



## MPESA project analysis

### Exploring the use of cash transfers using cell phones in pastoral areas

Project locations:

- Laisamis, Logologo and Merille, Marsabit South district, Kenya.
- Lokichokkio, Mogila, Songot and Loteteleit, Turkana West district, Kenya.
- North Horr, North Horr district, Kenya.

Project period:

October 2011 to June 2012

Implementing organizations:

Télécoms Sans Frontières in partnership with Vétérinaires sans Frontières - Germany



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## Executive summary

Safaricom Limited, a mobile network operator in Kenya, launched a mobile money transfer system called M-PESA in 2007. This system allows users to send or receive money on their Safaricom SIM card.

Télécoms sans Frontières and Vétérinaires sans Frontières – Germany decided to work in partnership on the cash distribution system for Cash Transfer activities in pastoral areas in Northern Kenya. TSF was in charge of the electronic cash transfer component of RAPID (Response in Arid-lands for pastoralists in drought affected Kenya) project. After a successful pilot phase in Marsabit South District, this means of payment was extended to other projects in Turkana North and North Horr districts. A total of 1050 beneficiaries were paid through M-PESA for CfW activities.

This analysis, based on TSF and VSF-G experience, points out the appropriateness of the use of a cell phone payment system for Cash Transfer activities in pastoralist areas. It also shows the impact of this payment system for beneficiaries. Despite the challenges encountered mainly due to the remote environment and the new use of these technologies, the use of mobile money transfers compared to traditional cash distribution proves to be an efficient way of delivering assistance.

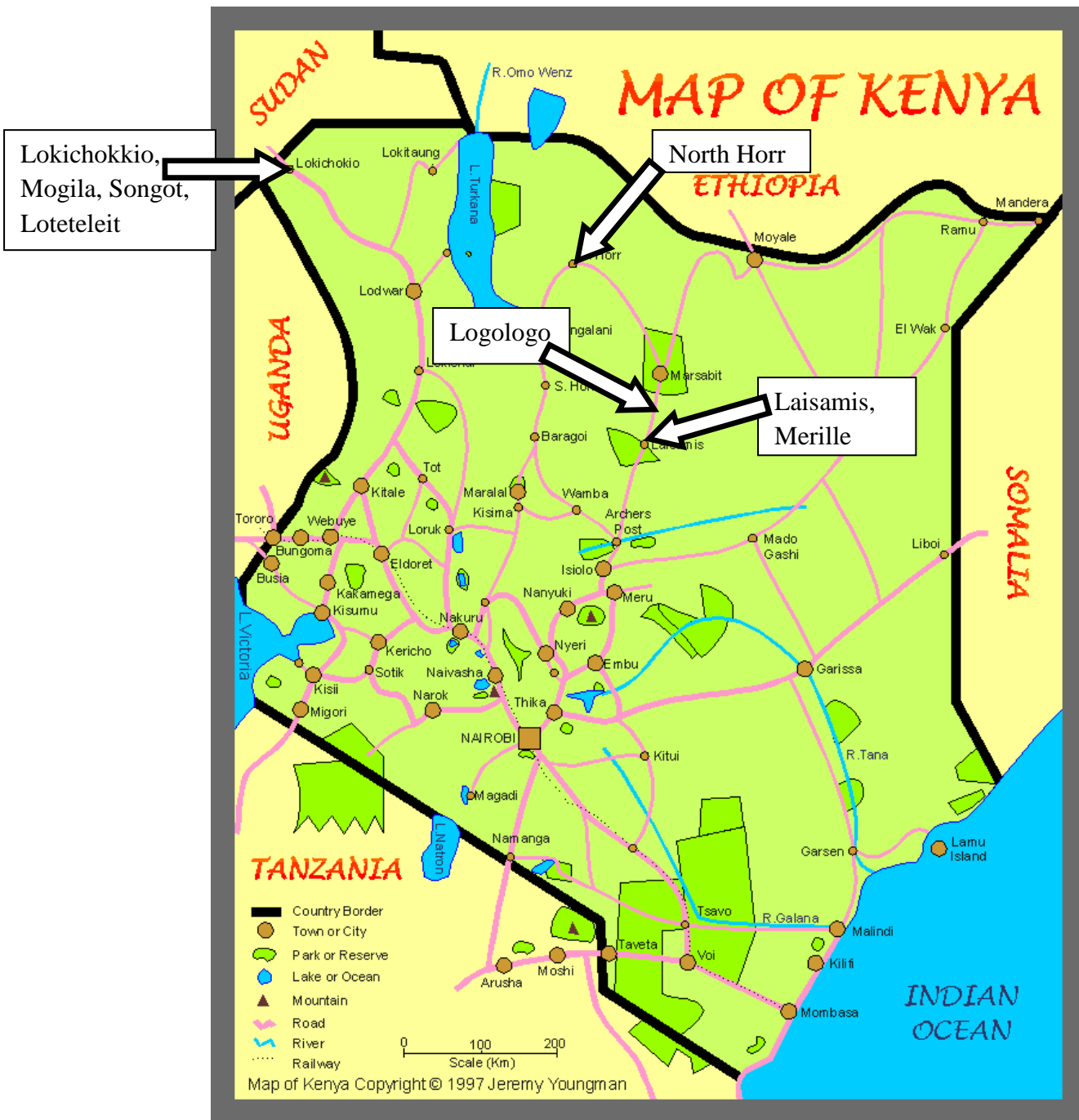
Information was mainly gathered during the pilot phase of the project from October 2011 to April 2012 in Laisamis district. An evaluation of the pilot project was carried out by VSF-G cash transfer expert, G. Bete, from 14 to 18 March 2012<sup>1</sup>. It highlights that the pilot had a strong impact on beneficiary empowerment and sense of dignity.



