

USAID Implementing Partners in Zimbabwe: A Journey from Cash to Digital Payments

— JANUARY 2017

BACKGROUND

Digital technologies are enabling the creation of cheaper, faster, safer and increasingly ubiquitous tools to tackle intractable development challenges. Digital payments¹ are one such transformative development tool that is helping those traditionally excluded by formal financial systems to access, manage and leverage financial services more efficiently and effectively. Having access to these digital payment services and other digital financial services (DFS) including savings accounts, credit and insurance enables those at the base of the economic pyramid to manage their livelihoods and household finances.

As part of USAID's continuing commitment to digital development, access to DFS and ongoing efforts to promote inclusive economic growth and transparent service delivery, USAID issued a [Procurement Executive Bulletin](#) in August 2014 making digital payments the default payment mechanism when feasible, as a means to encourage agency implementing partners to make the transition from cash to digital payments.

As a key agency partner and advocate for digital payment solutions, NetHope works closely with USAID to develop tools and guidance to support organizations in adopting digital payments in their programs and operations. To assist in this transition, NetHope released a [practical 10-step toolkit](#) in collaboration with USAID's Global Development Lab to help development organizations and USAID implementing partners analyze their existing payment streams, evaluate market options and digital payment service providers, and make the transition step by step.

USAID and NetHope also delivered case-based training to groups of USAID implementing partners in Cambodia, Ghana, Malawi, Rwanda and Zimbabwe. Facilitated by NetHope and funded by USAID, these workshops can be requested by USAID Missions and are designed to provide an overview of the topic with a practical focus on how to transition to digital payments and gain facilitated interaction with digital payment service providers in the market.

In July 2015, NetHope held such a workshop in Harare, Zimbabwe, where 40 participants from 24 NGOs participated and made linkages with several digital



Village health workers enjoy a moment during digital payments training (World Vision Zimbabwe)



THE USAID-NETHOPE E-PAYMENTS TOOLKIT

With more than 1,000 downloads to date, the USAID-NetHope Toolkit has proved useful to a wide range of staff involved in the processing of operational and program payment streams – including finance, internal audit, program staff, legal, procurement or contracts staff, and senior leadership. It has become especially valuable to USAID implementing partners looking to make the journey away from cash in order to comply with agency's requirement to use digital payments, when possible.

[DOWNLOAD HERE](#)

¹ Digital payments are payments made via digital channels, including mobile and internet, using infrastructure such as mobile phones, computers, cards, and Point of Sale (PoS) devices.

payment service providers. Following the training, USAID announced an RFA for three small grants to support organizations working in Zimbabwe to begin their journey from cash to digital payments. In January 2016, six-month grants were disbursed to **Family Aids Caring Trust (FACT)**, **Mavambo Orphan Care (MOC)** and **World Vision Zimbabwe (WVZ)**. The timing of these grants turned out to be most opportune as Zimbabwe began to face a stifling cash shortage during project implementation, rendering digital payments a necessity – no longer just an option.

IMPLEMENTING PARTNER PROFILES

PROGRAMS & PAYMENTS

FACT works to improve the quality of life for vulnerable communities in Zimbabwe through the provision of health and poverty reduction interventions. The organization's strategic focus for 2015-2018 includes: 1) improving health access; 2) encouraging sustainable livelihoods; and 3) child safeguarding and protection. Before this project, FACT regularly made payments in cash on average of US\$150,000/month for staff per diems, training workshop allowances and expenses, and stipends to a variety of recipients including community based facilitators, volunteers, nurses, teachers and schools. FACT identified the **security risks, high costs and human resource inefficiencies** associated with its cash-based payments system as the three primary motivators behind the decision to transition to digital payments with this project.

