

# Special Themes Report: Pay Agent Status

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## HUNGER SAFETY NET PROGRAMME: PHASE 2 EVALUATIONS

Caroline Riungu (OPM), Alastair Haynes (OPM), Clare O'Brien (OPM)

*The Special Themes series allows HSNP to explore topics of interest in a systematic way. The Programme Implementation and Learning Unit (PILU) determines the topic from questions or concerns raised through other monitoring tools, field observations or current policy issues. The findings are based on multiple open-ended interviews with recipients, implementing agencies, pay agents, and county and national staff. This allows observers to triangulate data and provide colourful insights. Reports are led by Oxford Policy Management (OPM), an independent consultancy firm.*

### Introduction

This payment cycle OPM investigated the issue of pay agent dropouts, highlighting the reasons why many pay agents are not active. Equity Bank recruits and maintains a network of pay agents across the four HSNP counties who are authorised to distribute cash to recipients of the HSNP transfer, as well as to provide Equity Bank services to other non-HSNP customers. There is a continual effort to bring agents into the programme. From time to time some end their involvement. Over successive rounds of interviews, OPM's field monitoring teams have found agents that have either temporarily stalled their participation, dropped out entirely or never started despite being on Equity Bank's list. Some agents' status was unknown as teams were unable to trace them altogether. The lists given by Equity Bank were regularly not reflective of the situation on the ground. It is important to study why many agents are not active during the payment cycle as this impacts on the beneficiaries: they can often incur costs of transport or accommodation if they have to travel further to get their funds.

### KEY FINDINGS

- We estimate that, broadly, somewhere up to three-quarters of agents who are—or have previously been—listed by Equity Bank as HSNP agents are currently active. The precise number cannot be verified as we do not have access to Equity Bank's records.
- A few (but not many) agents have stopped entirely, mostly due to the commission or overcrowding.
- Agents that have temporarily suspended operations mostly have faulty hardware, some of which appears to be taking more than the target two to four weeks to resolve. These agents usually stay in touch with Equity Bank to find out about the progress with the repair.
- Many agents listed by Equity Bank as active have never actually started paying HSNP recipients, often after having applied several years ago. These agents tend not to follow up with Equity Bank because they presume that if the bank wanted them to work they would have told them. Swift activation of these agents could help relieve pressure on other agents.
- Turkana and Wajir have the fewest problems attracting agents, especially in urban areas. Mandera is managing to increase its supply of agents through continual efforts in difficult conditions. Insecurity in Wajir and Mandera can make prospective agents reluctant to join the programme. In Marsabit the number of agents is too few and declining, making conditions more unattractive for those left in.

## Summary of findings on status of pay agents

The method used by OPM to trace agents was as follows. First, we carried out a comparative analysis of a previous list of active agents issued by Equity Bank in August 2015 and one sent in March 2016 to get agents not on the latest list and follow them up. Second, field teams followed up on inactive agents that they came across during their routine operational monitoring exercise in the four subcounties selected for monitoring in July–August. Third, field teams followed up with calls to other subcounties, both randomly and also on the advice of pay agents, HSNP programme managers and Equity Bank staff.

In total we attempted to contact 267 agents<sup>1</sup>. The findings about the numbers of agents with each status cannot be interpreted as percentages as they are not statistically representative, for two reasons. First, in our first stage of selection we specifically set out to talk to agents who seemed unlikely to be active in order to understand their reasons for non-participation. This increases the reporting of inactive agents. Conversely, in our final stage we contacted agents whose phone numbers were known and who were in network coverage. This may over-report active agents, because the fact that the contact details of some agents are not available may indicate that they are not in touch with the programme. In the round we consider that the levels of participation cited here are a good reflection of what we have observed in the field over the last year, and that the reasons given for non-participation reflect fairly the typical experiences of pay agents. Table 1 shows the activity status of those we interviewed.

**Table 1 HSNP activity status of pay agents reached by field teams**

Status	Turkana	Marsabit	Mandera	Wajir	TOTAL
Active	48	44	62	26	180
Not participating					
Agent active but doesn't serve HSNP customers	-	3	2	1	6
Not started	7	8	12	5	32
Temporarily stopped	3	5	-	4	12
Left the programme	1	6	-	2	9
Unknown (not found)	7	8	10	3	28
<b>Total</b>	<b>66</b>	<b>74</b>	<b>86</b>	<b>41</b>	<b>267</b>

Source: OPM / RGA. Notes: Pay agents were contacted in July / August 2016 by phone or in person. In Wajir the researchers contacted pay agents in the field and by telephone but did not reach all agents omitted from the latest master list of pay agents in the county.

