



USAID PROCUREMENT EXECUTIVE

PROCUREMENT EXECUTIVE'S BULLETIN NO. 2014-06

SUBJECT: **Guidance for Electronic Payments under USAID awards**

- 1. Scope:** This Bulletin applies to USAID's Acquisition Workforce consisting of Contracting Officers (COs), Agreement Officers (AOs), Negotiators, CO/AO Representatives (CORs/AORs), and Activity Managers worldwide.
- 2. Purpose:** The purpose of this bulletin is to provide guidance to the Acquisition Workforce on promoting electronic payments under contracts, grants and cooperative agreements. This PEB replaces PEB 12-05 - Hortatory Language for Introduction of Mobile Money – Better Than Cash (BTC) Initiative.
- 3. Responsibilities and Requirements:** Electronic payments are an effective business practice for payments under USAID awards. As further described in this PEB, electronic payments are well established as a cost-effective and efficient business practice for contractors and assistance recipients to transfer funds to direct program beneficiaries and subcontractors, grantees under contracts, or sub-recipients and contractor/vendors under grants/cooperative agreements. Because electronic payments have become so widespread and have shown good returns on investment, USAID has determined that electronic payment systems are a sound and preferred business practice, and that in comparison cash payment systems may increase cost and risk. Therefore, electronic payment systems must be the default method of payment under all awards.

To promote the use of electronic payments at the procurement/assistance planning and award stages, COs/AOs must insert the appropriate mandatory language for contracts and assistance in solicitations and the resulting contract, cooperative agreement, or grant. See **Attachment 1** for the contract language to be inserted in "Section H" of solicitations and resulting awards, and **Attachment 2** for the assistance language to be inserted in the "Schedule" of assistance solicitations and resulting agreements (not as a Special Award Condition¹).

In certain circumstances, when designing a project or activity, or during performance of an award, USAID may determine that programmatic or country circumstances require the use of cash payments. Activity Managers, CORs/AORs and COs/AOs should consult with USAID's Center for Global Solutions (Lab/GS) in determining whether cash payments are appropriate under a given implementing instrument. The Lab/GS has resources to assist

¹ Note that "Special Award Conditions" is a term of art that only applies to recipients who fail to meet the AO's responsibility determination. See 22 CFR 226.14. Therefore use of the term "Special Award Condition" does not apply to any additional terms that would apply broadly to any award recipient(s).

USAID staff in understanding electronic payment systems. There is also a toolkit to assist implementing partners in establishing electronic payment systems at [Electronic Payments Toolkit for Implementing Partners](#). Cash payments may be authorized if the Activity Manager or COR/AOR, in consultation with the CO/AO, determines that one or more of the following factors apply.

- A. The cost of implementing an electronic payments system clearly exceeds the projected savings of the system, or that the risks associated with implementing such a system clearly exceed the benefits (e.g. a recipient is within a disaster area or during a humanitarian assistance effort of less than one year duration).
 - B. The political, financial, or communications infrastructure in a foreign country does not support payment by electronic funds transfer, mobile money, or any other form of electronic payment.
 - C. The use of electronic payments is inconsistent with U.S. Foreign Policy.
 - D. The use of electronic payments poses a threat to national security, endangers the life or physical safety of any individual, or compromises a law enforcement action.
 - E. The use of a cash payment system is required because there is only one source for goods or services and the U.S. Government or the development project would be seriously injured unless payment is made by a cash payment system.
 - F. The need for goods and services is of such unusual and compelling urgency that the U.S. Government or the development project would be seriously injured unless payment is made by a cash payment system.
- 4. Background:** For over twenty years, the Federal Government has been supporting and mandating electronic payment systems. USAID, under the Better Than Cash Alliance, has demonstrated that electronic payment solutions can provide a significant cost savings in development contexts, and that investment costs to initiate electronic systems are frequently recouped quickly. Recent USAID and industry studies have shown that electronic payment methods can reduce transaction costs significantly and that organizations that invest in implementing electronic payment systems often see a short payback period for their investment. In addition to lower transaction costs, using electronic payments can increase security and transaction traceability, leading to a significant development impact; impact that contributes directly to the USAID mission.²

² For more information and specific data on the advantages of electronic payments, see:

1. Guillermo Babatz, "Sustained Effort, Saving Billions: Lessons From the Mexican Government's Shift to Electronic Payments," Better Than Cash Alliance, November 2013, <http://betterthancash.org/wp-content/uploads/2013/12/Evidence-Paper-English1.pdf>.
2. Tilman Ehrbeck, Rajiv Lochan, Supriyo Sinha, Naveen Tahliyani, and Adil Zainulbhai, "Inclusive Growth and Financial Security: The Benefits of E-payments to Indian Society, McKinsey, November 2010, <http://mckinseysociety.com/inclusive-growth-and-financial-security/>.
3. Joshua Blumenstock, Michael Callen, and Tarek Ghani, "Using Mobile Salary Payments to Improve Afghan Firm Performance," PEDL Research Note, 2013, http://www.pedl.cepr.org/sites/default/files/Research%20Note_Blumenstock_Callen_Ghani_0.pdf.