MOC's mission is to empower children to develop their maximum potential as socially adjusted, self-sustaining, healthy and responsible citizens of Zimbabwe. MOC programs focus on several thematic areas including child protection and psychosocial support, formal and non-formal education, health and economic strengthening for vulnerable households and the government social services system. As part of their program work, MOC makes payments to training workshop attendees and provides incentives to community health workers, community childcare workers, community facilitators, out of school study group facilitators (OSSGs), community-based savings group facilitators and community volunteers. For this project MOC started their transition from cash payments to mobile money payments with some of their own staff, workshop attendees, community volunteer stipends, vendors, consultants and community-based savings groups. MOC's shift to digital payments was also driven by the need for **greater efficiency** (reduced field travel by finance staff, no cash counting, no queuing at banks) and **reduction of risks and costs** associated with cash handling (theft, loss, abuse) at both the organizational and individual level, as well as the aim to **promote financial inclusion** of underserved communities and **dignity and self-esteem** of recipients receiving cash transfers.

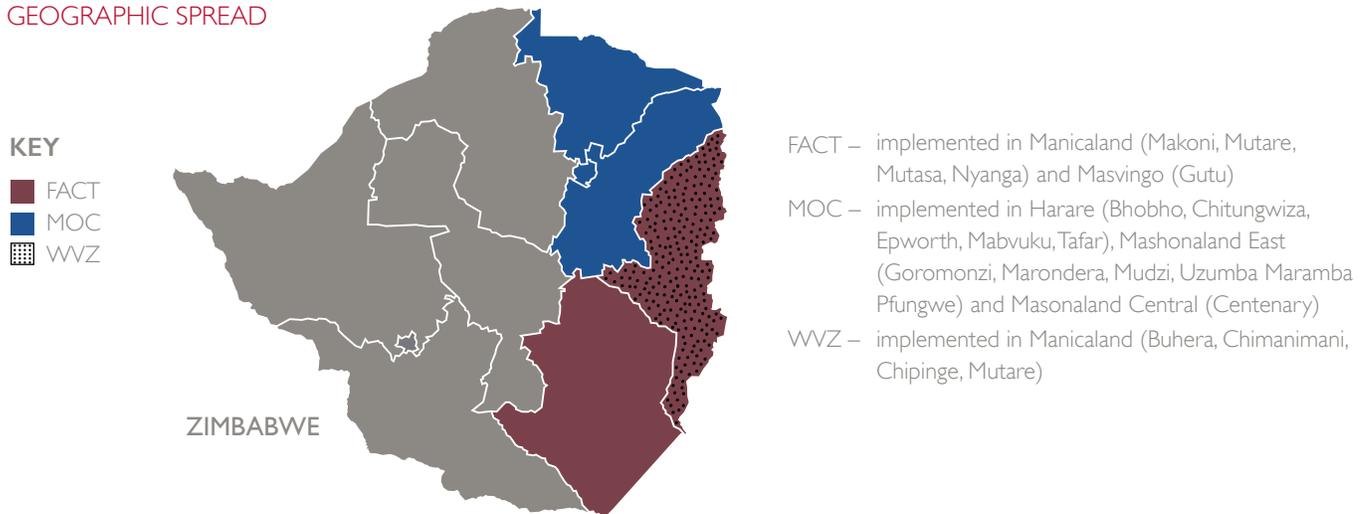
WVZ implements large-scale community development programs designed to



Telecel orients community program participants on Telecash mobile money solution (World Vision Zimbabwe)

address community needs with a specific focus on children. For this project, WVZ aimed to transition operational and programmatic payment streams of its five-year Enhancing Nutrition, Stepping Up Resilience and Enterprise (ENSURE) program. ENSURE is designed to improve the nutrition of women of reproductive age and children under the age of five; increase and improve agricultural production and marketing; and increase communities' resilience and response to disasters and shocks. Like the other grant recipients, WV hoped to **increase operational efficiency and effectiveness, mitigate the costs and risks** experienced with cash (theft and misappropriation) and **promote financial inclusion** of the unbanked rural population. For these reasons, WV set out to pilot their transition to digital payments for prepaid electricity, airtime/Internet, travel allowances for workshop facilitators (mainly government officials) and participants, and vendor supplies.

GEOGRAPHIC SPREAD



MOTIVATIONS: WHY USE DIGITAL PAYMENTS?

