



Pacific Financial  
Inclusion Programme

# G2P: Expanding Financial Inclusion in the Pacific Report



Fiji's Transfer of Social Welfare Recipients to  
a Savings-linked Electronic Payment System



## Pacific Financial Inclusion Programme

The Pacific Financial Inclusion Programme (PFIP) is a joint programme of the UN Capital Development Fund (UNCDF), United Nations Development Programme (UNDP), Australian Aid Programme and the European Union/Africa, Caribbean and Pacific Microfinance Framework Programme (EU/ACP). The *mission* of the PFIP is to increase the number of low income and rural households, micro and small enterprises in Pacific Island Countries (PICs) that have on-going access to quality and affordable financial services. The *outcome* of the programme is for 250,000 new clients in the target market segment to have new and/or improved access to appropriate, sustainable financial services including, but not limited to savings, money transfers, insurance and loans. The PFIP has several instruments to achieve its outcome, including (1) generating knowledge of the demand for and supply of financial services through research; (2) sharing knowledge through workshops and conferences; (3) providing direct expert advice or making expert consulting services available to stakeholders; (4) advocating the removal of constraints to financial inclusion and (5) providing financial support to partners that can help PFIP achieve this outcome.

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# **G2P: EXPANDING FINANCIAL INCLUSION IN THE PACIFIC**

**Fiji's Transfer of Social Welfare Recipients to a  
Savings-linked Electronic Payment System**

**Matt Leonard**



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## Table of Contents

Acknowledgements .....	2
Glossary of Terms.....	4
I. Executive Summary.....	5
II. Context.....	6
III. The Principal Actors .....	8
IV. Fiji’s Progressive Electronic Payment System.....	9
An Overview of Fiji’s G2P Project.....	9
V. Key Challenges .....	11
VI. Lessons Learned.....	14
For Donors, Support Networks and TA Providers.....	14
For Banks/Service Providers .....	18
For Reserve Banks.....	21
For Government.....	21
VII. Summary and Looking Ahead .....	22
Annex 1. Evaluation Going Forward.....	24
Annex 2. Key Steps in G2P Payment Project Planning .....	25
Annex 3. Checklist of Key Steps in G2P .....	26
Annex 4. The Mechanics of the New Electronic Payment System.....	27
Annex 5. Fiji Project Timeline and Key Steps .....	29
Annex 6. The Example of the Reserve Bank of Fiji.....	32
Annex 7. Fiji’s G2P Product Specifications Document .....	33
Annex 8. List of Key Project Animators.....	40
Annex 9. Key Documents and References .....	41

## Glossary of Terms

<b>ABC</b>	Activity-based Costing
<b>ATM</b>	Automated Teller Machine
<b>AusAid</b>	Australian Agency for International Development
<b>DSW</b>	Department of Social Welfare
<b>EFTPOS</b>	Electronic Funds Transfer at Point-of-Sale
<b>EU/ACP</b>	European Union/Africa, Caribbean and Pacific Microfinance Framework Programme
<b>FCOSS</b>	Fiji Council of Social Services
<b>FDB</b>	Fiji Development Bank
<b>FIBOS</b>	Fiji Islands Bureau of Statistics
<b>FIRCA</b>	Fiji Revenue and Customs Authority
<b>FIU</b>	Financial Intelligence Unit
<b>G2P</b>	Government-to-Person
<b>KYC</b>	Know-Your-Customer
<b>MFI</b>	Microfinance Institution
<b>MNO</b>	Mobile Network Operator
<b>MoF</b>	Ministry of Finance
<b>MSWWPA</b>	Ministry of Social Welfare, Women and Poverty Alleviation
<b>PFIP</b>	Pacific Financial Inclusion Programme
<b>PIC</b>	Pacific Island Country
<b>RBF</b>	Reserve Bank of Fiji
<b>TIN</b>	Tax Identification Number
<b>UNCDF</b>	United Nations Capital Development Fund
<b>UNDP</b>	United Nations Development Programme

## I. Executive Summary

Linking government-to-person (G2P) transfers and payments to financial inclusion strategies represents a new and increasingly dynamic area of practice. A growing number of countries are employing G2P strategies to better leverage the proliferation of social transfer schemes, the spread of successful branchless banking models, and the increasing importance of financial inclusion as a policy objective<sup>1</sup>. One of the most recent examples involves Fiji, which in 2011 began the first successful G2P project in the Pacific and now hopes to serve as a model for other countries in the region.

For decades, Fiji's Department of Social Welfare (DSW) – of the Ministry of Social Welfare, Women and Poverty Alleviation – had employed a cumbersome, manual voucher system for the distribution of social welfare benefits. This system resulted in substantial costs to government, diverted staff from other priorities, and caused its recipients hardships such as traveling long distances and waiting all day in queues. From 2009-2011, the Pacific Financial Inclusion Programme (PFIP), with the financial support from the Australian Bilateral Aid Programme to Fiji, helped the Government of Fiji transition to a more customer-friendly and efficient, savings-linked electronic payment system.

The following report focuses on the implementation of G2P projects as a mechanism to enhance financial inclusion, as well as a way to provide cost and efficiency savings both to government and to social welfare recipients. It uses the case of Fiji's own recent transfer of recipients to a savings-linked electronic payment system. Its goal is to help government agencies, central banks, donors and private sector service partners (including MFIs, banks, mobile network operators and other payment service providers) to better understand the key steps, challenges and lessons learned from G2P projects, and to take advantage of similar opportunities in their own countries.

Below is a brief overview of the main sections of the report:

- Section II provides the context of Financial Inclusion and G2P in Fiji
- Section III outlines the key actors involved
- Section IV showcases the story and mechanics of Fiji's G2P project
- Section V discusses key challenges
- Section VI provides an overview lessons learned
- Section VII concludes and provides a brief summary
- Annexes 1-7 include evaluation questions, broad guidelines for similar G2P projects, a more detailed project timeline, the Reserve Bank of Fiji's regulatory example, the Fiji G2P project specification document, contact list for key actors, and key documents and references.

The key findings indicate that despite daunting challenges, a transition to a new electronic payment system can also achieve financial inclusion objectives by focusing on a few key, replicable steps: beginning with a strong grasp of the context for G2P (including readiness of government, existence or potential of sufficient access points or financial infrastructure); making the case and building buy-in from key senior staff in government ministries; understanding client needs and any barriers to change; soliciting stakeholder involvement (central bank, government, service providers, donors, etc.) early on in discussing solutions; setting clear and financially-inclusive specifications for a new payment system; soliciting bids and selecting the most cost-effective solution; and, setting a realistic timetable for roll out – including pilot-testing and spending sufficient time and effort on client education.

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<sup>1</sup> Bankable Frontiers Associates (BFA). *Scoping Report on the Payment of Social Transfers through the Financial System*. 2009. <http://www.bankablefrontier.com/assets/pdfs/report-V4.0.pdf>

## II. Context

### Country Overview

Fiji is small multi-ethnic country in the South Pacific, composed of an archipelago of 332 islands. Its population of 883,125 is made up primarily of Indigenous Fijians (57%), Fijians of Indian descent (38%) and other ethnic groups (5%)<sup>2</sup>. Although it is considered one of the more developed of the Pacific Island economies, a large portion of the population still lives on subsistence farming and about 35% of Fijians live below the poverty line<sup>3</sup>. Following a December 2006 coup and the suspension of the Constitution in 2009, there remains significant political uncertainty, while the economy has suffered from effects of the global economic downturn in 2008-2009.

Figure 1: Map of Fiji



### The State of Financial Inclusion in Fiji<sup>4</sup>

As in other Pacific Island Countries (PIC), Fiji is characterized by a relatively small population base and low population density (46 persons per sq. km), as well as limited connectivity in the interior and maritime areas. Combined with the country's poor infrastructure, the delivery of financial services outside urban areas has been particularly costly and challenging. As a result, access remains low for the majority of households, forcing many rural Fijians to more risky and expensive informal sources. The financial services sector in Fiji has been dominated by two commercial banks, ANZ and Westpac, who together hold about 60-70% of total bank assets and liabilities. Meanwhile, the country's 9 primary MFIs

*About 109,000 or 63% of economically active households in Fiji may not have access to formal banking services.*

**Source: PFIP 2009**

reach only about 1,700 borrowers and 22,000 savers, and typically lack a commercial orientation or focus on sustainability. Although Fiji's 35 credit unions have a wide regional presence, they only reach about 12,000 members, and often suffer from poor administration and oversight.

In 2009, the RBF issued a controversial directive to commercial banks requiring them to set up a microfinance unit with services available through their branch network. This directive coincided with a new, coordinated donor focus on inclusive finance that includes AusAid, the European Union, UNCDF and UNDP (which make up PFIP), the Asian Development Bank and International Finance Corporation.

### The Problem – A Manual Voucher System for Benefit Payments

Previously, Fiji's Department of Social Welfare (DSW) - the government agency in charge of the distribution of social welfare benefits - relied on an unwieldy, manual system of processing benefit payments. Twice yearly, staff at DSW would spend up to two months and considerable overtime in preparing, printing, organizing and issuing sets of voucher books containing six months worth of vouchers to eligible recipients. An estimated 22,526 (from a total of about 26,000) people were receiving payment through this system in 2009, with the remainder choosing to receive benefits in a bank account of their choice at their own cost.<sup>5</sup> Recipients were required to cash their monthly vouchers in designated post offices and their agencies during the first week of the month. Post Fiji, meanwhile, received a 2% commission fee from the Ministry for providing this service. While no fees were charged to the recipient, many clients had to wait in line for up to a day and some would spend up to 30-50% of the monthly benefit in travelling long distances to cash them. The vouchers also promoted

<sup>2</sup> CIA World Factbook. <https://www.cia.gov/library/publications/the-world-factbook/geos/fj.html>

<sup>3</sup> FIBOS. <http://www.statsfiji.gov.fj/>

<sup>4</sup> PFIP. *Fiji Financial Services Sector Assessment*. August 2009

<sup>5</sup> Another 3,332 recipients opted for payment through ANZ and Bank of the South Pacific (BSP) when given a choice in 2007/8, however they must bear the bank charges and fees associated with their respective accounts.

consumption, rather than savings or proper money management, as the entire value had to be cashed at once. In sum, the current system of printing and distributing voucher books had increasingly put pressure on the limited resources of the Ministry, was subject to fraud and leakage, and caused great inconvenience to recipients<sup>6</sup>.

### **The Solution – An Innovative G2P Electronic Payment System**

Fiji's experience with its social welfare programme was not unique. Increasingly, governments around the world have been looking to innovative electronic payment schemes to reduce the costs and leakage (e.g. diverted funds) of existing payment systems (including cash transfers, cash-for-work, wages and pensions). Whereas vouchers must be cashed in their entirety and require recipients to come en masse to a certain location (a 'pull' approach), electronic payment systems offer recipients greater flexibility and convenience by leveraging existing financial infrastructure and providing numerous access points (a 'push' approach). According to a recent DFID evidence paper, electronic delivery of cash payments features prominently in almost half (45%) of 40 cash transfer programmes launched in the past decade (for which data is available)<sup>7</sup>. In 2009, conditions in Fiji were ripe for the transition to a branchless banking payment solution, with over 1,700 electronic funds transfer at point-of-sale (EFTPOS) devices in merchant shops around the country, and the entry of mobile network operators (MNO) like Digicel and Vodafone in the provision of mobile-banking services.

*Upgrading payment mechanisms can substantially reduce the cost to government by leveraging the involvement of private sector players in areas where they have a significant comparative advantage over government.*

Today, G2P payments are also considered a viable platform for financial inclusion and one with immense potential: such payments reach an estimated 170 million poor around the world<sup>8</sup>. A financially-inclusive account enables recipients to withdraw only those amounts necessary at any one time, or even to deposit additional savings. Furthermore, additional financial services (credit, transfers, insurance or savings) may even enable poor households to generate income, or preserve and accumulate assets so that they graduate from dependence on the grant as their only or main source of income<sup>9</sup>. While each country has unique

<b>Basic Features</b>	<ul style="list-style-type: none"> <li>• Basic Transaction Account with Bank</li> <li>• Optional, linked Savings Account (free)</li> </ul>
<b>Additional features</b>	<ul style="list-style-type: none"> <li>✓ Free Westpac 'Handycard' ATM debit card</li> <li>✓ Basic instruction on account/card usage</li> <li>✓ Financial literacy workshops to be held for all recipients following roll out</li> </ul>
<b>Costs</b>	<ul style="list-style-type: none"> <li>• No set up or maintenance fees</li> <li>• No minimum balance</li> <li>• 10 free monthly transactions from Westpac ATMS or EFTPOS merchants</li> </ul>
<b>Access</b>	<ul style="list-style-type: none"> <li>• All Westpac banks, 37 ATMs and 893 EFTPOS merchants across Fiji</li> </ul>
<b>Delivery</b>	<ul style="list-style-type: none"> <li>• Direct deposit in account monthly</li> </ul>

*A financially-inclusive account is one that enables recipients to store G2P payments and other funds until they wish to access them and make or receive payments from other people in the financial system, and one that is accessible, in terms of cost and distance. Source: CGAP (2009)*

circumstances, in Fiji the solution to develop a new payment system came at an opportune time: key stakeholders were ready for a change, many poor Fijians were still unbanked, there existed a promising financial infrastructure, and such a system could accomplish several government priorities, including: a focus on financial inclusion, concern with cost and efficiency of the current payment system, and a renewed focus on graduating social welfare recipients from assistance.

