

Piloting E-Payments for Food Assistance in Kenya:

The World Food Programme's "Cash for Assets" Initiative

by Jamie M. Zimmerman and Kristy Bohling



Working with Equity Bank, the World Food Programme (WFP) Kenya set a benchmark for innovation in donor-to-person (D2P) payments with a goal to shift 100 percent of food aid to electronic payments. The ambitious goal followed a 2010 pilot program that demonstrated 15 percent greater cost efficiency, while maintaining food consumption levels for recipients. WFP Kenya scaled up the program between 2010 and 2012 to provide payments electronically for 80,000 recipients, 85 percent of whom are women.

In search of delivering aid better and faster, the programme moves away from in-kind distribution

Cash for Assets (CFA) is a joint initiative of the World Food Programme (WFP) and the Government of Kenya that reaches households in six arid and semi-arid (ASAL) counties in eastern and coastal Kenya that face food insecurity. As a conditional cash transfer (CCT) programme, recipients receive payment in exchange for work on community projects that increase drought resilience. The programme initially set out to test 1) the process for and efficiency gains of a shift from food aid distribution to cash distribution via e-payment; and 2) the relative welfare gains in households through food versus direct money payments.

Key drivers behind the shift to e-payments

WFP wanted to move beyond delivering food directly to beneficiaries, but considered the physical distribution of cash too insecure and fraught with risk. The objectives of the e-payment distribution model included:

- 1. Organizational Learning** - Contribute to a growing knowledge base of how direct payments can be used to address food insecurity compared to food delivery.
- 2. Maximizing Recipient Benefits** - Enable recipients to receive aid faster, safer and more conveniently while building assets and positively affecting financial behaviors, financial capability, and human capital investment.

- 3. Encouraging Financial Inclusion** – Use general-purpose bank accounts, which can provide a range of appropriate and affordable financial services and resilience among vulnerable recipients so they can build a foundation for the future.
- 4. Promoting the Dignity of the Recipients** – Provide more consumer choice and mitigate the societal stigma associated with being a beneficiary of aid programmes.
- 5. Better Transparency and Efficiency** – Track delivery and recipient behaviors as a means of understanding the programme's efficiency and impact on recipients' lives.

Table 1 Cash for Assets Overview

Target Population(s)	Food insecure households in six ASAL counties in Kenya.
Requirements to Register for the Grant	<ol style="list-style-type: none"> 1. Be identified as food insecure based on national food security assessments and community-based targeting. 2. Participate in community asset development work, coordinated by NDMA and CPsNGO implementing partners. Vulnerable households without an able-bodied adult able to work on the project receive unconditional transfers.
Average Amount /Grant Paid	KES 2,800–3,000 (US\$33–35), fluctuating with PPI.
Average Fee per Grant	US\$0.53
Payment Frequency	Monthly ^a .
Programme Participant Duration	Duration of recipient's participation in the programme depends on the designation of whether each county location continues as food insecure, or has moved to "food secure" status, as based on the Kenya Food Security Steering Group (KFSSG) assessment.
Duration of Scheme	Seasonal (nine out of 12 months per year).
Start Month and Year	Prepilot in January 2010; staggered growth between June and December 2011. Full scale as of January 2012.
Total Number of Recipients	80,000 in 2012, down to 62,500 in 2013, as food security has improved across the ASALs due to a series of good rainy seasons. 85% women.

a. Although recipients receive a monthly stipend they often receive two to three months of stipend in one payment, due to delays.

Testing mobile money led to card-based payments

WFP originally used mobile money as an e-payment method of the CFA program, since it was a widely adopted method in the region. However during a pre-pilot with Equity Bank's M-KESHO product, linked to Safaricom's M-PESA, WFP Kenya found that network connectivity was not strong enough to process payments.

WFP Kenya decided to use a new debit card-based system that provides each recipient with a bank account and debit card from Equity Bank, which it then pilot-tested for 10 months.

The pilot programme with Equity Bank was an important way to uncover many challenges the card-based payment method would face. There were user challenges, such as not having the education to know how to use the point-of-sale (POS) system or personal identification number (PIN) without agent assistance. There were also instances of unreliable payments, liquidity constraints, inflexible procurement rules and inconsistent customer service.

The partnership with Equity Bank benefited the CFA programme significantly by investing in the necessary agent presence, equipment, training, and programme management at the head office and local levels to establish an e-payment system in the region, without significant subsidy from WFP Kenya.



