

# MICROLINKS



## Show Me the Money! Lessons Learned in Digital Payments

February 9, 2017

Speakers: Fernando Maldonado, *USAID Digital Finance*  
Marcella Willis, *NetHope*  
Jamie Zimmerman, *Bankable Frontier Associates (BFA)*

Moderator: Fernando Maldonado, *USAID Digital Finance*

# Fernando Maldonado, USAID Digital Finance



Fernando Maldonado serves as a senior technical advisor on the Digital Finance team at USAID supporting the advancement of financial inclusion through digital platforms that improve the lives of the very poor. He currently leads USAID's Digital Finance community of practice, and supports efforts to integrate electronic payments into USAID programs. Prior to joining USAID, Fernando managed and provided technical assistance to a number of economic growth and livelihood development programs abroad, serving the most at-risk and vulnerable populations.

# Marcella Willis, NetHope



Marcella Willis is a partner with the global consulting firm Strategic Impact Advisors. She has worked on the NetHope Payment Innovations Project for the past 3 years where she leads development of a Toolkit for USAID implementing partners on how to transition from cash to digital payments. She has also facilitated trainings for NGOs in 4 countries on how to adopt digital payments, including matchmaking between NGOs and digital payment service providers. Subsequent to a workshop in Zimbabwe she supported USAID in disbursing grants to 3 NGOs to make the transition, and will present on these lessons learned. She has 20 years of experience in international development and financial inclusion.

# Jamie Zimmerman, BFA



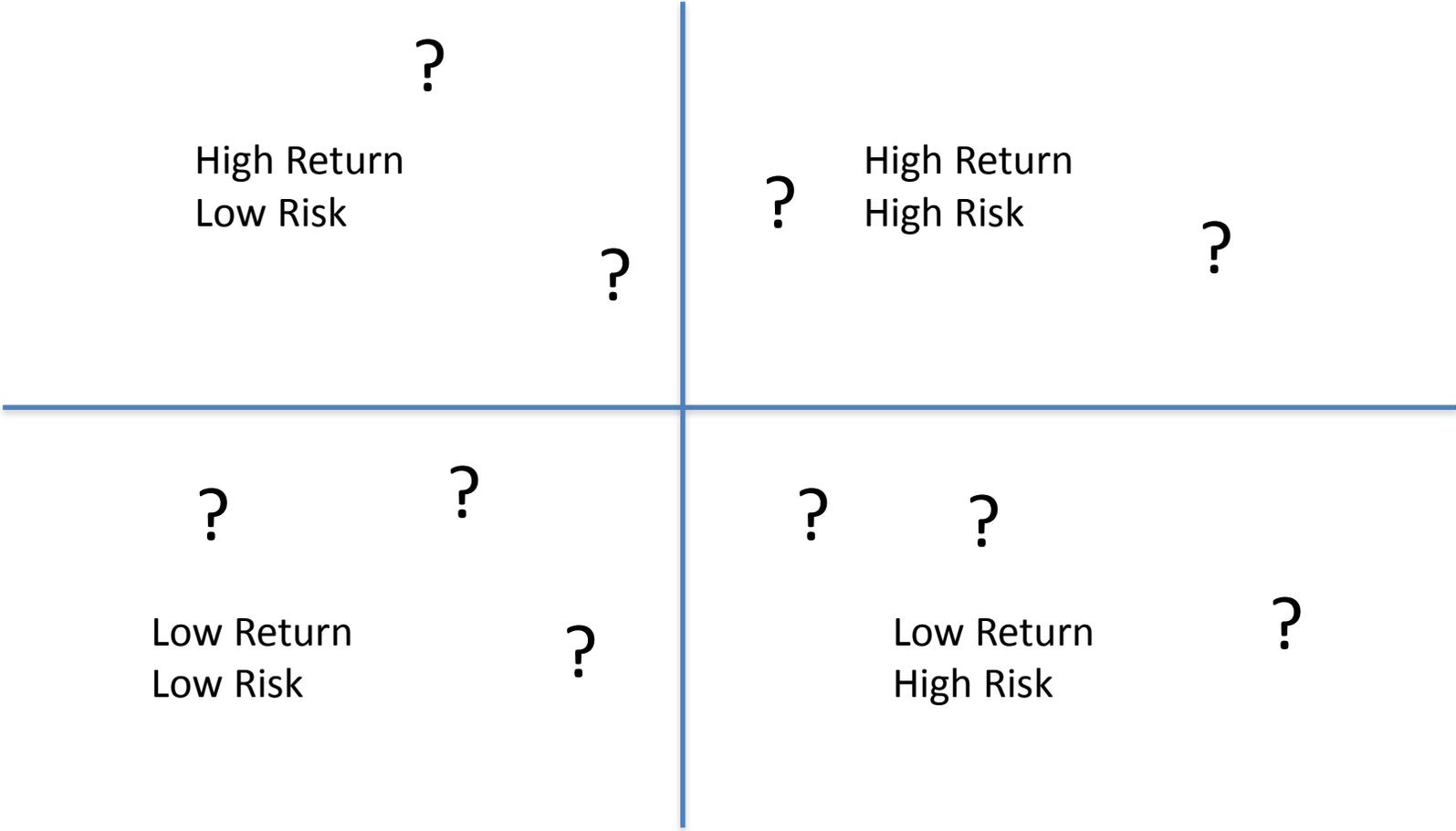
A global expert and leading voice on financial inclusion and asset building, Jamie M. Zimmerman has launched, led, and advised dozens of initiatives aimed at advancing and stimulating new thinking and innovations in policy and practice toward global poverty reduction. She has researched, published and presented extensively and globally on wide variety of topics including: social protection payments policy, the shift to cash-lite in emerging economies and for development partners, child and youth financial inclusion, financial inclusion of the poor, asset building, and the role of technology in improving foreign and humanitarian assistance and accelerating global development. She is the author, with Dr. Susan Aaronson, of *Trade Imbalance: The Struggle to Weigh Human Rights Concerns in Trade Policymaking*.

