

# Mobile payment and application systems for COVID-19 emergency cash transfers in Africa

Lena Gronbach, University of Cape Town

**The COVID-19 pandemic** and the associated economic crisis severely impinge on the livelihoods of millions of households and threaten to leave lasting scars on countries' socio-economic landscapes. To combat the fallout for the most vulnerable people in society, at least 43 countries in sub-Saharan Africa adopted cash-based social assistance measures. In addition to reaching previously uncovered populations with cash transfers, various countries used digital tools for beneficiary registration and payments, in many cases for the first time. This One Pager provides a brief overview of the use of digital payment systems and mobile application platforms for emergency cash transfer programmes in sub-Saharan Africa in the context of the COVID-19 pandemic.

Since the launch of Safaricom's M-Pesa service in 2007, the use of mobile money as an everyday payment instrument has spread rapidly across the African continent. In 2019 the number of registered mobile money accounts in sub-Saharan Africa reached 469 million, with East Africa accounting for more than half of all registered accounts (GSM Association 2020).

Yet an analysis of payment systems for national cash transfer schemes revealed that few programmes in sub-Saharan Africa had adopted mobile money as a payment instrument prior to the pandemic. Instead, most large, well-established schemes had opted for a payment model based on bank accounts and payment cards, in some cases in combination with biometric verification (Gronbach 2020). Further, most programmes relied at least partly on cash disbursements, either through local pay points or via private payment providers. Payments via mobile money were generally restricted to smaller cash transfer schemes and pilot programmes, as well as humanitarian transfers.

In response to the pandemic, however, governments across the continent called for a rapid shift towards digital payment methods, both for everyday transactions and for social cash transfers. This was largely a result of the widespread implementation of strict lockdown measures such as curfews, social distancing requirements and limitations on social gatherings and movement, as well as concerns over the handling of physical cash as a potential source of infection. Prior to the pandemic, payment digitisation had started in most countries but was progressing rather slowly. The reasons for this included connectivity and infrastructure limitations, concerns over beneficiaries' digital literacy, the high initial cost of digital solutions, and the failure of smaller programmes to benefit from economies of scale.

In March 2020 the Central Bank of West African States issued a directive to waive mobile money transaction fees in its member countries. Central banks and individual mobile network operators (MNOs) in

various other African countries, including Kenya, the Democratic Republic of the Congo, Guinea, Lesotho, Malawi and Tanzania, followed suit. In addition to reducing or waiving transaction fees, several countries and MNOs raised daily transaction limits, simplified account opening requirements and increased account balance limits to promote the adoption and use of mobile payments (GSM Association 2020).

In this context, mobile money emerged as the preferred payment method for COVID-19 emergency cash transfers in sub-Saharan Africa. Examples include Togo's *Novissi* programme, Madagascar's *Tosika Fameno* cash transfer, as well as various emergency payments in countries such as Benin, Congo, Kenya and Zimbabwe. Overall, more than half of all new cash transfers launched in response to the pandemic used mobile money as their main payment instrument. In addition, existing cash transfer programmes in eSwatini, Lesotho, Malawi and Nigeria increased the use of mobile payments during the pandemic, thus accelerating the ongoing digitisation of cash transfers in these countries.

In terms of their application process, the vast majority of cash transfer programmes had relied on a manual, paper-based system prior to the emergence of COVID-19. During the pandemic, several countries piloted digital application platforms as part of their emergency response, such as the USSD-based application process for cash transfers in Namibia, South Africa and Togo. Other countries, such as Gabon, Mauritius and the Seychelles, used web-based application portals or accepted application documents via email. While it remains to be seen to what extent these digital application tools will be integrated into existing cash transfer programmes and sustained beyond the emergency phase, South Africa has already launched an online application portal for its regular social grant programme, and other countries may well follow suit.

In summary, the adoption of mobile money as a payment instrument for emergency cash transfers, as well as the use of digital application platforms, were two of the most salient and innovative features of the social protection response to COVID-19 in sub-Saharan Africa. Building on existing digitisation efforts, the pandemic has accelerated the shift towards mobile technologies for both applications and payments, at least during the emergency response phase. As countries move into the recovery phase, some of the digital tools used in the emergency response are likely to be incorporated into existing cash transfer programmes, thus accelerating the ongoing digitisation drive on the continent.

#### References:

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