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# Digital Financial Inclusion in Saint Lucia: Insights and Opportunities



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# About the World Food Programme

Reaching nearly 150 million people in over 120 countries each year, the World Food Programme is the world's largest humanitarian organization saving lives in emergencies and using food assistance to build a pathway to peace, stability and prosperity, for people recovering from conflict, disasters and the impact of climate change.

WFP Caribbean works with national, regional and international partners to strengthen the region's resilience to the climate crisis, and other risks. WFP adopts a systems-focused approach as part of its capacity strengthening efforts through research and advocacy, digitalization, human resource development, south-south cooperation, and by investing in critical infrastructure and assets. WFP works with partners to provide direct assistance to populations impacted by shocks when events surpass national and regional capacities.

These investments place the most vulnerable people at the centre of efforts to minimize the combined impacts of climate, economic and other shocks on the Caribbean. WFP Caribbean's multi-country strategic plan<sup>1</sup> supports 22 countries and territories across the English- and Dutch-speaking Caribbean through leveraging its expertise in vulnerability analysis and mapping; end-to-end supply chain management; shock-responsive social protection; food systems strengthening and climate risk financing.

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<sup>1</sup> [https://executiveboard.wfp.org/document\\_download/WFP-0000135918?\\_ga=2.66316206.168143545.1679498584-1123234837.1677265273](https://executiveboard.wfp.org/document_download/WFP-0000135918?_ga=2.66316206.168143545.1679498584-1123234837.1677265273)

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# About This Publication

This report explores digital financial inclusion in Saint Lucia, focusing on the experiences and perspectives of social protection beneficiaries. The study examines the country's current digital financial landscape and identifies barriers and opportunities to improving financial inclusion and harnessing digital payment solutions for social protection.

This report summarizes the findings from research conducted by the Ministry of Equity and WFP between May and July 2023. These research activities included a desktop review of relevant reports and documents, interviews with 16 key informants as well as focus group discussions with 60 beneficiaries of the Public Assistance Programme (PAP) in different areas of Saint Lucia.

The research addressed the following questions:

1. Are beneficiaries of social protection programmes aware of and using digital payment solutions? Are there specific gender or age-related factors to consider in adopting digital payment solutions?
2. What are the current challenges and bottlenecks in the delivery of social assistance cash transfers? What are the opportunities to unlock the potential of digital payments and improve the delivery of cash transfers, including in emergencies?
3. What are the challenges and opportunities to promote digital financial inclusion and economic empowerment of the most vulnerable? What role can social assistance play in increasing the uptake of digital payments and improving digital financial inclusion?

Based on the research findings, this report recommends strategies to improve the delivery of social protection payments, promote financial inclusion, enhance financial literacy and develop user-friendly digital financial solutions in Saint Lucia.

# 1 Introduction

The Government of Saint Lucia and the World Food Programme (WFP) have built a strong partnership over the years to develop a social protection system that is more efficient, inclusive, and responsive to shocks. In collaboration with the Ministry of Equity, Social Justice and Empowerment<sup>2</sup>, WFP completed a case study in 2020 to explore opportunities for linking social protection and disaster risk management systems to be more responsive to shocks that affect the country. Building on this effort, WFP continued engaging with the Ministry of Equity and other government stakeholders through subsequent consultations and joint activities.

Following the COVID-19 pandemic, WFP supported the Government in expanding the Public Assistance Programme (PAP) to an additional 1,000 households facing poverty and vulnerable conditions, thus enabling a permanent expansion of the PAP under the World Bank-funded Human Capital Resilience Project to address longer-term needs. As part of the COVID-19 response, WFP also provided monthly top-ups to assist people living with HIV to meet their essential needs. These efforts have highlighted the crucial role that social protection cash transfers can play in mitigating the socioeconomic impact of large-scale shocks, particularly for the most vulnerable in society.

Building on these endeavours, WFP has provided continued technical assistance to the Government to strengthen Saint Lucia's social protection system to better respond to shocks and meet the needs of the most vulnerable. This support encompassed a training for government staff on shock-responsive social protection, technical consultations for the development of Standard Operating Procedures for shock-responsive social protection, and the development of a household vulnerability index based on an analysis of the factors that make people vulnerable to different hazards. The vulnerability index is designed to support the collection of baseline data and inform the targeting and/or prioritisation of the households most vulnerable to and impacted by weather-related hazards and other shocks.

Ongoing efforts to optimise programme delivery include exploring the adoption of digital technologies for social assistance payments, particularly for scaling up support when shocks occur. Initial testing of new digital payment methods was undertaken as part of a shock-responsive social protection pilot supported by WFP in 2021 (see Box 1). The pilot's objective was to test various processes related to social protection emergency responses and to develop an initial understanding of how digital payments can best be used to assist vulnerable groups as part of routine social protection and in response to shocks. The experiences and lessons learned from this intervention provided the basis for the Ministry of Equity and WFP to undertake a joint research agenda to further explore the state of digital payments in the country, as well as the opportunities they present for social protection. This synthesis report provides an overview of key findings and recommendations from the research.

