



Zambia

## Digital Financial Services in Zambia

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Facts and figures

### Can digitization of social cash transfers improve the lives of refugees in Zambia?

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#### Persons of concern in Zambia

During a recent visit to Meheba, one of three refugee settlements in Zambia, a United Nations Capital Development Fund (UNCDF) and *MicroSave* team encountered a woman, probably in her seventies. The team was testing communication tools with select beneficiaries of cash-based interventions (CBIs). The lady, who was a CBI beneficiary but not part of the test, asked: “Why am I not being included in this new way of getting CBI? I have not been collecting my money as sometimes they say, ‘Go to Block C or Block A,’ and I have to wait the whole day to get the money. As you can see I am very old, I can’t walk and I really need this money. Please help include me in this new way of getting CBI. I like this new way where I can get CBI in my phone, and I can go and cash out when I need it.”

United Nations High Commissioner for Refugees (UNHCR) supports 51,277 persons of concern (PoCs), including refugees, in Zambia.<sup>1</sup> Through its implementing partners, UNHCR works to improve the lives of these PoCs by providing access to education, health services, agricultural inputs, medical assistance and CBIs.

For those PoCs recently granted refugee status, UNHCR provides unconditional support in the form of CBIs. UNHCR also offers refugees one-time, non-food items, such as blankets and kitchen utensils, and farming equipment like ploughs and spades. The main livelihoods of PoCs in Zambia are agriculture and small-scale trading. Through the Ministry of Community Development and Social Services (MCDSS), UNHCR gives K100 (US\$10)<sup>2</sup> per month to each refugee classified as a ‘new arrival’<sup>3</sup> or as ‘vulnerable.’<sup>4</sup>

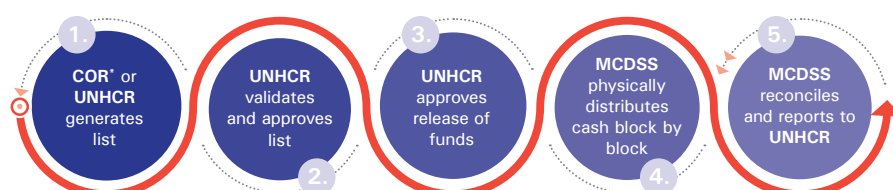
In 2016, UNHCR and UNCDF partnered to explore digitization of CBI payments to PoCs in Zambia in order to improve access to financial services. The team contracted *MicroSave*, an international financial inclusion consulting firm, to design and pilot CBI digitization in Meheba. Using a human-centred design and behavioural economics approach, *MicroSave* conducted research to understand the challenges that beneficiaries face with the current CBI distribution process and to deepen understanding of the financial needs of the residents.

### Findings

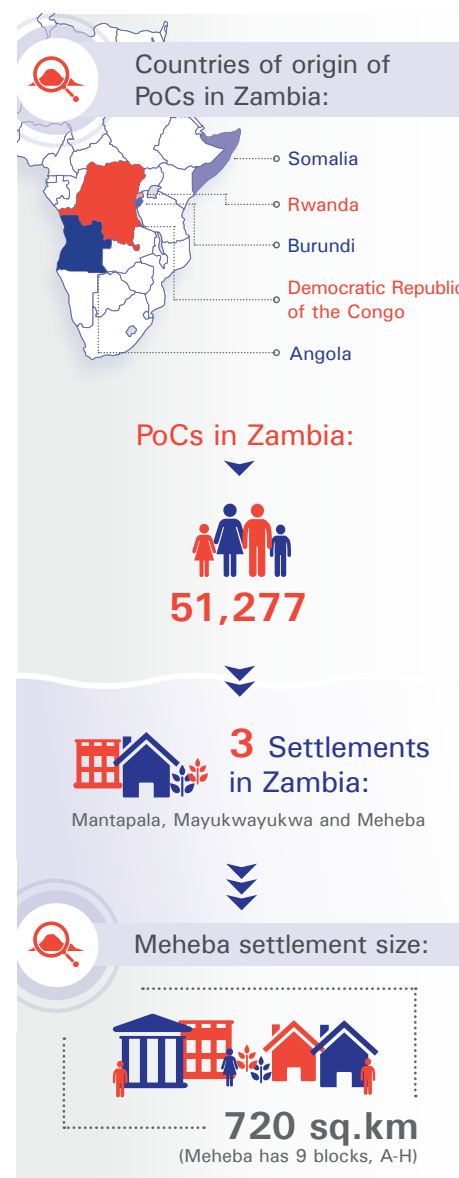
#### Current cash-based intervention distribution process

The current CBI distribution process is illustrated in the figure below.

#### Distribution process



\*COR: Office of the Commissioner for Refugees



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<sup>1</sup> UNHCR Zambia, ‘UNHCR Operation in Zambia: Factsheet’ (Lusaka, September 2015).

<sup>2</sup> US\$1 = K9.9625. Source: UN, ‘UN Operational Rates of Exchange,’ 31 December 2017. Available from <https://treasury.un.org/operationalrates/OperationalRates.php> Note: This rate of conversion is used throughout.

<sup>3</sup> New arrivals are those refugees/PoCs who have recently arrived in Zambia. To assist them as they start to rebuild their lives, UNHCR provides CBIs to new arrivals for up to twelve months.

