

THE MM4P STORY OF DIGITAL FINANCIAL SERVICES IN MALAWI

The journey of MM4P in the warm heart of Africa

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US\$320

Gross domestic product per capita¹
(2nd lowest in the world in 2016)

71%

Poverty headcount ratio
US\$1.90 a day²



0.476

Human Development Index³
(170th out of 188)

84%
Percentage rural
population⁴



17.8m

Total population⁵

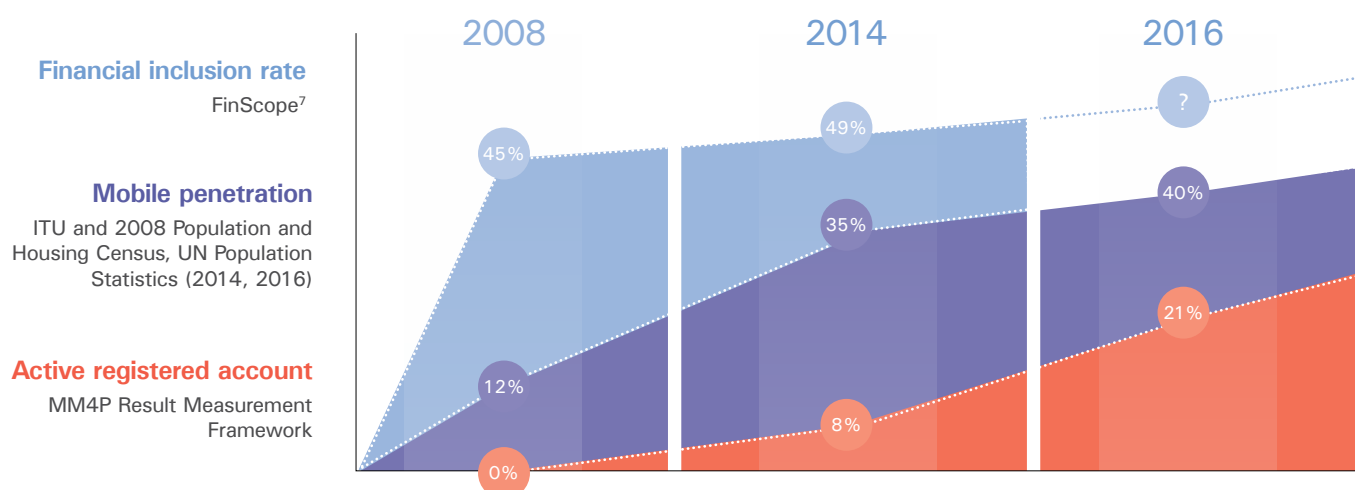


9.8m

Adult population⁶

A vulnerable country...

...where financial inclusion matters



¹ Malawi has the lowest gross domestic product per capita of any country in the world, based on 2016 World Bank data. World Bank, 2016

² World Bank, 2010

³ Human Development Report, 2016

⁴ World Bank, 2016

⁵ UN Population Statistics, 2016

⁶ Ibid

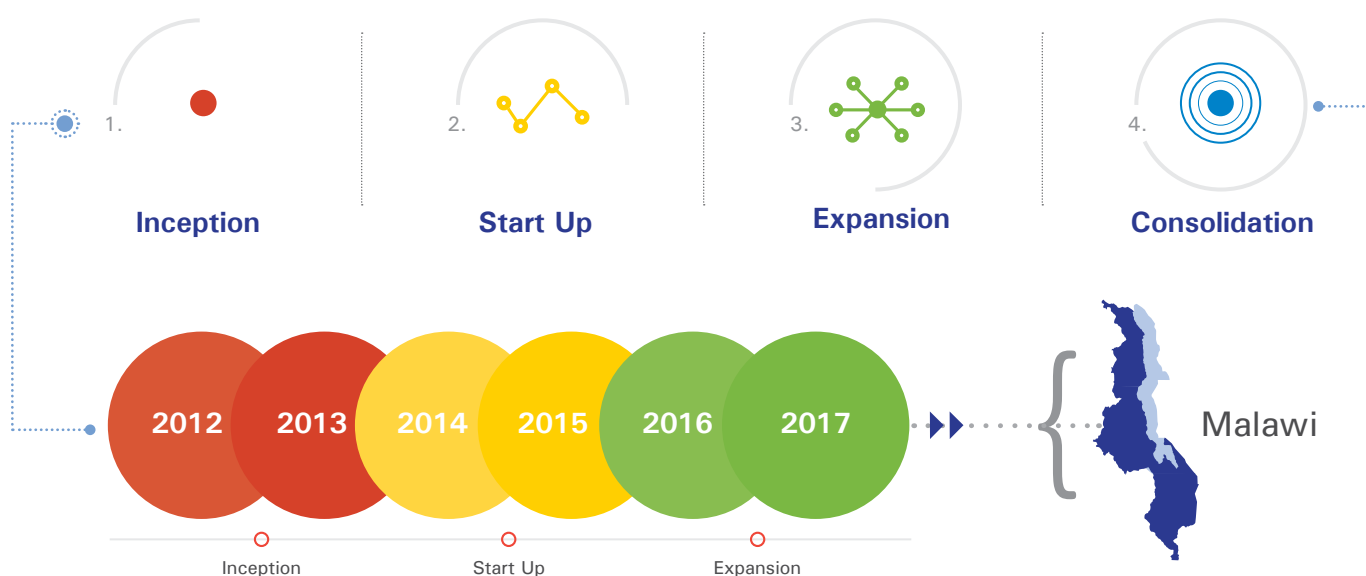
⁷ FinMark Trust, 2014; The [FinScope Consumer Survey](#) defines financial inclusion as the people that 'have/use financial products and/or services – formal and/or informal.' Source: FinMark Trust and Millennium Consulting Group, 'FinScope Consumer Survey Malawi 2014,' p. 18 (n.p., 2014).

