



Building state capacity

MSC (MicroSave Consulting)

The world's local expert in financial, economic, and social inclusion in the digital age

June 2022

We are MSC

The world's local expert in social, financial, and economic inclusion

- MSC is a boutique consulting company that drives financial, economic, and social inclusion by partnering with participants in digital ecosystems.
- We work with our clients and partners across the globe to achieve sustainable performance improvements and unlock enduring value.
- With our support, you can seize the digital opportunity, address the mass market, and future-proof your operations.



International financial, social & economic inclusion consulting firm with **25+** years of experience



>200 multilingual staff in **9** offices around the world



Projects in **~68** developing countries

>550
Clients

>1,300
publications

Helped develop digital G2P services used by
>875 million
people

Implemented
>850 DFS projects

>275 financial inclusion products and channels that
>55 million people
now use

Trained > 10,500
leading financial inclusion specialists globally

Sectors we work in

Providing impact-oriented business consulting services

MSC has a strong reputation for high-quality work with a wide range of institutions. Over the past 25 years, we managed over 3,500 projects in over ~68 developing countries. Our experts come from a variety of fields and can help you gain the critical edge in a competitive market.



Banking, financial services, and insurance (BFSI)



Water, sanitation, and hygiene (WASH)



Government and regulators



Micro, small, and medium enterprise (MSME)



Social payments and refugees



Gender



Education and skills



Digital and FinTech



Agriculture



Youth



Climate change and sustainability



Health and nutrition

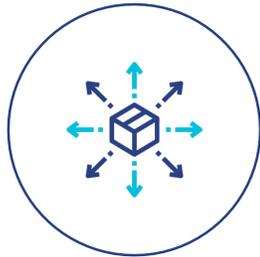
Multi-faceted expertise

Advisory that helps you succeed in a rapidly evolving market

MSC helps you gain a deep understanding of your clients, their needs, aspirations, perceptions, and behavior. We leverage the opportunities of the digital age to help you create a better, more efficient, and profitable business that focuses on your customers and markets.



