Case Study

The Future of Government-to-Person (G2P) Payments:
Three years of learning about G2P choice in Zambia

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Executive Summary

In 2017, the Ministry of Community Development and Social Services (MCDSS) of the Government of Zambia launched digital payments under the [Girls Education and Women's Empowerment and Livelihoods (GEWEL) project](). The payments are for the transfer of a ZMW 2,500 (USD 167[2]) productivity grant as part of the livelihoods package offered by the Supporting Women's Livelihoods (SWL) component of the project. The payment is made in two installments, from the government directly into recipient accounts at a variety of financial services providers, including banks and mobile money providers. The novelty of this approach is that the MCDSS developed a customer choice model that allows beneficiaries to choose at which of the participating providers they wish to receive their grant. This model was developed because no one provider has the necessary network reach to serve the whole of Zambia and that up-to-date information on the proximity of financial access points vis-à-vis beneficiaries' homes is limited. MCDSS therefore embraced an approach which holds that beneficiaries themselves are best placed to choose the provider most accessible and convenient to them.

Since the first pilot in 2017, the MCDSS has supported 70,000 women through the GEWEL project. In addition to the productivity grant, women also receive life and business skill training and are given a mobile phone. MCDSS staff, financial service providers and recipients have all been able to learn along the way and continuously improve this choice-based government-to-person (G2P) payments model.

This case study summarizes key lessons learned during the first three years of implementing a choice-based G2P payments model. Four key lessons emerge:

- **Learning #1: Implementing choice into a G2P program takes time, effort, and continued training of recipients and program staff.** Over the three years, the MCDSS made several adjustments to address inefficiencies and challenges in payments delivery. In the second year, the MCDSS revised its recipient and staff communication and training materials to familiarize them with the payments approach and the choices available. MCDSS also introduced choice-based salary payments for its field workers so that they, along with recipients, would better understand the process and the benefits of the new payments model.

- **Learning #2: Choice-based G2P payments benefit recipients, government programs, and the market ecosystem.** SWL payment recipients benefited through greater convenience, improved awareness of financial services, and opportunities to make informed choices. The MCDSS has now a much simpler and faster procurement process and does not depend on a single provider. When one provider lost its banking license in 2019, the MCDSS had flexibility to pay affected recipients through the other providers. The market ecosystem benefited from greater competition, which, in turn, has led to improved customer service and lower transaction fees.

- **Learning #3: Provision of phones and choice-based payments positively impacted women's decision-making and control.** In addition to the productivity grant, the SWL livelihoods package includes a life and business skills training and distribution of mobile phones and SIM cards. The evidence so far suggests that beneficiaries appreciate the asset transfer of the mobile phone, have high degrees of control over it, and use it for business and other needs. The women also indicated that their role in financial decision-making has improved as a result of the productivity grant

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[2] Throughout the case study, we use the USD exchange rate based on March 1, 2020, when Phase III payments were launched. For Phase IV, MCDSS will adjust the transfer amount based on the current exchange rate.

payment. The choice-based G2P payments model meant recipients spent less time collecting payments and had more time for their family and business.

- **Learning #4: The success of the GEWEL project has encouraged other G2P programs to introduce choice.** Other G2P programs in Zambia can see the benefits of choice-based G2P payments in the GEWEL project. As a result, MCDSS is adopting and adapting the model for Zambia's biggest social safety net program, the Social Cash Transfer (SCT) program. And during the COVID-19 crisis, MCDSS and humanitarian agencies have been able to leverage the GEWEL Payments Gateway for the distribution of emergency cash transfers.

Introduction

In 2016, the Government of Zambia—with support from the World Bank's Social Protection and Jobs Practice—launched the Girls' Education and Women's Empowerment and Livelihoods (GEWEL) project, which has several components designed to provide livelihood support for women and access to secondary education for disadvantaged adolescent girls in extremely poor households across Zambia.[3] The Supporting Women's Livelihoods (SWL) component is managed by the Ministry of Community Development and Social Services (MCDSS) and provides a comprehensive livelihoods package to ultra-poor women in rural areas, including a life and business skills training, a productivity grant and support to establish savings groups. This package was developed based on rigorous international evidence, from a multi-country randomized controlled trial of a multifaceted approach for poverty reduction and empowerment among the ultra-poor.[4] The Zambian Government is one of the first in Sub-Saharan Africa to adopt this effective, yet complex, program design to empower women.