Digital financial services market development 2012–2017

MM4P market development measurement

To determine a country's stage of digital financial services (DFS) market development, MM4P has identified eight indicators, for which it set milestones, that correspond to the four stages of development. This framework allows the programme to measure progress in the level of market development in its partner countries.

MM4P has characterized the evolution of the DFS market as having four stages:



-----○ **Inception** stage is when there are no or few DFS providers active in the market, achieving limited outreach and working without clear policies or supportive DFS infrastructure.



-----○ In **Start Up** stage, one or a few DFS providers offer basic 'first generation' products, available through a proprietary network of agents. Providers reach a moderate number of customer registrations, but there is low customer activity other than airtime top-ups. Regulatory issues begin to be resolved during this stage, enabling a greater range of products and agents.

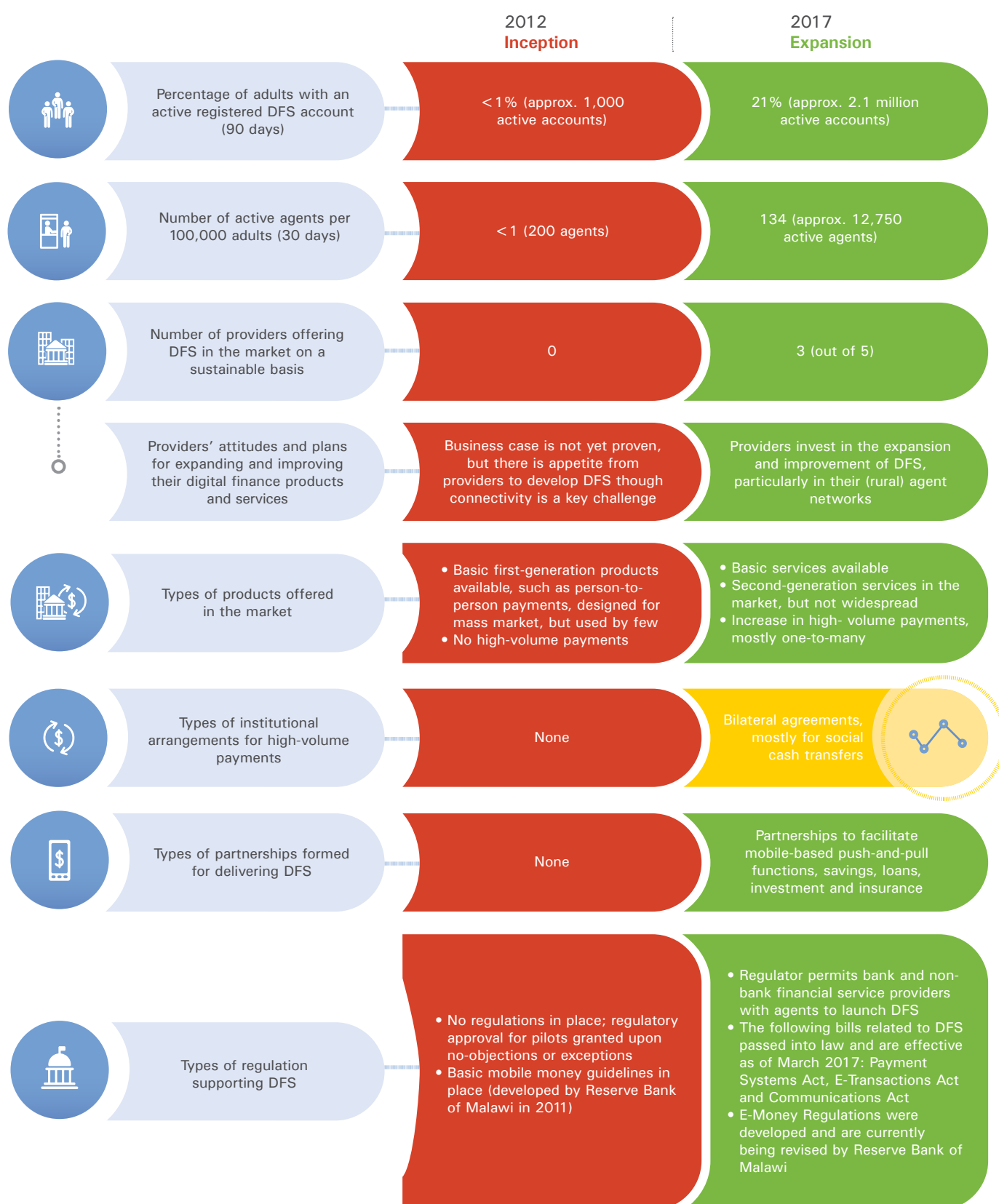


-----○ In **Expansion** stage, DFS providers start massive expansion. More advanced DFS are offered, the use of high-volume payments increases, and partnerships for distribution emerge. The regulator offers clear guidance and regulation on key issues.