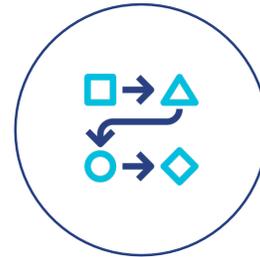
Policy and strategy



Products and channels



Research and analytics



Organizational transformation



Digital technology and channels



Catalytic finance



Design thinking and innovation



Marketing and communication



Training



Government and regulations and policy



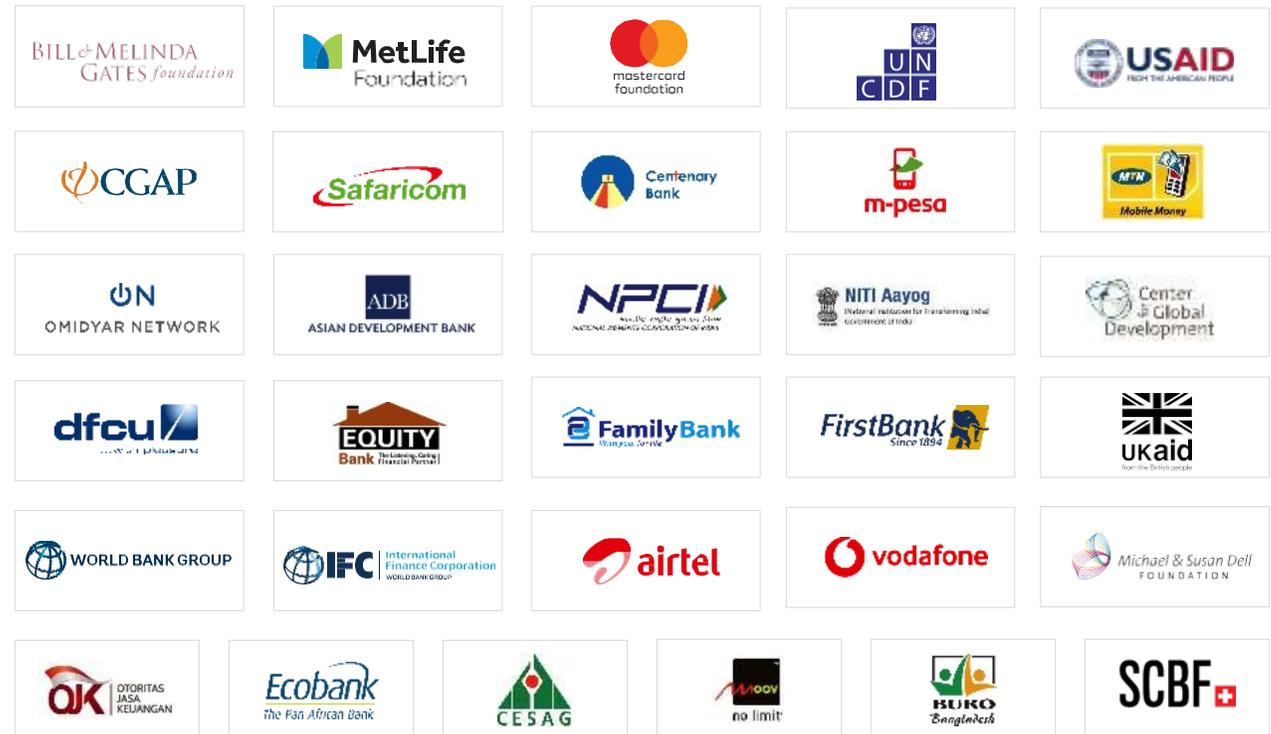
Data Insights

Our clients and partners

We work with a range of organizations to build enduring change

Our clients and partners include influencers and decision-makers among financial service providers. We also work with governments and other groups that contribute to financial inclusion.

Banks	Mobile network operators	FinTechs & AgTechs
Foundations	Multilateral organizations	Bilateral organizations
Microfinance organizations	Government agencies	Regulators
Industry networks	Research centers & think tanks	Cooperatives



Across the globe, each and every state has a direct impact on the lives of its citizens. Improving the state capacity will have a lasting favorable outcome.

Globally, states have advanced in many ways. Yet, even the wealthiest states often struggle with achieving basic developmental outcomes. Economic prosperity and growth has not translated into improving basic services, such as health, education and infrastructure, deterring citizens from accessing quality and timely public services. There is a need to support state capacity by investing in reforms.



However, the state faces a few binding constraints that affect their ability to deliver high quality public services. These issues could be in the domain of fund flow, processes or people.

Finance related issues



- ▶ Unpaid dues
- ▶ Idle funds or float
- ▶ Vendor payments

Process related issues



- ▶ Poor contract management
- ▶ Errors in beneficiary targeting
- ▶ Lack of interdepartmental coordination
- ▶ Inefficient workflows
- ▶ Poor data management

People related issues



- ▶ Understaffing
- ▶ Lack of incentive alignment for officials
- ▶ Lack of performance management



MSC designs specific tech solutions that address these binding constraints. The tech solutions are based on commonly understood digital principles, approaches and tools.

Principles

- 1 Single source of data**
Implies, data from the primary source that can be accessed by multiple users or applications. Ensures data integrity, and consonance between physical and financial data
- 2 Just in time funding**
Implies, transactions occur in real-time, by enabling funds to get “pulled” on request and passed directly to the bank a/c of beneficiary. Ensures real-time money availability and zero float in the fund-flow chain
- 3 Observability**
Implies, measurement and tracking of key actions, logs, events, traces and metrics for KPIs and SLAs. Creates the capability to generate ratings or trust scores for various entities
- 4 De-monopolizing access**
Implies, decoupling work/ workforce from workplace via digital aids. Reduce administrative burden on officials, discretion. Allows equitable access to public services and anony/random-ization at regulatory touch points

Tools and approaches

- Single source of data**
- Open API interfaces**
- Modular design**
- Digital data layers**
- Common data standards**
- Rule-based workflows**

Solutions or applications

- Digital workflow**
- Registries**
- Smart payments**
- Data dashboards**
- Smart contracts**
- eMB**
- JiT funding system**
- Job aids**

Unspent funds and unpaid dues are one such key binding constraint that governments face when it comes to payments, severely affecting the efficiency and quality of government spending on schemes and projects...