A photograph of two women wearing headscarves, one purple and one yellow with a black pattern, looking intently at a smartphone held by the woman in the yellow scarf. The woman in the purple scarf has her hand on the other's shoulder. The background is slightly blurred, showing another person in a blue headscarf. The lighting is warm and focused on the women and the phone.

Enabling Inclusive  
Digital Payments

- *Fernando Maldonado*
- Digital Finance, USAID

# Return on investment?



# Topics to Discuss

- **Why payments: The imperative for financial inclusion**
- **Lessons learned: Transitioning from cash to electronic in Zimbabwe**
- **Call to action: How to enable digital payments for development**



# The imperative for financial inclusion



## Building resilient households and communities

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Mobile money has lifted 194,000 households in Kenya out of poverty (esp. female-headed) by increasing savings and financial resiliency (Kenya, 2016, Science Magazine)



## Promoting gender equality

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Digital financial payments give women more privacy, safety, confidentiality, and control over their finances, increasing women's economic empowerment



## Achieving good health and well-being

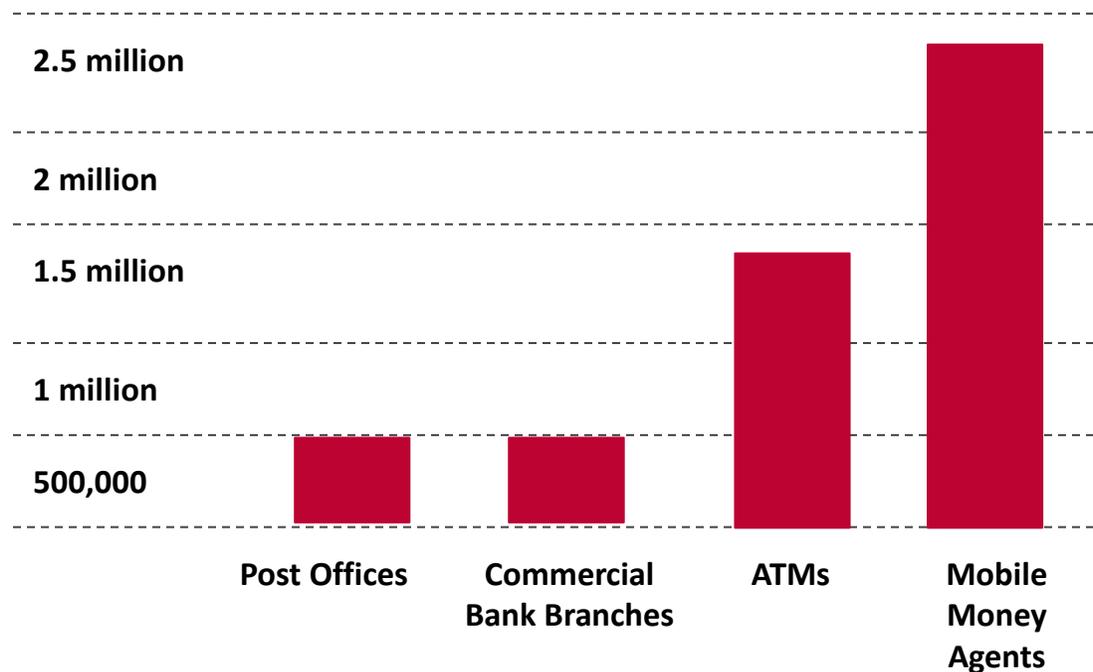
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A study in Nepal found that when hit with health shocks, households with savings accounts suffered smaller income drops than households without savings accounts (Prina, 2015)

digital technology  
**and** new business  
models **for financial  
services** are  
enabling...



### Presence



### Scale

70% of the population in developing markets expected to have a mobile by 2020, and many markets are already near 100% penetration

### Affordability

45% of adults in Sub-Saharan Africa with a mobile money account do not have any other formal account

A woman wearing a purple and white checkered headscarf and a red patterned sari stands in a vast field of bright orange marigold flowers. She is smiling and talking on a mobile phone held to her ear. In her left hand, she carries a large, shallow, woven basket filled with harvested orange marigold flowers. The background shows a green field and a line of trees under a clear sky.

