

Managing cash-based programmes in a volatile markets context

The case of delivering cash using mobile money during the Zimbabwe cash liquidity crisis



This case study of the first large-scale humanitarian cash programme in Zimbabwe presents learning and recommendations on how to design and adapt cash transfer programmes to mitigate the risk of a cash liquidity crisis.

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Acronyms

CTP	Cash transfer programme
DFID	Department for International Development
GMB	Grain Marketing Board
IEC	Information, education and communication
MNO	Mobile network operator
NGO	Non-governmental organisation
P2P	Person to person transfer
VSLA	Village Savings and Loan Association
WVI	World Vision International

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Photos

Front cover: Cash programme beneficiary Tsungirirai Madziro (left) buying groceries using her e-wallet, assisted by shopkeeper Viola Murambi (right) in Zaka District, Masvingo.

Page 13: Ropafadza Gwenyama was a gender and accountability focal point in Masvingo for the cash transfer programme. (Photos © Cynthia R Matonhodze/CARE 2017)

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Executive summary

From August 2015 to May 2017, CARE Zimbabwe in partnership with World Vision and the UK Department for International Development (DFID) ran the largest ever multi-purpose unconditional cash transfer programme (CTP) in Zimbabwe, in response to two consecutive droughts. The cash was transferred using mobile money, in conjunction with two mobile network operators (MNOs), Econet and NetOne. During this time, a national cash liquidity crisis hit Zimbabwe, from June 2016. As a result, the government issued bond notes and physical cash became scarce. During this period, CARE/World Vision were able to successfully maintain the cash transfer programme, by putting more emphasis on e-transactions rather than cashing out,¹ and adapting a flexible, evidence-responsive approach to programming.

The programme was successful in meeting its objectives. Its primary aim was to address basic food and nutrition needs and to enable households to cope with food shocks by enhancing asset retention. Mobile money proved to be a highly flexible way to deliver cash in the face of the Zimbabwe liquidity crisis, given its option for e-purchasing, which enabled continued access to food. The response of the communities, vendors and programme was highly adaptive in the ways they tried to access cash, buy goods and access food. Markets remained integrated in terms of prices and availability during the liquidity crunch, which also allowed the cash transfers to remain effective. DFID proved to be a progressive donor, advocating for cash transfer programming as an appropriate modality of delivering aid in Zimbabwe, which had previously been dominated by food aid. DFID was also instrumental in supporting the changes to programme design that took place in relation to reducing the impacts of the liquidity crisis.

The programme's main strengths that allowed it to succeed in the face of the crisis were its strong engagement with the MNOs, which improved along the way; its adaptive and relevant monitoring, including direct use of evidence-based findings; its strong beneficiary and consumer education campaign; and its multi-layered accountability mechanism, including the use of community gender and accountability focal points. DFID also funded Crown Agents, a UK international development company, to set up a maize grain market facility in response to the crisis, which supported maize imports at macro level. This helped keep maize flowing

down the market chain, meaning that CTP beneficiaries could then ultimately buy it.

There were also some missed opportunities that could have further enhanced the programme's success in adapting to the liquidity crisis, such as supporting local businesses to adopt e-payments and working with MNOs to register and license more agents and merchants, which would have created better competition and less unlicensed practice.

This case study makes a set of more widely applicable recommendations that could apply beyond Zimbabwe in contexts with similar features of: a) integrated markets and prices; b) markets which are accessible to beneficiaries; c) access for aid agencies to monitor; and d) a functioning private sector. See page 13 for the recommendations in full.

¹ 'Cashing out' refers to the process of a recipient being able to claim money that is on their mobile wallets in hard cash at associated mobile money cash agents. This is then deducted from their mobile wallet balance.

1 Introduction

1.1 Context

Two seasons of failed rains in 2015 and 2016, caused by one of the strongest El Niño events of the last three decades, led to an acute food insecurity crisis in Zimbabwe, which reached emergency levels in February 2016. The areas most affected by the drought experienced a reduction in household subsistence production, income and livelihood activities, constrained access to food, and many livestock deaths. Around 4.1 million people were predicted to be food insecure between January and March 2017.² A national cash liquidity crisis emerged in approximately June 2016, peaking in October and leading to a physical shortage of bank notes across the country and limits on withdrawals, as well as restrictions on transfers to outside of Zimbabwe.

1.2 Overview of programme

CARE International in collaboration with World Vision International (WVI) implemented a DFID-funded programme 'Emergency Cash First Response to Drought-Affected Communities in the Southern Provinces of Zimbabwe' from August 2015 to May 2017. To date, it is the largest cash transfer programme carried out in Zimbabwe in response to urgent humanitarian needs. Prior to this, food aid dominated most emergency responses in Zimbabwe and the programme has been described as a potential 'game-changer'.³ Through the programme, CARE and World Vision provided unconditional, multi-purpose cash transfers via mobile money totalling US\$40.9m⁴ to 73,718 households (over 400,279 individuals⁵) to enhance the food security and reduce the negative coping strategies of vulnerable drought-affected households in four provinces. The programme's objective was to address basic food and nutrition needs and to enable households to cope with food shocks by enhancing asset retention. The cash transfers also aimed to empower women and stimulate local markets. Two national mobile network operators were engaged in the delivery of the cash transfers: Econet and NetOne, whose mobile money subsidiaries are EcoCash and One Wallet.

