

SOCIAL PROTECTION AND JOBS

2019 CORE COURSES

OCT. 28–NOV. 8 | WASHINGTON DC



Payment Mechanisms, Experiences & Tools

Luz S. Rodriguez, SPJ – World Bank
A. Veronica Lopez, SPJ – World Bank
Nilima Chhabilal Ramteke, FCI – World Bank
John Gachigi – Government of Kenya
Amr Moubarak, SPJ – World Bank
Ioana Botea, SPJ – World Bank
Silvia Baur-Yazbek - CGAP

October 30th, 2019

Social Safety Nets and Delivery Course



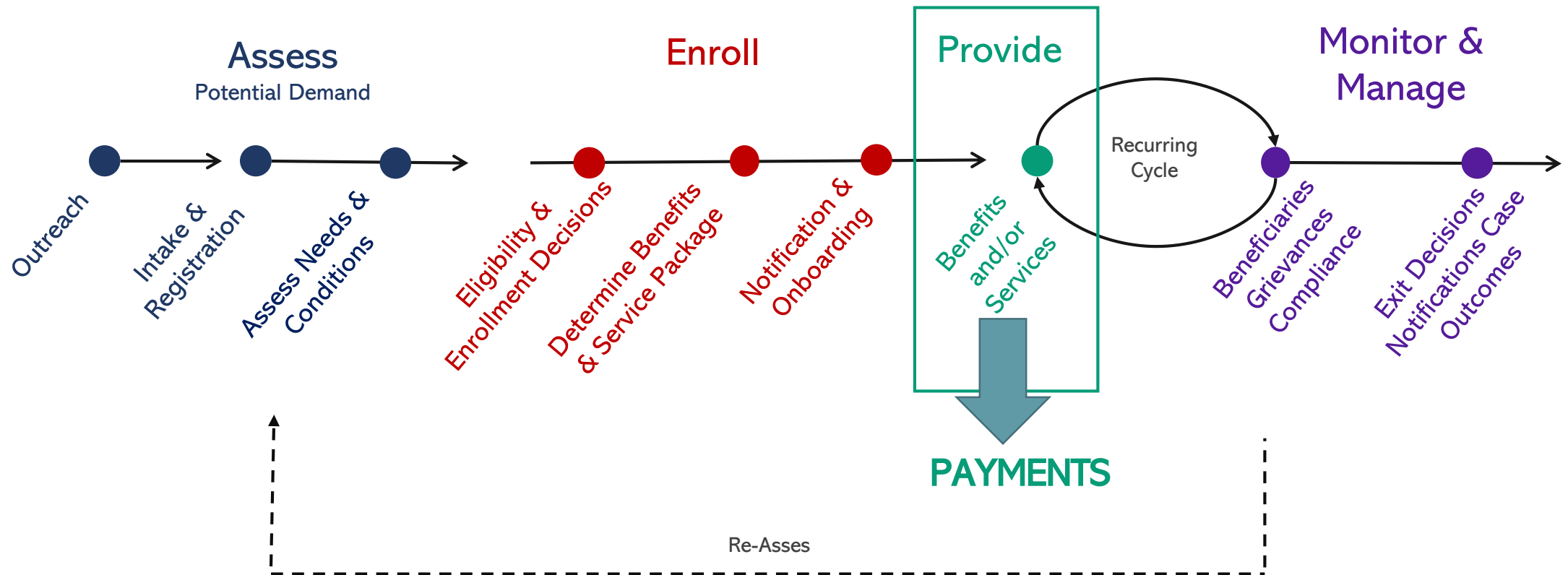
Introduction & Trends

Luz Stella Rodriguez

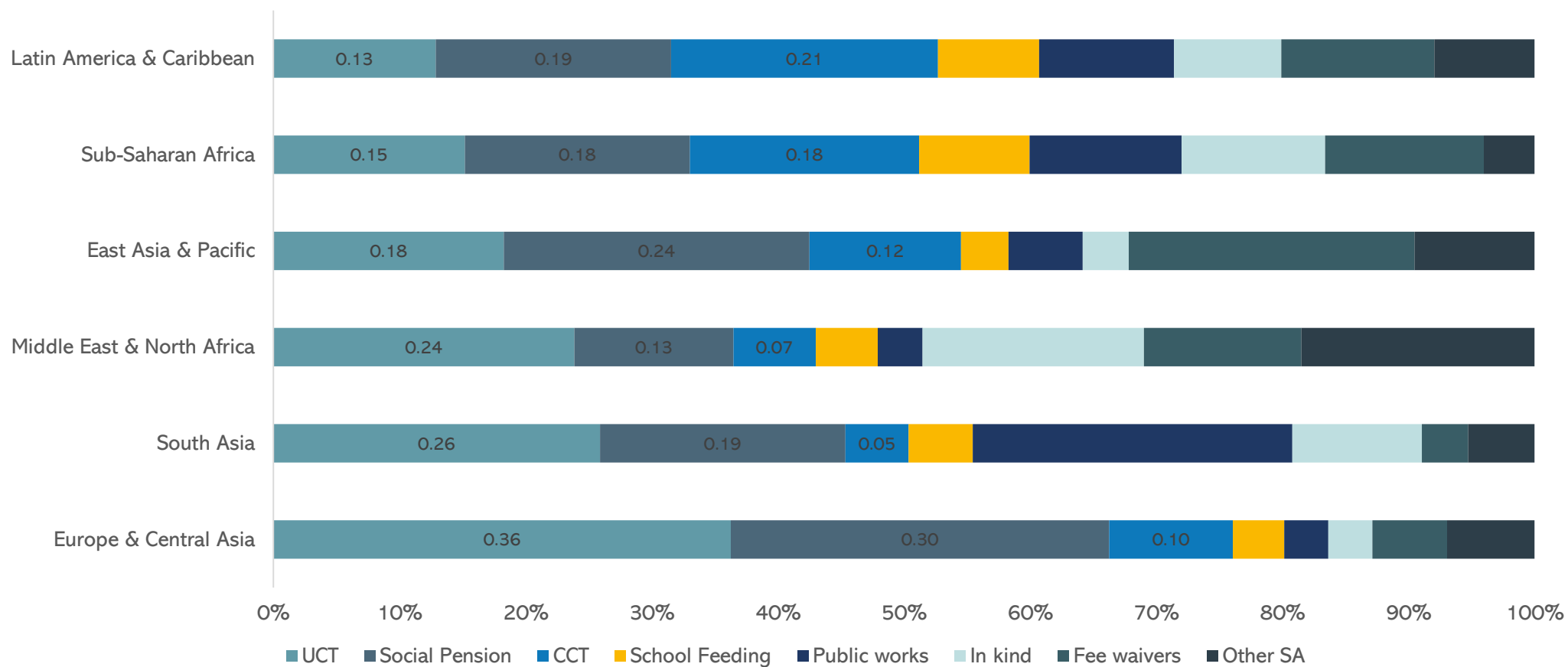
A. Veronica Lopez

Social Safety Nets Core Course 2019

Role of Payments in Social Protection



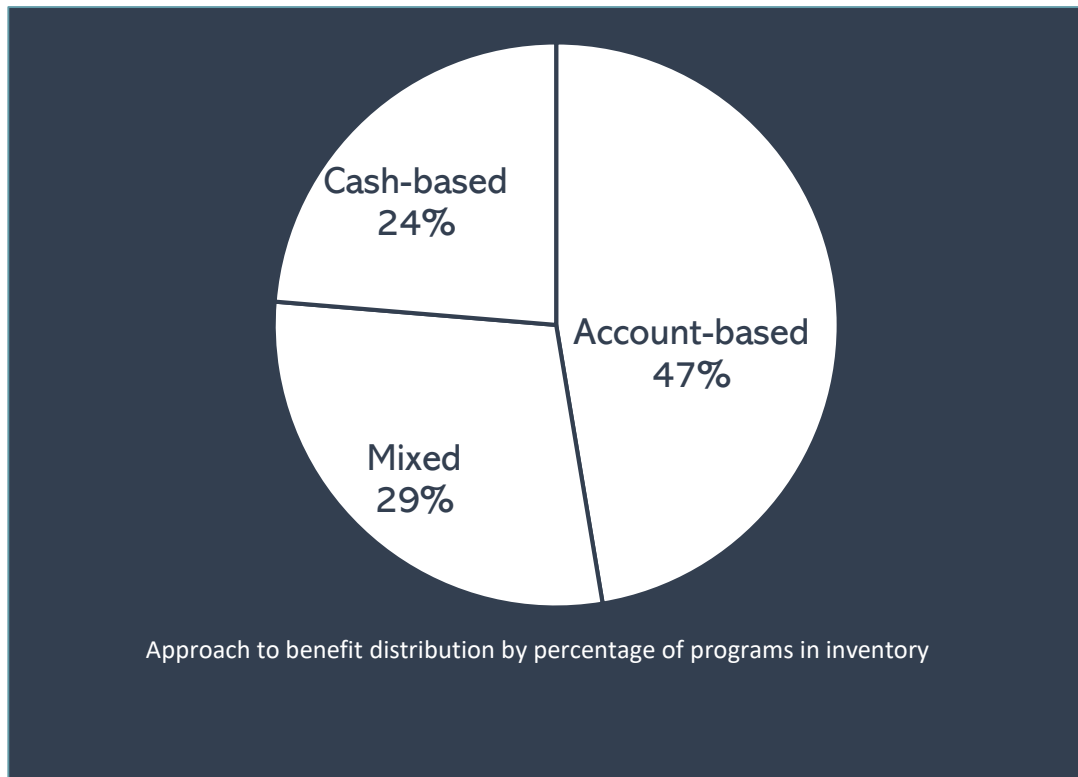
Payments are a key component of SP programs



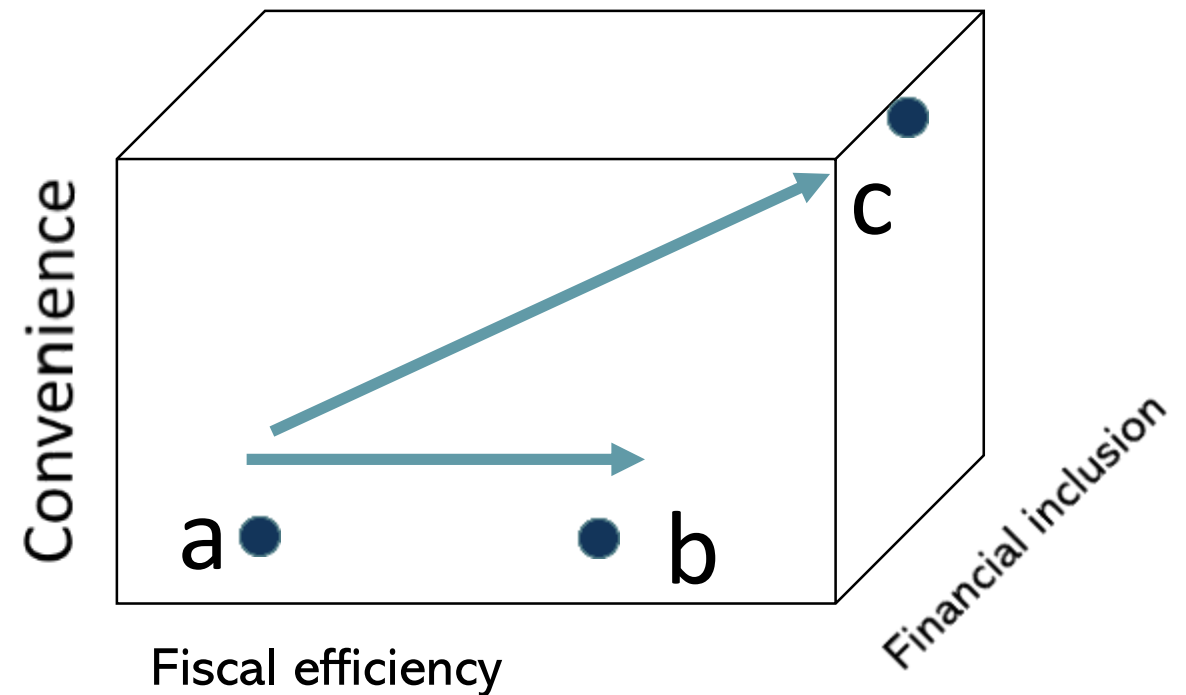
Globally, more than half of social assistance programs are delivered as monetary transfers/cash benefits

Despite the volume of G2P, still payments to the vulnerable populations are not fully digital

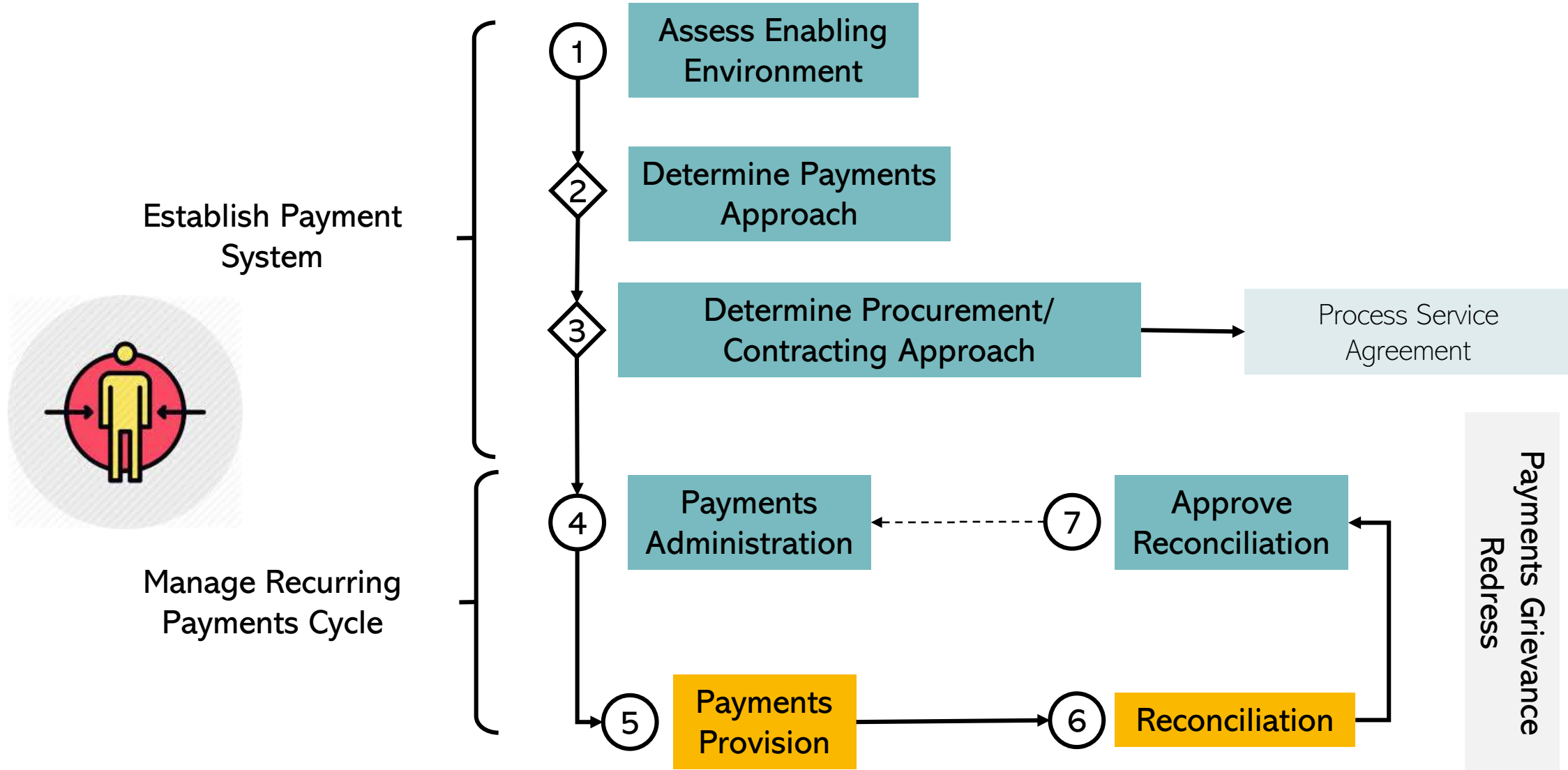
Social protection programs have been digitizing their payments



