Fast Forward Foundation

Leveraging modern payment techniques to enhance integrated welfare solutions

NOVEMBER 2024

Fast Forward Foundation was founded in 2004 by BFF Bank and it is today an international non-profit organization that fosters the sustainable and inclusive transformation in welfare systems, safeguarding individuals and communities. To fulfill this ambition, the Foundation has identified “integrated welfare” as its project playground, by jointly addressing three areas that are usually meant to be tackled separately: healthcare, social protection, and digital payments for financial inclusion.

The Foundation operates in nine countries in Europe: Croatia, France, Greece, Italy, Poland, Portugal, the Czech Republic, Slovakia, and Spain. At the core of FFF methodology is a collaborative framework that unites the Foundation’s team, scientific advisors, and key stakeholders across the three strategic areas. This collaborative process fosters awareness, generates synergies, and encourages constructive dialogue, all aimed at developing innovative solutions to enhance integrated welfare.

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FOREWORD

Aligned with its vision for a new generation of welfare, and following extensive dialogue with stakeholders, the Foundation has begun to explore the role that digital payment systems and services can play in enhancing various aspects of well-being. The flexibility of these instruments makes them powerful tools to facilitate access to services by under-served and vulnerable individuals, optimizing the use and allocation of both private and public resources and improving the efficiency and management of delivery processes.

Payment services are essential for the effective and inclusive delivery of social welfare. "Welfare sector payments" (WSPs) encompass not only the funds received by beneficiaries but also the financial contributions made by individuals and businesses, such as taxes, social security contributions, administrative fees, and other related payments. They also include transactions between businesses within the social welfare supply chain, which collectively support the functionality of the system.

Despite the modernization of payment systems across Europe, WSPs in many EU countries continue to suffer from disconnected and inefficient processes. These systems often operate independently within regional or sectoral silos, resulting in non-interoperable structures that complicate the delivery of welfare payments. The lack of coordination and strategic planning has led to a patchwork of payment solutions that cannot meet the needs of a digitally connected society. As a result, beneficiaries often encounter delays, high costs, and limited access to financial services, particularly in countries where cash-based payments still dominate. Reforming existing WSP systems in EU countries is therefore essential for enhancing their efficiency and responsiveness to societal needs.

The study “Leveraging Modern Payment Techniques to Enhance Integrated Welfare Solutions”, represents the first attempt to develop a comprehensive methodology for analyzing the impact of efficient, inclusive, and secure payment systems within integrated welfare structures. It offers a comprehensive analysis of the current state of payment systems within nine different welfare systems in Europe. The study then introduces an assessment methodology for a systematic evaluation of WSP systems at national or regional levels and for enabling cross-country comparisons. This approach highlights both significant differences and shared trends, laying the groundwork for evaluating the effectiveness of specific payment infrastructures within diverse welfare contexts. Finally, the study presents the Integrated WSP Architecture (IWSPA), a framework designed to modernize WSP delivery through an inter-operable digital payment infrastructure that ensures seamless transactions among all stakeholders.

The ambition of this study is clear and rooted in the Foundation’s methodology: to pave the way for pilot projects that will explore the role of payment systems and services in the transformation of welfare structures.

Livia Piermattei
Chair of the Board of Directors

ACKNOWLEDGMENTS

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The views and insights contributed by the peer reviewers reflect their personal expertise and do not necessarily represent the official positions or policies of their respective institutions. The peer reviewers and their institutions assume no liability for the contents of this report, or the conclusions reached by the authors.

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Acronyms

A2A	Account-to-Account
AML	Anti-Money Laundering
API	Application Programming Interface
ASF	Autoridade de Supervisão de Seguros e Fundos de Pensões
ATM	Automated Teller Machine
BNPL	Buy Now, Pay Later
BOMS	Beneficiary Operations Management System
CBDC	Central Bank Digital Currency
CBOS	Public Opinion Research Center
CCP	Central Counterparty
CDD	Customer Due Diligence
CFT	Combating Financial Terrorism
CHIF / HZZO	Croatian Health Insurance Fund
CICO	Cash In Cash Out
CNAV	National Old Age Insurance Fund (Caisse Nationale d'Assurance Vieillesse - CNAV)
CNB	Czech National Bank
CORE	French Compensation Retail System
ČSSZ	Czech Social Security Administration (Česká správa sociálního zabezpečení)
CZK	Czech Koruna
DC	Defined Contribution
DDT	Digital Data Platform
DESI	Digital Economy and Society Index
DLT	Distributed-Ledger Technology
e-EFKA	Unified Social Security Fund
E-KYC	Electronic KYC
ECB	European Central Bank
EHR	Electronic Health Records
EPA	Electronic Payments Acceptance
EPC	European Payments Council
EU	European Union
EUR (€)	Euro
FPS	Fast Payment System
G2P	Government to People
GDP	Gross Domestic Product
GP	General Practitioner
HANFA	The Croatian Financial Services Supervisory Agency
HFM	Croatian Pension Insurance Fund
HRK	Croatian Kuna
HZMO	Croatian Pension Insurance Institute
ICT	Information and Communications Technology
ID	Identification
IFMIS	Integrated Financial Management Information System
IKE	Indywidualne Konta Emerytalne
IKZE	Indywidualne Konto Zabezpieczenia Emerytalnego
ISI	Integrated Social Infrastructure
IZIP	Individual Health Information System
KDPW	Krajowy Depozyt Papierów Wartościowych SA
KEZ	Krajowy Emerytalny Zakład
KIR SA	National Clearing House established by Poland's leading banks
KNF	Polish Financial Supervision Authority (Komisja Nadzoru Finansowego)

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KYC	Know Your Customer
MoF	Ministry of Finance
NBP	Nardowy Bank Polski
NFZ	National Health Fund
NPS	National Payments System
NSIS	Nuovo Sistema informativo sanitario
OECD	Organization for Economic Co-operation and Development
OPF (OFE)	Open Pension Funds (otwarte fundusze emerytalne)
OSSZ	social security administrations (okresní sprá va sociálního zabezpečení)
P2P	Person-to-Person
PAYG	Pay-As-You-Go
PER	Individual Retirement Savings Plans / Private Pension Fund Plan (Plan d'Epargne Retraite - PER)
PERCO	Collective Retirement Savings Plan (Plan d'Epargne Retraite Complémentaire)
PIN	Personal Identification Number
PIT	Personal Income Tax
PLN	Polish Złoty
PM	Payment Mechanism
POS	Point-of-Sale
PPE	Occupational Pension Schemes (pracow nicze programy emerytalne
PPK	Employee Capital Plans (pracownicze pro gramy kapitałowe)
PSP	Payment Service Provider
PSSZ	Prague Social Security Administration (Pražská správa sociálního zabezpečení)
RMOD	Raiffeisen Mirovinsko Osiguravajuće Društvo
RTGS	Real-Time Gross Settlement
SAID	Social Assistance Identifier
SCT Inst	SEPA Instant Credit Transfer
SDURDD	Central State Office for the Development of the Digital Society
SEPA	Single Euro Payments Area
SHI	Statutory Health Insurance
SHI	Social Health Insurance
SLA	Service Level Agreement
SME	Small and Medium-Sized Enterprises
SNS	National Health Service
SPACE Study	Study on the Payment Attitudes of Consumers in the Euro area
TARGET	Trans-European Automated Real-time Gross Settlement Express Transfer System
TIPS	TARGET Instant Payment Settlement service
TSA	Treasury Single Account
US$	United States Dollar
USSD	Unstructured Supplementary Service Data
IWSPA	Unified WSP Architecture
VHI	Voluntary Health Insurance
VHI	Voluntary, complimentary Health Insurance
WSP	Welfare-Sector Payments
ZUS	Social Insurance Institution

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Executive Summary

In the European Union (EU), the robust functioning of social welfare systems represents a commitment to the very essence of societal well-being. At the core of these systems lie the indispensable components of pensions, social assistance, and healthcare services – three pillars that collectively stand as bastions for economic support and against the adversities of life, and reflect the expression of societal solidarity, equity, and inclusivity.

Payment services are essential for the effective delivery of social welfare. These "Welfare Sector Payments" (WSPs) encompass not only the funds received by beneficiaries but also the financial contributions made by individuals and businesses, such as taxes, social security contributions, administrative fees, and other related payments, and include, as well, transactions between businesses within the social welfare supply chain, which collectively support the system's functionality.

Despite the modernization of payment systems across Europe, WSPs in many EU countries continue to suffer from discon nected and inefficient processes. These systems often operate independently within regional or sectoral silos, resulting in non-interoperable structures that complicate the delivery of welfare payments. The lack of coordination and strategic planning has led to a patchwork of payment solutions that cannot meet the needs of a digitally connected society. As a result, beneficiaries often encounter delays, high costs, and limited access to financial services, particularly in countries where cash-based payments still dominate.

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Reforming existing WSP systems in EU countries is essential for enhancing their efficiency and responsiveness to societal needs. Key changes should focus on streamlining processes, ensuring timely benefit payments, and minimizing administrative burdens. Automation and digitization can lead to cost savings and better resource targeting, allowing for more effective fund allocation. Many current delivery systems are outdated, and modernization will make them more user-friendly and accessible. Reforms should improve transparency and accountability, reducing fraud potential and ensuring proper usage, and should promote consistency across member states and enhances financial inclusion by providing better access to banking and digital payment services for underserved beneficiaries.

This study highlights the importance of a systematic policy approach to WSPs. The study first reports on the stocktaking of WSP provision in select EU countries. It then proposes an assessment methodology for a systematic evaluation of WSP systems at national or regional levels and conducting cross-country comparisons. It finally discusses the elements of an Integrated WSP Architecture (IWSPA) aimed at modernizing WSP delivery through an interoperable digital payment framework that ensures seamless transactions among all stakeholders.