² CARE/WVI (2015) Emergency Cash First Response to Drought-Affected Communities in the Southern Provinces of Zimbabwe Project Proposal.

³ Oxford Policy Management (2017) *Zimbabwe 'Cash First' Humanitarian Response 2015-2017 Evaluation Report*.

⁴ All references to \$ in this report are to US dollars.

⁵ Based on average family size of 5.7 individuals.

1.3 Purpose of case study

This case study examines how the Zimbabwe national cash crisis evolved and the ways in which affected communities and the CTP adapted to the challenges it posed. The study highlights what worked well, what was less effective, and some other possible future opportunities. It also provides operational recommendations for CTP practitioners on how to design and adapt similar cash transfer programmes to mitigate the risk of a cash crisis, based on the Zimbabwe experience. Given that it is the first large-scale humanitarian cash programme in Zimbabwe, this is an opportunity for learning. It is hoped these findings can also provide further opportunity for broader global discussion around the potential resilience and adaptability of cash transfer programming (in particular digital payments) in similar contexts of volatile markets. It comes at a time when donors, NGOs, and the private sector are increasingly looking at ways that mobile money and digital financial services can improve how we deliver humanitarian aid.

The findings are based on an analysis of key programme documents and learnings. Other case studies focus on advocacy issues in relation to the liquidity crisis (*Cash in crisis: The case of Zimbabwe's 'Cash First' humanitarian response*) and on working with MNOs (*Partnering with Mobile Network Operators in Zimbabwe to deliver humanitarian cash transfers*). This case study focuses on programmatic issues and adaptations in relation to the liquidity crisis.

1.4 Scope of case study

The questions in relation to the cash liquidity crisis that this case study explores are set out in the table on the following page (page 6).

2 Initial programme design

2.1 Why mobile money?

Cash transfers were chosen as the markets were functioning. DFID also strongly supported the use of cash at scale where appropriate and saw Zimbabwe as an ideal context to advocate for a shift from food aid to large-scale humanitarian cash transfers. Mobile money was chosen as the delivery mechanism due to its high level of cultural familiarity for Zimbabweans, extensive coverage levels across the country, and because CARE found it to be the most operationally efficient and timely way to deliver cash. Eighty-five per cent of the adult population were found to subscribe to mobile services⁶ and the number of

⁶ POTRAZ (2016) Postal and Telecommunications Sector Performance Report First Quarter 2016.

Case study questions	Consider
Did the initial programme design identify the risk of a liquidity crunch?	Was the risk of a liquidity crunch identified during the programme design stage? If so, what risk mitigation measures were identified from the outset?
How did the liquidity crunch impact on disaster-affected communities?	Who did the liquidity crunch affect most amongst targeted beneficiaries? Why were some areas more affected than others? What did people do to reduce and cope with the impact of the liquidity crunch? Were measures taken from people's own initiative or due to awareness-raising activities (eg by CARE or by the government)?
How did the liquidity crunch affect the programme?	How did the crunch influence programme outcomes, community, trader and cash agent behaviour? Did the programme still achieve its objectives?
How was the liquidity crisis managed and its impact reduced?	What did the team do to reduce the impact of the crisis on the programme? Were these actions established at design stage or did they evolve? What role did Econet, NetOne, DFID, communities, cash agents and the government play in managing the crisis? Were there trigger points in place for any future deterioration in situation that could affect the programme?
What are the learnings from delivering the CTP in the Zimbabwe liquidity crisis and what could have been improved?	Is there anything that could have been done differently, either directly or with others, that could have further reduced the lack of liquidity risk and its impact on programme objectives? Should/could the programme have been better prepared for a liquidity crunch? If so, how? What programmatic actions are recommended for the future?
What lessons can be applied globally for CTP in similar volatile market contexts?	What recommendations from this experience of delivering cash during a liquidity crisis can be applied globally? How can learnings further support the case for CTP in volatile contexts?

adult mobile money subscribers is said to be double that of Sub-Saharan Africa. In rural areas, people were mostly familiar with mobile money in the form of receiving remittances from relatives, and cashing out. Awareness on use of the mobile money platform for buying goods and services was limited when the programme was introduced. However, the CTP, combined with the onset of the cash liquidity crisis, dramatically expanded people's knowledge and usage of the multiple functionalities of mobile money.

2.2 Who received and how?

Vulnerable households were targeted from drought-affected areas of Matabeleland North, Midlands, Masvingo and Matabeleland South provinces. Unconditional cash monthly payments were made of \$5 per household member (increasing to \$7) over an average 17 instalments, by electronic transfer to a registered SIM

card. If people did not have a SIM card, CARE negotiated with the mobile companies so they could buy a SIM at a reduced rate or obtain it for free, or else use the mobile network agent's phone. They could then either 'cash out' their electronic transfer or use their funds for purchases. Two mobile network operators were used: Econet for the majority of the caseload, and NetOne for areas not fully covered by Econet. A separate multi-purpose lump sum of \$40-60 was also provided in October 2016 for purchasing agricultural inputs at planting time.

