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2020 DIGITAL FINANCE BRIGHT SPOT: Digital Payments in Liberia



Photo: Marcella Willis, Strategic Impact Advisors

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INTRODUCTION

USAID's Digital Finance (DFS) Team's vision is to build an inclusive and sustainable digital ecosystem in USAID partner countries. This vision is centered on the Agency's priority to help countries progress along their Journey to Self-Reliance. The DFS team pursues this vision by focusing on two main objectives: (1) integrating DFS into USAID projects and programs, as an accelerator of development and humanitarian objectives, and (2) broadening sector- and program-specific efforts to foster inclusive enabling environments, private sector investment, and demand for inclusive financial services. The team works to achieve these objectives in a number of ways, the primary mechanism being engaging with USAID Missions around the world. As articulated in the team's ecosystem theory of change, the DFS technical practice aims to identify and reach "tipping points" in the partner country markets through partnership and support to USAID Missions and other market stakeholders, leading to the scaling of digital finance solutions and models that support a country's Journey to Self-Reliance.

Core to the efficacy and efficiency of the team's model is evaluating its work to ensure continuous learning, adaptation, and application of best practices that result in market level change. In support of this, the team has initiated an annual effort to identify models or examples of success that demonstrate the achievement of the DFS team objectives and lessons learned for replication and scale. The Digital Payments in Liberia case study is one of the bright spots identified and evaluated in 2020, presenting a pathway, business case, and catalyzation of development outcomes for public-private partnerships in digital finance. This report provides an overview of the methods, context, verified pathway, barriers and enablers, and key takeaways from USAID's involvement with the Government of Liberia and Lonestar Cell MTN in expanding digital payments and mobile money services in Liberia from 2014 to present day.

METHODS

This bright spot case study uses a positive deviance evaluative approach that looks at behavioral and social change. It is based on the concept that "in any context, certain individuals confronting similar challenges, constraints, and resource deprivations to their peers, will nonetheless employ uncommon but successful behaviors or strategies which enable them to find better solutions."¹ The DFS team uses this approach to identify and better understand exemplary application of digital finance tools and practices with clients they support.

¹ https://www.betterevaluation.org/en/plan/approach/positive_deviance

The DFS team selected the Digital Payments in Liberia case through regular highlighting of bright spots at weekly team meetings, and then further prioritized for a deep dive during selection of the most exemplary and distinct cases. As this case had a known, discrete outcome, the team then pursued additional data collection to substantiate the outcome and improve understanding of the how, why, and contextual factors that led to the positive deviant. This case used purposive sampling given the limited number of specific actors who would have detailed knowledge of the Lonestar Cell MTN engagement; implementation process; barriers and enablers encountered along the way; and emergence of specific outcomes. In total, this case study is informed by various documentation (both internal and external) and five interviews with subsequent follow up clarifications. All narrative process points included have been triangulated.

This bright spot only focuses on the engagement with Lonestar Cell MTN and not the similar engagement with Orange network. This provides a singular cohesive narrative of engaging a private sector actor to change the digital ecosystem and catalyze development outcomes.

BRIGHT SPOT NARRATIVE

CONTEXT

Prior to the Ebola crisis in 2014, the Liberian development context was not supported by an effective digital landscape. Transportation infrastructure was unreliable, requiring up to two days for people to come into Monrovia to receive their salaries, often requiring teachers and health care workers to leave their posts. Bad roads became impassable during the rainy season, making moving cash expensive. During the Ebola crisis, the Ministry of Finance chartered United Nations Mission in Liberia (UNMIL) helicopters to get cash to more rural areas. The Government of Liberia determined that they could not pay civil servants in rural areas and there was a pressing need to ensure salary payments to prevent strikes and further unrest. Digital payments offered a viable solution to the various transportation issues, salary disbursement complications, as well as offered new opportunities to support disbursement of humanitarian relief and commercial growth in Liberia.