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<sup>2</sup> Hereafter referred to as Ministry of Equity

### **Box 1: Testing Digital Payments as part of a Shock-Responsive Social Protection Pilot in Saint Lucia**

Following Hurricane Elsa in 2021, the Government of Saint Lucia tested various new systems as part of its social protection response, including the piloting of a new digital payment method as an alternative to bank and credit union transfers. In this context, the Ministry of Equity, with support from WFP, provided cash assistance to 273 vulnerable families affected by the hurricane. The pilot also tested and informed a vulnerability index for targeting, as well as standard operating procedures for shock-responsive social protection.

Under the pilot initiative, beneficiaries could choose to receive their payment digitally through the Penny Pinch app, the country's first licensed digital wallet. In an initial assessment survey, 125 beneficiaries (45%) expressed openness to using digital payment tools. After beneficiaries attended a session presenting the features and limitations of the Penny Pinch app, a total of 48 beneficiaries agreed to use the digital payment solution, of which 17 actually received their payment through the app. The remaining beneficiaries received their assistance through bank/credit union transfers or through cash via sub-collectors. Some of the main barriers and constraints that limited the use of the digital wallet in the pilot were beneficiaries' lack of familiarity with and ability to use digital tools and applications. Additionally, lack of smartphone ownership and internet connectivity, as well as limited storage space on beneficiaries' mobile devices, were found to be barriers to beneficiaries' use of the app. Finally, technical issues encountered with the application's facial recognition tool also caused problems with downloading and registering with the app.

To assess the experiences, perceptions and challenges of using the Penny Pinch app to receive and spend the assistance, focus group discussions were held with beneficiaries after the disbursement of payments. Despite the above-mentioned challenges in installing the app and registering, focus group participants perceived several benefits to using the digital wallet and were willing to continue using it. The ability to make payments to merchants through the application was seen as a great convenience, and participants expressed a clear demand for this ability to be extended to more vendors. The digital wallet was also seen as convenient for beneficiaries with physical mobility limitations (e.g. inability to stand and wait in queues to withdraw funds or make payments). Finally, participants experienced an increased sense of security when accessing and spending funds through their mobile phone, rather than having to carry physical cash after a withdrawal.

Although the pilot was limited in terms of number of participants, it provided valuable insights into potential ways to improve the digital payment experience both from an ecosystem perspective and, more specifically, for Penny Pinch. Expanding the network of registered merchants to include supermarkets, drugstores, gas stations and other retailers was identified by beneficiaries as a key priority to enable wider use and convenience of the app. In addition, adding credit unions as beneficiaries' preferred agents to provide an alternative option to banks for cash-in and cash-out services was another takeaway on how to improve the user experience with the digital wallet. It should be noted, however, that cash withdrawal was not highlighted as a top priority by focus group participants. Reasons given participants included long queues for withdrawals and the fear of being robbed when carrying cash. Beneficiaries also made recommendations on how to improve the technical features of the Penny Pinch app to make it more user-friendly, including providing instant payment notifications with a clear indication of the source of funds and adding tailored features for seniors, including voice commands.

## 2 Exploring Digital Payments for Social Protection in Saint Lucia

Digital financial services are still in their infancy in Saint Lucia, but the landscape of digital financial services is changing with the emergence of new financial players and products. These developments are opening up opportunities to promote financial inclusion, foster economic development and transform the delivery of social assistance.

The Government of Saint Lucia has made significant strides in helping social assistance beneficiaries establish bank and credit union accounts to receive entitlements under the Public Assistance Programme (PAP). Credit unions also play a significant role in facilitating financial access and savings. Yet, not all beneficiaries have accounts, with some of the country's most vulnerable people remaining excluded from the traditional financial sector.

New digital payment solutions can facilitate access to formal financial services for the most vulnerable and improve the experience of beneficiaries in receiving and spending assistance. In times of unexpected shocks, having scalable payment solutions could offer a vital tool to the government for swiftly extending assistance to new recipients. Despite these benefits, it is important to recognise that digital solutions are not universally superior. For example, elderly people may be more comfortable using more traditional avenues like banks and credit unions and the face-to-face interactions they offer. As the digital payment landscape continues to evolve, prioritising inclusivity becomes imperative to ensure that financial service providers tailor their products and services to the needs and preferences of non-traditional target groups. Understanding the factors that can either facilitate or hinder the adoption of digital financial services by social protection beneficiaries and other non-traditional target groups is essential. Among these factors are people's wider access to and use of financial services, levels of financial and digital literacy, and preferences and attitudes toward different financial institutions and services. It is equally important to examine the broader environment for the adoption and expansion of digital payments, including infrastructural and technological gaps as well as the legal and regulatory framework.

