



MICROLINKS

SHOW ME THE MONEY! LESSONS LEARNED IN DIGITAL PAYMENTS

PRESENTATION AUDIO TRANSCRIPT

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Fernando Maldonado:

Good morning, all. Thanks for having me. My name is Fernando Maldonado. I'm a Technical Advisor on the Digital Finance Team at USAID in Washington. It's strange to see so many winter coats after the 70 degree weather yesterday, so glad you made it out.

So I want to begin by first inviting you into my sort of everyday thought process. Having been at USAID for two years now, and then prior to that on the other side of the fence as an implementing partner for about ten, I often find myself thinking in terms of the proverbial risk-reward model. You know, on a daily basis we're hearing about new technologies, new ways, new approaches of doing things, and it's often sort of this question of how much is it going to cost? How much effort is going to be involved in it? Do I invest in that new database that's going to allow me to profile farmers and allow me to then create a system such that I'm able to assess their credit worthiness? Or do I use that investment to instead build capacity of say extension agents in the field?

So I understand how easy it is to get consumed with new approaches and innovative designs, and new ways of serving marginalized communities and how it translates into implementation.

My hope for today is that rather than overwhelming you sort of with these new ideas, that we instead inspire you to consider the various ways to apply a digital payments lens to your work, no matter what type of program you're leading or implementing, you know, without too much wavering between the various kinds of risk-reward quadrants. The good news is that we've learned a lot over the last few years, especially with respect to digital payments, the work that Marcella Willis and others at NetHope have been leading. So today's seminar will look at digital payments as an enabler of that and a means of achieving our most pressing development outcomes. We'll explore lessons from Zimbabwe with a presentation from Marcella Willis of NetHope, followed by a broader look at how our missions, and by extension, you the programs and implementers of projects, can enable digital payments based on a 5Cs Framework. That will be in a new brief

that we put together with Jamie Zimmerman of BFA, and that we intend on releasing within the next few weeks.

So I'm going to assume that most of us in this room recognize the imperative for greater financial inclusion. Whether you're applying it to a specific program or project, or by virtue of you having a credit card in your wallet or owning an insurance policy or a savings account, I'm going to assume you're a believer as these are things that sort of make life easier for us. And the same holds true for those living in poverty.

The imperative for financial inclusion has never been greater and never have we had more evidence to support the impact it has at addressing our greatest development challenges. Whether it's child and maternal health, whether we're looking at rural economic development or education, or women's economic empowerment, ours is an approach that sees no sector-specific boundaries, but simply a benefit for those living in poverty.

And never has there been a time like now to leverage new technologies that are shaping models for financial services. Many of you have heard of digital finance and sort of the advent of you know, mobile phones and how you ubiquitous they have become around the world, and they're now allowing for greater presence, affordability, and scale by stripping down costs and making financial services available to communities and individuals who'd otherwise never imagined having them.

Beyond the access we're also seeing digital platforms reducing leakages and improving government efficiencies. We have examples out of India and Mexico where there's been significant cost reduction. Most recently our experience combating the Ebola crisis, there was a huge reduction in payment times for frontline workers, which made them a lot more efficient. Much more enthusiastic about waking up and going to work. And likewise, the tremendous savings in terms of financial costs for the government of Sierra Leone.

So what is the problem you might ask? It seems like technology is solving everything, right? Well, despite the growing availability of safe and reliable financial services, we still have nearly two billion people without access to formal financial services. However, I think what's at the crux of this question are two very significant numbers. It's of course, the two billion unbanked, many of whom USAID is reaching through our various programs and projects. And the second is our financial footprint. On average we spend anywhere between \$25 billion and \$30 billion. A big portion of that takes the form of direct cash disbursements.

So as one of the largest bilateral donors in the world, we are poised to make significant inroads into hard-to-reach areas of the world making the business case for relevant financial services for the poor that in turn help us meet our development objectives.

So you might ask okay, great, how do we do this? You know, we see payments as a way to build out this inclusive infrastructure. Our commitment to transitioning from cash to electronic was born out of the Better Than Cash Alliance, an alliance that USAID helped found in 2012. In essence what happened is we put our eMoney where our mouth is, right? We said well, if we're going to commit ourselves to ePayments then we must ensure that our programs are actually doing this.

So following our commitment to the BTCA we issued the procurement executive bulletin on ePayments. Hopefully many of you are familiar with that, but essentially what it does, it requires all awards and acquisitions to utilize digital or electronic payment channels where possible. Obviously there are environments and markets where that's prohibitive. And Marcella will touch on this a bit in her presentation, but we are currently engaged with our mission in Rwanda to develop a blueprint for how to support our implementing partners to aggregate demand and to make that transition from an operational standpoint to electronic payments.

