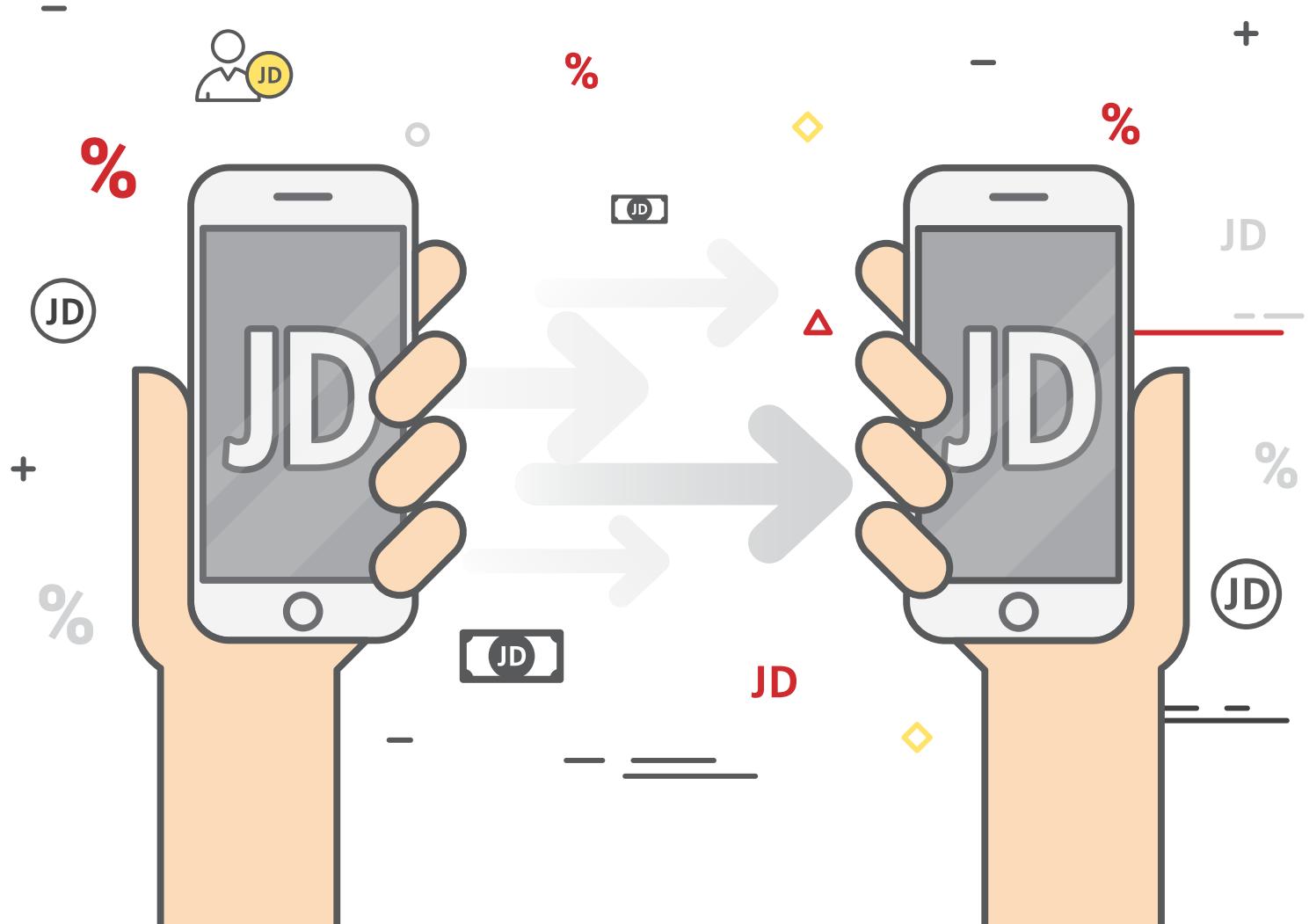


CAN DIGITAL FINANCIAL SERVICES IMPROVE ACCESS TO REMITTANCES IN THE CONTEXT OF FORCED DISPLACEMENT?

Lessons from the Digi#ances
Project in Jordan



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This report was written by Ilka Funke and Marc Sindlinger as independent consultants. It was overseen by GIZ (Katharina Braun Botão) and has benefitted from invaluable input from Daed Nsoor and Amr Ahmad from the Central Bank of Jordan.

The evaluations, opinions and recommendations shared in this report are those of the independent consultants who compiled it and, while GIZ appreciates and values their input, it does not necessarily agree with all their conclusions.

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Improving Access to Remittances and other Financial Services through Digital Solutions
(Digi#ances)

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ABBREVIATIONS

AML	Anti-money laundering
ATM	Automated Teller Machine
CBJ	Central Bank of Jordan
CBO	Community-Based Organization
CFT	Combating the Financing of Terrorism
CGAP	Consultative Group to Assist the Poor
DFS	Digital Financial Services
DPP	Development Partnership with the Private sector
eFAWATEERcom	Jordanian Bill Presentment & Payment Platform
GIZ	Gesellschaft für International Zusammenarbeit (German international Development Agency)
JoMoPay	Jordan Mobile Payment Platform
JRP	Jordan Response Plan to the Syria Crisis
MEPS	Middle East Payment Services
NFIS	National Financial Inclusion Strategy
MOI	Ministry of Interior
MOU	Memorandum of Understanding
NGO	Non-governmental organization
NRP	National Resilience Plan Jordan
POS	Point of Sale
PSP	Payment Service Provider (used here for PSPs offering mobile wallets)
UNHCR	United Nations High Commissioner for Refugees

EXECUTIVE SUMMARY

The Digi#ances Project has been promoting the financial inclusion of low-income Jordanians and Syrian refugees without bank accounts from three directions. Firstly, on the supply side, the Project engaged in a development partnership with one of the payment service providers, and fostered the development of the agent network. Secondly, the Project promoted the regulatory framework to meet international standards, notably in the areas of consumer protection and AML/CFT, and launched the DFS Council, which is a consultative body in which stakeholders can discuss draft regulations and relevant topics. Thirdly, on the demand side, the Project instituted a number of measures to increase awareness and financial literacy. The CBJ and GIZ also launched a “Roadmap on Digital Financial Services Literacy” to streamline these measures among stakeholders, which was formalized through a Memorandum of Understanding which currently has 20 signatories.

The report finds that mobile wallets can make the financial lives of Jordanians without bank accounts and Syrian refugees easier and safer, and reduce the time and costs involved for transportation to far-away transaction points. The DFS market development has gained momentum recently: in 2018, JoMoPay counted 450,394 mobile wallet owners who moved a total value of 71.4 million JOD in 1.43 million transactions, compared with 6.4 million JOD and 0.16 million transactions in 2017. However, the market still features a high proportion of inactive mobile wallets and a rather limited network of roughly 1,000 agents. Therefore, DFS have not yet been able to overcome the existing cash-based culture and a lack of trust in digital financial services.

Many stakeholders value the Digi#ances Project’s general support for jump-starting the DFS market, and therefore see “Digi#ances” as synonymous with DFS market development. The DFS Council has played an important role in bringing international best practice to discussions, helping stakeholders to develop a basic understanding of what is needed for developing the market and what to look for. It has also been an efficient tool for agreeing common standards and discussing regulations. Developing a roadmap for awareness-raising was useful to foster collaboration, but a stronger focus should be placed on synergies between supply-side developments and awareness measures.

