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“Measuring” Payment System Development: An Outcome of the World Bank’s 2007 Global Survey on Payment Systems

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2007 Global Survey on Payment Systems: Measuring Payment System Development

Background, Rationale and Purpose

- Over the last few years, in all areas related to financial system development, and in particular those closely related to financial infrastructure, World Bank Senior Management has been pushing for the creation of performance indicators to measure the success (or failure) of World Bank programs.
- Another key purpose is to ensure WB's assistance and resources will always be available in those regions and country types where such assistance is needed the most.



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Background, Rationale and Purpose (cont..)

- Consider for example VaR models when these became widespread around the mid-1990s:
 - *summarizing a very complex set of issues into a single number*
 - *despite its apparent transparency, the methodology requires adopting numerous assumptions and making judgments, among others*
 - *despite the risks of oversimplification, very few would question its usefulness in terms of bringing down to a single number a full set of knowledge and expertise*
 - *a number that can then be used as an input for business models, decision-making, internal policies, and numerous other applications*



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What will the specific outcome be on the publication on the 2007 Global Survey?

- The sample of countries will be divided, according to results, in four levels (similar to the FSAP program)
 - *for instance, “very good”, “good”, “fair”, “poor”*
- The latter will be done for each of the individual areas subject to measurement, as well as for a global or composite indicator
- Providing a ranking of individual countries has not been considered
- Rather, the idea is to show the results in terms of the three categories used for analysis in this work: i) per capita income, ii) geographical location, and, iii) country population size.



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What will the specific outcome be on the publication on the 2007 Global Survey?

- The methodology to calculate the various levels of payment system development will be disclosed in the publication
- Tables containing the answer of all countries to each of the questions presented in the Global Survey will also be published
- Therefore, in principle anybody would be able to draw their own conclusions as to the relative ranking of each country
- *Note: Publication is expected for February-March 2008*



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Areas for Measurement and the Composite Indicator

1. Legal and Regulatory Framework for Payment Systems, Payment Instruments, and Payment System Oversight
 - *1/6 of the Composite Indicator*
2. Actual Deployment and Performance of the Payment System Oversight Function
 - *1/6 of the Composite Indicator*
3. Large-value Payment Systems
 - *1/3 of the Composite Indicator*
4. Retail Payment Systems
 - *1/3 of the Composite Indicator*



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Rationale behind the “grading system” for each of the Areas for Measurement

1. Legal and Regulatory Framework for Payment Systems, Payment Instruments, and Payment System Oversight
 - *CPSS Core Principles – Principles I and II*
2. Actual Deployment and Performance of the Payment System Oversight Function
 - *CPSS Core Principles – Central Bank Responsibilities in Applying the Core Principles*
3. Large-value Payment Systems
 - *CPSS Core Principles – Principles III through X*

CPSS Core Principles concepts would account for 2/3 of the Composite Indicator



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Rationale behind the “grading system” for each of the Areas for Measurement (cont...)

4. Retail Payment Systems

- *1/3 of the Composite Indicator*
- *Composed of sub-indicators for each of the following areas:*
 - **Development and Efficiency of Infrastructure**
 - **Efficiency of instruments used, and extensiveness in the usage of cashless instruments**
 - **Access to non-cash payment instruments**



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Thanks!!!

Comments to:

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