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<sup>1</sup> VSF internal document, evaluation of TSF-VSFG M-PESA pilot among pastoral areas in Laisamis, northern Kenya by George Bete. 14-18 March 2012.

## Project areas



Laisamis is located 162km from Isiolo, which represents a two-hour car journey: 1h30 of tarmac road and 30 min of rough road. There are several banks in Isiolo but there is only one equity agent in Laisamis. Merille is situated 22km from Laisamis, which represents a 30-minute drive on rough road. Logologo is situated between Laisamis (46km; 1h30) and Marsabit (97km; 2h30). Banks can be found in Marsabit. North Horr is accessible from Marsabit by a 198km rough road.

Lokichokio is located in the Turkana North district. There are several banks in Lokichokio. Songot, 27km from Lokichokio, and Loteteleit, which is 35km away from Lokichokio, are both accessible by tarmac road.

## Context

In 2011, Northern Kenya was tragically affected by drought which led to a major food crisis affecting millions of people. In order to respond to the needs of the population, VSF-G launched the RAPID project in Marsabit, Isiolo and Turkana counties. This project included a cash based response through Cash for Work (CfW) activities followed by unconditional cash transfers.

The M-Pesa system was launched by Safaricom in partnership with Vodafone in 2007 in order to develop an alternative banking system knowing that only 19% of the population had a bank account<sup>2</sup>. M-PESA ('M' for mobile and 'Pesa' for money in Swahili) is an agent-assisted, mobile-phone based, payment and money transfer system with over 15 million registered users as of May 2012<sup>3</sup>. This system enables the user to send money in electronic form, store money on a mobile phone in an electronic account, and deposit or withdraw money in the form of hard currency at any of the nearly 40,000 nationwide M-PESA agent locations.

VSF-G has already conducted cash transfer projects in which the organization paid beneficiaries directly in cash. As more and more organizations are using electronic payment systems, VSF-G wanted to explore the use of mobile phone payment. VSF-G and TSF went into partnership to implement a project using M-PESA in pastoralist areas to remunerate beneficiaries conducting CfW activities. The possibility of using this kind of payment for cash transfer programs reduces the logistical costs of such operations, and avoids most part of the security concerns implied in those operations. It also provides a more secure and confidential means of payment to beneficiaries. However, the mobile phone penetration rate in the pastoralist areas remains low as well as the network coverage, and the presence of M-PESA agents in these areas is still weak.

The pilot project started in October 2011 in Marsabit South district where VSF-G was conducting a food security project targeting 1000 beneficiaries. Due to the experimental nature of the pilot project and the cash float of M-PESA agents, 350 beneficiaries were paid through M-PESA. As a result a double (direct cash and mobile money) payment system was used in the project area but no conflicts or complaints were addressed. 50 of the M-PESA beneficiaries were selected in Merille and Logologo where Safaricom is absent in order to explore the use of M-PESA payment in non-covered areas. Beneficiaries were paid 300Ksh per day of work. They received 4 payments of 3000Ksh with a payment every 2 weeks, when possible.

After the success of the pilot project, VSF-G and TSF decided to scale-up the use of M-PESA in the framework of cash transfer interventions in North Horr and in Turkana West districts. In North Horr 225 out of 400 beneficiaries were paid through M-PESA and in Turkana West 475 out of 750 beneficiaries were selected for the M-PESA payment.

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<sup>2</sup> Safaricom, M-PESA Bulk payment Service

<sup>3</sup> M-PESA NOW EMPLOYS OVER 50,000 PEOPLE DIRECTLY, <http://www.thinkm-pesa.com/>, accessed on 29/05/2012.



## **Description of the process**

As soon as the organization decided to use M-PESA to pay beneficiaries, the preparation phase started both at headquarter and at field levels. In Nairobi, the organization had to take care of the administrative preparation by opening a corporate account. In the field, the team organized the training of beneficiaries. The preparation phase took a long time but determined the success of the payment phase.

### **MPESA service**

M-PESA is a service that allows people to transfer money in electronic form by using a Safaricom SIM card and a cell phone. In the cell phone menu, the user can select Safaricom menu in which there is an M-PESA entry that is activated when the user get registered to M-PESA. In the M-PESA menu, several options are available such as withdrawing or sending money. Getting registered to M-PESA is, in theory, easy as the user only needs to go to an M-PESA agent with his ID cards, his Safaricom line and choose an M-PESA PIN number. We will see that the lack of identification document and the low literacy rate in some areas are challenges to the use of M-PESA.

M-PESA is innovative in the sense that the user can use his M-PESA account as a sort of bank account but he does not need to have a real bank account to use M-PESA. In pastoralist areas, one of the challenges is the lack of access to formal financial services. As a consequence, M-PESA can be used as a substitute to banks for basic financial transactions. The user can store up to 100,000Ksh on the M-PESA account.

An organization can send money to a large number of recipients by opening an M-PESA corporate account. It works like a bank account so the organization can transfer the money from its normal bank account to the MPESA corporate account and then transfer the money from the corporate utility account to the beneficiaries. For this, the organization needs to sign a contract with Safaricom and to install a certificate who will allow the organization to access the M-PESA corporate account interface. Once the contract is signed, Safaricom organize a training to teach how to use the corporate account. From the interface, which is accessible on-line, the organization can upload the phone numbers of the recipients and schedule the payment at the date and time wanted. Therefore, money can be sent to a large number of persons at the same time. The organization has to pay a fee for the transfer and can also select an option to bear the cost of withdrawal fees. For example, for a payment of 3000ksh, the organization will pay 45ksh of transfer fees and 30ksh of withdrawal fees<sup>4</sup>. The operational cost represents 2.5% of the amount sent.

### **Implementation strategy**

After the field assessment conducted in North Horr and Marsabit South districts, an implementation strategy was defined jointly by VSF-G and TSF. As the mobile phone penetration is low in pastoralist areas, SIM cards, cell phones and solar chargers were distributed to the beneficiaries to allow them to use M-PESA. Each beneficiary who does not

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<sup>4</sup>M-PESA tariffs, Safaricom, <http://www.safaricom.co.ke/index.php?id=255>, accessed 30/05/2012

yet have a line received a Safaricom SIM card. The recognition that most beneficiaries did not have knowledge about cell phones and M-PESA led the organization to organize a one-day training for every beneficiary.

Beneficiaries were brought together in groups of five people who live close to each other. TSF provided one cell phone and one solar charger per group. In each group, the beneficiaries selected one person to be in charge of devices but the organization insisted on the fact that the entire group owned the equipment. Moreover, one community assistant (CA) for 25 beneficiaries was selected by beneficiaries among themselves. As far as possible, the CAs already had some knowledge about cell phones and M-PESA. TSF provided CAs with extra training to enable them to address the problems experienced by the beneficiaries. They also received personal cell phones and solar chargers. Overall, beneficiaries did not have problems to share the cell phone but they expressed their willingness to have one cell phone per person.

- *Training*

As soon as the implementation strategy was defined, TSF elaborated a 13-page pictorial user guide for the beneficiaries on the use of M-PESA. The user guide was distributed to the beneficiaries during the training. TSF also prepared different visual material as support to the training.

Before organizing the training, TSF had to identify the beneficiaries who will be paid through M-PESA among the beneficiaries selected for the Cash intervention carried out by VSFG. In the framework of the pilot project in Marsabit South district, information was collected during VSF-G beneficiaries' selection for Cash transfer activities. Three columns were added to the selection form to collect the following information: mobile phone ownership, M-PESA knowledge and literacy level. From this information, beneficiaries were gathered in groups of 5 people including at least one person with knowledge about cell phone. CAs were trained in advance and helped TSF form groups and organize the training.

The training day was structured in three parts:

- *Registration:* After checking that every beneficiary or person mandated to receive payment came to the training with his ID card, TSF provided lines with SIM card holders and wrote down the phone number and the information written on the PUK card.
  - ✓ PIN1 and PUK1 are necessary to do a SIM replacement if the beneficiary loses its SIM card associated to its M-PESA account.
  - ✓ Serial number: as beneficiaries are sharing the same phone it could happen that they exchange the SIM card. The serial number allows to know to whom belongs the SIM card
  - ✓ SIM card holder: the organization bought opening key holders that come in 5 different colors (one color per group member) and minimize the risk of losing or mixing SIM cards.

When the beneficiary receives the line, he/she went to get registered to the M-PESA agents. The hall for the training was located either within walking distance from M-PESA agents or arrangements were made with M-PESA agent to come to training

place. After registration, beneficiaries shared their registration forms with TSF in charge of writing down their M-PESA secret word. If someone forgets the M-PESA PIN code, Safaricom customer care asks for the secret word.

- *Introduction to the new system:* TSF distributed user guides and provided training to beneficiaries on how to use the cell phone (insert SIM card, switch on/off the phone, read a text message), the solar charger and M-PESA (withdrawal, deposit money, sending money and other uses). When money is sent via M-PESA, the recipient receives a text message; it is therefore necessary to know how to open it.
- *Put in practice:* TSF distributed the equipment to each group and went into each group to make sure that everybody practices with it. During this time, TSF used the free software “FrontlineSMS”<sup>5</sup> to send a text message (SMS) to each beneficiary with the beneficiary’s name and its phone number. FrontlineSMS allows to send bulk messages to contacts imported from an Excel file and to include the name of the recipient in the Text message. Two objectives are met by sending those SMS:
  - ✓ Ensure that the phone number entered in the organization data base is the correct one in order to send the money to the correct recipient.
  - ✓ Allow beneficiaries to open a text message.

At the end of the training, every person who attended the training was able to switch on the phone with the SIM card inside and open a text message.

- Payment

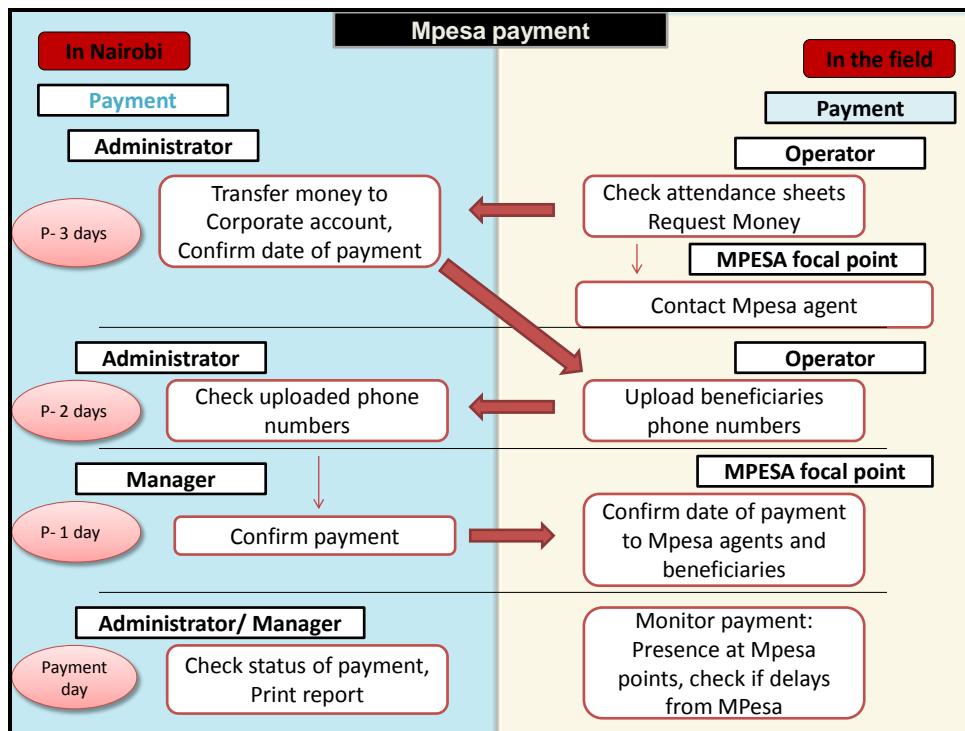
Beneficiaries received four payments of 3000ksh each in the framework of the Cash transfer activities implemented by VSFG. Due to the cash capacity of M-PESA agents and the number of transactions they were able to process per day, it was not possible to pay 6000Ksh per month and thus the organization decided to pay beneficiaries after every two weeks.

The payment process is summarized below:

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<sup>5</sup> More information can be found at: <http://www.frontlinesms.com/>





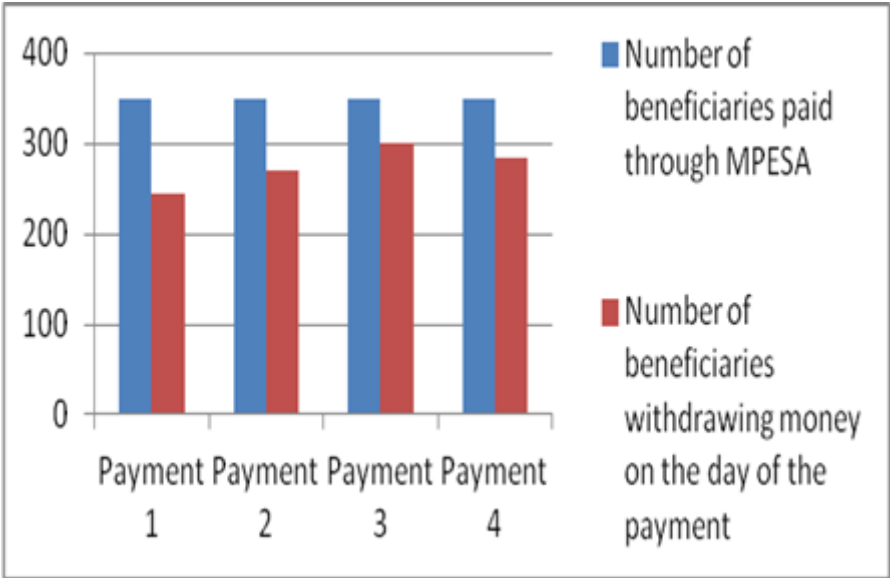
In comparison with traditional direct cash payment that requires time to prepare the cash which is given to beneficiaries and requires staff and security officers to go to the payment point, electronic payment is easy and time saving at the moment of the payment. It takes approximately three days to prepare the payment. On the first day, the accountant in the field, who is named as ‘operator’ of the corporate account, prepares the supporting documents and requests the funds. This activity lasts around 4 hours for 350 beneficiaries. In Nairobi, the accountant takes few minutes to transfer the money from the bank to the corporate account. Depending on the bank, it can take up to 24 hours to receive the money on the corporate account. Then, uploading and checking that phone numbers are correct require less than an hour. On the day of the payment, there is no need to hire security officers as no staff travels with cash. The presence of one staff around the payment points can facilitate the payment as he can assist beneficiaries in the event of a problem.

The number of beneficiaries being paid through M-PESA is limited by two factors:

- M-PESA agents cash capacity: M-PESA agents have a specific Safaricom line that allows them to do transactions. They must have electronic money for customers who want to deposit money and cash for customers who request to withdraw money. In pastoral areas, M-PESA agents tend to not have too much cash with them for security reasons.
- Number of M-PESA transactions possible per day: Some M-PESA agents also have a shop and cannot spend 100% of their time doing only M-PESA transactions because it would damage their business.