For the upcoming phase of the Digi#ances Project, the report recommends promoting a broader variety of DFS applications to help improve the target group’s economic opportunities. Emphasis should also be placed on knowledge generation and exchange in order to develop a balanced value proposition for all market participants. A flexible value chain approach is recommended for pilots with humanitarian aid programmes, and when supporting agent network development. Training of the target groups should include more hands-on elements, be more targeted to areas covered by the private sector, and be regularly reviewed to factor in new knowledge about the target groups. Finally, when it comes to solutions for cross-border remittances, the regulatory approach should ultimately move from promoting individual business models to establishing core rules and principles.

1. INTRODUCTION

The Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) and its implementing partner, the Central Bank of Jordan (CBJ), are jointly implementing the Project “Improving Access to Remittances and other Financial Services through Digital Solutions in Jordan” (Digi#ances) on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ). This Project was commissioned in 2015 for an initial timeframe of 3 years (October 2015 – October 2018), and was subsequently extended for an additional year until October 2019.

When the project was further extended until October 2021, a team of international experts were commissioned to take stock of its achievements and lessons learned and define priorities for the Project’s future engagement. The team reviewed documents, evaluations and literature on the Project and the DFS market in Jordan; visited core stakeholders from the sector (see Annex 2); participated in two focus groups with Syrian refugees; and conducted a field visit to Irbid to observe a training session, discuss relevant issues with trainers and participants, and visit two service points (agents) for mobile payments. The mission’s preliminary findings were presented to sector stakeholders at a workshop in November 2018 in Amman.

The mission’s core objective was to ensure that the design of future interventions is based on evidence and lessons learned, and this report is intended to make their valuable findings available to a broader audience. Without being a formal evaluation of the Project’s past engagement, the report takes stock of core achievements and lessons learned and provides recommendations for the Project’s future work programme. It is structured as follows. Chapter 2 provides a background by briefly sketching the rationale for project development and ongoing reforms in the area of digital financial services. Chapter 3 then describes the evolution of the mobile wallet market in Jordan, and how the project has supported market development and outreach to the target population. Chapter 4 discusses the lessons that were learnt from this past engagement, particularly the validity of the hypothesis that were formulated for market development and outreach, as well as project-specific lessons. Finally, Chapter 5 makes recommendations for prioritizing future areas of support and developing approaches to reform under the Digi#ances Project.

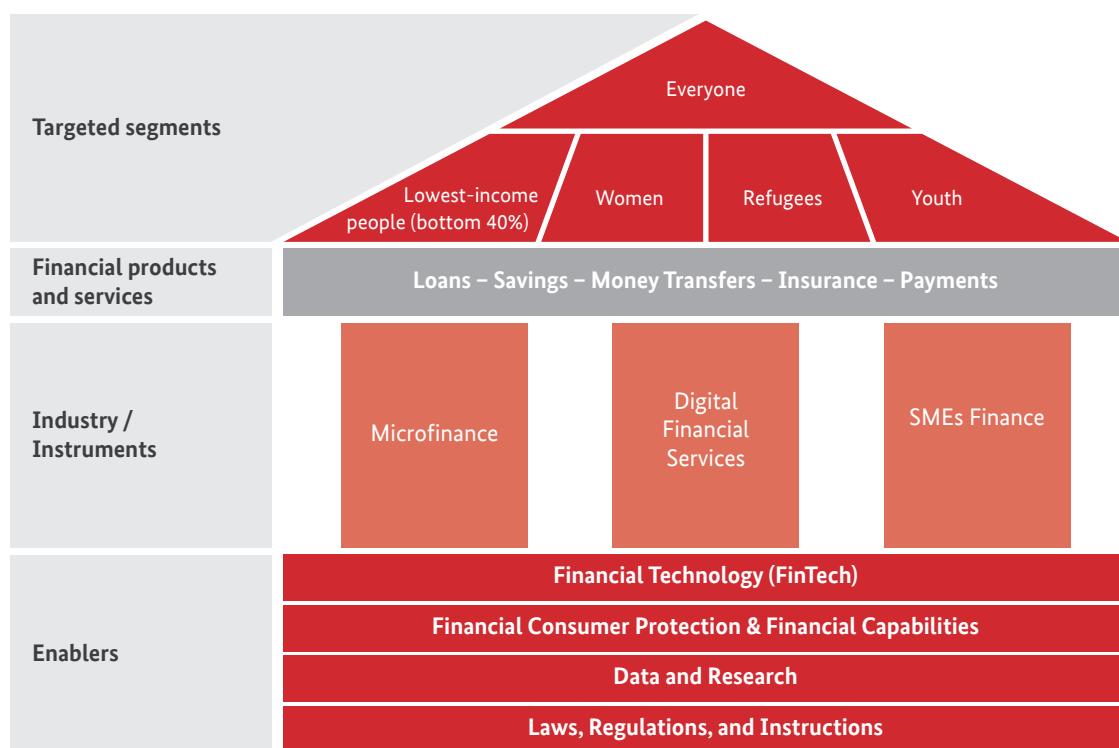


2. BACKGROUND

The Government of Jordan, in collaboration with the international donor community, places a strong focus on enhancing the economic opportunities and social well-being of its population, including refugees. As part of this effort, the Jordanian Government, and in particular the Central Bank of Jordan (CBJ), supports reforms to enhance the population's access to and uptake of financial services. This is expected to particularly help vulnerable segments of the population to smooth consumption, prepare for emergencies, and finance livelihood projects.

Digital financial services (DFS) can play a key role in increasing financial inclusion. Innovative digital solutions have the potential to make financial services more affordable and accessible, thereby making it easier to reach rural areas and people with lower income levels. The CBJ therefore committed itself to promoting DFS as part of its 2016 Maya Declaration. This approach was reconfirmed in the National Financial Inclusion Strategy (NFIS, 2017), which included DFS as a core pillar of reform for reaching out to the target population; particularly youth, women, refugees, and small- and medium-sized enterprises (see Figure 1). The NFIS aims to increase the share of the adult population with a financial account from 33.1% in 2017 to 41.5% by 2020, and to reduce the current gender gap of 53% to 35%.

Figure 1: General Framework of Jordan's National Financial Inclusion Strategy



Source: National Financial Inclusion Strategy, Jordan 2018-2020

Given the potential of DFS in Jordan, and Jordan's commitment to helping Syrian refugees and low-income Jordanians to enhance their livelihoods, the CBJ and GIZ launched the Digi#ances Project ("Improving Access to Remittances and other Financial Services through Digital Solutions") in 2015. The Project later became an integral part of the Government's National Financial Inclusion Strategy, and contributes to the Government's overall reform focus on enhancing the livelihood of the population. The Digi#ances Project supports the creation of a conducive framework for refugees and Jordanian households without bank accounts to use digital financial services, including cross-border remittances. It focuses on providing digital financial services through mobile wallets, as most refugees are allowed to open mobile wallets despite lacking the documentation necessary to open regular bank accounts.¹.

