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Mobile Money: How Cell Phone Payments Could Transform the Zambian Value Chain

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Grassroots Business Fund

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Our Plan for Today

- What we do
- Who is involved
- Three value chain challenges
- How mobile banking is helping
- Q & A



What We Do



OUR PURPOSE

Create and scale up business-driven solutions to poverty

HOW WE AIM TO ACHIEVE IT

Help businesses become catalysts for economic growth and social development



Customizing Today's Delivery



- How many of you already know about...



How We Fit In



BANK OF ZAMBIA



mobile

TRANSACTIONS



CFU



ZAMACE



Retailers



Farmers



Users

3 Value Chain Challenges



1: High % of Unbanked



2: Inefficient Input Distribution



3: Limited Access to Market Pricing

Challenge 1: The Unbanked

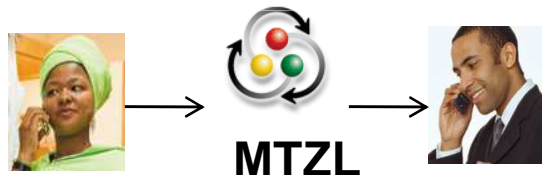


Challenge

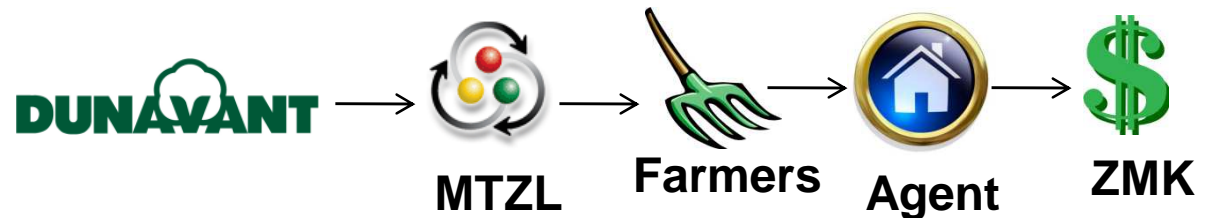
- 85% of Zambians “unbanked”¹
- Unbanked lose cash to theft & social pressure
- Money transfers & remittances are expensive for unbanked
- Outgrower companies face high costs to distribute cash to unbanked

Model

Transaction Accounts



Payment Accounts



Source: 1: Finscope™ Zambia 2005 (Access improves by 8% when MFI's are included)

Challenge 1: The Unbanked



Progress¹

>70 agents set up in 52 towns and cities since 4/1/09
1,713 transaction accounts (+/- 50 new accounts per day)
28,310 total transactions in the system as of 9/9/09
Dunavant Cotton successfully paid 750 unbanked farmers in pilot

Benefits

Users/Farmers: Reduced costs and better ability to save
Buyers: Reduced costs
Agents: Can make 3x more \$ as compared to selling airtime²

Vision

Become solution of choice for everyone paying unbanked
M-Pesa-like adoption (1 in 4 Kenyans signed up in 30 months)²
M-Pesa-like traffic (6.5M subscribers, 2M transactions/day)³

Source:

1: Mobile Transactions system data

2: <http://technology.cgap.org/2009/09/08/understanding-what-drives-profits-for-agents-m-pesa/>

3: <http://en.wikipedia.org/wiki/M-Pesa>

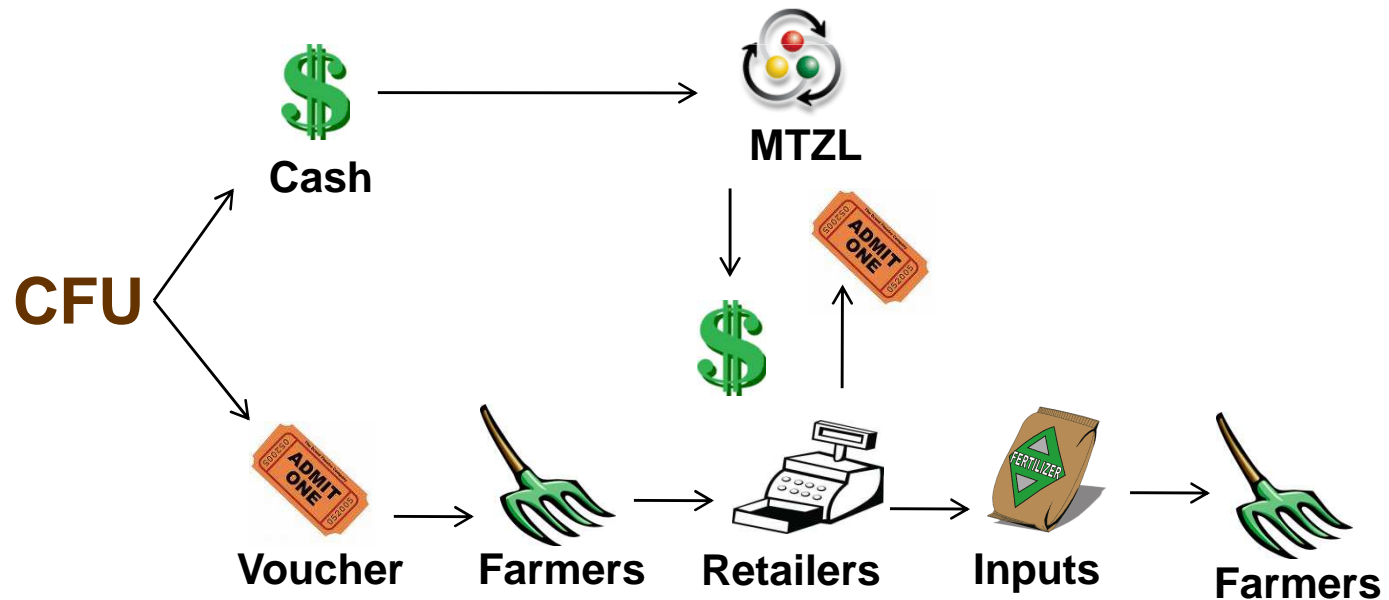


Challenge 2: Input Distribution

Challenge

- >60% of Zambians rely on agriculture for livelihood¹
- >75% of farmers are smallholders w/ limited inputs¹
- Public input subsidies detached from effective extension services
- Public input subsidies crowd out private sector

