



FEED THE FUTURE

The U.S. Government's Global Hunger & Food Security Initiative



FEED THE FUTURE MALAWI MOBILE MONEY QUARTELY REPORT

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Feed the Future Malawi Mobile Money

QUARTERLY REPORT
(OCTOBER 2015 – DECEMBER 2015)

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Acronyms

ACE	Agriculture Commodity Exchange
B2P	Business to Person
CD	Country Director
COP	Chief of Party
DFS	Digital Finance Sector
EGRA	Early Grade Reading Activity
E-payment	Electronic Payment
E-wallet	Electronic wallet
GUI	Group User Interface Software
MoU	Memorandum of Understanding
M-money	Mobile money
MNO	Mobile Network Operator
MoEST	Ministry of Education, Science and Technology
MoF	Ministry of Finance
MSB	Malawi Savings Bank
MUSCCO	Malawi Union of Savings and Credit Cooperatives
MIS	Management Information Systems
MWK	Malawian Kwacha
NGO	Non-governmental Organization
PEB	Procurement Executive Bulletin
PCI	Project Concern International
Q&A	Questions & Answers
SACCO	Savings and Credit Cooperative
SCT	Social Cash Transfer
THP	The Hunger Project
TNM	Telekom Networks Malawi
UNCDF	United Nations Capital Development Fund
USAID	United States Agency for International Development
USG	United States Government
VA	Village Agents
VSLA	Village Savings and Loans Association

I. Background

1.1. Program Overview

In May 2015, the two year USAID mobile money project implemented by FHI 360 received an amendment to its cooperative agreement to extend the life of the project to November 2016. Additionally, the project name was changed to Feed the Future Malawi Mobile Money to acknowledge the program's deeper emphasis on achieving results which contribute to Feed the Future goals.

The USAID Forward Initiative includes mobile money as one of its strategies to accelerate financial inclusion and helps achieve broader USG goals. These include increasing financial inclusion, improving transparency and rooting out corruption, and unlocking the private sector to develop innovative solutions to poverty.

1.2. Summary of Program Achievements

During this reporting period, Feed the Future Malawi Mobile Money has made steady progress to support the transition to digital payments, especially among other USAID implementing partners.

A major focus over this reporting period was in implementing the pilot with RTI under its Early Grade Reading Project (EGRA). The project offered financial literacy training to teachers in various schools in Lilongwe as well as made sure that agents are located in the pilot areas.

Further, in understanding that resistance to change within organizations happens to be a major deterrent to transitioning to mobile money, Feed the Future Malawi Mobile Money organized a workshop for USAID implementing partner to help them understand how to transition away from cash in their various organizations. The training was geared towards the decision makers (CEOs, Executive Directors, and Chiefs of Party) and the finance teams who are usually the champions of change when it comes to money movement.

Additionally, during this reporting period, the project continued to assist the Government of Malawi under the Ministry of Finance in drafting some strategy documents for Malawi. The project supported the drafting of the The Finance Sector Development Strategy for 2015-2025.

Finally, Feed the Future Malawi Mobile Money continued to play a big role in providing additional public awareness and financial literacy to Save the Children beneficiaries under the social cash transfer.

2. Technical Assistance

A key activity during this reporting period was the analysis of digital finance services (DFS) interoperability that includes an assessment of the current situation in Malawi, case studies from other markets, and recommendations on a way forward that maximizes financial inclusion and the utility of DFS to the broader economy. The project team has completed desk research on alternative approaches to the interoperability issue. A comprehensive action plan to develop interoperability recommendations for Malawi will be completed in January 2016.

2.1 Legal and Regulatory Framework

During this reporting period, the Payments Bill and the Credit Reference Bill were presented to Parliament and one of them was passed into law. The Payments Bill was referred back to the Legal Committee of Parliament for review to address the questions that were raised by the house.

Despite this setback, Feed the Future Malawi Mobile Money advertised for a Legal and Regulatory Capacity Assessment Consultant to look at the various regulations, policies, bills and acts that can affect the adoption and the acceleration of mobile and digital finance. The consultant is expected to start work in February 2016. It is envisaged that the findings will help the project to plan for anticipated advocacy work.