The Project is part of the BMZ Special Initiative "Tackling the Root Causes of Displacement, Reintegrating Refugees", which provides short-term support to refugees and their host communities. In the long term, sustainable measures are designed to eliminate the structural causes of displacement by strengthening social and economic development for refugees and low-income Jordanians.

3. THE EVOLUTION OF MOBILE WALLETS IN JORDAN AND THE PROJECT'S CONTRIBUTION

3.1 Evolution of the market for mobile wallets in Jordan

Many reforms designed to foster digital financial services have been successfully implemented since the Central Bank of Jordan launched the Jordan Mobile Payment Platform (JoMoPay) in 2014 as a centralized platform through which payments from mobile wallets are channeled. JoMoPay has been linked to the bill payment platform eFAWATEERcom, and cards connected to mobile wallets can now be used on both the national Payment Switch Jo-NET and MEPS Switch. Furthermore, the CBJ has established a comprehensive regulatory framework for DFS which includes identification requirements that allow access to mobile wallets for groups such as refugees, who were otherwise financially excluded. Five payment service providers (PSPs) have been approved since 2015, and more PSPs are currently in the process of applying for licenses to participate in the market.

In December 2018, the CBJ counted 450,394 registered mobile wallets (customers) in Jordan, which is equivalent to around 9% of the adult population, and includes around 8,000 Syrian refugees (estimated as 2.4% of the total adult Syrian refugee population in Jordan).² The number and value of transactions are also expanding quickly, with the number of transactions growing by over 800% between 2017 and 2018 (see Table 1). However, a closer look at the overall number of transactions and accounts also suggests that many of the accounts are either dormant or not in frequent use, which might indicate that the right use case to stimulate the mass uptake of mobile wallets has not yet been found.

1 The project is mentioned several times in the CBJ's financial stability report (2017) as one of the efforts being made to foster digital financial services.

2 The number includes accounts from the 7 banks which are connected to wallets.

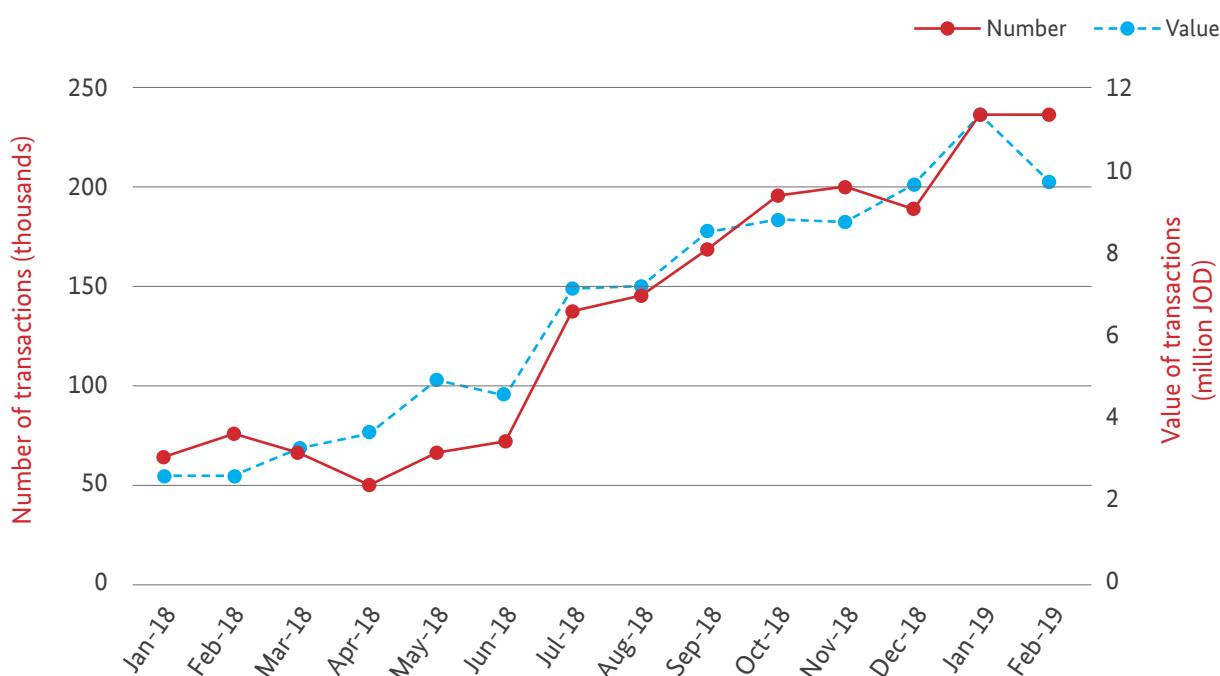
Table 1: Annual evolution of mobile wallets in Jordan (2016 - 2018)

Period	Number of transactions	Average value per transaction (JOD)
2016	8,898	22.4
2017	157,529	40.6
2018	1,431,598	49.9

Data source: JoMoPay, Central Bank of Jordan

Chart 1: Evolution of mobile wallet transactions in Jordan

Jan 2018 - Feb 2019



Data source: JoMoPay, Central Bank of Jordan

Furthermore, the estimated network of around 1,000 agents is rather limited, which might present a core challenge to the uptake and active usage of mobile wallets, especially amongst rural populations. In addition, marketing efforts are limited and often focus on population groups who already have bank accounts and make use of a limited range of financial services.

3.2 Overview of the Digi#ances Project's contribution to market development

The following sub-chapters discuss the Project's contribution to the evolution of the DFS market and the regulatory environment in Jordan, and sketch out some of the key implementation experiences. The discussion is structured along the Project's three intervention areas, which aim at linking refugees and Jordanians without bank accounts with formal financial services (including remittances) through mobile wallets.

3.2.1 Support for developing the national DFS ecosystem

Intervention Area 1 supports the development and piloting of needs-based mobile money services, including remittances, in collaboration with stakeholders from the private and non-governmental sectors. The Project is piloting initiatives aimed at linking 8,000 refugees and 12,000 Jordanians to mobile wallets.

A Development Partnership (DPP) with the payment service provider Dinarak, a FinTech start-up created in 2014, was intended to develop appropriate products, build an agent network and thereby facilitate the uptake and usage of digital services by refugees and Jordanians without bank accounts from the supply side. Dinarak was selected through a competition for ideas. Under the DPP, which formally ended in 2018, Dinarak received support to develop its business strategy, enhance its internal capacity, advance its agent network, and develop awareness and marketing materials.

The DPP was successful in many aspects.¹ Over 86,000 Jordanians and 6,000 Syrians, mostly in the three northern governorates which the Digi#ances Project targeted, have opened a Dinarak mobile wallet (21% of all mobile wallets opened as of December 2018, and two thirds of all refugees with a wallet in Jordan), and a survey in December 2018 showed that client satisfaction is high at 88.5%. While Dinarak currently focuses more strongly on young university students and on collaborations with companies for salary, microfinance and insurance payments, the DPP helped them to focus on regions which were not strongly targeted by other PSPs and had a high refugee population. Moreover, it helped them to integrate refugees and segments of the population without bank accounts within their business strategy. The experience they gained with this market segment helped them to enter into collaborations with the Mercy Corps and other donors to deliver humanitarian aid. However, based on this experience, both sides feel that the conditions for reaching refugees and Jordanians without bank accounts are not yet sufficiently developed, and that delivery models and pricing structures are two key issues which may need to be revisited.



