BOSTON CONSULTING GROUP

Cash-in/cash-out agent networks:

Reaching the last mile in financial inclusion

Compendium of global case studies on incentive levers for rural expansion

AUGUST 2019

BILL & MELINDA GATES foundation

Overview of materials available on this microsite

Overview & key highlights from the research

Role of CICO for financial inclusion


RELATED EXPERTISE: ECONOMIC DEVELOPMENT, FINANCIAL INSTITUTIONS, BUSINESS AND SOCIETY

How Mobile Money Agents Can Expand Financial Inclusion

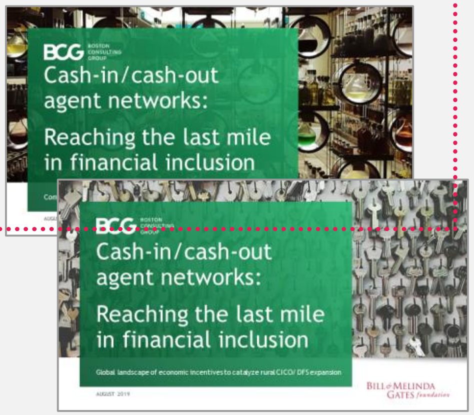
FEBRUARY 14, 2019

By Shalini Unnikrishnan, Jim Larson, Boriwat Pinpradab, and Rachel Brown

Sizing the CICO access challenge

Exploring potential interventions

This document



Illustrative country deep-dives

Contents of this document

This document reviews **55+ global examples of interventions - focusing particularly on economic incentives** – used by governments across developed and developing markets to catalyze the rural expansion/ growth of CICO, financial services, and other industries (e.g., telecommunications, utilities)

For more details on the case studies and resulting insights from the 'global incentives landscape', please contact our team at cico_economics@bcg.com

Achieving rural CICO coverage may require broad range of interventions from government & inclusion stakeholders

Potential for near-term implementation & impact → Longer-term implementation & impact

Incentives to make CICO economics more attractive

- **Focusing providers' attention** on the rural expansion imperative
- **Improving short-term economics** for providers/ agents to catalyze expansion
- **Creating conditions for providers to invest/ innovate** & improve long-term viability

Focus of document

Innovation to develop new CICO & post-CICO models

- **Solving operating model challenges in the frontier** (e.g., new liquidity mgmt./ agent network mgmt. models)
- **Developing new products/ services/ distribution channels** for rural consumers, including new use cases that keep money digital (without resorting to CICO)

New partnerships to support CICO/ DFS value chains

- **Establishing pre-/ non-competitive spaces** for financial players to co-develop shared agent networks and other CICO/ DFS infrastructure
- **Brokering new partnership models** with players across industries to conduct rural consumer research & develop new go-to-market approaches

Data to improve CICO/ DFS network efficiency and effectiveness

Collecting, analyzing and using data to:

- **Improve** CICO access, utilization & sustainability
- **Size** number of new agents needed & **optimize allocation** for coverage & viability
- **Estimate potential support/ investment required** for viability
- **Improve agent network mgmt.** & reduce operating costs (e.g., liquidity mgmt.)

Regulations to unlock/ enable CICO/ DFS expansion

Revising/ passing new regulations related to:

- Consumer/ agent **KYC** requirements
- Mobile money **interoperability**
- Transaction **fees**
- Provider/ agent **eligibility** criteria (incl. "dedication" & "exclusivity" criteria)
- **Products/ services** guidelines
- **Third-party Agent Network Managers** guidelines
- **Taxes**

Large-scale investments in 'infrastructure'

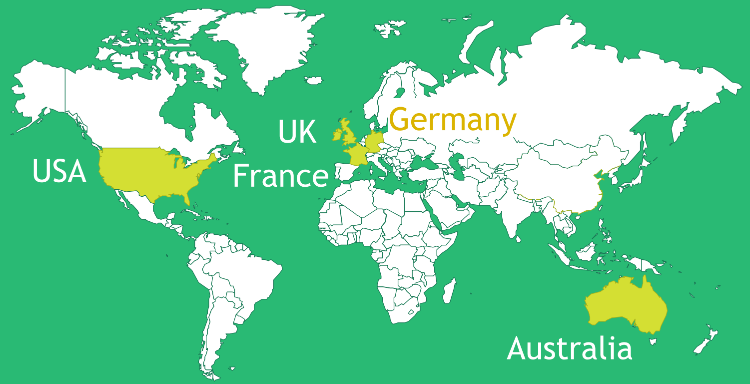
- **Extending physical/ technology/ banking infrastructure** (e.g., mobile connectivity, electricity, roads, bank branches)
- **Supporting financial platforms** (national ID systems, central payments switches, mobile money interoperability)
- **Investing in human capital/ workforce training** (e.g., basic/ digital/ financial literacy)

Based on global study of 55+ case studies and 30+ expert interviews across regions and sectors…

55+ initiatives reviewed across regions/ industries

19 initiatives related to CICO in developing markets

14 initiatives related to the rural expansion of other industries (e.g., utilities, telco) in developing markets



24 initiatives across 5 markets related to the expansion of financial services to low-income/ remote populations in developed markets

Source: See Appendix for full list of case studies and sources

30+ experts across regions and organizations

CGAP

UN CDF

fsd Kenya

GSMA

BCFI

MSC MicroSave Consulting

WORLD BANK GROUP

Banco Central de la República Argentina

UNSGSA

Rural & Agricultural Finance LEARNING LAB

fsduganda Financial Sector Deepening

BCG

Financial Services | Consumer Goods | Public Sector | Tele-comms. | Global health

… Identified 12 distinct incentive levers that have potential to catalyze rural expansion of agent networks

Inclusion guidelines	Direct provider/ agent profitability improvements	Demand generation
1 **Mandates/ service obligations/ new urban opening restrictions** to force service in frontier areas 2 **Coverage/ service level targets** to encourage service in frontier areas	3 **Preferred financing/ loans** to fund initial operations setup of providers/ agents 4 **Research & innovation grants** to help providers adapt DFS offerings/ operating models to rural customer needs 5 **Favorable government contracts** with terms that ensure provider/ agent viability or ability to cross-subsidize in rural areas 6 **Income guarantees/ fee subsidies** to ensure viability in early days 7 **Price guidelines** to ensure fees cover cost to serve 8 **Tax rebates or credits** to incentivize collaboration or innovation or ensure positive bottom-line in early days 9 **Discounted inputs/ operational support** for providers or agents to reduce costs	10 **Direct subsidies to end-consumers** (e.g., discounted/ waived transaction fees) to encourage DFS adoption 11 **Creation of new use cases** to kick-start and guarantee minimum DFS/ CICO demand by rural consumers 12 **Consumer behavior shaping nudges** (e.g., incentives/ rewards) to encourage usage for long-term

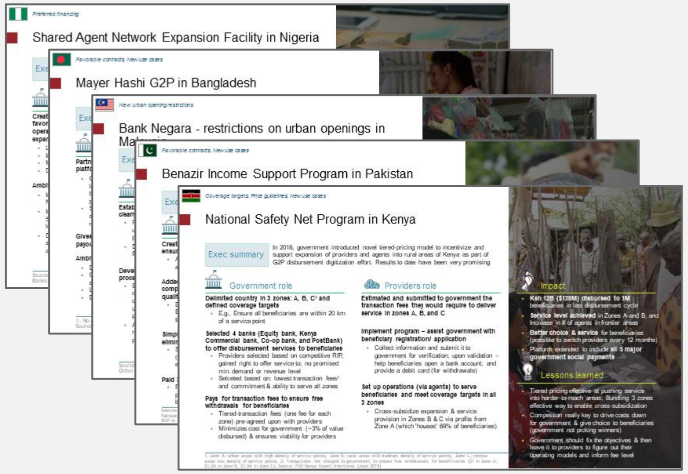
Source: Literature review on government incentives to drive rural expansion in financial services, utilities, telco and other industries; expert interviews; BCG analysis

Detail: 12 distinct incentive levers identified globally

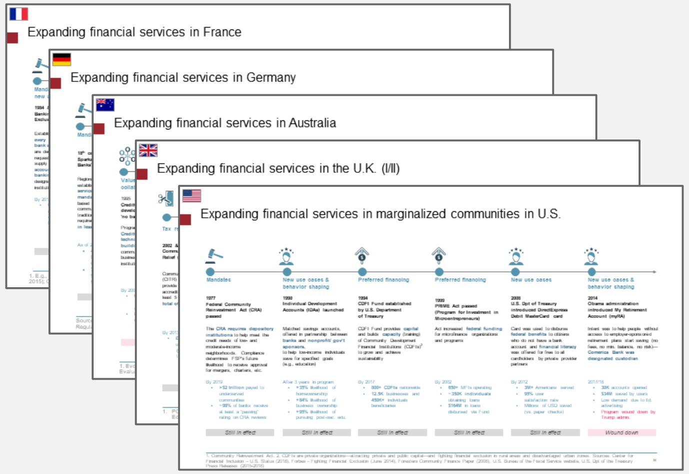
Category	Incentive levers	Description
Inclusion guidelines	1 Mandates/ service obligations/ new urban opening restrictions	Requirement for providers to serve rural customers, regardless of underlying economics (internal cross-subsidization); typically executed via a financial inclusion policy mandate or via terms of provider licensing agreement
	2 Coverage/ service level targets	Direct regulation of provider network expansion, incl. minimum coverage requirements in rural areas, restriction of licenses for new provider branches/ agents opening in saturated urban areas
Direct provider/ agent profitability improvements	3 Preferred financing/ loans	Grants, no/low-interest loans, loan guarantees to help cover high upfront investments and/ or expansion costs, and reduce investment risk for providers, aggregators, and/ or agents
	4 Research & innovation grants	Grants to fund (fully or partially) research and innovation efforts (by providers individually or by industry consortium as pre-competitive research) in order to conduct market and user research and adapt existing CICO/ DFS products, services and/or operating models to rural customer needs
	5 Favorable government contracts	Government licensing agreement/ contract – created in collaboration with providers – with commercial terms that enable providers to recoup investments and earn a viable profit (fee structures aligned to cost to serve, potentially a right to operate in certain geographies exclusively/ without competition for a certain amount of time)
	6 Income guarantees/ fee subsidies	Payment of 'income fee' by government to providers to add revenue (on top of payment from consumers) to ensure costs are covered and minimum profitability requirement is met
	7 Price guidelines	Favorable DFS pricing guidelines to enable providers to cover costs or earn profit (e.g., revised caps, deregulation)
	8 Tax rebates or credits	Reduced tax burden (e.g., registration, capex, income tax) to lower upfront investments or increase operating profits
	9 Discounted inputs/ operational support	Provision of inputs at discounted prices or coverage of main operational cost drivers for providers, aggregators, agents (e.g., low-cost generators, dedicated public transportation leveraged for cash delivery to remote areas)
Demand generation	10 Direct subsidies to end-consumers	Payment of fixed or variable amount to end-consumers (typically based on income level) to ensure affordability of access to and sustained consumption of service (e.g., discounted DFS transactions, personal credit to use DFS)
	11 Creation of new use cases	Policies/ programs that increase customer adoption and utilization of DFS services, driving increase in total DFS transaction volumes (e.g. G2P digitization programs)
	12 Consumer behavior shaping nudges	Behavioral nudges/ incentives to increase adoption and sustained use of DFS by end-consumers (e.g., showing benefits, reassuring on costs and risks)

Compendium reviews global examples of incentive levers to catalyze rural expansion of CICO/ DFS and other sectors

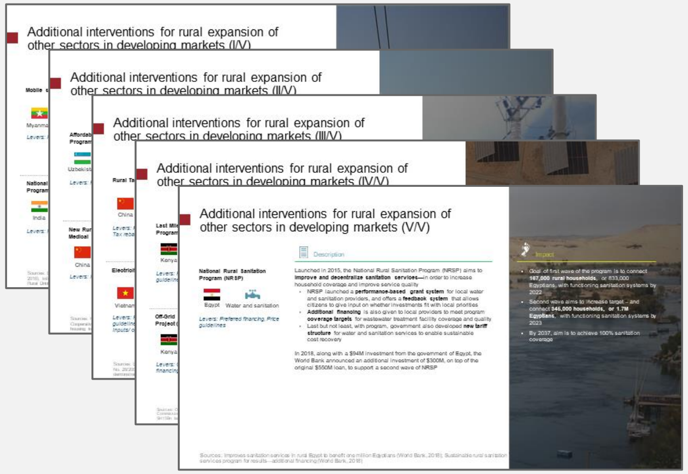
19 case studies of rural CICO/ DFS expansion in developing markets



24 initiates across five developed markets to expand FS/ DFS in remote areas/ marginalized communities



14 case studies of levers used for rural expansion of other sectors in developing markets



See Appendix for full list of sources

Contents

Overview of case studies: CICO/ FS expansion in developing markets (I/II)

Region	Country	Program Name	Direct incentive lever(s) used	Description	Page number
Latam	Brazil	Bolsa Familia	Mandates, New use cases	State-owned bank Caixa mandated to distribute G2P payments to qualified recipients through basic accounts and is required to meet strict quality standards for delivery	15
Latam	Brazil	Banco do Brasil -Military supported cash delivery	Discounted inputs/ operational support	State-owned bank Banco do Brasil partners with the Brazilian Army to transport cash to the Amazon to support Banco do Brasil's operations	16
Latam	Colombia	Banca de las Oportunidades Agent Incentives	Coverage targets, Favorable contracts, Income guarantees	Government auctioned contracts to financial service providers, offering income guarantees for meeting agent network coverage targets	17
Latam	Mexico	Oportunidades	Mandates, New use cases	Oportunidades, the largest cash transfer program in Mexico, shifted grant payments to a bank account-based scheme with government owned bank Bansefi	18
Latam	Peru	Banco de la Nacion -Military supported cash delivery	Discounted inputs/ operational support	State-owned bank Banca de la Nacion partners with the Peruvian Armed Forces to support agents in the most remote regions by using their boats, pick-up trucks, and helicopters to deliver cash and other resources	(16)
Asia	Bangladesh	Mayer Hashi G2P	Favorable contracts, New use cases	Partnered with mobile financial service platform to disburse digitized payments from Mayer Hashi government program to the parents of primary school students	19
Asia	India	RBI coverage mandate	Mandates	India requires >25% of all new banking outlets to be opened in unbanked rural centers; also mandates state-owned banks to open accounts for everyone	20
Asia	India	Direct benefit transfer program	New use cases	Centralized program that designs implementations instructions for digitizing G2P programs and also selects social payments to digitize, enabling simpler and faster flow of information and funds by dramatically cutting operational cost and complexity	21
Asia	India	National Rural Livelihood project	Research and innovation grants, Discounted inputs/ operational support, New use cases	India launched National Rural Livelihood Project (NRLP) to establish professional and institutional platforms to increase rural household income through improved financial access	22

See Appendix for full list of sources

Overview of case studies: CICO/ FS expansion in developing markets (II/II)

Region	Country	Program Name	Direct incentive lever(s) used	Description	Page number
Asia	Malaysia	Bank Negara—restrictions on new urban openings	Mandates, Discounted inputs/ operational support	Malaysia encourages rural network growth by allowing agent banking only in unserved and underserved areas	23
Asia	Indonesia	Laku Pandai coverage mandate	Mandates	Indonesia made participation in agent banking program, Laku Pandai, conditional on having service in Eastern Indonesia	(21)
Asia	Pakistan	Benazir Income Support Program (BISP)	Favorable contracts, new use cases	Created competition free environment for provider to enable deployment of digitized G2P payments starting in 2010; provided 3% fee for payment disbursements	24
Asia	China	POS subsidies	Discounted inputs	People's Bank of China issues recommendations to local governments to subsidize costs of point-of-sales terminals for FSPs to encourage low cost disbursement of G2P payments	25
Asia	China	Lower reserve requirement ratios for rural FSPs	Preferred financing	Sets lower reserve requirement ratios for rural banks than for large commercial banks, and lower still for other rural FSPs. Lower reserve ratios are intended to promote microlending and investments in small rural enterprises	26
Asia	China	Electronic G2P transfers	Mandates, new use cases	Government distributes payments via debit cards linked to bank accounts and requires commercial banks to provide those accounts and debit cards free of charge when used to receive government subsidies	26
Africa	Kenya	National Safety Net Program	Coverage targets, Price guidelines, New use cases	In 2018, government introduced tiered-pricing model to incentivize and support expansion of providers and agents into rural areas of Kenya as part of G2P disbursement digitization effort	27-28
Africa	Nigeria	Shared Agent Network Expansion Facility (SANEF)	Preferred financing	Established in 2018, SANEF is designed to provide $56M+ in funding to financial service providers to fund agent network expansion	29
Africa	S. Africa	South Africa Social Security Agency (SASSA)	Favorable contracts, New use cases	SASSA partnered with Cash Paymaster Services to digitize welfare disbursements and link social security benefits to biometric IDs, aiming to minimizing fraudulent grant collection and reduce grant administration costs	30
Africa	DRC	FINCA (& others)	Income guarantees	Provides agents a $100/month stipend for the first quarter of their operations to help get business established	31

