Introduction to the Social Protection Payment Delivery Mechanisms Assessment Tool

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This work is part of the Inter-Agency Social Protection Assessment (ISPA) initiative, which aims to help countries improve their social protection (SP) system. The ISPA initiative provides a framework to analyse the strengths and weaknesses of the overall SP system—of the policies, programs and implementation structures in place.[1] Countries can apply ISPA tools periodically to track performance over time.

This work is also part of the Universal Financial Access by 2020 initiative which the World Bank Group and other agencies have committed to support. It is widely accepted that access to basic payment and financial transaction services is central to achieving financial inclusion and therewith broader development goals. Enhancing access to financial services requires initiatives to strengthen the foundational elements and drivers. The foundational elements include political commitment, robust financial and ICT infrastructure and an enabling legal and regulatory framework. The drivers include efficient payment services, wide coverage of access points and a shift of large scale payment programs to electronic mechanisms.

The Tool

The Social Protection Payment Delivery Mechanisms Assessment tool provides guidance on how to implement a high quality payment delivery mechanism for the delivery of cash or near cash[2] SP transfers that are primarily targeted to poor and vulnerable populations in developing countries. It is designed for use by SP policy makers and practitioners working in lower and middle income countries seeking to improve payment delivery in existing SP programmes and for those seeking to establish a payment mechanism for a new programme. This tool can also be applied to longer-term cash based humanitarian assistance, but does not touch on short-term humanitarian relief; nor does it explore labour and social insurance programs.

Consistent with all ISPA tools, this tool is comprised of a "What Matters" guidance note, a standardized questionnaire and assessment matrix, a structured country report outline, and an indicative implementation guideline. The set of criteria described in the "What Matters" guidance note lays down the conceptual foundation for the assessment on the basis of good practices and illustrations from real world experiences. The standardized questionnaire provides a framework to collect key qualitative and quantitative information, which will facilitate the development of evidence-based options for countries to consider and act upon. The primary aim of this work is to facilitate country dialogue in supporting the strengthening of SP and labour systems.

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[1] In 2013 the development partners from the Social Protection Inter-Agency Cooperation Board (SPIAC-B) launched the Inter-Agency Social Protection Assessment (ISPA) initiative. ISPA partner agencies and governments include: CGAP, DFID, EC, FAO, Friedrich Ebert Stiftung, Helpage, ICSW, ILO, IPC, ISSA, ITUC CSI IGB, ODI, OECD, Save the Children, Socialprotection.org, UK AID, UNDP, UNICEF, UNU-Merit, WBG, WFP , and the Governments of Australia, Finland, France and Germany (GIZ).

[2] Near cash transfers include payments using vouchers and spending electronic value directly without first converting into physical cash such as paying a merchant using a payment card.

The tool is not prescriptive and does not provide a specific implementation plan. It is a diagnostic tool that should be applied by a team of professionals with expertise in the subject matter as input to developing policy options and recommendation.

The "What Matters" guidance note provides background for those wishing to carry out or commission a country or programme assessment for SP payments. It is suggested that such an exercise would review three components: payment mechanism(s), payment environment, and SP system.

The guidance note is divided into four sections:

> Section (1) "What Matters": Overview of SP Payment Delivery Mechanisms. Considers the importance of payment mechanisms for SP programmes and describes the different actors involved. This section also proposes three criteria to assess SP payment mechanisms: accessibility, robustness and integration.
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> Section (2) "Supporting Environment for SP Payments" provides background information that needs to be considered in a review of the existing payment environment and infrastructure. This includes consideration of the regulatory context, the financial sector, and level of financial inclusion. There is also a description of the relevant national payments system infrastructure and types of providers involved in the provision of payment services and the approaches and technologies that they typically use.
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> Section (3) "Country SP System" highlights the importance of designing a high quality payment mechanism in the light of SP policy and programme structures and objectives.
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> Section (4) "Assessing SP Payment Delivery Mechanisms" briefly describes how to score a SP payment mechanism against the criteria described in section (1) and how to carry out the national payments environment and SP system environment assessments. The tables used to provide guidance in this assessment process are provided in an annex to this introductory note.

The tool combines insights from all stakeholders' perspectives, including social protection policymakers, financial sector regulators and policymakers, payment service providers, recipients, etc The questionnaire and suggested outline for the country report are similarly structured as the "What Matters" guidance note to guide data collection and the development of options and recommendations for a SP payments assessment.

Summary of the content

The quality of a payment mechanism used to deliver SP payments has a direct bearing on the success or failure of a SP programme. It can undermine the entire programme if payments do not reach the right people, at the right time, in the right place, with the full amount, and in an efficient manner.

