PAYMENT ASPECTS OF FINANCIAL INCLUSION
THE WORLD BANK EXPERIENCE IN IMPLEMENTING PAFI
All individuals and businesses should be able to have access to and use at least one transaction account operated by a regulated payment service provider:

- to perform most, if not all, of their payment needs
- to safely store some value
- to serve as a gateway to other financial services
The PAFI approach

Universal access to and frequent usage of transaction accounts

Catalytic pillars – Drivers of access and usage
- Transaction account and payment product design
- Readily available access points
- Financial literacy
- Leveraging large-volume recurrent payment streams

Foundations – Critical enablers
- Financial and ICT infrastructures
- Legal and regulatory framework
- Public and private sector commitment

By 2020, 1 billion adults who currently are not part of the formal financial system will gain access to a transaction account through targeted interventions.
The PAFI experience

Diagnostics: feedback from the assessors
PAFI framework as analytical tool

14 COUNTRIES COVERED BY PAFI DIAGNOSTICS

Albania, Brazil, China, Cote d’Ivoire, Congo DR, Egypt, India, Indonesia, Kyrgyz Republic, Madagascar, Mexico, Pakistan, Rwanda, South Africa

FLEXIBLE APPROACH

• Standalone full assessments
• Component of broader diagnostic (e.g. FSAP)
• Modular diagnostic
Lessons learned /1 – A useful analytical tool

- A standardized diagnostic framework
- Defined scope, structure
- Useful to design strategies and projects
- Facilitates cross-country comparison
Lessons learned /2 – Refining the methodology

- Template developed, adopted for full assessments
- Need for additional guidance on how to assess some of the Principles
- Adapting the scope to client’s needs
- Limited leverage / depth in some areas (e.g. ICT)
### Lessons learned /3 – Challenges

| Guiding Principle 4 (product design) | • Undertaking a comprehensive review  
• Formulating practical recommendations for authorities |
| Guiding Principle 5 (access points) | • Lack or insufficient depth of data |
| Guiding Principle 6 (financial literacy) | • Lack of baseline data to measure effectiveness of literacy efforts  
• No systematical mapping of financial education programs |
| Guiding Principle 7 (large-volume, recurrent payments) | • Need for in-depth assessments for each payment stream |
Ideas for a Guidance Note for PAFI diagnostic

- Provide additional guidance and methodology
- More consistency, comprehensiveness
- Fill gaps for areas where detailed guidance is not available
- Deeper coverage of emerging topics (e.g. role of FinTech)
- Collect and showcase good practices
- Living tool / digital format
The PAFI experience

Reforms
Reforms / actions triggered by PAFI Guiding Principles

Legal and regulatory reforms

• Central bank laws amended to increase power to regulate/oversee retail payments, financial inclusion
• Banking (or other relevant) laws amended to allow/strengthen role of non-banks in payments market
• KYC regimes revised to allow tiered accounts structure, risk-based approach

Strategies

• National Retail Payments Strategies
• Role for authorities beyond central bank (e.g. education, IT infrastructure, taxes, identification)

Analysis

• In-depth studies of Government payments and collections
• Incentives for electronic payments acceptance

Policy

• Review of agent banking models to expand reach
• ID reforms / digital ID

Capacity

• New territory for some central banks: need for capacity building
Implementing PAFI

World Bank Group support
Financial Inclusion

Global Initiative (FIGI), funded by Bill and Melinda Gates Foundation, launched in 2017

Design based on the PAFI framework

3 Country Programs informed by PAFI diagnostic:

China, Egypt, Mexico
How the World Bank Group is supporting countries in the implementation of the PAFI guiding principles

Foundations – Critical enablers

- Madagascar: Lending operation supporting establishment of a centralized electronic collateral registry.
- Mexico: Pilot application of new technologies to ID systems (FIGI, 2019-2020)
- West Africa: IDA financing for Regional Identification Program (WURI) to build an ID system covering all persons in the ECOWAS territory
- Morocco: Implementation of an ID system in Morocco with focus on beneficiaries of social protection payments
- Support the design and implementation of over 30 National Financial Inclusion Strategies (NFIS) in Pakistan (2015), Mozambique (2016), and Zambia (2017)
- Mexico: Support design of consumer protection regulatory framework under Fintech law (FIGI, 2018-2019)
- Jordan: Support setting up regulatory sandbox for Fintech
- South Africa: Retail Banking Diagnostic to identify potential lack of fair treatment in provision of transaction accounts and fixed deposits (SECO, 2018)
- Bangladesh: Assistance in drafting mobile money regulations and payments oversight framework (HiFi)
- Colombia: Support design of handling processes and SupTech solution for consumers’ complaints

Universal access to and frequent usage of transaction accounts

- Transaction account and payment product design
- Readily available access points
- Awareness and financial literacy
- Leveraging large-volume recurrent payment streams

Financial and ICT infrastructures

Legal and regulatory framework

Public and private sector commitment
How the World Bank Group is supporting countries in the implementation of the PAFI guiding principles

Catalytic pillars – Drivers of access and usage

- Madagascar: Support MFIs to offer digital financial services. Innovation fund to support adoption of Fintech solutions.
- Mozambique, Pakistan & Ethiopia: study geospatial data, map access points, identify gaps and optimize distribution.
- Egypt: Restructuring Egypt Post financial services to better utilize its outreach for FI (FIGI, in progress).
- Pakistan: Digital transaction account scheme.
- Bangladesh: Retail payments cost study (HiFi).
- Western Balkans: Project Greenback 2.0 financial literacy program focused on remittances (SECO RPP, 2016 - 2020).
- Mexico: Landscape study of social benefit programs (FIGI, in progress).
- Mozambique: Social protection payments assessment leading to a lending operation (FISF, 2018).
- Pakistan: Support the digitization of major social benefit transfers programs.

Universal access to and frequent usage of transaction accounts

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- Legal and regulatory framework
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Thank you

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