During the pilot project in Laisamis, the organization was able to get information from M-PESA agents on the number of beneficiaries withdrawing money on the day of the payment. In order to avoid queue at the M-PESA points, the accountant scheduled the payments in batches between 1pm and 5pm. Beneficiaries living far from the payment point were

scheduled first. The graphic below proves that most beneficiaries withdraw the money as soon as they received the transfer. Even though they were eager to withdraw the money, some beneficiaries preferred not to withdraw the entire amount of the money received. The money can be used immediately at the M-PESA shop to reimburse commodities previously bought or to buy commodities. A good planning and follow up of the payment is necessary to avoid beneficiaries coming to the payment point and not being able to receive money. Pastoralists can decide to save money to buy livestock later or they spend their money buying food for themselves and for their livestock. Some beneficiaries decided also to buy school uniforms for their children and pay school fees. One beneficiary used the option to send directly the money from her M-PESA account to her daughter M-PESA account.



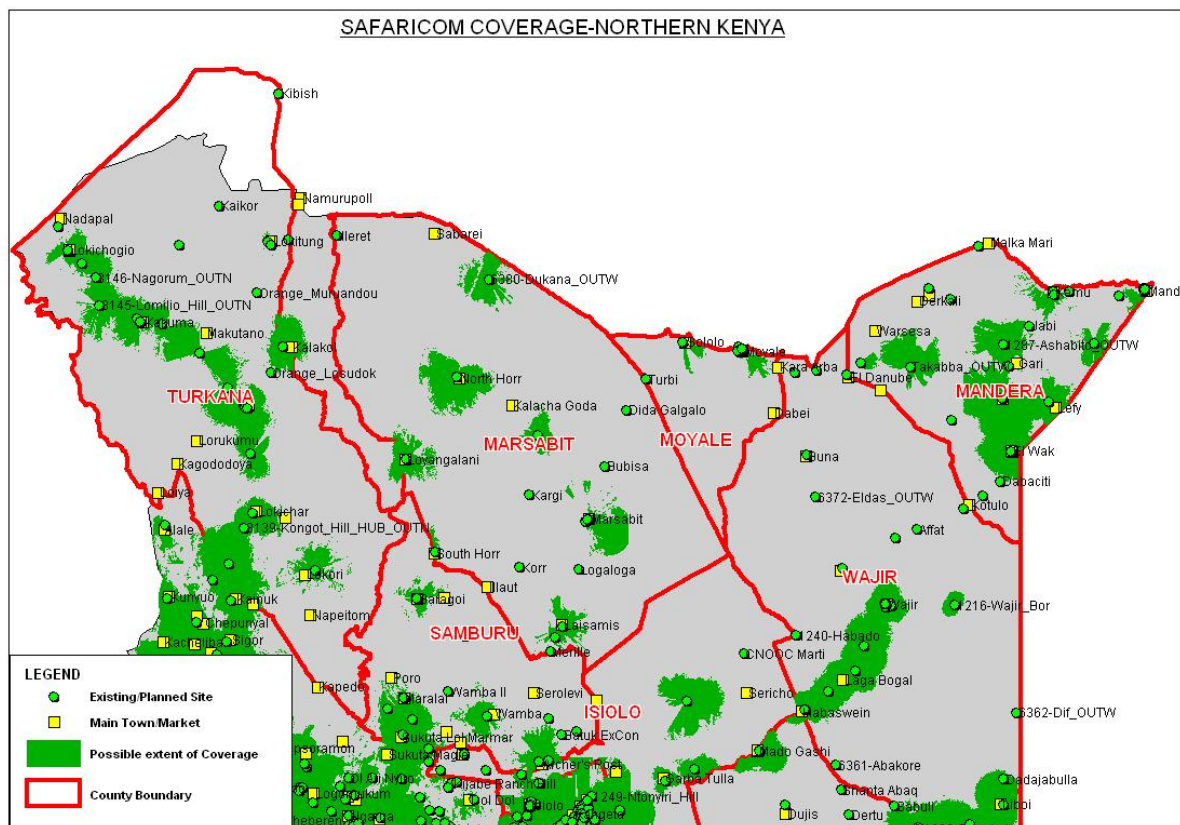
**Challenges encountered**

During the project, the organization had to face some technical and administrative challenges that were mainly due to the location of the project and the newness of such mean of payment.

**Difficult Environment**

Northern Kenya is a particularly difficult place to work as the infrastructure and the education system are not as developed as in other parts of the country. As a consequence, the project was mainly affected by network problems, lack of ID card among beneficiaries and very low literacy rate.

- Network



Safaricom is one of the largest network providers in Kenya but there is a disparity of coverage in the country. In the map above<sup>6</sup>, it is possible to notice that Northern Kenya is poorly covered. Furthermore, the antennas are not always maintained correctly which leads to recurrent network problems. In Laisamis, for example, it is common to have no network for 2 or 3 days and it happened twice during the project period:

- During the registration process, there was no network for one day so the beneficiaries had to come back the following day in order to get registered to M-PESA.
- During the second payment, the M-PESA system experienced delays and beneficiaries were paid at 8pm instead of early afternoon. The organization scheduled the payment between 2 and 5pm, the status of the payment was ‘delayed’ until it was automatically transferred. The organization did not have to cancel the transaction and no money was wrongly sent.

