

NEW WORK OF THE PAFI TASK FORCE AND PROGRESS SO FAR



Committee on Payments and
Market Infrastructures

BANK FOR INTERNATIONAL SETTLEMENTS

PAYMENT
ASPECTS OF
FINANCIAL
INCLUSION



WORLD BANK GROUP
Finance & Markets

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Introduction

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- **The Task Force re-grouped in September 2018 to deliberate on the experience gained from the implementation of the PAFI Guiding Principles (GPs). As per its current terms of reference, the PAFI Task Force has been working in three areas:**
 1. **Producing tools to facilitate the application of the PAFI GPs: this aims at providing more detailed guidance on how to approach specific problems and gaps in practice, and for the practical interpretation of some GPs**

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 - 2. Developing a measurement framework and other tools to assist countries in tracking their progress on improving access to and usage of transaction accounts**
 - 3. Providing additional guidance on recent developments that have relevant implications for PAFI’s underlying objectives, in particular fintech issues.**

1. The Guidance Report to assist with the application of the PAFI GPs

- As mentioned earlier, its main purpose is to provide national authorities, international organisations, private sector stakeholders and other entities with more detailed guidance for the interpretation and application of the PAFI GPs.
- The supplemental guidance derives from first-hand experiences of PAFI TF members that were or are being tasked with assessing their jurisdictions vis-à-vis the PAFI GPs and devising and proposing reforms thereof, as well as from the lessons accumulated by the WBG through the “Universal Financial Access” project and its extensive operational work in this field since late 2015.

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Importantly, this Guidance Report is not intended to set standards and does not supersede or modify the PAFI Guiding Principles or the key actions for consideration accompanying those principles.

1. The Guidance Report to assist with the application of the PAFI GPs

Five main challenges have been identified for the satisfactory application of the PAFI GPs. Each of these is discussed in the Guidance Report along with the tool(s) being developed to address them either as part of this same report or separately.

1. Heterogeneity in the interpretation and application of the GPs: A detailed questionnaire has been developed to provide additional guidance to authorities and other parties (e.g. external assessors) on the specific aspects to be looked at when assessing the PAFI GPs and Key Actions for Consideration (KACs).

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2. Tools to monitor progress: Two tools are being developed for this:
 - A Progress Reporting Matrix that aims at identifying the main aspects to be looked at *from a process perspective* when engaging in a reform effort, both at the inception stage and periodically thereafter.
 - A “Results Framework” to measure progress from a quantitative perspective. *This is actually the second deliverable of the PAFI TF. Because of its quantitative nature and overall complexity, at present it is being developed as a standalone document.*

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3. Heterogeneity in the scope of assessments: In practice, the PAFI framework (illustrated by the “PAFI House”) has not always been applied holistically. The original PAFI report had already recognised that flexibility in the approaches to applying the PAFI framework. TF members have confirmed this approach after analysing the outcomes and lessons learned so far.

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4. Innovations and Fintech: The drastic changes in the payments ecosystem have merited a significant expansion of the discussions of these issues in PAFI. Hence, the TF has been working in a detailed report on fintech developments that have or may have an impact on PAFI’s core objectives. *This is the third deliverable of the PAFI TF, also being developed as a standalone document.*

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5. Tools to assess in detail large-volume, recurrent payment streams: PAFI TF members so far believe that engaging in the production of assessment tools for specific areas/topics for which there are still no internationally-recognised standards (except for the CPSS-WB General Principles for International Remittance Services) goes beyond its existing mandate. Nevertheless, the WBG will continue to work internally with its specialists and externally with its other partners to develop methodologies that can be useful for country authorities.

2. The PAFI Measurement Framework

Two main products are being developed to assist countries in monitoring progress in implementing the PAFI GPs, and more generally to measure the effectiveness of their financial inclusion efforts in the area of transaction accounts and payments.

1. Set of “Core Indicators” to be used as part of a results framework for PAFI: This document matches the PAFI GPs and accompanying KACs with specific indicators, most of which are based on publicly available information. Importantly, this effort builds on the considerable amount of work that several countries have already done in this area
2. The “PAFI Radar”: This tool “consolidates” indicators to have a single indicator per GP. Indexing is used to bring different types of indicators (e.g. quantitative, qualitative) into a same scale. With this tool, countries can compare their efforts in each GP with benchmarks, for example with the top performer(s) average performance, median, etc. Or, they could compare themselves over time.