Image 1: Dinarak Agent

Intervention Area 1 also provided general support for developing a network of agents. An agent management training was conducted by the Helix Institute of Digital Finance, which was open to all payment service providers. Furthermore, Dinarak received direct technical assistance to develop an agent network strategy. As of October 2018, of all Jordan's PSPs, Dinarak has invested the most heavily in identifying and training new financial service points, particularly in Irbid and rural areas. With 421 agent locations, Dinarak is present in all of Jordan's 12 governorates and has the highest ratio of active agents in the sector.

1 For a more in-depth discussion of the DPP, see GIZ (2019)

Nevertheless, as with the other PSPs, the majority of its agents continue to be existing financial service points, such as exchange houses (see lessons learned).

Despite the progress that has been made, the agent network remains a challenge in the mobile payment services eco-system. Mystery shopping has confirmed that PSP agents frequently do not display information on mobile wallet services, and their related knowledge and service quality remains low. Furthermore, since transaction volumes are low and commission limited, agents often elect to offer over-the-counter transactions through their own wallets, rather than actively promoting mobile wallets to their clients. Finally, existing PSP clients have indicated that they are unaware of the location of agents, or that they preferred to go to main branches for services. To remedy this, the Project is currently piloting innovative approaches to identifying and incentivizing agents, particularly female agents. Furthermore, efforts are underway to collaborate with humanitarian aid agencies to channel their transfers through mobile wallets, which will facilitate an increased number of active service points.

3.2.2 Support for enhancing the regulatory and supervisory framework for DFS

Intervention Area 2 aims at enhancing the regulatory and supervisory framework for DFS, including mobile wallet-facilitated cross-border remittances. The resulting regulatory framework is expected to comply with international standards in the areas of consumer protection, anti-money laundering (AML) and the combating of financing of terrorism (CFT), and eventually to facilitate channeling international remittance flows through digital channels, such as mobile wallets.

The Digi#ances Project contributed to the fine-tuning of the regulatory framework for mobile payment services in Jordan. It provided two up-front analytical studies on aspects of supply and demand to be considered for market development¹, as well as technical assistance to the CBJ in the areas of consumer protection and AML / CFT. The project also supported an assessment of options and models for cross-border remittances involving mobile wallets, which resulted in a first pilot of cross-border payments through mobile wallets. In addition, an assessment of the current regulatory framework for (digital) cross-border remittances was carried out which confirmed that the overall framework is broadly suitable, with the exception of some pending definitions and implementation guidance. Based on stakeholder feedback, the technical assistance that was provided helped the CBJ and other stakeholders to further strengthen their understanding of regulatory approaches and issues. It also helped to put in place a consumer protection framework for mobile wallets which is in line with international best practice.

Since the end of 2017, the Project has also provided technical assistance to the “Oversight and Supervision of National Payment Systems” Department, which was recently created within the CBJ to help put operating procedures in place. The partners confirmed that this support was helpful in better understanding international best practices and advancing the design of internal processes. However, with hindsight, a stronger initial focus on developing a risk assessment methodology would have been beneficial. Furthermore, it has become apparent that more time should have been factored in for building capacity and discussing reforms and approaches.

¹ CGAP / GIZ (2017a) and CGAP / GIZ (2017b)

The Digi#ances Project also launched the DFS Council as a consultative body for DFS-related reforms. Overall, nine high-level DFS Council meetings have been conducted by the end of 2018, with over 40 member organizations participating. The meetings discussed draft regulations (i.e. Consumer Protection, AML / CFT) and topics relevant to market development (i.e. a DFS roadmap for awareness-building and guidelines for responsible payments). In addition, six DFS “Dialogues” and knowledge exchanges were organized to cover emerging topics such as linking humanitarian aid programmes with mobile wallets. Furthermore, a field trip to Irbid and Mafraq was carried out to help high-level executives understand the needs and concerns of refugees and lower-income Jordanians. These DFS Council meetings and information exchanges were considered highly useful and relevant for promoting dialogue in the sector and supporting market development. In a 2018 survey of 20 DFS Council members, 75% of respondents confirmed that the DFS Council had helped to enhance the regulatory framework, and 95% that it had enhanced their knowledge of the DFS sector (see Figure 2). For many stakeholders, the Digi#ances Project has become synonymous with the DFS sector, highlighting the central role attributed to the Project for market development.

Figure 1: Selected Results from the 2018 Survey on the DFS Council

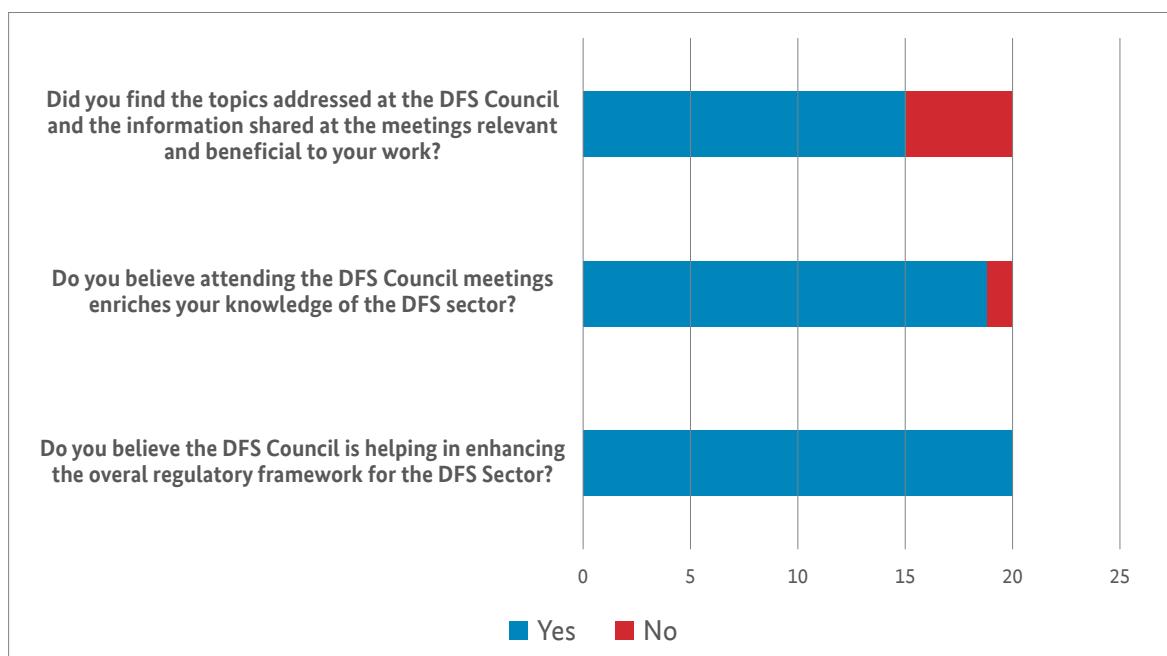




Image 2: DFS Council Meeting

3.2.3 Support for increasing awareness and literacy about digital financial services

Intervention Area 3 aims to familiarize refugees and Jordanians without bank accounts with the use of digital financial services. To achieve this, broad-based awareness campaigns supported by the project are expected to reach 12,000 refugees and 18,000 Jordanians, and targeted training programmes should be provided to 5,000 refugees and 5,000 Jordanians, of which 50% will be women.