<sup>6</sup> PFIP/DSW. *Specifications Document – Fiji PECT*. September 2010

<sup>7</sup> Arnold, Conway and Greenslade. *Cash Transfers: Evidence Paper*. DFID 2011

<sup>8</sup> Pickens et al. *Banking the poor via G2P payments*. CGAP Focus Note 58. Dec 2009.

<sup>9</sup> BFA. *Scoping Report*. 2009.

### III. The Principal Actors

#### Fiji's Department of Social Welfare

##### Box 1. Dept. of Social Welfare – Key Benefits

###### Family Assistance (FA)

22,526 recipients are paid unconditional allowances of FJ\$60 - \$100 /month. There are 4 eligible categories:

- Elderly
- Permanently disabled
- Chronically ill
- Single and dependent spouses

###### Care and Protection (C&P)

About 1,759 recipients receive semi-conditional allowance of FJ\$40 - \$60/month. Those eligible include:

- Children under the age of 17. (Orphans, Deceased Parents)
- Single Mothers with children under the age of 17 that are in school.

The Department of Social Welfare is situated in Fiji's Ministry of Social Welfare, Women and Poverty Alleviation. Since colonial times, the government has supported the payment of social welfare benefits, which today consist primarily of Family Assistance (FA) and Child and Protection (C&P) allowances (*see Box 1*). Annually, approximately \$FJ 19.5 million (\$USD 10.9 m) is paid out in allowances to about 26,000 eligible recipients (an average of \$USD 37 each per month). In 2009, PFIP conducted an activity-based costing exercise (*see table 2 below*) which revealed and quantified the substantial diversion of time, money and effort (from both the head office and district welfare offices) that went into manually producing, issuing and distributing vouchers every six months to recipients all over the country.

#### Westpac Banking Corporation

Westpac Banking Corporation (Westpac) is Australia's second largest bank with \$622 billion in total assets, providing diversified services to 12.8 million customers across the region. With 51 branches throughout the Pacific, it reaches some 245,000 retail and business customers and has built an asset base of \$2.4 billion. In Fiji, beyond its engagement with DSW, Westpac has opened a microfinance department at the behest of the Reserve Bank of Fiji and recently partnered with local MNOs (Digicel and Vodafone) to act as a cash agent for mobile money. Traditionally, Westpac has focused on being the 'business bank of choice' in the Pacific. In the past few years it has committed itself to becoming a strong retail player, an important strategic shift to capture the mass market. As a result of its participation in this G2P project, Westpac has undoubtedly positioned itself well for further partnerships with the government in Fiji and other similar initiatives throughout the Pacific.



#### The Pacific Financial Inclusion Programme (PFIP):



Since 2008, PFIP has served as a catalyst and coordinator in the push to increase financial inclusion in the Pacific. Fiji has been their launching ground for the first mobile money and micro-insurance initiatives in the region. As one of the key stakeholders and impetus for the G2P project, PFIP focused first on the sensitization of key actors and overall coordination of stakeholders. Then, with the support of AusAid (Fiji), it provided the critical technical and financial support necessary to move the project forward (*see Box 2*) as well as ongoing technical oversight during implementation, including preparing the tender documents and appraisal of proposals. Furthermore, PFIP engaged a full-time Transition Manager to oversee, coordinate and ensure timely completion of key activities such as the

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##### Box 2. Key PFIP-led Activities for Fiji's G2P

1. Activity based costing of welfare system
2. Beneficiary perception & attitude survey
3. Central bank sanctioned minimum ID requirements
4. Competitive request for proposals from service providers for alternate payment system(s)
5. Design of beneficiary education and financial literacy training
6. Migration of recipients to approved new system and implementation of beneficiary education and training

migration of recipients, phased implementation of the new system, and financial education.

## IV. Fiji's Progressive Electronic Payment System

**Table 2: Summary of G2P Fiji**

Type of Programme(s)	Total Recipients	Avg. Benefit (US\$)	Conditional Transfer?	Launch	Payment Frequency	Payment Channel	Cost to Government (US\$)	Cost to Client (US\$)
Family Allowance (FA) and Child Care & Protection (C&P)	25,858 (22,600 relied upon old voucher system)	Est. \$37 (F\$60)/per month	FA: No conditions C&P: semi-conditional (e.g. attendance at school)	Jan 2011	Monthly	Direct deposit in basic transaction accounts with access at 20 Westpac bank branches, 36 ATMs and 700 POS merchants across Fiji	\$1.21 (F\$2.10) per active account per month	No set up fee or minimum balance; 10 free transactions/per month

### An Overview of Fiji's G2P Project

*Initial Phase:* In early 2009, PFIP initiated discussions with DSW about the problems of the existing voucher system (*described above*), researched the context and potential for an electronic G2P payment system, and explored financially inclusive, savings-linked solutions with key stakeholders (including prospective donors and potential service providers). After assessing Fiji's readiness for such a solution, PFIP pushed forward, despite senior level turnover at DSW. Critical at this juncture was briefing and securing the support of DSW's new Permanent Secretary and Director of Social Welfare, and garnering the key support of the Minister of Social Welfare, Women and Poverty Alleviation. PFIP next spearheaded an activity-based costing (ABC) exercise, which enabled them to document and quantify the costs (and inefficiencies) of the existing system (*see Table 3 below*)<sup>10</sup>. They also undertook a formal survey to understand the needs and habits of recipients – a critical first step before embarking on such a transformation<sup>11</sup>. Together these studies made a convincing case for change and revealed that few barriers stood in the way of a new system, while helping build buy-in at the upper levels of government.

**Table 3. The Business Case for Government – Before and After Cost Comparison of Payment Systems**

Types of Costs	POST FIJI	Costs	Westpac G2P solution	Costs
Direct Costs	2% commission fee	\$ FJ 275,638.03	\$ FJ 2.00 per active A/C + \$ FJ 0.10 charge per transfer/per month	\$ FJ 576,000
Other Direct Costs:	OT, meals, voucher materials, meals, transport, etc	\$ FJ 24,268.43	N/A	0
Indirect costs:	Printers, telephones, electricity, vehicles, etc.	\$ FJ 16,039.91	N/A	0
Total Direct/Indirect	Direct & Indirect costs	\$ FJ 315,946.37	Direct & Indirect costs	\$ FJ 576,000
Staff Costs	Based on ABC in Aug 2009	\$ FJ 539,625.97	DSW- IT, Asst Director, Media, Finance etc.	<i>Est. \$FJ 60-80,000*</i>
Overall Costs	<b>Direct &amp; Indirect + Staff</b>	<b>\$FJ 855,572.34</b>		<b>\$FJ 636-656,000</b>
Cost Savings			<b>Estimated Savings</b>	<b>\$FJ 200-210,000</b>

\*Rough estimates of continuing staff costs at DSW only for FA and C&P. Does not reflect a new ABC analysis.

*Government Approval:* Given the clear 'business case' demonstrated by the ABC and survey, as well as the time taken to build high-level support, the Minister – whose support and conviction was critical to

<sup>10</sup> McCaffrey, Mike. *Activity Based Costing of the Department of Social Welfare*. PFIP. September 2009

<sup>11</sup> Sibley, Jonathan. *Beneficiary Perceptions and Attitudes in Fiji: Facilitating Migration from Paper-based to Electronic Benefit Distribution*. PFIP. 2009

the project's momentum – brought the recommendation before the Cabinet. The Minister's commitment to the project was a significant factor, as there existed a potential for agitation from asking 22,000 recipients to change to a new and unfamiliar system affecting their benefits. In September 2009, the Fiji Cabinet of Ministers directed the Ministry of Social Welfare, Women and Poverty Alleviation to develop a progressive electronic payment system to more efficiently disburse cash grants to its Family Assistance (FA) and Care and Protection (C&P) clients. A binding Cabinet decision made the new system compulsory: another key step at a time of political uncertainty.

*Know-Your-Client (KYC) Obstacles:* Despite the momentum at the end of 2009, the project stalled in early 2010 largely due to PFIP and donor concerns with the inadequacy of DSW's existing database and the slow progress made in transitioning client information from the old database – an MS Access-based *e-welfare* system – into a new government-wide database (*e-gov*) that included a feature for electronic storage of proper identification documents (e.g. a recipient's birth certificate). In order to move forward without a completed database, the project had to find a way around a critical obstacle: DSW was still unable to provide sufficient customer identification (KYC) documentation (*see Box 3*) required to open a bank account or mobile wallet for many of its clients. Without legal assurances, service providers would be unwilling to touch the project.

**Box 3. KYC (Customer ID Requirements)**

- ✓ Name
- ✓ Date of Birth
- ✓ Residential or Business address
- ✓ Occupation/Business activity
- ✓ Source of Funds/Income
- ✓ Citizenship
- ✓ Specimen signature

Source: www.FIJIFIU.gov.fj

*A Way Forward:* In July 2010, PFIP and DSW approached the Reserve Bank of Fiji (RBF) that was increasingly receptive to financial inclusion, to explore whether the existing database information was sufficient. According to the Director of the RBF's Financial Intelligence Unit (FIU), existing regulation was sufficiently flexible to allow for welfare recipients to be classified as low risk, thus easing the identification requirements<sup>12</sup>. It was agreed that the new DSW-issued beneficiary ID cards would be acceptable forms of proof for the initial opening of accounts.

*Seeking Service Providers:* With the critical green light given by the RBF, Fiji's G2P project returned to the fast track and the government agreed to go to tender for the payments service. To make up for lost time, PFIP recruited a full-time Transition Manager to be embedded at DSW to help with the changeover. In September 2010, PFIP and DSW hosted a bidder's workshop to explain the key specifications required of any system and to solicit proposals from potential service providers including banks, private payment companies, MNOs (Digicel and Vodafone) and the post office. (*See Annex 5 for detailed project specifications document*)

**Box 4. Westpac 'Handycard'**



*Provider Selection:* In November 2010, after the review of several proposals, the Ministry awarded a tender to Westpac Banking Corporation. Westpac's competitive bid included providing recipients with a bank card to withdraw benefits and access to its 37 ATMs and 893 POS merchants throughout the country. Furthermore, it included a no-fee bank account with 10 free withdrawals per month, an optional savings account, and financial education.

*Roll Out:* Stakeholders agreed to forego pilot-planning and immediately move to roll out to take advantage of recipients coming to DSW offices for the planned January voucher distribution date. The new system was launched in phases, beginning in January 2011, and targeted key urban areas where the majority of recipients live and Westpac branches were located (*See Figure 2*). Phase 2 targeted sub-

<sup>12</sup> Regulation 21 of Fiji's Financial Transactions Reporting Act (2004)

urban areas where there were either Westpac branches or EFTPOS agents. Already, over 18,500 recipients have been transferred to the new electronic payment system (as of May 2011). Meanwhile, phase 3 – or reaching the remaining remote and maritime areas – is projected to be completed by November 2011, followed by the delivery of financial education by the end of the 1<sup>st</sup> quarter of 2012.

The first 6 months of 2011 has thus seen another first in the Pacific occur in Fiji: the implementation of a savings-linked, electronic transfer of G2P payments. Social welfare recipients – most of whom had never had a bank account, much less operated an ATM – have been descending en masse to social welfare offices or larger community facilities that had been arranged for the launch and have been receiving instructions on their new accounts. Seeing recipients getting their *HandyCards* and learning to withdraw their monthly benefits from ATMs and POS devices has been a picture perfect moment of financial inclusion.