As part of the SWL livelihoods package, a ZMW 2,500 (USD 167) productivity grant is transferred to beneficiaries in two installments.[5] The SWL livelihoods package and associated grant payments are implemented in phases, with a new cohort of recipients in every phase. Phase I payments started in 2017, and two additional phases have been completed since. A fourth phase from 2021-2022 is currently underway with targeting of recipients commencing soon. The SWL payments are unique in that the MCDSS offers recipients a choice among a variety of financial services providers and payment modalities to receive their grant payments. To do this, MCDSS had to implement new payment processes and develop a digital payments initiation platform (known as the *GEWEL Payments Gateway*) to enable payments initiation to multiple providers from a single portal. This was supported by the World Bank and has been documented in a previous [case study](.).[6]

In 2017, when MCDSS first piloted the GEWEL Payments Gateway with the first cohort of 12,111 women, SWL payments recipients were able to choose among a commercial bank account from United Bank for Africa (UBA), a bank account with ZamPost Microfinance, a public non-bank financial institution account from the National Savings and Credit Bank (NatSave), and a mobile wallet product by Zoona. More mobile wallet providers joined over time: MTN in Phase II and Airtel and Zamtel in Phase III (see Figure 1). When ZamPost Microfinance was declared insolvent during Phase II, some recipients needed to change providers which was facilitated smoothly thanks to the multi-provider payments model. Since 2017, the MCDSS has been able to pay nearly 70,000 women through their choice-based G2P payments model.

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[3] GEWEL is jointly implemented by MCDSS, the Ministry of General Education, and the Ministry of Gender. Its key components and subcomponents are Supporting Women's Livelihood, Keeping Girls in School, Social Cash Transfers and Institutions Strengthening and Systems Building.

[4] Banerjeet, Abhijit, Esther Duflo, Nathanael Goldberg, Dean Karlan, Robert Osei, William Parienté, Jeremy Shapiro, Bram Thuysbaert, and Christopher Udry. 2015. *"*A Multifaceted Program Causes Lasting Progress for the Very Poor: Evidence from Six Countries." *Science*.

[5] Over the first three phases, the SWL component supported a total of 70,000 female 'breadwinners' aged 19 to 64 living in extremely poor households in select communities in 81 out of 103 districts in Zambia. The program has been extended to reach an additional 54,400 beneficiaries over the next three years. In Phases I and II the grant amount was ZMW 2,000. The amount was adjusted to ZMW 2,500 in Phase III due to currency depreciation.

[6] The World Bank's Social Protection and Jobs Practice Group wishes to recognize the generous award of a grant from the World Bank's Rapid Social Response Trust Fund (RSR14), which is supported by the Russian Federation, United Kingdom, Norway, Sweden, Australia, and Denmark, without which this work would not have been possible.

Figure 1: SWL Payment Phases and Provider Participation

Provider participation	Phase I (2017-2018)	Phase II (2019)	Phase III (2020)
Number of grant recipients paid	12,111	17,782	39,840
NatSave (public financial institution)	✓	✓	✓
UBA (commercial bank)	✓	✓	✓
ZamPost Microfinance (postal service)	✓		
Zoona (mobile money provider)	✓	✓	✓
MTN (mobile network operator)		✓	✓
Zamtel (mobile network operator)		✓	✓
Airtel (mobile network operator)			✓

This diversity of participating providers allows recipients to choose based on their individual circumstances, leading to an improved experience in receiving their payments. To evaluate progress of the choice-based G2P payments model, MCDSS, with support of the World Bank, conducted two process evaluations, including surveys to evaluate recipients' experience with payments delivery. The first process evaluation was conducted after the first year (in April 2018) and the second process evaluation after the third year (in July 2020). Both evaluations included interviews and focus groups discussions with recipients, financial service provider staff and agents, MCDSS field workers and program staff. The availability of two evaluations allow a comparison over time.

This case study summarizes the key learnings drawn from these two evaluations, showing that introducing choice to a G2P program benefits recipients, programs and the market ecosystem; but it also takes time and commitment.

Four key learnings from 3 years of implementing G2P Choice in Zambia

Learning #1: Implementing choice into a G2P program takes time, effort and continued training of recipients and program staff.

