money Institutions or EMI (in Portuguese, known by the acronym IME for *Instituições Monetárias Electrónicas*), which are the contracting institutions of non-banking agents, and is also responsible for financial inclusion.

B. Detailed Analysis of Relevant Laws

General approach

The regulatory environment analysis was structured based on the *Branchless Banking Diagnostic* framework of the Consultative Group to Assist the Poor (CGAP). CGAP classifies branchless banking (defined as all types of financial services outside of a branch, often using technology) as a cross-cutting theme because it involves several regulatory domains. In the structure of the analysis suggested by the diagnosis, thirteen regulatory domains are covered.

For the Mozambican context, based on the current legislation and following the guidelines of the Central Bank of Mozambique and the various stakeholders in the sector, five regulatory domains were analyzed:

1. The Use of Agents
2. Electronic Money
3. Electronic Payments
4. Anti-Money Laundering (AML)

5. Consumer protection
6. Pricing

In each of the domains, laws, notices, and decrees were analyzed in reference to bank and non-bank agents. The table below lists the selected laws and topics discussed.

Regulatory domains	Law / notice / Decree	Topic	Non-banking agents	Banking Agents
1. The Use of Agents	Decree 30/2014	Promotion of Financial Inclusion	√	√
	Notice 3/2015	Banking Agents		√
	Notice 2/2018 Notice 13/2017	Code of Conduct for Financial Institutions Commission charges and their nomenclature	√	√
2. Electronic Money	Decree 56/2004	Issuance of electronic money	√	√
3. Electronic Payments	Notice 2 GBM/2015	Single network connection	√	√
	Notice 2 GBM/2014	Regulation on the provision of electronic payment for products and services	√	√
4. Anti-money laundering	Decree 66/2014	Know Your Customer (KYC)		√
	Law 14/2013 for Anti-Money Laundering	Legal regime - prevention of money laundering	√	√
5. Consumer Protection	Notice 2 GBM/2018	Responsible institutions for consumer protection and related monitoring measures to be implemented	√	√
6. Pricing	Notice 13 / 2017	Regulation on permitted pricing to end-users	√	√

Analysis of the main laws

In Mozambique, banks are authorized to subcontract banking agents. Decree 30/2014 promotes financial inclusion through the expansion of financial services and the optimization of the payment infrastructure.

The decree foresees that credit institutions, including banks and financial companies, may extend their activities through other forms of representation, including banking agents.

1. The Use of Agents

Banking Agents

Banking agents are entities that perform one or more activities or operations on behalf of banks and "microbanks" (*microbancos*). The latter are responsible for the activities of the agents who represent them. The activities of banking agents are governed by Notice 3/ 2015, which stipulates that the services offered by the banking agents include opening of accounts, deposits, withdrawals, as well as facilitating requests for opening, closing and blocking accounts, and credit applications, among others.

Entities which qualify for banking agents must already have a primary business activity (in other words, no "dedicated" agents are permissible). Furthermore, these must be commercial establishments with physical facilities that satisfy safety criteria and which have employees with the capacity to carry out banking operations.

Banks should evaluate potential agents on the basis of the above criteria. Entities eligible to provide banking agent services range from commercial establishments as well as public institutions such as post offices, registration services, notary offices, and educational establishments. It should be noted that mobile telephone companies and electronic money institutions are also eligible (see part 2 below).

Once it has ascertained that the prospective agent satisfies the above eligibility requirements, a bank then need to request the legal documentation necessary to register them as banking agents. Among the documents required, the agents must present an identification document, tax identification number, permit, and commercial license, criminal record, certificate of discharge, financial statements, and proof of financial resources.

The banking agents formally operate under the regulatory guidance of the contracting financial institution. The latter must regularly provide information to the Central Bank on the activities of their agents as well as on any infringements of existing laws or regulations. (For that reason, banking agents should maintain records related to all banking transactions carried out as an agent and these are formally owned by the contracting bank.)

While the Central Bank does not regulate the agents directly, it has the right to terminate the contract of an agent who violates the laws and regulations that govern this activity. The Central Bank is authorized to have complete access to the systems of internal control, documents, reports and archives including the copies of the respective necessary documentation whenever it deems necessary.

Non-banking agents

There is no law, notice, or decree regulating the activity of non-bank agents. Law 9/2004 simply includes electronic money institutions (EMIs) as credit institutions authorized to receive deposits but not authorized to offer credit. The EMI must secure a partnership with one or several banks to store the funds that come from the operations of its agents.

Implications for the market

Growth of banking agents

The contracting of banking agents by the banking system is limited by the list of entities eligible to be considered as banking agents and the criteria for evaluating potential banking agents (e.g., facilities, security, and technical capacity of their employees and the level of ownership of the establishment). In certain cases, this sort of documentation may be difficult to obtain outside of the provincial capitals. Moreover, proof of adequate financial means may only be available to medium-sized or more sophisticated businesses with a level of management and with organized accounting procedures in place.

As a consequence, many banking agents currently in existence in Mozambique have been selected as a basis of their being medium-sized, fairly well-established commercial entities, in addition to having the required “stable primary business activity” and financial capability. However, this greatly limits the type of entities the bank may wish to contract, such as banking agents (such as *ambulantes*) who may be more dedicated to the agent business, more mobile, and usually better located in zones of high economic activities (such as near markets). In short, banks lose out on not being able to select from a range of banking agents with varied business profiles, from micro, small and medium-sized businesses, which in turn attract a diverse profile of existing customers and potential customers to the banking agents.

Moreover, other items limit the overall viability of the bank agent model. Insisting that banking transactions be processed in real-time may require certain types of costly hardware, and prohibiting cash advances or loan limits potential profitability for the bank (and in turn, the agent, should they receive some benefit for selling it).

Performance of banking agents

Many non-bank agents have already been in the market for several years (as mobile money programs began in 2011), and thus some banking agents may find it especially difficult to compete with them in terms of attracting customers. Due to the more stringent requirements in eligibility and transaction processing, banking agents are at a further disadvantage compared with non-bank agents to service customers, even though technically the services they provide are different (formal banking services vs mobile money services). Lastly, requirements on the customer side may dissuade users for engaging with banking agents; to open an account, for example, a client of a bank agent must provide their identification document with the letter proving residence, and their unique tax identification number (abbreviated *NUIT* in Mozambique), while a mobile money client only has to provide their ID card or equivalent document to the non-bank agent to open an electronic money account.

2. Electronic Money

Banking and non-banking agents

According to article 57 of Decree 56/2004, electronic money institutions (EMIs) and banks are authorized by the Bank of Mozambique to issue and manage electronic money and store data in electronic form on behalf of other entities. The Central Bank may authorize other credit institutions to issue electronic money.

These EMIs may provide financial and non-financial services strictly related to the issuance of electronic money such as electronic money management by performing operational functions and other extra functions linked to their issuance. The EMIs are permitted to carry out any needed foreign exchange operations in the course of their activities.

This decree also indicates the conditions for the issuance of electronic money to be against the issuance of actual funds. In other words, the minimum value of e-money issued cannot be less than the monetary value issued; moreover, the option to reimburse the electronic money in coins and bank notes or by bank transfer should not be subject to unnecessary or extra charges to the consumer.

Implications for the market

Performance of Bank and Non-Banking Agents

This law is common to both bank and non-bank agents and clarifies the functions between the contracting institutions and their agents. However, both types of agents face difficulties in managing converting electronic money into cash and vice-versa; this liquidity management problem adversely affects the customer experience.

Some service providers "outsource" the liquidity management to the super agents, which may bring a more efficient solution to the cash and e-money float management, but so far this is not a common occurrence. Moreover, because banking agents in particular must necessarily have a "primary economic activity" (usually their retail store), smaller banking agents (with a sole owner or a single employee) may struggle to leave their premises and go to the bank branch and buy electronic money or retrieve cash.

Moreover, some superagents – in certain circumstances, and only with select, trust-worthy agents – have been known to send a small amount of "digital float" to the agent – before having received the necessary funds in cash from them. Often the delay between receipt of cash and float issuance is a matter of hours, and often not more than a day, although this is technically not permissible under the regulatory guidelines.