At the time the project began, the national cash shortage had not yet begun. Due to the emerging disruptive cash crisis the use of digital payments became even more compelling, however, prior to this all three organizations had already acknowledged the potential of digital payments to yield significant development impact – greater cost savings and efficiencies, increased security and transparency, reduced leakage and heightened financial inclusion. MOC and WVZ were also particularly motivated to promote financial inclusion of the marginalized and unbanked participants in their programs. Managing such a high volume of small cash payments, FACT was especially interested in best practices for process improvement and stronger financial management.

IMPLEMENTATION

INTERVENTIONS

To make the transition to digital payments, **FACT** pursued a multi-pronged

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solution that included utilization of Banking Business Online (Stanbic Bank) with an integrated payroll platform (Paynet Zimbabwe) mainly for staff and school transfers, and mobile money with both EcoCash (owned by Econet) and Telecash (Telecel) for community recipients. Though FACT implements five thematic programs, this project piloted the transition with two USAID-funded programs for orphaned and vulnerable children (OVC).

The grant enabled FACT to identify service providers, establish systems required to do online banking, train its staff, and sensitize its community recipients on the advantages of digital payments. New recipients of digital payments included staff who receive per diems when they go into the field, those who attend workshops and trainings on OVC programming, and vendors who receive small payments for workshop supplies. Throughout the six month pilot, digital disbursements totaling \$US719,650 were made to 4,000 unique recipients and accounted for 98% of their payment transactions.

In the initial phases of project, **MOC** conducted an assessment of the availability, reliability and efficiency of network services in areas of operations. MOC also carried out a baseline study of recipients' use of mobile money services and phone ownership and then held sensitization meetings with all potential recipients. EcoCash's bulk payment platform was selected for its wide coverage and reliable network and because many recipients were already registered on the platform. MOC's pilot involved the disbursement of test payments to 20 Out of School Study Group Facilitators.

Over the course of the project, MOC transferred US\$43,563 to 458 recipients using EcoCash and introduced 413 recipients to mobile money accounts for the very first time, including student interns, suppliers, staff, workshop attendees and facilitators, teachers, village health workers and nurses and district education officers. During project implementation, MOC held monthly review meetings with EcoCash to address any challenges.

WVZ's journey from cash to digital payments began with a cash payments baseline survey which assessed the organization's use of cash in the targeted operational districts. This was followed by a behavioral baseline survey to determine perspectives of different stakeholders, including staff, community participants, government officials and vendors.

After performing an environmental and SWOT analysis of service providers, WVZ launched a public tender and selected Telecash for programmatic payments (partly because of their unique ability to disburse payments across networks) and NetOne because they enjoy a monopoly on some operational payments (e.g. government prepaid electricity, water, internet). Partnership negotiation with NetOne was slower and subsequently the contract was not signed inside the project timeframe. WVZ also conducted an internal policy framework review to



Digital payments awareness session for FACT staff (FACT)



Psycho-Social Support teachers attend a debriefing at MOC. These participants received their transport allowances through EcoCash mobile payments (MOC)



Village health workers and care group leaders participate in a digital payments training (WVZ)

ensure compliance with internal financial procedures. ENSURE staff, finance staff and authorizers were trained on the use of digital payments, and together with Telecel training sessions were facilitated for program participants in the operational districts. Considered as a pilot, WVZ was able to disburse US\$4,799 to 100 unique recipients throughout the project timeframe.

CHALLENGES & RESOLUTIONS

All three organizations faced similar challenges in their transition from cash to new digital payment solutions. Some of those key challenges are listed below.

RECIPIENT CHALLENGES



Registration

WVZ found that some recipients did not have identity documents and thus could not be registered for an account. In order to expand access to formal financial services, new methods for customer identification must be developed which address the realities in the remote areas. FACT also found that 8% of its recipients surveyed cited registration challenges.