USAID's portfolio of Ebola activities tried to respond to these challenges by providing short-term targeted investments and intentional partnership building, but the Ebola earmarked funds limited the ability to make long-term investments for more substantial and sustainable improvements to the digital ecosystem. Given the larger implications and opportunities presented by digital finance, USAID/Liberia and the USAID Lab Ebola team initiated digital payments activities. This activity suite was designed to specifically improve mobile money agents in the country and support digitization of civil servant salary payments by the government.

Supporting mobile network operators (MNOs) in Liberia to employ more agents and super agents, and train them on liquidity management was a foundational piece to the overall improvement of digital service offerings in the country.² Improved digital service offerings help address liquidity issues, as well as support more inclusive service delivery, and support more efficient transferring of funds. The more efficient funds transfers in particular, would support Ebola containment in the short term, as well as strengthen civil service support as a stabilizing factor for the long term. In addition to the direct benefits of increased agents and expanded digital finance services in Liberia, there was existing evidence from other contexts of the catalytic effects this may have on development outcomes by improving operational efficiency of IPs and facilitating economic growth among other secondary outcomes.

The following narrative details USAID’s engagement with Lonestar Cell MTN under this activity, which achieved the following major milestones over the course of five years with an overall activity budget of \$1.1 million for engaging two local providers. While the focus of this bright spot case study is on Lonestar Cell MTN, the broader activity led to meaningful outcomes in Liberia’s digital ecosystem for a multitude of actors that are accelerating development objectives. The substantiated milestones below provide a possible, verified pathway for successful public-private engagements from design of the initial award through building a relationship with Lonestar Cell MTN, to uptake and implementation of the standard operating procedures and other technical assistance provided by USAID and its implementing partners.

STEP-BY-STEP

Initiation	<p>The USAID digital finance activity suite in Liberia was designed to improve mobile money agents in the country and support digitization of civil servant salary payments by the government through a series of complimentary activities. The primary activity discussed in this case study is the Agent Network Strengthening (ANS) activity. This activity was designed to support MNOs in Liberia to employ more agents and super agents to help address the liquidity issues, more inclusive service delivery, provision of the necessary training and marketing to support familiarization and uptake of these services, especially amongst rural populations, and support more efficient transferring of funds (both governmental and personal). The activity was awarded to Strategic Impact Advisors (SIA) with a subcontract to Microsave.</p> <p>The ANS engagement started with SIA conducting an initial scoping trip in November - December 2016. The trip was critical to enhance the team’s understanding of the market and contextual barriers, enablers, and opportunities with different stakeholders. On the ground, the team met with different types of institutions and leveraged this nuanced, contextual information to structure the project.</p>
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² Super Agent: A business, sometimes a bank, which purchases electronic money from an MNO wholesale and then resells it to agents, who in turn sell it to users (“Mobile Money Definitions”, GSMA 2010).