3. Electronic Payments

Banking and non-banking agents

The two laws governing electronic payments are Notice 2 GBM/2015 "Single network connection" and Notice 2 GBM/2014 "regulation for the provision of electronic payment products and services". These laws define the type of services within the category of electronic services, which are payment transactions involving the transfer of funds as well as all operations related to the management of bank accounts, namely the balance and bank statement and execution of debits. It also includes the issue or acquisition of payment instruments.

While the Central Bank regulates and authorizes the provision of electronic payment service, institutions interested in providing electronic payment services is permitted to do so and should inform the Central Bank. The Central Bank, however, reserves the right to suspend or not authorize any electronic payment service that may violate the rules applicable to banking activity.

Payment service providers (PSPs) are credit institutions, regulated financial institutions, and specialized payment companies, and all PSPs must be authorized by the Central Bank. The first two are already registered and licensed and are supervised by the Central Bank; payment companies are those entities that are exclusively dedicated to electronic payments through channels such as electronic payment terminals and ATMs. These payment companies offer customers the benefit of a range of services without necessarily having a bank account or mobile account, and thus enhance market competitiveness.

Notice 2/2015 provides guidance on the technological requirements for the provision of the payment service, such as connecting to single SIMO network (SIMO is the interbank switch in Mozambique) with the aim of optimizing the use of payment infrastructures (single network and internal operations management systems).

Another relevant policy is Law 2/ 2017 on regulating electronic transactions relevant to broader information and communication technologies (aka "ICT"), such as commercial transactions and e-government. While somewhat general, the law states that the Central Bank should issue standards that establish security guarantees for all payments made by any other carrier using an electronic payment instrument, and that standardized data processing be in place for eligible credit and regulated financial institutions.

Implications for the market

Performance of bank and non-banking agents

Notices 2 of 2014 and 2015 make no mention of the measures required for risk management and supervision of electronic payment services. The only stipulation is that institutions wishing to provide electronic payment services should inform the Central Bank about the risk management processes associated with the product, including internal control mechanisms. But what specifically those "internal control mechanisms are" is not explicitly described, and thus is at the discretion of the service provider.

The above regulations also:

- Do not distinguish between the treatment given to credit institutions, financial companies and other providers of electronic payment services such as payment companies;
- Do not make a clear distinction or reference to potential types of payment services via electronic money to potential consumers, or to bank and non-bank agents.

(It should be noted that Notice 2 of 2017 has introduced some measures such as the resolution of errors in electronic transactions and the importance of considering a data processor that allows more security of the electronic payment instruments.)

The lack of clarity and detail of certain aspects of the regulations regarding potential risks and measures for the supervision of electronic payments can contribute to a lack of consistent treatment between the various providers, such as money transfers being sent to wrong account or mobile numbers.

In other cases, some articles of the regulation may appear overly onerous to the service provider, and hinder other actors for wanting to become payment service providers for fear of non-compliance. For example, article 37 of the regulation insists that the service provider must notify the Central Bank of any communication error that occurs during the first 24 hours of the electronic transaction, if it the other party has not yet "benefited" from it. In practice, not all payment service providers are aware of these communication errors, and resolution may not necessarily be as quickly as expected.

4. AML (Anti-Money Laundering)

Banking and Non-Banking Agents

The anti-money laundering laws, namely Law 14/2013 and Decree 66/2014, apply to both financial and non-financial institutions, and indicate two main aspects: a) the procedures for detecting suspicious transactions and b) concrete steps to take if suspected cases are identified. The specific guidance is that any suspicious transaction should be reported immediately to the government GIFM (*Gabinete de Informação Financeira*, or Financial Information Office). The law also indicates which government agencies are responsible for the supervision of financial and non-financial institutions in the field of money laundering, which are the Central Bank and the GIFM.

The laws also indicate that financial and non-financial institutions have the responsibility to identify and verify the identity of their customers. The main document that individual consumers should provide is the Identity Card, although a number of other documents, such as a driving licenses, voter registration cards, birth certificates, military cards, passports, and worker identification cards, are also acceptable. For institutional clients (such as businesses), the primary document to verify identity is the Certificate of Registration.

This customer verification (sometimes referred to as KYC or Know Your Customer) is done at the beginning of the business relationship or at the beginning of each transaction. The law indicates that transactions that require the identification of clients include opening and moving bank accounts, securities transfer, custodian services, private banking and online banking. It should be noted that most of the services mentioned are, by design, bank-related services; there is no explicit mention made of transactions related to the management of mobile accounts with non-banking agents.

The law also indicates that money laundering prevention programs such as adopting internal procedures for reporting suspicious transactions, policies and internal controls should be developed and applied by financial and non-financial institutions alike. Money laundering prevention programs include the designation of an official reporting regarding suspicious transactions, establishment of continuous monitoring systems, establishment of risk management policies, and development of internal risk management strategies.

Decree 66/2014 classifies customers into three categories: individual, corporate, and low risk customers. The Central Bank provides guidance on the main criteria to be considered in the risk analysis, and authorizes banks to include additional criteria for the same purpose. Low-risk customers are subject to simplified KYC requirements, such as having witnesses of "recognized reputation" or a community administrative entity confirm certain aspects of a customer's profile in lieu of eligible documentation requirements mentioned previously.

Importantly, the decree provides for the possibility of outsourcing services to facilitate the identification of clients, but recommends that financial institutions be careful about the risk of money laundering, as they are ultimately held liable for the transaction. Moreover, as standard protocol, all transactions in cash equal to or greater than 250,000 Meticals or equivalent (roughly $4,000 USD), and all electronic transactions with a value equal to or greater than 750,000 Meticals (roughly $12,000 USD) or equivalent are considered suspicious.

The law provides recommendations on the documentation storage as it pertains to all types of customer transactions. Specifically, institutions are expected to keep the original copies of the documents relating to the transactions (such as receipts) for 5 years and the copies for 10 years after the termination of the business relationship, in order to validate the details of the transactions should it be required.

Implications for the market

Performance of banking agents

As illustrated above, there are several KYC requirements that institutions need to follow – and which banking agents, in turn, must adhere to (while transactions or operations of non-bank accounts are not subject to many KYC requirements). This means that transactions through non-bank agents can run faster and smoother from a customer experience perspective, as there are fewer documents that need to be presented to the agent, in addition to the non-bank services being more accessible to the so-called "low-risk customer" category described above.

Banks are also disadvantaged from a customer registration perspective. In addition to the identification document, for example, a customer wishing to open a bank account requires their NUIT (tax identification number), limiting the type of individual who could be a prospective bank customer. In contrast, opening a non-bank account only requires an identity card, making it easier for the customer (and, in turn, the agent).

The consequence of the documentation storage requirements for the bank means that bank agents are also subject to the same requirements. The archiving of physical documents (originals and copies) of the transactions, and for so many years, is too onerous for banking agents; non-bank agents do not fall under this requirement. (Moreover, in practice bank agents do not strictly adhere to the documentation storage requirements, although this puts them, and more importantly their bank provider, at risk for non-compliance.)

5. Consumer Protection

Banking and Non-Banking Agents

Notice 2/2018, an update of Law 15/99 and 9/2004, sets out the code of conduct for credit institutions and financial institutions in terms of providing full transparency of activities vis-à-vis customer engagement. The notice also defines consumer protection entities including the Central Bank of Mozambique, Complaints Units of Credit Institutions, Arbitration Centers Conciliation and Conflict Mediation, consumer associations, and the judicial courts.

The notice further indicates the requirements of the above institution to ensure customer transparency:

- make available the updated terms and conditions for each banking service or product;
- obtain all relevant information about the customer's ability to comply with their obligations;
- disclose and inform clients about any fees, commissions, and other charges relating to the pre-contractual phase and whether they are repayable;
- disclose or inform customers about fees related to the collection of checks, transfers and other transactions;
- inform the customer for average processing time for credit evaluations, cashier services, and answering customer complaints or inquiries.

Importantly, the notice prohibits the collection from the customer of any fees, commissions, or charges related to the exercise of activities that are not foreseen in the price of the contracting institution; these must have been previously prepared according to the system of commissions and other charges approved by the Central Bank.