See Appendix for full list of sources

Summary: 19 case studies show that combination of incentive levers being experimented with to drive CICO/ DFS expansion around the world

Region	Country	Industry	Name of program	Inclusion mandates: Mandates	Inclusion mandates: Coverage targets	Direct profitability improvement: Preferred financing	Direct profitability improvement: Research & innovation grants	Direct profitability improvement: Favorable contracts	Direct profitability improvement: Income guarantees	Direct profitability improvement: Price guidelines	Direct profitability improvement: Tax rebates	Direct profitability improvement: Discounted inputs/ opex support	Demand generation: End-user subsidies	Demand generation: New use cases	Demand generation: Consumer behavior shaping
Latam	Brazil	Financial services	Bolsa Familia	Combination										Combination	
Latam	Brazil	Financial services	Banco do Brasil - Military supported cash delivery									Stand-alone			
Latam	Colombia	Financial services	Banca de las Oportunidades Agent Incentives		Combination			Combination	Combination						
Latam	Mexico	Financial services	Oportunidades	Combination										Combination	
Latam	Peru	Financial services	Banco de la Nacion - Military supported cash delivery									Stand-alone			
Asia	Bangladesh	Financial services	Mayer Hashi G2P					Combination						Combination	
Asia	India	Financial services	RBI coverage mandate	Stand-alone											
Asia	India	Financial services	Direct benefit transfer program											Stand-alone	
Asia	India	Financial services	National Rural Livelihood project				Combination					Combination		Combination	
Asia	Malaysia	Financial services	Bank Negara—restrictions on new urban openings	Combination								Combination			
Asia	Indonesia	Financial services	Laku Pandai coverage mandate	Stand-alone											
Asia	Pakistan	Financial services	Benazir Income Support Program (BISP)					Combination						Combination	
Asia	China	Financial services	POS subsidies									Stand-alone		Combination	
Asia	China	Financial services	Lower reserve requirement ratios for rural FSPs			Stand-alone									
Asia	China	Financial services	Electronic G2P transfers	Combination										Combination	
Africa	Kenya	Financial services	National Safety Net Program (NSNP)		Combination			Combination		Combination				Combination	
Africa	Nigeria	Financial services	Shared Agent Network Expansion Facility (SANEF)			Stand-alone									
Africa	S. Africa	Financial services	South Africa Social Security Agency (SASSA)					Combination						Combination	
Africa	DRC	Financial services	FINCA initial commission guarantee						Stand-alone						

See Appendix for full list of sources

Used stand-alone · Used in combination

Summary: Key observations from case studies

Inclusion mandates and demand generation most frequently used, often in combination with some profitability add-ons

Dimension	Key observations
Frequency	Most frequently used levers in developing markets are: • Mandates and coverage targets to create impetus for providers, often state-owned, to expand service • Creation of new use cases, often digital G2P payments, with subsidies to consumers to kick-start demand • Direct profitability improvements, usually in the form of income guarantees or favorable financing, as part of G2P delivery contracts with providers Tax rebates/ credits, price guidelines, discounted inputs/ operational costs levers seldom pulled for CICO expansion in frontier areas; and mostly based on anecdotal evidence. Consumer behavior shaping (via incentives, nudges) to increase demand for/ usage of DFS also seldom seen[1]
Combination	The most elaborate combinations of levers usually seen in G2P payments digitization programs: • New use cases (Digital G2P payments) + Favorable contracts typically with some funding (either subsidies to end-consumers, income guarantees or price guidelines) + Coverage targets
Costs & Duration	Costs to government vary significantly across programs especially as different levers might be more or less eligible to receive NGO and private sector co-funding. However, cost to government of G2P programs tend to converge to 2-3% of total disbursement costs (this is the fee amount paid to providers) While most G2P digitization programs are very recent, and durations of programs vary, case studies in other markets & industries point to rather long durations (5-10+ years with some programs up to 20-30 years)

1. While financial literacy programs exist in developing markets, active consumer behavior shaping to increase usage of DFS not seen at scale

See Appendix for full list of sources

Detail: Costs to government vary significantly across programs, G2P programs tend to converge to 2-3% of total disbursement costs

Sector	Country	Program	Cost to government	Program duration
Financial services	Pakistan	Benazir Income Support Program (BISP)	• **3% of G2P payments** disbursed[1] • **~$11.8M** in 2016-17	Ongoing (2010-): 8+ years
Financial services	Bangladesh	Mayer Hashi G2P	• **1.5% of G2P payments** disbursed • **~$14.8M** on the first day of the program	Ongoing (2017-)
Financial services	Kenya	National Safety Net Program	• **3% of G2P payments** disbursed • **~$3.6M** in last disbursement cycle	Ongoing (2018-)
Financial services	Nigeria	Shared Agent Network Expansion Facility (SANEF)	• **$56M** facility set up by Bank of Nigeria and partner financial institutions, **$1.5M maximum** loan/provider • **$13.5M** in loans disbursed thus far, with 5% interest rate (2% to gov't, 3% to participating financial institutions)	Ongoing (2018-)
Other sectors	Chile	Water use subsidies	• **$75M** in water service subsidies in 2010	Ongoing (1992-): 27+ years
Other sectors	Gabon	Paired utilities contract	• **No direct cost** (no incentives/ subsidies), but **related infrastructure investments** of **~$1.3M/year (~4%** of total investment) to develop water & solar systems[2] • **~$620M** invested by private utilities provider by 2018, **~$485M** more than obligated **minimum** of **$135M**	(1997 – 2017/18): 20 years
Other sectors	Vietnam	Biogas program	• **~$7.9M in subsidies** disbursed as of 2017, with **~$2.8M** coming from Dutch development organization grant	Ongoing (2003-):16+ years
Other sectors	Bangladesh	Rural water and sanitation program	• **~$1.8M from government (~4% of total investment)** • **$41.6M** from international development organizations	(2012 – 2017): 5 years
Other sectors	Brazil	Mobile spectrum allocation	• **No cost to government**	Ongoing (2013-): 6+ years

1: For payments through Benazir Debit Card; 2: As of 2002. See Appendix for full list of sources

Bolsa Familia in Brazil

Exec summary

In 2009, Bolsa Familia, the largest conditional cash transfer program, began a mandated transition from cash payments and limited-purpose cards, to digital payments into new simplified bank accounts to cut program costs & boost efficiency

Government role

Passed 2009 amendment allowing Bolsa Familia transfers to be deposited into basic accounts

- Electronic disbursement into basic accounts became alternative to cash or limited-purpose non-transactional debit card disbursements
- Basic accounts were designed to teach good financial behavior to recipients, but recipients free to choose their disbursement method

Paid fees to state-owned bank, Caixa, to disburse G2P payments

- Fees indexed on Caixa's operational costs, so that (i) costs to serve can be covered for the bank, and (ii) operational efficiencies and cost reductions can translate into lower fees and government costs over time

Set strict delivery and quality mandates for disbursements, e.g.,

- 98% of successful disbursements each month
- Maximum of 2,200 families per payment point

Providers role

Caixa expanded bank and agent network to meet program requirements

- Caixa launched agent banking in 2001 in preparation to meet requirements of Bolsa disbursement quality and coverage; ~13.7K agents by 2009 when basic accounts started

Caixa rebranded its basic accounts as Caixa Facil accounts to offer to G2P beneficiaries

- Caixa Facil accounts offer basic services, discounted transaction fees, and free withdrawals for any Bolsa Familia related disbursements and services

Caixa cross-subsidized to cover agent liquidity management costs

- In line with government requirement, Caixa implemented close liquidity management and monitoring to minimize cash shortages at payment points

Impact

- To date, **only ~15% of Bolsa recipients use Caixa Facil accounts - still saves government ~6% of cost of payments** compared to limited-purpose cards
- Caixa Facil accounts are **marginally profitable**, due largely to government fees
- Beneficiaries using basic accounts **have yet to demonstrate better financial behavior**

Lessons learned

- Digitizing G2P payments cuts costs for government disbursement, **even with guaranteed fees** payed to provider
- Without proper education initiatives, basic accounts **rarely promote better financial behavior in and of themselves**
- **Lack of mandated basic account adoption** for beneficiaries severely limits adoption, expansion, and cost savings

Sources: CGAP G2P research Project, Brazil Country Report (CGAP, 2011), Boletim SENARC (Ministerio do Desenvolvimento Social Brazil, 2018), Caixa Econômica Federal Annual Reports

State-owned banks in Latin America have also leveraged partnerships with the government/ military to support agents' liquidity management in remote 'frontier' areas

Brazil

In 2009, state-owned bank, Banco do Brasil, partnered with the Brazilian Army to offer financial services to more than 60,000 people in remote regions of the Amazon

The Brazilian Army transports cash through monthly flights to the Amazon to support agent operations, but the program has come under criticism recently for its high costs

Peru

In 2012, state-owned bank, Banca de la Nacion, partnered with the Peruvian Armed Forces to support agents in the most remote regions of Peru

The Armed Forces use their boats, pick-up trucks, and helicopters to service rural ATMs and provide cash support to remote agents

Sources: Banco de la Nacion instala 3,600 agentes corresponsales en todo el pais (Andina, 2014); Experiencias en apoyo financier a los agentes economicos Rurales, micro y pequenas empresas (Banco de la Nacion, 2015); Com ajuda do Exercito, BB avanca em novas fronteiras de Amazonia (PIB, 2009); Expert interviews

Banca de las Oportunidades in Colombia

Exec summary

Between 2007 and 2010, Banca de las Oportunidades (BdO) in Colombia offered income guarantees to providers to extend agent networks to rural areas and marginal city neighborhoods that had no previous financial coverage

Government role

Designed favorable contracts providing income guarantees to incentivize networks expansion

- Tender 1 asked for agents to be deployed in 128 municipalities over 3 years, in exchange for progressively decreasing income guarantees
  - Year 1: 100% of initial guarantee[1]
  - Year 2: 50% of initial guarantee
  - Year 3: 0% (no guarantee but agents required to remain open)
- Tender 2 targeted 67 municipalities that were not included in first wave coverage targets
  - Increased income guarantees, given higher costs to serve in these areas
  - Extended tender over a 4th year
- Finally, Tender 3 targeted coverage of marginal neighborhoods of major cities, with a three-year gradually decreasing co-financing scheme

Selected providers through competitive auction

- Winning bank requested lowest guarantee

Providers role

Submitted competitive bid to participate in income guarantee program

- Only one bank (Banco Agrario, Colombia's public sector bank) bid to be considered and requested the maximum allowable income guarantee for Tenders 1 & 2
- Two private banks, Banco Caja Social (BCS) and Bancolombia, participated in Tender 3

Set-up and supported operations of new agents in target remote municipalities, following BdO coverage targets

- Found, recruited, registered and trained new agents
- Kept agent operational for at least one year after incentives ended (per contract obligation)

Impact

- **187 municipalities, 22 neighborhoods** received agent banking services they previously lacked, just **shy of the target of 195 municipalities, 26 neighborhoods**
- **Limitation: ~20% of agents** opened during program were making 0 transactions per month just 1 year after income guarantees ended - weren't able to build viable business

Lessons learned

- A **regulatory framework** that allows low-cost service channels (e.g., agents) is **necessary, but not sufficient** to achieve coverage in very rural areas
- **Income guarantees alone are likely to be insufficient** and might need to be combined with other levers to improve long-term viability
- **Auctions are a useful mechanism to define incentive level,** as long as a minimal degree of competition is ensured

1. Initial income guarantee is proposed by providers and agreed to by government

Sources: Incentives for the Introduction of Agents by Banca de las Oportunidades in Colombia (CGAP, 2013)

Oportunidades in Mexico

Exec summary

In 2003, Oportunidades, the largest cash transfer program in Mexico, piloted a program shifting cash-based social benefits to a bank account-based scheme with government-owned bank, Bansefi. The transition aimed to increase financial inclusion, improve program efficiency, and reduce corruption

Government role

Mandates and oversees disbursement and use of Oportunidades funds – e.g.,

- Bansefi is required to disburse payments to beneficiaries at no cost to consumer, regardless of profitability concerns
- Recipients must withdraw their benefits from their account within five weeks of payment

Worked with Bansefi to pilot new disbursement methods to improve financial inclusion, e.g.,

- Prepaid cards linked to a basic non interest-bearing bank account
- Basic bank savings accounts

Both account types provide limited services, but meet threshold for being considered mainstream bank accounts, aiming to improve financial inclusion and promote better financial behavior

Pays fees to Bansefi for all G2P disbursements

- Fees vary from ~2 to 3% of average payment distributed, depending on account type

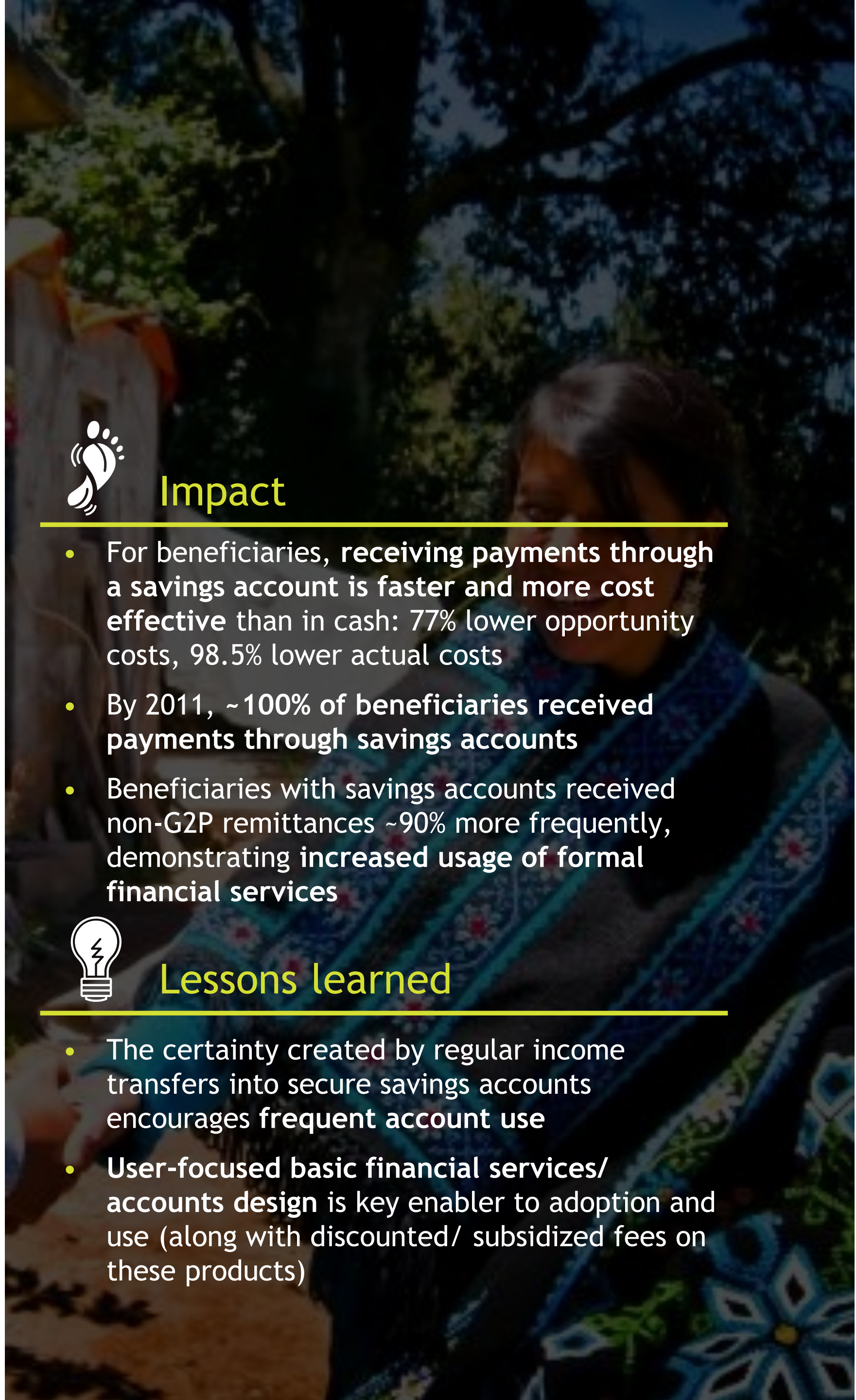
Providers role

Developed new account offerings; opens/ services accounts and executes disbursements for beneficiaries

