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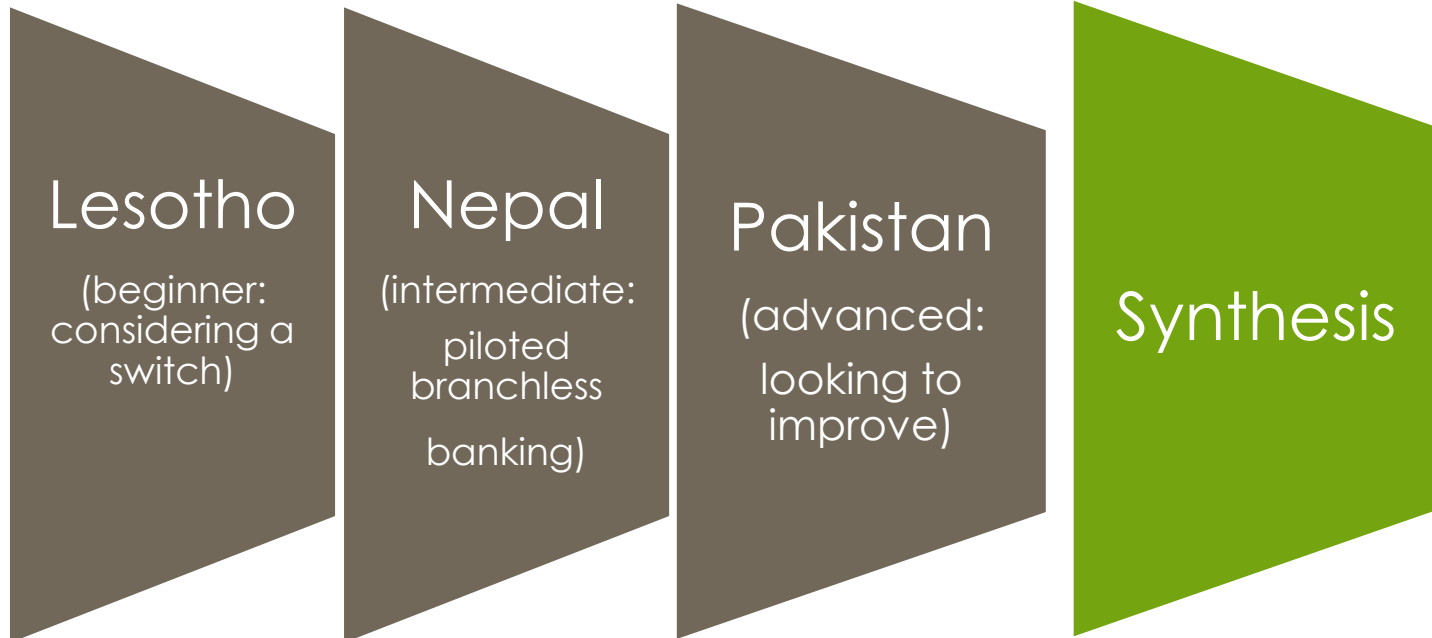
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Alternative Payment Systems: Experiences from Lesotho, Nepal and Pakistan



Overview of the Presentation



What is the next best step after paper based system given characteristics of the country and its social protection programs?

Lesotho: Social Safety Net Programs

Program	Method	Frequency	Amount	Approximate Cost
OAP +/-80 000	Manual	Monthly	\$35	\$2.3/benef.
PA 15 000	Manual	Quarterly	\$25	\$2.5/benef.
CGP 25 000hhs 75 000ovc	Barcode Technology and Automatic Processes	Quarterly	\$36 , \$60, & \$75/ quarter, based on # of children	Avg. \$3.5 /HH

OAP

Universal

PA

Self targeted (under review)

CGP

Targeted (PMT & CBT)

Lesotho: Current Payments and Programs

Program	Method	Strengths	Weaknesses	Challenges
OAP	Manual through payment teams	<ul style="list-style-type: none"> - Payments made regularly - Vast coverage 	<ul style="list-style-type: none"> - Reconciliation done manually - Double registration (females) 	<p>High costs for delivery; <i>more expensive in hard to reach areas (insurance and transportation and/or helicopter hire)</i></p> <ul style="list-style-type: none"> • Payments take place in specified areas, very far for some beneficiaries and have to travel long distances • Unpredictable payments • No specific ID cards for beneficiaries • Risky method of delivery
PA	Manual with payment points (Sub-accountncy)	<ul style="list-style-type: none"> - Payments made regularly 	<ul style="list-style-type: none"> - Time consuming - Room for errors 	
CGP	Payment Points with Barcode Technology and Automatic Processes (G4S and SLB)	<ul style="list-style-type: none"> - Quick and easy execution and reconciliation - Enhanced security - Transparency - Easy to access payment history - Works offline 	<ul style="list-style-type: none"> - Costly - Medium coverage 	

