



Case Study

The Future of G2P Payments: Expanding Customer Choice in Zambia

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DISCLAIMER

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Summary

The Zambian Ministry of Community Development and Social Services (MCDSS) is taking a novel approach to a new government-to-person (G2P) payment system launched 2 years ago. Participants in its Support to Women's Livelihoods (SWL) initiative can decide for themselves at which provider and into what kind of account they want to receive their social protection grant. MCDSS launched this effort in late 2016, and by the end of 2017 the first round of payments was transferred into commercial bank accounts, mobile wallets, ATM cards and post office accounts. Two years on, at the end of 2018, 12,748 women have been enrolled and 12,084 received their grant payments through the new multi-provider payment system.

Most government transfers in Zambia are made through traditional cash distribution systems.² From its onset, MCDSS recognized the logistical challenges of continuing with this familiar approach and saw the added benefits for a largely financially excluded population of transitioning to a digital transfer system. In this case study, we document what drove MCDSS to develop an innovative, choice-based digital payments system and how this new multi-provider payments model has worked in practice.

² Transfers are delivered to recipients in cash by pay point agents, usually teachers or other civil servants, with funds channeled through ministerial bank accounts.

Box 1. The main innovations of Zambia's new government-to-person (G2P) payments system.

- **Choice empowers recipients:** During enrolment recipients choose the provider and account where they prefer to receive payments, promoting their agency and financial inclusion.
- **More money to the recipients:** Recipients get a top-up to cover withdrawal fees. The top-up is pegged to the most expensive fee in the market, allowing recipients to keep the difference if they choose a provider with lower fees. This is a novel approach compared to the traditional system where governments pay providers a fee to bring payments closer to recipients and to remove cash-out fees for recipients.
- **Leverage private sector solutions:** Enabling recipients to make informed choices about their payments stimulates competition among providers, which can create incentives for expanding financial access networks, lowering product and service fees, and diversifying the product portfolio.
- **Scalability and transferability:** The payment system can be readily adopted by other G2P payment programs in Zambia, including MCDSS's largest cash transfer program with nearly half a million households, which still uses a manual cash distribution system.

Introduction to the case

Zambia is a lower-middle-income country in Southern Africa with a population of 16.7 million. With 21 people per square kilometer, it is one of the most sparsely populated countries in Africa, where the average is 39 people per square kilometer. Despite steady economic growth, Zambia's national poverty rate remains stubbornly high and is accompanied by a striking level of inequality between rural and urban areas.³ Similarly, while it was reclassified to middle-income from low-income status in 2013 and advanced from low to medium on the Human Development Index in 2015, it continues to face substantial gender gaps in terms of access to secondary education and productive employment.

The Zambian Seventh National Development Plan (7NDP, 2017–2022) positions social protection as a key intervention to reduce poverty and vulnerability in the country. As an indication of its commitment to poverty alleviation, the Government of Zambia (GRZ) more than doubled the caseload of the country's largest social assistance program, the Social Cash Transfer Scheme (SCTS), in 2017 (from 242,000 to 590,000 recipient households). It aims to further expand the SCTS caseload to 700,000 households, reaching two-thirds of the country's extreme poor by 2019. Moreover, through the 7NDP, GRZ introduced a "cash plus" approach to poverty reduction in which livelihoods interventions are layered on top of consumption support through the national social cash transfer scheme. The consolidation of services is expected to strengthen the impact of these investments.

In 2016, GRZ—with support from the World Bank's Social Protection and Jobs Practice⁴—launched the Girls' Education and Women's Empowerment and Livelihoods (GEWEL) project, which was designed to provide livelihood support for women and access to secondary education for disadvantaged adolescent girls in extremely poor households across Zambia.⁵ The Supporting Women's Livelihoods (SWL, see Box 2) component of the GEWEL

³ The incidence of poverty is estimated at 54 percent at the national poverty line (ZMW 214 per month). Whilst urban poverty rates fell slightly from 26% to 23% between 2010 and 2015, poverty rose in the rural areas from 74% to 77%, resulting in a widening urban-rural poverty divide.