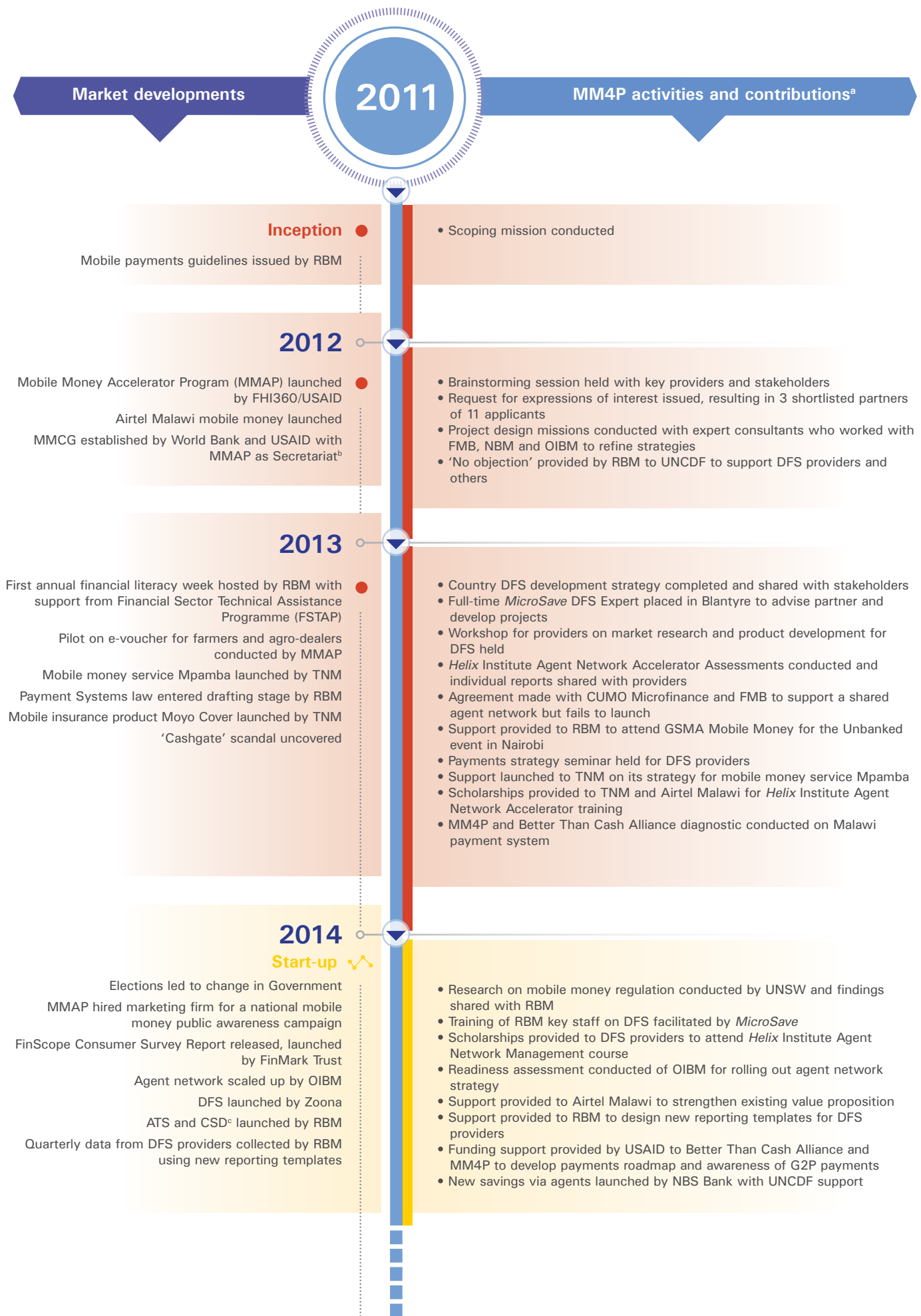
-----○ **Consolidation** stage is when a market has a range of competitive actors and services that are clearly regulated and interconnected. More than 35% of the adult population is actively using DFS.

Market development in Malawi: 2012–2017



Source: MM4P Result Measurement Framework, 2017

Digital financial services market development timeline



2015

NatSwitch launched by BAM and RBM
National Taskforce on Electronic Payments (NTEP) established by RBM to acceleration usage of electronic payments
Legal and regulatory framework for financial consumer protection developed by FSTAP

- Training for key providers on innovations for rural DFS agents facilitated by *Helix* Institute
- Making Access Possible (MAP) study report finalized by Cenfri, FinMark Trust and UNCDF
- Six representatives from MSB, NBS Bank, OIBM and TNM participated in MM4P conference #DFSgoRural to learn sustainable strategies to serve rural customers
- DFS Expert placed at MoF to support digitization of payment system
- Support provided to RBM and Zoono on Zoono licensing
- Exposure visit for key government stakeholders to South Africa conducted on digitization of government payments
- Support provided to Airtel Mobile Money to improve its agent network
- MM4P served as Chair of DFSCG^d

2016

Expansion

Mobile-based loan service Kutchova launched by Airtel
Mobile-based investment service Mpamba Fesa launched by TNM
Study on Assessment of DFS Regulatory Environment conducted by MMAP

- UNCDF and NBS Bank workshop on downscaling in Malawi through agent banking conducted with nine African partners
- Key staff from DFS providers chosen to attend DFI Digital Money course
- With USAID and FHI360, local government payments to chiefs identified and piloted in two districts
- Four representatives from Airtel Money and TNM participated in MM4P conference #DFS4Women to better understand how to leverage assets of women in DFS

2017

Expression of interest provided by Airtel, TNM and Zoono to adopt human-centred-design approach to employ women agents and foster women's financial inclusion
Payment Systems, Communications and E-Transactions Acts passed
Directive on interoperability developed by RBM
National Financial Inclusion Strategy 2016–2020 launched

- MM4P served as Secretariat of DFSCG^e
- With USAID and MoF, Malawi Government Payments Roadmap launched
- Better Than Cash Alliance peer exchange visit to India conducted on digitizing social protection payments
- Technical assistance provided to Airtel to improve quality of recruitment, retention and management of its agent networks
- Oxford Faculty of Law assignment made with RBM to assess functional risks of DFS

^a See annex 1 for details on workshops, events and exposure visits supported by MM4P, annex 2 for details on scholarships for trainings provided by MM4P, annex 3 for details on publications made by MM4P, annex 4 for details on technical assistance agreements made and other support provided by MM4P.