Resistance and Behavior Change

WVZ found a considerable amount of skepticism by potential recipients in their baseline survey, mainly suppliers and government stakeholders. There was a level of mistrust about the security of the digital payments, questions about using mobile money for transfers of small amounts (typically US\$7 per workshop attendee), and concerns about who would pay the cash-out fees, accessibility of agents and potential problems to cash out given the cash shortages. By the end of the project, some skepticism remained amongst government stakeholders who also faced challenges with lack of accessible Telecash agents, and therefore, these payments were subsequently not yet transitioned.

WVZ also experienced a considerable degree of skepticism from their recipients who were not familiar with mobile money. They found that recipients new to mobile money initially preferred to cash out, even when able to leave some or all of their funds in a digital savings account. WVZ found that low literacy in rural communities requires development of promotional material and trainings in vernacular (local) languages in order to enhance user understanding and encourage adoption. FACT also experienced internal and external resistance to adopting digital payments by recipients and attributed it to their lack of knowledge on the advantages of mobile money. Over time, the organizations felt that reluctances were allayed through effective training and heightened awareness, and also in part due to the realized benefits. However, it's recognized that this is behavior change and, refresher

DISBURSEMENTS

FACT EcoCash & Telecash		US\$719,650 4,000 unique recipients	
MOC EcoCash		US\$43,563 458 unique recipients	
WVZ Telecash		US\$4,799 100 unique recipients	

training is necessary.

SERVICE PROVIDER CHALLENGES



Mobile Network Infrastructure

FACT program recipients were challenged by network service coverage disruption (8% of recipients surveyed). Thirty-three percent (33%) of MOC digital payment recipients who were surveyed faced network challenges in some areas, requiring the engagement of Telecel as a second service provider.



Agent Network (Liquidity & Number of Agents)

Given the current national cash shortages, it's not surprising that access to cash at mobile money agents was cited as a challenge as agents often had low levels of cash and sometimes none at all. MOC surveyed 80 recipients and found that 58% cited cash shortages as a challenge, which required additional intervention and assistance from EcoCash.

WVZ recipients also experienced agent liquidity challenges, sometimes after traveling long distances to meet the agent because there were few agents located near the training venues. Thirty percent of surveyed FACT recipients cited cash shortages at agents.



Systems and Service Delivery

For MOC, operating software and installation of the bulk payment platform required a system downgrade (from Windows 11 to Windows 7) as the service provider's online bulk payments platform operated only on the older version. MOC also experienced failed transactions, which required troubleshooting from EcoCash. Similarly FACT experienced a high number of transaction returns due to system errors for unregistered recipients.

WVZ encountered the need to troubleshoot when some recipients were unable to receive transaction codes – a result of lack of interoperability between service providers – and concerns were not always addressed in a timely or sufficient manner. Only Telecel enables payments to be sent to other networks (e.g. Econet subscribers), and sometimes inter-network transactions were difficult to trace and/or had expiration dates, making it necessary to have all recipients registered on one network.

FACT and MOC also reported slow bank transfer times of funds into their corporate mobile money accounts. This required extra foresight and planning on the part of staff in order to ensure money would be available for disbursement when needed, so MOC encouraged staff to submit payment requests at least two weeks in advance. For FACT,



Recipient cashing out with Telecel (FACT)



Recipients cashing out with Econet (MOC)

service providers sometimes took an inordinately long time to disburse payments to recipient accounts, resulting in extra organizational expenses. FACT found that 41% of their surveyed recipients cited delays in receiving payments, sometimes by two weeks or more.

WVZ found that sometimes resolutions to technical issues were delayed, as the service provider's technicians were not based in country. Consultations with peer organizations revealed experiences with some service providers overpromising and under-delivering. Service level agreements were therefore deemed critical to holding the selected service provider accountable to agree upon terms and conditions of the partnership.

RESULTS

BENEFITS

Any challenges faced in the transition to digital payment solutions were offset with a range of benefits. All three organizations were able to realize anticipated goals in making this transition, making the efforts worthwhile.

FACT's digital payment transition led to a reduction in costs of disbursing payments, reduced security risks, greater efficiencies and improved transactions trails. FACT claimed that digital payments have allowed for more control and improved security and integrity of resources and financial information. FACT even observed that 73 new Telecash and EcoCash merchants were established across the districts, many of which were their partner schools that adopted merchant accounts so they could become hubs for receiving school fee disbursements.

