

# **‘Towards a Financially Inclusive Strategy for Cash Transfer Payments in Pakistan’**

BISP was launched as a means to provide financial assistance to the poorest of the poor adversely affected by the high inflation and the impact of the international economic crisis.

However, we are developing BISP in to a comprehensive social safety net by provision of Monthly Cash Grant, Vocational & Technical Training, Micro Finance for gainful self-employment and Health, Accident & Life Insurance.

BISP has, in a short span of time, reached out to more than 2.8 million families across the country. We are lucky to have the patronage and supervision of the President and continued encouragement and support of the Prime Minister.

BISP has gained enormous support and trust of international donors and financial agencies and that is because of the transparent nature of its operations.

The purpose of gathering here today was to share with all of you the BISP’s experience of introducing technology based management systems and adoption of international best practices towards our mission to eradicate poverty and empower the women of Pakistan.

Technology is considered to be a lever for development. The development of Information Technology (IT) has a wide potential in all aspects of societal development. For developing countries, IT is a useful tool for overall change and economic growth.

It has been proven that Management Information Systems when efficiently and purposefully implemented can be an important tool for greater efficiency in the provision of public services. Technology has the potential of being a major instrument for achieving “Good Governance”.

Success of all initiatives of BISP especially Cash Transfer Programs is heavily dependent upon an efficient payment mechanism.

Initially, Benazir Income Support Programme was distributing its funds through Money Orders.

A number of complaints had been received by BISP against Pakistan Post officials. These mainly relate to non-payment, late payment, demand of baksheesh, delivery of Money Orders at the Post Office rather than door-steps etc.

Pakistan Post has also not put in place a viable mechanism to address the complaints expeditiously.

The data is also not being reconciled well in time which results in outstanding amounts with the Pakistan Post.

In order to overcome the above-mentioned shortcomings and to implement a state-of-the-art technologically based advanced mechanism of delivering the benefits, BISP has devised a plan on a new payment mechanism.

The mechanism will further strengthen the transparency and speedy delivery to beneficiaries. The mechanism will include the modern modes of branchless banking systems namely:

Card to Phone;

Card to Point of sale; and

Phone to Phone.

In this context, an alternate payment mechanism (Card to Phone i.e. Benazir Smart Card) has already been implemented in the four districts (Mianwali, Multan, Sanghar and Mirpurkhas), where the Poverty Scorecard Survey has already been completed.

On the instructions of the President and Prime Minister of Pakistan, BISP has started work on implementing the payment mechanism of mobile phone banking.

In this context, we have taken on board all the interested banks/telecom companies as well as State Bank of Pakistan.

During our dialogue with the relevant stakeholders it was pointed out that implementation of the payment mechanism on such a large scale will be possible only through exemption of the applicable duties and charges such as import duty, activation charges, transaction charges etc.

The banks unanimously responded that they could conveniently cater for a pilot project of around 5,000 beneficiaries if mobile sets are to be given free but to launch a project where a million or more free mobile sets are to be given then it could be very challenging for them.

Further, the financial gap of providing an approximately US \$ 10 mobile set each to each beneficiary is required to be filled in by support of the government through some kind of exemption in duties (import duty) and other charges (transaction and activation charges) plus some contribution by BISP in the purchase of the sets.

For launching any initiative of this magnitude one important factor in the minds of partner organizations is the sustainability of the programme.

Here, it is important to note that the unanimous passage of the Benazir Income Support Programme Act by both houses of the parliament has ensured sustainability of the BISP.

More importantly, because of its transparency and computer based systems; it is being planned that in future most of the other financial interventions will be routed through BISP.

Representative from the Ministry of Information Technology has conveyed his Ministry's commitment to positively support the exemption of duties and other charges.

However, we have to be cautioned because if mobile sets of lesser quality are provided to the beneficiaries, it might on the one hand be unacceptable to the telecom service providers and on the other side may also hurt the reputation of a Programme.

After a detailed and in-depth discussion, the banks expressed their participation in launching a pilot of around 200,000 accounts in four districts (one from each province) with a request of giving them time to fine tune, finalize the modalities & financial model and chalk out the base line for the pilot with time frame.

It is now agreed that by 25<sup>th</sup> November 2010 the banks will submit their final proposals, recommendations and implementation plans for the pilot phase.

With the introduction of this system we will be able to obtain real time reconciliation and check on leakages.

Facilitation of the end user i.e. beneficiary of BISP is the other major benefit of this system.

This technology will not only make the payment system more efficient but also empower the woman who will be entitled to receive the payment.

Here, I would like to thank you all for joining us today and we hope to gain a lot from your insights and suggestions

At the end I would like to convey Shaheed Mohtarma Benazir Bhutto's words and true feelings to our audience i.e. "We are coming back to create the real change in all disturbed lives of Pakistan".

Insha Allah we will do our best according to the vision of Shaheed Mohtarma Benazir Bhutto for providing transparent relief to our people in need.