THE ECONOMIC TIMES | Rise
English Edition • | 27 June, 2022, 05:17 PM IST | Print Edition

About Rs 10.7-lakh-crore stuck in delayed payments to MSMEs, amounting to 6% of India's GVA

Approximately USD 133.7 billion is stuck as delayed payments to MSMEs in India, amounting to 6% of India's gross value added (GVA) for FY 2020-21.



In its assessment of PMGSY, MSC observed that the unspent balance for the scheme in FY 19-20 was USD 2.3 billion, which was nearly 20% of the total outlay.

Nigeria: ICPC Recovers N189 Billion Unspent Wages By MDAs



Leadership (Abuja)

16 FEBRUARY 2022

By Adebiyi Adedapo

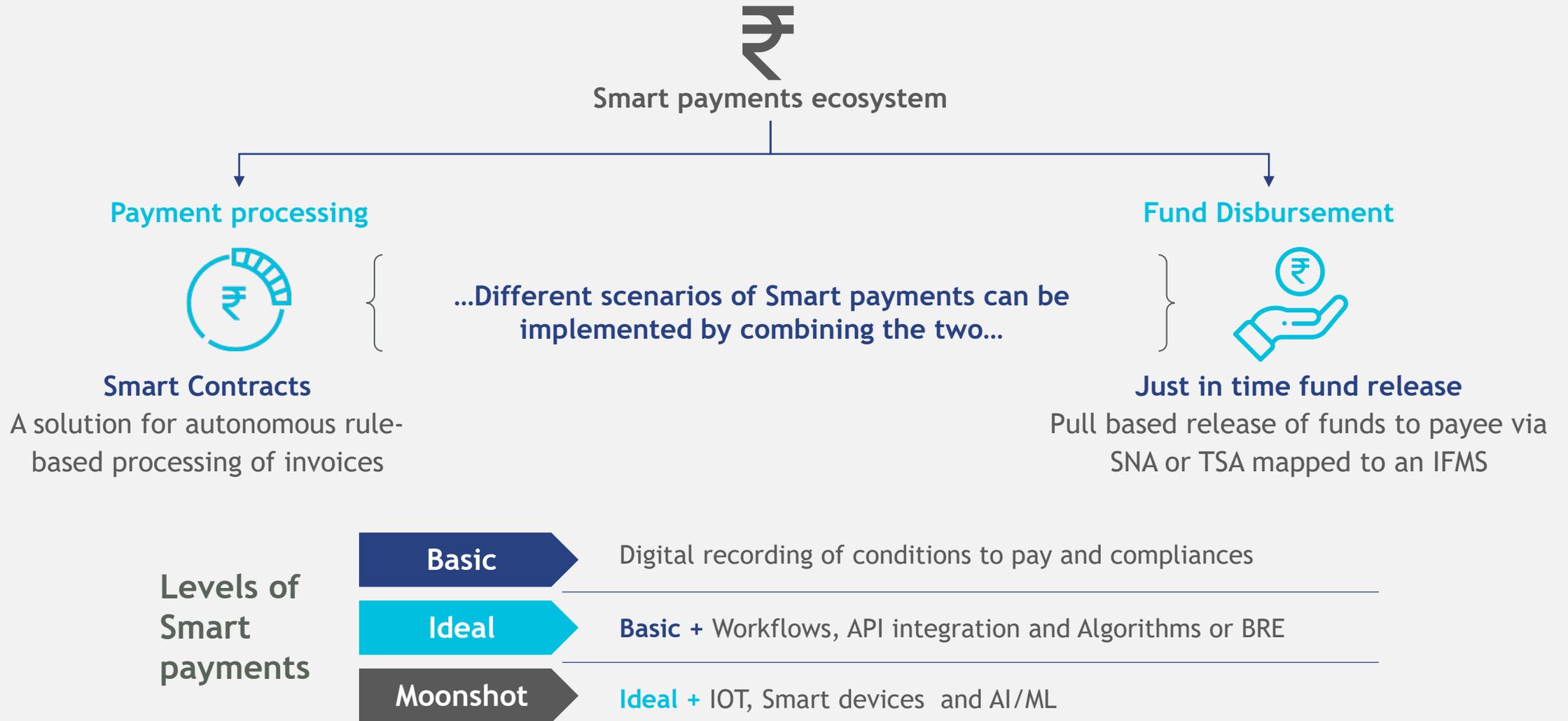
Independent Corrupt Practices and Other Related Offences Commission (ICPC) yesterday disclosed that it mopped-up N189 billion unspent wages from ministries, agencies and departments (MDAs) in 2019 and 2020.