As the liquidity crisis emerged, P2P payments or merchant payments were typically both used for e-purchases, depending on the merchant's registration status. Unregistered merchants could not process merchant payments, but instead would receive reimbursement for purchases via a P2P payment from the customer.

2.3 Risk mitigation

A live risk matrix was designed and updated throughout the programme, with corresponding mitigation and contingency measures. The extent of the liquidity crunch that prevailed in 2016 was not predicted in CARE's initial risk matrix, although it did feature. Initially, the programme considered the risk of a liquidity crisis low, and other delivery or market-related risks were ranked as medium. As the crisis emerged, however, the likelihood and impact of the liquidity crisis was increased in the matrix. A contingency budget was also in place for a switch of modality to 'Cash Courier'⁷ if 70% of beneficiaries were unable to cash out, but this was never activated.

Additional contingency measures were added alongside the emerging crisis, such as dealing with dishonest agents and merchants taking advantage of beneficiaries upon cash outs. Initially, the only contingency measure in place in case of a liquidity crisis was the use of Econet's parent bank Steward Bank, who could support agents with additional liquidity where needed. In reality, given the scale of the actual cash crisis, this support was not possible at the extent to which it was needed, as Steward Bank simply did not have enough cash for this purpose.

Types of mobile money transactions

Using the mobile money platform, people could transact their cash in five ways.

1. Cashing out – redeeming physical cash at a designated EcoCash/One Wallet agent. Requires a fee for the transaction.

2. Person to person (P2P) transfer – cash is transferred to another person via the mobile platform. This has fees on both sides for the sender and the receiver.

3. Merchant payment – used to make purchases at a registered EcoCash/One Wallet merchant from an e-wallet. Fees for this transaction are low, but the trader needs to have a merchant licence, which is difficult to access. As a result, there were fewer registered mobile cash merchants than mobile cash agents, particularly in rural areas.

4. Top-up – used to purchase airtime.

5. Cashing in – depositing hard cash into a mobile wallet by using a mobile agent.

⁷ Cash delivered to beneficiaries in envelopes by a courier company.

3 Impact of the liquidity crisis on disaster-affected communities

A national cash liquidity crunch emerged in early 2016. By June 2016, banks were running out of money and withdrawal limits were introduced. The government introduced bond notes in December 2015. Initially there was hesitancy from the general public about accepting the bond notes, but this gradually improved. Bond notes were at a 1:1 rate to the US dollar, but not recognised as legal tender outside of Zimbabwe. The lack of internationally recognised currency and restrictions on transferring money outside Zimbabwe also significantly affected some of Zimbabwe's imports. Because of this, there were concerns about a potential national maize grain deficit during the crisis.

The majority of Zimbabweans rely on casual labour as a main income source, but due to people increasingly living hand-to-mouth as a result of poor food insecurity, cash started to fail to find its way into the formal banking system. This led to a lack of available cash in circulation which caused the liquidity crisis to emerge. By September 2016, in one of the worst-affected districts, Zaka, 100% of beneficiaries did not have enough hard cash as a result of the liquidity crisis in the worst-affected areas and an average of 70% did not have access to hard cash across all areas.⁸

As the crisis developed, cashing out for beneficiaries and communities became more difficult across all the operational provinces and was impossible in some areas by October 2016. The range of ways that communities and businesses tried to access cash was remarkably adaptive. Typical coping mechanisms included staggering cash outs, staggering buying/purchasing, cashing out from friends/anyone, or travelling to nearby towns.

Savings also decreased in communities, as people had no physical cash to save. Prior to the crisis, Zimbabwe had a lot of strong Village Savings and Loan Associations (VSLAs). However, when the liquidity crisis happened, anecdotal evidence suggests a number of VSLAs in the worst-affected liquidity crisis areas fell apart because their model relied on hard cash ins/outs.

Overall, if hard cash was not available people instead turned to purchasing goods electronically with mobile money from their e-wallet. This trend grew as the crisis continued. In other cases, people were also able to partially cash out and partially purchase against their cash transfer (such as receiving 50% cash/50% purchases). 'Cash back' was offered if the customer

⁸ CARE and World Vision, Cash Liquidity Situation – Zaka, 20 September 2016.

purchased commodities at agents or merchants using a specified portion of their cash transfer. For example, this could mean paying \$25 for items costing \$10, in order to receive \$15 in cash. However, this was sometimes considered 'forced purchasing' or 'conditional'. This system was not foolproof either as people did not always receive the full amount of cash back at the time of purchase and would sometimes need to return to pick up the balance another day.