Figure 2. Phased Roll Out for G2P of Fiji

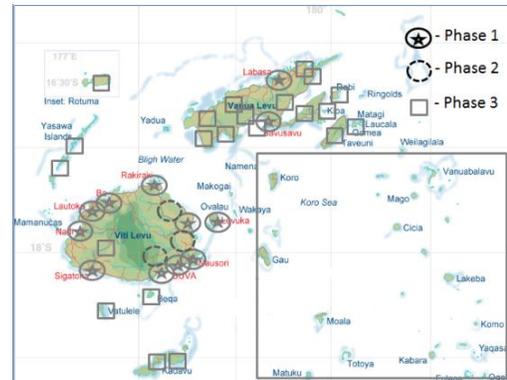
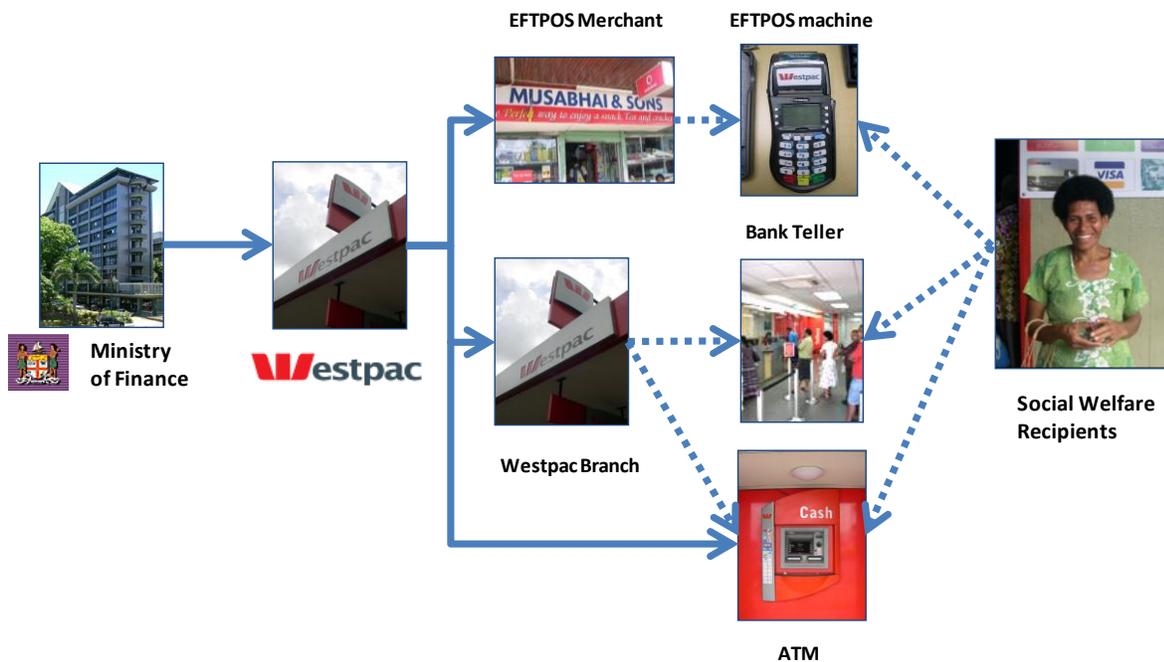


Figure 3. Mapping Distribution under the new Savings-linked, Electronic Payment system in Fiji



## V. Key Challenges

Over the course of this project, several important obstacles stood in the way of making G2P and financial inclusion a reality in Fiji – from an incomplete database, stringent KYC requirements, and high-level turnover at DSW, to insufficient awareness-building and education of recipients. The cultural shift and additional upfront costs required of Westpac, and delays or confusion during the rapid roll out of the new electronic payment system, also impacted progress. Below is a summary of several of the primary challenges evidenced in Fiji, but which may impact other G2P initiatives elsewhere:

### 1. The Regulatory Challenge

As is the case in many developing countries, most low-income individuals lack the forms of ID (national ID card, birth certificate, proof of address, etc.) typically mandated by legislation and required of banking institutions. In Fiji, requiring 22,000+ recipients to arrange and bring (in person) appropriate forms of ID or to register for Tax Identification Numbers<sup>13</sup> (TIN) before the opening of accounts would not only have created a logistical nightmare, but also required a prohibitive period of time to complete. This threatened to delay the project and discourage private sector service providers, thus keeping recipients excluded from financial services. Indeed, many of the institutions interested in submitting for the G2P payment services tender in Fiji expressed reservations about being able to comply with KYC norms.



### 2. Staff Turnover

Most government bureaucracies around the world are subject to a high rate of staff turnover, vacancies and staff in interim positions due to changing administrations, mandatory retirement ages, slow hiring procedures of Public Service Commissions, and a tendency to rotate line staff among offices. As in Fiji, this can slow a G2P project as building buy-in and training of staff may need to be repeated, while interim staff may lack sufficient authority to take decisions and be otherwise overwhelmed with multiple responsibilities. There may also be insufficient staff or resources to undertake critical project activities, such as building recipients' awareness or disseminating information to staff at the field level. The private sector and donors may likewise be affected. Just prior to implementation of the new payment system, there was also a changeover in a key project lead at Westpac.

### 3. An Incomplete Database and Fraud around Benefits

Government databases are frequently inadequate or a mixture of manual, paper-based and electronic records. As discussed above, in Fiji the existing *e-welfare* database was subject to errors and contained incomplete files and outdated recipient information. Not only did these issues leave the system exposed to potential fraud and misuse (from both the government or recipient sides), but it worried donors and posed challenges to any potential private sector payments provider. Indeed, once they began opening accounts, Westpac staff found that some recipients were deceased, records submitted by DSW lacked key data (e.g. incorrect date of birth), ID numbers submitted by DSW did not match with a few of the IDs brought by recipients during withdrawal of benefits, and so forth.



### 4. Insufficient Client Education around Use of Accounts and Technology

Another big challenge in such a changeover is how to effectively provide instruction to elderly, disabled, illiterate and otherwise unbanked populations. In Fiji, because of the rapid timetable for roll out of the new system, coordination difficulties, and a lack of resources and strategy specifically dedicated to creating awareness, many recipients (and some DSW staff) were confused and caught unaware by the change. Despite the use of different media, some recipients still came to the DSW office seeking their voucher or even went to the wrong distribution point. Furthermore, a lack of coordination also led to misinformation regarding dates of payment, and poor responses to

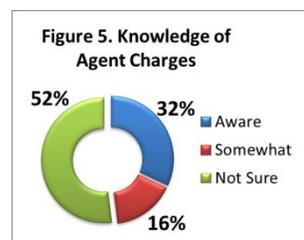
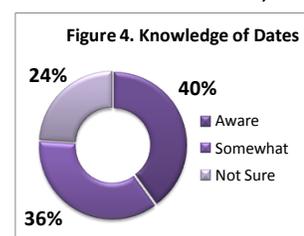
<sup>13</sup> Tax Identification Numbers (TIN) are now required for the opening of all bank accounts by FIRCA

inaccurate media reports about fees and minimum balances brought forth by the NGO, Fiji Council of Social Services (FCOSS).

Nevertheless, in a short amount of time, stakeholders pulled together to help Westpac develop a useful booklet in 3 languages (Hindi, English, Fijian) that was distributed to recipients during launch of the new system. However, more time for planning (and pilot-testing) could have ensured that the booklet was more relevant to illiterate clientele, that the Hindi was in the local Indo-Fijian variant, and that a better organized system was in place (with appropriate and tailored learning methods) to facilitate effective client education during roll out. Overall, the most common issues uncovered during a recent review of the first phases of Fiji's G2P project and interviews with a sample of recipients include<sup>14</sup>:

- Many elderly recipients share their pin numbers<sup>15</sup>, do not know how to use ATMs, and invariably go inside the bank to solicit help from tellers.
- Recipients still try to withdraw on the first few days of the month, when the previous voucher could be cashed – however, the funds are not ready until the 5<sup>th</sup> of the month under the new system, resulting in decline fees.
- Many are unaware that they can withdraw at EFTPOS agents, and some that use agents complain of charges or required minimum purchases (not applicable to DSW benefit withdrawal, but still charged by some merchants).
- Likewise, some recipients remain unsure what, if any, fees are charged by using Westpac ATMs or ATMs of other banks.

As the review indicated, a significant percentage still do not fully understand the terms of their account and are not yet taking full advantage of it, although this has been gradually improving.



## 5. Differing Cultures and Capabilities of Public and Private Actors

Private and public sector actors have different resources available and modes of working. Coordination can thus pose a significant challenge and unrealistic expectations can lead to problems. DSW had many deliverables and within current staffing and budgetary constraints was stretched to implement the project. While this resulted in some inevitable delays and lapse in information required by Westpac, DSW did its utmost to fulfill its part in the partnership. A lack of pro-active planning and communication resulted in problems (such as delays in disbursement of benefits) being addressed only after they arose. Likewise, delays during the initial phase in setting up a formalized coordination structure between DSW and Westpac resulted in the involvement of multiple individuals from differing departments at the respective agencies. This was quickly resolved when a single lead or point person at each agency was designated.

Likewise, whereas social welfare department may have considerable experience serving the poor, bank staff and their existing clients faced a considerable 'cultural' transition when

*Westpac branch staff had to learn 'to avoid bank lingo - to translate and get down at [recipients] level'.*

**Source:** Westpac branch staff

<sup>14</sup> A sample of 26 individuals were chosen in a semi-random way and interviewed by a G2P consultant (hired by PFIP) in 3 separate locations – Suva (capital city), Labasa (Vanua Levu) and Korovou (Viti Levu, near Nausori).

<sup>15</sup> In the Pacific, sharing PINs is actually a very common practice, both for good (friends/family acting as proxies to help someone pick up their cash or balance) and bad purposes (moneylenders using as collateral).

serving for the first time large numbers of low-income, and in some cases illiterate, recipients in the banking hall. Not only were there long lines to manage and additional workloads for all (and limited incentives) during the initial phases, but Westpac staff had to provide additional assistance to recipients that were in many cases unfamiliar with or uncomfortable with formal banking while assuaging the complaints of indignant corporate clientele. Westpac was able to partially mitigate the surge by planning ahead and hiring temporary staff.

## VI. Lessons Learned

Fiji's experiences in the transfer from a voucher system for the distribution of social welfare benefits to a savings-linked G2P electronic payment system provides an important learning opportunity for those thinking of spearheading similar initiatives in other countries. Below is a summary of some of the key lessons learned in Fiji and which should assist stakeholders (including donors/support networks, central banks, governments and financial service providers) in understanding and overcoming typical challenges in G2P savings-linked, electronic payment projects.

### For Donors, Support Networks and TA Providers

- **Surveying the Landscape and Building Awareness**

It's important to understand the political context and level of government buy-in (*Is there a will for change? What will it take to build that will? Who may be threatened?*) as well as the market context (*Are there service providers that are interested and see a viable business case in such a project?*) at the outset of a G2P project. In Fiji, it was critical to allay fears (*Will this eliminate jobs or overtime pay?*) and build an objective business case. The ABC was particularly helpful for both in that it quantified benefits *and* engaged staff (e.g. analyzing how they spend their time), thus building greater ownership. Likewise, one has to look at whether the financial infrastructure (mobile money, branch network, EFTPOS merchants, etc.) is sufficient to enable easy and safe access to benefits for recipients. Finally, it's important to determine if the regulatory environment is sufficiently enabling, particularly as it relates to KYC and other customer due diligence requirements. This involves not only conducting research, drawing on relevant expertise, and relying on local knowledge, but also on the ability to assemble stakeholders early on in the project process to discuss the opportunity and strategize on a viable way forward. Early discussions with stakeholders, including different possible providers, help to identify issues that need to be addressed.

- **Researching Client Needs and Attitudes**

Just as market research is now considered essential to designing appropriate and *demand-driven* products and services for the low-income clients of financial service providers, the needs and attitudes of social welfare or other payment recipients (around benefits, current system, convenient locations, safety, technology, financial literacy, etc.) should be well understood before re-engineering payment schemes. This also becomes important later on when designing materials and campaigns to inform clients of the transition.

- **Realizing the Importance of Client Awareness and Education**

An education-based media and marketing strategy that employs different modes of learning (audio, visual, etc.) and that places a premium on face-to-face interaction is necessary to more effectively reach the poor, particularly those with low literacy. Also essential to a smooth transition is being able to communicate any changes in advance to recipients – when is it happening, where to go, what to bring (e.g. birth certificate, photo, address proof), etc. Furthermore, before or during roll-



out of the new system, proper time must be taken with target audience, particularly when introducing a new technology. Smaller group formats may be preferable to mass training, as CGAP estimates that 15-30 minutes of personal interaction may be necessary before a customer understands a branchless banking or mobile money offering<sup>16</sup>.

- **Ensuring Ease of Access**

One of the key elements of selecting a service provider, and indeed of upgrading G2P payment systems, is being able to provide greater convenience to recipients in the form of more numerous access points, stored value and safe, easy availability of benefits on demand. In Fiji, despite competitive offers from MNOs like Vodafone and Digicel, Westpac offered the widest (and most cost-efficient) distribution network, with a combination of branches, ATMs and a network of EFTPOS agents at merchants and supermarkets in semi-urban and rural areas.



- **Leveraging Financial Inclusion Benefits in Designing a Payment Mechanism**

Donors and governments alike can multiply developmental impact by looking at electronic payment systems not only as a means to increase cost-effectiveness and lessen the burden on overstretched public sector resources, but as a mechanism to bring the previously unbanked into the formal banking system, thus enhancing financial inclusion. For example, in Fiji, PFIP and DSW deliberately specified that the product must include a savings component, should have no maintenance fee or opening balance, and allow for at least three (3) free transactions per month. Such a strategy may help social welfare recipients to better manage their money, protect and build assets and eventually graduate from dependence on government payments. Likewise, the specifications above were designed to explicitly ensure a pro-poor product.