These delays were unfortunate but they did not affect the project tremendously. Beneficiaries did not complain and it did not create an overload of work for the organization.

The project aimed to determine if payment through M-PESA was appropriate in villages where there is no network. According to Safaricom, the money is sent to the M-PESA account and stays on it even though the recipient is not in a network covered area. In Merille and

<sup>6</sup> Sent by Fredrick Oloo, Safaricom Network Rollout Manager on 9/11/2011.

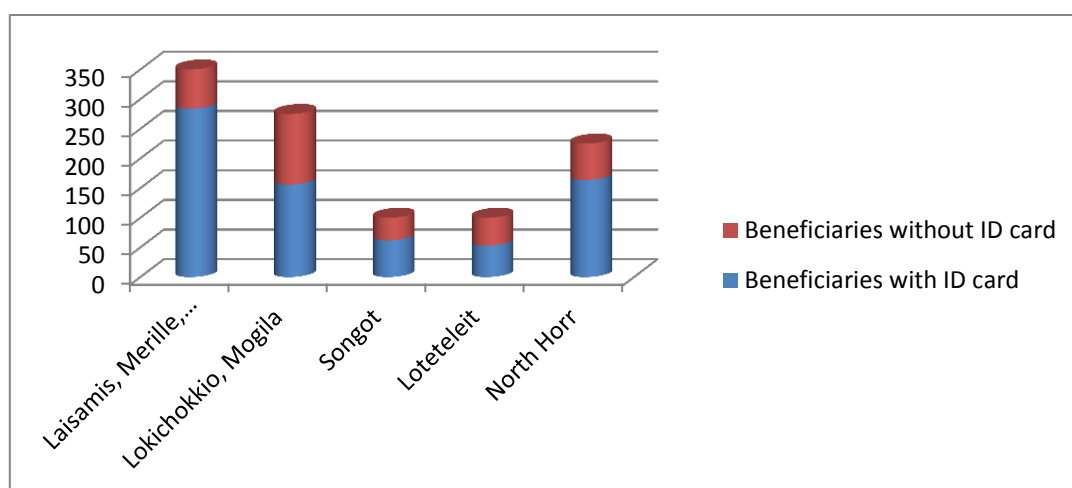
Logologo, where there is no Safaricom network, villagers have to walk 2 to 3 kilometers in order to find some specific locations where there is network. Registering beneficiaries of Logologo and Merille was challenging as no M-PESA agents were present in these locations. One solution was found by bringing the lines and the details written on the beneficiaries ID cards to M-PESA agents. TSF had to go to the villages to collect all the information and came back to the villages with the registered line the following day. This solution was time consuming but it allowed the organization to target more those beneficiaries living in area without M-PESA agents. During the cash transfer days, beneficiaries travelled by foot or matatu (local bus) to villages where they could find M-PESA agents, mainly in Laisamis.

In Turkana West district, the project targeted Songot and Loteteleit villages where there is Safaricom network but no M-PESA agents. Nevertheless, two agents from Lokichokkio agreed to come voluntarily to the villages on the day of the training to register beneficiaries to M-PESA. During the cash transfer days, one M-PESA agent decided on her own to travel to the villages with cash to save beneficiaries from travelling to Lokichokkio.

- *ID card ownership*

Although people over 18 years old are supposed to have an ID card, it is common to work in places where people don't have one. One of the requirements to get registered to M-PESA is the ID card ownership. M-PESA agents check the ID card when a user gets registered to M-PESA and the ID card number is used to record every M-PESA transaction. Unfortunately, in the areas where VSF-G operates, it is common to have beneficiaries who do not own an ID card. In the graphic above, we can notice that the proportion of ID card ownership varies a lot according to location. In Laisamis, Logologo and Merille, 19% of the beneficiaries do not have an ID card while in Turkana West, between 38 and 47% of the population have no ID card.

So as to be able to pay beneficiaries without ID card through M-PESA, the organization advised them to mandate someone in their family to receive the payment on their behalf. This third person attended the training and received the SIM card when necessary. A document was thumb printed by the person mandated to receive payment to record the name of the head of the household, the name and ID number of the person mandated to receive payment as well as the phone number to which the payment is sent. This solution appears to be efficient but monitoring needs to be done. Indeed, one problem was noticed in Merille where the son of one beneficiary did not give the money to his parent (the beneficiary) after the first payment. The CA was informed quickly and the chief of the village confiscated the line. After that, the beneficiary decided to mandate a close friend to receive payment on her behalf.



	Beneficiaries with ID card	Beneficiaries without ID card	Total number of beneficiaries	% of beneficiaries without ID card
Laisamis, Merille, Logologo	284	66	350	18
Lokichokkio, Mogila	156	119	275	43
Songot	62	38	100	38
Loteteleit	53	47	100	47
North Horr	164	61	225	27

## Use of a new payment system

In this pilot project, VSFG was using M-PESA as a payment system for Cash transfer activities in pastoralist areas for the first time. Moreover, most beneficiaries had never used a cell phone or M-PESA before this project. Therefore, some challenges appeared due to the experimental nature of the project.