⁴ The World Bank's Social Protection and Jobs Practice wishes to recognize the generous award of a grant from the World Bank's Rapid Social Response Trust Fund Program, which is supported by the Russian Federation, United Kingdom, Norway, Sweden, Australia, and Denmark, without which this work would not have been possible.

⁵ GEWEL is jointly implemented by MCDSS, the Ministry of General Education, and the Ministry of Gender. It has three components: Supporting Women's Livelihood, Keeping Girls in School, and Strengthening Institutions and Systems Building.

project is managed by the Ministry of Community Development and Social Services (MCDSS) and provides poor women in rural areas with a one-time US\$165⁶ (ZMW 2,000) grant, paid in two tranches. For a series of reasons detailed below, not least due to the challenges associated with tasking individuals to deliver transfer amounts ten times higher than under SCTS, there was a strong emphasis under GEWEL that the funds be paid digitally and directly to recipients.

Simultaneously, the GRZ and the World Bank launched the Zambia Financial Inclusion Country Support Program for the development and implementation of a National Financial Inclusion Strategy (NFIS) to support Zambia's advances in furthering financial inclusion. The NFIS, which was launched in November 2017, focuses on expanding digital financial services, including digitizing G2P payments.

Box 2. Zambia's Supporting Women's Livelihoods (SWL) Component.

The SWL component of GEWEL is a new initiative through MCDSS. It was designed based on rigorous evidence from diverse countries and contexts demonstrating that multi-faceted, "big push" interventions can address multiple constraints faced by extremely poor people and help them graduate into sustainable livelihoods.

Each SWL recipient will get a mix of the following interventions:

- Short-term life and business skills training, provided by community-based volunteers;
- A productivity grant of US\$165 (ZMW 2,000), delivered in two installments;
- Mentorship, including refresher training and linkages to other public services;
- Support to form savings and loans groups.

Over the course of the project, SWL is expected to reach around 75,000 female 'breadwinners' aged 19 to 64 living in extremely poor households. It is being implemented in select communities in 53 out of 103 districts in Zambia and rolled out in three phases from 2017 to 2020.

Enabling environment

The existing G2P system was based on manual processes and delivery was largely in cash. With a SCTS caseload of nearly 200,000 households, MCDSS handled yearly disbursements of approximately US\$20 million. SCTS grants were distributed every two months, through antiquated cash delivery systems. MCDSS sent the funds to ministry accounts in a commercial bank at the district level and then relied on local government officials to deliver cash to recipients. Often, teachers rode bicycles to deliver the cash from their nearest bank branch to their home village, spending less time teaching and putting themselves at risk.⁷ With the expansion of SCTS to approximately half a million households nationwide, MCDSS saw itself exposed to the inherent risks and challenges of manual cash delivery, which can result in irregular and late payment of cash transfers and allegations of leakage.⁸

Zambia's financial service networks had expanded with the introduction of digital financial services. Over the past three years, Zambia has seen an increase in access and use of formal financial services (from 21 percent to 46 percent of adults in 2011–2017).⁹ Given Zambia's low population density, using digital financial services to reach underserved and unserved segments of the population holds significant potential. In 2015, the Bank of

⁶ Throughout this study, we used the USD/ZMW exchange rate as of Dec 1, 2018.

⁷ However, it is important to note that manual distribution of cash can remain the more convenient option for recipients living in very remote areas without access to financial service points. In Zambia, for example, some of the SWL recipients were found to live up to 100km away from a financial access point.

⁸ With SCTS's planned expansion to 700,000 households, its annual volume will reach US\$45 million.

⁹ See World Bank Group. 2018. "[The Global Findex Database 2017](#)." Washington, D.C.: World Bank Group.

Zambia (BOZ) released a directive for electronic-money issuance that paved the way for mobile financial services.¹⁰ Since then, growing mobile-based money transfer services and agent networks have accelerated the use of formal financial services in Zambia. Mobile phone penetration has been picking up, with around 80 percent of Zambian adults owning a mobile phone.¹¹

Yet, no single provider had presence in all of the regions. In May 2015, MoF and the World Bank’s Finance Competitiveness and Innovation (FCI) Global Practice had conducted an assessment on the feasibility of digitizing the payments made by MCDSS, the Ministry of Education, and the Ministry of Agriculture.¹² The assessment found that there was no single provider that had strong enough national coverage to reach many of the targeted recipients. The conclusion was that the government would need a system to channel payments through multiple providers to reach national scale. The assessment also recommended aggregating multiple government payments across ministries to ensure larger volumes and thereby lower the unit costs of delivery and hopefully entice providers to offer services where there were none.