This is just as the House of Representatives' joint committee on Anti-Corruption and Public Service Matters summoned all heads of federal MDAs to appear before it on allegations of corruption and bloated nominal rolls.

The chairman of the ICPC, Prof. Bolaji Owasanoye, who was represented by a consultant, Mr Bako Gad, said, "The ICPC has by virtue of sections B, C and D of our enabling Act been conducting a wide range of investigations to uncover acts of corrupt practices in our MDAs and more.

The Independent Corrupt Practices and Other Related Offences Commission (ICPC) disclosed that it mopped up INR 189 billion in unspent wages from ministries, agencies and departments in 2019 and 2020.

We are trying to address these problems through a combination of smart contracts and just-in-time fund flow solutions, and we are calling it “smart payments”



Double-clicking on the two components of smart payments system- the JIT fund release and smart contracts



JIT-FS

A solution for unspent funds or float



What is it?

- ▶ A system of fund transfer that is real-time, need-based, and allows pull-based transfer of funds from the consolidated fund to the end beneficiary or implementing agency



Components

- ▶ A virtual treasury single account that enables creating virtual spending limits like a credit card instead of actual fund transfer
- ▶ Allows onboarding of spending units
- ▶ Permits machine-to-machine exchange of payment requests and status with PFMS
- ▶ Generates utilization certificates



Impact

- ▶ Prevents idle funds in accounts
- ▶ Allows observability of funds
- ▶ Allows the movement of funds from sites of plenty to scarcity
- ▶ Reduces the fiscal burden on the State



Smart contracts

A solution for autonomous rule-based processing of invoices



What is it?

- ▶ Payment contracts that self execute when certain predefined conditions are fulfilled



Components

- ▶ A single registry that manages the payer and payee profile
- ▶ A business rules engine where rules are configured and payment conditions validated
- ▶ A payments engine with an entitlement calculator and a “decision-to-pay” trigger



Impact

- ▶ Removes non-value-adding exercise of discretion
- ▶ Decreases the administrative burden
- ▶ Sharpens the locus of accountability

Summary of On-going Projects

We are experimenting on the Just-in-Time and Smart contracts solutions through 4 use cases, that are in pilot phase now. We are also creating artefacts from the knowledge gathered so far