Given the complexity of these issues, building a robust and inclusive digital financial ecosystem in Saint Lucia will depend on successful partnerships among various stakeholders, including the Government, non-government organisations, private financial institutions, and technology providers. As the country continues its digital transformation journey, providing convenient, secure, affordable, and inclusive financial solutions to individuals and businesses will be central to fostering sustainable economic growth and improving the lives of the vulnerable and economically disadvantaged.



## 3 Findings

This section examines the state of digital payments in Saint Lucia as well as the opportunities they present for improving the delivery of social assistance, in particular for scaling up support in emergencies. While the findings focus on the potential role of digital payments in social protection, they also look at wider issues of financial inclusion by exploring people's access to and use of financial services more generally.

### 3.1. Improving Social Assistance Delivery in Saint Lucia

The PAP is Saint Lucia's flagship social assistance programme, providing monthly cash transfers to vulnerable and poor households that are selected on the basis of a proxy-means test. Payments to PAP beneficiaries are made primarily through bank and credit union transfers, with some beneficiaries collecting physical cash from sub-collectors (e.g. town halls). The Ministry of Equity works with financial institutions to facilitate the opening of bank or credit union accounts for the 'unbanked' with only one piece of ID and little or no deposit. Monthly PAP transfers through banks and credit unions are processed by the Accountant General's Department<sup>3</sup> within the Ministry of Finance on behalf of the Ministry of Equity. Focus group discussions with PAP recipients indicated that most are satisfied with receiving their PAP benefits through their credit union accounts or, in some cases, bank accounts. However, interviews with relevant government ministries and financial institutions revealed various challenges related to the current PAP payment process.

Monthly PAP payments may experience delays due to internal administrative processes and cash flow issues. For instance, deviations from established internal timelines for the preparation and approval of monthly payment lists within the Ministry of Equity can result in delays in submitting the payment requests to the Ministry of Finance. Furthermore, delays in the receipt of monthly government allocations by the Ministry of Equity can impact the timely issuance of PAP payments each month. Additionally, complexities associated with bank and credit union transfers contribute to the variations in PAP payments timelines. The Ministry of Finance relies on manual processes for transmitting payment lists for bank and credit unions. Representatives from each credit union are required to personally collect the cheques issued by the Ministry of Finance along with their corresponding PAP payment list. Consequently, financial institutions rely on wire transfers rather than electronic funds transfers (EFT) for depositing funds into beneficiary accounts, a method that entails more time and resource allocation. Despite the Ministry of Finance use of EFT for other government transactions, this practice has yet to be implemented<sup>4</sup>

The present procedures involve multiple stages and manual tasks, resulting in a lack of clarity within the Ministry of Equity regarding the timing of payments deposited into beneficiaries' bank

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<sup>3</sup> Government Treasury

<sup>4</sup> As mentioned above, the only exception is one commercial bank which receives the payment instructions for automated payments through EFT

or credit union accounts. The timing of these deposits also varies among different financial institutions. Beneficiaries who participated in focus group discussions have reported a lack of notification, although announcements on television and radio inform those who receive their payment in cash through sub-collectors in the Castries area.

One challenge lies in ensuring the accuracy of beneficiaries' banking information, collected by Welfare Officers during the onboarding process when visiting prospective PAP households. The development of a dedicated data collection tool or methodology could aid in reducing errors in recording this information and mitigating payment transmission errors.

These challenges, associated with the current payment processes, also have implications for emergency response efforts, impacting the government's ability to provide timely assistance to those in need.

### **3.2. Exploring Saint Lucia's Digital Financial Services Landscape**

Saint Lucia is a signatory to the Eastern Caribbean Currency Union along with seven other member states of the Organization of Eastern Caribbean States. The Eastern Caribbean Central Bank (ECCB) acts as the central bank for these countries and has supervisory and regulatory powers over local banking institutions, in addition to the ministries of finance of each country. While the ECCB has responsibility for the supervision and regulation of the domestic banking sector, the offshore and non-banking financial services sector in Saint Lucia is regulated and supervised by the Financial Services Regulatory Authority (FSRA), a statutory body under the Ministry of Finance. Entities regulated by the FSRA include credit unions, domestic insurance, pension, and money services entities such as remittance agents.