Over the three implementation phases, recipients' choices of providers became more diverse. Over time, recipients took fuller advantage of their ability to choose; by the third year, recipients' choices were more evenly balanced across participating providers as compared to the first two phases (see Figure 2). Zoona, which was the leading provider in Phase I, lost market share to the new participating mobile money provider MTN in Phase II. In Phase III, Airtel joined and captured significant market share. UBA and Zamtel also gained in popularity among Phase III recipients.

Figure 2: Distribution of recipient choices in Phases I, II and III
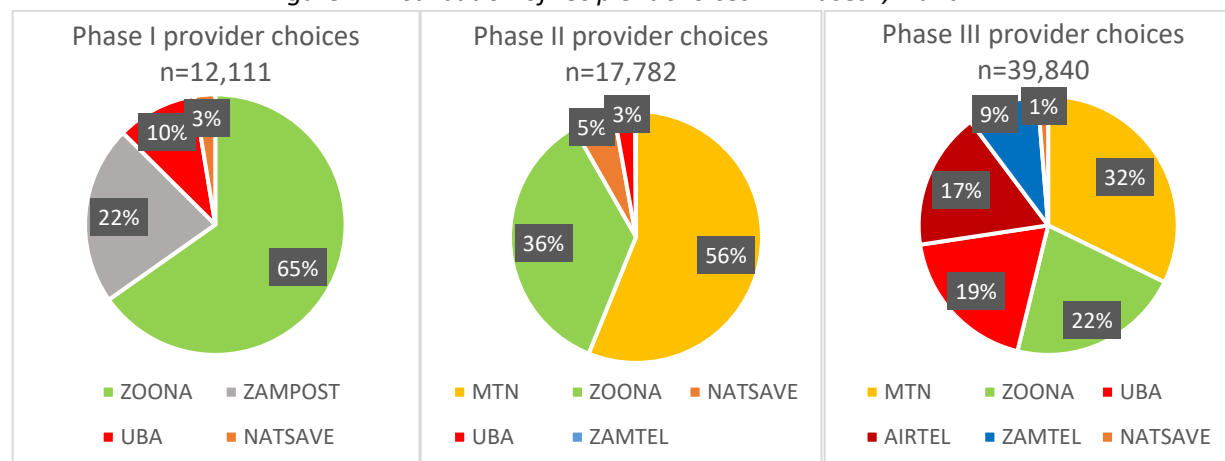
Source: GEWEL Payments Gateway Dashboard

The process evaluations show that recipients need time, relevant information and training to exercise choice. In Phase I, provider selection was not always exercised by the recipient herself. Half of the recipients reported they did not choose the provider themselves. Many were not presented with all options or were guided to one provider by their community leader or MCDSS field workers. To address this, in Phase II, the project improved their training module on payments (as one part of the life and business skills training delivered under the SWL component). The new training materials cover the different types of providers and frequently asked questions. MCDSS field workers (i.e., community development assistants and community based volunteers) were trained on these materials and were able to cascade this knowledge down to recipients. In addition, MCDSS began to pay field worker salaries and stipends through the same choice-based payment system to familiarize these staff and better equip them to explain it to recipients. During Phase I, about one-third of the field workers were paid through the system, and nearly three quarters by Phase III.

These measures had a positive effect. In Phase III, recipients showed significantly higher retention of training content: four out of five (80%) remembered receiving the payments training and out of these 72% remembered the provider choices, 70% mobile money and 39% bank accounts (see Figure 3). Similarly, recipients who lacked awareness of their right to choose dropped from 50% in Phase I to 7% by Phase III. While 33% of recipients in Phase I were able to name another participating provider, 70% of Phase III recipients were able to do so (see Figure 4).