Likewise in Uganda, where about 80% of our implementing partners have already made that transition, we're now looking at the next frontier, the second tier, which is programming. And we're looking specifically at value chains within Feed the Future programs and how we digitize those various payment streams.

But ultimately beyond the cost savings and efficiency gains, there's a greater development objective, and that is to generate demand for services and encourage business models to meet the needs of the poor and excluded.

So with that I want to encourage all of you to have an open mind and think creatively in terms of how digital payments apply to your project or program that you're currently managing, or perhaps an activity that you're in the process of designing, building on the many lessons that we'll share with you today. Thank you. And with that I'll pass it on to Marcella.

Marcella Willis:

Thank you, Fernando, and thanks everyone for venturing out today on this wintery day in D.C. And thank you to everyone on the webinar who's joined. I think we have quite a few people there so we really appreciate it. I saw one person was signed up from Antarctica. I don't know if that's true or not, but that would be pretty exciting if it was.

So I'm going to talk a little bit today about the NetHope Payment Innovations Project and then I'll focus specifically on some of the Zimbabwe cases where we supported them to transition from cash to digital payments.

So for those of you who are not familiar with NetHope, it's a member-based organization of fifty international relief and development organizations that collaborate together on technology solutions for

development programming and humanitarian assistance. And the Payment Innovations Project is part of a broader global broadband and innovations alliance, which focuses on extending the reach of mobile infrastructure and broadband connectivity into rural areas, and then leveraging that connectivity for value-added applications like digital financial services.

So we've been partnering with USAID since 2012, and the Payment Innovations Project specifically, we partner closely with the digital financial services team and the Global Development Lab at USAID.

And one of the key focuses of our project is to really support USAID implementing partners and NetHope members to be able to adopt digital payments as a way of promoting financial inclusion and contributing to market facilitation, and reaching other USAID development goals.

So a lot of the work that we've done over the last five years has included research and surveys with implementing partners to understand how they're making payments in cash and digital. To learn from them. To understand what those challenges are. We've also done quite a lot of research with mobile network operators and digital payments service providers to understand how they perceive implementing partners in terms of a potential customer opportunity to be able to roll out those digital payments. We've used that information to develop tools and resources. We have a toolkit that we developed which provides a ten-step – it's a ten-step program. It's a ten-step process to really simply help organizations understand how to make that transition, and I'll talk a little bit more about that later in the presentation.

We've done a lot of webinars to highlight use cases of organizations using digital payments. We've also done workshops with groups of organizations. So USAID has sponsored us to go and do workshops in Cambodia, Ghana, Rwanda, Malawi, and Zimbabwe. And we've trained over 100 development organizations in these workshops to practically learn using the tools, how to

make that transition, and brought them together with digital payment service providers to facilitate those discussions between them.

And then finally we've also supported USAID to administer small grants to different organizations to transition, but also so we could learn those lessons. In 2014 we administered three small grants to organizations which really helped us to inform the toolkit that we built. In 2015, we disbursed one grant in Ghana, and then in 2016, there were three small grants that were disbursed to organizations in Zimbabwe. And I'm going to focus a lot on those three specific use cases today.

Just quickly, generally what have we learned over the past five years on the Payment Innovations Project? Well, like Fernando said, organizations still have a lot of cash payment streams. The high volumes of these low value cash payments that are being disbursed, often for programs and operations, so often for training per diems for example, as well as for staff per diems and workshop costs. And these are real nuisance payments for organizations, but they're still often done in cash.

We also see that the knowledge level amongst organizations is quite high in terms of their understanding of what the benefits could be for their organization to use digital payments. There's a real perception that it would improve their security, it would increase efficiencies, it would save costs. And more and more they're understanding the importance that it would be for their recipients, or their program participants, in accessing greater digital financial services.

So we also see that for a lot of organizations the motivation to transition is very high. They really want to try and make that transition. Sometimes there are market barriers. The market's just not ready. Sometimes there are internal organizational barriers where they don't necessarily have the knowledge or the human resources to really understand how to make the transition. Sometimes it's a matter of the commitment within senior

leadership to the staff to be able to make that transition. Because we have to remember it is behavior change. It's change management within an organization.

And we see that there are a lot more learnings in evidence and use cases out just in the last five years that can be used to help organizations. So one of the things that I recognize is from all of the work that we've done in many countries with organizations, the challenges are similar across markets, the benefits gained are similar across markets, so I think there's a real opportunity to learn even from the Zimbabwe cases and apply those lessons in other situations in other markets.

So I'm going to talk more specifically about the experiences of these three organizations in Zimbabwe, and how they transitioned their payments with small grants, and what their experiences were, what the benefits achieved were, what were some of the challenges that they experienced.

