

IFC Mobile Money Scoping Country Report: South Sudan

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Scoping Mission Dates: April 23-27, 2012

In the first half of 2012, IFC undertook a series of six mobile financial services (MFS) market scoping studies across Sub-Saharan Africa to identify two countries in which it will provide broad and deep support to accelerate the uptake of branchless banking services. The countries included in this analysis were Rwanda, South Sudan, Liberia, Sierra Leone, Nigeria, and Cote d'Ivoire. These countries were chosen for the study because MFS were nascent, markets were difficult to reach, or other factors presented unique challenges. The South Sudan mission was undertaken from April 23rd to 27th, 2012.

This deck summarizes the non-confidential findings that were obtained by IFC during the scoping mission. It provides a brief perspective on regulations, financial market, telecom market, and mobile financial service implementations.

About The MasterCard Foundation Program

IFC and The MasterCard Foundation (MCF) entered into a partnership in January 2012 focused on accelerating the growth and outreach of microfinance and mobile financial services in Sub-Saharan Africa. The partnership aims to leverage IFC's expanding microfinance client network in the region and its emerging expertise in mobile financial services to catalyze innovative and low-cost approaches to expanding financial services to low-income populations.

The Partnership has three Primary Components

Microfinance

Through the partnership, IFC will implement a scaling program for microfinance in Africa. The primary purpose of the Program is to accelerate delivery of financial services in sub-Saharan Africa (SSA) through the significant scaling up of between eight and ten of IFC's strongest microfinance partners in the region. Interventions will include product and channel diversification into underserved areas.

Mobile Financial Service

IFC and The MasterCard Foundation see tremendous opportunity to use agent and mobile banking strategies to accelerate the delivery of financial services to the poor. The partnership will (i) work in two nascent markets to accelerate the uptake of branchless banking services, (ii) work with existing providers to build deployments to scale and improve customer usage rates and (iii) identify factors that lead to robust business models that can be replicated elsewhere to profitably deliver financial services to the poor.

Knowledge & Learning

The partnership will include a major knowledge sharing component to ensure broad dissemination of results, impacts and lessons learned from both the microfinance and mobile financial services programs. These knowledge products will include topical research, rigorous monitoring of project outputs and outcomes and evaluations that attempt to establish the development impact of the intervention.

Acronyms

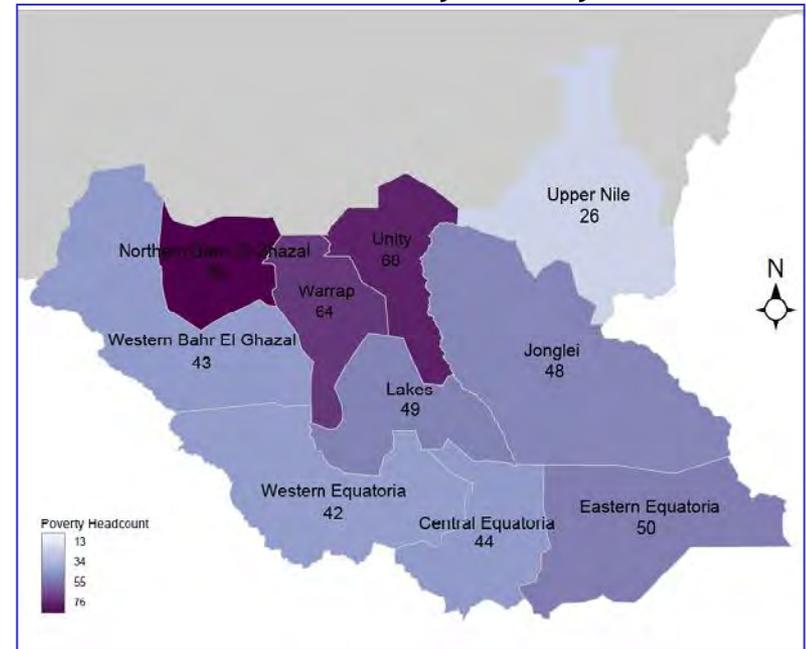
- AML Anti-Money Laundering
- B2P Business-to-Person (transfer)
- BOSS Bank of South Sudan
- CDD Customer Due Diligence
- FI Financial Institutions
- G2P Government-to-Person (transfer)
- GDP Gross Domestic Product
- IMF International Monetary Fund
- KYC Know Your Customer
- MFI Microfinance Institution
- MFS Mobile Financial Services
- MFSP Mobile Financial Services Provider
- MNO Mobile Network Operator
- P2P Person-to-Person (transfer)
- POS Point of Sale Terminal
- SSP South Sudanese Pound