Welfare Sector Payments in Select EU Countries

The study takes stock of the current state of welfare-sector payments (WSPs) across nine selected EU countries—Croatia, France, Greece, Italy, Poland, Portugal, Czech Republic, Slovakia, and Spain—focusing on their digital payment ecosystems. Although Europe has made strides in modernizing National Payment Systems (NPSs), WSPs remain fragmented. Financial inclusion, particularly for vulnerable populations, remains inconsistent across countries, with many states failing to integrate modern digital payment solutions into their social welfare systems. Cash remains dominant in sveral countries. The study identifies significant inefficiencies in the current systems, notably the absence of cohesive policies for integrating welfare payments with fast, digital payment systems. Challenges include a lack of available data on how payment systems are leveraged for financial inclusion, as well as constraints in gathering detailed country-level information on pension, healthcare, and social assistance payments. The report emphasizes the need for further research, public-sector involvement, and more robust policies to streamline WSP systems, ensuring they are inclusive, efficient, and aligned with modern payment standards.

The Assessment Methodology

The study proposes an assessment methodology for evaluating WSP systems at national or regional levels and allows for cross-country comparative studies. It covers 15 Key Areas, including the legal and regulatory framework, payment systems, digitalization, financial inclusion, cost efficiency, and user protection, among others. The methodology is designed to gather quantitative and qualitative data from official reports, financial statements, and user surveys, offering insights for policymakers and stakeholders. Each key area defines the objectives of the assessment, explains their importance, and suggests expected outcomes, guiding assessors with targeted questions to evaluate system effectiveness and identify gaps. This flexible and adaptable approach helps assessors tailor the methodology to specific contexts, providing a deeper understanding of WSP systems' strengths and challenges. Ultimately, the insights gained from this methodology can support modernization efforts, improving efficiency, security, and financial inclusion in the delivery of social welfare payments.

The Integrated Welfare Sector Payments Architecture

The IWSPA is an integrated framework designed to streamline the delivery of WSPs, creating a cohesive system that connects beneficiaries, contributors, government agencies, and payment service providers (PSPs). By integrating multiple channels, instruments, and providers, the IWSPA ensures that payments—whether made or received—are convenient, affordable, and accessible. It addresses existing inefficiencies in social welfare systems, many of which operate on fragmented and non-interoperable platforms, by centralizing processes into one unified digital infrastructure. The IWSPA aims to enhance program-level efficiency while also advancing broader goals like financial inclusion, government-wide cost savings, and fostering private-sector innovation. Unlike existing systems that are often tailored to specific programs, the IWSPA seeks to streamline all payment flows—covering pensions, social assistance, and healthcare payments—within a unified system that offers users diverse methods for making and receiving payments, from traditional bank transfers to digital wallets and mobile banking solutions. It also promotes financial empowerment, especially among vulnerable populations, by integrating unbanked individuals into the formal financial system.

In terms of operation, the IWSPA manages recurring and non-recurring payments, ensures secure identification and authentication processes, and offers flexible delivery options, whether through digital or traditional channels. Monitoring and reconciling payments is integral to its function, ensuring accuracy and minimizing the risk of fraud or delays. The integrated structure also simplifies the administrative burden on governments and facilitates smoother coordination across various stakeholders, including PSPs and central banks. Ultimately, the IWSPA is built on a robust infrastructure that supports efficient payment cycles and prioritizes user convenience. Its design fosters government oversight while promoting innovation, making it a future-oriented solution for modernizing WSP systems and services.

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Conclusion and Indications for Future Activity

The modernization of WSP systems in the EU (and other countries) is essential to ensuring that welfare payments are efficient, inclusive, and secure. By adopting the IWSPA, countries can significantly improve the delivery of social-welfare services, promote financial inclusion, and reduce costs for both governments and beneficiaries. This reform will not only strengthen the social safety net for vulnerable populations but also enhance the overall resilience and sustainability of welfare programs in the digital age.

The study concludes by outlining the following future activities:

- ***Pilot studies*** Conduct pilot studies in select countries to test the IWSPA approach and identify potential challenges to its implementation.
- ***Stakeholder engagement*** Engage all relevant stakeholders, including government agencies, financial institutions, and service providers, to ensure a smooth transition to the new system.
- ***Public awareness campaigns*** Launch public awareness and education campaigns to inform beneficiaries about the benefits of digital payments and how to use them effectively.
- ***Continuous monitoring and evaluation*** Establish a feedback loop to continuously monitor the performance of WSP systems and make adjustments as needed, and an evaluation framework to measure the efficiency and effectiveness of the WPS system based the IWSPA, once in place.

1

INTRODUCTION

1 In the intricate tapestry of the European Union (EU), the robust functioning of social welfare systems is not merely a bureaucratic necessity, it represents, first and foremost, a commitment to the very essence of societal well-being

At the core of these systems lie the indispensable components of pensions, social assistance, and healthcare services – three pillars that collectively stand as bastions for economic support and against the adversities of life, and reflect the expression of societal solidarity, equity, and inclusivity. Pensions and social safety net, as the bedrock of financial security for the elderly and people in need, embody the commitment of EU member states to provide a dignified and comfortable retirement for their citizens.[1] Social assistance, spanning a spectrum of financial aids and resources, serves as a crucial safety net for vulnerable populations facing the brunt of poverty, unemployment, and social exclusion. Healthcare, accessible to all citizens irrespective of their socio-economic standing, not only contributes to individual well-being but fortifies the overall health and productivity of the population.

2 Payment services are essential for the effective delivery of social welfare

These payments which will henceforth be referred to as "welfare sector payments" (WSPs) – include not only the payments that beneficiaries receive but also those that individuals and businesses make, which support the overall functioning of the welfare systems (in the form of taxes, social security contributions, employer contributions, administrative fees, co-payments, insurance premiums, fines and penalties, etc.), and those that businesses make to and receive from each other along the supply-chain of social welfare provision (Box 1). These payment services are part of the national payments system (NPS), which comprises the institutions, instruments, and procedures used to facilitate the circulation of money within a country as well as internationally.[2]

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BOX **1**

Welfare Sector Payments

In this study, the expression “welfare-sector payments” (WSPs) will be used to refer to all payments and fund transfers financial transactions that occur within a social welfare system, facilitating the distribution of public or government-provided benefits to various stakeholders. These payments are aimed at supporting individuals, families, and businesses by providing financial aid for social protection programs like pensions, unemployment benefits, disability support, healthcare subsidies, and social security programs. WSPs can be categorized into distinct categories: unconditional cash transfers; conditional cash transfers; reimbursement-based payments; and one-time lump sum payments (vs. regular transfers)[3]. They involve a variety of payment flows to and from different stakeholders within the welfare ecosystem. These flows include government-to-person (G2P), person-to-government (P2G), government-to-business (G2B), business-to-government (B2G), person-to-business (P2B), and business-to-business (B2B).[4]

These flows are facilitated through various payment service providers (PSPs), such as banks and nonbank suppliers of payment services, digital payment platforms, and electronic money schemes, depending on the specific infrastructure of the welfare system.

WSPs create a dynamic financial ecosystem or “WSP system,” as it will be called in this study, referring to a component of the NPS that supports the origination, execution, processing, clearing, and settlement and delivery of WSPs (and in general encompassing all related functions, rules, processes, and services) and links all infrastructures and stakeholders involved.

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3 In the EU, despite the advancement of the country NPSs, the payment services that support social welfare systems remain inefficient and inadequately inclusive

Preliminary stock takings of country situation reveal that the channels and methods for transferring social welfare funds to beneficiaries or collecting payments from contributors have not been systematically designed or organized. Their structure and organization lack coherence as well as coordination and integration among different components, and their development has been somewhat haphazard. In addition, they have grown over the years more by progressive accumulation and stratification of separate initiatives (not necessarily mutually compatible or interoperable), taken at sectoral and, in many cases, sub-national levels, than as the result of planned actions driven by deliberate, well-reasoned, cohesive, and nationally oriented policy choices guiding their development. Therefore, the current landscape of WSPs reveals disjointed systems. These systems are characterized by layered and complex configurations, which do not adequately cater to the demands of the digital age and require modernization and alignment with contemporary financial and technological standards.

4 This study delves into the significance of reforming WSP systems in the EU and aligning them with modern payment standards

The study originates form the *New Generation Welfare* project, launched by the Fast Forward Foundation on the "Challenges to Integrated Welfare Systems," and will be a contribution to the various studies that will develop under the project on the various aspects of the welfare sectors.[5] The study will examine the current setup of the systems and services supporting WSPs in select EU countries and will propose an architecture for the delivery of WSPs, emphasizing the need for efficient, safe, user-empowering, and financially inclusive digital payment solutions:

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- **Efficiency:** The adoption of digital payment services can streamline administrative processes, reducing bureaucracy and transactional overheads. This efficiency translates into faster and more reliable disbursement of welfare funds and collection of contributions and payments, ensuring that beneficiaries receive timely support, and payees receive the funds due. Efficiency also requires that WSP provision covers all participants in the whole value chain of the welfare-sector processes and programs, not just their beneficiaries.
- **Safety:** Safe payment procedures are of paramount importance when dealing with sensitive welfare data and financial transactions. Modern digital payment systems, incorporating robust cybersecurity measures and encryption technologies, can significantly enhance the security and integrity of welfare payments.
- **User empowerment:** By embracing digital solutions, welfare beneficiaries and contributors gain greater choice, control, and autonomy over their payment activity. User-friendly interfaces and tailored digital experiences empower individuals to manage their funds efficiently, fostering a sense of financial responsibility.
- **Financial inclusion:** An important motivation for WSP reform is to address the exclusion of vulnerable segments of society from mainstream financial services. Modern digital payment systems can bridge this gap, providing easy, convenient, and affordable access to payment channels and instruments for marginalized communities, including low-income/vulnerable individuals, the elderly, differently abled, and those in remote areas.

