SUDAN CONFLICT RESPONSE: CVA CASE STUDY SERIES

Piloting Mobile Money Cash assistance in Sudan

NOVEMBER 2023

Background

In the 7 months since the beginning of the conflict in Sudan on April 15, 2023, an estimated 6.1 million people have fled their homes, making Sudan the country with the largest number of displaced people in the world. As part of the response to the crisis, humanitarian organizations are exploring the provision of cash assistance to populations affected by the conflict through various methods including direct cash payments facilitated by banks and money transfer agents (MTAs), bank transfers to personal accounts, vouchers, and digital payments. Cash assistance is appropriate for populations fleeing conflict for several reasons. Firstly, cash transfers provide people in need with the flexibility to purchase the goods and services they need most and helps to boost the local economy by supporting local businesses.

Ordinarily, cash assistance can be delivered quickly and efficiently, allowing organizations to respond rapidly to emergencies and reach people in need quickly. However, several challenges have affected the scale and pace of delivery in Sudan. Damage and destruction of the banking infrastructure in Khartoum where the fighting started and where banking operators were mainly based has had a severe impact on banking services and cash access across the country, even in areas that currently do not have active conflict.

This paper is the second in a series of Mercy Corps briefing papers on delivering Cash and Voucher assistance (CVA) in conflict affected contexts. This paper reviews the digital financial landscape in Sudan prior to the conflict and outlines observations on the functionality of mobile money financial services from a small pilot that delivered cash assistance via mobile money. As the conflict continues, the functionality of digital financial services (DFS) is key for scaling humanitarian response. It is essential for service providers to: 1) prioritize strengthening community awareness of DFS, 2) re-establish last mile agent networks and 3) strengthen person to merchant (P2M) networks to reduce reliance on cash.

Figure 1 Project participant receiving MPCA in Gedaref state

Digital Financial Services in Sudan

The largest telecom operators in the country launched mobile money prior to the current conflict, but these products are still in their infancy, lacking in adoption and availability of mobile money agents. Before the introduction of mobile money, airtime transfers were a popular way of sending money. Airtime resellers would purchase airtime from customers for cash making commissions as

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high as 15%. The evolution of mobile payment services was influenced by several factors, including the high rates of mobile penetration (49% of the population) and the need for accessible and cost-effective financial solutions to address traditional limitations in access to banking infrastructure for many Sudanese.

Figure 2 Project participants receiving cash-out from FSP

No recent Findex survey has been conducted in Sudan, but as of 2014, financial inclusion hovered around 15%. It is not generally believed to have grown in the intervening years[1]. A 2022 study by FSD Africa[2] revealed several obstacles preventing sustained investments in mobile money infrastructure including; Political uncertainty, compounded by a complex operating environment which disincentivized investment in strengthening the market by financial service providers, and stringent regulatory requirements by the Central Bank of Sudan (CBoS). Furthermore, despite the best efforts of MNOs, low levels of digital and financial literacy, limited internet penetration, and network coverage posed significant barriers to widespread adoption of mobile money services.

The Activity

Prior to the start of the conflict in April, humanitarian organizations had leveraged digital payment systems such as mobile money to provide cash assistance in Sudan. However, the crisis presented a major setback as mobile money services were taken offline at the start of the conflict. With support from USAID's Bureau for Humanitarian Assistance (BHA), Mercy Corps is delivering the Building Resilience in communities affected by conflict and crisis (BRIDGE) Program which includes delivery of Multi-Purpose Cash Assistance (MPCA) to vulnerable households. Following the successful delivery of MPCA in partnership with a [microfinance institute](#) after the start of the conflict, Mercy Corps piloted MPCA delivery via mobile money on a small scale to test the functionality of the system with the aim of generating learnings that will ensure efficient delivery of future activities.

Digital cash transfers offer several advantages over traditional cash transfers in crisis-affected populations. Firstly, digital cash transfers offer greater scalability, faster transfers, and more transparent transactions compared to physical transfers. Digital wallets also provide recipients with a safe method for storing their money especially if they are on the move. In cases where multiple rounds of transfers are delivered, the presence of program staff to coordinate the process would be limited, leading to cost efficiency.

The pilot was delivered in Gedaref town with MTN Sudan Fintech. MTNs Mobile money services are delivered using the Unstructured Supplementary Service Data (USSD) format which can be used in low network environments without internet or smart phones. Gedaref city was selected for the pilot given the relative stability of mobile network services. 25 internally displaced families (16 female headed households and 7 male headed) residing in a school in the city were selected to receive SDG 45,800 via mobile money transfers. Households were selected in collaboration with UNHCR and the local Humanitarian Aid Commission (HAC). In addition to standard

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[1] [Sudan Dispatch: Inclusive Finance in Times of Crisis](#)

[2] [Sudan: Supporting digital payments in cash programming](#)

vulnerability criteria, one of the requirements for selection within the pilot was that households needed access to a phone (have a phone or could borrow) and a functional MTN sim card.