And now is time to shift the paradigm



It is crucial to understand payments design, administration and provision



1

Assess Enabling Environment

- i. Institutional Arrangements
- ii. Finance & Banking Regulatory Framework
- iii. Payments Provision Coverage
- iv. Mobile & Broadband Infrastructure
- v. ID (KYC)
- vi. Payment Systems (interoperability)

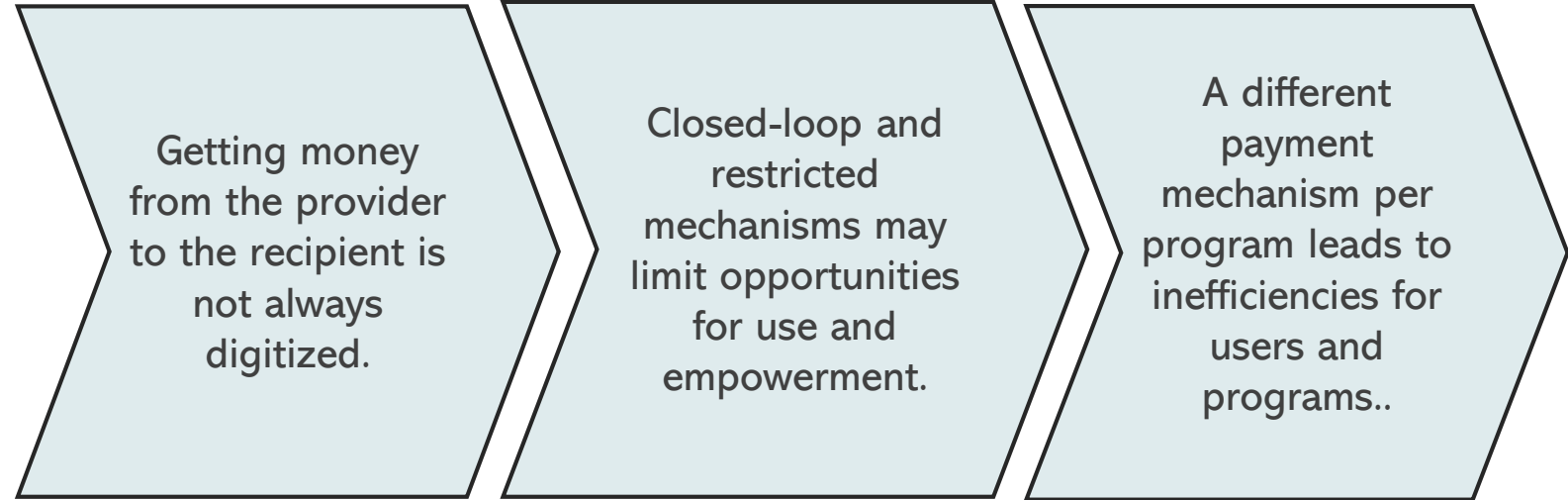
2

Determine Payments Approach

G2P payment is
digitized...



...**t**he government-
provider transfer
is digitized...

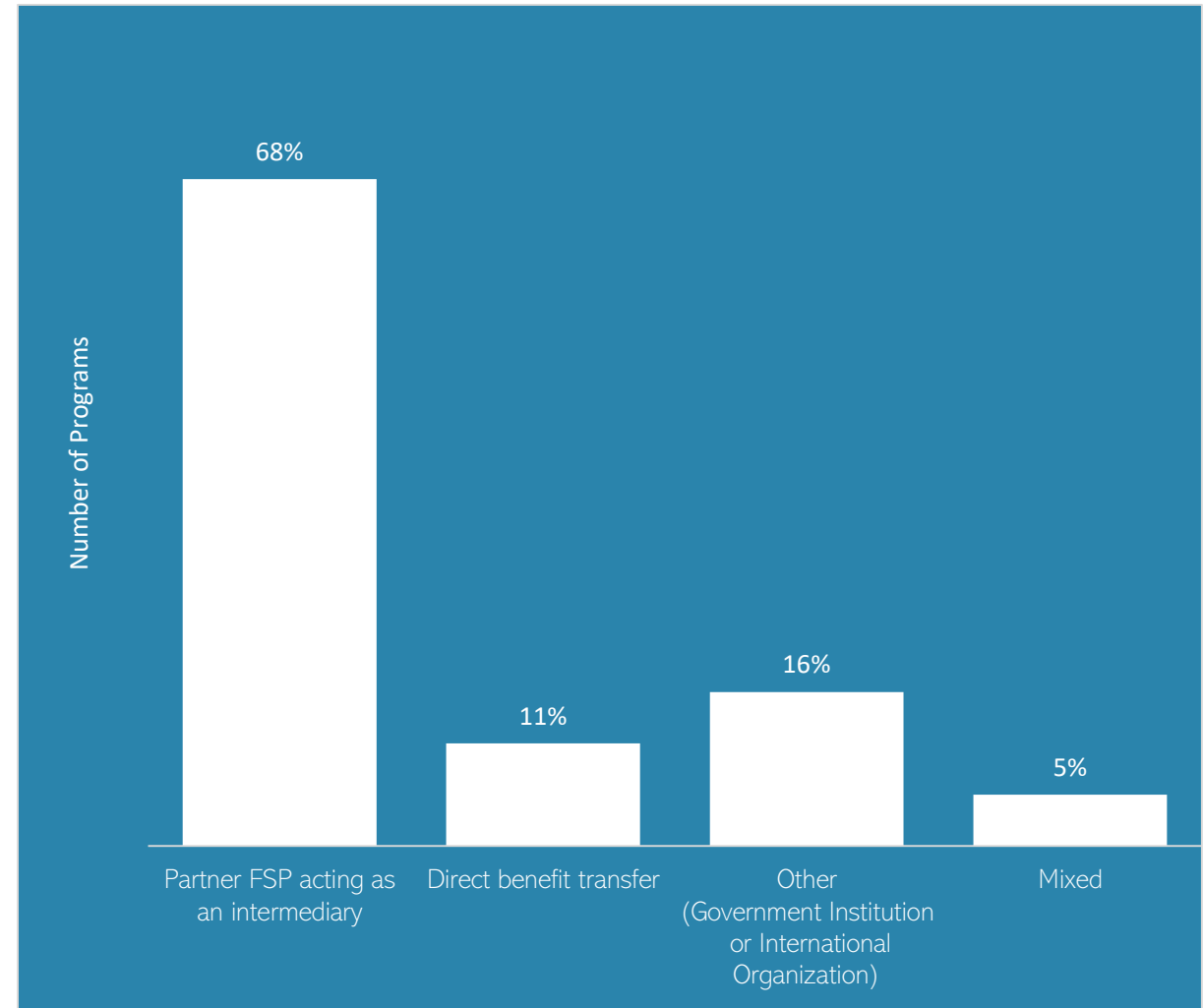


...**b**ut due to a variety of legal and infrastructure challenges, recipient still receives cash and may spend significant time and/or money to access funds.

2

Determine Payments Approach

- **Direct benefit transfer:** Benefit is transferred to bank accounts, mobile wallets, or any other transaction account of a recipient.
- **Through a Financial Service Provider (FSP) as intermediary:** Benefits are distributed over the counter (OTC) to recipients in cash or near cash.
- **In-House:** Benefits are distributed to recipients by ministry agents in the form of cash or electronic

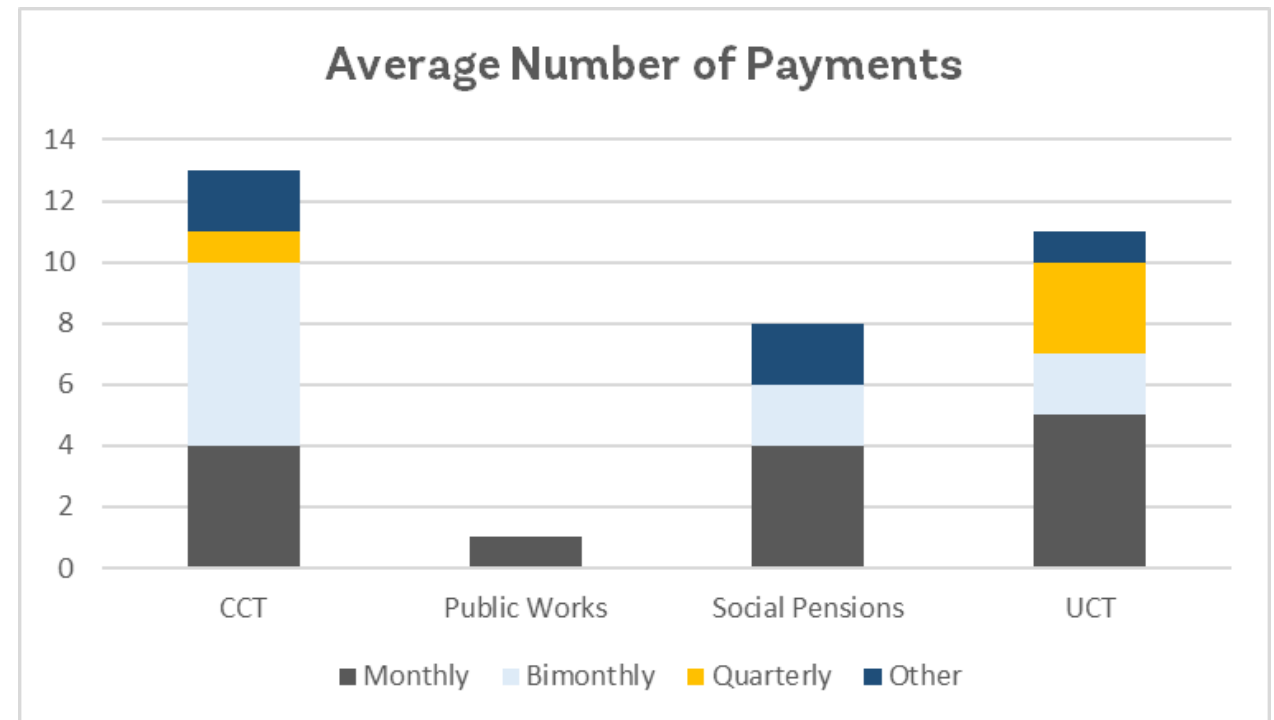


2

Determine Payments Approach

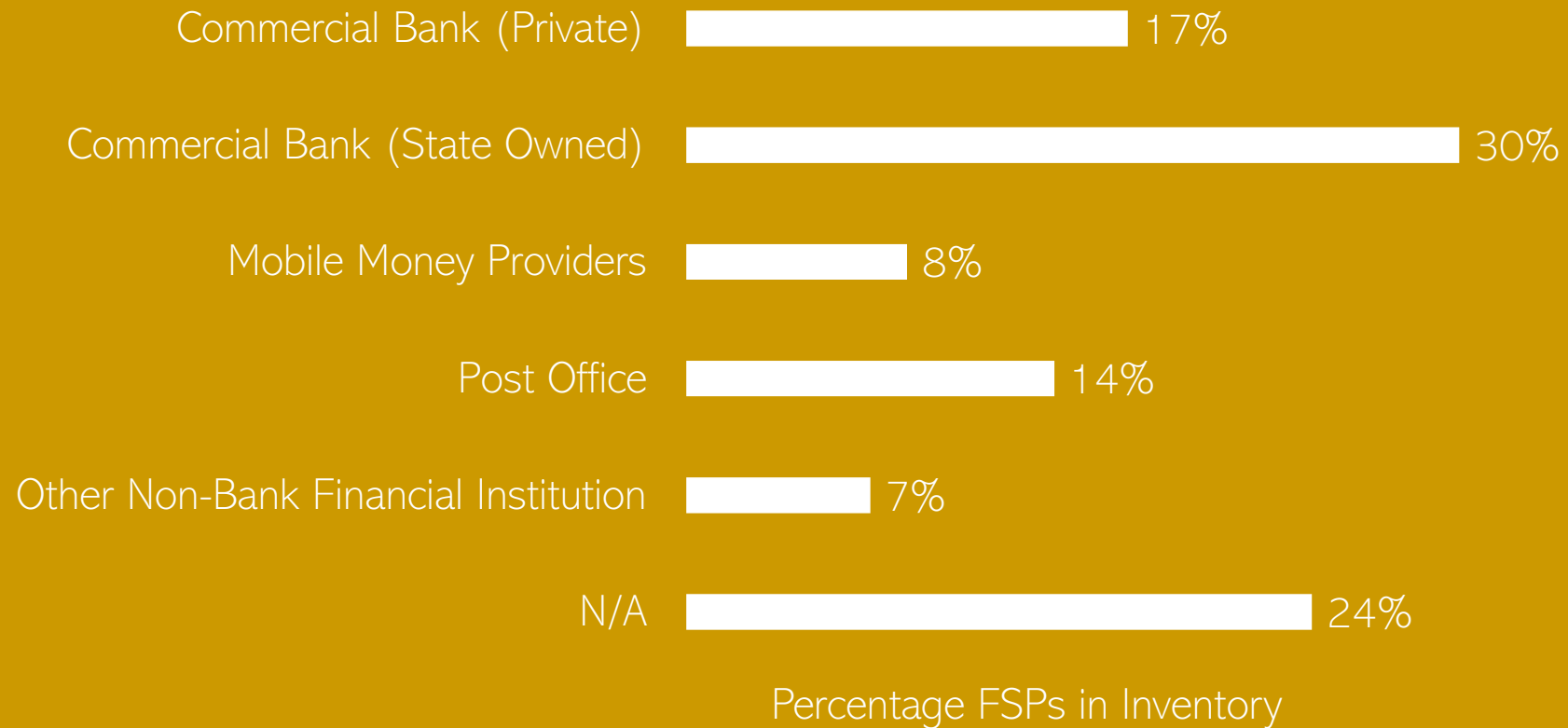
Frequency of SA payments varies per type of program and evolves with time