FACT found that 66% of their recipients surveyed preferred digital payments over cash, with 81% stating that they preferred the convenience of accessing their payments wherever they wanted, and without having to wait for organized cash distributions (63%). Another 74% stated that they thought this was a beneficial move to a "new technological era," since they felt the project contributed to the establishment of mobile money agents in some areas where these services were not available before.

MOC's use of mobile money payments also resulted in greater convenience, efficiency, cost savings and elimination of cash handling. The organization found that using the mobile money bulk payments online system was user friendly, efficient and convenient both for MOC and its recipients. The organization reported a notable boost in Out of School Study Group Facilitators' self-esteem, attributed to the fact that payments received were private, so they were not perceived by others as receiving hand outs. MOC found expanded financial inclusion in the marginalized communities, as some recipients are now paying bills (electricity,

INSURANCE FOR FACT STAFF MEMBERS



FACT registered 173 staff members on the EcoSure funeral coverage plan with EcoCash, which replaces burial societies that are so popular in Zimbabwe because they provide a very relevant social safety net in times of bereavement.

The EcoSure product is convenient, affordable, and was proven to work when one employee was able to redeem on the loss of a dependent. FACT has also said some of their volunteers have been recruited as EcoSure Brand Ambassadors in the broad financial inclusion livelihoods sustenance trajectory.

"We look forward to exploring other avenues as presented through mobile financial services - especially for our communities who everyday have to devise survival strategies."



FACT registers staff with EcoSure life insurance plans

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water, TV), buying goods, purchasing airtime and paying funeral insurance policies with their mobile money accounts.

Similarly, **WVZ** gained a more efficient payment system, which has both off and online capabilities. It has yielded greater convenience and productivity through less paperwork for administration staff and more time to devote to training content rather than processing of payments. WVZ also improved transparency as payments can be more easily tracked to recipients, thereby producing a robust audit trail. It also reduced risks of cash handling for staff.

In an endline survey, WVZ found that most recipients were happy with the new system, as it allowed them to access cash without incurring charges, and some indicated that it took between a few minutes to a day to have money deposited in their wallet, as compared to the average 3-7 days reported in the baseline survey. WVZ found that “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.”

OPPORTUNITIES

By transitioning to digital payments, all three organizations introduced new users to mobile money, often for the first time, and ushered in opportunities for financial inclusion. **FACT** has recognized the digital payment path as “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.

MOC also reported the financial inclusion of marginalized communities, as some recipients used their mobile money accounts for a variety of services beyond cashing out. Going forward, MOC wants to encourage other stakeholders (schools and health facilities) to open merchant accounts and accept mobile money payments. MOC also aims to sensitize recipients, especially in rural areas, on the benefits of transacting in mobile money as a means to address the current effects of cash shortages in the market.

WVZ plans to develop a training module on digital payments and financial inclusion that can be used to develop staff capacity to embrace the technology and support its adoption and expansion across the entirety of WV.

KEY LESSONS LEARNED

These grants were issued with the intention to document lessons learned to help other organizations considering the transition away from cash. While some of these challenges are common in any market and many of these suggestions are

COMMON BENEFITS



IMPROVED EFFICIENCY, CONVENIENCE & HIGHER PRODUCTIVITY

More user friendly system; better allocation of human resources: less paperwork, less time and energy spent queuing at banks to withdraw cash and distributing cash in communities



INCREASED TRANSPARENCY

More control and improved integrity of resources and financial information; improved transaction audit trails; easier traceability of payments to participants



