CGAP Technology Program

- 14 active projects in 11 countries
- New IP on customers, business models, policy
- Communicate widely to catalyze action
- Co-funded by the Bill & Melinda Gates Foundation

Areas of Focus

- **Clients:** drivers of large-scale adoption?
- **Providers:** what incentives to offer services to large numbers of poor people?
- **Governments:** how can they develop (1) safe and enabling regulation, and (2) policies that promote adoption?
Government-to-Person (G2P) Payments

Social Safety Net (SSN) Programs

Employee Payments (wages, pensions)
- To better off employees
- To low-income employees

Social Transfers
- Conditional Transfers
- Unconditional Transfers
- Workfare

Noncash Support
- Food
- Price Subsidies
- Fee Waivers


<table>
<thead>
<tr>
<th>G2P Flow</th>
<th>Recipients (mil)</th>
<th>Annual value transferred (USD, bil)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Security <em>(Cajas de Compensación Familiar)</em></td>
<td>3.9</td>
<td>0.34</td>
</tr>
<tr>
<td>CCT <em>(Familias en Acción)</em></td>
<td>1.5</td>
<td>0.79</td>
</tr>
<tr>
<td>Wages (Central government)</td>
<td>0.99</td>
<td>11.76</td>
</tr>
<tr>
<td>Public Pensions (Central government)</td>
<td>0.80</td>
<td>3.84</td>
</tr>
<tr>
<td>Old-Age Pension <em>(Prosperar)</em></td>
<td>0.38</td>
<td>0.13</td>
</tr>
<tr>
<td>TOTAL</td>
<td>7.57</td>
<td>16.86</td>
</tr>
</tbody>
</table>

- **CCT program large vs global peers**
- **Unconditional social transfer reaches 2.5x recipients as CCT**
- **If 1/10 of wages go to low-income people, value (US$ 1.56 bil) is 2x that delivered in CCT program**
Nearly half of 40 social transfer schemes launched since 1999 feature electronic delivery

<table>
<thead>
<tr>
<th>Year</th>
<th>Countries</th>
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<tbody>
<tr>
<td>1999</td>
<td>China</td>
</tr>
<tr>
<td>2000</td>
<td>Colombia</td>
</tr>
<tr>
<td>2001</td>
<td>Jamaica</td>
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<tr>
<td>2002</td>
<td>Turkey</td>
</tr>
<tr>
<td>2003</td>
<td>Bangladesh</td>
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<tr>
<td>2004</td>
<td>Brazil</td>
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<td>2005</td>
<td>Dominican Republic</td>
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<td>2006</td>
<td>Bolivia</td>
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<td>2007</td>
<td>Haiti</td>
</tr>
<tr>
<td>2008</td>
<td>Burkina Faso</td>
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<tr>
<td>2009</td>
<td>Bangladesh</td>
</tr>
</tbody>
</table>

Electronic delivery can:

- Cut costs
- Reduce leakage
- Lay foundation for financially inclusive account

Pair with branchless banking

1. Safe storage
2. Transaction capacity
3. Accessibility
Growing cohort of G2P programs offer financially inclusive account to recipients

**Brazil**
Caixa Economica migrating 12.1 mil recipients to card-operated bank account accessible via 20,000 agents

**South Africa**
¼ of 9 million people receive payment into accounts at Absa (largest bank) and Net1

**India**
4 million NREGA recipients choose branchless banking over traditional delivery

**But globally…**
Fewer than 1 in 4 G2P recipients get payment into financially inclusive account
5 common questions

1. Will financial services boost social protection?
2. Will poor people use financial services if offered?
3. Will it be prohibitively expensive to government?
4. Can financial institutions offer services to G2P recipients on an adequately profitable basis?
5. What tips for government procurement processes?
Financial services can strengthen social protection

• Considerable debate on the impact of microfinance

• But evidence supports claim for several types of impact:
  – Increase productivity: Dupas and Robinson (2009)

• Participate more fully in the economy
  – Fuller sense of citizenship: Barrientos (2009)
The poor will use financial services… if good quality is offered

- **Brazil**: 96% say cards “easy” or “very easy” to use in 1st year
- **Mexico**: 1.5 mil Oportunidades recipients using saving account leading to 35% increase in consumption (Gertler, 2006)
- **Brazil**: uptake of account by 2 mil Bolsa Familia recipients
- **Malawi**: 45% of emergency cash recipients still use account 2 years after grants ended
- **South Africa**: Net1 processing US$ 276 mil in debit purchases
- **India**: 85% dormancy rate in accounts of NREGA recipients, due to poor marketing and distance (Ramji, 2009).

More evidence needed
Need not be prohibitively expensive

- 1 mil recipients
- US$40 grants
- US$2 teller window fee
- 100 recipients per agent (conservative)

- Total cost: USD 12 mil
Business case is there, but not in all G2P flows

- Agent channels: 50% cheaper
- Product design with low-income consumers in mind
- Some G2P flows more suitable

<table>
<thead>
<tr>
<th>Feature</th>
<th>Rationale</th>
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<tbody>
<tr>
<td>Large number of recipients</td>
<td>Attract/retain private sector interest</td>
</tr>
<tr>
<td>Large payments</td>
<td>Float revenue</td>
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<tr>
<td>Frequent payments</td>
<td>Dependable stream of income</td>
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<thead>
<tr>
<th>Product</th>
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<tbody>
<tr>
<td>Mzansi</td>
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<tr>
<td>susu</td>
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<tr>
<td>M-PESA</td>
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<thead>
<tr>
<th>Country</th>
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</thead>
<tbody>
<tr>
<td>S. Africa</td>
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<tr>
<td>W. Africa</td>
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<tr>
<td>Kenya</td>
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</table>
Four factors in organizing a successful tender

1. Presence of a champion
2. Case for smart subsidies
3. Open to new types of providers
4. Ensuring the size of the pot is attractive
Takeaways

1. G2P payments already reach more poor people (170 mil) than microcredit (99 mil)
2. Electronic delivery creates 2 of the 3 requirements for a financially inclusive account (safe storage, transactions). Branchless banking can add the third (accessibility)
4. Financial services may strengthen social protection for poor G2P recipients
5. Clear evidence the poor will use services, if good quality
6. Need not be prohibitively expensive for government, and there are lessons on designing successful tenders
7. More work needed to prove the business case, and take the word to government