Figure 3: Recipients' recollection of payment training received
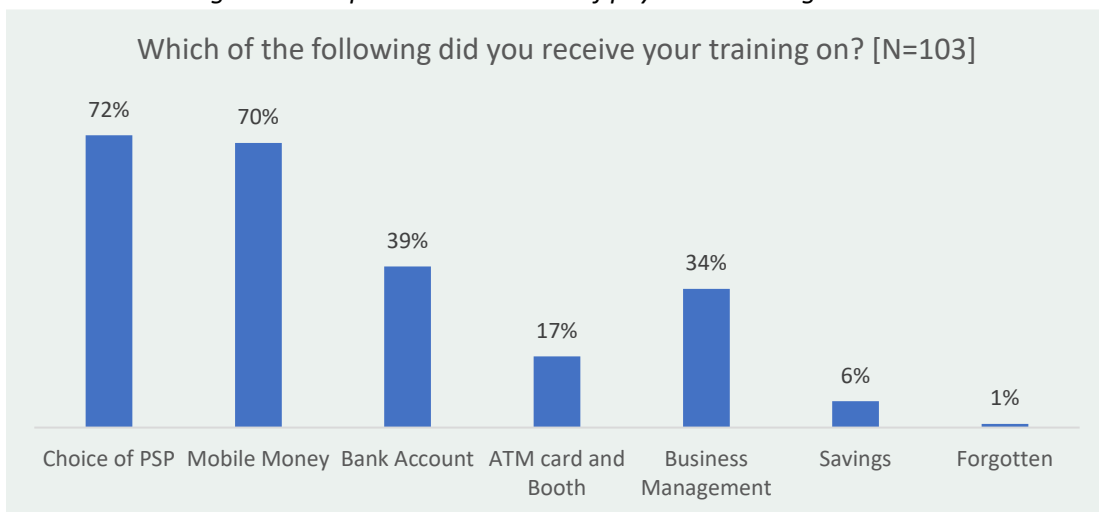
Source: PI Strategy (2020) GEWEL Phase III Payment Assessment

Figure 4: Recipient awareness of choice and provider options
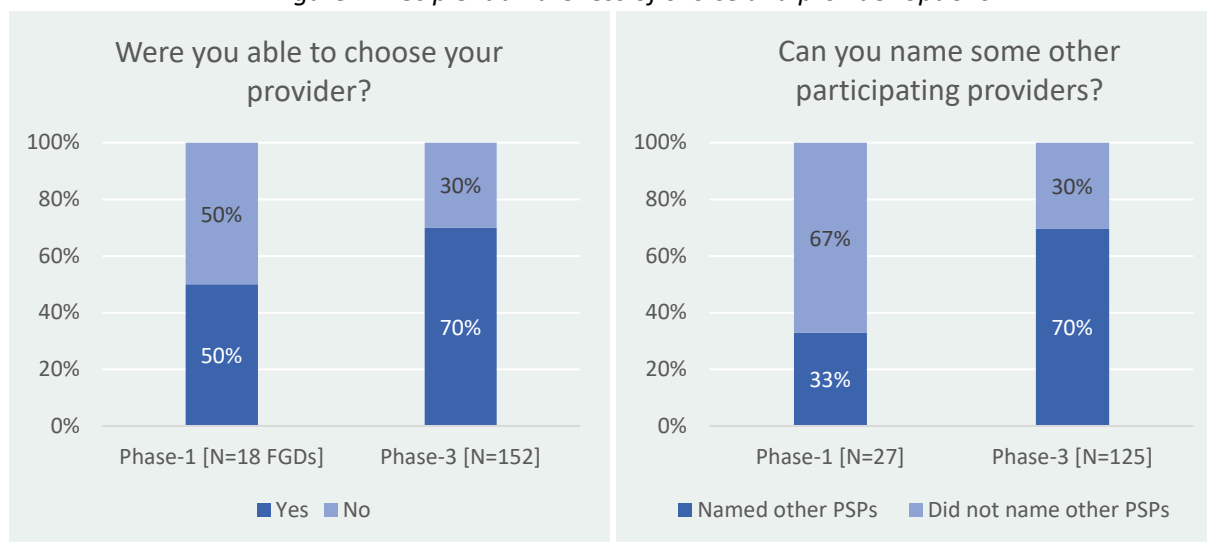
Source: PI Strategy (2020) GEWEL Phase III Payment Assessment

Nevertheless, awareness does not always translate into ability to choose: 30% of Phase III recipients said they were not able to choose by themselves, either because somebody else took the decision for them or they understood that the choice had to be made as a group. Clear and consistent messaging to recipients, field workers and community leaders is therefore key to ensure that recipients can exercise their choice individually and deliberately.

In addition to the improved communication and training, recipient choices may have become more diverse because MCDSS added more providers to the GEWEL Payments Gateway. Over time, the number of providers interested in participating in the distribution of SWL payments to ultra-poor women increased. Also, MCDSS expanded the program in Phase III to new Districts and other providers may have captured recipient business thanks to their presence in these Districts. And finally, Zambia's digital financial services market has grown significantly over the past years, financial distribution networks have expanded into more remote regions and access to financial services has increased.[7] This development may have contributed to the evolution in recipient choices as well.