The crisis caused communities to adapt their consumption patterns and where they purchased from, based on the ability of a trader to provide them with cash. The liquidity crisis did not affect the same areas uniformly and availability of cash to areas changed daily. Many rural mobile cash agents who were not registered as merchants started informally doing business on the side and selling goods or services such as electricity. Some new informal traders opened up purely to sell goods in order to gain some liquidity. However, informal sellers or cash agents doing side business would charge an additional fee or commission to cover the costs of not being registered as merchants. Overall, mobile cash agents with other functions (eg selling goods/services) were thought to be more likely to cope with the crisis.⁹

Often people did not have the physical cash to pay for transport to get to larger marketplaces. It was reported from communities that some cash agents started requesting bribes or cuts to cash out. Services such as schools, hospitals, grinding mills and the government's Grain Marketing Board (GMB)¹⁰ still used physical cash, although some services later in the crisis converted to e-payments, most notably the GMB and schools. Despite the trend towards e-purchases, hard cash was therefore still required and there were a range of innovative ways that communities would seek it. A popular one amongst beneficiaries was asking other people to pay for services in cash on their behalf and then reimbursing the person via a P2P mobile payment, sometimes with an additional amount on top of what was owed.

⁹ CARE key informant interview – DFID, 2016.

¹⁰ The Zimbabwe Grain Marketing Board is controlled by the state, under the Ministry of Agriculture. It is a key supplier of relatively cheap and subsidised maize to the market and provides a guaranteed outlet for producers for their excess products. It exists to seek to ensure availability of supplies to meet local demand, either from internal production or from exports. It is the provider of maize to beneficiaries of the Government Drought Relief programme. The GMB was also hit by the liquidity crisis and had to close down many depots, which affected the availability of GMB grain in many provinces.

Adaptations of agent/merchant mobile money behaviour in relation to the liquidity crisis

1. Unregistered traders used P2P accounts to facilitate money transfer (with fees added on).
2. Registered EcoCash agents without side business (added commission, extra fees).
3. Registered EcoCash agent with side business (used conditionality, eg buy goods/services).

Much of the community behaviour change towards e-purchasing can be directly attributed to CARE/WVI, the MNOs and the government's community education campaigns, which promoted the use of e-transfers as a means to access essential commodities and services throughout the crisis.

Although there were fluctuations in the price of maize grain, it should be noted that no other significant price fluctuations were reported in market monitoring throughout the liquidity crisis. This shows a remarkably resilient and integrated market system that was able to adapt despite the issues with physical cash availability.

By March 2017, 69% of beneficiaries were making e-purchases compared to 17% at the start of the programme. This was seen as a direct combined effect of an effective mobile money programme, against the backdrop of a liquidity crisis, which encouraged e-purchasing.

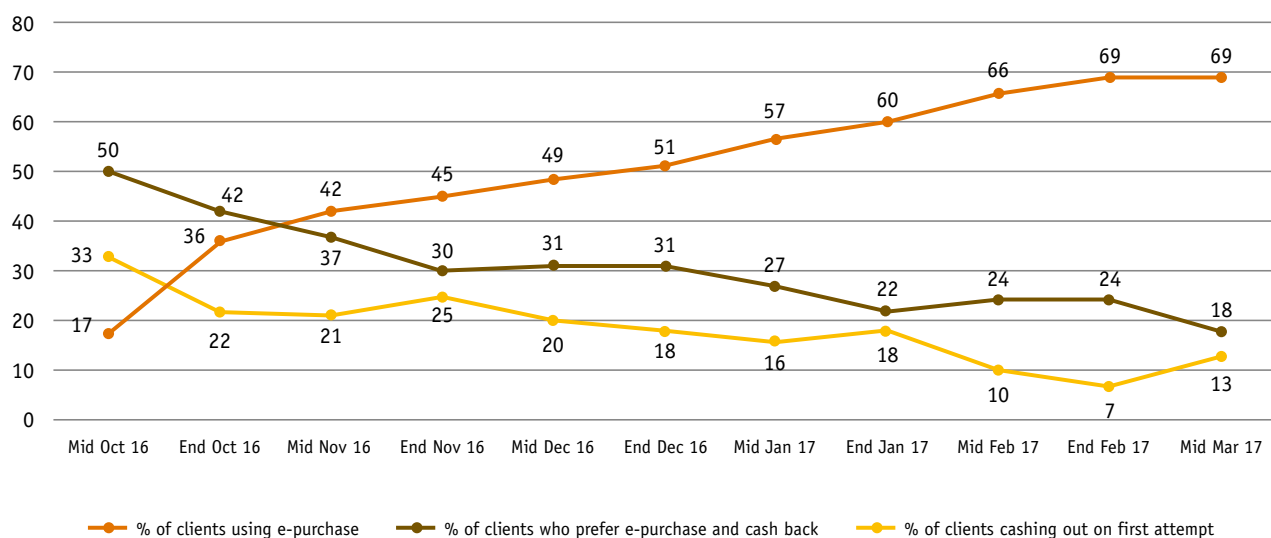
4 Impact of the liquidity crisis on the programme

The declining availability of cash caused by the liquidity crisis led to a shift from (before the crisis) people cashing out their mobile money and then purchasing goods, to (after the crisis) people directly purchasing goods and services from shopkeepers and traders, using merchant payments or P2P transfers via their mobile phones.

If the programme objective had been to put physical cash in people's hands, it may have failed. However, the objective was to meet immediate food needs. The way people accessed food changed, but programme monitoring continued to show that beneficiaries could access key commodities through this period.

The programme also achieved some unintended positive outcomes, directly related to the liquidity crisis. These were:

FIGURE 1: CASH LIQUIDITY TRANSACTION TRENDS



Source: CARE and World Vision (2017) Commodity Price, Agric Input and Cash Liquidity Tracking Update, 15 March 2017.

