

## The Issue:

Worldwide, [countries have been implementing policies](#) designed to hamper the spread of the coronavirus, from lockdowns and border closures to quarantines.<sup>1</sup> In Africa alone, [43 out of the 55 countries had closed their borders by early April](#), with some countries recently starting to re-open. Such policies can have a [disproportionate \(negative\) impact on poorer workers](#) who work in the informal sector, both in high and [low-income countries](#).<sup>2</sup> To date, [over 150 countries have implemented social safety net programs](#) to offset the impact of these policies. Yet how will [such transfers be distributed](#), especially to those who are unbanked and in remote areas? The experience of using mobile money for cash transfer payments in sub-Saharan Africa provides potential for distributing such transfers at a lower cost for the unbanked, as well as an example for reaching underserved communities in the US. While mobile money has great potential for distributing such transfers in high- and low-income countries alike, investments in physical and human infrastructure still need to be in place in order to implement these programs.

## The facts:

- **With the spread of the coronavirus since January 2020, countries worldwide have implemented lockdowns, border closures, export bans, restrictions on domestic trade and social distancing measures.** In sub-Saharan Africa alone, 43 out of 55 countries had closed their borders. With [60% of the world's population earning their livelihoods in the informal sector](#), reaching 85% of the population in Africa, such COVID-19 policies may be a “double whammy” for the world’s poor: Individuals may no longer be able to earn income at similar levels whereas border and market closures can increase prices. While the impact of these policies on supply and prices has been mixed – [data collection in Sierra Leone during the Ebola crisis](#) found that traders decreased their activities, but prices were not affected, whereas [similar policies between Rwanda and DRC](#) led to panic and increased fruit and vegetable prices – such impacts depend upon the time of the year, the type of the commodity and the interdependence of individual countries upon trade.
- **Recognizing the impact of these policies, [over 150 countries have implemented over 700 social protection measures](#), over 200 of which are cash-based measures.** While some of these are extensions of ongoing programs, 59% of these are new programs, implying a significant increase in coverage. The key issue, though, is distribution: Globally, [1.7 billion adults remain unbanked](#), without an account at a financial institution or through a mobile money provider. This lack of access to a financial institution not only increases the logistical challenges associated with implementing cash transfer programs for governments and non-governmental organizations alike, but

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<sup>1</sup> <https://www.businessinsider.nl/countries-on-lockdown-coronavirus-italy-2020-3?international=true&r=US>

<sup>2</sup> <https://www.project-syndicate.org/commentary/covid19-protecting-poor-developing-countries-by-remahanna-and-benjamin-a-olken-2020-04>

also significantly increases the costs of beneficiaries of accessing these transfers. Some countries have dealt with this by distributing cash in-person; for example, [100 million unbanked adults received their payments in cash in 2017](#) - or opening bank accounts on behalf of beneficiaries, mainly in urban areas. In the United States, it has been suggested that this could be achieved via the post office, checks, direct deposit, tax refunds or debit cards. Yet many of these approaches still [require significant costs](#), either in monetary or time, and are either not available or accessible in low-income countries.

- **Digital financial services, and in particular mobile money, offer a unique opportunity to distribute cash transfers to poor populations, especially those in remote areas and without access to financial institutions.** While 30% of the population does not have a bank account, [2/3 of unbanked adults have a mobile phone](#). While there are important disparities in mobile phone ownership and access – for example, wealthier households are more likely to own a phone than poorer households, and men are more likely than women to own a phone in many low-income countries – the mobile phone is, by far, the most accessible technology worldwide. The simple mobile phone can improve access to financial services via [mobile money](#), a set of applications that facilitate a variety of financial transactions via mobile phone, and do not require a bank account. To date, there are [290 mobile money deployments across 95 countries](#) with over 1 billion registered users. In fact, mobile money agents have [7 times more outreach than ATMs](#) and 20 times more outreach than bank branches. Research in [Niger](#), [Kenya](#) and [Afghanistan](#) shows that using mobile money for public and private transfers are less costly than in-person or other traditional transfer mechanisms, and can have positive impacts on individuals' well-being, suggesting a potential “win-win” for governments, the private sector and individuals alike.
- **Despite its potential, mobile money adoption is still low in certain regions and countries, in part due to limited physical (electricity and mobile phone networks) and human (agent) infrastructure.** While there are over 1 billion registered mobile money users worldwide, there is significant variation in adoption within and across countries. In sub-Saharan Africa, for example, adoption is East Africa is high, whereas the number of active users in West Africa ranges from [1% in Niger to 20% in Ivory Coast](#). In the United States, however, the rates are much lower, [with mobile-based payments less than 7%](#). While there are a number of reasons for low adoption in the United States, limited adoption in low-income countries seems to be related to the limited density of mobile money agents. While recipients receive their cash transfer digitally, many shops do not accept “cashless” payments, and hence receiving physical cash requires visiting an agent. Yet agent density varies widely within and across countries: While there are 228 mobile money agents per 100,000 adults in sub-Saharan Africa, far exceeding bank branches and ATMs, agents are more heavily concentrated in urban areas. In one region of Niger, for example, there are four agents for a population of approximately 1 million the region of Zinder.

## What This Means:

Mobile money offers significant opportunities to distribute cash transfer programs at scale during the current crisis and beyond, especially amongst the unbanked. Nevertheless, it requires **significant increases in the density of mobile money agents, as well as increases in mobile money adoption amongst the unbanked**. Increasing the density of mobile money agent may require some innovation on behalf of regulators, banks and mobile phone operators to [register different entities as mobile money agents](#). If the number of agents cannot be increased in the short-term, then distributing such transfers can impose higher costs on cash transfer recipients, as well as added risks associated with a “rush” on mobile money agents. Beyond increasing the number of agents, **creative solutions may also be required to encourage mobile money adoption**, especially amongst the urban poor, either by having a more flexible approach to registration or by using a technology that allows a user to send money to a non-mobile money user (called “envoie-code”). These issues, of course, will need to be balanced with concerns regarding corruption and leakage.