At the time, Zambia had several payments systems. This included a real-time gross settlement system run by BOZ (Zambia Interbank Payments and Settlement System [ZIPSS]),¹³ a privately owned and managed clearinghouse (Zambia Electronic Clearing House [ZECH]), and a privately owned and run banking switch (Zamlink).¹⁴ However, ZIPSS was used nearly exclusively for large-value payments (BOZ n.d.; BFA 2012). ZECH was intended for retail payments, but unfortunately, linked only to a few local member banks and had a governance structure that did not provide fair access to non-bank financial service providers, including mobile money providers. The prospects of mobile money providers joining anytime soon were therefore low. Even some banks with key business relationships with Zoono and MTN—Zambia’s largest remittance and mobile money providers respectively—had not joined ZECH at the time (e.g., Barclays Bank for Zoono).¹⁵ The prospects in the market for a national real-time payments switch that would allow interoperability across retail payment instruments offered by banks and non-banks, including mobile money providers, had been discussed in broad terms, but its implementation seemed a couple of years away.¹⁶

The government had plans for modernizing its services but a solution for digitizing payments was not a prospect. In 2016, the President’s Office launched the SMART Zambia Initiative to expand and improve Zambia’s information and communications technology infrastructure to enable better public services. Although the initiative’s agenda encompasses the digitization of government processes, including payments, so far, its focus has been on expanding foundational communications channels—both voice and data—across the country and on creating a National Data Center (MoF 2017).

Without the prospect of a timely centralized solution for digitizing government payments, MCDSS needed its own solution. GEWEL provided an opportunity to seek a solution within a newly formed project. MCDSS and the World

¹⁰ See BOZ (Bank of Zambia). 2015. [Gazette Notice No. 416](#).

¹¹ See UNCDF (United Nations Capital Development Fund). 2017. [“State of the Digital Financial Services Market in Zambia, 2016.”](#) New York: UNCDF; and FSD Zambia. 2018. [“Mobile Money for increased financial access? – We’ve got your back!”](#) Lusaka, Zambia: FSD Zambia.

¹² See World Bank Group. 2015. [“Piloting G2P Payments for the Government of Zambia.”](#) Washington, D.C.: World Bank Group.

¹³ ZIPSS membership is limited to commercial banks; a nonbank may use the system only by paying a fee to a member bank. Member banks determine this fee; BOZ charges each member bank US\$0.95–2.85 per transaction.

¹⁴ Zamlink is limited to six smaller member banks and has struggled with attracting larger banks and mobile money providers. The member registration fee is US\$50,000, which might not appeal to some players, despite relatively low switching fees of around US\$0.30 per transaction.

¹⁵ ZECH has not made it easy for new members to join. International banks, such as Barclay’s and Stanbic, that hold funds for mobile money providers like MTN and Zoono have not joined. Inefficiencies, such as long transaction processing times, may affect banks’ willingness to join.

¹⁶ By the time of publication of this case study, Bank of Zambia had announced to implement a National Financial Switch for both banks and non-banks, scheduled to become operational in 2019.

Bank agreed to build and pilot an innovative design for delivering payments to SWL recipients through multiple payment providers.

Design: Key choices

In October 2016, a team from MCDSS and the World Bank began to explore innovative approaches to digitize social protection grant disbursements. Based on a deep assessment of the context and environment of SWL recipients, the existing payments system, and the availability of financial service outlets in the target regions, the team started designing a multi-provider payments system based on recipient choice. The results of the context assessment and the overarching goals of MCDSS led to a series of key choices that defined the design.