Like other Caribbean countries, Saint Lucia's economy still largely relies on cash and cheques. However, the financial services landscape in Saint Lucia is evolving, with electronic payments playing an increasingly important role in day-to-day transactions. Although the FinTech sector is still at a nascent stage, the country's financial landscape offers various digital solutions that the Ministry of Equity can explore to make payments to beneficiaries, including to provide rapid support during emergencies. Additionally, several financial service providers are exploring a range of new modalities to augment their existing suite of products, which provides an opportunity for the government to engage with financial providers to harness existing solutions and support the development of tailored solutions.

Four major domestic and international banks significantly influence the financial sector, offering services from retail to corporate banking, along with wealth management. These banks facilitate modern conveniences such as debit and credit card services and digital banking apps, enhancing financial management through electronic devices. Acknowledging the importance of bringing the 'unbanked' into the financial landscape and offering them tailored products and services, the Bank of Saint Lucia (BOSL) is introducing a pre-paid card solution, a venture where government collaboration could potentially offer reloadable, multi-purpose cards to social protection beneficiaries.

Another cornerstone of the financial landscape are credit unions serving as an alternative to traditional banks and promoting financial inclusion by catering to individuals and small businesses with limited access to mainstream banking services. Sixteen member-owned cooperatives exist in Saint Lucia and offer a range of financial services, including savings accounts, loans and life insurance, to their members. In 2021, they boasted a high customer

penetration rate per capita of 96.46%.<sup>5</sup> Credit Unions have also embraced digital transformation, with several larger credit unions launching digital banking apps, but most do not yet offer debit cards. A joint effort among several credit unions was launched in 2019 under the name “UNICARD”. The “UNICARD” has limited functionality, with access to only four ATMs and no point-of-sale transactions. However, there is a significant opportunity for credit unions to enhance their digital offerings, potentially exploring avenues like prepaid cards and digital wallets. Credit unions have a wide reach in Saint Lucia, and PAP beneficiaries who participated in focus groups expressed appreciation for the financial services and proximity they offer. These attributes can be leveraged to promote the adoption of innovative solutions and capitalize on the expanded credit union network.

Outside of the traditional financial sector, digital financial services are in their nascent stages in Saint Lucia. Penny Pinch, a local provider established in 2019, is the only player in the country in the emerging financial technologies (FinTech) industry. The vision of the company is to provide a mobile app that enables the 'unbanked' and 'underbanked' to open a digital wallet account within minutes and have access to a range of financial services. The digital wallet enables POS payments within a network of registered merchants as well as online payments via its mobile app to selected merchants, including utility providers. Currently operating in a 'closed loop' with a limited number of registered merchants, the company is looking to expand its reach and service offering in Saint Lucia, including through partnering with remittance companies and offering a card-based product in the future. The Penny Pinch app was previously tested as part of a small pilot project conducted by the Ministry of Equity with support from WFP to provide social assistance to households affected by Hurricane Elsa (see Box 1).

The Financial Services Regulatory Authority (FSRA) has identified exploration of FinTech and digital assets as key focus areas to maintain pace with developments in the worldwide digital payment ecosystem. However, the country has no dedicated legislation for FinTech companies. Like remittance agents and microfinance providers (e.g. BELFund, FastCash Limited, Axcel Finance (St. Lucia) Ltd.), FinTech companies are regulated by the Money Services Business Act Cap.12.22.

In 2021, the FSRA issued Electronic Money Guidance Notes to guide potential market entrants into the electronic money services sector and is considering developing mobile money legislation in the near future. The current guidelines require companies that offer electronic money services to have a bank account with an average balance equivalent to the total amount of e-money issued less cashback rewards. These collateral requirements for electronic money services could become a hindrance to new market entrants with limited access to capital as it would require large capital inflows prior to establishing operations.

At the Eastern Caribbean level, the ECCB piloted a digital currency called DCash in 2021, a securely minted digital version of the Eastern Caribbean dollar that aims to facilitate seamless cross-border transactions and enhance financial integration within the region in the future. It was first tested within a Regulatory Sandbox based in Barbados, before being piloted in Antigua and Barbuda, Grenada, Saint Kitts & Nevis and Saint Lucia in 2021. In the context of the pilot phase in Saint Lucia, two commercial banks participated, along with a non-bank money service business to serve as an agent. The role of this agent was to facilitate registration process and provide customer service to individuals who were previously without access to traditional banking services.

Currently, DCash has limited functionality with local commercial banks, whereby customers must specifically request that their banks load DCash to their digital wallets. However, DCash has

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<sup>5</sup> World Council of Credit Unions 2021 Statistical Report. URL: [https://www.woccu.org/documents/2021\\_Statistical\\_Report](https://www.woccu.org/documents/2021_Statistical_Report)

indicated that they are actively working on implementing an e-commerce option and ultimately, seamlessly integrating the digital wallet with core banking systems.