Alternative payments

Mobile money transfer/ Mobile wallet

Objectives of new payment system

In line with the National Strategic Development Plan (NSDP)

- To improve access and flexibility of collection of transfers by beneficiaries;
- To improve reconciliation
- To reduce administrative costs and overall cost effectiveness;
- Increase access to financial services for beneficiaries
- Reduce risks in cash management for beneficiaries;

Enabling factors

- Mobile network coverage
- Community based agents/vendors
- Willingness of mobile companies to assume social responsibility (e.g. provision of free simcards for all beneficiaries)

Potential Challenges of Alternative Payments

- Difficult to use for older and illiterate beneficiaries
- Liquidity of agents especially in remote areas
- Not easy to authenticate beneficiaries

Cash Transfer Program

Cash Transfer	Eligibility Criteria	Benefit Amount
Senior Citizen's Allowance	All Dalits & Karnali residents over 60 years; all others over 70 years	Rs. 500/month
Medical treatment Allowance	All senior citizens above 70 years	Rs 2000 per year
Single Women's allowance	Widows of all ages and Single women over 60	Rs. 500/month
Child Grant	All children under 5 years in Karnali and all of Dalit .	Rs. 200 per child per month (max 400 per household)
Disability Grant	Full disability	Rs. 1000/month
	Partial disability	Rs. 300/month
Endangered Ethnicity Grant	Belong to one of the ten endangered ethnic groups.	Rs. 1,000/month

Budget and Beneficiaries

- Total 2.2 million beneficiaries
- 13 billion Rupees (out of 55.5 billion of total SSN budget (which is 9% of total government expenditure))
 - Senior citizens
 - Karnali (above 60 yrs) : 27855
 - Dalit (above 60 yrs): 234634
 - Others (above 70 yrs) : 688930
 - Single/Widow : 648553
 - Disability : 33578
 - Endangered Ethnicity : 20308
 - Karnali/Dalit Children: 506718

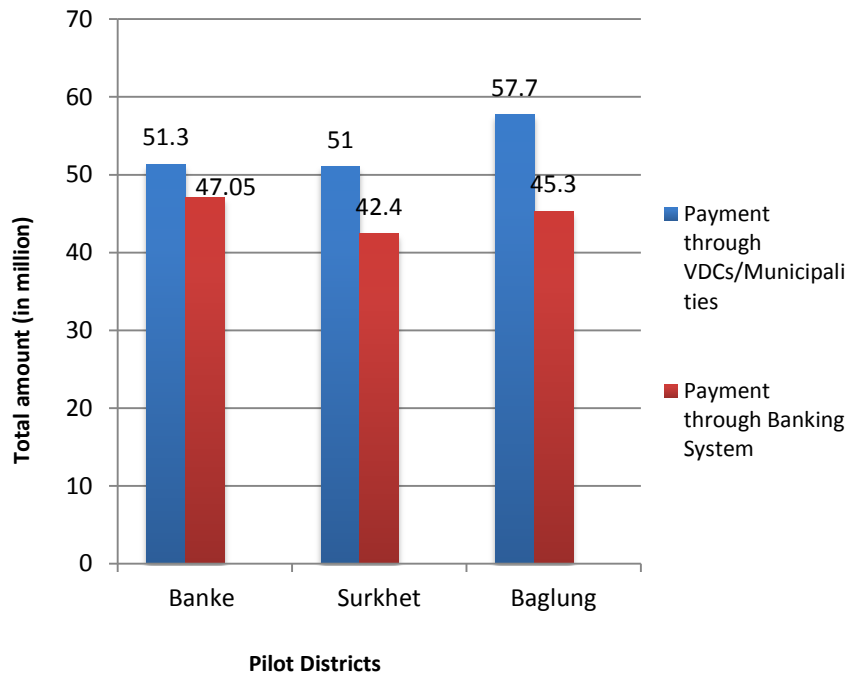
Needs for Alternative Mechanism : Electronic Transfer

