

Social Protection Payments Tool

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Objective

- A diagnostic tool, not prescriptive
- Provides guidance on how to implement a high quality payment delivery mechanism for the delivery of cash or near cash social protection transfers that are primarily targeted to poor and vulnerable populations in developing countries
- Designed for use by social protection policy makers and practitioners working in lower and middle income countries
- To improve payment delivery in existing and new social protection programs
- To benchmark progress in key areas over time
- To provide a common framework across donors, government, social protection actors and financial sector actors
- Can be flexibly used and adapted

ISPA payments tool includes



1

"What Matters" Guidance Note

- Lays foundation for assessment
- Provides instructions to gather information
- Describes how the assessment is organized



2

Questionnaire

- Gathers qualitative and quantitative information



3

Assessment Matrix

- Assesses data gathered in questionnaire ranked from 1-4



4

Country Report

- Presents the findings
- Highlights strengths and weaknesses in relation to good practice
- Summarizes complex landscape of policies and institutions
- Serves as jumping off point for future dialogue between stakeholders



Implementation Guidelines

Outlines the process of application & implementation of ISPA tool from start to completion

Progress on payments tool

- Prepared by Caroline Pulver in coordination with the ISPA Working Group with representatives from:
 - World Bank, CGAP ,World Food Programme, OECD, GIZ, Save the Children UK, IPC-UNDP, UNDP, GIPSPI, ILO and FAO with expertise in payments, social protection and financial inclusion.
- Country testing
 - Indonesia September 2015 - testing the tool (WB+DFAT+GIZ)
 - Tanzania November 2015 - testing the tool + process (WB+TBA)
- Multi agency workshop → finalise the tool + process
- ISPA Coordination Team → formatting and editing
- ISPA Executive Group → Approval
- Free and publically available on ISPA website

What Matters Guidance Note

- Why are payment delivery mechanisms important
- Manual versus electronic delivery
- International trends in payments delivery
- Who the key actors are
- Key performance indicators
- What the criteria are for assessing payment delivery
- The financial costs of payment delivery

Why are payments important?



- Integral to the success of a SP programme
 - Efficiency
 - A significant element of programme cost
 - High proportion of admin budget
 - Effectiveness
 - Impact on beneficiaries
 - Predictable payments critical to risk management
 - Entry point for financial inclusion

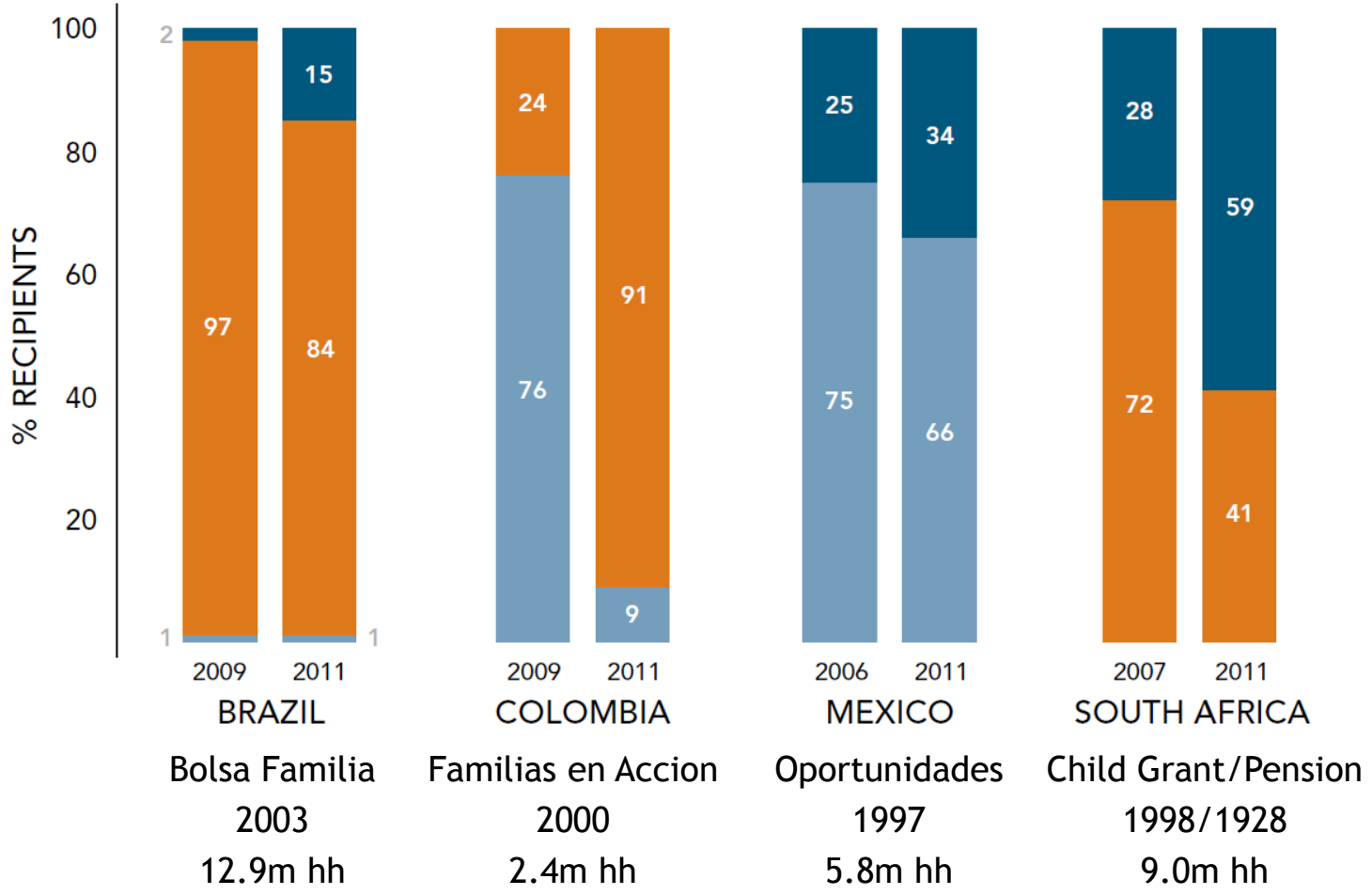
Shift from manual to electronic payments