- Prepaid cards and basic savings accounts for beneficiaries both have simplified account-opening requirements, but also have low fees and limited services
- Bansefi opens accounts in bulk based on info provided by the Oportunidades program

Expands networks & forms partnerships to provide account access to more beneficiaries

- Bansefi partnered with a network of non-bank financial institutions (i.e., People's Network) to help deliver payments
- People's Network targets rural and peri-urban areas with limited financial access – where many Oportunidades beneficiaries live
- By 2009, Network partnership covered ~2,000 municipalities or 80% of country



Impact

- For beneficiaries, **receiving payments through a savings account is faster and more cost effective** than in cash: 77% lower opportunity costs, 98.5% lower actual costs
- By 2011, **~100% of beneficiaries received payments through savings accounts**
- Beneficiaries with savings accounts received non-G2P remittances ~90% more frequently, demonstrating **increased usage of formal financial services**

Lessons learned

- The certainty created by regular income transfers into secure savings accounts encourages **frequent account use**
- **User-focused basic financial services/ accounts design** is key enabler to adoption and use (along with discounted/ subsidized fees on these products)

Sources: CGAP G2P research Project: Mexico Country Report (CGAP, 2011); Improving financial inclusion through the delivery of cash transfer programs: the case of Mexico's Progresa Oportunidaded Prospera program (The Journal of development studies, 2018)

Mayer Hashi G2P in Bangladesh

Exec summary

In 2017, Bangladesh **digitized payments** from **Mayer Hashi (Mother Smile)**, a long-standing government-run program that offers financial aid to the parents of primary school students - **10 million transfers** were made on the first day

Government role

Partnered with mobile financial services platform SureCash

- Open payment network in partnership with 5 local banks, incl. one of largest state owned banks (Rupali), and 1,000+ payment partners
- Selected for its operational capacity, i.e., ability to test & learn, deploy technology rapidly, and adapt business model

Gives SureCash a 1.5% commission of each payout (avg payout: BDT 50-200/ beneficiary)

Ambition/ targets: To reduce/ eliminate

- Disbursement delays
- Opportunity cost of parents' time & money spent on travelling to collect the stipend
- Loss of staff teaching time
- Errors and fraud (in allocating benefits)

Providers role

Identify & register beneficiaries

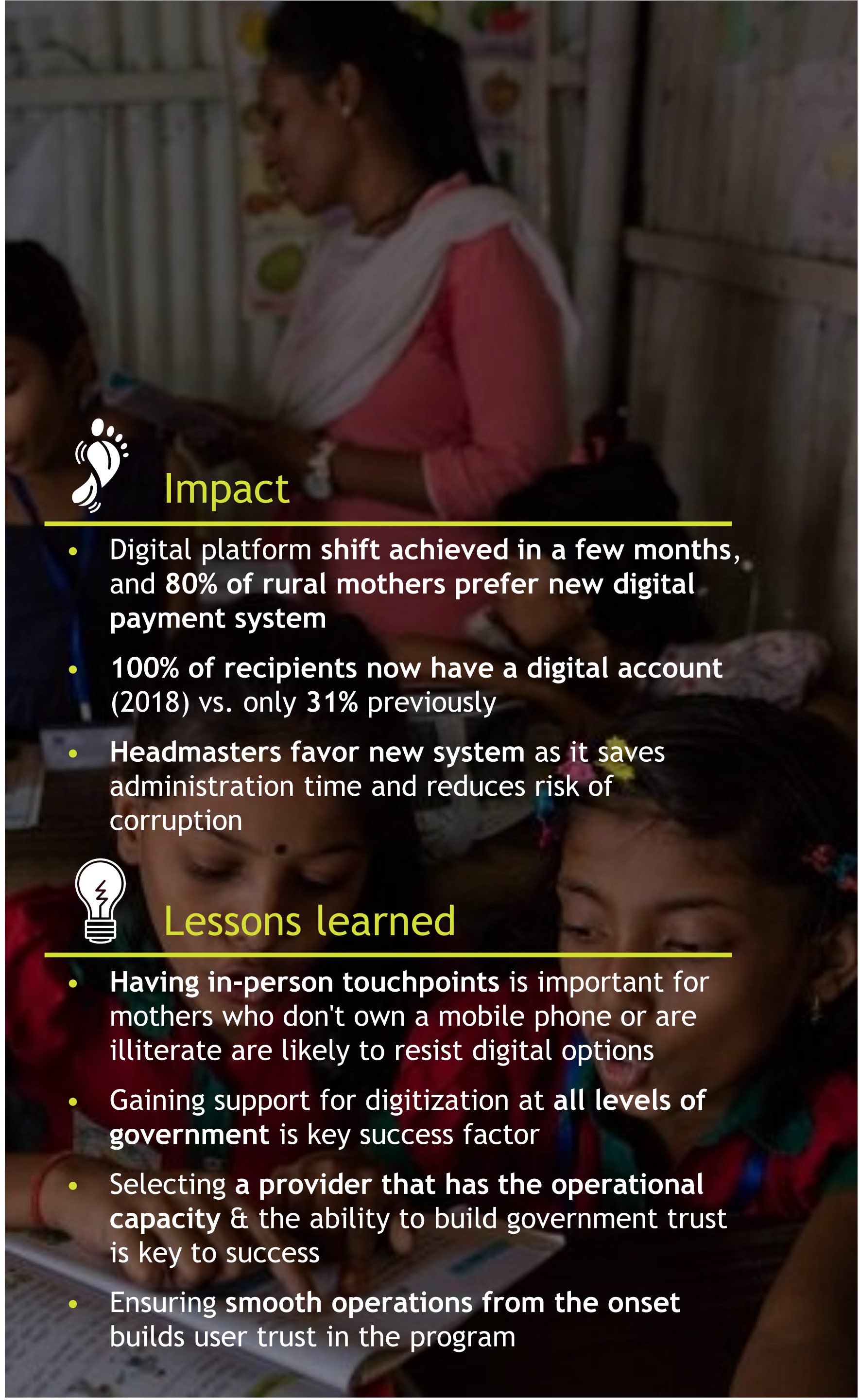
- Partnered with 400k+ teachers to identify low-income mothers, help them apply/ fill out KYC forms & open linked bank accounts
- Rewarded teachers with small fee for each record correctly entered into the database

Scale up technology

- Imported 45 high-speed scanners; set up a 240-staff form processing center; and upgraded character recognition software
- Processed 10M+ applications in few months

Onboard agents to distribute payouts

- Raised commissions & offered subsidies for initial period to incentivize new agents opening and ensure enough float to complete transactions and build good user experience/ trust in program[1]



Impact

- Digital platform **shift achieved in a few months**, and **80% of rural mothers prefer new digital payment system**
- **100% of recipients now have a digital account** (2018) vs. only **31%** previously
- **Headmasters favor new system** as it saves administration time and reduces risk of corruption

Lessons learned

- **Having in-person touchpoints** is important for mothers who don't own a mobile phone or are illiterate are likely to resist digital options
- Gaining support for digitization at **all levels of government** is key success factor
- Selecting **a provider that has the operational capacity** & the ability to build government trust is key to success
- Ensuring **smooth operations from the onset** builds user trust in the program

1. No cash out fees charged to recipients

Sources: How Bangladesh Digitized Education Aid for 10 Million Families (CGAP, 2018), SureCash website

Examples of coverage mandates in Asia

India: Government role

India requires >25% of new banking outlets to be in 'unbanked rural centers'

- Banks are permitted to open banking outlets in any area without approval from RBI. However, 25% of outlets opened each year must be in rural locations without an existing outlet. Failure to comply could result in restrictions of opening urban branches

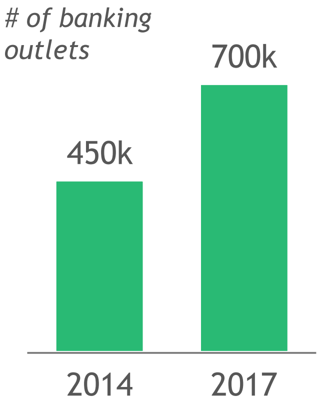
In addition, state-owned banks have been mandated to open accounts for all

- In 2014, India's Jan Dhan Yojana scheme (PMJDY) mandated that state-owned banks open at least one bank account per household

Impact

Expansion mandates very quickly improved financial inclusion

- Banking outlets (incl. agent locations) increased from around **450k** in 2014 to **700k** in 2017
- **Tenure of active agents doubled** (thanks also to new G2P related services)
- Share of adults with a bank account increased from **53%** in 2014 to **80%** in 2017 — that is **+300M** accounts in just a few years



Sources: Rationalization of Branch Authorization Policy- Revision of Guidelines - Reserve Bank of India (2017); India Moves Toward Universal Financial Inclusion (CGAP, 2018)

Indonesia: Government role

Indonesia made participation in agent banking program (Laku Pandai) conditional on specific service obligations

- 2015: Indonesia launches Laku Pandai agent banking program
- In order to participate in Laku Pandai programs, providers required to have operations in remote areas of Eastern Indonesia

Impact

Adoption of agent banking happened rapidly, but coverage targets did not meet their intended goals

- **>350K** individual agents as of June 2017, with two banks managing ~**80%** of them
- **Lack of specificity on exact geographical location and level of coverage in targets made compliance trivial**
- **Limiting service obligation to banks allowed other financial institutions to subvert mandates while still providing agent services**
  - E.g., Agents for non-bank financial institutions are regulated by a different program (LKD), so they could use agents without meeting the Laku Pandai service obligation

Sources: ANA Indonesia country report 2017 (MicroSave, 2017); Agent Banking - Guidelines (Bank Negara Malaysia, 2015); Aligning regulations to enhance digital financial inclusion in Indonesia (MicroSave, 2018); MicroSave Expert interviews

Direct Benefit Transfer (DBT) program in India

Exec summary

In 2013, India launched Direct Benefit Transfer (DBT) program to reform and digitize G2P delivery. The objectives of this program were to: increase speed & efficiency of information and money flows; cut costs by ensuring accurate targeting of the beneficiaries; and reduce fraud

Government role

Invested in infrastructure to enable G2P delivery digitization

- **Basic accounts** opened for 220M+ people (via PMJDY financial inclusion program)
- **National ID's** created/ delivered to 1B+ people (via Aadhaar program)
- **Mobile phone connections delivered** to ~1B people

Created G2P digitization frameworks to guide and align state-level ministries and providers

- Issued Electronic Payment Framework in 2015 to provide guidance on digitization of G2P to individual beneficiaries

Selected regions & G2P programs to digitize

- DBT started in 43 districts, later expanded to 78 more, and covered 27 G2P programs
- Continues to expand coverage and application of DBT to existing G2P programs

Providers role

Sate-owned banks hold & service accounts for beneficiaries and execute G2P disbursements, as directed by DBT

- PMJDY program requires every G2P beneficiary to have bank account in order to receive funds – so **state-owned banks** open/ service accounts if beneficiaries don't already have an account with another bank
- Funds may flow to beneficiary accounts through sponsor banks (often branches of state-owned banks), state treasuries, or other external implementing agencies
- Sponsor banks hold funds from relevant government departments and disburse payments to beneficiary accounts

Impact

- DBT programs reached **~1.2B beneficiaries, executing 3.5B+ transactions**, and dispensing ~**$45B** in 2018-19
- **~$20B in estimated cumulative government savings realized** as of 2019, thanks to DBT reforms which cut both disbursement costs and leakages

Lessons learned

- **Strong digital, financial, and ID infrastructure might be pre-requirements** to enable G2P digitization (and can definitely increase efficiency of G2P digitization)
- **Clear G2P digitization strategies at a national level**, accompanied by documented procedures and instructions, can smooth implementation of digitized social payments at all levels of government

Sources: From Cash to digital transfers in India (CGAP, 2015); Direct benefit transfers of subsidies crosses 3-lck-cr mark in 2018-19 (BusinessLine, 2019); Direct benefit transfer (Government of India, 2019); Modules for direct benefit transfer (DBT Mission, 2019)

National Rural Livelihood Project in India

Exec summary

In 2011, India launched National Rural Livelihood Project (NRLP) to establish professional and institutional platforms that would improve access to financial services – including credit – and thus increase rural households' incomes

Government role

Partnered with federations of women self-help groups (SHGs) to create financial access for rural women

- **Partnered with and financed SHG federations** to help commercial banks acquire customers; and monitor and supervise loans disbursed (by banks) to SHG members
- **Trained & supported select SHG members to become bank agents**, to provide transaction services to other SHG members (e.g., digital repayments of loans)

Supported development of DFS use cases

- Engaged mobile payment networks, commercial banks and microfinance institutions to adapt FS offerings to SHGs
- Funded non-bank financial institutions like m-Pesa & Oxigen, to explore new pathways/ channels for financial access

Providers role

Provided financial services (e.g., credit)

- Commercial banks worked alongside SHG federations to leverage new SHG agents as representatives, and administer loans to SHG members

Innovated offerings to serve new customer base of rural women

- Providers evolved operating models to serve previously unbanked women in rural areas - with partnership/ support from government
  - E.g., Commercial banks and agent network managers, such as Eko, enabled new forms of community institutions to act as agents to target SHG members
- Banks set up new "customer help" stations at agent points and bank branches to facilitate services for poor clients

Impact

- **Every $1 investment in NRLP leveraged an average of $18** of mainstream resources (e.g., bank loans) for SHGs
- **1500 SHG members became agents** of partner banks, across 6 low-income states, from June 2017 to April 2018, and conducted ~**260,000 transactions, worth $10M+, in Feb 2018 alone**

Lessons learned

- **Partnering with and empowering trusted community organizations** can offer efficient means to drive FS/ DFS penetration and use
- **Partnering with providers (including fintechs) can add significant leverage** to government resources/ investments; as well as **enable innovation/ adaptation** of DFS for rural use cases

Sources: National Rural Livelihoods Project (World Bank, 2011); Enabling digital financial inclusion for rural women: emerging findings from India (World Bank, 2018)

Bank Negara – new opening restrictions in Malaysia

Exec summary

In 2012, Central Bank of Malaysia (BNM) launched agent banking model to enable financial institutions to focus on underserved areas – and reach new customers in remote locations safely and cost-efficiently

Government role

Established agent banking guidelines to clearly regulate use of agent banking

- Restricted agent services to unserved and underserved areas (geographies with <2000 people and no access to CICO services)
- Defined and later (2015) broadened range of financial services that agents can offer

Developed comprehensive monitoring process to ensure safe and equitable service

- Bank Negara Malaysia (BNM) - major state-owned bank - collects information on number of agents opened, active accounts, account usage, and other transaction data to track program implementation
- Also collects and tracks agent incident reports to monitor for appropriate business practices

Providers role

Enroll members and provide services

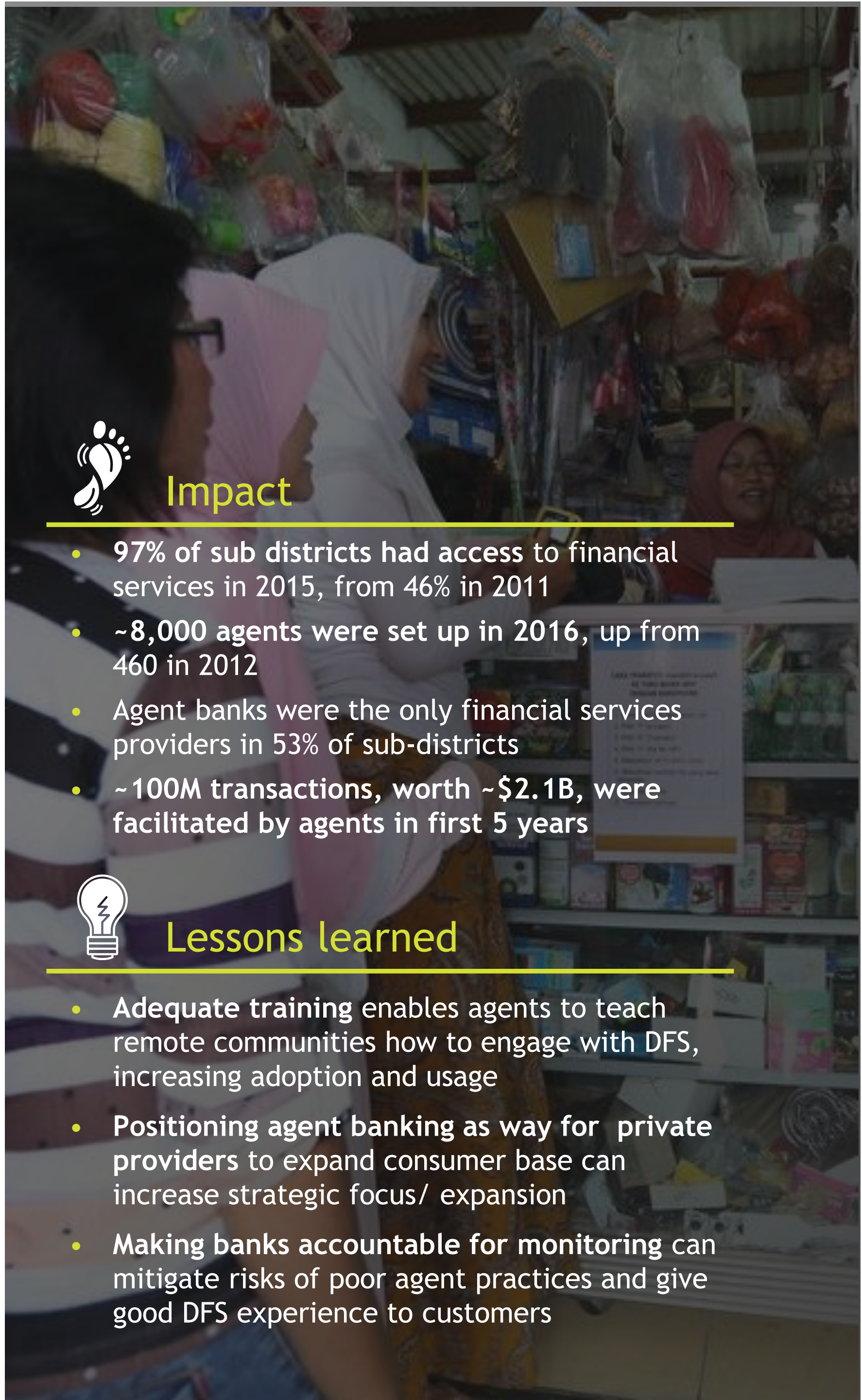
- Agents are required to facilitate completion of online KYC verification
- Financial institutions are responsible for approving applications