KEY CHOICE #1: MCDSS DECIDED TO MAKE DIGITAL PAYMENTS TO RECIPIENTS, WHICH IN ZAMBIA IMPLIED USING MULTIPLE PROVIDERS

MCDSS and the World Bank agreed that a cash delivery system would not be the best choice, especially given the larger transfer amounts. Requiring teachers and other local government officials to transport large sums of cash over long distances was too risky, even with relatively low crime rates. The recent growth of the digital financial services sector offered promising alternatives to delivering grants reliably and quickly into recipients’ accounts. Nevertheless, designing the program was challenging. Commercial bank outlets were strongly concentrated in the urban areas. Zambia’s post offices (ZamPost), mobile money providers and remittance companies had better rural outreach but did not cover the country uniformly. A geographic mapping of financial access points across Zambia illustrated the challenge: No single financial provider was servicing all districts of the country nor was there any single provider within reasonable distance of a large share of recipients (see Table 1 and Table 2).

Table 1. Reach of access points across Zambia’s population (2017 data)

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

*Data from 2015 survey

Source: FSD Zambia (2017)¹⁷

Table 2. Distance to nearest financial access point (2017 data)

Nearest provider	Median distance (km)	% of adults living within that distance
Mobile money agent (active)	1	71
Banking agent	1	8
Standalone ATM	1	3
Bank branch	2	2
Microfinance institution	2	1
Post office	3	2
SACCO	8	10

Source: FSD Zambia (2017)

¹⁷ See FSD Zambia. 2017. “[Updated Geospatial Map for Financial Service Access Points in Zambia.](#)” Lusaka, Zambia: FSD Zambia.

Mobile money agents had the best reach, especially in the poorer regions of the country. On average, a poor person had to travel no more than 3 km to find a mobile money agent. Yet, there were some areas that were not served by any mobile money provider. Some recipients were closer to a ZamPost office or a bank branch. This geographic mapping exercise clearly indicated that MCDSS would need to move payments through multiple providers to reach recipients reasonably close to cash-out points. And despite this, some recipients would still be far from any point of service.

KEY CHOICE #2: MCDSS WANTED TO AVOID COMPLEX PROCUREMENT ARRANGEMENTS AND, INSTEAD, OPTED TO EMPOWER RECIPIENTS TO CHOOSE A PROVIDER

One option was to procure multiple providers; however, this was evaluated as very expensive since each provider would seek to pass on costs of expanding their networks to the Government and there were earlier difficulties finalizing the procurement of payment providers by the Government. An alternative was to procure providers for different geographic zones—that is, carving up the project districts based on the strength of provider presence. Although this approach had been used in India and other countries, the Zambian context provided three good reasons to refrain from such solution. First, procurement had not worked well in Zambia. In the past, MCDSS had found it difficult to procure even a single provider, having had to extend procurement processes by many months and, in some cases, several years. Second, it is important for payments to be received in ways that are the most convenient and reliable for recipients. The mapping exercise illustrated that financial access point proximity and accessibility could not be determined at a district level; some recipients were closer to a town in a neighboring district. Determining the closest provider for each participant seemed too costly and time-consuming. And, third, allocating different regions to providers could potentially reinforce regional monopolies that might undermine provider incentives to deliver reliably or to extend their services into new areas.

MCDSS and the World Bank decided that an innovative solution was needed and that the people best positioned to know which providers to use would be the recipients themselves. To the extent possible, they wanted to shift the choice of providers to the individuals and away from government procurement. It, nevertheless, had to be considered that delivering government payments without a procurement process and a fixed-fee contract was unprecedented in Zambia—as it is in many other countries. MCDSS and the World Bank could not predict whether providers would be willing to compete for G2P participant accounts and services. However, at the time, providers in Zambia had an appetite for more transaction volumes and account activity. MCDSS thus expected them to respond positively when shown the projected flows of G2P payments and the potential revenues from participant withdrawals.

Box 4. “Create demand and supply will come”
There was very little demand for electronic payments in Zambia, but an increasing push from the supply side. SWL payments involved up to 27,500 individual transactions totaling US\$4.6 million (ZMW 55 million) and representing a revenue opportunity of US\$228,000 (ZMW 2.75 million) from recipients’ withdrawals. This was MCDSS’s selling point. And it worked.