- **Making the Business Case**

Any new payment system must demonstrate cost savings and financial viability to the government and service provider, respectively, to ensure long-term sustainability. A cost benefit analysis (like the ABC conducted by PFIP in Fiji) that includes a full accounting of the costs of the current system of payments can be a powerful tool to directly engage employees in the project and to convince government officials of its value. It can also provide some parameters for potential providers to price their services. For Westpac, the business case was more straightforward – in order to cover projected costs associated with set up and maintenance of the special no-fee accounts for recipients, a US\$ 1.13 account maintenance fee (and US\$ 0.06 transfer fee) would be charged to the government on a monthly basis. While many merchants will welcome the increased store traffic and purchase of goods from recipients withdrawing benefits, the business case may be less clear unless they are offered a commission fee. Although merchants in Fiji were not offered commission, some explicitly sought to become an EFTPOS agent anyway when hearing of the programme – seeing the potential to benefit their business. It is important to note that budget-conscious agencies and fee-hungry payment providers may seek to place all of the cost of transactions on the clients who may be the least able to afford them. Some person or group (such as a donor or regulator) needs to be an advocate for clients in this process to ensure that they do not bear the full cost.

<sup>16</sup> Breloff and McKay. *Marketing Branchless Banking*. CGAP Technology Blog. May 2011.  
<http://technology.cgap.org/category/customer-value/>

- **Building the Case with Key Actors in Government**

Working effectively with the public sector requires persistence, patience, and a strong understanding of its functioning and protocol. Many governments suffer from frequent turnover, unfilled staff positions and lack of resources. Getting buy-in from the top of the Ministry and DSW, as well as securing critical cabinet approval, gave the project legitimacy and momentum during an uncertain period. It was also necessary to build support from below: by showing the project will save welfare officers time and effort.

*Once we had cabinet approval, [the project] became compulsory.*

**Rupeni Fatiaki**, DSW Asst. Dir. of Family Services

- **Having Clear Specifications before Going to Tender**

**Box 5: Key Specifications for G2P Payments**

- ✓ On time accurate delivery of funds
- ✓ Convenient way for recipients to receive cash
- ✓ Ensures optimal recipient security and confidentiality
- ✓ Service and products are suited to the client socio-economic characteristics
- ✓ Client education as an integral element of the business model – minimally in the adoption and use of the service and products while financial education will be desirable
- ✓ Avoid disincentive for the recipient to maintain a cash balance so that the product(s) offered are priced and designed to encourage savings
- ✓ A business model that is self-sufficient and not dependent on government subsidies.

Having a clear specifications document (one which laid out the key criteria necessary in any proposed payment system, expected quality of the services, and that was clear about minimizing costs to clients and ensuring financial inclusive accounts or e-wallets) when going to tender is critical. At the same time, governments should avoid dictating exactly how payments must be provided to allow bidders to determine the best way to meet the government's and clients' needs. Hosting a bidder's workshop to present those specifications and respond to questions helps to clarify issues in advance of bids. For example, the workshop in Fiji benefited from having key stakeholders (DSW, RBF) present to assuage concerns and foster a healthy, competitive atmosphere.

- **Ensuring Proper Project Planning and Coordination**

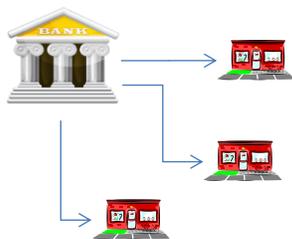
For projects of this size and relative complexity, it is critical to have proper planning and coordination of key stakeholders. This is why it is advisable to engage a Project Coordinator, or in the case of Fiji: place a Transition Manager within the relevant government agency. This person should fully engage all partners in mutual planning, identify key point people at the respective organizations to simplify and limit mixed messages, set up regular meetings to proactively address issues and effectively strike a balance between being forceful and getting things done, but mindful of government protocols and careful not to 'step on toes'. A key role of a Project Coordinator is to foster team effort in achieving results and to ensure clear lines of communications between all actors.

- **Maintaining A Strong Relationship with the Reserve Bank**

PFIP's strong relationship and ongoing contact with the RBF - including invitations to training, conferences and the Financial Inclusion Task Force - made it easier to get their attention when it was required. Also, when meetings with the RBF Financial Intelligence Unit (FIU) were scheduled in July 2010, PFIP and DSW came prepared with data (sample KYC details) to support their case. Furthermore, having RBF present at the bidder's workshop, as well as linking it directly with the bank which was awarded the tender, was critical to assuaging the concerns of service providers.

- **Branchless-banking: Building the Agent Channel**

Building a branchless-banking or agent channel may slow G2P electronic payment efforts, even in places with relatively developed channels like Fiji. Particularly in more remote areas, finding a local merchant to cash out recipients poses a few key challenges. One is making the business case to eligible merchants (In Fiji, Westpac currently only offers to subsidize EFTPOS machines; it does not offer financial incentives for transactions as is common elsewhere). Secondly, even if interested, many rural shopkeepers may not be able to comply with onerous requirements for becoming an ‘agent’ (in Fiji to open a business account requires a business registration, license, ID, TIN letter, fees, etc.). Stakeholders should thus first understand (and try to loosen, if the risk is not too great) any prohibitively strict criteria for agents.



Another challenge is that remote areas in many countries often lack the electricity or telecommunications connectivity necessary for use of the technology. Stakeholders and banks can sometimes work with electric companies and MNOs to reach these areas – but this may take time. Finally, it is important to ensure that agents have sufficient liquidity for mass withdrawal, which becomes an issue in more populated areas and depends also on where recipients prefer to access their benefits. Thus, there is a need to understand recipient movement habits as well as to set up multiple agents to mitigate liquidity challenges in areas of concentrated demand. In Fiji, during the initial roll out, Westpac had to commission an armed vehicle to bring cash to the merchant (although this is already changing as recipients begin staggering their withdrawals).



- **Financial Literacy as a Key Component**

While financial literacy should certainly be a part of a G2P payment project that introduces previously unbanked households to modern banking - as well as budgeting, saving and use of credit - careful thought should go into how and when this is done, and who is best positioned to provide the training. In Fiji, the project could leverage (and modify) Westpac’s existing Financial First Steps financial literacy training and material. However, in many countries this may not be a viable business model for service providers and stakeholders may need to subsidize financial education and look at other potential partners for delivery. The first step, however, should be educating consumers on the usage of bank accounts and new technology. Also, in Fiji many of the social welfare recipients were the elderly or disabled and stakeholders are now considering alternative delivery models – e.g. to offer financial literacy to other members of the household – to maximize impact. PFIP’s financial literacy impact research in Naitasiri provided strong evidence of intra- and inter-household learning after the initial formal training was carried out in the village<sup>17</sup>. Those who attended training passed on the knowledge of good financial management to other member of the family – particularly when the person trained is a woman.

- **Providing additional Support and Training to Government Agencies:** As government agencies may realistically be limited in what they can accomplish, donors should consider assisting government counterparts in training or disseminating critical project information (terms and conditions, fees, dates, locations, procedures etc.) more formally and consistently to its own staff. As mentioned

<sup>17</sup> Sibley, Jonathan. *Financial Capability, Financial Competence and Wellbeing in Rural Fijian Households*. PFIP. 2010

above, in Fiji PFIP supported a Transition Manager placed within the respective government agency (DSW) – which was instrumental in the project’s success.

- **Pilot-Test Planning - Organization and Logistics:**

A strong emphasis on advance planning, communication, arrangement of venues and logistics, and having sufficient staff are key elements of any roll out. By pilot-testing the new G2P payment system, stakeholders can better determine if products and distribution networks, client education and roll out logistics are appropriate, and discover any unforeseen obstacles. They can then confront questions and teething issues before facing them on a larger scale, and be able to adjust and re-configure the roll out of the new payment system accordingly.

**Box 6. Sample Pilot-Test Considerations**

- Effective communication and marketing strategies to reach recipients
- Level and type(s) of client education are required for usage of accounts & technology
- Product specifications relative to client needs
- Ease, cost and security of access points
- Appropriateness of venue and crowd management plan, sequence of activities, etc
- Level of additional staffing and training required at government and service provider
- Processing time and availability of payments
- Recipient habits around preferred access location and usage of benefits

- **Tempering an Aggressive Timetable**

Roll out of the new payment system to semi-urban and remote areas (phases 2 and 3) in Fiji had to be pushed back due to an overly optimistic schedule, and possibly a lack of timeliness in the transmission of recipient data and sufficient buy-in from all parties. Stakeholders overestimated how fast Westpac would be able to develop relationships with new EFTPOS merchants or otherwise devise strategies to reach recipients residing in more remote and maritime communities. Also, planning to implement a massive transfer during the first week of January (given the preceding holiday period) posed considerable challenges. Likewise, the speed of the changeover affected the ability to ensure sufficient client education (as mentioned above)

When planning the launch of a new payment system, stakeholders should ensure that: there is buy-in from all parties on the timetable, there is a sufficient planning period (3-6 months), the changeover occurs at the right time of the year (e.g. not end of a fiscal year or around important holidays), a pilot-test is planned to work out any logistical or procedural issues, sufficient client awareness and education is provided in advance of and during the changeover, that roll out is staggered in realistic phases (given available resources), and that a sufficient financial network (agent, EFTPOS, mobile phone, bank branch, etc.) or alternate payment system can be put in place in time to reach recipients in remote areas.

## For Banks/Service Providers

- **Ensuring Commitment and Flexibility**

Service providers should ideally be fully committed to the overall goals of the project and work to build buy-in from the staff. Without this, many staff – particularly at the branch level - may see such a project as simply more work with no additional incentive. In Fiji, Westpac staff showed a remarkable level of energy and interest in helping social welfare recipients, which was manifested in a willingness to work over a holiday period to be prepared for the transfer. Branch staff worked overtime, came in early, skipped lunch and even pulled in family members to help with the logistical challenges of distribution. They even spoke of providing bus fare to those recipients that came far distances to



receive their benefits but could not withdraw because the government had not deposited the money in their accounts. Service providers should also prepare for possible inconveniences to existing clientele who may not be used to queuing up with a different type of client or facing long lines on certain days of the month.

- **Budgeting for Additional Human Resource and other Upfront Costs**

Service providers need to plan for sufficient human resource to handle the labor-intensive nature of the transfer to a new payment system, including the following:

- to open new accounts
- to organize and sort cards/PINs
- to be on hand during launch/transition events to hand out cards/PINs
- to gather important data (signatures, address confirmation, etc.)
- to take time to explain the new technology and system (terms and fees, date of fund availability, how to protect PIN numbers) to recipients.

**Box 7. Westpac's Additional Costs**

**Upfront:** .....US\$74,000  
(salaries, debit cards/pin # letters, recipient instruction booklet)

**Replacement Cards/PINs:** ....Unknown

**Source:** Olive Whippy, Westpac (May 2010)

They should also budget for all upfront costs (user manuals, marketing/media, EFTPOS machines, ATM cards, additional staff time, lost cards and PINs, etc.).

- **Putting in place proper Planning and Coordination**

Before roll out, service providers should think through things like location and venue of the changeover, procedures for educating clients and handing out cards and PINs, roles and responsibilities of staff and timing of the roll out. If possible, they should try to understand the habits (use of benefits) and movement of recipients. At Westpac, coordination improved once the Head of Microfinance took over the lead role, liaising between the head office (transaction solutions, marketing, retail, microfinance, business/government departments, etc.) and branches. Head office staff met every week before the launch, and every day as the date approached. To prepare staff at the branches, Westpac staff at headquarters used internet or phone conferences. Then, during the initial phases, learning experiences were fed back into adjustments made to the payment system. If unable to use a central team for the roll out, branch managers will need good preparation, clear guidance, and some quality control by the coordinator for the project. Lessons learned from the pilot or the first day can greatly help others prepare for the roll out.

*Every [department] that had played a part [in the G2P payment system] was involved.*

*Everyone had a task.*

**Olive Whippy, Westpac Head of Microfinance**

- **Transferring Recipients to the New System (Location)**

The locations of recipient access points according to DSW records, and the Westpac locations where branches and EFTPOS agents existed, did not always match up. This, coupled with the population's inherent mobility, led to some confusion during roll out, with a small percentage of ATM cards/PINs remaining uncollected and recipients going to the wrong location. The absence of updated records, or a means of communication between recipients and DSW and/or Westpac, prevented better coordination of pick-up locations. As of May 2011, Westpac estimates that 2,500 debit cards and PINs had yet to be picked up.

- **Fostering Teamwork and Innovation**

With only a short period to prepare for implementation, Westpac staff had to think on their feet and find more efficient ways of handling large numbers of recipients lining up in branches at the beginning of each month. In some branches, staff recalled needing police to help open doors due to large crowds of recipients. Together, staff devised strategies such as opening special teller windows, circulating with mobile EFTPOS machines to process those waiting on line, and opening early on payment days. Westpac also worked through village chiefs in some cases to ensure key messages (such as not to visit and withdraw at a single EFTPOS merchant on the same day) reached recipients.



- **Organizing and Oversight of Agent Network**



It is common for EFTPOS merchants to require minimum purchases or charge additional fees for electronic purchase. These charges often violate agreements, but banks (and regulators) rarely monitor or enforce them in developing countries. It is understandable that merchants have little incentive to simply cash out benefits for a beneficiary without the purchase of goods, particularly when merchants may themselves be charged \$FJ 0.40 per transaction – as was the case in Fiji. Westpac’s agents, in turn, passed this charge to the clients despite the provision for 10 free transactions. Westpac is aware of this situation and working to resolve this.