<p>Step One</p>	<p>In order to discuss market findings from the landscape assessment and the potential for provision of technical assistance around agent network strengthening, SIA participated in a working session in Sierra Leone with various MNOs and other key institutions. Research on mobile money pinpointed agent density as one of the key influencing factors of financial inclusion. The workshop helped raise opportunities around agent networks to various industry stakeholders, identify key relationship building needs, and established initial points of contact with the two main MNOs to be engaged: Lonestar Cell MTN and Orange.</p>
<p>Step Two</p>	<p>August 14-23, 2017, Microsave, a subcontractor under the Agent Network Strengthening (ANS) program, was brought in to conduct a diagnostic of Lonestar Cell MTN’s internal systems and operations so the project could tailor support to their current capabilities and market positioning. During this phase, significant relationship building was necessary and clarification of commercial protections and data privacy since USAID was working with multiple MNOs in the same market. An opportunity arose to speak with the Lonestar Cell MTN CEO, which convinced the MNO of the initial value of the intended support.</p>
<p>Step Three</p>	<p>Soon after, the IPs presented findings from the diagnostic at a senior management meeting, which was essential to securing buy-in. All senior management staff attended this meeting – CEO, CMO, Head of Mobile Money, Distribution Head, etc. This also provided an opportunity to bring the new CEO on-board to engage with USAID.</p>
<p>Step Four</p>	<p>After this meeting, a request came from the main Lonestar Cell MTN point of contact for USAID to help cover the costs of sending a core group of their staff to the Helix Institute’s Agent Training Workshop in Nairobi, Kenya. The Helix Institute is the first training institute dedicated to digital finance. Their “practical training courses are explicitly designed to equip industry leaders with effective strategies and powerful tools to build, manage and grow mobile money and agent banking businesses in their respective markets.”³ Microsave offered to run a training for more staff in Monrovia, but Lonestar Cell MTN trusted the reputation of the Helix Institute and wanted their staff to be exposed to different markets. USAID had the flexibility in the award to adapt the project and facilitate the engagement between Lonestar Cell MTN and the Helix Institute, which became the most catalytic step towards expanded digital finance services in Liberia’s digital ecosystem.</p>
<p>Step Five</p>	<p>Five staff from Lonestar Cell MTN participated in the Helix Institute Core Agent Network Accelerator training from October 16-19, 2017 in Nairobi, Kenya. The training included three days in the classroom and one day of market visits with selected M-PESA agents to witness the registration process, ask questions, and tour the area to see various agent branding efforts and set-ups.</p>

3 <http://www.helix-institute.com/>

	<p>Training topics included:</p> <ol style="list-style-type: none"> 1. Constraints Framework 2. Agent Network Build-up Strategy 3. Agent Selection and On-boarding 4. Agent Training 5. Compensating the Agent Network 6. Liquidity Management 7. Risk of Fraud in Agent Network <p>The Lonestar Cell MTN staff learned how to expand their agent networks, how to address issues around training, and how customers could transfer mobile money from their bank accounts to mobile money accounts. The participants also gained insights into lessons learned from the registration process that they could apply in Liberia’s context.</p>
<p>Step Six</p>	<p>When the training participants returned to Liberia, they were eager to leverage the diagnostic findings and the new skills and learnings from the Helix Institute to set up agent network strengthening pilots. Lonestar Cell MTN agreed to develop workplans and selected two pilot counties in mid-November 2017. The selected counties offered an opportunity to compare the roll out and business case between an area very close to Monrovia and one that was a seven to eight hour drive away, and how that would affect customer uptake, liquidity issues, and agent training.</p> <p>The pilots and agent network strengthening efforts more broadly were all designed to help Lonestar Cell MTN meet the increased mobile money demands due to their commercial agreement with the Government of Liberia to pilot salary payments to civil servants. Uptake of agent strengthening, improved compliance protocols, and expansion of the mobile money portfolio was highly dependent on the opportunity presented by the commercial agreement. The Government of Liberia is the biggest employer of labor in Liberia, so when government employees needed to get paid digitally and only Lonestar Cell MTN had the contract to provide that service to start, improving service delivery became an essential next step.</p>
<p>Step Seven</p>	<p>Before the pilots could officially kick off, it was important to identify the potential liquidity resources in the two selected pilot counties. Lonestar Cell MTN spent time identifying and recruiting larger businesses that were likely to have consistent cash flow to serve as super agents. The diagnostic provided intel that most larger merchants, rice traders, hardware traders, etc. were more likely to be cash rich. In addition to identifying super agents, Lonestar Cell MTN also spent time negotiating the commission percentages that would work for the various actors involved and provide sufficient profit to Lonestar Cell MTN as well.</p>

It should be noted that there are existing commission percentage recommendations for the industry with more regionally specific information available, but anyone setting up super agents or expanding their mobile money efforts will need to take time to negotiate and determine which rate structure works best for them.

At this time, ANS was helping to build evidence for the business case and reaffirm the need for super agents in order to rebalance cash for the broader agent network in each county. Given the balance of super agents and more traditional agents, Microsave focused on liquidity management as a core, initial component of technical assistance.