Implications for the market

Performance of bank and non-banking agents

Both banking and non-banking agents alike do not necessarily or explicitly disclose commissions and pricing to customers; in practice, only a few agents have branded marketing collateral clearly indicating the pricing or rates charged per service. Moreover, even agents themselves do not seem to be fully aware of the commissions they receive for the types of transactions or volumes that they conduct (not all providers, for example, provide SMS receipts or online or mobile agent portals to verify this information).

So far, the regulatory requirements of consumer protection do not appear to have inhibited (or promoted) the performance or growth of banking or non-banking agents. A service provider being "pro-actively" transparent about items such as customer pricing is advisable and enhances the customer experience, of course; but the greater issue would be enforcement of negative experiences (such as agent surcharges to the customer, or customer frauds to the agent) that are clearly in violation of regulation and service provider policy but is occurring regardless.

6. Pricing

With the of promoting financial inclusion, notice 13/2017 describes the system of fees and charges for financial services.   From a communication perspective, it requires that institutions should have a simplified pricing available for customer. Furthermore, the price list must be clearly visible and have accurate and updated information to the customer.   It also requests that institutions adopt a common nomenclature for all the commissions and charges charged by the financial services.

In regards to actual price-setting, the Notice stipulates that a number of common financial services be at no charge to the customer. These include account opening and closing, bank account maintenance, bank account inactivity for a 12-month period, statement balance printout once a month, balance inquiry 4 times at the counter, and 4 free bank withdrawals per month. This is extended to internet banking and mobile banking as well, where free services include items such as balance checks, statement downloads, and any changes in account activity.   On the e- money side, the following services must be free: account opening and closing, issuing of electronic money, change of PIN, account maintenance, and balance consultation once a day.

Implications for the market

Growth of the network and performance of banking agents

While the transparency of price list has no effect on growth of the agent networks – if anything, like consumer protection, it only enhances the customer experience – the stipulation of making certain transactions free, while advantageous to the customer, means that it becomes more challenging for service providers to earn top-line revenue for agent programs. This in turn means that agent profitability may be harder to come by, since most providers do share a portion of the revenue generated by customers with their agents (and superagents if they have any).

Of particular relevance is the clause of “4 free withdrawals per month” for bank customers, which means that bank agent withdrawals cannot have customer fees. As explained earlier, mobile money pricing is such that customers can “cash-in” (do deposits) free of charge but pay a small percentage of the volume for any “cash-outs” (withdrawals). This restriction can be positioned two ways: while it affects agent profitability (because some customers may otherwise be willing to pay for a withdrawal at an agent), banks can market the “4 free withdrawals a month” as a differentiator to the mobile money services.

CHAPTER 4: PROBLEM STATEMENTS AND CONSIDERATIONS

CHAPTER 4
Problem Statements and Considerations

Based on the secondary research, stakeholder interviews, fieldwork with agents and customer, and regulatory assessment in the previous sections, this chapter outlines what we believe are the key problem statements for bank and non-bank agents, both at 'tactical' and 'strategic' levels. From there, we propose some ideas for banks and non-banks to explore, as well as considerations for regulators. Finally, we propose three broader 'business model' ideas that showed early promise to expand outreach and better serve agents, in a sustainable, cost-effective way.

A. Key Problem Statements Observed

One of the main objectives is to clearly understand why the agent model in Mozambique has yet to fully take off. Some of these so-called 'problem statements' are more tactical in nature; resolving them will help, but there may not necessarily see major gains. Still, some are relatively easy to address and are a necessary step to put the agent model on more solid footing.

Other problem statements are more strategic; for the most part, these do not require a 'quick fix', but a fundamental re-thinking on how to approach the agent model. If resolved, though, it has the potential to dramatically improve agent growth and performance in the country.

Tactical

For bank agents, a number of tactical pain points emerged:

- **Customers have low brand awareness of bank agents**. Many would-be bank agent customers are not aware of bank agents, both those are nearby branches acting as an alternative channel or farther afield to acquire new customers. Banks need to invest both in above-the-line marketing in specific zones to raise awareness, as well as use existing branch operations (premises and bank staff such as tellers) to promote agents (see next point).

- In general, **the branch operations seem 'divorced' from bank agent operations**. A tighter integration (beyond the marketing mentioned above) would help, such as agent training, ongoing agent servicing, and liquidity management support.

- **The hardware infrastructure for the agent is heavyweight and costly**. Compared to the mobile money model, the front-end equipment at the agent is relatively sophisticated, and there may well be opportunities to find different ways to reduce the cost while still being compliant with any regulations (e.g., around real-time transmission, etc.)

- **There is limited to no customer functionality through the mobile channel**. Most of services at the bank agent programs occur at the agent site, but there is an opportunity to provide more functionality and value to the customer if some transactions could be done through the mobile phone (even if, for example, they receive a confirmation receipt, or make an intra-bank transfer).

Several other tactical items apply both to the majority of banks and non-banks:

- **Agents often do not feel they have adequate service and support**. Whether it's a lost PIN, suspected fraud, problems with equipment, or the need for new branding, agents need to be able to have their problems resolved swiftly.

- **Service providers, both banks and non-banks, do not have a sufficient strategy on finding agents, optimizing their performance, and retaining the best ones**. For the most part, service providers are content with meeting the minimum requirements, or using proxy criteria (e.g., "a large store", "existing agent") to approach agents. Few providers also take the necessary steps to actively manage the agent network – rewarding the best-performing ones and taking corrective action on those that are not meeting minimum performance criteria.

- On the customer side, **there is often no clear pricing list at the agent site**, and the transaction receipt neither may indicate it. Clear pricing, in addition to being a regulatory requirement, is essential to ensure customer trust.

Strategic

There are five main strategic problem that emerged from the assessment:

1. **Banks are unclear as to the optimal strategy for their agent channel**. Most banks do not seem to have fully considered the characteristics of the two main models (serving existing customers or acquiring new ones), nor the implications from a business model perspective. Because of this, the metrics they measure (or do not measure), and the financial and human resources they put behind it, may not be fully coherent.

2. **Running an agent business, whether bank or non-bank, is a costly affair for the service provider, especially in rural areas**. Service provider need to incent agents to conduct financial transactions, but also keep customer fees in check. If customer fees are low, and a healthy portion goes to agents, the only way to make a viable business model is to have a substantial amount of volume and/or heavily decrease the fixed cost-base.

3. **To-date there is limited 'customer value' at the agent site itself**, especially for bank agents. Apart from deposits and withdrawals, and in certain cases bill payments, customers may have little need to visit the agent, preferring instead to save money informally (or in a mobile money program). Lower customer value at agents means less customers, less transactions at the agent – and thus less agent commissions.

4. **There are onerous customer requirements for open a bank account at an agent, and equally onerous requirements to become, and operate as, a bank agent**. There are a number of requirements for a customer to open a formal banking account, but not for a e-money account. Customers may rightfully be dissuaded from trying and/or denied from opening one at an agent. Similarly, bank agents are restricted to existing physical stores, and technically speaking must keep a number of original transaction records for bank agent business.

5. **Agent liquidity management remains a problem in some areas**, especially in semi-urban and rural areas, and particularly for small stores or independent agents who may need to close their operations. The continual need to 'rebalance' cash and e-float is a constant struggle for many agents, although some have become habituated to frequent trips to the bank branch. But they pay a price: closing up their store and taking public transport means lost sales and an additional cost.

B. Considerations for Industry

A number of considerations for banks and non-banks stem directly from the tactical problem statements mentioned above. The list below addresses these and applies both for banks and non-banks

- Devising a detailed agent segmentation strategy. This would cover both specific requirements to recruit agents (for example, using a simple points-based system covering a number of key variables, where agents can be recruited based on a minimum threshold), and a tiered system to actively manage them.

- Similarly, service providers should include a dedicated agent customer service line, as well as build a dedicated agent portal. The customer service line should be well-staffed to reduce average hold times and have extended hours for servicing, as agents often work much later than regular branches. Furthermore, issue resolution should be near immediate, with tighter integration between call center and field staff.

- Service providers should insist that all agents place clearly visible and updated price lists. Through its agent monitoring (see first point), these should also be checked. Receipts should also clearly indicate to the customer any fees that have been charged as a result, and customers should be able to automatically see a price list through their mobile (either through a USSD menu request or through an application).

A number of considerations specific to banks can address the remaining tactical concerns.