Country	Program	2009	2019
Brazil	Bolsa Familia	Monthly	Monthly
Chile	Subsidio Unico Familiar	Monthly	Monthly
China	Minimum Livelihood Guarantee	Monthly	Monthly
Colombia	Familias en Accion	Bi-monthly	Bi-monthly
Dominican Republic	Solidaridad	Bi-monthly	Monthly ↓
India	NREGA	Monthly	Bi-weekly ↓
Jamaica	PATH	Bi-monthly	Bi-monthly
Mexico*	Prospera	Bi-monthly	Bi-monthly
Pakistan	BISP	Monthly	Quarterly ↑
Peru	Juntos	Monthly	Bi-monthly ↑
Philippines	4P	Monthly	Bi-monthly ↑
Zambia	Social Cash Transfer Scheme	Monthly	Bi-monthly ↑









3

Determine Procurement or Contracting Approach









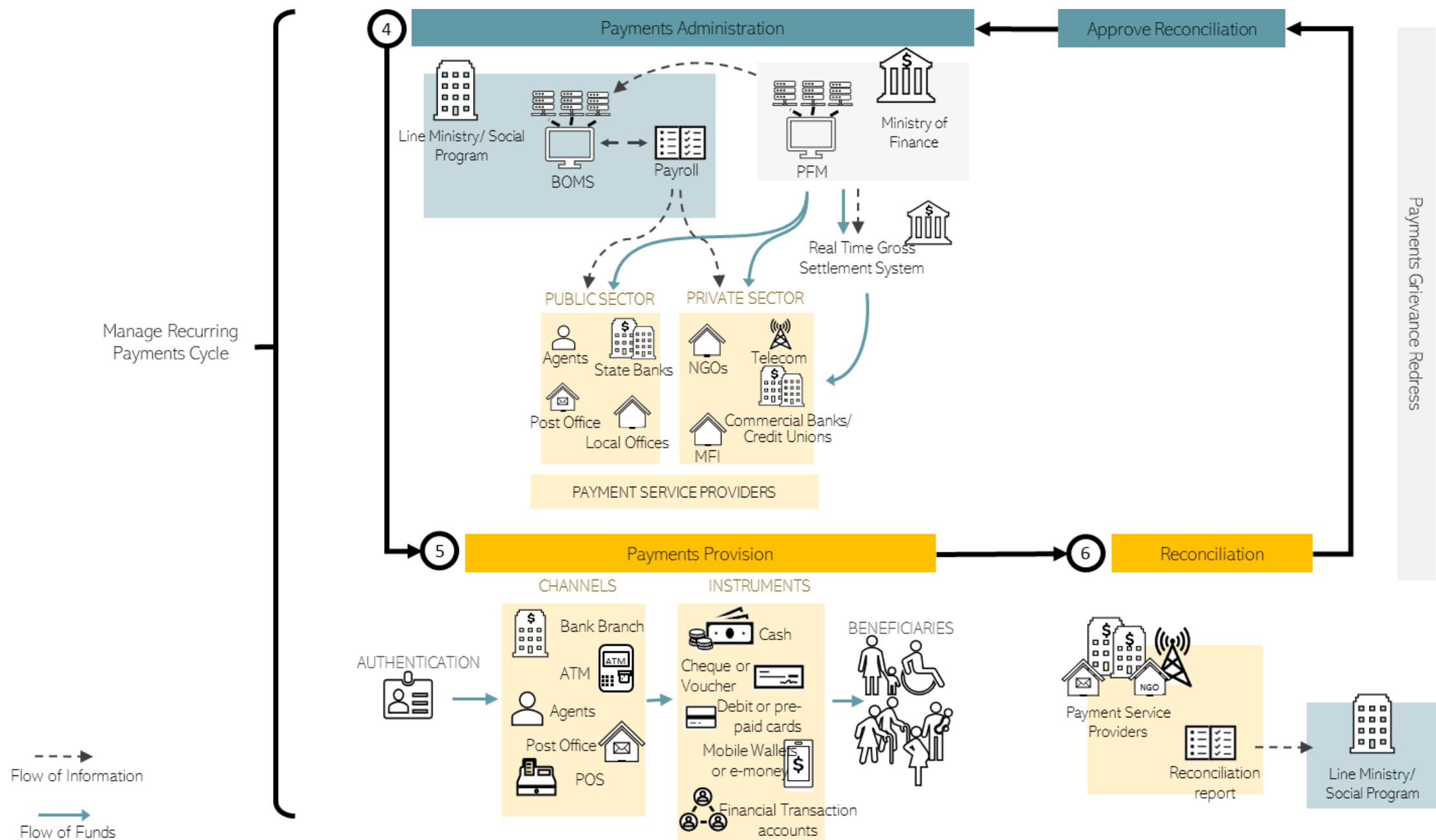
Countries offer more than one payment service modality

Jamaica - PATH

3 Payment Service Providers	3 Payment Instruments	Cost per Transfer	Volume per Transfer
 Jamaica Post	 Cheque	US\$ 0.39	81% of transfers
 National Commercial Bank of Jamaica	 ATM Card	US\$ 0.08	14% of transfers
 PayMaster or Grace Kennedy Bill Express	 In cash via Remittance Services Agents	US\$ 0.75	5% of transfers

Pakistan - BISP

7 Payment Service Providers	3 Payment Instruments	Cost per Transfer	Volume per Transfer
 Pakistan Post	 Cheque	US\$ 0.30	1% of transfers
 6 Commercial Banks	 ATM Card	US\$ 0.28	38% of transfers
 6 Commercial Banks	 Biometric	US\$ 0.28	61% of transfers



A photograph of a diverse group of women, likely from South Asia, gathered together. Many of the women are wearing colorful headscarves and traditional jewelry. Several women are holding and looking at their mobile phones. The word "Ecosystem" is overlaid in a large, white, outlined font across the center of the image.

Ecosystem

Social Safety Nets Core Course 2019

The relevance of the financial ecosystem



Nilima Ramteke
Payment Systems Development Group

For financial inclusion and WEE, digitization must come with account + usage.

Financial inclusion and women's economic empowerment require, at minimum, an account in the **recipient's own name** – to create financial history and access.



A regulated account in one's own name....



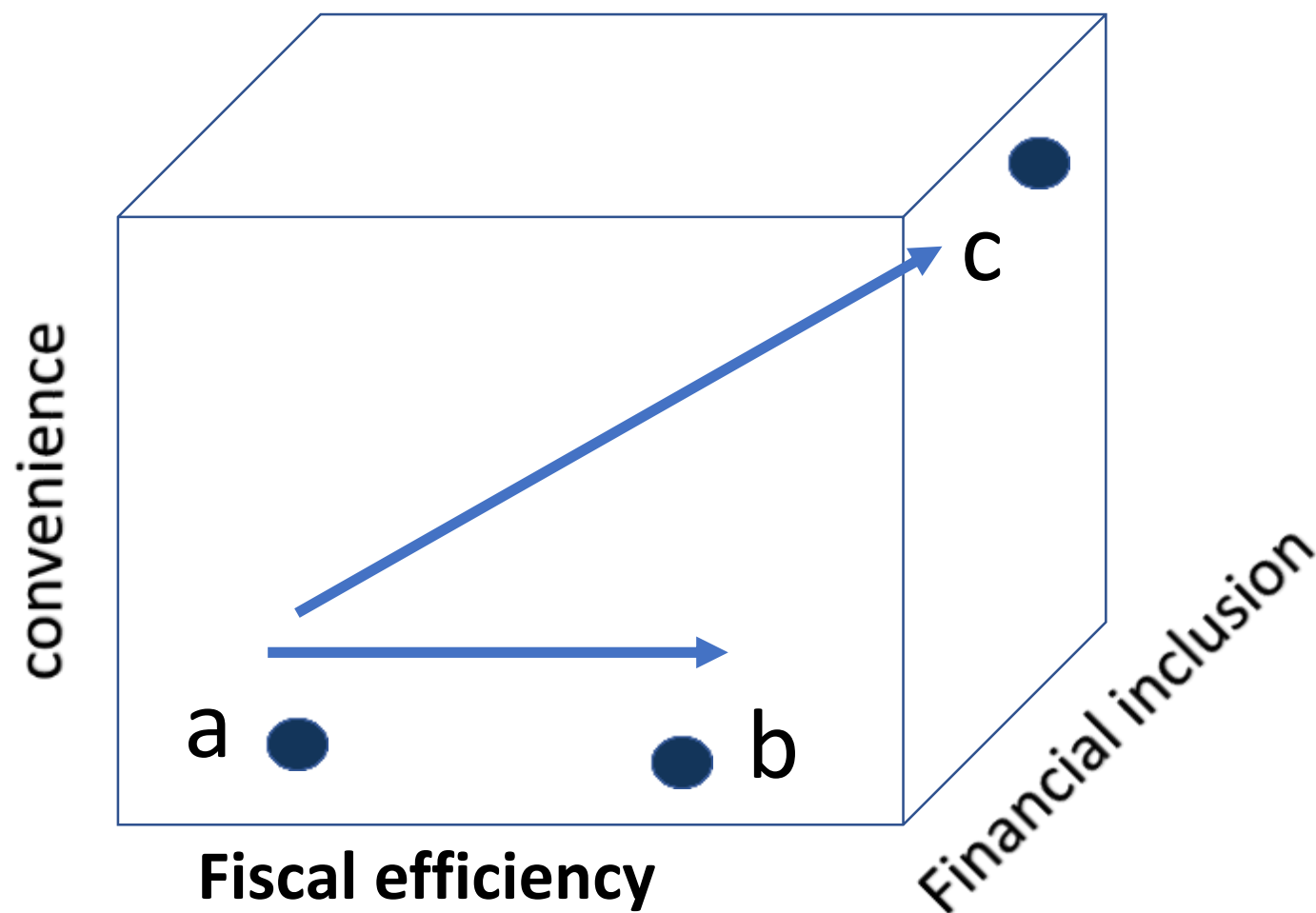
...allows for day-to-day transactions (bill payments, P2P, etc.), which generates a transaction history...



...setting the stage for access to savings, loans, and insurance when needed.

G2P payments which are **Digitized**, **Directed** to an account, and **Designed** for women provide a **foundation for women's economic empowerment** by improving access to income and assets, and ensure that women benefit from economic gains.*

The objective is to...



Ultimately, we want to move from an emphasis on fiscal management moving from (a) to (b) to and emphasis on low cost, convenient and financially inclusive G2P payments (c)

Identifying the authorities and role the authorities play

Financial sector regulators;
Regulations pertaining to payment
services in their responsibilities

- Usually the central bank/ monetary authority; normally also tasked with the responsibility of payment systems

The Treasury and line ministries
with the responsibility of
Government payment

- line ministries (collect taxes, fees, etc.)
- Ministry tasked with social benefits/ financial inclusion

Other stake holders

- Banks/ non-banks – reach and access
- NGOs

To do so, we need to identify barriers.

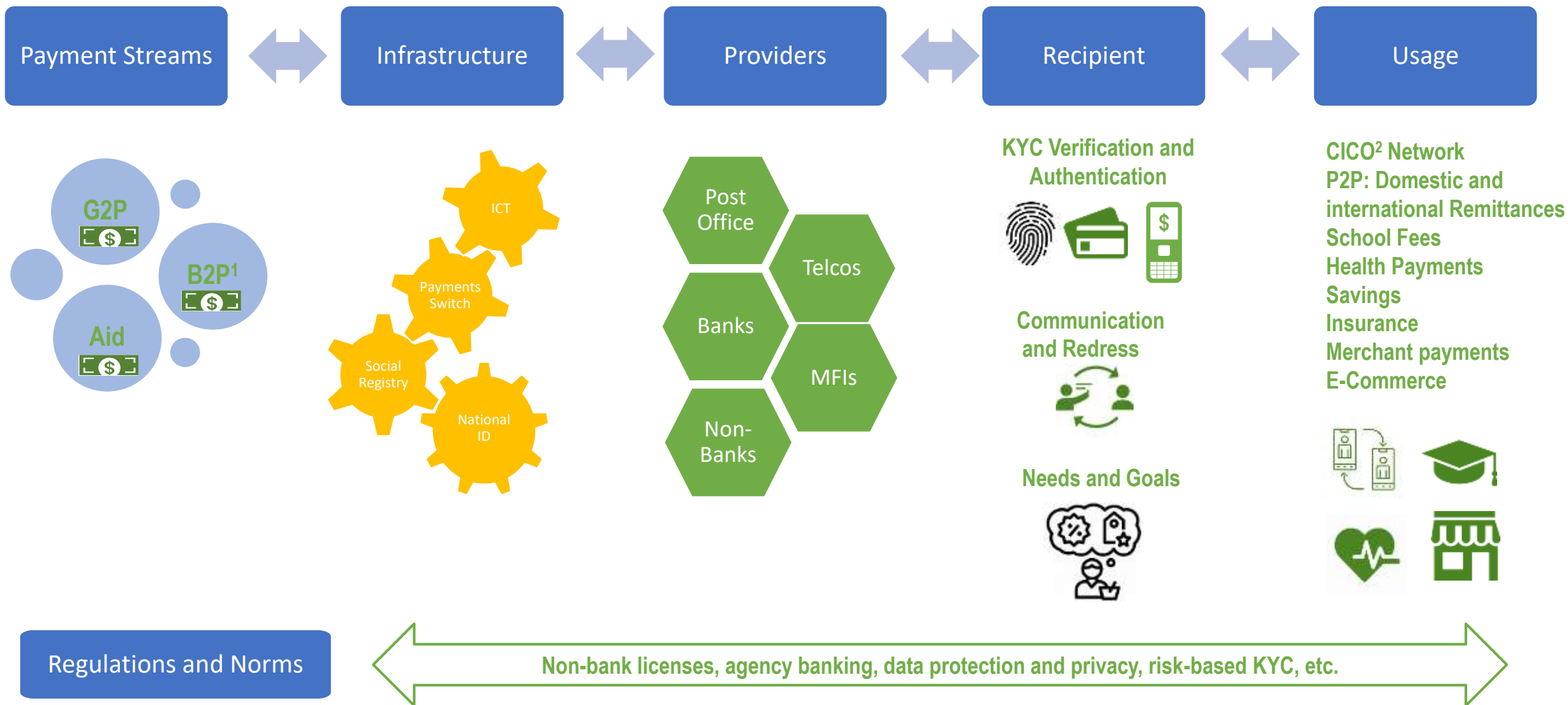
We know that its possible to reduce the cost of G2P payments for recipients and to increase financial inclusion through digital payments, so why isn't it being done this way?