Just In Time Funding System

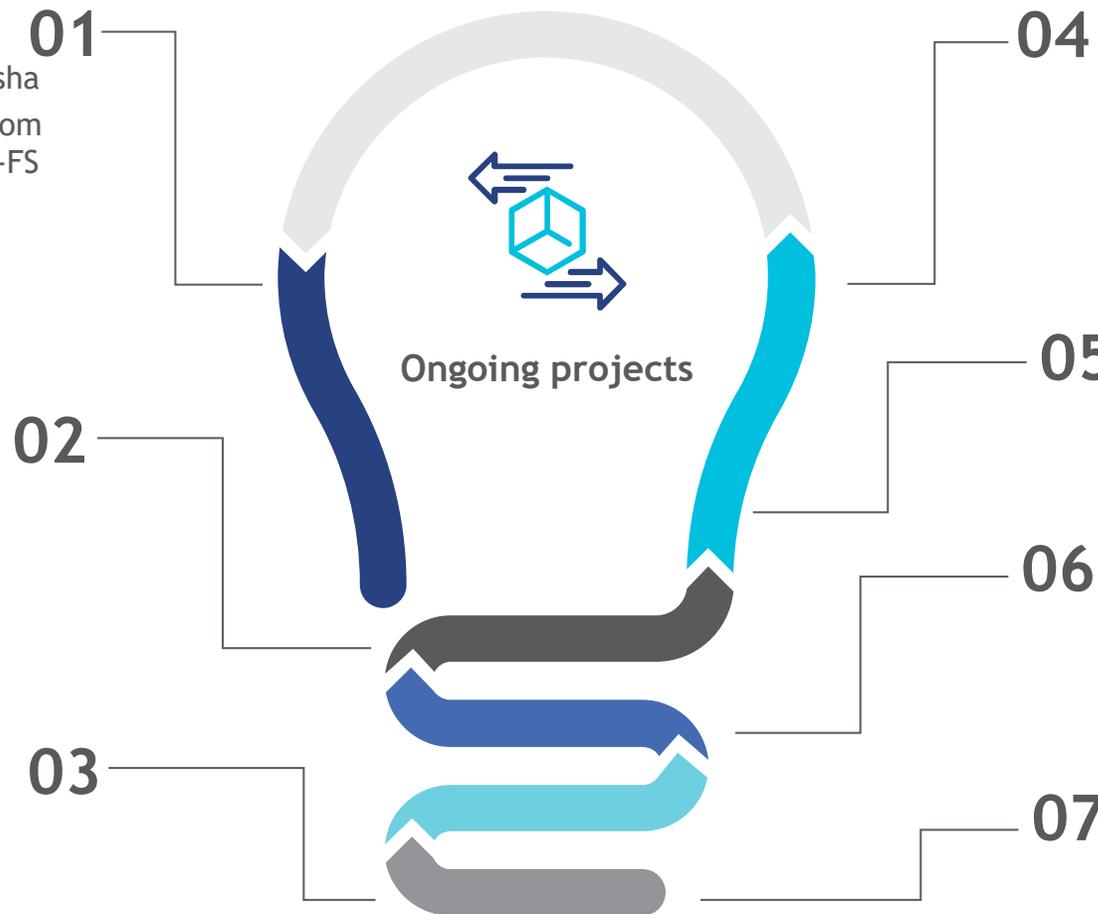
Finance Department, Government of Odisha
Allows near real-time transfer of funds from the CFS to the end beneficiaries. The JIT-FS module to be integrated with IFMIS

Smart Payments Solution

SSEP Department, Government of Odisha
Allows tracking of expenditures and Payments under different expenditure heads for Special Schools

Smart Payments Solution

H&UD Department, Govt. of Odisha
Allows timely settlement of claims for SHGs managing small-scale community infrastructure projects



Smart Contract Solutions

PMGSY, MoRD, Government of India
Supporting NRIDA in implementing Single Project Registry, e-measurement book, and smart payments to improve data observability and fund traceability

Global Landscaping Study

Test the applicability of digital tools and principles in Nigeria and Uganda

Smart contract solution

National Health Authority
Creating a high-level solution architecture for autonomous execution and management of health insurance claims

Products & Prototypes

Smart Payment Playbook and PFM Readiness Index. We are also in the process of developing the prototypes for the 4 use cases.

MSC Capabilities to work with the Governments

Advisory and actions to support the ecosystem

MSC helps solve the state capacity-related challenges faced by governments and implementing agencies by offering a bouquet of services—ranging from consulting and implementation to capacity building



Technical Support Unit (TSU)



Due diligence



Solution scoping



Solution design



Pilot implementation



Monitoring and evaluation to measure outcomes



Research and dissemination



Training and capacity building

MSCs is also working with a community of partners that believe in the power of technology to improve state capacity

Governments and multilaterals



Govt. of Odisha,
India



National Rural Infrastructure
Development Agency

National Rural
Infrastructure
Development
Agency, MoRD



सत्यमेव जयते



सत्यमेव जयते
NITI Aayog

Institutional donors and global partners



BILL &
MELINDA
GATES
foundation



Overseas Development
Institute

Center
& Global
Development



TATA TRUSTS

Technology partners



Domestic partners and policy specialists or societal platforms



ACCOUNTABILITY
INITIATIVE



JANAAGRAHA CENTRE FOR CITIZENSHIP & DEMOCRACY



MSC has also provided thought leadership on reforming public expenditure in India

01

Influencing policy discourse

MSC has actively socialized PFM ideas and digital solutions among government stakeholders. Terminology, such as just-in-time funding and smart payments have now become common knowledge in the sector.



02

Creating a community of practice

MSC has worked on building influencers to champion PFM reforms as well as technology partners who work on building the IT solutions that MSC designs.



03

Knowledge building

Through pilot implementation and research, MSC has built various products, such as the PFM Readiness Index, Smart Payments Playbook, and prototypes of solutions. We also conduct training sessions for government officials.