- *Administrative issues*

VSFG experienced some delay in opening the M-PESA corporate account. According to Safaricom one month is necessary to open the account. The process encompasses collecting the required documents, signing the contract between VSF-G and Safaricom and installing the certificate to use the account. The actual timing to finalize the administrative process (signing the contract) took 2 months then, the technical process (using the account) took another month. After the training organized by Safaricom on the interface to use the corporate account, Safaricom was supposed to send the contact of a support person who would have been dedicated to help the organization in case of any problem with the interface. After several reminding emails, Safaricom finally sent three phone numbers to contact the M-PESA corporate account support team.

Despite these issues relative to the corporate account, Safaricom provided support from the very beginning. Indeed, an enterprise sales manager was in close contact with the organization. He explained to the organization the process to pay many recipients through M-PESA and assisted the team during the whole project. His support and availability were an important element for the success of the project.

- Technical issues

By paying beneficiaries through M-PESA, the organization had to introduce the mobile phone technology to most of them. Approximately 70% of beneficiaries did not own a line and had never used a cell phone before the training. Among beneficiaries who already had a cell phone and a line, some of them explained that they only knew how to pick up the phone and call someone. So, the training was beneficial to all beneficiaries.

Nevertheless, as most beneficiaries never used a phone, the training had to emphasize on the importance of keeping the equipment in a safe place. Also, the fact that beneficiaries were sharing the phone was a risk for them to lose the SIM card which is very small. TSF reduced the risks by providing a colored SIM card holder. Solar panels were provided by Toughstuff<sup>7</sup> and were very resistant and appropriate for the environment. Unfortunately, the connectors to link the solar panel to the handsets were fragile and TSF had to replace 48 of them. Toughstuff was very supportive and provided extra connectors to fix this problem. The table below summarizes the technical loss, which is pretty low compared to the difficult environment and the newness of the equipment for the users.

	Distributed	Replaced	% of loss
Cell phones	252	6	2.3
Conectors	238	48	20
Solar panels	238	0	0
SIM cards	735	12	1.6

- New partners

MPESA agents were key partners during the project. The organization sought assistance from M-PESA agents during registration and payment phases but some unfortunate behavior were noticed.

Before the training, the organization contacted each M-PESA agents to make sure they would have been able to register the beneficiaries. Nevertheless, during the training MPESA agents sent back some beneficiaries without registering them because they did not have time or the documentation to register beneficiaries. In North Horr, one M-PESA agent asked money to one beneficiary to register him despite the fact the registration is free of charge. This problem was solved after a discussion with the agent.

During the pilot phase in Laisamis, the organization trained an average of 50 beneficiaries per day. It was not only difficult for the trainers but it also represented an overload of work for M-PESA agents. In the scale-up of the project, between 25 and 35 beneficiaries were trained per day and it represented a good solution.

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<sup>7</sup> Toughstuff is a social enterprise whose mission is to bring affordable energy products to people without access to electricity. <http://www.toughstuffonline.com>



## Advantages

The objective of the M-PESA pilot project was to evaluate the new payment system as an alternative to the traditional direct cash payment. Overall, M-PESA brings better accountability or security and it is welcomed by beneficiaries.

- Accountability

In rural areas, due to the low literacy rate, it is difficult to have beneficiaries signing a document and thumb printing the documents for each payment made by direct cash requires a lot of time. By paying beneficiaries through M-PESA, the organization can print directly after the payment an official document from the corporate account with the name of the recipient and the amount of money sent.

- Security

Payments through M-PESA improve the security for the organization and beneficiaries. The organization does not need to travel to the field with large amount of money. During traditional direct cash payment, the place and date of payment is commonly known by everybody and this represents a threat. With M-PESA, beneficiaries and M-PESA agents are the only ones to be informed about the day of payment and beneficiaries can withdraw the money whenever they want. Moreover, M-PESA payment points are generally located near market places so beneficiaries can withdraw and directly spend the money. James Boru, a beneficiary from Laisamis, explained his concern about payment by direct cash:

*'[M-PESA] is safe because when you are paid by cash, people know it and can rob us'.*

Accountants from VSF-G confirmed that payments through M-PESA are *'safe and convenient, especially in places where accessibility is usually a nightmare'*<sup>8</sup>

- Beneficiaries' reactions:

On the beneficiaries' perspective, payments through M-PESA represent a better way to be paid compared with traditional direct cash payment. Testimonies from beneficiaries highlight the attractive nature of M-PESA payments:

- Easy :

*'Mpesa is easier because you receive the money and withdraw when you want. With direct cash payment, you have to queue'* Eunice

In pastoral areas, it can be difficult for beneficiaries to be present at the payment point on the day of the payment by cash. According to VSF-G field staff, *'the [M-PESA] process is efficient, convenient, time saving considering no physical movement is required. It is secure and saves resources in the sense of hiring additional vehicles for security, guards and fuel costs'*<sup>9</sup>. By sending the money through M-PESA, the organization as well as the beneficiaries saves time and efforts.

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<sup>8</sup> Interview of Joseph Kinyua, 31/05/2012, VSF-G accountant in Nairobi.

<sup>9</sup> Interview of Herbert Asava, 31/05/2012, VSF-G accountant in Lokichokio.

