

Malawi commits to electronic payments

The Government of Malawi announced that it is joining the Better Than Cash Alliance, committing to transition government cash payments to electronic disbursements.



Malawi's primary goals in shifting to e-money are to increase transparency, decrease costs, accelerate economic growth, and address poverty by increasing financial inclusion for all Malawians.

"We have tried many different cash payment modalities in Malawi, but these have proved both expensive and subject to risk and fraud," said Minister of Finance, Ken Lipenga, whose country will focus its initial phase of the transition on social welfare and salary payments.

"Our aim at this point is to begin by reaching 21,000 people with payments of \$3 million. Of course, we already know that transitioning isn't easy, and that is why we are joining the Better Than Cash Alliance. We will be able to learn from other countries how best to handle the complexities of transition and ensure that not only the economy, but also the people benefit."

The Better Than Cash Alliance, an initiative founded by the Bill & Melinda Gates Foundation, Citi, Ford Foundation, Omidyar Network, USAID, United Nations Capital Development Fund and Visa Inc, works with governments, the development community and the private sector to adopt the use of electronic payments and provides resources to those who commit to make the transition.

2.5 billion adults - more than a half of the world's adult population - are excluded from the formal financial sector. This is most acute in the developing world where approximately 80% of poor people are excluded. As a result, most poor households have no option but to subsist almost entirely in an informal, cash-only economy, making it extraordinarily difficult for them to access financial services like bank accounts, to save for the future, build assets or get credit. Electronic payments can create lasting benefits for people by creating opportunities to access formal financial services and begin to develop assets and save for the future.

"We commend Malawi on their leadership and commitment to improve the lives of the Malawian people and to further develop the economy of their country," said Ruth Goodwin-Groen, managing director of the Better Than Cash Alliance. "There are many benefits of electronic payments but also challenges and these can best be tackled in partnerships. We welcome Malawi into the Better Than Cash Alliance and look forward to our partnership with them."

Malawi joins the governments of Afghanistan, Colombia, Kenya, Peru and the Philippines, along with development organizations the United Nations Development Programme, USAID, the World Food Programme, as well as ACDI/VOCA, CARE USA, Chemonics International, Concern Worldwide, Grameen Foundation, MEDA, and Mercy Corps, which have committed to digitize their disbursements and payments to people living in poverty, thereby becoming eligible members for technical and financial support from the Better Than Cash Alliance.

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