<sup>4</sup> Vulnerable people comprise the elderly, unaccompanied minors, children separated from their families, the physically disabled, the chronically/terminally ill and those who face temporary disability.

The entire process, from list generation to reporting, is done manually and typically takes about **50 days**. As a result, the frequency of CBI disbursement is once every two months rather than once per month. The process is time-consuming and prone to human error.

From the point of view of UNHCR, reducing disbursement time would help ensure that CBIs are distributed on a monthly basis. In turn, it would help UNHCR achieve its objective of making CBIs both reliable and predictable for beneficiaries, who count on receiving these payments to help meet their basic needs and invest in improving their financial lives. For MCDSS, the stress of physical cash distribution is the biggest issue along with the time that it takes.

### Challenges facing cash-based intervention beneficiaries

Researchers identified the following key challenges in CBI distribution from the beneficiaries' point of view:

- **Poor information dissemination:** Delays or postponements of a CBI distribution date meant that beneficiaries often had no idea when disbursement would take place, and had to return every day until distribution finally began.
- **Lengthy disbursement (all-day lines):** Beneficiaries reported that CBI disbursement takes at least five days and sometimes longer. To not miss their names being called to collect the money, most beneficiaries would stand in line from 6 a.m. until the disbursement officials left for the day.
- **Income loss:** The lengthy disbursement time often resulted in lost opportunities to participate in income-generating activities, from which beneficiaries typically earn K25 (US\$2.50) a day.

### Financial needs of cash-based intervention beneficiaries

When asked to rank their financial needs, Meheba residents wanted access to the following:

1. Convenient way to timely receive CBIs
2. Safe place to save small amounts to meet emergency needs, pay school fees, and procure agricultural inputs or invest in their small trade
3. Micro-credit to establish and/or expand their small business venture
4. Micro-insurance for health issues and/or crop failures
5. Housing loans/mortgages to help build permanent houses

### Roadmap to digitize cash-based interventions in Meheba

Digitization would help make CBIs more **predictable, reliable** and **efficient**. It would also help link beneficiaries to formal financial services. Building a transaction history for beneficiaries could potentially help financial services providers extend other services to Meheba residents as well.

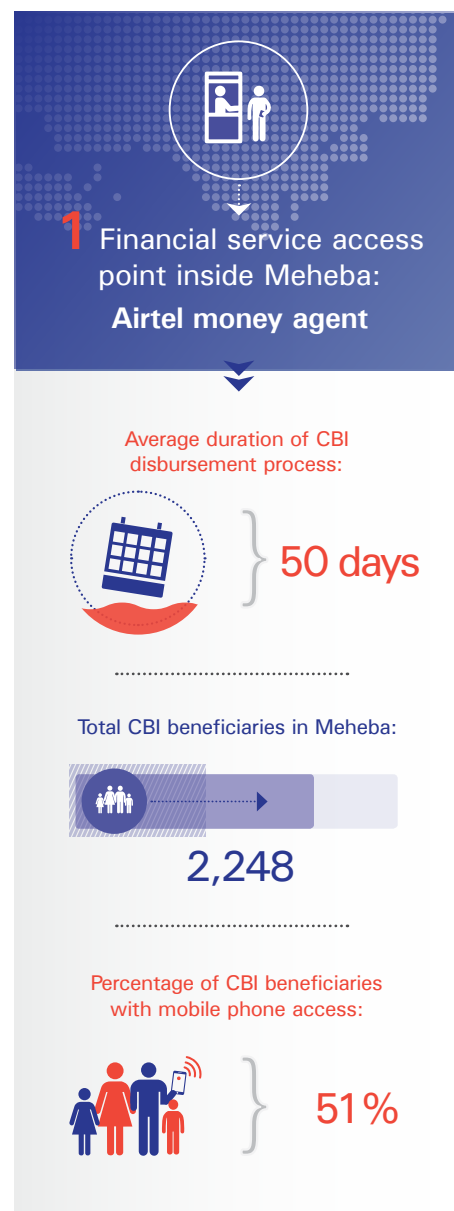
With a focus on these objectives, leadership from UNHCR and UNCDF are currently designing the digitization initiative, with the support of *MicroSave*. The overall goal of the project is to **improve financial inclusion of PoCs in a sustainable manner**. With access to financial services, PoCs will be in a better position to invest in income-generating activities, invest in their children's education, and set aside emergency funds on a more regular basis. All of these actions combined have the potential to help CBI beneficiaries have more control over their financial lives and make better choices as they settle into their new lives in Zambia.

UNCDF is the UN's capital investment agency for the world's 47 least developed countries (LDCs). With its capital mandate and instruments, UNCDF offers "last mile" finance models that unlock public and private resources, especially at the domestic level, to reduce poverty and support local economic development.

UNHCR is mandated to lead and co-ordinate international action to protect refugees and resolve refugee problems worldwide. Its primary purpose is to safeguard the rights and well-being of refugees.

UNCDF and UNHCR are currently partnering in Malawi, Uganda and United Republic of Tanzania to explore innovative solutions to improve access to financial services for persons of concern, including refugees.

### Cash-based interventions



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This Research Highlight was produced in partnership with the following:

