

FINTECH: Exploring Delivery Solutions in Difficult Contexts



NYAGAKA ONGERI
BLAYLOCK VAN, LLC



STEVE HARVEY
F4ID



CATHERINE MUYA
ABSA GROUP



DAVID PITTS
CROWN AGENTS BANK



Digital Payment Trends and Cash Management Impact

2022 Treasurers Roundtable



Absa - our presence in Africa

Absa serves customers through an extensive branch and self-service terminal network, digital channels, financial advisors, relationship bankers as well as dealerships, originators, alliances and joint ventures.

		Year Established	Employees	Point of sale devices	ATM's	Branches	Sales Centres
	Botswana	1950	1 096	4 761	114	32	2
	Ghana	1917	1 145	884	208	63	10
	Kenya	1916	2 188	5 213	166	84	
	Mauritius	1919	681	892	40	10	
	Mozambique	2002	733	1 340	93	45	
	Seychelles	1959	252	1 405	21	6	
	South Africa	1986	25 908	104 877	7 613	616	
	Tanzania	1925	486	417	58	15	5
	Tanzania NBC	1925	1 120	449	176	47	
	Uganda	1927	874	1 192	77	39	
	Zambia	1918	784	1 723	102	32	1

Representative offices



139 employees



Namibia
1 employee



Nigeria
15 employees



UK
30 employees



USA¹
10 employees

¹ Also a registered representative office

Date: December 2021

15 Countries

1 007 Physical Footprint

8 668 ATMs

123 153 PoS devices

35 267 Employees



Our differentiators in our presence markets in Africa

- Regionally relevant and skilled bankers
- Single borrower limit - one of the largest in the market
- Substantial liquidity for local and foreign currency lending and transacting
- Large regional and local footprint with deep experience on the continent
- Strong, in-depth knowledge of local regulations and best market practice
- Full local proposition to completely service your full value chain
- Strong connectivity with our headquarters using a world-class international business model
- Ability to structure complex products
- Ability to fully integrate systems
- Risk appetite for expansion with no sector bias
- High standards of governance.



Key emerging trends and themes

Digital trends relating to cash management with a deeper focus on the payments landscape

1 New Payment Experiences	Emerging technology and changing customer preferences driving new payment experiences via QR codes, NFC, voice activated, and social media.	7 Gov Payments + Regulations	Changing regulations spurring digital innovation solutions and new opportunities for government payments to meet increasing demand and to align with citizen behavior shifting towards digital.
2 Rapid / Instant Payments	This technology is rapidly becoming the norm, particularly for C2B, and advancement expected to enable: 1) Instant Payments, 2) Pay by Proxy and 3) Request to Pay. This is emerging in South Africa, but already live in many ARO markets.	8 Remittances + Xborder Payments	While inflows present the largest opportunity, the next phase of remittances will focus on digitisation that focuses on transparent, safe and seamless cross-border transaction processes supported by an advanced user interface and alternative payment rails.
3 E-Commerce	Has grown rapidly and continues to accelerate, with expectations for banks to provide platforms with easy-to-use payment options as well as value-added services for clients.	9 Strategic Partnerships	Payment industry competitors now include non-bank actors (e.g., FinTech, BigTech, MNOs etc.), creating opportunities for strategic partnerships to bolster distribution, product competencies, customer experience, and speed to market.
4 New Reality for Cash + Cheques	Despite dominance of cash, COVID shifting transactions towards a cashless paradigm, while cash may be slowly replaced by increasingly attractive alternative rails (e.g. mobile wallets/money).	10 Mobile Money	Although dominated by MNOs, growing consumer demands presents further opportunities such as strategic partnerships to ensure more interoperability between banks/the financial system and mobile money accounts.
5 Wholesale Payments Delivery	Increasing play for wholesale given business demand for real-time liquidity management, transaction traceability and reach, API-led propositions, advanced data and analytics, end-to-end cash management, and a unified view of multiple bank relationships.	11 Data and Analytics	Proliferation in the use of data and analytics to commercialise & personalise payment products, forecast cashflows, draw business insights, monitor customer sentiments, and with AI ⁸ increasing capability for fraud prevention and detection.
6 Ecosystem / Open Banking	Regulation (Open Banking/PSD2), increasing competition, and scale of API technology driving banks towards horizontal propositions such as integrated, one-stop shops to serve client demands.	12 Non-Traditional Currencies	Growing resurgence of digital currencies with application as bridge currency for enabling payments (including w/ blockchain), but high awareness and low comprehension remain barriers to acceptance and adoption.