Broadly speaking we find that, in every county, around two-thirds to three-quarters of the agents that we were aware of and contacted are known to be active on the programme. Among the remainder there is a fairly even split between those that were untraceable, those that had applied to start the programme but had not been set up, and those who had temporarily or permanently left or had no intention to be involved in HSNP<sup>2</sup>.

<sup>1</sup> For comparison, Equity Bank's current list of active agents contains 431 agents, so we have contacted more than half the number thought to be currently active. Some of those we talked to were not within the 431 agents as they had dropped off the list.

<sup>2</sup> The untraceable agents are mostly those we attempted to track down in the field by visiting their location: interviewers were unable to identify where they were or whether they were operating.

## Perspectives of pay agents who have entirely left the programme

In the subcounties we visited, and among those we contacted by phone, few agents declared that they had totally quit the programme<sup>3</sup>. Most of those who stated they had left were in Marsabit. The main reasons given for dropouts were the commission being too low, and overcrowding causing disruption. One agent in Wajir dropped out due to suffering a loss of KES 84,000. He reported that in one cycle last year he made payments to beneficiaries but it did not reflect in his account. Despite several follow-ups with Equity Bank, he did not get his money back and dropped out fearing a similar incident.

Several of those who objected to the commission had started as an agent in Phase 1 of HSNP, when the rate was higher, and left because the lower commission did not sufficiently compensate for the inconvenience:

I was losing more than I was getting from the programme. I was engaging the services of two guards for a whole week. (Former pay agent, Marsabit).

These agents raised the issue with Equity Bank but were not satisfied with the new commission rates or in some instances were not aware of the increase in commission. While some were not interested in returning even after finding out about the increase, one agent observed that no-one had informed him, but now that he had learnt of it he would check with the bank whether the rate was sufficiently high to make it worthwhile.

With respect to those who ceased payments owing to overcrowding, the disruption was caused not only to the agents themselves and their business, but also to others in the community:

When beneficiaries come they block other people's business and cause some kind of friction between me and my neighbours ... The commission is not enough to move me from this shop to a bigger spacious area. (Former pay agent, Mandera).

The greatest concern in this respect is that, in the politically fragile areas covered by the HSNP, a large crowd is not only a commercial inconvenience but can also pose a security threat. Another former pay agent in Mandera explained,

You know the danger of insecurity in this region, you would not want people to crowd in one place for a long time. Anything can happen with the Al-Shabaab problem. (Former pay agent, Mandera).

The agents who dropped out due to business disruption felt that it was not worth their while staying in the programme regardless of Equity Bank intervention. Two agents we spoke to had remained as Equity Bank agents, but solely for non-HSNP business. The challenge is that the more agents leave HSNP because of overcrowding, the busier the remaining agents' shops become, worsening the problem. The activation of agents who are waiting to start the programme (see below) will relieve the pressure on existing agents and may reduce attrition.

It is not clear that there is a routine process by which Equity Bank centrally is notified of agents who have handed back their point-of-sale (POS) machines, in order for their names to be removed from the list. The introduction of such a process might assist Equity Bank in Nairobi in maintaining up-to-

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<sup>3</sup> It should be mentioned, however, that the teams were not able to reach agents in areas where there was no mobile network or those without contact details on the database.

date records. The final notification might usefully distinguish between agents who are willing to be contacted again in the event of significant changes to the programme that might affect their willingness to participate—such as the increased commission that was introduced in 2015—and those who wish to have no further involvement at all, such as the agent who said, 'I'd have loved it if you came here to assist me to completely leave the programme. I do not wish to appear on [Equity Bank's] list again'.

## Experiences of pay agents who have temporarily stopped making payments

The teams also found several pay agents not making payments during this payment cycle. The main reason for this temporary stall in payment was POS machine breakdown. Out of the 10 pay agents who had temporarily stalled and who were interviewed in the field during this monitoring round by our research team, eight had suspended their involvement due to machine breakdown, one was under investigation for agent malpractice, and one had an administrative issue<sup>4</sup>.

POS machine breakdown has been an issue over the recent cycles. It is natural that from time to time electronic devices may malfunction: problems cited include the machine not switching on, not reading smart cards or not being able to issue receipts. For several of the interviewed agents their current breakdown was the first since enrolling on the programme, sometimes after a period of several years. The operational challenge for HSNP is therefore not so much the fact that the machines break down at all—which does not seem excessively frequent for a piece of electronic hardware—but rather to ensure that on the occasions when a machine does break down it can be fixed reasonably smoothly. Equity Bank report having standard procedures guiding them on how to deal with broken machines:

When an agent notices malfunctions in his POS, he/she can post that on WhatsApp group then I can be able to see from my side, if it is something I can be able to sort by giving instruction. If it cannot work then I advise the agent to bring the POS to Equity Bank, then I send it to Nairobi via Echo flight, I follow up with the technician in Nairobi till they are sent back. It takes 2 to 4 weeks for a POS to be returned. (Equity Bank supervisor, Mandera).

