



# High-Volume Payments Mapping

Monrovia 28<sup>th</sup> June' 2017

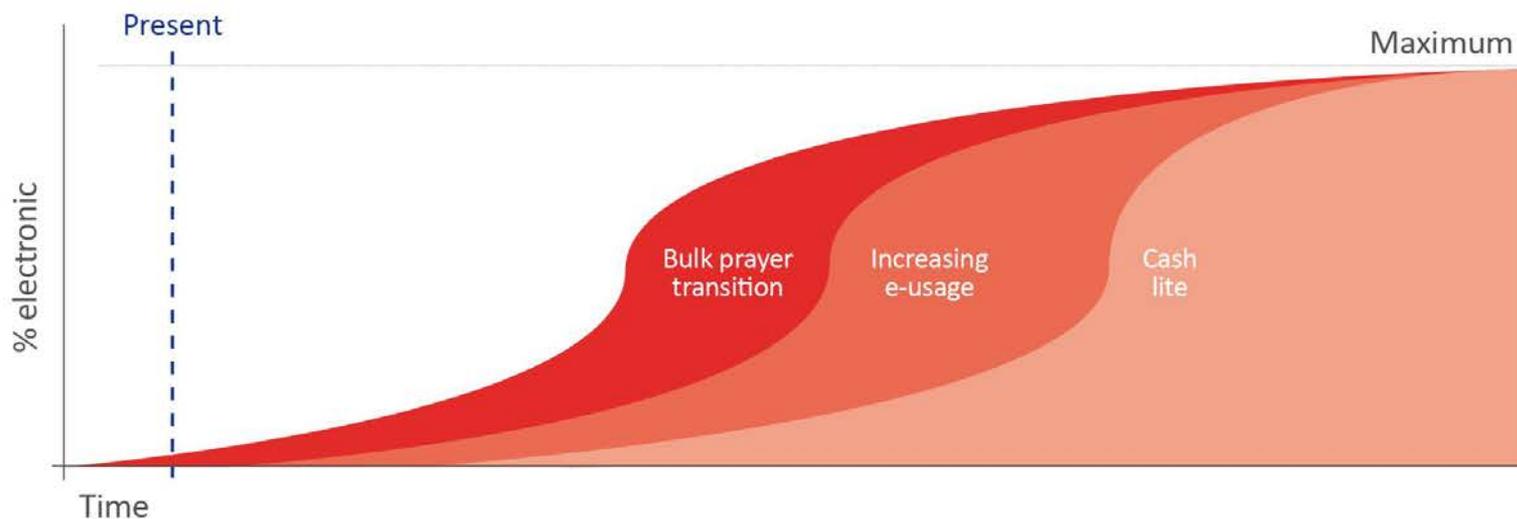


# Liberia

## Payment's Landscape

## 1.1 Stages from Cash-Heavy to Cash-Lite

The BTC Alliance whitepaper identified three shifts on the journey to 'cash lite' societies: a bulk payer shift, a shift towards electronic bill payment and finally, a shift for purchases.



Government payments form a large component of bulk payments, and shifting these payments to digital will accelerate the speed at which payment infrastructures advance towards cash-lite societies

## 1.2

# Objectives

Primary objective of this study is to analyse high-volume payments flows in Liberia; quantify number and values of these flows. Specifically, this diagnosis aims to:

- Generate knowledge and enable the development of evidence based policies and business models for digitization;
- Provide baseline data and a sense of information sources for tracking changes in the evolution of digitization in Liberia;

		PAYEE		
		Government	Business	Person (Individual)
PAYER	Government	<b>G2G</b> Budgetary Allocations, Funding	<b>G2B</b> Grants, Payments for Goods and Services	<b>G2P</b> Welfare Programs, Salaries, Pensions
	Business	<b>B2G</b> Taxes, Fees for Licenses	<b>B2B</b> Payments for Goods and Services	<b>B2P</b> Salaries and Benefits
	Person (Individual)	<b>P2G</b> Taxes, Utilities	<b>P2B</b> Purchases	<b>P2P</b> Remittances, Gifts
	Development Community	<b>D2G</b> Taxes	<b>D2B</b> Payments for goods and services	<b>D2P</b> Cash transfers