The Project conducted a quantitative survey in 2016¹ to guide implementation, as well as five focus groups and a number of individual field interviews in early 2017. Six ways that the target population could use DFS were identified, in consultation with the DFS Council, as well as core messages on mobile wallets. The focus groups also helped to pinpoint gaps in financial awareness and behavior. The “Core Messages and Use Cases” then became central features of the awareness and training materials.

The “Roadmap on Digital Financial Services Literacy” was developed through a participatory approach which included individual meetings with stakeholders and break-out sessions at the DFS Council in May 2017. The objective of the Roadmap is to provide unbanked Jordanians, Syrian refugees and other non-nationals residing in Jordan with the know-how to responsibly use digital financial services. To accomplish this, the Roadmap provides the framework and tools to reach potential clients of digital financial services in a cost-efficient and unbiased way. The feedback which the report has received suggests that this collaborative approach was universally appreciated and proved helpful in creating awareness of the needs of the target groups. The Roadmap was formally launched by the CBJ and GIZ in November 2017, and a Memorandum of Understanding (MoU) for collaboration was signed by 12 stakeholders from the financial sector, non-profit sector, and donor agencies. An additional eight stakeholders have since joined.

¹ See CGAP (2017b)



Image 3: Financial Literacy Training

However, implementation of the Roadmap has been progressing more slowly than expected. An action plan for the Roadmap was only initiated in mid-2018, and most of the outreach tools which it described were not available until the end of 2018.¹ While some collaboration partners took part in training of trainers events in November 2017, only three stakeholders have so far conducted awareness sessions as part of their own projects, with limited information on outreach and the tools used. The majority of awareness measures have thus been carried out through training funded directly by the Digi#ances Project. So far, 119 trainers from community-based organizations (CBO) and selected non-governmental organizations have been trained. At the end of 2018, financial literacy trainings have reached around 3,500 potential DFS clients, 95% of whom were in Mafraq, Irbid and Amman. Participants in the training were largely women (71%), and 87% were aged between 18 and 49 years. Two thirds of the participants were Jordanians, and one third Syrians.

Ex-post assessments of the trainings show that they have improved know-how of mobile wallets and stimulated their uptake, particularly amongst Jordanian males. The participants improved their scores in a test given before and after the training by an average of almost 50 percent (see Chart 2). The training provider hired by the project also conducted after-training surveys with 173 participants from the 27 training sessions, which were carried out in October 2018. As table 3 shows, 41% of the participants have opened a mobile wallet. While uptake was high amongst Jordanian males (85%), less than one in five Syrians opened a mobile wallet. Feedback on the training also suggests that more hands-on training on mobile wallets and more refined use cases would have been needed to trigger a culture change amongst the participants and encourage them to switch from a prevailing cash culture into active usage of DFS.

¹ Only the training material was developed by end of 2017. A pilot outreach event did not prove to be cost-efficient, and further roll-out was eventually stopped. By the end of 8 ,2018 short videos were finalized, a series of brochures, posters and flyers developed, and a Facebook page set up.

Chart 2: Overview over training participants and results achieved

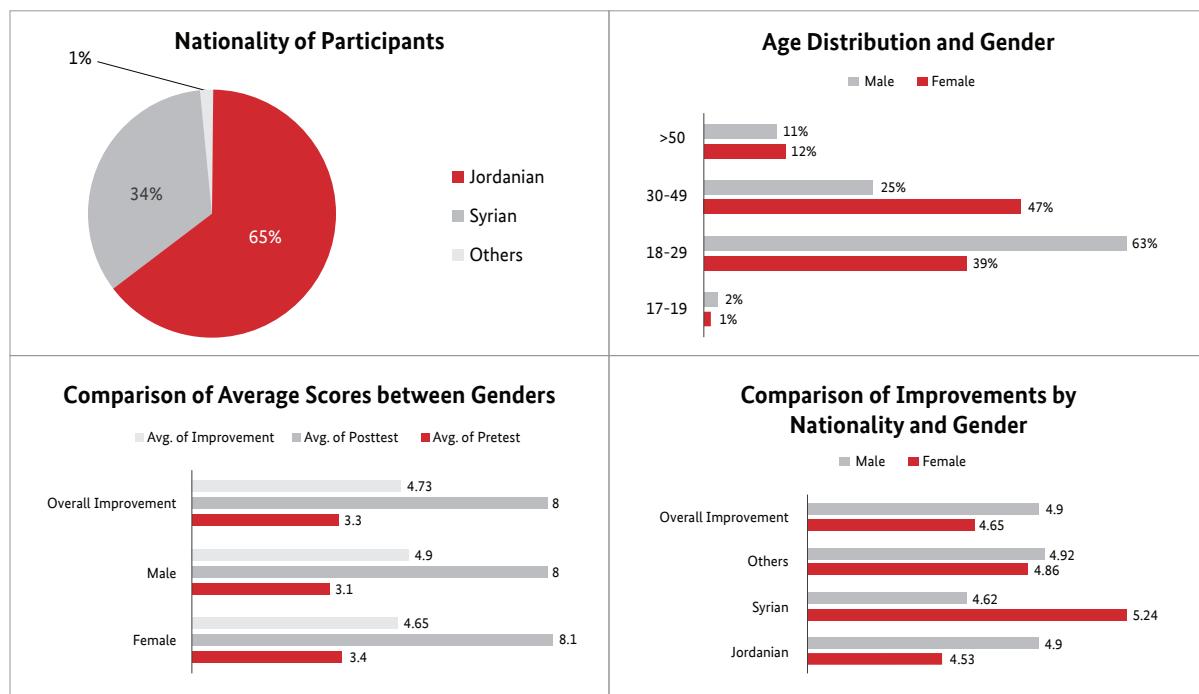


Table 3: Impact of training on the opening of mobile wallets

		Male		Female	
		Number in sample	% of which opened wallet	Number in sample	% of which opened wallet
Jordanians	33	85%		82	40%
Syrians	19	16%		39	18%

Source: Ex-post survey conducted by the training provider, THE ANSWER, for the trainings carried out in October 2018.

4. LESSONS LEARNED

The following chapter elaborates on the core lessons learned from the project implementation and the hypotheses that were formed at the beginning of the Project.

4.1 Validation of central hypotheses

Several of the hypotheses which were formed during the Project's initial preparation were partly confirmed by two analytical studies that were conducted in 2016 (see Annex 2 for a summary). These hypotheses, which were related to supply- and demand-side constraints on market development, helped to set priorities and identify potential risks. Findings that relate to the core hypotheses are discussed below:

Hypothesis 1: The existing culture for cash and the limited trust in financial services from Jordanians without bank accounts and refugees can be overcome through DFS and a concerted effort to raise awareness

Further work is needed to verify this hypothesis. While various Jordanians and refugees stated that mobile wallets can make their financial lives easier and safer, and reduce the time and costs involved for transportation to far-away bank branches, this has not yet led to a large-scale behavioral change and switch from cash-based transactions to DFS:

- Potential clients find it difficult to open wallets due to (a) lacking knowledge about agents in their vicinity, and (b) not understanding the identification requirements.
- Most Syrians and many low-income Jordanians say they do not need a mobile wallet as they receive no or limited income, have no funds left, or lack a suitable phone.
- Syrian refugees in particular need higher levels of trust before switching to new systems, due to their high vulnerability.
- Finally, in many cases, the value proposition for switching from cash-based transactions to digital ones is not yet clear (see also Hypothesis 2 and project lessons).

