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MOBILE MONEY IN THE EBRD REGION **TAJIKISTAN CASE STUDY**

"Mobile money" is revolutionising the way millions of people around the world manage their finances and is increasingly replacing traditional over-the-counter banking and cash payment systems in a number of emerging markets. A mobile phone is now more than just a handy way of conducting business and staying in touch with loved ones. It is an essential tool for accessing financial services, sending and receiving money, paying bills, making purchases in retail stores, managing savings and even accessing credit.

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Mobile money is usually divided into three types of services: mobile banking, mobile money transfers and mobile payments. Mobile banking is a convenient channel offered by banks, which allows users to manage their bank accounts through their mobile phones. Mobile money transfer services are usually provided by remittance companies and telecommunications operators. These services allow users to transfer money domestically or internationally to, or from, a mobile phone. Mobile payments enable users to make payments using their mobile phone by drawing on funds kept in an electronic wallet.

The EBRD hosted a mobile money conference in 2013, funded by its Shareholder Special Fund and funds for the southern and eastern Mediterranean region. The event was designed to take stock of current developments in the industry and raise awareness on hurdles that need to be overcome to enable mobile financial services in the EBRD region. It was the first conference of its kind for the EBRD region and brought together experts from banks, mobile phone companies and mobile financial service consultants, who shared their experiences from different parts of the world.

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On paper, there is great potential for mobile money in the EBRD region. About 50 per cent of the current adult population in central and eastern Europe is unbanked, but most people own a mobile phone. In the Kyrgyz Republic, for example, 99 per cent of the adult population is unbanked, but 99 per cent have access to mobile phones.

For some economic actors, such as financial institutions and telecommunications operators, mobile banking is a major business opportunity because it allows them to not only lower costs, but also to increase and diversify revenue streams. For businesses, using mobile money is an opportunity to access capital and improve relationships with buyers, suppliers and customers.

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Although there are some examples of mobile technologies in the EBRD region, the development of mobile money services, such as M-Pesa, has been slow. The EBRD, keen to support this development, commissioned BearingPoint, a management and technology consultancy, to conduct an in-depth study of mobile financial services in the countries in which the Bank works. The study, which was supported by donor funds from the government of Luxembourg, was completed in December 2012, and its results were shared at the conference.

ADOPTING MOBILE MONEY IN THE EBRD REGION

According to Andreas Rindler, Partner and Head of Mobile Money Services at BearingPoint, although most of the prerequisites for mobile money are met across the region, not every country is operating at the same speed and with the same focus. Given that the majority of countries in which the Bank invests are on average smaller and less densely populated than some of the bigger countries in Africa and Asia, the EBRD region will most likely show a different growth pattern.

The study found that in order to fully exploit the market for mobile money, approaches need to be tailored to roughly three groups of countries: (i) the emerging countries (such as the Kyrgyz Republic, Moldova and Tajikistan), where the market is showing potential and where the challenge is to reach large unbanked populations; (ii) the migrators (such as Azerbaijan, Georgia and Mongolia) where the infrastructure is in place and where mobile money could be the hook that facilitates further retail growth; and (iii) the adopters (Kazakhstan, Russia and Turkey), which have more complex markets and are drivers of large-scale innovation. In Turkey, for example, all major banks and telecommunications companies have entered the mobile money race, with each bank trying to offer distinct mobile money services.

CASE STUDY – TAJIKISTAN

In 2014 the EBRD carried out a year-long technical cooperation project in Tajikistan. The project, funded by the French Finance Ministry, aimed to establish a regulatory framework for mobile financial services. As part of the project, the country's financial sector and telecommunications industry were reviewed, and the desire and ability of both financial institutions and mobile operators to provide mobile financial services was assessed.

The first set of regulatory guidelines was drawn up to address the lack of access to core financial products in Tajikistan. In a country where nearly 50 per cent of the territory is above 3,000 m and where winter divides the country into three isolated parts, enabling credit institutions and other commercial players to offer financial services outside of traditional bank branches using alternative delivery channels, such as retail agents and mobile phones, was a crucial step towards promoting financial inclusion. As a result, the regulatory framework was developed around a bank-centric approach that supported creative partnerships with other stakeholders (such as mobile operators) by providing space for these operators to participate in the distribution of financial services, with the only limitation being that non-financial institutions couldn't offer banking services without prudentially regulated financial institutions being involved, as they are the designated banking service providers. The main objective of the regulation was to allow credit institutions to transfer essential functions, such as opening accounts and taking deposits, beyond branches into service centres, remittance points, exchange offices and mobile operator agents to increase outreach and better serve the unbanked.

The second set of regulatory guidelines addressed payment gaps in Tajikistan. Establishing a nationwide payment infrastructure called for heavier involvement on the part of non-financial players, such as mobile operators and payment kiosk providers. These private organisations, which already had a strong economic incentive to establish a nationwide presence to support their core business, could now be leveraged further to promote mobile payments. The regulatory framework defined eligibility criteria and specific financial/operational requirements for such organisations to become mobile money service providers, and determined the authorised range of services.

Both regulations, when combined, provide an array of options to be pursued by financial and non-financial institutions to advance the distribution of financial services in Tajikistan. Now that the legal structure is in place, it remains to be seen whether initiatives in Tajikistan can reach the scale and pace needed to make mobile money successful in this country.