● **An increased exposure to and understanding of mobile money**

As beneficiaries found themselves having to use e-purchases as an alternative to cashing out, their knowledge of and capacity to use the mobile platforms grew. This was also supported by the extensive community education, training and sensitisation that CARE/WVI and EcoCash/One Wallet did to promote the use of the mobile platforms.

● **Local shops in rural and isolated areas reported increased profits and an improved selection of products**

This was due to the increased numbers of mobile money agents and merchants that established themselves in rural areas, creating more competition and local market stimulation. More shops at local level also started to accept mobile money during this period.¹¹

Overall, cash was considered highly sufficient by beneficiaries to meet their basic food needs, with sufficiency levels peaking during the worst point of the liquidity crisis, between October and December 2016. This showed that mobile money was an effective mechanism even during a market-based crisis.

5 Managing the impact of the liquidity crisis

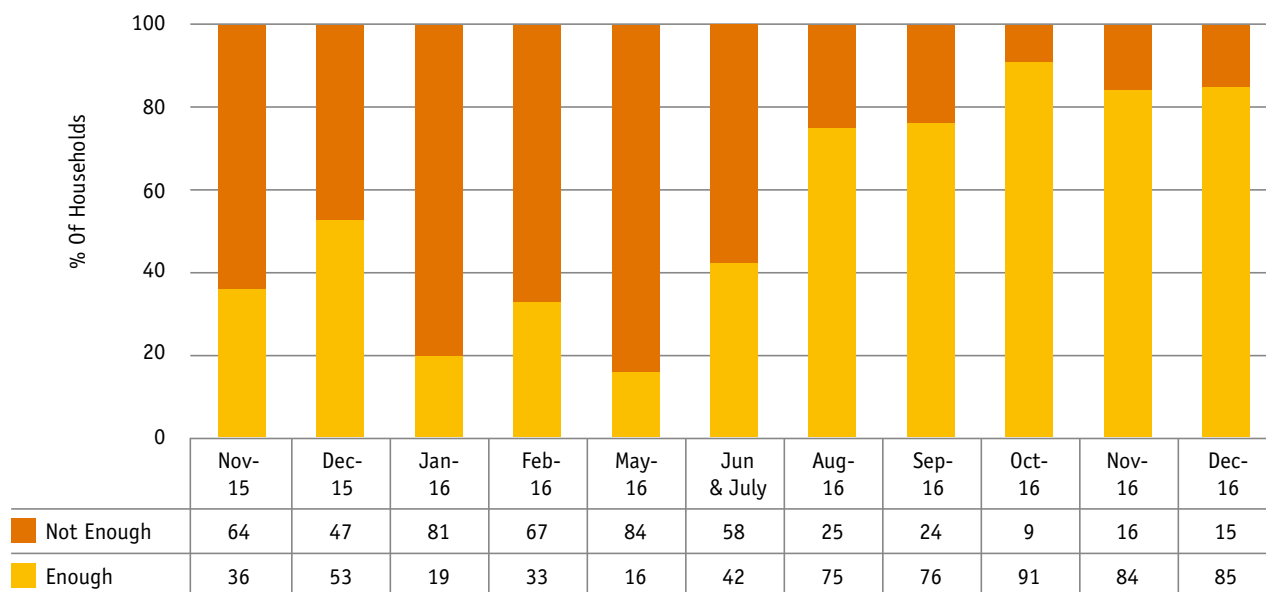
By the time the liquidity crisis hit in June 2016, the programme was in its second phase and so had already had the chance to learn and improve on many of its core components. The programme also had the benefit of a uniquely long timeframe for a humanitarian response, which enabled adaptations to be made in order to reduce the impact of the liquidity crisis and keep the programme effective.

This section outlines the actions that were taken by the programme, as well as by related stakeholders, in direct response to the liquidity crisis. Some of these actions were part of the initial programme design, but many were adaptations that evolved.

Liquidity issues were detected in post-distribution monitoring as early as the last quarter of 2015. The programme established early mitigation measures, such as advising agents to apply for soft loans from Econet to meet the demand for cash, and conducted focus group discussions to better understand why some beneficiaries were being asked to buy groceries instead of getting their full cash.

¹¹ Oxford Policy Management (2017) *Zimbabwe 'Cash First' Humanitarian Response 2015-2017 Evaluation Report*.

FIGURE 2: ADEQUACY OF CASH TRANSFERS TO MEET BASIC FOOD NEEDS



Source: CARE and World Vision (2017) Post-Distribution Monitoring and Community Food Security Monitoring, 3-13 January 2017.

Adaptations of the programme in relation to the liquidity crisis

Taking an adaptive and flexible approach was found to be key to the Zimbabwe cash programme’s ability to remain operational during the crisis. Direct actions taken included:

- **Updating the risk matrix**, so it remained relevant in the changing context.
- **Adapting monitoring tools** to inform evidence-based decision-making.
- Introduction of **liquidity monitoring** as soon as the crisis emerged.
- **Increasing beneficiary education and communication**, to ensure recipients could use their e-wallets for purchasing.
- **Clearly communicating disbursement schedules to agents in advance**, as well as beneficiaries, so they could try to plan to have cash available.
- **Supporting MNOs to increase the number of agents.**

5.1 Programmatic actions in response to the liquidity crisis

Once it became clear that a serious liquidity crisis had developed in June 2016, the programme took further action in the following ways.

