Electronic Delivery of Social Cash Transfers in Myanmar: Options Assessment

Thit Lin/HelpAge International

This policy brief is a summary of findings from the Oxford Policy Management's assessment of electronic payment options for social cash transfer programmes in Myanmar. The assessment was commissioned by HelpAge International with funding from the Livelihoods and Food Security Trust Fund (LIFT).

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Introduction

The Government of Myanmar has shown increased commitment towards social protection provision in recent years. The Department of Social Welfare (DSW) in the Ministry of Social Welfare, Relief and Resettlement (MSWRR) is the focal point for providing social protection services in Myanmar and is currently implementing two social protection cash transfer programmes – the nationwide social pension and maternal child cash transfer (MCCT) in selected states and regions. These two programmes are among eight flagships identified in the 2014 National Social Protection Strategic Plan that underpins the government's increasing investments in building social protection systems in Myanmar.

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Whilst cash transfers are becoming increasingly important in the country, their delivery mechanism typically remains manual – physical cash delivered by hand. Many other developing countries now use electronic payment systems to deliver social payments. In recent years, an exponential growth in the coverage and take up of mobile phones in Myanmar, coupled with changes in regulation and increased market competition, have now allowed the possibility of using e-payments for social transfers. Here we assess the feasibility of using e-payments (especially mobile money) to deliver social protection transfers (focussing on the National Social Pension programme).

Payment mechanisms

The way social protection transfers are paid can affect the impact of the programme and the costs and risks faced by both implementers and recipients. The goal of a payment system is to successfully distribute the correct benefit amount to the right people at the right time and with the right frequency, while minimising costs to both the programme and the recipients.

There are several ways to make payments in cash transfer programmes. Different combinations of payment instruments (cash, cards, mobile money, vouchers etc.) can utilise different payment devices (POS, ATMs, mobile phones etc.) to deliver payments at different payment points (mobile vehicles, post offices, agent shops, bank branches etc.). The combination of a specific payment instrument, payment device and payment point can be termed a payment modality or payment mechanism.

All payment mechanisms for social protection programmes involve transfer of funds and authorisation at the central level from the Ministry of Finance (or a donor account) to a Programme Administrator (usually a line department in a relevant ministry). The Programme Administrator then provides payment instructions based on programme records or a Management Information System (MIS) to deliver payments to recipients. However, the operationalisation of e-payments often requires contracting an external Payment Service Provider (PSP) to deliver payments and relies on an automated MIS. PSPs are essentially financial services providers and can include banks, microfinance institutions or mobile money operators.

It is important to recognise that no payment mechanism is perfect – and the adoption of a mechanism to deliver cash payments in social protection programmes is driven by a number of inherent characteristics such as functionality, coverage, interoperability, open versus closed loop systems, cost, and registration and authentication.

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Assessing payment mechanisms for Myanmar

This assessment was conducted with specific focus on the National Social Pension Programme that the Department of Social Welfare is currently implementing nationwide in Myanmar, which currently targets everyone aged 90 and older. For implementing the Social Pension programme – from beneficiary/recipient identification and registration to delivery of payments to the recipients – DSW relies mainly on the General Administration Department (GAD) under the Ministry of Home Affairs. Township GAD offices and ward/village administrators therefore play a central role in programme delivery.

The current processes in beneficiary registration, MIS and payments (payroll generation, payment disbursement and reconciliation) all rely on manual systems and checks. In order to utilise e-payment mechanisms such as mobile money, these systems would need to be strengthened by improving staff capacity, digitising information channels and databases and changing communication flows. Depending on the payment mechanism adopted, and the roles and responsibilities assigned to DSW versus GAD, the flow of funds can be digitised at any administrative level.

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Globally, there is a consensus that e-payments are a promising way to deliver cash to beneficiaries with flexibility, speed, reduced costs, reduced leakages in the system, and transparency.

Below, we draw on the adapted Inter-Agency Social Protection[1] criteria framework to assess the feasibility of using mobile money to deliver social pension payments in Myanmar.

Enabling environment	There are two major Central Bank instructions concerning PSPs: The Mobile Banking Directive (2013) and Mobile Financial Services Regulation (2016). Both allow for various types of transactions (P2B, P2P, G2P etc.[2]) and require providers to offer wallet-level interoperability. Existing review of evidence and stakeholder interviews indicate that the regulatory environment in Myanmar is conducive to the development and use of e-payments including mobile money. There is no indication of changes to current regulation, although active enforcement of certain aspects – such as interoperability – is currently weak.
Accessibility	The National Social Pension targets the very elderly who are more likely to be immobile and suffer from age-related disability. They may find manual cash payments, handed to recipients in households, more accessible than mobile money. At the same time, disability and mobility are less important considerations if payments are already accessed by proxies and trust between the recipients and proxies is high. In general, the adoption of mobile money for social transfers can be quicker and easier as the general usage of mobile money increases and there is greater adoption of e-payments across the society. Overall, if the National Social Pension expands to include everyone aged 85 years and above, the increase in scale of payments is likely to affect the accessibility of manual cash payments in terms of higher costs to village/ward administrators and poorer accuracy of payroll data. In this instance, mobile money payments could be more accessible provided adequate service coverage at the village level and greater interoperability across Payment Service Providers.
Robustness	The current manual payment mechanism is functional but inadequate in terms of checks and balances on the quality of service delivery and security of payments. Although there are no reported instances of fraud or corruption at the Union (national) level, the current system of grievance redressal, M&E and administrative data management (MIS) does not allow for detection of fraud. Without access to village level data, it is not possible to estimate the existence or prevalence of malpractice in the manual payments process. Nevertheless, there are several ways in which the existing manual system of cash payments can result in leakages and fraud. The use of mobile money to deliver the Social Pension could provide greater security in terms of checks and balances on the payments made to recipients. A regulated mobile money operator will be required to maintain high standards of data security for customers by the Central Bank, but these systems should be audited as well by the DSW. However, the use of mobile money does not alleviate all security concerns.
Integration	Payment mechanisms for the National Social Pension in particular should focus on immediate need for cash out – i.e. withdrawal of the full balance by the recipient. Nevertheless, in theory the use of savings enabled mechanisms can improve financial inclusion of Social Pension recipients. This is more likely in instances where payments are received by proxies. The use of manual cash payments does not enable or encourage savings or use of other financial services. The use of mobile money through e-wallets can enable savings, with higher amounts expected if PSPs are commercial banks and lower amounts if PSPs are mobile money operators. Typically, when social grant recipients are provided with a transaction account, they withdraw the full amount of the transfer in a single transaction. However, the National Social Pension is not a poverty-targeted social protection programme, so the income profile of recipients will vary, making it difficult to anticipate how payments will be used. It is likely that using a savings enabled account in itself may not translate into widespread gains in financial inclusion

[1] ISPA, 'Social Protection Payment Delivery Mechanisms - "What Matters" Guidance Note' (Inter Agency Social Protection Assessments, 2016), http://ispatools.org/payments/.

[2] P2B: Person-to-business; P2P: Person-to-person; G2P: Government-to-person

Recommendations for adopting e-payments

Transitioning from manual cash payments to e-payments presents several challenges for social protection programmes. However, there is consensus that e-payments are a promising way to deliver cash to beneficiaries with flexibility, speed, reduced costs, reduced leakages in the system, and transparency. The transition process normally starts with pilots of e-payments in certain areas, and decisions to scale up are based on the performance of the pilot. During the transition, programmes might retain some payments in cash (especially in remote areas with poor network access), while testing the performance of one or more payment mechanisms in selected areas.

A review of global evidence suggests that there are clear gains to be made from switching from manual payment mechanisms to e-payments. However, the case for Myanmar must be assessed based on the country context, the capacity of DSW to implement e-payments, market conditions and other factors. Below, we list some considerations if e-payments are used for government-implemented social protection cash transfers. We focus specifically on the National Social Pension Programme implemented by DSW.

1. Transition to e-payments should be a medium to long term goal.

In the short term, DSW should prioritise capacity building, expansion of cash transfer programmes and strengthening internal systems. Last mile delivery challenges will remain in the short term as village level presence of pay agents is not universal. The implementation of cash transfers will continue to require GAD's support at both the township and village/ward level in the short to medium term. It is also crucial to get an accurate understanding of some key social pension programme characteristics before changes are made to the current payment system. More research is also needed to better understand the community level context in which e-payments for cash transfers will operate. DSW can capitalise on market trends towards increasing take-up of e-payments, as well as policy efforts to increase financial inclusion.

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2. E-payments cannot work without strengthening other implementation processes and improving DSW capacity.

The use of electronic payments requires strengthening of related processes such as identity verification, MIS, grievance redressal channels and effective monitoring and evaluation at the programme level. Moreover, these systems need to be upgraded with a view to use e-payments in the future. A social protection programme with a paper-based record system cannot move from manual to e-payments. In the same vein, switching to e-payments per se will not eliminate all risks of fraud or error, so a functional grievance redressal mechanism and M&E system need to be in place. Strengthening existing systems and testing new ones require increased capacity, especially to engage with third parties contracted to deliver payments. This includes sufficient capacity within DSW to set out clear terms of reference and requests for proposals, negotiate with Payment Service Providers and liaise with regulatory authorities and other concerned line departments. It also requires capacity to monitor the enforcement of contracts and continuously engage with PSPs throughout the life of the programme.