Overall, a correct value proposition and suitable eco-system have not yet been uncovered, and further efforts will be needed to identify and fine-tune use cases. Given the above, it is questionable whether a concerted effort to raise awareness will be successful at the moment.

Hypothesis 2: The existing payment network can help jump-start digital financial services

In line with recommendations from the supply side assessment, the PSPs have largely focused on existing financial service points for rolling-out their DFS. While the use of existing infrastructure makes sense with regard to the cost of developing an agent network and the required interoperability of services, it is questionable whether these service points can offer the right incentives as agents, since:

- Clients with payment cards already use the existing ATM and POS infrastructure, and remittance receivers trust exchange houses for these transactions. Involving the same transaction points without providing a clear value proposition has shown to be ineffective in making clients switch from trusted cash or card-based transactions to unfamiliar digital payments.
- Furthermore, involving existing networks (e.g. exchange houses) puts additional pressure on the profit margins, thus jeopardizing the value proposition for both the PSPs and the exchange houses. Integrating another player which already operates an agent network and offers similar services requires sharing a larger portion of an already low margin and delays reaching break-even, thus reducing the incentive for PSPs to more forcefully advertise and roll-out the service.

- For exchange houses, since the new product competes with services they already offer, it must provide agents with higher commission volumes than traditional products to align incentives. Since the margin for international remittances is already comparatively low, this is difficult to achieve.

Hypothesis 3: The regulatory framework is in place and sound for domestic mobile payment transactions, with mainly consumer protection and AML/CFT regulations missing for cross-border payment transactions

The supply side assessment confirmed the assumption that the regulatory framework for mobile payments would provide a solid basis for the development of mobile payment services.¹ However, the Government's concern regarding the geo-political situation and the resulting urge to put in place strong risk management provisions for anti-money laundering, combating the financing of terrorism, and ensuring cybersecurity might have been underestimated. The CBJ has issued a wealth of provisions in those areas since 2016, some for the entire financial sector and others only for PSPs. In addition, it was clarified that refugees require both the UNHCR identification document and the Ministry of the Interior (MOI) Service Card to open a mobile wallet.

While the Project helped to identify international best practice and clarify the risks and potential of individual topics, it had little leverage to influence the frequency of changes and the final regulatory framework that was put in place. The provisions and frequency of changes place an additional regulatory burden on the industry, requiring adjustments to the providers' business models and technical infrastructure. The resulting additional costs and operational adjustments are an important factor that have slowed down the roll-out of supply side activities and impacted on the reaching of a break-even point for PSPs. Overall, attention is needed to avoid overburdening the nascent market with regulations and frequent changes, and to create a level regulatory playing field by product, not by type of service provider.

Hypothesis 4: The payment infrastructure is developed and adequate

While concerns about the requirement for interoperability of services were voiced from the start, the payment platform JoMoPay is still seen as well-developed and adequate to facilitate the roll-out of services. JoMoPay is now linked to the eFAWATEERcom platform, and cards connected to mobile wallets can be used on the Jo-NET and MEPS switch, making it possible to use the existing ATM structure and pay bills, and facilitating the reaching of scale and the break-even point. Bill payments have become one of the most frequently-used mobile wallet functions (see Chart 3), along with other "bank-like" services such as linking payment cards to mobile wallets to allow POS transactions and online purchases.

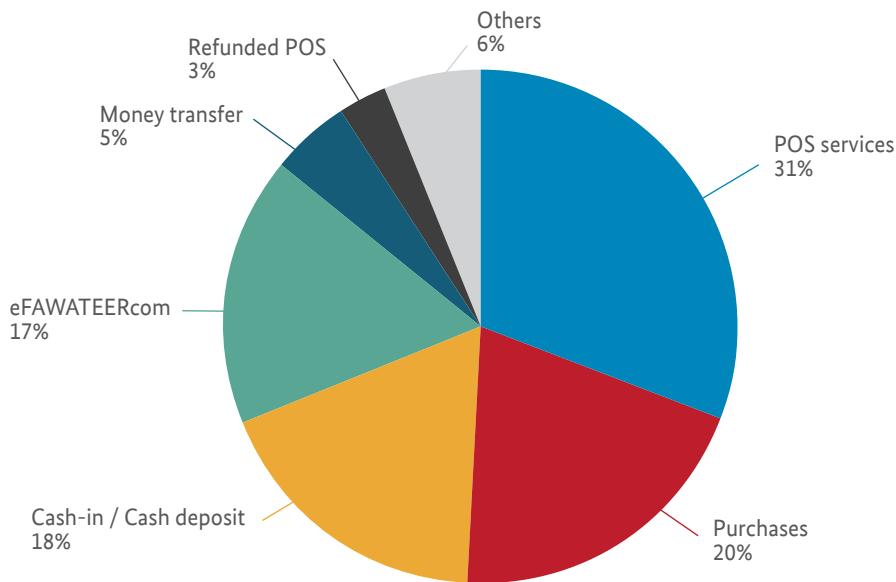
Nevertheless, some important bottlenecks regarding the payment infrastructure still exist, which negatively impacts market development. For example, the fixed and low commissions for eFAWATEERcom make it financially unattractive to provide bill payments through mobile wallets, although this is something users are interested in doing. Furthermore, stakeholders

1 The existing framework adhered to core international best practice by putting in place (i) safeguards to protect consumer funds in the case of insolvency of a PSP, (ii) adequate capital requirements, which although elevated were not perceived to form a barrier to entry, and (iii) licensing requirements which take the core operational risks into account. It was assumed that there were no other concerns since all transactions required adherence to provided KYC requirements, were subject to low transaction limits, and were recorded on the JoMoPay platform.

have mentioned that transactions made through JoMoPay take longer than card payments, and that technical problems cannot be resolved on a 24/7 basis. Finally, there is some indication that potential clients feel uneasy about making their financial lives transparent on a centralized platform. Moving forward, it will be important to tackle these issues.

Chart 3: Types of financial transactions via JoMoPay

February 2019



Data source: JoMoPay, Central Bank of Jordan, September 2018

Hypothesis 5: The establishment of a functioning national digital remittance system will lay the foundation for cross-border transfers.

When the project was initiated, it was assumed that the domestic market for mobile wallets would first have to be jumpstarted, and international remittances would then be introduced over time. This hypothesis can be confirmed from the project implementation. Both the CBJ and the service providers first needed to learn about domestic business models and implementation challenges before adding a more complex product. The fact that the CBJ recently authorized cross-border pilot schemes involving mobile wallets proves this point.

4.2 Project-specific lessons learned

This section discusses the implementation experience and lessons learned pertaining to the Project itself.

4.2.1 Set and reiterate realistic expectations on what the Project can and wants to achieve

Many stakeholders perceive the Digi#ances Project as providing general support for jump-starting the DFS market, and therefore see “Digi#ances” as synonymous with DFS market development. Core stakeholders generally seem to believe that CBJ and the Digi#ances Project should smooth the way for market development, and PSPs and other stakeholders seem to be waiting for the right moment to enter the market more forcefully, and expect to receive financial support when they do so. The expectation of broader business development support was also visible in both the DPP with Dinarak and the information campaigns.