- Lack of coordination across government, G2P vision
- Financial inclusion and women's economic empowerment are not stated objectives for Government
- Legal and regulatory constraints
- Infrastructure constraints
- Lack of clarity on who should pay to address ecosystem constraints (government, private sector, state-owned banks?)
- Internal resistance, potentially from middle management who may be benefitting from the status quo.

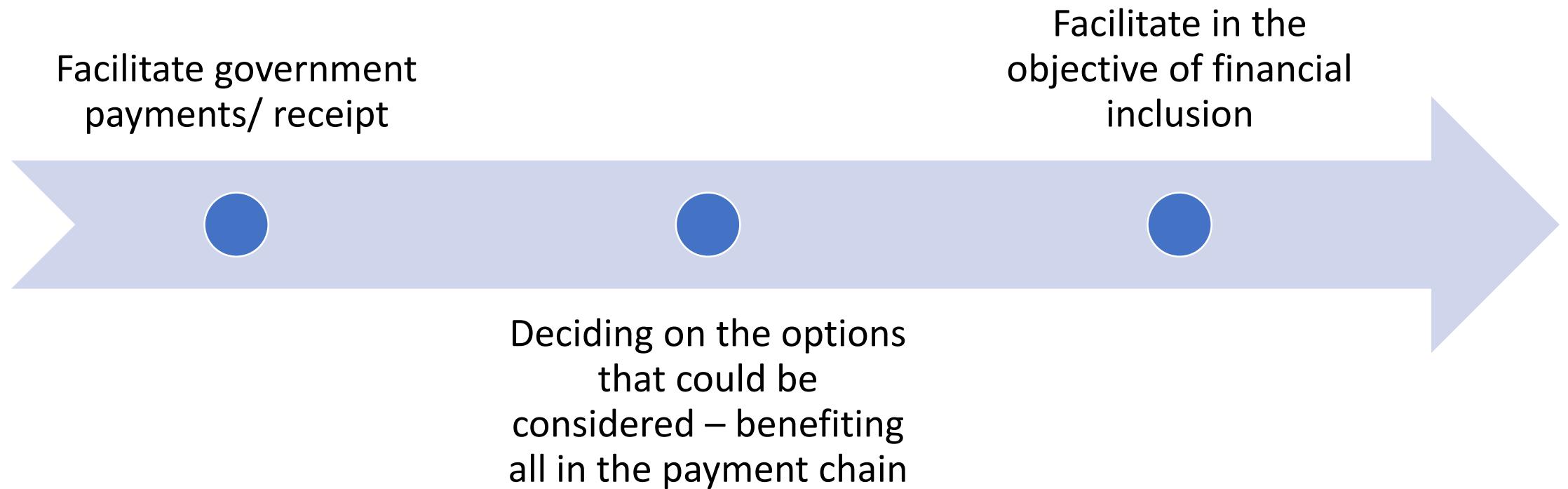
...and enhance collaboration with those who can address these barrier.

Enabling laws and regulations	Infrastructure	Program design
Foundation (non-payments)		
<ul style="list-style-type: none"> • National ID • Data protection • Cyber security • Telecom 	<ul style="list-style-type: none"> • Telecom density • Connectivity • Identification and authentication • Power network 	<ul style="list-style-type: none"> • Registration • Eligibility determination • Awareness • Redressal
Payment System		
<ul style="list-style-type: none"> • Bank/ non-bank PSPs • KYC requirements • Basic/ tiered accounts • Interoperability of touch points (POS, ATMs, agents) 	<ul style="list-style-type: none"> • Availability of payment systems and access points • Population with an account • Single treasury a/c (Govt.) • Interoperable PS (e.g. infrastructure like NPCI) 	<ul style="list-style-type: none"> • Frequency of payments • Authentication methods • DBT into account • Payment modalities
<ul style="list-style-type: none"> • In order to move towards the optimal arrangement <ul style="list-style-type: none"> • collaborate across multiple areas including infrastructure providers • high level government commitment and support 		

Overcoming challenges requires placing G2P in broader digital financial ecosystem



Why SP should know on the overall payment eco system?



And aspire to

Leverage on the payment services
already in the market

Not worry about contracting services

Thank you

nramteke@worldbank.org

www.worldbank.org/paymentsystems



Country cases

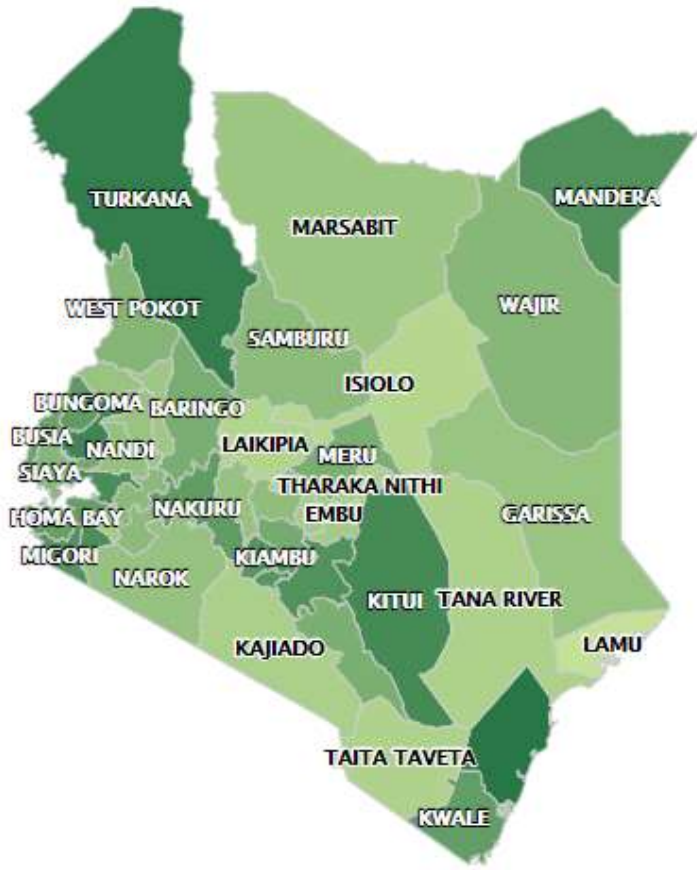
Social Safety Nets Core Course 2019

Payment Solution Model for Cash Transfer Program in Kenya

John Gachigi, BA, MA, HSC
Head, Social Assistance Unit



Background Information



- **Population (2017 estimate): 46.6 Million**
- **36.1%** living below the overall poverty line
- **32.0%** living below the food poverty line
- **8.6%** experiencing hardcore / extreme poverty

Objectives of Cash Transfer Program

- To provide regular and predictable cash transfers to poor and vulnerable households
- To build households capacity to live a life of dignity and exploit their human potential
- To provide households in income security

Inua Jamii Cash Transfer Programs in Kenya



- Funded 100% by government, with technical support from WB and DP
- Targeted for poor and vulnerable households
- Universal pension program for 70+
- Coverage is **1.33 million HHs**
- Annual budget is **320 million USD**

Rationale of Account Based Payment Systems

Based on principles
of choice,
flexibility, access,
affordability and
financial inclusion.

Ensure the
designated benefits
get to the entitled
beneficiaries on
time

Utilization of two-
factor
authentication
process in
identifying
beneficiaries for
enhanced security

Proximity of
payments to their
locations, ability
to save and
withdraw from
several outlets

Evolution of Cash Transfers Payment Systems in Kenya

2007-2010
Field Officer
Deliver CT

2010 – 2012
Postal
Corporation

2012 – 2017
Virtual Bank
Account –
Card Based

2018 – to-
date Full
Bank
Account –
Choice of
Multiple
PSP



Multiple Payment Service Providers (Banks)



**Inua
jamii**



**Inua
Jamii**



**Inua
jamii**



**Inua
jamii**



Contract Management

- Three year contracts based on performance
- Competitive based on accounts opened
- Negotiated standard pricing, agreed **standard charges** such as
 - No monthly fees,
 - Two free withdrawals per cycle,
 - Free first debit card and mobile banking enabled
 - Bio enabled debit card
- Harmonized exit and entry dates

Service Level Agreements

- Beneficiary is treatment with dignity
- Maximum travel distance to pay points for beneficiaries reduced
- Free 1st debit card
- Agents set up
- Reduced Que time
- Complaints and dispute resolution mechanism established



Benefits and Improved Service Delivery

Government	Beneficiaries	PSPs
<ul style="list-style-type: none">• Cost efficiencies	<ul style="list-style-type: none">• Choice	<ul style="list-style-type: none">• New business opportunity
<ul style="list-style-type: none">• Economies of scale	<ul style="list-style-type: none">• Once in a year to switch PSP	<ul style="list-style-type: none">• Agent outlets
<ul style="list-style-type: none">• Digitizing govt payments	<ul style="list-style-type: none">• Improved proximity	<ul style="list-style-type: none">• Deepening financial access
<ul style="list-style-type: none">• Enhancing Inclusion	<ul style="list-style-type: none">• Free account	<ul style="list-style-type: none">• Partnership with Government
<ul style="list-style-type: none">• Competition	<ul style="list-style-type: none">• Savings	<ul style="list-style-type: none">• Service to community
<ul style="list-style-type: none">• Consolidation & harmonization	<ul style="list-style-type: none">• Access to mobile banking	
<ul style="list-style-type: none">• Single Procurement	<ul style="list-style-type: none">• Continuous payments	

Critical Success Factors

- Communication, sensitization and training at beneficiary level
- Mobilization of beneficiaries as per account opening plan
- Setting biometric standards in Kenya
- Opportunity for beneficiaries to switch service provider once in a year
- Interoperability at biometrics level at all pay points within 18 months



Successful Milestones

- Digitalization of payment solutions
- Timely achievements of payment model DLIs – 90%
- Cleaning of payroll to eradicate deceased beneficiaries through proof of live and bios
- Real time reconciliation on credits and payments
- Savings value through bank accounts leading to productive investment



ASANTENI SANA



SOCIAL PROTECTION AND JOBS

2019 CORE COURSES

OCT. 28–NOV. 8 | WASHINGTON DC



Putting G2P Digital Payments in Practice: Jordan's Digital Payments Pilot

Amr Moubarak, Kinley Salmon, Karol Karpinski, Harish Natarajan,
Cristobal Cano, Anastasiya Denisova, Ghada Ismail, Rada Naji,
Khalid Moheyddien, Peter McConaghy, Oscar Lindow, Kareem
Sadik, Riad Katkhoda, Natasha Frosina, and Rana Alrefaya.

- **Social Safety Nets Core Course**
- **October 30, 2019**

Key Elements of Selected Payment Mechanism

Robust Payment Mechanisms for Social Protection requires 3 Rs:



Right Beneficiary



Right Benefit



Right time

Financially Inclusive Payments Mechanism should include 3 key features:



Account ownership (in beneficiary name)....



...transactions (bill payments, P2P, etc.), which generates a transaction history...



...setting the stage for access to savings, loans, and insurance when needed including options for credit reporting

Identifying Key Stakeholders and Roles Played in Making the Switch to Digital Payments

Financial sector regulators: Central Bank of Jordan

- Passed Basic Bank Account law
- Regulation mandating digital payments for all new NAF beneficiaries
- Required waiver of transfer for social assistance

Line ministries responsible for delivery of Government Payments:

- Financial Inclusion Strategy (including Basic Bank accounts)
- NAF endorsed financially inclusive digital payments and submitted to cabinet
- Ministry of Information and Telecommunication mandate for modernization of Post Offices (on-going)
- Interoperability (on-going)

Other stake holders

- UN Agencies Providing Technical Assistance
- Bank
- Mobile Payments Switch
- Others

[screen shot of video here pls]

Steps taken for administration of a robust payments' pilot

- 1 Select locality for pilot
- 2 Select payment instruments' and channels' to be piloted
- 3 Develop payments manual and validate with stakeholders
- 4 Select beneficiaries and target date for the switch
- 5 Ensure coordination among stakeholders on selected payment method and date of start of pilot
- 6 Launch communication campaign and awareness sessions
- 7 Implement modality for creation of payment list
- 8 Administer payment on pilot payment list
- 9 Administer payment reconciliation

Jerash Payments Pilot

- GoJ and NAF saw piloting as a critical step for national roll-out and the digitization of the current beneficiary caseload
- Pilot would test both e-Wallets and BBAs.
- Design and implementation included: NAF, Central Bank of Jordan (CBJ), the World Bank (WB), and the World Food Programme (WFP).
- Jerash medium sized urban town
- 1,100 households selected in central district
- 2 Banks participated (Jordan Islamic Bank, Cairo Amman Bank)
- 1 Mobile Money provider participated (Dinarak)
- Design completed March 2019
- Payment in April
- End-line in June



Key Results (1 of 2)

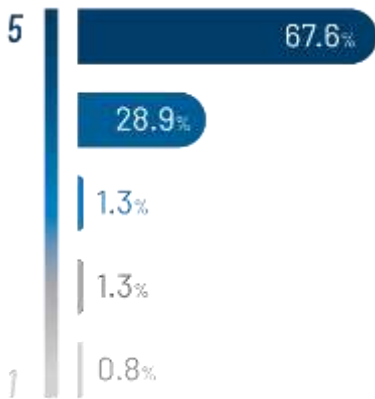
Awareness sessions – what was most helpful?