● Adapting monitoring systems and introducing liquidity monitoring

The programme already had a robust monitoring system established at design stage, which was regularly used to inform programme activities and decision-making. Liquidity monitoring was introduced in May 2016. This was designed to track the source and severity of the liquidity challenges that agents were facing in terms of cashing out. It complemented the encashment monitoring that was already part of post-distribution monitoring, which focused on related issues, but from a beneficiary perspective. The monitoring and evaluation teams used the monitoring results to analyse the liquidity issues to try and anticipate periods or areas of cash shortages. A specific in-depth liquidity analysis was also conducted by CARE in Zaka Province in September 2016, when post-distribution monitoring reported that 100% of beneficiaries were experiencing problems in cashing out.¹² The study looked at the reasons why beneficiaries and cash agents/merchants were having difficulties, in order to inform future programme decision-making. Adaptations

¹² CARE and World Vision, Cash Liquidity Situation – Zaka, 20 September 2016.

were made to the bi-monthly market price monitoring, including monitoring the number of cash agents/merchants in the local areas. This was changing due to some agents having to close as they were unable to adapt to e-purchasing or maintain the required cash liquidity to meet cash out demands, as well as new cash agents starting up with additional business on the side.

- **Adapting and stepping up beneficiary education on the use of e-wallets for purchasing**

As technological readiness and literacy were initially poor, the programme invested heavily in beneficiary education on the use of mobile money platforms from the outset of the programme. When the liquidity crisis hit, the programme was able to use the already established beneficiary education as a platform to communicate further messaging about the liquidity situation and promote the use of e-payments where necessary. Some examples of the beneficiary education programme and how it was adapted during the crisis included the following:

- **Development of information, education and communication (IEC) materials carried out together with the MNOs.** This led to better service provision and in-depth understanding of the technical issues related to mobile money services and increased financial literacy.
- **Promotion of e-purchasing.** The programme strengthened beneficiary education and changed communications to specifically educate on e-purchasing, following complaints about restrictions on cashing out. This helped ensure the mobile money intervention remained relevant and appropriate through the crisis.
- **Ongoing community and public meetings.** The programme produced information leaflets on how to cash out, transact electronically, transfer charges, etc. Public meetings were held monthly. Messaging also incorporated nutrition and gender awareness.
- **Using comprehensive accountability, facilitating feedback and problem-solving**

A multi-layered accountability framework was in place from the start of the programme, with many channels of communication, such as a toll-free hotline, community meetings and district helplines. The accountability system wasn't specifically tweaked for the liquidity crisis, but remained a strong component of the overall programme, so by default it provided a key facility in responding to complaints and facilitating problem-solving related to the liquidity crisis. In particular, the gender and accountability focal points were essential

figures during the liquidity crisis as they enabled trust at community level. This was important given the nature of many complaints, which were often against agents and merchants who were taking advantage of beneficiaries when trying to cash out.

5.2 Working with Econet and NetOne

CARE/WVI worked with the MNOs to ensure they were working to address liquidity issues amongst their agents. Specifically, the MNOs prioritised the following measures to try to reduce the impact of the liquidity crisis.

- **Assisting EcoCash agents with accessing cash loans through Steward Bank**

During normal times, Econet would support cash agents with a float from their partner bank, Steward Bank. However, when the cash crisis hit and the bond notes were released, Econet had an internal policy in which they wanted to support their cash agents' floats with a 30:70 ratio of bond notes to other hard cash (eg US dollars, South African Rand), so as not to flood them with bond notes in case the bond notes performed badly. However, in reality the other currencies were hard to come by so agents ended up with just the 30% of the float that was being supplied in bond notes, and did not receive the 70% in other currency hard cash, therefore they had a massive liquidity shortfall. This explains why agents had to devise their own strategies for getting hard cash in order to meet the cash out demands. As the cash crisis deepened, Econet only supported the floats to those agents that were of a high standard.

- **Support in increasing the number of registered agents**

Econet also sought to prioritise recruitment of EcoCash agents in rural areas and attempted to approach local authorities to simplify the registration process, but this was not straightforward. Both Econet and NetOne were also able to sign up schools onto the e-payment system during the liquidity crisis. Econet was committed to taking measures to penalise agents and merchants who were breaking contractual rules, such as trading without licences or taking bribes.

- **Clearly communicating disbursement schedules to agents in advance**

This was another way that the programme successfully engaged with MNOs to mitigate the liquidity crisis. This meant that agents had time to plan and attempt to get cash available for cash outs during programme disbursement days, where possible, although this wasn't consistently communicated across all programme areas.

- **Introduction of specific e-transfer purchasing ability to wholesalers**

This was carried out by Econet. This means traders could purchase stock from suppliers on their e-wallet.