- The first is that banks need to make the necessary investments to raise awareness of the service. The obvious first (and easy) step is through the branch, both through informational postures and brochures, as well as having branch staff informing the existing customers.   The more costly effort will be to invest in above-the-line marketing campaigns in specific zones, and below-the-line sales force to actively approach (and persuade) potential customers and recruit agents.

- Integrating branch operations to bank agent would also go a long way to drive efficiency. This is especially the case if the bank agent program is an alternative channel (and thus likely in close proximity to a branch), but even if the agent is farther away, assigning branch staff to monitor agents, provide liquidity help, service agent as needed, would be beneficial.

- Banks need to also consider how to provide additional functionality through the mobile channel, especially if banking agents are used as an acquisition channel for unbanked customers. As of now, the 'form factor' the customer uses at the agent site is usually a card; by offering other services through the mobile – even as simple as financial information (balance check, or the aforementioned fee information) – it can enhance the overall proposition for the customer.

A number of strategic considerations – namely on decreasing operational costs, expanding to rural areas, addressing agent liquidity, allowing for revenue-generating opportunities at the agent site – are addressed in part D, on Business Models.

Start-Ups and New Entrants

The above considerations largely apply to those players currently offering agent banking services in the market, or banks currently exploring launching them. That being said, non-banks such as start-ups and other new entrants such as technology companies can play in two main ways.

The first is as a lead service provider of financial services. This would entail heavy up-front investment to develop the appropriate technology to both customers and agents, and perhaps even more challenging, to develop compelling value proposition for agents and customers at the same time to ensure the two-sided market remains 'balanced'.

The second is as a key collaborator in the overall value-chain. As sub-section D highlights, both banks and non-banks may be better served by outsourcing certain technology, marketing, or operational – such as agent training, liquidity management, document collection, technology platforms, loyalty programs – to reputable third-parties.

C. Considerations for Policy-Makers

One of the most immediate aspects of the regulation that stands out is the bank agents and non-bank agents have different requirements. These include:

- There are several KYC requirements (KYC) for the customer to open a bank account, and this extends to doing so at a bank agent. One consideration is to simplify the documentation requested, either for all bank accounts, or for a new simplified account that could be opened at the agent site.

- The data storage of original documents and copies could also be simplified, as well as providing the option for agents to store them in an electronic format (e.g., taking a photo, text receipts). As discussed earlier, the law currently recommends filing documentation related to customer transactions, where institutions (and by extension the bank agents) must keep the originals of transactions for 5 years and the copies for 10 years after the end of the business relationship.

The main recommendation is to have "regulatory parity" as much as possible between the bank and non-bank agent, thus putting all service providers on a level playing field. In practical terms, that means that either that non-bank agents have more stringent requirements, or that bank agents have more relaxed ones. The preference is to take a risk-based approach and relax the existing bank agent requirements to align with those for e-money agents.

Another aspect to ensure regulatory parity is the eligibility criteria for agents. Ideally, the banking agent regulations could be relaxed to allow:

a) agents that do not necessarily have a fixed infrastructure (physical establishment), and
b) agents that do not necessarily have a primary business.

This would allow banks to target "dedicated" kiosks and 'ambulantes', just as the mobile money programs do. Furthermore, the agents would be permitted to conduct the following operations:

- Withdrawals
- Deposits
- (Simplified) account opening
- Pre-credit requests

Even if there were no simplified accounts, the agent could take a scan or picture of the original documents, send to the bank, and (preferably) be approved near-instantaneously so that the customer can begin transacting. This would mimic the experience that customers have with opening an e-money account at mobile money agents.

The management of the liquidity of banking and non-banking agents is also an issue worthy of attention. Agents often run out of float, and because many agents are small store owners as well (it is a requirement for bank agents), it is a challenge for them to close their store or otherwise spend time and money to go to the bank branch. The regulator could allow for immediate electronic float distribution, under certain conditions (e.g., no more than 2,000 Meticais and only for certain agents, and must receive cash balance within 24 hours) to ease the liquidity crunch.

Lastly, there may be a relaxation on the geographic distance of bank agents (and also branches). The legislation currently recommends that banking agents be relatively close to a banking agency (Article 7 of notice 3/2015), but this limits the outreach of certain agents. Moreover, the regulation enforcing a bank to open a branch in pre-selected rural areas for every three new urban branches opened (Notice 1 GBM/2015, Article 4) may also be undesirable from a bank's perspective, whereas a series of lower-cost bank agents, who could provide many of the key transaction services, may suffice.

The list above are the main strategic considerations for regulators; the table below summarizes all of the key challenges and the ensuing recommendations. It should be noted that a number of these could be suitable candidates to 'test and learn' in a controlled environment through the Central Bank's "Sandbox" initiative launched in 2018.

Challenges and obstacles	Recommendations
The Use of Agents	
Non-banking agents:	*Non-banking agents*
There is a lack of a legal instrument that directly regulates non-bank agents.	The regulator shall introduce a legal instrument regulating the activities of non-banking agents similar to Notice 3/2015. The regulator should ensure that the conditions of competition between the two types of agents take place in a regulatory context that is as similar as possible. E.g., the eligibility of agents, the documentation required for the registration of agents, the documents submitted for the opening of accounts, as well as other operations and the process of archiving them, similar risk management oversight measures, and so on.
Banking Agents:	*Banking agents*
	The eligibility criteria for the selection of bank agents should be more flexible. This might

The recruitment of banking agents by the bank is limited by the eligibility criteria that must be observed in the selection of economic agents.	include as a list of eligible institutions (Notice 3/2015 art 5) informal vendors, as well as allow for fewer requirements to be met in the verification of agents (Notice 3/2015 art 9).
Electronic Money *Banking and Non-Banking Agents* Agents experience difficulties converting electronic money into cash and notes and vice-versa, which brings liquidity problems.	*Banking and Non-Banking Agents* To ensure adequate liquidity, the regulator should recommend an operational model that includes the provision and distribution of funds to the agent, identical to that used by the bank for the provisioning of ATMs (see Article 57 of Decree 56/2004.)
Electronic Payment Services *Banking and Non-Banking Agents* They do not mention the risk management mechanisms that should be considered in the provision of this type of service. They make no mention of the supervisory mechanisms that should be implemented for electronic payment services. Do not distinguish between the treatment given to credit institutions, financial companies and other providers of electronic payment services. Make no clear reference to potential types of payment services via electronic money and potential users, or to bank and non-bank agents. It should be understood that these are ambiguous since they fall within the category of credit institution.	*Banking and Non-Banking Agents* Laws concerning electronic payment services should provide an indication of the supervision and risk management measures to be implemented in order to ensure the provision of a more secure service through this payment option. For example, the law should refer to the potential risks related to the service such as the those related to electronic transactions and the possibility of cloning of data and use of data by others. The law should also refer to errors that may occur in the electronic payment process and give the possibility to reverse them whenever possible.

Anti-money laundering *Banking Agents* Banking agents end up having difficulty offering services to low risk clients due to the need to fulfill their customer's KYC obligations. Moreover, banks cannot compete with their non-bank counterparts with agent programs, as the KYC requirements for each agent is significantly different.	 *Banking Agents* It is necessary to harmonize the legislation of the two types of agents as much as possible. For example: the required documents should be the same for the same transactions regardless of whether they are being made through a bank or non-banking agent.
Pricing List *Banking and Non-Banking Agents* Banking and non-banking agents do always have customer price lists clearly visible, and do not appear to have detailed knowledge of the system of commissions to which they are subject. This does not allow them to pass on trusted information to customers who may end up being exposed to potential scams.	 *Banking and Non-Banking Agents* The Central Bank should require to contracting institutions to better supervise their agents so they can more actively promote their pricing and their services when interacting with customers. For example, laws should require contracting institutions to ensure the disclosure of their pricing. To this end, banks and non-banks should supervise their agents on a more frequent basis to ensure compliance with pricing transparency.

D. Business Model Ideas and User Prototypes

We believe the considerations above, if well implemented, have the potential to improve both bank and non-bank agent network. But we believe that there are four specific ideas, conducted separately or combined in a holistic package, that has the potential to substantially expand agent outreach and boost performance.