So we did a training workshop in Zimbabwe in July 2015, and after that we supported USAID to launch an RFP, an open request for applications to organizations who wanted to transition, and selected these three organizations for very small six-month grants to help them make that transition. One of them was FACT, Family AIDS Caring Trust. They have programs in health, in livelihoods, child protection. Another one was Mavambo Learning Center. They also have a lot of programs in child protection, in health, economic strengthening. And finally World Vision Zimbabwe, which has a lot of community development programs in Zimbabwe. And one particular program on health and nutrition is the program that they were going to use as a pilot for the transition. We're lucky today. We also have somebody from World Vision who hopefully they can add some comments at the end of the presentation. Not to put you on the spot, but.

So what we saw from this, there were again about January to July roughly was the timeframe for the project to make these transitions, and before the project went underway we saw a lot of commonalities between these organizations in terms of the payment streams that they wanted to transition. Again, as I mentioned, a lot of training workshop costs by organizations are done in cash still, so they all wanted to transition travel and per diems for staff for workshops, for participants, for facilitators, and vendors and suppliers at these workshops.

FACT and MLC also had quite a lot of stipends that they were paying in cash for a variety of community workers, health workers, community-based volunteers and facilitators, and then the education sector with teachers, even schools and study centers. And then also they all have operational costs they were interested in transitioning, like prepaid electricity.

Interestingly, they all had similar motives in terms of expecting to have cost savings, increased efficiencies. Have better financial management systems. Improved transparency. Reducing leakage in those payments. Increased security. And they also all three mentioned that financial inclusion was an objective of transitioning payments as well.

So one thing that did happen though is about the time that we were just disbursing the grants, Zimbabwe started to experience a national cash shortage crisis. I'm not sure if any of you are familiar with this situation, but Zimbabwe had adopted the U.S. dollar in I guess 2008 after the financial crisis, and were suddenly experiencing for a variety of economic reasons a significant national crisis in terms of U.S. dollar cash shortages. They were talking about adopting a new bond note which they eventually did, but at the time of initially launching the grants, this wasn't such an issue but it became a problem throughout and it became a much more compelling case in some instances for organizations to try and go digital, and we'll talk a little bit more about that when we get to some of the challenges.

You can see also that the three organizations were operating in eastern districts of Zimbabwe. One of the similarities is that most of their payments were being done in rural areas, and to state the obvious, trying to do digital payments in rural areas is much more complex and more complicated, and more challenging than in urban areas because the infrastructure if network infrastructure and agents is just not as built out.

So how did they transition? Well, interestingly this was intentional or not, they really followed along the trajectory of the pathway that we outlined in our toolkit. So it was kind of interesting to see that they went through – most of the organizations went through these steps. This is from our toolkit and it's the process that we recommended to sort of simplify it and break it down into three phases. The first phase being one of just becoming familiar with electronic or digital payments, understanding what those use cases could be, and starting to build champions within your organization to make that change.

The second phase is really about internal and external analysis. So looking within the organization, the first two steps are really about mapping out your payment streams, analyzing your financial costs of disbursing cash, and we have tools in our toolkit that we actually went with the organizations and went carefully through that to calculate those and to map those payment streams as a baseline for this project.

And the next steps were on market assessment, going out to the areas where they were going to disburse payments to see what the network infrastructure was like, what was the agent network like, and identify digital payment service providers that could be good options for them working in those areas. They all did this process. I know World Vision even launched an open RFQ in the market to try and attract digital payment service providers.

And then the last phase of the process is really on implementation, and all three organizations again followed many of these steps. Looking at their standard operating procedures and their financial procedure frameworks to adapt those. Then looking at how to train up their staff and really get their staff onboard with this change in the organization. And finally the training with the recipients. All three organizations did a lot of orientation, and sensitization with groups of recipients who were new to mobile money. And then finally rolling out and implementing this process together with the service provider was quite important to learn along the way. Try and revise any issues and troubleshoot the glitches. And then at the end we see that all of them are talking about how they might roll this out to other programs that they have, and to other interventions.

So they really followed that process to make the transition. So the results after that six-month pilot, we can see that FACT ended up working with two service providers. EcoCash, which is the biggest mobile money service provider in Zimbabwe and has the greatest market share, was their primary service provider. But they found in one of the districts where they worked that TeleCash, the second biggest mobile money service provider actually had better coverage, so they ended up having to contract both of them.

They also were so motivated they went and got an online business banking system installed so they could do their own staff payments sitting right at their desk. So they really made a lot of changes within the organization, and by the end – actually that number has to be fixed. It's not one million, but 719,000 U.S. dollars were transitioned from cash payments to digital payments throughout the six months. And they now were transitioning 4,000 unique recipients from cash to digital payments.

MOC also worked with EcoCash to use mobile money payments. They transitioned about 44,000 U.S. dollars to about 458 unique recipients. And World Vision, they also because of the district they were working in, worked with TeleCash to use mobile money payments and were also in the process of working to contract Net One which is a government-owned service provider, and has a monopoly on some of the electronic utility

payments. So we're in the process of doing that transition. And they transitioned about 4,800 U.S. dollars to 100 participants.

So throughout the six months for a pilot phase I think the results are quite impressive. It's a really good start.

And interestingly, we see that they all listed some very common benefits that we've seen in other countries as well with organizations. They all found that amongst the recipients there was a general preference for the digital payments. FACT, in their inline survey with a random sampling found 66 percent of recipients surveyed preferred digital payments over cash, with 81 saying it was because of the convenience of accessing those payments wherever they wanted rather than having to wait for organized cash distributions.

MOC reported – I thought this was really interesting – a notable boost in the self-esteem for their out-of-school study group facilitators who liked the privacy of receiving a digital payment rather than a cash disbursement which could be seen or perceived as a handout, which they thought was embarrassing.

World Vision had also noted that recipients appreciated convenience and privacy, and in fact, found that 74% of recipients surveyed thought this was a real beneficial move or push for them into a new technological era since they saw that some of the mobile money agents at FACT helped establish meant it was extending that service out into areas where it wasn't currently available.

So FACT also – there were also a lot of end results in terms of access to digital financial services As I said, FACT, they worked with some of the schools that they partner with so that they could become TeleCash and

EcoCash merchant agents in their area to receive school disbursements, but then potentially could also act as agents in that area.

FACT also registered 173 of their own staff on the Ecosure which is like a funeral insurance policy, and they felt that this was a much more affordable benefit that they could provide for their staff, and it was preferred by their staff, which I thought was very interesting.

MOC also found that financial inclusion increased in the marginalized communities where they were operating, as many of their recipients were now paying for bills, buying goods, purchasing air time, and also paying for the funeral insurance with their new mobile money accounts.

And World Vision also found that recipients who were previously unbanked and unfamiliar with technology now had access to mobile money through their new accounts, which enabled them to manage risk, and to build resilience and wealth through greater access to digital financial services.

So amongst all of them there were quite a lot of benefits and they were quite satisfied with the new transition from cash to digital payments, but it was a lot of effort, and there were a lot of challenges. And I think given the national cash crisis, it added an element to the situation which I've heard from both sides where it's been an opportunity to get a jumpstart on digitizing payments because of the cash shortage, but it has also been a challenge because people are nervous about having digital payments when they really want cash given the unpredictability. So it's maybe been a blessing and a curse. I guess that's open for discussion.

So some of those key challenges that they encountered, common challenges which we've also seen in other countries where we've worked. One of the issues around registration of new customers. So having to have the national

identity documents, some of the recipients didn't have documents. World Vision found that as a challenge. FACT also cited that 8 percent of their recipients were challenged by this. One of the recommendations was to really understand what those regulations and policies are around registering the recipients before you go out to do so, and understand what kind of documentation is necessary so you can help them to make sure they have the documentation. Or in some countries, depending on the regulations, where there might be tiered regulations, they do allow sometimes NGOs to collaborate with village leaders to provide letters that can vet people, verify identity in order to get small value accounts. So the recommendation was to really understand that before going into it.

One of the biggest challenges, and we hear this in many other countries as well, is all three organizations really talked about the resistance and the skepticism amongst new recipients. We have to remember that this is behavior change, and for many people they're more comfortable with cash, and mobile money is new on many fronts. Especially in the beginning when people are unfamiliar with mobile money they may want to cash out everything before they trust the system and learn how to use the system.

So World Vision found in their baseline a lot of skepticism by potential recipients, mainly suppliers and government stakeholders who had a lot of concerns, valid concerns, about mistrust about security of digital payments that they were unfamiliar with. Questions about using mobile money for such small amounts like a \$7 workshop per diem. Concerns about who would pay cash out fees. Concerns about accessibility of agents in the area. And as the national cash crisis got worse, there were concerns about ability to cash out given those shortages.

So I think all three of them felt though that this was surmountable through a lot of training and orientation. FACT said that they attributed a lot of this to lack of knowledge around the advantages of mobile money and what you could do with it. They all felt like the reluctance diminished over time, but that there was a need to continue to do trainings and refresher trainings on

not just how to use the mobile money to cash out, but what those other services were, and how they could use those other digital financial services.

Another issue around literacy especially in rural areas where education levels might be lower, technology literacy might be lower, there was a real recommendation to make sure you do these trainings in the vernacular, and that they're appropriate to the level of your recipients.

Unsurprising, there were a lot of challenges with service providers, and this revolved around mobile network infrastructure, which I mentioned earlier. It's challenging in the rural areas sometimes. And around the agent network and liquidity. MOC said – they all said that they had issues with liquidity around agents being able to cash out. MOC said 58 percent of their recipients had challenges. World Vision said that sometimes recipients traveled long distances, couldn't cash out, had to go back. FACT had 30 percent of their surveyed recipients cite this as a challenge, but it's not surprising also given the current context. It is an issue in many countries, but I think it was compounded here in Zimbabwe.

