CREATING DIGITAL PAYMENT PLATFORMS FOR THE POOR

Financial Services for the Poor

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FSP THEORY OF CHANGE

**Building Blocks**

**Policy and Regulation**
- Enabling Regulations
- Consumer Protection Regulations
- Stability and Oversight
- Policies To Drive Usage

**Infrastructure**
- Mobile Connectivity
- Pro-poor payment systems (L1P)
- ID Systems
- Effective distribution/service network
- Data sharing

**Private Sector Engagement**
- Compelling CVPs
- Effective marketing and sales

**Payments Outcomes**

**DFS Payment Services that are:**
- **Accessible**: Users in our target population can easily acquire and use DFS services
- **Reliable**: Users’ money and information are secure and available for use; systems help deter usage for money laundering and terrorist financing
- **Valuable**: There is a clear CVP for the poor to use DFS rather than cash or other traditional services
- **Affordable**: End users are willing and able to pay for the cost of preferred product and receive value in excess of cost
- **Profitable**: DFS providers earn sustainable margins

**Usage Outcomes**

**Usage of DFS is ubiquitous by the Poor**
By 2030, 80% of adults worldwide and 60% of sub $2.50/day adults have and actively use a digital account to make payments and to access additional products beyond P2P

**Usage of DFS is ubiquitous by Women and Girls**
By 2030, the gender gap in usage has been eliminated

**Impact Outcomes**

**Financial Health + Poverty Alleviation**

**Fewer people slide into poverty, more people move out of poverty, and daily consumption is increased because of their use of DFS products and services:**

**Consumption Smoothing**
Households use DFS to manage and recover from income and expense shocks

**Productive Investment**
Households are better able to acquire equipment and materials that improve their long-term incomes

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**Diversification of Usage**
Households use an effective range of financial tools

**Payments Outcomes**

**Usage Outcomes**

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WHAT IS THE LEVEL ONE PROJECT (L1P)?

A **vision for a new digital payments platform** that supports inclusive, interoperable digital economies, and the **design principles** to achieve this

A **blueprint** for how such a system could be configured within a country

A **set of tools and resources** to enable the deployment and/or adjustment of payment systems to align with Level One

http://leveloneproject.org
L1P DESIGN PRINCIPLES TO MAXIMIZE FINANCIAL INCLUSION

An **open loop** system, available to any licensed DFSP in the country. This includes banks and licensed non-banks.

Payments that are **near-real-time** and **“push”** only. This removes many of the risks and costs inherent in batch processed and “pull” payments systems.

Payments that are **irrevocable**.

A system which is **governed** by the DFSPs that use it: this well-tested model creates a feeling of fairness among participants.

**Same-day or better settlement** among participants.

A system which operates on a **“cost recovery”** model at the scheme level. This does not preclude DFSP’s from making profits, or other value-added services providers to the system.

A **shared investment in fraud detection** and management services. The compliance burden remains with the DFSP, but they share in a less costly, more efficient fraud service.
MOJALOOP
OPEN-SOURCE SOFTWARE FOR CREATING INTEROPERABLE PAYMENT PLATFORMS THAT CONNECT ALL DIGITAL FINANCIAL PROVIDERS AND CUSTOMERS

Mojaloop was designed in collaboration with Ripple, Dwolla, ModusBox, Software Group, and Crosslake Technologies.
The Mojaloop API was designed in collaboration with Ericsson, Huawei, Mahindra Comviva and Telepin.
The Bill & Melinda Gates Foundation provided funding and support through The Level One Project, a vision for digital financial markets based on principles of interoperability, collaboration, and inclusion.

http://mojaloop.io
The central ledger utilizes the Interledger Protocol:

- Conditional Payments—cryptographically strong
- Messaging between direct scheme participants and the Central Ledger
- Interledger Addressing—enables inter-scheme and over-the-top “Internet of Payments”
WHY THE INTERLEDGER PROTOCOL

- Separate business logic from mechanics of moving money
- Define a minimum set of value transfer semantics and standardize them
- Flexible business use cases
SETTLEMENT

The settlement functionality provides flexibility for greater adaptability and widespread adoption:

- Deferred multi-lateral net settlement
- Automatic straight-through processing to settlement bank
- Adaptive to various settlement arrangements and message formats
- Tracks net positions since previous settlement
- Provides settlement reconciliation
EVERYONE BENEFITS FROM AN ECONOMY THAT INCLUDES EVERYONE

http://leveloneproject.org