Identify, train, and manage agents

- Agents must be trained on areas such as products, services, protection of customer information, etc.
- Financial institutions are accountable for all services that agent banks perform on their behalf – which ensures quality of service

Innovate procedures, products, and services

- BSN, one of the largest agent banking pioneers, covers the cost for all equipment and support for their agents – provides them with POS devices equipped with wireless services, ID card readers, biometric readers



Impact

- **97% of sub districts had access** to financial services in 2015, from 46% in 2011
- **~8,000 agents were set up in 2016**, up from 460 in 2012
- Agent banks were the only financial services providers in 53% of sub-districts
- **~100M transactions, worth ~$2.1B, were facilitated by agents in first 5 years**

Lessons learned

- **Adequate training** enables agents to teach remote communities how to engage with DFS, increasing adoption and usage
- **Positioning agent banking as way for private providers** to expand consumer base can increase strategic focus/ expansion
- **Making banks accountable for monitoring** can mitigate risks of poor agent practices and give good DFS experience to customers

Sources: Agent Banking – Guidelines (Bank Negara Malaysia, 2015); Financial Inclusion in Malaysia: Distilling Lessons for Other Countries (World Bank, 2017)

Benazir Income Support Program in Pakistan

Exec summary

Benazir Income Support Program is largest social safety net program in Pakistan – provides monthly payouts to mothers from low-income households, to smooth consumption. Program was launched in 2008 & digitized in 2010

Government role

Created competition-free situation initially to ensure viability
- Allocating distinct provinces to each provider according to footprint

Added providers over time to increase competition, extend reach & improve service quality
- E.g., EasyPaisa, UBL Omni, Habib Bank, Bank Alfalah, MCB (adding providers over time)

Simplified account opening process & eliminated fees for BISP beneficiaries
- State Bank of Pakistan streamlined process (no national ID verification required) and eliminated Rs. 35 fee

Paid 3% fee for delivery of payments
- Fee was defined through consultative process with providers & global benchmarking

Providers role

Provided technology and agent networks to distribute payments
- First smart cards, then mobile phones, and recently, **magstripe debit cards - more convenient & safer for women**
- 2016: New biometric system, hope is to remove middlemen and increase safety (cards encoded with national ID info)

Held mass training events/ ran consumer awareness and education campaigns
- Education on how to use and protect the disbursement cards

Set up "campsites" to assist customers
- 'One-stop' shops, strategically located ~5 km from any client's home
- BISP staff members to verify eligibility; EasyPaisa staff to issue cards, train customers, provide customer support, etc.

Impact

- **Rs. 90Bn ($900M) distributed to 5.4M women in 2016; 94% of BISP beneficiaries receive electronic payments** (<u>limitation</u>: cards can only be used for BISP withdrawals)
- **Expansion of agent networks** – EasyPaisa grew from **2.5K** agents in 2009 to **75K** agents in 2016 including in effort to reach BISP beneficiaries
- **Improved transparency, visibility, security and efficiency** in delivery of social cash (reduction of corruption/ "leakages")

Lessons learned

- Government can **vary degree of competition** across providers depending on objectives (low initially & intensifying over time)
- Need to ensure **product is very easy to use**
- Important to provide **adequate customer training and support** to address questions and complaints, and improve service (support illiterate women in particular)

Sources: An Overview of the G2P Payments Sector in Pakistan (CGAP, 2013), How Digital Payments Revolutionized Poor Women's Lives in Pakistan (Newsdeeply, 2018), Pakistan National Social Protection – Technical Assessment (World Bank 2017), BISP to introduce biometric based payment system in Sindh (Ary News, 2016), Easypaisa: Mobile money innovsation in Pakistan (GSMA, 2013); Camping with our customers (IFC, 2016)

POS subsidies in China

Exec summary

In early 2010s, People's Bank of China (PBOC) recommended to local governments to subsidize cost of point-of-sales (POS) terminals for financial service providers, in order to enable lower-cost disbursement of G2P payments

Government role

National government sets priorities for local governments and funds G2P disbursements

- Recommends to local governments in rural areas to subsidize POS devices to enable providers and agents to disburse G2P payments at low-cost for beneficiaries
- Disburses national social benefits payments through agent channels

Local governments administer subsidies and G2P disbursements

- Decide who to give subsidies to, and in what amount
- Disburse agriculture and rural endowment subsidies, often through agent channels

Providers role

Set up and operate POS terminals

- Incorporating subsidies from local governments, providers select and roll-out subsidized POS terminals to agents to enable low-cost, digital G2P disbursements

Disburse G2P payments via agents

- Providers are responsible for reliable and timely disbursements to beneficiaries via local agents

Impact

- ~**4M POS** terminals distributed to agents in rural areas from 2011-2016
- **Costs of disbursements to government significantly reduced** thanks to digitization (increased efficiency & reduced leakages)

Lessons learned

- **Short-term device/ tech subsidies can have long term cost-cutting benefits for governments**, especially in the realm of digitizing G2P payments
- **Coordination with local governments for national programs** can reduce burden of administrating intervention/ subsidy and **optimize regional implementation strategy**

Sources: Towards Universal Financial Inclusion in China: Models, Challenges, and Global Lessons (World Bank, 2018)

Incentive levers

Non-incentive levers

Detail: Overview of interventions to expand financial services in China

Infrastructure development

2006
Rural Credit Banks' Clearing Center established

Operates as national payment clearing services **provider** in rural areas. Established to provide **better clearing services to rural FSPs** -facilitating growth in:
- Payment products (increased diversity & efficiency)
- Digitization of G2P transfers
- Etc.

By 2017
- **~80k** outlets of small & medium-sized rural FSPs served

Preferred financing

2007/ 2008
Reserve requirement ratios (RRRs) revised by the People's Bank of China (PBOC)

Sets **lower RRRs for rural banks** than for large commercial banks, and lower still for other rural FSPs. It provides further discounts based on meeting certain thresholds of MSE[1] lending**.** Lower RRRs are intended to promote microlending & investments in rural MSEs

In 2018
- **¥ 200Bn (~$30Bn)** freed for smaller lenders thanks to cuts in RRR (designated to support funding MSEs)

Still in effect

Preferred financing

2009
Assistance Fund Program launched by China Construction Bank (CCB)

Aims to **incentivize microcredit lending** to MSEs.
CCB and local governments jointly select group of MSEs; and **pool funds** provided by governments and member MSEs in a **guaranteed assistance fund**. CCB then releases **loans up to 10x** pooled amount to fund member MSEs

[Impact TBC]

TBD

Consumer education

2013
Financial education awareness/ education campaigns launched

Launches large scale awareness campaigns, centered on financial education, including designation of September as **national month for popularizing financial knowledge.** PBOC also starts undertaking **annual consumer financial awareness survey**

In 2017
- Majority of consumers say they generally know how to access financial education
- Significant financial education imbalance between rural and urban areas persists

Mandates

2013/ 2014
Electronic G2P transfers began in China

Government distributes **payments via debit cards linked to bank accounts**; and **requires** commercial banks to provide consumers with bank accounts and debit cards that are **free of charge**, when such products are used to receive gov't subsidies
Aim also to **increase account ownership & usage**

In 2013
- **~$ 75Bn** of rural government subsidies disbursed electronically

Still in effect

1. Micro and Small Enterprises. Sources: Towards Financial Inclusion in China Models, Challenges and Global Lessons, World bank (2018)

National Safety Net Program in Kenya

Exec summary

In 2018, government introduced novel tiered-pricing model to incentivize and support expansion of providers and agents into rural areas of Kenya as part of G2P disbursement digitization effort. Results to date have been very promising

Government role

Delimited country in 3 zones: A, B, C[1] and defined coverage targets
- E.g., Ensure all beneficiaries are within 20 km of a service point

Selected 4 banks (Equity bank, Kenya Commercial bank, Co-op bank, and PostBank) to offer disbursement services to beneficiaries
- Providers selected based on competitive RfP, gained right to offer service to; no promised min. demand or revenue level
- Selected based on: lowest transaction fees[2] and commitment & ability to serve all zones

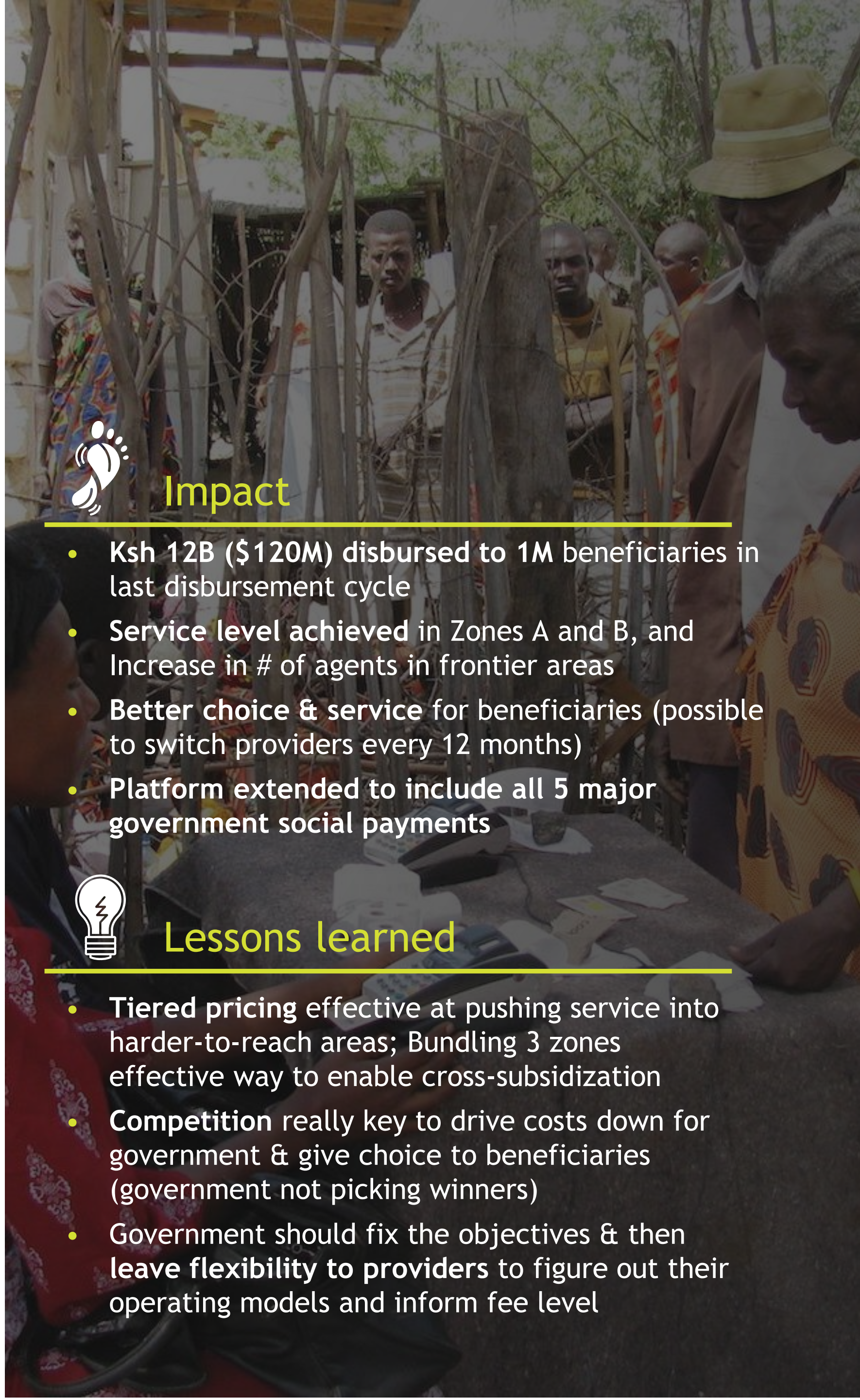
Pays for transaction fees to ensure free withdrawals for beneficiaries
- Tiered-transaction fees (one fee for each zone) pre-agreed upon with providers
- Minimizes cost for government (~3% of value disbursed) & ensures viability for providers

Providers role

Estimated and submitted to government the transaction fees they would require to deliver service in zones A, B, and C

Implement program - assist government with beneficiary registration/ application
- Collect information and submit it to government for verification; upon validation - help beneficiaries open a bank account; and provide a debit card (for withdrawals)

Set up operations (via agents) to serve beneficiaries and meet coverage targets in all 3 zones
- Cross-subsidize expansion & service provision in Zones B & C via profits from Zone A (which 'houses' 69% of beneficiaries)



Impact

- **Ksh 12B ($120M) disbursed to 1M** beneficiaries in last disbursement cycle
- **Service level achieved** in Zones A and B, and Increase in # of agents in frontier areas
- **Better choice & service** for beneficiaries (possible to switch providers every 12 months)
- **Platform extended to include all 5 major government social payments**

Lessons learned

- **Tiered pricing** effective at pushing service into harder-to-reach areas; Bundling 3 zones effective way to enable cross-subsidization
- **Competition** really key to drive costs down for government & give choice to beneficiaries (government not picking winners)
- Government should fix the objectives & then **leave flexibility to providers** to figure out their operating models and inform fee level

1. Zone A: urban areas with high density of service points; Zone B: rural areas with medium density of service points; Zone C: remote areas low density of service points. 2. Transactions fee charged to government to ensure free withdrawals for beneficiaries ($1 in Zone A, $1.24 in Zone B, $1.54 in Zone C). Source: FSD Kenya Expert Interviews (June 2019)

Detail: National Safety Net Program in Kenya

Value proposition for government and providers

Value proposition for government

- Ensuring the enrolment of the most vulnerable and the poorest households in frontier areas
- Ensuring that beneficiaries receive appropriate and reliable payments – greater transparency & accuracy
- Providing citizens with more choice (competing providers) and a complaint mechanism – to lower costs & improve service over time

Value proposition for providers

- Adding new revenue stream/ line of business
- Gaining prime access to & increasing penetration in markets not yet saturated, i.e., zones B and C
- Boosting brand equity (by taking part in national social program)

Challenges encountered in the pilot & initial phase

Political risks

- Vested interests of specific agencies & providers; resistance to digitization and new procurement scheme
- Political priorities requesting accelerated implementation, at risk of lowering quality of service

Operating constraints & costs

- Zone C maybe defined too broadly - transaction fee agreed-upon not enough to incentivize sufficient expansion
- Might create Zones D and E to reflect higher operating costs, and define new models (with greater incentives)
- Liquidity mgmt. – with all beneficiaries getting their benefits at once

Beneficiary financial literacy

- Need to accompany closely adoption & usage of new product by beneficiaries

Takeaways & Lessons learned

Implications for Government

- **Political support at multiple levels** required to ensure success (don't underestimate weight of status quo)
- **Appropriate capacity of gov't team** important to implement new model, select & manage multiple FSPs
- **Incumbent FSPs** need to collaborate to work towards new model