Step Eight The IPs then created a toolbox with guidance for solving various issues that might arise, agent onboarding and training materials, and standard operating procedures specific to Lonestar Cell MTN and the operating context.

**Outcome!
2018**

Lonestar Cell MTN added 10 super agents.

Step Nine As the pilot work expanded, Lonestar Cell MTN worked on branding, marketing, and information campaigns to make sure people understood how mobile money worked and could start to build trust in relying on their platforms and services. Subscribers from more populated areas who had adopted mobile money wallets also started sending cash to people in rural areas, which required them to have a mobile money account. This further enabled scale to more counties.

Step Ten Internally, Lonestar Cell MTN worked on cash in / cash out procedures, agent liquidity and rebalancing issues, and improved monitoring of agents and their mobile money portfolio. Headquarters wanted improved data to ensure they knew what was going on with the agents in the rural areas.

**Outcome!
2019**

Lonestar Cell MTN fully adopted and implemented the Standard Operating Procedures that had been provided in the toolkit.

“Now those things are core to our compliance system and we are better than our competition...People are coming in to onboard and very impressed with the process. Registration is much easier.”- Lonestar Cell MTN staff

Lonestar Cell MTN also added 200,000 new subscribers in 2019 driven by its expanded mobile money efforts, and the mobile money unit generated a 100% increase in revenue for the MNO.

⁴ https://cbl.org.lr/doc/Licensing_Operations_E_Payment.pdf
<https://www.mfdp.gov.lr/index.php/media-center/press-release/comptroller-and-accountant-general-hon-janga-augustus-kowo-s-statement-at-micat-clarifying-gol-s-voluntary-mobile-money-payment-scheme>

Outcome! 2020

Meanwhile, the Liberian President expanded staffing and support for digital payments, including an improved licensing policy and a voluntary mobile money payment scheme.⁴

MTN received an expanded commercial agreement to support salary payments to construction workers and other civil servants. They have grown from approximately 1000 agents when the engagement with USAID began to 5602 agents at the start of 2020. Amidst growing demand for mobile money in the country, Lonestar Cell MTN set their own goal to get to one million mobile money subscribers by the end of 2020.

LOOKING FORWARD

The digital ecosystem has a bright, sustainable future in Liberia. There is a new Central Bank of Liberia Director of Payment Services position and the new Comptroller is also an advocate of mobile money, alongside the Presidential digital payments mandate. Another MNO, Orange, received a commercial agreement with the government to do digital salary payments, which has increased the competition in the market. Lonestar Cell MTN continues to expand their contributions to the digital ecosystem as well.⁵ They have started creating business relationships with some of the banks to enable connecting mobile wallets and bank accounts, there is potential for services to enable school fee payments, and the government has started digitizing tax payments as well. Digital finance and digital payments now have enough momentum to continue to scale in Liberia commercially, with the continued support of the government, increased sensitization for mobile money in rural areas, and continued attention to issues of liquidity. The advancement of digital finance is great momentum towards Liberia's Journey to Self-Reliance and offers a catalyst for development outcomes.⁶

BARRIERS

Several barriers emerged during the implementation of the agent network strengthening activity that are useful to understand and build mitigation plans around if trying to replicate this approach.

⁵ <https://dai-global-developments.com/articles/liberia-launches-mobile-tax-payments-opening-doors-to-increased-revenue-for-domestic-development>

⁶ E.g. Potential for learning outcomes to increase since teachers are able to spend an average of 12 additional hours a month in the classroom since they no longer have to take time to travel to Monrovia to receive their salary payments. ([mSTAR Mobile Money Salary Payment Factsheet](#))