The proposed architecture will rely on the adoption of fast payment systems to foster the digitalization of WSPs by scaling-up innovative instant and low-cost payment solutions.[6]

5 **Revisiting and reforming the existing WSP systems and services in EU countries will be important to achieve their greater efficiency and effectiveness, and to make them more responsive to the needs of society**

Reforms should streamline processes and make payments more efficient, ensuring that welfare benefits reach recipients in a timely manner and with minimal administrative burden. They should also lead to cost savings through automation, digitization, and better targeting of resources, allowing governments to allocate funds more effectively. Many existing WSP delivery systems may be outdated and unable to meet the needs of today's digitally connected society: reforms can modernize them, making them more user-friendly and accessible to a wider range of beneficiaries. By reforming WSP systems, governments can enhance transparency and accountability in the distribution of welfare benefits, reducing the potential for fraud and ensuring that funds are used for their intended purposes. Furthermore, EU countries may need to reform their WPS to align with EU regulations and standards, promoting consistency and interoperability across member states. Finally, reforms can promote financial inclusion by providing access to banking services and digital payment options for welfare beneficiaries who may be underserved by traditional financial institutions.

6 **This study builds on the need for adopting a systematic policy approach to WSPs, as revealed by a preliminary stocktaking exercise conducted in its context**

Yet, it also recognizes that deeper analysis is necessary to gain better knowledge and understanding of national WPS systems and services. To this purpose, the study proposes an assessment methodology for evaluating WSP systems at the national or regional levels and for conducting cross-country comparative studies. The methodology will help assessors gather the quantitative and qualitative data needed to draw well-informed judgments on local WSP provision. The study then discusses the components of a systematic policy approach to WPSs. It will propose an integrated WSP architecture (IWSPA), which consists of integrated, interoperable digital payment framework designed to modernize the delivery of WSPs. The IWSPA is designed to offer a structured approach to integrating the various components of WSP systems, ensuring that payments can be made and received seamlessly by all social welfare sector stakeholders. Implementing the IWSPA approach will not be possible without strong public-sector involvement in policy design and implementation, and without the engagement of all relevant stakeholders, which the authorities should lead and coordinate.

7 The study focuses only on the payment aspects of the welfare sectors considered

These aspects relate to the delivery of funds – i.e., transfers associated with pension, social assistance, and healthcare benefits and collection of contributions and payments – taking place between government agencies, service providers, taxpayers, and beneficiaries. Thus, the study will not deal – upstream – with the policy decisions pertaining to resource *allocation* to/from the welfare sectors, but only – downstream – with the *distribution* and *collection* of the resources mobilized by these sectors. Therefore, the IWSPA only integrates the payment functions and other transactional aspects associated with the delivery of welfare social services, and does in no way intend to modify the core policies (and political) aspects of social welfare. [7]

8 The study is organized as follows

The second section evaluates the status of WSP provision in select EU countries by taking stock of the payment ecosystems, financial inclusion, and digital payment solutions in the welfare sectors of nine focus countries (Croatia, France, Greece, Italy, Poland, Portugal, Czech Republic, Slovakia, and Spain). The evaluation is based on desk work only and uses information publicly available in select internet sources; it does not benefit from fieldwork or a complete investigation at the country level, nor from a systematic analysis made possible by preexisting models of investigation in this area. With a view to filling such gaps to facilitate future research, the third section proposes the assessment methodology for WSP provision, mentioned above. The fourth section considers the components of a model payments architecture, which countries could consider introducing as part of their NPS to integrate the provision of WSPs. The integrated welfare sector payments architecture (IWSPA) consists of an ecosystem that interconnects all entities that originate or receive WSPs within a jurisdiction.

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NOTES

1 Specifically:

- Government-to-Person (G2P): Payments from government agencies to individuals, such as pension payments, social security benefits, disability allowances, and unemployment benefits. G2P flows are central to welfare systems, ensuring that eligible individuals receive direct financial support to meet their basic needs.
- Person-to-Government (P2G): Payments from individuals to the government, which may include taxes, social security contributions, or fees for welfare services. These payments help fund welfare programs and are often mandatory for individuals contributing to national health or pension schemes.
- Government-to-Business (G2B): Payments from the government to businesses or service providers within the welfare system, such as healthcare providers, educational institutions, or companies contracted to deliver welfare-related services. These payments compensate businesses for their role in providing public goods and services.
- Business-to-Government (B2G): Payments from businesses to the government, including corporate taxes, insurance contributions, or fees for services related to welfare programs. Businesses participating in national welfare schemes may be required to contribute to public health or retirement systems. This category also includes the payments that businesses make payments to specific welfare agencies for services like health insurance contributions, workers' compensation programs, or government-sponsored healthcare services. These payments help sustain social protection programs and cover business obligations to employees under national welfare laws.
- Person-to-Business (P2B): Payments from individuals to businesses within the welfare system, such as co-payments for healthcare services, tuition fees for subsidized education, or payments for social housing. These payments are made by beneficiaries to access services that may be subsidized but not entirely free.
- Business-to-Business (B2B): Transactions between businesses within the welfare ecosystem, such as payments between healthcare providers and suppliers, insurance companies, or contractors providing goods and services for welfare programs. These flows support the operational aspects of welfare service delivery.

2 By "integrated welfare" the Foundation means welfare services offered to the citizens by public and private entities, provided within an integrated perspective. In other words, comprehensive services that are tailored to the individual's needs throughout their lifecycle. Specifically, these services fall under the following areas: Healthcare, Income support, Assistance to those in need, and Lifelong learning. The suppliers of these services may be various government agencies, non-profit organizations and other private entities. Integrated welfare systems are designed to streamline the delivery of social services to individuals and families in need.

3 A payment is "fast" (instant) when the transmission of the message and the availability of funds to the payee occur in real time or near real time on as near to a 24-hour and seven-day (24/7) basis as possible. See Fast payments—Enhancing the speed and availability of retail payments, report by the Committee on Payments and Market Infrastructures (CWSP SYSTEMI), Bank for International Settlements, November 2016. Fast Payment systems are proliferating around the globe. More recently, the Covid-19 pandemic has increased end users' demands for digital payments and thus further increased the potential of fast payment services as an alternative to cash. Several countries are planning to implement such systems in coming years. See Developments in retail fast payments and implications for RTGS systems, report by the CWSP SYSTEMI, BIS, December 2021.

4 For example, on issues concerning how healthcare systems are run, in some EU countries these systems are run in a decentralized manner, implying that autonomous regions may be offering more benefits than others even within the same country. The proposed IWSPA does not enter these types of issues.

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2

WELFARE SECTOR PAYMENTS

in select EU Countries: a stock take

9 This section evaluates the general status of digital payments, and specifically WSP delivery, in select EU countries

It will do so by taking stock of how the systems and services for the delivery of WSPs are organized today in the group of nine EU countries (the "focus countries") that have been selected by the Fast Forward Foundation (see above) for the project. The group comprises Croatia, France, Greece, Italy, Poland, Portugal, Czech Republic, Slovakia, and Spain. Specifically, this section takes stock of the payment ecosystems (the payments landscape) of the focus countries, assessing their level of adoption of digital payments and the ease of access their users have to digital payment services. It surveys the main payment aspects of financial inclusion, evaluates the penetration of fast payments and identifies challenges and obstacles to it, and identifies and describes the solutions adopted to deliver digital payments in the welfare sectors to/from relevant stakeholders (individuals, business, government).

10 The stocktaking exercise will build on desk work exclusively

This work has not benefited from fieldwork and is necessarily less analytical than a complete investigation conducted at country level would allow. While this sets a considerable limit on the research, particularly considering the diverse nature of WSP in EU countries and the disparate and unorganized sets of information sources available on WSPs for each EU country (especially for the healthcare sector), it is hoped that its preliminary findings and its arguments in favor of strong public-sector involvement for a more systematic approach to WSPs might stimulate the interest of the (national and EU) authorities and stakeholders on the topic and eventually lead to greater analytical efforts. This is what motivates the design of a dedicated assessment methodology for the provision and delivery of WSPs, proposed in Section 3.

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11 WSPs play an important role in the smooth functioning of any economy

The stocktaking exercise undertaken has shown that inefficiencies persist in the system underpinning WSPs. Several issues are responsible for this pattern, and the lack of coherent, legislation driven policies and strategies for the development and implementation of efficient, integrated WSPs leveraging the efficiencies of today's Fast Payment Systems is among the most common (see Section 4).

12 Payment-system modernization is not a new agenda item in Europe

In fact, Europe is one of the regions that has successfully implemented modernized payment systems.However, information related to the extent that payment systems have been integrated with social welfare is, in most cases, unavailable. By looking at the evidence in the study on the payment attitudes of consumers in the Euro area,[8] cash is the most widely used retail payment instrument in the Euro area, as 73% of all payments at the point of sale (POS) and Person-to-Person (P2P) payments are made using banknotes and coins. However, vast differences among countries can be discerned. The proportion of transactions settled by cash in Italy (82%), similarly to Spain (83%), Portugal (81%) and Greece (80%), is greater than in the Euro area generally. By contrast, the lowest cash-intensive countries in the Euro area are the Netherlands (34%), Finland (35 %) and Estonia (48%). According to the study on the payment attitudes of consumers in the Euro area,[9] carried out by the European Central Bank (ECB), which investigates financial behavior in the Eurozone every two years, among residents of the Monetary Union, the use of physical money has reduced. It is a trend in most Eurozone countries, but especially prevalent in southern European countries: Portugal, Greece, Spain, and Cyprus. In the 19 countries of the Eurozone, payments are generally made with banknotes and coins. But, even so, the percentage of cash payments in all transactions dropped to 59% in 2022. Three years earlier, the share was 72%, and, six years earlier, 79%. A comprehensive legal and regulatory framework lays the groundwork for administrative simplification and digitalization, while ensuring data protection, cybersecurity, and participation of the public. These legal and regulatory frameworks appear to be set out, but the countries discussed are in various stages of implementation and adherence to them.