Implications for FSPs

- **Process to identify, register & mobilize beneficiaries** for account opening needs should leverage local community structures and be pressure-tested
- **Communication, sensitization and training** at grassroots is critical for staff, agent & beneficiary awareness

Source: FSD Kenya Expert Interviews (June 2019)

Shared Agent Network Expansion Facility in Nigeria

Exec summary

Central Bank of Nigeria (CBN) established the Shared Agent Network Expansion Facility (SANEF) in 2018, to provide ₦ 20Bn ($ 56M+) in funding to providers to create a 500,000 agent network across the country and provide FS to consumers

Government role

Created a facility to disburse loans with favorable terms, to incentivize mobile money operators (MMOs) and Super Agents to expand their networks into underserved areas

- Loans of up ₦ 500M ($1.5M)
- Interest rate: 5% per annum
- Max. tenor: 10 years
- Disbursed in tranches and repaid quarterly

Ambition/ targets

- Including **40M+** low income and underserved Nigerians into financial system
- Increasing financial access points from 50,000 to **500,000** by 2020 – across the 774 local government areas in Nigeria
- Deepening access to range of DFS including savings accounts, micro loans, insurance and pensions

Providers role

Commercial banks (or Participating Financial Institutions, PIFs) partnered with CBN to provide & disburse loans to MMOs and Super Agents – earning 3% on the loans disbursed

Licensed MMOs and SAs apply for loans from SANEF to expand their networks

- **Disbursement of loans to beneficiaries is subject to certain eligibility criteria:** MMOs/ SAs must have verified existing agent structure presence in at least 10 states and 100 LGAs, etc.
- **Any misconduct by PIFs, MMOs or SAs will result in penalties**
  - E.g., Diversion of fund, charging of higher interest rates, delayed disbursement by PIF, funding of non-performing branches by MMO/ SA

Impact

- Currently 9 operators (3 MMOs, 6 Super Agents) participating
- **₦ 4.5Bn disbursed ($13.5M) across operators to setup 10,000 agents each**
- Facility is very new; impact to be tracked in coming years

Lessons learned

- Create multi-party collaboration framework **to supplement public funds with private capital** (involving commercial banks)
- **Set clear and controllable eligibility & performance criteria**/ requirements to award program to beneficiaries
- **Monitor performance & impose penalties** if non-compliance

Sources: CBN SANEF Prospectus (Central Bank of Nigeria, 2018); The Mobile Economy Sub-Saharan Africa (GSMA, 2019); Banks CBN Take Financial Inclusion Drive To Rural Areas (Leadership Nigeria, 2018)

South African Social Security Agency in South Africa

Exec summary

2012-2018: South African Social Security Agency (SASSA) partnered with Cash Paymaster Services (CPS) to digitize G2P disbursements and link social security benefits to biometric IDs, in order to reduce costs and minimize fraud. Program ended in 2018 due to contractual disagreements between SASSA and CPS

Government role

Auctioned G2P disbursement contracts to bidding private providers

- Since its inception in 2005, SASSA has always outsourced social disbursements and selected providers through competitive bidding process (even when G2P disbursements were made in cash)
- In 2012, SASSA selected CPS (via auction) to implement biometric IDs and digitize G2P payments

Payed transaction fees for disbursement of G2P payments

- Between 2012 and 2018, SASSA paid a transaction fee of ~$1.17 per beneficiary to CPS, in exchange for both rolling out digital payment systems and still disbursing G2P payments to beneficiaries at cash points and through ATMs

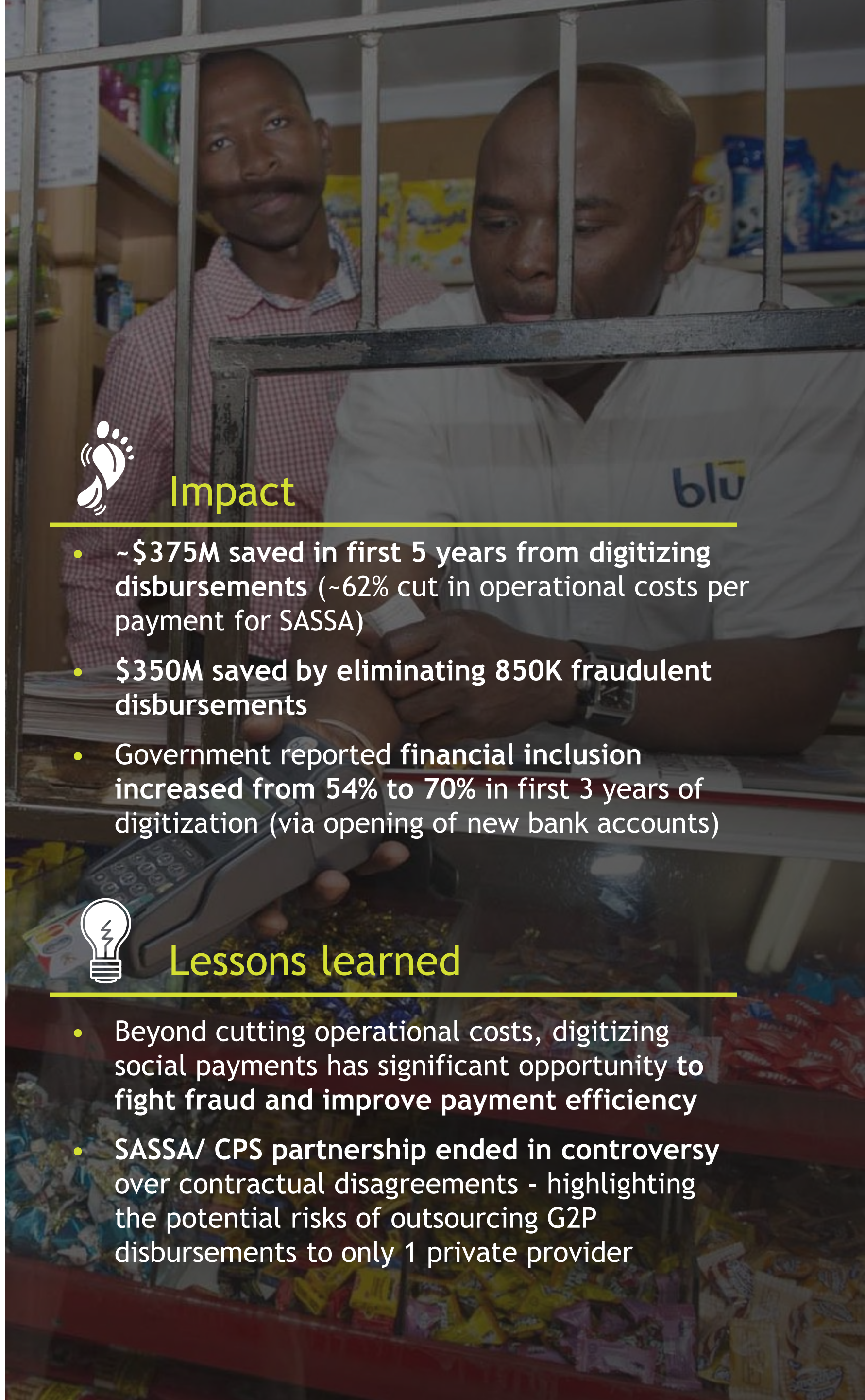
Providers role

Enrolled SASSA beneficiaries in ID system and disbursed G2P payments

- CPS enrolled beneficiaries by issuing MasterCard "Smart Cards". Smart Cards were distributed at agent outlets, and used to store biometric fingerprint data. They could then be used by beneficiaries to access their G2P payments securely at any time or place

Enabled wider FS access to beneficiaries

- In partnership with Gridrod Bank, SASSA MasterCard Smart Card gave SASSA beneficiaries access to basic bank accounts – to store their G2P payments safely and free of charge
- SASSA MasterCard Smart Card could also be used at retailers - allowing SASSA recipients to make purchases; check their account balances; and withdraw cash without incurring transaction charges



Impact

- **~$375M saved in first 5 years from digitizing disbursements** (~62% cut in operational costs per payment for SASSA)
- **$350M saved by eliminating 850K fraudulent disbursements**
- Government reported **financial inclusion increased from 54% to 70%** in first 3 years of digitization (via opening of new bank accounts)

Lessons learned

- Beyond cutting operational costs, digitizing social payments has significant opportunity **to fight fraud and improve payment efficiency**
- **SASSA/ CPS partnership ended in controversy** over contractual disagreements - highlighting the potential risks of outsourcing G2P disbursements to only 1 private provider

Source: South Africa country report (CGAP, 2011); SASSA Strategic Plan 2011 (PMG, 2011); SASSA social benefits card in South Africa (MasterCard, 2012); SASSA MasterCard Debit Card grows financial inclusion in South Africa (MasterCard, 2013); CPS warns social grant recipients about possible disruption of grant payments (IIS, 2018)

In addition to provider-focused incentives, examples of incentives offered directly by governments/ providers to agents can also be found across markets

Commission structures

Incentivizing agents through attractive commission structures.

- MTN Uganda (MNO) defines tiered agent commissions to ensure sufficient compensation for small-value transactions
- Zain in Tanzania (MNO) makes commission settlement instantaneous and transparent, by allowing agents to charge discretionary fees to customers, keeping those cash fees as their commission

Credit for agents

Providing start-up loans and/or credit to help with float management

- Airtel Money Uganda (MNO) partnered with fintech company Jumo to provide agents with digital credit/ float, at a lower interest rate than is charged to customers
- M-Pesa ANMs[1] in Afghanistan (MNO) lend agents start-up capital in return for a 50% commission split (instead of 30%)
- FINCA DRC (microfinance bank) provides agents a $100/ month stipend for their first quarter of operations to give agents support with start-up costs

Digital initiatives

Using technology to improve agent operations/ efficiency

- Airtel in Uganda (MNO) used data analytics to place agents at unserved hotspots, and ensure sufficient customer volume for agents
- BTPN in Indonesia (bank) launched an App to inform agents in real-time of their performance, targets and how to achieve them; serving 40,000+ agents by 2018
- Zoona in Zambia (fintech) identified behavioral characteristics of its best agents to target and recruit similarly high-performing agents

Network management

Changing network structures & management to enable agent & provider profitability

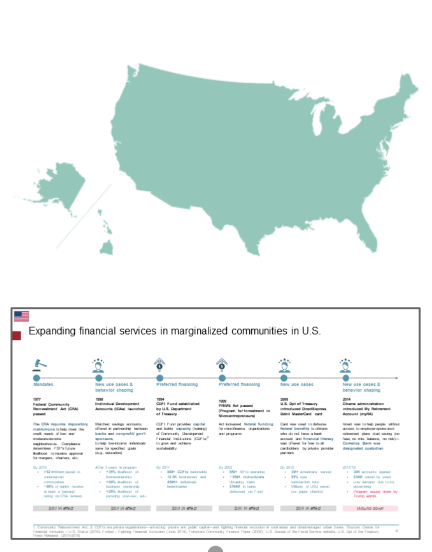
- Vodacom Tanzania (MNO) hired aggregators to increase the speed of agent acquisition. Aggregator commissions are based on the number of agents recruited and the commissions of those recruited agents
- EKO ANMs in India (fintech) are paid commissions for each agent registered

1: Agent network managers. Source: Desktop research; BCG Analysis; The partnership for financial inclusion: Microfinance and alternative delivery channels in Sub-Saharan Africa (IFC, 2016); A closer look at 'ZAP' in East Africa (GSMA, 2009)

Contents

Overview of case studies: Financial services in developed markets

US



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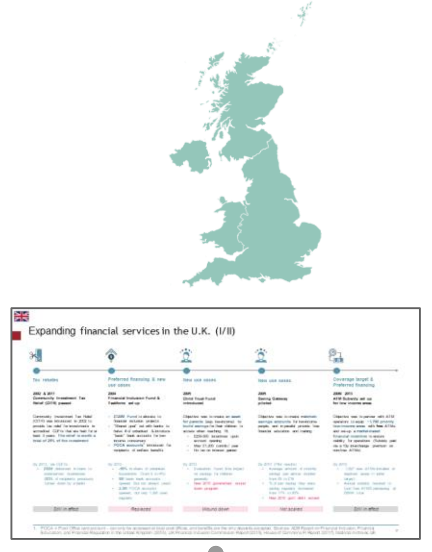

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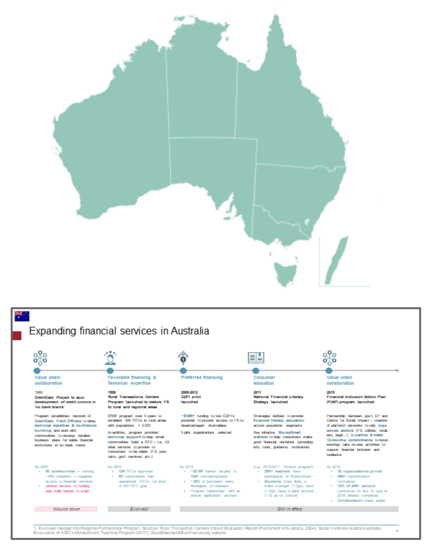

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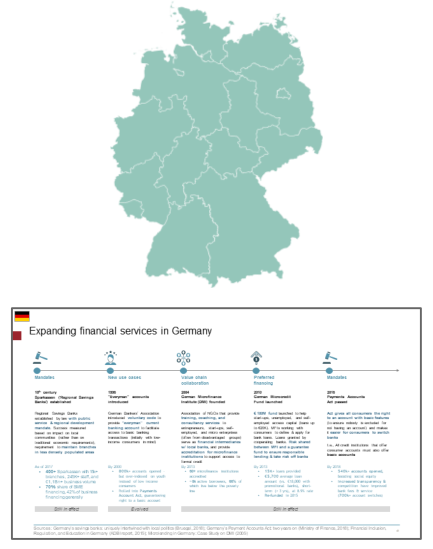

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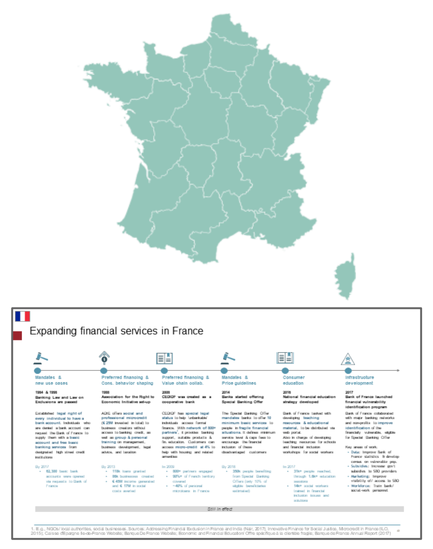


Highlighted case studies

- New Markets Tax Credit (NMTC) program – Page 37
- Individual development accounts (IDAs) – Page 38

Highlighted case study

- Money Advice Service (MAS) – Page 41

See Appendix for full list of sources

Summary: 24 initiatives show that developed markets have also experimented with combination of incentive levers to expand FS to remote areas/ communities

Developed Markets

Country	Industry	Name of program	Inclusion mandates: Mandates	Inclusion mandates: Coverage targets	Direct profitability improvement: Preferred financing	Direct profitability improvement: Research & innovation grants	Direct profitability improvement: Favorable contracts	Direct profitability improvement: Income guarantees	Direct profitability improvement: Price guidelines	Direct profitability improvement: Tax rebates	Direct profitability improvement: Discounted inputs/ opex support	Demand generation: End-user subsidies	Demand generation: New use cases	Demand generation: Consumer behavior shaping
USA	Financial services	• Community Reinvestment Act	Stand-alone											
USA	Financial services	• CDFI Fund			Stand-alone									
USA	Financial services	• PRIME Act (Investment in Microentrepreneurs)			Stand-alone									
USA	Financial services	• New Markets Tax Credit program								Stand-alone				
USA	Financial services	• Individual Development Accounts (IDAs)											Combination	Combination
USA	Financial services	• G2P: DirectExpress Debit MasterCard card											Stand-alone	
USA	Financial services	• My Retirement Account (myRA)										Combination	Combination	
UK	Financial services	• Community Investment Tax Relief (CITR)								Stand-alone				
UK	Financial services	• Financial Inclusion Fund and Taskforce			Combination								Combination	
UK	Financial services	• Child Trust Fund + Saving Gateway										Combination	Combination	
UK	Financial services	• ATM Subsidy Program		Combination	Combination									
UK	Financial services	• Money Advice Service (MAS)												Stand-alone
UK	Financial services	• DWP Growth Fund			Stand-alone									
UK	Financial services	• Credit unions regulations/fee caps							Stand-alone					
AUSTRALIA	Financial services	• Rural Transaction Centers Program			Stand-alone									
AUSTRALIA	Financial services	• CDFI Pilot (funding for experimentation)			Stand-alone									
GERMANY	Financial services	• Sparkassen "Regional Savings Banks" status	Stand-alone											
GERMANY	Financial services	• Microfinance Institute Program			Stand-alone									
GERMANY	Financial services	• Microcredit Fund			Stand-alone									
GERMANY	Financial services	• Payments Accounts Act/Basic account mandate	Combination										Combination	
FRANCE	Financial services	• Association for the Right to Economic Initiative			Stand-alone									
FRANCE	Financial services	• CEDIDF cooperative bank			Stand-alone									
FRANCE	Financial services	• Special Banking Offer	Combination						Combination				Combination	
FRANCE	Financial services	• Banking law and law on exclusions	Combination										Combination	

