

G2P digital payments and financial inclusion for social resilience¹

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There is a global trend to automate and digitalise the cash payments of social protection programmes, and there has been a shift towards diversifying payment mechanisms in some African countries such as *Zambia, Namibia, Togo, Tanzania, Malawi, Comoros and Mozambique*. However, these countries are in different phases of payment digitisation and legal, regulatory and infrastructure challenges are common. 'End-to-end digitisation that diversifies payment mechanisms and allows the user to choose the service provider of their preference is one of the core elements to improve efficiency in government to people (G2P) payment systems. Other key aspects include (1) the establishment of selection and registration systems, leveraging information from other databases; (2) diversification of payment methods and provision of additional cash-out points; (3) facilitation of 'know-your-customer' processes and identification requirements for opening accounts; and (4) legislation that ensures creation of 'basic accounts' without maintenance costs.

Some of the main advantages of digital G2P payments include fiscal savings potential for the government, a reduction in operational costs and better conditions for timely delivery of assistance, especially during emergencies. Digital payments also allow for increased entry points for financial inclusion and economic empowerment of the most vulnerable groups—especially women, who usually have less access to information and tools that would enable their financial autonomy.

In Mozambique, pandemic response through the PASD-PE COVID-19 has tripled the social protection system's coverage, from 520,000 to approximately 1.6 million households. In the past few years, the country's emergency response has driven improvements in digital payments through four main mechanisms:

1. **Offline Payment Application (OPA)**: money delivery with electronic verification;
2. **Mobile wallet money transfers (M-PESA)**: directly implemented by the National Social Action Institute (INAS-IP), with support from the World Food Programme (WFP);
3. **Smartcards and mobile ATM payments** (Paycode and MozSecurity); and
4. **Alternate Payment System (SPA)**: which in the future will provide better e-INAS integration with financial service providers to enable the whole payment system to be digitalised, and which may allow beneficiaries to choose between and change service providers as they see fit.

The Government of Mozambique is committed to digital payments and expanding financial inclusion to the most vulnerable populations. During the first phase of the country's COVID-19 response, the government expanded digital payments to more than 77,000 households. However, there are still challenges to transform digital G2P payments into a more appropriate environment.

Challenges include: 1) regulatory restrictions of the financial system, such as the requirement of proof of income for opening bank accounts; 2) low financial inclusion of the population, especially women—only 43 per cent of the population is financially included; 3) formal financial access points are still limited—only half of the country's neighbourhoods have access to services. Moreover, the low coverage of the social registry, with less than 30 per cent of the vulnerable population being registered; low internet connectivity, with 40 per cent of the neighbourhoods with zero network coverage; and low civil registration—39 per cent of the population does not hold an official identification document—all represent structural hurdles to advancing the agenda.

Preliminary data from a study about PASD-PE COVID-19, supported by the World Bank in collaboration with Mozambique's Ministry of Gender, Children and Social Action (MGCAS) to identify lessons learned during the implementation of different payment mechanisms, surveying 2,000 beneficiaries across three provinces, show that there are opportunities for the adoption of digital payment solutions for social protection in Mozambique, primarily in urban areas. Most interviewees (80 per cent) have a mobile phone, 70 per cent hold an identification document, 71 per cent own a mobile account and 55 per cent prefer to receive their benefit through a mobile account.

In a more recent development, the World Bank, in partnership with the MGCAS and the INAS-IP, is developing a tool to report on an in-country digital payment expansion, the Digital Payment Readiness Index (PPD). The PPD aims to assign scores at the neighbourhood level to determine the most appropriate payment mechanism for each location, according to pre-identified features following the localisation data of national financial services, network coverage and the Mozambique Population and Housing Census 2017.

Reference:

Government of Mozambique, World Bank, WFP and MozSP. Dialogue on Social Resilience. Maputo: Government of Mozambique, 15-18.

Note:

1. This One Pager is part of a series of publications on shock-responsive social protection in Mozambique, developed with support from the WFP and financed by the European Commission's Humanitarian Aid and Civil Protection department (ECHO).