Given the Project's scope and mandate, and its focus on reaching vulnerable segments of the population with digital financial services, these expectations are unrealistic, and do not provide market players with the right incentives. Repeated attempts by the project team to adjust expectations and refocus on the target population have proved ineffective. With hindsight, a stricter adherence to reforms that focused on the target population might therefore have been warranted in all intervention areas, but this would have come at the expense of the involvement of the Project in the overall DFS sector, which was also necessary to develop the basic conditions for all population groups to access mobile wallets.

4.2.2 Knowledge generation on how to cater to the target group needs to be at the centre of support for a donor project in such a nascent market

The most important drivers for market uptake are the availability of suitable financial services for the target population and a solid value proposition for all parties involved (including pricing schemes and ecosystem development). While the Project has supported knowledge sharing and capacity building across the sector, an even stronger knowledge-building approach should have been built into all interventions on both the supply and demand sides. This could have created more capacity across the sector, and helped to scale the market in the medium term. It would also have mitigated potential concerns about the market being distorted by GIZ supporting a single provider, as well as reduced vulnerability to the sustainability risk of individual providers.

4.2.3 An information forum such as the DFS Council can play an important catalytic role for market development

As discussed in Chapter 2, the DFS Council has played an important role in bringing international best practice to discussions, helping stakeholders to develop a basic understanding of what is needed for developing the market and what to look for. It has also been an efficient tool for agreeing common standards and discussing regulations. It is therefore not surprising that stakeholders see this as a central component and result of the Project, and have expressed interest in transforming this into a more permanent feature with an institutional structure.

However, to be effective, the DFS Council covered topics relevant to the general DFS market development, which forced the Digi#ances Project to stray from its narrower focus on promoting remittances through mobile financial services for refugees and Jordanians without bank accounts. This trade-off should be carefully revisited for the second part of project implementation.

4.2.4 A narrow focus is difficult to maintain in a Development Partnership with the Private Sector (DPP)

The DPP tool is geared towards situations in which the development policy goals of a project align with the private business interests of the partner. While the Project helped Dinarak to include low-income Jordanians, women and Syrian refugees into their business model, Dinarak also probed other target groups and collaboration partners during implementation. This diversity in approach is not unusual for a start-up, but naturally diverts some of the attention and resources away from the agreed target group.

4.2.5 Developing a roadmap for awareness-raising is a useful tool to foster collaboration, but requires readily-available tools and a realistic and well-targeted implementation plan to be effective

Even though it was time-consuming and labor-intensive to develop, the roadmap for DFS Awareness & Literacy has helped to identify and coordinate stakeholders, bring the target group and DFS to the participants' attention, raise awareness for possible uses, and allow core messages to be delivered. Since 20 stakeholders having signed up it has a large potential to offer a cost-efficient approach to awareness raising. However, implementation experience shows that more attention needs to be placed on translating the roadmap into actions and timelines. A set of holistic outreach tools should be tested before signing an MoU.

Furthermore, a stronger focus should be placed on synergies between supply-side developments and awareness measures. Trainings currently hinge on the availability of suitable community-based organizations that have the capacity to summon the required number of training participants, but this does not factor in the availability of PSP services in the area, or set selection criteria for participating in the training. PSPs admitted being unaware of the locations of these trainings, although they received this information at regular intervals.

4.3 Additional risks identified for project implementation

4.3.1 Fragmentation of the digital financial sector

Competition in the financial sector is increasing, which will make it more difficult for PSPs to reach scale. Most recently, for example, basic bank accounts were introduced which can make opening an account at a formal financial institution more affordable. Innovations to retain or regain a market share are also visible in other market segments, with exchange houses for example piloting innovative approaches for cross-border remittances, and microfinance institutions testing new delivery channels. This increased competition will almost certainly put further pressure on the profit margins for mobile financial services, and lower the incentive to collaborate with exchange houses and banks. It may become necessary to reconsider the current practice of adding "bank-like" products (i.e. payment cards) and existing service providers to the value proposition to gain market share.

4.3.2 Geopolitical events

The recent developments in Syria and the potential slow-down in donor humanitarian aid is likely to have a negative impact on the outreach of mobile financial services to Syrian refugees. Focus groups and interviews show that Syrian refugees are concerned about leaving funds in a mobile wallet for fear of not being able to withdraw them should they suddenly return to Syria.

4.3.3 Bundling of products and other consumer protection-related business practices

The sector's reputation has been put at risk by observed practices such as bulk registration and a lack of transparency of services, and this could derail future growth. PSPs are increasingly focusing on bundling their mobile wallets with other services, for example by automatically signing up students for mobile wallets (and payment cards) during university registration, or through signing exclusivity contracts with humanitarian aid programmes. International best practice cautions against this bundling of products without the client's explicit consent as it locks them into a service, has a substantial negative impact on market competition, and can

lead to unsatisfied clients, reputational risks for the sector, and high dormancy rates. Various sources have already mentioned that some clients are not aware of having a mobile wallet, or report problems in closing existing mobile wallets.

4.3.4 Transparency of financial information

Interviews with potential clients and stakeholders have revealed a general concern about Governments and donors being able to access information on mobile wallets and transactions made. People are worried that receiving remittances and holding small emergency funds in wallets will be visible to both donors and the Government, and that using mobile wallets might lead to a potential reduction in the support they receive. This reduces the incentive for refugees and lower-income segments of the population to use these services. It is a particular concern for Syrian refugees, and makes it even more difficult to find the right value proposition for catering to them.

5. RECOMMENDATIONS FOR MOVING FORWARD

The implementation experience and lessons learned from the Digi#ances Project reveal important cross-cutting themes that should be integrated into project implementation, and these will be discussed in the following sub-chapters.

5.1 Cross-cutting themes

Set strategic priorities:

Although Syrian refugees continue to be unclear of the benefits, and some risks for market development are apparent, the Project's strategic priority should remain set on financially un- and under-served Jordanians and Syrian refugees. However, the assessment recommends a stronger focus on linking the target population with a broad range of digital financial services to help foster their livelihoods and economic empowerment. Promoting the channelling of remittances through mobile wallets (both domestic and international) should remain a core focus, but the project must also aim at stimulating the use of DFS for the creation of emergency funds, preparing for upcoming expenditures, and planning ahead.

Focus on knowledge generation:

A strong focus on knowledge generation is recommended to cultivate a balanced value proposition for all market participants, foster the development of suitable products, and reach scale. This should include in-depth and iterative research to understand

- i. use cases and value propositions for different client segments to encourage uptake on the demand side, and
- ii. pricing schemes, incentives and features to keep PSPs and agents interested in rolling out the services.

Consideration should be given to targeting larger communities that lack financial agents. This would help to create additionality of services and a win-win situation for both agents and clients.

Reap synergies:

Working with supply, demand and regulatory sides has the benefit of allowing synergies to be reaped across market participants. For example, awareness campaigns should target locations in which service providers are or plan to be present, and PSPs and their agents should be informed of trainings. This requires an ongoing dialogue across stakeholders.