See Appendix for full list of sources

Used stand-alone · Used in combination

Summary: Key observations from developed market pathways

Properly sequencing levers and using a 'portfolio approach' are key to driving expansion

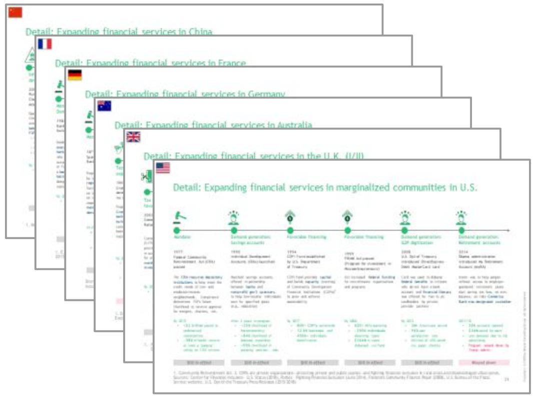
Expansion of financial services to underserved populations in developed markets have typically leveraged first "push" levers closely followed by "pull" ones

Mandates (US, GE, FR) or preferred financing (UK, AU, CH) to create the initial impetus for providers to expand

Creation of new use cases (e.g., basic bank accounts, savings, microcredit) almost simultaneously – or even before Favorable Financing – to unlock latent demand

Consumer behavior shaping and education – to scale and ensure usage of new products/ services put on the market by government/ providers

And, emerging more recently, cross-industry partnerships interventions/ attempts to share knowledge and establish new partnership models and solutions to Inclusion



Note: Sequence seen overall in developed markets – many of which already had key infrastructures in place (e.g., connectivity, electricity)

Opportunity for developing markets to tailor to their unique context and needs; and learn from developed markets to combine "push-pull" levers and accelerate expansion

See Appendix for full list of sources

Incentive levers

Non-incentive levers

Expanding financial services in marginalized communities in the U.S.

Mandates

1977
Federal Community Reinvestment Act (CRA) passed

The **CRA requires depository institutions** to help meet the credit needs of low- and moderate-income neighborhoods. Compliance determines FSP's future likelihood to receive approval for mergers, charters, etc.

By 2019
- **>$2 trillion** payed to underserved communities
- ~**98%** of banks receive at least a "passing" rating on CRA reviews

Still in effect

New use cases & behavior shaping

1990
Individual Development Accounts (IDAs) launched

Matched savings accounts, offered in partnership between **banks** and **nonprofit/ gov't sponsors**, to help low-income individuals save for specified goals (e.g., education)

After 3 years in program
- **+35%** likelihood of homeownership
- **+84%** likelihood of business ownership
- **+95%** likelihood of pursuing post-sec. edu.

Still in effect

Preferred financing

1994
CDFI Fund established by U.S. Department of Treasury

CDFI Fund provides **capital** and builds **capacity** (training) of Community Development Financial Institutions (CDFIs)[2] to grow and achieve sustainability

By 2017
- **800+ CDFIs** nationwide
- **12.5K** businesses and **450K+** individuals beneficiaries

Still in effect

Preferred financing

1999
PRIME Act passed (Program for Investment in Microentrepreneurs)

Act increased **federal funding** for microfinance organizations and programs

By 2002
- **650+** MFIs operating
- **~350K individuals** obtaining loans
- **$164M** in loans disbursed via Fund

Still in effect

New use cases

2008
U.S. Dpt of Treasury introduced DirectExpress Debit MasterCard card

Card was used to disburse **federal benefits** to citizens who do not have a bank account and **financial literacy** was offered for free to all cardholders by private provider partners

By 2012
- **3M+** Americans served
- **95%** user satisfaction rate
- Millions of USD saved (vs. paper checks)

Still in effect

End-user subsidies & new use cases

2014
Obama administration introduced My Retirement Account (myRA)

Intent was to help people without access to employer-sponsored retirement plans start saving (no fees, no min. balance, no risk)—**Comerica Bank was designated custodian**

2017/18
- **30K** accounts opened
- **$34M** saved by users
- Low demand due to ltd. advertising
- Program wound down by Trump admin.

Wound down

1. Community Reinvestment Act. 2. CDFIs are private organizations—attracting private and public capital—and fighting financial exclusion in rural areas and disadvantaged urban zones. Sources: Center for Financial Inclusion – U.S. Status (2018), Forbes – Fighting Financial Exclusion (June 2014), Foresters Community Finance Paper (2008), U.S. Bureau of the Fiscal Service website, U.S. Dpt of the Treasury Press Releases (2015-2018)

New market Tax Credit program in the U.S.

Exec summary

In 2000, U.S. government established the New Markets Tax Credit (NMTC) Program to incentivize retail estate and business investments in low-income communities with a federal tax credit

Government role

Grants tax credit authority to Community Development Entities (CDEs)

- Government administers competitive application process to select Community Development Entities
- Selected Community Development Entities are then authorized to attract investors (providing them with tax credits or "NMTC" in exchange for their investments) and manage/ disburse funds (contributed by the investors) to invest in low-income communities
- Investors obtain tax credits in exchange for their investments into the Community Development Entities

Sets standards for qualifying low-income communities and businesses to be invested in by the CDEs

Providers role

CDEs make loans and investments to qualifying businesses/ projects in low-income communities

- Offer better rates, terms, and flexibility on loans than other options on the market - recipients benefit from preferred financing to conduct their development projects in the low-income communities

Investors provide funds to CDEs to go to qualifying businesses

- In exchange for investing in CDEs, investors receive a tax credit worth 39% of their original investment or equity stake in the CDE - which they will receive over a seven-year period

Impact (as of 2016)

- **~750,000 jobs created or retained since 2003** through NMTC-linked investments into low-income communities
- **~75% of NMTC investments have been made in highly distressed** areas with low income and high unemployment
- **>$8 on average of private investment generated for every $1 invested** by the government

Lessons learned

- **Tax credits, if substantial and well targeted, can effectively encourage investments** by investors/ private sector into otherwise not-so-attractive areas
- Competitive application processes are cost-effective ways to **pass on program administration to third party organizations to ease government burden**

Source: New Markets Tax Credit Program Fact Sheet (CDFI, 2019)

Individual Development Accounts in the US

Exec summary

In 1998, US government began providing grants to nonprofit organizations to implement individual development account (IDA) programs, which provide matching funds to low-income recipients. Program aims to encourage low-income families to save money so that they can invest in high-return, long-term assets

Government role

Created legislation allowing for IDAs as an eligible use of federal funds

- 1996 Personal Responsibility and Work Opportunity Reconciliation Act

Provides grants to IDA sponsor organizations to develop and administer programs

- Department of Health and Human Services (HHS) provides grants to IDA program sponsors (nonprofits) to admin the program
- Depending on IDA sponsor and program specifics, funding comes from different sources within HHS, including:
  - Assets for Independence
  - HHS's Temporary Assistance for Needy Families program
  - Office of Refugee Resettlement

Providers role

Financially support IDA programs

- Beyond government grants, program sponsors responsible for providing operating and match funds (which might come from the NGO and/or private sector partners)

Design and administer IDA programs

- Depending on sponsor, programs may include financial training and technical assistance on top of the matched funds
- Sponsors also solicit participants and set eligibility requirements

Banks manage participants' accounts

- Banks partner with program sponsors to open accounts complying with regulatory requirements
- May also support IDA program sponsors through grants or contribution to matched funds

Impact (as of 2016)

- **~115K IDA accounts opened** since launch
- **$117M earned income deposited by IDA holders** (1.2% of earnings saved by average IDA participant)
- **~55K holders made a matched withdrawal** for a first home, a business & an education
- Vs. non participants, IDA participants were:
  - **35% more likely** to be homeowners
  - **84% more likely** to own businesses
  - **95% more likely** to pursue postsecondary education

Lessons learned

- **Providing incentives that nudge consumer behavior** effectively trains important financial principles
- **Relying on nonprofit and FI partnerships for program administration and funding** can cut costs for government, but can also put strains on program financial viability

Source: Office of the Comptroller of the Currency, Individual Development accounts Fact Sheet (2018); Office of Policy Development & Research, Individual Development Accounts: a Vehicle for Low-Income Asset Building & Homeownership (2012)

Incentive levers

Non-incentive levers

Expanding financial services in the U.K. (I/II)

Tax rebates

2002 & 2011
Community Investment Tax Relief (CITR) passed

Community Investment Tax Relief (CITR) was introduced in 2002 to provide tax relief for investments in accredited CDFIs that are held for at least 5 years. **The relief is worth a total of 25% of the investment**

By 2013, via CDFIs:
- **£52M** disbursed in loans to underserved businesses (**93%** of recipients previously turned down by a bank)

Still in effect

Preferred financing & new use cases

2004
Financial Inclusion Fund & Taskforce set up

- **£120M Fund** to allocate to financial inclusion projects
- "Shared goal" set with banks to halve # of unbanked & introduce “basic” bank accounts for low-income consumers
- **POCA accounts**[1] introduced for recipients of welfare benefits

By 2015
- **-50%** in share of unbanked households (from 9 to 4%)
- **9M** basic bank accounts opened (but not always used)
- **2.5M** POCA accounts opened, but only 1.2M used regularly

Replaced

End-user subsidies & new use cases

2005
Child Trust Fund introduced

Objective was to create **an asset for parents** (esp. low-income) **to build savings** for their children to access when reaching 18:
- £250-500 incentives upon account opening
- Max £1,200 contrib./ year
- No tax on interest gained

By 2010
- Evaluation found little impact on savings for children generally
- New 2010 government wound down program

Wound down

End-user subsidies & new use cases

2005
Saving Gateway piloted

Objective was to create **matched-savings accounts** for low-income people, and in parallel provide free financial education and training

By 2010 (Pilot results)
- Average amount of monthly saving/ pax almost doubled from £8 to £16
- % of pax saying they were saving regularly increased from 17% to 80%
- New 2010 gov't didn’t extend

Not scaled

Coverage target & preferred financing

2006/ 2013
ATM Subsidy set up for low income areas

Objective was to partner with ATM operators to equip ~**1,700 priority low-income areas** with **free** ATMs; and set-up a **market-based financial incentive** to ensure viability for operations (Subsidy paid via a 10p interchange premium on non-free ATMs)

By 2015:
- 1,827 new ATMs installed in deprived areas (> initial target)
- Annual subsidy required to fund free ATMS plateauing at £800K total

Still in effect

1. POCA = Post Office card account - can only be accessed at local post offices, and benefits are the only deposits accepted. Sources: ADB Report on Financial Inclusion, Financial Education, and Financial Regulation in the United Kingdom (2015), UK Financial Inclusion Commission Report (2015), House of Commons FI Report (2017), National Archives UK

Incentive levers

Non-incentive levers

Expanding financial services in the U.K. (II/II)

Enabling regulations

2006
Expanding access to credit w/ new regulations & DWP Growth Fund launch

- **New regulations** reducing legal burden & enabling expansion of credit unions (increasing interest rate they can charge from 1% to 2% per month)
- **£42M Growth Fund** to support third-sector lenders
- **Reinforced protection** against illegal lenders + new rules for high-cost, short term credit[1]

By 2010
- **320K** Growth Fund loans were made in deprived communities, for total of **£137 M** (moving people away from high cost/ illegal lenders)
- **Financial inclusion & savviness** of Growth Fund borrowers increased

Still in effect

Enabling regulations, Preferred financing, End-user subsidies

2008
Financial Inclusion Action Plan & Taskforce

- **£130M Fund** dedicated to financial inclusion for period 2008-2011
- **Revised regulations** to enable development of 3rd sector lenders
- Continued support from banks (e.g., on basic bank accounts, free ATMs)
- Continued **demand-side initiatives & provision of subsidies**

By 2015, Plan had:
- Expanded credit unions
- Put financial education on national curriculum in England
- Regulated high-cost, short-term credit
- Agreement w/ high street banks to provide fee-free basic accounts
- Developed Money Advice agencies

Still in effect

Consumer education & behavior shaping

2010
Money Advice Service (re)launched in the UK

Money Advice Service (MAS) renamed/ launched to **provide free and impartial advice** on money and financial decisions to people & **improve their capability in making financial decisions**

Holistic offering: hotline, website, in-person sessions

Results for 2017-2018
- **10.5M** received guidance
- **487K** people helped with debt issues/ negotiation with creditors
- **£43.1M** equivalent of front-line debt advice funded
- Etc.

Still in effect

New use cases

2014
EU's Payments Account Directive applied

Directive grants every EU citizen right to a basic bank account for free or "at reasonable cost". UK Gov't established **a voluntary agreement with Banks** to provide **free basic accounts** to eligible consumers - no unexpected charges

By 2018
- **9** UK participating banks
- Improvement in transparency & comparability of fees related to payment accounts
- # of people who opened a basic bank account - TBD

Effects of Brexit TBD

1. The Financial Services (Banking Reform) Act 2013 required the FCA to implement a price cap for payday loans. Sources: Money Advice Service UK 2017-18 Report, Evaluation Of The DWP Growth Fund (Dec 2010), HM Treasury UK Financial Inclusion Action Plan 2008-2011 and 2009 Budget Report, Financial Inclusion Commission Report (March 2015)

Money Advice Service (MAS) in the U.K.

Exec summary

In 2010, the government launched the Money Advice Service (MAS), which provides free financial advice through its website, online chat, hotline, and in person consultations, with the aims of educating the public on financial matters and enhancing the public's ability to manage their financial affairs.

Government role

Develops platforms to provide direct money advise to customers across the UK

- Invested ~**$60M** in developing web platform and advertising its services
- Uses **website, telephone, and face-to-face platforms** to disseminate information and help individuals manage money

Funds and coordinates debt advice services

- Funds third party organizations that provide face-to-face debt advice
- Sets standards in debt advice sector

Advocates for financial education

- "What Works Fund" sponsors research on financial inclusion and capability
- Supplies financial education content and tools to partner organizations to use and share

Providers role

Provide debt advice services

- Third party organizations can receive grants for providing in-person debt management advise

Disseminate and leverage financial education resources

- Share MAS provided content on their websites, service platforms, and with their customers

Refer clients to MAS platforms

- Financial Institutions and other partner organizations encourage use of MAS services

Impact

- **10.5M people** received advice in 2017-2018
- **~85% of the 10.5M recipients** in 2017-18 said they got the information they needed
- **~485K people** received debt advice from MAS grantee organizations in 2017-18
- **~50%** of debt advice clients with debt arrears started repaying within 6 months

Lessons learned

- Investments in **education tools and resources** (e.g., over generic classes) have **a wider and longer lasting impact**
- Complementing **digital educational offerings** with **face-to-face, personalized services** helps meet the large diversity of financial needs

Source: Independent Review of the Money Advice Service: Call for Evidence (2014); Money Advice Service UK 2017-18 Report

Incentive levers

Non-incentive levers

Expanding financial services in Australia

Value chain collaboration

1995
CreditCare Project to spur development of credit unions in 'no bank towns'

Program established network of **CreditCare Field Officers** to bring **technical expertise & confidence building**, and work with communities to develop detailed business plans for viable financial institutions in 'no bank towns'

By 2000
- **60 communities** — serving ~40K residents — regained access to financial services
- Limited access to funding was main barrier to scale

Wound down

Technical expertise & Preferred financing

1999
Rural Transactions Centers Program launched to restore FS to rural and regional areas

$70M program over 5 years to establish 500 RTCs in rural areas with populations < 3,000

In addition, program provided **technical support** to help small communities build a RTC - i.e., ID what services to provide to consumers to be viable (FS, post, telco, gov't services, etc.)

By 2003
- **124** RTCs approved
- **65** communities had operational RTCs, far short of 500 RTC goal

Evolved[1]

Preferred financing

2009-2012
CDFI pilot launched

~$10M+ funding to test CDFI's potential to provide access to FS to disadvantaged Australians.