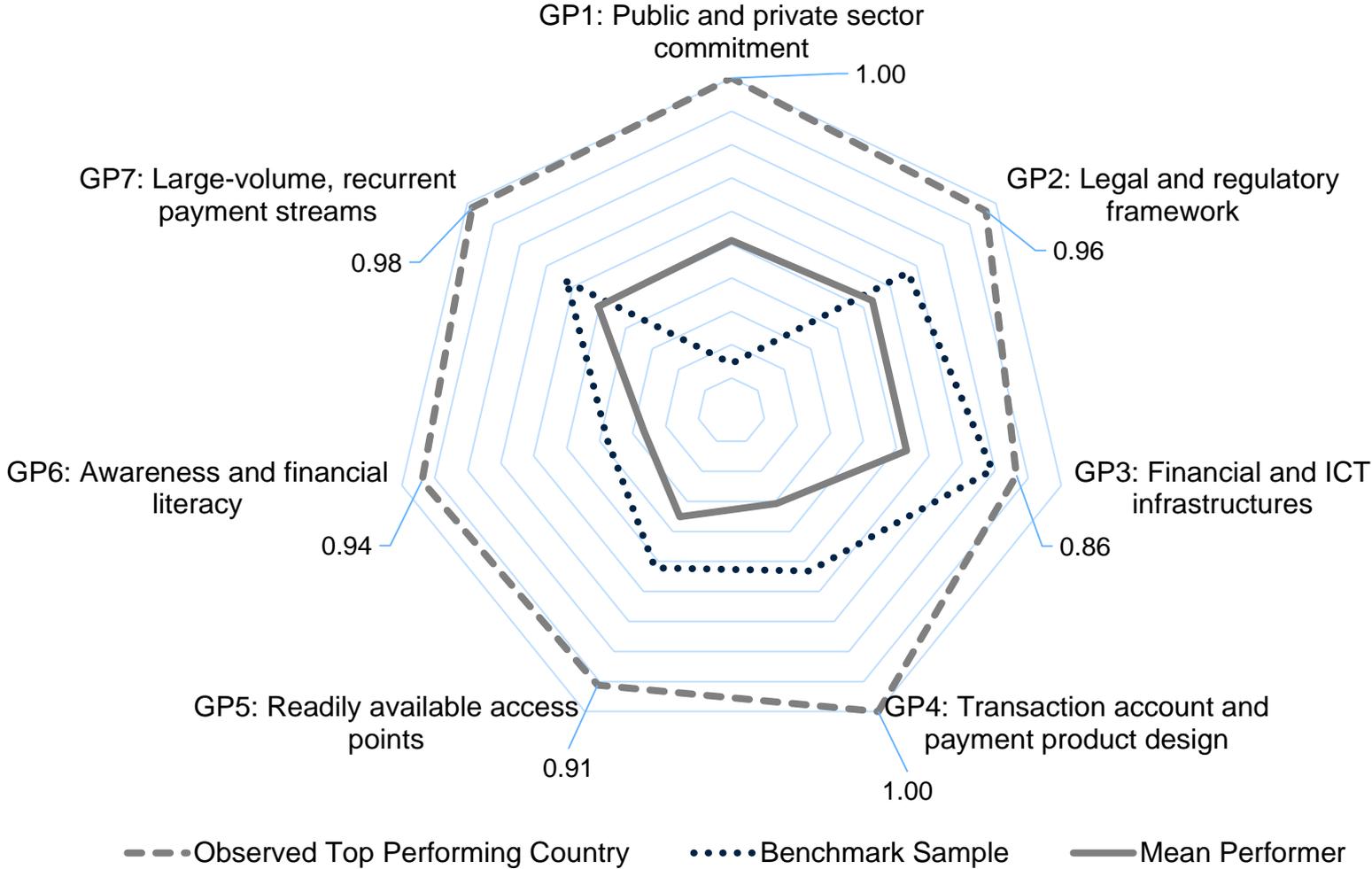
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Importantly, these measurement exercises are intended to be voluntary. One possibility is that, through the WBG, the PAFI TF will only provide the “infrastructure” (i.e. essentially the data, with periodical updates) to make cross-country comparisons and comparisons over time for the each country.

Also, countries may decide to use one or more different indicators and/or different indicator aggregation methods from those proposed by the PAFI TF.

For this latter purpose, the TF has also produced a Methodological Note to guide countries in developing composite indices from the Core Indicators to measure the seven GPs and visualizing performance

2. The PAFI Measurement Framework – the “PAFI Radar”



3. The PAFI Fintech Report

- **Guidance issued after the PAFI report by institutions and organisations with an interest in financial inclusion further emphasises the relevance of fintech developments for financial inclusion.**
- **However, a systematic review of its effects on financial inclusion from a payments perspective has not been undertaken yet. In particular, there is a need of a comprehensive and detailed analysis that identifies and assesses the links between fintech and access to and usage of transaction accounts.**
- **The PAFI Fintech Report is being developed to cover this gap.**

3. The PAFI Fintech Report

- **General scope and contents of the PAFI Fintech Report:**
 - i. **Fintech developments relevant for payments: New technologies, new business models and new products and services.**
 - ii. **Impact of these fintech developments on the PAFI catalytic pillars: How do these developments act as drivers of access and usage, for example in terms of payment product design.**
 - iii. **Their impact on the PAFI foundations/critical enablers: For example, how fintech developments can underpin financial and ICT infrastructures, and how they can be embedded in the policy, legal and regulatory frameworks to maximise their potential while addressing their risks.**
 - iv. **Relevant implications for the PAFI framework, including the GPs and KACs**



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Thank you!

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