From the outset, stakeholders and service providers should understand what terms recipients will tolerate, what incentives are in place and then set clear expectations around fees or minimum purchases at branchless banking agents during the tender process (and in the contract). Existing merchant legal and commercial agreements are most likely not adequate if the merchant network is expected to provide cash payments. Likewise, payment service providers should have a system in place to accredit, train *and* supervise their agents (e.g. accreditation criteria, training modules, surprise visits, a record of terms/fees) to ensure consistent enforcement of these terms across the network as well as to mitigate potential backlash from recipients and other customers.



- **Managing Risks Proactively**

Banks should understand, plan for and mitigate key risks such as: meeting customer ID requirements (e.g. being in compliance with Financial Transaction Reporting Act or similar), product risks (modifying products/services to fit the target group - ease of usage, no fees, etc.), financial risk (ensuring sustainability and profitability), EFTPOS agent risk (see section above), business risk (the effect on other clients) and reputational (having a robust marketing/media strategy in place; being quick response to complaints).

#### Box 8. Key Risks for Service Providers

- KYC-Customer ID
- Product Risk
- Financial Risk
- POS Agent Network Management
- Reputational Risk
- Business Risk (other clients)

## For Reserve Banks

- **Being Flexible in Solving Customer ID challenges**

In Fiji, the RBF was flexible and accommodating in its interpretation of KYC guidelines, and permitted social welfare recipients to open accounts with valid DSW IDs. Not only was this population classified as low risk, but DSW IDs were evidence that government already had vetted these same recipients. Fiji Revenue and Customs Authority (FIRCA) also temporarily suspended its requirement for having TINs before account opening – allowing Westpac to open accounts and secure TINs on behalf of clients, as well as securing their signatures and any TIN applications as part of the launch.

Box 9. DSW Recipient ID



- **Understanding the Benefits of Financial Inclusion**

The above flexibility can be partially attributed to an RBF which showed foresight in drafting legislation (Fiji's Financial Transaction Reporting Act – 2004) and that has repeatedly demonstrated

*If we are able to accommodate and assist these (low-income) groups, it will have a lasting impact on national objectives of economic development for all Fijians.*

**Razim Buksh**, Director of FIU

its commitment to and involvement in financial inclusion efforts (most recently becoming the first in the Pacific to accommodate the mobile money sector). Fiji's Director of FIU sees the goals of financial inclusion and the government's own objectives as quite the same.

## For Government

- **Being Open to Change and Leveraging New Opportunities**

Governments that show foresight and that are open to change and responsive to new opportunities stand to benefit the most from G2P projects – particularly when there are simple and cost-effective ways to achieve multiple government objectives: relieve pressure on already limited resources; free up staff to focus on other priorities; deliver better services to recipients in a more efficient manner; and, reducing system gaps subject to fraud, error and abuse. The advantages of outsourcing certain tasks to the private sector have proved multiple. Furthermore, in Fiji the pressure to prepare for a rapid transition actually led the provider to bear some of the burden of cleaning up the government's database, identifying duplicate and incomplete information as it entered recipients' information into its own system. In the end, the overall database transition to the new *e-gov* platform has actually been accelerated.

- **Providing Leadership and G2P Champions from within the Government**

The leadership particularly at the Ministerial level (Minister of Social Welfare, Women and Poverty Alleviation) but also at DSW (Permanent Secretary, Director of Social Welfare and Women, Assistant Director of Family Services), was instrumental in the success of G2P in Fiji. The Minister's firm commitment to the project showed political courage. Asking 22,500+ welfare recipients to change overnight to a new and unfamiliar system affecting receipt of their monthly benefits, particularly in the unstable political environment that characterized Fiji at the time, had the potential to cause significant dissatisfaction and possibly unrest. Equally important was the compulsory nature of the project once there was Cabinet approval, as well as recent government reforms whereby staff are increasingly measured by their performance and held accountable for goals and targets set in annual corporate plans.



- **Embedding Technical Assistance Staff or Creating a Project Unit within the Ministry**

Turnover, limited resources and competing priorities at government ministries may affect project timetable, hamper the ability to train and coordinate staff or conduct project activities effectively, and ultimately slow the transfer to a new payment system. Government may consider requesting a Transition Manager/Coordinator to be placed in the relevant department (as in the case of Fiji) or else creating a separate project unit dedicated to implementing the new payment system but staffed by temporary government employees.

- **Sustainability and the Cost of G2P Payment Processing**

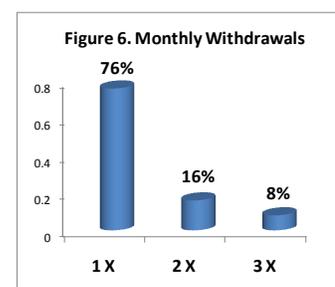
While the government must pay service providers a sufficient amount to keep costs low to recipients and to ensure that processing G2P payments represents a viable business opportunity for a financial services or mobile money provider, it must be careful not to subsidize the private sector to a degree that is unsustainable in the future. In Fiji the US\$1.21 per account fee paid to Westpac makes up only 3% of the total benefit cost – which is considered very reasonable compared with other examples of G2P payment systems<sup>18</sup>. While its cost may seem high to the Fijian government in comparison to the flat 2% fee of the old system, this has actually resulted in significant savings in the time and costs of staff administering the benefits and vouchers. Where possible, it is important to negotiate a lower handling fee in order to limit stress on limited government budgets.

- **Understanding the Payment Processing Timeline**

An understanding of the process and timetable of government budgetary procedures is critical to ensure timely processing of benefits and avoidance of disruption in payment caused to recipients. Governments are frequently delayed in making payments to vendors. In Fiji the previous payment system disbursed on the 1<sup>st</sup> of every month, as it went through a government institution (Post Fiji) and Fiji's Ministry of Finance (MoF) was able to advance funds. At times, Post Fiji was required to pay beneficiaries before it received its funds. The new system requires numerous levels of approvals before disbursement (due to the size of the amount and nature of the vendor). Westpac is not able to simply advance funds to DSW as was done by Post Fiji, and so payments are usually not deposited before the 4<sup>th</sup> or 5<sup>th</sup> of the month. As a result, many recipients trying to withdraw their funds on the 1<sup>st</sup> were charged declined transaction fees of \$FJ 1.00 (which have since been reversed and eliminated by Westpac). Westpac's Manager of Government, Diplomatic Missions and NGO's Business, advises that staff initiate contact with key central government offices (e.g. Ministry of Finance), not just the line ministry, well in advance of when it needs key budgetary approvals. Also, it is equally important that this is well communicated via appropriate channels to recipients so they know when exactly the monthly benefits that they depend on will be available.

## VII. Summary and Looking Ahead

Despite the hurdles encountered, the G2P project in Fiji represents a remarkable success from all sides. With remarkable speed, close to 20,000 low-income Fijians have already been banked (as of June 2011) – a significant number for the Pacific Island region. Westpac has been tracking account usage and finding that some clients are already beginning to use multiple withdrawals and purchases (See Figure 6), and keeping balances of about US\$5.67 in their accounts instead of withdrawing all of



<sup>18</sup> Bankable Frontiers Associates (BFA). *Scoping Report on the Payment of Social Transfers through the Financial System*. 2009

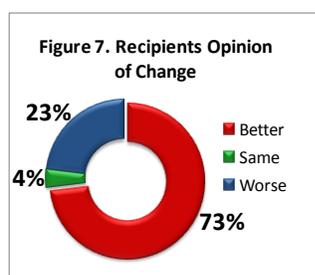
their funds at once. New EFTPOS merchants are bringing branchless banking service to new and hitherto unbanked areas of Fiji.

While the yearly costs (\$FJ 516,645 or US\$291,455) are a bit more than previous *direct* costs of the voucher system, the new system has freed up roughly four months of valuable staff time – and may be saving DSW around \$FJ 280,000 (US\$ 158,000) per year. DSW staff now report spending more time on family visits, child protection and reporting, and now has time to cope with an additional workload from new food voucher and bus fare programmes. The partnership with Westpac has helped DSW clean up their database and limit ghost recipients and fraud, something frankly acknowledged by DSW’s Director of Social Welfare and Women. There is hope to move the new food voucher programme to e-payment as well.

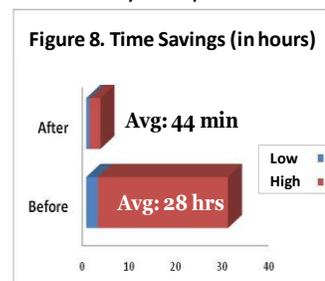
*This programme has enabled us to meet our mandate - to provide more effective, efficient service delivery.*

**Govind Sami**, Permanent Secretary, MSWWPA

Meanwhile, Westpac has expanded its clientele by nearly 15% in a matter of months, extended its reach in rural areas through a renewed push for branchless banking and gained favor with the government. Despite the upfront investment, the bank expects the service to be profitable. It has seen its EFTPOS usage increase by about 20% since January 2011. Furthermore, there is a feeling of excitement and a sense of accomplishment that Westpac employees convey when they talk about the project.



Recipients as well overwhelmingly feel the improvement (see Figures 7 & 8)<sup>19</sup>. Many speak of avoiding long queues and accessing their funds from a variety of locations and at any time of the day or month – resulting in substantial time and travel savings. Whereas before many recipients recall it taking more than one day, now they claim retrieving their benefits averages around 44 minutes. Furthermore, bank accounts, they say, enable them to save a small amount of their payment each month and manage their money better. Those few who still prefer the old voucher system do so usually because of some mix up or delay in receiving their benefits, uncertainty around the fees involved and/or initial discomfort with the new technology.



Others have taken notice of these benefits. Fiji’s government is now insisting that all communal land lease payments, mostly to rural communities, must move to electronic payment. Likewise, financial institutions, government ministries and Central Banks around the region have their eyes trained on Fiji, watching the latest evidence of viable and innovative financial inclusion efforts unfold in the Pacific.

<sup>19</sup> A sample of 26 individuals were chosen in a semi-random way and interviewed in 3 separate locations – Suva (capital city), Labasa (Vanua Levu) and Korovou (Viti Levu, near Nausori) during April/May 2011.

## Annex 1. Evaluation Going Forward

As the Fiji case demonstrates, exploring innovative electronic G2P payment mechanisms represents an important win-win opportunity for governments, donors, and MNOs/financial service providers and can help to provide access to financial services for unbanked populations. However, more research is still needed to understand and document how transfer recipients actually use these financial services, as well as to quantify the business case for service providers. It would also be interesting to look at how financial education, when delivered in tandem with G2P payments, can help facilitate improvements in household budgeting, cash management and ultimately wellbeing. Some of the things to look at going forward, and which may be further studied in subsequent reviews and evaluations are contained in Box 10.

### Box 10. An Example of Potential G2P Evaluation Questions

#### **Recipients**

- How are recipients using their accounts? Are they saving more or spacing out withdrawals over the month?
- Do the cards lead to use of other financial services?
- Is the availability of the new payment system affecting wellbeing of recipients? (Time/cost of accessing benefit, intra-household dynamics and cash management, improved security, impact on women, etc.)
- What usage is evidenced after termination of benefits?

#### **Government**

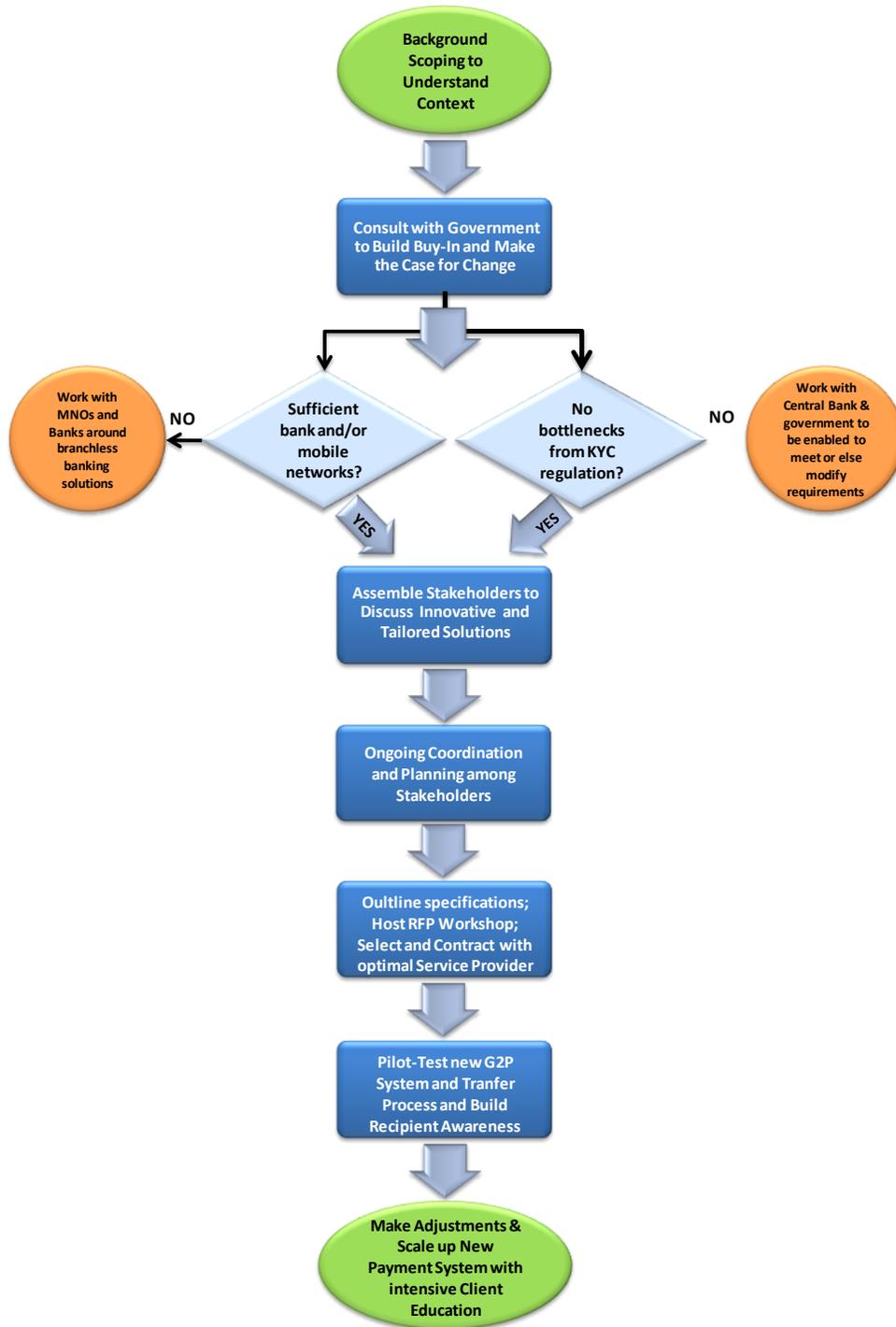
- How much time/cost has DSW saved by moving to the new PECT system? What is staff doing with the extra time?
- How much leakage and fraud has been reduced?
- What other systems could benefit from using a PECT? (food vouchers, wages and pensions)