# Government to Person (*G2P*)

## 2.1 Government Payroll

- US\$261.4 million\* has been allocated for Compensation of Employees in the national budget for 2016/7
- This consumes more than 50% of Liberia's recurrent budgetary expenditure

Ministry / Agency	Employees	Net Salary \$
Regular Employees	38,223	5,918,876
Supplementary Employees (MoE)	4,434	354,536
(Mol)	1,283	95,502
Pensions	17,010	774,603

Average Monthly Government Payroll Disbursements

## 2.1

# Government Payroll

Payroll Components	
Salary	Civil servants are paid on a monthly basis. Net salary is paid after deductions for income tax, social welfare contributions (NASSCORP), group and personal insurance premiums from the gross amount
Allowances	Allowances are paid in addition to their GOL salary, since the basic salary paid by the government is very low compared to incentives received by HWs paid with external funding. There are two types of allowances; Special and General allowances. <i>Special Allowances</i> are paid to political appointees and <i>General Allowances</i> are for civil servants
Per diem & Incidentals	Per diems are paid to employees when they travel from their designated duty station for the official business
Others (Deductions)	Taxes, social welfare contributions, group & personal insurance, association fees etc.

\*including provisions for enrolment and training of security personnel for UNMIL drawdown

## 2.2

## Salary Disbursement Process

- Net monthly payroll disbursement to a government employee consists of their salaries, allowances, incentives, GOL pensions and insurance payments
- Government of Liberia has made it mandatory for employees to have bank accounts so disbursements can be made through direct deposit to employee's bank account
- The payment is processed by the CSA, and paid by the MFDP. The payment system still depends heavily on the printing and issuing of cheques, a physical check is also used for direct deposits to bank accounts
- Cash payment is available for newly hired civil servants till they get a bank account opened. These cash payments are also made through bank using cheques
- Poor infrastructure, lack of roads, liquidity and bank branches create numerous challenges for government employees in receiving their salaries

## 2.3

# Government-to-Person (G2P) Payments

## For the Financial Year 2015/16

	# of payments/ year	% volume electronic	# of payments electronic	Avg Value/ Payment (USD)	Total Value/ year (USD)	Total Value electronic/ year (USD)
<b>Government-to-Person</b>						
G2P Total	731,396	95%	694,826	\$117	\$85,722,208	\$81,436,097
Compensation of Employees (Regular)	458,672	95%	435,738	\$154.85	\$71,026,511	\$67,475,186
Compensation of Employees (Supplementary)	68,608	95%	65,178	\$79	\$5,400,456	\$5,130,433
Pensions	204,116	95%	193,910	\$46	\$9,295,241	\$8,830,479
State Owned Enterprises	92,436	95%	87,814	\$508	\$46,933,531	\$44,586,854

## 2.4

## Government-to-Person (G2P) Payments

Ministry / Agency	Employees	Net Salary
Ministry of Education (Regular)	13,472	2,266,062
Ministry of Education (Supplem.)	4,434	354,536
Ministry of Health	7,086	1,299,954
Ministry of Justice	4,055	529,580
Ministry of Internal Affairs (Regular)	3,716	446,831
Ministry of Internal Affairs (Supplem.)	1,283	95,502
National Legislature	2,610	347,034
Judiciary	1,659	220,083
Monrovia Consolidated School System	1,239	253,980
Ministry of Public Works	516	62,490
Ministry of Land Mines and Energy	511	66,360
General Services Agency	340	41,508
Ministry of State	306	36,740
Ministry of Agriculture	296	40,514
Ministry of Information	285	34,636
Ministry of Posts and Telecommunications	273	32,704
Ministry of Transport	264	33,390
Ministry of Foreign Affairs	260	32,900
Ministry of Commerce & Industry	242	31,834
Liberia Institute of Statistics and Geo-Information Services	214	28,818
Ministry of Youth and Sports	169	20,832