South Sudan Summary

Overall Mobile Money Readiness:	3 (medium)
Current Mobile Money Solution:	No solutions
Population:	10.625 million (July 2012 est)
Mobile Penetration:	15%
Banked Population:	Negligible
Percent under poverty line:	51%
Adult Literacy:	27%
Main banks:	KCB, Equity, Ivory Bank
Mobile Network Operators:	Zain, Vivacell, MTN, GreenN, and Sudani
Ease of doing business:	178 (study of Juba)

South Sudan Poverty Rate by State



Source: Poverty in Southern Sudan: Estimates from NBHS (2010)

IFC Opportunities: Provide mobile financial services and broader payments support to the Bank of South Sudan, in an effort to overcome regulatory and capacity limitations. Facilitate workshops and dialog between stakeholders in the country to maximize sectoral understanding and agreement. Work with Equity Bank and Zain to rollout a MFS pilot, and provide guidance on strategy, agent network development, and other key aspects of the business. Facilitate Village Phone implementations with Zain, Equity Bank, and, possibly, Finance South Sudan.

Disclaimer: South Sudan, which became an independent country in June 2011, is just over 1 year old. Data availability for the market is limited. While several banks and mobile operators are active, financial service policies, regulations, and infrastructure governing the banking and payments spaces is at a nascent stage.

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Macro-Economic Overview

Key Country Statistics

- Population: 10.6 million (July 2012 est)
- Age distribution: 44.4% (0-14 years), 53% (15-64 years), and 2.6% (over 65 years)
- Urban/rural split: 22% urban (2009 est)
- GDP (PPP): US\$ 13.23 million (2010)
- GDP per capita (PPP): US\$ 1,546 (2010)
- Population below poverty line: 51%
- Economically active: Unavailable
- Literacy rate: 27% total population, females at 16%
- Banking penetration: Negligible
- Mobile phone penetration: 15%
- Remittance: (% of GDP): Unavailable

Insights

- Disputes with Sudan over oil are causing significant bottlenecks for hard currency
- Strategy to diversify to agribusiness in fertile southern provinces championed by Ministry of Finance
- Central Bank accepts United States cash from 2006, or newer, in pristine condition only - apparently due to oversight limitations and limited currency convertibility
- Combination of exchange challenges and lack of international payments systems are creating significant friction in commerce
- As a result of friction, consumers resorting to solutions; i.e, prepaid airtime transfer as an alternate currency. Cashing out minutes with a merchant fee or 10-20% is popular

Sources: Primary: CIA Factbook Website, August 2012; Secondary - Southern Sudan Commission for Census, Statistics and Evaluation, Dec 2010

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Regulatory Overview

- Bank of South Sudan (BOSS) is now developing all banking regulations and guidelines
- Financial institutions currently operate under rules instituted by the Bank of Sudan (BOS), which were updated in 2005 when BOSS was a regional branch of the BOS
- BOSS is now drafting banking and payment regulations. As of April 2012, a draft banking law developed with guidance from Deloitte Consulting is under parliamentary review
- Regulators have expressed a desire to have core payments regulation in place before expanding rules to cover branchless and mobile banking options
- Greatest challenge to accelerating development of a full suite of electronic payments and banking guidance has been the shortage of expertise
- Regulators have expressed a willingness to consider interim guidelines in areas, such as mobile and branchless banking, to accelerate development of the sector
- Interviews with representatives of banking and telecommunications sectors indicate mixed reaction to the state of regulations. Some have initiated work to begin pilots in branchless banking, mobile payments, and mobile banking; others are waiting for rules to be formalized
- National ID initiative is under discussion and scheduled to begin

Source: Access to Finance in Sudan, M. Atil, 2009; interviews conducted with BOSS and local banks

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Financial Sector Overview

- South Sudan lacks a central switch, though BOSS has expressed its intention to introduce Real Time Gross Settlements, Automated Clearing House, Securities Settlement System, and a national switch for retail payments
- Without core infrastructure and a clear directive from governing authorities, the financial sector in South Sudan is severely lacking and what exists is highly fragmented
- Electronic payment infrastructure is near non-existent, with only proprietary ATMs and debit cards available through a few banks
- Most cited short-term opportunities are in domestic and international remittances; three largest mobile operators by market share - Vivacell, MTN & Zain - all expressed strong evidence of demand based on use of airtime transfers as a surrogate currency

Source: <http://www.sudantribune.com/South-Sudan-Central-Bank-40869> (May 2012))

Bank Snapshot: South Sudan



Equity Bank

- 60,000 account
- 2,000 borrowers

- Average bank balances: \$4,500 (200,000 SSP)
- Average ATM withdrawal: \$22.50 (1,000 SSP)
- 8 branches, 3 of which are under construction
- 11 ATMs; soon to be 13, ordered 300 POS
- No mobile financial service agents
- Majority of customers either government salaried employees or foreign nationals accessing accounts in Kenya



