2020

UNIVERSAL FINANCIAL ACCESS 2020

LESSONS FOR THE FUTURE

June 2021

THE WORLD BANK
IBRD • IDA

Table of Contents

Acronyms

BIS	*Bank for International Settlements*
CDD	*Customer due diligence*
CGAP	*Consultative Group to Assist the Poor*
CPMI	*Committee for Payments and Market Infrastructures*
DFS	*Digital financial services*
EU	*European Union*
FICP	*Financial Inclusion and Consumer Protection*
G20	*Group of Twenty*
G2P	*Government-to-Person*
GPFI	*Global Partnership for Financial Inclusion*
GPSS	*Global Payment Systems Survey*
IFC	*International Finance Corporation*
KYC	*Know your customer*
NFIS	*National financial inclusion strategy*
NRPS	*National retail payments strategy*
PAFI	*Payment aspects of financial inclusion*
UFA	*Universal Financial Access*
WB	*World Bank*
WBG	*World Bank Group*
WEF	*World Economic Forum*

Acknowledgements

This report is a product of the Financial Inclusion, Infrastructure and Access team in the World Bank's Finance, Competitiveness and Innovation Global Practice. The report was drafted under the guidance of Mahesh Uttamchandani, by a team led by Oya Ardic, which included Hemant Baijal, Holti Banka, Nenad Bosiljcic, Buddy Buruku, Maria Teresa Chimienti, Edlira Dashi, Dorothee Delort, Helen Gradstein, Sheirin Iravantchi, Margaret Miller, Fredes Montes, Harish Natarajan, Guillermo Galicia Rabadan, and Caitlin Stanford.

The team is grateful for the substantive inputs provided by the peer reviewers Momina Aijazuddin (Principal Investment Officer, CFGMF), Douglas Pearce (Practice Manager, EAEF2), and Greta Bull (Director, EFICG).

Executive Summary

During the 2013 Annual Meetings of the World Bank and the IMF, the World Bank Group announced an ambitious vision on Universal Financial Access (UFA). The vision was that adults worldwide would be able to have access to an account or an electronic instrument to safely store money, send payments and receive deposits as the basic building block to manage their financial lives by 2020, thanks to new technologies, transformative business models and ambitious reforms. The World Bank Group reiterated its commitment during the 2015 Spring Meetings, along with the announcement of the commitments made by the private sector to UFA, including banks and non-bank financial service providers from around the world.

This report aims to present lessons for the future, focusing on the portion of the UFA initiative that was led by the World Bank's Finance, Competitiveness and Innovation (FCI) Global Practice. The World Bank's activities led by FCI focused on (i) global policy work including activities to promote UFA and financial inclusion in the global development agenda, for example, through development partners, the G20, and standard-setting bodies (SSBs), (ii) development of various toolkits and knowledge products which can be used for policy guidance and implementation, (iii) data collection to inform policy making and measure progress, and (iv) structuring and delivering technical assistance and lending operations at country-level to implement policies and reforms to improve UFA.

The report is intended as a stock-taking exercise for UFA - identifying what was done and what worked, while exploring the potential to generalize some of the lessons for a wider application within the institution and for the sector more broadly. In addition, this report was written at a time when the latest iteration of Global Findex data was delayed due to the difficulties in setting up field work in a comparable way during the COVID-19 pandemic. As the Global Findex database has been the main monitoring tool for UFA, the report has not been able to discuss specific quantitative progress. Whenever feasible, the report made use of alternative data sources.

The report makes the following recommendations for the future work on financial inclusion:

- Informed policymaking is crucial. Different types of data can serve for different needs. For example, demand-side data and supply-side data have their own uses. Efforts to collect data on financial inclusion should continue.
- Sex-disaggregated data has been a successful tool to motivate action, with effects beyond financial inclusion, and this focus should be continued.
- Efforts towards women's financial inclusion should be continued to close the gender gap.
- More work is needed in fragile countries.
- Continued focus on improving account usage is needed. This can be done by furthering the work on targeted product design, new use cases, and leveraging the recurrent payment streams.
- It is critical to ensure that the recent uptake of digital payments and inclusion of underserved segments due to the COVID-19 pandemic is sustained in the long run.
- Social protection and financial inclusion are complementary and there are many examples of coordination and collaboration between social protection and finance teams, leveraging government payments for sustainable access to finance.
- One key sector for increased collaboration is agriculture given the high percent of the unbanked living in rural areas and who depend on agriculture for their livelihoods and food security.

The UFA initiative catalyzed donors, international development agencies, and governments to push for coordinated action for financial inclusion. In the meantime, the COVID-19 outbreak underlined the importance of widespread access to and usage of digital payments and other digital financial services. While the UFA initiative acted as a catalyst for many reforms globally, there is still more to be done, requiring coordinated efforts.

1 INTRODUCTION

Financial inclusion – access to and use of financial services offered by regulated financial service providers in a responsible and sustainable way to help manage financial lives – plays a critical role in inclusive economic and social development.[1] Basic transaction accounts and payment services have been shown to reduce poverty and help shift labor to higher value-added activities.[2] People with mobile money and formal savings are better able to weather economic shocks.[3] Financial inclusion thus helps countries to reach the twin goals of boosting shared prosperity through sustainable growth and ending extreme poverty.

Over the past decade, digital financial services (DFS) have grown rapidly, facilitating convenient access to financial products and services in an affordable way by disadvantaged groups that were previously financially excluded. Last year, COVID-19 further accelerated these trends due to lockdowns which made digital payments crucial for keeping the economy running. In many instances, authorities waived or reduced fees on digital transactions and enabled digital onboarding for low-value and lower-risk accounts.

The Universal Financial Access (UFA) 2020 initiative was launched by the World Bank Group at the 2013 Annual Meetings to accelerate progress on financial inclusion. The International Finance Corporation (IFC) led the private sector outreach and partnership activities which were launched during the Spring Meetings of 2015 and grew over the course of UFA2020 to include 34 firms and organizations.[4] Each partner made a public commitment to increase financial inclusion by expanding their product offerings for consumers who were not yet using formal finance, estimated at more than 2 billion globally in 2011 when the first Global Findex data were collected. UFA2020 leveraged digital technology and the combined strength of the public and private sector arms of the World Bank Group, and private sector partners, to work toward this bold goal (Box 1).

---

[1] Overviews of the research on the development impact of financial inclusion can be found in: Storchi et al. (2020); Demirgüç-Kunt et al. (2018); and Karlan et al. (2016).
[2] Suri and Jack, 2016.
[3] Steinert et al. 2018; Janzen and Carter, 2013.
[4] Global partners for the initiative, which included all types of financial service providers like banks, fintechs, technology platforms, and microfinance institutions (MFIs). See more here: https://ufa.worldbank.org/en/partners. The IFC supported peer-to-peer learning across the partners with regular meetings and events.

BOX 1 - *The Universal Financial Access 2020 Goal:*

(i) Global: By 2020, adults globally have access to an account or electronic instrument to store money, send and receive payments as the basic building block to manage their financial lives.
(ii) World Bank Group: The World Bank Group will help enable 1 billion previously unbanked adults to be reached with transaction accounts.

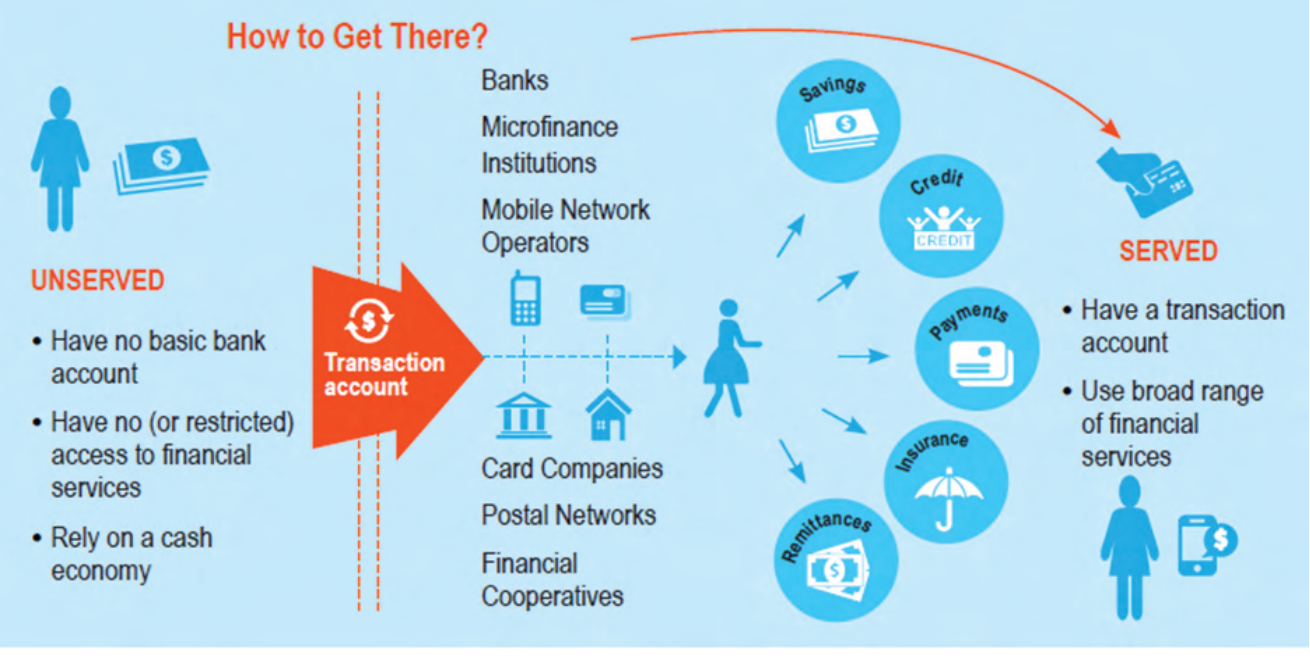
Financial access is a stepping stone for broader financial inclusion which entails a wider, more tailored range of financial services being used, that are provided in a responsible manner.

The World Bank Group (WBG) President announced the vision of Universal Financial Access (UFA) by 2020 in the 2013 Annual Meetings of the IMF and the World Bank: "... by 2020, adults globally have access to an account or electronic instrument to store money, send and receive payments as the basic building block to manage their financial lives..." Since then, the WBG has designed a framework for UFA, built partnerships, and scaled up its operations to ensure progress towards UFA.

When the UFA vision was first announced, the latest figures of the time based on the 2011 Global Findex database suggested that half the world's adults, or 2.5 billion adults, were unbanked. There has been great progress since. According to the latest data from the 2017 Global Findex database, there have been an estimated 1.2 billion new accountholders during the period, and slightly less than one third of the world's adults (or 1.7 billion) were financially excluded as of 2017.

The emphasis of UFA2020 in terms of project design and implementation has always been on both access to transaction accounts as a gateway to financial products and services offered by regulated financial service providers and to their usage by and value to marginalized populations (Figure 1). In this broader inclusion perspective, customer-oriented product innovation, financial capability, strong consumer protection, better financial infrastructure, more and interoperable access points and enabling regulation have been the key points defining WBG engagements.

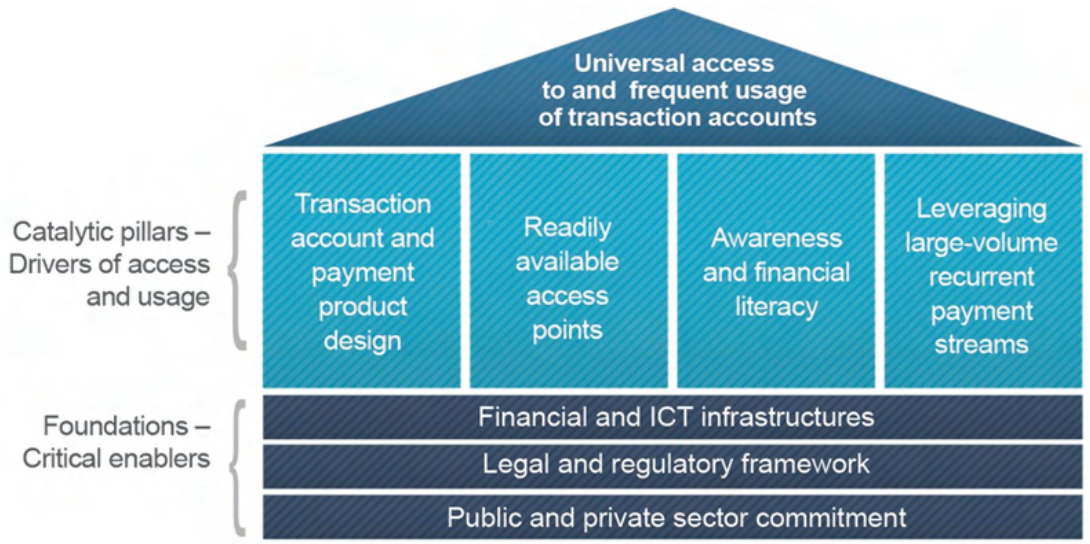
Figure 1. UFA: Transaction accounts as a gateway to financial inclusion



In this regard, the underlying framework for the WBG's UFA2020 engagements is the Payment Aspects of Financial Inclusion (PAFI) Framework, developed jointly by the Committee for Payments and Market Infrastructures (CPMI) and the WBG.[5] The PAFI approach is based on the premise that 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 (i) perform most, if not all, of their payment needs; (ii) safely store some value; and (iii) serve as a gateway to other financial services.

The PAFI approach has three critical enablers: (1) Public and private sector commitment; (2) Legal and regulatory framework; and (3) Financial and ICT infrastructures.; and four catalytic pillars/drivers of access and usage: (4) transaction account and product design; (5) readily available access points; (6) awareness and financial literacy; and (7) leveraging large-volume recurrent payment streams (Figure 2).

Figure 2. The PAFI Framework



Source: CPMI and WBG (2016)

The foundations/critical enablers of the PAFI Framework are specifically important for the access to and usage of transaction accounts. The catalytic pillars are based on the foundations and they drive access and usage. Box 2 describes the PAFI guiding principles

[5] CPMI and WBG (2016)

BOX 2 - The PAFI Guiding Principles

- **Guiding Principle 1: Public and Private Sector Commitment:** Commitment from public and private sector organizations to broaden financial inclusion is explicit, strong and sustained over time.
- **Guiding Principle 2: Legal and Regulatory Framework:** The legal and regulatory framework underpins financial inclusion by effectively addressing all relevant risks and by protecting consumers, while at the same time fostering innovation and competition.
- **Guiding Principle 3: Financial and ICT Infrastructures:** Robust, safe, efficient and widely reachable financial and ICT infrastructures are effective for the provision of transaction accounts services, and also support the provision of broader financial services.
- **Guiding Principle 4: Transaction account and payment product design:** The transaction account and payment product offerings effectively meet a broad range of transaction needs of the target population, at little or no cost.
- **Guiding Principle 5: Readily available access points:** The usefulness of transaction accounts is augmented with a broad network of access points that also achieves wide geographical coverage, and by offering a variety of interoperable access channels.
- **Guiding Principle 6: Awareness and financial literacy:** Individuals gain knowledge, through awareness and financial literacy efforts, of the benefits of adopting transaction accounts, how to use those accounts effectively for payment and store-of-value purposes, and how to access other financial services.
- **Guiding Principle 7: Large-volume, recurrent payment streams:** Large-volume and recurrent payment streams, including remittances, are leveraged to advance financial inclusion objectives, namely by increasing the number of transaction accounts and stimulating the frequent usage of these accounts.

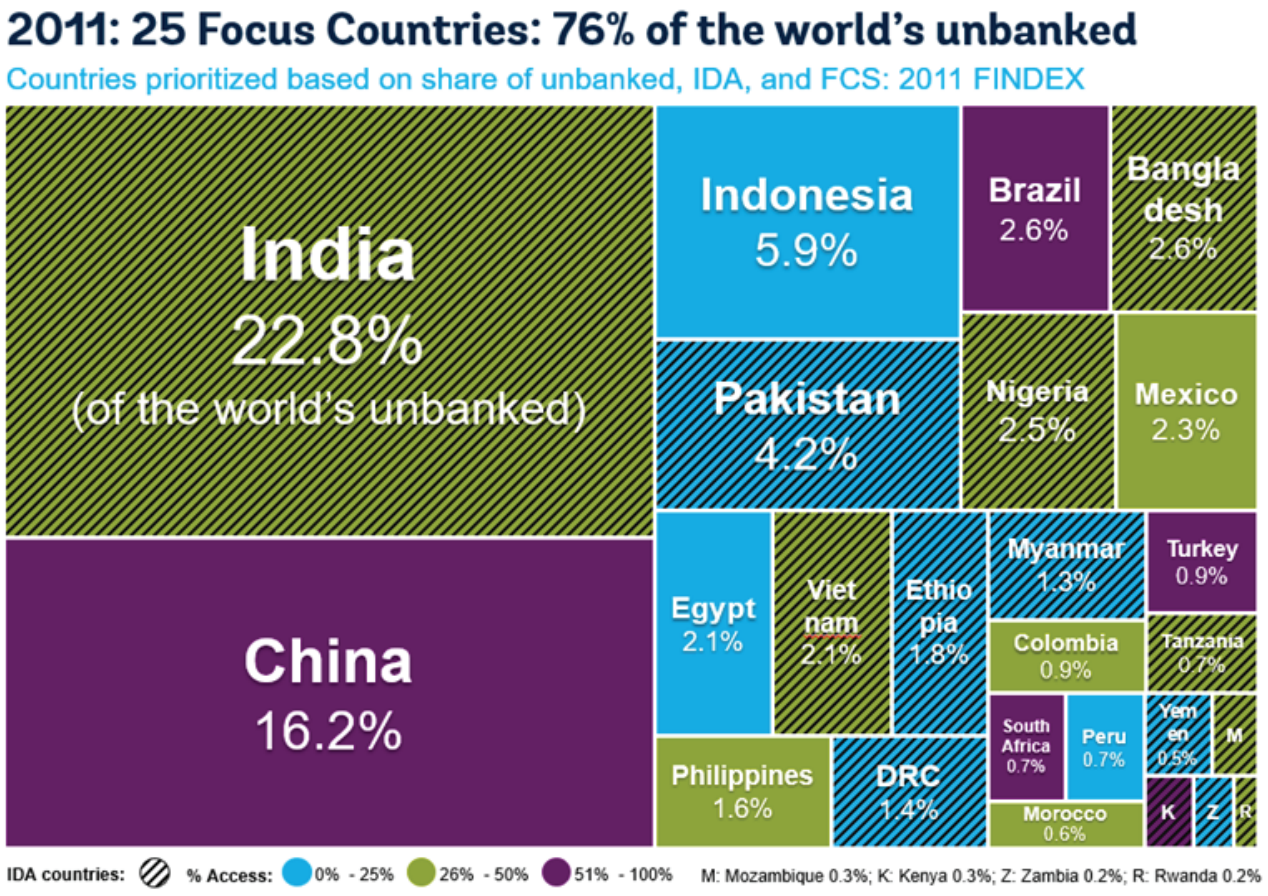
During the implementation of UFA2020 (from 2013 to 2020), the World Bank Group worked in dozens of countries in every region of the world on advisory, operations and/or training and outreach activities which contributed to the UFA2020 goals. Increased attention to financial inclusion across country work in the financial sector was a benefit of UFA2020 which was not limited to any one region or group of countries. Senior management commitment to UFA2020 led to increased space to raise the topic of financial inclusion in country dialogues with senior officials and in World Bank Group documents such as Systematic Country Diagnostics (SCDs) and Country Partnership Frameworks (CPFs).

While UFA2020 was an initiative that was global in scope, it was grounded in country-led programs with a focus on 25 countries that together represented approximately 75 percent of financially excluded adults when the initiative was launched.[6] These countries can be seen on the map below (Figure 4).[7] Working intensively in a more limited number of countries over a sustained period was intended to focus efforts on markets where achieving progress would translate into large numbers of consumers becoming financially included. At the same time, the UFA focus countries included smaller nations including some vulnerable and post-conflict countries where financial inclusion was seen as a central element of providing assistance and creating conditions for growth.

[6] WBG UFA Team Internal Briefing for President Jim Kim. "Financial Inclusion: Roadmap to Reaching Universal Financial Access by 2020". September 2014.

[7] The 25 UFA Focus Countries are Bangladesh, Brazil, China, Colombia, Cote d'Ivoire, Democratic Republic of Congo, Egypt, Ethiopia, India, Indonesia, Kenya, Mexico, Morocco, Mozambique, Myanmar, Nigeria, Pakistan, Peru, Philippines, Rwanda, South Africa, Vietnam, Tanzania, Turkey, and Zambia

Figure 3. UFA 2020 Focus Countries



Source: World Bank, Global Findex 2011

This report has two main objectives – a stocktaking of what has been accomplished through Universal Financial Access (UFA) 2020 and a discussion of lessons for future work to continue progress.
Sections II and III address the stocktaking. Section II focuses on the internal WB processes that have been put in place, while Section III uses the PAFI Framework to structure the work that has been done by the World Bank and its partners, including the national authorities, to further UFA. We discuss implementation progress using the PAFI framework as an organizing principle.

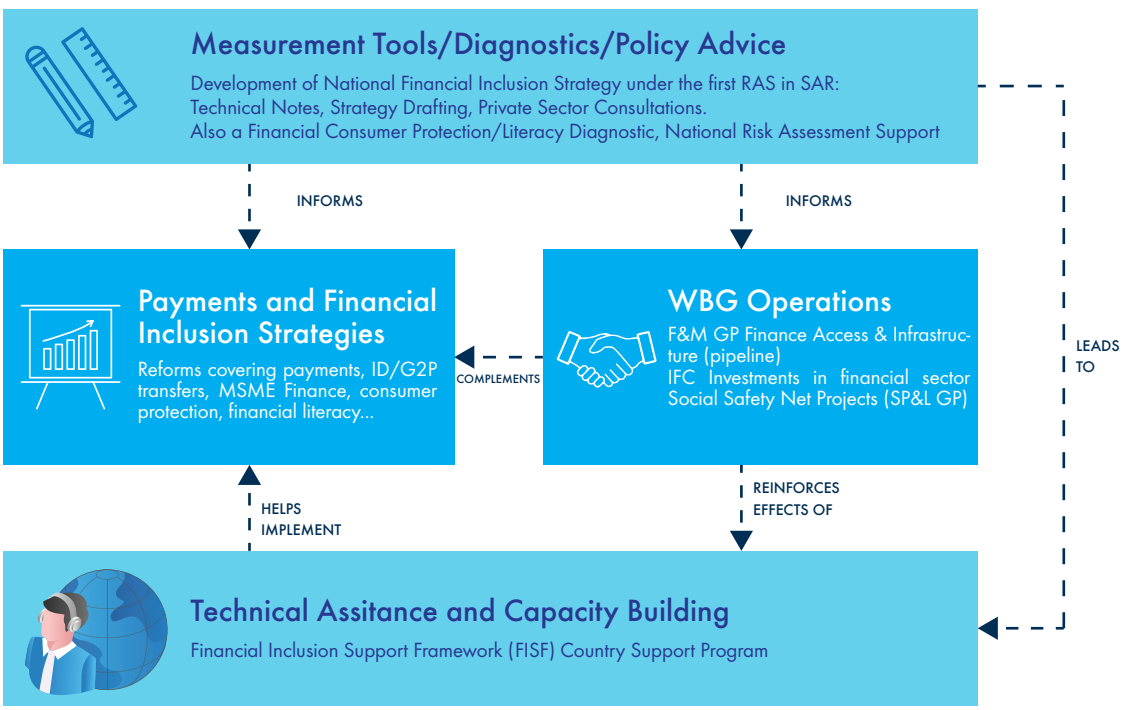
Global Findex data, the source of the headline indicator for measuring progress for UFA2020, for 2020 is not available for a quantitative review at the time of writing. Therefore, the report relies on other sources of data from the World Bank and country sources where possible, combined with a qualitative review of policy reforms and project activities. This review does not attempt to directly link outcomes (such as changes that would have been noted through Global Findex data) with World Bank engagements, but rather provides a view of the actions taken in the priority countries which supported the UFA2020 objectives.

Section IV discusses potential areas for future work and investment based on gaps and learnings from the UFA2020 initiative. COVID-19 has underlined the importance of digitalization of payments as well as other financial services. At the same time, it also emphasized the need for further interventions in this area. More specifically, based on the World Bank's work in the last decade, in particular as part of the UFA initiative, digitalization of salary payments, utility bill payments, merchant payments and government payments are crucial first steps in broader digital payments adoption and usage. In this regard, areas to explore further include focusing on data collection, importance of gender, fragile states and agricultural segments are important for informed policy making to fill the gaps.

2 UFA-LINKED ACTIVITIES BY THE WORLD BANK

One of the unique aspects of UFA2020 was the "whole World Bank Group" approach which was central to the design and implementation of the initiative, leveraging the strengths of the institution. In this framework, the World Bank took the lead on strengthening policy and regulatory frameworks through country engagements with national authorities as the Finance, Competitiveness and Innovations (FCI) Global Practice (GP). At the same time, other GPs of the World Bank contributed to the achievement of the UFA2020 goal. For example, the Social Protection, Jobs and Labor (SPJ) GP through digitalization of government-to-person payments (and specifically social safety net payments), G2Px and ID4D Programs on digitalization of government-to-person payments and the provision of basic identity, Gender CCSA on women's financial inclusion, and DEC on data and research to name a few. In addition, parallel to FCI GP, IFC's Financial Institutions Group co-led the UFA2020 initiative and led the WBG's private sector engagements in this regard. Figure 3 plots the case of Pakistan, as of 2017, as an example as complementary WBG initiatives for UFA2020 were implemented together with the national authorities and the private sector.

Figure 4. UWBG UFA-related work in Pakistan in 2017



This section provides information on the World Bank's UFA-linked activities.[8] These activities are grouped into four. The first set of activities are described in Section 2.1 UFA Operational Tools. The World Bank has developed, re-organized and re-purposed several tools for the purposes of UFA and designing projects for UFA. This section summarizes these tools. In addition, the World Bank and IFC UFA teams have been working with several development partners including the G20, its Global Partnership for Financial Inclusion (GPFI), the United Nation Secretary General's Special Advocate (UNSGSA) for Inclusive Finance for Development, Better than Cash Alliance, and IMF. These are summarized under Section 2.2. The World Bank has also engaged with several donors to fundraise for UFA-linked activities, specifically for technical assistance and for knowledge production. These programmatic trust funds are in Section 2.3. Lastly, the World Bank has set-up some special initiatives, linked to UFA among other corporate goals. These are discussed in section 2.4.

2.1 UFA OPERATIONAL TOOLS

The UFA Team worked on several internal tools to facilitate teams working on related projects design their projects, develop their project development objectives, add to their project's results frameworks. Section 2.1.1 describes the UFA monitoring and evaluation framework, which contributed to UFA country diagnostics, PAFI country assessments, the PAFI Radar (Box 9), and the overall FCI framework for financial inclusion results indicators. The UFA monitoring and evaluation framework also led to the FCI Global Practice to re-structure and re-organize its data work on financial inclusion via the Global Payment Systems Survey, Global Financial Inclusion and Consumer Protection Survey, and Remittance Prices Worldwide database. These survey tools are summarized in Section 2.1.2. Section 2.1.3 discusses country diagnostics. Lastly, Section 2.1.4 describes the parts of the UFA Toolkit on project design.

2.1.1 Monitoring and Evaluation

Progress towards UFA2020 has been measured at two levels: (i) global monitoring, and (ii) WBG engagement-level progress monitoring toward the target of enabling reach to 1 billion previously unbanked adults.

The main tool for global monitoring purposes is the World Bank's Global Findex database. This database is based on individual-level data collected from about 150 countries in a consistent and comparable way as an add-on module to the Gallup World Poll. Global Findex provides a rich dataset on account ownership by individuals, along with payment, savings and credit services, and usage of accounts, which can be disaggregated by gender, age, education level, income group, and urban/rural.[9]

Measurement of progress is required for the number of new accountholders. Improvements in enablers (i.e. legal/regulatory environment, infrastructure, political commitment, and financial capability) and drivers (i.e. access points, innovative products and delivery channels, digitizing G2P payments) of access to financial services are needed to ensure new accountholders, and these were also tracked. In addition to Global Findex, other databases by the WBG and the IMF are used for global monitoring purposes, which, used together, provide a full picture from both demand-side and supply-side perspectives. Relevant surveys for monitoring progress on enablers and drivers of universal financial access, which provide data that is comparable across countries and over time, include the Global Payment Systems Survey (GPSS) by the World Bank, the Global Financial Inclusion and Consumer Protection (FICP) Survey by the World Bank, and the Financial Access Survey (FAS) by the IMF.[10] Other databases that have relevant information for global monitoring include Remittance Prices Worldwide (RPW), Enterprise Surveys on firms' access to financial services and Doing Business on credit infrastructure, all managed by the World Bank.[11]

---

[8] IFC has been working with a network of UFA Partners, made up of several financial service providers. This workstream will be covered by the UFA note IFC has been preparing.

[9] https://globalfindex.worldbank.org/

[10] GPSS: https://www.worldbank.org/en/topic/financialinclusion/brief/gpss; Global FICP: https://www.worldbank.org/en/topic/financialinclusion/brief/ficpsurvey; IMF FAS: https://data.imf.org/fas

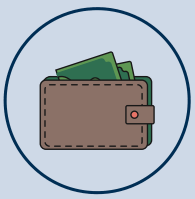
[11] RPW: https://remittanceprices.worldbank.org; Enterprise Surveys: https://www.enterprisesurveys.org; Doing Business: https://www.doingbusiness.org.

The UFA team has developed tools to identify opportunities and track progress at the global level using a combination of indicators from these data sets. These tools can also be used to inform operations by identifying gaps and priority reform measures.

BOX 3 - UFA Opportunities Dashboard

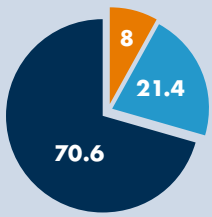
The UFA Team developed a dashboard for internal use, which enabled diagnosing and identifying opportunities for UFA-related work at country-level. The dashboard was based on data from Global Findex to estimate the total opportunity (in terms of the number of adults that can be reached) due to specific potential UFA-related actions such as drafting and implementing an NFIS, digitalizing G2P transfers into accounts, and opening of the regulatory environment and market. This last category took into account several reforms, for example, tiered KYC regulations, ID regulations, promotion of basic accounts, Islamic finance, financial consumer protection, financial literacy, payment infrastructure, agent banking regulations, mobile money regulations, etc. These were published on the UFA Data Portal.[12]

8.5 Million Adults
By drafting and implementing a National Financial Inclusion Strategy (NFIS)



3.2 Million Adults
By digitizing government to person (G2P) cash transfers

28.1 Million Adults
By opening up the market and legal/regulatory environment



% drafting/implementing NFIS
% digitalizing G2P cash transfers
% opening up market and legal/regulatory environment

This is a sample country from the UFA Portal: https://ufa.worldbank.org.