13 Financial inclusion is an important aspect of economic development and social welfare

This refers to the access to and use of formal financial services, such as bank accounts, payment instruments, credit, savings, and insurance, by individuals and businesses. Payment and financial inclusion can help people manage their money, reduce risks, and seize opportunities. Financial inclusion is on the rise globally, accelerated by mobile phones and the internet, but gains have been uneven across countries. Information related to the extent that payment systems have been leveraged to enhance financial inclusion is, in most cases, unavailable.

14 Digital payments in government services can improve the efficiency, transparency, and accountability of public administration, as well as the convenience and satisfaction of citizens

Despite the obvious benefits, however, very few of the states have capitalized on these advantages. For other countries, this information is simply unavailable. Based on this evidence, one can assume that very few countries have integrated their social-welfare system with newer, faster, more efficient payment systems such as the Fast Payment System (FPS).

15 Pension systems are different in each country, depending on retirement age, the minimum years of contributions, the amount of pension (or, rather, percentage of salary), and the structure of public and private pension schemes

Most countries have functioning pension-fund structures, however, information related to the extent that payment systems have been integrated into these structures is, in most cases, unavailable. All countries offer social assistance, however, information related to the extent that payment systems have been integrated or leveraged to improve the disbursement of these benefits is, again, in most cases unavailable. The data and information in this report is based on a desk-research methodology. The data itself is based mainly on statistics and information collected from sources such as Statista, the European Commission, the European Central Bank, the Organization for Economic Co-operation and Development (OECD), the World Bank Group, the European Payments Council (EPC) and other national websites and reports and other informal sources. These sources were validated against one another (where possible) to ensure the highest standards of data comparability.

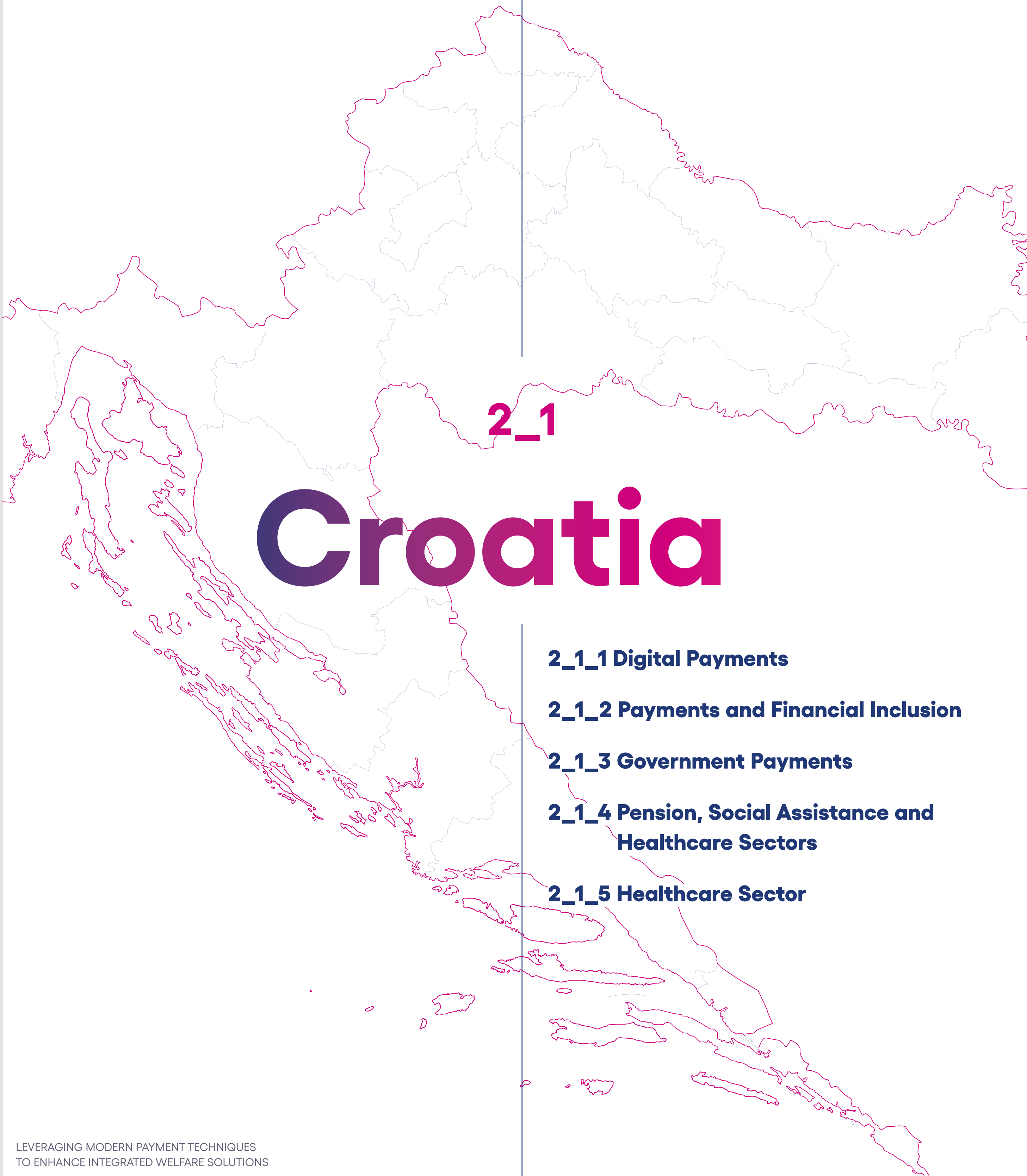
16 **The method of data collection was through a set of focused questions that the research attempted to answer where possible**

The challenges experienced include data constraints on gaining access to information that is disbursed across various sources, similarity in terms of data available per country, language incompatibility and data that is not available related to topics such as disbursement, payment system integration, etc. In summary, information related to the extent of integration between payment systems and disbursement processes related to pension, health and social welfare is not readily available. It would require a deeper dive and perhaps a change in the approach to information gathering to understand the current reality in terms of integrated WSPs.

NOTES

8 The European Central Bank (2022) "Study on the payment attitudes of consumers in the euro area (SPACE) – 2022. DOI: https://www.ecb.europa.eu/stats/ecb_surveys/space/html/ecb.spacereport202212~783ffdf46e.en.html"

9 The European Central Bank (2022) "Study on the payment attitudes of consumers in the euro area (SPACE) – 2022. DOI: https://www.ecb.europa.eu/stats/ecb_surveys/space/html/ecb.spacereport202212~783ffdf46e.en.html"



2_1 Croatia

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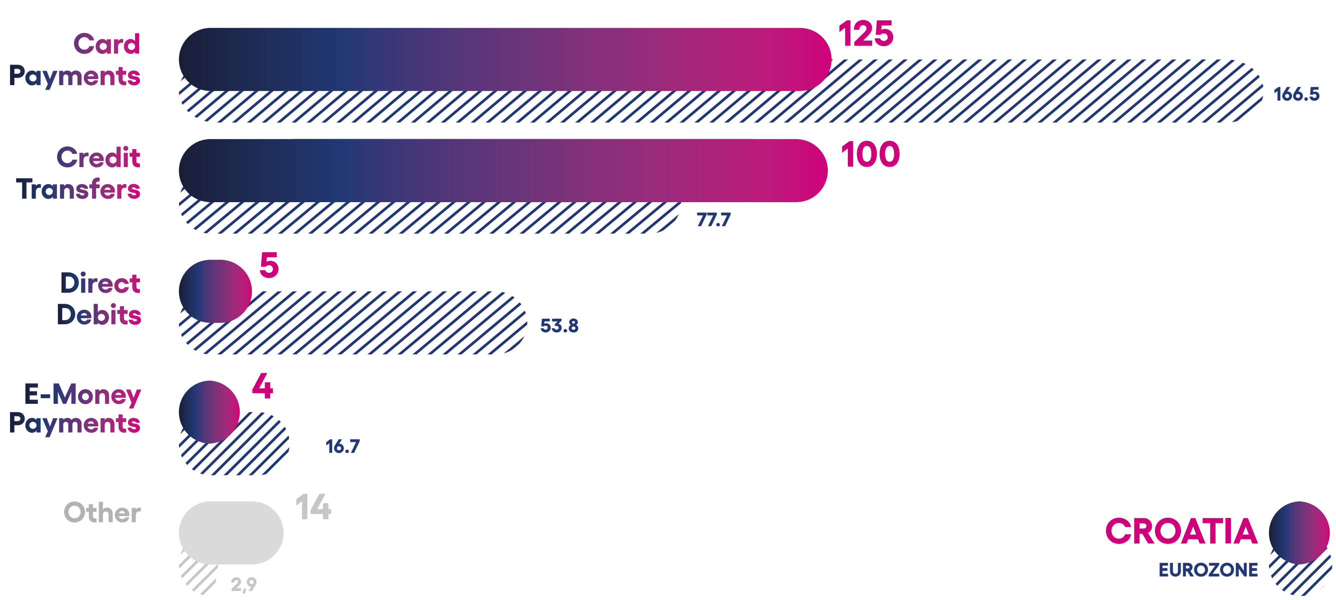
Digital Payments: status

Digital payments in Croatia are growing steadily, as more consumers and merchants adopt cashless and contactless payment methods. According to research, the total transaction value in the digital payments market in Croatia is projected to reach US$9.15 billion in 2024.[10] The digital payments market is expected to grow at an annual rate of 10.21% from 2024 to 2028, reaching US$13.5 billion by 2028.[11]

According to Electronic Payments International, Croatian consumers are adapting quite slowly to electronic payments, mainly due to a strong inclination toward cash, which accounted for 64.5% of total payment transaction volume in 2022, according to GlobalData.[12]