- Secret :

*'With Mpesa the payment is more secret. Somebody can ask me if I withdrew the money and I can say 'no''* Lokoile

*'If paid by cash, I have relatives coming to get their share of the money'* Ntorno

The project took place among communities that are used to share their ownership. Nevertheless, this sharing can be a burden for people. With M-PESA, the organization is sure that the money is sent and used by the most vulnerable people.

- Opportunity to save something :

*'With Mpesa, I can withdraw less money like 1000 or 2000 to use it directly and save the rest'* Bernard

Beneficiaries testified that when they receive the money directly by cash, they feel like that they have to spend it. Nevertheless, with M-PESA, they can use it as a bank account and make savings to plan for the future.

- Opportunity to send money :

*'I can send money to my children at school'* Saiti

During the training, beneficiaries were trained on the different uses of M-PESA. One option on M-PESA menu is sending money. Few beneficiaries use this option to send money to relatives or to pay school fees.

## **Lessons learnt**

Payment through M-PESA was a new system used by VSF-G and many challenges appeared during the project. Nevertheless, the advantages in term of accountability, security and time-saving encourage the organization to continue using this system. The success of the pilot project was due to three key elements: electronic payments require time and effort at the beginning so good preparation is essential; several actors are involved in the payment and thus coordination and communication between them are essential.

### **Preparation**

The opening of the corporate account, the training and the payments need to be prepared in advance. From the moment the organization decides to pay beneficiaries through M-PESA, opening the M-PESA corporate account must be a priority. Once an organization has a corporate account, this account can be used in multiple projects.

In order to save time during the training the Safaricom lines should be activated in advance and the data entry (phone number, PIN 1, PUK 1, serial number) should be done prior to the training.

Overall, the time spent during the preparation phase is balanced by the time saved during payment phases. But, such a system of payment will be more advantageous in the case where there are several payments scheduled.

### **Coordination**

When the organization introduced the M-PESA system to field staff, many people were reluctant because they did not know how their work would be affected. After the first payment staff members from headquarters and the field were eager to use this system of payment as it proved to reduce paperwork. Close coordination between headquarters and the field is necessary to ensure that the correct beneficiaries are trained and registered to M-PESA. During the payment, staff on the ground is aware of delays that can happen due to lack of network or cash capacity of M-PESA agents.

At the field level, staff members need to coordinate to be able to schedule the payments on time and pay beneficiaries who actually attended CfW. The project manager, the accountant and the M-PESA focal point have to coordinate their activities.

### **Communication**

Communication with M-PESA agents and beneficiaries is essential during the project. From the beginning of the project, the organization contacted M-PESA agents to know if they agreed to pay beneficiaries. Some agents have a shop and don't want to damage their business by having too many people coming on the same day. During the project, the organization informed M-PESA agents one week before every payment and confirmed the payment one day before it. If M-PESA agents are not ready to make payments, the cash transfer cannot take place as they might not have sufficient cash to enable withdrawals by beneficiaries.

The organization hired someone dedicated to M-PESA (called M-PESA focal point) in each project area and provided him with a handset and an 'M-PESA hotline'. Beneficiaries were able to contact this person in case of any problem. After the project, beneficiaries shared their fear to not receive the payment after the training but they were reassured as soon as they received the money for the first time. Electronic payment is new for beneficiaries and a good support system is necessary. In the implementation strategy chosen, some safe guards were implemented. Beneficiaries were able to seek help from the other members of their group, from the community assistant or from the M-PESA focal point. The organization used Frontline SMS during the project to inform beneficiaries about the day of the payment and about delays of payment.

## **Conclusion**

The pilot project in Marsabit South district was a success for VSF-G and TSF for this reason the M-PESA payment system was quickly replicated in two new locations. The initial phase of the project had to tackle most of the challenges and the choice of the implementation strategy was central in the acceptance of M-PESA by beneficiaries.

Setting up M-PESA as a payment system for beneficiaries requires time and money for the equipment but at the moment of payment it reduces the workload. Compared with direct cash payment, the operational cost of M-PESA is important for the first payments but decreases after each payment. As a consequence, it is interesting in terms of cost to use M-PESA if the organization plans to do at least 4 payments. In addition, payment through M-PESA further involves the beneficiaries in the payment process. They can decide how much money to withdraw, to make savings, to send money, etc.

Distributing cell phones and solar chargers can be controversial when the organization is implementing a food security project. Nevertheless, the use of new technologies can empower beneficiaries far beyond the limits of traditional relief aid. Thanks to the cell phones and their lines, beneficiaries have access to communication and with M-PESA they can use a system similar to a bank account.

Even though the project was welcomed by all stakeholders there is still room for improvement. More involvement from Safaricom would be beneficial for the NGO sector as the setting costs (equipment and training) are high. The organization tried to negotiate with Safaricom to obtain free SIM cards and headsets but the number of beneficiaries was too low. By distributing Safaricom SIM cards and registering beneficiaries to M-PESA, the organization creates new customers for Safaricom.

Cash transfers programs are increasingly used by NGOs who are working in remote environments. An organization takes many risks by paying beneficiaries directly with cash and the use of M-PESA for cash transfers can contribute to reduce such risks.

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## **Abbreviations**

TSF: Télécoms sans Frontières

VSF-G: Vétérinaires sans Frontières Germany

CfW: Cash for Work

RAPID: Response in Arid-lands for pastoralists in drought affected Kenya

CA: community assistant

SMS: Short Message Service

NGO: Non Governmental organization