3. Capacity Building

On the 8th December, 2015, Feed the Future Malawi Mobile Money organized the final Mobile Money Coordinating Group (MMCG) meeting of the year. During this meeting, a new chairman and secretariat were supposed to be nominated but unfortunately other members of the private sector were not in attendance making the quorum incomplete. With recommendations from the MMCG study that was conducted in previous reporting periods, it was noted that the MMCG should be driven by the private sector rather than the donor-funded partner as is the case now. It is anticipated that this will provide more sustainability moving forward.

The MMCG members present expressed sentiment that as much the secretariat would like to step down, it is felt that none of the private sector players are ready to take up this role. At the time of this report, the project remains the secretariat with the UNCDF representative as the chairman. Another MMCG meeting has been scheduled to take place in the January 2016 to deal with the aforementioned matters that are still outstanding.

3.1 Stakeholders Coordination

Mobile Money is no longer a new concept in Malawi as it has been in the market for the past four years. However, the ecosystem still requires a lot of attention as the concept scales up, particularly in business-to-person (B2P) payments. It is with this background that Feed the Future Malawi Mobile Money organized a 3 days workshop to support other USAID implementing partners to understand how they can transition to away from cash payments in their organizations and project implementation activities. The workshop was facilitated by NetHope with assistance from the USAID Mission.

4. Transition to Cash Lite

Key Highlights

- Issued a sub-grant to CARE International for approximately \$75,000 to pilot the integration of mobile money in village savings and loan associations in Lilongwe Rural
- Conducted mobile money and financial literacy trainings targeting 3,800 people that included social cash transfer beneficiaries in Machinga and teachers under the EGRA project in Lilongwe Rural
- Together with United Nations Capital Development Fund (UNCDF), opened up dialogue with the Ministry of Finance to explore how the government can begin digitizing payment systems

4.1 Pilots

Feed the Future Malawi Mobile Money supports and advances the growth of mobile money in Malawi through coordinated interventions that include strategic pilots as well as targeted technical assistance to key public and private sector stakeholders. Below is a summary of the pilots, highlighting the achievements, challenges, lesson learned and recommendations.

4.1.1 CARE

The CARE mobile money pilot launched in September 2015 following a long and protracted contractual period that dates back to July 2014. In its original design, the pilot was to be implemented in Mchinji district. However, the target district changed to Lilongwe (TAs Chiseka, Masula, Malili, Masumbankhunda and Chitukula) to align it with the Feed the Future Malawi Mobile Money current focus districts of Lilongwe, Balaka and Machinga. The pilot is scheduled to conclude in March 2016.

Through the pilot, CARE Malawi will migrate 160 Village Savings and Loan Associations (VSLA) in Lilongwe district to mobile money transactions. This will benefit a total of 3,200 VSLA beneficiaries. With facilitation from CARE Malawi, VSLA pilot participants will open mobile money accounts and will have these mMoney accounts linked to formal bank accounts with Opportunity Bank to enable them use the 'Pull and Push' mobile money service. This service enables mobile money wallet holders to conduct financial transactions between bank accounts and mobile money accounts in the comfort of their homes.

This is a convenient service for people in rural areas where banks are scarce. In addition, the pilot will enable VSLAs store their savings securely in mobile money accounts. During the off-lending season, VSLAs keep large amounts of money stored in a cash box in their homes. This approach puts both the cash box keeper and their savings at risk of loss or burglary. VSLA members need security for their money, instant transfer services for their money, and access to specialized insurance products. With CARE Malawi currently co-chairing the VSLA thematic working group that was set up by the government under the National Social Support Program, the pilot affords Feed the Future Malawi Mobile Money an opportunity to make the business case for digital transactions to the wider group to increase outreach.



