![USAID FROM THE AMERICAN PEOPLE]

DIGITAL PAYMENTS

USAID's first-ever [Digital Strategy](#) outlines a path to strengthen open, inclusive, and secure digital ecosystems in all partner countries, and calls on the Agency to "make digital payments the default method of payment under all our awards."

WHAT ARE DIGITAL PAYMENTS?

Digital payments are transfers of money enabled by, or delivered through, digital technology. For example, digital payments can be made through mobile money, mobile wallets, digital bank accounts, QR codes, credit/debit cards, or online payments. Under the right conditions, digital payments offer benefits over cash: they are faster, cheaper[1], more convenient to use and process, more secure, can build a user's financial profile, and can be a foundation for other financial services (savings, credit, insurance, etc.).

Alongside other methods for cash-transfer programs, digital payment channels can support more rapid, transparent, [cost-effective](#) distribution of funds as long as certain factors are accounted for, including: mechanisms for enrollment, agent-level cash-out, and merchant-level digital payments (so recipients can avoid reverting to cash).

DIGITAL PAYMENTS IN THE CONTEXT OF COVID-19 AND DEVELOPMENT

Broadly, digital payments have factored into COVID-19 responses in two primary areas. The first area is social safety net programming. While often managed by NGOs, the largest of these programs involve Government-to-Person (G2P) payments to individuals and households impacted by the crisis, particularly the poorest and most vulnerable who are being disproportionately affected. As of July 10:

- A total of 200 countries and territories have planned or put in place 1,055 social protection measures in response to COVID-19. Social assistance accounts for 60% of the social protection response or 638 measures.

- With 298 cash transfer programs in 139 countries (6 of which are universal transfers), cash-based transfers account for nearly half of those safety net measures, and about 30% of global measures.

- The size of cash transfers more than doubled in five countries (Mongolia, Trinidad and Tobago, Egypt, South Korea and Brazil). Overall, transfers represent 29% of average monthly GDP per capita.

- Using the sole metric of horizontal coverage expansion for cash transfers, then such scale-up covered almost 1.1 billion people or 14% of the world's population.[2]

---

1. Because the payment is done digitally, there's no need to hire people to make the transfer manually, recipients don't need to wait in line to receive their payment thus saving the monetary value of their time, there is more transparency and therefore less costly corruption ("losses") and bribes that can happen, etc.
2. World Bank, "Social Protection and Jobs Responses to COVID-19: A Real-Time Review of Country Measures," July 10, 2020, World Bank Group, http://documents1.worldbank.org/curated/en/454671594649637530/pdf/Social-Protection-and-Jobs-Responses-to-COVID-19-A-Real-Time-Review-of-Country-Measures.pdf

The second major area that digital payments factor into is operational support. Here, as shown by the Ebola crisis, digital channels can ensure continued payments to health workers, contact tracers and frontline workers, often operating in informal settings with no access to a bank account or even a national ID.

Despite widespread efforts by governments to utilize digital payment platforms, countries may face a number of challenges and risks. Below is a chart of emerging issues in deploying responsible payments in response to COVID-19, and where USAID Missions and implementing partners can focus their effort. Among the issues and mitigation approaches listed below, it's important to consider taking a gender intentional approach to each.

ISSUE	MITIGATION APPROACH
TARGETING - Whom do you include that is not already receiving social benefits?	Engage local leaders, private sector service providers, and influencers to assist in product design and enrollment programs that target individuals that have the greatest need. Support peer exchanges between governments and experts from different regions who have successfully targeted vulnerable households in their respective countries.
ONBOARDING - How do you rapidly onboard a large number of low income and rural people onto digital platforms to receive payments?	Assist governments with implementing appropriately relaxed regulatory measures that may include adoption of tiered Know-Your-Customer (KYC) policies or developing legal frameworks to enable both bank and non-bank providers to offer basic transaction accounts that are plugged into formal payments infrastructure.
LIQUIDITY - How do you ensure sufficient, reliable financial liquidity in the financial sector and at cash-in/cash-out points?	With the deployment of social benefit transfers or salary payments, recipients will need to either cash out or purchase goods and services digitally. This requires sufficient cash within agent networks or merchant acceptance of digital payments. Facilitate dialogue between governments and the private sector to identify policies or programming that facilitate the safe mobilization of agent networks or introduce solutions that promote merchant acceptance of digital payments and Person-to-Person (P2P) transactions. Help support country mapping of financial access points to analyze distribution and explore different incentive / subsidy models that ensure the viability of Cash-In-Cash-Out (CICO) points.
EXCLUSION - Is the intervention inclusive of marginalized populations? Gender, age, social groups, race, etc.? What does that mean in terms of access? Does the end user understand digital products and would they be willing to use it over cash?	Advise governments on the use of multiple data sources that can ensure targeting is inclusive. Assist in developing monitoring systems that track benefits and use among marginalized populations. Ensure that providers have processes and resources that ensure all beneficiaries are treated appropriately. Work with providers to prioritize women and other underrepresented populations in workforce development, both at the corporate, merchant, and agent level. Ensure gender sensitivity and inclusion is embedded in all aspects of these trainings. Support digital readiness programming that ensures customers understand the benefits and responsible use of digitally enabled financial services and don't fall prey to fraud or errors.
MONITORING - How can you monitor programs to make sure they are working effectively? How do you diagnose issues?	Support digital monitoring systems that communicate with intended beneficiaries or frontline workers to identify issues early and often. Ensure there's a system in place, such as a centralized "help center" for effective recourse and to minimize cases of fraud.

Resources and contact information

For more information on digital payments, please contact digitaldevelopment@usaid.gov.

USAID
FROM THE AMERICAN PEOPLE