As Saint Lucia's digital payments landscape continues to evolve, specific consumer protection legislation is needed to protect users of financial services, including the most vulnerable. The Consumer Protection Act, passed in 2016, contains general provisions to promote and protect consumer rights in relation to the supply of goods and the provision of services. The electronic money guidelines issued by the FSRA outline basic requirements on consumer protection, education, and privacy. Further articulating these requirements and ensuring enforcement will be critical. An opportunity may arise in the development of a separate law on FinTech and/or mobile money.

### **3.3. Examining Financial Inclusion in Saint Lucia**

Despite the growth in microfinance institutions, the creation of digital wallets, and the Government's efforts to expand financial account ownership among social assistance beneficiaries, financial inclusion of the most vulnerable in Saint Lucia continues to face a number of challenges.

The Government of Saint Lucia has made significant strides in helping PAP beneficiaries establish bank and credit union accounts to receive their benefits. However, one major hurdle in this process is the Know Your Customer (KYC) requirements, which can vary depending on the type of financial service and the institution providing it.

Non-bank service providers such as credit unions generally have less stringent KYC requirements compared to banks, which are subject to rigorous regulations. Typically, these providers request customers to provide two forms of identification and proof of address. In some cases, they may also inquire about the source of funds and the purpose of the transactions. In contrast, banks often require all the above, along with a reference letter or statement from another financial institution.

The local digital wallet provider, Penny Pinch, has simplified the process for opening an account, allowing individuals to complete it with a biometrically verified photo captured with a smartphone. It is important to note that KYC requirements for digital wallet and mobile money providers may change in the future. This could happen as these providers expand their services or in response to new laws and regulations.

In the end, the onboarding of individuals without identification documents to digital wallet providers will require sustained and effective collaboration between the Government and financial institutions. The goal is to establish consistent KYC standards across the board and ensure that account opening is accessible and streamlined for all individuals regardless of their chosen financial institution.

The uptake of financial services, including digital solutions, also relies on improved financial literacy as a foundational element for financial inclusion. Various stakeholders, including from the private financial sector, emphasized the importance of financial literacy and education and expressed their willingness to support such initiatives. To ensure that these initiatives reach the most vulnerable, diverse forms of communication, including audiovisual media, need to be developed, that address different segments of society. Credit unions can play a crucial role in helping to improve financial literacy given their significant client base and trust they enjoy among social assistance beneficiaries.

Limited access to formal credit remains an important challenge for individuals and micro, small, and medium enterprises. According to research by the Department of Finance, this situation can be generally attributed to the lack of credit bureaus, high collateral required by banks, and information asymmetry between lenders and borrowers.<sup>6</sup> Credit unions, which are subject to less stringent requirements than banks, provide access for some of the most vulnerable to limited credit against their shares. There has also been a steady increase in the number of institutions registering as microlenders in Saint Lucia, as well as the number and value of loans made by these entities. Companies such as Fast Cash Limited, Axel Finance Limited, and Unicomer Limited (under the name ReadyCash) are licensed to provide loans up to XCD50,000 and have emerged to meet the needs of a niche market of micro and small businesses and individuals who do not normally have access to credit through other (larger) financial institutions.

Besides credit unions and microlending companies, several institutions provide access to microfinance for low-income individuals as part of a broader social inclusion mandate. The BELfund and the St Lucia Social Development Fund (SSDF) offer targeted microfinance in the form of business loans to low-income, underprivileged individuals as part of social programmes that aim to create sustainable livelihood opportunities. However, current requirements and eligibility criteria (such as the number of guarantors and collateral required) constitute major barriers for the underprivileged and financially excluded in accessing these loans. These barriers can potentially limit livelihood opportunities for individuals desirous of starting or expanding a business but lack sufficient capital to do so. Improved access to these services is crucial for supporting the financial inclusion and economic empowerment of the most vulnerable and could support the Ministry of Equity's efforts to help people graduate from social assistance through the promotion of entrepreneurship and sustainable livelihoods.



### 3.4. Listening to the Voices of Social Protection Beneficiaries

In the context of social protection, understanding the experiences of social protection beneficiaries and vulnerable groups is crucial, as they are often excluded from traditional financial systems and are at a risk of being further left behind in the adoption of new technologies. A focus of this research is to identify the barriers to using digital payment options, with a particular emphasis on the most vulnerable members of society. Understanding how experiences, preferences and constraints in using financial services and digital tools differ for women, men, the elderly and people with disabilities can provide valuable insights for the design of effective social protection programmes and payment solutions. It can also shed light on what factors to consider when using digital payments to reach the most vulnerable people following an emergency.

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<sup>6</sup> Department of Finance, 2020

To explore these issues in Saint Lucia, a team comprised of staff from the Ministry of Equity and WFP conducted focus group discussions with a total of 60 participants in three areas (Choiseul, Dennery, Gros Islet). The main findings from these discussions are summarized below.