KEY CHOICE #3: MCDSS WOULD NOT PAY PROVIDERS BUT RATHER TOP-UP RECIPIENTS’ PAYMENTS TO COVER TRANSFER FEES

MCDSS sought to build a system that empowered recipients to make decisions for themselves and that would offer incentives to multiple providers to deliver. Rather than MCDSS contracting providers, the model called on MCDSS to top-up each payment with the amount of the cash-out fees charged by providers, so that recipients could pay providers themselves. MCDSS chose to apply the highest fee charged in the market—US\$4.14 (ZMW 50), equaling 5 percent of the transfer value—and did not ask for a special fee rate.¹⁸ The principle was that recipients are charged exactly what any other consumer in Zambia is charged for account withdrawals. This

¹⁸ Also, providers did not request for a special fee rate.

incremental addition of revenue for providers combined with recipient choice provided an incentive for better service and to sustain (if not expand) access points into more rural and remote locations.

However, this fee and the G2P volume would not likely alter the provider landscape dramatically in the near term because some recipients would still be far from points of service. MCDSS sought an efficient way to reach recipients who had to travel four to six hours to reach a financial access point. One option was for MCDSS to ask providers to set up points of service in these areas, at least temporarily. Yet, such a tailored service request would likely result in a procurement—which was to be avoided—or mediocre service. Instead, MCDSS opted to top-up each payment with an additional travel rebate. At first, MCDSS tried to determine travel rebates on a community level but quickly realized that it was more transparent, fairer and easier to administer to give the same rebate to all recipients. An assessment indicated that US\$4.14 (ZMW 50) covered transportation costs for a round-trip journey to and from a financial access point for most recipients. Furthermore, the travel subsidy could be adjusted as more points of service are established and could later be offered on a sliding scale that is based on travel time and distance.

KEY CHOICE #4: MCDSS WOULD BUILD AND MANAGE ITS OWN PAYMENT PLATFORM TO ENABLE MULTI-PROVIDER PAYMENTS AND RECIPIENT CHOICE

MCDSS needed to engage with institutions, such as mobile money providers, banks, payment card providers and the post office (ZamPost) that are outside the existing payment switches and require them to tie into its new payments arrangement. Without a reliable interoperable payments system, MCDSS had to build a workaround that allowed it to initiate payments with multiple providers directly. The solution was a two-stage payments delivery process. The first step is to send a single large aggregated payment to each provider that amounts to the full sum of subsequent payments to recipients' individual accounts. This first step moves funds via different payment instruments, depending on the provider.¹⁹ A few days after this payment is received, MCDSS sends a second payment instruction with the payment amount and specific account information for each participant. It is only then that the provider makes a final (terminal) payment to a participant's chosen account.