Those four ideas are:

1. Shared agent infrastructure
2. Additional revenue-generating activities at agent site
3. "Doorstep" liquidity management
4. Bank agent 'ambulantes'

Digital Disruptions conducted a three-day design sprint which addressed these ideas, which involved refining the idea, building simple prototypes, and, on the last day, testing with users directly in urban and semi-urban setting.   We describing three ideas below.

It is important to note that the purpose of the design sprint is to first gauge initial reactions from prospective customer and agents, not necessarily to validate technical feasibility or financial viability. Should the initial reactions to the core value propositions be positive, the next steps would be to develop the concept into a more detailed, realistic solution that could then be further tested with end-users.

1. Agent Interoperability through Shared Platform

The rationale of this idea was to provide the customer a single interface and experience at an agent, where they could choose from a variety of services in a clear, coherent manner, preferably on a large, touch-screen tablet. Customers had the option of conducting the transaction themselves, or have the agent 'assist' them.

These services would include key financial transactions such as deposits, withdrawals, transfers, airtime top-up, and bill payments, open an account (bank or e-money), and information-based services such as learning more products or the service provider, or reach customer service.

Importantly, this would be available for any participating service providers – banks and/or non-banks –so that the customer would have a 'one-stop shop' to do their financial transactions, and would ultimately be their choice. Note that this would not involve the standardization of products or services – every provider would be able to design services (new or existing) at their discretion; the concept is more about proving a singe channel to multiple providers.

The prototype was developed on a touch-screen tablet and tested with two customers and one agent in a semi-urban area in Maputo province (see photo at right with customer; Digital Disruptions staff is acting as store owner).   The core concept - a single interface permitting a range of services from multiple provider – resonated with customers and the agent alike. The users particularly enjoyed the user interface and the ease of use of navigating screens and completing the transactions.

In terms of implementation, we intentionally did not specify which stakeholders would be operating the solution, as that detracts from the purpose from the design sprint. But the concept would likely involve a number of providers coming together, identifying an agent network manager (creating their own, having a single provider take the lead, or hiring a third-party such as a bill payment aggregator or a Fast Moving Consumer Goods company) and associated commercial agreements (e.g., revenue sharing),, and agreeing on a single brand marker and user interface.

Coming together would help decrease individual costs while selecting the highest quality agents for the service.   It would also drive aggregate revenue for the agent, which would help their viability. Lastly, the addition of additional revenue-generating services, such as bill payments and loan facilitation, would further help the business case from the service provider's perspective.

2. "Doorstep" Liquidity Management

As discussed earlier, liquidity management is a constant pain point for agents, especially in rural areas. The concept we developed involved agents requesting the "cash delivery or collection" from their mobile phone through a USSD menu, selecting from a pre-set amount (15,000 Meticals or $200 USD), and a specific time of day. The system would then alert nearby drivers on motorcycles who would then deliver or collect cash directly to the agent. These drivers would be part of the fleet of the superagent or agent network manager. The drivers would receive a commission in either case, but the agent would pay only for cash delivery, while cash collection would be free.

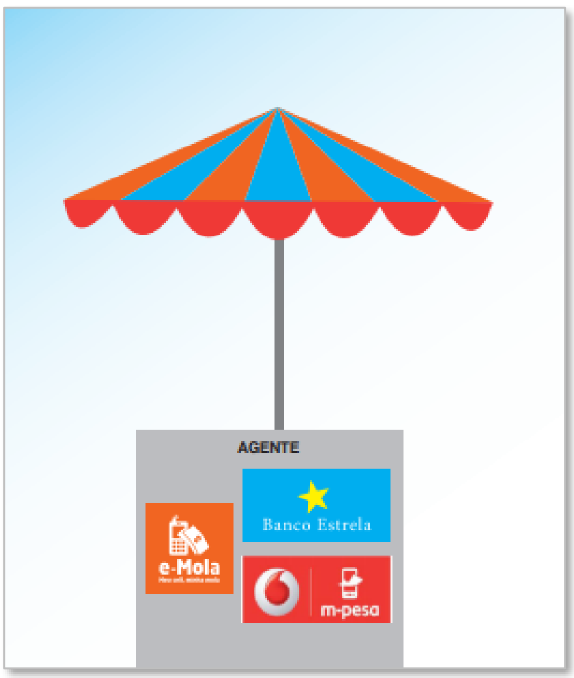
We prototyped the concept as a flyer above with three agents in a semi-urban area called Salamanga, in Maputo province. It was generally well-received; agents there often struggle with cash and float management, and the closest branch is not walking distance (and closes at 5 pm). There was some concern about safety of cash delivery or collection, but their concerns were eased when we mentioned they would not be held liable for any theft during the transport.

From an implementation perspective, this would be relatively straightforward; the cash-on-delivery solution is already being used by one mobile money operator in Mozambique (though it is unclear under what circumstances ad conditions). Moreover, several mobile money operators in Tanzania currently use a similar system with motorcycle drivers as part of the superagent network.

3. Bank Agent Ambulante

The ‘ambulante’ agent has been a critical piece of the mobile money agent network in Mozambique. With extremely low costs to operate, and presumably an ample number of unemployed individuals looking to set up a business, we wanted to see how customers and agents would react to the concept.

We developed simple posters to show an ambulante agent offering the service of a hypothetical bank, called Banco Estrela (Star Bank). One poster had an ambulante only providing services with the bank, the other had multiple service providers, including existing mobile money providers. The services offered were cash-in and cash-out (up to 2,000 Meticals or $35), bill payment, and “pre-opening” of accounts. The prototype was tested with two existing agents and one customer in Maputo.



The reactions were overwhelmingly positive. One customer said that she really liked the M-Pesa ambulantes because they were easy and quick, and that banking agent ambulantes would be great, particularly since it would reduce queues at the branch or ATM (“*Os ambulantes M-Pesa são ótimos! É muito rápido, muito easy. Esse serviço para bancos seria muito bom, iria diminuir as bichas.*”).

Another agent, who had been an M-Pesa ambulante for four years, also responded positively to the concept, saying that his decision to join would depend on the customer demand he could expect. He was ambitious, saying that “where there is work, I want it”. He furthermore recommended a cap of 15,000 Meticals, in part to gain more commission.

From an implementation perspective, it should be overly difficult to convince ambulantes to be a bank agent, particularly if the onboarding experience is as intuitive and straightforward as those provided by mobile money operators. Certain conditions would be put in place to manage the appropriate risk (e.g., account opening, transaction limits).

It should be noted that this idea was prototyped precisely to provide feedback as to the initial desirability from the user (agent and customer), as it is not yet permissible by the Central Bank under current regulations. The hope is that this could be further developed as a ‘live’ prototype (actual transactions being conducted) by a service provider thorough the Central Bank’s Sandbox initiative, which offers a controlled environment to test and learn various innovations.

ANNEX


Agente
Código
27 141
Nome
CASA NIVEKELE
m-pesa
mcel
Leva um giro aqui :-)

Annex

A. Authors and Acknowledgements

This report was written by Amitabh Saxena and Eneida Monteiro of Digital Disruptions, with support from Joao Campoa Rodrigues, Maria Clara Rezende, and Martin Annandale. The team wishes to thank the Financial Sector Deepening Mozambique team, Esselina Macome, Benedito Murambire, Silvio Chiau, and Carlos Mondle, for their guidance throughout the project. The team further appreciates the contribution of various private sector and public sector stakeholders (see sub-section C below) that generously provided their time and input, as well as the many agents and customers who agreed to be interviewed.

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B. Abbreviations

Abbreviation	Meaning
AML-CFT	Anti-Money Laundering and the Combating of Financing of Terrorism
ATM	Automatic Teller Machine
CGAP	Consultative Group to Assist the Poor
DFS	Digital Financial Services
E-Money	Electronic Money
HCD	Human Centered Design
FMCG	Fast Moving Consumer Goods
KYC	Know Your Customer
MNO	Mobile Network Operator
OTC	Over-the-Counter
POS	Point-of-Sale
SMS	Short Message Service
USSD	Unstructured Supplementary Service Data
VAS	Value-Added Services

C. Stakeholder Interview List

The organizations below were interviewed for this assessment.