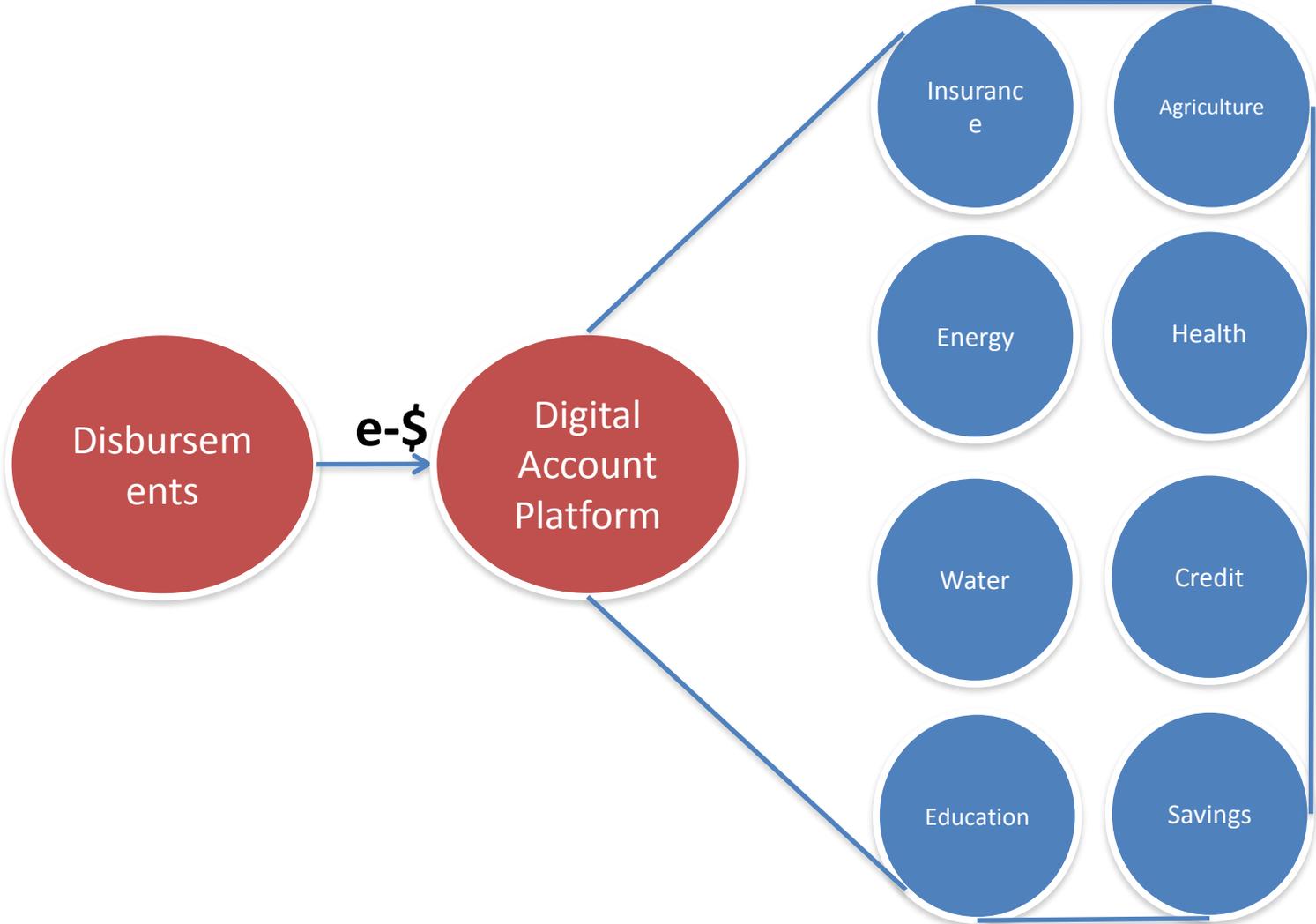
**2 billion**

global population with no access to formal financial services

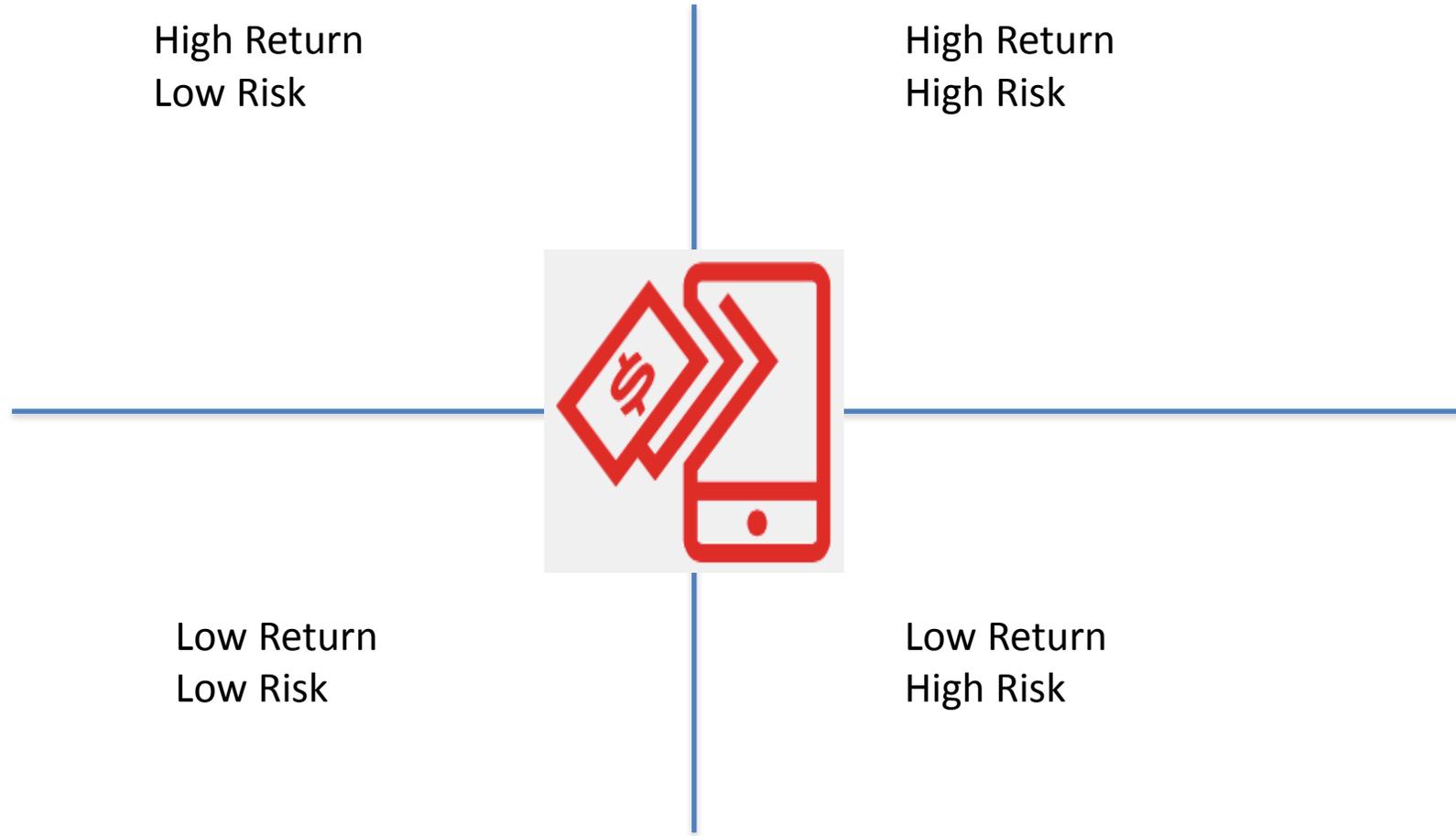
**29 billion**

donor dollar funding average per year

# USAID Investments as a Catalyst



# Return on investment?





## Payment Innovations Project

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# Payment Innovations Project



## Research & Surveys

- NGO use of digital bulk payments
- MNOs perception of NGOs as customers



## Tools & Resources

- Cash to E-Payments Toolkit
- Webinars on Use Cases



## Training Workshops & Service Provider Linkages

- Cambodia, Ghana, Malawi, Rwanda, Zimbabwe
- 182 participants / 105 organizations / 28 service providers



## Small Grants to Transition

- 2014: ASKI (Philippines), Concern (Malawi) MEDA (Tanzania)
- 2015: Healthkeepers Network (Ghana)
- 2016: FACT, MOC, WVZ (Zimbabwe)

# Generally, what do we know?

## NGO Payment Streams in Cash are Significant

- NGOs disburse high volumes of low value payments
- Typical payments in both operations (e.g. staff per diems) & programs (workshops, stipends)

## NGO Knowledge of Agency Benefits is High

- NGOs recognize benefits to own organization:
  - Security risk reduction
  - Increased efficiencies
  - Cost savings
- NGOs less cognizant of benefits to recipients & efforts required to help them become active users of digital financial services

## NGO Motivation to Transition is High, but

- May lack direction on how to get started
- Have limited expertise to find, vet, negotiate with service providers
- Lack adequate human resources to champion & implement the transition

## Learnings are consistent

- Benefits gained & challenges encountered generally common (some market specific differences)