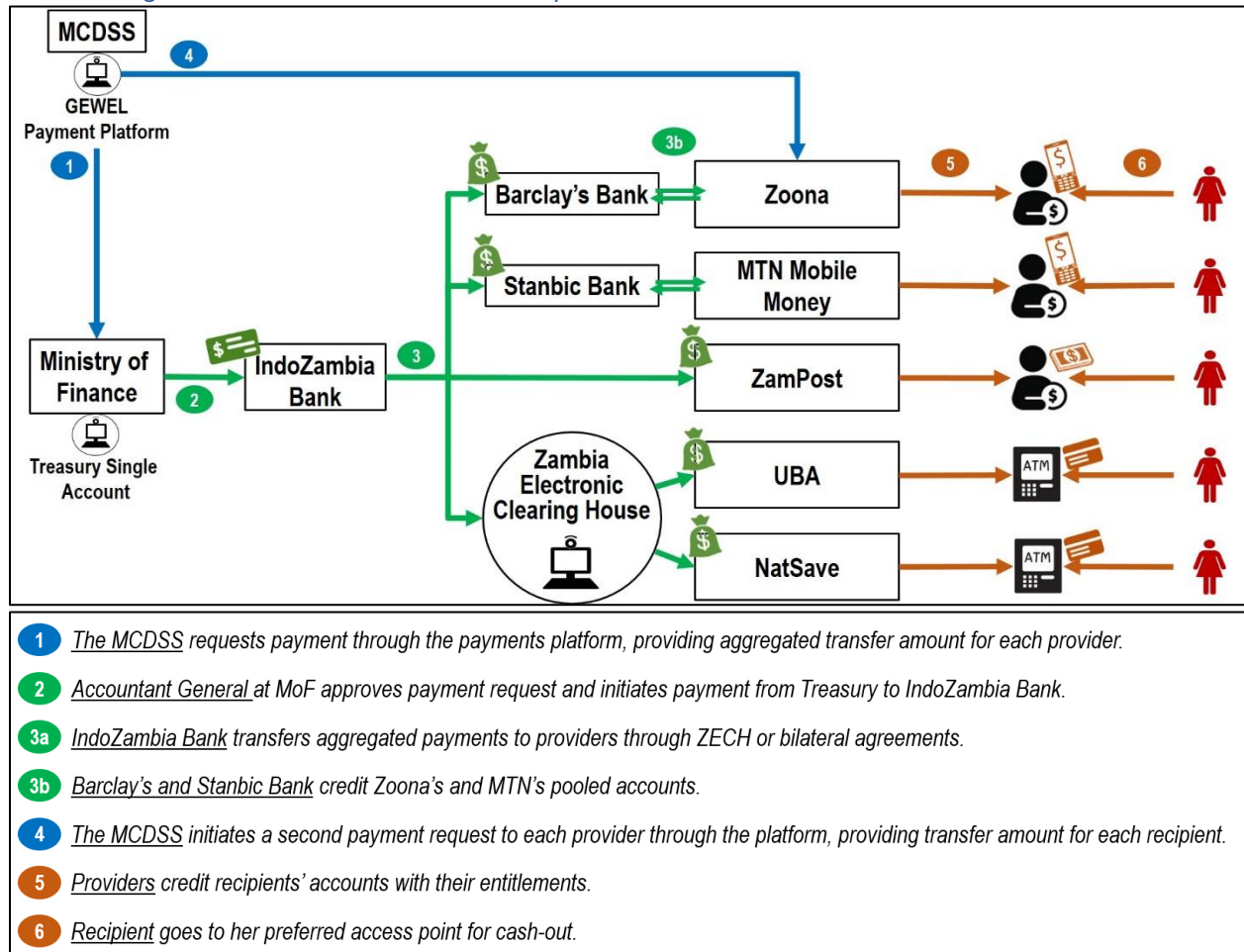
MCDSS chose to release the funds through a commercial bank that was member of ZECH and that had existing bilateral agreements with non-associated banks (e.g., Barclay's). It also decided that the two-step payments process, first in bulk and then individually, would be adopted for all payments, including payments directed to the local banks or ZamPost to reduce the number of interbank transactions and overall transaction fees.

MCDSS also had to consider that Zambia's banking systems were largely based on manual processes. Without digital or interoperable alternatives, MCDSS needed to factor in transfer lag times, which could take a week or more. This placed a high premium on cashflow planning and meant that there would be a delay between when the funds are released from the government and when they arrive into recipients' accounts.

These four key choices significantly shaped the design of the payments model and defined the processes required for making direct payments to G2P recipients (see Figure 1.)

¹⁹ For nonbank mobile money providers, this would mean funding their bank accounts with the corresponding value of e-money created within the mobile money system.

Figure 1. Flow of funds from the treasury account to the PSPs and then to individual accounts.



Implementation thus far

MCDSS's first step was to build buy-in. From design to the first tests, between October 2016 and December 2017, MCDSS worked with the World Bank to bring the project to life. Early on, it was clear that the systematic and sustained effort to engage multiple providers in dialogue and information sharing was a key to success. MCDSS invited all licensed financial services providers regulated by the Bank of Zambia, without exception, to participate and to offer their payments products to SWL recipients. Through this open invitation, MCDSS established a Payments Working Group, which has been meeting on the first Tuesday of each month since January 2017 to build awareness of the proposed system and communicate the business case for providers based on projected G2P payment volumes under SWL.