Type	Organization
Bank	Millennium BIM
Bank	BCI
Bank	BancaABC
Bank	Letshego
Bank	Barclays
Mobile Operator	Vodacom
Mobile Operator	Mcel
Regulator	Central Bank – Electronic Payments
Regulator	Central Bank – Banking Supervision
Research Institution	Nova School of Business (Portugal)
Development Agency	GiZ (German Development Agency) in Mozambique

D. Methodology for Agent and Customer Interviews

We've conducted 50+ in-depth interviews (IDIs) with agents and customers in the Maputo (south) and Nampula (north) regions of the country. We sought a mix and diversity of users, along transnationality (high, medium, low, and non-users), size Large, medium, small, and 'ambulante' agents), service provider (bank and non-bank), and geography (urban, semi-urban, and rural areas).

Specifically, we conducted 38 agent interviews + 12 customer interviews with banks and non-bank agents in Maputo and Nampula provinces. We also interviewed super agents and promoters.

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F. Table of Key Regulatory Themes

The table on the following pages presents a list of key regulatory themes, its relevance to either banking agents or non-banking agents, and a brief implication for the business model, if any.

#	Regulatory Theme	Bank Agents	Non-Bank Agents	Business Model Implications
General information				
1	General Regulation governing agents	Aviso 3/2015 – Agentes Bancários Lei 15/99 – Lei das instituições de crédito e sociedades financeiras Artg 7 decreto 30/2014 – Promoção do sector financeiro inclusivo Aviso 2/2018- Código de conduta das intsituições financeiras	Aviso 2/2018 - Código de conduta das instituições financeiras Artg 7 decreto 30/2014 – Promoção do sector financeiro inclusivo Lei 9/2004 – Actualização da lei 15/99	-
2	Eligible institutions to be agents	Aviso 3/2015 – Agentes Bancários a) Empresários comerciais; b) Serviços de registo ou de notariado; c) Instituições de ensino público; d) Empresas públicas; e) Operadores de telefonia fixa e móvel; f) Operadores do sector postal; ou g) Cooperativas de crédito; h) Instituições de moeda electrónica; i) Outras entidades que o Banco de Moçambique, pontualmente, vier a autorizar.		*Agentes bancários* Os bancos tem uma lista de initituições especificas que podem ser contratadas para agentes. Mas nenhuma dessas instituições permite uma representação fisica de agentes ao nivel desejado e capaz de oferecer concorrência a rede de agentes não bancários existente. Os bancos acabam estando limitados no tipo de agentes a contratar e nas inovações a considerar para melhorar o modelo actual de negócios.
3	Not eligible institutions	Aviso 3/2015 – Agentes Bancários a) As entidades que desenvolvam actividades ilegais ou proibidas, bem como actividades ligadas a jogos de fortuna e azar; b) Entidades cujo órgão de administração ou equiparado integre membros abrangidos pelo disposto no n.º 2 do artigo 9 do presente Aviso;	-	N/A

		c) Entidades cujo objecto exclusivo ou principal seja a prestação de serviços de agente bancário ou cujo controlo societário seja exercido pela instituição contratante ou que estejam em relação de controlo por uma entidade comum; e d) Entidades cujo controlo societário, directa ou indirectamente, seja exercido por um administrador de quaisquer sociedades que estejam na relação de grupo com a instituição contratante		
4	Requirement for hiring agents	Aviso 3/2015 – Agentes Bancarios a) Denominação da firma; b) Certidão de registo de entidades legais ou outro documento equiparado; c) Alvará, licença de actividades válida ou documento equiparado emitido por entidade competente; d) Demonstrações financeiras auditadas do exercício económico anterior, conforme seja aplicável; e) Certidão de quitação emitida pela respectiva Direcção da Área ou repartição fiscal; f) Certificado de registo criminal das pessoas indicadas na alínea d) do n.º 1 deste artigo; g) Endereço e elementos de contacto;		*Agentes bancários* Alguma da documentação exigida para o registo de agentes bancarios é dificil de obter em certos locais do pais. Por exemplo, o registo criminal e a certidão de quitação. Tambem-se exige demostrações financeiras que só negócios de tamanho médio com um nivel de administração e com contas organizadas é que possui; O mesmo aplica-se a exigência de recursos financeiros ou fundos e esse requisito tambem só de aplica a negócios de tamanho médio com um nivel de administração com contas organizadas.

		e h) Prova de posse de recursos financeiros ou fundos para assegurar as actividades de agente bancário, sobretudo os depósitos e levantamentos em numerário, conforme seja aplicável.		Por isso os bancos contratam para agentes bancários negócios com o mesmo perfil, e consequentemente nao há muita variedade de agentes bancários. Os bancos acabam por näo usufruir das vantagens de ter agentes bancários com outro tipo de perfil de negócios, tais como negoócios pequenos e ambulantes
5	Type of services/ products offered	(Aviso 3/2015) a) Depósito e levantamento de numerário, nos limites estabelecidos pela instituição contratante; b) Transferências bancárias; c) Desembolso e recebimento de reembolsos de créditos aprovados pela instituição contratante; d) Pagamentos de serviços prestados por terceiros; e) Fornecimento de saldo da conta bancária; f) Fornecimento de mini-extracto de conta; g) Recepção e encaminhamento de pedidos de abertura, bloqueio e encerramento de contas de depósito nas instituições contratantes; h) Recepção e encaminhamento de propostas referentes a operações de	(Lei 9/2004) a) Só as instituições de crédito podem exercer a actividade de recepção do público, de depósitos ou outros fundos reembolsáveis. para utilização por conta própria (Lei 2/2014 art 3) b)Emissão de meios de pagamento sob forma de moeda electronica Serviços de pagamento electronico aviso c) Cosulta the de saldo d)Transferência de fundos e)Execução de debitos	*Agentes bancarios* Os bancos tem um grande beneficio que e o facto dos agentes não bancários não poderem ceder creédito porque isto acaba por obriga-los a depositarem na banca toda a capatação de depósitos resultatne da sua actividade. Para além disso, os bancos tem uma grande variedade de serviços a oferecer

		crédito da instituição contratante; i) Recebimentos e encaminhamento de pedidos de emissão e substituição de cartões de débito, de crédito e pré--pagos; e j) Outras que o Banco de Moçambique, caso a caso, vier a autorizar. (Lei 2/2014 art 3) b)Emissão de meios de pagamento sob forma de moeda electrónica Serviços de pagamento electrónico aviso c) Cosulta the de saldo d)Transferencia de fundos e)Execucao de debitos		
6	Authorization process for hiring	Not required; according to the law the hiring institution should follow the guidelines for the hiring and provide information on agent's performance to the Central Bank	Not required	

7	Operational requirements	Artg 7 decreto 30/2014 As instituições de crédito as sociedades financeiras autorizadas a prestar serviços de pagamento electrónico incluíndo serviços financeiros móveis devem ter os respectivos sistemas de gestão de operações bancárias ligadas a uma rede única comum e partilhada de pagamentos electrónicos de amibto nacional instituída nos termos estabelecidos pelo banco de Moçambique a quem compete igualmente definer os tramites e as condições da referida ligação incluíndo os prazos de adequação relativamente as instituições de crédito e sociedades financeiras já em actividade. Entende-se por sistema interno de gestão de operações bancárias o sistema informático cuja função consiste na gestão das operações dos clientes das intsituições de crédito e sociedades financeiras. Rede única: a solução tecnológica de ambito nacional e exclusiva de utilização comum e partilhada pelas instituições de crédito e sociedades financeiras cuja função consiste na gestão de todas as transações electrónicas incluíndo a gestão da informação relativa a cartões e outros	Artg 7 Decreto 30/2014 As instituições de crédito as sociedades financeiras autorizadas a prestar serviços de pagamento electrónico incluindo serviços financeiros móveis devem ter os respectivos sistemas de gestão de operações bancárias ligadas a uma rede única comum e partilhada de pagamentos electrónicos de amibto nacional insitituída nos termos estabelecidos pelo banco de Moçambique a quem compete igualmente definir os tramites e as condições da referida ligação incluíndo os prazos de adequação relativamente as instituições de crédito e sociedades financeiras já em actividade. Entende-se por sistema interno de gestão de operações bancárias o sistema informático cuja função consiste na gestão das operações dos clientes das intsituições de crédito e sociedades financeiras	*Agentes bancarios e nao bancarios* Em relação aos requisitos de infraestrutura é positivo para o modelo que se esteja a partilhar a infra-estrutura existente (rede unica) pois traz menos custos caso tenha de se considerar a interoperabilidade na oferta de serviços.