- Use case evidence becoming more plentiful
- Guidance more available
- Still... challenges to disseminate across NGOs (different types of staff & different markets)

# Learnings from Zimbabwe– 6 month grants to pilot a transition



## Family Aids Caring Trust (FACT)

- To improve the quality of life of vulnerable communities through the provision of health and poverty reduction interventions
- Programs on health, livelihoods, child protection



## Mavambo Orphan Care (MOC)

- To empower children to develop their maximum potential by capacitating them to become socially adjusted, self – sustaining, healthy responsible citizens
- Programs on child protection & psychosocial support, formal & non-formal education, health, economic strengthening for vulnerable households & the government social services system



## World Vision Zimbabwe (WVZ)

- To work with the poor and oppressed to promote human transformation and seek justice as faith-based NGO.
- Large-scale development programs to address community needs with specific focus on children, including nutrition of women of reproductive age & children; improve agricultural production; increase communities' resilience & response to disasters & shocks

# Grant Recipient Details

## Payment Streams

training workshops: travel and per diems for staff, attendees, facilitators (including govt officials) and vendors/suppliers

FACT and MOC stipends / allowances: various community workers, health workers, community based volunteers and facilitators, education (teachers and schools, study centers).

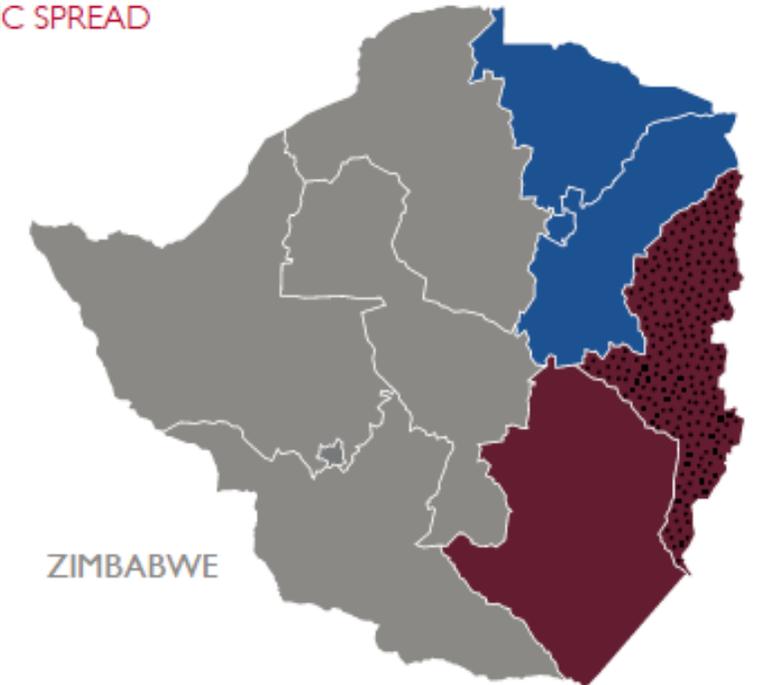
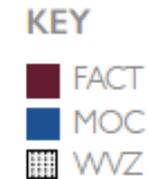
operational costs: pre-paid electricity, internet, etc.