### Predominant use of cash despite widespread ownership of financial account

Account ownership with financial institutions is widespread among focus group participants, due to the fact that the Ministry of Equity has transitioned to making most PAP payments through bank and credit union transfers. The majority of participants expressed a preference for credit unions over banks because they were generally perceived to offer a better range of services and fee structure, as well as more favorable and flexible terms and conditions, in addition to geographic proximity and ease of access.

*"Credit union is better because they will allow you to save a little something."*

Cash is overwhelmingly used for performing daily transactions, as it is considered the most convenient option and, for many, the only way to conduct financial transactions with which they are familiar.

The majority of focus group participants receive their monthly PAP benefit through their bank or credit union account and access their funds by going to a teller, with no difference observed by age. Likewise, most participants pay their utility bills in person in cash directly to the utility provider or through SurePay payment locations, which are conveniently located at credit union branches across the island. Only a very limited number of participants mentioned using ATMs or making debit card payments in their everyday lives. It should be noted, however, that debit cards are not yet widely offered by credit unions, which have very limited ATM networks. Although the majority of younger participants own a smartphone and access the internet daily, participants did not report using online banking or other digital financial services.

### Limited knowledge of and trust in digital financial tools

Limited knowledge about digital financial technology and its potential uses appears to act as a barrier to using it. Knowledge of mobile money and digital wallets was virtually non-

*"If the phone mash up I cannot pay for the phone or pay for bills." - Male beneficiary, Dennery*

existent among focus group participants of all ages, as was account ownership. Overall, participants expressed a high level of distrust towards digital financial technology with strong concerns about cyber security and fraud. Misconceptions about mobile money and digital wallets exacerbate certain fears. For example, participants feared that if they lost their phone, they would automatically lose the funds stored in their digital wallets. Similarly, they expressed concern that unauthorized persons could gain access to their funds by accessing their device. Despite these concerns, many participants recognized the potential benefits of mobile money and digital wallets and expressed possible interest in using these tools if provided with information and training.

### Generational gap in people's willingness to use mobile money, with general concerns across all ages

Willingness to learn about digital services such as mobile money is evident among the younger persons consulted. By contrast, the majority of elderly focus group participants stated that they are not interested in mobile money, even though some see the benefit of it for younger people.

The lack of a smartphone and the inability to use digital technologies are barriers for older persons, which go hand in hand with the general preference for cash observed among all focus group participants. Younger participants are potentially open to mobile money if provided with information and training.

*"If it [mobile money] is accepted everywhere I would be more inclined to use it, otherwise its useless." – Male*

Despite the younger generation's openness to the potential use of mobile money, general concern was expressed about the limited utility of mobile money due to the lack of registered merchants that accept such payments. Similarly, participants emphasized the need to have cash on hand to make certain payments, such as public transportation fees. Some participants do not see much benefit in using mobile money due to their limited income and scope of financial transactions. Furthermore, some expressed concern about losing their mobile phone and not having the financial means to replace it, which might affect their ability to access their funds. Not being able to afford constant access to mobile data was also cited as a concern by some.

#### **Strong interest in learning about income generation and financial management**

Having small and irregular income is a major challenge for beneficiaries as they struggle to meet their basic needs. The majority of participants recognize the usefulness of savings as a buffer for emergencies. However, most are unable to save regularly due to a lack of disposable income, with the high cost of living cited as a major problem. In light of these challenges, younger participants expressed widespread interest in learning more about savings and budgeting, as well as digital financial tools. Income generation and access to microfinance were highlighted as additional priority topics, including among some seniors. Overall, focus group participants welcomed the opportunity to voice their needs, preferences and problems during the discussions, and expressed interest in similar thematic sessions to enable peer-to-peer learning and exchange and to participate in awareness-raising and training on various topics.

## 4 Recommendations

Based on the insights from government and institutional stakeholders as well as the voices of PAP beneficiaries, this research identified several opportunities to improve the delivery of social assistance payments and promote financial and economic empowerment in Saint Lucia.

Based on the research findings our overarching recommendations and accompanying actions focus on how social assistance payment processes could be streamlined and made more responsive in the face of shocks. They also highlight potential entry points for promoting financial inclusion and economic empowerment and for creating an enabling environment for the expansion of digital payment services in Saint Lucia.