According to the European Payments Council (EPC) 2021 statistics,[13] the number of cashless transactions per capita per year are as follows:

NUMBER OF CASHLESS TRANSACTIONS PER CAPITA IN 2021



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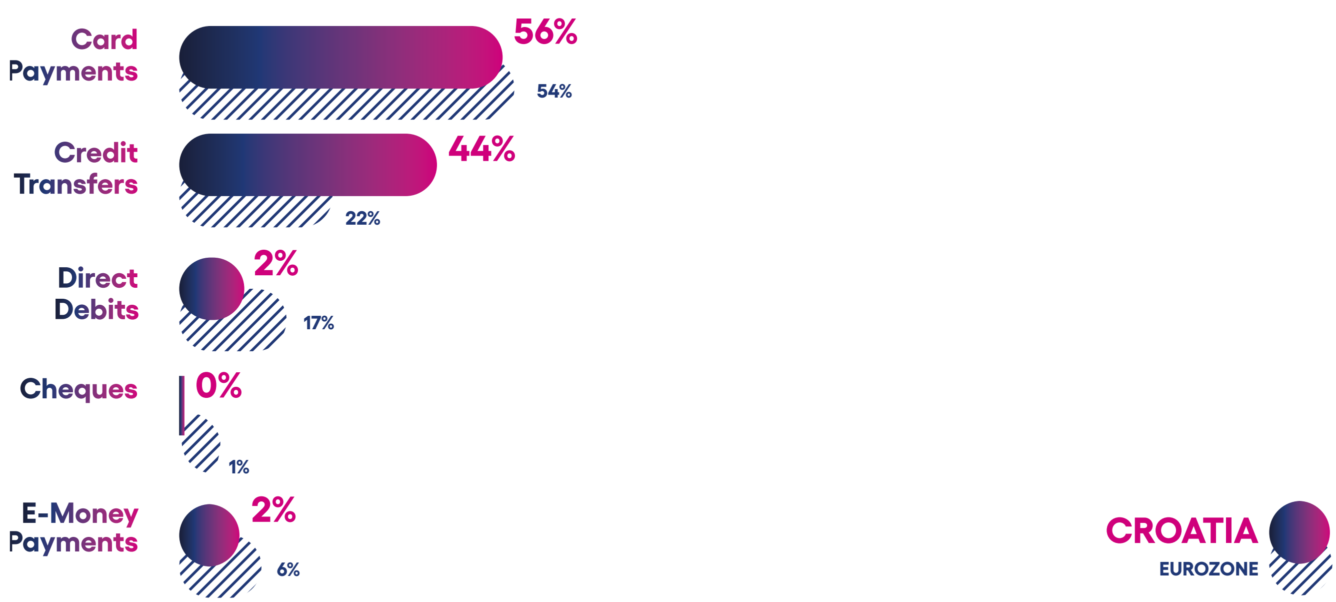
According to the European Central Bank (ECB)[14], the distribution of cashless payments in Croatia in 2022 is as follows:

DISTRIBUTION OF CASHLESS PAYMENTS IN CROATIA



The ECB data[15] showed that in 2022, the total number of card-based payments increased by 3% in comparison to 2021.

In 2022, Croatian citizens made 682.34 million card payment transactions. This amounted to 13.1% more than in 2021, with a total value of HRK 230.67 billion, or 14.6% more,[16] as the Croatian National Bank reports.[17]

To further underpin the cash-is-king concept in Croatia, according to Electronic Payments International, which quotes GlobalData, Croatian consumers are adapting quite slowly to electronic payments, mainly due to a strong inclination toward cash that accounted for 64.5% of total payment transaction volume in 2022.[18] When compared to an average cash usage of 59% across Europe,[19] Croatia's preference for using cash is higher.

According to the Croatian National Bank, all domestic and cross-border cashless payment transactions of natural and legal persons are conducted through payment service providers (PSPs), most commonly the banks, and interbank cashless payment transactions are conducted through payment systems: TARGET2, EuroNCS and EuroNCSInst.[20]

In October 2020, the Croatian National Bank launched a new instant payment system called NKSInst,[21] which allows for instant processing of payment transactions through digital channels, 24 hours a day, 365 days a year. The service is intended for both individuals and businesses. Instant payments are made in Euros and can be executed in almost real-time, in 10 seconds at most. The maximum amount for instant payment is around EUR 13,000 (HRK 100,000) and it must be assigned to a bank that has also joined the instant scheme. Participation in NKSInst is limited to banks and participation is voluntary. Seven of the 20 banks are currently participating in the system.

The most popular payment methods in Croatia are credit cards, debit cards, and digital wallets such as PayPal, Apple Pay, and Google Pay.[22] Other emerging payment trends in Croatia include buy now, pay later (BNPL) and cryptocurrency.[23]

According to a report by the European Commission, Croatia ranks 21st of the 27 EU Member States in the 2022 edition of the Digital Economy and Society Index (DESI).[24] With a score of 47.5 out of 100, below the EU average of 52.3.[25] According to the report, there is still a persistent gap regarding Information and Communications Technology (ICT) specialists, who, in Croatia, account for a smaller percentage of the workforce than the European Union (EU) average. The shortage of specialists is significantly affecting businesses' integration of digital technology, preventing enterprises, Small and Medium-Sized Enterprises (SMEs) in particular, from tapping the full potential offered by digital transformation.

To overcome these challenges and promote digital payments, the Croatian government and the financial sector have taken several initiatives, such as:

- Launching the e-Citizens project,[26, 27] which is a national digital transformation strategy aiming to improve the efficiency, transparency, and accessibility of public services, including e-government, e-health, and e-education.
- Implementing the Single Euro Payments Area (SEPA) scheme,[28] which allows customers to make cashless Euro payments to anywhere in the EU, as well as several non-EU countries, in a fast, safe and efficient way, just like national payments. This initiative was achieved in June 2023, when Croatia started using the SEPA Instant Credit Transfer (SCT Inst) scheme.
- Supporting the adoption and innovation of fintech solutions, such as mobile payments, e-wallets, and crowdfunding platforms, by creating a regulatory sandbox and a fintech hub.[29, 30]

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Payments and Financial Inclusion

According to the Global Findex 2021 database,[31] in Croatia, it was estimated, that more than 92% of adults hold an account, which is higher than the global average of 76% and 71% in developing economies.

In Croatia, the percentage of women holding an account is high, at 90%, which is 2% higher than the Europe and Central Asia average (88%) and 16% higher than the worldwide average of 74%. The percentage of men holding an account is 94%, which is, likewise, 16% higher than the worldwide average and 3% above the Europe and Central Asia average (91%).

In Croatia, 75% of people over the age of 15 made or received digital payments in 2021,[32] which is below the Europe and Central Asia average (87%).[33] According to the Global Findex 2021 database, in developing economies, the share of adults making or receiving digital payments grew from 35% in 2014 to 57% in 2021. Moreover, the Global Findex 2021 database showed that 83% of adults in developing economies who received a digital payment also made a digital payment, up from 66% in 2014 and 70% in 2017.

Financial inclusion continues to be a hot topic for discussion in many countries. Below are some of the challenges facing Croatia:

- Persisting underbanked population:[34] 8% of adults still lack formal financial services. This figure increases significantly when referring to poor adults (84%).
- Limited access to credit:[35] small businesses and individuals with low incomes face difficulties obtaining loans.
- Digital divide:[36]unequal access to technology and digital literacy hinders wider participation in digital financial services.
- Financial literacy:[37] varying levels of understanding.

The government in Croatia has launched several initiatives to drive financial inclusion, such as:

- National Development Strategy (2030):[38] the strategy aims to cover both digital and green transitions of Croatian society and its economy. The National Strategy outlines four (4) strategic priority clusters: Sustainable economy and society; Strengthening resilience to crises; Green and digital transitions; and Balanced regional development.[39]
- Expansion of financial services:[40] encouraging the development of microfinance, mobile wallets, and alternative financial products.

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- Financial education programs:[41] raising awareness about financial products and services, particularly among vulnerable groups.[42]
- The Central State Office for the Development of the Digital Society (SDURDD) has presented an Implementation Program for the development of a digital society for the period 2021-2024. The program focuses on the digitalization of society and promotes balanced and inclusive development for people, economic operators, and public administrations.[43]

FOCUS

Pandemic effect

The COVID-19 pandemic has also affected the payment and financial inclusion landscape in Croatia, as well as in other countries. The pandemic has increased the demand for and supply of digital financial services, as people and businesses have shifted to online and contactless transactions to reduce the risk of infection and comply with the lockdown measures. According to a survey by the Croatian National Bank, the use of cash as a payment method declined from 79% in 2019 to 68% in 2020, while the use of cards increased from 19% to 29%, and the use of mobile phones increased from 1% to 2%. The survey also found that 58% of respondents used e-banking services in 2020, up from 51% in 2019.

The Croatian government and the financial sector have also implemented several initiatives to promote payment and financial inclusion, especially in response to the pandemic. These initiatives can be found here: *https://www.ecb.europa.eu/pub/economic-bulletin/focus/2023/html/ecb.ebbox202208_02~15fd36600a.en.html.*

use of cards 19% up to 29%

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Government Payments

According to the 2022 edition of the Digital Economy and Society Index (DESI) report,[44] Croatia ranked 23rd of the 27 EU Member States, with a score of 53.6 out of 100, below the EU average of 67.3 for digital public services.

The DESI report further states that, despite many improvements by the government in digital public services, Croatia still underperforms in this sphere. 55% of internet users relied on e-government services (up from 52% in 2020), slowly inching closer to the EU average of 65%. On pre-filled forms, Croatia scores significantly below the EU average (with a score of 38 compared to the EU average of 64). Croatia is still underperforming on the availability of digital public services, with a score of 69 on digital public services for citizens compared to the EU average of 75 and 68 for businesses against the EU average of 82. Croatia scores relatively well on open data (84% compared to 81% for the EU).