There are many different stakeholders influencing the design, implementation and performance of a payment mechanism for a SP programme. The key actors are: programme funders, relevant public authorities, policy makers and implementers, payment service providers and beneficiaries. When considering an electronic payment delivery mechanism these stakeholders have some objectives in common and some competing objectives, which require decisions to be made about trade-offs. The framework used in this assessment, see Figure 1, seeks to define the objectives for a high quality payment delivery mechanism and to highlight the criteria of greatest importance to the various different stakeholders.

The assessment approach specifically looks at the quality of payments delivery, assessing three criteria:

1. **Accessibility** concerns how convenient the payment mechanisms are for beneficiaries with respect to <u>cost of access</u>—are the payment access points close to their homes and can they easily access their payments? An accessible payment system should also specifically consider its

appropriateness with respect to the needs of target groups including the poor, elderly, illiterate, women, and disabled. Are they trained in the use of the payment mechanism and is it clearly communicated to them when and how to collect payments? There also needs to be active and continuous communication with recipients to ensure they understand when payments will be delivered, the value of their benefit payment, and any changes to the process. Lastly, are beneficiaries offered choice, are they able to select their preferred payment mechanism? To support rights and dignity the needs of beneficiaries should have been considered in the design stage, a complaints and appeal mechanism should consider payment issues and where possible payments should be made using mainstream payment infrastructure through private transactions.

Figure 1: Criteria and stakeholders

Criteria for assessing payment delivery mechanisms		Actors/Stakeholders				
		1	2	3	4	5
Criteria	**Description**	**SP policy makers and implementers**	**Programme funders**	**Beneficiaries (Recipients)**	**Payment Service Provider/s**	**Financial Services Regulator**
1.Accessibility	Cost of access	✓		✓		
	Appropriateness	✓		✓		
	Rights and dignity	✓		✓		
2. Robustness	Reliability	✓	✓	✓		
	Governance	✓	✓			
	Security	✓	✓	✓	✓	✓
3. Integration	Financial inclusion		✓	✓	✓	✓
	Coordination	✓		✓	✓	✓

2. **Robustness** has a number of aspects. Are payments made reliably to allow beneficiaries to plan and manage their finances based on their receipt of the funds? Is a payments calendar used, communicated and adhered to? If a payment service provider is used, is there a business case for their continued involvement? A robust delivery mechanism has good governance of the payment process, which requires clearly defining roles and responsibilities and establishing timely and accurate reporting. Even in those cases where government has outsourced payments to a payment service provider such as a bank or post office, they still remain responsible for overseeing the process and ensuring that they have sufficient levers and information to control the quality of payments. The last aspect of robust systems is security. Security in the context of social protection payments refers to ensuring the safety of the flow of funds across the process chain, the stakeholders' systems, and the recipients' personal and financial information. Consideration should also be given to the integrity of the process related to preparation and exchange of payment instruction files by, where possible, separating the process of creation of the beneficiary information list from the payment itself. Maintaining the integrity of the process is key to mitigating the risk of creating ghost beneficiaries as well as reducing the risk of accidental changes to the list. At the point of payment, the identity of recipients should be verified[3]. Lastly if payments are outsourced to a third party, that institution should be regulated by the relevant public authority, typically the national central National Central Bank.

[3] In an electronic payment process best practice requires two-factor authentication for example a card and PIN (personal identification number).

3. **Integration** concerns the payment mechanism's ability to support the receipt of a variety of payments. Integration can involve the coordination of payments from different payers within government across multiple ministries, agencies and social protection programmes. This also speaks to the issue of flexible payment delivery mechanisms that allow for changes in transfer values, for example in response to an emergency, and for dynamic beneficiary registry lists to reflect program entry and exit. In addition, integration concerns the ability of the payment mechanism to be used to facilitate financial inclusion by providing a transactional account and enabling beneficiaries to save. Some cash transfer programmes go further by employing mechanisms and incentives that encourage savings behaviour.

The assessment tool uses a color-coded four point scoring system. Within each subcomponent of each criteria the more advanced examples of payment delivery are awarded a score ofof four whilst latent approaches are awarded a score of one. Given the trade-offs between some criteria it is unlikely that any single payment delivery mechanism would receive the same scores across all sub-components. This assessment approach should rather help to identify areas that may benefit from strengthening, in line with best practice, as well as ensuring that trade-offs between criteria are made explicit to policy makers.

The results of the assessment should be summarized in a country report developed and shared with policy makers. The objective of the report is to provide an analysis of the state of social protection payment mechanisms in the country and offer useful insights and options regarding the improvement and development of social protection payments that can provide more value to social protection beneficiaries.

The full version of the tool will be available in the Fall, 2016.

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