Advances in communication technology and network capacities have enabled innovative new ways to make payments through mobile devices, smart cards, and other electronic methods. The transition from cash to electronic payments has potentially significant benefits for all groups involved, not just the management of the USAID activity:

- A. **Cost Savings.** Decreasing the costs associated with physical cash operations often reduces costs to payees, especially those that send money home to their distant families, small businesses that must use valuable time in traffic and in line to cash checks at their banks, and remote beneficiaries that have few check cashing options.
- B. **Transparency.** Increased accountability and tracking of financial flows helps small local organizations better track their cash flows and demonstrate financial responsibility to potential customers and donors.
- C. **Security.** Safer delivery of payments, especially for women and for those that must carry cash in dangerous inner-cities or poorly policed remote areas.
- D. **Corruption.** Traceable, electronic payments prevent middlemen from intercepting the cash payments of employees and small businesses and exacting improper, undocumented fees.
- E. **Financial Inclusion.** Reaching those not yet in the financial services sector, banking the unbanked, providing ready and secure access to financial assets, and capacity to save for important family expenditures (such as school fees) greatly empowers the most vulnerable of the population, such as women and the poor.
- F. **New Market Access.** Opening doors for fee-for-service business models to previously unserved areas due to high transaction costs accelerates and enables entrepreneurialism and business growth of all economic participants in a society, especially small, low capital startups so necessary to the vigor and resilience of emerging economies.

5. Inquiries: Questions regarding this PEB may be addressed to Bruce McFarland (Lab/OI) by e-mail at bmcfarland@usaid.gov .

6. Effective Date: This Bulletin is effective for all new solicitations as of the date of signature below, and shall remain in effect until cancelled by the Senior Procurement Executive.

08/06/2014
Date

/ s /
Aman S. Djahanbani
Senior Procurement Executive

4. Matt Leonard, "G2P: Expanding Financial Inclusion in the Pacific Report: Fiji's Transfer of Social Welfare to a Savings-linked Electronic Payment System," Pacific Financial Inclusion Programme, 2011, <http://www.pfip.org/resources/uploads/attachments/documents/PFIP%20G2P%20Report%20.pdf>.

ATTACHMENT 1

ACQUISITION SPECIAL CONTRACT REQUIREMENT

Insert the following language as a Special Contract Requirement in “Section H” under the uniform contract format, in all new solicitations for contracts and resulting awards:

“H[X].ELECTRONIC PAYMENTS SYSTEM

1. Definitions:

- a. “Cash Payment System” means a payment system that generates any transfer of funds through a transaction originated by cash, check, or similar paper instrument. This includes electronic payments to a financial institution or clearing house that subsequently issues cash, check, or similar paper instrument to the designated payee.
- b. “Electronic Payment System” means a payment system that generates any transfer of funds, other than a transaction originated by cash, check, or similar paper instrument, which is initiated through an electronic terminal, telephone, mobile phone, computer, or magnetic tape, for the purpose of ordering, instructing or authorizing a financial institution to debit or credit an account. The term includes debit cards, wire transfers, transfers made at automatic teller machines, and point-of-sale terminals.

2. The contractor agrees to use an electronic payment system for any payments under this award to beneficiaries, subcontractors, or grants under contracts, where applicable.

3. Exceptions. The contractor is allowed the following exceptions, provided the contractor documents its contract file with the appropriate justification:

- a. Cash payments made while establishing electronic payment systems, provided that this exception is not used for more than six months from the effective date of this award.
- b. Cash payments made to payees where the contractor does not expect to make payments to the same payee on a regular, recurring basis, and payment through an electronic payment system is not reasonably available.
- c. Cash payments to vendors below the micro purchase level as defined by FAR 2.101, or for Grants Under Contracts for less than \$3000, when payment through an electronic payment system is not reasonably available.
- d. The contractor has received a specific written exception from the Contracting Officer that a specific payment or all cash payments are authorized, based on the contractor’s written justification, which provides a basis and cost analysis for the requested exception.

4. More information about how to establish, implement, and manage electronic payment methods is available to contractors at <http://solutionscenter.nethope.org/programs/c2e-toolkit>.”

[END OF SPECIAL CONTRACT REQUIREMENT]

ATTACHMENT 2

ASSISTANCE ADDITIONAL TERM/CONDITION:

Insert the following language as an additional term or condition in new solicitations for grants or cooperative agreements, and in the “Schedule” of resulting awards:

“XX. ELECTRONIC PAYMENTS SYSTEM

1. Definitions:

- a. “Cash Payment System” means a payment system that generates any transfer of funds through a transaction originated by cash, check, or similar paper instrument. This includes electronic payments to a financial institution or clearing house that subsequently issues cash, check, or similar paper instrument to the designated payee.
- b. “Electronic Payment System” means a payment system that generates any transfer of funds, other than a transaction originated by cash, check, or similar paper instrument, that is initiated through an electronic terminal, telephone, mobile phone, computer, or magnetic tape, for the purpose of ordering, instructing or authorizing a financial institution to debit or credit an account. The term includes debit cards, wire transfers, transfers made at automatic teller machines, and point-of-sale terminals.

2. The recipient agrees to use an electronic payment system for any payments under this award to beneficiaries, subrecipients, or contractors.

3. Exceptions. Recipients are allowed the following exceptions, provided the recipient documents its files with the appropriate justification:

- a. Cash payments made while establishing electronic payment systems, provided that this exception is not used for more than six months from the effective date of this award.
- b. Cash payments made to payees where the recipient does not expect to make payments to the same payee on a regular, recurring basis, and payment through an electronic payment system is not reasonably available.
- c. Cash payments to vendors below \$3000, when payment through an electronic payment system is not reasonably available.
- d. The Recipient has received a written exception from the Agreement Officer that a specific payment or all cash payments are authorized based on the Recipient’s written justification, which provides a basis and cost analysis for the requested exception.

4. More information about how to establish, implement, and manage electronic payment methods is available to recipients at <http://solutionscenter.nethope.org/programs/c2e-toolkit>.”

[END OF ADDITIONAL TERM/CONDITION]