Despite above average digital literacy and trust among the population, while the status of digital payments in government services in Croatia is improving, there is still space for further development.[45] During 2021,[46] efforts have been directed towards implementing various digital solutions for, and the upgrading of, the central e-health systems. The people of Croatia have access to a variety of online services through the e-Citizen national web portal, which was used more than 33.5 million times in 2018. Among the new applications launched in 2021 were the e-Application of Life Partnership, e-enrolment in educational institutions, the population census and the EU Digital COVID certificate. e-Consultations (e-Savjetovanja) represents an innovative part of the portal, with a unique solution allowing citizens to comment directly on proposed laws and regulations, or other strategic documents.

2_1_4

Croatia's Pension, Social Assistance and Healthcare Sectors

Social welfare is a sphere of special concern for the Republic of Croatia.[47] It is geared towards meeting the basic living needs of the population's most socially vulnerable groups, i.e., those who are unable to overcome challenges in their lives by themselves or with the assistance of their family. The implementation of the social-welfare system is based on the principle of subsidiarity, which means that individuals are expected to try to solve their difficulties primarily within their own power and with the help of their environment. The role of the government is to assist every person, especially to contribute towards the prevention of the occurrence of adverse effects that may arise from social deprivation.

2_1_4_1

Pension Sector

2_1_4_1_1

OVERVIEW OF THE PENSION SYSTEM

The retirement age is 65 for men and 62 for women, with a minimum of 15 years of contributions.[48] The pension amount is based on the average wage, the number of contribution years, and the individual account balance. The pension system consists of a mandatory public pay-as-you-go (PAYG) scheme, a mandatory funded defined contribution (DC) scheme, and a voluntary funded DC scheme.[49]

2_1_4_1_2

TYPES OF PENSION PLANS

Within the current pension system, there are three pillars, listed above. the first two pillars are mandatory for every employed citizen of the Republic of Croatia, while the third one refers to voluntary pension savings.[50]

PILLAR	PILLAR 1 "PRVI STUP"	PILLAR 2 "DRUGI STUP"	PILLAR 3 "TREĆI STUP"
Participation	Mandatory	Mandatory	Voluntary
Contribution Percentage	15% Gross Salary	5% Gross Salary	Varying, depending on beneficiaries' choice
Principles	Intergenerational solidarity and defined contributions	Individual capitalized savings and defined contributions	Individual capitalized savings with state incentives
Provider	State	Four mandatory pension funds in Croatia: (1) Raiffeisen pension funds, (2) AZ Fond, (3) PBZ Croatia osiguranje and (4) Erste Plavi [51].	Privately owned pension companies
Managerial Body	The Croatian Pension Insurance Institute (HZMO)	The Croatian Financial Services Supervisory Agency (HANFA)	
Other	The contributions are paid into the State Treasury for the pensions of active pensioners. Pension benefits are determined in accordance with the Pension Insurance Act.	The employer calculates and pays contributions into the account of the insured person held at the mandatory pension fund of their choice, which then manages the account funds and increases them by a return from investments. The savings made belong to the insured person and may be inherited. The pension benefit is determined based on the Pension Insurance Act, the Mandatory Pension Funds Act and the Act on Pension Insurance Companies. Pension fund benefits are paid by the pension insurance companies. People may one of the pension companies and change it at any time.	Employers who make payments into voluntary pension fund accounts of their employees are entitled to a tax-deductible payment expense of up to HRK6000 (~EUR796) per employee per year. The savings kept in the account of a fund member are their personal property and can be inherited. Pension benefits paid by pension insurance companies, pension companies and life insurance companies. Pension entitlement is not related to employment status and can be claimed from the age of 55, and exceptionally from the age of 50 if you became a member of a voluntary pension fund before 1 January 2019. Pension insurance is regulated by the Act on Voluntary Pension Funds and the Act on Pension Insurance Companies. HANFA monitors the management of Pillars 2 and 3.

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FUNDING SOURCES

The funding sources are contributions by employers and employees and state budget allocations.[52] According to one source, the returns on investments are also used to fund the pension fund.[53]

The mandatory contribution rate is 20% of an employee's gross salary (15% is allocated to Pillar 1 and 5% is allocated to Pillar 2) as indicated above. Contributions are paid monthly by the employer, who deducts them from the employee's salary and transfers them to the State Treasury and the chosen pension company.

The employee can track the amount of money paid into the second fund at the Central Registry of Insured Persons, 'REGOS'.[54]

The employee can decide on the amount and frequency of contributions to Pillar 3.

Pension contributions, which are withheld by the employer during payroll, are capped at EUR 970 monthly and EUR 12,095 annually.[55]

The payment instrument used for contributions is usually an electronic bank transfer from the employer's bank account to the tax authority's bank account, or from the employee's bank account to the pension fund's bank account.[56]

2_1_4_1_4

DISBURSEMENT PROCESS

The Croatian Pension Insurance Fund (*Hrvatski Fond za Mirovine* - HFM) will arrange for the monthly pension amount to be electronically deposited into the individual's bank account once said person becomes eligible.

Pension payout and disbursement are usually made by electronic transfer from the pension fund's bank account to the retiree's bank accounts or postal orders.[57]

In collaboration with the Croatian Pension Insurance Fund (HZMO), Croatian Post pays pension benefits at payees' home addresses.[58]

Funds accumulated from Pillar 2 on the individual's savings account is transferred at the time of retirement, from the pension fund to Raiffeisen Mirovinsko Osiguravajuće Društvo (RMOD), which is the only pension insurance company in Croatia that is in charge of pay-out of pensions from the mandatory second pillar. A beneficiary can choose whether they want to receive pension payment as a lump sum or an annuity, or both.[59]

2_1_4_2

Social Assistance Sector

2_1_4_2_1

OVERVIEW OF THE SOCIAL ASSISTANCE PROGRAM

Social welfare includes a series of benefits and services aimed at securing subsistence for people who have been left without any other means of support. It includes assistance such as financial aid and institutional care for people who are unable to take care of themselves or who cannot cover the full costs of such care. In addition, social welfare also includes a whole series of professional measures in the fields of family-law protection, the protection of children and young people, support for the disabled and for the elderly.

According to the policy note by the World Bank Group,[60] in total, there are 143 social service providers for the four groups of beneficiaries, of which 67 are state homes (13 for children without adequate parental care, 10 for children with behavioral problems, 26 for people with disabilities and children with developmental difficulties, and 18 for people with learning disabilities). There are 25 private social-welfare homes and another 51 are other legal entities (3 and 5 for children without adequate parental care, 12 and 39 for people with disabilities and 10 and 2 for people with learning disabilities).

In an interview in 2021, Labor and Social Policy Minister Josip Aladrović[61] stated that social services are now provided through 82 social-welfare centers, and, given that this fragmented system has proved to be faulty, it needs to be centralized so that services can be standardized throughout Croatia.

2_1_4_2_2 TYPES OF SOCIAL ASSISTANCE AND TARGET RECIPIENTS

According to the European Commission's Department for Employment, Social Affairs & Inclusion, Croatia offers the following types of social assistance:[62]

- **Home assistance** (*pomoć u kući*): involves the buying and home delivery of ready-made meals, the carrying out of household tasks, help with getting dressed and undressed, bathing and other hygiene needs.
- **Residential care** (*institucijska skrb*): involves institutional care in a social care home and other legal entity providing social care, or non-institutional care in a family home and foster home. It can be permanent or temporary. The allowance for personal needs for a child attending primary school, an adult, and an elderly person is EUR 33.18, and for a child and a younger adult attending secondary school and another younger adult is EUR 46.45.
- **Semi-residential care** (*institucijska skrb u centru za pružanje usluga*): semi-residential care can be a full-day stay, lasting from six to 10 hours a day, or half-day, lasting from four to six hours a day, and includes the following services: food, personal hygiene, healthcare, supervision, education, nursing, work activities and psychosocial rehabilitation. Croatians are entitled to full-day and half-day stays one day a week, several days a week or all working days in the week.
- **Supported living** (*organizirano stanovanje*): a service under which one or more people are provided with basic living needs such as social, working, cultural, educational, recreational and other needs. Recipients are offered permanent or occasional assistance from qualified staff or other people at home and outside it.
- **Early-childhood intervention** (*rana razvojna intervencija*): a service that offers professional stimulation assistance to children and professional and advisory assistance to parents and foster parents. It is offered to a child who has been diagnosed with developmental disabilities at an early age with a view to including the child in the wider social network.

2_1_4_2_3 FUNDING SOURCES

Funding sources include employer contributions (15.6% of an employee's gross salary),[63] state budget and the municipal budgets[64]. Social-welfare

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services may also be provided by religious communities, corporations, associations, and other domestic and international physical and legal persons by means of the resources they have secured for that purpose by themselves.[65]

The total budget of the Ministry of Labor, Pension System and Family Policy for 2022 was €7,837,193.460, which also includes pension costs. The total spending on social services in 2022 was €166,458,826, equating to 2.12% of the Ministry of Labor's budget.[66]

2_1_4_2_4
DISBURSEMENT PROCESS

The disbursement process for social assistance programs is carried out by the decentralized social-welfare centers referred to as *Centre za socijalnu skrb* – CSWS.[67] These centers are in charge of granting social assistance aid and other welfare benefits. The beneficiary will need to fill in certain forms and submit documents to prove they meet the criteria to receive financial or other assistance and benefits.[68]

Once the application has been successfully submitted and approved, the beneficiary will receive social-welfare benefits at a frequency relevant to the type of benefit being received e.g., monthly or as a one-off.[69]

The payment mechanism consists of electronic bank transfer to the recipient's bank account, cash, or the benefit can be transferred on behalf of the Beneficiary to the Creditor.[70]

There is some evidence that social benefits in Croatia are made either by direct deposit to the beneficiary's bank account or by postal order to the beneficiary's home address.[71]

2_1_4_2_5
INTEGRATION WITH PAYMENTS SYSTEMS

Based on the information gathered above (ref. disbursement process) social assistance benefits are to some extent integrated with payment systems in that social payments are made using bank transfers. However, there is no information that illustrates the extent of the integration.