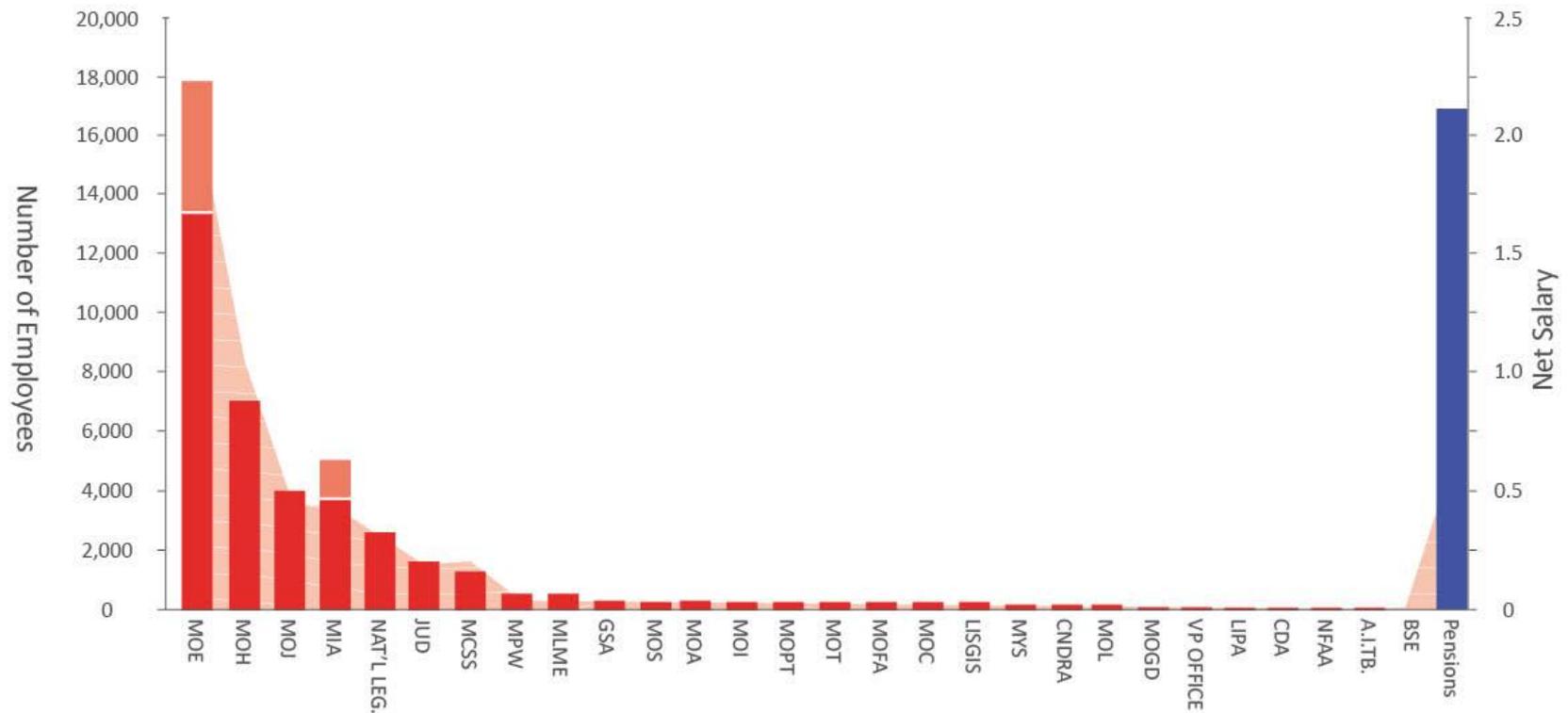
## 2.4

## Government-to-Person (G2P) Payments

Ministry / Agency (Continued)	Employees	Net Salary
Center for National Documents and Records Agency	154	19,734
Ministry of Labor	152	19,855
Ministry of Gender and Development	121	14,580
VP Office	89	11,300
Liberia Institute Of Public Administration	63	8,862
Cooperative Development Agency	45	6,182
National Food Assistance Agency	35	4,537
Agriculture Industrial Training Bureau	32	4,773
Bureau of State Enterprises	20	2,804
<b>Pension (AFL &amp; Regular)</b>	<b>17,010</b>	<b>774,603</b>