Again, one of the main recommendations was to really train your recipients about the other products and services they could use so that they don't necessarily need to cash out, but that they could use their wallets to buy airtime, to purchase goods, to use that to make money transfers.

In terms of service delivery and systems, there were a lot of challenges. There were issues around transactions, errors, sometimes because registration of recipients wasn't done properly. Sometimes it was interoperability as TeleCash enabled to send a payment from TeleCash over to an Econet subscriber, which is the only service provider that allows that in Zimbabwe, but sometimes those transactions could get lost. It was more difficult to trace them. They all experienced some delay time in getting those disbursements out. There were sometimes delays of making the transfer from the organization's bank account to their main mobile money

account with the service provider, and some other technical issues which I won't go into.

But I think they all kind of came up with this idea that you really have to think of your service provider as a partner and work closely with them to foster that relationship. And then really try and hold them to having regular meetings, to service-level agreements, to having dedicated customer service representatives so that you can really work together to jointly plan those disbursements, and also troubleshoot.

And I think also importantly to share the successes. For example, with FACT which helped build out some of their agent network in that market, I think that sharing those successes as well can get service providers interested into trying to work together with NGOs to really do that market facilitation.

So just to summarize some of the overall successes and opportunities I think going forward, all three organizations cited that they introduced new users to mobile money, often for the first time, and this really bolstered the opportunities for financial inclusion as many recipients started using their mobile money accounts for a variety of services. And I think also important, MOC, they really made an effort to say that they were going to go sensitize those recipients in rural areas about how to use those mobile money accounts given the national cash crisis. So I see that as an important role that organizations can play when you have these kinds of economic issues in a particular community that they're familiar with and people trust them.

FACT also recognizes as a real pathway for economic enhancement, looking at the way that they helped build out some of those agents in the area. MOC also wants to work with some of their other stakeholder schools and health facilities where they are partnering with them to try and encourage them to open up merchant accounts and accept mobile money payments as well.

And World Vision had mentioned, I think it was interesting, that they would put together a training module on digital payments and financial inclusion that they could use for their staff, but then also share across the agency. I think this is a really important role that NGOs could play because as we've seen, a lot of the lessons and the challenges and the benefits that these organizations experience in Zimbabwe are directly relevant to other markets, and we've seen it elsewhere. So lessons in this market can be applied in other markets. Especially when you have an organization that has a wide network around the world sharing those tools, for example, standard operating procedure revisions, sharing training modules. Even sharing staff from one organization country program to another can be really valuable in helping to promote this.

I have a lot of specific tips from organizations that I won't go into. They're listed here. They'll be in the presentation. These follow sort of along with the three phases of our toolkit, but these are some real practical specific tips or words of wisdom from those organizations. This will be passed around as well as we're putting together a briefing note that highlights the three cases, and that will be shared around as well.

So I'll leave it at that, and I hope that those specific cases provide some practical experiences and some inspiration for others. Jamie, I'll hand it over to you.

Jamie Zimmerman:

Okay. So I have a confession to make. We were – oh, there's Marcella's contact information and NetHope for anyone who'd like to reach out to her after this presentation, ask her any additional questions.

So my confession is that we were told to put our presentations into the Microlinks template but I procrastinated and I worked off of Marcella's presentation because I thought that that was the Microlinks template, because she did it first. It turns out I put it in the NetHope template, so I

really like NetHope, too, so I'm happy to brand my presentation, NetHope, but sorry about that Chrissy and Microlinks for doing that.

So thanks everyone here today, and those of you joining over the webinar. I'm really thrilled to be here and have the opportunity to present the new – almost new USAID opportunity brief, which is titled Mission Critical, Enabling Digital Payments for Development that should be out soon. I've had a lot of fun working with Fernando and the team at USAID, including every now and again with Marcella, on this paper.

As the title suggests, we developed a paper first and foremost as a tool to get our colleagues at the missions and their partners in the seventy countries where USAID operates to think about how they can amp up the power of digital payments to achieve their various goals. Hopefully it has a utility that will extend well beyond the missions and we'll be talking about that today.

So one of my favorite parts of this paper is highlighting some of the incredible and creative work that's happening all over the world. The success stories, some of which you'll hear today, some of which Marcella's just described, are a testament to where we've been, all we've done, and really how far we've already come to leverage digital technologies to advance inclusive growth around the world. I think that Marcella's presentation is clearly a testament to that point.

But the goal of this paper was really not to look back for validation of a job well done, but it's about asking how we can learn from these experiences to strengthen and build upon the foundations that are required to move forward. And we need to keep pushing forward, and that's what this is all about.