^b The Mobile Money Coordinating Group, or MMCG, was renamed Digital Financial Services Coordinating Group, or DFSCG, in 2015.

^c The Automated Transfer System, or ATS, is used for settling and clearing digital transactions efficiently. The Central Securities Depository, or CSD, facilitates electronic settlement of primary issues of government securities, RBM open-market operations and interbank money-market operations.

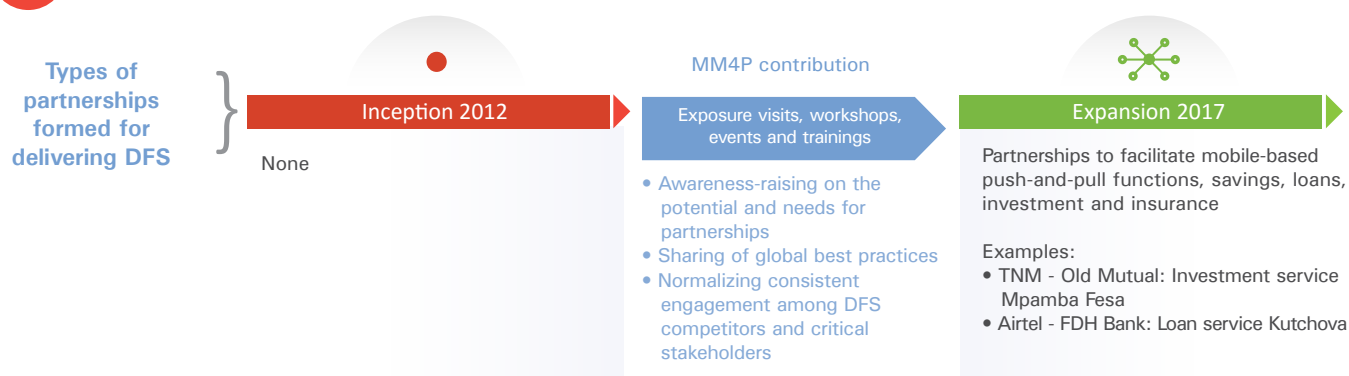
^d *ibid.*

^e *ibid.*

MM4P activities and contributions by workstream: 2012 – 2017



Ecosystem Development



1 Supported the **DFS Coordinating Group (DFSCG)**, which is a platform for DFS providers to collaborate and speak with one voice, share experiences and best practices, and explore new partnership opportunities despite competition. Examples of new partnerships are the TNM - Old Mutual investment service Mpamba Fesa and the Airtel - FDH Bank loan service Kutichova. DFSCG also enhances DFS knowledge and skills of participants through workshops. MM4P has actively participated in the group since its inception in 2012 and acted as its Chair from January to December 2016. MM4P was the DFSCG Secretariat in 2017. Key outcomes of DFSCG include the following:

- Workshop on ecosystem approach in the development of the DFS market (March 2017)
- Collective feedback to Reserve Bank of Malawi (RBM) on the draft directive on interoperability (March 2017)
- Workshop on Southern African Development Community Mobile Money Guidelines (August 2017)
- Publication of a white paper on DFS price transparency and awareness (December 2017)

Facilitated the participation of government and private-sector representatives in **conferences and workshops** to introduce the DFS ecosystem and best practices to the industry. This action has resulted in both private-and-public-sector actors working together on new initiatives (e.g., including regulatory approvals for pilots based on no-objections, digitizing government payments, and increasing the number of women customers, agents and tellers).

3 Provided **scholarships** to the *Helix* Institute of Digital Finance and Digital Frontiers Institute (DFI) for government and private-sector representatives, increasing the depth of knowledge of each other's challenges and priorities beyond their respective 'piece of the DFS puzzle.'

UNCDF-MM4P has provided us with great support that has demonstrated how a correct mix of strategies can help build a robust DFS ecosystem that can reach out to low-income people in our country. We really appreciate their support and look forward to a continued cordial working relationship. (*Charles Kamoto, Managing Director, Airtel*)

UNCDF has been very instrumental in the development of DFS in Malawi through various initiatives, which include but [are] not limited to sensitization and capacity-building workshops and meetings for various key stakeholders in Malawi. UNCDF has also been at the core of the formation of a DFS Coordinating Group, where key industry players involved in DFS meet and brainstorm and strategize on how to increase the uptake of DFS in Malawi. (*Henry Silika, Director of Telecommunications, Malawi Communications Regulatory Authority [MACRA]*)

The MM4P programme contributed [to] enhancing dialogue and coordination among DFS providers and other stakeholders through its support to the DFS Coordinating Group. (*Ambrose Mzoma, Director of the Pensions and Financial Sector Division, MoF*)

UNCDF through the MM4P programme significantly assisted TNM uncover pertinent ecosystem deficiencies that had previously been overlooked and to take corrective measures. (*Ernest Kalomba, Mobile Money Business Development Manager, TNM*)