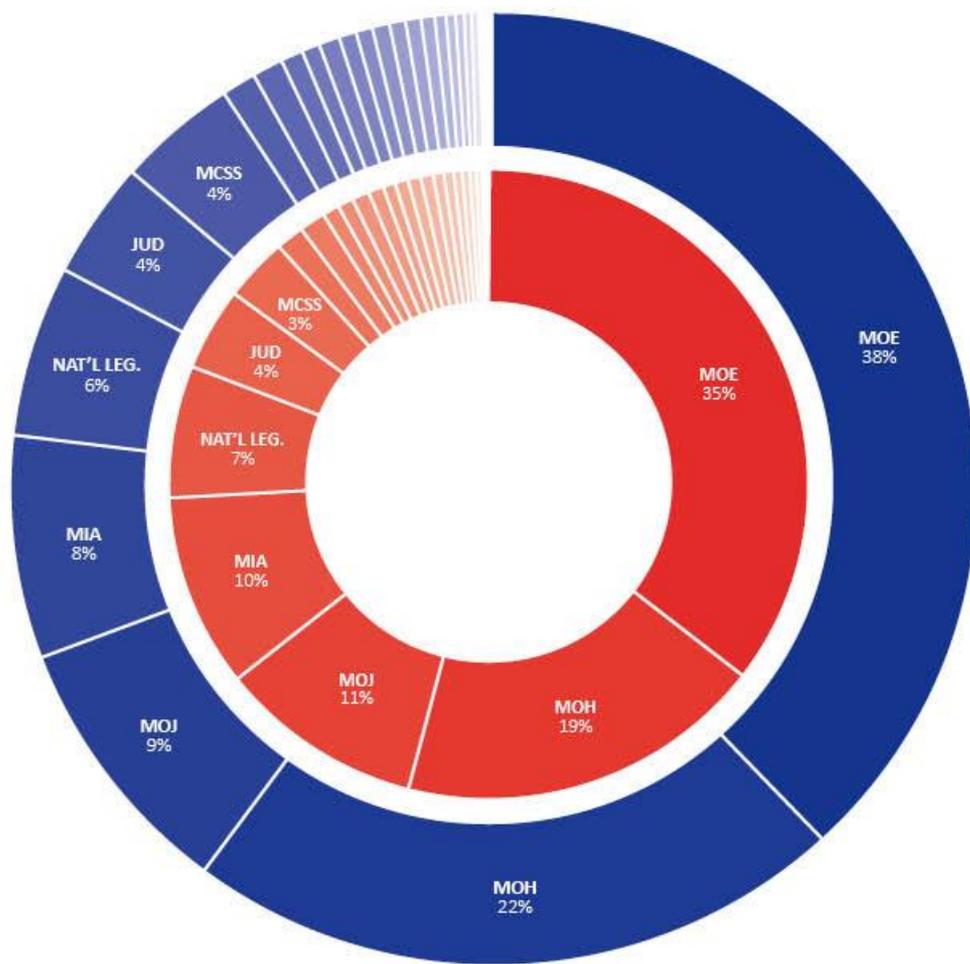
## 2.5

## Government-to-Person (G2P) Payments



## 2.6

## Government-to-Person (G2P) Payments

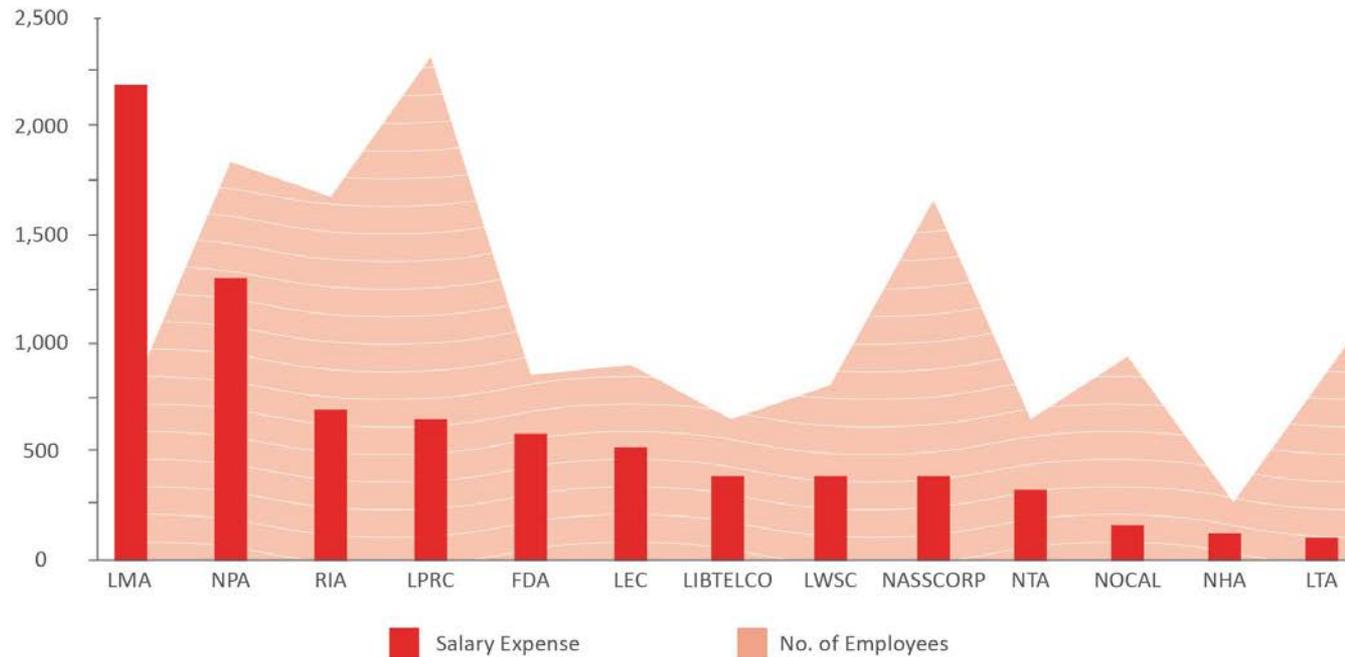


Ministry / Agency	Employees (Regular)	Net Salary (Regular)
MOE	13,472	215,275,875
MOH	7,086	123,495,638
MOJ	4,055	50,310,144
MIA	3,716	42,448,906
NAT'L LEG.	2,610	32,968,253

## 2.7

## Government-to-Person (G2P) Payments

## State Owned Enterprises



## Challenges

1. Employees sometimes have to travel an entire day to reach the banks, which regularly are lacking liquidity or are closed. The process compels employees to incur additional costs for travel and lodging
2. Disbursement process is cumbersome and requires manual signing of cheques at MoFDP

## Ongoing Efforts

1. Government of Liberia has committed to the digitization of government payments through Membership to the Better Than Cash Alliance (BTCA)
2. MoFDP has signed a Memorandum-of-Understanding (MoU) with a MM Provider for disbursement salaries to government employees/civil servants across Liberia
3. **mStar, with funding from USAID, is piloting salary payments of MoH's Health Care Workers**
4. GoL is implementing a 5-year Social Safety Nets Project (SSNP) that will provide income support to about 10,000 households in four counties (Bomi, Maryland, Grand Kru, and River Gee) through direct cash transfers

## Opportunities

1. Though almost all employees are paid through banking channels, using MM and banking agents can make the process efficient for the government.