“There was a rumor during the sessions: banks will deduct 15 JDs from the transfer value every reload, I didn’t have time to check whether its right or wrong, I was terrified, so I registered with Dinarak”
– Male FGD participant

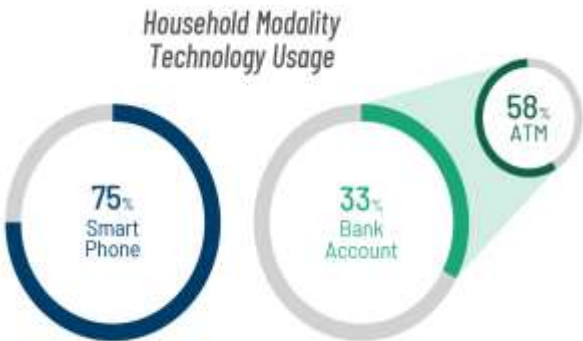
They told me I have to do an e-wallet because I was illiterate
-Female FGD participant

Satisfaction level



“At the first reload, I went to the exchange place very early because I thought the process is going to take time, then I realized that its easy. The staff are very helpful. ”
– Male FGD participant

“Now! [with the new payment modality] there is no partial treatment. All beneficiaries are treated equally like other clients. We are all treated alike.”
– Female FGD participant explaining what she means by the fact



Key Results (2 of 2)

Banks

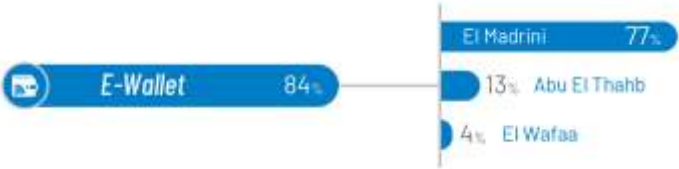
Bank Registration



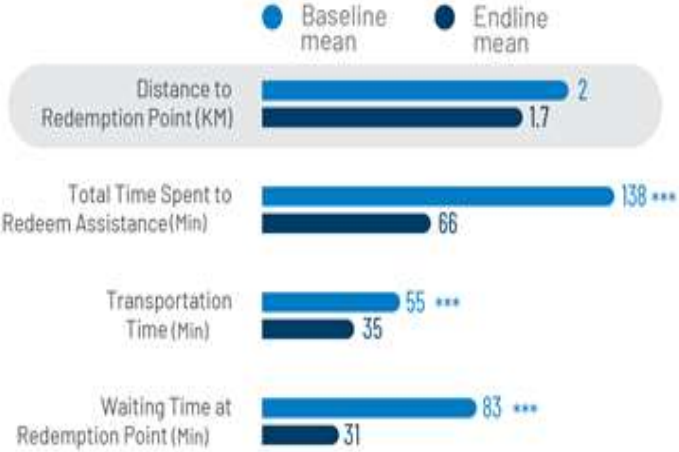
Banking Service Use



Mobile Money



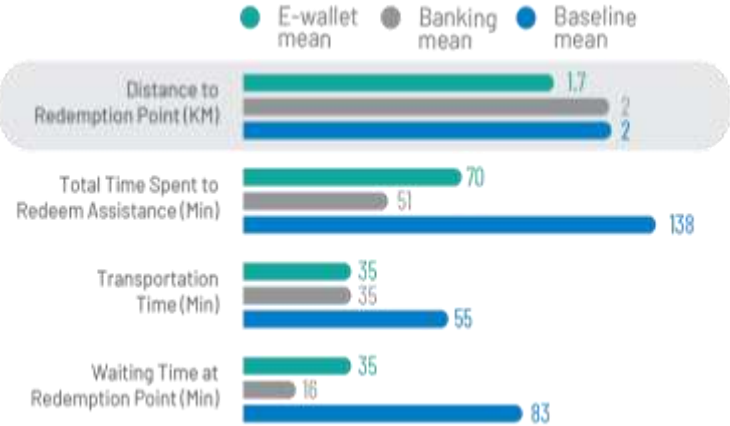
Digital Payments vs. Cash

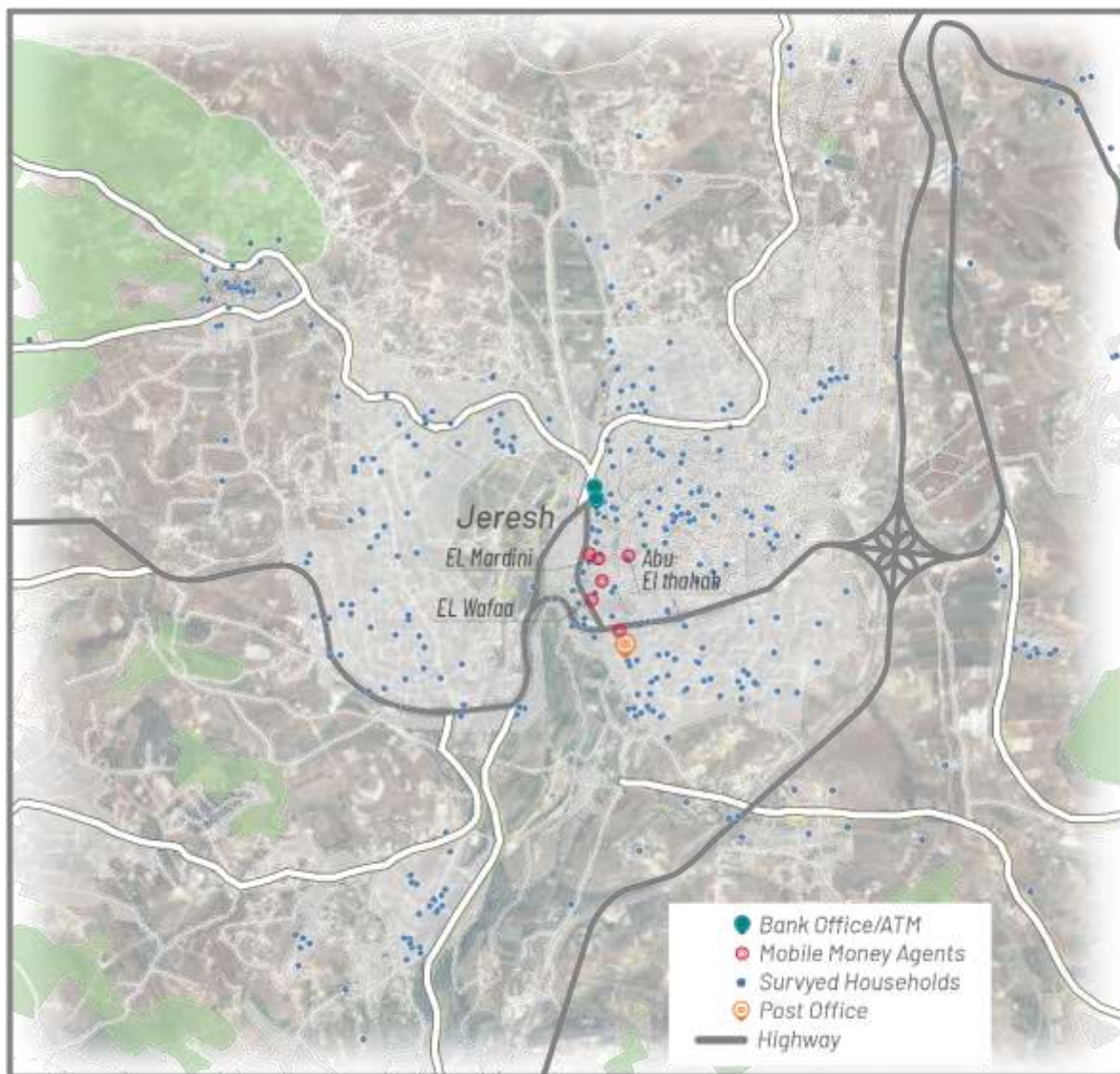


Additional Transaction Cost?









Across both digital payment options





Digital Payments Roll-out

Jordan Digital Payments

3 Payment Service Providers	3 Payment Instruments	Cost per Transfer	Volume
 Jordan Post (phased out)	 Cash (phased out)	US \$ 1.4	100% of cash transfers
 All Jordanian Banks	 ATM Card	US \$ 0.00	67% of transfers
 All PSPs	 Mobile Money (cash out)	US \$ 1.05	33% of transfers



Account ownership (in beneficiary name)....

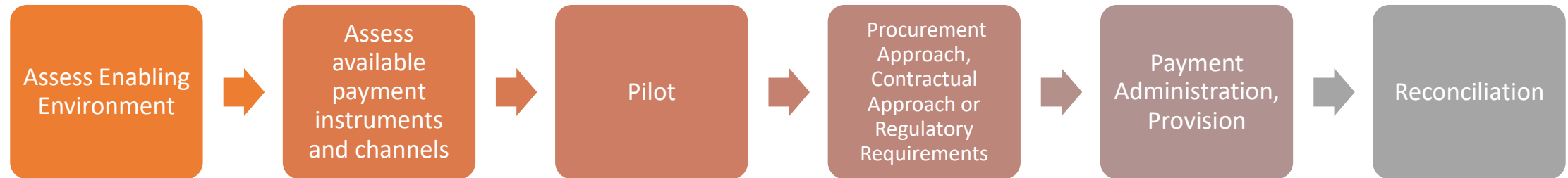


...transactions (bill payments, P2P, etc.), which generates a transaction history...



...setting the stage for access to savings, loans, and insurance when needed including options for credit reporting

(1) Piloting is Key



(2) Take a Phased Approach – While tying to the Mast

- Be clear about the current payment challenge
- Keep options simple
- Beware of political economy / and utilize it smartly
- Pilot key design aspects
- Build a case around evidence generated for roll-out
- Clarify factors that led to selected option and implications of political economy challenges
- Take a phased approach in terms of (i) regions, (ii) payment options, (iii) services, (iv) use of technology, (v) modernization of aspects of payment system



UNLOCKING
HERPOTENTIAL

The Future of G2P Payments: Expanding Customer Choice in Zambia

Social Safety Nets Core Course

October 30, 2019

Ioana Botea



Program and Context

Girls' Education and Women's Empowerment and Livelihoods (GEWEL)

- Launched in 2016, with the goal to provide livelihoods support for women and access to secondary education for disadvantaged girls in extremely poor households
- ~100,000 beneficiaries (22,000 girls and 75,000 women) by 2020, in half the districts nationwide
- G2P payments through its women's livelihoods component that includes a productive grant transfer of USD 225

Key challenges:

- Zambia is one of the most sparsely populated countries
- No single payment provider with national coverage
- Limited information about location and accessibility of financial access points

Solution:

→ Innovative, multi-provider and choice-based digital payment system



Key Choice #1: Digital Payments

- **Risks:** A cash delivery system was not considered appropriate given the larger transfer amounts



Social Cash Transfer (SCT)
ZMW 180 x bimonthly



Supporting Women's Livelihoods (SWL)
ZMW 2,000 x one-off

- **Opportunities:**
 - Financial inclusion had increased from 37.3% in 2009 to 59.3% in 2015
 - Use of electronic money transfer services had more than doubled, from 15.5% in 2009 to 36.8% in 2015
 - Active mobile money agent networks grew by over 70 percent in 2015
 - # digital financial service providers increased from 10 in 2015 to 18 in 2018

Key Choice #1: Digital Payments

Nevertheless, designing the payment system was challenging:

- Commercial bank outlets were strongly concentrated in urban areas
- Zambia's post offices (ZamPost) and mobile money providers had better rural outreach but did not cover the country uniformly

Service provider	Total (2015)	Total (2017)	% of adults	median distance (km)	% of poor adults	median distance (km)
Mobile money agent	3239	5096	70	1	69	3
Banking agent	n/a	1097	50	3	55	12
ATM	464	n/a	29	1	23	5
Bank branch	404	n/a	22	8	22	15
SACCO	n/a	505	10	8	14	13

→ *Multiple providers needed to reach beneficiaries reasonably close to cash-out points*

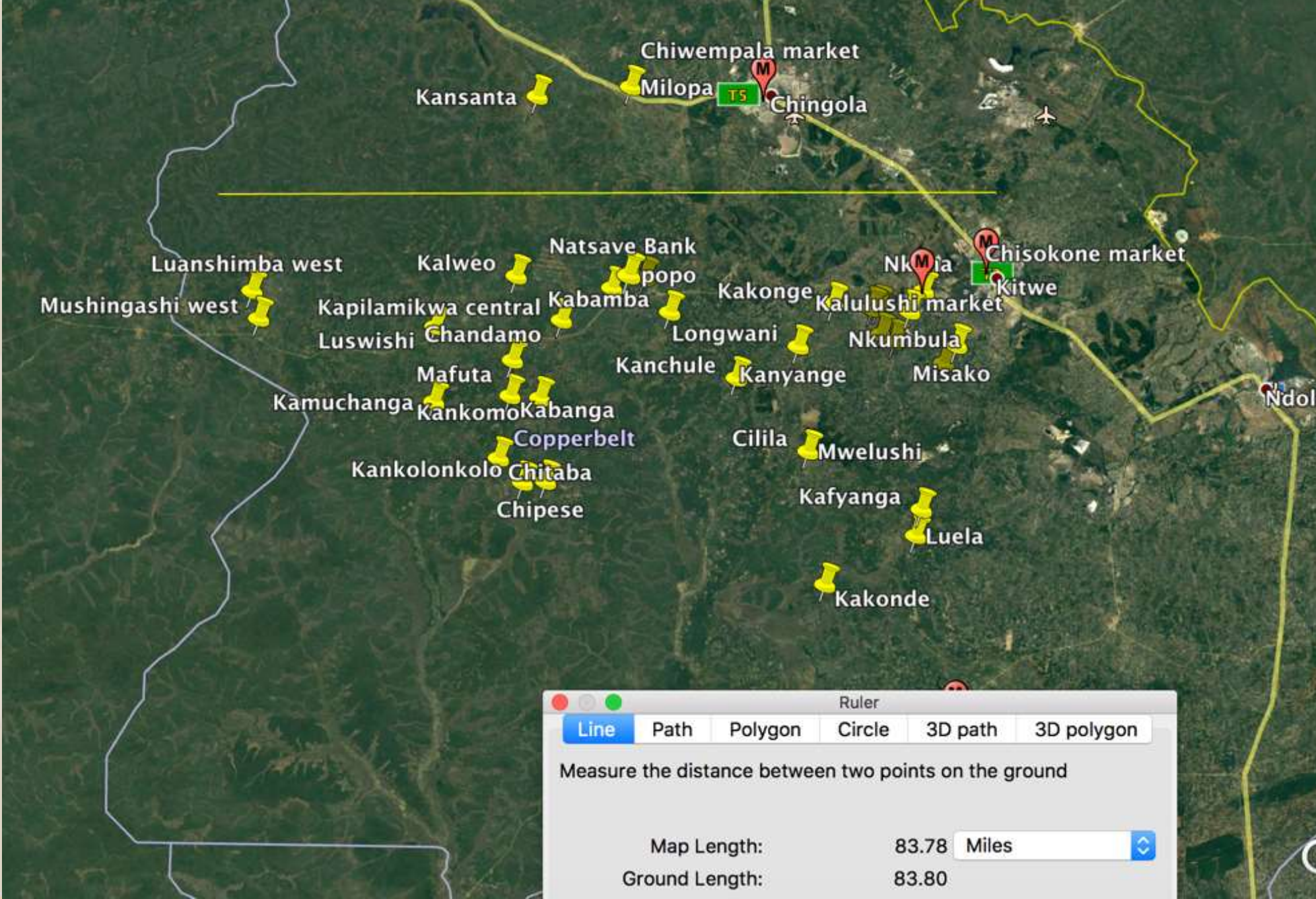
Key Choice #2: Beneficiary Choice

Procuring multiple providers for different geographic zones presented new challenges:

- Procurement of PSPs had not worked well in Zambia
- Allocating different regions to providers could reinforce monopolies
- Financial access point proximity and accessibility couldn't be determined at the district level

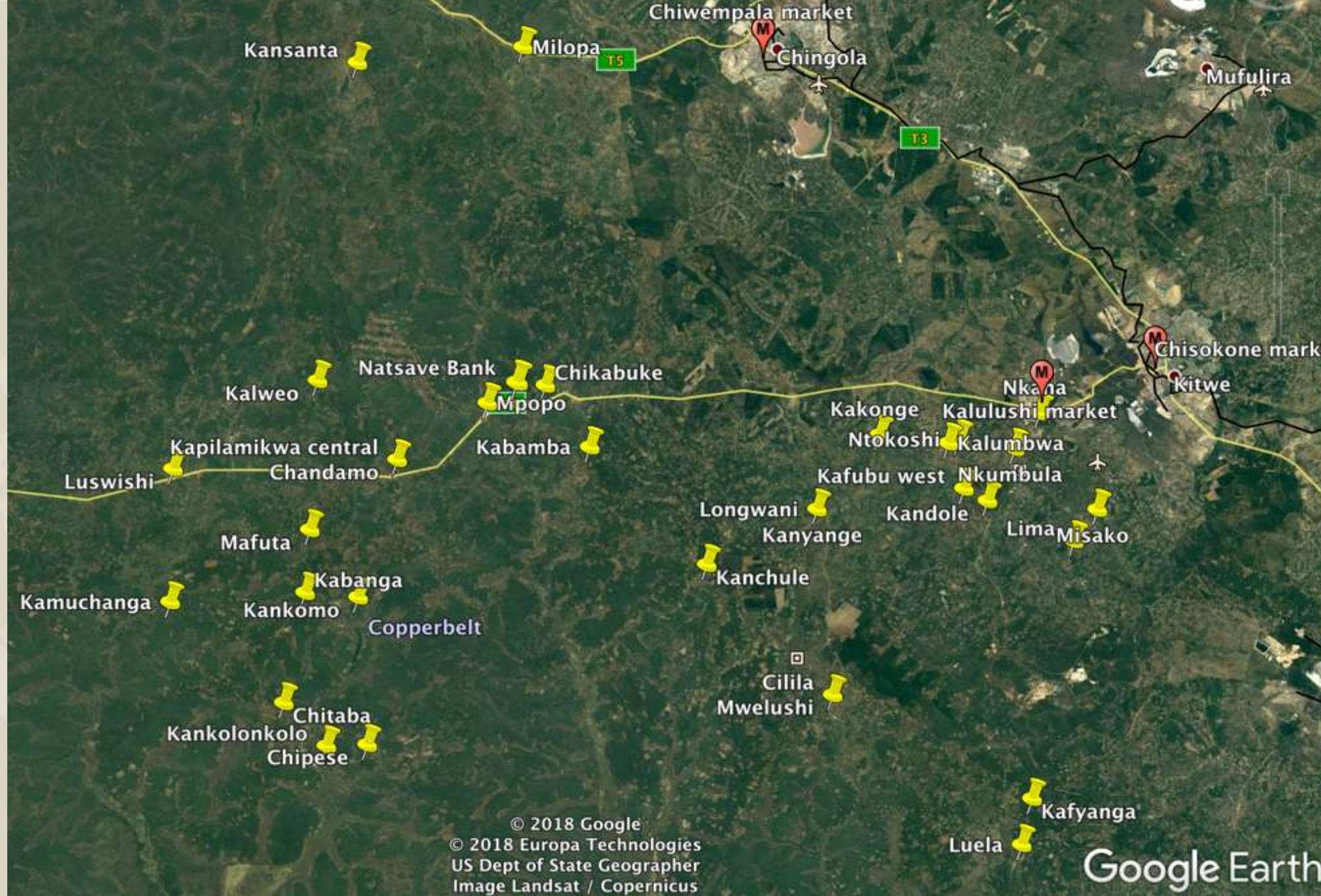
Lufwanyama District

Mushingashi is 85 miles from Kitwe



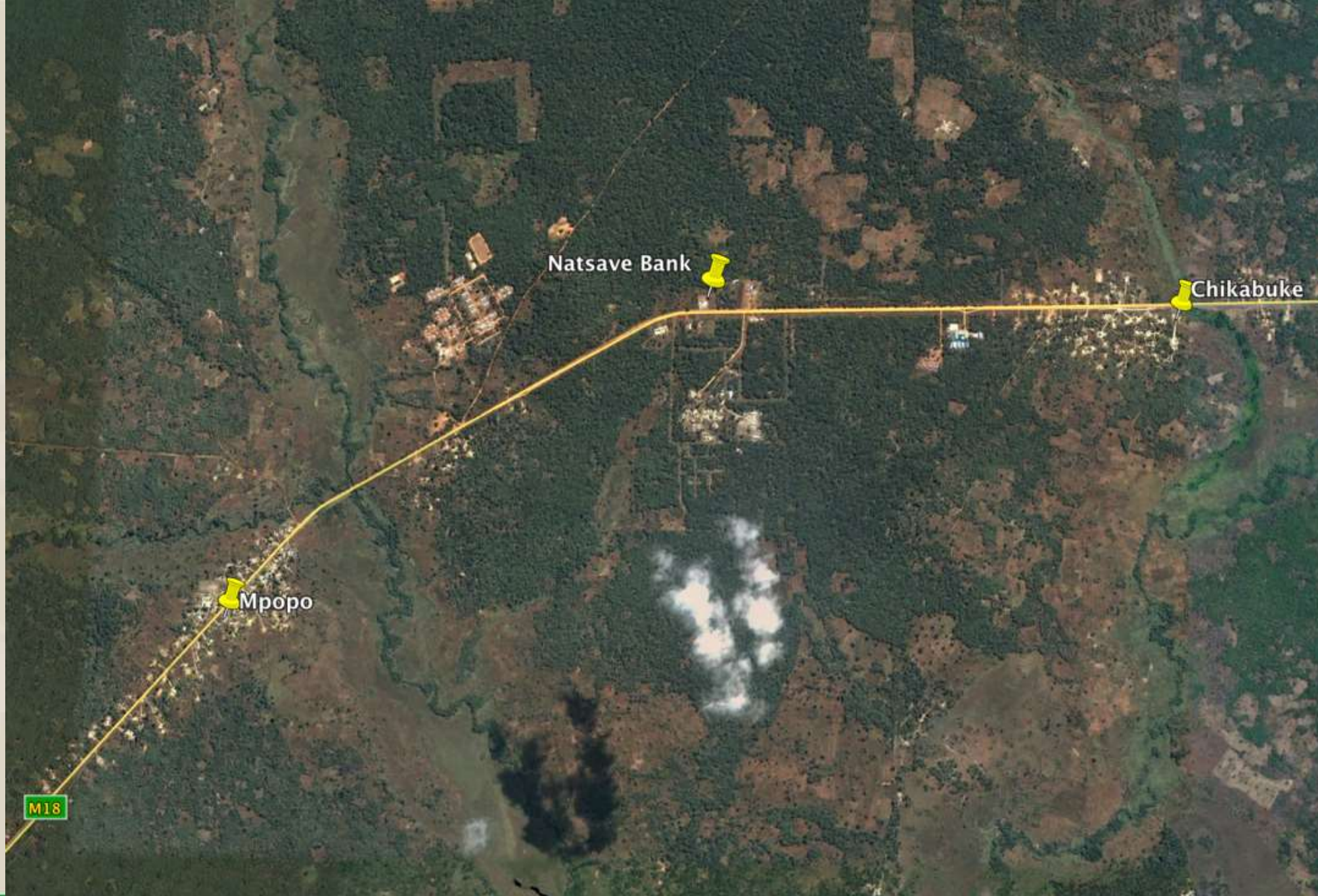
Lufwanyama District

In “the middle of nowhere” is a Natsave branch



Lufwanyama District

In “the middle of nowhere” is a Natsave branch



Who would have known that in “the middle of nowhere” there is a Natsave branch?



The beneficiaries!

→ Agreement that an innovative solution was needed and that the people were best positioned to know which providers to use were the beneficiaries themselves



Key Choice #3: Payment Top-Ups

GRZ sought to build a system that empowered beneficiaries to make decisions for themselves and that would offer incentives to multiple providers to deliver:

Transfer fee top-up

- Rather than contract providers, the model relied on topping-up each payment with the amount of the cash-out fees charged by providers
- Highest fee charged in the market was applied – ZMW 50 (USD 4.14), equaling 5 percent of transfer value

Travel rebate

- Flat rate of ZMW 50 that was estimated to cover transportation costs for a round-trip journey to a financial access point for most beneficiaries

Key Choice #4: Own Payment Platform

Without a reliable interoperable payments system, MCDSS had to build a workaround that allowed it to initiate payments with multiple providers directly.

Mobile wallet



Commercial bank account

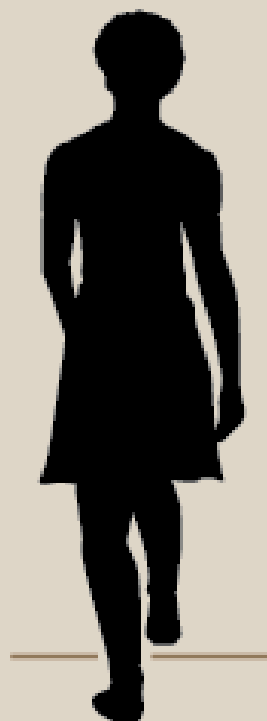


Post office account



Main innovations

- **Choice empowers beneficiaries:** During enrolment, beneficiaries choose the provider and account where they prefer to receive payments, promoting their agency and financial inclusion.
- **More money to the beneficiaries:** They get a top-up to cover withdrawal fees, which is pegged to the most expensive fee in the market and hence incentivizes the beneficiaries to seek a provider with lower fees. A travel rebate is also included.
- **Leverage private sector solutions:** Enabling beneficiaries to make informed choices about their payment stimulates competition.
- **Scalability and transferability:** It can be readily adopted by other G2P programs in Zambia, including SCT.