The methodology for monitoring WBG progress is based on the existing engagements by the WBG during the 2013-2020 period, which corresponds to the period between the date of announcement and the end date for the goal. The methodology depends on the type of engagement: (1) WB Advisory Services and Analytic (ASA) engagements and Development Policy Operations (DPOs), (2) WB financing engagements (for example investment project financing, and program for results financing), and (3) IFC Investment Services (IS) and Advisory Services (AS).

All three methodologies use a similar two-phase approach: estimation of expected reach (to unbanked adults via transaction accounts) at engagement level at the start of the engagement, and measurement of actual progress (in terms of reach to unbanked adults via transaction accounts) during implementation and at completion of each engagement.[13] Additionally, all three methodologies share the five key principles identified as follows:

I. Measure transaction accounts/accountholders: Indicator definitions are harmonized to the extent possible to enable a unified message.
II. Measure reach to the previously unbanked: measure "first-time access." When this is not feasible to measure directly, use Global Findex to estimate.
III. Avoid double counting across the WBG. Double counting across the WB and IFC is inevitable as our work will have similar target groups for certain engagements.

[12] https://ufa.worldbank.org
[13] Depending on the type of engagement, post-completion monitoring of actual progress may also be necessary as the effects of policy reforms are expected to occur with a lag.

IV. Set baseline at the time of announcement (October 2013) or project effectiveness dates for projects approved after October 2013. Count incremental reach.

V. Expected reach and actual progress will be announced during the IMF-WB Spring Meetings.[14]

BOX 4 - UFA Projections Model

- Combines **Demand and Project Level Data**
- **Compiles** Lending and technical assistance projects and maps projects to impact areas.
- **Quantifies targets** for each project depending on impact and intervention area using demand side data.
- **Will track estimated actual reach as compared to estimated targets** to inform success and project progress moving forward.
- Can be used by **TTLs to develop project level targets** and indicators.

	Distance	High Cost	No Docs	No Trust	Religon	G2P	NFIS
Project 1	YES						
Project 2	YES						
Project 3	YES	YES				YES	
Project 4			YES	YES			YES
Project 5							YES
Country-level ASA Total	YES	YES	YES	YES		YES	YES

Aim: to estimate the number of financially excluded adults that can be reached by the existing financing and advisory engagements at the country level.
Financing projects: baselines, targets incorporated in project-level results frameworks, but not for technical assistance engagements.

Challenges:

(i) isolating the effect of a policy intervention
(ii) isolating the contribution of the WB to the final outcome
(iii) monitoring the effects throughout the engagements (and post-completion): indicators not collected frequently, if at all

Basics:

- Classify reforms into 3 groups:
  1. opening up the regulatory space and market
  2. digitizing government payments
  3. financial inclusion strategies
- Use and modify Global Findex data to avoid multiple counting
- Map projects to Global Findex data for different types of reforms

Type of projects for UFA 2020 commitments

- Includes all technical assistance and financing projects that work toward improving access to transactions accounts across GPs
- Excludes some FCI GP projects more relevant for the broader Financial Inclusion agenda, e.g., access to credit or insurance
- Includes approved projects only
- Baseline/Start date: 2013

These projections are published at country level on the UFA Data Portal.

[14] During the 2018 Spring Meetings, with the launch of the 2017 Global Findex data, an interim progress update was made. The next and final progress update will be done once the new (2021) Global Findex data becomes available. Progress for World Bank's technical assistance and development policy lending engagements can be measured every three years when the full Global Findex micro dataset becomes available, using the methodology the UFA team developed by associating barriers to account ownership with reforms implemented by development policy lendings and development policy lendings. Investment project financing operations have specific indicators and targets embedded in their results frameworks.

The World Bank Group has also built a data portal for the purposes of monitoring progress towards UFA, which includes global, regional and country level indicators relevant for UFA. The data portal identifies the opportunities as of 2015 that could potentially be realized through UFA-related reforms and provides a tool for monitoring progress using elements from the Opportunities Dashboard (Box 3) and the UFA Projections Model (Box 4).[15]

2.1.2 Supply-side data and survey tools

The FCI GP has been systematically collecting supply-side data from regulators and providers for over a decade. These are summarized in Table 1. Some of these surveys have been modified based on the UFA initiative and the PAFI Framework to measure progress specific to the enabling environment.

Table 1. WBG UFA-related work in Pakistan in 2017

Global Payment Systems Survey GPSS	
Objectives	• To collect information on the status of payment and settlement systems worldwide, covering several aspects from legal and regulatory environment, large value / retail infrastructure, innovations in retail payments, payment system oversight arrangements, etc. • To be leveraged for supply-side measure of transaction accounts • To allow authorities / policy makers to make meaningful cross-country comparison and assess progress in payment system development • To facilitate dissemination of best practices
Coverage	120-150 countries
Frequency	Biannual (main module)
Global Financial Inclusion and Consumer Protection Survey (Global FICP)	
Objectives	• To collect data on key areas of consumer protection (including institutional arrangements, legal framework, fair treatment, disclosure, responsible lending, dispute resolution and recourse), financial capability, and other areas relevant to responsible financial access. • To build on and reflect complementary efforts including the High-level Principles on Financial Consumer Protection endorsed by the G20 and the World Bank Good Practices for Financial Consumer Protection (including forthcoming update)
Coverage	100+ countries
Frequency	Biannual (main module)
Remittance Prices Worldwide (RPW)	
Objectives	• To provide the most extensive global dataset on the cost of remittance services • To monitor the evolution of costs to remitters and beneficiaries of sending and receiving money in major selected corridors. RPW is used by global fora such as the G8 and the G20, as well as the UN SDGs, as an official reference indicator of international remittance costs and used to measure progress towards for global remittance service cost reduction objectives. • RPW is also widely used by governments, multilateral organizations, the private sector, and academics
Coverage	367 corridors worldwide, from 48 remittance sending countries to 105 receiving countries, representing around 80-85% of total remittances to developing countries
Frequency	Updated on a quarterly basis

[15] https://ufa.worldbank.org

2.1.3 Diagnostics

The UFA Toolkit has several elements that can be utilized for performing country-level diagnostics to identify gaps and opportunities for the purposes of furthering the UFA goal. The UFA Traffic Lights System, described in Box 5, provides an easy-to-understand description of the gaps in the UFA Framework in a country by using publicly available data. This is also comparable with the earlier tools presented in Boxes 3 and 4 on opportunities and projections.

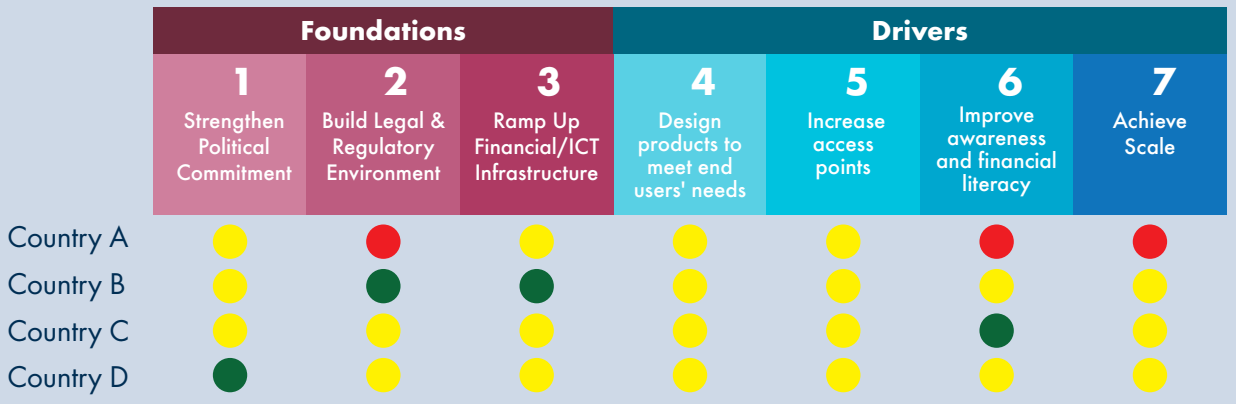
Combined together, the Opportunities Dashboard, the Projections Model and the UFA Traffic Lights tool enabled the UFA team to draft UFA country action plans for the 25 focus countries and additional countries as needed (Box 6). The UFA Country Action Plans used information on existing and recently completed projects in a country to further point to gaps in World Bank TA or financing operations, which could potentially be filled by new ASA or lending, and provided guidance to FCI regional teams on planning for future engagements in furthering UFA.

BOX 5 - UFA Traffic Lights

The UFA Team developed a structured and consistent framework to diagnose and measure interim progress in line with UFA/PAFI Framework, which was labelled as the "UFA Traffic Lights System." This framework was developed to inform the WBG institutional UFA strategy and country-level engagements.

The UFA Traffic Lights System used data from several databases, including: Global Findex, Global Payment Systems Survey, Global Financial Inclusion and Consumer Protection Survey, IMF Financial Access Survey, EIU Microscope, World Bank NFIS Database, and others. This framework constitutes an earlier and simpler version of the PAFI Radar (see Box 9).

As with other parts of the UFA Toolkit, the UFA Traffic Lights System was based on the "UFA/PAFI House," which allowed for it to be easily reflected in country-level Action Sheets, in dialogue with country counterparts, informs WBG engagements and national financial inclusion priorities.



BOX 6 - Country Action Plans

- Combines **Demand, Supply, Environmental and Project Level Data**
- **Synthesizes** relevant WBG diagnostics
- **Aggregates** technical assistance, lending and other project information, insights, progress and goals.
- Provides **a country overview** for WBG country teams that includes country context, recent projects, ongoing initiatives, current events, current opportunities, estimated WBG impact, project results, etc.
- **Identifies priority interventions and Key Risks** for further operations.

2.1.4 Project design and preparation

The UFA Team drafted an internal note on Operationalizing UFA2020. This note included several project design aspects that could help World Bank project teams in formulating relevant components and actions in their operations.

This guidance note covered the following World Bank instruments:

- Development policy financing: where political will, or policy, legal, or regulatory reforms are identified as the principal access/inclusion constraints to be addressed.
- Program for results (P4R): hold potential for harnessing the drivers for UFA/PAFI, for example related to access points/networks, government to person payments, product design and roll-out, and uptake of financial services.
- Investment project financing with disbursement-linked indicators: (DLIs) enable a standard lending instrument to be linked to results, and offer the advantage of including components in the operation for technical assistance/capacity-building, financial infrastructure (systems, processes), and/or capacity-building for regulators and supervisors
- Components to make technical expertise available, or to build systems and capacity, can be highly complementary. These can be important as components of investment loans, improving their impact and increasing the likelihood of achieving the project objectives. This can cover systems and infrastructure, oversight capacity, design and implementation of policy or regulatory reforms, and capacity to implement reforms. Technical assistance and policy dialogue can also be provided through non-lending projects, which are sequenced to complement financial projects (including as part of broad Programmatic Approaches).

Tables 2 and 3 summarize the approach developed by the UFA team.

Table 2. Ways to include UFA/PAFI Enablers in Lending Operations

ENABLERS	INDICATORS	RESULTS-BASED FINANCING	COMPONENTS FOR TA/CAPACITY BUILDING	POLICY FINANCING
Strengthen Political Commitment	% adults with an account NFIS launched	Access to financing could be based on: - *Launching the national financial inclusion strategy* Launching the M&E system	Components could be added for technical assistance, in particular to draft the strategy document, implementation of the certain components of the strategy, capacity building for monitoring and evaluation	Policy triggers can cover: - Key indicators established and tracked via country-owned data - Strategically important programs established
Build Legal and Regulatory Environment	% adults with an account # legal/ regulatory reforms launched/adopted	Access to financing could be based on adoption of a certain type of legal framework (possibly in parts) which is the focus of the project	- Technical Assistance to strengthen supervisory capacity - Technical Assistance to improve legal frameworks for payment infrastructures, financial consumer protection, etc.	Policy triggers can cover: - Restructuring state-owned banks to improve efficiency - Legal framework for e-banking and mobile financial services - Strengthening supervisory capacity
Enhance Financial, ICT and Data Infrastructure	# transaction accounts # financial access points broken down by branches, ATMs, POS, etc. NRPS launched # cashless retail transactions per capita	Access to financing could be based on adoption of the underlying legal frameworks	Components could be added for technical assistance, in particular for - Payment systems - ICT infrastructure - Infrastructure investment	Policy triggers can cover: - Launching of a national payments strategy - Launching of a credit registry

Table 3. Ways to include UFA/PAFI Drivers in Lending Operations

DRIVERS	INDICATORS	RESULTS-BASED FINANCING	COMPONENTS FOR TA/CAPACITY BUILDING	POLICY FINANCING
Expand Access to and Usage of Transaction Accounts	% adults with transaction account % adults using a transaction account >3 times a month # financial services offered through transaction account	Access to financing could be based on: - # accounts opened - # accounts opened for women, in disadvantaged areas, etc. - Frequency of use of accounts - Number of services offered through accounts	- Components could be added for technical assistance, in particular to providers.	Policy triggers can cover: - Introduction of tiered KYC requirements - Introduction of "no frills" savings accounts - Commitment to shift social transfers or wages to accounts - Introduction of digital ID platforms
Expand Access to and Usage of Transaction Accounts (through Cashless G2P Payment Mechanisms	% adults with an account % G2P payments disbursed electronically # cashless retail payments per capita	Access to financing could be based on: - % OR # G2P payments disbursed electronically - # accounts opened for G2P recipients - volume of cashless payments processed	- Payment systems - ICT infrastructure - Infrastructure investment	Policy triggers can cover: - Payment infrastructure reforms - Interoperability (of card networks, POS, etc.) - Commitment to shift social transfers or wages to accounts
Expand Readily Available Access Points	% adults with an account # of financial access points per 100,000 adults OR per km^2 OR per administrative area, broken down by type [branches, ATMs, POS terminals, etc.]	Access to financing could be based on: - Lowest cost per access point opened - Interoperability of access points	- Payment systems - ICT infrastructure - Infrastructure investment Can be used in a similar way to a P4R model, with DLIs	Policy triggers can cover: - Regulations to allow use of agents - Reframing role of state-owned banks, e.g., extending bank license (or agent model) to post office/network - Legal framework for e-banking and mobile financial services
Strengthen Financial Capability	% adults with an account % of adults that are financially capable/literate Frequency of use of accounts Savings (deposit) levels	Access to financing could be based on: - Improvements in financial literacy/capability survey scores - Increases in uptake and/or usage of accounts - Increased savings rates - Launching a financial capability strategy or program	- Components could be added for technical assistance, in particular to FIs to implement financial literacy programs	Policy triggers can cover: - Launching a financial literacy strategy - Implementation of a financial education program
Pathway to Diverse Set of Financial Services	Indicators related to access and use of range of financial services	Access to financing could be based on range of products offered, and on access/use of specific products and services	Activities to ensure that tailored range of products and services available, inc. deposits, insurance, credit, pensions	Policy triggers can cover supervisory and oversight capacity, policy & regulatory measures to address product development constraints, use of data, etc.

2.2 ENGAGEMENT WITH DEVELOPMENT PARTNERS AND INTERNATIONAL AGENDA ON FINANCIAL INCLUSION

The World Bank Group has engaged with various development partners for furthering the international agenda on financial inclusion. As part of these efforts, the UFA team as a whole, and the FCI team in particular, have collaborated with several development institutions, contributed to the work of the G20 via the Global Partnership for Financial Inclusion (GPFI) and played a convening role in organizing several key events. The IFC UFA team has been instrumental in gathering key private sector players around the UFA initiative.

2.2.1 UNSGSA

In her capacity as the UN Secretary General's Special Advocate (UNSGSA) for Inclusive Finance for Development, HM Queen Maxima of the Netherlands has been a true champion of the financial inclusion agenda globally and a great supporter of the UFA 2020 initiative.

In collaboration with the office of the UNSGSA, the World Bank Group UFA team has organized several events to draw interest in UFA 2020 at its earlier stages. Later on, with active participation of HM Queen Maxima and the World Bank Group President Jim Kim, several joint country visits were organized to discuss financial inclusion at a high level with various policy makers to induce change. These discussions were usually centered around important financial inclusion events in countries, for example, the launch of the National Financial Inclusion Strategy in Pakistan in 2016.

2.2.2 G20 and the Global Partnership for Financial Inclusion

The World Bank, via the FCI GP, has been an implementing partner for the Global Partnership for Financial Inclusion (GPFI) of the G20. Through this role, the World Bank has been influential in leveraging the GPFI in promoting the UFA goal and its importance. In particular, the G20 Financial Inclusion Indicators, the G20 High-Level Principles for Digital Financial Inclusion, and the G20 Emerging Policy Approaches for Digital Financial Inclusion have become important guidance notes in this area.[16]

2.2.3 Fintech: The Bali Fintech Agenda and PAFI Fintech Report

The World Bank has been investigating the application of new technologies to financial services (hereinafter "fintech") and their role in the pursuit of greater financial inclusion, also in cooperation with other institutions. Fintech presents both opportunities and challenges for financial inclusion that have to be taken into account when designing policy approaches and regulation on fintech. This investigation has resulted in actionable guidance, such as the 2018 IMF-World Bank Bali Fintech Agenda and the 2020 report on the Payment aspects of financial inclusion (PAFI) in the fintech era published by the World Bank and the Committee on Payments and Market Infrastructures (CPMI).[17]

The IMF-World Bank Bali Fintech Agenda is a set of 12 policy elements aimed at helping member countries to harness the benefits and opportunities of financial technology for the provision of financial services while at the same time managing the inherent risks. The Agenda proposes a framework that countries should consider in their own domestic policy discussions and aims to guide staff from the two institutions in their own work and dialogue with national authorities. The 12 policy elements were distilled from members' own experiences and cover topics ranging from enabling fintech through appropriate regulation, to ensuring competition and safeguarding the stability, integrity, and resilience of the financial sector and infrastructure, and promoting international cooperation.

From a payments perspective, together with CPMI, the World Bank reiterated and enhanced the guidance developed in the 2016 PAFI report by integrating recent fintech developments. The report analyses opportunities and challenges of fintech across the "foundations" and "key enablers" of access to, and use of, transaction accounts and payment products identified in PAFI. On this basis, it provides fintech-focused key actions to meet the objective of the PAFI guiding principles. The report concludes that fintech offers opportunities to underpin the drivers of access to and usage of transaction accounts but is not without challenges: if risks are not properly managed, they can undermine financial inclusion outcomes. Stronger emphasis should be placed, inter alia, on enhancing international and cross-sectoral coordination between authorities; clarifying the applicability of existing regulatory and oversight requirements and addressing any gaps that may arise; and fostering the resilience and availability of payment and ICT infrastructures.

[16] GPFI (2016a, 2016b and 2017).
[17] IMF and World Bank (2018) and CPMI and the WBG (2020a)

2.3 WORLD BANK'S PROGRAMMATIC TRUST FUNDS SUPPORTING THE UFA2020 INITIATIVE

The World Bank also engaged in specific fund-raising activities for the purposes of furthering its work on the UFA initiative. Below is a summary of these trust-funded programs.

2.3.1 Financial Inclusion Global Initiative (FIGI):

The Financial Inclusion Global Initiative (FIGI) is a program implemented in partnership by the World Bank Group (WBG), the Committee on Payments and Market Infrastructure (CPMI), and the International Telecommunications Union (ITU) funded by the Bill & Melinda Gates Foundation to support and accelerate the implementation of country-led reform actions to meet national financial inclusion targets, and ultimately the global 'Universal Financial Access 2020' goal.

FIGI funds national implementations in three countries—China, Egypt and Mexico.

In Egypt, for instance, FIGI supported policymakers to issue new consumer protection regulations, establish a financial consumer protection supervision unit and start implementing a financial ombudsman scheme. The program also supported the CBE to establish and operationalize its oversight function and oversight unit, and informed the issuance of several legislative pieces to facilitate increased access to and uptake of digital financial services.

In Mexico, FIGI supported the authorities to develop secondary FinTech regulations to enable innovation for financial inclusion and, as an emergency response to COVID-19, supported policymakers to develop new regulations on Digital ID which helped to quickly include more vulnerable consumers in the formal financial sector. FIGI also supported the authorities to launch a new financial inclusion policy (PNIF) in March 2020 which brought together buy-in and recommendations across multiple sectors to advance cross-cutting financial inclusion issues around Digital ID and digital payments for rural consumers, among other aspects. The program also supported the development of CoDi, Mexico's new mobile payments platform, to facilitate instantaneous and low- or zero-cost digital payments between individuals and businesses / governments.

FIGI also supports working groups to tackle three sets of outstanding challenges for reaching universal financial access: (1) electronic payments acceptance, (2) digital ID for financial services, and (3) security. Guidance has been used by policymakers to enhance electronic payments within their jurisdictions, improve cyber-resilience and establish new e-KYC reforms.

Lastly, FIGI hosts three symposia to gather national authorities, the private sector, and the engaged public on relevant topics and to share emerging insights from the working groups and country programs. The Symposia distill lessons learned and core guidance from across the FIGI program.

2.3.2 Financial Inclusion Support Framework (FISF):

The Financial Inclusion Support Framework (FISF) was a flagship global technical assistance program with the objective of accelerating and increasing the effectiveness of reforms and other country-led actions to achieve national financial inclusion goals. Launched in April 2013 and welcomed by the G20 Finance Ministers and the Alliance for Financial Inclusion, FISF was designed to help scale up and leverage the WBG's policy dialogue, analytical work, and financing for financial inclusion. FISF had support of $25 million from the Netherlands Ministry of Foreign Affairs, and $6.7 million from the Bill & Melinda Gates Foundation.

FISF-supported activities aimed to help catalyze private sector financing, knowledge and innovation, to spur the usage of a broad range of financial services – payments, savings, insurance, credit – by low-income individuals and micro, small and medium enterprises (MSMEs), who were un- or under-banked. The program had two components, Country Support Programs (CSPs) and Knowledge.

The CSPs were structured as three- to four-year technical assistance programs organized under four thematic areas:

1. National financial inclusion strategy, and monitoring and evaluation;
2. Financial infrastructure, such as payments and credit reporting systems
3. Diversified financial services for individuals and enterprises; and
4. Financial consumer protection and financial capability.

Technical assistance provided under the CSPs built on and contributed to public and private sector commitment to financial inclusion. CSPs supported the design and implementation of key policy and regulatory reforms, financial infrastructure development, and the increased effectiveness of programs in strategic areas, such as Government-to-Person payments, and helped improve the financial capability of key population segments. CSPs were launched in Rwanda, Indonesia, and Mozambique in 2014, in Ethiopia and Zambia in 2015, and in Pakistan, Cote d'Ivoire, and Vietnam in 2016 - all UFA focus countries. All CSPs concluded by June 2020, and generated significant outcomes in establishing national strategic priorities, supporting reforms of key regulations and policies, expanding targeted financial inclusion initiatives, strengthening key institutions, and expanding data and analytics for financial inclusion.

FISF's Knowledge component supported analysis, synthesis, and knowledge sharing in key underserved areas, from the financial inclusion of women and individuals engaged in agriculture, digital inclusion acceleration, leveraging digital payments to provide access to a broader set of financial services, to addressing consumer risks in digital finance. The program harvested learnings from the CSPs through its implementation knowledge and learning series. FISF's knowledge activities concluded in June 2021.

2.3.3 Harnessing Innovation for Financial Inclusion (HiFi)

HiFi is a 12-year program aimed at scaling up financial inclusion in developing countries on a sustainable basis, by harnessing technology and innovation. HiFi is implemented via Finance, Competitiveness & Innovation Global Practice (FCI GP), the Consultative Group to Assist the Poor (CGAP), the International Finance Corporation (IFC) and the Alliance for Financial Inclusion (AFI). HiFi is solely UK-Government funded, and operates across Africa, the Middle East and Asia.

HiFi is focused on providing access to a broad range of financial services to people who do not have any or adequate access. This includes branchless banking, modernization of government and retail payments, and improving the affordability and accessibility of remittances flows. Digital finance is transforming how poor people in developing countries access and use financial products and services. HiFi's work on enabling digital financial services (DFS) has played a critical role in the global public and private sector response to the economic and social consequences of the COVID-19 pandemic. DFS has encouraged and increased the use of mobile money to transact remotely, transfer of funds to vulnerable populations and avoidance of risks associated with cash transactions.

FCI GP has programs in Bangladesh, Ethiopia, Kyrgyz Republic, West Bank and Gaza, Democratic Republic of Congo (DRC), and the Southern African Development Community (SADC) region funded by HiFi to: 1) digitalize government payments, 2) enhance remittances markets; and 3) enhance the safety, reliability and efficiency of national payments systems.

The HiFi Program has published an e-book on the impact of its country work to date, which include lessons related to the UFA initiative.[18]

2.3.4 Remittances and Payments Program (RPP)

The RPP, funded by the Swiss State Secretariat for Economic Affairs (SECO) and executed by the World Bank since 2015, is designed to increase the efficiency of retail payments in four countries of the Western Balkans (Albania, Serbia, Bosnia and Herzegovina, Kosovo) and Ukraine, with a specific focus on international remittances. The Program is based on the international standards and best practices in this space, such as those set by the World Bank – CPMI General Principles for International Remittance Services and the Payment Aspects of Financial Inclusion (PAFI) report.

The RPP has been providing technical assistance to central banks in the five countries mentioned above in facilitating the adoption of the latest EU and global retail payments reforms and enhancing the use of modern payment instruments and remittance products responding to user's needs. The main objective of the Program is to ensure the development of safe and efficient payment systems required for facilitating remittances in five countries. This has been achieved through a gradual and cross-sectoral technical assistance in the fields of:

1. Legal and regulatory framework, by supporting countries in transposing several pivotal EU directives (Payment Services Directive 2, Payment Account Directive, E-money Directive, etc.), which allows a more competitive and proportional payment ecosystem,

2. Payment infrastructure, by assisting countries in developing a complete, inclusive and modern upgrades, based on the Principles for Financial Market Infrastructures (PFMIs), which will allow more interoperability and interlinkage of various payment instruments and products,

3. Oversight and supervision of payment systems and instruments, by supporting a sound policy frameworks and cooperation arrangements against latest standards,

4. Payments - and remittances-related research, analytics and assessments, for example, by conducting household surveys with remittance beneficiaries in RPP program countries, implementing

[18] World Bank Group (2019). Capturing our impact: Harnessing innovation for financial inclusion.

Retail Payments Cost Study in program countries, several assessments on retail payments and markets for international remittances,

5. Financial literacy of remittance users and improved product design for remittance service providers, by using Project Greenback methodology to promote knowledge of remittance products among beneficiaries and interact with the remittance service providers with the objective to encourage demand-driven best practices, whereby inspiring reforms with the relevant public authorities.

In addition, RPP has been supporting a knowledge management and data collection agenda in relation to remittances and Project Greenback. RPP has been one of the main funding sources of the World Bank's Remittance Prices Worldwide database. In addition, the RPP team has been working on a series of knowledge products on Project Greenback to make the lessons learned publicly available.

2.4 UFA-LINKED SPECIAL INITIATIVES ACROSS THE WORLD BANK

2.4.1 IDA 18 Targets and IBRD Capital Increase Policy Commitments

For the 18th replenishment of IDA resources, the executive directors requested the inclusion of financial inclusion related action items in line with the UFA goal. More specifically: "Participants requested that at least 10 IDA18 financing operations and Advisory Services and Analytics (ASA) for financial inclusion address gaps in men's and women's access to and use of financial services and at least 10 Financial Inclusion strategies in IDA countries provide sex-disaggregate reporting and put in place actions to target specifically women's financial inclusion."[19]

2021, the IDA 18 Retrospective Report noted that throughout the IDA 18 period, 14 operations were approved to address the gender gap in access to and use of financial services in Afghanistan, Burkina Faso, Burundi, Cabo Verde, Djibouti, Ghana (two operations), Kenya, Madagascar, Mozambique, Pakistan, Sao Tome and Principe, Sierra Leone, and Somalia. In addition, 10 financial inclusion strategies were developed which identifies actions for women's financial inclusion including in Afghanistan, Ethiopia, Liberia, Mozambique, Nigeria, Pakistan, Rwanda, and Zambia.

In a similar vein to the IDA 18th replenishment, in the 2018 Proposal for t he World Bank Group Capital Increase, the World Bank committed to "... an increase in the share of IBRD operations with financial sector components that include specific actions to close gender gaps in access to and use of financial services from 55 to 60 percent by FY23, again with ambition maintained or increasing to FY30."[20]

[19] IDA (2017). Report from the Executive Directors of the International Development Association to the Board of Governors: Additions to IDA Resources 18th Replenishment. Towards 2030: Investing in Growth, Resilience and Opportunity, p. viii.
[20] World Bank Group (2018), Sustainable Financing for Sustainable Development: World Bank Group Capital Package Proposal. Report to the Governors at 2018 Spring Meetings, p. 20.

2.4.2 ID4D

The World Bank's Identity for Development Initiative (ID4D) is a collaborative effort to support countries to implement digital ID systems and achieve the Sustainable Development Target 16.9: "By 2030, provide legal identity for all, including birth registration." World Bank Global Practices for social protection, governance, health, financial inclusion, gender, and legal issues have joined together to support this initiative.[21] Through ID4D, the World Bank has supported ID efforts in over 40 countries.[22] According to the ID4D Global Dataset, 46 percent of those without an ID live in Sub-Saharan Africa, signaling an opportunity for the region. There is an important gender gap in access to identification as well: 1 in 2 women in low-income countries does not have an ID.[23] The World Bank Group and partners, through the ID4D effort and related workstreams, has galvanized global attention and resources around the issue of ID acceptance.[24] The World Bank has collected a large amount of data and produced knowledge products, as well as offering financial and technical assistance to client governments that are working to improve and expand their national and digital ID systems.[25]

2.4.3 G2Px

More recently, the World Bank, through different global practices as well as a cross-sectoral initiative, has developed work to advance G2P digitalization. The G2Px program is a cornerstone of the World Bank's work in digitalizing large value payment streams and has many synergies with UFA2020. The objective of the G2Px program is to go beyond efficiency gains for individual programs to focus on the beneficiary experience while driving financial inclusion and women's economic access and empowerment. Government fiscal savings also remains a critical priority. In this initiative, the Bank is working to establish a framework, develop best practices and provide upstream technical assistance to radically improve G2P payments globally.[26]

The G2Px initiative encompasses different global practices and units from the World Bank: Social Protection and Job (SPJ) – design, advisory and financing of social protection policies and programs, and a systematic collection of data on payments delivery; Finance, Competitiveness and Innovation (FCI) – design, advisory and financing of payments infrastructure and broader financial inclusion programs, Government payments digitalization advisory services and implementation support; Digital Development (DD) – design and financing of digital government policies and platforms; Governance – design and financing of public financial management programs; Gender – design on women's inclusion and empowerment; and CGAP – develop G2P case studies and tools and provide advisory services and implementation support.