## Financial savings for the government can account to

1. Using MM and banking agents will make the payment process convenient and cheaper for employees
2. <http://www.ictworks.org/2015/10/16/digitizing-payments-one-cabinet-at-a-time/>
3. Digitization of salary payments to Supplementary Employees and broader use of biometrics offers opportunity to curb leakages.
4. Mobile Money should be incorporated into the delivery system for Social Safety Nets Project (SSNP)
5. Incorporation of Nation Electronic Payment System to eliminate need for physical cheques



# Person to Person (*P2P*)

## 3.1

# Person-to-Person (P2P) Payments

## For the Financial Year 2015/16

	# of payments/ year	% volume electronic	# of payments electronic	Avg Value/ Payment (USD)	Total Value/ year (USD)	Total Value electronic/ year (USD)
<b>Person-to-Person</b>						
P2P Total	3,708,732	6%	206,016	\$18	\$66,440,160	\$3,690,678
P2P (Domestic Remittances)	3,708,732	6%	206,016	\$18	\$66,440,160	\$3,690,678

1. Modelling has been done to estimate P2P transactions with calculations based on CBL's Financial Inclusion Survey (2014)
2. These numbers should be taken as estimations, further research is needed to validate the assumptions

## Challenges

1. Lack of infrastructure and logistics make it inconvenient to users and force them to incur costs
2. Lack of banking presence restricts the availability of formal financial services, particularly in rural areas
3. Lack of liquidity in rural areas compound the challenges in conducting financial services

## Ongoing Efforts

1. Two Mobile Money providers offering financial transfer services in Liberia
2. CBL is planning to launch Liquidity Centres in counties to ease liquidity constraints

## Opportunities

1. International Remittances offer a good opportunity for MM
2. Release of Agent Banking Regulations creates the possibility to sustainably expand formal financial services



# Person to Government (*P2G*)

## 4.1

# Person-to-Government (P2G) Payments

March 16 – March 2017

Person	# of payments/ year	% volume electronic	# of payments electronic	Avg Value/ Payment (USD)	Total Value/ year (USD)	Total Value electronic/ year (USD)
P2G Total	334,974	100%	334,974	\$1,207	404,385,704	\$404,385,704
<b>Total Tax Revenue</b>	<b>189,189</b>	<b>100%</b>	<b>189,189</b>	<b>\$1,728</b>	<b>\$326,849,480</b>	<b>\$326,849,480</b>
Taxes On Income & Profits	76,703	100%	76,703	\$2,236	\$171,471,518	\$171,471,518
Taxes On Goods And Services	61,659	100%	61,659	\$1,661	\$102,443,699	\$102,443,699
Taxes On International Trade	50,797	100%	50,797	\$979	\$49,718,902	\$49,718,902
Other Taxes	21	100%	21	\$153,093	\$3,214,961	\$3,214,961
<b>Other Non-Tax Revenue</b>	<b>145,785</b>	<b>100%</b>	<b>145,785</b>	<b>\$531.85</b>	<b>\$77,536,224</b>	<b>\$77,536,224</b>
Property Income	1,939	100%	1,939	\$27,713	\$53,735,907	\$53,735,907
Administrative Fees	108,109	100%	108,109	\$174	\$18,790,234	\$18,790,234
Fines, Penalties And Forfeits	35,644	100%	35,644	\$62	\$2,200,500	\$2,200,500
Miscellaneous & Unidentified Revenue	91	100%	91	\$30,873	\$2,809,478	\$2,809,478

