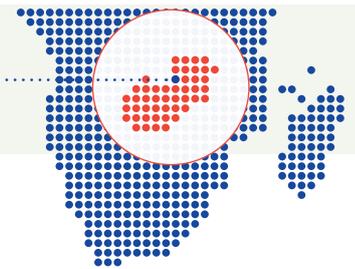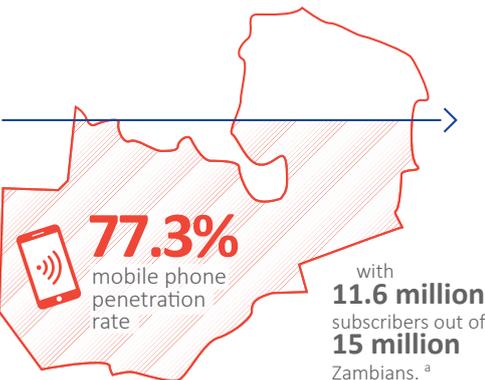# Payment Flow Diagnostic for Government Payments in Zambia

Basics of the Zambian landscape

'The latest report from the Zambia Information [and] Communication[s] Technology Authority (**ZICTA**) indicates that :

77.3% mobile phone penetration rate

with **11.6 million** subscribers out of **15 million** Zambians. [a]

What we know in 2016 from UNCDF and BoZ

% of adults with active DFS accounts – **18%** **

% of adults with active mobile money accounts – **8%** **

Number of active agents – **11,025** **

Number of ATMs – **998** *

DFS Account – Active customer accounts refers to customers that have performed at least one Person to Person payment, bill payment, bulk payment, cash in to account, cash out from account, or airtime top up from account for at least the past 90 days using a digital channel e.g. mobile phone, internet, card or agent

** Source – UNCDF, * Source – Bank of Zambia data

DFS Providers include:

19 banks

3 mobile network operators

5 third party e-money providers

47% of Zambians don't like to carry cash [b]

Global Learnings from Payments Flow Diagnoses

Nigeria

Zambia

Malawi

the Philippines

Colombia

Uganda

Estimates for payments to and by the Government of Zambia are **on par with estimates for five other countries** where Bankable Frontier Associations and Better Than Cash Alliance have carried out payment flow diagnostics

Cost savings

In **Brazil**, a 2013 study found that the Bosa Familia government cash transfer programme reduced its transaction costs from **14.7%** of total payments to **2.6%** when it bundled several benefits onto one payment card [c]

In **Mexico**, a 2013 Better Than Cash Alliance case study found that the Government is saving **$1.3 billion** (3.3% of its total expenditure) on wages, pensions and social transfers by digitizing and centralizing its payments [d]

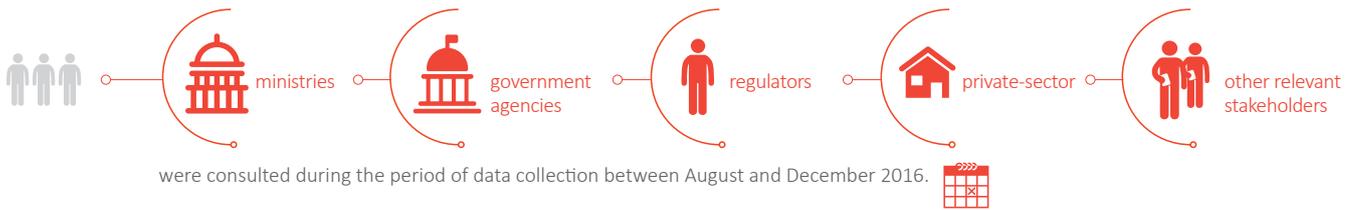In **India**, a 2010 study found that the Government could save approximately **$22.4 billion** per year by automating its payment programmes [e]

a ZICTA, 'ICT Survey Report- Households and Individuals', November 2015. Available from https://www.zicta.zm/Views/Publications/2015ICTSURVEYREPORT.pdf
b InterMedia, 'Consumer Behaviors in Zambia: Analysis and Findings,' February 2016. Available from http://www.intermedia.org/wp-content/uploads/2016/03/zambiaintermedia_consumerbehaviours.pdf
c Ledgerwood, Joanna, 'The New Microfinance Handbook : A Financial Market System Perspective', World Bank, November 2013. Available from https://openknowledge.worldbank.org/handle/10986/12272
d BTCA, 'Sustained Effort, Saving Billions: Lessons Learned from the Mexican Governments Shift to Electronic Payments,' November 2013. Available from http://betterthancash.org/better-than-cash-alliance-case-studies/
e McKinsey, 'Inclusive Growth and Financial Security: The benefits of e-payments to Indian Society,' November 2010. Available from http://mckinseyonsociety.com/downloads/reports/Economic-Development/epayments_benefits_to_Indian_society_USD_191110.pdf

Key Findings of the Zambian Government Payments Diagnosis

A Reflection of Government, Grass Roots & Leadership

More than **115** interviewees from **22** organizations, comprising of:

ministries — government agencies — regulators — private-sector — other relevant stakeholders

were consulted during the period of data collection between August and December 2016.

Large-value transactions are mostly conducted electronically, but most transactions to and from the government are in cash, leaving a huge opportunity to digitize

Figure I
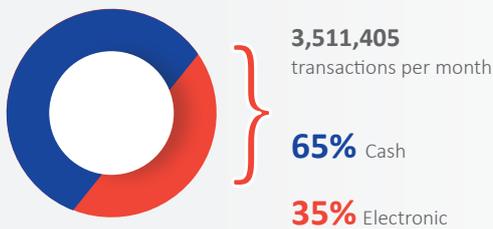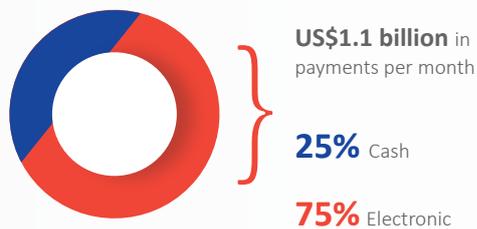Monthly volume (number of transactions) of government payments

3,511,405 transactions per month

65% Cash

35% Electronic

Figure II
Monthly value (total amount) of government payments

US$1.1 billion in payments per month

25% Cash

75% Electronic

There is also a great opportunity for person-to-government and government-to-person payments to be digitized

96% of person-to-government and **44%** of government-to-person payment transactions are cash by value

96%

44%

Initiatives undertaken by the Government to digitize payments have included the following:

Development of the **Integrated Financial Management Information System** → **Roll-out** of the **Treasury Single Account** → Implementation of the **Bank of Zambia National Payment Systems Vision & Strategy 2013–2017** → Draft of the **2017 National Financial Inclusion Strategy**

There are 3 main ministries that can accelerate the government shift from Cash to Digital

Ministry of General Education

school-related fees constitute about 44% (851,506 out of 1.9 million transactions) of monthly person-to-government payments

Ministry of Community Development

social cash payments constitute 21% (121,000 out of 0.6million transactions) of government-to-person payments

Ministry of Agriculture

farmer subsidies constitute 23% (133,333 out of 0.6million transactions) of government-to-person payments