## Motives

- cost savings
- efficiencies
- best practices for process improvement and stronger financial management.
- transparency
- reduced leakage
- increased security
- heightened financial inclusion

Due to emerging cash crisis use of digital payments became even more compelling

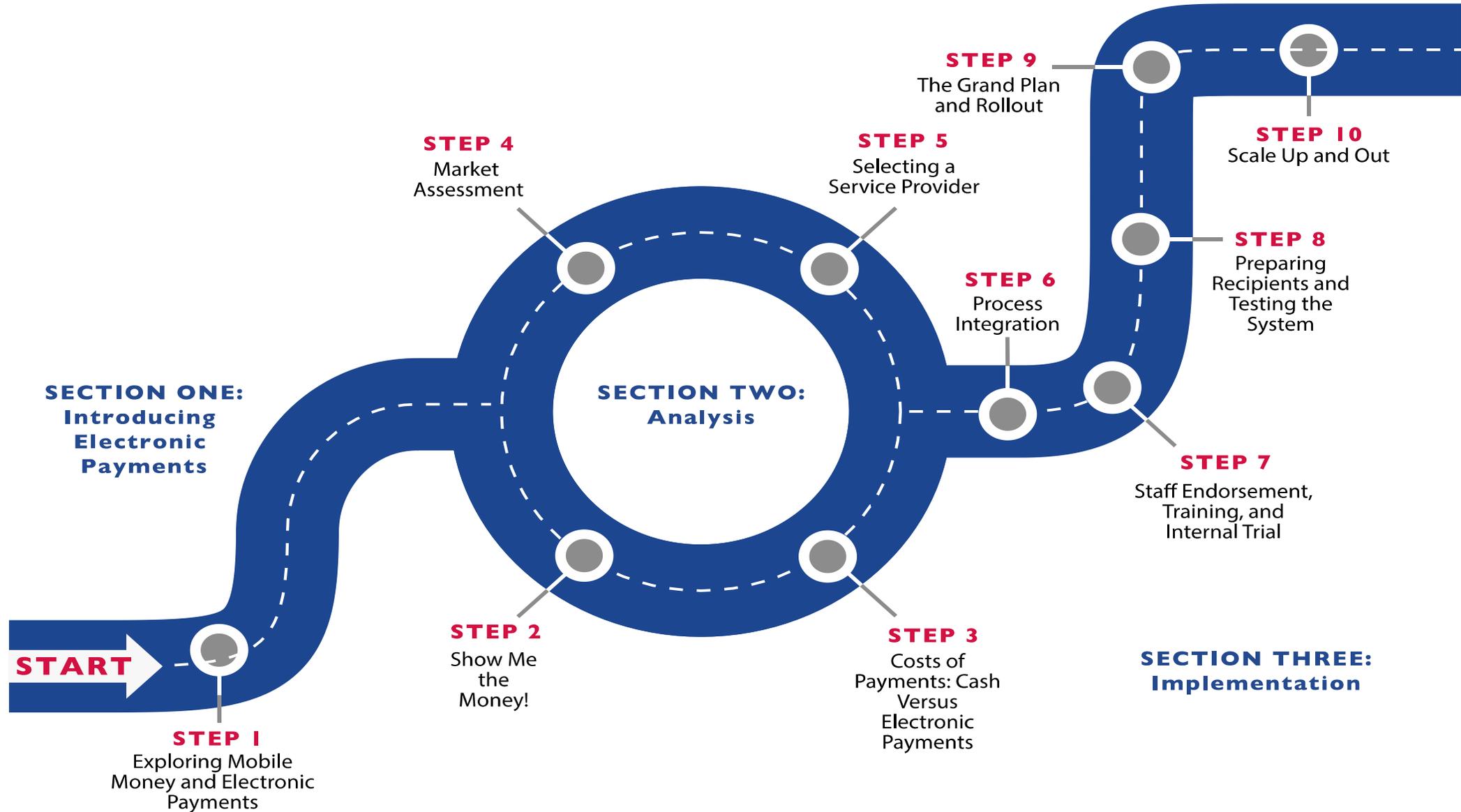
## GEOGRAPHIC SPREAD



FACT: Manicaland, Masvingo  
MOC: Harare, Mashonaland East, Mashonaland Central  
WWZ: Manicaland

**\*Mostly rural!**

# Transition Process



# Results

~January – July 2016, a 6 month pilot

NGO	Service Provider	Amount Transitioned	Unique Recipients
FACT	EcoCash: MM Telecash: MM Stanbic & Paynet: Online	US\$ 719,650	4,000
MOC	EcoCash: MM	US\$ 43,563	458
WVZ	Telecash: MM NetOne (Pending): MM	US\$ 4,799	100



