



**Asia-Pacific  
Economic Cooperation**

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Session 3

## **Government Payment Guidelines - International Advisory Group for Government Payments**

Submitted by: World Bank



**APEC Financial Inclusion Working Group  
Meeting  
Bangkok, Thailand  
21-22 July 2011**

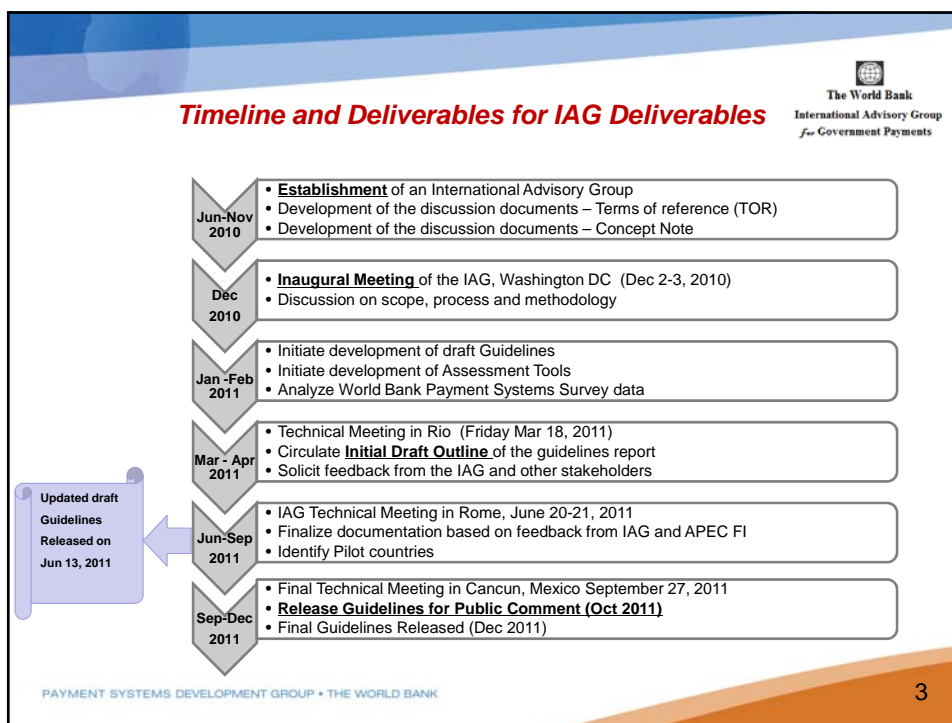


***International Advisory Group (IAG) for Government Payments***  
***(under the auspices of the World Bank)***

- Made up of representatives from multilateral agencies, national authorities and private sector entities – WBG, IMF, BIS, USA, Mexico, Brazil, Russia, Italy, the Philippines, Azerbaijan, Saudi Arabia, India, Australia, South Africa, Turkey, WSBI, AFI, MasterCard, Visa, etc.
- Lead international effort to develop comprehensive guidelines for government payment programs including tools and assessment methodologies for planning and implementation of reforms
- Core Deliverables of the IAG include
  - **Analysis and synthesis of existing materials**, expertise and quantitative data to extrapolate a set of good practices
  - **Executing multi-stakeholder consultations** through various technical meetings held in a transparent and inclusive manner to build consensus and to ensure quality of report
  - **Guidelines developed by the World Bank team** with inputs from IAG members
  - **Relevant assessment tools and methodologies** for conducting diagnostics of the mechanisms for government payment programs

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### Why do we need guidelines for government payments?

- Absence of universally accepted guidelines that provide public authorities and payment service providers with an overarching framework for design and implementation of government payment reforms
- Guidelines and NOT Principles or Rules:
  - Guidelines facilitate coordination amongst stakeholders within payments value chain on a “framework based approach”
  - Allow flexibility in implementation approaches
  - Broad based framework for guiding program implementations derived from international good practices
  - Not prescriptive in nature but give provisional guidance to governments and other stakeholders to address key areas of uncertainty during implementation process including a rapidly changing payments landscape
- The key focus is on the efficiency in government payment processes and flows that utilize country’s domestic payments infrastructure

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## Government Payment Guidelines

**GG1: legal and regulatory environment.** *Government payments should be supported by a sound, predictable, non-discriminatory and proportionate legal and regulatory framework in relevant jurisdictions*