VSLA agents practicing how to use mMoney during the training

On 25th September 2015, Feed the Future Malawi Mobile Money and CARE held a kickoff meeting to discuss and clarify key issues about the grant including compliance issues. In October 2016, CARE collected some lighter baseline information for the pilot that focused more on documenting and understanding the number of VSLA participants who had mobile money accounts at project start. CARE has indicated that a brief report of the baseline assessment will be out mid-January 2016.

In November 2015 CARE and Airtel Money staff conducted a training for VSLA village agents in mobile money and financial literacy. The training, which took place at Nathenje Residential Training Centre in Lilongwe, was done in two sessions with the first session running from 16th to 20th November; and the

second session from 25th to 29th November. A total of 39 VSLA village agents (25 males; 14 females) against a target of 40 village agents were trained. With technical support from CARE staff, the trained VSLA village agents will in turn train VSLA participants in mobile money and financial literacy. Each village agent will train four VSLA groups. By the reporting period, preparations by the VSLA village agents to train VSLA beneficiaries were in progress. These trainings will have participation from Airtel Money field level staff and VSL beneficiaries will open mobile money accounts.

To enable these VSLA agents to undertake their roles properly, CARE will provide each VSLA village agent with a toolkit that will comprise a carrier bag and a push bike which will enable the agents to work with the VSLAs in their transition to mobile money. By end December 2015, procurement of these toolkits was in progress. It is planned that these toolkits will be distributed during the second half of January 2016. Based on the progress made so far, the CARE pilot is on track.

4.1.2 MUSCCO

Implementation of this pilot started in November 2014. Initially a six month pilot, the contract has gone through some modifications due to the delays that arose from the process of integrating Malawi Union of Savings and Credit Cooperatives (MUSCCO) core banking system to Airtel Money's mobile money system. The pilot aims to enable MUSCCO's micro-loan recipients to use mobile money in carrying out their transactions. Specifically, micro-loan recipients under the pilot will be able to check an account balance remotely, make deposits and withdraws, transfer funds, and track loan approvals via mobile phones. The pilot targets five Savings and Credit Cooperative (SACCO) in Lilongwe, Mzimba, Chikwawa, Blantyre and Rumphi targeting a total of 30,129 micro-loan beneficiaries.

As indicated above, this pilot relies on successful integration of MUSCCO's core banking system to Airtel Money mobile money system. Initially, Craft Silicon of Kenya was providing the required technical expertise to MUSCCO to enable this integration. However, the pace at which Craft Silicon was implementing the integration process was delaying the project. Due to this delay, Airtel Money pushed back the integration process to start in January 2016. It took some negotiation by MUSCCO with Airtel Money to prioritize the pilot for implementation in 2015. To bring the pilot on track, MUSCCO terminated the contract with Craft Silicon during the reporting period.

In October 2015, MUSCCO contracted a Malawian local IT company (IT Centre) to carry on with the integration process for the pilot. Progress began to show with IT Centre on board. By the end of November 2015, IT Centre had managed to achieve the following on the integration process:

- Configured MUSCCO's server
- Installed MS-SQL 2012
- Configured IIS
- Applied for VPN link between Airtel and MUSCCO
- Developed and customized user interface to suit SACCOs and MUSCCO needs
- Performed BIN definition for the piloting SACCOs
- Did robot handshaking with Core banking systems

According to MUSCCO, the work done on the integration process represents 60% of what is required to fully integrate the core banking systems and make the pilot operational. It is expected that full integration will be completed by late January 2016. Once full integration has been done, MUSCCO will train the 5 participating SACCOs on how to use the new mobile solution.

This pilot is long overdue now. As such, Feed the Future Malawi Mobile Money is closely monitoring progress of the pilot through holding monthly review meetings with MUSCCO to ensure bottlenecks are identified and addressed in their infancy stages.

5. Ecosystem Development

5.1 Financial Literacy Trainings

Mobile money and financial literacy training has proved to be a key component in accelerating the adoption and use of mobile money. Feed The Future Malawi Mobile Money trainings aim to increase skills and knowledge on how to use mobile money in order to promote financial inclusion for the under-banked and unbanked masses.