# Common Benefits Gained for the NGO

## Better Payment System

- Improved **efficiency**
- Higher **productivity** through better allocation of HR: less paperwork, less time/energy queuing at banks and distributing cash in communities
- More **convenient** & user friendly system
- Heightened **security**: less/no cash handling
- Increased **transparency**; improved transaction audit trails, easier to trace payments to recipients, improved integrity of financial information

## Ave Monthly Savings on Disbursement Costs

- **FACT**: US\$ 3,000
- **MOC**: US\$ 5,219
- **WVZ**: US\$ 4,560

# Common Benefits Gained for Recipients

## Recipient Preferences

- **FACT** found 66% of recipients surveyed preferred digital payments over cash, stating they preferred convenience of accessing payments wherever they wanted (81%), and without having to wait for organized cash distributions (63%).
- **MOC** reported a notable boost in OSSG facilitators' self-esteem attributed to the fact that payments received were private (no shame of handouts). **WVZ** also found recipients appreciated convenience & privacy.
- **FACT** found 74% of recipients surveyed said they thought this was beneficial move to a "new technological era" since they felt the project contributed to establishment of MM agents in some areas where these services were not available before.

## Access to Digital Financial Services

- **FACT** observed 73 new Telecash and EcoCash merchants established across the districts, many were partner schools that adopted merchant accounts to become hubs for receiving school fee disbursements.
- **FACT** registered 173 staff members on the Ecosure (life insurance) plan with EcoCash
- **MOC** found expanded financial inclusion in marginalized communities as some recipients are now paying bills (electricity, water), buying goods, purchasing airtime, and paying funeral insurance policies with their mobile money accounts
- **WVZ** found "recipients who were previously unfamiliar with technology and unbanked were now able to access a mobile money account enabling them to manage risk, build resilience and wealth through a range of value added financial services, for example Telecare insurance."

# Challenges Encountered

## Recipient Challenges:

- Registration / lack of identification documents
- Resistance / Behavior Change / Cash is comfortable / Low literacy

## Service Provider Challenges:

- Mobile network infrastructure
- Agent network (liquidity & number of agents)
- Systems & service delivery (online platform new, RTGS transfer & transaction delays, transaction errors, over-promising)



## Solutions & Suggestions:

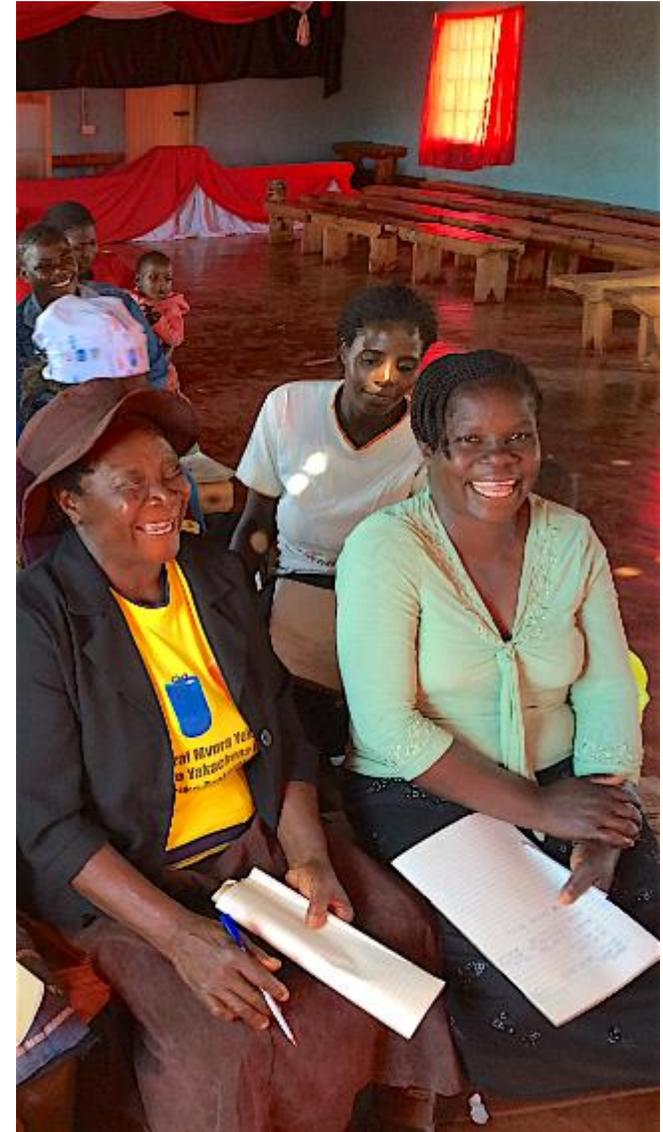
- Do research on regulations to see what is required (e.g. KYC), support the process
- Appropriate training, refresher training

## Solutions & Suggestions:

- Do research and map out where service providers have network & agents
- Talk to peer NGOs about experiences
- Encourage/train recipients to use other services rather than cash out
- Ramp up efforts on prep time, joint planning of disbursements
- Have service level agreements & regular meetings with service providers
- Request & build relationship with a dedicated account manager-essential for troubleshooting

# Successes & Opportunities

- All 3 organizations **introduced new users to mobile money**, often for the first time, and ushered in **opportunities for financial inclusion**. Some recipients used their mobile money accounts for a variety of services beyond cashing out
- MOC plans to sensitize recipients, especially in rural areas, on benefits of transacting in **MM as a means to address current effects of cash shortages** in the market.
- MOC wants to encourage other **stakeholders (schools and health facilities) to open merchant accounts** and accept MM payments.
- FACT recognized digital payment as a path: “a definite trajectory with identifiable benefits for sustainability,” and views its digital payment system **as a tool for economic enhancement**, applicable to other FACT programs and interventions.
- WVZ plans to develop a **training module on digital payments and financial inclusion** that can be used to develop staff capacity to embrace technology and support its adoption and **expansion across the entirety of WV**.