		instrumentos de pagamento electrónico bem assim de terminais e serviços de pagamento electrónico incluindo serviços financeiros moveis das entidades ligadas a mesma. (Artg7 Aviso 3/2015) 1. A instituição contratante deve assegurar que as transações realizadas pelos agentes bancários ocorram em tempo real e sejam realizadas dentro do estabelecimento do agente bancário. 2. Sem prejuízo de recurso a outras tecnologias e/ou canais de pagamento, a instituição contratante deve disponibilizar ao agente bancário terminal de pagamento automático (POS), onde seja aplicável, para a realização de actividades indicadas no artigo 6. 4. A instituição contratante deve designar a agência bancária de apoio acompanhamento das actividades mais próxima do agente bancário.		
8	Timeframe to settle transactions			
9	Limitations imposed on agents	Article 9 Aviso 3 Critérios de avaliação de agentes bancários		*Agentes Bancários*

		1. A instituição contratante deve, previamente à contratação, proceder à avaliação da entidade a contratar como agente bancário, para assegurar a observância, no mínimo, das seguintes condições: a) Estar a exercer uma actividade económica e possuir um estabelecimento estável; b) Não possuir, nos últimos seis meses, crédito do tipo 4 ou 5, nem constar do cadastro de emitentes de cheques sem provisão; c) Possuir instalações físicas adequadas e recursos humanos capazes de assegurar a prestação de serviços com segurança e eficiência; e d) Idoneidade dos proprietários, gerentes, sócios e membros dos órgãos sociais de entidades elegíveis a agentes bancários.		Os critérios de avaliação do dos potenciais agentes bancários apresentam requisitos que limitam a escolha do potencial agente a contratar. Aspectos como a infra estrututa fisica, os recursos humanos com capacidade para gestão de operações bancárias
10	Institutions responsible for Inspecting agents	The hiring institutions (Not clear in the law)	The hiring institutions (Not clear in the law)	*Agentes bancarios e não bancarios* A supervisão dos agentes bancários ao esta clara no aviso 3 e os operadores acabam por ter cada um a sua estratégia.
11	Legal liability of banks towards customers who use agents	1. O agente bancário actua por conta e sob orientação da instituição contratante, sendo esta responsável pela totalidade dos seus actos, no	-	N/A

		âmbito do exercício das actividades para as quais tenha sido contratado. 2. A instituição contratante deve garantir, nomeadamente, a integridade, a confiabilidade, a segurança e o sigil das transacções realizadas, bem como o cumprimento das normas aplicáveis à actividade realizada, através do agente bancário. Artg 4 aviso 3/2015 As instituições contratantes devem assegurar a disponibilização ao público, de informação de produtos e serviços prestados pelos agentes bancários; em todas as agências, nas suas páginas de Internet e nos estabelecimentos dos agentes bancários, em local bem visível, de acesso directo e facilmente identificável. Artg 14 aviso 3 2015 O Banco de Moçambique pode determinar a extinção do contrato quando o agente bancário viole as leis e os regulamentos que disciplinam a actividade das instituições de crédito e sociedades financeiras e os direitos dos consumidores, em geral, bem assim quando não -observe as determinações da instituição contratante, pondo em		

		risco os interesses dos depositantes e dos demais credores Art 12 aviso 3 2015		
12	Legal liability of agents towards their customers	Banking secrecy in relation to client information art 10 Aviso 3 Efectuar cobranças de quaisquer taxas, comissões ou encargos relacionados com o exercício de actividades que não estejam previstos no preçário da instituição contratante, o qual deve ser elaborado de acordo com o regime de comissões e outros encargos aprovado pelo Banco de Moçambique Provide information about hiring institution's offers art 10 Aviso 3 A obrigatoriedade de, no atendimento prestado nas operações de financiamento referentes a bens e serviços fornecidos pelo próprio agente bancário, apresentar aos clientes as ofertas das instituições contratantes com as quais celebrou contrato de prestação de serviços; Transparency of the pricing art 10 Aviso 3 Efectuar cobranças de quaisquer taxas, comissões ou encargos relacionados	-	N/A

		com o exercício de actividades que não estejam previstos no preçário da instituição contratante, o qual deve ser elaborado de acordo com o regime de comissões e outros encargos aprovado pelo Banco de Moçambique;		
13	Price Transparency – legislation reference	Aviso 13/2017 –Comissões encargos e respectiva nomenclatura Aviso 3/2015 – agentes bancários	-	Existência de serviços grátis pode não estimular a subcontratação de agentes bancários para prestação de serviços, uma vez que a banca actualmente não pode cobrar pelos mesmos, ao consumidor final mas continua ter de pagar aos agentes bancários
14	Transparency requirements	Art 10 aviso 3 As instituições contratantes devem manter disponível uma cópia de contrato celebrado com cada agente bancário para efeitos de verificação pelo Banco de Moçambique. As instituições contratantes devem assegurar a disponibilização ao público, em todas as agências, nas suas páginas de Internet e nos estabelecimentos dos agentes bancários, em local bem visível, de acesso directo e facilmente identificável: a) A relação actualizada de seus agentes bancários, incluindo o nome, endereço	-	N/A

		e o número de telephone ou qualquer outro meio de comunicação; Aviso 3 Art 14.;		
15	Compliance of agents with transparency	Yes, all charges should follow the pricing of the hiring institution.		
16	Pricing- legislation reference	In the main laws, aviso 3 Aviso 13/2017 Regime de comissões e encargos financeiros artg 4	Aviso 2, Aviso 13/2017 Regime de comissões e encargos financeiros artg 4	
17	Pricing requirements	As instituições devem dispor de um preçário simplificado e outro completo com informação verdadeira objectiva e actualizada e expressa em língua clara Art 4 aviso 13 As instituições devem manter permanentemente o seu preçário em lugar visível Art 14 aviso 13 2017 As informações referentes a benefícios comissões e encargos deve ser prestadas previamente a contratação dos serviços. Aviso 13/2017 art 4	As instituições devem dispor de um preçário simplificado e outro completo com informação verdadeira objectiva e actualizada e expressa em língua clara Art 4 aviso 13 As informações referentes a beneficios comissões e encargos deve ser prestadas previamente a contratação dos serviços. Art 4 aviso 13 2017	Os agentes bancários e não bancários não tem os preçários bem visíveis nem parecem ter conhecimento detalhado sobre o regime de comissões ao qual estam sujeitos. Isso não os permite transmitir informação fedidigna aos clientes que acabam por estar expostos a potenciais burlas; O Banco de Mocambique nos seus regulamentos deve exigir que as instituições contratantes supervisem melhor os seus agentes para garantir que eles divulguem mais ativamente o preçário e o seus serviços durante a interação com cliente.

18	Client information data secrecy – legislation reference	As instituições de crédito devem garantir que todos os colaboradores com acesso a informações sobre os clients mantenham sigil aviso 2 art 7		N/A
		2. A instituição contratante deve garantir, nomeadamente, a integridade, a confiabilidade, a segurança e o sigil das transacções realizadas, bem como o cumprimento das normas aplicáveis à actividade realizada, através do agente bancário. Artg 4 aviso 3/2015	-	
19	Money laundry and KYC obligations – Legislation Reference	Decreto 66/2014 Regime jurídico medidas de prevenção –branqueamento de capitais Lei 14/2013 anti money laundering		-
20	Client registers information prerequisites	Clients registers should have the following information: art 4 66/2014 Pessoas singulares • Nome e assinatura • Data de nascimento • Nacionalidade • Género • Estado civil • Endereço • Filiação • Carta do empregador • Bilhetede identidade/ passaporte cartão eleitoral	Clients registers should have the following information: art 4 66/2014 Pessoas singulares • Nome e assinatura • Data de nascimento • Nacionalidade • Género • Estado civil • Endereço • Filiação • Carta do empregador • Bilhete de identidade/ passaporte cartão	N/A

		electoral cartão militar, carta de condução , • NUIT • Carta da entidade empregadora Pessoas colectivas • Nome da empresa • Localização • NUIT • BIlhetes de identidade dos acionistas • IDs of the shareholders • Código classificador das actividades económicas • Identidade dos representantes das pessoas colecticas e respectivo mandato – Documentos a apresentar • BI ou talão de BI acompanhado de cédula/ certidão narrativa completa • Passaporte • Cartão de recenceamento eleitoral • Cartão de identificação de trabalho • Cédula militar • Cartão de identificação de refugiado • Cartão de exilado politico • Carta de condução	eleitoral e cartão militar, carta de condução , • NUIT • Carta da entidade empregadora Pessoas colectivas • Nome da empresa • Localização • NUIT • BIlhetes de identidade dos acionistas • IDs of the shareholders • Código classificador das actividades económicas • Identidade dos representantes das pessoas colecticas e respectivo mandato – Docuemtos a apresentar • BI ou talão de BI acompanhado de cédula/ certidão narrativa completa • Passaporte • Cartão de recenceamento eleitoral • Cartão de identificação de trabalho • Cédula militar	