3. It is likely that a 'mixed model' works best for the social protection programmes, with a mix of manual and e-payments, and potentially multiple service providers.

Given the diversity of programme recipients, geography and DSW capacity across Myanmar, it is unlikely that e-payment mechanisms such as mobile money will act as a universal solution. In Myanmar, it is likely that e-payments will be feasible and easier to roll out in urban areas, with manual payments continuing for remote rural areas. In addition to various payment mechanisms, DSW may require different Payment Service Providers if coverage of one PSP is not universal and/or regulatory authorities do not allow monopolisation of the market, or to allow recipients to choose the best service for them. This is likely to add complexity in the implementation of other processes, requiring greater capacity to manage different payment mechanisms and negotiate with different PSPs. However, the need to use multiple PSPs may diminish as interoperability improves. There is increased convergence towards different types of PSPs in Myanmar offering mobile money products with varying degrees of functionality. The starting point for assessing the suitability of these options would be coverage and distribution of cash-out points.

4. Maintain stakeholder commitment, across the board, throughout the transition to e-payments.

It is important to consider the priorities of the different stakeholders involved (ministry line departments, programme donors, Payment Service Providers and beneficiaries). There should also be a 'business case' for everyone along the entire chain of stakeholders such as PSPs, pay agents, and village officials. There is increasing competition between PSPs in Myanmar to provide mobile money products. However, currently there are no PSPs with the coverage and scale suitable to deliver nationwide payments, and in all likelihood national coverage will only come through interoperability or aggregators. DSW therefore needs to negotiate carefully with PSPs, as well as regulatory authorities, to ensure that any public-private collaboration is attractive to all parties and results in a more cost-effective solution for the government. DSW would need to involve the Central Bank and Ministry of Planning and Finance at an early stage to discuss the business case for switching to e-payments and the use of one or more private sector PSPs.

5. Prioritise social protection objectives over financial inclusion objectives in the short term.

Formal financial inclusion is not a primary objective of the cash transfer programmes in the Myanmar National Social Protection Strategic Plan, so e-payment mechanisms should be savings enabled, rather than savings encouraged. If reliable payments are not prioritised first, the resulting risks could include lack of trust and/or understanding of the new payment system by beneficiaries, which might discourage them to use the system for anything beyond collecting their social cash transfers and, in turn, undermine financial inclusion goals.

6. Adopt an approach which provides choice and drives competition in the long term.

In the long term, improved financial inclusion itself can drive the adoption of e-payments in social protection programmes. In an ideal scenario, all recipients of social protection programmes should have access to an account – a bank account, e-wallet or other transaction account – that should be able to receive payments from the government. Adopting this approach means that social protection recipients are provided with the choice and flexibility of using the Payment Service Providers and products of their choice. It is then up to the government to deliver e-payments to their accounts, negotiating with different PSPs on transaction charges and implementation modalities so that end-line recipients receive the full benefit amount. This approach can also use market competition in a way that allows PSPs to register customers, competitively, and encourage innovation amongst service providers so they can offer better coverage and functionality of their e-products. However, adopting this approach would still necessitate effective enforcement of regulation, strengthening of internal systems at DSW and continuous monitoring and evaluation to ensure the welfare of social protection recipients.

7. Determining cost efficiency of manual versus e-payments is challenging in the short term.

Assessing the cost efficiency of various implementation modalities is important for DSW given resource constraints and the need to set policy and budget priorities in the long term. However, at the current stage, assessing the cost efficiency of manual versus e-payments is difficult for a number of reasons. The costs of operationalising e-payments depend on the type of e-payment mechanism that is chosen and the division of roles across DSW, GAD and Payment Service Providers. The user fees and implementation costs currently charged by private sector PSPs will likely change in the future. Furthermore, these costs are negotiated on an individual basis and require ex-ante negotiation. Understanding costs of manual payments is difficult as these are delivered through GAD and budgeting in DSW is not activity based. In comparison to other payment mechanisms, a basic mobile money mechanism generally provides the option of relatively low set-up costs. If DSW decides to use the option of e-wallets, there will be costs associated with helping recipients to register their SIM cards. However, if over-the-counter payments are used, recipients will not need to be registered. Regardless of the type of mobile money product used, there are significant costs associated with training DSW and GAD staff, village/ward officials and recipients.

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This policy brief draws on a report titled Options Assessment for Electronic Cash Transfer Delivery, Myanmar, by Farhat, M., Lynn, T.A., 2018.
For the full report in English please visit
http://ageingasia.org/options-assessment-electronic-cash-transfer-delivery

HelpAge International is a global network of organisations promoting the right of all older people to lead dignified, healthy and secure lives.

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