### 1. Streamline and increase the speed of social assistance payments processes for more efficient and shock-responsive delivery

- **Consider using a standard form to certify client's banking information.** For newly onboarded and existing PAP beneficiaries, the financial services provider can validate a form upon verification of the individual's bank details. The Ministry of Equity team can liaise with the National Insurance Corporation to better understand the process, identify lessons learned and map out a way forward as it has implemented a similar process for its clientele.
- **Take full advantage of the EFT system to increase efficiency and ensure faster disbursement of funds.** The Ministry of Equity should continue to liaise with the Accountant General's Department to have all payments fully processed through EFT and avoid issuing cheques to speed up the process in the backend. In adopting EFT systems for the disbursement of social protection benefits, the government should also closely liaise with the involved financial institutions to ensure a streamlined transition to automated payments.
- **Facilitate nomination of focal points at financial institutions for the Accountant General's department** to speed up the process of processing and crediting PAP clients' accounts.
- **Document payment processes in the Ministry's PAP Operational Manual and SOPs** to ensure that all relevant persons are aware of roles, responsibilities and timelines. This documentation should also outline what happens if beneficiary information is not submitted by Welfare Officers on time for payments to be approved by the due date of a given month.
- **Explore, assess and test different instruments for the delivery of cash for routine and emergency programming – for example pre-loaded debit cards.** Existing financial service providers offer or are in the process of developing various options for the underbanked/unbanked, which can provide a rapid alternative for beneficiaries to access entitlements. The Ministry of Equity and Ministry of Finance should continue to dialogue with financial service providers to learn about the suite of options that can be used or customised



for routine and emergency cash assistance to beneficiaries. Digital wallets and pre-paid debit cards are two such options.

- **Develop and test a contingency plan that indicates how existing payment processes would be used or modified in emergencies** (e.g., credit union, bank accounts, increasing manual payments), as provided for in the Ministry of Equity's SOPs for shock-responsive social protection. This element should build on existing efforts by the Ministry of Equity and Ministry of Finance as it relates to advancing payment dates for the PAP.
- **Consider establishing MoUs and similar agreements with payment operators** in accordance with the Ministry of Equity's SOPs for shock-responsive social protection to provide for alternative digital finance tools that can be used to scale up payments in emergencies.
- **Provide people with a choice of different options to receive cash assistance.** Through the PAP, the Ministry of Equity has provided people with a choice in terms of how to receive their entitlement (through cheques, bank or credit union transfers). It is important to continue to provide a choice in the process of introducing new digital payment options.
- **Establish mechanisms to notify beneficiaries of the payment date.** The Ministry of Equity, in partnership with telecommunications providers, should consider communicating the availability of client's entitlements on their accounts every month to help improve the user experience and access to entitlements. This process will rely on and greatly benefit from the streamlining of payment processes to ensure the timeliness and transparency of PAP payment dates.
- Continue to support unbanked beneficiaries, especially those without identification documents, in opening bank/credit union accounts through the issuance of a letter by the Ministry that will facilitate the onboarding of these new clients by banks/credit unions. In addition, the government should liaise with the financial service providers to communicate such an exception for the seamless and dignified onboarding of PAP beneficiaries.
- **Continue discussions on piloting and testing Anticipatory Action, which provides cash assistance to vulnerable households based on a forecast before a disaster strikes.** This will help eligible households to prepare for disasters and cope with impacts.

## 2. Enhance existing efforts to promote financial literacy and awareness of digital financial services

- **Integrate financial literacy and awareness campaigns into the Ministry of Equity's new Communications Strategy** through the use of various communication platforms and approaches. These efforts can build on community engagement and sessions that involve local comedians who can present topics in a relatable and empathetic manner. Additionally, utilising various social media options to communicate key messages can help reach a wider audience and make information more accessible. The implementation of this component could also benefit greatly from the public communication efforts of institutional players in

the financial sector who share this mandate, such as the St. Lucia Co-operative Credit Union League, the Bankers Association of St. Lucia and others.

- Incorporate training and sensitisation around financial literacy, budget management and digital technology as part of a 'life skills' component for all PAP beneficiaries. Consider the integration of a financial literacy curriculum in the Ministry of Equity's Graduation Strategy and as part of the onboarding process for new PAP beneficiaries. These sessions can be held at a local level and facilitated by respectable community members, building on a Training of Trainers model.
- **Harness synergies with other entities providing financial education as part of their social programmes**, including SSDF and BELfund. In line with the points raised above, this effort should focus on aligning the roles and activities of different entities as part of a more holistic support to beneficiaries along a social protection journey.
- **Collaborate with financial institutions to develop trainings on financial education and the utility of various tools**. The Ministry of Equity should work with financial institutions, including the Bankers Association of Saint Lucia (BASL), and St. Lucia Co-operative Credit Union League, to develop financial education material that can be utilised by PAP clients and beyond, as part of financial institutions' corporate social responsibility.
- **Work with community leaders and groups to promote financial literacy and encourage the uptake of various financial tools among the most vulnerable**. These sensitisation activities should cover the basics of budgeting, savings, as well as the access to and use of a range of financial tools and services (e.g. debit cards). In focus group discussions, beneficiaries indicated that they prefer people from the community to conduct such sessions in a well-known space in the community such as churches, community centres and even Ministry of Equity offices. Consideration could be given to identifying and training 'community champions' as resource persons who could support the Ministry's work on the ground.