HEIGHTENED SECURITY

Reduced/no cash handling resulting in reduced risks to staff and recipients



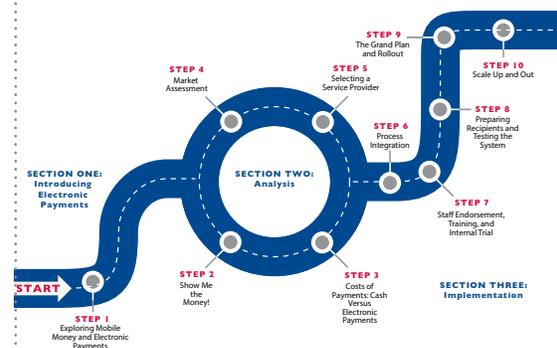
COST SAVINGS

FACT estimated saving nearly US\$3,000 per month for costs of disbursing digital payments versus cash; MOC reported savings of US\$5,219 per month in disbursement costs; WV reported saving an average of US\$4,560 per month in disbursement costs



GREATER FINANCIAL INCLUSION

Increased use of additional financial services by recipients; improved self esteem and privacy of recipients



The USAID-NetHope Toolkit outlines a 10-step transition, divided into three key sections. Lessons learned by grantees (shared on the following page) correspond to each of these three sections.

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already cited in the USAID-NetHope Toolkit, these lessons learned are some of the essential tips shared by the three grantees.

While some challenges are inevitable when making the journey from cash to digital payments, the following are some key tips from the three organizations.

Introduction (Toolkit step 1)

In the initial planning stage, **assess key skills and personnel** within organization and **recruit or elect dedicated staff** to provide guidance throughout the transitional process.

Secure ownership and endorsement from the top to maintain momentum in the organization for the new direction. Early internal stakeholder engagement is imperative in shaping project implementation and ensuring success.

Consult peer organizations that may be at different levels of utilizing digital payments technology to learn from their experiences, and seek recommendations about service providers.

Internal & External Analysis (Toolkit steps 2-5)

Demonstrate cost implications associated with cash payments to justify transition and **secure buy-in from senior leadership**.

Understand regulatory and policy implications (e.g. Know Your Customer regulations around identification documents).

Conduct assessment of network and agent availability in areas of operation, and be cognizant of recipients' traveling distances.

Verify agent liquidity levels and challenges to understand how/where recipients can cash out.

There is no "one size fits all," as payment service providers have different competencies and network coverage; it may be necessary to **engage a strategic mix of service providers** to get best out of the market (e.g. strength of service providers in different districts).

Implementation (Toolkit steps 6-10)

Internal Policies & Staff Endorsement

Review policy framework and standard operating procedures in order to seek authority approvals and ensure compliance with policies.

Be prepared for reluctance to adopt new technologies on the part of some decision makers (internally and externally) due to perceived risk, costs or other concerns. Engage early and provide adequate training to **get buy-in**. (Remember it's change management!)

Recipient Readiness

Assess whether recipients have proper identification documents to register for accounts, and support those who don't.

Assess recipients' current use and comfort with DFS, phones and service provider preferences.

Facilitate sensitization and training for rural recipients on advantages of using digital payments and how to use other DFS services.

Offer continued refresher training and develop materials in local languages to overcome barriers of English language, financial and digital literacy.

Anticipate that recipients who are new users of mobile money may want to cash out their full payment rather than using additional DFS. They need to build trust in the system. (And remember, it's behavior change!)

Planning & Rollout with Service Providers

Meet regularly with service providers to review progress — both successes (e.g. uptake of additional DFS by recipients) and challenges (troubleshooting on technical errors with transactions or liquidity).

Encourage service providers to expand into rural and peri-urban areas.

Support build out of agent networks; notify service providers of areas lacking local service provisions (agents, merchants), and encourage NGO partners (e.g. schools) to become agents when appropriate.

Be a champion change agent to drive transition throughout the entire organization.

Work with policy makers (e.g. community chiefs) and community champions to **advocate for acceptance**.

CONTACT

USAID and implementing partner NetHope work together to develop tools to support the transition of USAID implementing partners and other development organizations from cash to digital payments. Grant assistance is awarded to support organizations in piloting the journey from cash to digital payments and to help document lessons learned for other organizations considering the transition away from cash.

FIND OUT MORE

 www.usaid.gov/digital-development

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 [@USAID_Digital](https://twitter.com/USAID_Digital), [@NetHope_org](https://twitter.com/NetHope_org)