UNIQUE ELEMENTS OF WFP'S E-PAYMENT SHIFT

- **Physical Food Delivery to Electronic Payment Delivery Shift.** WFP primarily uses in-kind food aid in its programmes. The shift from food distribution to e-payments is a big leap that has required culture shifts and steep learning curves.
- **Donor to Person (D2P).** As part of the United Nations, WFP (and the international donors supporting CFA) have priorities and limitations that influence various aspects of the programme, from the programme design and objectives, to the cash pipeline on which the resources for the payments depend.
- **Financial Inclusion.** Financial inclusion has been a core objective of CFA since the programme's inception. While bank agents have expanded in participating counties, recipients rarely use their accounts or banking services beyond withdrawing their CFA payments.

E-payments more cost efficient while maintaining food consumption levels

Despite early challenges, the pilot test revealed a strong business case for e-payments over food aid distribution: WFP Kenya found e-payments to be 15 percent more cost efficient than in-kind food assistance, while also spurring economic activity in local markets and improving controls and transparency. Recipients also indicated a preference for e-payments over food aid and were able to maintain the same food consumption levels as they had with in-kind food.

With these positive results in hand, WFP was able to scale-up its CFA operations from the 5,000 recipients in the pilot phase in 2011 to 80,000 recipients by January 2012. This successful shift also inspired WFP to continue investment in innovation and helped international donors make the case to further reform aid delivery away from in-kind.

Table 2 Payment System Design Details

Payment Scheme Detail	Equity Bank
Year PSP Began Involvement	2010; involved in design phase.
Year Payment Started	2010
Value of Payment	KES 2,800–3,000/month (US\$33–35); fluctuates with calibrated to food market prices and completion of work norms.
Frequency of Payment	Monthly with seasonality (9 of 12 mo/yr), (though sometimes bi-monthly or quarterly).
Number of Recipients in Programme	2012: 80,000; 2013: 62,500.
Fees Paid by Scheme to Provider	
—One-off	KES 300 (US\$3.53)/ATM Card.
—Ongoing	Withdrawal fee for one withdrawal per payment period, starting from KES 30 and increasing based on the amount withdrawn of the transfer.
Pay Points ^a	Equity Bank (nationally): Agents: 5,100; ATMs: 560; Equity Bank Branches: 149.
Payment Instrument	Equity-branded debit card.
Payment Device	Agent POS, ATM, Branch Teller.
Authentication Process	3 Factors: ID, debit card and PIN.
Reconciliation Process (Electronic/Manual)	Electronic.
Financial Inclusion	Yes. Payments are made into a mainstream general purpose bank account.

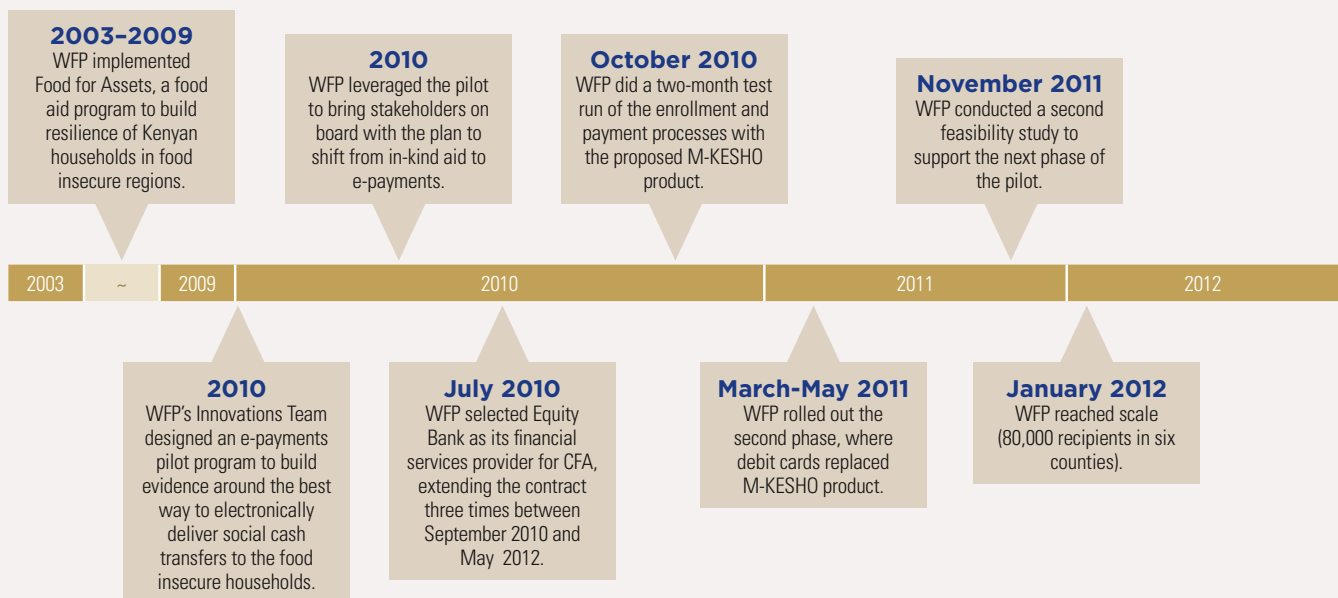
a. After a recent procurement process, Cooperative Bank Kenya won the bid for Payment Service Provider (PSP) for CFA. See Case Study for more details.