So why do we want to push forward on digital payments? It's because as Fernando mentioned at the beginning, with the right foundations and if

they're designed and delivered well, they can help us achieve a pretty amazingly wide variety of important global development goals. I have some of them listed here. So I'll go through them quickly.

We've talked about them. I'm just going to add some tidbits in there. I think what will help affirm the points that Fernando made at the beginning on why this is something that is important and critical. So financial inclusion is a key to eleven of seventeen of the U.N. SDGs. Its effect is seen as particularly powerful on women who we all know lack parity in economic participation and pay, and in empowerment. And also on youth, where early access to financial services and asset-building opportunities can have significant behavioral, social and economic effects.

Second, improving social protection in humanitarian response systems. 520 million people around the world receive social cash transfers, and that is a very conservative estimate. Right now 125 million people globally are living in crisis. If done right, delivering these payments digitally is just better policy. More help, more quickly, to the right people helps them now, and boosts markets and household resiliency into the future. It also makes more productive sectors. According to some estimates, the financial services industry alone would save 400 billion U.S. dollars annually in direct costs of cash by shifting to digital accounts. And the more active consumer base would boost the revenues by 4.2 trillion U.S. dollars.

We're already seeing efficiency and access improvements in many other sectors: health; energy; agriculture. Mackenzie estimated earlier, late last year, that robust digital financial ecosystems could help create 95 million new jobs across all sectors in emerging markets. That's really significant.

Digital payments are also good for governance because they offer more transparency, traceability, hence less loss from leakage, ghost payments. Estimates of savings are upwards of 110 billion U.S. dollars per year from reduced leaks in public spending and tax collection alone.

And finally, there are also macroeconomic and market development implications and benefits. Again, the same Mackenzie report estimated that digital financial services systems could boost GDP of emerging economies by 6 percent which sounds small, but that's 3.7 trillion USD, by 2025.

So what will it take to make digital payments a useful tool to achieve these development goals? For one, it takes a focus on creating the right foundations for healthy, robust and responsible digital payment systems. In the paper, we focus on four priorities for accelerating progress toward more enabling environments for digital payments, and as such we see these as what should drive smart policy reform and more deliberate investment strategies. So here they are, if you can see them in the room. Hopefully on the webinar you can.

Creating public goods. That's physical payment and identification infrastructure that are robust and reliable. All of those are required for digital payment systems. That means mobile penetration and connectivity. I.D. systems for secure and efficient account opening. Digital touchpoints for transacting, and adequate fuel and road access.

Number two it means ensuring consumer readiness, adequate consumer protection, and enhanced financial capabilities. These are the foundations of ensuring that customers understand, feel confident in, and trust all the aspects of the systems from providers to the technology, to their rights and responsibilities if something goes wrong, and that's something that Marcella also mentioned was one of the main challenges in the work that they did in Zimbabwe as well.

Establishing pro-inclusion regulation. Aspects of that are proportionality, market conduct supervision, interoperability, fair competition, all a bunch of jargon-y words that basically mean making sure that the markets are operating right and fair, and that they're well supervised.

And then number four. Digitizing government payments. As the shift to digital bulk government payments and receipts is often viewed as a tipping point moment in a country's journey to a cash-light economy we feel that digitizing government payments and receipts, such as civil servant payments, citizen benefit disbursements, social protection payments, and revenue collection, are all really critical components of laying the right foundation for digital payment success.

So those are the priorities that we think should drive policy and investment, but how do we get there? What can we do practically to power the push towards digital payments for development?

So in the paper we organize our answer to this question around what we call the 5Cs Framework. Champion, Connect, Convene, Catalyze, and Create. As you can see here in all of its PowerPoint cut-and-paste glory, from low-touch to high-touch in terms of resources and time, and hence minimal to significant investment of either capacity or resources, what we want to do here is really illustrate a very large breadth of ways that we can improve and enable digital payments, accessing systems, wherever, however, and with whomever we do our work.

It turns out we have a wide ranging menu of tactics and tools that we can utilize. So I'm going to run through each of the five Cs briefly and give a practical example of where we've seen each of them in action.

So the first, to champion. This is all about identifying or becoming someone who can use enthusiasm and commitment to influence decision makers and relay policy, practice and strategy around digital payment. Anyone can be a champion for digital payments because there are just so many ways to do it. You can incorporate digital payments issues into existing dialogues with policymakers, regulators, and partners, encouraging actors to enable or implement digital payments to advance priorities and

shared interests. You can share best practices and evidence around the enabling environment and implementation tools like the ones that NetHope have created and others. Inserting digital payments goals or initiatives into official agreements and strategies. Including digital payments in talking points of senior staff or engagement with senior officials, or even with the media. Advocating for catalytic investments with donor coordination groups and others. In more advanced markets where commitment to digital payments is already strong, champions can use their voices to advocate for more and faster progress. And clearly championing tactics, because there's so many ways to do it, can and should very pretty significantly, we want to base it on stakeholders with whom you work, priority issues in the country or countries where you operate.