During the period under review Feed the Future Malawi Mobile Money conducted a series of mobile money trainings in Machinga and Lilongwe Rural targeting social cash transfer beneficiaries under Save the Children and teachers under the Early Grade Reading Activity (EGRA). The trainings covered the following topics: mobile money concepts; mobile money regulation; the mobile money ecosystem; current services available on mobile money; benefits of using mobile money; how to transact mobile money with both Mobile Network Operator (MNO) platforms; roles and functions of mobile money agents; and security features of mobile money (i.e. sensitize beneficiaries on the importance of keeping their PINs secret).

The financial literacy trainings aimed at helping the beneficiaries in both projects plan and make informed decisions about budgeting, savings, investment, health insurance and retirement.

5.1.1. Save the Children Social Cash Transfer Beneficiary Training

Save the Children International, with funding from the European Union, aims to address the food security of poor and vulnerable populations over three years in Malawi. The program aims at implementing a sustainable electronic payment system to improve delivery and access of beneficiaries to social cash transfer payments, and to address the food security of poor and vulnerable populations by protecting, maintaining, and recovering productive and social assets and strengthening resilience of poverty affected communities.

FHI 360 and Save the Children International collaborated on the implementation of the Save the Children Social Cash Transfers' mobile money integration in Machinga District. Between 4th and 12th November 2016, a Total of 1,372 beneficiaries (701 females and 671 males) were trained under the Save the Children Social Cash Transfer initiative.

The trainings helped the beneficiaries understand the whole concept of mobile money, benefits of using mobile money, roles and functions of agents, tariffs associated with transactions, and the security features available. Beneficiaries were taught what an agent can do and is not supposed to do to minimize the risk of fraud.

To enhance financial inclusion for this segment of the society, a component of financial literacy and basic money management skills was included in the training. Participants appreciated the budgeting and savings component of the training as it has a direct effect on their day to day money management skills. The participants were also taught how to save even with a low income and how to use their mobile money account for such saving.

Emergent Issues

Agents – During the trainings, it was discovered that the agent network was not sufficient. There were only few agents operational in the areas the beneficiaries live. It was also noted that even in situations where agents exist, that only few of them fully understand what their roles and functions are in the mobile money ecosystem. In some instances beneficiaries were complaining during training sessions that agents demand they give them their mobile phones and PIN in order to cash in. Agents, on the other hand, have cited that the cash out transaction takes too long if it is left with the client to do the transaction. The risks associated with this encashment process cannot be over emphasized. Therefore, the Feed the Future Malawi Mobile Money team has been focusing on strengthening the agent network in key areas to address these challenges.

Beneficiaries – It was also discovered during the trainings that the majority of the beneficiaries did not own phones. The mobile network operator circumvented this problem by giving these beneficiaries a mobile money registered SIM card, through which they can transact by simply inserting it in a mobile phone that is made available. For some SCT beneficiaries that had mobile phones, prior to being recipients of the Social Cash Transfer (SCT), mobile money was still a new concept. As such the mobile money training was crucial to them in fully understanding the concept.

Cases have also been presented where one appointed person would collect mobile phones and SIM cards for the whole village (for those that do not have a phone but are beneficiaries of SCT funds) to go and cash-out their money from an agent. Reasons cited for this were to save on transport costs and to speed up the encashment process. The mobile money and financial literacy training focused on equipping the beneficiaries with skills that should enable them do the transactions on their own without necessarily putting themselves at the mercy of a third party who is capable of cheating them. The literacy levels of many SCT beneficiaries is very low and many of them only use the mobile phone for receiving their SCT funds.



Participants receiving leaflets from the facilitator

Recommendations to Mobile Network Operators

It is highly recommended that agents in and around Machinga district be trained on their roles and functions in the mobile money ecosystem. Taking into account the huge volumes that these agents are handling, the MNOs should make a deliberate effort to have special training sessions to prepare the agents in terms of their roles and functions during the exercise. This can also be replicated in other districts as it is very clear that the issues are not specific to Machinga.

