Introduction to Payments Tool

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Structure of Presentation

1- Introduction to Payments Assessment

2- Unpacking the Payments Tool

3- Applications and International Experiences of the Tool

4 – Payments Clinic
1- Introduction to Payments Assessment
Why do we Need a Payments Tool?
Question 1:

- In my Cash Transfer Payment Process the following is at the center of Payments Cycle:
  - Beneficiary
  - Payment Service Provider
  - Government
  - Social Mobiliser
Objectives of a Payment System

Successfully **distribute**
the **correct amount** of benefits
to the **right people**
at the **right time** and **frequency**
while **minimizing costs** to
both the program and the beneficiary
Standardized Payment Delivery Process Map

1. Payments Service Provider
2. Mobilization to Payment Point & Authentication of Identity
3. Cash Out – Validation at Payment Point
4. Reporting & Reconciliation

A. Program Beneficiaries Identification & Registration
B. Database & Beneficiaries Management: Preparation of Payments List
A set of practical tools that help countries improve their social protection systems by analyzing their strengths and weaknesses and offering options for further action.
Question 2:

“In my safety net program, payments to beneficiaries are primarily delivered using …”

1. Manual – Cash/ Voucher
2. Electronic – Digital Payments Debit card/Mobile money
Introducing Electronic Payments Systems

- Improved Efficiency and Timeliness of Payments through automated procedures
- Improved access to a growing financial services ecosystem and value added services for beneficiaries
- Enhanced Transparency and Accountability of Cash Transfers to beneficiaries through electronic means
- Reduced Leakages and wastage of funds

Reduced Leakages and wastage of funds
Question 3:

What does a payments assessment tool look at:

1. Operational Delivery of Payments
2. Policy and Regulation for Payments
3. Both Operations and Regulation
How does a Payments Assessment Help Improve Payments Delivery

**Operational Perspective**
- **TYPE** of cash transfer program
- Current and Future **OPERATIONAL NEEDS**
- RURAL vs URBAN – **NETWORK SUPPORT**
- BUDGET
- INTEGRATE new designs

**Policy Perspective**
- Dialogue with key **STAKEHOLDERS**
- Policy, **SYSTEMS** and regulations
- Push the envelop on the **SUPPLY SIDE** of Financial Services
- Incorporate regional **BEST PRACTICES**
2. Unpacking the Payments Tool
What Does a Payments Tool Include

- **Country Report**
  (Presents findings, strengths and weaknesses, best practices and policy options)

- **Overview of Findings**
  (Findings against the agreed criteria based on a scale)

- **Data Collection Framework**
  (Gathers qualitative and quantitative information)
What are the Key Elements Financial and Regulatory Elements of the Payments Tool

Policy, regulation and legislation

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What are the Key Elements of the Payments Tool

ACCESSIBILITY
- Cost of Access
- Cost of access
- Appropriateness
- Rights and Dignity

ROBUSTNESS
- Reliability
- Governance
- Security

INTEGRATION
- Financial Inclusion
- Coordination
Q. 4- Can a Payments Assessment only cover the Social Protection Payments Delivery System?

YES  NO
Q. 4- Can a Payments Assessment only cover the Social Protection Payments Delivery System?

YES  NO
1. **Cost of Access**
   - Direct and Indirect Costs
   - Proximity of PP
   - Location of PP/Choice

2. **Appropriateness**
   - Needs of Poor, Elderly, Illiterate
   - Training and Communications
   - Beneficiary Choice

3. **Rights and Dignity**
   - Identification and Protection
   - Grievance Redressal
   - PSP SLA – Monitoring
Question 5:

The Accessibility Criteria of the Payments Tool helps better understand and quantify costs from the perspective of:

1- Social Protection Project
2- Social Protection Beneficiaries
3- Social Protection Systems
1. **Reliability**
   - Timeliness in payments
   - Fund flow and management
   - Business case for PSP

2. **Governance**
   - Written procedures and policies
   - Roles and Responsibilities
   - Timely and accurate reporting

3. **Security**
   - Security of Fund Flow
   - Security of payment instruments
   - Security of Authentication - two factor
Question 6:

The Robustness Criteria of the Payments Tool helps better understand the social protection payments in terms of:

1- Design and Systems Approach
2- Beneficiary Engagement Approach
1. Financial Inclusion
   - Savings enabled - account is provided
   - Saving encouraged – multiple methods

2. Coordination
   - Payment Strategy – Deliberate Choices in terms of PSPs
   - Multiple Providers, Channels and Instruments
   - Common ID for all SP Programs
3. International Experiences and Applications
DEVELOPING DYNAMIC PAYMENTS SYSTEMS - COUNTRY EXAMPLES

ACCESSIBILITY
Costs and Appropriateness
PHILIPPINES: 4Ps program works with Accredited Agents to reduce costs and expand outreach in rural areas

ROBUSTNESS
Security of Fund Flow and Authentication
NEPAL: Social Security Allowances using Biometric POS

INTEGRATION
Coordination and Interoperability
TURKEY: Comprehensive Social Welfare Card for all Cash Transfers
How Does a Payments Assessment Tool Support Stakeholders

• How to design a system that takes into Account:
  • Type of program
  • Current and future needs
  • Different circumstances? (Rural vs. Urban; availability of electricity, telephone network, etc.)?

• How much to invest in administrative capacity and infrastructure? (hardware and software) to lower delivery cost in the future

• How to integrate policies and systems into delivery designs and established processes
Maximizing the Business Case for SP Systems based on Payments Assessments

With Real time Electronic Reconciliations 90% of beneficiaries are receiving payments through debit cards within 72 hours of Disbursement

Almost 50% reduction in service charges and commission from 6.25% to less than 3%

Effectiveness

Transparency

Efficiency
What are the nuts and bolts to get the PSPs in place

- Selection of PSP - Competitive, Single Source, Telecom/Bank, Agents, Post Office etc.
- Selection of Instrument – Biometric, Cards, Mobiles, etc.
- Operational requirements – Integrated Social Protection Information System, MIS, Reporting, Reconciliation
UNDERSTANDING WHAT MATTERS IN PAYMENTS SYSTEMS?

- **BRAZIL**
  - *Bolsa Familia*
  - Conditional Cash Transfer
  - 14 Million plus Recipients

- **INDONESIA**
  - *Program Keluraga Harapan (PKH)*
  - Conditional Cash Transfer
  - 3 Million plus Recipients

- **MEXICO**
  - *Prospera*
  - Conditional Cash Transfer
  - 6 Million plus Recipients

- **PAKISTAN**
  - *Benazir Income Support Program (BISP)*
  - Unconditional Cash Transfer
  - 6 Million Recipients

- **TANZANIA**
  - *Tanzania Social Action Fund (TASAF)*
  - Conditional Cash Transfer
  - 1 Million plus Recipients
## Way Forward and Recommendations

| Payments System Improvement | Possible move towards e-payments  
SRIS modules development and dashboards |
|-----------------------------|-----------------------------------------------------------------------------------|
| Identification of Payment Systems Gaps | Such as security, accountability, interoperability opportunities  
Improvement in Financial inclusion outcomes |
| Policy Outcomes and Client Engagement | Dialogue focused stakeholder feedback sought  
Expansion of SP Policy Framework and increased Coordination |
THANKS

ISPA PAYMENT ASSESSMENT TOOL

ISPA
INTER AGENCY
SOCIAL PROTECTION ASSESSMENTS