MSC participated in the conference hosted by George Washington University and the Bill & Melinda Gates Foundation, where our team spoke on mainstreaming digitalization of public expenditure in India.

MSC has socialized digital PFM principles through narrative building and engagement. We are working toward shifting narratives in the PFM ecosystem

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Time to digitise ‘social welfare benefits’ and make them better accessible

A big step in this direction is the implementation of the One Nation One Ration Card under the Public Distribution System

ETGovernment • Updated: September 30, 2021, 12:36 IST

Two GovTech fixes to ensure high-quality public services

Opinion

Updated on Jul 12, 2022 09:45 PM IST

Digital tools can automate the workflows thereby smoothing fund flow and reducing the discretion of officials. We discuss two GovTech solutions: Smart Payments (SP) and Just-in-Time Funding (JTF), which can solve the issue of unpaid dues and unspent balances.

THE TIMES OF INDIA

Opinion Times View Readers' Blog Times Evoke City India World Entertainment Sports Spirituality Business ...

NEWS / BLOGS / BUSINESS / ECONOMY / Managing public expenditure needs a digital boost

ECONOMY

Managing public expenditure needs a digital boost

March 9, 2022, 12:23 AM IST / Jugal Mohapatra & Mitul Thapliyal in Voices, Economy, TOI

Opinion

Digitising the public finance architecture is the need of the hour

Updated On: Sep 02, 2021



This will improve the delivery of public service by the government and enhance the quality of life of Indians

Snapshots: MSC projects

Our impact on state capacity



Signature project 1 – Finance: Just-in-time funding

MSC supports the Odisha Finance Department in improving fund utilization and visibility of funds



Our engagement



- The Odisha government has one of the most advanced treasury management systems in India. However, challenges of manual processing of bills, idle parking of funds, and float in the system persist, which cumulatively lead to suboptimal fund utilization.
- MSC is implementing a just-in-time funding solution for the Finance Department of the Government of Odisha. The solution will ensure that the money owed by the state's implementing agencies to the end beneficiary or the payee in a public project is paid directly from the state's treasury in real-time or near-real-time.

Solutions designed



- Just-in-time funding
- Digital workflow
- Registries

Principles deployed



- Single source of data
- API interfaces
- Workflow automation

Services provided



- Due diligence
- Solution scoping
- Solution design
- Pilot implementation
- Monitoring and evaluation

Impact



- Improved visibility on funds across all departments
- Prevention of idle funds outside treasury
- Optimize borrowing costs

Signature project 2– Urban wage employment: MUKTA scheme

MSC supports the Government of Odisha in reducing delays in claim settlement in its flagship urban wage employment scheme, MUKTA through the deployment of a smart payments system



Our engagement



- The Government of Odisha has launched the MUKTA scheme to provide employment and weekly wages to the unemployed labor force of the state through self-help groups in small-scale community infrastructure projects.
- The scheme faces challenges in implementation, resulting mainly from delays in settlement of claims and ineffective project management.
- MSC has proposed using digital payment systems as a tool to increase efficiency, enhance transparency, and reduce delays in contract management and fund disbursement processes.

Solutions designed



- Digital workflow
- Rule-based and payments engine
- Just-in-time funding

Principles deployed



- Single source of data
- Open API Interfaces
- Digital data layers
- Workflow automation

Services provided



- Due diligence
- Solution scoping
- Solution design
- Pilot implementation

Impact



- Timely payment of dues
- Improved visibility over the implementation
- Better contract management

Signature project 3— Education: Grant in aid to special schools

MSC supports the Social Security and Empowerment of Persons with Disabilities (SSEPD) initiative to implement a smart payment system to improve payments to special schools in Odisha



Our engagement



- The Social Security and Empowerment of Persons with Disabilities (SSEPD) Department of Government of Odisha has recommended 50 special schools that educate differently-abled children to receive the grant-in-aid from the GOI.
- The scheme has faced challenges in terms of delayed payments of salaries to the teachers due to ineffective fund management and inadequate project monitoring.
- MSC supports the government in implementing the Smart payment solutions. This will be integrated with the government’s existing public finance management platforms using Just-in-time funding system.

