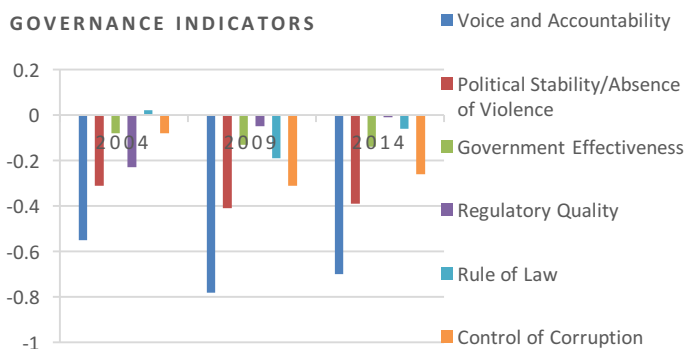


"Barid Cash" as an innovative distribution channel of the Postal Bank in Morocco

1. Development relevance

Economic and Poverty Context:ⁱⁱ Economic growth decelerated from 4,5% in 2013 to 2,4% in 2014 (figure) as a result of a decline in agricultural output due to insufficient rainfall and moderate growth outside of agriculture, especially in manufacturing. Between 2010 and 2013, the average inflation rate p.a. was 1,5%. The country's remittances continue to play a significant role in supporting the economy, exceeding the value of tourism receipts and the export of phosphates. The most recent Economic Freedom Index score ranks the economy in the 89th position in 2015.ⁱⁱⁱ Challenges include red tape, an inefficient judiciary system, and high government spending. The country has managed to avoid large-scale political upheaval during the Arab spring and underwent significant political change in 2011 when opposition groups formed and transition towards a parliamentary monarchy started. According to the worldwide governance indicators (figure), Morocco lands in the middle to middle-upper percentile when compared to other MENA countries.

Economic Indicators (most recent available)	
Population (2014; in million)	33,9
GDP Growth % (2014)	2,4
Inflation % (2014)	0,4
Net ODA and Official Aid Received (% of GDP) (2012)	1,5
Workers' Remittances (% of GDP) (2013)	7,3
Economic Freedom Index (2015) (Rank among 185 countries)	89
Poverty indicators	
GDP per Capita (current USD) (2014)	3'190
Gini Index (0= equality 100= inequality) (most recent available: 2007)	40,9
Multidimensional Poverty Index ¹ (1=poor 0=not poor) (2010/11)	0,067
International (at 1,25 USD/day), National and Rural Poverty Headcount Ratio (in %; 2007)	2,5 / 8,9 / 14,4

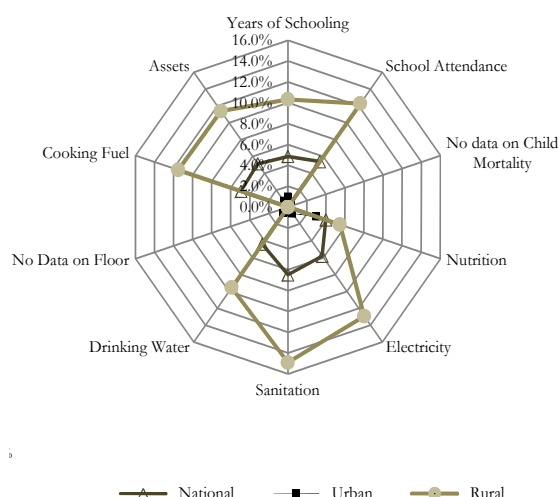


the education system nor employed. Moreover, 87% of employed youth work in the informal sector. Women and girls are particularly vulnerable, with approximately 82% not attending schools and being excluded from the labour market. The Multidimensional Poverty Index (MPI, figure), which reflects the incidence of poverty at the individual level with respect to education, health and living standards, is with 0,067 relatively low compared to other Arab states. Income disparities and gender inequalities are very high partly resulting from one of the highest illiteracy rates in the Arab world and an imperfect education system. Of the 4 million Moroccans below the poverty line, 75% live in rural areas.

