

## HIGHLIGHTS

# Building a Gateway to Digital Payments in Afghanistan: The World Food Programme's E-Voucher Initiative



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The World Food Programme (WFP) is using electronic vouchers and mobile money to deliver assistance in Afghanistan, showing how digital payments, can improve lives and support greater financial inclusion. WFP's E-Voucher pilot used mobile wallet technology and biometric identification, specifically designed to suit local conditions, including low levels of literacy. The E-Voucher pilot has achieved impressive results: Over 80% of participants surveyed preferred E-Vouchers to paper vouchers, and 100% reported a seamless customer experience redeeming their E-Vouchers at local stores. WFP has recently completed the transition from E-Voucher payments to mobile money for around 70,000 food assistance recipients.

For WFP, E-Vouchers are a valuable way to increase operational flexibility, efficiency, and security, and achieve major cost savings at scale. E-Vouchers also provide choice and flexibility for recipients and lower transaction costs and security risks for merchants.

Importantly, the E-Voucher program continues to build public awareness of digital payments in a country where 90% of the population is unbanked, but almost three-quarters have access to a mobile phone. With this potential for greater digitization in place, the program is a valuable step toward building an effective digital payments ecosystem, following a long period of instability that stunted the development of basic financial services. In fact, 10,000 state employees now receive their salaries through mobile money, and the Government continues to work with individual ministries to expand non-cash salary disbursements.

## AFGHANISTAN IN TRANSITION: Backdrop to WFP's E-Voucher Program

### **Economic Landscape: One of the region's poorest countries**

Decades of conflict and often challenging geography have held back economic development, making Afghanistan one of the world's poorest countries. Afghanistan has annual Gross National Income (GNI) per capita of US\$680 compared to US\$1,527 for the whole of South Asia. While the economic outlook is improving following recent elections<sup>1</sup>, one in five Afghans still lack access to safe and nutritious food, making WFP's food assistance efforts a vital source of basic nourishment for many Afghans.

### **Banking and Payments Landscape: Emerging from dormancy but still highly informal**

Afghanistan's commercial banking landscape is improving after a period of dormancy under the Taliban, growing from US\$300 million in 2004 to US\$4.3 billion in 2014. However, banks are concentrated in Kabul and other major cities, with security challenges outside of Kabul remaining a major impediment to expanding the banking sector.

A majority of Afghans still use an informal banking system – called Hawala – in which a network of money lenders and exchange agents remit money for a lower fee than banks and often without a paper trail. Most Afghans see this system as highly convenient, efficient, and trustworthy. As a result, it is an informal alternative to digital payments or even formal banking.

### **Mobile and Digital Payments Landscape: Rising mobile access is creating new digital payment opportunities**

Afghanistan's telecommunications sector has grown rapidly in recent years, accompanied by a steep fall in the cost for consumers of SIM cards, from around US\$250 in 2003 to US\$1 in 2015. As a result of this and other factors, three-quarters of the entire population now have access to a mobile phone, providing substantial scope for digital payments to take hold and grow in Afghanistan.

While digital payment options are yet to be scaled in any significant way, the Afghan government has been leading by example, through pilot programs to pay some police and teacher salaries into mobile wallets in 2010 and 2013 respectively. The main barrier to further uptake remains cost, with each electronic transaction bringing a fee of AFN160 (US\$2.66). However, growing competition between Mobile Network Operators (MNOs), and economies of scale as digital payments grow, are expected to bring costs down over time.

## HOW IT WORKS:

# The E-Voucher Program in Action

WFP has been providing food assistance through paper vouchers (as opposed to actual food packages) in Afghanistan since 2009. In 2014, the organization trialed E-Vouchers<sup>2</sup> by targeting two distinct groups of recipients: households in need of food assistance (known as the Economically Stressed Urban Population, or ESUP) and recipients who WFP wanted to incentivize to undergo vocational skills training (VST) to improve their employment prospects.