At the time of the pilot, the Virtual Private Network (VPN) provided by MTN Fintech to bulk payments clients was not functional[3] due to Internet Service Provider (ISP) connectivity unavailability by MTNs provider. Therefore, mobile numbers of selected recipients were shared with MTN for payment processing. Once the payments were made, Mercy Corps organized a payment withdrawal day for recipients to receive their cash from MTN Fintech agents. Based on the limited penetration of mobile money in Sudan, Mercy Corps thought it was unlikely that recipients would use mobile money to transact with vendors at markets. Instead, it was agreed that recipients would quickly convert their mobile money to physical cash (i.e. to "cash out").

Due to the delays that had prevented the selected families from being provided with assistance earlier during the conflict, Mercy Corps did not assess prior familiarity with mobile money services among the selected participants. Mercy Corps staff provided an orientation session covering basic information about mobile money and what to expect at the cash out point.

Challenges

While the pilot was too small to make definitive conclusions about the functionality of mobile money at scale and in rural areas, Mercy Corps derived several insights that may be useful to other actors planning to deliver assistance through mobile money.

MTN limitation to offer clients "self-serve" functionality: The conflict has made it difficult for MTN Sudan Fintech to restore VPN solutions to enable partner self-service use of the bulk payments portal. This led to numerous back and forth communications between the Mercy Corps and MTN teams before the transfers were

processed. We recommend that agencies delivering cash assistance through mobile money build additional time for consultation and resolution of queries with FSPs into workplans.

Familiarity with mobile money: Despite the orientation provided to the project participants, Mercy Corps observed that the participants found it difficult to determine what to do when the text message with their transfer details was received. With scaling the approach, Mercy Corps will provide more robust orientation sessions and provide more robust guidance resources based on the Hey Sister! Show Me the Mobile Money! digital financial literacy campaign.

Phone ownership: Selected IDPs who did not have personal phones had to borrow a phone to receive the text message from MTN to enable them redeem their cash. These participants worried about losing their SIM cards and had concerns associated with letting others know why they needed to borrow a phone. Humanitarian responders must be ready to provide additional support to households who cannot access phones independently by supporting participants access to basic phones.

PIN Reset for Sim Cards: As one of the mobile money wallets security parameters, participants are required to select a 4-digit PIN to access their wallets and perform transactions. During the pilot some participants' mobile wallets were blocked due to incorrect PIN numbers which made the cash out process challenging as MTN needed to assist these participants to reset their PINs and this delayed these households from receiving their cash within the same timeframe as their peers. Agencies must collaborate closely with FSPs to ensure that agents who can support the re-activation of blocked mobile wallets are on standby during cash out days.

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[3]The VPN allows bulk payments clients to independently access MTNs web-based bulk payments portal.

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Recommendations

Overall, the mobile money ecosystem in Sudan has potential for growth, but increased collaboration between mobile network operators, financial service providers, and humanitarian organizations is needed to expand access to digital financial services and improve the delivery of cash assistance in Sudan. Mobile network operators are responsible for providing the infrastructure and technology needed for mobile money services to function effectively and financial service providers are responsible for offering mobile money services to customers and ensuring that transactions are safe, efficient, and accountable. Regulatory authorities are responsible for creating an enabling environment for mobile money services to operate and for ensuring that mobile money services comply with relevant regulations. Policy makers are responsible for creating policies and regulations that support the growth of the mobile money ecosystem and for promoting financial inclusion in the country. Collaboration between these stakeholders is essential for expanding access to digital financial services and improving the delivery of cash assistance in Sudan.

The following actions are needed to support the growth of the ecosystem and attainment of the levels of mobile money functionality seen in other contexts where people use the system to keep money safe on their phones, pay vendors directly, and send or receive money.

- Investments are needed to restore telecommunication and electricity infrastructure to improve network coverage, which is essential for mobile money services to function effectively.
- Actors providing cash assistance must support increased mobile phone penetration and access to identification documents that allow recipients of assistance to register with mobile money services.
- Increased awareness and education materials on digital financial services are needed to improve financial literacy and confidence in using mobile money among recipients.

About Mercy Corps
Mercy Corps is a leading global organization powered by the belief that a better world is possible. In disaster, in hardship, in more than 40 countries around the world, we partner to put bold solutions into action — helping people triumph over adversity and build stronger communities from within. Now, and for the future.

CONTACT
PROGRAM INQUIRIES
Sibongani Kayola
Country Director | Sudan
skayola@mercycorps.org

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