Financial Sector Context: The government has been spearheading the promotion of financial inclusion in the MENA Region with the postal bank (Al Barid Bank) as main instrument. The national rate of financial inclusion has followed global trends by increasing by 47% in 2010, 56% in 2012 and 62% in 2014. 41% of adults use a formal

Since 2007, the GDP per capita has increased, reaching USD 3'190 in 2014. However, measures that aim to foster more inclusive growth, such as creating an enabling environment for youth employment and/or people in disadvantaged areas remain a key challenge for the government. The official unemployment rate is 9%, however the World Bank indicates that 51% of people aged between 15 and 29 (which account for 44% of the working age population) are no longer in

Percentage of Population Poor and Deprived according to Multidimensional Poverty Index



financial product (versus 18% on average in the MENA region). The main products Moroccans are familiar with are offered by banks (90%), followed by products offered by savings and credit self-help groups (89%), MFIs (68%), and money transfer operators (65%).^{iv}

Partner Financial Institution: The Moroccan Post Office spun off its financial services with four million clients to its subsidiary Al Barid Bank (ABB), officially launched in June 2010. Based on a country-wide network of more than 1'800 branches (owned by, and mostly shared with the postal network) with two thirds located in rural areas (where 44% of Moroccans live), ABB is the prominent leader in the financial inclusion process for Morocco. Its mission is to facilitate access to financial services to all citizens, especially the poorer and most marginalized ones. ABB is estimated to reach about five million customers in areas where brick-and-mortar banks have traditionally been scarce. Having moved past its early focus on basic savings and payment products, ABB now offers overdraft products and mortgage lending, though it maintains its mission to serve low-income borrowers.^v In 2012, low-income clients (i.e. clients that earned less than USD 100 monthly) made up 50% of ABB's active clients. ABB is the only financial network that distributes pensions, scholarships, and subsidies on behalf of the government, thus playing a crucial role for the Moroccan society.

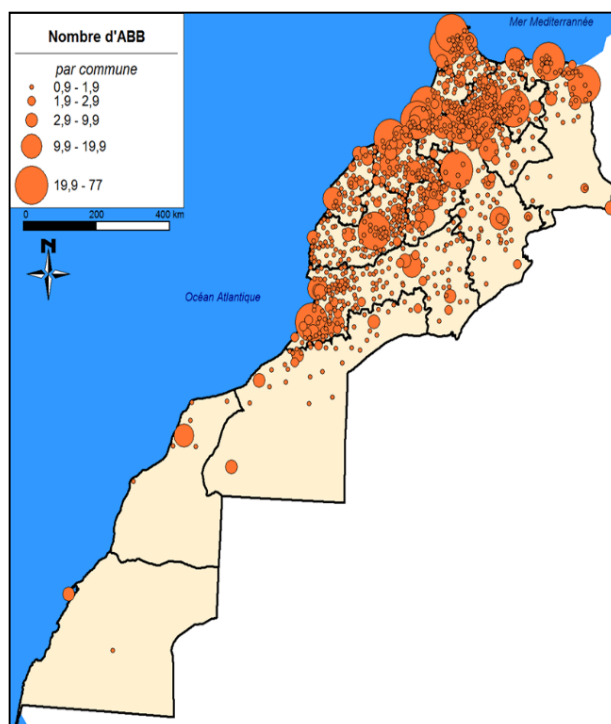


ABB	2011	2012	2013	2014
Total assets (in million USD)	3'562	4'008	3'950	4'334
Total deposits (in million USD)	N/A	4'091	3'559	3'950
Total gross loan portfolio (in million USD)	N/A	N/A	186	224
National transfers (delivery and receipts) / No. of transactions	N/A	More than 10 million	13 178 270	11'389'172
International remittances No. of transactions (receipts)	N/A	more than 1,25 million	1'327'558	1'367'458
Total staff	3'580	3'641	3'724	3'960
Total branches	N/A	1'814	1'820	1'834

In 2013 and in 2014 ABB gained more than 1'006'186 customers, reaching 5'741'237 clients. The total amount of deposits at the end of 2014 was USD 3'950 million, accounting for slightly over 5% of total Moroccan deposits. The pace of growth amounted to 8,45% per year for current accounts and to 9,44% for savings

accounts. At the end of 2014, ABB had more than 2'232'185 customers with bankcards and more than 693 Automated Teller Machines (ATMs). ABB's total credit portfolio (housing, consumption) currently totals USD 186'811'000. Since 2010, ABB has been engaged in mobile banking and in 2013, it launched a new mobile banking service that is open to clients and non-clients.