For some agents this schedule appears to be met, since many of the agents who reported having a broken machine said that the problem had arisen only within the last month. However, for others it can take several months to get a replacement as per our observations in the field. Occasionally it seems that agents have fallen off the radar: one said his had broken two years ago and that, 'this year, I've contacted them a number of times and am still being told to wait, yet I'm waiting long'. Our researchers have verified that, at least in some branches, spare machines do exist. If these are not sent out it may be due to logistical issues: Equity Bank has to coordinate its supervisory visits well and make sure it is doing multiple tasks to utilise its resources efficiently, so their staff may not be in a position to travel, say, 150 km or more to deliver one machine if it requires someone to physically hand it over. The delay can also be on the side of the agent for the same reason, as the process outlined by Equity Bank above requires the agent to travel to the bank to hand in the faulty machine. This can be a disincentive for pay agents in remote locations:

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<sup>4</sup> He was waiting for the registration of the machine to be transferred from another family member to himself since his relative had moved away from the county but was still being credited with the commission.

I haven't taken it for repair. The bank is far but I'll take it once I get time. (Pay agent, rural Marsabit).

Agents generally do not raise their concerns with the National Drought Management Authority (NDMA) or any other stakeholder but Equity Bank, which is in line with what is to be expected since they are contracted by Equity Bank and the NDMA is not in a position to resolve issues with banking infrastructure. They still consider themselves as active agents and are hopeful to resume payments once their issues are resolved. It should be mentioned, however, that beneficiaries, especially in areas relying on a sole pay agent, are at a disadvantage as they may incur additional transport costs to travel to alternative pay agents.

## Pay agents who have yet to start making payments

Across all counties there are several dozen agents who have applied to work with the HSNP and either have never heard the outcome of their application, or have been approved but have not received machines to start payments. There is some resentment from pay agents who do not understand why they have been left out of the process. Of the 14 agents interviewed in the field this round who were waiting to start their participation in the programme, 10 had been waiting over a year—and up to four years. One noted,

The process has taken longer than expected - I thought it was something which will take like two to three weeks (Prospective pay agent).

The fact that these agents are counted by Equity Bank / FSD as being 'active' suggests that the communication that they are still waiting for something may have been overlooked. In contrast to the agents who had begun participating in HSNP but temporarily stopped, and who commonly followed up with Equity Bank, those who had never started making payments tended not to chase. Few had made enquiries with Equity Bank and none had contacted HSNP; instead they assumed that their services were probably not needed.

They promised to call me but this did not happen. (Prospective pay agent)

I just applied and left the documents with the operations. They have never come back to me again. I think they opted for someone else. (Prospective pay agent)

A few, especially in Wajir and Mandera, were aware of the stage of their application and some could cite a specific hold-up, such as waiting to receive the supporting infrastructure eg. the solar panel. In one county some prospective pay agents mentioned having been requested to pay a token, failure of which had led to their applications being stalled. Agents in Marsabit were less clear about the cause of any delay. Some had now lost interest and said it was no longer a priority, but others were still very keen.

Equity Bank may be able to encourage some of its existing commercial agents—who conduct non-HSNP business—onto the HSNP by providing more information about the process:

I deal with normal Equity Bank customers but not those on the programme. I have been logging for Equity to incorporate me into this programme as an agent but this has never happened ... I have no idea how to go about this. (Pay agent, Marsabit, listed by Equity Bank as an HSNP agent).

## Equity Bank's perspective on pay agent activity

### Recruitment and retention of pay agents

The experience of recruiting and retaining pay agents differs across the four counties. In Wajir and Turkana, the stakeholders maintain that the number of pay agents is increasing over time. The HSNP managers interviewed confirm that they have not been involved in approaching Equity Bank to address problems about recruitment of agents: one respondent noted that, 'We need more [agents], but the bank has been trying'. The Equity Bank agent supervisors here report that they no longer need to go round convincing traders to join the programme. Pay agents have realised that they can use equipment such as the solar panels to offer mobile charging services which can boost business. In both counties, however, there is a marked difference in the attractiveness of the programme between urban centres and rural areas or those prone to insecurity:

In towns and areas with network we get agents easily, while conflict areas like Wajir North, Gerille and Konton are much harder to get pay agents or have higher pay agent dropout. The VSAT [satellite system] is set up and the next day it's destroyed because of insecurity. (Equity Bank officer, Wajir).

Agents in town find it easier to operate because the bank is near and they can withdraw. The agents which are far find it hard to operate because of lack of cash and the distance. (Equity Bank officer, Turkana).