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CFA Design & Implementation Timeline



Lessons for Better Than Cash Alliance Members

WFP Kenya's experience with CFA demonstrated several key lessons that are applicable to other organizations looking to improve their D2P or Government to person (G2P) payment programmes.

1 Ensure a strong delivery value chain.

G2P and D2P programs are relatively technical and complex, with several links in the delivery value chain. E-payment systems require a minimum technical and operational capacity, as inadequacies in both resulted in delays and hurdles during the pilot process for CFA.

2 Invest in partnerships to amplify efficiency.

As aid agencies and international NGOs shift increasingly to e-payments, programmes would benefit from investing in partnership structures that reinforce and mitigate risks within the value chain, such as training local partners on new processes.

3 Maintain adequate funds or funding sources.

Almost all D2P programs are subject to resource constraints and uncertainties around the permanence of funds. However, the payments delays in CFA were the most disruptive, criticized component of an otherwise well-regarded system. Ensure a predictable flow of funds before committing to scaling up a programme.

4 Consider procurement modifications that fit program needs.

Both WFP and Equity Bank made large investments to get the e-payments systems running smoothly, however they had to go through the procurement process for partnership every two years. Consider whether procurement rules will pose risks to e-payments implementation in advance to find solutions and to mitigate potential risks.

5 Consider adjusting payment frequency.

As a means of easing management burdens, reducing cost of delivering payments, and delivering on-time payments, consider reducing the frequency of payments to bi-monthly or quarterly. In Kenya, some recipients reported that they preferred lump-sum payments because these allowed them to better manage funds for consumption and investments.

6 Create communication channels for recipients.

Confusion, skepticism, and anxiety among recipients can weaken a programme and prolong any problems that arise with a new payments system. To avoid these issues, provide clear, accessible and direct communication channels with recipients, particularly one that informs programme operations and implementation going forward. When asked what she would change if she could start all over, the WFP Innovations Team Lead had an immediate, unequivocal response: Create a hotline recipients can call to ask questions, express concerns, or report grievances.

7 Improve recipient training.

Continued training about programme parameters, such as conditionalities, payment amounts or delivery dates, is likely to help recipients. However, additional training on how to use the POS system, debit card and PIN would benefit the programme and advance broader use of formal financial services.

8 Test, learn, iterate.

WFP began the CFA programme with a plan to pilot, monitor and evaluate before scaling up. With an emphasis on constant learning throughout the shift from in-kind assistance to e-payments, the programme was able to quickly identify and adapt to lessons learned along the way.



About the Better Than Cash Alliance

The Better Than Cash Alliance is an alliance of governments, private sector and development organizations committed to accelerating the shift from cash to electronic payments. The Better Than Cash Alliance is funded by the Bill & Melinda Gates Foundation, Citi, Ford Foundation, MasterCard, Omidyar Network, USAID and Visa Inc. The UN Capital Development Fund serves as the secretariat.



FORD FOUNDATION



References

For methodology, comprehensive programme details, stakeholder experiences and findings, please see the full case study, available at www.betterthancash.org and www.cgap.org. The authors of this case study are Jamie M. Zimmerman and Kristy Bohling, members of the Bankable Frontier Associates team responsible for the research and reporting for this and three other case studies commissioned by CGAP and affiliated with the Better Than Cash Alliance's Development Results Focused Research Programme.



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