---

[21] https://id4d.worldbank.org/about-us
[22] https://id4d.worldbank.org/country-action
[23] https://id4d.worldbank.org/global-dataset/visualization
[24] See, for example, the case of Mexico: https://www.worldbank.org/en/topic/financialinclusion/brief/figi
[25] https://id4d.worldbank.org/research
[26] https://www.worldbank.org/en/programs/g2px

3 TAKING STOCK OF PROGRESS IN PRIORITY AREAS OF THE PAFI FRAMEWORK

This section highlights progress and lessons learned in the 25 UFA2020 focus countries, with a focus on World Bank initiatives and the related work they helped catalyze. The section also includes a few examples from countries that were not among the UFA2020 focus countries when they provide particularly illustrative examples. The PAFI framework provides a helpful conceptual framework for discussing work of the World Bank related to not only payments but also the enabling policy and political will issues that are required for financial inclusion. The report discusses progress loosely organized around the PAFI framework:

- The first part of this section addresses World Bank engagement with the critical enablers of public and private sector commitment including monitoring and evaluation, legal and regulatory framework, and financial and ICT infrastructures, including developing national payment systems.
- The second part of this section discusses World Bank work and country progress in the catalytic pillars: product design, access points, awareness and financial literacy, and leveraging large-volume recurrent payment streams.

The report also discusses women's financial inclusion throughout.

3.1 PUBLIC AND PRIVATE SECTOR COMMITMENT

Key lessons on public and private sector commitment:

- Political will, high-level commitment, and involvement of all relevant stakeholders matter for the success of strategies for financial access and inclusion such as NFIS or NRPS.
- Agencies responsible for implementing the NFIS should be clearly identified and have specific targets to ensure accountability and action in NFIS tasks.
- Allowing for an overall mid-term review of strategic documents with the aim of revising the action plan and M&E frameworks to fit with the new realities in the financial sector due to the fast pace of technological progress may be useful.
- Mandating collection of gender-disaggregated data can have cascading effects to collect better data in general, and in engaging public and private sector to focus on gender equity beyond financial services access.

Over the past decade, financial inclusion has gained prominence within both the public and the private sector. This has been further underscored by multilateral organizations such as the World Bank launching initiatives that have put financial inclusion at the center of development initiatives and also provided support

to governments working to increase financial access and usage. In addition to direct implementers such as development partners and governments, the participation of a varied group of partners is critical to long term success and sustainability. One of the most prominent tools that has been used by governments to both signal and galvanize commitment to financial inclusion has been the development and implementation of a national financial inclusion strategy (NFIS). By 2017, 34 jurisdictions reported having an NFIS in place to the Global FICP Survey of the World Bank, and another 29 jurisdictions noted developing an NFIS.[27] As of 2020 the World Bank had directly supported over 25 countries to develop an NFIS and undertaken financial inclusion related diagnostics in over 25 more nations. As it relates to UFA2020, 13 out of the 25 UFA countries received World Bank support in the development and/or implementation of their NFIS.[28] Furthermore, the World Bank Group maintains a NFIS resource center which provides valuable guidance for public authorities as well as private sector partners, World Bank task teams and other multilaterals and donors working on this topic.

One of the key resources developed by the World Bank is a NFIS Toolkit[29] which provides detailed guidance on approaching the NFIS process, from stakeholder coordination to strategy design, implementation, and evaluation. The Toolkit includes detailed operational tips as well as country examples from over 20 countries. The toolkit is informed by the World Bank Group's experience as a technical partner in the development and implementation of NFIS in a diverse range of country contexts.

Public and private sector commitment reflects a shared objective to "broaden financial inclusion (which) is explicit, strong and sustained over time."[30] High-level sponsorship or ownership is necessary for the success of any financial inclusion project, and it is not uncommon to find the executive office of the President, Prime Minister, Minister for Finance, or Central Bank Governor of any given country leading the initiative. This sponsorship at very senior levels ensures accountability at the highest levels of government and assures the government's commitment and support. Examples of UFA focus countries that have taken this approach when formulating their NFIS are Mozambique, Peru, Tanzania and Zambia.[31]

It is not just the public sector that has to show commitment to financial inclusion to increase but the private sector as well. Indeed, in a lot of countries, the private sector has recognized the role they have to play and responded by developing products and services catered to the otherwise financially excluded or underserved. The private sector is of course also driven by opportunities to make profit and taping into the mass market and digital channels is one way to do that. What more, NFIS customarily include targets for account ownership, which cannot be achieved solely through policy measures but rather must galvanize providers, so they also contribute to these goals.

In addition to NFIS, successful implementation of retail payments strategies are also drivers of access to and usage of transaction accounts. Retail payments strategies provide a roadmap to the regulators for modernizing the retail payments infrastructure and related legal framework, and for considering options on product design, financial literacy, and digitalization of payments (e.g., government-to-person payments, salary payments, etc.), with the ultimate goal of increasing access to and usage of transaction accounts. The World Bank has provided technical assistance to tens of countries in developing and implementing retail payments strategies.

---

[27] World Bank (2017). Global Financial Inclusion and Consumer Protection Survey.

[28] World Bank Operations Portal and FCI GP staff elaborations

[29] World Bank (2018). Developing and Operationalizing a National Financial Inclusion Strategy.

[30] CPMI and World Bank Group (2020). According to the PAFI Radar framework, the signals of success are: the presence of an NFIS, a national payments or financial inclusion council, a retail payments strategy and/or account ownership over 90%. All but one of the 25 UFA countries, by virtue of having one of the strategies/councils mentioned above, score very highly on public sector commitment. In fact, most are at or above the score of both the observed top performing and the benchmark sample countries.

[31] Mozambique: Republic of Mozambique, National Financial Inclusion Strategy 2016-2022; Peru: Perú Ministerio de Economia y Finanzas (2015). Estrategia Nacional de Inclusión Financiera: Perú; Tanzania: Alliance for Financial Inclusion (2018). Tanzania: National Financial Inclusion Framework 2018-2022; Zambia: Ministry of Finance (2017). Republic of Zambia: National Financial Inclusion Strategy 2017-2022.

Box 7 – Mozambique: Mid-Term Review of the National Financial Inclusion Strategy

In July 2016, Mozambique launched its National Financial Inclusion Strategy. The NFIS development in Mozambique was led by Banco de Moçambique (BdM) in collaboration with Mozambican stakeholders, and under the co-leadership of the Insurance Supervision Institute of Mozambique (ISSM), with technical assistance by the World Bank. The Mozambican NFIS had an ambitious action plan.

One interesting feature of the NFIS Action Plan was that it included a mid-term review. BdM, as the lead of NFIS, decided to organize the mid-term review in a similar but shorter manner as the development process of an NFIS: identifying gaps and areas for improvement, holding stakeholder workshops to discuss potential actions, and re-designing the action plan accordingly.

In July 2019, the BdM organized stakeholder consultations for the mid-term review with technical assistance by the World Bank. As a result of these consultations, Mozambique National Financial Inclusion Strategy, 2016-2020 Mid-Term Review report was written, which included revisions to the action plan and the M&E framework, as well as identifying "quick wins."

In order to support the strategic choices for the national payments system and the implementation of payments initiatives in a country, it is critical to have coordination and collaboration among all payments system stakeholders. Such coordination and collaboration have become even more important because of the increasing pace of innovations and their use in the payments sector, and the new business models and the opportunities and risks they bring in.

A national payments council is a vehicle for enabling coordination and collaboration in the national payments system. Coupled with a strategic approach to modernizing and developing the national payments system, a national payments council can be a critical forum for discussion of the evolving needs for the country. While the mandate of national payments councils can (and do) go beyond retail payments, digital payments or financial inclusion, they are nonetheless an important enabler and a mechanism that brings the public and the private sector stakeholders together for discussion of UFA-related initiatives.

Box 8 – National Retail Payments Strategy and National Payments System Committee in Albania

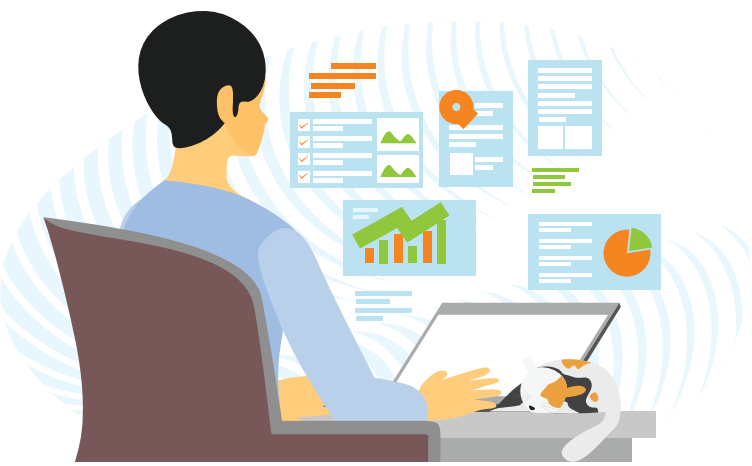
The National Payment System Committee (NPSC) in Albania was established by a regulation in 2014. The purpose of the NPSC is to "contribute to increasing the security, stability and efficiency of the national payment system in Albania, in accordance with the legal obligation of the Bank of Albania to promote the normal functioning of the payment system."[32] The NPSC consists of the Bank of Albania, representatives of relevant ministries, Financial Supervisory Authority, Albanian Association of Banks, and executive-level representatives from non-banks that carry out activities such as transfers, payments and/or e-money as well as infrastructure operators and other operators licensed under the Payments System Law.

The Bank of Albania (BoA), with technical assistance from the World Bank, undertook several technical assessments related to retail payments in the last few years. As a result of these assessments, the BoA has developed and launched the National Retail Payments Strategy (NRPS) for Albania in 2017 covering the period 2018 – 2023. The Albanian NRPS provides strategic guidance for expanding access to transaction accounts and accelerating the usage of electronic payments.

3.1.1 Monitoring and Evaluation (M&E)

Integral to any commitment or strategy is a framework for M&E. The measurement of progress toward financial inclusion objectives and/or commitments as set out in an NFIS or a retail payments strategy or a commitment made publicly requires a comprehensive M&E system that is well-resourced, well-coordinated and widely accepted by a range of stakeholders that are involved in achieving these objectives or commitments. Such an M&E framework can be a powerful tool for identifying gaps and obstacles, allocating resources efficiently and demonstrating results of policy reforms.

The World Bank's technical assistance in this area has focused on building data infrastructures, national level results frameworks, key performance indicators and targets aligned with policy objectives, tracking systems and reporting mechanisms for action plans, evaluation of key action items in terms of efficiency and impact. In addition, the PAFI Task Force was re-convened in 2018 to produce tools to facilitate uniform and consistent application of the PAFI guiding principles, including developing a PAFI Results Framework to help the users of the PAFI Framework monitor progress towards the PAFI goal of universal access to and frequent usage of transaction accounts. The PAFI Task Force developed the PAFI Application Tools Report[33] for this purpose. Box 6 provides details on the PAFI Results Framework.

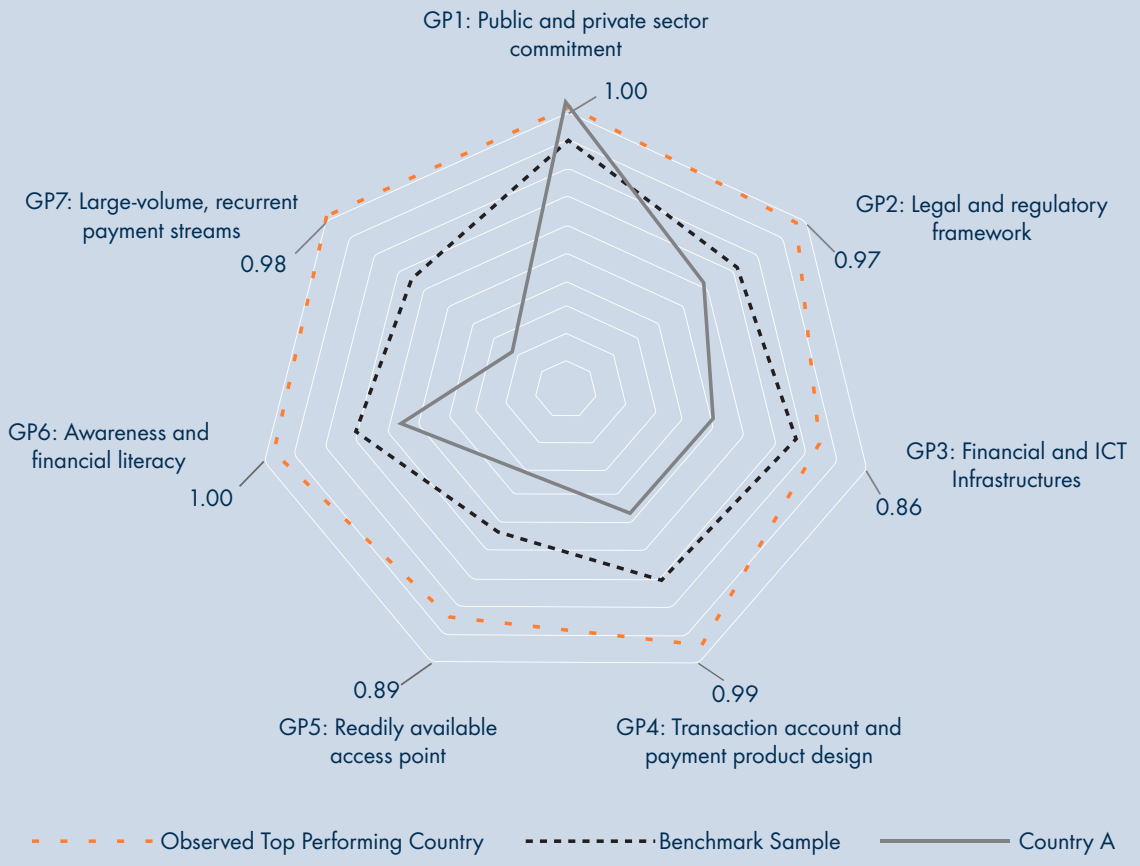


[32] https://www.bankofalbania.org/Payments/National_Payments_System_CommitteeN/

[33] State of Industry Report, GSMA, 2020

Box 9 – The PAFI Results Framework

The PAFI Results Framework aims to provide the users of PAFI guidance to compile indicators relevant for their reform actions and policies to track progress. The PAFI Results Framework includes a set of indicators for each PAFI Guiding Principle and corresponding data sources that collect data from a broad range of countries and over time, which can enable monitoring progress against benchmarks



In addition, the PAFI Results Framework also provides a tool called the "PAFI Radar" which can be used to visualize progress in all areas of the "PAFI House" simultaneously. The figure depicts an example, Country A, on a PAFI Radar.

**Please see CPMI and WBG (2021b) for further details.*

Box 10 – Advancing Data for Financial Inclusion and M&E in Ethiopia

An important element of public sector commitment is government monitoring and evaluation (M&E) of the relevant policies, including which granular data are collected. One UFA country worth focusing on to extract M&E lessons is Ethiopia, particularly because the World Bank supported them in the development of their NFIS. According to Global Findex data, in 2017, the percentage of Ethiopian adults with an account rose to 35%, up from 22% in 2014. Despite these gains, the gender gap jumped to 12 percentage points in 2017, with 41% of men had an account compared to 29% of women. Given the aggressive NFIS target to increase account ownership from 22% in 2014 to 60% and the need to address persistent access gaps displayed by vulnerable groups, the Ethiopian government saw the value in collecting access data more regularly than the three-year interval the Global Findex would allow. They also saw the value of augmenting their own data collection capacity and as such sought additional World Bank support as part of the NFIS development process to leverage the Ethiopia Socioeconomic Survey (ESS) to collect additional data.

The ESS is conducted by the Ethiopian Central Statistics Agency (CSA) every two years in collaboration with the World Bank Living Standards and Measurement Study (LSMS) team and now includes additional indicators around account access, barriers to access, savings, loans, informal finance, insurance, financial capability, and consumer protection. It provides the NBE with a full range of financial inclusion indicators that helps them track and evaluate the progress of Ethiopia's NFIS over time. The fourth wave of the ESS has evolved to include additional indicators around financial capability to complement Ethiopia's upcoming National Financial Education Strategy and to measure the impact and progress of financial capability over time. A similar approach was also taken in Jordan and Belize, which could signal a welcome change in how countries are supported to develop, implement, and monitor their national strategies for inclusion. This approach signals not only a highly committed government but is also a pathway for fostering a government more capable of identifying problems and taking urgent action to reduce exclusion.

3.1.2 Sex-disaggregated data

One of the areas that regulators are increasingly monitoring is data around women. Sex-disaggregated data help dispel myths about women as less than viable customers and allow regulators as well as financial institutions to adapt their strategies to the needs of the market. Increasingly, regulators are becoming aware of the value of and requiring that providers collect gender-disaggregated data in order to shed light on the extent of the gender gap, and also to monitor progress against initiatives to reduce this gap.[34]

Why is it important to collect gender-disaggregated data on financial inclusion? For example, according to the most recent Global Findex data (2017), 69 percent of adults in Turkey own an account at a regulated institution. At the same time, there is a large gender gap in account ownership: 83 percent of men as opposed to only 54 percent of women had accounts in 2017. There are two main reasons documented so far in the literature for such a large gender gap. The first is more habitual and cultural. Many Turkish women note that they are able to access an account owned by a family member and hence they do not need to have one themselves. The second reason, and perhaps more structural, is women's labor force participation. Only 16 percent of women report participating in the labor force. Ninety-seven percent of women that are wage-employed or self-employed report having and using an account.[35] However, only 23 percent of the women out of the labor force report having an account. Eighty-nine percent of the unbanked women report not participating in the labor force.[36]

---

[34] https://policyaccelerator.uncdf.org/whats-new/sex-disaggregated-data-start

[35] Legislation in Turkey mandates wage payments (public or private) into accounts.

[36] For further details on the gender gap, see Klapper, L. and Singh, S. (2015). and Demırgüç-Kunt, A. And C. Pazarbaşıoğlu (2018).

Box 11 – Sex-Disaggregated Data and Financial Inclusion in Pakistan

In 2020, the State Bank of Pakistan (SBP) unveiled a policy to ensure women's equal access to financial services. Citing Global Findex data, this policy move was in response to the fact that formal financial account ownership for adults went from 13 percent to 21 percent in 2017, but once disaggregated by gender this revealed a dire situation for women's inclusion. Specifically, while men's levels of formal account ownership went from 21 percent to 34.6 percent during the same period, for women this number went from 4.8 percent to 7 percent.[37] The World Bank provided technical assistance to SBP in expanding data collection by gender, which has allowed for better allocation of resources to tackle access gaps and thereby led to material outcomes that may not otherwise have been achieved, including more representation of women in regulatory leadership in the country. As of now, the following sex-disaggregated data is collected by SBP:

- Human resource data (all financial institutions)
- Unique account ownership (all financial institutions)
- SME finance data (borrowers & outstanding portfolio, applications received/rejected)
- Housing finance data (borrowers & outstanding portfolio)
- Microfinance data (borrowers, disbursements & outstanding portfolio)
- Branchless banking (account ownership)

3.1.3 Leveraging Geospatial Technology

One tool that the World Bank has leveraged in countries such as Mozambique, Ethiopia and Pakistan is geospatial technology to map financial access points. In these countries, as part of their engagement with the World Bank, the geospatial technology allowed for regulators to achieve one or more of the following developments: make evidence-based policy, infuse supervisory tools to monitor compliance, monitor and evaluate a national registry for financial access points, and develop a national, public web-based tool to inform the public about financial inclusion developments.[38] These positive outcomes have highlighted to regulators the opportunities in driving financial inclusion that can be realized through more accurate location mapping of financial access points.

Box 12 – Leveraging Geospatial Technology in Pakistan for Mapping Financial Access Points

As part of the NFIS implementation efforts in Pakistan, the World Bank provided technical assistance to SBP in conducting a geospatial mapping of all access points. Geospatial technology can allow policy makers to paint a fuller picture of the factors limiting financial access and help them design appropriate solutions. In Pakistan, the authorities sought to improve financial connectivity through strategic expansion of access points. The geospatial mapping of access points allowed for the identification of priority areas for expanding access networks.[39]

[37] World Bank Global Findex Database, 2014 and 2017.
[38] Financial Inclusion Support Framework, 2020, 'Leveraging Geospatial Technology for Financial Inclusion.
[39] World Bank (2020g).

3.2 LEGAL AND REGULATORY FRAMEWORK

Key lessons learned, legal and regulatory framework:

- The existence of simplified customer due diligence (CDD), e-KYC and remote account opening in the regulatory frameworks can play an important role in facilitating broader use of digital payments via transaction accounts. However, evidence suggests that existing simplifications in CDD are mostly in the form of allowing simplified transaction monitoring rather than acceptance of non-standard ID docs or non-face-to-face CDD, which are more important from the perspective of financial inclusion.

- As consumers of new financial products delivered via innovative technology and new business models may be relatively less financially and digitally literate and such delivery channels may be more prone to cyber risks, such products create further challenges and more responsibility for regulators regarding financial consumer protection, payments oversight and safeguarding customer funds.

- Regulations that support a level playing field and allow non-banks to operate in a safe manner are more conducive to thriving ecosystems.

The legal and regulatory frameworks constitute a significant component of the enabling environment for universal access to and usage of transaction accounts, as well as for financial inclusion. The PAFI Framework includes a number of specific aspects of legislation that can help enable UFA. For example, regulatory neutrality and proportionality are crucial to ensure a balanced regulatory framework which includes banks and non-banks, manages risks, and is fair for all stakeholders including end-users and providers. A regulatory framework that is neutral and proportional would be neutral to all types of providers and instruments but proportional to risks they carry and would be forward-looking regarding new business models.

A second aspect underlined in the PAFI Framework in this regard is the importance of risk management, and how regulators require providers to address a variety of risks such as operational, business, fraud, cyber, reputational and liquidity risks. For example, while enabling a wider reach for financial service providers at low cost, the use of third parties as agents creates additional risks, e.g., in terms of AML/CFT and other, and brings on additional responsibilities to the providers for managing these risks.

Protection of customer funds is another aspect that the PAFI framework emphasizes for a sound legal and regulatory framework as an enabler of the safe storage property of the transaction accounts underlying the UFA goal. For the safe storage property, regulation needs to put in place mechanisms to protect customer funds in the event of misuse by or bankruptcy of the provider.

The PAFI Framework also emphasizes financial consumer protection as a key component of the enabling legal and regulatory framework. Transparency and disclosure, data privacy, dispute resolution, liability for unauthorized transactions, and protections and due process in case of potential seizure of a customer's funds are the specific areas of attention regarding financial consumer protection for transaction accounts.

Lastly, the framework stresses the importance of financial integrity. The PAFI framework stresses the importance of having the right balance between financial integrity and financial inclusion, ensuring that the financial system is protected from money laundering and terrorist financing risks, but at the same time, there is sufficient flexibility to bring the financially excluded and underserved groups to the regulated financial system.

Figure 5. Coverage of legal provisions (Source: World Bank Global Payment Systems Survey, 2018)

	Global	By Income				By Region						
		High Income	Upper Middle Income	Lower Middle Income	Low Income	Europe & Central Asia	Latin America & Caribbean	Sub-Saharan Africa	High Income OECD	East Asia & Pacific	Middle East & Nort Africa	South Asia
Consumer protection for retail payment services	86% 100/116	93% 37/40	77% 27/35	89% 25/28	85% 11/13	94% 16/17	68% 15/22	91% 20/22	94% 29/31	92% 11/12	75% 6/8	75% 3/4
Fair and competitive practices in the provision of payment services	86% 99/115	88% 36/41	80% 28/35	93% 25/27	83% 10/22	100% 17/17	68% 15/22	95% 20/21	91% 29/32	82% 9/11	82% 7/8	50% 2/4
Electronic Money (or e-money)	85% 102/120	88% 100/116	77% 27/35	93% 28/30	77% 10/13	83% 15/18	59% 13/22	91% 20/22	94% 31/33	92% 11/12	100% 8/8	80% 4/5
Regulation allows agent-based models	79% 191/115	71% 100/116	83% 29/35	85% 23/27	83% 10/12	83% 15/18	64% 14/22	95% 20/21	81% 26/32	64% 7/11	86% 6/7	75% 3/4
Regulation allows non-bank direct provisionof payment services and holding consumer funds	77% 91/118	81% 100/116	71% 25/35	76% 22/29	83% 10/12	76% 13/17	59% 13/22	86% 19/22	85% 28/33	83% 10/12	75% 6/8	50% 2/4

Each box shows the percentage of answers among the juristictions in a group.
The number of responding jurisdictions may differ across options. A jurisdictions may have chosen multiples options

0% 20% 40% 60% 80% 100%

The latest Global Payment Systems Survey (GPSS) by the World Bank in 2018 collected data from central banks and other relevant regulators around the world on the coverage of legal provisions on specific issues related to payment systems. Figure 5 summarizes these findings globally and across income groups and regions. More than three-quarters of the responding jurisdictions confirmed coverage of legal provisions for e-money, agent-based models, provision of payment services by non-banks, fair and competitive practices in the provision of payment services, and consumer protection for payment services.[40]

Box 13 – Legal Barriers to Women's Financial Access

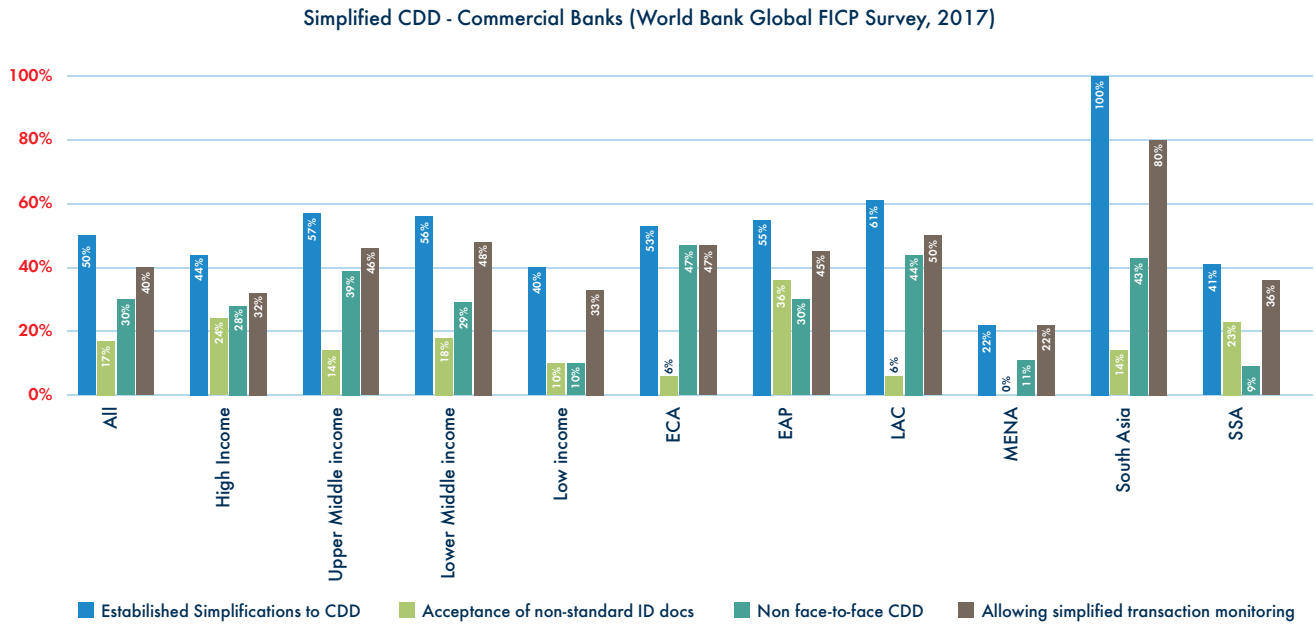
Reducing legal barriers to women's financial access is another priority area for legal and regulatory progress. A flagship Bank report on Women Business and the Law found that women face a number of legal barriers that have implications for financial access, including challenges with obtaining identification, owning assets, and needing a male guardian to perform financial operations in some countries. Legal infrastructure to limit outright discrimination in offering financial services is also limited globally. In 2017, 65 percent of 124 jurisdictions surveyed had laws prohibiting discrimination against certain populations in finance, while only 44 percent of low-income jurisdictions did.[41] Such laws can be enforced through regulatory examinations that are part of the supervision process, through audits, or through complaints and the legal system. According to CGAP, countries including South Africa, India, and the United Kingdom cite financial services ombudsmen as helping to combat discrimination in finance, including discrimination against women and ethnic and minority groups.[42]

3.2.1 Financial Integrity

OAs regards to financial integrity in relation to financial inclusion and the PAFI framework, the important points to consider include the existence of simplified customer due diligence (CDD), e-KYC and remote account opening in the regulatory frameworks and whether the private sector uses new technologies for risk management and compliance.

[40] World Bank (2020a).
[41] World Bank Group (2018)
[42] Izaguirre (2020)

Figure 6. Existence of simplified CDD for commercial banks in the regulatory frameworks (World Bank Global FICP Survey, 2017)



The World Bank's Global FICP Survey in 2017 collected data on the existence of simplified CDD in the regulatory frameworks. Figure 6 depicts this for commercial banks. While almost half the jurisdictions in 2017 had some form of simplified CDD for commercial banks, many of these take the form of allowing simplified transaction monitoring rather than acceptance of non-standard ID docs or non-face-to-face CDD, which are more important from the perspective of financial inclusion.

CGAP (2019) notes that several countries adopted different frameworks for a risk-based approach to CDD, with differences based on the extent of providers' discretion in making key decisions in, for example, identifying the low-risk products and services or which procedures to simplify.[43] The note describes examples of regulatory approaches from different countries which have more discretionary compared to more prescriptive approaches. In addition, the note also mentions two additional points that regulations need to address: institutional vs. functional regulation and agent based and remote CDD. Regarding the former, in jurisdictions where simplified CDD applies to specific types of accounts that can be provided only by a designated type of entities, institutional approach to simplified CDD may work well. Otherwise, end users may end up being subject to different requirements to purchase the same product from different types of institutions. Regarding the latter, agent based and remote CDD can facilitate reaching out to remote areas in a cost-efficient way, and to improve financial inclusion. In addition, when face-to-face account opening is not possible, for example in the case of COVID-19 lockdowns, remote CDD can be very important, especially considering developments in technology, including electronic onboarding and digital ID.

[43] CGAP (2019)

Box 14 – Remote KYC with virtual ID verification in Bangladesh

Bangladesh Financial Intelligence Unit (BFIU) issued e-KYC guidelines in early 2020, with technical assistance by the World Bank, which permit financial institutions to open a customer account by filling in a digital form, taking a photo, and authenticating the person's identification data. The ability to open accounts from a smartphone brings convenience to customers.

BFIU e-KYC guidelines leverage the digital national ID system in Bangladesh. In Bangladesh, there is a national identification database operated by the Bangladesh Electoral Commission that covers over 90 million adults (population over 18). While the National Identity Document (NID) was created for the purpose of establishing the voting population of Bangladesh, currently it is the identity system that covers the larger population in Bangladesh. The database does not include resident foreigners, minors or refugees. The information collected in this database through a one-time enrolment includes 4 fingerprints, first, middle and last names, parents' names, date of birth and address.