Funds permitting, where literacy levels are very low, all the beneficiaries of SCT that will receive their money through mobile money should undergo training/orientation.

5.1.2. RTI and PCI

Feed the Future Malawi Mobile Money is working with RTI and Project Concern International (PCI) in additional initiatives that support the transition to cash-lite. Details on these activities can be found in section 6 below.

5.2. Agent Capacity Building

Key Highlights

- A Landscape Assessment was conducted in the three USAID focus districts of Machinga, Balaka, and Lilongwe Rural
- Developed an agent liquidity model that is being tested by MNOs
- Oriented 1,421 agents in Lilongwe Rural to support mobile money transactions for RTI

5.2.1. Strengthening Agent Network in Lilongwe Rural

As part of the integration activities with RTI, FHI 360 conducted a mobile money agent assessment for all 27 sections and zones where EGRA is implementing its activities. The Feed the Future Malawi Mobile Money team worked hand in hand with Airtel Malawi to jointly organize and mobilize agents in the targeted zones in Lilongwe to prepare for mobile money disbursements. The agent capacity assessment focused on the availability of agents in all the education zones, the liquidity of agents and their capacity to handle large transaction volumes, and the network availability and how it can affect mobile money transactions. In zones where agents were not available, Airtel Malawi selected, recruited, and trained new agents.

The exercise reached out to 1,421 agents who were expected to service 2,287 teachers that were targeted to receive training allowance through mobile money. The total amount of money that was successfully transferred via mobile money for this activity was MK 7,360,750 (nearly \$11,000 USD).

5.2.2. Landscape Assessment

One of the key action points for the project is to develop a comprehensive action plan for strengthening the mobile money ecosystem in the three USAID focus districts. In this regard, the project developed a comprehensive data collection framework designed to collect and analyze payment stream data in selected districts (Balaka, Machinga, and Lilongwe Rural). Data collection efforts focused on agricultural value chain payments, civil service salary payments, and Non-Governmental Organization (NGO) operational and programmatic payments. The overarching goal of the assessment was to identify and quantify payment streams for possible transition to digital payments. The landscape assessment tool was also designed to capture supporting payment infrastructure data.

In November, the project team conducted field visits to Balaka, Machinga, and Lilongwe Rural districts. They interviewed various government agencies, DFS service providers, and NGOs. Teams used the interviews, as well as desk research to populate the tool.

The team is in the process of analyzing the data sets and developing a comprehensive landscape assessment report on the three districts. A draft version of the report is expected in January 2016.

5.2.3. Agent Liquidity Model

During the reporting period, the project team developed the Agent Network Financial and Liquidity Model. The model is based on a publicly available model from CGAP and has been modified to fit the Malawian context. It is a top down model and projects the monthly financial flows associated with

deploying and maintaining an agent network. The model is static in the sense that it calculates what the flows are in a single month, given the assumptions entered by the user.

The model is also designed to be used as a bottom up tool to collect liquidity information at the individual agent level. Service providers can select specific agents and have them keep a 30-day transaction record, recording cash in, cash out, other transactions, and other sources of revenue. The transaction records can be entered into the model and provide a liquidity profile for a typical 30 day period.

Airtel and Telekom Networks Malawi (TNM) have received a high-level overview of the model along with a data entry worksheet. The plan is to conduct one-day workshops with each service provider at which the project team will facilitate data entry and train the service providers on the use and value of the liquidity model. Workshops are scheduled for February 2016.

6. Integration

Key Highlights

- Developed and submitted joint integration work plans with PCI and RTI
- Signed MOUs with PCI & RTI
- Successfully organized e-payments training for 20 USAID Implementing partners on how to transition from cash to e-payments

Feed the Future Malawi Mobile Money continued to pursue integration activities in the districts of Machinga, Balaka, and Lilongwe Rural with PCI Njira and RTI EGRA. It is in the interest of USAID and its partners to co-locate, co-ordinate, and collaborate in the three core districts.