Impact on Absa Horizon

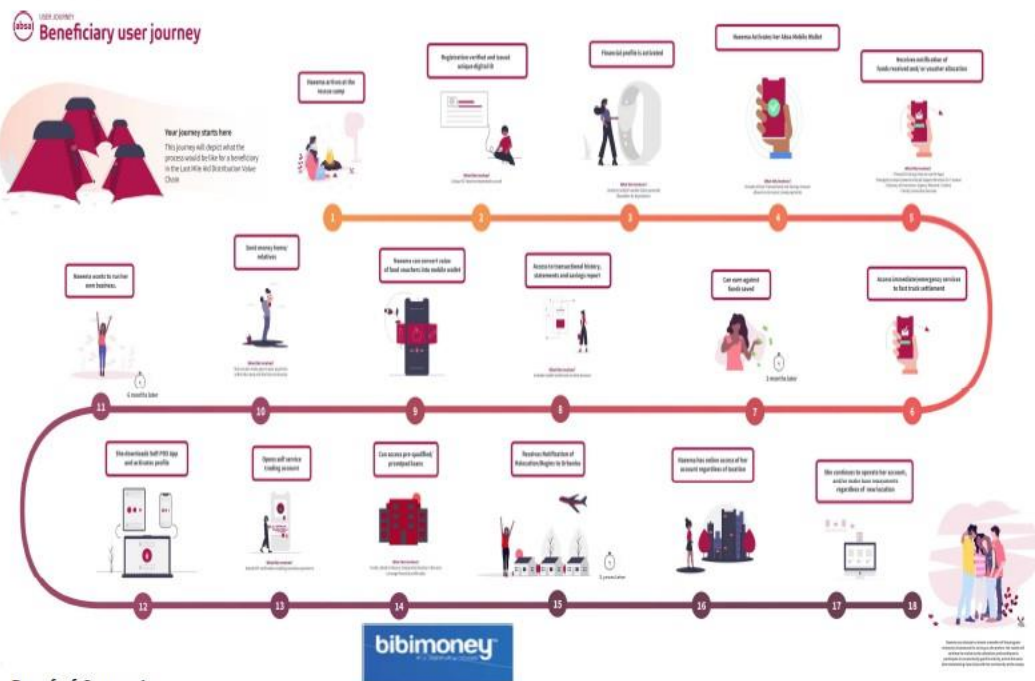
● High: within 1 year

● Medium: 2 - 3 years

● Long: +3 years



Last Mile Aid Distribution - proof of concept Uganda



Donor

- Risk Management
- Transparency, reconciliation, reporting, legitimacy of beneficiary
- Liquidity and visibility
- Cost to serve and Efficiency
- Bespoke ecosystems – closed loop
 - Data & Analytics

Displaced Person Unbanked/Unreached

- Digital Identity
 - Bankable
- Access to products Loans/overdrafts
- Grow as a long terms customer
 - Financially empowered
- Long terms financial partner

SME/Service Providers/Logistic Partners

- Business Clinics
- Access to banking services for loans/overdrafts

Create a Absa led market leading digital FMCG supply chain solution **Agiza**, focusing on last mile distribution.

Ideal for both donors logistic partners



Integration into **Absa's NovoFx** cross border payment app to provide access to cross border mobile wallet settlement

Ideal for peer to peer xborder payments/remittances



Absa Mobile Pay app, allowing users to turn their smartphones or tablets into Point of Sales Devices

Ideal for traders to optimise their sales and collections



) Thank you (

Crown Agents Bank

Moving money where it's needed

Treasury innovation / fintech

exploring delivery solutions in difficult contexts

June 2022





Crown Agents Bank – our journey

Crown Agents Bank is a UK regulated bank (PRA and FCA)

180+ years of experience working with emerging and frontier market banks.

We connect emerging and frontier markets to the rest of the world using FX and payments technology.

On a path to becoming a leading **Payments Aggregator** for emerging markets, whether for bank, mobile or prepaid cards, including local currency.

We work with



The world's largest **humanitarian & development** organisations



Cutting edge **fintechs** (either as Clients or as Partners)



Financial institutions and **Governments**

100+

currencies & cross-border payment corridors

\$4bn +

moved for our International Development Organisations clients in 2021

12

countries connected to our mobile money network

Over 90 million

connected mobile money wallets



Cross-border payment and delivery challenges

What has CAB seen?