## 4.2

## Person-to-Government (P2G) Payments

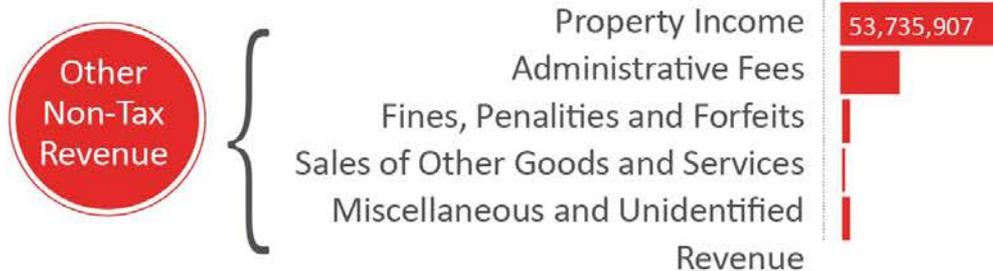
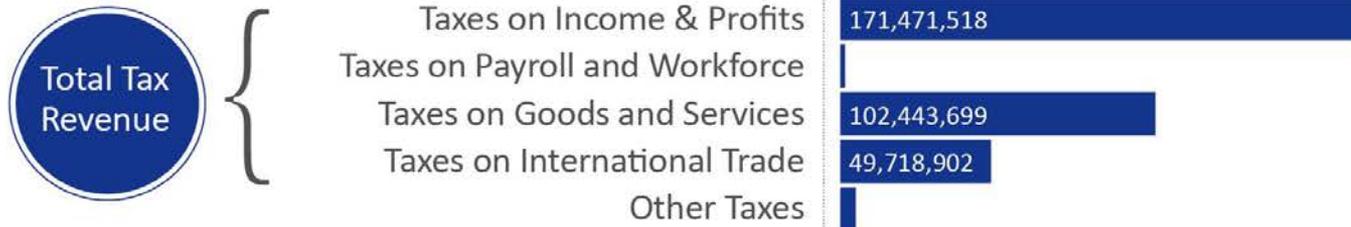
## Domestic Tax Operational Figures

Indicators	FY 15/16
Number of registered taxpayers;	41042
Number of taxpayers who account for 80% of tax revenues	295



## 4.2

## Person-to-Government (P2G) Payments



## 4.3

# Person-to-Government (P2G) Payments

Description	Amount	Trx
TOTAL TAX REVENUE	326,849,480	189,189
<b>TAXES ON INCOME &amp; PROFITS</b>	<b>171,471,518</b>	<b>76,703</b>
TAXES ON RESIDENTS	149,968,847	76,210
CIT SECTION 200B (RESIDENTS)	31,807,220	4,180
CIT Regular (25%)(200b2C)	30,663,932	4,095
PRESUMPTIVE SECTION 200C (SMALL TAX)	1,919,770	26,223
Presumptive (small tax) (4%)(200c)	928,026	9,862
RUR- RURAL Presumptive tax (200c) for small taxpayers(4%)	991,744	16,361
WITHHOLDING TAXES (RESIDENTS)	116,021,521	45,484
WH (Res.) on salaries and wages	86,539,374	28,192
WH (Res.) on rent	4,773,809	5,501
WH (Res.) on payments for serv. rendered	15,920,393	7,726
TAXES ON IMPROVED LAND NO MATTER WHERE SITUATED	5,738,764	9,847
Business or commercial use	4,961,508	3,380
Residential use	312,011	6,270