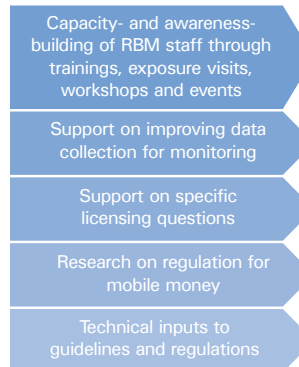


Policy and Regulation

Types of regulation supporting DFS



MM4P contribution



Expansion 2017



- 1 Provided technical inputs to the development of the Payment Systems Act, E-Money Regulations and Directive on Interoperability, contributing to the establishment of a **regulatory framework** for the delivery of DFS.
- 2 Provided **in-house capacity-building** to relevant officials at RBM Payments, Banking, and Microfinance and Capital Markets divisions on the regulation and supervision of DFS, as well as to officials charged with financial sector policy and reform from the telco regulator MACRA and MoF, which helped drive changes in policy.
- 3 In partnership with Better Than Cash Alliance, placed an **in-house adviser** with MoF to move forward government-to-person (G2P) payment initiatives and the Payments Roadmap.
- 4 Facilitated government representatives' (MoF and RBM) participation in the Better Than Cash Alliance **Peer Exchange** in the United Republic of Tanzania on regulation and the role of government in DFS.
- 5 Provided **academic legal research** on mobile money regulations by the University of New South Wales and Oxford Faculty of Law, identifying regulatory challenges for DFS and providing recommendations to protect consumers' funds.
- 6 Provided technical assistance to RBM to design new reporting templates for banks and mobile network operators, and provided a **tool for easier, improved collection and analysis of market-level data** for policy decision-making.



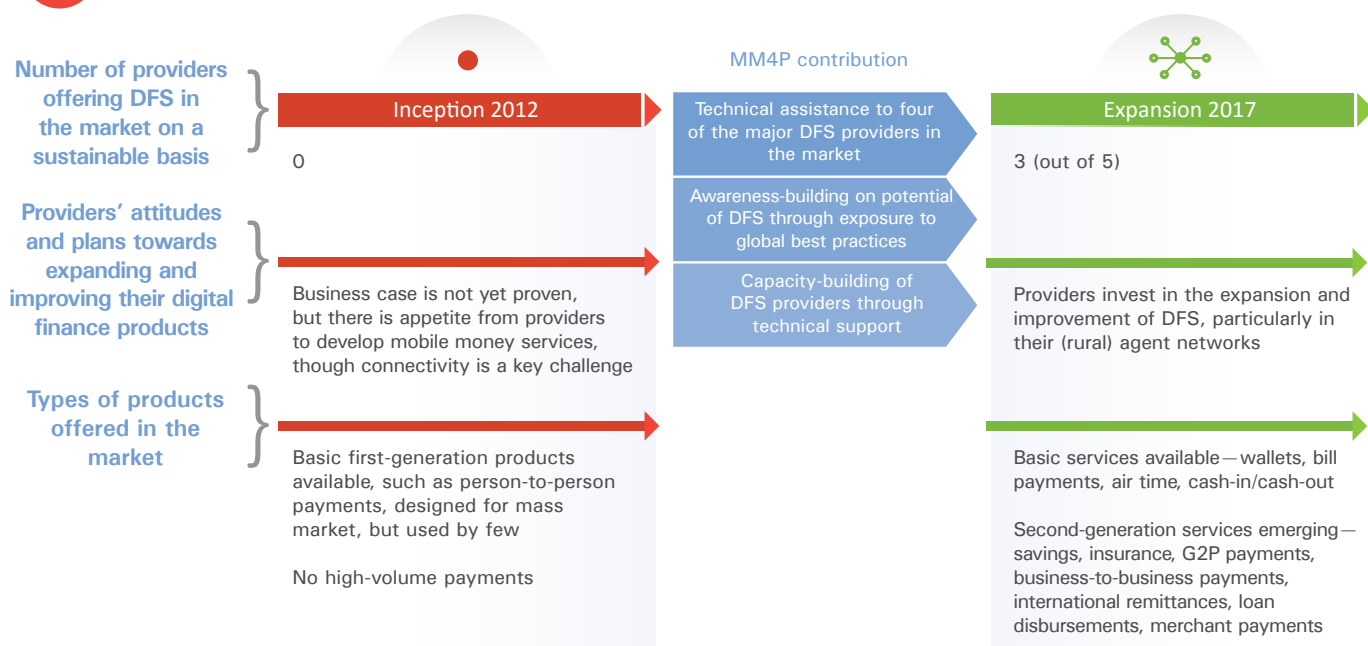
In partnership with UNCDF, the data collection template was designed and adopted, which has enabled the Reserve Bank of Malawi to collect comprehensive data from its stakeholders, thereby providing a powerful tool for tracking developments in DFS and hence implement[ing] appropriate policy interventions. (*Fraser Mdwazika, Director of National Payments Systems, RBM*)

UNCDF-MM4P, in collaboration with the Better Than Cash Alliance, supported the first-ever research to determine [the] status of electronic payments in Malawi. The findings of the research have helped [the] Government take necessary policy steps in the journey to digitization of payments. (*Ambrose Mzoma, Director of the Pensions and Financial Sector Division, MoF*)





Providers



1 Provided **scholarships** to key staff of Airtel, Malawi Savings Bank (MSB), OIBM and TNM to attend the *Helix Agent Network Management* course and the DFI **Digital Money** course.

