

# Innovative Approaches to Cash Delivery Project Malawi Social Cash Transfer Program

**Fifth Transfer Project Research Workshop: Evaluating National  
Integrated Cash Transfer Programs**

**April 6-8<sup>th</sup> 2016, Addis Ababa**



# Brief Background - Pilot project

- Electronic cash transfer payments with VSL and H&N initiatives
  - Airtel Money & Opportunity Bank Malawi
- To inform GoM and development partners in cost effective ways to scale-up SCTP payments with improved transparency and financial inclusion and reduced transaction costs
- Targeted 9004 SCT beneficiaries in 2 districts
  - Re-targeting, MIS automation SCTP, Tripartite Agreement affected rolling out of the project- over 50% time lost
  - Effectively e-payments commenced Oct 2014
  - Necessitated a 15 months No Cost Extension

# SCTP Overall Objectives

1. Reduce poverty, hunger and starvation in all households which are ultra poor and at the same time labour constrained
  2. Increase school enrolment and attendance and improve the health and nutrition of children living in target group households.
- E-Payment Goal: To address the food security of the poor and vulnerable populations in order to protect, maintain and recover productive and social assets and strengthen resilience of poverty affected communities
  - **Specific Objective**
    1. A sustainable e-payment system is implemented and effectively in service in order to improve delivery and access to beneficiaries to social cash transfer payments

# Evaluation - OPM and CSR

- Original evaluation design revised due to:
  - delays with retargeting & challenges in roll-out: fully-fledged e-payment mechanism was only implemented in selected TAs
- Evaluation methods
  - Qualitative research (semi-structured interviews and FGDs) with beneficiaries, community volunteers, agents, local leaders and district officials
    - Benefits and readiness of e-payments, positive and negative experiences with payment modalities
  - Quantitative assessment (2 rounds) - 1000 households split evenly by payment modality
  - Literature review on social protection to facilitate financial inclusion and electronic payments
  - Assessment of supply-side readiness through key informant interviews of providers

# Lessons – Impacts/Benefits from E-payments

## For Beneficiaries

1. Substantial reduction in time to access payments, especially for fully-fledged e-payments rather than managed (manual payments substantial time burden)
2. Better consumption smoothing linked to more frequent payments
3. Some improvements in financial inclusion (60%) – evidence of growing saving (limited for managed system; minimal, but more substantial for the fully fledged mechanism)
4. Preferred by beneficiaries – convenience and flexibility

## For implementers

1. Significantly reduced staff time managing payments (from 15-21 days to 5 days)
2. Better management of fiduciary risks (audit trail) - Instant reconciliations
3. Perceived as reliable
4. Saved time helped to do monitoring and case management



# Operational lessons from e-payments pilot

1. Capacity building for beneficiaries and agents is crucial
  - Technology poses challenge in terms of uptake and usability- gradual shift is ideal
2. Toll free lines instrumental for case management
  - The opportunity to report cases while remaining anonymous
3. E-payments improved other SCTP components (monitoring & case management)
4. Limited agent based cash out points increased cost of e-payments?
  - Managed payments to overcome liquidity, connectivity challenges while still relieving burden on officials – Service providers facilitate cash outs where agents are non-existent
5. Agent liquidity challenges erode beneficiary flexibility/convenience
  - Beneficiaries make several trips to agent to access cash and increased cost where agent is located far
6. PoS Device based transactions proved difficult to process
  - PoS Device data channel requires strong network connectivity compared to mobile-based solution



# Lessons- Capacity & Coordination

1. **Time** - Joint initiatives require sufficient time for planning, effective time management
2. **Partnership arrangements** - Flexibility is central where multiple partners from different business ethics are involved, Challenges to determine costs at the outset, partnership rather than contracting out service to focus on developing system and realizing long term gains
3. **Proper institutional arrangements** that guarantee adequate authority to managing entity of the MSCTP is key in efficient delivery of the program - Streamlining decision making processes for NSCT secretariat crucial

# Cash plus -Linkages to Financial & Social Services

## 1. Linking SCTP beneficiaries to Village Savings and Loans

- 57.5% of SCTP beneficiaries participated in village savings and loans
- 38% cited being able to bridge food shortages, 36% able to pay fees for school children and 36% able to buy agricultural input.
- A good proportion of (42.5%) SCTP beneficiaries could not participate in the VSLs because the value of transfers were so low to enable saving part of it.
- Between saving within e-payment systems- as part of financial inclusion, and VSLs, most beneficiaries preferred VSLs.
- VSL promotion should promote group cash generation initiatives/businesses as well as individual level IGAs as majority of beneficiaries are senior citizens

## 2. Health and nutrition should be integrated into roll-out

- uptake of practices promoted through trainings require a long time frame



**Save the Children**



# CONSIDERATIONS

- Partners needed to progressively work towards making the products or approaches relevant for the SCTP clientele as a way of expanding their market niche and meet needs of clientele. E.g. use of PIN vs biometrics for identification
- Where a number of partners are engaged, decision making processes may need to be streamlined to allow better delivery of services.
- Given low connectivity and lack of agents, a consortium of partners may be required to effectively run e-payment solutions at scale. Strides made in developing a National Switch in the financial sector provides broader scope for creation of viable working relationships for service providers that can overcome some of the challenges due to interoperability.

# CONSIDERATIONS...

- There is need for national secretariat to have dedicated personnel to manage the contractual obligation of the partners where government decides to use e-payment solutions.
- Financial literacy trainings are essential to support cultivation of a savings culture among beneficiaries of SCTP and building of confidence with available financial services with the e-payment products.
- The need for complementary services- particularly economic empowerment initiatives- is key to ensure MSCT beneficiaries transition to a sustainable livelihood pathway. Promotion of synergies between programmes within the same executing Ministry- SCT/COMSIP
- A strong case management process that safeguards beneficiaries rights is central to building beneficiaries' confidence with the payments systems in place

# THANK YOU FOR YOUR ATTENTION



*Agness Zulu: A VSL member of Maguya group of TA Mavwere in Mchinji proudly boasts of a better house constructed by her self through VSL loan. "I have found a husband in VSL" says Agness who lost her husband long time and has 4 children to support*