Kenya Commercial Bank (KCB)

- 60,000 accounts
- 6,000 borrowers

- 19 branches and 19 ATMs
- Majority of customers either government salaried employees or foreign nationals accessing accounts in Kenya



Finance South Sudan

- 10,000 members
- 6,000 borrowers

- Currently an MFI with sole focus on group lending; plans to get bank license to overcome regulatory constraints on MFIs
- Branch presence in 5 of 10 states
- Plans to extend lending to Mothers Union and Episcopal Church (10,000 lending groups, with 10-20 members each)
- Members are heavily focused on small trade

Bank Snapshot: South Sudan



Nile Commercial Bank

- 6,000 Customers

- 23 branches
- ATM presence: unknown
- Bank shut in 2008; revived by BOSS



Ivory Bank

- Unknown

- 11 branches
- ATM presence: unknown



Commercial Bank of Ethiopia

- 4,000 Customers

- 2 branches
- ATM presence: unknown

BOSS rescinded some rules of the Sudan Central Bank, which had governed the region. Removing those related to Islamic banking practices, resulted in some banks leaving the South Sudan market.

MFI Snapshot

Full Name	Local Legal Status	Number of Clients	Number of Loans	Number of Deposit Accounts
BRAC Southern Sudan	NGO	25,835	17,913	
SUMI	Company ltd by Guarantee	10,824	10,284	
Finance Sudan Limited	Company ltd by Guarantee	8,755	4,472	8,755
Catholic Relief Services	Village Savings & Loan Association (VSLA)	2,049	1,065	2,049
WOYE MFI	NGO	1,351	1,034	
CARE	VSLA	1,090	567	1,090
Rural Finance Initiative	Company ltd by shares	988	963	
Frontier Microfiance Ltd	Company ltd by shares	200	148	
Christian Agenda for Development	NGO			
Financial Development Services	Company ltd by shares			
Humanitarian Assistance for Southern Sudan	NGO			

Source: MIX Market April 2012

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Mobile Overview

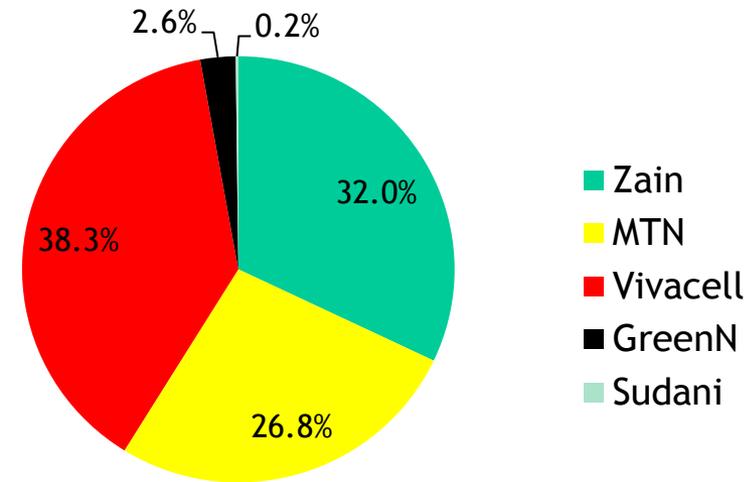
Current State

- Five mobile operators: Zain, MNT, Vivacell, GreenN, and Sudani
- Mobile penetration is low at only 15%, or 1.7 million accounts
- SIM swapping is common, as there are no enforced ID requirements for getting a SIM

Trends/Expectations

- Three mobile operators (ZAIN, MTN, and Vivacell) indicate there is a significant opportunity in domestic remittances
- They are ready and willing to participate in mobile money or banking schemes

Mobile Operator Market Share (Q1 2012)



Mobile Network Operators



Vivacell

- 597,000 subscribers
- 38.3% market share

- Believes addressable market is 1.7 million
- Agent numbers are difficult for Vivacell to estimate--they deal with only a handful of distributors who then resell retail airtime



Zain

- 499,000 subscribers
- 32% market share

- 600 agents, 175 at stationary sites in country
- Planning ZAP mobile money for South Sudan, but not yet active
- Negotiating with Equity Bank and KCB to provide access for mobile banking



MTN

- 417,000 subscribers
- 26.8% market share

- Offers E-Voucher for cash transfers to POS terminals



GreenN (Gemtel)

- 41,000 subscribers
- 2.6% market share

- No evidence of mobile banking or money services



Sudani (Sudatel)

- 3,000 subscribers
- 0.2% market share

- No evidence of mobile banking or money services

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Mobile Financial Service Activities: MNOs