Learning #2: Choice-based G2P payments benefit recipients, government programs and the financial market ecosystem.

Although it takes considerable effort and patience to enable choice, it has benefited recipients, MCDSS and the payments ecosystem in Zambia.

Firstly, choice benefits recipients through greater awareness of financial services options and convenience. Recipients can better identify providers that meet their needs. In Zambia, the majority of recipients chose a provider based on access point proximity (see Figure 5); nearly two thirds said they chose the provider with an access point closest to their home. In Phase I, many recipients followed recommendations of field workers, whereas Phase III recipients rather consulted other recipients and these other recipients likely based their recommendation on access point proximity. Concurrently, the

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[7] Between December 2018 and December 2019, the number of DFS accounts actively used on a 90-day period increased from 4.3 million to 6.5 million. Over the same period, the active DFS agent network grew by 93%. Since the launch of the SWL payments in December 2017, the number of registered and active DFS agents grew by more than 450% to over 140,000 in agents, representing a ratio of 926 per 100,000 adults. See UNCDF (2020) "State of the DFS Market in Zambia 2019".

average travel time and costs of accessing payments was significantly reduced between Phase I and Phase III.

Figure 5: Criteria that drove recipients' selection of provider
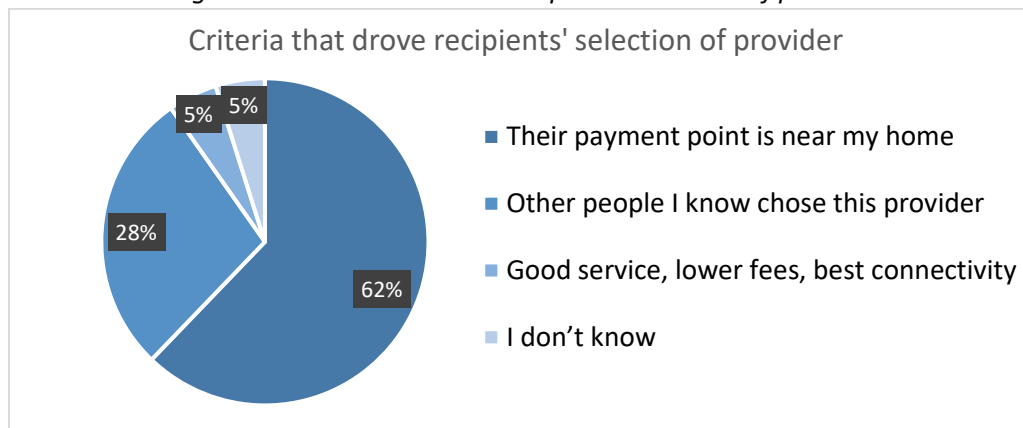
Source: PI Strategy (2020) GEWEL Phase III Payment Assessment

That access point proximity matters for recipients can also be noticed when comparing provider choices by recipients living in very remote locations and locations closer to a marketplace with a local government office (see Figure 6).[8] Nearly all SWL payments recipients live in rural and most of them in remote locations of the country. Mobile money providers tend to have a stronger presence in remote areas thanks to their agent networks. Zoona and MTN have the farthest-reaching distribution networks and are the preferred providers among recipients from very remote and remote locations. Airtel, on the other hand, has a stronger presence and better signal in market-near areas and has attracted more recipients there. UBA has been able to attract recipients across all types of locations, and even increased their share over the years.[9] Compared to other commercial banks, UBA has a strong presence in rural areas through a network of banking agents, which it built up to distribute vouchers for an agricultural inputs program by the government.

UBA's success in gaining market share points to another learning: UBA has the lowest cash-out fee among participating providers. While UBA currently charges ZMW 7 (USD 0.47), the mobile money providers charge between ZMW 30-35 (USD 2.00-2.34).[10] As recipient awareness has increased, they may have also begun to factor in the financial costs of access in addition to access point proximity.

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[8] This was calculated based on the distance from the closest market with a local government office. Locations within 25 km of a local government office are considered 'market-near', those within 25-50 km are considered 'remote' and locations more than 50 km away from the closest market are considered 'very remote'. The markets with a local government office are in rural areas and there are usually some bank branches, ATMs and several mobile money agents.