Model



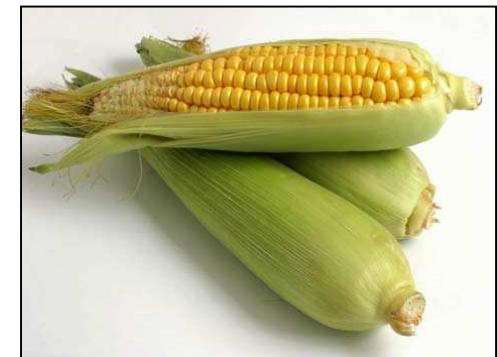
Source:

1: New Agriculturist: <http://www.new-ag.info/country/profile.php?a=879>

Challenge 2: Input Distribution

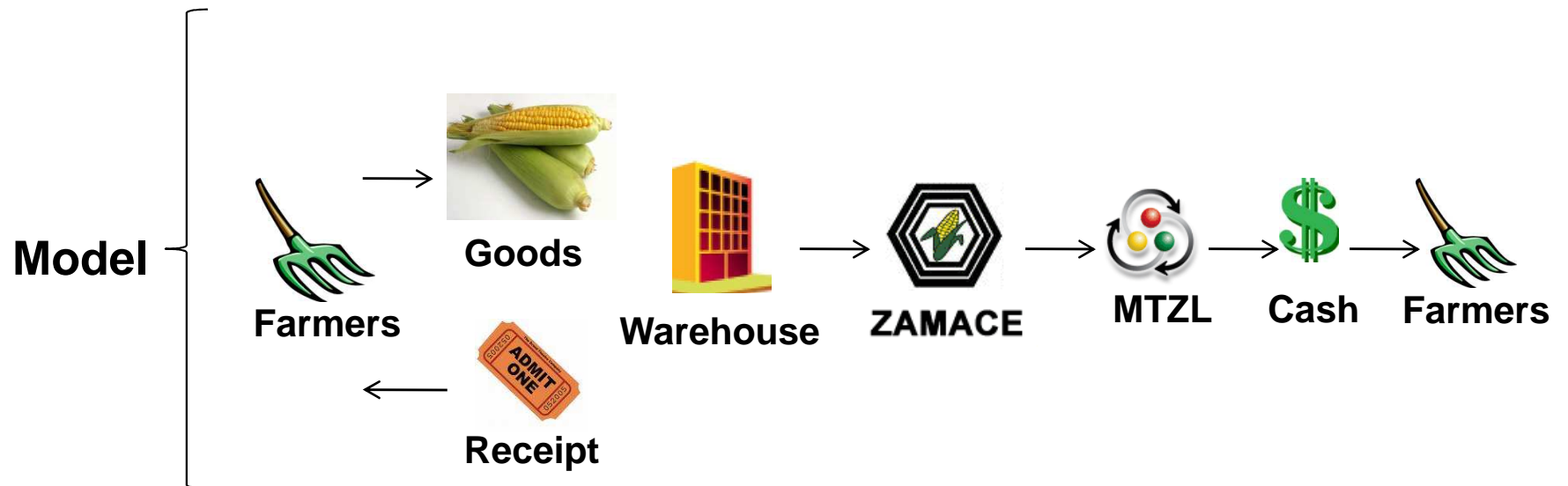


- Progress¹**
 - Voucher technology finalized using Care grant
 - CFU will issue 13K vouchers to 3,500 farmers between 9/15 & 12/15
 - WFP will issue 20K vouchers through MTZL between 10/1/09 & 4/1/10
- Benefits**
 - NGOs/Government: Better tracking, less loss & corruption
 - Retailers: Stimulation of rural input markets
 - Users/Farmers: Better subsidy and input distribution access
- Vision**
 - Voucher system becomes industry standard for NGOs
 - Government adopts e-vouchers for input subsidies (very uncertain)



Challenge 3: Market Access

Challenge {
Lack of transparency in agricultural markets
Poor market access for smallholder farmers



Challenge 3: Market Access



- Progress¹** {
 - MTZL launched semi-automated Zamace trading platform
 - 3 warehouses for farmers to deposit crops for sale on exchange
 - 35,000 tons worth 19M USD through Zamace since 2007
- Benefits** {
 - Farmers: Better price discovery, transparency & transaction security
 - Brokers: More efficient commodity procurement & better market integrity
- Vision** {
 - All payments to warehouse depositors made through MTZL
 - Country-wide network of Zamace-certified warehouses
 - Zamace becomes commodity exchange model for Africa



ZAMACE

Challenge Wrap Up



1: High % of Unbanked



2: Inefficient Input Distribution



3: Limited Access to Market Pricing



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THANK YOU!

Please visit www.microlinks.org/breakfast
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