Furthermore, a feedback loop should be developed to inform the PSPs and other stakeholders about the clients' needs and preferences.

Regulatory stability: Finally, while some fine-tuning of the comparatively sophisticated overall regulatory framework is necessary to reduce the regulatory burden, it is important to foster greater regulatory stability over time to let the market develop.

5.2 Priority intervention areas

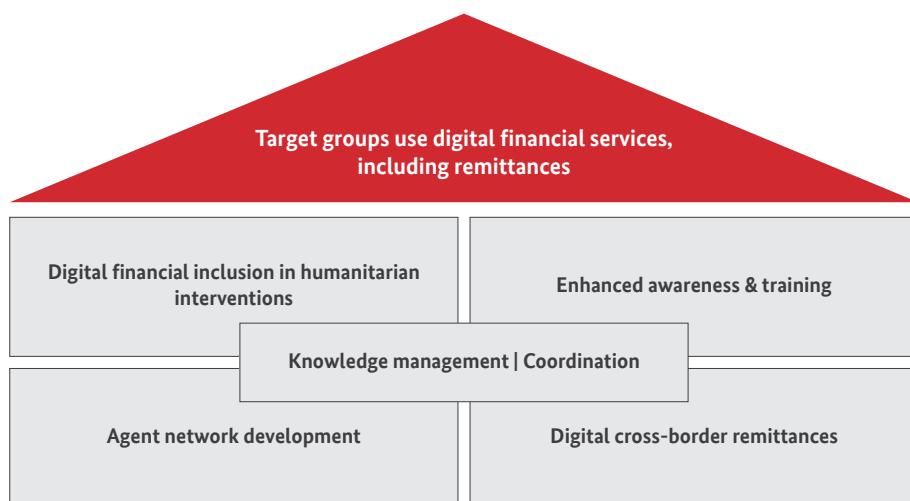
Agent network development: The agent network should be expanded and agent quality improved to enhance access to mobile wallets. The “Closing the Gap” Initiative, which promotes female agent networks, is an example of such an approach. Attention must be placed on creating replicable knowledge on suitable approaches, establishing what did and did not work, and identifying processes to get there.

Awareness raising activities: More hands-on trainings should be developed to enhance the awareness and know-how of Jordanians and refugees in responsibly using digital financial services. These trainings should factor in the necessary cultural change from the current cash-based society and provide concrete guidance and examples for the benefits that can be reaped by changing financial habits and moving away from cash. Finally, training materials should be periodically revised to factor in feedback loops from supply and demand side reforms, and a social and mass media presence put in place.

Fostering cross-border remittances: Pilot schemes should be run to familiarize the CBJ and the sector with cross-border digital financial payments and what to look for, paving the way for the responsible introduction of cross-border remittances. In the medium term, however, there should be a change in approach from promoting individual business models to creating core principles and rules for cross-border payments.

Humanitarian aid: To remain open to supporting a broad range of humanitarian aid programmes, the Project should ideally apply a value chain approach, with separate modules of support developed that can be easily tailored to individual programmes or partners (i.e. how to train an agent, liquidity management needs for humanitarian aid agents, DFS awareness tools for cash transfer beneficiaries, etc.).

Figure 4: Recommended building blocks for moving forward



ANNEX 1: BIBLIOGRAPHY

CARE (2017), 7 years into Exile: How Urban Syrian Refugees, Vulnerable Jordanians and Other Refugees in Jordan are being Impacted by the Syrian Crisis

CBJ (2017), Financial Stability Report

CGAP / GIZ (2017a), Paving the way for Digital Financial Services in Jordan – Market and Regulatory Assessment of Payments and Remittances, CGAP Working Paper

CGAP / GIZ (2017b), Remittances and Financial Inclusion: A Demand-Side Analysis of Low-Income Jordanians and Syrian Refugees in Jordan, CGAP Working Paper

GIZ (2019): Partnering with the Private Sector to Extend Digital Financial Services to the Unbanked

GIZ (2019), Training Analysis Report, unpublished assessment of ex ante and ex post training scores, February 2019, Amman, Jordan

ANNEX 2: LIST OF STAKEHOLDERS MET FOR THE APPRAISAL MISSION NOVEMBER 2018

Central Bank of Jordan

- Deputy Governor
- Payment Systems, Domestic Banking Operations and Financial Inclusion Department
- Oversight and Supervision on National Payments System Department
- Money Exchange Supervision Department
- Financial Consumer Protection Department

GIZ Jordan

- “Financial Inclusion in the MENA Region” (FIMENA), Jordan Team
- Focal Point for Employment, Jordan
- Portfolio Management
- Cash-for-Work Projects (Waste, Environment)

UN Organizations and NGOs

- UNHCR
- Norwegian Refugee Council (NRC)
- Jordan River Foundation (JRF)
- Save the Children

Donors

- German Federal Ministry for Economic Cooperation and Development (BMZ)
- EU Delegation
- USAID / LENS
- Swiss Agency for Development and Cooperation (SDC)
- International Finance Corporation (IFC)
- World Bank

Private Sector

- Dinarak
- Zain Cash
- Mahfazti
- Alawneh Exchange
- Cairo Amman Bank
- Middle East Payment Services (MEPS)

Others

- Consultative Group to Assist the Poor (CGAP)
- GSM Association (GSMA)
- Jordan Payments & Clearing Company (JoPACC)
- Abbassi Law Office
- Research Team (Tufts University, IRC, KU Eichstaett, GIZ)
- ConsultColors
- Agriculture and Finance Consultants (AFC)



ANNEX 3: SUMMARY OF THE ASSESSMENTS CARRIED OUT PRIOR TO PROJECT IMPLEMENTATION

To inform project implementation, the Digi#ances project commissioned two studies in late 2015 to assess supply and demand side constraints and provide baseline information from project implementation¹. The following summarizes the core findings and hypothesis spelled out in these reports:

- The supply side assessment concluded that the infrastructure and regulatory framework for mobile payment services was in place and allowed the roll-out of mobile payments. While cash remains prevalent in Jordan and general efforts to foster e-payments have not yet shown many results, recent efforts to create a mobile payment platform present a window of opportunity for support. To foster uptake, the study recommended a concerted effort to stimulate demand and put in place an eco-system on the supply side, and to foster DFS consumer protection on the regulatory side.
- For linking mobile wallets with international remittances, the supply side assessment analyzed five inbound corridors and three outbound corridors.² The assessment concluded that a non-discriminatory and sound market needs to be created, and recommended that exchange houses should be part of the eco-system, given their presence and trust amongst the population. Furthermore, transaction limits and consumer protection for mobile wallets should be adjusted for international remittances.
- The demand side study suggested that while international remittances were probably insufficient to drive the large-scale adoption of DFS, domestic remittances bore some potential for market development. Given the high satisfaction levels with existing services that was revealed, the analysis also proposed optimal pricing ranges for mobile wallet transactions at between 3-4 percent (which is below the current market rates), and suggested a broad-based awareness campaign to explain mobile wallets, which were deemed “helpful” and “convenient” in focus groups.

¹ See CGAP (2017a) and CGAP (2017b)

² Inbound: UAE, Saudi Arabia, Qatar, the USA, Germany; Outbound: Egypt, Palestine and the Philippines.