6.1. PCI “Njira”

With funding from USAID, PCI is implementing the Njira project designed to forge pathways to sustainable food security for the most food insecure households in Balaka and Machinga districts. The programme is designed to address the unique livelihood, health, nutrition, and risk mitigation needs of those food insecure households, and build on previous PCI successes in the area, expanding PCI’s food security impact to five new Traditional Authorities. To achieve this PCI conducts a series of trainings to build the capacity of the beneficiaries where participants are paid cash allowances. These cash transfers are usually risky and in order to overcome some of the risks Feed the Future Malawi Mobile Money is providing technical support to PCI to shift to mobile money payments to participants during trainings.

In the reporting period, Feed the Future Malawi Mobile Money and PCI Njira signed a Memorandum of Understanding (MoU) to implement integration activities. The purpose of integration is to test the mobile money innovation as a viable payment stream that will bring efficiency and transparency among PCI staff and its beneficiaries. However, the initial activities of working with PCI staff have not yet been conducted. The planned period coincided with year-end office closures and the program has been rescheduled to last week of January.

6.2. RTI “EGRA”

With funding from USAID, RTI is implementing EGRA which is designed to provide technical assistance to the Ministry of Education Science and Technology (MoEST) to improve the reading and performance of Malawian learners in standards 1 to 3. EGRA conducts teacher in-service trainings during which it

distributes cash allowances to teachers. Cash transfers are usually risky and in order to overcome some of the risks Feed the Future Malawi Mobile Money is providing technical support to EGRA to shift to mobile money payments to teachers during the in-service trainings.

Integration activities with EGRA were conducted in the last two weeks of December. In collaboration with Airtel Malawi, the project carried out agents' assessment in Lilongwe rural. It further trained teachers in financial literacy and mobile money in preparation of funds disbursements through mobile money. Airtel was instrumental in making sure that all the teachers in the targeted zones were registered and have mobile wallets. The initial design was to help EGRA blast funds from its office with ease using the Group User Interface (GUI) software that was installed at their offices by Airtel. However, due to some challenges that Airtel Money GUI software experienced, blasting of funds was done directly from Airtel head office. It should be noted that the problem with GUI has now been resolved and the software has been successfully reinstalled at EGRA. Another challenge encountered was that the Primary Education Advisors for each zone were the ones who received payments which were later disbursed to teachers. In general, the teachers appreciated the concept of mobile money as evidenced by the number of teachers who participated in the trainings despite some of them being ineligible participants. A review meeting involving all stakeholders is scheduled for first week of February.

6.3. E-Payments Toolkit Training

The project organized a training workshop targeting USAID implementing partners on how to transition from using cash payments to e-payments in their programs and operations. The training workshop was carried out by two consultants contracted through NetHope (www.nethope.org)

The training workshop was organized in close collaboration with the USAID Mission in Malawi who took the responsibility of sending out the invites to the participants but also actively participated in some of the sessions. There were 35 participants from 20 organizations, and the majority of the participants were finance staff (Finance Managers, Officers and Accountants) while the remainder included Grants and Compliance, Programs, M&E, and Data and Accountability staff.



Participants listening to one of the presentations

The main objective of this training was to build knowledge and skills in development organizations staff to transition from using cash payments to electronic payments in their programs and operations, and introduce them to the available to e-payment solutions. A secondary objective was to offer service providers an opportunity to showcase their products and learn more about this potential customer segment.

The first session was a morning plenary on “Exploring Electronic Payments including Mobile Money”. The plenary invitation was extended to NGO country directors/COPs, and other senior staff. There were 10 people registered for this in addition to the workshop participants.



Participants posing for Group Photograph

This 3-Day intensive and practical training workshop was based on a ten-step toolkit developed by USAID and NetHope (<http://solutionscenter.nethope.org/toolkit/view/c2e-toolkit>). The ten steps were covered using a practical case study approach with hands-on group exercises.

Six market service providers that included two Mobile Network Operators and four banks presented on their bulk payment products and services. The service providers included First Merchant Bank, Standard Bank, National Bank, and Opportunity Bank representing the banks where as TNM and Airtel represented the Mobile Network Operators (MNO).