### 3. Operationalize the PAP graduation strategy to create livelihood opportunities and support economic empowerment

- Map out a beneficiary's social protection user journey to align the services of different entities from onboarding to graduation and beyond. This mapping could serve as a basis for reviewing the determining the roles of different agencies at various stages of a beneficiary's journey with a view to providing continuous and complementary support and avoiding duplication of efforts.
- Build on the linkages and referrals articulated in the PAP Operational Manual to consolidate the specific roles of various entities along the social protection user journey. Additionally, the manual can be used as a basis for developing information products for PAP beneficiaries.
- **Establish an assessment methodology to identify those individuals/households to be graduated out of the PAP**. The methodology should include clear processes, criteria and

tailored tools to select those beneficiaries who are able to be self-sufficient if provided with adequate resources and training.

- **Establish or strengthen linkages between the PAP and existing micro-entrepreneurship and job placement programmes** as part of graduating people out of social assistance. These linkages should focus on establishing a transitioning and referral process from the PAP onto other programmes. Linkages should be established with programmes implemented by the SSDF and BELfund, among others. In this context, consideration should also be given to eligibility programmes to ensure alignment of programmes.
  - **Involve the private sector in implementing training, entrepreneurship, and employment initiatives.** The private sector is already involved to some extent as part of programmes implemented by other agencies (e.g. SSDF). Consideration should be given how to best leverage the private sector for different programmes and programme components.
  - **Improve access to microfinance for vulnerable individuals, especially PAP beneficiaries.** These measures should build on existing efforts aimed at revising and simplifying requirements for accessing business micro-loans. Consideration should be given to giving PAP beneficiaries special treatment in accessing microfinance access through the BELfund and SSDF. Engage in dialogue with credit unions on facilitating business loans through microlending. Potential measures identified through this dialogue could also include information-sharing and sensitisation efforts about existing products and requirements.
  - **Explore the possibility of a livelihoods social protection programme with a cash component.** Such a programme would be based on various conditionalities linked to tailored life and skills training components.
- 4. Create an enabling environment for digital financial services with a focus on inclusion of the most vulnerable**
- **Foster wider collaboration among stakeholders to streamline and strengthen efforts towards more inclusive financial services.** By continuing the dialogue among relevant stakeholders from government, non-government organisations and the private financial sector, the needs of different segments of society continues to be at the forefront in designing solutions, overcoming barriers, and leveraging opportunities. This multi-stakeholder engagement can be facilitated through joint workshops or focused consultations around specific issues or topics, as well as through the development of a joint roadmap with key milestones.
  - **Capitalise on the widespread credit union membership and utilise their existing infrastructure to develop digital solutions.** Given that credit unions are widely preferred by public assistance beneficiaries and have a high penetration rate among the general population of Saint Lucia, it is worth exploring the potential of leveraging these factors to support the development of a digital wallet that utilises the credit union network to provide an alternative payment option through digital channels.

- **Facilitate outreach to and engagement with retailers or merchants to promote the adoption of mobile money/digital wallets through sensitisation activities.** An important step towards the increase in the uptake of digital solutions lies in the expansion of agent networks. Having close-by cash-in/cash-out locations at the local community level was highlighted as a key requirement by PAP beneficiaries in focus group discussions. It is essential to strengthen these networks to enable wider use and improve user experience. These collective efforts should build on cooperation with the private sector and community stakeholders. Specific activities could include, for example, in-person demonstrations of the features of digital wallets to merchants, as well as the nomination and sensitisation of merchants as 'digital champions' in communities.
- **Ensure the continued work on developing enabling legislation and guidelines** including dedicated laws and/or guidelines for FinTech, mobile money and consumer protection among others. In doing so the Government of Saint Lucia should build on the efforts and partnerships with development partners such as the World Bank which already play a role in strengthening the enabling legal framework of countries in the region.
- **Consider establishing partnerships with telecommunications providers to provide more affordable internet connectivity** for social protection beneficiaries. These efforts should focus on ensuring affordable and flexible plans for mobile data and WiFi.
- **Promote interoperability among different digital financial platforms** to ensure seamless and cost-effective transactions across various service providers. Such longer term efforts, through the establishment of an enabling regulatory framework, will help to advance financial inclusion of the unbanked by enabling transactions across the platforms of various digital wallet providers.

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## **World Food Programme**

Caribbean Multi-Country Office

UN House, Marine Gardens, Christ Church Barbados - T +1 246 467 6000

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