Conducted a **workshop on Demand for Branchless Banking and Mobile Financial Services**, increasing the capacities of providers to develop and deliver financial products suitable for branchless banking and mobile-based financial services beyond first-generation services.

3 Conducted a **seminar on Executive Payments Strategy**, which was organized for key DFS providers and stakeholders to motivate the development of a payments strategy taking a client-centered approach.

Provided **technical assistance to TNM** to develop the strategy for the mobile money service Mpamba, helping improve marketing and communications plans, agent training materials, staff training, and customer and channel satisfaction measurement tools.

5 Provided technical **assistance to Airtel to increase** staff knowledge around DFS and to improve marketing and communications on DFS as well as the management information system.

Provided **technical assistance to MSB⁸, OIBM⁹ and First Merchant Bank (FMB)** to build a business case for developing and implementing a branchless banking DFS offering in partnership with mobile network operators.

When Opportunity International Bank of Malawi just started rolling out DFS through bank-led mobile payments and agent banking, MM4P supported the bank to conduct a readiness assessment and training of staff that ensured smooth take-off of the initiative. (*Wilson Moleni, former Chief Operating Officer, Opportunity International Bank of Malawi [OIBM]*)

UNCDF-MM4P supported the development of an effective TNM Mpamba marketing strategy and training on process mapping, which helped to streamline processes. (*Reuben Kocherani, Manager of Distribution, TNM*)

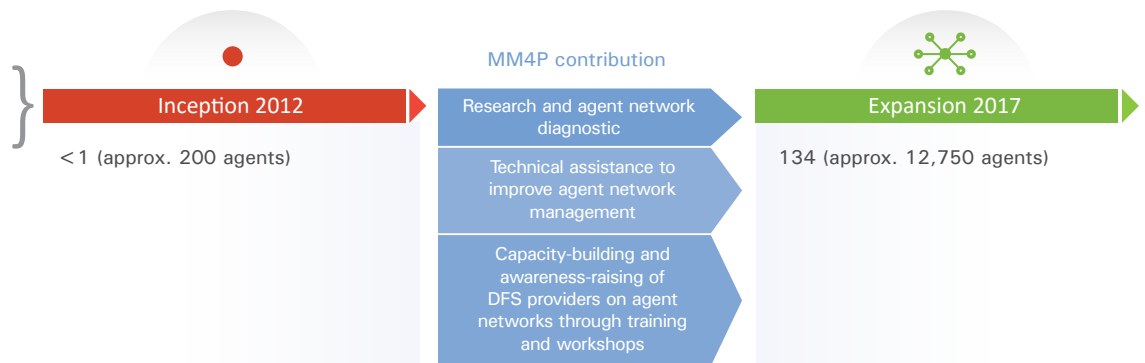
⁸ Malawi Savings Bank was later bought by FDH Bank.

⁹ OIBM was acquired by FMB.



Distribution

Number of active agents per 100,000 adults (30 days)



1 Conducted **Agent Network Assessment** for Airtel, OIBM and TNM to enhance stakeholders' understanding of the status quo and to provide tailored recommendations on how to improve their agent networks.

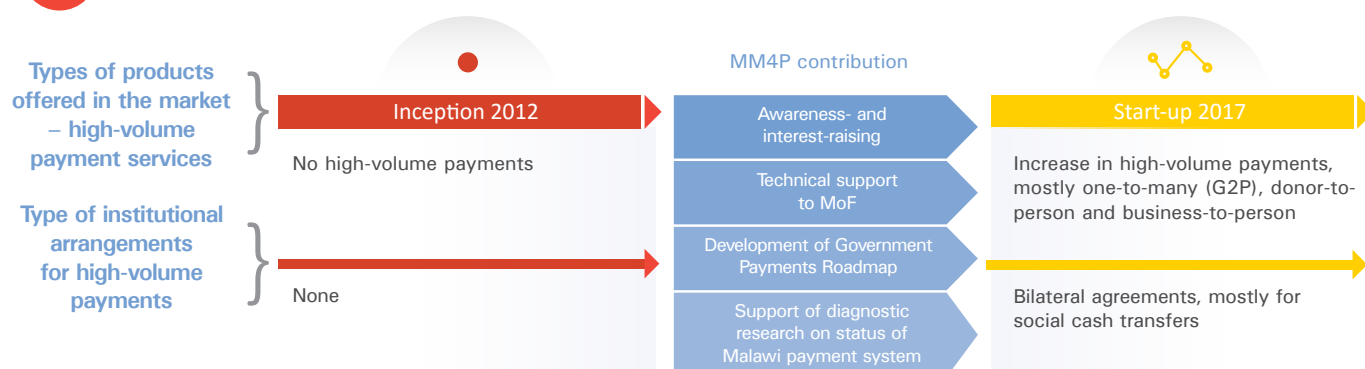
Facilitated in-country **Helix training on Innovations for Rural DFS Agents** to increase providers' knowledge on pro-innovation design and business modelling for DFS, product pricing and agent compensation, agent selection and onboarding, agent monitoring and support, as well as liquidity and fraud management.

3 Provided **technical assistance to Airtel** to improve the management of its agent network, with 6 out of 11 tools immediately deployed across the network with measurable improvement of the agent network management process, performance and compliance. Airtel also reported more effective communication across the organization.

Through the introduction of trade monitoring tools and training of key sales staff, service delivery improved and also enabled the sales team to be more focused in their approach to expansion strategies. (*Charles Kamoto, Managing Director, Airtel*)



High-volume payments



1

Conducted **trainings and workshops** to raise awareness and interest of key providers and stakeholders about the potential behind increasing high-volume payments.