3.2.2 Consumer protection laws and regulations

Increasingly financial products that serve the bottom of the pyramid, because of the use of technology, put this very segment at higher risk of exposure to abuse. As a result, regulators must remain hypervigilant to the various financial consumer protection (FCP) challenges that could arise and develop a consumer protection framework that speaks directly to that reality.

The World Bank's 'Good Practices for Financial Consumer Protection (2017)' takes an activity-based approach, providing guidance with an aim to create a level playing field and comprehensive protection for consumers regardless of the type of provider with which they engage. In many countries, financial sector laws may take an institutional approach—that is, they cover specific types of providers (such as banks, finance companies, MFIs). As a result, some types of providers may not be covered by financial consumer protection provisions (though they may still fall under a general consumer protection law, if one exists). According to the Good Practices, in such instances, regulators should make concerted efforts to ensure that the multiple laws addressing financial consumer protection are comprehensive enough to cover all financial services providers, as well as all relevant consumer protection issues. Efforts should also be made to harmonize their provisions to the extent possible to avoid gaps, conflicts, ambiguities, or an uneven playing field.

As detailed in the Good Practices report, at a minimum, the FCP regulatory framework of a country should include i. Transparency and disclosure requirements; ii. Fair treatment and business conduct (including: 1. Protection and availability of customer funds; 2. Authorization, authentication, and data security requirements; 3. Liability for errors, fraud, and unauthorized transactions; and 4. Operational reliability); iii. Data protection and privacy; and iv. Dispute resolution mechanisms.

Box 15 – Country Examples on Financial Consumer Protection Frameworks

A number of countries have developed innovative policy solutions to improve consumer protection.

South Africa: In 2018, South Africa implemented the Financial Sector Regulation Act (FSR Act). A new conduct regulator (Financial Sector Conduct Authority) was also established and has full scope of jurisdiction over the financial sector. The FSR Act allows for new financial products and services to be designated through regulation, which will bring the new products and services under regulation from both a customer protection and prudential perspective. The FSCA has jurisdiction over retail banks, a sector that had been under-regulated from a market conduct perspective. To inform the FSCA's supervision of bank conduct, and setting of conduct standards, a multifaceted approach will be taken. This includes engaging with government, the central bank and the Prudential Authority to coordinate work where there is shared interest. Focus areas include governance frameworks, fintech innovations affecting banks and conduct-related aspects of payment services.[44]

Egypt: As part of the Financial Inclusion Global Initiative, the World Bank has been providing technical assistance to authorities in Egypt since 2017 in the area of financial consumer protection among others, with the objective of improving digital financial inclusion in Egypt. At that time, neither the Central Bank of Egypt (CBE), the supervisor of banks and payment service providers (PSPs), nor the Financial Regulatory Authority (FRA), the supervisor of non-banks, had explicit regulations for financial consumer protection. In 2019, both the CBE and FRA issued their respective regulations on this topic, providing clarification for providers of financial services, in a harmonized way, regarding disclosure requirements, fair treatment, complaints handling, dispute resolution, and recourse. The CBE has established a dedicated department for FCP and has been building capacity for market conduct supervision. They have also started building an ombudsman scheme. The CBE has also prepared guidelines for banks on disclosure, including key fact statements that must be provided to disclose the key specifications of credit products.

Recent developments in the financial sector, specifically the increased use of technology, new business models and innovations can have a positive impact on financial inclusion as they can provide more convenient and affordable means of reaching the financially excluded groups that are traditionally more difficult to reach. At the same time, however, these new business models involve new and different types of risks, some of which may not yet have been recognized. This, together with the types of consumers these new services may reach (e.g., relatively less financially and digitally literate), create further challenges for regulators regarding financial consumer protection.

A recent policy paper by the World Bank[45] aims to identify these new consumer risks due to four types of fintech products, including e-money (and digital microcredit, P2P lending, and investment-based crowdfunding). The paper also provides examples of emerging regulatory frameworks that aim to address these risks

[44] OECD (2019)
[45] World Bank (2021d).

Box 16 – Data Protection and Privacy

The increased digitalization of financial services coupled with technological innovation allows the collection and further processing of vast amounts of personal information which contributes to shape the way in which financial products and services are being designed and delivered. This practice can bring benefits to Financial Service providers (FSPs) and ultimately to consumers by increasing potential number of users and convenience while reducing cost of service. These innovations are especially relevant for developing and emerging economies leading them to embrace digital financial inclusion strategies with all its potential for economic growth.[46] One of the key aspects that has significantly contributed to the explosion of convenience services, far reaching and accessible to a larger number of individuals and legal entities is the extensive exploitation of data. Using personal information, banks and other financial services providers can design products and services tailored to both served and unserved consumers, including by:

1. Designing "consumer centric" digital financial products and services for the unbanked.
2. Creating credit scores for consumers without a formal credit history.
3. Enabling digital ID systems and complementary data to meet "Know Your Customer" (KYC) and CDD requirements as well as develop e-KYC solutions.
4. Pricing financial products to reflect the risk profile of individual consumers and be fairer as a result.
5. Minimizing the risk of fraud.
6. Enabling the provision of payment services by payment initiation service providers (PISPs) under open banking schemes.

However, the collection, processing and further distribution of personal information is also subject to risks that can result in unintended consequences for consumers. These negative consequences vary from identity theft and other fraud related consequences to unfair discrimination and financial exclusion. In addition to discriminating in approving or denying credit applications, alternative data could also provide a basis for the practice of charging consumers' different prices for the same product, without reference to cost considerations or risk.

Inadequate data protection practices, standards and rules can result in consumers experiencing financial harm, loss of privacy and reduced trust. A well designed legal and regulatory framework on data protection and cyber resilience can prevent or reduce risks associated with unauthorized access, data misuse, data loss and data corruption practices. In the absence of International Standards on Data Protection, there are several internationally agreed frameworks that provide guidance on protection of personal data and privacy. Key frameworks on data protection include the Council of Europe[47], the Organization for Economic Co-operation and Development (OECD)[48], the International Conference on Data Protection and Privacy Commissioners (ICDPPC)[49] and Asia-Pacific Economic Cooperation (APEC). More recently the General Data Protection Regulation in the EU has become a de facto standard and many jurisdictions are adopting compatible frameworks. While data protection legislation needs to be tailored to the specific needs of the country enacting it, each country must take into account various business models in its economy, state of technological advancement, social and political values and legal systems.

In sum, guidance on data protection and privacy aims at providing consumers more control over their data as well as enabling the flow of information in a safe and secure manner. Some key considerations to achieve such goals include the following: (i) lawful processing, (ii) transparency, (iii) enable consumer's rights such as accessing correct and deleted data as well as blocking certain users from accessing the data and more recently the right to data portability, (iv) keeping consumer's personal information confidential and secure, (v) set high data quality standards to maintain accuracy, reliability of data as well as integrity of databases, (vi) establish accountability of data controllers and data processors and (vii) when consent is necessary, develop adequate mechanisms for consumers to provide and revoke informed consent.

---

[46] Costa et al. (2015).

[46] The European Council comprises 47 members and issued in 1981 the Convention 108 Convention for the Protection of Individuals with regard to Automatic Processing of Personal Data which was ratified by 51 countries.
https://www.coe.int/en/web/conventions/full-list/-/conventions/treaty/108

[46] The OECD issued Guidelines on the Protection of Privacy and Transborder Flows of Personal Data, in 1980 and were revised in 2013.

[46] Notably the Madrid Resolution adopted in 2009.
https://edps.europa.eu/sites/edp/files/publication/09-11-05_madrid_int_standards_en.pdf

Box 17 Open banking and new fintech rules in Mexico

Mexico has made significant progress with regulation supporting open banking by creating an enabling technology environment for more interoperability and partnerships in the financial sector. As part of FIGI Mexico, The World Bank and Mexican authorities have focused on facilitating innovative technology through improving ICT infrastructure for digital financial services, among other activities.[50] The CNBV issued its Fintech Law in 2018, which focused on creating a regulatory sandbox and regulating new players like crowdfunding and e-money institutions. In March 2020, Mexican authorities issued secondary regulations that followed the Fintech law. Articles 76 and 77 include pioneering provisions for open banking. This regulation sets technical and security standards for APIs and helps create governance around public data like financial service access points. The regulation specifies open banking regime details for clearinghouses and credit bureaus, and the CNBV expects to issue guidance on customer transaction data in 2021.[51] This is a good example of how regulatory foundations can create favorable conditions for innovations in payment infrastructure and technology. As of early 2021, more fintech companies are obtaining licenses to operate, and anecdotal evidence suggests more partnerships showing that these regulations are having real impact in the market.[52] The World Bank has also been partnering with Mexico to test pilot interventions in ID innovation.

3.2.3 Payments oversight

Payment systems provide channels through which funds are transferred among financial institutions to discharge the payment obligations arising in the financial markets and across the wider economy. They include the infrastructures for the transfer, clearing and settlement of funds and securities, and in general consist of integrated networks, technological platforms, institutional and market arrangements, and legal and regulatory frameworks to support their functioning. Payment systems also include networks, platforms and providers for the delivery of retail payment services to individuals and small enterprises and play a key role today in bringing the unserved and underserved segments into the regulated financial sector.

In this regard, payment systems are a vital part of the financial sector and the economy. However, they do involve significant risks. They can also be a channel for, or a source of shocks to the financial system. Inefficient, unreliable, or unsafe payment systems may lead to loss of public confidence. Therefore, payments oversight is a key mandate for central banks.

Box 18 – Establishing Payments Oversight Function: The Case of Egypt

Egypt has recently approved a new Banking Law (October 2020). The Banking Law in Egypt is the main piece of legislation that establishes the standards in the banking sector and provides the CBE its mandates in regulating and supervising the sector.

The new Banking Law promotes financial inclusion and encourages the usage of digital financial services, giving the CBE the explicit responsibility, for the first time, for: (i) the oversight of payment systems, payment service providers and associated licensing requirements; (ii) financial consumer protection supervision of banks and payment service providers including competition protection and an Ombudsman scheme; and (iii) Fintech and 'Regtech'. It also includes clauses for the establishment and the functioning of the National Council for Payments, aiming to promote the use of electronic payment methods with a view of financial inclusion.

Accordingly, the CBE has been working on establishing the payments oversight function with technical assistance from the World Bank as part of the Financial Inclusion Global Initiative. A robust oversight policy framework is imperative for fostering sound risk management practices by the PSPs and PSOs.

[50] World Bank Group (2020b)
[51] (Plaitakis and Staschen 2020; Deloitte 2020)
[52] Internal discussions with World Bank Task Team Leaders

3.2.4 Protection of customer funds

The PAFI report is very clear that transaction accounts are for safely storing value in addition to being used for payments purposes. The report discusses extensively the protection of customer funds, and more specifically, under Guiding Principle 2, the PAFI report advocates for safe accounts through consideration of deposit insurance or functionally equivalent mechanisms, as well as through preventive measures (e.g., supervision), to achieve the desired safety. Under Guiding Principle 4, it is stated that "PSPs [payment service providers] offer transaction accounts with functionalities that, at a minimum, make it possible to electronically send and receive payments at little or no cost, and to store value safely".

Recent focus on innovations and use of technology in the provision of financial services seem to have shifted the focus away from the safety of accounts, not necessarily purposefully. At the same time, it has been observed in practice that a number of digital savings providers in developing economies are not covered by deposit insurance or other functionally equivalent mechanisms, and risks may be aggravated in those economies with weak financial sectors.

According to the data from the World Bank's 2017 Global Financial Inclusion and Consumer Protection (FICP) Survey,[53] 71 countries out of the 124 respondents reported that "non-bank e-money issuers" (NBEIs) are regulated/ supervised. The survey then asked whether and how the customer funds are safeguarded:

- Most jurisdictions require that customer e-money funds be kept with prudentially regulated financial institutions:

  - 65 responding jurisdictions (92 percent of those with NBEIs) have established requirements that some or all of a customer's e-money funds be separated from the operating funds of the e-money issuer and placed in a prudentially regulated financial institution.
  - The most common approach (reported by 61 jurisdictions out of 71 or 86 percent) is a requirement that 100 percent of customer e-money funds be kept in an account at a prudentially regulated financial service provider (FSP) (which may include the central bank).
  - Among these 61 jurisdictions, 15 jurisdictions specify that customer e-money funds must be spread across accounts at more than one prudentially regulated financial institution. Four jurisdictions (6 percent) report that a fraction of customer e-money funds (i.e., less than 100 percent) must be kept in one or more prudentially regulated FSP (which may include the central bank).

[53] World Bank (2017). Global Financial Inclusion and Consumer Protection Survey: 2017 Report

• Trust accounts are the most commonly reported type of fund required to safeguard customer e-money funds:

- In almost all responding jurisdictions that have requirements for the safeguarding of customer e-money funds (i.e. 65 respondents, as above), the type of account in which customer e-money funds must be deposited is also specified in law or regulation.
- In 43 percent of relevant responding jurisdictions, a trust account must be used to safeguard funds.
- In 23 percent of relevant responding jurisdictions, a "regular" account can be used
- In 22 percent of relevant responding jurisdictions, an escrow account must be used.
- In 6 percent of relevant responding jurisdictions, an account at the central bank must be used.

Box 19 - Country examples on protection of customer funds

Ghana: (E-money provided by banks or licensed nonbank e-money issuers.) Funds must be invested in cash held at universal banks or other assets permitted by Bank of Ghana and not commingled. Float may not exceed 15% of bank's net worth. Once deposit insurance is implemented, funds should be eligible.

India: (E-money only provided by banks, including banks with lower prudential requirements, i.e. narrow banks – payment banks.) At least 75 percent of customer funds must be invested in short-term government securities and up to 25 percent of customer funds may be held in commercial banks. Direct coverage by deposit insurance.

USA: Funds held in a pooled account are eligible for deposit insurance on a pass-through basis if all of the following apply:

• The e-money issuer has identified the account as a custodial account, with funds held on behalf of the underlying customers;
• The issuer, bank, or another third party maintains records identifying each beneficial owner and the amount owed to each; AND
• The underlying customers legally own the funds in question.

Nigeria:

• MMOs must hold funds equal to 100% of the value of outstanding mobile money liabilities in settlement accounts held with deposit money banks.
• These funds must be held in Nominee Accounts in the name of the MMO's customers. Funds may only be debited for settlement of customer obligations, and these funds may not be used as collateral in credit agreements. Nominee Accounts are structured in a manner that guards against attachment by creditors in the event of the MMO's or any Trustee's insolvency.
• The NDIC has issued a framework under which customer funds held by MMOs in nominee accounts are eligible for pass-through deposit insurance of up to NGN 500,000 per MMO customer per deposit money bank.
• MMOs must be fully compliant with all NDIC-related insurance reporting requirements for pass-through deposit insurance for mobile money accounts.

3.2.5 Regulatory neutrality and proportionality

Regulatory neutrality and proportionality in the context of the PAFI Framework emphasizes the inclusion of both banks and non-banks in the provision of transaction accounts in a fair and balanced way. This means that associated risks must be identified and managed accordingly. At the same time, the regulatory framework would be neutral to different types of providers and instruments and would be forward-looking regarding new business models.

In this regard, the payments oversight sub-section above touched upon the aspects of risk management to a certain extent. At the same time, from a financial integrity perspective, in a similar manner, ML/TF risks must be identified and managed to ensure a balanced and fair regulatory framework. In managing risks, for monitoring and for compliance purposes, it is possible to use relevant new technologies that enable less costly and more efficient ways of risk management.

The regulatory framework should also ensure competition in the payments sector and at the same time be open to new business models and promote innovation.

In addition, given the increasing importance of non-banks in the provision of payment services, policy issues arise in the context of granting access to ACH and RTGS systems to non-banks. At least, ensuring indirect access to such systems by non-banks is key to the widespread use of digital payments. In any case, access criteria identified should be objective, risk-based and transparent to ensure the safety, security and integrity of the payments system.

3.3 FINANCIAL AND ICT INFRASTRUCTURE

Key lessons learned, financial, payments, ID, and ICT infrastructure

- Fast payments can replicate the convenience of instant settlement in electronic transactions.
- Managing cyber risks in the financial sector has become a critical policy objective. Cyber-attacks are a source of reputation risk and they reduce the trust in the financia sector.
- While mobile money has changed the way in which transactions are made in several countries, phone sharing rates are still high in many places, making it difficult to have separate personal accounts.
- There are over 1 billion people in the world without any document to prove their IDs. This is a barrier for them to access many services, including the financial sector.
- The use of digital IDs, while not required, can help expand access to financial services.

3.3.1 Payments infrastructure

Infrastructure that supports fast and reliable payments is key to developing well-functioning and inclusive financial ecosystems. Payment systems and financial market infrastructures (FMIs) that work well promote economic efficiency and consumer confidence in digital payments, supporting greater adoption of transaction accounts. Globally, most retail payments are still made in cash, and the inability to make quick and reliable payments from stored value accounts limits their utility.[54] Strong payments infrastructure also helps bring transparency and efficiency to domestic and international remittance markets, which can be a driver for opening accounts.

Appropriate and effective regulation and policy helps overcome coordination failures to support the development of such payments systems. This includes accommodating different players like merchants and payment acceptors in proportional regulatory frameworks, in some cases allowing them to participate in payment services like remittances, bill collection, and other payment processing.[55]
Key payments infrastructures include:

- An interbank system for retail electronic funds transfers (e.g., an Automated Clearing House (ACH)).
- A payment card processing platform or platforms (e.g., payments switch).
- A fast payments system
- A large-value interbank settlement system (e.g., a RTGS); and
- A robust communications infrastructure; and an effective and efficient identification infrastructure.

[54] According to World Bank (2016a), $19 trillion out of $34 trillion in P2B, B2P and B2B payments to immediate suppliers by micro, small, and medium retailers were made in cash and paper-based methods.
[55] CPMI and WBG (2016), CPMI and WBG (2020b)

The World Bank's longstanding support for creating well-functioning national retail payment systems continued and strengthened during the UFA2020 project period. The Bank was instrumental in expanding Real-Time Gross Settlement (RTGS) and ACHs from just a few countries in the 1990s to near universal presence in 2021. Continuing this work, the World Bank offered financial and technical assistance to client governments in all areas of payment infrastructure strategy and implementation, from technical standards, to oversight, to accommodating the latest fintech innovations like open APIs and distributed ledger technology during UFA2020.[56]

There is a clear correlation between robust payments infrastructure with the features mentioned above and higher volume of digital payments. Alongside evolution in payments infrastructure globally over the past 30 years, the number of cashless transactions per capita per year rose to 88.3 in 2017, which represents a 25 percent increase over the indicator observed in the previous iteration in 2015 (World Bank Group 2020a). The World Bank estimates that its efforts around payment efficiency and transparency, paired with country-level interventions reduced the cost of remittances significantly, contributing to an estimated total saving of $145 billion.[57] Additionally, 43 percent of countries responding to the 2018 Global Payments Systems Survey (GPSS) reported that a fast payments systems (FPS), or systems that allow instant access to funds[58], are already operational in their jurisdictions, the majority of these in high-income economies. Many other respondents indicated that implementation of this type of system or service is planned in the next three years.

Successful examples of country implementation include:

- In the first three years of introducing mobile money interoperability in Tanzania, transactions grew by 16 percent. The Bank of Tanzania (BoT) supported a thriving payments ecosystem by enacting the National Payments Systems Act in 2015 and the Electronic Money Issuer Guidelines. The NPS Act improved transparency and the homogeneity of the system by issuing mobile financial service provider licenses, establishing clear requirements and procedures applicable to all of them and imposing penalties for non-compliance.[59]
- Mexico has also shown a high level of public sector commitment with the introduction of a number of policies to support financial access such as the Central Bank optimizing the inter-bank payment system, Sistema de Pagos Electrónicos Interbancarios (SPEI) for low-value payments, and accepting the inclusion of non-bank providers, thus facilitating an interoperable platform that is compatible with mobile money payments. As of 2015 half of SPEI participants were non-banks.[60]

3.3.1.1 Fast Payments and Financial Inclusion

In the digital age when information and services are accessed in real time, there has been a growing demand from individuals and businesses to also have instant access to funds by the receiver (payee) of a payment transaction. The pressure to have instant access to funds, coupled with technological advancements and standardization of financial messaging, have resulted in the emergence of so-called fast payments (also known as instant, immediate, or real-time payments). Fast payments are supported by 24/7/365 payment system availability and characterized by the instant crediting of the payee's account. Data indicates that fast payments are being embraced by jurisdictions across the board by geography, income status, and National Payment System development. The implementation rate of fast payment systems mimics that of RTGS systems, the backbone of national payment system infrastructures.

Fast payments have also been a driver for greater access to and usage of digital payments, due to characteristics such as:

---

[56] https://www.worldbank.org/en/topic/paymentsystemsremittances
[57] https://www.worldbank.org/en/topic/paymentsystemsremittances
[58] Natarajan et al., (2021)
[59] Pazarbasioglu (2020)
[60] GSMA 2015.

- Instant settlement finality for both the payee and the payer, and the availability of final funds to the payee or beneficiary occurs in real time.
- New access channels and transaction-initiation methods such as QR codes have been introduced.
- Payments made with the help of such aliases as phone numbers, email address, for example, have increased user convenience.
- New payment-transaction flows are introduced through use cases such as request to pay, welfare Membership to fast payment system is broader, and non-banks can also participate as both direct and indirect participants, leading to interoperability, a wider variety of services and products (including more customization), and more affordable pricing. payments, and installment payments (particularly highlighted during the COVID-19 pandemic).

Fast payments have been viewed as an option for the facilitation of cross-border payments, as well. Given the inefficiencies of the current correspondent banking model, several international bodies, including the G20 and the FSB, have called for the exploration of new models and technologies that could be used to facilitate fast and cost efficient cross-border payments and remittances. In this context initial experiments of countries, bilaterally or multilaterally, linking their domestic payment systems, have shown that fast payments can play an important role.

Box 20 - World Bank Fast Payments Policy Toolkit – Overview

The World Bank has been monitoring closely the development of fast payment systems by central banks and private actors across the world. In its role of guiding and supporting countries' development of payments and market infrastructure, it has studied implementations of fast payment systems across the world, resulting in a policy toolkit on the implementation of fast payment systems. The toolkit has been designed to guide countries and regions on the likely alternatives and models that could inform their policy and implementation choices as they embark on their own fast payment journeys.

The toolkit (to be published soon), has several components which are synthesized in a main report that is informed by primary and secondary research, including interviews with more than 60 stakeholders (regulators, system operators, private sector players) from around the world. It covers aspects such as: rationale for implementation, implementation experience, typology of implementation, technical design and key features, legal/regulatory and governance issues, clearing and settlement mechanisms, among other. A high-level preview report announcing the work was published earlier in 2021 on the World Bank website.[61]

Other components of the toolkit include 16 focus notes which cover different technical aspects pertaining to fast payments as well as 16 case studies/jurisdictions that have implemented fast payment systems. The jurisdictions have been chosen based on several criteria in order to result in a diverse set of economies. The case studies provide insight into the implementation journey and lay out different technical aspects pertaining to the system, informed by primary interviews conducted with system operators, overseers and private sector players.

3.3.2 Communications infrastructure and mobile phone penetration

Robust communications and internet infrastructure are a foundation issue in many countries that is beyond the control of the financial sector. Nonetheless, challenges with mobile network coverage and internet access—especially in rural areas—impede payments reliability and financial inclusion. For example, 2015 surveys found that 38 percent of mobile money users in Tanzania, 39 percent in Ghana, 52 percent in Kenya, and 59 percent in Uganda had experienced downtime while trying to carry out a mobile money transaction.[62] Although mobile phone ownership is on the rise globally—women are 6.6 percentage points less likely than men to own a mobile phone.[63] The Economist Intelligence Unit's Inclusive Internet Index 2020 finds a 34.5 percentage point gender gap in access to the internet in the least-developed countries.

[61] World Bank (2021a).
[62] Kantar Intermedia (2016), McKee, Kaffenberger, and Zimmerman (2015).
[63] GSMA (2020)

Phone sharing is another prevalent phenomenon in many emerging markets. For example, in 2018 Pew Research estimated that 7 percent of Filipinos, 13 percent of Indians, and 17 percent of Venezuelans shared a mobile phone. The most common reason given is not being able to afford a phone, although gender dynamics also influence phone sharing. In India 20 percent of women share a phone compared with 5 percent of men. Phone sharing makes it difficult for all individuals to acquire a mobile money account of their own.[64]

Box 21 – Managing Cyber Risks

Mobile financial services have been a significant driver of financial inclusion over the past few years, with an ever-increasing number of e-money accounts, mobile access to traditional bank accounts, and electronic transactions. But the digitalization of the financial sector increases the risk of cyberattacks. Attacks on information and communication technology systems (cyberattacks) are rising globally, and financial services continue to be the most targeted industry. Financial services are vulnerable to a wide range of attacks (attacks of critical financial market infrastructures such as payment systems, attacks of financial services providers such as banks or e-money issuers) and to a wide range of attackers, from lone hackers to sophisticated organizations and nation-state cyber warfare units.

The financial sector's reliance on data increases the vulnerability and the complexities of cybersecurity. The rise in fraud, system outages and data breaches in developing countries is eroding consumer trust in mobile financial services. Cyber-attacks also threaten the digital financial services industry with potentially irreparable reputational damage that could, in turn, lead to loss of market share and weaken incentives to innovate. For these reasons, cybercrime poses a real threat to financial inclusion.

COVID-19 has exacerbated the cyber risk, cyber threats (ransomware attacks, phishing, etc) have spiked, and the potential for operational risk events caused by people, failed processes and systems has increased as a result of greater reliance on virtual working arrangements and increased digitalization. Even though many threat actors pivoted their campaigns toward organizations involved in fighting the COVID-19 pandemic during 2020, for the fifth year in a row, the finance and insurance industry was the most-attacked industry.

Mitigating cyber risk in the financial sector is therefore a critical public policy objective, especially for countries working on financial inclusion. Financial institutions have obvious individual incentives to invest in protection, but without regulation and public policy intervention, they will tend to underinvest from the perspective of the broader financial system interest (they will not take into account the impact of their failure or a broader attack on the system as a whole). There is a clear role for authorities, and especially for central banks as critical entities and operators of systemic financial infrastructures, but also regulators, supervisors and overseers of their national financial sector, to support industry initiatives and if needed to take the lead to catalyze enhancements in the cyber resilience of the financial sector. Cybersecurity regulation and supervision play an important role in strengthening resilience and delivering public policy objectives by setting consistent minimum standards to be used by financial institutions.

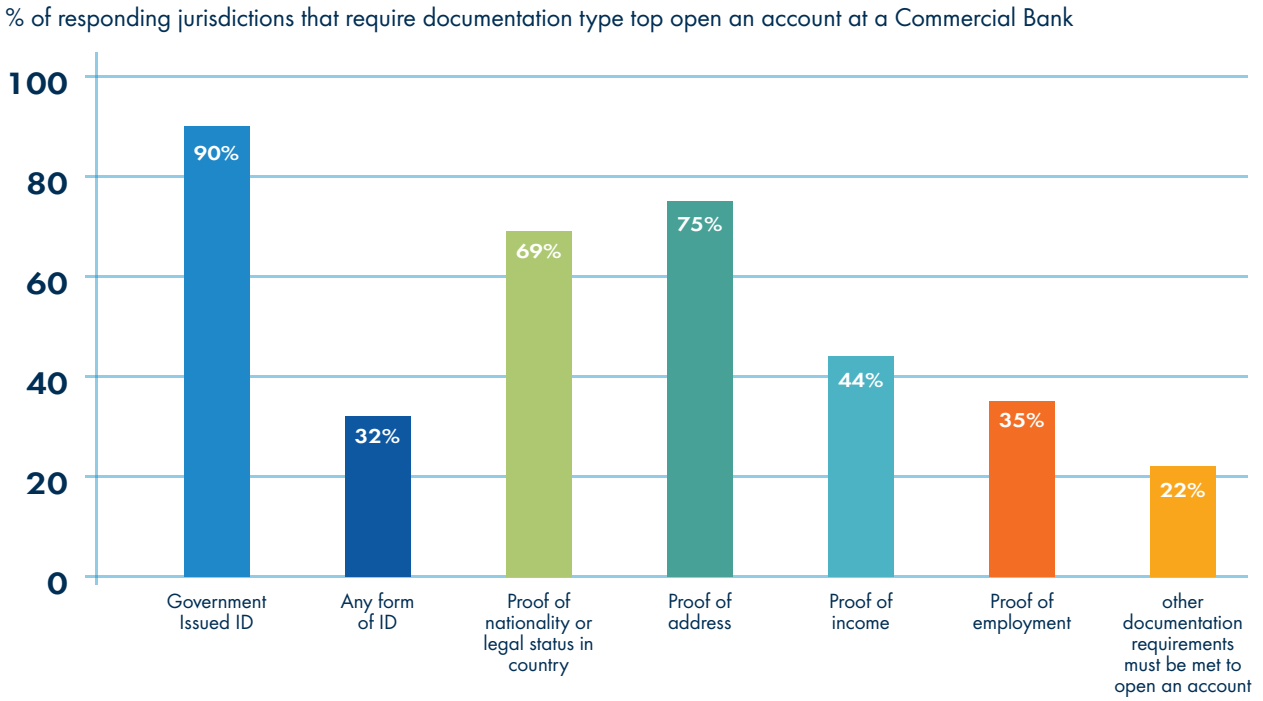
Good progress has been made to strengthen cybersecurity regulatory requirements, but fragmentation within and across borders still causes inefficiencies, and some jurisdictions may be left behind. Industry and regulators are enhancing their capabilities to take action after a detected cybersecurity incident and to restore impaired systems or services. They also need to consider the end-user dimension, to increase their awareness and help the adoption of good cyber hygiene practices. Beyond the individual approach, for the provider and the user, the next challenge is to catalyze initiatives at industry-level, to build capacity, to enhance intelligence and information sharing, testing, market-wide cyber crisis exercising and to design and implement a cyber security strategy for the financial sector. This requires a high level of cooperation, at the national level, with other authorities involved in cyber security, with financial sector stakeholders, but also international cooperation, as demonstrated through the work of the Group of Seven (G7), Financial Stability Board (FSB), Committee on Payments and Market Infrastructure–International Organization of Securities Commissions (CPMI-IOSCO), Basel Committee on Banking Supervision.