Recipients are first registered for the E-Voucher program biometrically (i.e., through fingerprinting). For each recipient, funds provided by WFP are pre-loaded onto a mobile wallet provided by a private sector MNO, in this case, Afghan Wireless Communication Company (AWCC). This mobile wallet is linked to the recipient's mobile phone and is attached to the recipient's chip-enabled WFP-issued identity card.

Recipients can use the pre-loaded funds to buy food at WFP-approved merchants, simply by performing a "chip-and-pin" or "tap-and-pay" transaction on a point-of-sale (POS) device (provided by WFP). If the recipient loses their smart card, they can make a transfer using their mobile phone and pin number. Recipients must also verify their identity through fingerprint scanning incorporated into the POS device.

The 2014 pilot program distributed one voucher per month over a three-month period – each valued at around AFN2,000 (US\$35) per household. Both recipients and merchants received training on how to use the E-Voucher system and technology.



## HITTING THE MARK, BUT MORE DATA NEEDED: Achievements of the E-Voucher Pilot Program

In total, US\$343,724 was distributed through one round of E-Voucher distributions to 8,762 households, reaching 61,334 beneficiaries in total. The vast majority of participants in the program were satisfied with the experience. Over 80% of those surveyed preferred E-Voucher payments to other forms of assistance (such as paper vouchers or food packages), and nearly all respondents reported having a seamless customer experience when redeeming E-Vouchers. However, some respondents in remote areas complained of having to travel up to a day to the closest designated merchant. Respondents also noted bottlenecks to make purchases, as large numbers of recipients came to designated merchants immediately after receiving their E-Vouchers.

Given the success of the first E-Voucher pilot and the need for a more complete data set, the WFP is dramatically expanding the program in an additional pilot phase that aims to reach 21,600 economically stressed recipient households (with a total of 151,200 beneficiaries across eight of Afghanistan's 34 provinces), and 13,400 recipients under the VST incentive program across seven provinces.

“When appropriate systems are in place, the demand for mobile money technology services is expected to grow exponentially, because it brings more convenience to users and saves time. The National Unity Government's (NUG) adoption of mobile money payment systems will be a game-changer in terms of improving transparency and reducing corruption within the government. Electronic payment programs can give people an on-ramp to greater financial access while providing governments a more efficient, transparent, and safer means of disbursing benefits like salaries and pensions.”

**MASSEHULLAH QADEER**

*Mobile Money Team Leader*

Financial Access for Investing in  
the Development of Afghanistan



## The WFP's Vocational Skills Training E-Voucher Program at Work

Marzia is a 28 year-old Afghan mother of three living with her husband in Kabul. Her husband has a small local grocery shop which produces a very modest income of around AFN 7,000 per month (US\$122). The family's household expenses are around 10,000 AFN (US\$175), leading to ongoing financial pressures and an inability to meet some basic needs.

Marzia had always wanted to support her family and earn extra money to increase the household's income. However, she only attended school until fourth grade and had no other skills that would enable her to generate income. She heard about WFP's Vocational Skills Trainings at her mosque where WFP announced the program with the support of community leaders, and invited eligible low-income residents in the area to register.

Marzia is now one of 1,738 female trainees receiving E-Voucher payments as an incentive to participate in WFP's vocational skills and training program. WFP supports vocational skills training and literacy classes for women by providing a monthly stipend of AFN 2,000 (US\$35) per participant.



## Security

Biometric validation ensures that only the intended recipient can access the funds provided by the WFP.

E-Vouchers prevent the need for WFP agents, recipients, and merchants to travel with cash, which can bring security risks.

## Transparency

As E-Vouchers replace cash transactions, with electronic transfers recorded in real time, the transparency and legitimacy of payments are substantially improved.

# Digital Delivers: the **Benefits** of e-vouchers as observed in the WFP pilot program

## Financial Inclusion

E-Vouchers help to introduce people to digital payments and so can serve as a gateway to greater use of financial services. This can open up new economic opportunities and help drive financial inclusion.

By providing funds, rather than food, vouchers support local food production and employment, which also helps build financial inclusion.

## Efficiency

E-Vouchers reduce the amount of time recipients must wait to receive much-needed funds.

When E-Vouchers are deployed at scale, WFP expects substantial cost savings because it will not need to print paper vouchers (which usually happens outside the program country), or transport and physically distribute large quantities of food.

Financial reconciliation by physically counting vouchers is also eliminated.

Merchants reduce errors because they do not need to manually enter account numbers.

Merchants can access their payments faster by either cashing out with an AWCC agent or having funds transferred to their bank account directly, on a daily basis.

## Flexibility and Choice

Recipients can choose food items and the timing of their purchases to best suit their own needs.

Biometric identification and “tap and pay” microchip technology means E-Vouchers can be used by people with low levels of literacy – a key benefit in Afghanistan where the illiteracy rate is around 60%.

WFP can easily vary the amount, timing, and recipients of food assistance to reflect evolving needs and local conditions.



## Training

Better training of WFP's implementation partners (particularly NGOs that help identify potential recipients) is needed to prevent delays in registering recipients.

## Delegation

Service to recipients can be improved by allowing authorized representatives for the elderly and disabled to access E-Vouchers.

## Monitoring

Monitoring of implementation and purchasing patterns can be improved to give WFP better capacity to target its assistance, in particular by a web-based platform that allows tracking in real time. This will help identify barriers to voucher redemption, particularly by women.

## Merchant Reporting

Merchants are required to report to WFP a list of all goods purchased with E-Vouchers; however, the POS device supplied by WFP does not capture the itemized list of purchases, so the merchant must create a detailed receipt manually. This is time consuming and carries the risk of manipulation for redemption of non-approved items.

# Key Learnings

identified by  
WFP to be  
implemented in  
the next pilot phase

## Bottlenecks

Increasing the number of approved merchants will help prevent bottlenecks and long waiting times at the point of sale. If more suitable merchants cannot be identified, a staggered E-Voucher distribution system could be implemented.

## Operational Costs

WFP's operational costs can be substantially reduced by renegotiating fee structures with implementation partners. For example, moving to a fee based on the percentage of value transferred (rather than a fixed cost per transaction) would enable WFP to make volume-based cost savings.

## E-Vouchers and the Future of Digital Payments in Afghanistan

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WFP's E-Voucher program is providing a means for Afghans to learn about digital payments first-hand, and directly experience their practical benefits, including improved security, efficiency, flexibility, and transparency. With the vast majority of surveyed recipients preferring E-Vouchers to other forms of food assistance, the success of the program is highly encouraging. Moreover, the much expanded second pilot phase of the E-Voucher program will provide tens of thousands more Afghans with a gateway experience that can open up the possibilities of digital payments, and drive public awareness. For example, WFP has recently transitioned from E-Voucher payments to mobile money payments for around 70,000 food assistance recipients.

Success stories like the E-Voucher program are a vital step in expanding the mobile money sector in Afghanistan, which is currently at a preliminary stage, but has the potential for a period of rapid growth, driven by a range of factors. First, the Afghan government is exploring ways to use mobile wallets more widely for salary payments of civil servants as part of its commitment to transparency and administrative efficiency. Second, interoperability between MNOs and payment systems is closer than ever before, with the Afghan Payment System (APS), an interoperable payment platform for financial institutions and MNOs being launched in 2016. Third, MNOs are eager to expand their offerings, and have been substantially assisted by USAID's Financial Access for Investing in the Development of Afghanistan (FAIDA) program.

Achieving substantial growth in the sector will require intentions and plans like these to be translated into concrete actions and results. At the same time, it will also require more initiatives like the E-Voucher program that increase public confidence in digital payments, and demonstrate to businesses and policymakers how digital payments can help drive efficiency, financial inclusion, and economic growth, to the benefit of the Afghan people.



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## About The Better Than Cash Alliance

The Better Than Cash Alliance is a partnership of governments, companies, and international organizations that accelerates the transition from cash to digital payments in order to reduce poverty and drive inclusive growth. Based at the United Nations, the Alliance has over 50 members, works closely with other global organizations, and is an implementing partner for the G20 Global Partnership for Financial Inclusion.