MCDSS and the World Bank also engaged with a variety of government stakeholders, including the Accountant General's office and the Payment Systems Department at BOZ. MCDSS's new

Box 4. "A carrot and no stick"

Foregoing the procurement option meant that MCDSS has no legal 'stick' to get providers to do a decent job. The only alternative is a 'carrot' that continually encourages providers' participation and efficiency in serving these new customers. This was achieved through a Payments Working Group. All payment providers are welcome to attend and participate in these monthly meetings, in which MCDSS shares project progress, the location and names of recipients that need accounts and the planned volumes and timing of payments. The Payments Working Group also provides a forum for providers to share challenges and to identify solutions to make payments better, more efficient or effective. For example, it was identified that staggering payments would aid liquidity management challenges.

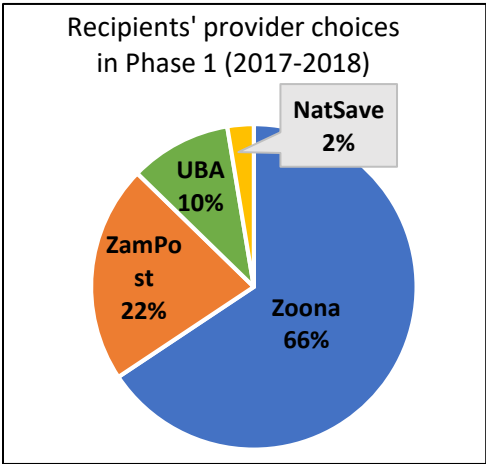
payments system had to integrate into the existing public financial management system managed by the Accountant General at the MoF. Through this system MCDSS requests and receives fund allocations. Once funds are approved, MCDSS can allow payments to providers, channeled through a unified treasury account managed by MoF. Not only did MCDSS’s new digital system for approval up-end the traditional approval sequence for payments within the Government, but inefficiencies and delays in these—predominantly manual—systems also led to delays in payments to SWL recipients.²⁰ Smoothing out these new systems and procedures is a work in progress.

By September 2017, with four providers (i.e., Zoona, ZamPost, United Bank for Africa (UBA), and NatSave) participating, MCDSS had developed a payments platform and established procedures for payments authorization. In October 2017, one district was selected for a first pilot: 765 recipients were enrolled, recipients selected the account that would receive their payments, and then payments were made. Two months later, the system was extended to four other districts and 5,000 newly enrolled recipients. By the end of 2017, 5,931 recipients had been enrolled, trained and paid their first instalment through MCDSS’s new payments platform. A year later, SWL completed its Phase 1. Over 12,000 recipients had been paid both instalments of their grant, amounting to 22,405 separate payments²¹ of a total value of US\$2.1 million (ZMW 25.3 million).

To prepare for the payment, MCDSS field workers taught recipients about mobile money, ATM cards and bank accounts and helped providers present their products. Providers, too, run activities to inform customers about their products. Armed with this information, the women chose their preferred provider. If recipients were new to a provider, as many were, they opened new accounts. MCDSS also gave most recipients free feature phones as most of these recipients were among the segment of adults who did not yet own a phone. After each woman’s financial account data had been matched with her National Registry Card number and her entitlement, MCDSS accountant and the Accountant General of MoF released the first stage of payments. Then, once the funds had been received by the respective providers, an MCDSS accountant electronically authorized the final retail payment directly to participants’ accounts.

An assessment after completion of the first payment shows that 70 percent of recipients prefer Zoona’s services. This could change as more regions and other providers join the project – especially with MTN entering the payment provider pool in early 2019. However, a survey conducted in July 2018 among recipients, raised concerns that provider selection for the pilot was not always well implemented. In one region, only one provider was selected, despite the presence of a variety of access points. Around half of the recipients were not presented with all options or were guided to one provider.²² The research illustrated the need to re-invest in efforts to inform and train recipients on their provider and product options. It also underscores the potential value of instituting portability to change and receive funds at an account at a different provider.

Figure 2. Provider choices during Phase 1.



²⁰ Originally, authorizing payments to providers required 17 different approvals within MCDSS. These are supposed to be reduced to three key decision points: MCDSS’s Accountant, MCDSS’s Permanent Secretary, and MoF’s Accountant General.

²¹ Not all recipients received their grant in two installments; some were paid in one instalment only.

²² People may have been guided to one provider by field workers. Also, some providers offered giveaways to new customers, luring recipients rather with gifts than with a clear information on their products.