[64] Silver et al., (2019)

3.3.3 Digital ID

Financial service providers must be able to identify their customers in order to conduct customer due diligence and to comply with international standards around know your customer (KYC) and anti-money laundering and terrorist financing (AML/CFT).[65] At the same time, the 2017 Global Findex survey found that a lack of identification was a barrier to opening an account for 26 percent of unbanked people in developing countries. In 2016, the G20 endorsed the High-Level Principles for Digital Financial Inclusion which specifically asked that "Governments worldwide acknowledge the importance of identity as a fundamental necessity for daily life. For approximately 1.1 billion people, the majority of them living in Asia and Africa, the inability to prove their identity prevents them from accessing basic services, enjoying their full rights, and participating in the formal economy".[66]

Figure 7. Document type needed for account opening, World Bank, Global FICP Survey, 2017



As seen in Figure 7, in many jurisdictions, proof of identity, employment, residence, and income are required– documentation that many low-income people do not have. The World Bank has specified the following properties of legal digital IDs:

- Have a legal basis and hence be recognized by the government;
- Be unique to that individual; and
- Exist in a digital format.

Having a digital ID system is a benefit that can further financial inclusion, although the digital component is not required.

The World Bank, in its capacity as an implementing partner of the Global Partnership for Financial Inclusion (GPFI), drafted the G20 Digital Identity Onboarding report, which demonstrates how ID systems can enhance financial access and recommends policy approaches for governments to ensure ID systems work well for the financial sector.[68]

[65] FATF (2012-2020).
[66] GPFI (2016). pp.19.
[67] World Bank Group (2018).
[68] World Bank Group (2018a)

The Financial Inclusion Global Initiative (FIGI), a joint initiative of the WBG, Committee on Payments and Market Infrastructure (CPMI), and the International Telecommunications Union (ITU) convened working groups on key topics including digital ID. The FIGI Digital ID Working Group has been working on a Digital ID Toolkit. This Digital ID Toolkit will focus on the policy considerations of digital ID and financial inclusion building on the 2012 FATF Guidance on Financial Inclusion, the G20 Digital Onboarding Report, the Digital ID Guidance of FATF, Principles for Identification for Sustainable Development, enhancing cross-border payments: building blocks of a global roadmap[69] and country experiences on ID needs and digital ID implementation where available.

In addition to the benefits of a unified national ID system for opening access to new users, reducing identity theft and financial fraud was another benefit that policymakers in Mexico recognized. Identity theft has been common in Mexico in the past, harming consumers and making it difficult for providers to authenticate customers, in turn leading to stricter ID rules that work against inclusion. According to Mexican consumer protection agency CONDUCEF, financial fraud and identity theft is on the rise: in 2017 complaints about financial fraud increased by 42 percent.[70] With technical assistance from the World Bank, Mexico conducted an analysis of the existing ID system on which the drafting of a new law on national ID systems was based. Prior to this law, identification data was stored in disparate databases that only larger banks had access to. The new law mandates adoption of a completely new form of digital ID and AML/CFT procedures which also pushes for consolidation of databases with the aim of fraud prevention.[71]

There is also evidence that improving ID systems saves governments money through reducing leakage in government payments.[72] The Nigerian government used biometric identification to reduce leakage in payments to civil servants. In 2015 the Central Bank of Nigeria required that all civil servants enroll with their unique Bank Verification Numbers (BVN), operated by the Nigeria Inter-Bank Settlement System (NIBSS) in order to receive salary payments. This effort resulted in the removal of over 40,000 "ghost" workers, saving the taxpayers the equivalent of USD $74 million.[73]

[69] FATF (2012); World Bank Group (2018); FATF (2020); CPMI (2020); World Bank (2021c).
[70] CONDUCEF (2017)
[71] Information from Mexican CNBV, new regulations forthcoming.
[72] Muralidharan et al. (2016) studied the impact of biometrically authenticated "Smartcards" on beneficiaries of employment (NREGS) and pension programs in Andhra Pradesh, India. They used a large-scale experiment randomizing the rollout of Smartcards over 157 subdistricts and 19 million people. They found that smartcards delivered a faster, more predictable, and less corrupt payments process that was cost effective.
[73] World Bank Group (2018). G2P payments are discussed in more detail in Section 2.7.1.

3.4 TRANSACTION ACCOUNT AND PAYMENT PRODUCT DESIGN

Key lessons learned, transaction account and payment product design

- Though the onus of getting product design right falls primarily on the providers, there is an increasing role for regulators in improving financial product design and distribution to better address financial exclusion. This is to ensure that sub-optimal product design does not pose additional risk to consumers.
- Majority of jurisdictions have provision of basic accounts as a regulation. However, the content of these regulations vary across jurisdictions.
- There are several examples of providers using human centered design to develop products that successfully identify customer pain points, and then develop products which address the same. This has in several contexts led to products being more appropriate for vulnerable populations.
- E-money products can facilitate access for the hard-to-reach groups and are covered by legal provisions in a variety of countries, however, they are usually for limited purposes. In this regard, an understanding of the most beneficial use cases and designing the products accordingly can help increase usage.
- Given that they tend to be underserved and more excluded as compared to men, designing financial products for women - or simply avoiding gender neutral approaches to product development by using gender segmentation during the research and design phase – is critical.
- Design must also be coupled with proactive efforts to avoid account dormancy. This includes ensuring that the products are easy to use, affordable, trusted, and contribute to an ecosystem of financial service usage such as merchant payments.
- In order to enhance the usage of transaction accounts further, building an enabling merchant acceptance ecosystem is key.
- Fintech offers opportunities to underpin the drivers of access to and usage of transaction accounts but is not without challenges.

The features and design of a transaction account and associated payment services determine whether that account meets the needs of and adds value to actual or potential customers. The unbanked and underbanked may have different needs for financial services compared to those that are included financially. In general, unbanked and underbanked segments are characterized as those groups with lower and more variable incomes, do not trust the regulated financial institutions, may have challenges with financial and digital literacy, and may be living in isolated communities. Thus, product design for the unbanked and underbanked needs to take all these factors into account.[74] One of the most critical success factors of a financial product is its appropriateness or 'quality.' Quality can be defined as affordability, convenience, product fit, safety, dignity of treatment, and client protection. Other definitions include transparency, suitability, and client value and are often overlapping.

Quality financial products can drive uptake and usage by the unserved and underserved into the formal financial sector. Poor quality products, conversely, can have the opposite effect, actually harming vulnerable consumers. The World Bank's Global Financial Development Report 2014 notes that product design features can affect both the extent and the impact of use by individuals. In light of how important features are to the success of any given financial service, it is surprising how many products fail to reach the required standard. The onus of getting this right falls primarily on the shoulders of the financial service providers (FSPs). Many FSPs still have a lot to learn about how to develop products that the unserved and underserved will be drawn to.[75] In addition to providers themselves, there is also an increasing role for regulators in improving financial product design and distribution to better address financial exclusion.

While financial inclusion is inextricably linked to the proliferation of transaction accounts, over time the increase in the number of accounts has exposed an additional challenge which is related to product design: high rates of dormancy. In 2017, about 25 percent of account holders in the developing world have not

[74] CPMI and World Bank Group (2016).
[75] World Bank (2018).

used their accounts for a single deposit or withdrawal in the past year.[76] Furthermore, in low-income countries dormancy was at 16 percent of accounts on average.[77] Among the several possible reasons for low activity rates, product design and distribution would certainly be an important one.

3.4.1 Basic accounts

Basic accounts are typically mandated by legislation provided by banks and/or non-banks, focusing mostly on payment services with low- or no-cost and no-frill features. In some countries, salary accounts have similar properties to basic accounts.

Given their characteristics, basic accounts can be instrumental in expanding access and usage. While the latest GPSS survey reports that the majority of jurisdictions have provision of basic accounts as a regulatory requirement (69 percent, Figure 8), the PAFI Report (CPMI and WBG, 2016) noted that among the 19 jurisdictions surveyed for this purpose at the time, the majority reported basic account schemes as market-led initiatives. While basic accounts are not widely required in low-income economies, wherever they exist, tiered KYC requirements are tailored to facilitate their opening.

Whenever they are regulated, regulation for basic accounts include provisions on consumer protection. However, conditions on financial capability are not as widespread. In addition, in less than half the responding jurisdictions, regulations allow for basic accounts to be provided by non-banks, except for South Asia. Regarding capping fees, types of transactions, amounts and balances, the majority of responding jurisdictions do not seem to have such requirements. Again, South Asia is an exception.

Figure 8. Basic account regulations (Source: World Bank Global Payment Systems Survey, 2018)

		By Income				By Region						
	Global	High Income	Upper Middle Income	Lower Middle Income	Low Income	Europe & Central Asia	Latin America & Caribbean	Sub-Saharan Africa	High Income OECD	East Asia & Pacific	Middle East & Nort Africa	South Asia
There is a regulatory requirement to provide basic payment account	69% 75/108	74% 29/39	70% 21/30	67% 18/27	58% 7/12	60% 9/15	65% 13/20	63% 12/19	83% 25/30	64% 7/11	75% 6/8	60% 3/5
Tiered KYC/COD requirements exist which are tailored to facilitate the opening of basic payment accounts	71% 71/100	54% 19/35	68% 19/28	88% 22/25	92% 11/12	29% 4/14	85% 17/20	94% 16/17	56% 14/25	64% 7/11	100% 8/8	100% 5/5
Provision of basic payment accounts is regulated	78% 85/109	87% 34/39	65% 20/31	81% 22/27	75% 9/12	56% 9/16	75% 15/20	74% 14/19	93% 28/30	73% 8/11	88% 7/8	80% 4/5
Regulation allows KYC/COD to be performed by agents of financial institutions or e-money issuers	72% 68/95	52% 16/31	69% 18/26	85% 22/26	100% 12/12	50% 7/14	72% 13/18	100% 18/18	59% 13/22	70% 7/10	88% 7/8	60% 3/5
Regulation includes consumer protections (e.g., dispute resolution, disclosure)	84% 85/101	83% 30/36	78% 21/27	88% 23/26	92% 11/12	64% 9/14	72% 13/18	94% 17/18	93% 26/28	90% 9/10	75% 6/8	100% 5/5
Regulation includes financial capability/literacy responsabilities for providers (e.g., to support customers awareness and skills to effectively use the product)	55% 53/96	46% 16/35	46% 12/26	68% 17/25	80% 8/10	57% 8/14	53% 9/17	82% 14/27	38% 10/26	40% 4/10	57% 4/7	80% 4/5
Regulation includes parameters for payment trasnsactions fees/conditions (e.g.,fee caps, no fees, etc.)	50% 52/103	62% 23/37	39% 11/28	54% 14/26	33% 4/12	21% 3/14	47% 9/19	56% 10/18	75% 21/28	18% 2/11	75% 6/8	20% 1/5
There are restrictions on the types of payment trasnsactions that can be performed	45% 46/102	41% 15/37	29% 8/28	62% 16/26	64% 7/11	29% 4/14	33% 6/18	50% 9/18	50% 14/28	45% 5/11	63% 5/8	60% 3/5
Provisions allow for basic payment accounts in the form of e-money to be issued by non–bank	43% 191/115	20% 100/116	42% 29/35	62% 16/26	75% 9/12	7% 1/14	28% 5/18	72% 20/21	23% 6/26	70% 7/10	75% 6/8	100% 5/5
Regulations include parameters for minimum balance requirements (allow for having a zero balance)	35% 35/101	17% 6/36	33% 9/27	62% 16/26	33% 4/12	7% 1/14	37% 7/19	56% 10/18	23% 6/26	27% 3/11	63% 5/8	60% 3/5
Regulations requires that basic payment accounts be opened free of charge	32% 33/102	19% 7/36	29% 8/28	46% 12/26	50% 6/12	0% 0/14	47% 9/19	56% 10/18	22% 6/27	18% 2/11	63% 5/8	20% 1/5
Regulations include limits on volume or value of cash withdrawals	32% 33/102	8% 3/36	32% 9/28	50% 13/26	67% 8/12	7% 1/14	42% 8/19	61% 11/18	7% 2/17	27% 3/11	50% 4/8	80% 4/5
Regulations apply limits on account balance	30% 30/100	11% 4/36	30% 8/27	58% 15/26	27% 3/11	7% 1/14	39% 7/18	41% 7/17	15% 4/27	27% 3/11	50% 4/8	80% 4/5

Each box shows the percentage of answers among the juristictions in a group.
The number of responding jurisdictions may differ across options. A jurisdictions may have chosen multiples options

0% 20% 40% 60% 80% 100%

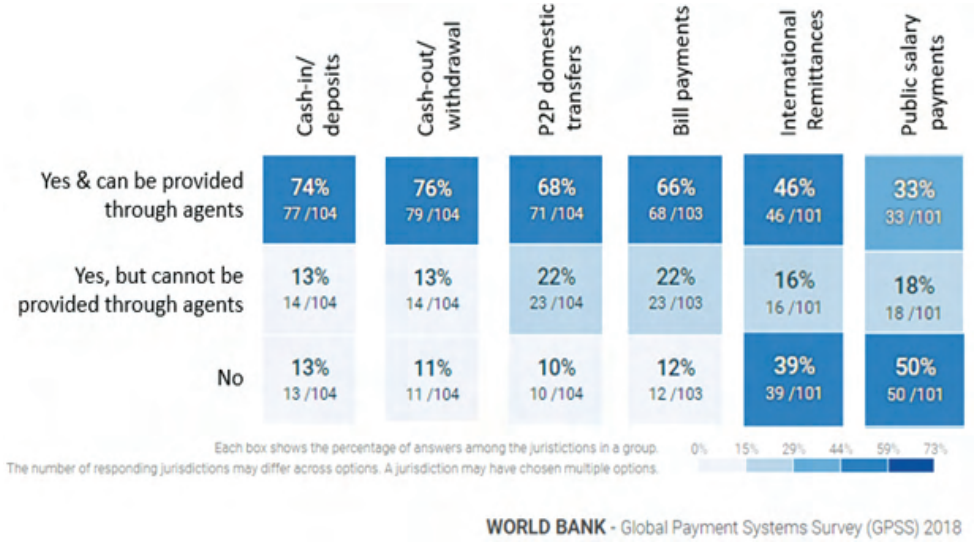
[76] World Bank Global Findex Database, 2017
[77] Bull (2018).

3.4.2 E-Money

An e-money account is a "prepaid instrument based on e-money that can be offered by banks and other authorized deposit-taking financial institutions, as well as by non-deposit-taking payment service providers such as mobile network operators. Such accounts include prepaid accounts." With the innovations in the payments sector, e-money products have started to become more common in the last few years. E-money accounts can be instrumental in providing access to a transaction account to the unbanked and underbanked, due to their low-cost structure or low CDD requirements.[78] At the same time, they can play a critical role in providing access to people in rural and hard-to-reach areas. However, and perhaps because of these properties, e-money accounts usually are limited-purpose accounts.

While legal provisions cover e-money in 85 percent of the responding jurisdictions to the 2018 GPSS (Figure 9), the usage of e-money in general seems limited to cash-in, cash-out, P2P domestic transfers and bill payments in the majority of countries. International remittances and public salary payments are not available with e-money products in more than half the jurisdictions.

Figure 9. Types of transactions using e-money products



3.4.3 Product design and distribution regulation

Transaction account and payment product design are primarily the work of private sector, driven by their ambition to maximize uptake and profit. But given the vulnerability of the unserved and underserved, regulators are increasingly entrenching financial product design and distribution (PDD) best practice into regulation. This is referred to as product design and distribution regulation and defined as the obligations of FSPs' oversight and governance arrangements for the design and distribution of retail financial products (i.e., deposit, credit, and payment products). The main reason is to ensure financial consumer protection for vulnerable customers who are also usually financially illiterate. Such rules and regulations are expected to increase the trust in the financial system over the long term by reducing the number of customers who are sold products that do not match their financial needs. Several jurisdictions have introduced financial product design and distribution rules to ensure that sub-optimal product design does not pose additional risk to consumers. The following jurisdictions are noted for the comprehensiveness of their framework: Australia, the EU, Hong Kong, South Africa, the UK. These types of obligations from the regulator are, however, still nascent.[79]

[78] Glossary of the PAFI Report, CPMI and WBG (2016), p.65
[79] World Bank (2018b)

3.4.4 Designing financial products that meet women's needs

Many FSPs fail to capture or retain women customers because their products are only superficially tailored towards the needs of this segment. In general, as the needs of women tend to be different from men, FSPs should avoid gender-neutral approaches, adopt gender segmentation for research and product design, and develop a clear business case for women.

Several initiatives by the WBG, including IFC's Banking on Women program, World Bank's Women Entrepreneurship Development Project in Ethiopia, and the We-Fi initiative, have worked with women entrepreneurs to provide them with suitable credit products.[80]

In Bangladesh women have been traditionally excluded from the regulated financial sector. According to the Global Findex database, in 2017, while half the adults had an account at a regulated financial institution, only 35 percent of women owned such an account. There was also a lack of data on the potential returns from women's financial inclusion. Women in Bangladesh were largely unaware of the financial products and services, including mobile financial services. The WBG took a holistic approach and initiated a market study to understand women's financial needs. The team then piloted tools and products to test their fit with women. The study showed that most existing and potential women users of mobile financial services preferred women agents because of the social and cultural norms in the society as women were not comfortable in sharing personal details with agents that were not women. At the time the project started, the mobile financial service providers in Bangladesh had not taken any action toto acquire women agents. The project developed a toolkit for women agent acquisition for providers. The toolkit is based on the data collected via the market study on the levels of financial literacy, the perceptions towards the regulated financial sector, etc. The project also trained the staff of providers for them to identify and train women agents.[81]

[80] IFC (2020), http://www.worldbank.org/smefinance; http://we-fi.org/annual-report-2020
[81] https://www.worldbank.org/en/news/feature/2017/11/30/lessons-from-the-field-leveraging-mobile-financial-services-to-accelerate-womens-financial-inclusion; and IFC (2018).

3.4.5 From access to usage

UFA2020 set its headline target as percentage of adults who own a transaction account provided by a regulated financial inclusion. This has mainly been due to a measurement necessity: pilot tests of survey questionnaires showed that it is not feasible to reliably measure having "access" to a transaction account otherwise, as survey respondents did not fully understand the meaning of access. On the other hand, the concept of "owning" an account was much easier to comprehend. Because there is also voluntary non-access, measuring account ownership would bring more consistent and reliable measurement outcomes.

In addition to account access and ownership, UFA 2020 initiative has emphasized the importance of usage of accounts. However, account dormancy remains a challenge for financial inclusion. As of the 2017 Global Findex, 25 percent of account holders in the developing world hadn't used their financial institution accounts for a single deposit or withdrawal in the past year. Although there are millions of mobile money accounts in Africa, GSMA estimates that dormancy has been above 60 percent. However, this high dormancy is driven by a few markets, like India, where dormancy was 48 percent in 2017. Some other countries such as Kenya, and China have seen higher usage rates. And trends are positive in many countries: usage of accounts improved from 2014-2017 in 46 developing countries.[82]

Reasons why a person may open a first account and then never use it or stop using it after a time include: stopping receiving funds into the account (G2P, wage payments, remittances or other payment source that does not continue), lack of trust and confidence, products that are not relevant or affordable, threshold effects where others do not use the service so there is no one to pay, inability to pay for the goods and services from the account, being unaware of the account and its benefits, concerns about the security of their money, among others. For example, in a 2017 survey with 18,000 respondents from underserved segments conducted in 16 countries, Mastercard found that rural populations have less discretionary income and are more concerned about the security of their money when it is out of their physical possession.[83] This may be one reason why usage is especially low in rural areas, in addition to unreliable mobile and internet connectivity.

The WBG's work on driving account usage suggests three main areas for continued focus:

Relevant, affordable, easy to use products. Human-centered design and building products specifically for excluded segments can help foster products that are relevant to rural, low-income, and other vulnerable groups. But the business case for serving the specific needs of these populations is often less attractive than building for those with more resources, leading financial institutions to cater more towards wealthier customers.[84] Simple products that facilitate onboarding through local language content, video or audio for less-literate users, and supporting peers to show others how to use the product also have potential. In a similar context, the World Bank has done work in designing financial education programs based on insights gained from customer's needs (See section 2.6 for further details). This work focuses on the end-users' learning needs and designs financial education programs accordingly. Such an approach was used in several countries, specifically in the context of designing financial education programs specific to social safety net beneficiaries or to remittance receivers and senders.

Finally, one additional method supported by the World Bank to improve product design for the underserved is the use of financial diaries. Financial diaries collect information on major income, health, and other shocks that households face, and the related strategies they use to cope with them. This approach was used in rural China and the results are forthcoming.

Trust, confidence, and literacy Building trust in formal financial services takes time and is not straightforward. Experimental studies from Mexico and Bangladesh, among others, show positive effects of products that expose new users to features slowly, with opportunities to test and learn.[85] Stremlau and Osman

[82] Demirguc-Kunt et al. (2018), Bull (2018), GSMA (2021), Salazar and Monteverde (2019)
[83] Mastercard (2018).
[84] Mastercard (2018)
[85] Bachas et al. (2017), Breza et al. (2020)

(2015) argue that elders and traditional authorities' involvement in Somaliland helped build trust in mobile money, showing that leveraging institutions and relationships where trust already exists has potential. In addition, from a regulatory perspective, the World Bank and the Central Bank of Somalia worked together on building "Trusted Agent" model in Somalia, where the Trusted Agent, Abyrint AS (selected via WB competitive selection process), would work with the Central Bank to help regulate and supervise the money transfer businesses. In parallel, the World Bank provided technical support to the CBS for drafting new pieces of legislation to ensure the AML/CFT compliance of the sector. Lastly, joint actions were taken by the World Bank and the UK Government, in collaboration with Somali authorities, as part of the UK-Somalia Safer Corridor Initiative to ensure a steady flow of remittances to Somalia in a safe and efficient way. Thus, the work on opening up the Somalia remittances market was a result of a holistic approach.[86]

At the same time, with high inflation and prevalent bank failures in many countries, people may have good reason to be wary of the formal financial sector. Additionally, fraud is a problem in mobile money.[87] Over 20 percent of banked respondents in Uganda, Kenya, and Nigeria reported losing money to fraud or scams, or paying illegal extra fees (such as bribes) in the prior six months in the 2016 Financial Inclusion Insights Surveys.[88] Strong consumer protection practices and regulatory enforcement that creates consequences for fraud will help build trustworthy ecosystems while providers, NGOs, and others work on building trust and driving financial literacy.

Ecosystem, including merchant acceptance Sending and receiving payments seamlessly can be a positive experience that showcases the convenience and safety of digital payments to users who are new to the formal financial system. In practice however, adoption of digital payment remains low in many markets. In LMICs 26 percent of adults reported making a digital payment in the past year in 2017.[89] According to GSMA, in Sub Saharan Africa 19 percent of all monthly active mobile money accounts made a bill payment, while only 10 percent made a merchant payment in 2020.[90] Learning more about the barriers to digital payments in Africa and supporting projects to alleviate these challenges shows promise. And there is reason for optimism in other markets: China is a great example of how the flywheel of digital payments can work. In 2018 over 80 percent of adults in China had an account, and 85 percent of adults who made purchases online also paid online (as opposed to paying cash on delivery, which is still common in much of Asia, Middle East and Africa).[91]

[86] Osman and Ridwan (2015); https://www.worldbank.org/en/news/press-release/2016/06/10/world-bank-makes-progress-to-support-remittance-flows-to-somalia; UK Government (2016).
[87] Buku and Mazer (2017)
[88] Kantar Intermedia (2016)
[89] World Bank Global Findex Database, 2017
[90] GSMA (2021).
[91] https://www.worldbank.org/en/news/immersive-story/2018/05/18/gains-in-financial-inclusion-gains-for-a-sustainable-world

Box 22 – FIGI Electronic Payments Acceptance Working Group

Global Findex 2017 data showed enormous progress globally in terms of account ownership: between 2011-2017, there were 1.2 billion new accountholders. However, a more detailed look at the data revealed the areas that needed specific attention. Among these, one interesting data point is provided by the "made or received digital payments" indicator. This indicator showed that 52 percent of adults globally made or received at least one digital payment in the past 12 months. At the same time, only 22 percent of adults paid utility bills digitally. While usage has reached high levels in China (68 percent) and Kenya (77 percent) as measured by the same indicator, not all countries have experienced the same. Furthermore, the World Bank, in 2016, conducted a data analysis and concluded that the majority of transactions by the micro, small and medium retailers (in terms of sales, payments to immediate suppliers and salary payments) were in cash. More specifically, at the time of the study, an estimated $19 trillion out of $34 trillion such payments were made in cash.[92]

Essentially, account ownership is more useful when it is possible for account owners to use their transaction accounts for making and receiving payments and not only for safely storing value. For the transactions purpose to be realized, account owners needed to have opportunities to use their electronic payment instruments for everyday purchases, bill payments, online payments, payments to the government, etc. They also needed to receive their salaries into their accounts as well as other payments from government, businesses and other individuals. It is the convenience of the use of digital payments in everyday transactions, such as in grocery stores or at the small merchants, that make the consumers change their behavior and adopt digital payments.

As part of the Financial Inclusion Global Initiative (FIGI), the World Bank has been leading a working group on Electronic Payments Acceptance (EPA) which focuses on effective practices for enabling merchant acceptance of electronic payments, in the interest of increasing the prevalence of cashless transactions with MSMEs. The working group has been developing a toolkit, the EPA Package which aims to guide authorities, international organizations and electronic payment ecosystem stakeholders (e.g., PSPs, payment and card networks) in the design and implementation of EPA reforms to increase electronic payments acceptance. The EPA Package (forthcoming) will focus on innovations in EPA, the role of intermediaries in facilitating EPA, and the role of incentives to end-users and merchants in adopting electronic payments. The Package also includes a guidance report for market assessments on which the choice of relevant EPA reforms can be based.

[92] World Bank (2016a).

3.5 READILY AVAILABLE ACCESS POINTS AND NETWORKS

Key lessons learned, readily available access points and networks

- Despite the significant increase in the use of digital financial services, cash continues to play a role in the financial lives of many. As such, ATMs – with their increased functionality – will also continue to add value for financial transactions.
- Agency banking has shown a lot of promise and the proliferation of agents have facilitated an explosion in access to financial services for the most underserved (women, rural dwellers, youth, etc.)
- Agents are perceived as trustworthy, however at the same time privacy of transactions at agents can be a concern, especially higher value transactions.
- The role of women agents, who are usually underrepresented, is very important in facilitating access and usage.
- Postal networks, with the extent of their reach to rural areas and the trust in them in general compared to the financial sector, can provide an important way of expanding access points, especially in hard-to-reach areas. However, it is important to ensure post offices in rural areas have connectivity and knowledgeable staff.
- There is a role for regulators in increasing access to the most underserved locations through promoting interoperability in access points, the use of geospatial mapping for access points and using policy instruments to encourage the proliferation of access points in underserved areas. Ultimately, however, in order to be more sustainable, agent expansions should be driven by commercial factors.

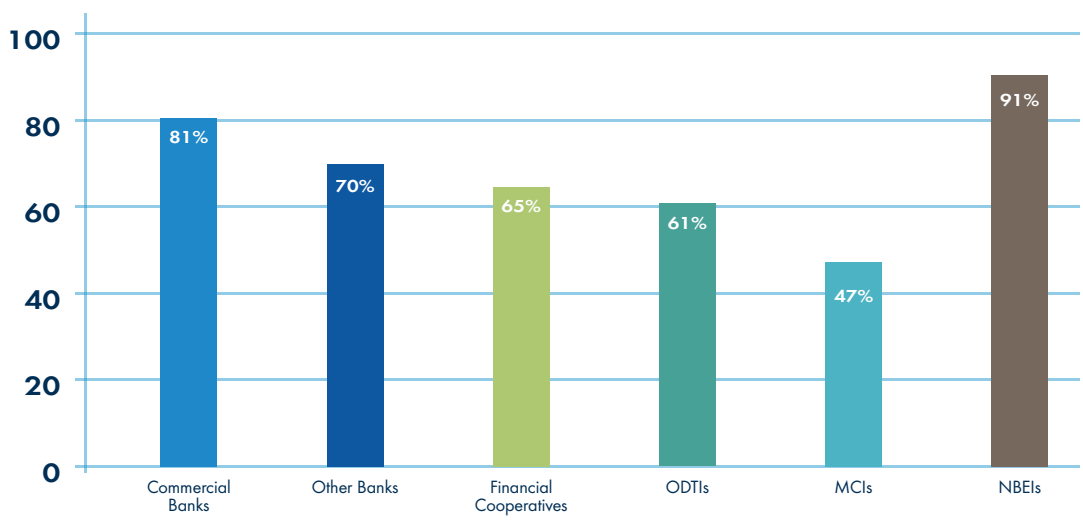
This sub-section discusses the role of agent networks and postal financial services in expanding access points in detail. At the same time, however, interoperable ATM networks can play a crucial role in promoting financial inclusion, especially when cash still has an important role in transactions and branch penetration is low.[93]

3.5.1 Agent Networks

Agent networks constitute a significant proportion of financial access points. According to the World Bank's 2017 Global Survey on Financial Inclusion and Consumer Protection, non-bank electronic money issuers in 61 relevant responding jurisdictions (91 percent) are permitted to use agents as third-party delivery channels. Ninety-six responding jurisdictions (81 percent) allow commercial banks to use agents (Figure 10).

Figure 10. Use of retail agents by provider type, World Bank, Global FICP Survey, 2017

% of responding jurisdictions that permit use of retail agents as third-party delivery channels, by institutional category

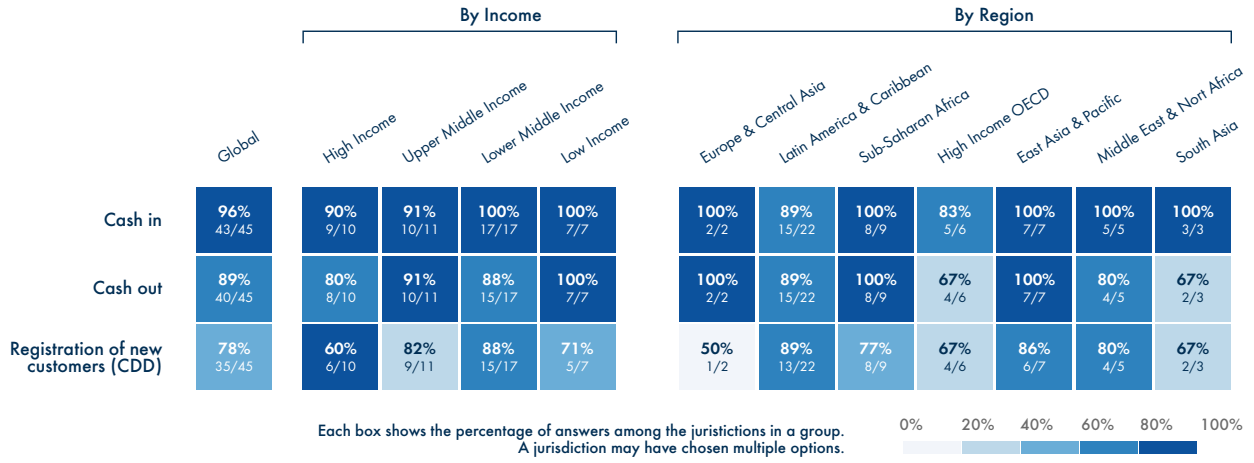


Note: Percentages are based on 118 responding jurisdictions for Commercial Banks, 64 for Other Banks, 71 for Financial Cooperatives, 57 for ODTIs, 57 for MCIs, and 67 for NBEIs

[93] See Ramteke et al. (2018) for further details.