- USAID activities often operate in context with many implementing partners involved, especially in the wake of a health crisis like Ebola. During the recovery efforts, USAID wanted to ensure that all the IPs working in this space complemented each others' efforts and not duplicated them. Coordinating with the other IPs delayed SIA's timeline due to multiple rounds of edits, scope of work input, and pivots to planned activities that were influenced by changes to other IPs' workplans. These delays caused issues in transferring the Lonestar Cell MTN relationship from UNCDF to SIA, which then required additional relationship building efforts and resetting expectations for the engagement. IP coordination is highly beneficial, but it must be undertaken with a systems approach, looking beyond just replicating scopes of work to coordination with external stakeholders and intended and unintended consequences in the operating context.
- When dealing with market actors like MNOs, USAID and IPs must employ rigorous systems and processes to ensure privacy of information and data. In this case, USAID wanted Microsave and ANS implementing partner SIA to work with both Lonestar Cell MTN and Orange. This required multiple rounds of meetings to establish firm boundaries between the Microsave team working with Lonestar Cell MTN and the team working with Orange. This was a challenge to the relationship building between the Microsave teams and the MNOs. Relatedly, the market competition between the MNOs influenced other aspects of the activity, such as negotiations for agent commission rates. When working with the private sector, have a plan to manage data privacy concerns before beginning the engagement, and raise the issue early to ensure transparency and pre-empt conversations that might derail work later down the line.
- Staff turnover can be a barrier to activity implementation. Lonestar Cell MTN experienced some staff turnover during the early phases of this project, as did Microsave, requiring more intensive and iterative relationship building efforts before the work could begin and throughout implementation. Staff turnover is a natural part of work in any context. Be prepared by ensuring documentation of decisions and conversations early and often, as well as writing up handover notes and implementing transition timelines when onboarding new staff. Managing awards adaptively will also facilitate timeline changes or additional support, as needed, if there are significant or disruptive staff turnovers.
- Customer behavior change is necessary to go beyond access or availability of a service, to adoption and use. A barrier for this activity was customers' slow adoption of digital payments; people expressed concerns about putting money on their phone. One customer shared their distrust of the banking system, saying, "if I don't trust the banks, why would I trust my phone to keep my money safe?"

Lonestar Cell MTN responded with a more educational marketing approach to better inform customers on how to use mobile money, and the standard operating procedures from SIA enabled a user-friendly registration process. It is important to anticipate behavior change pathways at the start, identify entry points to facilitate knowledge gain and trust building, intentionally decrease the barriers to entry to ensure adoption, and enable sufficient periods of performance so momentum is not cut short.

ENABLERS

Several enablers were also identified that supported the success of the agent network strengthening activity. The following enablers may be useful to understand and leverage when relevant to other operating contexts if trying to replicate this approach

- USAID/Liberia had an existing relationship with the Government of Liberia, which facilitated the opportunity to bring various market actors and civil servants together for a digital salary payments pilot. Existing relationships with key market actors, or pre-identified entry points, are essential to working in the digital ecosystem.
- At the start, the Central Bank of Liberia licensed mobile money, but it was not properly regulated. The various USAID mobile money activities helped push for the establishment of a digital payments working group, which included UNCDF, the Central Bank of Liberia, and the mobile money providers in the operating context. The Central Bank of Liberia led this process, demonstrating their receptivity and commitment to this work. The working group became an essential enabler to keep the momentum and later expansion of the pilot activities going. Buy-in and collaborative working forums are often key enablers for this type of work in any context.
- USAID ensured not to replicate the work of their IPs and tried to facilitate coordination. They wanted the work to be complementary and not duplicative. Part of this involved establishing clear scopes of work and work plans for Microsave, SIA, and mSTAR so there was no overlap. When acting as a convener in a market, it is essential to coordinate responsibilities to maximize the efficiency, effectiveness, and mutually beneficial outcomes of the various activities.
- Investing in a mobile money champion also enabled stronger institutional uptake within Lonestar Cell MTN. One staff in particular was eager to learn, inspired by new tools, the available guidance, and technical support they were receiving, and found the Kenya trip particularly useful. The IP staff reciprocated this investment, made sure to spend time in the field, and were responsive to any questions, comments, or requests around technical support. This mutual investment solidified the foundation of the new approaches, enabling more tailored provision of technical support (by being able to respond to specific needs) and further uptake of mobile money at Lonestar Cell MTN.