Solutions designed



- Digital workflows
- Just-in-time funding
- Smart payments

Principles deployed



- Single source of data
- Open API interfaces
- Digital data layers
- Workflow automation

Services provided



- Due diligence
- Solution scoping
- Solution design
- Pilot implementation
- Monitoring and evaluation

Impact



- Effective delivery and implementation of the scheme
- Timely payments to vendors
- Improved visibility

Signature project 4— Infrastructure: Rural roads construction

MSC has designed a payments engine and other digital applications to solve for delays in payments to vendors



Our engagement



- The Government of India launched the *Pradhan Mantri Gram Sadak Yojana* (PMGSY) to provide connectivity to unconnected areas as part of a poverty reduction strategy.
- Its implementation faces many challenges, like construction delays, cost overruns, and underutilization of funds.
- MSC’s smart payments solutions will improve scheme delivery and capacity on the ground. The solutions will build transparency across the system by allowing critical decision-makers better observability of data from the sites, traceability of fund flow, and an overview of the scheme performance.

Solutions designed



- E-measurement book
- Single project registry
- Payments engine
- Decision support dashboard

Principles deployed



- Single source of data
- Microservices
- Workflow automation
- Open API interfaces
- Digital data layers

Services provided



- Due diligence
- Solution scoping
- Solution design
- Pilot implementation

Impact



- Improved utilization of funds
- Faster vendor payments
- Effective delivery and implementation of the scheme
- Removal of barriers to private sector participation

Signature projects—Global work: Landscape study

MSC is conducting a landscape study in Nigeria and Uganda to understand PFM-related challenges

Context



- ▶ MSC is keen to explore the challenges in PFM for African nations and explore the potential to replicate lessons from our projects with Indian governments.
- ▶ This exploration will help assess the fitment and relevance of the tools and knowledge products our projects produce in Africa. It will also allow us to adjust our approach, if feasible, to ensure the products generated are relevant across several countries beyond India.
- ▶ Through this study, MSC will generate inputs to shape its PFM and state capacity work-related strategy for African nations.

Services provided



- ▶ Primary and secondary research on PFM, digital ID, interoperability of data and information and institutional structures and processes in Nigeria and Uganda
- ▶ Preparation of a report on findings and recommendations of solutions from the toolkit



Products & Prototypes

PFM readiness index

Index for the assessment of the PFM ecosystem as per PFM principles and standards



Smart payments playbook

The playbook will help practitioners to deploy smart payment solutions to solve for payment challenges in all scenarios—G2G, G2B, and G2P



G2P

Targeting and digitizing social sector payments and subsidies



The challenge

Government-led social welfare spending is as high as 30% of GDP for many countries. Despite these spends, persistent delivery challenges continue to trouble beneficiaries of social welfare programs. These include poor identification and targeting, leakages that are often as high as 40%, and lack of monitoring and accountability, among other factors.

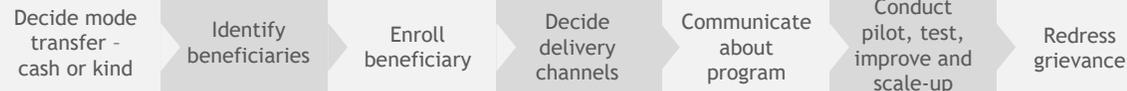
The opportunity

Digital G2P payment is a “powerful tool to increase efficiency, enhance transparency, and lowers cost to the government”.

MSC offers

- Digital readiness assessments
- Strategy and public policy design based on data and evidence
- Innovation, pilot design and testing, monitoring and evaluation
- Process reengineering and digitization
- Implementation support
- Expertise in digital identity, financial inclusion, payments, digital technology, and digital governance