# Key Tips for NGOs about to Transition

## Introduction (toolkit step 1)

## Internal and External Analysis (toolkit steps 2-5)

## Implementation (toolkit steps 6-10)

<ul style="list-style-type: none"> <li>In initial planning stage, assess key skills and personnel within organization and <b>recruit or elect dedicated staff</b> to provide guidance throughout transitional process</li> <li>Secure ownership and <b>endorsement from top</b> to maintain momentum in organization for the new direction. Early internal stakeholder engagement is imperative in shaping project implementation and ensuring success.</li> <li><b>Consult peer organizations</b> that may be at different levels of utilizing digital payments technology to learn from their experiences, and seek recommendations about service providers</li> </ul>	<ul style="list-style-type: none"> <li><b>Demonstrate cost implications</b> associated with cash payments <b>to</b> justify transition and <b>secure buy-in from senior leadership</b></li> <li><b>Understand regulatory and policy implications</b> (e.g. Know Your Customer regulations around identification documents)</li> <li>Conduct <b>assessment of network and agent availability</b> in areas of operation, and be cognizant of recipients traveling distances</li> <li><b>Verify agent liquidity</b> levels &amp; challenges to understand how/where recipients can cash out</li> <li>No “one size fits all,” as payment service providers have different competencies and network coverage so may be necessary to <b>engage strategic mix of service providers</b> to get best out of the market. E.g. strength of SPs in different districts.</li> </ul>	<p><b>Internal Policies &amp; Endorsement:</b></p> <ul style="list-style-type: none"> <li><b>Review policy framework and SOPs</b> in order to seek authority approvals and ensure compliance with policies.</li> <li><b>Be prepared for reluctance</b> to adopt new technologies on the part of some senior decision makers (internally and externally) due to perceived risk, costs or other concerns. Engage early and provide adequate training to <b>get buy-in</b>.</li> </ul> <p><b>Recipient Readiness</b></p> <ul style="list-style-type: none"> <li>Assess <b>recipients identification documents</b> to register for accounts, and support those who don't.</li> <li>Assess <b>recipients' current use and comfort with MM</b>, phones, and service provider preferences.</li> <li>Facilitate sensitization &amp; <b>training for rural recipients on advantages of using digital payments</b> and how to use other services</li> <li>Offer continued <b>refresher training</b> and develop materials in local languages to overcome barriers of English language, financial and digital literacy</li> <li>Anticipate recipients who are <b>new users of mobile money may want to cash out</b> their full payment rather than using additional digital financial services.</li> </ul> <p><b>Planning &amp; Rollout with Service Providers</b></p> <ul style="list-style-type: none"> <li><b>Meet regularly with SPs</b> to review progress - both successes (e.g. uptake of additional DFS by recipients or interest by relevant NGO program beneficiaries to become agents) and challenges (troubleshooting on technical errors with transactions or liquidity).</li> <li><b>Support build out of agent networks</b>; notify service providers of areas lacking local service provisions (agents, merchants)</li> <li><b>Rely on a change agent</b> within organization to drive transition through entire organization</li> <li><b>Work with policy makers</b> (community chiefs) and community champions to <b>advocate acceptance</b></li> <li><b>Advocate to service providers to expand</b> into rural and peri-urban areas</li> </ul>
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# Contact Us

## Marcella Willis

Strategic Impact Advisors, Financial  
Inclusion Specialist

[mwillis@siaedge.com](mailto:mwillis@siaedge.com)

## NetHope Payment Innovations Project

[@paymentinnovations](https://twitter.com/paymentinnovations)  
[@nethope.org](https://twitter.com/nethope)

# Mission Critical: Enabling Digital Payments for Development

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**Jamie M. Zimmerman**  
**@jamiemzimmerman**  
**February 9, 2017**