So case in point here is in Malawi. So the story here starts with Malawi's current state of digitization. So despite some pretty interesting advances over the last decade, when Malawi was evaluated in 2013 we found that only .3 percent of transaction flows in the country happened digitally. .3 percent. So the USAID Malawi staff recognize it's imperative to bridge the gap between where they wanted to go and where they clearly were related to digital payments systems and digital financial services, and so they launched a mobile money action plan that included a mobile money coordinating group that was the first ever convening for policymakers, regulators, donors, and banks to advance digital financial services in the country.

Their championship also led to Malawi being a founding member of the Better Than Cash Alliance, and USAID even provided a grant to UNCDF to help embed a resident advisor in Malawi's Ministry of Finance who went on to draft the country's digital payments roadmap national strategy. And all of that started with the champion.

C2, connect. We really can't underestimate the value of leveraging existing ongoing relationships to broker connections with key stakeholders and with technical experts. I think that Marcella's presentation spoke to that a lot. By brokering partnerships we can help create directly and indirectly solutions

to address problems and challenges to opening pathways for better digital payments in the markets where we work.

So financial inclusion of digital payments in particular have become more prominent policy objectives. Regulators and policymakers are increasingly recognizing the need to modernize their existing systems. So connecting them to other governments, to others in the development community, to others who have similar priorities and challenges that they face, then I think that's a great way to build awareness and the capacity for them to move forward.

This also means connecting local policymakers and regulators with related donor efforts in their markets. By making these connections we better position ourselves and them to inform and tap into the relevant projects and initiatives that are already out there, not reinventing the wheel. These are initiatives like civil service salary reform, mobile based social payments, tax and revenue payment modernization, and the list goes on and on. The critical partnerships offer an opportunity to align with and leverage efforts of other entities that are providing governmental and institutional support.

So the case in point here is the USAID Colombia. A few years ago USAID Colombia wanted to support the expansion of inclusive and accessible financial services infrastructure. So the mission leveraged and created some new regional and global connections to advise the government of Colombia on the development of new regulations. It coordinated mission trips for government of Colombia officials to tour banking agent networks in Brazil, study successful mobile banking models in the Philippines. Brought together banks, payment networks, and financial infrastructure specialists in coordinated seminars for mobile network operators and government officials, and other financial services providers, all exploring the opportunities around digital financial services.

In 2013, Colombia became a founding member of the Better Than Cash Alliance and through all of this work USAID Colombia was really instrumental in catalyzing a 2014 financial inclusion law, as well as the creation of a Colombian entity in charge of financial inclusion in the country Banca de las Oportunidades.

C3, convene. This is about harnessing the power of convening to bring together strategic stakeholders for inclusive discussions on how to enable digital payments towards strategic objectives. This includes facilitating dialogue and providing opportunities to share and learn, such as through working groups and study tours. USAID mission staff, for instance, have supported or implemented interagency committees to coordinate policy internally, and to communicate private sector and other external stakeholders around complex and multisector issues like consumer protection, interoperability.

They've used working groups to facilitate dialogue between the public and private sector to ensure that regulations, policies, products, services and all of these approaches that are being developed are being done so in a consultative manner, and doing more to advance inclusive digitization and market facilitation.

So here the case in point is in Nepal, through the Nepal NEAT program. Between 2010 and 2013 USAID launched and supported a \$22.5 million Nepal Economic Agriculture and Trade, NEAT, program focused on improving Nepal's economic foundations to promote rapid sustained and inclusive economic growth with the goal of lessening the potential for conflict, reducing poverty, and improving lives. Because of its role in building business opportunities and improving agricultural productivity, USAID ensured that the creation of an enabling environment for digital payments and mobile money was central to this initiative, and connected various development private and policy level stakeholders with digital payments information and resources. As a result a consortium of banks joined together to roll out a shared national payments platform, which is rare and awesome that they did that. And 300 new mobile money agents

were created and then Nepal Rastriya Bank released new regulations to enable safe and robust growth of digital financial services ecosystems.

C4, catalyze. Where champions exist, stakeholder connections are already strong, markets are increasingly ready. That's when it's really time to catalyze the advancement of digital payments through increased investments and research, experimentation, capacity building and partnerships.

In terms of research, there's still a critical need for evidence to help us determine which practices and solutions most effectively and sustainably achieve the various benefits that envision for digital payments. And we all know about different ways that we go about research, but the supporting technical studies, the policy diagnostics, assessments that allow either the government or private sector to create or improve their policies or products. Regulatory market assessments and policy diagnostics to assess key regulatory issues and challenges and promote regulatory reform, or suggestions for even improvement of coordination and cohesion around policy. Commissioning assessments of access to digital payment or mobile technology landscapes to identify critical barriers to reliability, and to the reach of digital technologies and systems. All of these are important and needed in the markets where we work.