Objectives

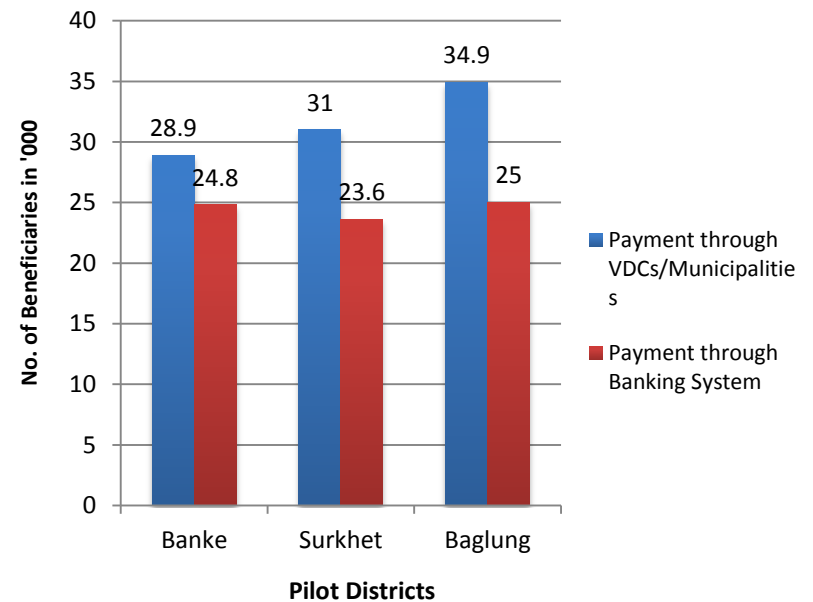
- Proper record management of beneficiaries
- Elimination of ghost beneficiaries'
- Mitigation of Fraud/irregularities: biometric information of beneficiaries, no cash in hands
- Timely and effective cash delivery
- Assurance of cash transfer to the beneficiaries
- Financial Inclusion/Literacy

Comparison between the two payment systems

In terms of total amount



In terms of no. of beneficiaries



Major Challenges for electronic transfer

Geography related challenges

- ✓ Cash management for agents
- ✓ Missing connectivity: currently operating in offline mode
- ✓ Lack of electricity to charge POS machines

Capacity related challenges

- ✓ Lack of capable staffs to handle the system in central/local government

Issues related to payment delivery

- ✓ Readiness of Banking Sectors
- ✓ Technical issues related to POS machines
- ✓ Difficulties reading fingerprints—method appropriate for this beneficiary group?
- ✓ Receipts not provided for voucher payments

Sustainability of agents

- ✓ Basic qualifications of agents selected & training
- ✓ Adequacy of incentives for agents

Technology:

- ✓ Coverage of mobile network
- ✓ Cost of mobile banking
- ✓ Data collection & management

Lack of focus on financial inclusion

- ✓ No distinction between financial literacy and financial inclusion.
- ✓ Focus on social protection and delivery of payments – less on financial inclusion.



PAKISTAN

PROGRAM DESCRIPTION

- Currently 5.1 million and will be expanded to 7 million families (42 Million people) identified for SN CTs whereas 4.5 million families are being paid who are poor .
- Average grant per recipient \$14 per month

PAYMENT METHODS

- Debit Cards (86.24%)
- Money Order (6.78%)
- Smart Cards (4.12%)
- Mobile Banking (2.76%)

PERFORMANCE

- 3.8 million debit cards for SSN cash transfers in 3 years
- Technology based Grievance Redressal (more than 500 touch points)



Pakistan Enabling Factors for Supporting Electronic Payments

Supportive Environment

- Branchless Banking 2008 and July 2011.
- Level Zero Account Authorized by Central Bank

Innovative Technologies Piloted

- Digitized financial services and payment using Telecoms
- Innovative partnerships between Banks mainly commercial banks

Financial Implications of Regulations

- Financial Inclusion
- Piloting of Financial Literacy

Effective Targeting and Registry

- Adoption of PMT and completion of Poverty Scorecard Census
- Linkage of PSC with National Unique ID
- GPS based National Registry of Poort

Goals of Switching from Paper Based Payments

- **Women Empowerment** - Allowing rural poor women to access formal banking channels for the first time
- **Financial Inclusion** - Allowing the poor population to operate formal accounts for the first time
- **Efficient and Effective Delivery** - Timely, real time and transparent delivery of payments

Advantages of Using Debit Cards for Electronic Payments

- **Cost Effective** – more reasonable than Smart Card and Mobile Phones
- **Objective** and **Effective** Payments Transfer
- **Flexible** and **Convenient** - use of both ATM or POS
- **Collaboration** with Telecoms for enhanced coverage
- **Effective Integration**, Real Time Data Reconciliation
- **Efficient Control, Transparency** and Visibility

Pakistan Remaining Challenges for Supporting Electronic Payments

Program Side

- The loss of PINS for ATM use for ultra poor beneficiaries and use of biometrics

Regulatory Side

- The Role of banking regulations for ensuring security and reliability in payments

Supply Side

- Understanding the Perspective of Banks and interoperability of BB accounts

Demand Side

- Understanding demand for delivery of social sector programs and the poor

Concluding Points

- Agent banking is not always the next best step: Presence of financial infrastructure, geography, readiness of financial sector and penetration of mobile technology will define the best fit payment system
- Characteristics of ultra poor (e.g. illiteracy) still make alternative payments a challenge
- Proper financial regulations still have to be developed
- There are gains beyond just cost efficiency (e.g. elimination of ghost beneficiaries in case of Nepal pilot)