Another challenge was that many recipients were new to using mobile phones and voiced difficulties processing all the new information about the program, their payments and the technology. By the time of the first payment, many of the women forgot the necessary information they were taught to receive and withdraw their payments. They, therefore, required assistance from agents, security guards and family members. At the same time, those who had opted for mobile payments continued using their SIM cards and mobile phones.²³ Only 10 percent of recipients' SIM cards had turned inactive over the course of the year, indicating that mobile phones are now widely used among participants.

The provider response has been positive so far. Providers were attracted to the projected payment flows that MCDSS promoted. Of the 17 providers that came to the first meeting in January 2017, five ultimately agreed to participate. Some others dropped out; some had hoped for a procured government contract. Natsave Bank, UBA, ZamPost and Zoono went live for the implementation of Phase 1. Zoono, which had for a long time offered only over-the-counter (OTC) payments²⁴, even developed and launched a mobile wallet product needed to meet MCDSS's requirement that participating providers offer a transaction account with a balance storage function. MTN Mobile Money joined the Payments Working Group and integrated with the payments platform in late 2018 and will become an additional payment option for Phase 2 recipients starting in early 2019. With MTN entering the payments group and being generally more aggressive in the market, Zoono saw itself under pressure to reduce their cash-out fees by 30 percent (from US\$4.14 to US\$2.90) to better compete with MTN's significantly lower fees (US\$1.65).²⁵ Subsequently, MCDSS was able to reduce the top-up premiums by US\$1.24 (ZMW 15) per payment.

During this first phase of implementation, MCDSS had the opportunity to test its new approach and make adjustments to strengthen the new multi-provider payment system. The key learnings and adjustments include:

- 1. Improve information sharing.** The life and business skills training was expanded to provide more detailed, yet easy-to-understand, information on payment services and providers. This is particularly important in a choice based payments model to enable and empower citizens to make informed choices.
- 2. Pay community-based volunteers (CBVs) through the system.** Arrangements were made to pay frontline implementors through the system not only to facilitate the payment of stipends, but also to incentivize CBVs to seek the best provider options available in their area and offer better-informed guidance to recipients. Accompanying customers through the learning and transition is critical.
- 3. Develop payment schedules.** Simultaneous payments created a glut of recipients who overwhelmed local payment access points, which consequently quickly ran short of cash. In response, MCDSS developed payment schedules to stagger payments, so that recipients who are physically located near one agent do not receive their payments on the same day.
- 4. Enhance monitoring.** Based on the findings from a process evaluation, MCDSS has developed and deployed a monitoring and evaluation tool to collect feedback from recipients and monitor more rigorously the disbursement of grants.
- 5. Operationalize the grievance redress mechanism (GRM).** The GRM which is currently being piloted in three Phase 2 districts will create a direct recourse channel where recipients can ask questions or log complaints.

²³ According to anecdotal evidence, besides mobile money services, recipients are using their phones not only to communicate with friends and family, but also to process sales and interact with customers.

²⁴ Over-The-Counter (OTC) payments are cash payments made on presentation of a valid payment token of a pre-denominated value.

²⁵ Zoono reduced their fees from ZMW 50 to ZMW 35 for a ZMW 1,000 withdrawal in order to compete with MTN's significantly lower rate of ZMW 20 for a ZMW 1,000 withdrawal.

6. Build capacity and designate staff for payment system maintenance. The new payment processing system requires continuous updates and adjustments to meet the needs of providers' ever-changing operating systems, updates and enhancements—both statutory and market-related. The payment systems development team involved select staff from MCDSS and the Account General's Office to ensure a deep understanding of the system.

As MCDSS scales up for Phase 2 of SWL (2018-2019), it will have the opportunity to demonstrate the power of its approach. It will further set the foundation for expanding the digital payment system to its largest G2P program, by selecting recipients among SCT households starting in Phase 3 (2019-2020).²⁶ Time will tell if there is an appetite to replicate this model across Government, based on further learnings and progress moving forward.

²⁶ Starting in Phase 3, SWL will target SCTS female-headed households who meet the SWL eligibility criteria, i.e. the female head is fit for work and aged 19-64, there is at least one minor living in the household, and the household has been in the community for a minimum of 6 months.