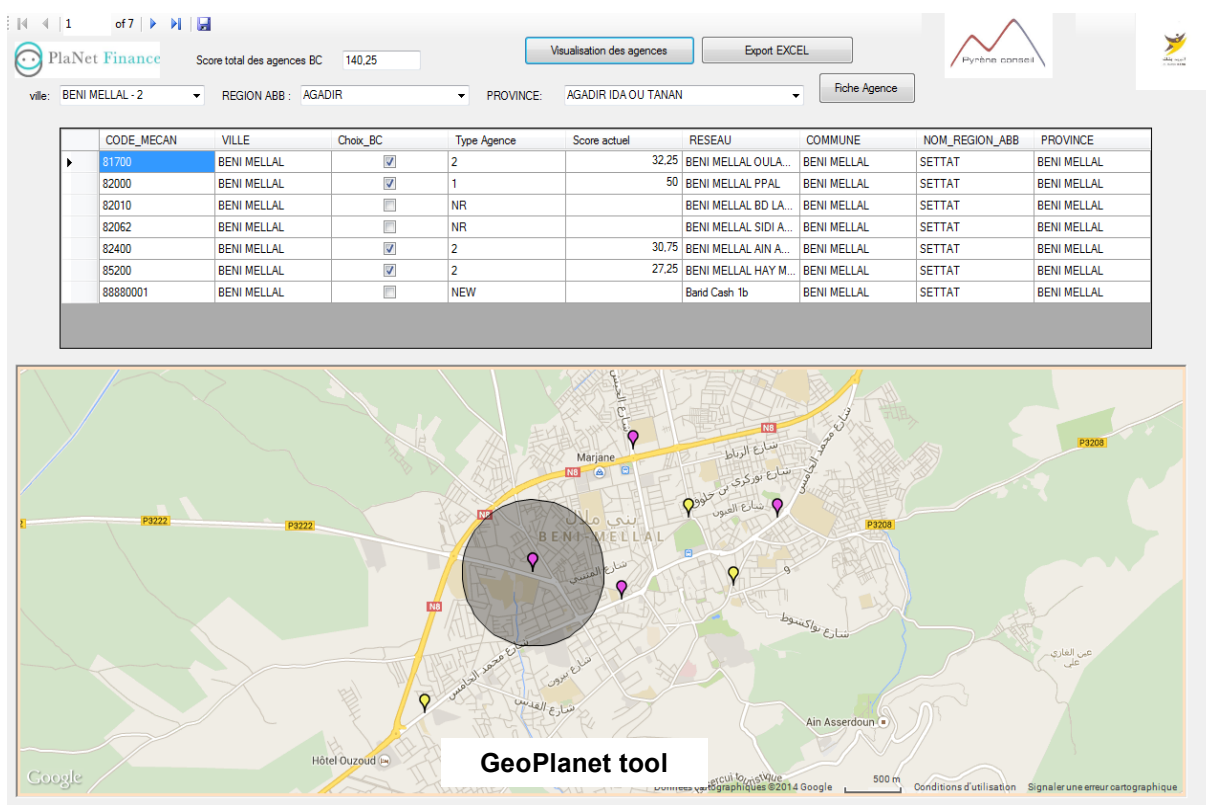
2. Intervention approach and additionality

SCBF offered technical assistance through Positive Planet (former PlaNet Finance) to ABB in designing and introducing its Barid Cash distribution channel officially launched in July 2014, in order to significantly enhance its services to customers. This new distribution channel helps to reduce the lack of proximity - notably in rural areas - and the limited bank opening hours as key bottlenecks for financial inclusion by establishing low-cost outlets with opening hours from 8 a.m. to 8 p.m. Technical assistance was delivered in four main areas:

- 1) **Developing an implementation strategy:** it was decided to set up a separate entity, Barid Cash Company, fully owned by ABB, with a private sector labour code that allows for more flexible opening hours and thus enhanced customer support. ABB has made significant investments in this new subsidiary and hired a strong management team. As a result, it was decided to focus on building a few strong Barid Cash outlets in major Moroccan cities during the first year, rather than opening a large number of outlets as originally planned. These outlets will serve as a basis to

replicate the model to a larger number of outlets across the country in time. They will become master distributors and will be in charge of managing the new outlets (about 20 to 30 outlets each).

- 2) **Identifying preferred locations for new outlets using mapping and spatial analysis tools.** These easy-to-use operational 'geomarketing' tools (see picture below) have been shared with the Barid Cash Company to serve as a decision-making framework to localize future outlets. Training was provided to Barid Cash top management to enable the use of the tools in an autonomous and efficient manner.
- 3) **Implementation of a mystery shopping survey** to collect insights about the quality of services offered by other money transfer agencies and to test new ways of addressing customer needs and expectations.
- 4) **Designing material and implementing a Training-of-Trainers** with the aim of having in-house trainers for new staff at the outlets (training of twenty sales agents and trainers of sales agents).



3. Results achieved

3.1. Client level



Casablanca - Barid cash main outlet

Instead of focusing on the number of clients, Barid Cash focuses on the number of transfer operations, as it provides money transfer services locally and internationally (whereas all "government to people" transfers are delivered exclusively through ABB). Detailed client information is therefore not available. In addition, the opening of Barid Cash outlets remains quite recent and competition in the money transfer segment is already on the rise.

ABB's 6 million customers could potentially benefit from Barid Cash transfer services, and this could contribute to increased customer

satisfaction, as the mystery shopping survey revealed customers' appreciation for:

- Flexibility in opening hours: 8 a.m. to 8 p.m. during the week and on Saturdays, Sunday and holiday mornings. Such opening hours fit the daily life of people, i.e. services should be accessible outside of people's working hours. However, the rigid labour regulations for public enterprises like ABB prohibit such flexible opening hours. This has led to the establishment of Barid Cash as an affiliate of the ABB.
- Brand recognition and service differentiation.
- Marketing materials, including educational content customised to meet the needs of the target customers (simple text, design, etc.).
- Customer service: serving clients in a professional and effective way, especially during peak hours.

Visits to two Barid Cash outlets in commercial districts of Casablanca revealed:

- Short waiting times (on average less than 15 minutes). Interviewed clients seemed highly satisfied with the available money transfer services. One woman said: "I am very satisfied with Barid Cash employees, they are very professional and the service is quick". Another said: "The opening hours allow me to go to Barid Cash after work, which is very convenient".
- Good transparency of money transfer fees, often displayed on the counter window and on flyers and posters displayed in the outlets.
- Clean outlets with enough seats for customers and an enhanced level of security (provided by a security guard).

3.2. Partner financial institution level

As of end 2015, Barid Cash opened 41 outlets covering major cities in all regions. The expansion strategy will mainly rely on the existing ABB network. However, Barid Cash recently signed two franchise agreements to expand its network, one with an MFI called Al Baraka, previously called Fonddep, and another with one mobile operator which remains confidential at the time of writing this report. 17 new openings are forecasted before the end of Q1 2016 with a goal of reaching 115 points of sale by mid 2016. The criteria to open new outlets include: existing offering of financial services, type of district, intensity of commercial activity in the area, and existence of a point of interest, such as a railway station or a public transportation station.



Casablanca Barid cash outlet – counter

At present, Barid Cash only offers transfer services. However, the management team has rich experience in money transfer and mobile money services. Active communication is underway with Bank Al Maghrib (Central Bank) to extend the service offering to include mobile money services as part of a second stage.