Partnerships and alliances. USAID has done a really amazing job of creating partnerships not only with its array of implementing partners and their implementing partners, but with also the donors and active supporting related policy and programming efforts in these countries. Folks like UNCDF's mobile money for the poor, the Better Than Cash Alliance, the World Bank Group, and CGAP. And then public private partnerships through things like the U.S. Global Development Alliances has also proven particularly powerful as a way to tackle specific business and development challenges.

And then using technical assistance for experimentation and innovation towards strategic interests and goals. Using local resources to catalyze awareness and capacity building efforts like training of trainers around digital payments. Stuff that USAID has done already in markets as diverse as Cambodia and Zimbabwe.

And in funding experimentation and innovation, such as using innovation challenges and competition awards to motivate new ideas and solutions that leverage digital technology to improve financial access like Fintech, or even regulatory supervision which we now affectionately call Reg Tech.

So the case in point here is USAID's e-MITRA project in Indonesia which I think was also NetHope connected or administered. It's so clearly appropriate in this template. So USAID's e-MITRA project briefly in Indonesia. It aimed to support the development of an enabling regulatory framework that would increase investment in the sector and remove barriers to growth of agent networks, which were a core part of any digital financial service ecosystem.

So e-MITRA conducted three activities for this goal. It provided technical assistance to the regulator and to banks and mobile financial service providers that were rolling out services and piloting agent banking models. Two, it conducted critical research to fill knowledge gaps and help providers understand behaviors and needs of clients and potential customers and other stakeholders in the specific payment streams that they were looking at. And then it uncovered some market insights by developing business cases and effective services designs to offer more digital financial services better to unbanked groups.

And last but not least, and clearly the most intensive in terms of investment of time, political will and resources, is the final C, which is to create. This involves working really directly with governments and other stakeholders to create the new and innovative efforts to facilitate a healthy and robust

growth of the market. This could be through public-private partnerships, grants provisions, and other market facilitation tools. Some approaches include partnering with regulators to modernize or create new regulations that maintain existing safeguards while reducing commercial barriers to market entry or growth, which can inhibit digital payments potential. And often that necessitates a pretty closed long-term engagement with the government but not always massive financial resources. Another approach is making significant strategic investments in financial and human resources that may be warranted or necessary, such as establishing government level strategic partnerships around policy regulation, building and implementing national or sectoral digital financial inclusion strategies, and creating or significantly modifying the systems that already exist, the policies that already exist, and maybe creating new procedures that governments and others within the market need to shift their own payments and receipts.

So the case in point here that I wanted to highlight is the Philippines E-PESO program. So USAID has been engaging and supporting the government of the Philippines to strengthen financial access for twenty years. That's a pretty impressively long engagement.

Last year USAID launched a new program called E-PESO. It is I think still a White House initiative that supports the objectives of the U.S.-Philippines partnership for growth. It's a partnership between the Philippines and the U.S. to address constraints to achieve sustained and more inclusive economic growth. E-PESO is partnering with the government of the Philippines and private sector to achieve a twenty-fold increase in digital payments usage, and to support the development of an economic infrastructure that will enhance transparency and government efficiency while enabling access to new products that they hope will spur broad-based and inclusive economic development. So that's a pretty significant investment with some pretty big and lofty goals, and it's just getting rolling.

So in closing, that's your introduction to the 5Cs. Lots more in the report that is to come. We really think that by embracing and strategically harnessing whatever combination of these five Cs – championing,

connecting, convening, catalyzing and creating – in a way that fits your goals and your context, by doing that we can all play a much more catalytic and pivotal role in creating pathways to progress on digital payments. And really more importantly to achieving global development goals that we all have and that vary across our different institutions and in our different markets.

So I'll just wrap up by saying that when we looked across the work of USAID missions for this paper, we saw that some are just beginning to consider the role of digital payments in their work. Others are fully invested in seeking to ramp up their ongoing efforts to boost systems and find new solutions. Some worked with very substantial resources and in-house expertise. Others were looking at how to make progress and were making progress when they lacked both. But these five Cs are really about acknowledging the really wide range of ways and possibilities that we can push for change in the various circumstances and with the resources that we have and where we work.

So like I said at the beginning, highlighting the stories and the lessons from USAID and their work around the world, and I only highlighted five here, but there are many, many, many more in this paper that's coming out. With less of an exercise of looking back, but more of seeking to inspire new ideas and approaches, and inspiring action to propel digital payments forward in pursuit of our goals.

So this report and the USAID team that was behind it I think should also be seen as tools for those of you in the room and those of you online to help you get where you want to go. So thank you. I look forward to your questions and even some stories that you might have about what you have done along the 5C Framework spectrum. All right, thanks very much, guys.

[End of Audio]