2

Facilitated government representatives' (MoF, RBM, Ministry of Gender, Children, Disability and Social Welfare, and Ministry of Local Government and Rural Development) participation in **exposure visits** to India and South Africa on digitizing G2P payments with the Better Than Cash Alliance via its Peer Exchange initiatives, leading to digitization projects.

3

In partnership with the Better Than Cash Alliance, placed an **in-house DFS Expert** at MoF during 2015–2016, which ultimately brought together the Government, providers and other donors to pilot the digitization of honoraria payments to traditional chiefs.

2

Launched the **Government Payments Roadmap** in collaboration with MoF, providing a framework for digitization of government payments.

4

The '**Development Results Focused Research Program—Country Diagnostic: Malawi**' by the Better Than Cash Alliance provided critical information on the state of the transition to electronic payments.

UNCDF through its MM4P programme helped build capacities of relevant government officials to appreciate policy implications on digitization of payments through training, workshops and study tours. Technical support provided in developing the Government Payments Roadmap was very critical in that it has provided a strategic framework that Government and other stakeholders should undertake to accelerate digitization of payments. (*Ambrose Mzoma, Director of the Pensions and Financial Sector Division, MoF*)



Customers

Percentage of adults with an active registered DFS account (90 days)



Inception 2012

< 1% (approx. 1,000 active accounts)

MM4P contribution

Identifying barriers to customer adoption and supporting client-centred approaches

Support for international conferences on reaching women and rural customers



Expansion 2017

21% (approx. 1.8 million active accounts)

1 Conducted a study with FinMark Trust on **Savings in Malawi**¹⁰ that identified the main challenges and opportunities for the expansion of savings.

Hosted two international conferences with six private-sector representatives on going rural (2015 **#DFSgoRural**) and four on serving women customers (2016 **#DFS4Women**). They resulted in two projects on agent strengthening in rural areas, as well as two projects on using a human-centered-design approach to foster employment of women in the DFS sector and women's financial inclusion.

2

Airtel learned and appreciated the barriers that women face in DFS. We also learned how we can overcome such barriers and penetrate this segment with DFS. (*Charles Kamoto, Managing Director, Airtel*)

Market analysis and strategy performed jointly with MM4P helped TNM to effectively target specific customer segments with relevant products and services. Process mapping training really helped to improve efficiency of back-office operations, and streamlined customer and agent transactional menus. (*Reuben Kocherani, Mpamba Agent Network Manager, TNM*)

UNCDF through its MM4P programme contributed significantly to the increase in adoption and usage of DFS through various forms of technical assistance to key providers. (*Ambrose Mzoma, Director of the Pensions and Financial Sector Division, MoF*)

¹⁰ See FinMark Trust, '[Understanding the challenges and opportunities in promoting savings among low income individuals in Lesotho, Malawi and South Africa](#)' (n.p., November 2013).

The story continues...

Success is not self-evident. The road from 2012 to 2017 has been hilly and winding, with devaluations, delayed launches, frozen donor funds, cancelled projects and failed partnerships. In November 2014, an independent review of work by UNCDF in Malawi noted 'a premature end to MM4P activities ... would undoubtedly affect the sustainability of results to date: mobile money in Malawi is currently at a fragile stage in its trajectory, with a rising risk of stalling.'

At the end of 2017, both the demand for and the supply of DFS are now on a fast track. There is a saying that 'success has many parents while failure is an orphan.' There are many significant contributors to the recent success in Malawi with whom MM4P has had the privilege to work, most of all the Malawian people themselves who are now beginning to embrace this new way of managing their money. MM4P gratefully acknowledges everyone's contributions to this effort.

There are still several major barriers to advancing the financial resiliency of Malawians through DFS. Some of those barriers are being addressed by donor funding, but many are not. If these challenges are not overcome, the growth trend could easily plateau and become a case study of 'what could have been,' especially for those traditionally underserved and in rural areas.

MM4P hopes to continue its 5-year tradition of being an honest, trusted broker in Malawi in the DFS ecosystem. Counting on partnerships with donors and other stakeholders on the ground, MM4P looks forward to applying the ecosystem development approach through the following efforts:

- Helping smallholder farmers and urban migrants access financial services through digital means by helping DFS providers find sustainable ways to serve rural populations.
- Facilitating women's financial inclusion and consequently bettering socio-economic opportunities.
- Helping youth to build brighter economic futures, whether it be by building digital businesses or simply using digital services to find good work for fair pay.
- Supporting the Malawian Government and the regulatory ecosystem to keep up with global fintech regulatory trends, complementing the National Financial Inclusion Strategy, following the Payments Roadmap and improving innovative methods of databased decision-making.
- Building on these digital 'rails' to provide the critical services, such as quality education, health and energy, that people need to attain their sustainable development goals.

The programme is excited to move forward to the next breakthrough, and to share the story of DFS in Malawi with others.