In many jurisdictions, agents serve as cash-in and cash-out points. This is specifically important where there is no interoperability between e-money and deposit transaction accounts and agents operate as a widely available way to top up e-money accounts, serving the otherwise unbanked/underbanked people especially in rural and remote areas. Figure 11 provides information on different activities agents of mobile money operators are allowed to perform across countries. In many jurisdictions, agents are mostly allowed to perform cash-in and cash-out services. In mostly low- and middle-income countries, they are in general tasked to conduct customer due diligence for new customers.

Figure 11. Permitted Activities of Agents of Mobile Money Operators, World Bank, Global Payment Systems Survey, 2018



At the same time, however, many regulators have put the responsibility of agents' actions on the principals, as well as additional monitoring requirements (Table 4). The safeguards also include regulatory requirements to prevent fraud by agents.

Table 4. Rules Regulating Relationships among Financial Service Providers, Agents and Customers, World Bank, Global FICP Survey, 2017

% of relevant responding jurisdictions that have requirement in place, by institutional category

REQUIREMENTS	COMMERCIAL BANKS	OTHER BANKS	FINANCIAL COOPERATIVES	ODTIs	MCIs	NBEIs
Requirements exist that indicate that financial service providers are liable for any actions or omissions of the agent	90%	92%	79%	80%	83%	91%
Requirements exist for the financial service provider to monitor its agents	86%	83%	77%	83%	79%	84%
Requirements exist for the financial service provider to have a mechanism in place to prevent agents' fraud	78%	79%	67%	73%	71%	81%
Requirements exist for the financial service provider to have a remuneration policy for their agents	42%	41%	45%	47%	36%	29%
Number of responding jurisdictions	88	36	39	30	25	58

Box 23 – Rural Agents in China

China is an example of the use of agent networks to expand financial inclusion in rural areas.

China has made significant progress in expanding physical bank branches, Point-of-Sale (POS) terminals, automatic teller machines (ATMs), and agents nationwide by the early 2010s. Yet regional and urban-rural disparities in individual's access to financial services persisted, particularly with respect to access points beyond branches. In addition, the remaining unbanked have been increasingly dispersed and therefore difficult to target, and data was lacking on their precise location and characteristics.

In response, the authorities, notably the People's Bank of China (PBoC), initiated rural agent-based financial service pilots in 2009, and have increased the presence of rural financial services at the village level in the few years after these pilots. More specifically, the PBoC worked on:

- Expanding card-based rural cash withdrawal services: government-to-person (G2P) payment of agricultural subsidies, new rural pension insurance schemes, and new rural cooperative medical insurance schemes.
- Issuing guidelines for the establishment and operations of card-based financial service agent models in rural areas in 2014.
  - Banks can choose rural merchants or other establishments to function as agents; each service point can provide cash withdrawal, bill payments, and person-to-person transfers, capped by general and daily ceilings.

By the end of 2014, the number of card-based rural cash-out service points covered more than 85 percent of administrative villages.

In response to these actions by the authorities, financial service providers (i.e. commercial banks, rural credit cooperatives and the Agricultural Bank) have developed customized products, such as payment card-based products for social benefit transfers, domestic transfers and revolving loans/overdrafts. All these payment cards were branded with China UnionPay and worked at all ATMs, POS and agent locations.

At the same time, by 2016, there were nearly 1,000,000 rural agent access points in China, making China the largest agent network of any country.[95] These rural agent access points had less functionality as they were not able to provide broad services to facilitate the uptake of financial products (i.e. account opening, loan repayments, insurance). And while their reach into unserved regions was prolific (covering more than 90 percent of administrative villages and averaging 1.8 service points per administrative village), they have not been sustainable or profitable due to very low (or in some cases no) transaction volumes.[95]

Access to financial services in rural areas were thus shaped by government subsidy programs and by the presence of state-owned financial institutions. As a result, the range of financial services that were offered and product design were perhaps not a close match to the actual needs of end users. One example was the need for specific financial products to facilitate the urban-rural remittance flows. Such flows were crucial determinants of rural household budgets and provided a form of risk management or collateral for borrowing.

Eventually, the emergence of non-bank mobile payment platforms, for example AliPay and WeChat Pay, became a part of everyday life, with the "wait and see approach" taken by the PBoC facilitating innovations in this area. The total number of active users of AliPay and WeChat Pay combined increased from 450 million in 2013 to over 2 billion in 2018 (including users with multiple accounts).[96] This has contributed to the increase in access to and usage of transaction accounts.

[94] WBG and People's Bank of China (2018).
[95] WBG and IMF (2017).
[96] Huang et al. (2020).

A World Bank and IFC study conducted in Senegal[97] found that users trust agents and are willing to work with them. Individuals who participated in the study tended to make more transactions if they used agents compared to those that used bank branches. While agents provided convenient access and likely lower transaction costs, transacting at a bank branch provided a higher level of privacy to the users. Thus, for larger transactions, bank branches were preferred by the users.

Box 24 – The importance of women agents

A study conducted by the World Bank and IFC in the Democratic Republic of Congo between 2017-2018 based on over 1 million customer transactions in a microfinance institution provides evidence for clients preferring to transact with agents of their own gender. In the study, women users especially showed a robust preference for women agents although women agents were less available. The importance of women agents became particularly high for high-value transactions and for women with have higher account balances.[98]

Similarly, in Bangladesh, a study by IFC (2018) on mobile financial services showed a clear preference for women agents by users and non-users alike. In addition, customers who used services by women agents tended to transact more. Specifically, the respondents noted that women agents were more approachable and more trustworthy, were perceived to keep confidentiality and respect privacy better. However, at the same time, women agents were disproportionately low in number compared to men.

The underrepresentation of female agents may contribute to the persistent gender gap in access to and usage of financial services.

Agents provide a critical link between poor customers and providers and enable cash-in and cash-out (CICO) transactions, in addition to providing some additional services in some instances. Expanding customer access to CICO agents increases both uptake and usage of digital accounts because they connect the digital and analog worlds. They also build trust in digital channels because agents tend to be known in the community and can explain financial services in a manner that customers can relate to and easily digest.[99]

As the provision of payment services involve certain risks and liabilities, the agency relationship between a principal and its agents should be governed by contractual agreements which are clearly written and comprehensive in coverage. In addition, there should be a legal basis for these contracts, and they should be enforceable. The contracts should clearly identify transparency and disclosure as well as dispute resolution processes. In some instances, these contracts include certain protections such as exclusivity agreements. While from a business perspective such agreements enable the principal to invest more in the agency relationship, these agreements limit agent interoperability and may inhibit competition. In Kenya, the competition authority maintained that competition issues such as exclusivity agreements should be handled by the competition authority, or where none exists, a competition unit within a sector regulator. In 2014, the Competition Authority of Kenya ruled for MNO agent non-exclusivity. The Central Bank of Kenya issued the National Payment System Regulations in 2014, which banned agent exclusivity agreements for payment service providers.[100] In Ghana, after the ban on agent exclusivity in 2016, in the Agent Guidelines issued by Bank of Ghana, the number of active agents has increased from 82,000 to over 356,000 in 2020.[101]

3.5.2 The role of postal networks in improving financial access

Postal networks play an important role in promoting financial access with approximately 28 percent of the population using some form of postal financial services (remittances, government payments, insurance, current or savings accounts). Postal financial services (PFS) are provided by 91 percent of

[97] Buri et al. (2018)
[98] Chamboko et al. (2020)
[99] CGAP (2020).
[100] Mazer et al. (2016).
[101] Bank of Ghana

postal networks globally, either directly or in partnership with other bank and non-bank financial institutions.[102] [103] Given their accessibility and popularity around the world, PFS play a significant role in providing day to day financial services to the underserved segments. Factors like scale, presence in rural and underserved areas, and low-price points for financial products and services provide postal networks an upper hand compared to financial institutions in serving the needs of population that tend to be excluded, such as women, the rural poor, the less educated and those in the informal economy.

Through product and business model innovations, PFS has become more specialized as form of mass market retail banking in more than 50 countries worldwide, providing access to a full range of digital financial services, via multi-channeling, to anyone, anywhere, anytime and with any payment instrument.[104] Postal networks are addressing the three main challenges of financial inclusion – access, eligibility, and affordability. Established as "public" networks with a strategy to connect each part of the country, postal networks address the physical barrier associated with access to financial services in outlying, rural areas. They also bring social impact by providing services to vulnerable segments that other institutions are not willing to provide. Lastly, compared to other service providers they offer well-priced financial services, with no or small minimum amounts charged for opening accounts.[105]

[102] Universal Postal Union (2016).

[103] Universal Postal Union (UPU) defines postal financial services as the process by which people and enterprises excluded from the formal financial system are provided with financial access through the postal network. This does not necessarily mean that the postal network must offer its own financial services to the unbanked, as postal financial inclusion also applies to cases where postal operators provide the unbanked with access to the financial services of partner financial institutions, through a postal channel.

[104] UPU classifies several types of business models ranging from cash merchants, proprietary domestic and cross border remittances, partnership with a financial services provider, postal savings bank and a full-fledged post bank.

[105] As an example, a common product offered by most postal networks is international remittance, the costs of which are tracked quarterly by the World Bank Global Remittances Worldwide database. In this ranking, postal networks are repeatedly classified as the most affordable channel for sending money internationally, well in front of banks and slightly ahead of MTOs.

Box 25 - Postal Financial Services for Access Networks and Financial Inclusion: The Case of Morocco and Egypt

Morocco: In Morocco, Al-Barid Bank (ABB) was established in 2010 as a separate subsidiary of Poste Maroc with a banking license and plays a major role in promoting financial inclusion. It provides banking services to individuals with low or irregular incomes, particularly in peri-urban and rural areas. ABB has approximately 6 million customers that it serves with over 880 ATMs and 1500 branches, of which a large majority are in rural areas. It has a stated mission of "facilitating access to financial services and increasing the banking rate in Morocco".

ABB has recently become a payment card acquirer, but its market share is very small (less than 1 percent). ABB launched its popular mobile application, Barid Bank Mobile, in 2018 and in the post-COVID 19 environment, this channel experienced tremendous growth during the first five months of 2020, with over 10 million transactions made and an increase of approximately 80 percent compared to the same period in 2019.

Egypt: With only a third of the adult population in Egypt having access to financial services,[106] roughly half of these use postal financial services provided by Egypt Post. It has an extensive infrastructure with 4,200 post offices across the country, of these approximately 3,400 branches are outside the main cities, mainly located in "bank deserts," which are a critical part of the financial access infrastructure, especially in rural Egypt. Egypt Post plays a significant and a relevant role for the financially vulnerable populations to access various types of government, postal and payment services including postal savings account, different types of checking accounts, prepaid cards and mobile wallets. These products provide an entry point for financial access for many unbanked Egyptians and is used by over 10 million adults with 7 million active card accounts. It provides savings account to over 20 million Egyptians. Additionally, Egypt Post also provides domestic and international remittance transfers, government disbursements, collections and notifications to its customer base including those who do not have accounts with Egypt Post. According to one Government of Egypt estimate, about 14 million Egyptians visit Egypt Post branches each month and there is immense loyalty and trust among who use these branches for various types of services. Since the onset of Covid-19 Pandemic, Egypt Post has played a significant role in becoming the hub for all COVID-19 related government assistance while also deepening financial inclusion.

[106] Global Findex 2017

3.6 FINANCIAL CAPABILITY / LITERACY AND CONSUMER AWARENESS

Key lessons learned, financial capability/ literacy and consumer awareness

- Financial sector authorities have a clear role to play when financial risks are posed to consumers, and, in order to prioritize efforts, mitigating financial risks should be the central focus and first priority of an authority's financial education approach.
- Financial education efforts should complement, not substitute, existing policy interventions and consumer protection regimes.
- Integrating financial literacy into national curricula at the primary and secondary level will empower future users of financial services with the literacy and numeracy to make informed financial decisions. Developing specific targets and assigning agency accountability through NFIS processes is one effective way to mainstream financial literacy in education.
- Information delivered at or close to the time of making financial decisions (i.e. a teachable moment[107]) is likely to be more impactful than one-off trainings on financial literacy.
- Evidence around successful financial education interventions is growing (e.g., targeting "teachable moments", incorporating behavioral insights, periodic reinforcement of messages) and should be reviewed ahead of each financial education activity to ensure selected tools and delivery channels are aligned with good practices and behaviorally informed principles.
- Financial service providers that integrate financial education within the day-to-day operations (i.e. offering additional training or answering questions around disclosure information) can help re-enforce consumer protections and contribute towards broader financial inclusion goals.
- Integrating financial education into government programs that provide financial services at scale (i.e. cash transfer programs, agricultural finance programs, remittance programs, etc.) helps embed important messages to better prepare and protect financial beneficiaries.
- Efforts to support PSPs and FSPs to offer disclosure and information about how to use financial products is closely linked to the World Bank's support of consumer protection regulation. Rules around disclosure and complaints resolution plays an important role in assuring customers are provided with key information about financial products.

Lack of awareness of the transaction accounts available and their utility is a barrier to financial inclusion.[108] People who are new to the formal financial system may question the value of transaction accounts for their specific situation and needs, as evidenced by "I don't need an account" being in the top three reasons why people do not have an account in the 2017 Global Findex data.[109] Those new to financial services may also be wary about the high cost of financial services, accessibility of funds, and being defrauded. These concerns are warranted. DFS customers may be targeted for fraud including phishing, SIM swapping, agents asking for PIN numbers, fraudsters posing as agents, and more.[110] Similar concerns exist with traditional bank accounts: Kantar Intermedia surveys in 2016 found that over 20 percent of banked users reported losing money to fraud, scams or bribes in the past six months.[111]

Consumers may also lack the training or skills to evaluate the true cost of financial products, especially credit products. Early surveys of financial literacy found that people in high- and low-income countries alike struggled with financial literacy and numeracy.[112] The risk of consumers being underinformed about the products they use are exacerbated by FSPs and PSPs that are not always fully transparent about fees. In a study of FSPs in Ghana, Mexico, and Peru, Giné and Mazer (2021) found that less than a third of the total

[107] A time when an individual is about to make an important financial decision or use a financial service, such as making a deposit into a savings account or receiving a loan disbursement
[108] Bank for International Settlements and World Bank Group (2016)
[109] Demirguc-Kunt et al., (2017)
[110] Buku and Mazer (2017)
[111] Garz et al., (2020)
[112] Xu and Zia (2012)

cost of products was disclosed voluntarily, although FSP employees answered truthfully when asked directly.

The World Bank works with the authorities to develop a strategic financial education approach to integrate financial education into government programming. So far, the technical assistance in this area has focused on: (1) providing technical assistance to the authorities to conduct financial education surveys on the demand side to measure the level of financial literacy; (2) to provide technical assistance to the authorities in their efforts to support financial service providers to deliver education and training together with financial products; (3) to provide technical assistance to help clients integrate financial literacy into NFIS or to develop National Financial Education Strategies (NFES) and to have dedicated government staff or units working on financial capability. A forthcoming World Bank technical note titled 'Building a Financial Education Approach: A Starting Point for Financial Sector Authorities' aims to provide guidance to authorities on when to intervene with financial education, how to build an impactful approach, and how to make financial education more impactful. The note also has key considerations for gender and digital financial services. This note, like other evidence that underpins technical work done by the World Bank, aims to make financial capability initiatives more systematic and impactful based on an evaluation of what does (and does not) tend to work in the field.

In the context of improving the usage of transaction accounts, specifically, some key efforts include demonstration of the advantages of using the electronic payment services – i.e., the safety, protections, recourse mechanisms, speed and convenience – learning how to use specific payment instruments, such as a debit card or an electronic funds transfer, and building the trust and comfort with a transaction account and its use. Information on the reliability of ATMs, POS devices and other channels and services can also help address potential customer concerns regarding the accessibility of their funds.

At the same time, through Project Greenback, the World Bank has been working with remittance senders and receivers to understand their financial product and financial education needs better to (1) provide them with digital and financial literacy, (2) work with the remittance service providers to ensure better products and delivery of financial education, and (3) work with the regulators to convey demand-side information for better-informed policy making (see Box 29 for more on Project Greenback).

Philippines overseas workers sent $30.1 billion to the Philippines in 2019, and while expectations were for a much steeper decline, this amount only fell to $29.9 in 2020. Recognizing that these workers are important consumers of remittance services, the Bangko Sentral ng Pilipinas has over the past decade conducted its Financial Literacy Campaign through road shows in Singapore, Hong Kong and other countries, educating hundreds of Filipino working abroad about financial planning, saving and investing.[113]

3.6.1 National Financial Education Strategies & Action Plans

National financial education strategies and action plans help financial sector authorities build a coherent approach towards financial education. It helps to identify a set of national priorities and concrete actions that can improve financial capabilities of adults at a national scale. According to the FICP survey[114], roughly 44 countries have launched financial education strategies or approaches as of 2017 and an additional 27 countries reported having a strategy under development.

However, the impact of financial education strategies has been mixed. In the past, some financial sector authorities have taken an overly broad approach, aimed at improving consumer capability for the full sector. This often relied on traditional delivery mechanisms such as classroom training with a wide range of curriculum topics with the intent to increase consumers' financial capabilities directly. Traditional approaches however can be both expensive and not always effective in providing for sustained behavior change and improved financial outcomes.

Financial sector authorities do have a clear financial education role to play when financial risks are posed to consumers, particularly since the expansion of DFS, along with its benefits, also amplifies traditional financial threats and poses new risks for all consumers, especially for the newly banked.

Financial education strategies are still a powerful tool to help policymakers develop a national plan to mitigate financial risks and improve the lives and livelihoods of individuals, particularly vulnerable populations. Mitigating financial risks posed to consumers should be the central focus and primary objective of financial sector authorities' financial education strategy, particularly as COVID-19 has accelerated the transition from traditional banking to digital services which can heighten risks, particularly for new users of digital financial services.

A few core activity areas have shown promise in the development of financial education strategies and include: (i) activities which forge key partnerships with government institutions to embed financial education into programs offering financial services at scale (i.e. cash transfer programs, remittance programs, agricultural lending programs, etc.); (ii) guidance to help financial service providers integrate financial education more holistically within day-to-day operations; and (iii) developing a set of publicly available resources provided to consumers that focus on addressing knowledge gaps and core educational needs.

For example, Zambia revised its financial education approach and launched a second National Strategy on Financial Education in 2019 to focus more squarely on working in partnership with stakeholders, engaging the private sector, maximizing cost-effectiveness, building sustainable programming, ensuring content meets the needs of consumers or is "citizen centric", communicating effectively, and monitoring and evaluating impact particularly to inform policymakers if programs should be modified or discontinued.[115]

Similar principles are also being employed in Pakistan. In complement to SBP's original national financial literacy program, Sikka Bakaida, the SBP has recently called on financial service providers to integrate more targeted, behaviorally informed campaigns that train women to access and use financial products and services more appropriately.[116] These interventions are to be integrated into the operations of SBP's regulated entities (commercial banks, microfinance banks, e-money issuers, etc.) as outlined within the SBP's newest "Banking on Equality Policy."[117]

Mexico has also incorporated a new financial education approach within its recently issued National Policy for Financial Inclusion 2020, which includes a focus on providing digital financial education particularly to beneficiaries of social programs.[118]

---

[113] https://unctad.org/news/philippine-central-bank-helps-boost-e-payments-archipelago
[114] World Bank Group (2017).
[115] Republic of Zambia (2019).
[116] http://www.financialeducation.pk/
[117] State Bank of Pakistan (2020).
[118] Government of Mexico (2020).

Box 26 – Integrating Financial Education into Cash Transfer Programs

Globally, cash transfer programs are employed to address chronic poverty for low-income and poor households and is among the most common policy response to the COVID-19 pandemic. More than 100 countries worldwide have scaled up their cash-transfer programs as part of their response to the COVID-19 pandemic, often by digitizing cash transfer programs and transferring payments directly to basic bank accounts or e-wallets.

Without financial education, however, beneficiaries of digital cash transfer programs have faced barriers when trying to access or use their products appropriately. Beneficiaries may not fully understand how to effectively use their new digital instrument or e-payment product, troubleshoot issues or file a dispute, often amplifying certain financial risks (i.e. PIN and agent fraud, data privacy issues, etc.) particularly for vulnerable beneficiaries.

Key education that leverages behavioral insights and "teachable moments", integrated within key cash transfer program interactions (i.e. upon registering, onboarding, transacting and continuing use), can help ensure beneficiaries can mitigate risks and access and use their products and services appropriately.

Cash transfer programs often have organizational and operational infrastructures in place that can be leveraged to integrate a few quick, core financial education messages.

For example, Zambia integrated financial education during the digitization of their Women's Livelihood social cash transfer program, which reached over 12,000 women.

For more information, policymakers can refer to the World Bank toolkit entitled "Integrating Financial Education into Government Cash Transfer Programs" which offers concrete guidance for policymakers working to design and implement financial education for cash transfer programs.[119]

3.7 LEVERAGING LARGE VOLUME AND RECURRENT PAYMENT STREAMS

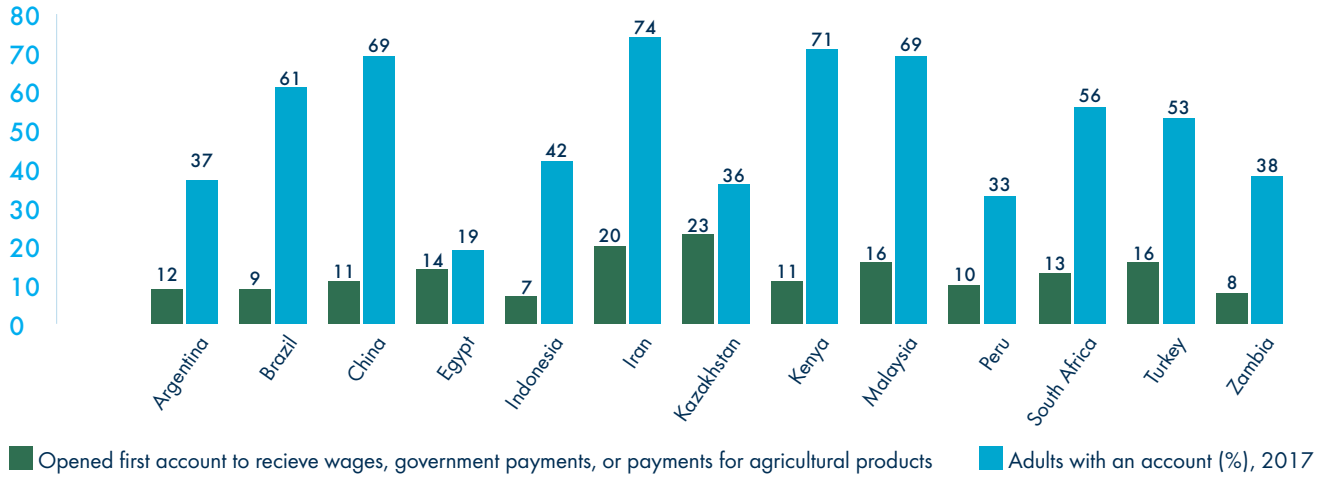
Key lessons, leveraging large volume payment streams.

- Customer choice about which PSP to use for withdrawal makes digital G2P programs much more attractive and convenient for the beneficiaries (Zambia).
- In digital G2P systems, "topping up" the beneficiary payments to cover cash-out fees may induce PSPs to compete on price (Zambia).
- An important lesson for government payments in the COVID-19 crisis was that payment systems need to be more flexible to respond to emergencies quickly.
- Digitalization of remittances can also play an important role in expanding financial inclusion, as remittances are usually the first entry point to the regulated financial sector by many migrants and their families.
- Needs-based, targeted product design and financial and digital literacy programs are important for ensuring increased usage of transaction accounts by the social cash transfer recipients and remittance recipients.
- Payroll accounts and digitalization of salary payments can improve financial inclusion.

[119] World Bank Group (2018d).

For a massive shift in cash to digital payments to take place on a global scale, how large-volume payments are made must change. Figure X shows that receiving wages, government payments or agricultural payments has been a major driver for individuals opening their first accounts in select countries.[120]

Figure 12. % adults opening their first account to receive payments, select countries, Global Findex 2017



When government payments are made into transaction accounts these programs can be a catalyst for financial inclusion. Recipients who did not have an account previously are motivated to open and use the account to receive payments, and when payments are repeated, recipients learn to use more functionality of the account and gain trust through experience.[121]

International remittances account for the majority of payments individuals makes and receive in many countries, for and are often repeated.[122] While remittances are large in volume when aggregated, each payment is relatively small, meaning that fee structures for regulated digital remittance services can be a large deterrent for users. The World Bank reports that in 2021 sending remittances costs an average of 6.51 percent of the amount sent globally. However, digital remittances cost significantly less, at 5.08 percent on average.[123]

Digitalizing other payment streams also has potential to make a large impact for shifting economies away from cash and also for financial inclusion. Transit payments, utility payments, wage payments, and other regular expenses are important recurrent payments as well as payments to the government by individuals and businesses.

Digitalization of salary payments can be another important driver of financial inclusion and are recurrent. For both B2P and P2B payments, a preference among some micro- small-, and medium-sized enterprises (MSMEs) to remain informal is a barrier to adopting digital payments. IFC estimates that 74 percent of all MSMEs are informal. In developing countries, more businesses tend to formalize as the overall quality of the tax regime becomes more efficient and convenient.[124]

Business-to-business payments account for a large value in economic terms, and wholesale purchases continue to be carried out in cash in many LMICs. At the same time, perhaps the largest component of business-to-business payments is the supply-chain payments. There is evidence that digitalizing B2B payments can motivate micro, small and medium sized merchants to adopt digital payment methods, and induce them to also accept electronic payments for sales.[125] FIGI Electronic Payments Acceptance Working Group (Box 22) was constructed based on this premise to conduct research on ways to improve electronic payments acceptance by small merchants, in an effort to increase the usage of transaction accounts.

[120] Demirguc-Kunt et al., (2018).
[121] Bachas et al. (2017), Breza et al. (2020)
[122] See for example Zollmann (2014)
[123] World Bank, Remittance Prices Worldwide Database: https://remittanceprices.worldbank.org/en
[124] Klapper et al. (2019)
[125] WEF and WB (2016a), and World Bank (2020f)

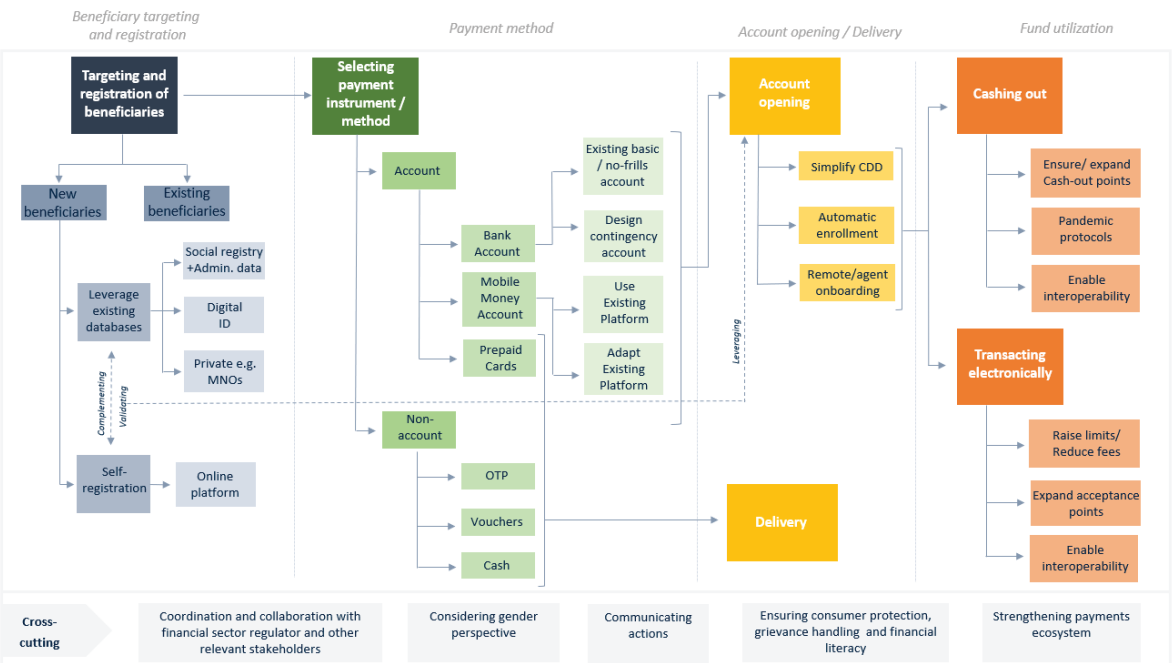
While it is intuitive that more efficient, transparent, and lower-cost payment operations would have benefits, research is helping clarify and quantify these benefits for payers like governments, and for payees including low-income households and the previously financially excluded.[126] In parallel, it is important to acknowledge the role of cash and the need for it under specific circumstances, and the demand for cash by certain segments of the population. It may not necessarily be optimal to eliminate cash in its entirety for a variety of reasons.

3.7.1 World Bank's work on digitalization of G2P payments

Digitalization of G2P payments, and in particular of social assistance programs, can be beneficial for the recipients, the financial sector and the government:

- Digitalization of G2P payments help create efficiencies for recipients by reducing costs from cashing out funds and diminishing the risks associated with handling cash. Furthermore, G2P programs normally target a segment of recipients that are excluded from the financial system, digitization of G2P payments can provide a way of accessing financial products that can aid woman's economic empowerment and increase the standard of living of the recipients.
- G2P payments constitute a large volume of transactions and, if digitized, can significantly advance the digitization of other payment streams and aid the technological development of the financial sector.
- Digitization of G2P payments helps increase fiscal savings by reducing leakage, and disincentivizing bribes and corruption. Also, through harmonization of different G2P streams, government agencies can leverage the existing infrastructure to reduce the associated costs for the execution of government payments.

Figure 13. End-to-End components for digitizing G2P payments[127]



[126] World Bank (2016b).
[127] World Bank (2020d).

The financial sector is a key player in the digitization of G2P payments and it is involved in the end-to-end process of delivery of G2P payments (Figure 13). More specifically, the financial sector plays a part in:

- **Targeting and registration of beneficiaries:** The financial sector offers a source of information that can help identify potential recipients of social protection payments, in particular when trying to identify recipients within a household who already own an account. Close collaboration between financial services providers and social protection agencies to facilitate the account opening process for recipients through trusted data sharing can also improve the experience for recipients and can contribute to reduce fraud.
- **Distribution of payments from the government to beneficiaries:** The financial sector plays a key role in distributing payments from the government to beneficiaries as administrator or participant in the payments infrastructure used to disburse funds by the government. Sound, secure and interoperable payments infrastructures are essential to process the disbursement of large volume payments in an efficient and timely manner.
- **Providers of accounts, payment instruments and access points:** The financial sector also has a prominent role as provider of accounts to which the funds are disbursed to. The financial sector also provides payment mechanisms and access channels for the usage of such funds. Hence, financial services providers are responsible of offering accounts that can be easily accessible to the recipients, as well as payment instruments that are convenient for beneficiaries, which includes offering a wide variety and number of access channels that accept the payment instruments used by recipients.