3.3. Financial sector level

It is too early to show results at the financial sector level, but as a market leader, ABB has been able to gain about 500'000 new clients in the past two years. The development of Barid Cash as an innovative distribution channel for money transfer services will certainly contribute further to the financial inclusion efforts of the ABB, especially for low-income people in urban and rural areas.

Once the distribution network is larger, the service may be used more intensely and customers may eventually be allowed transfers through mobile banking. Presently, given the low availability of cash-out solutions from the existing budding networks that include Barid Cash, the government prefers not to take any risk of favouring "government to people"-transfers via mobile banking solutions to vulnerable parts of the population in rural areas. It has announced a new banking law with expected applications to be published in Q1 2016 that would frame the development of distribution networks and make them secure, in order to eventually facilitate a wider financial inclusion through such networks.

4. Lessons learnt and further challenges

It took ABB more time and resources than expected to establish “Barid Cash” company for money transfer services as part of its strategy to expand its proximity network and thus offer its financial services to a rapidly growing number of clients. Moreover, legal constraints have prevented ABB to set up the initially planned 150 instead of 41 “Barid Cash”. Its first assessment of the legal framework proved positive for the planned relationship with its future agents. However, a new banking law was announced in 2014 and came into effect on the first of January 2015. A second legal opinion during the first quarter of 2015 indicated a clear constraint for such agent networks, preventing banking networks from mandating physical persons or individuals as franchisees. This constraint limited the number of potential agents for ABB’s network development merely to moral persons or established registered businesses, which did not necessarily match the expected criteria for geographical proximity.

In addition, the Saphir Management Information System (MIS), deployment to support the development of the agent network, had to be put on hold given the new regulatory constraints.

ABB considered externalising the recruitment of its agent network to its money transfer Barid Cash subsidiary. However, other regulatory constraints quickly appeared and prevented ABB from approaching individual retailers – one of the main constraints being the need to dedicate a space for financial transactions, which represented a considerable obstacle. The provisions of the new banking law should be published very soon. Their official publication should be awaited before re-evaluating the initial project goals in the light of the new legal framework.

Equipping the retailers with electronic payment terminals would allow ABB to create new cash-out points, which will be useful once the “government-to-people”- beneficiaries (like the families benefitting from the Tayssir programme) will own bank cards or be equipped with Barid Bank mobile accounts. But as of end 2015, the number of such accounts was just of 200’000 (compared to a total number of clients that is close to 6 million). To leverage this intervention and the mobile banking solution, ABB needs to:

- Focus on the growth of the Barid Cash network through its franchise strategy
- Increase the range of services offered. One important step will be to get the approval of the Central Bank to offer mobile money services at the Barid Cash outlets.
- Identify and leverage synergies between the Barid Cash outlets and ABB to ensure the mutual success of both companies in the group financial inclusion strategy.

In addition, the following could help leverage the work carried out:

- The geomarketing tool could be further developed to monitor the financial performance of the new Barid Cash outlets. It could combine information on clients, mobile transactions and internal financial data and thus could enable both Barid Cash Company and ABB to optimise their networks.
- Strengthening the Training-of-Trainers programme by expanding it to all employees in management and front-office staff as well as the staff of the Barid Cash outlets.

ⁱ <http://www.ophi.org.uk/wp-content/uploads/Morocco1.pdf> (retrieved August 2014).

ⁱⁱ Where not stated differently, sources of section 1 are: <http://www.worldbank.org/en/country/morocco/overview> and <https://www.cia.gov/library/publications/the-world-factbook/geos/mo.html> (retrieved June 2014).

ⁱⁱⁱ <http://www.heritage.org/index/country/morocco> (retrieved August 2014).

^{iv} <http://responsiblefinance.worldbank.org/~media/GIAWB/FL/Documents/Publications/Enhancing-Financial-Capability-and-Inclusion-in-Morocco-FINAL.pdf> (retrieved April 2015).

^v <http://responsiblefinance.worldbank.org/~media/GIAWB/FL/Documents/Publications/Enhancing-Financial-Capability-and-Inclusion-in-Morocco-FINAL.pdf> (retrieved April 2015, page 24).