Annexes

Annex 1:**Workshops, events and exposure visits**

Date	Description	No. of people	Institutions
Jun 2013	Workshop on Demand for Branchless Banking and Mobile Financial Services – Blantyre	37	20 financial service providers and other stakeholders
Jul 2013	Executive Payments Strategy Workshop – Blantyre	16	Key providers and stakeholders
Apr 2015	Malawi Digital Payments Ecosystem Induction Course – Lilongwe	20	Government ministries and departments, MACRA, Malawi Revenue Authority (MRA) and RBM
Apr 2015	G2P Payments Training for Government Stakeholders – Lilongwe	49	DFS providers and stakeholders
Aug 2015	G2P Payments Training for Government Stakeholders – Lilongwe	18	Government ministries and departments, MACRA, MRA and RBM
Nov 2015	Better Than Cash Alliance Peer Exchange – South Africa	5	Government ministries and RBM
Dec 2015	Conference on Regulating the Revolution: Rethinking the Regulation of Digital Financial Services	2	RBM
Mar 2017	Government Payments Roadmap Launch	39	Government ministries, DFS providers and stakeholders
Mar 2017	DFSCG: Workshop on Interoperability and Ecosystem Approach to DFS Development	17	DFSCG members
Aug 2017	DFSCG: Workshop on Southern African Development Community Mobile Money Guidelines	14	DFSCG members
Sep 2017	Better Than Cash Peer Exchange – India	2	MoF and RBM

Annex 2:**Trainings and scholarships**

Date	Description	No. of people	Institutions
Mar 2014	Training of Trainers on Branchless Banking and Mobile Financial Services – Blantyre	12	RBM staff
Mar 2014	Core Agent Network Accelerator Training Course – Nairobi	7	Airtel, MSB, OIBM and TNM
Feb 2015	Innovating for Rural DFS Agents in Malawi Training – Lilongwe	18	Airtel, FHI360, FMB, MoF, MSB, NBS Bank, NBM, OIBM, RBM, TNM and Zoona
Oct 2016	DFI Digital Money Course	12	MoF, MSB, RBM and TNM
Oct 2017	DFI Digital Money Course	10	Airtel, FDH Bank, FINCA, MACRA, MoF, MRA, RBM, TNM and Zoona

Annex 3: Publications

Date	Publication title
Nov 2013	Understanding the challenges and opportunities in promoting savings among low income individuals in Lesotho, Malawi and South Africa
Mar 2014	The Regulation of Mobile Money in Malawi: Project Report
Jun 2014	Developing successful agent networks in Malawi
Jan 2015	Digital Financial Services in Malawi: Developing customer-centric strategy for digital financial services
Mar 2015	Development Results Focused Research Program—Country Diagnostic: Malawi
Dec 2015	Malawi Annual Monitor 2015
Mar 2017	Government of Malawi Payments Roadmap
Dec 2017	Digital Financial Services Price Transparency and Awareness in Malawi

Annex 4: Technical assistance agreements and other support

Start date	End date	Technical assistance agreement	Institutions
Jun 2013	Nov 2013	To conduct a study of savings in Malawi	FinMark Trust
Aug 2013	April 2014	To support TNM Mpamba to strengthen its current agent network and to improve activity rates for agents and customers	TNM
Oct 2013	Dec 2015	To identify and analyse fundamental legal and regulatory problems in mobile money regulation	RBM
Jan 2014	Dec 2016	To set up right processes and tools within RBM to collect financial inclusion data	RBM
Mar 2014	Dec 2014	To conduct an assessment of OIBM to understand the preparation required to set up its own agent network	OIBM
Apr 2014	Sep 2014	To support MSB to develop business case for DFS	MSB
Feb 2014	Dec 2017	To support Airtel Money to strengthen its current agent network and to improve the activity rates of customers and agents	Airtel
Oct 2015	Jun 2016	To help Airtel Money improve its agent network	Airtel
Oct 2017	Jun 2018	To leverage gender balance for Malawian DFS Providers Project	TNM
Oct 2017	Jun 2018	To leverage gender balance for Malawian DFS Providers Project	Zoona

Annex 5: Interviews

Institution	Date	Place	Channel
Airtel	Mar 2017	Lilongwe, Malawi	Annual Provider Survey
MACRA	Oct 2017	Blantyre, Malawi	Email
MoF	Oct 2017	Lilongwe, Malawi	Email
OIBM	Oct 2017	Tete, Mozambique	Email
RBM	Oct 2017	Lilongwe, Malawi	Email
TNM	Mar 2017	Blantyre, Malawi	Annual Provider Survey


Annex 6: Acronyms and abbreviations

Acronym	Abbreviation
ATS	Automated Transfer System
CSD	Central Securities Depository
DFI	Digital Frontiers Institute
DFS	digital finance service(s)
DFSCG	Digital Financial Services Coordinating Group
FMB	First Merchant Bank
FSTAP	Financial Sector Technical Assistance Programme
G2P	government to person
MACRA	Malawi Communications Regulatory Authority
MMAP	Mobile Money Accelerator Programme
MMCG	Mobile Money Coordinating Group
MoF	Ministry of Finance, Economic Planning and Development
MRA	Malawi Revenue Authority
MSB	Malawi Savings Bank
NatSwitch	National Switch
NBM	National Bank of Malawi
OIBM	Opportunity International Bank Malawi
RBM	Reserve Bank of Malawi
TNM	Telekom Networks Malawi
UNCDF	United Nations Capital Development Fund
USAID	United States Agency for International Development

The MM4P programme launched in 2012 in Malawi as the first focus country because UNCDF saw that the gains in DFS were not reaching the least developed countries. MM4P was created to demonstrate how the correct mix of financial, technical and policy support can build a robust DFS ecosystem that reaches low-income people in these countries. In doing so, it has helped accelerate growth in several countries, identified some of the levers to help markets develop and supported efforts to reach the last mile.

For more information, please contact Nandini Harihareswara, Regional Technical Specialist, UNCDF-MM4P at nandini.harihareswara@uncdf.org

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