#### **Payment Service Provider/Bank**

- What is the sustainability or profitability of the programme?
- How does this fit in with broader strategic bank goals?
- What additional benefits have resulted in expanding access to a new segment of the retail market (cross-selling, expanded POS merchant network)

### Annex 2. Key Steps in G2P Payment Project Planning

Figure 9. Flow Chart of Key Steps in G2P Projects



### Annex 3. Checklist of Key Steps in G2P

#### Pre-Implementation

- Background scoping research to understand problem, solutions, key actors and country context
- Consult with Government and Ministries to build buy-in and make the case for change
- Investigate financial infrastructure and determine if there are sufficient bank branch and/or mobile network to reach Target Clients conveniently
- If there is not sufficient bank branch and/or mobile networks available in country, work with Regulators, Banks and Mobile Network Operators (MNOs) to build branchless banking solutions
- Assess the regulatory framework and KYC customer identification requirements to determine if this will impede progress
- If there are regulatory or KYC obstacles, work closely with Government and Regulatory bodies (Reserve Bank, etc.) to interpret/alter regulations, ease concerns and be able to meet or modify requirements

#### Implementation - Planning and Coordination

- Assemble stakeholders to collectively discuss and get input on innovative solutions tailored to the local context
- Conduct an Assessment study of Target Clients to understand client demand, fears, preferences and any obstacles or resistance to changes in payment mechanism and technology
- As necessary, conduct Activity Based Costing exercise to engage government agency more fully in the process and to quantify costs (and inefficiencies) of existing system
- Ongoing coordination and planning among stakeholders to continue momentum
- Continue/Build high-level support at the key Government department and/or Ministry first; Secure line staff-level support if and where possible
- Once high-level support is attained, try to secure Cabinet approval or any directive that makes a new system compulsory

#### Contracting - Going to Tender and Selecting Provider

- Outline specifications for desired product, (including features, costs, financial inclusion objectives, etc.) taking input from potential providers, donors, and stakeholders
- Organize a workshop to announce the tendering process, release the RFP, explain the criteria and specifications, and answer any questions
- Receive, rank and select the proposal that most closely meets the criteria – specification and cost requirements, network of access points, experience of provider, etc.
- Contract the optimal service provider and agree to terms, costs, timeline, etc.

#### Transitioning to a New System

- Pilot-test the transition to the new system, the new G2P system itself, product features, client education materials, etc.
- Explore whether to make the transition to a new payment system obligatory or voluntary
- Ensure ample time for communication and education (how to use new payment system, training on technology, financial literacy, etc.) of target clients
- Make adjustments based on pilot and scale up the new payment system

## Annex 4. The Mechanics of the New Electronic Payment System

### Initial Account Opening

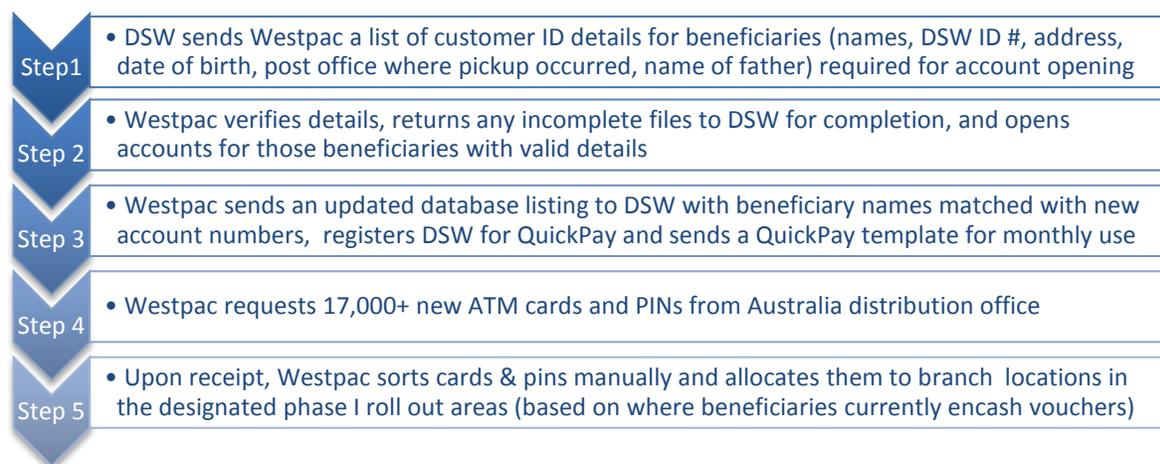
A significant amount of planning and coordination between Westpac and DSW needed to be accomplished in the short time horizon between the granting of the tender to Westpac in November, 2010 and the phase 1 roll-out to over 17,000 recipients in the first week of January, 2011. To facilitate the transfer, DSW needed to provide accurate identification data for recipients so that Westpac could open new accounts. Many of these initial processes were fairly time consuming due to the large volumes involved. Additional delays were largely a result of:

- The labor-intensive nature of completing and cross-checking databases, as well as opening and entering new accounts into Westpac’s core banking system software (which led Westpac to hire around 20 part-time, temporary staff);
- Late or incomplete transmission of the beneficiary database from DSW to Westpac; and,
- The additional time required for the production and delivery of cards from Australia, as well as the sorting of cards and PINs and matching of recipients’ previous DSW distribution points to Westpac branch or nearest EFTPOS agent.

Furthermore, the lack of a strong system for communicating with recipients (and the fact that many had moved or passed away), resulted in a number of unclaimed debit cards. Many recipients showed up to different Westpac branch locations than what had been forecast during roll-out planning – causing delays for some recipients in receiving cards and benefits. However, the majority (17,000+) *did* receive their cards and begin using the new accounts in January – testimony to remarkable efforts from all sides.

A brief overview of the initial opening of accounts for DSW recipients is shown in Figure 9 below.

**Figure 10: Initial Account Opening Process**



### Ongoing Payment (Monthly) of Benefits

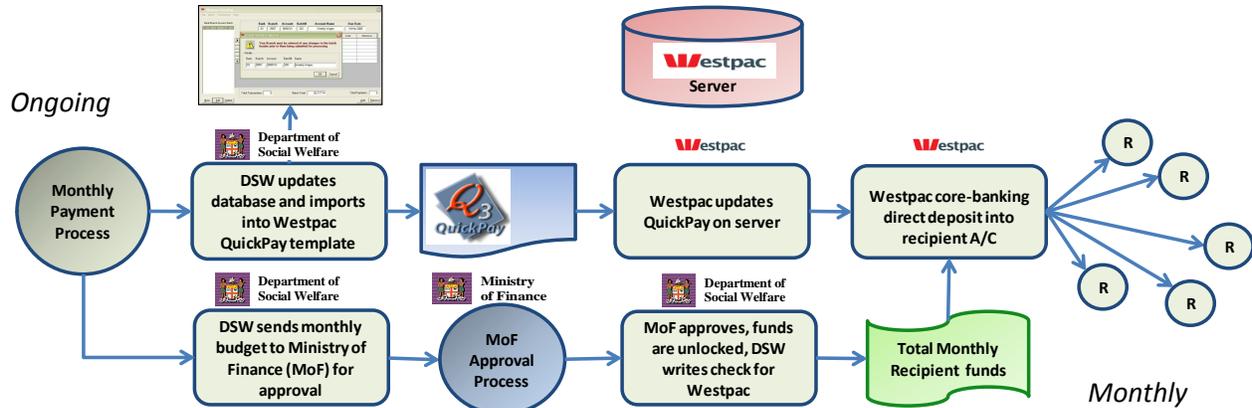
Once the accounts were opened, the project transitioned into a fairly simple and routine ongoing payment process (see Figure 11). The options were for DSW to open an account in Westpac and then simply have the funds transferred to beneficiary accounts on a monthly basis or to submit a check for the required amount to Westpac each month. Because of government restrictions, the latter was

chosen. DSW also benefitted from Westpac’s secure QuickPay system, typically used for recurring payments such as payroll. QuickPay (see Box 11) allows for direct deposit by setting up batches of client accounts for recurring payment. It simply requires monthly updating of recipient names, their account numbers (if new) and the monthly payment amount. Although QuickPay can also be accessed and updated online, DSW opted for monthly submission of a QuickPay template via encrypted email.

Box 11. Westpac's QuickPay Template



Figure 11: Ongoing Payment Flowchart (Monthly)



**Payment Process**

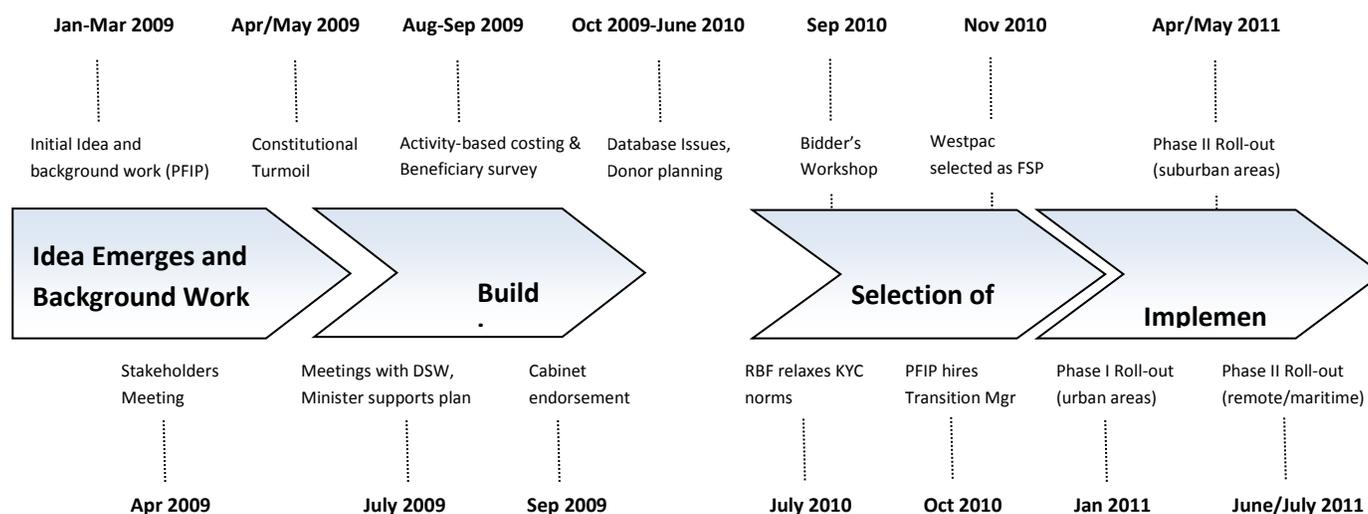
On an ongoing basis, DSW is still responsible for reviewing recipient eligibility, addressing any family issues that arise and eventually helping to graduate recipients from the system. However, in terms of the payment process, all it must do is monthly updating of an excel-based template with names and account numbers of current approved recipients, removing any that are rejected or moved out of the welfare system, and import it to Westpac’s QuickPay batch format. DSW then submits the imported files to Westpac via an encrypted email. When it receives the file, Westpac can update QuickPay on their servers and then await the monthly amount of recipient funds and processing fees from DSW.