- The ability to adapt and respond to Lonestar Cell MTN's request to go to the Helix Institute was a pivotal enabler. While funding this trip was not in the original plan, the ability to modify the IP's cooperative agreement better enabled adaptivity to the emergent needs of the activity. The Agreement Officer's Representative (AOR) was instrumental in pushing approvals for the modification through and the IPs worked hard to revise the workplan with USAID. In addition, having a USAID Lab activity manager in the country was a key ingredient to the success of the engagement because it allowed for ongoing presence and facilitation among key actors, including MTN and the Government of Liberia. This flexibility presented an opportunity for Lonestar Cell MTN staff to learn best practices directly from a market where mobile money adoption has worked. The staff came back excited and inspired to implement these ideas in their own context and committed to the pilot and expansion of their mobile money portfolio.

KEY TAKEAWAYS

The USAID engagement with Lonestar Cell MTN presents a few key takeaways for implementation of private sector engagement in the development sector and driving change in the digital ecosystem. When considering these types of efforts or opportunities to replicate this approach, reflect on the following learnings from this example:

1. **Remain flexible and responsive to reasonable requests.** As mentioned, USAID funding Lonestar Cell MTN staff to go to the Helix Institute was a pivotal point in the relationship and trajectory of the work. Agreeing to the request deepened the relationship.
2. **Facilitate experiential learning.** In addition to strengthening the working relationship between USAID and Lonestar Cell MTN, the Helix Institute provided an experiential learning opportunity where staff could see registration in action, learn from those managing contextual challenges, and compare markets to start thinking practically about implementation in Liberia. Experiential learning can be a significant motivator and catalyst for behavior change.
3. **Make the business case.** When working with private sector actors, it is important to make the business case early and often. Remember, private sector actors may be willing to try new products or services, including those that reach underserved populations. However, the ultimate goal is often increased customers and customer retention through provision of additional services. Microsave was able to provide initial information to Lonestar Cell MTN about the potential of digital payments to minimize cash loss and risk to those who originally needed to physically transport cash to rural agents. Data and feedback on the pilots demonstrated the potential in both urban and rural markets. And then implementation of the SOPs and increased agents paid off with approximately 200,000 new subscribers and a 200% increase in revenue in 2019. It is important to make the case early using lessons learned and use cases from other markets, and then document successes along the way to solidify the efforts towards scale.

4. **Be prepared for long-term changes.** Making system-level changes takes a significant amount of time that is often not considered when awarding 12 - 24 month periods of performance on awards. The complexity of actors and behavior change pathway from knowledge gain to experimentation to adoption and eventually scale is a long trajectory. Plan for these complex investments by building strong ecosystem networks where partners can carry on the work if the initial scope is limited for any reason. Aiming for system change without ensuring it surpasses the tipping point and has enough momentum to be sustainable provides no return on investment for development funds or engagements with private sector actors.
5. **Take an ecosystem approach to tackle ecosystem barriers.** When tackling complex problems and trying to change systems, it is essential to take an ecosystem approach. USAID brought together UNCDF to support mobile money policy and regulations, worked with FHI360 and the government on registering civil servants for digital payments, and worked with SIA and MNOs to strengthen agent networks and the mobile money services offered in the market. The government was also an essential player for sustainability given the regulatory environment, need to work with the Central Bank, and how pivotal it was to secure civil servant salary payments as the pilot case for mobile money expansion in Liberia. An ecosystem approach requires broader coordination and buy-in of a variety of actors at different levels to facilitate complex changes. Any one of these efforts individually would have been likely to fail given the barriers and challenges in the operating context, but together there is a sustainable change in Liberia's digital ecosystem that will continue to catalyze development efforts for years to come.