*There are currently no mobile money implementations in South Sudan
There is, however, growing interest in this space*



Vivacell

- Interested and willing to participate in mobile financial service initiatives, is open to play in whatever manner BOSS permits
- Prefers not to compete with banks, would rather serve as conduit and earn revenues in a traditional communications role
- Would not reveal traffic statistics but confirmed there to be clear evidence of opportunity for domestic remittances based on minute transfer information



MTN

- Plans to use knowledge and platform from Ugandan market in South Sudan
- Software already in place, waiting for go-ahead from MTN business management to initiate activities



Zain

- Actively pursuing a provisional pilot initiative with Equity Bank, which is expected to launch in September 2012
- Interested in pursuing both an escrow account for mobile money transfers for its ZAP products, as well as links to bank accounts for mobile banking models
- Has BOSS support to begin piloting immediately
- Reports that a national ID initiative will begin, these ids will be used for the mobile money accounts; Zain intends to have agents capture photos by phones

Mobile Financial Service Activities: Banks



Equity
Bank

- Discussions with BOSS to obtain provisional license to initiate mobile banking with Zain
- Interested in providing credit to individuals wishing to participate in Village Phone
- Model depends on centralized implementation in Kenya, accessible to all its markets
- Would value regulatory support with BOSS to enable Equity Bank to proceed with a mobile banking pilot
- Interested in support to build out agent network



Kenya
Commercial
Bank

- Ready to use existing backend system for mobile banking once BOSS approval received
- Views international remittances as a good opportunity based on their existing business
- Prefers to ride the rails of an MNO mobile money service, rather than launch their own
- Focus on government salary payments—intends to extend current services to mobile
- Expressed interest in support with BOSS on regulations and pilot efforts



Finance
South Sudan

- No strategy yet for utilizing a mobile channel, but has strong desire to create
- Pursuing bank license instead of waiting for regulations to be finalized for MFIs; will also continue rural activities, which is a core focus of their business
- Wants to ride the rails of an MNO implementation for loan disbursement and payments
- Opportunity to design and test solutions for mobile with an MFI and possibly to introduce Village Phone model in rural areas with poor voice coverage

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Opportunity Overview

- South Sudan is severely lacking in electronic payments infrastructure, a situation that is compounded by difficult market conditions
- Consumers and businesses resort to high-friction practices to remit funds and growth is limited outside of Juba.
- Overcoming the multiple barriers - market, technology, and regulatory - in place today requires a long-term multi-prong strategy that:
 - ✓ Bolsters capacity at the Central Bank and encourages their support of pilots
 - ✓ Uses pilots as proof points to expand consumer awareness and increase confidence among all stakeholders in the benefits of mobile financial services
 - ✓ Leverages money transfer practices already underway, such as the use of airtime exchange to transfer value
 - ✓ Supports “transitional” solutions, such as shared phone models, that can:
 - Be viable when mobile penetration is limited
 - Prepare the market for more advanced product offerings as mobile penetration accelerates

Regulatory Opportunities

- Regulatory support represents the greatest and most time-sensitive need for South Sudan; without guidelines, market participants are not clear how to proceed
- To avoid delay, regulators are willing to develop guidelines for mobile financial services in parallel with overall efforts on the banking and payments regulations and framework
- Immediate and important opportunity to support regulator at three levels:
 - ✓ Convening workshops between market stakeholders to discuss mobile financial service issues, and to drive consensus on tactical options/actions
 - ✓ Assisting BOSS in drafting mobile financial service guidelines, as well as helping them review pilot proposals
 - ✓ Deepening involvement by working with BOSS to develop the full banking and payments regulations and framework

Public Domain Opportunities

- Expand beyond initial stakeholder workshops to develop a more formal mobile financial services consortium. This group could continue to work together to:
 - ✓ Discuss the regulatory and practical implementation aspects of mobile financial services
 - ✓ Develop joint action plans and funding strategies for market awareness campaigns
 - ✓ Craft guidelines for agent interoperability, a need that was expressed by several market participants

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Risks

- Geo-political environment is highly volatile due to unresolved matters with Sudan over territory and oil revenue sharing terms
- Self-admitted skill and capacity constraints at BOSS hinder the organization's ability to establish and govern both a functioning financial sector and the supporting infrastructure
- Proactive banks in the sector are primarily Kenyan, yet the government is keen to develop local institutions in all sectors.

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Interviews

Institution	Contact
Equity Bank	General Manager
KCB Sudan Ltd.	Corporate Relationship Mgrs
Finance SS Ltd.	Managing Director
Vivacell	Finance Director
MTN	Chief Commercial officer
Zain	CEO
Bank of South Sudan	Head of Payments