However, DSW must submit its monthly budget to the Ministry of Finance (MoF) and seek approval for release of the next month’s fund amount (which is a separate and highly involved process). Once approval is granted (typically by the 1<sup>st</sup> or 2<sup>nd</sup> business day of the month), the MoF unlocks the required funds and DSW can submit payment to Westpac for that month’s total recipient allowance amount plus account maintenance fees. Westpac, using a core banking system, can then process the payment by the next business day, and automatically deposits the required amount to each recipient’s individual transaction account by the 3<sup>rd</sup> or 4<sup>th</sup> of each month.

## Annex 5. Fiji Project Timeline and Key Steps

The overall G2P progressive electronic payment project in Fiji has taken about 2 years from conception (January 2009) to roll out (January 2011), although this can be partially attributed to delays due to: 1) the suspension of the Fijian constitution and high-level turnover at DSW, and 2) the challenge of ensuring proper customer identification was in place before beginning to transfer to a new electronic payment system (e.g. the decision to wait for the cleaning and migration of data from the old to a new system). Without these challenges, the project may have been accomplished in as little as 1 year. This section looks at the timetable and summarizes the key steps taken during Fiji's G2P project.

**Figure 12: Project Timeline**



### January 2009:

PFIP seized upon the evident problems a cumbersome, manual voucher system as an opportunity to extend the financial access frontier in Fiji and organized a meeting with DSW leadership to discuss the problem and explore solutions.

### Jan-Mar 2009:

Fact finding and data gathering begins, including: understanding lessons from G2P initiatives in other countries, mapping key stakeholders and prospective service delivery partners (including mobile-money providers, banks, post office, etc.), and investigating why so few DSW clients had voluntarily chosen to have their benefits deposited in a bank account of their choice. Sensitization of DSW begins in earnest.

### April 2009:

Meeting organized with the key stakeholders and potential payment service providers. The objective was to build momentum in Fiji by gathering key actors to understand problem, identify strategies and facilitate partnerships.

**Apr-May 2009:**

In April, Fiji's government suspended the Constitution and lowered the retirement age for government service from 60 to 55. Key figures at the Department of Social Welfare – including the Permanent Secretary, Director and Assistant Director – retired or were transferred. Sensitization efforts continued, but PFIP had to re-commence in order to build buy-in again at the top of the agency and await new appointments.

**July 2009:**

A joint briefing by DSW and PFIP to the Minister of Social Welfare, Women and Poverty Alleviation led to her endorsement of a plan for mandatory conversion to electronic payment of benefits – a significant achievement.

**August 2009:**

After meeting with DSW and garnering support of DSW Director of Social Welfare in August 2010, PFIP prepared and carried out an activity-based costing (ABC) exercise designed to estimate the true costs of the current voucher system to DSW

**Aug-Sep 2009:**

PFIP hired a consultant to plan and lead a recipient survey to understand the attitudes and preferences of recipients themselves. The survey, which explored recipient attitudes toward banks and electronic banking methods, confirmed that there were few barriers other than inertia holding back change to an electronic system.

**September 2009:**

As expected, the ABC and Beneficiary Survey laid bare the case for transformation and spurred DSW to submit a formal Memorandum to the Cabinet (of Ministers) proposing a progressive electronic payment system for the distribution of social welfare benefits

**Late Sept. 2009:**

Not surprisingly, given the clear 'business case' and critical support from the Minister and DSW senior staff, the Cabinet approved the Memorandum in late September 2009 and formally endorsed the plan. This provided the crucial government order necessary to move the project forward.

**Oct-June 2010:**

Project stalled due to the inadequacy of DSW's existing database and the slow progress made in transitioning client information from the old database (*e-welfare*) into a new government-wide database (*e-gov*). Donors prioritized cleaning up the database as part of broader initiative. Without an accurate database and client details – coupled with the possibility of error, fraud or leakage – banks and donors would be hesitant to engage and the project would not proceed. DSW's efforts to review cases and migrate data dragged due to a lack of staff, funding and connectivity at the district level.

**July 2010:**

A PFIP assessment of the DSW recipient database concluded that without an injection of substantial resources, the migration would require considerably more time<sup>20</sup>.

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<sup>20</sup> McRae, Emily Rose. *An Assessment of the DSW Database Update*. July 2010

**Late July 2010:**

In July 2010, PFIP and DSW approached a Reserve Bank of Fiji (RBF) who allowed for welfare recipients to be classified as low risk and agreed to use DSW-issued beneficiary ID cards or referee letters, thus easing KYC the identification requirements.

**Aug-Sept 2010:**

To make up for lost time, PFIP recruited a full-time Transition Manager to coordinate implementation of the new system and to be embedded at DSW to help changeover.

**Sept 2010:**

PFIP/DSW organize a bidders' workshop to explain the proposed project and outline the specifications necessary for a successful proposal (see Annex 5). The workshop brought together key stakeholders including a variety of prospective service partners (two new mobile money services, commercial banks and the post office) and the RBF.

**October 2010:**

After reviewing and ranking submitted proposals together with PFIP, the government awarded a 2-yr contract to Westpac, which met or exceeded most of the criteria in the specifications document, had wide distribution, and a cost-efficient bid.

**Nov-Dec 2010:**

Transition Manager helped to coordinate the nascent partnership between Westpac and DSW and to plan the migration of approximately 22,500 recipients to the new system. After comparing Westpac's existing coverage area to where recipients resided, it was decided that a staggered roll out would occur in 3 phases.

**Dec 2011:**

Although delayed until DSW could organize its database and update the excel QuickPay files required to process the transaction, Westpac Fiji ordered and received 17,000 cards and pin numbers from its card manufacturer in Australia just before the January launch date. PFIP and Westpac draft and produce an educative booklet for recipients.

**January 2011:**

Westpac began the Phase 1 roll out by enrolling over 17,000 recipients in urban areas across Fiji's main island (Viti Levu). The 1<sup>st</sup> phase was designed to cover primary urban areas where the bulk of recipients were found. Project leverages fact that recipients were anyway coming en masse to pick up voucher books at DSW offices at this time.

**Mar-June 2011:**

Phase 2 encompassed roll out to secondary urban and suburban areas, including those on the island of Vanua Levu, and leveraged Westpac's EFTPOS merchant network.

**July- Dec 2011:**

The 3rd phase, yet to commence, is designed to reach remaining recipients in remote interior and maritime areas. It will be followed by financial literacy workshops for recipients in key topics (household budgeting, saving, planning, etc.).

## Annex 6. The Example of the Reserve Bank of Fiji

### 1. Foresight when Drafting Legislation

When drafting the guidelines for the Financial Transaction Reporting Act (FTRA, 2004), policy makers, including those at the Reserve Bank of Fiji (RBF), faced a huge challenge: how to make a single policy document with regulations supple enough to govern all sectors. However, the RBF helped write part 2 of the guidelines (2007) and had sufficient foresight to provide for situations of lower risk when customers have inadequate or no identification documents – a common situation among low-income and remote populations in Fiji. This provision involves getting a “suitable referee” to verify identity and personal details of potential customers – from among Village headmen, Chief/Provincial Administrators, religious leaders, or teachers (for school children) and so forth. The regulations even contain reference to microfinance – helpful for recent initiatives in Fiji.

### 2. Commitment to Financial Inclusion

The RBF, in the drafting of regulations such as the FTRA, wanted to be mindful that the legislative umbrella should not impede progress in the economic development of Fiji, its businesses as well as its people. Its staff was introduced to microfinance and increasingly internalized the values of financial inclusion. Over the past few years, working with UNDP and more recently, the Pacific Financial Inclusion Programme (PFIP), the RBF has shown great flexibility in implementing national policy objectives – moving beyond a prescriptive approach (instructing banks to open microfinance departments) to enacting a broader vision of financial inclusion that embraces new and innovative opportunities like the G2P project. Recent decrees on payments, mobile money and student savings accounts also underline the RBF’s commitment to financial inclusion.

### 3. Flexibility / Accommodation

As the G2P project moved forward, DSW and PFIP knew they would face difficulties regarding meeting the KYC requirements necessary to garner banks or MNOs involvement. Many recipients did not have formal residential addresses, but were identified by village name only in the DSW database. Likewise, few had formal IDs or correct birth dates, and it would clearly be difficult and time-consuming to collect birth certificates. Once the FIU department at the RBF was approached by PFIP and DSW to explore ways around these onerous KYC requirements, FIU staff were able to find room for maneuver under existing regulation. They looked at the transaction volume and customer background, together with existing documentation and IDs issued by DSW, and were able to approve a plan to move forward with existing documentation. Essentially, the RBF/FIU eased its KYC requirements from 7 ‘points’ to just 3: name, address and date of birth. It also attended the bidders’ conference when the project went to tender to reassure prospective applicants.

## Annex 7. Fiji's G2P Product Specifications Document

### 1. Instructions to bidders

This document constitutes the primary requirements expected of all bidders and sets out the scope and specifications of the services and products for a Progressive Electronic Cash Transfer (PECT) payments system to provide timely, accurate and cost-effective disbursement of cash grants to approximately 24,000 social welfare recipients in Fiji. This document also sets out the criteria against which bids will be assessed.

### 2. Background

Through a Cabinet decision in 2009 the Government directed the Ministry of Social Welfare, Women and Poverty Alleviation (Ministry or MSWWPA) to develop a progressive electronic payment system to disburse cash grants to its Family Assistance (FA) and Care and Protection Payment (C&P) clients. Annually approximately \$19.5 m is paid out to eligible beneficiaries.

The Department of Social Welfare (DSW) currently uses a manual system of payment in which 6 monthly sets of voucher books are printed and issued to each eligible recipient. Monthly vouchers can only be cashed in designated post offices and their agencies. Currently 22,526 clients receive payment through this system. Post Fiji receives a 2% commission fee from the Ministry for providing this service. No fees are charged to the recipient, however, some of them can spend up to 50% of the monthly payment to travel long distances to cash them. Vouchers also promote consumption as the entire value has to be cashed at once.

In addition to the use of voucher books, clients may also chose to be paid through two designated banks – ANZ Bank and Bank of the South Pacific. Currently there are 3,332 clients who have opted for this mode of payment. Clients bear the bank charges and fees associated with their respective accounts.

The current practice of issuing voucher books has increasingly put pressure on the current resources of the Ministry and resultant inconveniences to the clients. It is the Ministry's expectation that the new payment system will help overcome the shortcomings of the current system.

### 3. Proposed System

The PECT system is expected to meet the following key characteristics and principles:

- On time accurate delivery of funds
- Convenient means for recipients to receive actual cash
- Ensures optimal recipient security and confidentiality
- Service and products are suited to the client socio-economic characteristics
- Client education as an integral element of the business model – minimally in the adoption and use of the service and products while financial education will be desirable
- Avoid disincentive for the recipient to maintain a cash balance so that the product(s) offered are priced and designed to encourage savings
- A business model that is self sufficient and not dependent on government subsidies.

#### 4. TARGET RECIPIENTS

The current recipients are made up of following two categories:

##### Family Assistance (FA)

There are approximately 22,526 recipients that are paid between \$60 - \$100 per month. There are 3 eligible categories:

- Elderly (Without Support)
- Permanently disabled (Without Support)
- Chronically ill (Without Support)

##### Care and Protection (C&P)

There are approximately 1,759 recipients that receive around \$40 - \$60 per month. The eligibility criteria consist of:

- Children under the age of 17. (Orphans, Deceased Parents)
- Single Mothers with children under the age of 17 that are in school.

The categories of payments include:

- \$40.00 per child (Secondary School)
- \$30.00 per child (Primary School)
- \$25.00 per child (Non – School)
- \$60.00 per child with disabilities

The distribution of the current recipients in relation to the postal agency in which they can encash their vouchers is in Appendix 1.

The approved PECT system is to replace the current voucher payment system for FA and C&P only and does not include the Food Voucher Programme. Additionally, recipients already currently banked with ANZ Bank and BSP will not be required to switch to the new payment system. The choice is entirely up to these recipients.

#### 5. CLIENT AWARENESS RAISING AND FINANCIAL EDUCATION

The Pacific Financial Inclusion Programme (PFIP – a joint programme supported by UNCDF, EU, AusAID and UNDP) in partnership with the Ministry will provide the following complementary support:

- *Client awareness raising and sensitization:* This will entail a comprehensive information dissemination programme aimed at informing recipients of the change in payment system. The information campaign, using various communication mediums and techniques, is also aimed at minimising the anxiety to clients when confronted with changes. It will also highlight the benefits of the system. This component will not have any element of client education in relation to the use of the new technology, system and products and this remain the responsibility of the successful bidder. PFIP will, however, work closely with the successful bidder to develop a well coordinated programme of education and awareness raising targeting the recipients. PFIP has also carried out a *Beneficiary Perceptions and Attitudes Survey: Facilitating Migration from Paper-Based to Electronic Benefit Distribution* and this report is available from the official contact person for this tender.
- *Financial literacy training:* Recipients will be provided with basic training on managing personal finance and PFIP will work closely with the successful bidder to optimize synergies with the new payment system. Research has proven that when people, especially women, have access to both financial literacy training and a savings account or secure means of saving, there is significant improvement in household economic wellbeing compared to those without.