**USAID**  
FROM THE AMERICAN PEOPLE



# Five Ways Digital Payments Advance Global Dev Goals

## Financial Inclusion and Economic Empowerment

- Particularly among women and youth

## Improve Social Protection and Humanitarian Response Systems

## More efficient and productive sectors

- Health; Agriculture; Energy; Others

## Better Governance

- Increased transparency; Reduced leakage

## Faster Economic Growth and Market Development

# Four Foundations of Digital Payments Success



Creating Critical Public Goods

- Physical, payment, and ID infrastructure



Ensuring Consumer Readiness

- Consumer protection
- Financial Capabilities



Establishing Pro-Inclusion Regulation

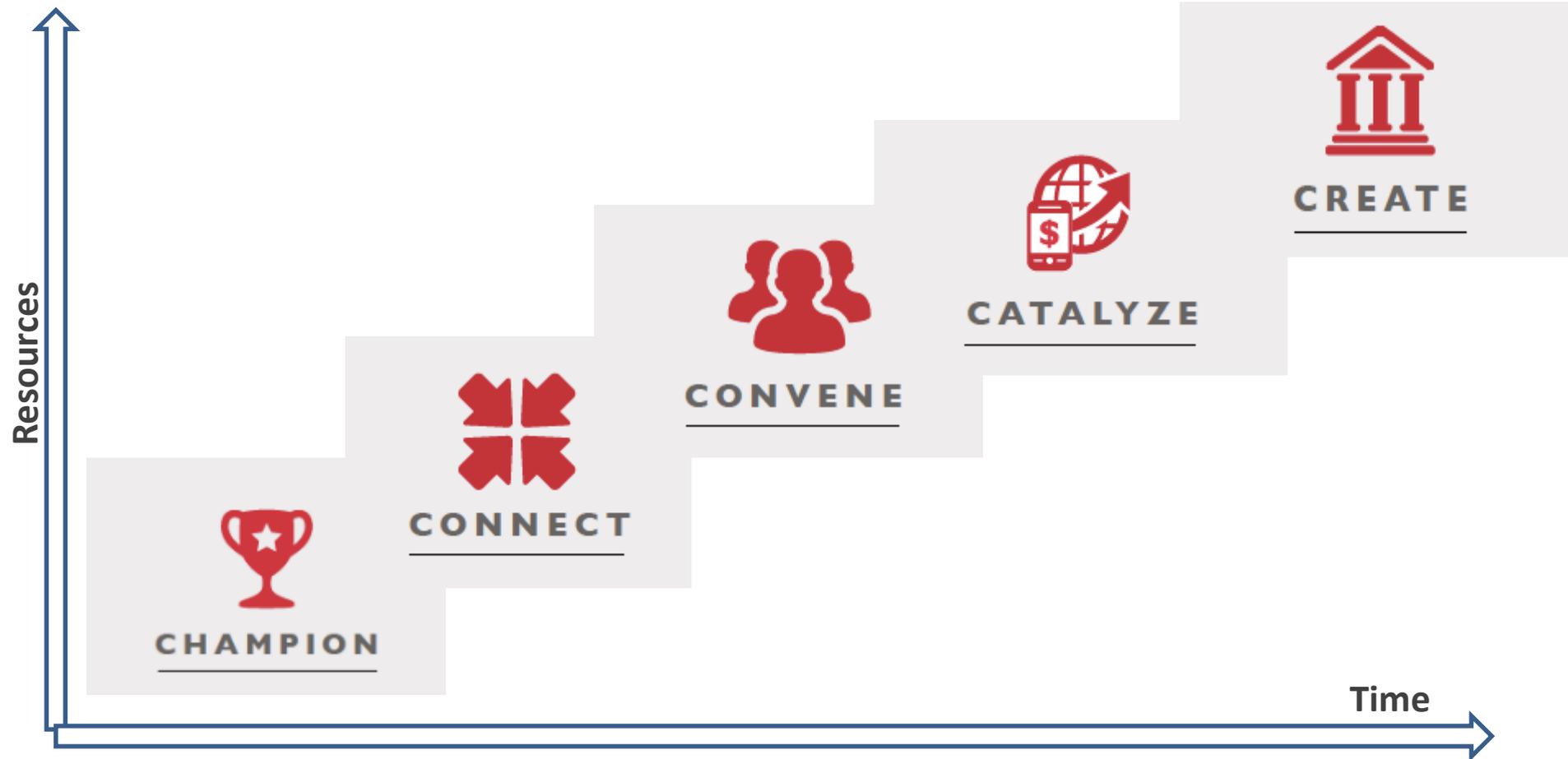
- Proportionality
- Market Conduct
- Competition



Digitizing Government Payments

- G2P and P2G

# The 5 Cs Framework



# 1. Champion

Using enthusiasm and commitment to influence and relay policy, practice and strategy

- sharing best practices and evidence
- inserting digital payments goals or initiatives into agreements, strategies, talking points
- pushing for progress with partners
- advocating for catalytic investments within donor coordination groups
- making public statements to media or with high-level public officials



**Case in Point: USAID Malawi**

## 2. Connect

Leverage existing relationships to broker connections to key stakeholders and technical expertise, in order to:

- Create, directly or indirectly, the solutions challenges to opening the pathways needed to create an enabling environment in your market



**Case in Point: USAID Colombia**

## 3. Convene



Harness convening power to bring together key stakeholders to strategize, share and learn

- Facilitate dialogue
- Working groups
- Study tours
- Interagency or multi-stakeholder coordinating committees
- Training forums, workshops

**Case in Point: Nepal NEAT**

## 4. Catalyze

Advancing digital payments through investments in:

- Research
- Experimentation
- Partnerships
- Capacity building



**Case in Point: Indonesia E-Mitra project**



## 5. Create

Working directly with govts and others to create new and innovative efforts to facilitate healthy and robust digital payments market. Likely includes some combo of:

- Strategic partnerships
- Grants provision
- Market facilitation tools

**Case in Point: Philippines E-Peso Program;  
India Catalyst Program**



## Five Cs

	<b>C</b> hampion
	<b>C</b> onnect
	<b>C</b> onvene
	<b>C</b> atalyze
	<b>C</b> reate



Thanks!!

Jamie M.  
Zimmerman

Senior Associate, BFA Global

[jzimmerman@bfaglobal.com](mailto:jzimmerman@bfaglobal.com)

Twitter: [jamiemzimmerman](https://twitter.com/jamiemzimmerman)

# *Questions and Answers*

# MORE THAN MICRO

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**Contact:** [koplanick@usaid.gov](mailto:koplanick@usaid.gov)

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