DPI Use Case: Digital G2P Payments to Accelerate Development Outcomes

Day 1 | 16:00 – 17:00
What are G2P payments?

They are payments or cash transfers that various government agencies make to individuals.

- Public sector wages
- Social protection (social assistance & pensions)
- Sectoral subsidies
What does it mean to digitize G2P payments?

Making payments **digitally** instead of cash

- Traditional bank account
- Mobile money account

Using **digital systems** to support the end-to-end G2P payment process

1. Identify who needs to be paid
2. Open an account for the beneficiary
3. Map beneficiary to account
4. Executing payment delivery
5. M&E and reconciliation
6. Grievance redressal
What does it mean to digitize G2P payments?

Making payments **digitally** instead of cash

- Traditional bank account
- Mobile money account

Using **digital systems** to support the **end-to-end** G2P payment process

- Integrated social registry
- Digital ID system
- Program MIS
- M&E System
- Grievance redressal
Travel 2 hours to payment point

Wait all day in line

Where do I leave my children?

I can’t work today...
Will lose income

I need to walk back with cash..
Someone can take it

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Why digitize G2P payments?

Digital government-to-person (G2P) payments have the potential to:

- Improve recipients’ welfare
- Enable government-wide fiscal savings
- Spur financial market development

Financial inclusion
Recipient convenience
Women’s Economic Empowerment
DPI can play an important role in digitalizing G2P payments

Use Case: G2P Payments

Digital Public Infrastructure (DPI)

Recipients

Social protection
Sectoral subsidies
Public wages

Payments
Trusted digital payments

Digital ID
Trusted authentication

Data Exchange
Trusted data sharing

To be able to deliver G2P payments digitally, countries need the infrastructure to:

1. Identify and authenticate recipients,
2. Transfer the payment to the recipient’s account, and
3. Exchange the necessary information across the different systems needed for the above.
DPI is critical to a Modern G2P Architecture
Pillar 1: Infrastructure

Multiple programs and payment streams plug into shared infrastructure. Shared infrastructure is interoperable and seamlessly supports various programs and financial service providers.

**Building Blocks**

- Central Treasury System
- Sectoral Databases & Systems
- Account Directory
- ID System
- National Payments System
- Trusted Data Sharing
- DPI
- Connectivity

**Proven Impact**

**Example:** Turkiye’s Integrated Social Assistance Registry

- **Beneficiary only needs their ID**
- **# documents decreased from 17 to one**
- **Time to apply reduced from days to minutes**
- **Time for payment delivery decreased from months to a few days**
Multiple programs and payment streams plug into shared infrastructure. Shared infrastructure is interoperable and seamlessly supports various programs and financial service providers. Availability of choice of payment service provider, access points are numerous and widely accessible. Received in a fully functional account that is adequate for recipients with simple onboarding. Enabling uses beyond cash-out.

Building Blocks

Product and Market Design

- Bank & Non-Bank PSPs
- PSP Participation Model
- Distribution Networks & Access Points
- Accounts & Payment Instruments
- Payment Acceptance Networks
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Key Design Principles
- Using transaction accounts
- Avoiding clawback clauses
- Sustainable business case & facilitating PSP competition
- Recipients have choice

Proven Impact

Example: Zambia’s choice-based G2P payments
- Average travel time decreased from 6 to 2 hrs
- Cost of travel from around $3.35 to $1.74
- Cash-out fee (transaction cost) dropped from $3.35 to $2.34 due to higher usage
Pillar 3: Inclusion and Empowerment

Availability of choice of payment service provider

Access points are numerous and widely accessible

Received in a fully functional account that is adequate for recipients with simple onboarding

Enabling uses beyond cash-out

Designed for recipients with their needs, barriers and preferences in mind

Inclusion and Empowerment

Building Blocks

Communication & Literacy

Recipient Protection & Grievance Redressal

Data Protection & Cybersecurity

Gender Lens

CROSS-CUTTING BUILDING BLOCKS
Pillar 3: Inclusion and Empowerment

Key Design Principles

- Policies on data collection and registries ensure sex-disaggregated data
- G2P architecture is designed for individuals and prioritizes women
- Recipients are well-informed, protected, and have access to redressal

Proven Impact

- **Convenience**
  In Niger, mobile money recipients, saved ~4.5 hrs in travel and waiting time

- **Better nutrition**
  In Niger, Food Household diet diversity was 9%–16% higher among households who received mobile transfers

- **Improved mobility**
  In Jordan women who were paid into a bank account or e-wallets were more likely to withdraw themselves compared to prepaid card
Each country will have a different starting point

G2P 1.0 Single program to single provider (in person)
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G2P 2.0 Single program to single provider (virtual provision)
G2P 1.0 Single program to single provider (in person)

G2P 2.0 Single program to single provider (virtual provision)

G2P 3.0 Single program to many providers (virtual provision)

With Choice
Each country’s journey will look different

<table>
<thead>
<tr>
<th>G2P 1.0</th>
<th>G2P 2.0</th>
<th>G2P 3.0</th>
<th>G2P 4.0</th>
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<tbody>
<tr>
<td>Single Program to Single Provider</td>
<td>Single Program to Single Provider</td>
<td>Single Program to Multiple Providers</td>
<td>Multiple Programs to Multiple Providers</td>
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<tr>
<td>Cash Based/Semi Digital</td>
<td>Digital</td>
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Choice for recipient

Account-based = Access to formal Financial Services

At which stage do you believe your country currently stands?