- International trends
 - move away from manual cash based systems disbursed through government offices and staff
 - move towards outsourced electronic payments and financially inclusive mechanisms
- The New America Foundation's Global Savings and Social Protection Initiative: Tracked 84 SP programmes in 43 countries, covering 74 million beneficiaries,
 - 2009: 25% receive payments electronically
 - 2012: 62% receive payments electronically

Shift from manual to electronic in large established CTs



Limited Purpose
Physical Cash



Source: CGAP Focus Note 77, 2012

Actors and trade-offs

- Programme funder (Government or Donor)
 - Security of funds and value for money
- Programme policy maker/implementer (Government/NGO)
 - SP policy
- Beneficiary (Recipient)
 - Vulnerability, lack of power
- Payment Service Provider (PSP)
 - Business case
- Financial Services Regulator (Government)
 - Financial inclusion and financial sector stability

Objectives for payment delivery mechanisms

Assessment matrix

Criteria	Description
1. Accessibility	Cost of access
	Appropriateness
	Rights and Dignity
2. Robustness	Reliability
	Governance
	Security
3. Integration	Financial inclusion
	Coordination and interoperability

1. Accessibility

- Cost of Access
 - Direct and indirect cost of access
 - Proximity of payment to beneficiary's home
 - Beneficiary choice
- Appropriateness
 - Needs of poor, elderly, illiterate, women, disabled
 - Training
 - Communication
 - Privacy of transactions
- Rights and Dignity
 - Identification and protection of individual rights
 - Grievance and redress / complaints and feedback
 - PSP SLA: Monitoring and evaluation

2. Robustness

- Adequacy
 - Reliability: reduced impact - debt trap, investment
 - Set payment calendar, communicated and adhered to
 - Fund flow: upstream delays and mitigation
- Governance
 - Defined roles and responsibilities
 - Timely and accurate reporting
 - Government still responsible for payments even if outsourced to PSP
- Security
 - Security of funds flow: electronic
 - Security of payment instructions
 - Security of authentication: two factor
 - Regulated institution providing safe transaction account

3. Integration

- Financial inclusion
 - Savings enabled: An account is provided, more developmental & allows beneficiaries to:
 - Save for future needs (education, seed, fertilizer)
 - Invest in productive assets (buying a cow)
 - Help manage daily expenses
 - Reduce vulnerability to emergencies (health etc)
 - Graduation from grant dependence
 - Creation of digital footprint access to other FS
 - Access to FS for the whole community
 - Savings encouraged
- Coordination and interoperability
 - Payment Strategy deliberate considered choices
 - Payment address for multiple payees (G2P, P2P), national and international
 - Common ID for all SP programmes

Payment delivery mechanism review: Guidance Table

- For each criteria the table describes typical characteristics
- Provides a snapshot of a delivery mechanisms stage of development, can track evolution over time, and allow comparison across schemes
- Scores do not define a perfect system – trade-offs between objectives
- Example – Accessibility – Cost of access

Criteria		Emerging ← ----- → Advanced			
Score:		1	2	3	4
Accessibility	Cost of access ⁶³	Average payment collection takes over 4-6 hours . Collection time includes waiting time and transaction time.	Payment collection takes 2-4 hours	Payment collection takes 30mins-2 hours	Payment collection takes Less than 30mins
		Very few points available hence long travel times from beneficiaries' homes average travel times over 3 hours	Travel times 2-3 hours	Travel times 1-2 hours	Travel times Less than 1 hour
		The cost of access (transportation costs, charges, informal payments) represent over 40% of the value of the transfer for large numbers of beneficiaries	40%-25%	25%-10%	>10%

How are ISPA tools applied?





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