2_1_4_2_6
DIGITAL PAYMENT SOLUTIONS

No information available from a reliable source.

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2_1_5

Healthcare Sector

2_1_5_1

Overview of the Healthcare System

The healthcare system in Croatia is based on a model that covers most of the population and provides access to a range of public and private health services.[72] The system is funded by payroll contributions, general taxation, and out-of-pocket payments.[73]

According to a report by the European Observatory on Health Systems and Policies,[74] the share of public spending as a proportion of current health expenditure is comparatively high, amounting to 81.9% in 2019. This was higher than the EU average of 76.3%, reflecting a tradition of solidarity in healthcare financing and the continued importance of healthcare on the Croatian policy agenda. In 2019, 12.1% of the total state budget was allocated to the health sector.

According to EUROSTAT,[75] expenditure on healthcare represents around 9.49% of Gross Domestic Product (GDP), which is lower than the European average. The healthcare expenditure per capita (1,195.09),[76] is significantly lower when compared to the EU average of 3,562.06.

According to the report by the European Observatory on Health Systems and Policies,[77] providers contracted by the Croatian Health Insurance Fund (CHIF) are paid based on a variety of payment mechanisms. Primary-care providers are paid using a combination of capitation, fee-for-service and pay for-performance. In April 2013, a new payment model for general practitioners (GPs) was put in place. The goals were to incentivize healthcare providers to further increase the provision of certain types of care (e.g., preventive care) and to improve quality of care and patient satisfaction. In addition, GPs may receive bonus payments, depending on their performance and quality indicators.

Outpatient services are paid for according to fee-for-service, while hospitals that belong to the National Healthcare Network are largely paid according to global budgets, with 90% of revenues fixed and 10% depending on provided services (invoices by cases based on a diagnosis-related groups system). Since 2020, 100% of hospital income has been paid in advance (up from 90% in 2019) and hospitals provide invoices based on episodes of care. Furthermore, in 2015 the CHIF introduced a new price list for hospital outpatient services, offering higher reimbursement for same-day surgery procedures.

2_1_5_2

Public and Private Providers

As mentioned above, there are both private and public healthcare providers and systems in Croatia.

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In Croatia's mandatory health insurance system, the CHIF is the sole insurer and main purchaser of health services. It also offers complementary health insurance, mainly to cover co-payments for services in the benefits package. Over 60 % of the population has this type of voluntary health insurance (VHI), purchased from either the CHIF (the main provider) or private insurers.[78]

The public healthcare system provides mandatory insurance to all residents of Croatia, which covers most basic healthcare services. However, some services, such as plastic surgery, birth control, abortion, and experimental treatments, are not covered by the public healthcare system and require additional payment.

The private healthcare system is composed of various private clinics and polyclinics that offer specialized and elective services, such as dentistry, diagnostics, surgery, and rehabilitation. The private healthcare system is not subsidized by the state and requires direct payment or supplemental insurance from patients. The private healthcare system is becoming increasingly popular among Croatians and foreigners who seek higher quality, faster, and more personalized care.[79]

2_1_5_3

Ministry of Health

The Ministry of Health is the government body that is responsible for overseeing and regulating the healthcare system in Croatia.[80] According to the Healthcare System in Croatia, the main role of the Ministry of Health is to:[81]

- Manage healthcare legislation, budget for the whole system, monitor the health needs of the entire population, and propose and supervise reforms of the healthcare system in Croatia.
- Ensure the quality and safety of health services and products, and license and accredit health providers and facilities.
- Develop and implement public-health programs and policies and coordinate the response to health emergencies and outbreaks.
- Support and promote health research and innovation and cooperate with other countries and international organizations on health issues.

2_1_5_4

Public Funding - Funding Sources

The government funds public healthcare in Croatia mainly through the compulsory health insurance contributions system, which is operated by the Croatian Health Insurance Fund (HZZO). The HZZO collects contributions from the working population and the government to fund the public healthcare system in Croatia and makes contributions on behalf of those exempt, such as the elderly, the unemployed, and dependents.[82]

The contributions are typically deducted from salaries, pensions, or other income sources, and are based on a percentage of gross income. The current contribution rate for health insurance is 16.5%.[83]

2_1_5_5 Implementation of Electronic Health Records (EHR) and Integration with the Payments System

The electronic health record system in Croatia is called *"eKarton"*. It has been introduced in 25 hospitals in Croatia. It is a technological solution that consolidates data for each patient, including details of medical examinations, diagnoses, referrals, discharge letters and issued prescriptions.[84]

According to the European Observatory, the tool allows hospitals to communicate, and discharge letters and diagnoses can be shared between all healthcare stakeholders in primary care and hospitals. The electronic health record also contains information on chronic conditions, allergies, vaccination records and the current treatment regimen. It is accessible to patients through a Health Portal (*Portal zdravlja in Croatian*), which is an integral part of the e-Citizens portal. Through the Health Portal, patients can retrieve some of their own medical data (for example, a list of prescribed medications or laboratory results) and communicate with doctors at primary-care level (for referrals, ordering examinations, etc.).

The HZZO is a public body and legal entity for the organization and provision of compulsory and voluntary health insurance, established in 1993 as the country's national health insurance fund and main payer within the Croatian healthcare system.[85] Together with the Ministry of Health of the Republic of Croatia, the HZZO plays a significant role as policy maker concerning health in general and has a main role in the implementation and deployment of eHealth in Croatia. The HZZO has extensive expertise in the design and management of the national health information networking system and is integrated with its own data replication, public key infrastructure, and coding list management. It cooperates with national and international institutions and agencies, producers, and drug-issuing authorities and has experience in several large-scale cross-border health projects.

The HZZO, as the appointed Croatian eHealth agency, is responsible for the Croatian eHealth interoperability framework. It is the HZZO's responsibility to maintain the Croatian Master Translation Catalogue. While actively participating in the eHealth Network and eHealth Member States' Expert Group, HZZO representatives will participate in technical, semantic, and organizational issues related to eHealth Digital Service Infrastructure and national health system integrated via Croatia.

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2_2

Czech Republic

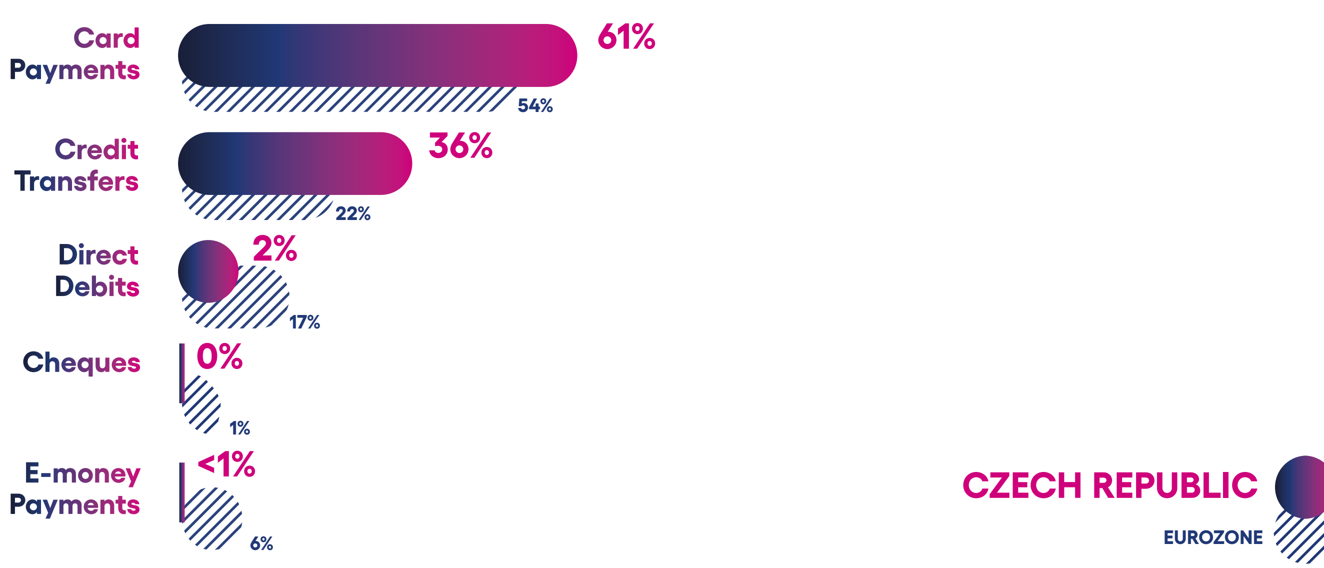
2_2_1

Digital Payments: status

According to Statista, Digital Market Outlook,[86] the total transaction value in the digital payments market in the Czech Republic is estimated to be 24.99 billion U.S. dollars in 2024. The transaction value is expected to grow at an annual rate of 7.04% from 2024 to 2028, reaching 32.81 billion U.S. dollars by the end of the forecast period.[87]

According to the European Central Bank (ECB),[88] the distribution of cashless payments in the Czech Republic in 2022 is as follows:

DISTRIBUTION OF CASHLESS PAYMENTS IN CZECH REPUBLIC (2022)



The Czech Republic's payment system has become increasingly digital over the past few years. While the Czech Republic, or Czechia, is one of the most prominent countries in Europe where cash payments are popular, customers are slowly transitioning to contactless payments (credit cards, online banking, and more).[89]

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The estimated share of cash at point of sale (POS) in the Czech Republic in 2021 was 50.7%.[90]

While 90% of Czechs use cashless payments at least once a week,91 a recent survey found that over half of consumers reported that they have encountered businesses that do not accept cards, often due to the high costs associated with payment terminals.