Most of the service providers struggled to present specifically on their bulk payment platform despite receiving presentation guidelines verbally and in writing. None was able to walk through an actual demonstration of a payment disbursement.

For most, the NGO payer interface is comprised of an excel spreadsheet that is encrypted with the SP software, as opposed to having an online portal for the payer to manage their own disbursements.

Most of the NGO payees do not have identity cards, thus to process the KYC they are required to have both a letter from a local community leader and a identity verification from the NGO that will be disbursing payments to them.

6.3.1. Specific undertakings discussed and agreed during the training

Advocacy: Coordination and sensitization with USAID is still important despite USAID issuing the Procurement Executive Bulletin (PEB). Some key messaging is needed around the following:

- Implementing partners are reluctant to transition payments out of a valid concern that transition costs and transaction fees will not be allowable expenses in either their grant budgets, or by USAID audits.
- Coordination on the e-payment policies amongst prominent donors in Malawi would be useful, and may highlight which donors are in the lead at promoting e-payments.
- Implementing partners that are using e-payments should be viewed favorably compared to those that don't attempt to transition, and that due to the maturity level of the market, some initial pilots to transition may fail.
- It would be useful for USAID staff who review grant proposals to be aware of the transitional costs in the initial stages, including financial costs, time and human resources, and implementing partners will need to cover these costs through their grants.

Senior management of implementing partners, the Chief Directors and Chief of Parties: They must buy-in and endorse the transition as a first, crucial step to implement change management and affect the organizational culture. In cases where there is resistance amongst staff (for a variety of reasons from simple fear of change to unwillingness to relinquish control of cash and the benefits from leakage), senior management should make it mandatory, as has been the case with certain implementing partners that require staff to begin receiving some of their own reimbursements through e-payments. Some specific activities could be:

- Include a presentation at forums, like the USAID partners meeting, or other opportunities where COPs/CDs are convening.
- Send the USAID procurement executive bulletin directly to CDs and COPs with a link to USAID's presentation <http://solutionscenter.nethope.org/events/view/e-payments-the-new-default-payment-method-for-usaid-implementing-partners-w>, and a link to NetHope's toolkit <http://solutionscenter.nethope.org/toolkit/view/c2e-toolkit>
- Organize and host a dedicated Questions & Answers (Q&A) session with COPs/CDs together with USAID contracting officers (who would need to be briefed) about USAID's promotion of e-payments. Facilitate the discussion that USAID will allow costs of transition and e-payment fees to be incorporated into grant budgets.

Accountants and Auditors: Facilitate a round table discussion with the accountants association and agencies that perform financial audits for implementing partners. Include USAID contracting officers so all are sensitized to the allowable costs and transactional processes for e-payments. Present e-payment transaction reports and processes and demonstrate their financial accountability, internal controls, and transparency of the payment flow from payer to payee.

Additional training and technical assistance for implementing partners:

- Training for additional implementing partners as well as subcontractors to go beyond the prime contractors. The 3-day toolkit training workshop provides an overview on how to transition and introduces participants to service providers in the market. However intensive, it's not a training course but only a workshop, and additional technical guidance is needed. A forum should be valuable for continued sharing of peer experiences and providing an outlet for additional topical or discreet trainings. Two key topics could be revising financial policies and procedures, and how to conduct robust beneficiary training so that beneficiaries can become smart, continuous users of digital financial services. A potential option for an ongoing forum might be establishment of cash transfer working groups as is the case in some countries. Only two participants said they would be interested in online training courses, though many seemed interested in additional training.
- At minimum hosting a day for implementing partners to present on their experiences with e-payments would be valuable. With four presentations by implementing partners, allowing for an hour of Q&A after each presentation would be a relatively simple way to share innumerable lessons that are directly context specific.

Continued advocacy and business match-making with service providers:

- Advocate for better KYC registration of sim cards by their agents so that those who are registered to specific mobile numbers are indeed the right individuals who would be receiving payments into their correct wallets. This is necessary to register new beneficiaries efficiently so the right individuals receive payments and the implementing partner has the transaction trail to track payments for financial reports.