5 pilot organizations selected

By 2012
- **~$2.8M** loaned via pilot to **120+** microenterprises
- **~30%** of borrowers were Aboriginal or Islanders
- Program relaunched with bi-annual application process

Consumer education

2011
National Financial Literacy Strategy launched

Strategies defined to provide **financial literacy education** across population segments

Key initiative: **MoneySmart website** to help consumers make good financial decisions (providing info, tools, guidance, motivation)

E.g., 2013-2017 (School program)
- **25K+ teachers** have participated in MoneySmart
- **Students:** more likely to make a budget (+7pp), save (+7pp), have a bank account (+12 pp vs. control)

Value chain collaboration

2015
Financial Inclusion Action Plan (FIAP) program launched

Partnership between gov't, EY and Centre for Social Impact - creation of platform/ networks to rally **orgs across sectors** (FS, utilities, retail, edu, legal…) to **partner & make 12-months commitments** to boost existing/ take on new activities to support financial inclusion and resilience

By 2018
- **30 organizations joined**
- **580+ commitments** formulated
- **72% of 240+ actions** committed by first 12 orgs in 2016 already completed
- **Collaboration** made easier

Still in effect

1. Evolved/ merged into Regional Partnerships Program. Sources: Rural Transaction Centers Impact Evaluation Report (Parliament of Australia, 2004), Social Ventures Australia website, Evaluation of ASIC's MoneySmart Teaching Program (2017), GoodShepherdMicrofinance.org website

Incentive levers

Non-incentive levers

Expanding financial services in Germany

Mandates

18th century
Sparkassen ('Regional Savings Banks') established

Regional Savings Banks established by law **with public service & regional development mandate**. Success measured based on impact on local communities (rather than on traditional economic requirements); requirement to **maintain branches in less densely populated areas**

As of 2017
- **400+** Sparkassen with 15k+ branches, 245K+ staff, and €1,1Bn+ business volume
- **70%** share of SME financing, 42% of business financing generally

Still in effect

New use cases

1996
"Everyman" accounts introduced

German Bankers' Association introduced **voluntary code** to provide **"everyman" current banking account** to facilitate access to basic banking transactions (initially with low-income consumers in mind)

By 2000
- **800k+** accounts opened - but over-indexed on youth instead of low income consumers
- Rolled into **Payments Account Act**, guaranteeing right to a basic account

Evolved

Value chain collaboration

2004
German Microfinance Institute (DMI) founded

Association of NGOs that provide **training, coaching, and consultancy services** to entrepreneurs, start-ups, self-employed, and micro enterprises (often from disadvantaged groups) serve as **financial intermediaries w/ local banks,** and provide **accreditation for microfinance institutions** to support access to formal credit

By 2013
- **60+** microfinance institutions accredited
- **~8k** active borrowers, **66%** of which live below the poverty line

Preferred financing

2010
German Microcredit Fund launched

€ 100M fund launched to help start-ups, unemployed, and self-employed access capital (loans up to €20K). MFIs working with consumers to define & apply for bank loans. Loans granted by cooperating banks. **Risk shared between MFI and a guarantee fund to ensure responsible lending & take risk off banks**

By 2013
- **15K+** loans provided
- **€5,700** average loan amount (vs. €18,000 with promotional banks), short-term (< 3 yrs), at 8.9% rate
- **Re-funded** in 2015

Mandates

2016
Payments Accounts Act passed

Act gives all consumers the right to an account with basic features (to ensure nobody is excluded for not having an account) and makes it **easier for consumers to switch banks**

I.e., All credit institutions that offer consumer accounts must also offer **basic accounts**

By 2018
- **540k+ accounts opened,** boosting social equity
- **Increased transparency &** competition have improved bank fees & service (**700k+** account switches)

Still in effect

Sources: Germany's savings banks: uniquely intertwined with local politics (Bruegel, 2018); Germany's Payment Accounts Act: two years on (Ministry of Finance, 2018); Financial Inclusion, Regulation, and Education in Germany (ADBI report, 2015); Microlending in Germany: Case Study on DMI (2005)

Incentive levers

Non-incentive levers

Expanding financial services in France

Mandates & new use cases

1984 & 1998
Banking Law and Law on Exclusions are passed

Established **legal right of every individual to have a bank account**. Individuals who are denied a bank account can request the Bank of France to supply them with a **basic account and free basic banking services** from designated high street credit institutions

By 2017
- **62,300** basic bank accounts were opened via requests to Bank of France

Preferred financing & Consumer education

1988
Association for the Right to Economic Initiative set-up

ADIE offers **social and professional microcredit** (**€ 25M** invested in total) to business creators without access to banking credit, as well as **group & personal training** on management, business development, legal advice, and taxation

By 2013
- **118k** loans granted
- **86k** businesses created
- **€ 45M** income generated and **€ 17M** in social costs averted

Preferred financing & Value chain collab.

2008
CEDIDF was created as a cooperative bank

CEDIDF has **special legal status** to help 'unbankable' individuals access formal finance. With **network of 800+ partners**[1], it provides banking support, suitable products & fin. education. Customers can access **micro-credit at 4%** to help with housing and related amenities

In 2009
- **800+** partners engaged
- **90%+** of French territory covered
- **~40%** of personal microloans in France

Mandates & Price guidelines

2014
Banks started offering Special Banking Offer

The Special Banking Offer **mandates** banks to offer **10 minimum basic services** to people in **fragile financial situations**. It defines minimum service level & caps fees to encourage the financial inclusion of these disadvantaged customers

By 2018
- **350k** people benefiting from Special Banking Offers (only 10% of eligible beneficiaries estimated)

Consumer education

2016
National financial education strategy developed

Bank of France tasked with developing **teaching resources & educational material**, to be distributed via web portal.
Also in charge of developing teaching resources for schools and financial inclusion workshops for social workers

In 2017
- **31k+** people reached, through **1.6k+** education sessions
- **14k+** social workers trained in financial inclusion issues and solutions

Infrastructure development

2017
Bank of France launched financial vulnerability identification program

Bank of France collaborated with major banking networks and non-profits to **improve identification** of the financially vulnerable, eligible for Special Banking Offer

Key areas of work:
- **Data:** Improve Bank of France statistics & develop census on vulnerable pop.
- **Subsidies:** Increase gov't subsidies to SBO providers
- **Marketing:** Improve visibility of/ access to SBO
- **Workforce:** Train bank/ social-work personnel

Still in effect

1. E.g., NGOs/ local authorities, social businesses. Sources: Addressing Financial Exclusion in France and India (Nair, 2017); Innovative Finance for Social Justice, Microcredit in France (ILO, 2015); Caisse d'Epargne Ile-de-France Website; Banque De France Website; Economic and Financial Education/ Offre spécifique à la clientèle fragile; Banque de France Annual Report (2017)

Contents

Overview of case studies: Other industries in developing markets (I/II)

	Country	Program Name	Industry	Direct incentive lever(s) used	Description	Page number
Latam	Chile	Water use subsidies	Water	Price guidelines, End-user subsidies	Implemented individual water consumption subsidy targeting poorest 20% of population and revised tariffs in 1990's to ensure affordable access to water for consumers	49
Latam	Brazil	Mobile spectrum allocation	Telco	Mandates, Coverage targets, Favorable contracts	Auctioned telco spectrum licenses with strong service mandates, aiming to develop 4G services nationwide; permitted provider network sharing-partnerships to meet targets	50
Asia	Bangladesh	Rural water supply and sanitation program	Water	Favorable financing, End-user subsidies	Gave capital grants to private sponsors to plan, implement, and manage rural piped water schemes and trained entrepreneurs in latrine construction to increase access to safe water and hygienic sanitation in rural areas	51
Asia	Vietnam	Biogas program	Power	End-user subsidies, Consumer behavior shaping nudges	Provided financial and educational help to rural households and enterprises to build domestic biogas plants	52
Asia	Vietnam	Electricity law 28/2004	Power	Preferred financing, Price guidelines, Tax rebates, Discounted inputs	In 2004, this new law aimed to encourage rural expansion and adoption of electricity by providing financial support for both consumers and providers	53
Asia	Myanmar	Mobile spectrum allocation	Telco	Favorable contracts	The government pushed to liberalize its telecommunications sector by offering favorable spectrum contracts that encouraged competition and establishing a clear schedule of allocation auctions	53
Asia	China	Rural Taobao	E-commerce	Preferred financing, Tax rebates	Chinese government provides The government provides low interest rate loans and other incentives to support e-commerce in rural and poverty stricken areas	54
Asia	China	New rural cooperative medical scheme (NCMS)	Healthcare	Income guarantees	NCMS is a rural social assistance program that pools funds from participants in order to cover costs of rural healthcare, for both consumers and providers, and the government covers memberships fees for the poor	54

See Appendix for full list of sources

Overview of case studies: Other industries in developing markets (II/II)

	Country	Program Name	Industry	Direct incentive lever(s) used	Description	Page number
Asia	India	National Rural Drinking Water Program (NRDWP)	Water	Coverage targets, Preferred financing	The federal government provides grants to state agencies to use for the construction of rural water supply schemes, aiming to sustainably supply safe and adequate water to every rural resident	55
Asia	Uzbekistan	Affordable rural housing program (ARHP)	Housing	Preferred financing	The ARHP focuses on financing rural housing development, leveraging institutional improvements in the associated sectors to build as many housing projects as possible	55
Africa	Gabon	Paired utilities contract	Utilities	Coverage targets, Favorable contracts, Price guidelines	Government awarded 20-year favorable contract to private provider with coverage targets and tiered tariff design to expand electricity and water services in rural areas	56
Africa	Kenya	Last mile connectivity program (LMCP)	Power	Preferred financing, Price guidelines	The LMCP assembled ~$700M in donor resources to build grid infrastructure and set targets for provider expansion, aiming to connect all consumers that live within 600m of a transformer	57
Africa	Kenya	Off-Grid Solar Access Project (KOSAP)	Power	Coverage targets, Preferred financing, Favorable contracts	Kenyan government provides financial incentives for solar off-grid companies and off-grid households, aiming to expand solar coverage in underserved areas	57
Africa	Egypt	National rural sanitation program (NRSP)	Water	Preferred financing, Price guidelines	NRSP, launched in 2015, aims to improve and decentralize sanitation services to increase household connections and improve service quality	58

See Appendix for full list of sources

Summary: 14 case studies show that range of incentive levers are also used to drive rural expansion in other industries around the world

Other industries

Country	Industry	Name of program	Inclusion mandates: Mandates	Inclusion mandates: Coverage targets	Direct profitability improvement: Preferred financing	Direct profitability improvement: Research & innovation grants	Direct profitability improvement: Favorable contracts	Direct profitability improvement: Income guarantees	Direct profitability improvement: Price guidelines	Direct profitability improvement: Tax rebates	Direct profitability improvement: Discounted inputs/ opex support	Demand generation: End-user subsidies	Demand generation: New use cases	Demand generation: Consumer behavior shaping
Chile	Water	Water use subsidies							Combination			Combination		
Brazil	Telecomms.	Mobile spectrum allocation	Combination	Combination			Combination							
India	Water	National Rural Drinking Water Program (NRDWP)			Stand-alone									
Myanmar	Telecomms.	Mobile spectrum allocation					Stand-alone							
Bangladesh	Water & Sanitation	Rural Water Supply and Sanitation Project			Combination							Combination		
Uzbekistan	Housing	Affordable Rural Housing Program (ARHP)			Stand-alone									
China	Healthcare	New Rural Cooperative Medical Scheme (NCMS)						Stand-alone						
China	E-Commerce	Rural Taobao			Combination					Combination				
Vietnam	Power	Electricity Law 28/2004			Combination				Combination	Combination	Combination			
Vietnam	Power	Biogas program										Combination		Combination
Kenya	Power	Last Mile Connectivity Program (LMCP)			Combination				Combination					
Kenya	Power	Off-Grid Solar Access Project (KOSAP)		Combination	Combination		Combination					Combination		
Gabon	Power	Paired utilities contract		Combination			Combination		Combination					
Egypt	Water	National Rural Sanitation Program (NRSP)			Combination				Combination					

See Appendix for full list of sources

Used stand-alone · Used in combination

Water use subsidies in Chile

Exec summary

Government implemented an individual means-tested water consumption subsidy in 1990's to ensure cost-effective service delivery by private water companies, social justice (supporting 20% of poorest families in Chile) and low waste for customers

Government role

Developed simultaneously:
- **New water tariffs** to reflect true costs & unlock profitability for private providers
- **New subsidy** to protect vulnerable households against water rate hikes

Defined & rolled-out methodology at municipality level to assess household needs
- Household eligibility revised every 3 years via dedicated survey

Ensured subsidy structure prevents wastage by consumers & maintains habit to pay
- Only first 15m3 are subsidized, then household pays full price

Funds subsidy—via central government budget & administers it (at regional & municipal level)

Providers role

Provide efficient & reliable service
- Incentive to do so - given subsidy is provided as reimbursement for services that have been appropriately delivered
- Note: providers can charge interest to municipality or discontinue service if late payment (risk protection included as part of contract between provider and government)

Step-in to complement state where capacity is missing
- Water companies educated the poor on availability of incentive scheme; and helped owing customers apply for the subsidies to repay their debts -- complementing municipalities' outreach and education efforts

Impact

- **~800K recipients covered** in 2013, requiring a **~$134M** budget by the Chilean government
- **Subsidy enabled Chile to raise water tariffs without compromising its social and distributional goals**

Lessons learned

- **Consumption subsidy was appropriate because main objective was affordable consumption rather than access**
- Subsidy should enable consumption while **preserving users' habit to pay**, up to their ability to ensure behavior shaping
- **Education and promotion** is necessary so that consumers value & use the subsidy
- **Municipalities (or implementers) might require significant training** & staff to administer subsidy scheme over time

Sources: Case study on Incentive-Based Subsidies (World Bank Group, Private sector & Infrastructure Network—2001); Case study: System of household's water use subsidies in Chile—Global Water Partnership (2013); Budget directory (DIPRES Chile, 2017)

Mobile spectrum allocation in Brazil

Exec summary

In 2013, gov't auctioned telco spectrum licenses with strong service mandates, aiming to develop 4G services nationwide. Telco providers created **network sharing-partnerships** to profitably meet and exceed coverage targets.

Government role

Auctioned spectrum licenses to develop 4G services

- 2 x 60 MHz licenses in the 2.5 GHz band
- Additional regional license on 450 MHz band

Mandated and set ambitious coverage targets across the country, as part of licenses

- Specific locations to be used in 2014 World Cup and 2013 Confederation Cup
- Covering all 5570 Brazilian municipalities before December 2019
- Covering rural areas – for the 450 MHz license

Allowed for telco company partnerships/ mergers in rural areas

- Promoted co-investments in infrastructure and effective service

Providers role

Created network sharing agreements in rural areas to meet coverage targets

- 4 largest telco providers entered two different radio access network sharing agreements, limited to rural areas
- Infrastructure sharing allowed providers to quickly gain customers and comply with coverage obligations at lesser costs (20-40% cost savings estimated)
- Incentivized providers to operate in traditionally unviable rural geographies

Shared infrastructure responsibilities across rural target geographies

- Each MNO deployed and operated half of their partnership's network cell sites
- Regional splits allowed geographically focused building and maintenance, increasing operational efficiency

Impact

- **5.6M people in rural areas served by Claro & Vivo shared network in 2017** (and likely about the same for the Oi & Tim shared network)
- **3K+ Brazilian cities covered** by 4G networks as of January 2018[1]

Lessons learned

- **Infrastructure sharing can significantly cut investments & operating costs** for providers and help meet government targets
- **Creating conditions for multiple providers to be viable** preserves competition in ordre to benefit consumers in rural areas (lower prices, better service)

1. Brazil had 5,570 municipalities in total (as of 2016). Sources: GSMA, Enabling Rural Coverage: Regulatory and policy recommendations to foster mobile broadband coverage in developing countries (2018); World Population Review – Brazil (2019)

Rural water supply & sanitation in Bangladesh

Exec summary

In 2012, gov't gave (1) capital grants to private sponsors to plan, implement, and manage rural piped water schemes & (2) trained local entrepreneurs in latrine construction - to increase access to safe water & hygienic sanitation in rural areas

Government role

1 **Selected and subsidized private sponsors to develop rural piped water schemes**
- Sponsors chosen through competitive application process
- Grants covered 30% of setup costs (remaining 70% covered by sponsors)

Collected 10% tariff on water from consumers to support depreciation fund and ensure resources for operation and maintenance

2 **Trained and supported local entrepreneurs**
- Provided trainings in latrine building and hygiene education
- Supplied potential customer lists and promotional materials to help commercial development

Subsidized latrine costs for poor households to generate demand

Providers role

Funded (70%) and developed rural piped water schemes (private sponsors)
- Gov't subsidies and large unserved market opportunities incentivized development of widespread water pipe network

Manage and operate water pipe networks
- Sponsors contractually obligated to manage & maintain systems + incentivized as earning revenue from service provision