## 6. CORPORATE CAPABILITY

Bidding entities must demonstrate that they possess the requisite corporate capability to deliver on the proposal. This will entail, but not limited, to demonstrable record of good corporate governance, compliance with Fiji laws, conformity with international standards and best practices in their sector of operation and strength of financial position and solvency.

## 7. FIRCA T.I.N. REGISTRATION

The Ministry will work with the successful bidder in streamlining the TIN registration requirement for opening bank accounts.

## 8. PECT SPECIFICATIONS AND REQUIREMENT

This section sets out the minimum specifications and expectations that the electronic payment system is to conform with. It also contains a series of guide questions.

In order to facilitate the accurate appraisal of alternative systems, bidders are requested to structure your proposals in line with how the specifications are laid out in this section and to provide detailed information on, or to exceed, every requirement.

### 8.1 Process Guide

Bidders are to provide a clear and detailed description or schematic of the overall payment system being proposed and show the step by step process starting from the critical set of activities required of the Ministry right through the receipt of cash in the recipient's hands. Please use diagrams and flow charts as appropriate.

### 8.2 Distribution of Funds and Ease of Access

- i. What method will you use to distribute funds to the recipients? Will you use an existing product type or will you create a new product? Please provide details.
- ii. What is your estimated turnaround time from the moment you receive the funds to when a recipient can withdraw them?
- iii. How do you intend to notify a recipient of newly deposited funds?
- iv. How easy is it to use your service? How easy is it to access your service?
- v. How does the recipient withdraw funds? What are the tools, technology or level of knowledge required to facilitate a withdrawal?
- vi. How interoperable is your system with existing recipients already currently banked or who is a client of another electronic payment platform?
- vii. What is required for a recipient to use this service? *E.g.: Mobile phone, bank account, bank card, ID.* As current recipients comprise the poorest and most vulnerable segments of society, consideration must be given to ensuring that any hardware, technology and specific knowledge are within the affordability and capability of the recipients.
- viii. What processes and mechanisms will be put in place to guarantee that cash will be available on demand?

- ix. Under the current voucher book system, recipients can only cash their vouchers in designated Post Office branches or agents. In the new payment system, there is no similar restriction and the system should allow recipient to cash out anywhere in the country.

### 8.3 Recipient Coverage

- i. What is the distribution or coverage of your system in relation to the location of current and future recipients?
- ii. In providing the information on your distribution and coverage, where recipients can receive and cash out funds, you may want to present your information in relation to existing postal agency cash out points listed in Appendix 1 to this document. Please provide details as the nature of your cash out agents or outlets E.g.: *vendor outlets, banks, ATM's, EFTPOS, etc*
- iii. Provide concrete plans and timelines for expansion of your distribution and coverage.

### 8.4 Fee Structure and Costs

- i. The Ministry wants each recipient to receive the full value of the benefit payment and will require that the primary product being offered has the following mandatory service attributes:
  - No maintenance fee
  - No minimum balance required
  - Minimum of 3 free withdrawals per month
- ii. For other fees and charges, outside of the above, can these other fees be standardized to a fixed cost? What is the fixed cost? How will these costs be divided between the recipient and the Ministry to ensure that the recipient bears no or the lesser cost burden.
- iii. If such other fees and charges cannot be standardized to a fixed cost, please specify in relation to the following;
  - Flat fees or per transaction basis? How much?
  - Other fees? Include any interest charges that may be applicable? *E.g. bank - overdrawn account?*
- iv. When withdrawing payouts (*via: vendor outlets, EFTPOS, banks, ATM's, etc*), what will the fee structure, associated with all forms of cash outs available under the proposed product to the recipients, be?
- v. What costs will the Ministry be required to pay, if any, for the proposed PECT system being proposed *E.g. Commission, etc?*
- vi. What other additional cost would be required for each/all recipient (s) to use your system? *E.g: Sim card costs, Bank card costs. Are there options available to discount this cost further?*
- vii. What other indirect charges may be applicable to a recipient for replacement of items defined in [8.4.6] above. *E.g.: request for new bank card fee, etc.*
- viii. Detail also any costs to the client when operating between different and/or competing payment platforms.

### 8.5 Recipient Security, Confidentiality and Complaint Management

- i. What do you provide in terms of security for the funds transfer? Please detail all security measures that you will have in place. *E.g.: encryption etc*
- ii. In scenarios where a recipient missed the notification or information of funds received to his/her account, how can s/he then inquire or retrieve them? Is there a toll free number? *E.g.; Call in for verification etc?*
- iii. How do you propose to provide branch, dealer or vendor education on how to assist recipients in retrieving funds?
- iv. How can you guarantee confidentiality of recipient's details?
- v. How do you intend to resolve disputes or complaints? Describe this in detail – including the person or location to lodge the complaint, the paperwork required, charges levied if any and how long will it take to resolve various types of complaints.
- vi. Will you be required to keep records or a database of recipient's details? How will you ensure the privacy of such databases?

### 8.6 Additional Benefits to Recipients

- i. What other financial services will be available to the recipients? *Eg: balance checking, funds transfer, bill payments, SMS banking?*
- ii. What are some of the other benefits or bonuses that you will be able to provide in the short term versus long term for the recipients? *Eg: Free Sims, free bank account setups, interest payment, outreach programmes, training, gifts etc?*
- iii. Provide also relevant policies and procedures relating to the death of a recipient who has a savings balance. How are these savings to be claimed by their family/beneficiary.

### 8.7 Roll out and Demonstration

- i. What is the time frame required to get this system up and running? What is all the work required?
- ii. If required can a demonstration of the system or aspects of the system be provided to assist with the tender evaluation? When can this be ready?
- iii. Will a Pilot roll-out of the system be required. Please provide full information including the parameters required to carry this out? What will be required from the Ministry and its partners?

### 8.8 Recipient Education

- i. How will recipients be effectively educated on “**how to use**” your payment system? You will be evaluated on the effectiveness and level of tailoring to the client. Describe fully the various approaches and communication techniques that will be employed.
- ii. What other means of education will you be able to provide? *E.g.: SMS Financial Advice, Brochures, etc*

## 8.9 Ministry Requirements

- i. What additional information would be required from the Ministry on the current recipients to enable the full functioning of your system? *E.g.: Mobile phone providers require mobile numbers, Bank account Numbers etc.*
- ii. What will be required from the Ministry for distribution of funds? *E.g.: Money/Cheque, recipient lists, other details, and the associated timelines etc.*
- iii. In order for recipients to receive their funds on the 2<sup>nd</sup> of every month, provide a timeline for each specific tasks required of the Ministry.

## 8.10 “Know Your Customer” Compliance with RBF’

DSW has issued ID cards to recipients which contain the recipient’s full name, date of birth, postal location, ID number and photograph. The Financial Intelligence Unit (FIU) has confirmed that this DSW issued ID card, together with the information collected on the DSW database on recipients, would meet the minimum requirement for KYC under the Financial Transactions Reporting Act thus bidders may rely on this for verifying a recipient’s identity. FIU will also work with the successful bidder in facilitating the mass opening of accounts without requiring recipients to interact with the service provider individually.

- i. In addition to the DSW ID card, what other additional KYC or other requirements will you require from a recipient. The objective is to lessen the burden on clients.

## 8.11 Information on Transaction History

In order to monitor the socio-economic impact of the payment system on the well being of recipients and their households the successful bidder will be required to collect certain information on the recipients. This will include, minimally:

- gender
- if they have a bank account, mobile wallet or similar
- residing in rural or urban location

In addition, the service provider will be requested to provide aggregated information on transaction trends and usage of other financial services provided by the successful bidder. The kind of information will include, but not limited to:

- Number of Social Welfare recipients with you
- Number of withdrawals and deposits for a given period and average amounts associated
- Balances, transfers and other services used

No information which identifies a specific client will be requested.

## 9. DURATION OF CONTRACT

- The duration of the contract with the successful bidder will be for a fixed term of 24 months and will be drawn up in line with current government terms and conditions.

## 10. SUBMISSION AND BID EVALUATION

### 10.1 Submission

Please submit your Proposal/Bids to the Ministry of Finance at the following address;

**Tender No: xxxxxx**  
**The Secretary**

**Government Tenders Board**  
**Ministry of Finance**  
**Ro Lalabalavu House, 4<sup>th</sup> floor West Wing, Suva**

The closing date for submissions is - 2:30pm, **20<sup>th</sup> October 2010**

Late tenders will not be considered. The lowest tender may not necessarily be accepted. The public opening of bids will be carried out on .....

Estimated Tender Award Date : Thursday November 4<sup>th</sup> 2010

## 10.2 Evaluation

The evaluation of proposals/bids will be in accordance with Fiji Procurement Office policy. All proposals/bids will be evaluated against the following two broad criteria and corresponding weighting:

- Technical specifications: 80%
- Cost and others considerations: 20%

For the 80% technical assessment, the relative weights for the various key parameters are:

#	Technical Assessment Parameters	%Weighting
1	Distribution of Funds and Ease of Access	15
2	Recipient Coverage	11
3	Fee Structure and Cost	15
4	Recipient Security, Confidentiality and Complaint Management	10
5	Additional Benefits to Recipients	6
6	Roll out and Demonstration	12
7	Recipient Education	8
8	Ministry Requirements	10
9	“Know Your Customer”	8
10	Information on Transaction History	5

The overall 20% weighting for Cost and other considerations will encompass, but not limited to:

- Recurring fixed and variable costs to be paid by the Ministry to the successful service provider in terms of commission, fees, subsidies and other payments
- One time direct developmental and recurring operating costs that will be incurred by the Ministry to support the new payment system
- Direct and indirect cost to the recipients to be serviced by the new payment system
- Corporate capability to deliver on the contract

## 10.3 Further information

For further information regarding this document please contact:

## Annex 8. List of Key Project Animators

Ministry of Social Welfare, Women & Poverty Alleviation Government			
<a href="http://www.women.fiji.gov.fj/social.shtml">www.women.fiji.gov.fj/social.shtml</a>			
Name	Position	Key Project Role	Contacts / Email
Mr. Govind Sami	Permanent Secretary	Policy, inter-agency coordination and Chair of Project Steering Committee	+679 3315754 Or email – <a href="mailto:rupeni.fatiaki@govnet.gov.fj">rupeni.fatiaki@govnet.gov.fj</a>
Ms. Salote Radrodoro	Director of Women	Policy and project oversight	
Mr. Rupeni Fatiaki	Assistant Director Family Services	Project Management and Operations	
Ms. Rozia Bi	Senior It Analyst	Accounts handling and Database management	
Financial Intelligence Unit, Reserve Bank of Fiji			
<a href="http://www.reservebank.gov.fj">www.reservebank.gov.fj</a>			
Name	Position	Key Project Role	Contacts
Mr. Razim Buksh	Director	Approval of relaxed KYC	+679 3223279 Or email - <a href="mailto:caroline.p@rbf.gov.fj">caroline.p@rbf.gov.fj</a>
Ms. Caroline Pickering	Manager Policy & Compliance	Application of relaxed KYC and compliance	
Westpac Banking Corporation			
<a href="http://www.westpac.com.fj/pacific/">www.westpac.com.fj/pacific/</a>			
Name	Position	Key Project Role	Contacts
Ms. Olive Whippy	Head of Microfinance	Coordination of account creation and card distribution, user education and financial literacy training	+679 132032 Or email – <a href="mailto:owhippy@westpac.com.au">owhippy@westpac.com.au</a>
Ms. Jyoti Maharaj	Assistant to Head of Microfinance	WBC Project Coordination, Distribution of Cards and Pins	
Mr. Usaia Tunaulu	Manager Government and Institutional Banking	Account Relationship Manager for DSW	
Ms. Yvonne Brechterfield	Head of E Business	Project Coordination of Electronic Initiatives	
Ms. Vina Chauhan	Head of Operations Fiji and Regional Support PB	Coordination of Opening of Accounts, Ordering of Cards and Pins	
Ms. Nirmala Nambiar	Manager Retail Service & Distribution	Coordination of Retail Network (Branches) re DSW Payout and Resources	
Pacific Financial Inclusion Programme			
<a href="http://www.pfip.org">www.pfip.org</a>			
Name	Position	Key Project Role	Contacts
Mr. Tillman Bruett	Regional Financial Inclusion Advisor and Project Manager	Project Oversight	+679 3300399 Or email <a href="mailto:derek.tam@undpaffiliates.org">derek.tam@undpaffiliates.org</a> <a href="mailto:jeff.liew@uncdf.org">jeff.liew@uncdf.org</a>
Mr. Jeff Liew	Regional Financial Capacity Adviser	Management of donor support and PFIP Technical Assistance, Financial Literacy strategy	
Mr. Derek Tam	Transition Manager	Project process planning and Implementation, including stakeholders intermediation	

## Annex 9. Key Documents and References

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- Pickens et al.** *Banking the poor via G2P payments*. CGAP Focus Note 58. Dec 2009
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[http://www.westpac.com.au/docs/pdf/aw/ic/2011\\_Interim\\_Results\\_ASX.pdf](http://www.westpac.com.au/docs/pdf/aw/ic/2011_Interim_Results_ASX.pdf)