In Mandera, the bank has succeeded in increasing the total number of pay agents on its books—it reports an increase from 25 in Phase 1 of HSNP, to 84 now—though several are known to skip cycles, especially those far from the bank branches. Issues of security and long distances to collect cash are the main reasons for this, leaving the Equity Bank supervisor to have to market the programme to traders often. The challenges identified in Wajir and Turkana are even more prevalent in Mandera:

Almost all the agents have similar harsh conditions because even those in town are worried about the security; those in rural [areas] are worried about both security and the logistics of picking the money up from the bank. (Equity Bank officer, Mandera).

The HSNP manager in Mandera reports having worked with the PILU in Nairobi, in concert with Equity Bank, to encourage the recruitment of new agents.

The situation in Marsabit, as reported by both Equity Bank and HSNP, is very different. The number of agents is reported to be both insufficient and declining:

Generally the pay agents are not very many. There is no area we can say that we do have enough agents ... In some areas the beneficiaries are forced to travel for long distances to go and collect money. The rate of drop out is rather high ... The number of agents are reducing. (HSNP programme officer, Moyale).

In Marsabit, the main reason for inactivity is competing commercial priorities, and a constant theme of excessive overcrowding: pay agents find it more lucrative to run their own business without the hustle of the large HSNP crowds.



When they look at what the business is bringing in and compare this with handling of large crowds and what they get out of it, then they prefer just handling their business only. In the beginning applications were coming in large number uniformly across all the areas but nowadays very few agents join the programmes ... They consider these crowds a threat to their business. (Equity Bank officer, Marsabit).

Programme implementers confirm that this is leading to a vicious cycle whereby the dropout of agents increases the pressure on others; those then remaining in the programme complain about the long queues of beneficiaries, the obligation to withdraw huge sums of money, and insufficient compensation for their inconvenience. It is reported that this has been raised as a concern between Equity Bank, HSNP and PILU. It is not yet clear that a resolution has been found.

### Information on pay agent activity

Equity Bank branches know how many agents they have and report being up to date with pay agent status information. An agency cash transaction report is run daily and shared between Equity Bank headquarters and the branches. The branches therefore know the number of agents that have conducted transactions each day, but this information does not distinguish between pure commercial agents and those who also do HSNP transactions. In two branches the Equity Bank officers were able to state the number of agents who were mostly inactive for personal reasons, a lack of liquidity or broken equipment. One officer described these as 'dormant agents' and noted that, 'We consider the dormant ones as still our members and hence do not withdraw our machines'.

According to the Equity Bank branches, their agent supervisors keep track of agent activity and follow up when they notice agent inactivity. Our field researchers were not able to identify any instances where agents said they had been proactively contacted by Equity Bank in this way, but certainly, as noted above, there seems to be contact between the bank and agents who have temporarily stopped operating. In Turkana it was not apparent that Equity Bank was aware there were agents listed as being active in that county who had never started working with HSNP; it may be that they do not consider these to be inactive. The list of pay agents is normally shared at the national level through FSD as per protocol, although on a case by case basis the county technical working groups are given a summary of the number of active agents.

### Conclusion

The majority of agents who have signed up to support HSNP recipients are still involved in the programme. Equity Bank could increase the number of active agents by reviewing and finishing the applications of the agents who signed up years ago and have never been set up, even though they are on Equity Bank's list. Alternatively, if it has concluded that some of these applicants are not suitable for the programme, it should inform those applicants and strike their names off their list of 'active' agents in order to maximise the accuracy of the number of agents accessible to HSNP recipients.

Intuitively it is logical that if the job of being a pay agent for HSNP might become less attractive as the overall number of pay agents increases. However, we see that there is a trade-off. With particularly low numbers, such as in Marsabit, the opposite appears to be true: increasing the number of agents would improve the attractiveness of the programme because this minimises the disruption posed by overcrowding. HSNP should recognise that there is likely to remain a concentration of agents in secure urban areas, where agents find it convenient to operate, though this may not match the convenience of recipients.

## Research methods

OPM field teams and RGA team supervisors conducted interviews, both in the field and via mobile phone, between 28 July and 2 August 2016 with 239 reachable pay agents across all the sub counties. The team also interviewed HSNP programme managers and HSNP representatives at an Equity Bank branch in each county.

**Table 3 Summary of fieldwork, July 2016**

Stakeholder	Turkana	Marsabit	Mandera	Wajir	TOTAL
Pay agents	59	66	76	38	239
Equity HSNP representative	1	1	1	1	4
HSNP programme managers	2	1	1	1	5
<b>Total interviews</b>	<b>62</b>	<b>68</b>	<b>78</b>	<b>40</b>	<b>248</b>

Source: OPM / RGA. Note: Most of the pay agents contacted were reached by mobile phone.