Built latrines and educated public on importance of hygiene (local entrepreneurs)
- Entrepreneurs incentivized to educate public in order to generate demand for their latrine construction enterprises

Impact

- **98k+ people gained access to safe water**
- **55k household latrines built**
- **~200** latrine builders trained and supported, **behind targets**

Lessons learned

- **Cost sharing between government and private providers** reduces burden on government and incentivizes long-term private engagement
- **Without financial subsidies, education does not effectively generate demand for low-income households**

Sources: World Bank, Project Information Document: Bangladesh Rural Water Supply and Sanitation Project (2012); World Bank, Implementation Completion and Results Report: Bangladesh Water Supply and Sanitation Project (2018)

Biogas program in Vietnam

Exec summary

Government provides financial and educational help to rural households and enterprises to build domestic biogas plants. Program (2003-2020) aims to: empower rural communities access alternative energy & develop biogas sector

Government role

Provided flat-rate subsidies to rural households to build biogas plants

- VND 1M (~$42) in phase 1 (2003-2006), VND 1.2M (~$50) in phase 2/3 (2007-2015, 2016-2020) to eligible rural households
- Covering ~30% of investment costs for complete installation of domestic plan

Educate public and government employees on biogas technologies & plant construction

- Government technicians trained to train & educate both masons and consumers
- Biogas masons trained in construction of bio-digesters (supply side)
- Consumers educated on benefits of biogas incl. via mass media (demand side)

Support enterprises in identifying suitable homeowners - to connect supply & demand and enable customer/ sales growth

Providers role

Receive government education

- Masons and technicians receive biogas construction and technology training

Meet demand for biogas plants

- Growth in demand (from public awareness/ education campaigns and household subsidies), and thus in revenue potential, incentivizes enterprises to expand manufacturing capacity and build plants to meet new demand

Maintain biogas plants

- After construction, enterprises are responsible for maintaining existing biogas plants

Impact

- **158k+ domestic biogas digesters built,** providing clean renewable energy for **790k+ rural individuals by 2017**
- **2,500 jobs created in rural Vietnam**
- **1,700 biogas masons trained**, helping 355 of them establish biogas businesses

Lessons learned

- **Consumer subsidies paired with awareness/ education programs** can be effective means of demand generation
- **Need to invest in building supply-side**, in parallel of incentivizing demand generation
- In absence of 'outside/ established' providers, **development of local enterprises** has high potential to foster economic viability & job creation

Sources: IISD, Investment Incentives for Renewable Energy in SEA: Case Study of Viet Nam (2012); SNV Website: Vietnam Biogas program (photo from SVN); Vietnam Ecology and Environment Institute, Study and Analysis of Biogas Development (2017)

Other example interventions for rural expansion of other sectors in Asia (I/III)

Description

Electricity Law 28/2004

Vietnam | Power

Levers: Preferred financing, Price guidelines, Tax rebates, Discounted inputs/ operational support

In 2004, the government passed a new law aiming to promote the expansion of electricity coverage and usage in rural and remote areas of Vietnam

- Included a **licensing exemption** for companies dealing in electricity in rural and remote areas, reducing barrier to market entry and cutting operational costs
- **Specified special retail price guidelines for rural electricity,** making electricity ~**10% cheaper for rural consumers** than urban consumers
- Tasked the government with supporting providers in rural and remote areas with **capital investment support, tax rebates, and preferred interest rates** on investment capital loans

The lowered prices and licensing requirements guidelines led to the dramatic expansion of electricity coverage and usage across Vietnam

Mobile spectrum allocation

Myanmar | Telco

Levers: Favorable contracts

Starting in 2013, the Myanmar government started to liberalize its telco sector by auctioning contracts to private providers to challenge the dominant state owned provider MPT

- In 2013, the Myanmar **government awarded mobile licenses to two private telecommunications** companies
- In 2014, Myanmar **offered each new operator a 15-year license**, with 10-year renewal, to operate bands formerly controlled by MPT for a modest fee of $500M

In addition, in 2016, the government **published its 5-year roadmap** laying out future auctions of unassigned portions of the mobile spectrum

Impact

- Installed **electricity capacity increased ~170%** from 2005 to 2013, from ~12K to ~31K megawatts
- **Electricity consumption per capita increased ~100%** from 2006 to 2013, ~616 kWh to ~1.3K kWh
- **~99% of households had access to electricity in 2018**, up from 88% in 2005

- The low upfront cost and long guarantees tenor of the spectrum licenses, along with the clear roadmap for future spectrum releases, **gave providers confidence to invest rapidly**
- Competition in the coverage band prompted **MPT to broaden and improve its services**, as competitors rapidly approached market parity
- **~95% of population was covered by mobile services as of 2016, up from 6% in 2012**

Sources: Assessment of power sector reforms in Vietnam (ADB, 2015), Electricity Law No. 28/2004/QH11) (Vietnam National Assembly, 2004); Enabling rural coverage: regulatory and policy recommendations to foster mobile broadband coverage in developing countries (GSMA, 2018)

Other example interventions for rural expansion of other sectors in Asia (II/III)

Rural Taobao

China | E-commerce

Levers: Preferred financing, Tax rebates

Description

The government **provides low interest rate loans and other incentives to support e-commerce** in rural and poverty stricken areas through

- Construction of rural circulation infrastructure (e.g., processing facilities, supply chain logistics systems)
- Development of e-commerce public service system (e.g., integrating national postal systems with e-commerce delivery)
- Rural e-commerce workforce training (e.g., business incubation, practical skills courses)
- Tax concessions for companies

For private companies, the **partnership requires considerable investment commitments** in order to benefit from government support

Impact

- Government support has **allowed e-commerce companies to quickly dominate** the market of rural consumption—**rural e-commerce business volume index increased 545%** from Jan. 2015 to Jan. 2019
- However, a limitation might be that **rural market entry will be more difficult for other competitors** (e.g., traditional retailers) **in the future**

New Rural Cooperative Medical Schemes (NCMS)

China | Healthcare

Levers: Income guarantees

Description

Launched in October 2002, the New Rural Cooperative Medical Scheme (NCMS) is a voluntary rural social assistance program that pools funds from rural population in order to **cover costs of rural healthcare—for both consumers** (e.g., healthcare costs/premiums) and **providers** (e.g., medical employees' salaries)

Under this scheme, **government subsidies typically account for ~80% of NCMS revenues and enables sustained rural healthcare provision**

Impact

- **~99% of China's rural population currently covered by NCMS: ~130M enrolled**
- In 2018, of the **total ~$12.2B revenue collected** by NCMS, government **contributed ~73% (~$8.9B)**
- The heavy subsidies from the government for enrollment in the program has led to the incredible popularity of the program

Sources: E-commerce and Taobao villages (China Perspective, 2017); E-logistic Index: Rural Business Volume Index (CLFP, 2019); Notice on the comprehensive demonstration of E-commerce in Rural areas in 2019 (Government of China, 2019); Health care financing in rural China: New Rural Cooperative Medical Scheme (WHO, 2009); National Healthcare Security Administration website (NHSA China, 2019)

Other example interventions for rural expansion of other sectors in Asia (III/III)

Description

National Rural Drinking Water Program (NRDWP)

India

Water

Levers: Preferred financing

Through the National Rural Drinking Water Program (NRDWP), started in 2009, the Indian federal government provides **grants** to State agencies to fund the construction of rural water supply schemes—with the objective to sustainably supply safe and sufficient water to every rural resident in the country

The program **allocates funds based on geographic, economic, and demographic factors of targeted States**, prioritizing states with larger underserved and minority populations

NRDWP also **specifies the types of projects** each grant can be used for (e.g., infrastructure maintenance, construction, water quality assurance)

Affordable Rural Housing Program (ARHP)

Uzbekistan

Housing

Levers: Preferred financing

The Affordable Rural Housing Program (ARHP) focuses on **financing rural housing development**; its objective is to build as many affordable housing units as possible

Under the ARHP, three **state-owned banks will provide loans** to construction companies to build **at least 29,000 dwelling units** in nine regions of the country over the period 2017 to 2021—Asian Development bank alone contributed **$500M**

Construction is undertaken by private contractors and supervised by state-owned engineering, design, and architecture companies—to ensure quality standards and delivery timeline in accordance with contract

Impact

- As of 2017, of the ~250,000 people in the Minority Concentrated Districts, **~15,000** were fully covered and **~75,000** were partially covered, **significantly behind original targets**
- Of **~5K** people were targeted for coverage, **~3K** were provided access to a potable drinking water
supply in 2017-18
- **Many program targets were missed and construction contracts were not completed** due to deficiencies in operation and maintenance plans by States

- **~42,000 houses were constructed** and significant employment was generated through the first program that expanded over 2012-2015
- The program is expected to **build 29,000 units and generate up to 220,000 jobs by 2021**

Sources: Infrastructure and investments in water and sanitation in India (RIS, 2018); National rural drinking water programme (PRD, 2018); National Rural Drinking Water Program annual report 2017-18 (Dept of Drinking Water & Sanitation webpage, 2018); Housing finance devpmt in Uzbekistan (World Bank, 2007); Uzbekistan: Affordable rural housing program (ADB, 2017); ADB to provide $500M for rural housing (ADB, 2017)

Paired utilities contracts in Gabon

Exec summary

In 1997, govt. awarded a 20-year favorable contract to SEEG[1], a private utilities provider, and made necessary infrastructure investments & legal reforms—to expand electricity & water services in rural areas. After initial success, contract was terminated in 2018 based on govt. claims that SEEG failed to meet agreed upon service quality and investment levels (which was disputed by SEEG)

Government role

Awarded favorable contract to private provider SEEG based on competitive tender

- Bundled and awarded 20-year concession contract for water (loss-making) & electricity (profit-making) services throughout country
- Provider won based on promise of 17.25% reduction in tariffs over time

Set coverage targets, investment & quality requirements; allowing for co-design

- 2.5 years period to finalize monitoring & evaluation framework with provider

Revised tariffs to ensure fairness for consumers & profitability for provider

- Uniform residential tariffs to ensure fairness
- Differentiated commercial ones to reflect costs of production

Invested in required infrastructure, e.g., roads, electricity transmission networks

Providers role

Cross-subsidized internally expansion into rural areas

- Electricity revenues from 2 major cities subsidizing provision of water services across the country

Committed to investing in rural areas infrastructure and networks

- $250M+ (incl. 60% in water)

Innovated operational model to reduce costs in rural areas

- Rolled-out prepaid cards for electricity (rather than metering system) to cut costs of customer management

Impact

- **Coverage targets were met/ exceeded in all regions**[2]
- **Private provider was profitable quickly** – and became "politically independent"
- **In recent years, turmoil between SEEG & government has created public concern** over continued availability of basic utilities

Lessons learned

- **Strong government commitment** is key
- Providers should push **innovation** to reduce operational costs in new areas (and governments should encourage them to do so)
- Contract encompassing **different services** can enable cross-subsidization
- Relying on **just one private provider is risky** as negotiating contracts and transitioning service to another provider becomes incredibly difficult for the government

1. Société d'Energie et d'Eau du Gabon. 2. Except in a few centers that faced delays in government investment in core infrastructure (road, electricity transmission networks). Source: Emerging Lessons in Private Provision of Infrastructure Services in Rural Areas (The World Bank/PPIAF, 2002, 2013); Gabon: Water war (The Africa Report, 2018)

Other example interventions for rural expansion of other sectors in Africa (I/II)

Description

Last Mile Connectivity Program (LMCP)

Kenya Power

Levers: Preferred financing, Price guidelines

Started in 2015, the Last Mile Connectivity Program (LMCP) aims to provide universal access to electricity by 2020

- **Gathered ~$700M in donor resources** to build power grid infrastructure
- Set targets for provider expansion
- **Decreased the connection fee charged to rural households,** forcing the Kenya Power and Lighting Company (KPLC) **to cross-subsidize** to cover losses on the new low-volume consumers that were paying minimal fees

In 2018, the government rolled out another phase of the LMCP, committing **$150M** to connect an **additional 2.5M households** to the national grid

Off-Grid Solar Access Project (KOSAP)

Kenya Power

Levers: Coverage targets, Preferred financing, Favorable contracts

In 2017, the Kenyan gov't, in partnership with the World Bank, began providing **financial incentives for solar off-grid companies,** aiming to expand solar coverage and use by community facilities, enterprises, and households in underserved areas

- Auctioned favorable contracts to providers to expand coverage, including **funding to cover expansion costs** and **additional payments for providers** upon achieving agreed upon **coverage targets**
- Government also offered **debt financing for providers** to support
  - Up-front costs associated with getting hardware inventory to market
  - Medium-term consumer financing to enable households to pay off systems over time

On top of financial incentives, **KOSAP aims to engage 60% of target population in solar education programming**

Impact

LMCP

- **~1.5M households connected to the electricity grid during the first phase (2015-18) of the program**
- **The financial burden of expansion and cross-subsidization was initially unsustainable for KPLC,** requiring additional World Bank and government financial support in 2015-16

KOSAP

- By 2023, projects aims to provide access to electricity via mini-grid to:
  - 20,750 households
  - 6050 enterprises
  - 200 community facilities
- By 2023, project aims to provide access to electricity via stand-alone solar systems to:
  - 250,000 households
  - 900 community facilities
- Goal is that at least 20% of all enterprises and households served are headed by women

Sources: Off-grid solar access project for underserved counties (World bank, 2017); Rural electrification Kenya—last mile connectivity (European Commission International Cooperation & Dev., 2019); Keter launches second phase of Sh 15Bn last mileproject (Daily Nation, 2018); Govt embarks on SH15Bn last mile connectivity phase III (Kenyan Wall Street, 2018); About KOSAP (Kenya Ministry of Energy, 2019)

Other example interventions for rural expansion of other sectors in Africa (II/II)

National Rural Sanitation Program (NRSP)

Egypt Water and sanitation

Levers: Preferred financing, Price guidelines

Description

Launched in 2015, the National Rural Sanitation Program (NRSP) aims to **improve and decentralize sanitation services—**in order to increase household coverage and improve service quality

- NRSP launched a **performance-based grant system** for local water and sanitation providers, and offers a **feedback system** that allows citizens to give input on whether investments fit with local priorities
- **Additional financing** is also given to local providers to meet program **coverage targets** for wastewater treatment facility coverage and quality
- Last but not least, with program, government also developed **new tariff structure** for water and sanitation services to enable sustainable cost recovery

In 2018, along with a $94M investment from the government of Egypt, the World Bank announced an additional investment of $300M, on top of the original $550M loan, to support a second wave of NRSP

Impact

- Goal of first wave of the program is to connect **167,000 rural households**, or 833,000 Egyptians, with functioning sanitation systems by 2022
  - By 2018 (three years after launch), **~6,000 households (or ~29,000 people) had** received new functioning sanitation system connections, **behind projected outcomes**
- Second wave aims to increase target - and connect **345,000 households, or 1.7M Egyptians**, with functioning sanitation systems by 2023
- Finally, aim is to achieve 100% sanitation coverage by 2037

Sources: Improves sanitation services in rural Egypt to benefit one million Egyptians (World Bank, 2018); Sustainable rural sanitation services program for results—additional financing (World Bank, 2018); Sustainable rural sanitation services program for results projects & operations webpage (World Bank, 2019)

Contents

Sources: CICO/FS expansion in developing markets (I/II)

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Brazil	Bolsa Familia	Brazil Country Report - CGAP, Oct 2011 Analysis of the Bolsa Familia Program - Ministry of Social Development in Brazil, Sept 2018 Caixa Econômica Federal Annual Reports - Caixa Bank, 2019
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Colombia	Banca de las Oportunidades Agent Incentives	Incentives for the Introduction of Agents by Banca de las Oportunidades in Colombia - CGAP, Feb 2013
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Peru	Banco de la Nacion— Military supported cash delivery	Experimenting with Financial Support to Rural Economic Agents - Banco de la Nacion, 2013 Banco de la Nacion establishes 3,600 Correspondent Agents in the Whole Country - Andina, Dec 2014 Banco de la Nacion establishes "Mobile Rural Banks" in Sunday Fairs - Andina, May 2012 CGAP expert interviews
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	Direct benefit transfer program	From Cash to Digital Transfers in India: The Story So Far - CGAP, Feb 2015 Direct benefit transfer of subsidies crosses ₹3-lakh-cr mark in 2018-19 - Hindu Business Line, Apr 2019 Direct Benefit Transfer website - Government of India, 2019
	National Rural Livelihood project	National Rural Livelihoods Project: Project Results (webpage) - World Bank, Apr 2019 Jharkhand Opportunities for Harnessing Rural Growth Project: Project Appraisal Document - World Bank, May 2017

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Sources: CICO/FS expansion in developed markets (II/II)

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