			• Cartão de identificação de refugiado • Cartão de exilado politico • Carta de condução	
22	Type of operations that require compliance	Decreto 66/2014 art 10 • Abertura e movimentação de conta bancária • Prestação de serviços de guarda de valores • Serviços de Transferencias de valores • Banca privada • Banca a distância • Serviços prestados a clientes singulares ou colectivos • Relações com bancos correspondents • Realização de operações cambiais • Actividades de intermediação em valores mobiliários • Realização de operações de bolsa • Gestão de fundos de pensoes • Realização de transações ocasionais de valor igual ou superior a 450 000 • Transações de casino, jogos de fortuna e azar valor igual ou superior a 90 000 mt	• Serviços prestados a clientes singulars ou colectivos • Serviços de Transferencias de valores	Agentes bancários: Exigencias de KYC elevadas e dificeis de cumprir para transações de carácter bancário; introdução de exigências de KYC simplificadas para clientes de baixo risco

23	Data archiving requirements	Aviso 3 artg 10 contractual clauses A obrigação de o agente assegurar a protecção dos registos, dados, documentos ou processos relevantes das operações realizadas, estabelecendo para o efeito, o dever de transferências dos mesmos para a instituição contratante em intervalos regulares previamente especificados. Decreto 66 /2014 branqueamento de capitais As instituições financeiras e entidades financeiras devem conservar por um periodo de 15 anos depois do término da relação de negócio e encerramento da conta com relação aos registos de diligência relativa a clientela • Cópias de documentos comprovativos do cumprimento de dever de identificação do cliente • Registo de transações nacionais e internacionais que sejam suficientes para permitir a reconstituição de cada operação de modo a fornecer se necessário provas no ambito de um processo criminal	Os documentos originais devem estar disponiveis durante 5 anos após a transação Decreto 66 /2014 Branqueamento de capitais As intsituições financeiras e entidades financeiras devem conservar por um periodo de 15 anos depois do término da relação de negócio e encerramento da conta com relação aos registos de diligência relativa a clientela • Cópias de documentos comprovativos do cumprimento de dever de identificação do cliente • Registo de transações nacionais e internacionais que sejam suficientes para permitir a reconstituição de cada operação de modo a fornecer se necessário provas no ambito de um processo criminal	Exigencias de prevenção de branqueamento de capitais dificeis de gerir pois exigem documentação fisica arquivada por muitos anos. Isso tambem requer uma gestão mais complicada e logo uma capacidade de entrega de serviços mais qualificada.

		• Toda documentação relacionada com transações realizadas por bancos correspondents • Fundamentação da decisão de não comunicação ao GIFM pelo Oficial de Comunicação de Operações suspeitas Os registos devem ser conservados em documentos originais quer por via de documentos fisicos nos primeiros 5 anos após término da relação de negócio e encerramento da conta ou por qualquer outro processo tecnológico nos termos a estabelecer pelas autoridades de supervisão no periodo remanescente. O mesmo aplica-se a intituicões não financeiras	• Toda documentação relacionada com transações realizadas por bancos correspondents • Fundamentação da decisão de não comunicação ao GIFM pelo Oficial de Comunicação de Operações suspetitas Os registos devem ser conservados em documentos originais quer por via de documentos fisicos nos primeiros 5 anos após término da relação de negócio e encerramento da conta ou por qualquer outro processo tecnológico nos termos a estabelecer pelas autoridades de supervisão no periodo remanescente. O mesmo aplica-se a instituições não financeiras	
24	Money Laundry-Legislation Reference	Decreto 66/2014 Regime jurídico medidas de prevenção – branqueamento de capitais Lei 14/2013 anti money laundering		-
25	Drafting and enforcement	Assembleia da República		-

26	Supervisory entities of all financial institutions	Banco de Moçambique Instituto de supervisão de seguros de Mocambique Ordem dos advogados		-
27	Suspicious transactions	Art 18 14/2013 As instituições financeiras e as entidades não financeiras devem submeter de imediato uma comunicação ao GIFIM sempre que suspeitem ou tenham motivos para suspeitar que fundos ou bens são produtos de actividade criminosa: Todas as transações em numerário iguais ou superiores a duzentos e cinquenta mil (250) meticais ou equivalente e todas transações de valor igual ou superior a 750 mil meticais ou equivalente		N/A
28	Consumer protection – legislation reference	Aviso 2 GBM/2018		
29	Consumer protection rules	Os agentes bancários são obrigados a manter segilo de todas as operações realizadas pelos seus clientes em nome da instituição contratante.	-	-
30	Consumer protection governing bodies	Unidades de atendimento de reclamações das Insituições de Crédito e Sociedades Financeiras Banco de Moçambique Centros de arbitragem conciliação, mediação de conflito O instituto do consumidor Associações de consumidores Tribunais Judiciais - (Aviso2 art 6)		N/A
31	E-money legislation reference	Decreto 56/2004		
	Who is responsible for policy making and enforcement?	Banco de Moçambique		N/A

	Who can issue e-money? Can nonbanks issue e-money?	56/2004 artg 58 Além das instituições de moeda electrónica os bancos também podem emitir moeda electrónica. Banco de Moçambique, pode autorizar outras, instituições de crédito que apresentem condições financeiras e técnicas adequadas a emitir moeda electrónica.	Dificuldades na gestão dos reembolsos e conversão de moeda electrónica em dinheiro e notas o que traz problemas de liquidez para os agentes bancários e não bancários
	E-money issuance subject to regulation as a banking activity?	Além das instituições de moeda electrónica os bancos também podem emitir moeda electrónica. Banco de Moçambique, pode autorizar outras, instituições de crédito que apresentem condições financeiras e técnicas adequadas para emitir moeda electrónica. 56/2004 artg 58	
32	Payments System Legislation reference	Aviso 2/GBM/2015 Ligação a rede única Aviso 2 GBM/2014 Regulamento disponibilização de produtos e serviços de pagamento electrónico	
	What body is responsible for regulation/supervision of payment service businesses?	Hiring institution and Bank of Mozambique	N/A
	Are payment service providers subject to registration, licensing and/or supervision? If so, are there categories of payment service providers subject to different levels of licensing, registration or supervision?	Payment services offered by credit institutions don't require any other registration licensing or supervision other than the one required for the constituency of the institution as per article 13 of Lei 9 / 2004- lei das instituições de crédito e sociedades financeiras & Decreto 56/2004 art 3	N/A

	What are the requirements (in particular, prudential requirements such as minimum capital and liquidity) to operate as a payment service provider?	Artg 7 decreto 30/2014 As instituições de crédito as sociedades financeiras autorizadas a prestar serviços de pagamento electrónico incluíndo serviços financeiros móveis devem ter os respectivos sistemas de gestão de operações bancárias ligadas a uma rede única comum e partilhada de pagamentos electrónicos de ambito nacional instituida nos termos estabelecidos pelo Banco de Mocambique a quem compete igualmente definir os tramites e as condições da referida ligação incluindo os prazos de adequação relativamente as instituições de crédito e sociedades financeiras já em actividade.	N/A
	What is the maximum time allowed before a payment must be available to a recipient?	Depende da natureza da transação de for necessário um depósito a transação e feita em tempo real mas se envolver uma transferencia pode levar mais de 24 horas.. (Not in the legislation)	Esta é uma medida prudencial que reduz o risco de fraudes.