Thank You



Remuneration options

Social Safety Nets Core Course 2019



CGAP Photo Contest

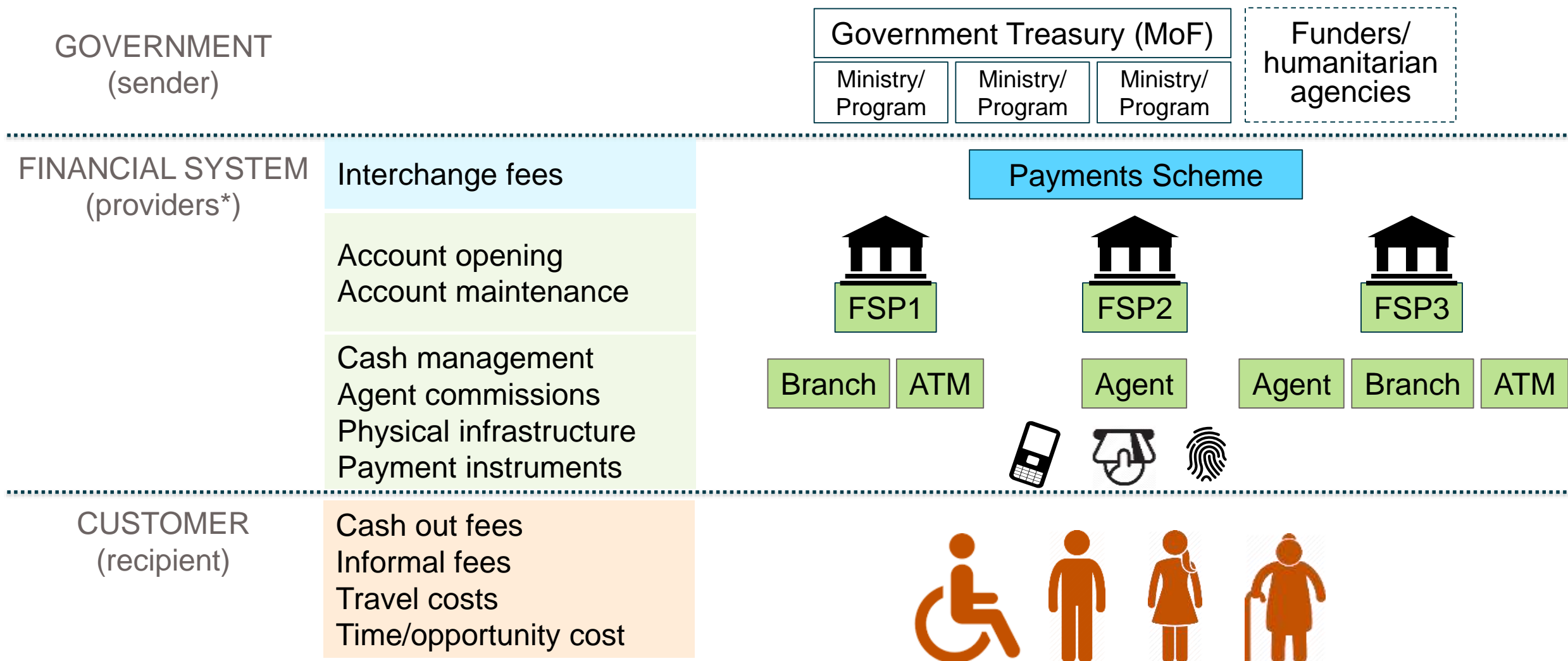
The Future of G2P Payments

G2P Delivery Remuneration Options

Silvia Baur-Yazbeck



G2P delivery comes with costs to the financial system and customers

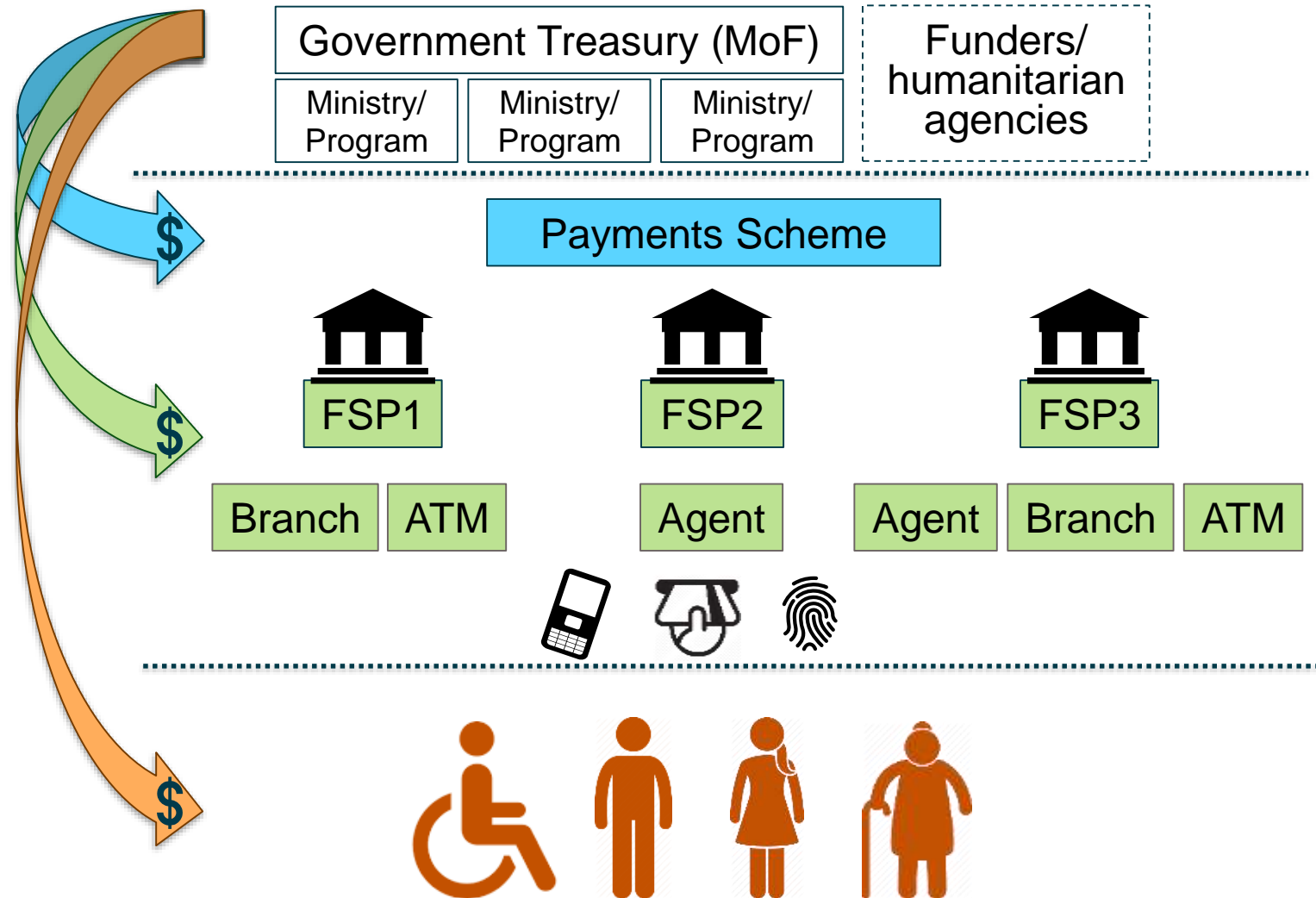


Programs have options for **WHO** they pay

Pay payments switch or aggregator

Pay financial services provider (FSP)*

Pay recipients



How can fees be structured?

Programs have options for **HOW** to pay switches/aggregators

Fees are set by payments scheme

- **If flat amount per transfer**

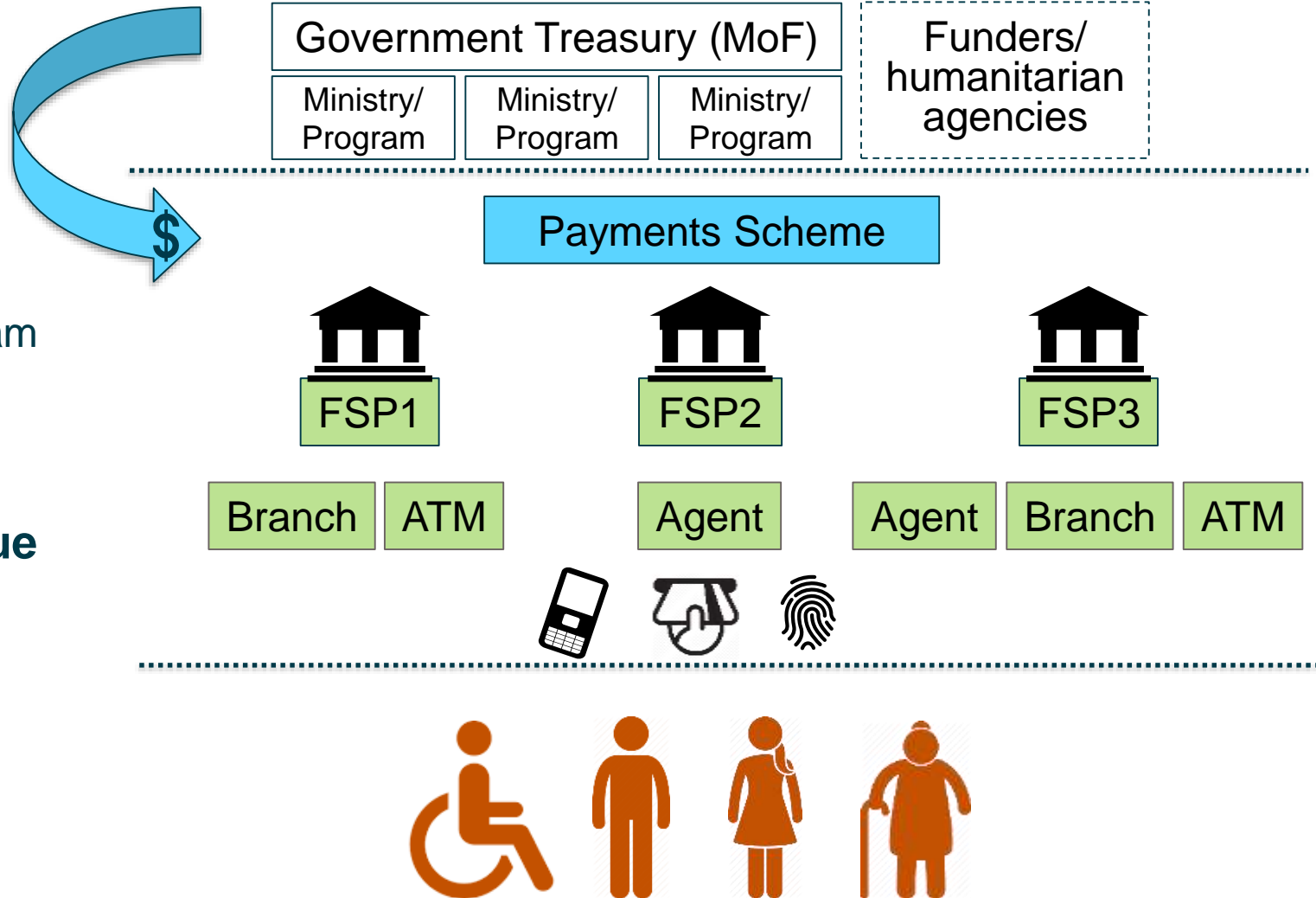
May result less costly to transfer payments in two stages:

1. Bulk transfer from treasury/program to account at FSP
2. FSP makes internal transfers into individual recipient accounts

- **If set percentage of transfer value**

Fees are the same whether transfers are done in bulk or individually

More efficient to make direct transfers to recipients



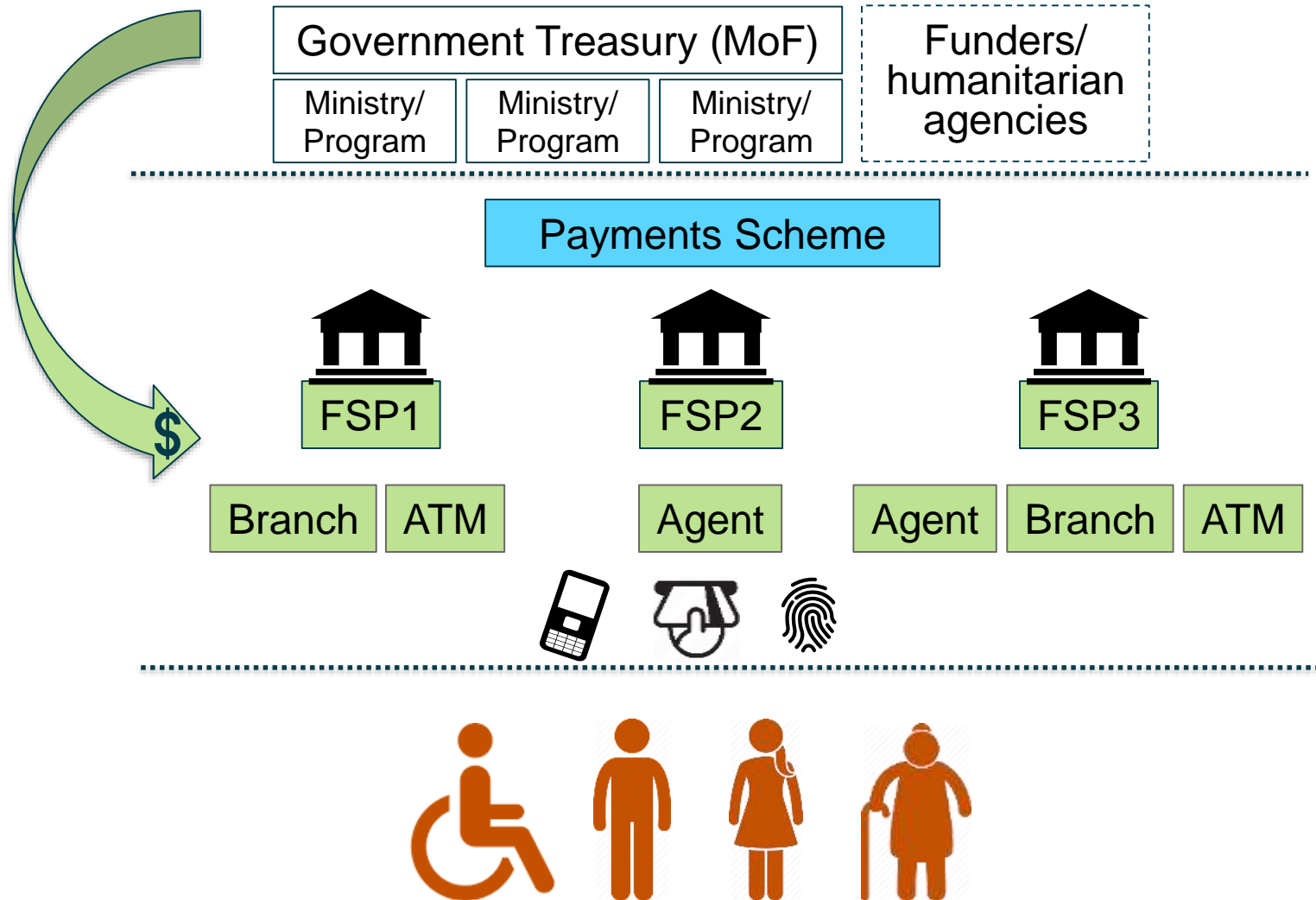
Programs have options for **HOW** to pay FSPs

Setting fees

- No fee
- FSP can hold and earn on float
- Flat amount per transfer
- Set percentage of transfer value
- Tiered fee based on access point location

Other considerations

- Fees can be paid upon payment to account, or upon cash-out
- Fees may involve limited number of free withdrawals for recipients



Pay FSPs: Setting incentives for better service

Not remunerating FSPs, or offering float are problematic

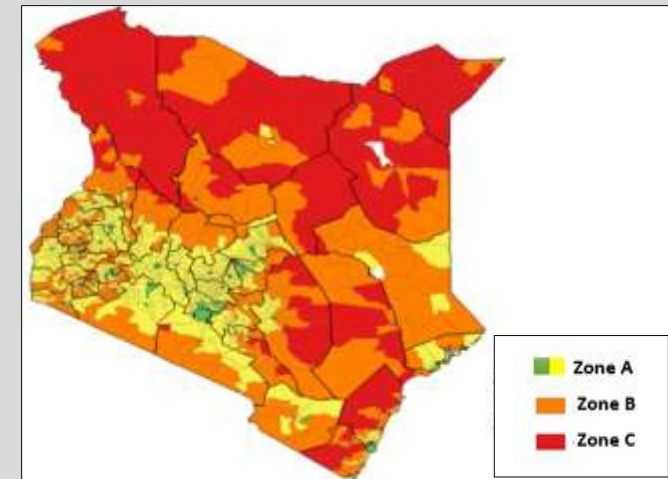
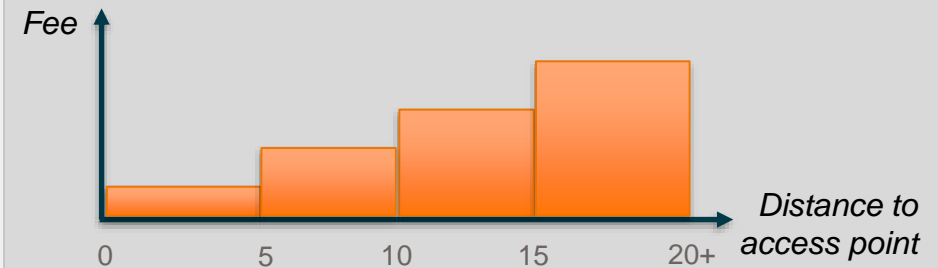
- Does not incentivize good service
- Incentivizes slow delivery
- Offering float deprives national treasury of interest/float revenue, or opaquely transfers that to state-owned banks

Instead, reward efficiency and encourage geographic reach

- Program can pay differentiated fee to encourage expansion to underserved areas or specialized service for vulnerable recipients

Example: Tiered fee model

Kenya's Inua Jamii program remunerates FSPs based on access point remoteness. Tiers were defined based on the Central Bank's 'remoteness scale'.