3.7.1.1 The World Bank's work in G2P payments digitalization

Prior to the COVID-19 crisis, digitalization of G2P payments was incipient. A survey conducted across a sample of 37 countries covering 41 World Bank-funded programs in 2019 showed that more than 35% of the programs were delivered in cash, and that close to half of the programs that deliver funds to accounts were delivering them to limited purpose accounts. Furthermore, the survey showed that financial inclusion was not a widespread priority in most of the programs, and that the approach to financial inclusion was mainly through financial education (Figure 14).[128]

The World Bank has established digitalization of G2P payments as a priority. In particular, a whole-of-government and recipient-centric approach is adopted wherein the outcomes of financial inclusion, women's empowerment and government-wide fiscal savings are pursued. In this context the G2P architecture –comprising all the infrastructure, systems, policies, regulations and financial products and services supporting the processing and delivery of G2P payments in a given country—should consider the recipient needs and barriers at the center of its design.. The rest of this section elaborates on the following: (i) A set of case studies highlighting G2P digitalization processes pre-COVID on which the World Bank played a key role (Boxes 27 and 28 on Zambia and Indonesia), (ii) The World Bank's work on the delivery of emergency G2P payments to tackle the effects of the COVID-19 pandemic, and (iii) The World Bank's vision for a next generation G2P architecture.[129]

[128] World Bank, "Trends in the Delivery of Social Assistance Payments before COVID-19," 2021.
[129] World Bank (2020d).

Box 27 – Enabling women and girls in Zambia to choose their preferred G2P payment provider

In 2016, the Government of Zambia, with support from the World Bank's Social Protection and Jobs Practice, launched the (Girls' Education and Women's Empowerment and Livelihoods Program (GEWEL). GEWEL involves a cash transfer "plus" program called Supporting Women's Livelihoods (SWL) administered but the Ministry of Community Development and Social Services (MCDSS) in Zambia with the following components:

- Short-term life and business skills training, provided by community-based volunteers;
- A productivity grant of US$165 (ZMW 2,000), delivered in two installments;
- Mentorship, including refresher training and linkages to other public services;
- Support to form savings and loans groups.

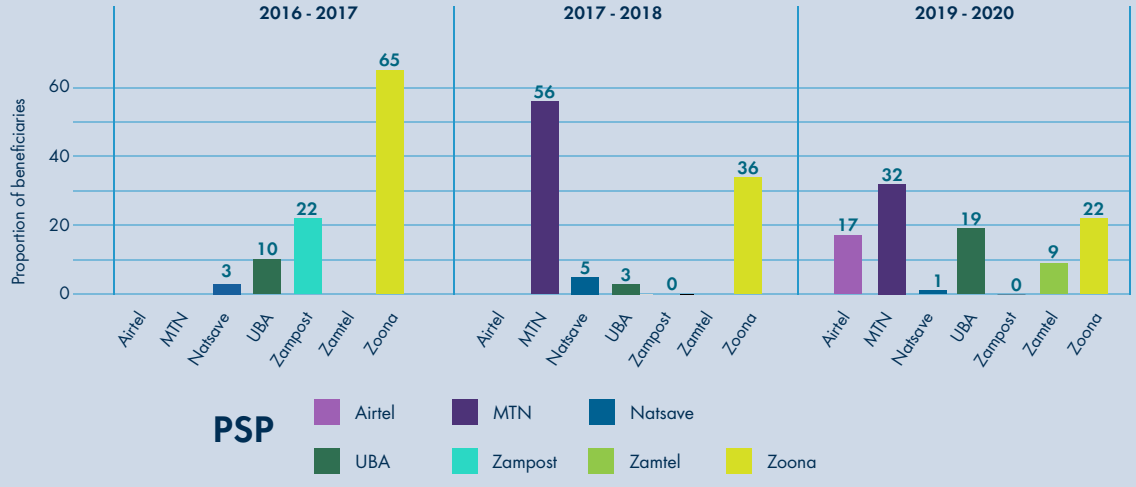
The SWL program planned to reach around 75,000 women breadwinners aged 19 to 64 living in extremely poor households from 2017- 2020. Zambia is sparsely populated, with beneficiaries spread out over a large geographic area, so using digital payments to disburse the productivity grant made sense for this reason in addition to the known benefits of digital transfers for both governments and beneficiaries.[130]

The project has seen success in adoption of digital payments, use of mobile phones for DFS, and reducing cost to beneficiaries. The lessons learned from this program include:

1. Allowing beneficiaries to choose their payment service provider allowed them to choose the most convenient location and supported choice and switching.
2. Rather than a contract with certain PSPs, MCDSS topped up the grant with value to cover payment provider fees. This encouraged competition and the withdrawal costs to beneficiaries went down over time.

As Figure B28.1 shows, more PSPs partnered with the program in each phase of the project. When large MNOs MTN and Airtel joined, over 50 percent of beneficiaries switched, citing proximity of the agent location as the main reason. Because the MNOs offered a withdrawal fee of 2 percent as opposed to 3.5 percent with Zoona, beneficiaries also saved money. This has placed downward pressure on transaction fees for Zoona and other competitors. Beneficiaries also migrated away from Zampost due to reported issues with quality.[131]

Figure B28.1 Proportion of beneficiaries using PSPs over Time, ZambiaGEWEI Project



[130] Baur-Yazbeck et al. (2019)
[131] Marin et al. (2020)

Box 28 – Improving G2P in Indonesia

Indonesia has a complex and diverse set of social protection and government payment programs directed at improving its development outcomes. In 2017, the Government of Indonesia aligned G2P programs with its financial inclusion efforts by mandating the transition from cash and in-kind programs to digital channels.[132] The World Bank's Financial Inclusion Support Framework (FISF) provided technical assistance for both G2P payments and complementary Digital ID efforts. The World Bank undertook a comprehensive study of the G2P payments landscape, which then informed technical assistance and capacity building initiatives to develop the Government Payments Program, based on the guidelines proposed by the International Advisory Group for Government Payment Programs chaired by the World Bank.[133]

This project supported the National Planning Ministry's G2P Payment 4.0 Roadmap—a set of reforms aiming to improve the efficiency and accuracy of social program delivery while delivering and improving the experience for beneficiaries and expanding financial inclusion. With support of the World Bank Group's G2Px and ID4D Initiative, in addition to FISF, the Government has been working towards the implementation of this roadmap including payment infrastructure reforms and recognizing the importance of a secure and well-functioning digital ID program for success. One important lesson learned that the Government of Indonesia is taking into account is that beneficiary choice can lead to better adoption and usage of accounts, and a more empowering experience for the beneficiaries. Choice is a key component of the new Roadmap.[134]

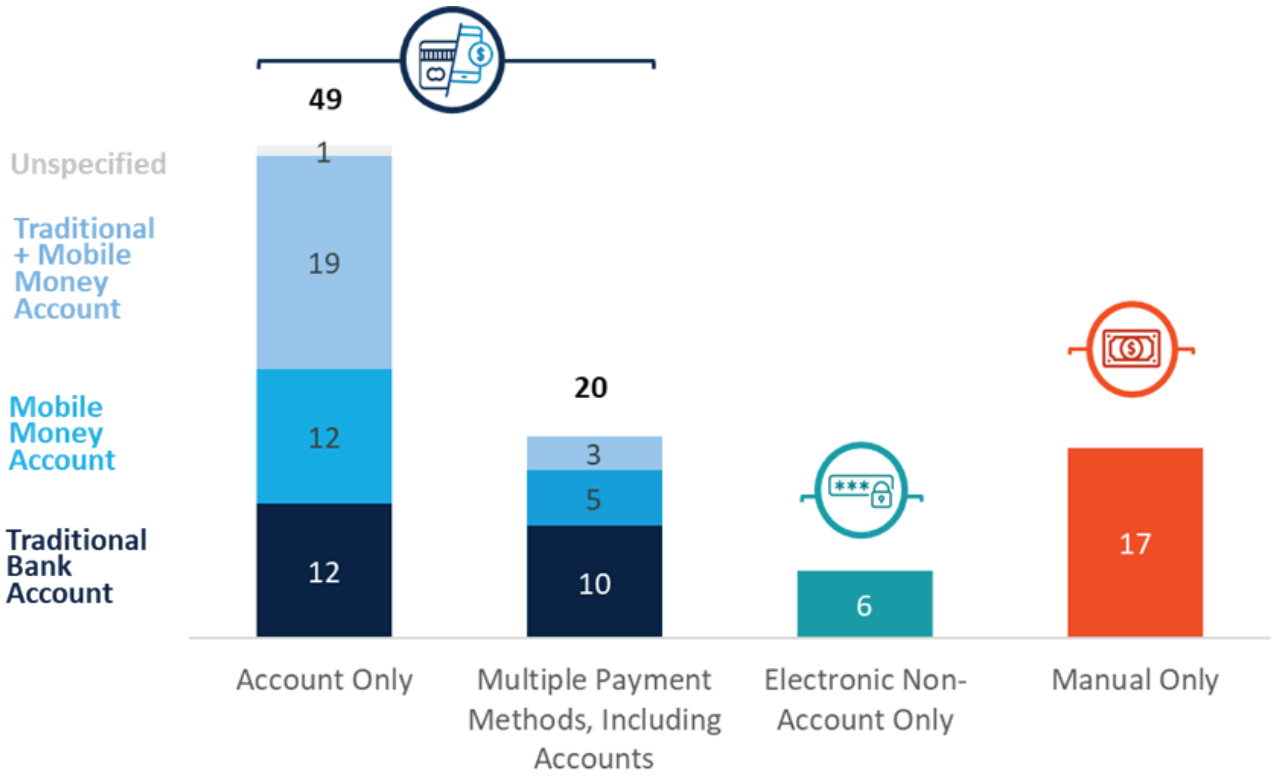
[132] Moorena et al. (2020)
[133] Indonesia FISF, World Bank Operations Portal
[134] Moorena et al. (2020)

3.7.1.2 Digitalization of COVID-response G2P payments

The COVID-19 crisis spurred a need for high and low-income country governments alike to distribute payments to support vulnerable citizens and to deliver fiscal stimulus rapidly. At least 200 countries and territories have expanded or introduced social protection measures in response to COVID-19.[135] The global pandemic forced a new way of looking at social protection payments, as beneficiary groups targeted are broader than and different from previous social protection programs. In some LMICs, limitations of payment infrastructure, targeting mechanisms, and tighter budgets posed challenges for COVID-19 support payments.[136] Because the majority of women in LMICs earn income in the informal sector– 95 percent of women in Asia and 89 percent in Sub Saharan Africa– women are in greater need of support. Informal economies are characterized by less security and support and were greatly affected by lockdowns globally.

By May 2021, over 1.7 billion people lived in households that benefitted from at least one COVID-response cash transfer payment between 2020 and 2021. A review of 178 emergency programs across 85 countries low- and middle-income countries shows that a large proportion of countries leveraged digital payment methods to some extent to deliver emergency G2P payments (Figure 15).[137]

Figure 15. Delivery mechanisms used for emergency G2P payments across selected countries

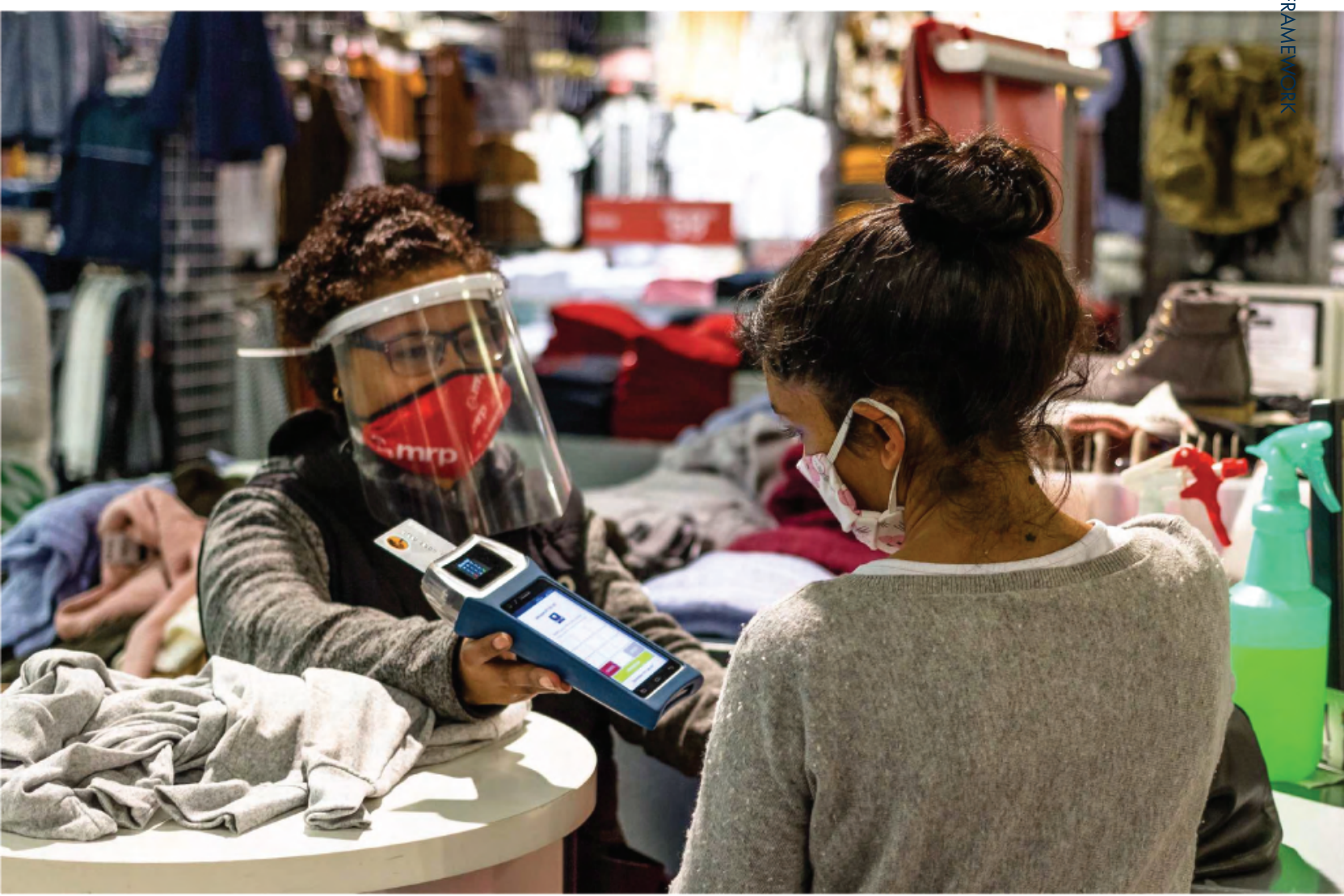


The World Bank Group has been providing technical assistance, sharing good practices and providing guidance for the digitalization of emergency G2P payments Some of these publications include high-level considerations for emergency social assistance payments,[138] women's inclusion and economic empowerment,[139] and scaling up social assistance payments as part of the COVID-19 pandemic response.[140] The World Bank has also provided financing to support countries in the implementation of

[135] Bull et al. (2020)
[136] Hanna et al. (2020)
[137] Marin and Palacios (2022)
[138] World Bank (2020d)
[139] BMGF, WBG, CGAP, and WWB (2020).
[140] World Bank (2020e)

COVID-response social assistance programs. Some of these World Bank lending operations that included support to digitize the payments include:

- **Fiji** Social Protection COVID-19 Response and System Development Project
- **India** Accelerating India's COVID-19 Social Protection Response Program, focused on cash and food benefits, using a set of pre-existing national platforms and programs, to provide social protection for essential workers involved in COVID-19 relief efforts; and benefit vulnerable groups, particularly migrants and informal workers, who face high risks of exclusion
- **Pakistan**, the Pandemic Response Effectiveness Project focused on the COVID-19 preparedness and emergency response in the health sector. It has also helped the poor and vulnerable cope with the immediate impact of the pandemic through social protection measures, food rations, and remote learning education.
- **Philippines** Beneficiary FIRST Social Protection Project
- **Peru** In the Digitization of G2P social transfer payments in Peru, technical assistance to support implementation by social protection and financial sector authorities to shift government-to-person payments to digital channels, with a focus on emergency payments for CovidCOVID-19.
- **West Bank and Gaza** West Bank Emergency Social Protection COVID-19 Response Project
- **Yemen** Emergency Social Protection Enhancement and COVID-19 Response Project



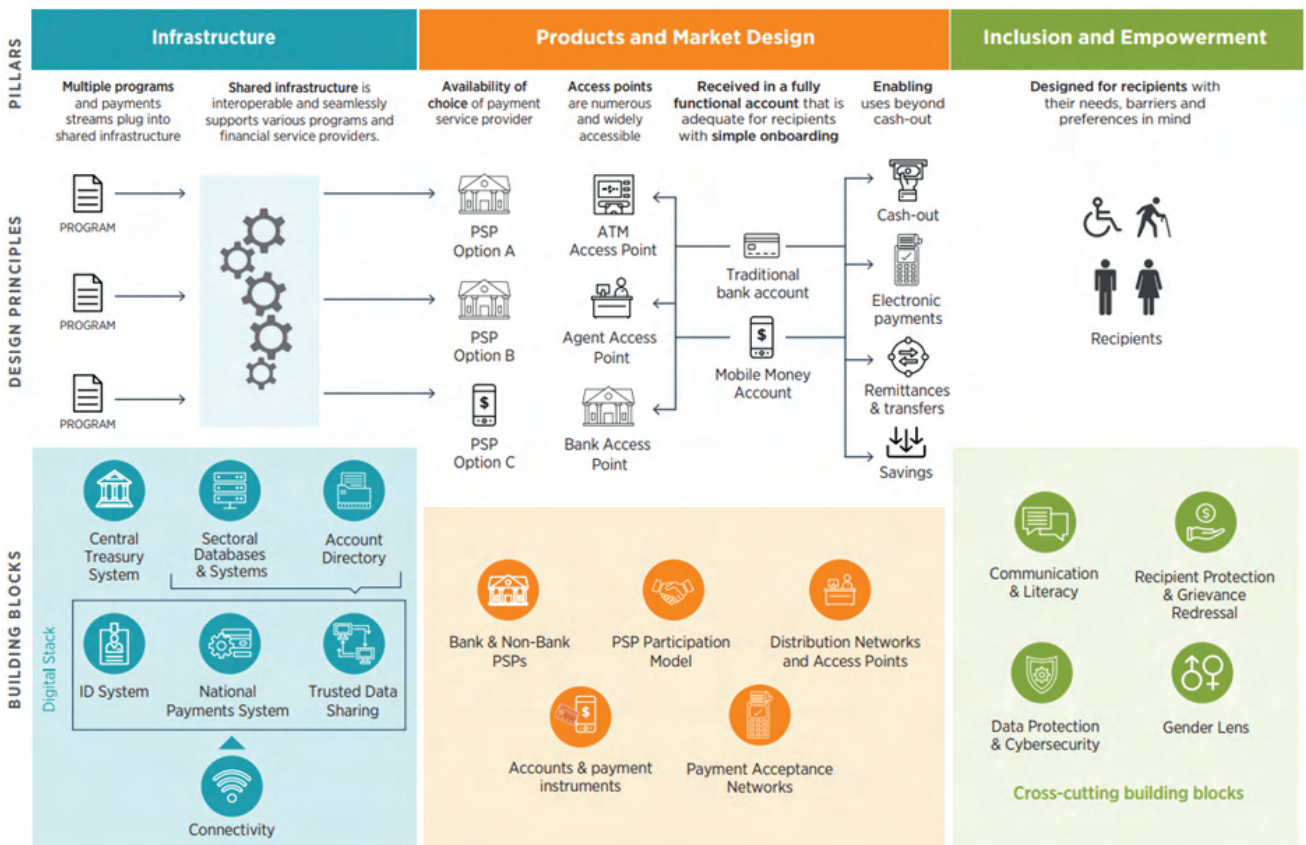
3.7.1.3 Next generation G2P architecture

An important part of creating a shared understanding of what characterizes an ideal G2P architecture, is developing a cross-sectoral common vision of an ideal scenario. The World Bank Group has developed a framework for a modern G2P architecture (Figure 16), laying out design principles to support long-term development outcomes such as financial inclusion, women's economic empowerment, and government-wide fiscal savings.[141]

A G2P architecture encompasses all systems, infrastructure, regulations, policies, and design choices that enable and characterize the end-to-end delivery of G2P payments. Any G2P architecture consists of various building blocks. A building block of the G2P architecture is an element of it (e.g. an infrastructure, system, policy, regulation, products) that has a distinct and well-defined role in the process of delivering G2P payments and using them to facilitate financial inclusion. These building blocks are not exclusive to G2P payments and in many cases, e.g. the National Payment System, G2P payments are only one of numerous contexts and use cases.

A modern G2P architectures (the ideal scenario of how a G2P architecture could be) should be designed with the needs, barriers, and preferences of recipients in mind, ensuring that infrastructure and systems are shared across programs and payments streams, and providing choice and fully functional accounts to recipients (Figure 16).

Figure 16. Modern G2P architecture[142]



[141] World Bank. 2022. Identification for Development (ID4D) and Digitalizing G2P Payments (G2Px) 2021 Annual Report. Washington, DC: World Bank

[142] World Bank (2022).

3.7.2 International Remittances

International remittances are vital source of financing for many low- and middle- income economies, serving as a macroeconomic stabilizer, a lifeline in times of crisis and a steppingstone for financial inclusion. Remittances have steadily increased over the past decade, reaching a record high of $554 billion in 2019. Even during the COVID -19 pandemic, remittance inflows to low- and middle-income countries declined by only 1.6 percent, exceeding both Official Development Assistance (ODA) and Foreign Direct Investment (FDI) and becoming more significant for the receiving economies.

Remittances are defined as small-value, cross-border, person-to-person transfers.[143] In general, remittances are recurring fund transfers by migrant workers to their families and friends back home. Oftentimes, sending and receiving international remittances constitute the first encounter with the regulated financial system for many remittance beneficiaries, and therefore, remittances provide an opportunity to provide access to a transaction account to senders and receivers.

Cross-border payment transactions involve two jurisdictions, links between different payment infrastructures, several providers, and in many instances, foreign exchange conversion. The complexity of these transactions makes them cost much higher than a domestic P2P transfer of the same amount. Higher costs mean a lower amount remains available for the receivers. Hence the international community has been working on reducing the cost of sending remittances since 2009, when the G8, then G20, 5x5 Remittances Target was announced, which aimed to reduce the average cost of sending $200 to 5 percent in 5 years. While this target was not reached, it acted as a catalyst , m of a number of reforms in this area. Eventually, the UN adopted a more ambitious target within the context of SDGs (SDG 10.c) to reduce the average cost of sending $200 to 3 percent by 2030.

The World Bank has been supporting this international work since the early 2000s. The World Bank, together with the CPMI, published the General Principles for International Remittance Services in 2007, which became the standard tool for assessing the payments aspects of the market for international remittances, and formed the basis of reform efforts for cost reduction in the years that followed. In parallel, the World Bank started collecting data on the cost of sending remittances. Today the Remittance Prices Worldwide (RPW) database provides the most comprehensive data on the cost of sending remittances, including 48 sending countries, 105 receiving countries and 367 corridors, and is the source data for UN SDG 10.c.1.[144]

According to the RPW data, the cost of sending $200 in the first quarter of 2021 was 6.38, more than the 5 percent global target set by G20 and the 3 percent target defined in the 2030 agenda for the Sustainable Development Goals. Combined with other factors such as access to information and services, the high costs often lead senders to opt for unregulated channels, which pose additional risks.
At the same time, the RPW data also shows that digital remittances are cheaper than cash remittances. Moreover, the digital-only money transfer operators are able to provide remittance services at a much lower cost than other service providers on average. Access to digital remittance services require access to a transaction account, which is the underlying idea of the UFA goal. Therefore, in addition to remittances constituting the first encounter of many remittance beneficiaries with the regulated financial system, digitalization of remittances can bring additional benefits besides financial inclusion of remittance beneficiaries: cost savings that would be one-on-one translated to increased incomes of remittance beneficiaries.

In this regard, a couple of additional points become important. As remittance beneficiaries are likely to have specific needs, e.g., potentially a lack of official ID on the side of senders and also on the side of receivers, low and unsteady incomes, and low levels of digital and financial literacy, etc., product design fitting the needs of this group as well as improving their financial and digital literacy are key points in digitalizing remittances. Project Greenback approach by the World Bank provides technical assistance to national authorities for this purpose (Box 29).

---

[143] CPMI and World Bank (2007).
[144] https://remittanceprices.worldbank.org

Box 29 - Project Greenback – Making remittances work for the poor

Implemented in 11 economies over the past 10 years, Project Greenback aims to help remittance senders and receivers to access and use cheaper, regulated, transparent and efficient financial services, make informed decisions and ultimately get more value from remittances.

Applying a bottom-up approach, Project Greenback focuses on a community or "champion city" to analyze issues related to remittance transactions and the community's specific needs to properly articulate the needs of the end clients and determine what works. Starting from the demand side, the Project then coordinates with providers, regulators, other national authorities, and other relevant stakeholders such as NGOs, to pilot a set of strategic initiatives in financial education or new financial products for remittance senders and receivers. The aim is to devise solutions that can benefit end users, providers, and the industry overall. Depending on market feedback, the most effective initiatives are then scaled up for broader application by the relevant stakeholders, which may go beyond the scope and length of the World Bank's involvement in each country.

Often supplementing the World Bank's broader financial inclusion and infrastructure interventions, Project Greenback serves as a strategic instrument for bridging information gaps and fostering stakeholder coordination at the country level. At a global scale, the World Bank team coordinates knowledge-sharing activities of the project through the Remittance Champion Cities Network, ensuring replication of best practices, piloting innovative solutions and disseminating lessons learned globally.

3.7.3 Digitalization of Salaries

Globally, 62 percent of wage receivers of ages 15 and above, receive them electronically into an account. In high-income economies, the same figure is 87 percent while it is 51 percent in developing economies.[145] This represents a significant opportunity to provide transaction accounts to those that receive wages in cash or via cheques. At the same time, there is evidence that with the right product design, such transaction accounts opened for receiving wages can be a steppingstone for further financial inclusion.

[145] World Bank, Global Findex, 2017.

Box 30 – Digitizing payments to readymade garment (RMG) workers in Bangladesh

The readymade garment sector in Bangladesh is a multibillion-dollar industry and important contributor to the economy. Garment workers are over 85 percent women, representing about 3.4 million women in 2018.[146] According to the Better Than Cash Alliance (BTCA) 75 percent of factories reporting data still paid workers in cash as of 2016.[147] The IFC, World Bank, BTCA, Bill & Melinda Gates Foundation and others joined a coalition of public and private organizations working to support a transition to digitizing payments in this sector. The World Bank contributed important knowledge resources that provided the evidence for partners like IFC and BTCA to engage international RMG companies.

There were numerous advantages of transitioning from cash to digital payments in this sector. Having a personal account can benefit workers; digital payments reduce the risk of theft or loss of cash, and research has found women report more control over money paid directly to an account in their name, with some indications from other countries of increased female empowerment over time.

Second, RMG companies that made the transition reported productivity gains, better record keeping, and reduced corruption. A World Bank and IFC study found that each worker waits an average of 18 minutes to receive their wage each month, adding up to 750 hours of productivity lost to a factory with 2500 workers. Companies that transitioned from cash to digital payments reported 53 percent increase in time savings for administrative and finance teams in the first year of implementation. Relatedly, the recordkeeping enabled by digital payments has allowed companies like H&M, Gap Inc., Marks & Spencer, Inditex and others to easily demonstrate compliance with International Labor Organization (ILO) and other standards for fair labor practices and living wages.[148] Third, by opening bank accounts for thousands of Bangladeshi women, this effort moved the needle on financial inclusion in Bangladesh and was a contributing factor in the 10-percentage point increase in financial inclusion in Bangladesh from 26 percent in 2014 to 36 percent in 2017.[149]

The results of this effort have been impressive, and progress continues. The Bangladesh Garment Manufacturers and Exporters Association (BGMEA) became convinced of the case for digital payments for efficiency gains in their own operation, but also for women's financial empowerment. Over 70,000 of female garment workers opened mobile financial accounts between 2016 and 2018. BGMEA has supported continued expansion among its approximately 4,500 factories.[150]

Another study by the World Bank in Bangladesh with workers in the RMG manufacturing industry shows the importance of payroll accounts in furthering financial inclusion.[151] The experiment was conducted in two RMG factories, and tested payroll accounts offered by banks and mobile financial service providers as opposed to wage payments in cash. Trainings with workers were held to familiarize them with the main characteristics of the accounts they have.

The study finds several important results:

1. Workers who receive salaries in an account tend to use their accounts more frequently, develop trust in the technology, learn to use the account without assistance and learn to avoid common risks as opposed to workers who just receive the accounts but cash wages.
2. Workers with higher levels of financial literacy and experience tend to use financial technology more effectively, while others end up primarily accumulating savings.
3. Financial education interventions seemed to have helped those with lowest levels of financial literacy and experience the most.

This case study demonstrates that through producing solid evidence to make a case to the private sector and contributing to toolkits to help with implementation the World Bank can be part of collaborative efforts to drive large-scale change in B2P and other payment streams.

[146] World Bank Group (2018c)
[147] BTCA (2019)
[148] BTCA (2019)
[149] World Bank, Global Findex Database, 2017.
[150] World Bank Group (2018c)
[151] Breza et al. (2020).

4 FUTURE DIRECTIONS FOR THE WORLD BANK IN SUPPORTING FINANCIAL INCLUSION GLOBALLY

UFA2020 catalyzed donors, international development agencies, and governments to push for coordinated action for financial inclusion in the 25 countries that are home to the majority of the world's unbanked people. By focusing the World Bank's own work and bringing donors and other actors together and drawing attention to the topic, partnerships made for more effective action at the country level and important gains were made in account ownership and forging better policy environments to enable continued progress.

COVID-19 outbreak underlined the importance of widespread access to and usage of digital payments and other digital financial services. As many governments around the world imposed lockdowns, e-commerce transactions and online payments gained importance. At some point, banknotes and coins were declared to enable the transmission of the virus, and hence the demand for digital payments, especially contactless payment instruments increased. In addition, many governments established social assistance programs, and needed mechanisms to disburse the benefits. The demand for both international and domestic digital remittances increased as travel restrictions became common and families and friends tried to support each other during difficult times.

While UFA2020 initiative acted as a catalyst for many reforms globally, there is still more to be done. COVID-19 also exposed additional vulnerabilities and the need for further interventions. The following are potential areas of focus for where the World Bank might continue the work that was started as part of UFA2020.