Process to design and roll out a G2P program



Clients and partners



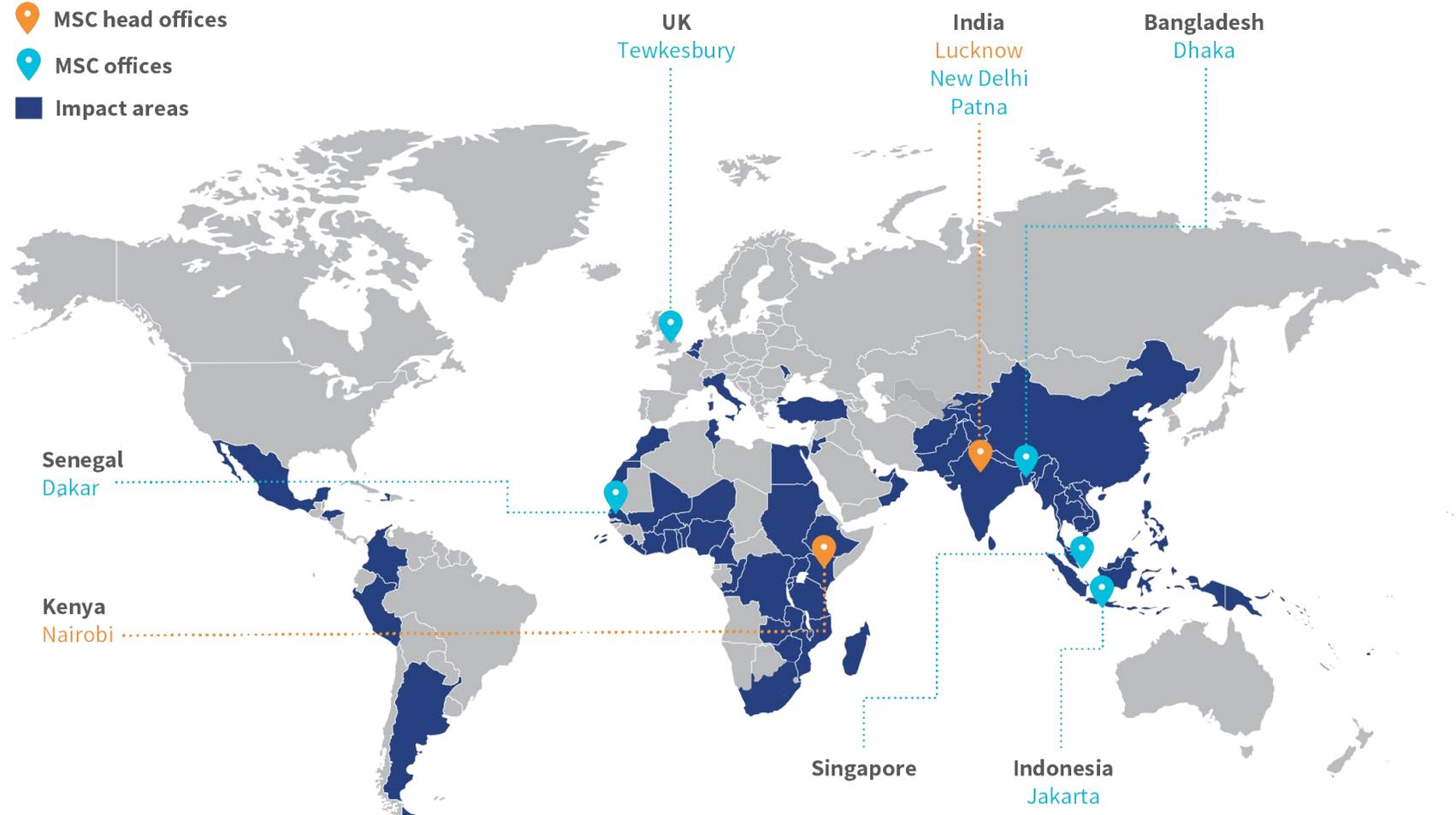
Key contacts: Mitul Thapliyal (mitul@microsave.net)

Our impact

MSC has guided the **USD-100-billion** subsidy reform in India and estimated cumulative saving of USD 30 Billion

-  Assisting the Government of India (GoI) to reform the USD 11 billion fertilizer subsidy scheme
-  Assisting GoI to experiment and adopt an efficient food subsidy delivery mechanism to reform the USD 25 billion subsidy program, touching 850 million people
-  Provided policy input for the “Give it Up” campaign and the Ujjwala scheme
-  Conducted study tours on G2P to the governments of Tanzania, Nigeria, Indonesia, and Bangladesh

-  MSC head offices
-  MSC offices
-  Impact areas



[MSC corporate brochure](#)

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