5.3 The role of DFID

The inability to transfer US dollars out of the country led to restrictions on imports. In response to this, DFID assisted Zimbabwe's commercial grain traders through establishing a Grain Trade Market Facility. It was managed through Crown Agents, a UK international development company, who provided liquidity to a large import supplier in order to honour their import contracts. The facility provided 55,000 metric tonnes of white maize to be sold on the open market to avert the food crisis, and the rapidly rising costs of grain. The grain supplier who benefited from the facility committed to selling the imported grain to retailers at agreed, affordable prices.

DFID's Grain Trade Market Facility was enough to meet 1.6m people's food requirements over three months. CARE and DFID agreed between them that it would only be set up in the 15 operational districts of the CTP. The whole scheme was designed to work within existing market structures and minimise distortion. It was generally regarded as helpful to the programme, because if the facility had not been set up, beneficiaries would still have been buying grain at the more expensive price from informal private traders, and there would have been a risk that the grain shortage would have become more acute. It is also an example of macro-level market-based support being relevant and effective, given that much of CTP tends to focus primarily on micro-level market support.

Overall, there was a very close working relationship between DFID and CARE/WVI throughout the programme. DFID had significant influence on the changes in the programme design as it evolved, such as the increased levels of monitoring during the liquidity crisis and the adaptation of the risk matrix. The donor was praised for creating an enabling environment for learning and adapting in this context, where a large-scale CTP was new. The programme may not have survived the crisis if the donor had not been so supportive.

5.4 The role of the government

The programme did not work directly with the government in relation to the liquidity crisis, but there was good coordination and communication between the two parties. The government had their own public campaign around accepting bond notes and using e-payments during the crisis. The two communication approaches were complementary and each set of messaging enhanced the other.

Overall, the public sector was much slower to adapt to the liquidity crisis than the private sector. However, the GMB converting to accept e-purchases was a success and directly helped the cash programme succeed as beneficiaries were then able to purchase the cheaper GMB grain with their mobile cash transfers.

6 Lessons learned and future opportunities

Given that a national liquidity crisis of this extent was not predicted during the programme design process and in the initial risk framework, one might think that such a large cash transfer programme could not sustain itself during such a volatile market-based crisis. However, this was not the case. Instead, through the actions of its stakeholders, the programme evolved into an adaptive, innovative and collaborative model, in response to the changing market dynamics. It evolved at different rates however, with the private sector adapting much quicker than the public sector.

A key learning from the Zimbabwe programme was around choice of trigger point. It initially recommended a switch in modalities to Cash Courier if cashing out levels fell beyond a certain level. Instead, the effectiveness of mobile money during the crisis demonstrated its flexibility and relevance as a modality in such situations. Therefore, a better trigger point would have been around the ability to transact and access key commodities, whether that is through using hard cash or e-purchasing. Moreover, more direct, consistent engagement by CARE in supporting local markets to adapt to the crisis would have further enhanced such a programme. For example, CARE could establish direct, consistent communication with local traders to communicate cash transfer schedules to give them time to re-stock and ensure they have sufficient cash in place to support cash back to beneficiaries. Moreover, by having this direct dialogue with traders, CARE could ensure that their feedback is sought on the programme and collectively seek solutions to identified barriers, for example, traders' difficulty in obtaining merchant licensing from the MNOs, which would result in them being able to charge beneficiaries less for transaction fees.

The VSLAs are recognised as an important and heavily relied-upon community service. Yet anecdotal evidence revealed that a number of VSLAs ceased to function as their operational model depended on hard cash. For the future resilience of the VSLAs and to support beneficiaries leverage of the cash as savings/loans, supporting the VSLAs to have the ability to function using e-transfers should be considered.



7 Conclusion

CARE/WVI's Zimbabwe Cash First programme was very successful overall, and mobile money proved to be an appropriate and effective modality in the face of the liquidity crisis. It helps to demonstrate that CTPs can work in even the most challenging of cash contexts, namely a liquidity crisis, where the cash flow runs dry. However, the programme only went so far in adapting to a change in market context and could have done more. There is much learning, in particular around better engagement with MNOs and businesses, which could have further reduced the risk of the liquidity crisis and helped CARE/WVI deal with the challenges better. The ways that CTP practitioners could take a more 'market-based approach' in programming in similar contexts would benefit from further consideration and discussion amongst relevant stakeholders.

8 Recommendations

The following recommendations are offered to practitioners delivering a CTP either in Zimbabwe or beyond, in contexts with similar features, in particular in the case of any future liquidity crunch, or similar. In contexts of: a) integrated markets and prices; b) markets which are accessible to beneficiaries; c) access for aid agencies to monitor; and d) a functioning private sector, the following guidance may apply.

Understand the objective of cash transfers

- Having a **cash transfer objective that is related to 'access to commodities/services (eg food)'** rather than 'distributing cash for food', will allow a CTP objective to still be achieved, if there is a liquidity crisis.

Relevance and appropriateness of mobile money

- Mobile money can and should be used where people can access goods and services through digital transactions or through cashing out. It can remain relevant and flexible in a liquidity crisis.