[9] As mentioned before, this may also be linked to their significantly lower cash-out fees, allowing recipients to save ZMW 43 of the withdrawal top-up.

[10] However, there is also a one-time fee for the issuance of a UBA debit card of ZMW 40 (USD 2.68).

Figure 6: Recipient choices by type of location
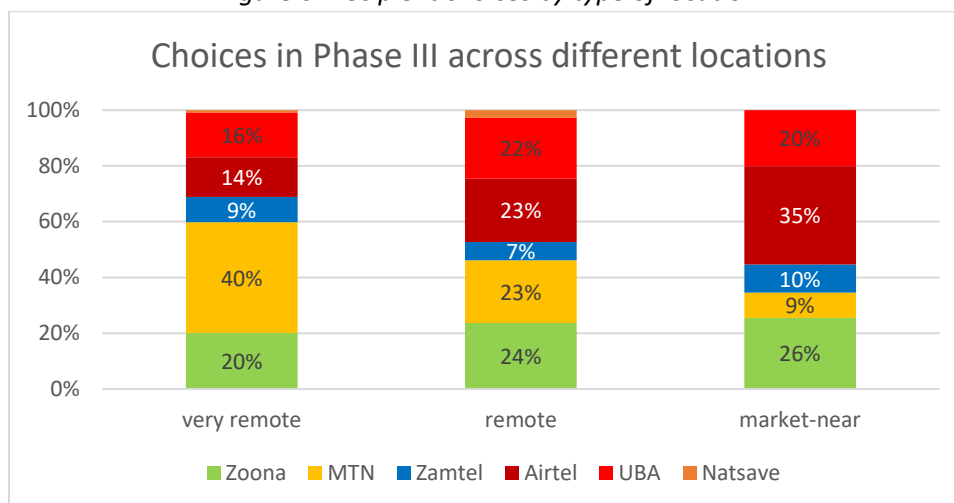
Source: Author calculations

Secondly, the new payments model benefits government programs through simpler procurement processes, reduced vendor lock-in and reduced G2P distribution fees. Instead of initiating a competitive procurement process that may take months or even years, MCDSS enters into agreements with each provider that is interested and able to participate.[11] Also, MCDSS does not have to identify and allocate Districts or Wards to individual providers, which could reinforce monopolies and open opportunities for corruption. Another benefit of not being tied to a single provider became apparent when ZamPost Microfinance lost its banking license during the course of Phase II. Thanks to the multi-provider payments model, MCDSS simply asked affected recipients to choose another provider. In a traditional, single-provider G2P payments model, MCDSS would have had to re-tender and re-procure a provider. MCDSS also benefited when providers reduced their withdrawal fees as a result of wider market competition.

Also, MCDSS benefited immediately from a reduction of cash-out fees in the market without the need to renegotiate with providers. There is no set payments distribution fee for SWL payments and MCDSS pays a top-up to recipients based on the highest cash-out fee in the market. During Phase II, the highest cash-out fee dropped from ZMW 50 (USD 3.35) to ZMW 35 (USD 2.34). While in the past recipients pocketed the difference between the top-up and the cash-out fee of their chosen provider, MCDSS is now decreasing the top-up from ZMW 50 (USD 3.35) to ZMW 35 (USD 2.34). As a result, the cost of payments delivery has been reduced from around 4.0% to 2.8% (excluding the travel rebate).

Finally, introducing choice to G2P payments can contribute to the development of a more inclusive and innovative financial services market. In Zambia, the SWL payment has attracted more and more financial service providers and enticed them to provide payments services to ultra-poor women. In preparation of Phase IV, two further banks have expressed an interest in participating in the GEWEL Payments Gateway (i.e., Atlas Mara and First Capital). As more providers enter and compete to sign up recipients of social protection programs, incentives are created to provide services closer to rural communities, provide better customer service and products tailored to this customer segment.

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[11] MCDSS set up a Memorandum of Understanding with each individual provider.

Learning #3: Provision of phones and choice-based payments positively impacted women's decision making and control.

The GEWEL project is specifically designed with women's empowerment in mind. The project aims to build human capital at different stages of a woman's life cycle, helping her to successfully transition (i) from primary to secondary school and finish secondary school through stipends (under the Keeping Girls in School component); and (ii) from subsistence to sustainable livelihoods by helping her increase income through micro-entrepreneurship (under the SWL component). The SWL livelihoods package was designed based on rigorous evidence of the positive impact of graduation pilots on incomes and other empowerment outcomes.