## 4.3

## Person-to-Government (P2G) Payments

Description (continued)	Amount	Trx
<b>TAXES ON GOODS AND SERVICES</b>	<b>102,443,699</b>	<b>61,659</b>
TAXES ON USE OF GOODS AND ON PERMISSION TO USE GOODS OR PERFORM ACTIVITIES	7,286,263	58,279
MOTOR VEHICLE TAXES	5,493,920	31,465
Vehicle license plates	3,202,593	16,567
Driver license	125,746	3,535
Annual vehicle registration stickers	1,959,899	9,299
TAXES ON USE OF GOODS AND ON PERMISSION TO USE GOODS OR PERFORM ACTIVITIES	1,792,343	26,814
Business Registration Fees	595,505	7,670
RUR- RURAL Business registration fees	205,516	7,389
Revenue Stamps For Notaries	24,535	4,887
<b>TAXES ON INTERNATIONAL TRADE</b>	<b>49,718,902</b>	<b>50,797</b>
CUSTOMS AND OTHER IMPORT DUTIES	49,654,792	50,121
IMPORT DUTIES	23,523,590	24,855
Import duties on goods other than rice and petroleum	3,260,322	12,743
ECOWAS trade levy	380,961	11,085
OTHER CUSTOMS CHARGES ON IMPORTS	24,936,527	24,537
Customs user fees	2,287,210	9,178
GST on imported goods (excluding petroleum)	3,529,981	13,001

## 4.4

## Person-to-Government (P2G) Payments

Description	Amount	Trx
OTHER NON-TAX REVENUE	77,536,224	145,785
<b>ADMINISTRATIVE FEES</b>		
SECTOR MINISTRIES & AGENCY FEES	18,790,234	108,109
MINISTRY OF FOREIGN AFFAIRS (MFA)	2,654,116	32,318
MFA - ECOWAS passport fee	1,714,250	32,198
NATIONAL FIRE SERVICE (NFS)	142,514	7,743
NFS -Fire safety inspection fee	142,151	7,728
LIBERIA NATIONAL POLICE (LNP)	34,039	16,188
LNP - Traveling clearance	16,638	8,252
LNP - Job clearance	7,279	3,626
LNP - Name check clearance	6,495	3,246
BUREAU OF IMMIGRATION & NATURALIZATION(BIN)	3,879,495	19,382
Bin - Resident Permit Of Renewal (Non Ecowas)	1,382,801	4,127
Bin - Airport Visas	303,842	3,068
Bin - Other Fees (Ministry Of Justice: Bureau Of Immigration)	78,122	3,160
LIBERIAN BUSINESS REGISTRY	1,501,212	12,283
Lbr - Re-Registration Fee	1,392,386	9,208
Moh - Birth Certificate	135,255	27,029
MINISTRY OF LABOR (MOL)	4,017,371	5,720
CENTER FOR NATIONAL DOCUMENTS AND RECORDS (CND)	325,726	6,556
Cnd - Marriage Certificate	238,548	3,255

## 4.4

## Person-to-Government (P2G) Payments

Description (continued)	Amount	Trx
<b>FINES, PENALTIES AND FORFEITS</b>		
OTHER MINISTRIES AND AGENCIES (OMA) PRIVATE	101,297	4,769
LEGAL FINES AND PENALTIES FROM PRIVATE INDIVIDUALS AND ENTITIES	95,082	4,464
Traffic Violation Tickets (From Private Individuals And Entities)	74,826	4,051
ADMINISTRATIVE PENALTIES AND INTEREST	2,099,203	30,875
Administrative penalties	1,340,444	15,784
Admin.Penalties on WH Residents	657,623	8,995
ADMINISTRATIVE INTEREST	758,760	15,091
Admin.Interest on WH Residents	212,117	8,956

## Challenges

1. Infrastructure and limited banking footprint constrains LRA's tax collection capacity
2. Lack of technology deployment makes tax processing inefficient and leads to leakages
3. Limited availability of tax payment windows creates inconvenience for tax payers

## Ongoing Efforts

1. LRA is implementing an aggressive revenue growth project, funded by the USAID, that encompasses Mobile Money for collections

## Opportunities

1. Using Mobile Money and Banking Agents create the opportunity for LRA to increase tax collections without incurring high costs
2. Non-tax revenues, particularly fees and fines offer compelling business opportunity for MM Providers
3. Using Banking and Mobile Money agent for taxpayer registration and Tax Identification Number (TIN) issuances

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