	Challenge	CAB's Response
Onboarding	<ul style="list-style-type: none">De-riskingReduced global bank risk appetite	<ul style="list-style-type: none">Widen coverage, extend Local Supplier network e.g., Afghanistan, Myanmar, Iraq, SudanRisk and Board have set country appetites
House Bank Issues	<ul style="list-style-type: none">E.g., Lack of appetite to support challenging countries such as Afghanistan	<ul style="list-style-type: none">Smart solution provider, USD cash notes, Local regulator US License
Compliance	<ul style="list-style-type: none">ScreeningDue Diligence / KYC / OFAC, etc	<ul style="list-style-type: none">Upgrade internal systemsCore Banking System (volumes), Screening, EMpower FX, Payment Gateway
Settlement	<ul style="list-style-type: none">E.g., Reliability, too many intermediary steps in the process	<ul style="list-style-type: none">Track record, selection of local LPs, DD completedSupport HQs, minimise documentation, multiple countries - Client, MNO and Fintech integrations
Last Mile Delivery	<ul style="list-style-type: none">Beneficiary IDRural areasMobile non-coverageBulk payments, low valueCash out liquidityControl, reporting and reconciliationCost	<ul style="list-style-type: none">CollaborationEasy for Fintechs to connect to CAB through APIPaycode adds Beneficiary Data Management, Card solutions for non-coverage areasLocal partners – accessing liquidity and FXAlternative delivery mechanisms



Cross-border payment and delivery challenges

What should NGOs be thinking?

Think of likely end-to-end requirements, including FSP risk appetite, onboarding, currency of payments, local bank account, correspondents etc

- Challenge of an NGO HQ v Country Office team
- Unlikely that 1 FSP can provide an end-to-end solution
- Combined solutions (Banks and Fintech) take a lot of working through
- Basics still come in to play – de-risking, country appetite, risk perceptions, fear of fines, due diligence, onboarding, correspondents, settlement procedures, timeliness

Think liquidity as a crisis demands cash solutions

- Liquidity drives everything in a crisis
- Crisis situations change everything – even BAU is an achievement
- Humanitarian needs require accelerated responses

Think of what exists (or not) in country for last mile infrastructure (coverage, licenses, cashless or cash-based ecosystem etc)

- Readiness in country – coverage, licenses, eco-system, culture
- Local partners – MNOs, FSPs, Fintechs, fellow NGO experiences
- Each country is very different – compare even Zambia and Afghan case studies

Think about the timings, try to anticipate problems, what is Plan B, the questions around cost etc

- All-round readiness?
- Integrations – a big challenge – think Clients to bank, bank to Fintech, bank to LP
- Long-term strategic partnerships with FSPs vs short-term RFP needs
- The whole question of cost – efficiencies, savings etc

slido



(1.4.1.5) Which way will your organization go in difficult contexts?

ⓘ Start presenting to display the poll results on this slide.



Cross-border payment and delivery challenges


Thought leadership: Cash-Based Interventions and RFPs whitepaper

Audience Participation Question:

Proof of Concept or the issue of an RFP – which way will your organisation go in difficult contexts?

- A) PoC
- B) RFP

Read more: <https://www.crownagentsbank.com/cash-based-interventions-rfps-thought-leadership/>



Introduction to Cash Based Interventions (CBIs)

Development organizations have vastly expanded the use of cash based interventions to assist target populations around the world. The term Cash Based Interventions is often used interchangeably with Cash Transfer Programs and Cash Based Transfers.

The opportunity now exists to improve the efficacy, cost efficiency, security and flexibility of those programs by rethinking how private sector partners are identified and selected.

Over the last two decades, governments as well as humanitarian and relief organizations have dramatically expanded the use of cash and cash equivalent transfers to combat poverty, improve health outcomes and expand access to basic goods and services.¹ Both academic research and on-the-ground experience have demonstrated that **cash, in all its forms, when used properly, can provide quicker, cheaper, and more flexible assistance**, whether in the context of enhancing the long-term economic development of a region or rapidly responding to a natural disaster.²

While the value of cash based interventions is undisputed, there have been increasing efforts to digitize cash transfers to avoid risks and increase efficiency. The need for more security, transparency and accountability, as well as concerns about liquidity and staff costs, are among the drivers of this trend.³

Selecting service providers for digital CBIs has proved to be a **difficult and complicated process for implementing organizations and technology partners alike**. In our experience, and in the experience of other e-transfer providers⁴, CBI tenders have a high rate of non-response from bidders. Often providers are not aware of relevant tender proceedings, while at other times tenders prove too difficult to respond to.