Validity of electronic payments should be legally recognized; Central bank should play a key role in promoting reforms of government payments; Sound regulations for new and innovating retail payment instruments should be enacted; Appropriate legal and regulatory framework that promotes integrity and certainty of payments and minimizes fraud and risk should be enacted; Sound public finance; Adequate consumer protections including information disclosures and legal recourse

**GG2: payment systems infrastructure.** *Improvements to payment systems infrastructure that has the potential to increase the efficiency of government payment programs should be encouraged*

Organization and implementation of treasury systems; Adoption of common standards for interoperability within the payment infrastructure should be promoted; Automated and centralized account management systems should be implemented where appropriate; Using bank and non-bank financial services entities to provide payment services efficiently should be promoted; Adequate levels of automation should be adopted for government payment programs

**GG3: risk management.** *Government payment programs should manage risk through comprehensive planning and monitoring*

**GG4: market structure and competition.** *Competitive market conditions, including appropriate access to domestic payment infrastructures, should be fostered*

**GG5: governance and transparency.** *Government payment programs should be transparent and accountable*

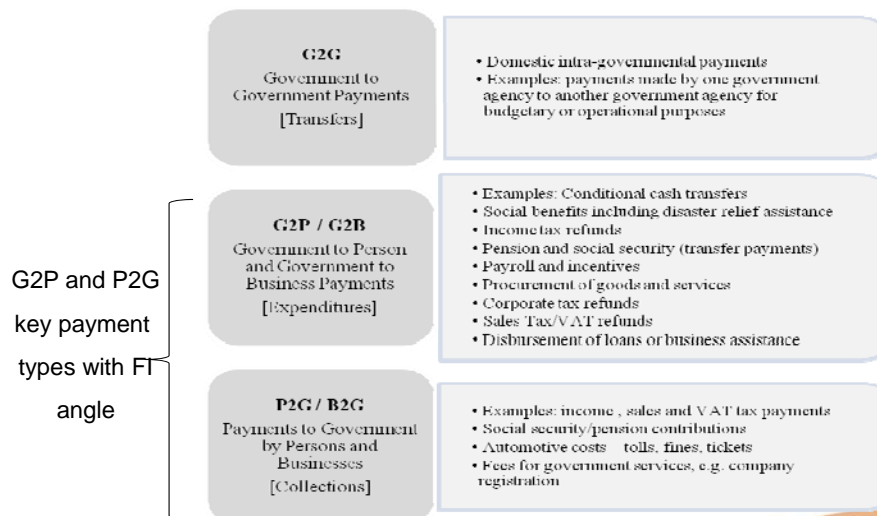
**GG6: cooperation and partnership.** *Cooperative ecosystem within the government authorities and with those within the payment industry should be fostered*

**GG7: financial inclusion.** *Government payment programs should incorporate adequate measures to promote financial inclusion*

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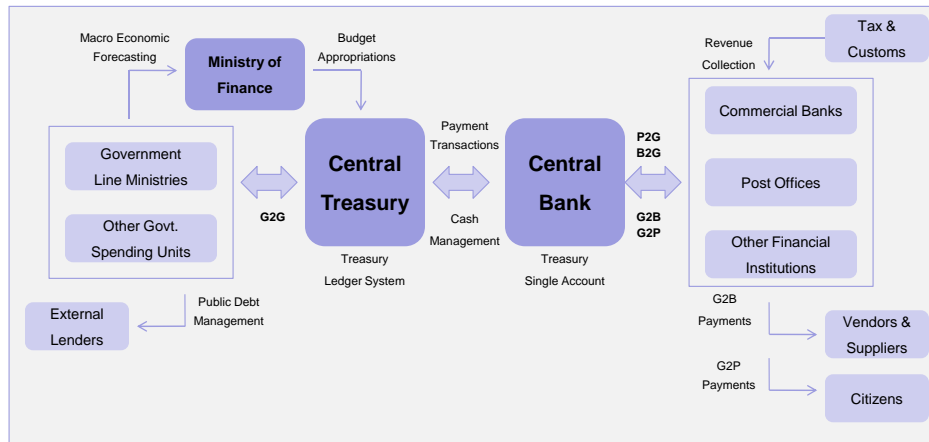
## Types of Government Payments Considered within the Guidelines