The process evaluations suggest that the SWL livelihoods package has strengthened women's decision-making power. Almost 90% of Phase III recipients said that as a result of the SWL livelihoods package they gained a more important role in making financial decisions for their household. Recipients also emphasized the importance of owning a mobile phone. For most women, the phone provided by the MCDSS was the first phone they owned – only 44% had owned a phone before. Recipients also reported using their phones for business activities, such as contacting suppliers (58%) and customers (32%). The research confirms that the women highly value their phones and usually carry them when going outside their homes. When calling Phase III recipients, in 93% of the cases the recipient answered her phone (not another family member). In Phase I, only 74% of recipients were the first to answer the phone.

The choice-based G2P payments model benefited SWL payments recipients by allowing them to receive more convenient, friendlier, and trusted service. Because they can choose the access point that is closest to them and least crowded, recipients spent less time travelling to and queuing at access points and gained more time for their business activities and families. The average travel time for a return trip decreased between Phase I and Phase III from 6 to 2 hours. At the same time, the cost of travel, which is covered through a top-up of ZMW 50 (USD 3.35) per recipient, appeared to have dropped as well. While many Phase I recipients complained that the travel rebate was insufficient, 82% of Phase III recipients reported incurring no cost at all and those who did spent about half of the travel rebate (ZMW 26; USD 1.74) on average. In addition, offering choice allowed women to choose the access point that they feel most comfortable interacting with and that has opening hours that are convenient.

Learning #4: The success of the GEWEL project has encouraged other G2P programs to introduce choice.

The successes and learnings of MCDSS in introducing choice in the GEWEL project have raised interest among other social protection and social assistance programs in adopting this approach and leveraging the GEWEL Payments Gateway. Zambia's Social Cash Transfer (SCT) program — a much larger social safety net program covering over 616,000 households — is preparing to shift from largely manual payments distribution to a digital, choice-based G2P payments model. Because SCT payments are smaller and more frequent, the MCDSS is adjusting some design elements of the payments model. For example, SCT program recipients will be less willing to travel far distances and pay for transportation to collect ZMW 150 (USD 10) each month compared to an SWL payments recipient collecting ZMW 2,500 (USD 167) twice a year. Therefore, MCDSS will roll out the choice-based G2P payments model for SCT recipients in urban and peri-urban areas with good financial service coverage, and only include a few rural areas that have satisfactory mobile connectivity and financial access point coverage. Recipients in remote areas will continue to receive their payments through civil servants.

During the COVID-19 crisis, MCDSS and United Nations partners leveraged the GEWEL Payments Gateway for delivering emergency cash transfers to affected populations. This indicates the importance of choice-based G2P payments as a building block of shock responsive social protection systems in Zambia.

Finally, Smart Zambia, the digitization agency of the Government, has indicated interest in utilizing the GEWEL Payments Gateway for all G2P payments.

Conclusion

The insights from Zambia's GEWEL project show that choice-based G2P payments can benefit recipients, government programs and the financial market ecosystem. Choice improves the customer experience by empowering them to choose a provider and access point that is most convenient. Importantly, offering choice to women recipients can enhance their self-determination and reduce their vulnerability as they can choose the provider and access point that they trust and they can choose the form of payment that offers maximum control over their funds. Government programs benefit through simplified procurement and reduced risk of choosing a payments solution that will not work for recipients. And the wider payments ecosystem, including the industry, benefit from greater competition and incentives to improve their products, customer service and reduce transaction fees. Finally, the Zambian experience points to opportunities of expanding the choice-based payments model to other, if not all, G2P programs. It also demonstrated the benefits of having in place a system to channel emergency cash transfers during a crisis.

At the same time, the experience from Zambia demonstrates that the successful implementation of choice-based G2P payments requires long-term investment and full commitment by the government program and its funders. First, it takes awareness raising and training to enable recipients to take full advantage of their ability to choose providers. Programs should frequently evaluate the payments delivery process, especially the customer experience, to learn and adjust as needed. Second, G2P program staff need to be brought on board and trained to understand the new process and how it can benefit them. And third, there is not one model that suits every type of G2P program. Social safety net programs with smaller and more frequent transfers may need to introduce digital payments gradually and continue to deliver payments manually in areas with limited access to financial access points and mobile connectivity.