Continue efforts towards women's financial inclusion and closing the gender gap. The 9-percentage point gap in financial inclusion by gender in emerging market economies persisted from the 2011 to 2017 Global Findex, and this catalyzed global action to invest more in women's financial access.[152] World Bank research and knowledge products continue to demonstrate the specific benefits to women and communities that can accrue when more women have their own accounts.[153] By driving meaningful financial inclusion through social protection programs that target women and girls, and working with the private sector through projects like digitizing salary payments to women and girls in Bangladesh, the World Bank has contributed to progress in achieving gender equity in financial inclusion, but there is more to be done. The World Bank should continue to address the root causes of barriers to financial access for women including identification, access to internet and their own mobile phones, legal provisions that prevent women from being independent economic actors[154], access to markets and entrepreneurship skill building, and demonstrating the benefits that can accrue to families through women's financial inclusion and economic empowerment. The promising work in G2P payments that target women is another key area of opportunity.
Sex-disaggregated data has been a successful tool to motivate action, with effects beyond financial inclusion,

[152] This gap was of course much larger in many emerging and developing economies.
[153] See among others Breza et al. (2020)
[154] World Bank (2018a)

and this focus should be continued. In Mexico, Pakistan, Ethiopia, and other countries, collection of sex-disaggregated data about financial product ownership and usage has been instrumental in making the gender gap salient to public and private sector actors. In Pakistan having data per financial institution was motivating for the private sector to make more efforts to serve women. Collecting these data, among other factors, influenced the culture of the State bank of Pakistan. The World Bank should continue to support clients in collecting and acting on these data, following best practices gained through experience.

More work is needed in fragile countries. As the number of financially excluded decreases, the unbanked will increasingly remain in hard-to-reach countries and settings, including states affected by conflict and extreme poverty. While other actors often write off these markets, work in these contexts is definitively within the World Bank's purview and teams should not shy away from this challenging work to engage with the most vulnerable. Financial and identification access for migrants and refugees is one example in this area where promising work has been done and projects should continue.

Social protection and financial inclusion are complementary and there are many examples of coordination and collaboration between social protection and finance teams, leveraging government payments for sustainable access to finance. This collaborative work should be continued, sharing lessons learned and continuing to build best practices. Often this includes work on identification, and the ID4D team and G2PX will continue to be critical partners on the financial inclusion agenda. Moreover, there are opportunities to do more with other sectors and global practices in the World Bank including agriculture, energy, education, transport and digital development and water. In virtually all sectors there are payment needs where opportunities exist for collaboration on the agenda for financial inclusion, and were working together could reduce costs, increase efficiency and help to reach more people.

It is critical to ensure that the recent uptake of digital payments and inclusion of underserved segments due to the COVID-19 pandemic is sustained in the long run. Across several countries, digital payments saw an increase in volumes associated with mobility restrictions and social distancing, the uptake was also driven by different measures implemented by authorities and private entities across the world which facilitated usage of digital payments (Box 31). Also, emergency G2P programs allowed to include millions of previously underserved citizens in the financial sector. However, as for digital payments, many of these inclusion opportunities were possible due to temporary measures agreed between governments and financial services providers. It is important to capitalize the financial inclusion opportunities from the pandemic and review how current policies need to be modified to sustain such gains in the long run.

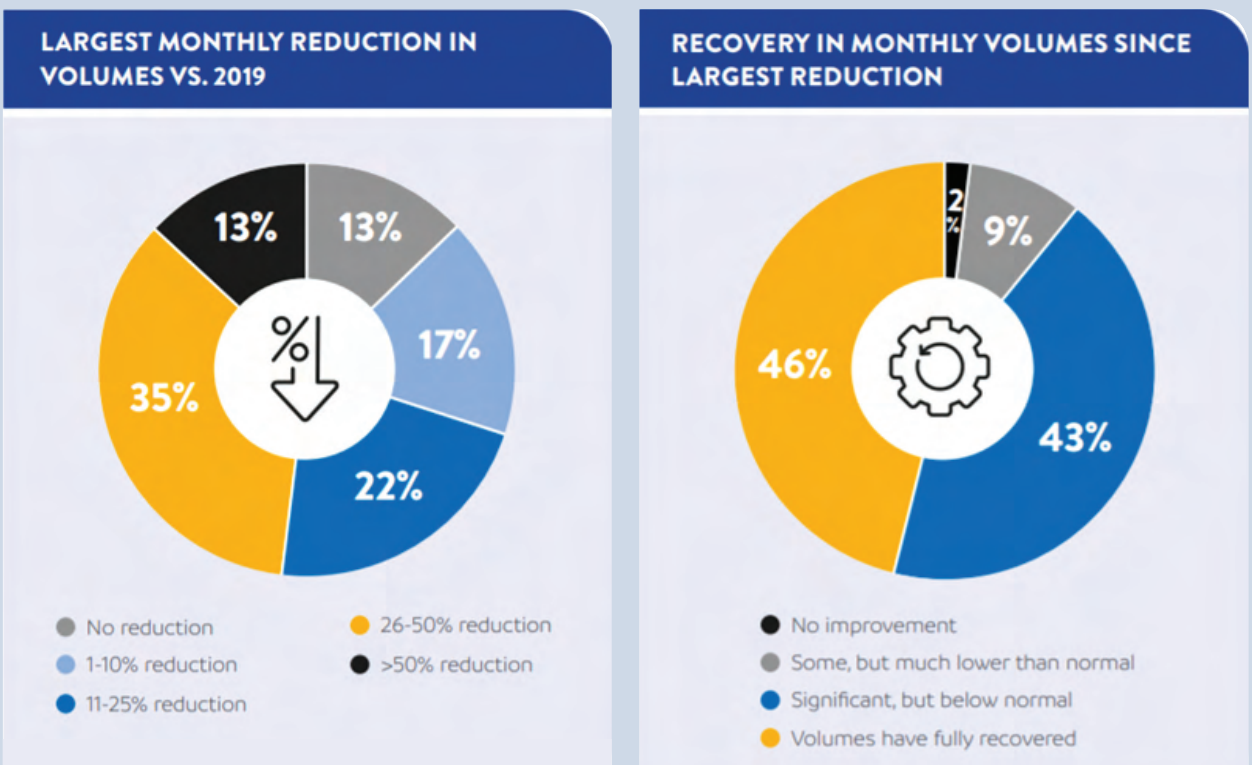
Box 31 – COVID-19 and digital payments

The COVID-19 pandemic has highlighted the convenience of using digital payments as a way of overcoming limitations from social distancing. However, it is important to note that while digital payments attracted many new users during the pandemic the overall volume of transactions has been affected by the global decrease in economic activity.

These dynamics had different effects across countries, with some countries increasing their overall volume of digital payments, while other showing decreases. Another relevant aspect to consider is that digital payment instruments, such as cards, can be used for both present and not-present transactions, and for many, the former is the most popular way of usage. Hence as many merchants and retailers closed during the lockdowns, card payments showed large decreases in volume. For example, growth in number of payments for two largest international card brands showed a sharp decline in the second quarter of 2020 and had a recovery in the third quarter of 2020.

The same perception was validated through a survey sponsored by the World Bank, in which 48 C-level executives from the payments industry covering 40 countries provided their insights of the impact of the pandemic in digital payments. Respondents stated that at the beginning of the pandemic there was a steep decrease in digital payments volumes, with only 13% reporting no reductions in volumes. However, nearly half of the respondents stated that following the initial decline the volumes were already fully recovered (Figure B32.1).

Figure B32.1. Survey on domestic payments innovation during the pandemic[155]



In contrast to card payments, in some countries non-card digital payments did not decrease in volume and some countries saw significant increases that go beyond 2019 year-over-year increases (Figure B32.2).

[155] Payments Innovation Jury (2021).

It is important to highlight that many authorities around the world set temporary measures to facilitate the uptake of digital payments. The World Bank has tracked the measures taken by authorities and other stakeholders related to payments and detected 275 measures taken by authorities and stakeholders in 90 countries (Figure B32.3). Among the measures to highlight are the following:

- Waiver of fees: In Albania, Brunei, Egypt, Ghana, Indonesia, Kenya, Nepal, Philippines, Palestine, Pakistan, Portugal, Rwanda and Uganda authorities have withdrawn fees for using electronic payment services, such as electronic transfers and mobile money services. In Cameroon, Ethiopia, Nigeria, Uganda and Zambia private providers are waiving fees to users of mobile payments.
- Increase transaction limits: Authorities raised transaction limits on mobile channels in Bangladesh, Egypt, Ghana, Kenya, Nepal, Rwanda and Uganda.
- Facilitate contactless payments: 29 countries across Europe have raised limits for using contactless payments without the need of entering a PIN. This measure is also being used in Egypt and Costa Rica.
- In Egypt, authorities are facilitating account opening. In Palestine, banks are providing incentives for users to use their mobile banking apps.

The same perception was validated through a survey sponsored by the World Bank, in which 48 C-level executives from the payments industry covering 40 countries provided their insights of the impact of the pandemic in digital payments. Respondents stated that at the beginning of the pandemic there was a steep decrease in digital payments volumes, with only 13% reporting no reductions in volumes. However, nearly half of the respondents stated that following the initial decline the volumes were already fully recovered (Figure B32.1).

Figure B32.2. Non-card digital payments volume in selected countries

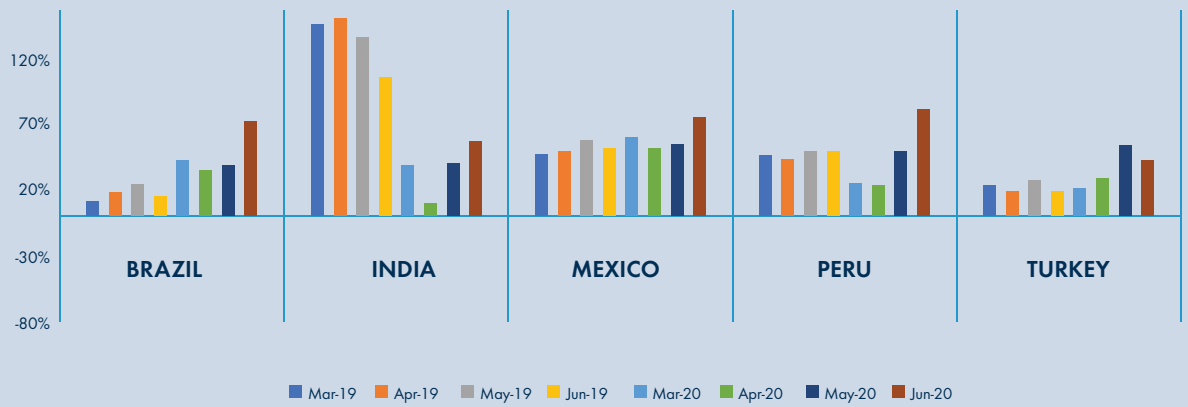
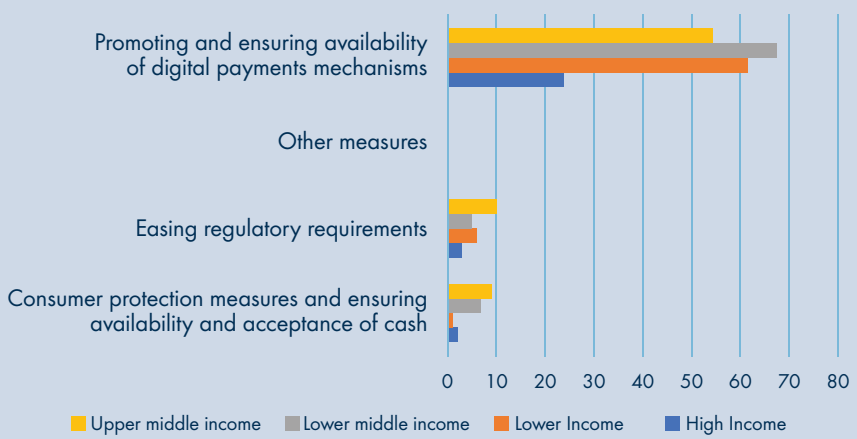


Figure B32.3. Measures taken by authorities related to payments[156]



[156] World Bank, Financial Sector COVID-19 Response Dashboard: https://www.worldbank.org/en/topic/financialsector/coronavirus

One key sector for increased collaboration is agriculture given the high percent of the unbanked living in rural areas and who depend on agriculture for their livelihoods and food security. This should be a focus of future efforts to continue to reach the remaining unbanked with services that meet their needs. The rural-urban gap in financial inclusion is large globally and is especially pronounced in many less-developed countries and there is little P2P and merchant acceptance of digital payments. Poor connectivity or network access may also be a challenge to using DFS. Projects on geospatial mapping of access points and of population use of financial inclusion is a strong start to understanding the scope of this challenge and should be continued. Trust in digital solutions and reluctance to shift financial habits and challenge social norms are also barriers. Outreach through trusted local leaders and organizations together with effective media campaigns using channels people use and trust can help shift social norms and acceptance of new services.

Current offerings of financial products in many countries understandably still design products with urban, wealthier customers in mind. Serving people living in rural areas with products that help start a flywheel of digital income, commerce, and spending is an exciting area of opportunity for the intrepid members of the private sector. The World Bank can help make the case and support governments to incentivize efforts in rural areas. This will mean greater emphasis on agricultural and smallholder finance, support for convenient and affordable domestic urban-rural remittances, and livelihoods work to grow the economic pie in areas of high financial exclusion.

In addition, continued focus on improving account usage is needed. As mentioned earlier, the design of relevant, affordable, and easy to use products are important to improve usage. Products need to be designed based on the needs of the unbanked and underbanked segments. To drive usage, end users need to be more trusting to the financial sector and the providers, they need to be more confident in using financial services, and they need to be more digitally and financially literate. Regulators need to be especially diligent in protecting the interests of the customers with the application of technological innovations in the financial services industry. Lastly, building an entire ecosystem is important. It is not sufficient to empower end users with transaction accounts if those accounts cannot be used to make payments. At the very basic level, enabling bill payments, digitalization of remittances and government payments, mandating salaries to be paid into accounts are some steps that can be taken by authorities. However, perhaps most importantly, building a merchant payments ecosystem is needed as it will be through the everyday transactions that the end users will end up building new habits of using digital payments, which will be a steppingstone to financial inclusion.

REFERENCES

Babatz, Guillermo. 2013. "Sustained Effort, Saving Billions: Lessons from the Mexican Government's Shift to Electronic Payments." New York: BTCA.

Bachas, Pierre, Paul Gertler, Sean Higgins, and Enrique Seira. 2017. "How Debit Cards Enable the Poor to Save More." National Bureau of Economic Research, Working Paper 23252.

Banca de las Oportunidades, and Superintendencia Financiera de Colombia. 2019. "Financial Inclusion Report 2019." Bogotá: Financial Superintendence of Colombia.

Barooah, Prabir, Samveet Sahoo, Sunil Bhat, and Denny George. 2018. "Closing the Gender Gap: Opportunities for Women's Mobile Financial Services Market in Bangladesh." Washington, D.C.: IFC.

Baur-Yazbeck, Silvia, Craig Kilfoil, and Ioana Botea. 2019. "The Future of G2P Payments: Expanding Customer Choice in Zambia." Washington, D.C.: CGAP.

Bill & Melinda Gates Foundation, World Bank Group, CGAP and Women's World Banking. 2020. Digital Cash Transfers in the Time of COVID-19: Opportunities and Considerations for Women's Inclusion and Empowerment.

Breza, Emily, Martin Kanz, and Leora Klapper. 2020. "Learning to Navigate a New Financial Technology: Evidence from Payroll Accounts." National Bureau of Economic Research, Working Paper 28249.

BTCA. 2018. "Driving to Scale: Bim's Journey to Digital Financial Inclusion in Peru." Better Than Cash Alliance (blog). June 21, 2018.

Buku, Mercy, and Rafe Mazer. 2017. "Fraud in Mobile Financial Services: Protecting Consumers, Providers, and the System." CGAP Brief, April.

Bull, Greta. 2018. "Financial Inclusion: Is the Glass Half Empty or Half Full? (Pt 2)." CGAP Blog (blog). August 7, 2018.

Bull, Greta, Caren Grown, Boutheina Guermazi, Michal Rutkowski, and Mahesh Uttamchandani. 2020. "Building Back Better Means Designing Cash Transfers for Women's Empowerment." World Bank Blogs (blog). August 19, 2020.

Buri, S., Cull, R., Giné, X., Harten, S. and S. Heitmann "Banking with Agents: Experimental Evidence from Senegal", World Bank Policy Research Working Paper 8417, April 2018

CGAP. 2019. Risk-based customer due diligence. Technical Note, Washington, DC: CGAP.CGAP. 2020. Agent Network Journeys towards the Last Mile: A Cross Country Perspective, Focus Note, Washington, DC: CGAP.

Chamboko, R., R. Cull, X. Giné, S. Heitmann, F. Reitzug and M. Van Der Westhuizen (2020). "The Role of Gender in Agent Banking: Evidence from the Democratic Republic of Congo," World Bank, Policy Research Working Paper No: 9449, Washington, DC: World Bank.

CONDUCEF. 2017. "1.5 Millones de Reclamaciones Por Fraude Se Registran En El Primer Trimestre Del Año." 2017.

Costa, Arjuna, Anamitra Deb, and Michael Kubzansky. 2015. "Big data, small credit – the digital revolution and its impact on emerging market consumers." Innovations: Technology, Governance, Globalization, MIT Press, vol. 10(3-4), pp. 49-80.

CPMI. 2020. "Enhancing cross-border payments: building blocks of a global roadmap: Stage 2 Report to the G20." Basel: Bank for International Settlements.

CPMI and World Bank Group. 2016. "Payment Aspects of Financial Inclusion." Basel and Washington, D.C.: Bank for International Settlements and World Bank.

——. 2020a. "Payment Aspects of Financial Inclusion in the Fintech Era." Basel and Washington, D.C.: Bank for International Settlements and World Bank.

——. 2020b. "Payment Aspects of Financial Inclusion: Application Tools." Basel and Washington, DC: Bank for International Settlements and World Bank.

Deloitte. 2020. "Open Banking—A Distant Reality for Mexico?" Mexico, D.F.: Deloitte.

Demirguc-Kunt, Asli, Leora Klapper, Dorothe Singer, Saniya Ansar, and Jake Hess. 2018. "The Global Findex Database 2017: Measuring Financial Inclusion and the Fintech Revolution." Washington, DC: World Bank.

Demirgüç-Kunt, A. And C. Pazarbaşıoğlu (2018). A call to Turkey to close the financial gender gap. All About Finance Blog, World Bank

FATF. 2012-2020. "The FATF Recommendations." First published 2012, updated, October 2020. Paris: FATF.

FATF. 2013. "Anti-Money Laundering and Terrorist Financing Measures and Financial Inclusion." FATF Guidance, Paris: FATF.

FATF. 2020. "Digital Identity." FATF Guidance, Paris: FATF.

Garz, Seth, Xavier Giné, Dean Karlan, Rafe Mazer, Caitlin Sanford, and Jonathan Zinman. 2020.

"Consumer Protection for Financial Inclusion in Low and Middle Income Countries: Bridging Regulator and Academic Perspectives." w28262. National Bureau of Economic Research.

Gelb, Alan, Anit Mukherjee, and Kyle Navis. 2020. "Citizens and States: How Can Digital ID and Payments Improve State Capacity and Effectiveness?" Washington, DC: Center for Global Development.

Giné, Xavier, and Rafael Keenan Mazer. 2021. "Financial (Dis-)Information: Evidence from a Multi-Country Audit Study."

Giné, Xavier, and Rafael Keenan Mazer. 2021. "Financial (Dis-)Information: Evidence from a Multi-Country Audit Study."

Government of Mexico. 2020. Política Nacional de Inclusión Financiera.
GPFI. 2016a. G20 Financial Inclusion Indicators.
GPFI. 2016b. G20 High-Level Principles for Digital Financial Inclusion.
GPFI. 2017. Digital Financial Inclusion: Emerging Policy Approaches.
GSMA. 2015. "National Infrastructure to Support Mobile Money Interoperability: Lessons from Mexico's Inter-Bank Payments System (SPEI)." Mobile for Development (blog). November 19, 2015.

——. 2019. "The Mobile Money Regulatory Index 2019." London: GSMA.

——. 2020. "The Mobile Gender Gap Report 2020." London, UK: GSMA.

——. 2021. "State of the Industry Report on Mobile Money 2021." London: GSMA.

Hanna, Rema, Ben Olken, Michal Rutkowski, and Roberta Gatti. 2020. "Social Protection in the COVID-19 Era: What Can the Evidence Tell Us?" Presented at the WBx Talks, July 12.

Huang, Y., X. Wang and X. Wang (2020). "Mobile Payment in China: Practice and Its Effects," Asian Economic Papers, 19:3

Hussain, Zahid. 2010. "Financing Living Wage in Bangladesh's Garment Industry." August 3, 2010.

IFC. 2018. " Closing the Gender Gap: Opportunities for the Women's Mobile Financial Services Market in Bangladesh." Washington, DC: IFC.

IMF and World Bank. 2018. The Bali Fintech Agenda. Washington, DC: IMF and World Bank.

IMF. 2020. "Financial Access Survey Database." Washington, D.C.: International Monetary Fund.

Izaguirre, Juan Carlos. 2020. "Making Consumer Protection Regulation More Customer-Centric." CGAP Working Paper. Washington, DC: CGAP.

Janzen, Sarah and Michael Carter. 2013. "After the Drought: The Impact of Microinsurance on Consumption Smoothing and Asset Protection." National Bureau of Economic Research, Working Paper 19702.

Kantar InterMedia. 2016. "Financial Inclusion Insights 2016 Survey Data." 2016.

——. 2018. "Financial Inclusion Insights 2018 Survey Data." 2018.

Karlan, Dean, Jake Kendall, Rebecca Mann, Rohini Pande, Tavneet Suri, Jonathan Zinman. 2016. "Research and Impacts of Digital Financial Services." National Bureau of Economic Research, Working Paper 22633.

Kempson, Elaine, Valeria Perotti, and Kinnon Scott. 2013. "Measuring Financial Capability: A New Instrument and Results from Low- and Middle-Income Countries." Washington, D.C.: World Bank.

Klapper, Leora, Margaret J. Miller, and Jake Hess. 2019. "Leveraging Digital Financial Solutions to Promote Formal Business Participation."

Klapper, Leora and S. Singh. 2015. The Gender Gap in the Use of Financial Services in Turkey. World Bank,

Marin, Ana Georgina, and Robert Palacios. 2022. "Insights: The role of Digital Infrastructure in the COVID-19 Social Assistance Response"

Mastercard. 2018. "The Next Frontier in Financial Inclusion: Moving Beyond Access to Usage."
Mazer, Rafe, Rashmi Pillai, and Stefan Staschen. 2016. "Agents for Everyone: Removing Agent Exclusivity in Kenya & Uganda." CGAP Blog,
https://www.cgap.org/blog/agents-everyone-removing-agent-exclusivity-kenya-uganda.

McKee, Katharine, Michelle Kaffenberger, and Jamie M. Zimmerman. 2015. "Doing Digital Finance Right: The Case for Stronger Mitigation of Customer Risks." Focus Note. Washington, DC: CGAP.

Moorena, Lolita, Mikaela Rabb, Aliyyah Rusdinar, Simone Schaner, Caroline Tanogoren, and Natalie Theys. 2020. "Towards Inclusive Digital Finance in Indonesia." Jakarta: J-PAL Southeast Asia. https://www.povertyactionlab.org/sites/default/files/review-paper/ifii-whitepaper.pdf.

Muralidharan, Karthik, Paul Niehaus, and Sandip Sukhtankar. 2016. "Building State Capacity: Evidence from Biometric Smartcards in India." American Economic Review 106 (10): 2895–2929.

Natarajan, Harish, Nilima Ramteke, and Holti Banka. 2021. "Fast Payment Systems: A Toolkit Helps Countries and Regions Navigate Implementation." World Bank Blogs (blog). January 15, 2021.

OECD. 2019. "Effective Approaches for Financial Consumer Protection in the Digital Age: FCP Principles 1, 2, 3, 4, 6 and 9." Paris: OECD.

Payments Innovation Jury. 2021. Domestic Payment Schemes Innovation to Survive or to Thrive?

Pazarbasioglu, Ceyla, Alfonso Garcia Mora, Mahesh Uttamchandani, Harish Natarajan, Erik Feyen, and Mathew Saal. 2020. "Digital Financial Services." Washington, D.C.: World Bank Group.

Plaitakis, Ariadne, and Stefan Staschen. 2020. "Open Banking: How to Design for Financial Inclusion." Washington, D.C.: CGAP.

Ramteke, N., H. Natarajan, D. Delort, and B. Perolli (2018). Brazil: Interoperability of ATMs, FSAP Technical Note, Washington, DC: World Bank

Republic of Zambia. 2019. The National Strategy in Financial Education for Zambia: 2019-2024 (NSFE II).

Salazar, Dan, and Carlos Monteverde. 2019. "3 Ways to Advance Usage and Drive Impact in Financial Inclusion." World Bank Blogs (blog). February 4, 2019.

Silver, Laura, Aaron Smith, Courtney Johnson, Kyle Taylor, Jingjing Jiang, Monica Anderson, and Lee Rainie. 2019. "Mobile Connectivity in Emerging Economies." Washington, D.C.: Pew Research Center.

State Bank of Pakistan. 2020. Banking on Equality Policy: Reducing the Gender Gap in Financial Inclusion." Draft for Consultation with Stakeholders.

Steinert, Janina, Juliane Zenker, Ute Filipiak, Ani Movistan, Lucie Cluver, and Yulia Shenderovich. 2018. "Do saving promotion interventions increase household savings, consumption and investment in Sub-Saharan Africa? A systematic review and meta-analysis." World Development, vol. 104, issue C, pp. 238-256.
Storchi, Silvia, Emilio Hernandez, and Elizabeth McGuiness. 2020. "A Research and Learning Agenda for the Impact of Financial Inclusion." CGAP: Washington, D.C.

Stremlau, Nicole, and Ridwan Osman. 2015. "Courts, Clans and Companies: Mobile Money and Dispute Resolution in Somaliland." Stability: International Journal of Security & Development, 4 (1): 1–15.

Suri, Tavneet and William Jack. 2016. "The lon-run poverty and gender impacts of mobile money." Science, Vol. 354, Issue 6317, pp. 1288-1292.
Universal Postal Union. 2016. Global Panorama on Postal Financial Inclusion: 2016.
UNSGSA. 2019. "UNSGSA Queen Máxima to Visit Pakistan to Promote Access to Financial Services."

2019. United Nations | UNSGSA Queen Máxima. November 16, 2019.

UK Government. 2015. UK-Somalia Safer Corridor Initiative. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/471064/UK-Somalia_Safer_Corridor_Initiative.pdf

Women's World Banking. 2018. "Women in Mexico Need More than Digital G2P to Achieve Financial Inclusion." Women's World Banking (blog). February 5, 2018.

World Economic Forum and World Bank Group. 2016. "Innovation in Electronic Payment Adoption: The Case of Small Retailers." New York and Washington, DC: World Economic Forum and World Bank.

World Bank. 2013. "Diagnostic Review of Consumer Protection and Financial Literacy- Peru." Washington, D.C.: World Bank.

——. 2016a. "Cash vs. Electronic Payments in Small Retailing." Washington, DC: World Bank.

_____. 2016b. "A Practical Guide for Measuring Retail Payment Costs." Washington, DC: World Bank

——. 2018a. Women, Business and the Law 2018. The World Bank.

——. 2018b. "South Africa's Efforts to Improve Financial Stability and Inclusion Boosted." PRESS RELEASE NO: 2018/018/AFR.

——. 2020a. "Payment Systems Worldwide: A Snapshot Summary Outcomes of The Fifth Global Payment Systems Survey." Washington, D.C.: World Bank.

——. 2020b. "FIGI Country Implementation Programs." Washington, D.C.: World Bank.

——. 2020c. "Empowering Egyptian Entrepreneurs." 2020. World Bank Group. April 26, 2020.

——. 2020d. "Key considerations and policy options for emergency social assistance programs." Washington, DC: World Bank.

——. 2020e. "Scaling Up Social Assistance Payments as Part of the COVID-19 Pandemic Response." G2Px, Washington, DC: World Bank.

——. 2020f. "Electronic Payments Acceptance Incentives: Literature Review and Country Examples." Washington, DC: World Bank.

——. 2020g. "Leveraging Geospatial Technology for Financial Inclusion." Washington, DC: World Bank.

——. 2021a. Fast Payment Systems: Preliminary Analysis of Global Developments. Washington, DC: World Bank.

——. 2021b. "Socioeconomic Survey 2018-2019: Ethiopia." February 24, 2021. https://microdata.worldbank.org/index.php/catalog/3823.

——. 2021c. "Principles on Identification for sustainable development." Washington, DC: World Bank.

——. 2021d. "Consumer Risks in the Fintech Era." Washington, DC: World Bank.

World Bank Group. 2014. "Enhancing Financial Capability and Inclusion in Mozambique: A Demand-Side Assessment." Washington, D.C.: World Bank.

——. 2016. "Mexico Financial Sector Assessment Program: Sistema de Pagos Electonicos Interbancarios – Assessment of Observance of the CPMI-IOSCO Principles for Financial Market Infrastructure." Washington, D.C.: World Bank.

——. 2017. "Global Financial Inclusion and Consumer Protection Survey: 2017 Report." Washington, D.C: World Bank.

——. 2018a. "G20 Digital ID Onboarding." Washington, D.C.: World Bank.

——. 2018b. "Retail Banking Diagnostic: Treating Customers Fairly in Relation to Transactional Accounts and Fixed Deposits." Washington, D.C.: World Bank.

——. 2018c. "Accelerating Women's Financial Inclusion in Bangladesh's Garment Sector." Washington, D.C.: World Bank.

——. 2018. "Integrating Financial Capability into Government Cash Transfer Programs." World Bank, Washington, DC.

——. 2022. Identification for Development (ID4D) and Digitalizing G2P Payments (G2Px) 2021 Annual Report. Washington, DC: World Bank Group.-

World Bank Group and International Monetary Fund. 2017. "People's Republic of China Financial Sector Assessment Program: Financial Inclusion." Washington, DC: World Bank.

World Bank Group and People's Bank of China. 2018. "Toward Universal Financial Inclusion in China: Models, Challenges, and Global Lessons." World Bank and People's Bank of China.

Xu, Lisa, and Bilal Zia. 2012. Financial Literacy around the World: An Overview of the Evidence with Practical Suggestions for the Way Forward. Policy Research Working Papers. The World Bank.

Zollmann, Julie. 2014. "Kenya Financial Diaries: Shilingi Kwa Shilingi, the Financial Lives of the Poor – Financial Sector Deepening Kenya." FSD Kenya.

THE WORLD BANK
IBRD • IDA | WORLD BANK GROUP

The World Bank Group
1818 H Street NW
Washington, DC 20433 USA

www.worldbank.org
paymentsystems@worldbank.org
Telephone: +1 202 473-1000