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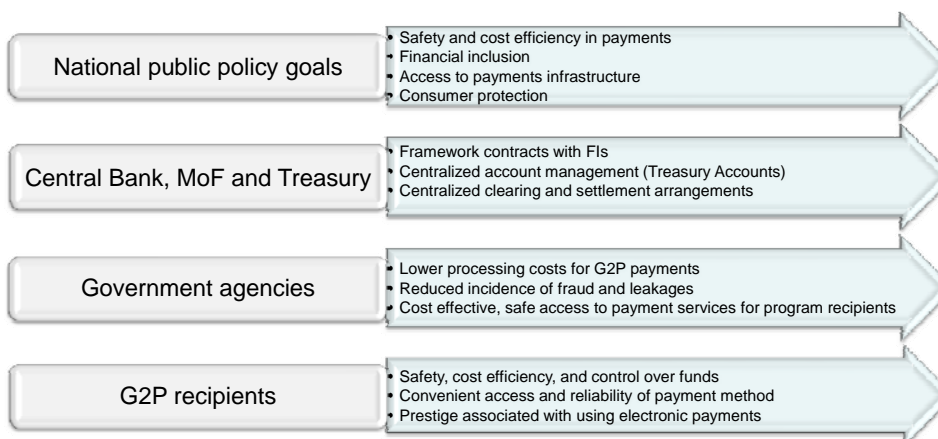
## A Conceptual Model for Government Payments that Includes All Payment Types



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## G2P Payments Value Chain



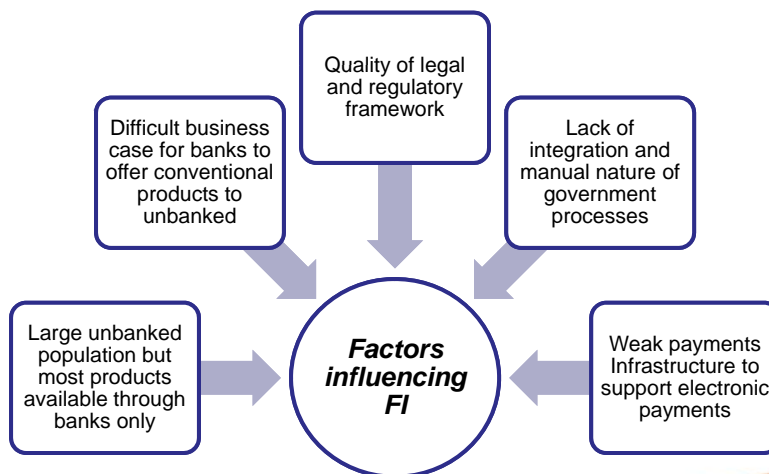
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### **Opportunities for Promoting Financial Inclusion through G2P Payments**

*Financial inclusion is defined as availability of basic financial products to meet payments, savings, credit, insurance and investment needs of the members of a society at a reasonable cost*

- Approximately 155 million people worldwide receive some form of G2P payments – only 25% receive through a bank account or electronic payment instrument
- Broad based provision of electronic payments to financially excluded addresses public policy goals as well as provides tremendous savings to the governments
- A recent study by McKinsey showed that the Indian government could save INR 1000 billion or USD 22 billion annually (1.6% of GDP) if all of its government payments were converted to electronic payment instruments
- Access to payment services paves way for access to broader financial services including loans, deposits and credits, etc. which promotes financial inclusion at the country level

### **Challenges in Promoting Financial Inclusion**



### ***Guidelines for Financial Inclusion***

- Financial Inclusion added as a **stated goal** in national public policy agenda with backing at the highest political levels
  - ❖ Measurable goals and objectives, e.g., xx% to be financially included by a certain timeframe
  - ❖ Tracking and reporting of objectives and making relevant updates to policy goals
- Coordination and cooperation on policy objectives for financial inclusion and access to payment services including addressing any policy tradeoffs between Central Bank, MoF, Treasury and those of line ministries
- Appropriate legal and regulatory framework that allows broader participation of payment service providers (FIs, non-banks FIs, TPPs, post office, etc.) and a broad range of payment mechanisms involving conventional and innovative payment instruments
- Fair process for selection of payment service providers including fair terms for recipients (pricing and service levels)
- Adequate consumer adoption and financial literacy measures to support faster adoption of non-cash payments

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