- Promote dialogue between service providers and implementing partners around key areas that have made it challenging for implementing partners to adopt bulk payments. A quick survey of implementing partners that have tried to use digital bulk payments already would reveal a list of such issues. Based on discussions with implementing partners, some of the key issues might include the payer user interface; establishing a float account (corporate wallet) or the process for bank transfers which now take considerable time; build out of the agent network; and registration of beneficiaries. Hosting forums on specific and discreet topics would enable diving deep into resolving specific key challenges.
- Implement a buyer’s club approach to negotiate with service providers on behalf of implementing partners. This would require mapping of payment volume and value of implementing partners followed by issuing a Request for Proposals/Expression Of Interest on bulk payments product, creating a service level agreement template, and brokering a deal with service providers.

7. Monitoring and Evaluation

Key Highlights

- Finalized the data entry functionality of the project’s web-based database system
- Completed the e-voucher project evaluation and report is being finalized
- Conducted an endline assessment for the ACE pilot and currently drafting the evaluation report

During the reporting period, the project continued to implement activities around monitoring and evaluation. As reported in the annual report, the project now has a web-based database system. With technical support from an IT consultant, the project continued to improve this database especially its data entry functionality. The report generation function is yet to be finalized. Alongside refinement of the database, the project began entering data that accumulated over the past two years.

To determine the results of the Agriculture Commodity Exchange (ACE) pilot, the project supported ACE to carry out an endline assessment. The assessment took place in November and focused on Mzimba, Kasungu, Ntchisi, Dedza, Ntcheu and Mangochi. The assessment used tools that mirrored those used during the baseline assessment. Findings of this assessment will be compared to the baseline survey findings to evaluate the added value of the project on target beneficiaries. At the time of preparing this report, data entry had been completed. It is expected that a draft report of the assessment will be ready by late January 2016.

The e-voucher evaluation exercise that started in August 2015 was finalized during the reporting quarter and a draft report had been compiled. At the time of preparing the quarterly report, the evaluation report was undergoing revisions.

The project also actively participated in USAID/Malawi initiated M&E activities. Under the invitation of USAID/Malawi, the project started using USAID’s web-based database systems including DevResults and Feed the Future Management Information System in December 2015.

With several pilot initiatives now complete, the project has started to take a more introspective look at the achievements, challenges, impacts, and other key pieces of information that can be extracted and used to broaden the evidence base for mobile money. The project is in the process of gathering information, collecting additional data and analyzing existing data, and documenting experiences to be

shared with the broader community to contribute to the development of the mobile money ecosystem in Malawi and ultimately contribute to the goal of financial inclusion. Additionally, lessons and evidence that have been garnered in Malawi can also contribute to an international community of practice.

8. Lessons Learnt to Date

- The secretariat role of the MMCG has been held by the project for three years now. Emerging lessons show that due to limited trust among the private sector institutions, they are not yet ready to allow their likeminded institutions to take the secretariat role of the MMCG. The lessons further show that NGOs and public institutions may be more trusted and better placed to lead the secretariat due to their neutral status.
- While the design of the project may have focused more on the rural areas than the urban areas, it is the urban areas that may need to be convinced first of the convenience of mobile money if demand and adoption of mobile money are to be effectively scaled up. Mobile money service adoption is still relatively low in urban areas which are often the sources of income for rural areas.
- It is unfortunately not uncommon that while an organization may be ready to adopt mobile money, some individuals within the organization may actively oppose the adoption deliberately. This needs to be taken into account in programming of such initiatives and must involve buy-in and action at the most senior levels of the organization.
- In order to scale the adoption of mobile money in an organization as fast as possible, efforts should be taken to make an organization realize the high risks associated with cash based transactions. The project has noted that those organizations that better understood the risks associated with cash transactions are more likely to adopt mobile money than those who do not. For example, one organization that is responsible for leading a multi-million kwacha cash transfer consortium has been at the forefront of mobile money adoption.

Annex A: Indicators Table

Annex B: Success Story