The goal of this document is to provide you with tools and guidelines for the design and implementation of CBIs through the choice of implementing partners, contractors and technology.



Case study

Afghanistan – as we look for “business as usual”, how long before fintech solutions can come in to play?

CAB and its local partner have to prepare a way for Fintech solutions.



Challenges

- Changes in regime, risk perceptions, sanctions, environment / guidelines
- Customers not able to transfer funds into or out of Afghanistan
- Lack of local currency (AFN) liquidity



Solutions

- CAB partnering with AIB (Afghanistan International Bank)
- Transfers in
- Payments out
- USD / AFN liquidity and FX
- Advocacy – engagement with US State Dep’t, UN, DAB, World Bank, FCDO, TSWG etc



Results

- USD transfers into Afghanistan on behalf of IDO’s
- Transfers out of Afghanistan (pre-vetted entities)
- Slow increase in AFN liquidity @ AIB as exporters fund accounts to support payments to foreign suppliers
- Excellent engagement with regulators to find compliant payment solutions to support the Afghan economy
- Early discussions to formulate last mile delivery solutions (F4ID and Paycode), presented to local partners





Case study

Paycode (Zambia) – in solving challenges on the front line, we can truly begin to think of end-to-end solutions

CAB and Paycode work together, cost effectively, to support humanitarian and development organisations, thus ensuring high volume / low value payments reach the correct beneficiaries.



Challenges

- The registration of beneficiaries in remote areas under a Ministry of Agriculture loan scheme
- Secure distribution of microloans to rural farmers who are not part of the financial services ecosystem
- Restricting use of loans to the purchases of agricultural inputs



Solutions

- Biometric registration of beneficiaries & proof of life
- Issuance of smartcards linked to each beneficiary's biometric profile
- Ecosystem of agents created by Paycode to support the financial need
- Multiple wallet structure to segregate funds disbursed under Ministry scheme (restricted use) from other funds
- Purchases for farmer inputs (fertilizer, seeds) were then done through offline-real time transactions at agro-dealers (farm supply merchants) using Paycode's biometric POS device.



Results

- Paycode onboarded 197,045 farmers in deep rural areas in under 8 weeks, giving them biometric digital identity and low-cost access to financial services.
- Improved access for small scale farmers to inputs and enhancing the participation and competitiveness of the private sector in the supply and distribution of agricultural inputs timely and in adequate amounts.





IDO team – June 2022



David Pitts
Senior Advisor, International
Development Organisations

David.Pitts@crownagentsbank.com



Duarte Pedreira
Head of International
Development Organisations

Duarte.Pedreira@crownagentsbank.com



Nkosi Moyo
Head of Global Payments
& Mobile Sales

Nkosi.Moyo@crownagentsbank.com



Mark Tait
Vice President, NGO
Global Markets

Mark.Tait@crownagentsbank.com



Nigel Atta-Mensah
Relationship Manager, VP,
International Development
Organisations

Nigel.Atta-Mensah@crownagentsbank.com

www.crownagentsbank.com
ido@crownagentsbank.com

T: +44 (0)20 3903 3000

Quadrant House, The Quadrant,
Sutton SM2 5AS, United Kingdom

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Crown Agents
Bank

F4ID A new business model for NGOs?

Fintech for International Development (F4ID) is a unique **social enterprise** owned by Save the Children, Barclays Bank and Standard Chartered Bank.

F4ID is designed to provide digital solutions to aid organisations working in last mile environments – to make them **safer and more efficient**.

F4ID brings humanitarian, finance, compliance, and technology experts together under one roof.

Treasury untapped: Going beyond the day job

We believe that over the next few years...

- Donors will become more selective – demanding **verified evidence** of programming output and outcomes to ensure best value (including sustainable legacies?) and maximum impact. “Aid must work harder”.
- Banks and regulators will impose **ever-tightening compliance** controls, particularly for higher-risk jurisdictions (where aid is needed most).
- Treasury Teams must play a key part in solutioning these future demands.

Innovation: Evidence supply to enable safer payments

L20 is our digital supply and payment platform. It enables local vendors and service providers to supply essential goods and services to households in last mile environments.

Goods and services supplied to a household are **biometrically-verified** by the (anonymized) recipient using their unique **L20 digital key**. Transactions can be tracked in real-time.

This enables automated, **safe and legitimate payments** directly to local suppliers' bank accounts and/or mobile wallets, supporting households, business and wider local economy.