Risk mitigation

- At the programme design stage, measures should be built into **risk analysis** which are specifically related to a potential liquidity crunch or other issue. These could include:
 - Having a trigger point around beneficiaries' ability to purchase goods and services and the prevalence of agents to switch over to e-purchasing, when cash is scarce.
 - Providing a contingency budget beyond just a cash transfer increase to allow for price fluctuations. For example, budgeting for additional staff/activities in response to the crisis, such as more market-based support to businesses.

Monitoring

- **If liquidity is a known risk, liquidity monitoring should be a key component of the CTP** and ideally factored into initial programme design or as soon as the crisis emerges.
 - Liquidity monitoring can look at agent ability to cash out in different areas, agent coverage, and traders' ability to transact electronically throughout key supply chains.
- **Allow for existing monitoring tools and analysis to be adapted to the crisis.** Additional questions and indicators related to the liquidity crisis could also be added to post-distribution monitoring or food security monitoring to allow for triangulation of findings and more robust monitoring.
 - For example, post-distribution monitoring can also pick up on specific encashment challenges that recipients are facing, and on recipients' ability to cash out and transact, as well as identify shifts in market preferences and consequent impact on the accessibility of goods and services to beneficiaries.
- **Regular price monitoring should always be a key component of any CTP programme**, whether there is a liquidity crisis or not.
 - It is important to check that key commodities remain available, that markets remain integrated and that prices aren't changing significantly. If there is serious inflation, it may be necessary to adapt the transfer value to ensure people can still buy what the cash is intended for. If key commodities become unavailable, it may be necessary to switch modalities, such as back to food aid.

Beneficiary education and accountability

- **Ensure beneficiary education/IEC messaging is updated** with communication not only about the mobile platform in general, but about its usage and adaptability during a liquidity crisis.
- **Engage all accountability stakeholders and train them** in how the mobile platform can be used during a liquidity crisis and where to go if they have any problems/issues.
 - Use community-based focal points (in the Zimbabwe case, this was gender and accountability focal points) to support beneficiary education on the mobile platform, as well as to ensure trust in the system is maintained, given that agents/merchants may be cheating the system as a liquidity crisis coping mechanism.

Market-based support/engagement with businesses

- **Work with MNOs to engage local businesses and public services** that aren't yet accepting mobile money payments, such as hospitals and transport.
- **Improve and identify proactive ways of working with local businesses**, beyond just monitoring. For example, this could include the following:
 - **Notifying agents of cash disbursement dates** so they can start making arrangements to have goods/services in place, as well as trying to access enough cash to support cash outs.
 - **Setting up or working with existing business councils** to deal with issues surrounding merchant and agent licensing and registration, and for traders to collectively advocate to MNOs and the government for lessening of procedures. This would encourage more agents and merchants to be registered, and more competition, which may lessen corruption practices during a crisis.
 - **Linking up with macro-level market support during a liquidity crisis** (such as supporting of grain imports) can be seen as a key enabler of success if it has a positive knock-on effect down the supply chain to beneficiaries.
 - **Providing micro-level market support** in order to proactively support particularly affected local markets to adapt to the crisis. For example, this could include supporting key traders with micro-business loans/grants so they can put in place the required e-payments infrastructure or initial liquidity float, and/or facilitating linkages between traders with suppliers who accept e-payments.

Engagement with MNOs

- Work with MNOs to **support the adaptation of e-transfers throughout the supply chain**. Even if agents and merchants are willing to switch to e-payments, which in the Zimbabwe case they were, there will be a barrier if the supplier/wholesaler won't take e-payments.
- Consider carrying out **joint monitoring with MNOs**, such as liquidity monitoring, instead of sharing reports back and forth between parties.

Support to community groups

- Consider supporting the development of community groups, such as Village Savings and Loan Associations (VSLAs), to have a **model of savings/loans linked to e-transfers**. The ability to save is often a component that suffers during an economic crisis, such as the

liquidity crunch in Zimbabwe. If such groups were also empowered with e-transfers, it could also be a way to enable their continued functionality through a crisis.

Working with donors

- Maintain an **open, transparent dialogue with the donor** about the liquidity situation, including information sharing, monitoring and willingness to incorporate changes to the programme based on evidence.

Human resources

- Ensure that **cash programmes are suitably resourced**, given the increased monitoring requirements that are necessary for a liquidity (or any secondary) crisis.
- **Consider recruiting specific and dedicated CTP staff specifically for a liquidity crisis**, in addition to generic CTP staff. In the same way that additional programmes are established to respond to new crises – eg food security, health epidemics, a refugee influx – a nationwide liquidity crisis during a large-scale CTP programme should warrant its own resourcing.

Recommendations/lessons learned specific to Zimbabwe

- **Leverage and maximise Crown Agents/DFID's experience of supporting Zimbabwe import markets at national and macro-level** and encourage learnings from this approach to be fed back into the national Cash Working Group¹³ and individual agency programming for any relevant improvements to market support-based programming in Zimbabwe and beyond.
- It is also important to **decide what role (if any) NGOs should be playing** in this arena to support effective delivery of cash programming in volatile market crises, where market-based support can help.

¹³ A national Cash Working Group was established by CARE and the World Food Programme (WFP) in Zimbabwe during the programme as a platform for aid agencies to exchange best practices and information, as well as coordinate approaches and design elements of cash transfer programmes, such as the cash transfer value.

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