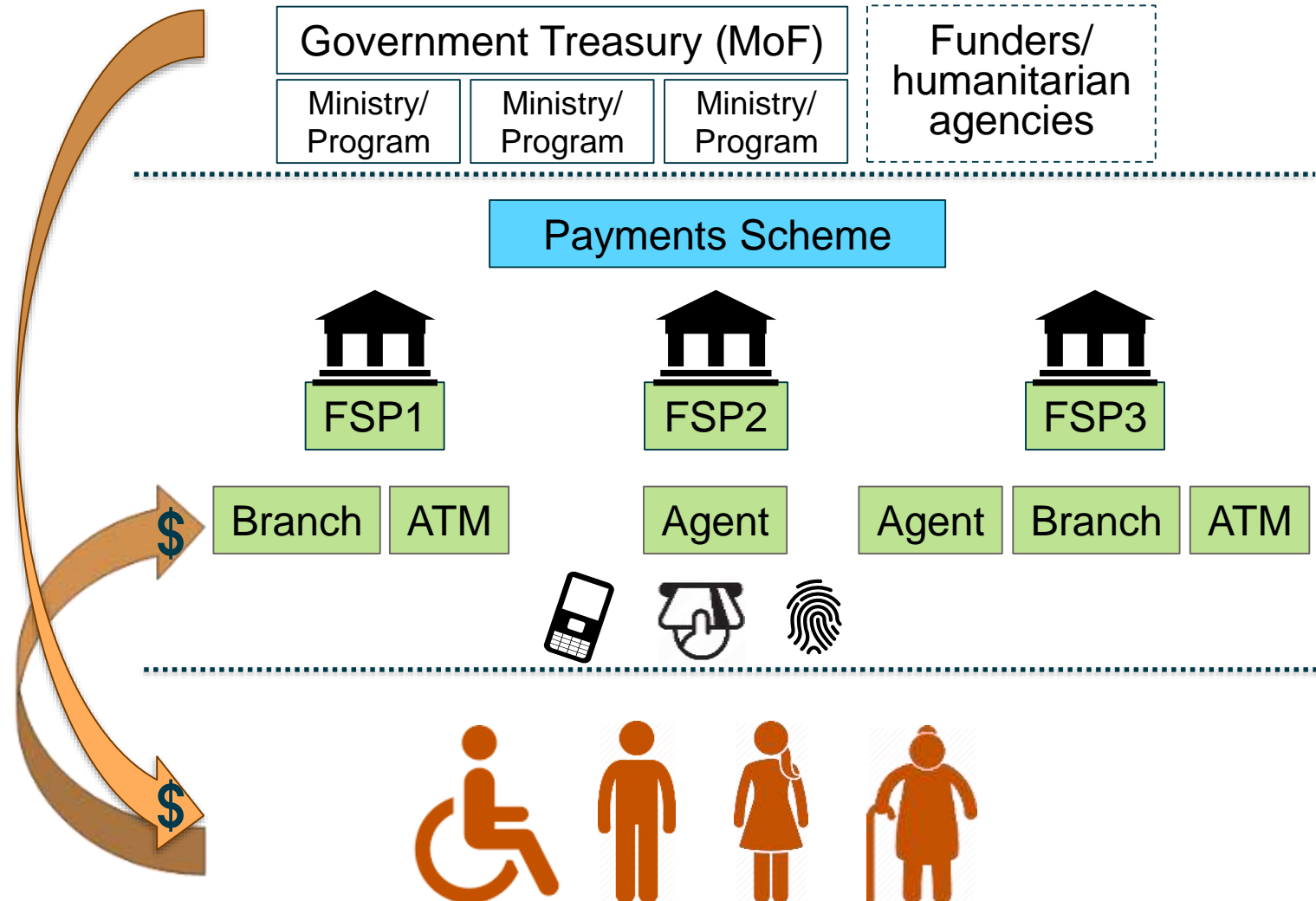
Programs have options for **HOW** to pay recipients

Empower recipients to compare fees and choose the best option

- Instead of paying FSPs to provide free cash-outs, you can top-up payments with the amount of the market's highest cash-out fee

Recipients' location should not disadvantage them

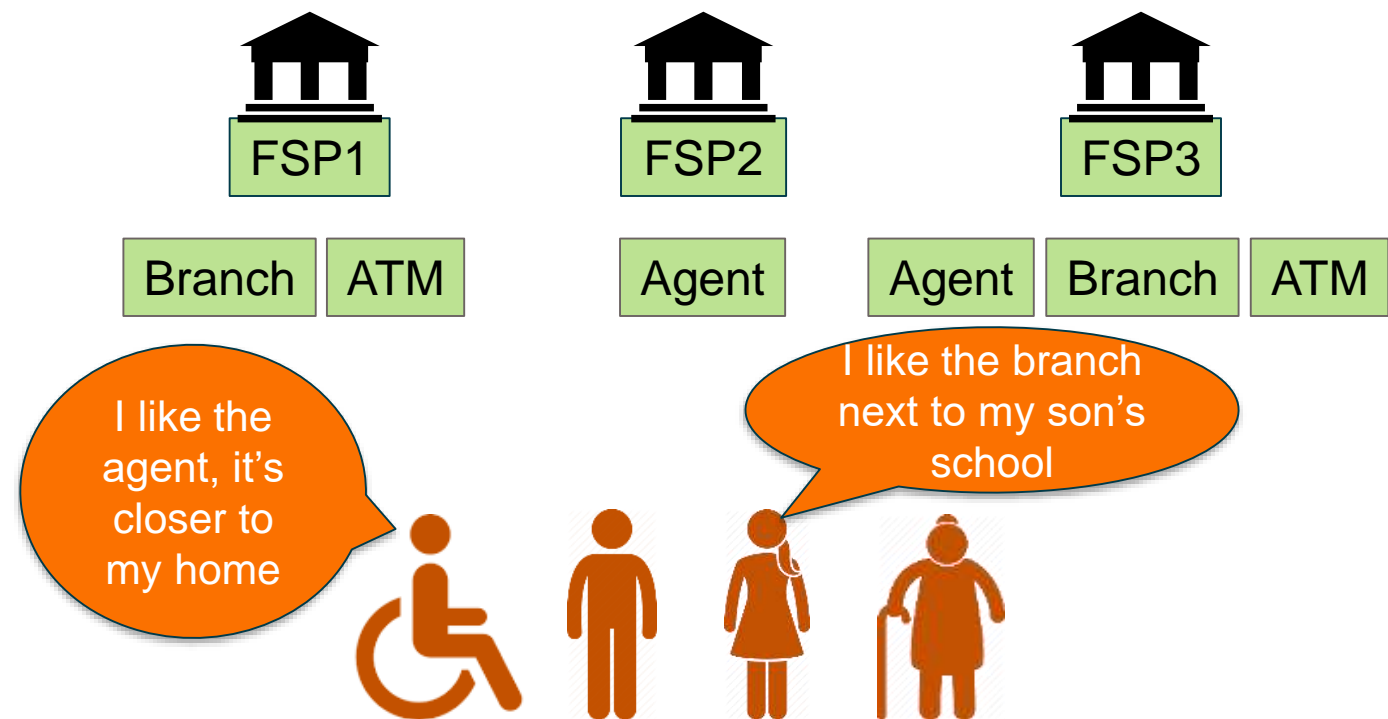
- Recipients in very remote locations that are too expensive for FSPs to serve may be given a transport rebate



Pay recipients: Structuring fees to empower customers

Let recipients make the choice

- Convenience means something different for each recipient – it depends on an individual's circumstances. Sometimes the preference may be to travel a little further and pay a lower cash-out fee (maybe because the travel has other purposes as well); some may prefer to pay a higher fee for being able to get their cash close to home.
- To make choice work, recipients need to be informed about their options (i.e., providers, products, access points, service fees, etc.)



Country Examples

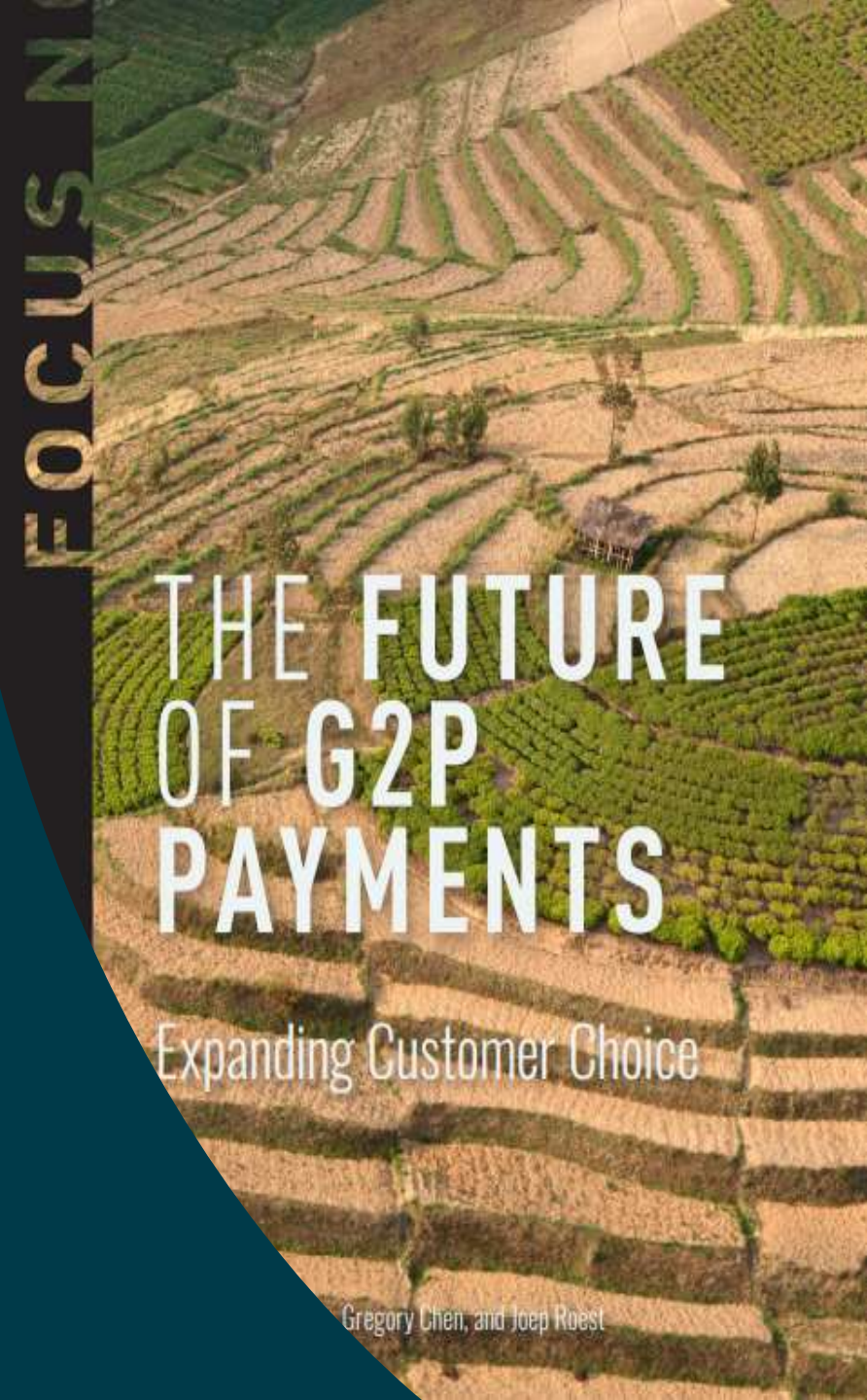
Country examples: How remuneration has driven incentives

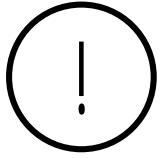
Options	Kenya – Inua Jamii	Zambia - GEWEL	India – PMJDY
Providers used	4 FSPs	7 FSPs	145 FSPs
Pay switch/ aggregator	Flat fee per bulk transfer paid to EFTN	Flat fee per bulk transfer paid to EFTN	Switching fees paid by FSPs
Pay provider	Tiered percentage of transfer value	n.a.	Percentage of transfer value.
Pay customer	n.a.	Flat withdrawal fee and flat travel cost rebate	n.a.
Incentives created	<p>FSPs compete over recipient business, including in remote areas.</p> <p>Resulted in increased reliability, convenience and service quality, and lower access costs.</p>	<p>FSPs compete over recipient business. Some expanded access points into remote areas.</p> <p>Resulted in increased reliability, convenience and service quality, and lower access costs.</p>	<p>Many new accounts have been opened. FSPs and agents don't see business case in serving recipient customers.</p> <p>Resulted in mediocre service. Little expansion into remote areas.</p>

Thank you

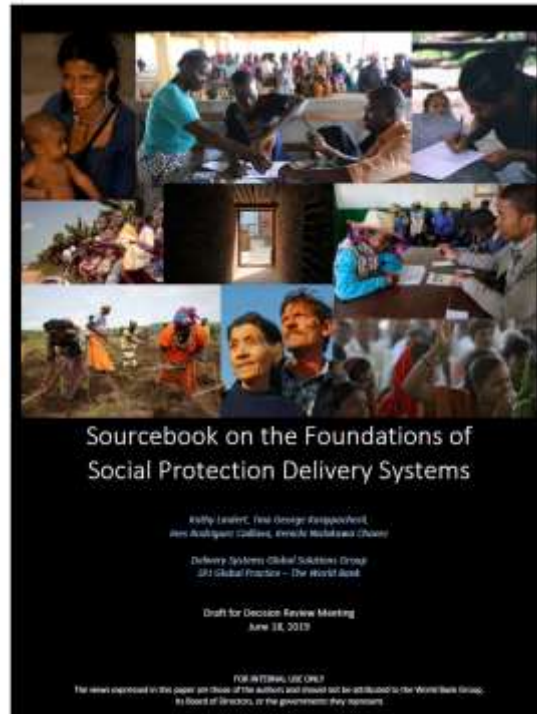
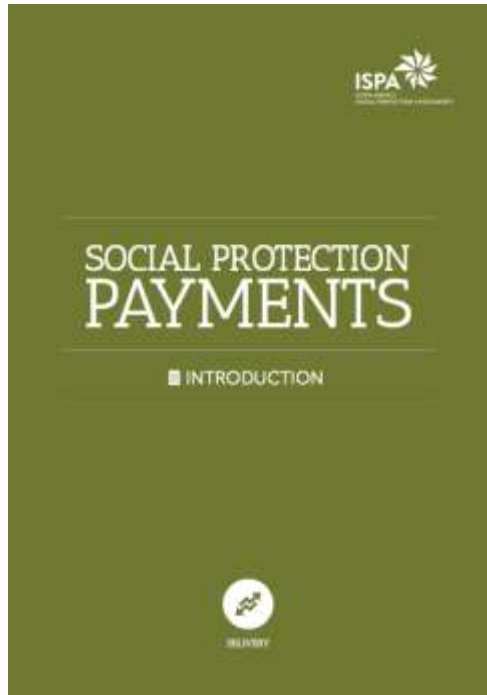
To learn more, please visit
www.cgap.org

For questions, please reach out
sbaur@worldbank.org





Available resources for payments work



Considerations for program designers
May 2019

BILL &
MELINDA
GATES
foundation