To further drive cashless transactions, four Czech banks – spearheaded by Air Bank (Fio, mBank, and Moneta Money Bank are also part of the project) – are rolling out a novel solution that lets merchants skip traditional terminals while eliminating the need for customers to pay in cash.92 The innovative new system, dubbed Cvak (a Czech word that signifies a click), pledges a reduced transaction cost for merchants, contingent on their installation of a designated mobile application, and simplifies the payment process for customers. With its promise of lower costs and convenience for both merchants and customers, the new system is expected to change how payments are made in the country.

There are various initiatives to drive digitization such as the Central Bank Digital Currency (CBDC) working group, which was established in 2021.[93] The working group's objective is to monitor and analyze trends abroad, especially in jurisdictions with similar characteristics to the Czech Republic, and to discuss the reasons for the issue of a Czech CBDC and the impact of such a step on the central bank, the domestic financial sector, and the wider Czech economy.

The main domestic payment systems available in the Czech Republic are:

- The only interbank payment system in the Czech Republic is the CERTIS system (Czech Express Real Time Interbank Gross Settlement system) which handles interbank payments in Czech Koruna.[94]
- T2S: the Central Securities Depository has become a direct participant in the T2 payment system as its ancillary settlement system.

Some of the main features of the Czech Republic's digital payment landscape are:

- The Czech Republic is gradually becoming a cashless society, according to Statista, with cashless payments becoming an increasingly common way to pay online. The growing number of debit cards also positively affects this trend.[95] This evidence is positively supported by the Czech National Bank, which commented that the number of cards and POS terminals have been growing year on year. Moreover, the value of over-the-counter cash withdrawals has continued to decline.[96]
- Contactless payments have seen a massive increase in spending volume over the past three decades, reaching 1.32 trillion Czech Koruna (CZK) in 2023.[97] Contactless payments can be made using cards or mobile devices and are accepted by most merchants and public services in the country.

According to the 2022 edition of the Digital Economy and Society Index (DESI) report, the Czech Republic ranks 19th of the 27 EU Member States.[98] With a score of 49.1 out of 100, slightly below the European Union (EU) average of 52.3.

According to the DESI report, the Czech Republic dropped one place compared to 2021. The report goes on to explain that the Czech Republic ranking improved in Digital public services and Connectivity but worsened in Integration of digital technology.

To overcome these challenges and promote digital payments, the Czech Republic government and the financial sector have implemented several initiatives, such as:

- Various strategies aimed at digitization, such as, but not limited to the Digital Czechia Strategy[99], Education Strategy 2030+,[100] Country for the Future – Czechia's Innovation Strategy[101] and Strategy for Artificial Intelligence, etc.[102]
- The Czech National Bank and the government actively support the development of the fintech sector, encouraging innovation in digital payment solutions.[103]
- New and improved regulations and security standards: such as Payment Services Directive 2 and Strong Customer Authentication.[104]
- Promoting Financial Literacy:[105] through various initiatives such as schools programs and community workshops, the government aims to raise awareness about financial products and services including digital payments.

2_2_2

Payments and Financial Inclusion

Payment and financial inclusion status in the Czech Republic is quite high, as the country has made significant progress in providing access and usage of financial services to its population. According to the Global Findex 2021 database, 95%of adults in the Czech Republic had a financial account in 2021,[106] up from 63%in 2011. The number of account holders is above the global average of 76% and 71% for developing economies. In the Czech Republic, the percentage of women holding an account is high, at 93%, which is 5% higher than the Europe and Central Asia average (88%) and 19% higher than the worldwide average of 74%.

In the Czech Republic, 93.1% of adults made or received digital payments in 2021,[107] which is above the Europe and Central Asia average (87%).[108]

Financial inclusion continues to be a hot topic for discussion in many countries. Below are some of the challenges facing the Czech Republic:

- Persisting underbanked population: around 5% of adults remain unbanked, mainly low-income individuals, immigrants, and the unemployed.[109] Interestingly, in the Czech Republic the disparity between the average adult and adults in vulnerable groups remains consistent at 5%.
- Financial literacy gap:[110] some individuals, especially in vulnerable groups, lack basic financial knowledge.
- Digital divide:[111] unequal access to technology and digital literacy skills hinders full participation in digital financial services.
- Limited access to credit:[112] individuals with low credit scores or unstable incomes might face difficulties obtaining loans, particularly microloans.

The government in the Czech Republic has launched several initiatives to drive financial inclusion, such as:

- **Social Inclusion Strategy** (2014-2020):[113] this strategy focused on improving financial education, access to credit, and digital inclusion.
- **Financial Inclusion Programs**:[114] focusing on financial education.
- **Government promoting loans and access to credit**:[115] provides guarantees for loans issued to Small and Medium-Sized Enterprises.
- **Promoting Digital Literacy**:[116] offers training programs to improve digital skills and access to online financial services.

2_2_3

Government Payments

According to the 2022 edition of the DESI report,[117] the Czech Republic ranked 17th of the 27 EU Member States, with a score of 64.5 out of 100, slightly below the EU average of 67.3 for digital public services.

According to DESI, the Czech Republic has improved its ranking in digital public services by three places. In 2021, the share of e-government users grew significantly by 12% to 76% and is now well above the EU average (65%). In pre-filled forms, the Czech Republic's score remains low (41) but digital public services for citizens (75) and businesses (81) scores are in line with the EU average. Digital transformation of public services is one of the new government's main priorities.

To overcome challenges and further promote digital payments in government services, the government in the Czech Republic have taken several initiatives, such as:

- **Promoting Digital Literacy**:[118] offers training programs to improve digital skills and access to online financial services.
- **Electronic invoicing**:[119] electronic invoicing is mandatory for all public procurement contracts since 2020, in compliance with the European Directive 2014/55/EU. Electronic invoicing aims to reduce costs, errors, and fraud, and to increase transparency and efficiency in public administration. These are some examples of how digital payments are transforming the way people interact with government services and businesses in the Czech Republic. As the country continues to embrace innovation and digitalization, more opportunities and benefits are likely to emerge for both the public and private sectors.
- **There are several E-Government portals available**:
  - **Public Administration Portal** (*Portál Veřejné Správy*):[120] this is the central gateway to information and services provided by the Czech government. It contains information about the various government agencies and their respective services, as well as forms and applications covering a range of services such as applying for an ID, etc.
  - **Taxes** (*Moje daně*):[121] for managing personal income tax and submitting tax returns electronically.
  - **Czech Social Security Administration** (*Česká správa sociálního zabezpečení - ČSSZ*):[122] accessing pension information, requesting benefits, and filing social security claims.
  - **Business Register** (*Živnostenský rejstřík*):[123] managing business registration, submitting reports, and accessing business information.

- **Data Box** (*Datové schránky*):[124] a secure electronic communication channel for communication between public authorities and citizens
- **Czech POINT**:[125] a network of public administration contact points offering assisted access to various government services.

2_2_4

The Czech Republic's Pension, Social Assistance and Healthcare Sectors

2_2_4_1

Pension System

2_2_4_1_1

OVERVIEW OF THE PENSION SYSTEM

According to the Organization for Economic Co-operation and Development (OECD),[126] the Czech pension system consists of a public pension scheme and a voluntary funded private scheme, contributions to which become mandatory after joining. The public contributory pension scheme has a basic element and an earnings-related part calculated according to a progressive formula.

The progressive benefit formula is used for the calculation of the reference wage, under which monthly income thresholds are applied to reduce average career earnings into the calculation basis.[127]

As stated in the OECD report,[128] the standard retirement age is currently 63 years and 10 months for men and women without children. Women who raised children have lower retirement ages depending on the number of children. The minimum retirement age is gradually increasing by two months each birth year up to the age of 65. The retirement age for women with children is increasing at a faster rate so that everyone will retire at 65. To be eligible for a pension at the statutory retirement age, the minimum years of required paid or credited coverage is 35 years (or 30 years without credits). Individuals with 20 years of pension coverage or 15 years without credited periods can receive a pension benefit five years later than the standard retirement age for males of the same birth cohort.

2_2_4_1_2

TYPES OF PENSION PLANS

The mandatory state offered pension fund is referred to as *Starobní důchod* (*Starobní penze*). This mandatory, publicly managed system is funded through social security contributions. It provides a basic retirement income and operates on a Pay-As-You-Go (PAYG) basis (current contributions fund current pensions).

According to the Ministry of Labor and Social Affairs in the Czech Republic,[129] the Czech pension system consists of two parts.

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The first pillar is the mandatory basic pension insurance, defined by benefits and funded on a running basis (PAYG). The system is universal and provides for all economically active individuals; the legal regulation is the same for all insured people, there are no industry-specific schemes, etc. Some variations can be found only in the area of organizational and administrative provision's so-called power sectors (e.g., soldiers, police officers, customs officers, firefighters). The pension from the basic pension insurance is drawn by more than 99 % of the population over retirement age.

In addition, there is a voluntary complementary additional state pension insurance scheme. According to the EU terminology, this scheme can be considered the third pillar of the pension system, which includes products offered by commercial insurance companies – particularly life insurance. Pensions granted from the third pillar so far represent only a negligible portion of incomes of the retired. However, this pillar is not presented on the website of the Ministry of Labor and Social Affairs as it is in the competence of the Ministry of Finance. The second pillar, which is usual in EU member states (employer pension schemes), is absent in the Czech pension insurance system.

The fundamental substantive law regulation which governs the entitlement to a pension from the basic pension insurance, methods of determination of pension benefits and conditions of payment, is Act No. 155/1995 Coll., on pension insurance, as amended, which came into effect on 1 January 1996.

According to the OECD,[130] the combined total average pension benefit (flat-rate and earnings-related components) is increased by the greater of general price inflation and pensioner specific inflation, plus half of the real wage growth. The total value of the minimum monthly public pension benefit is CZK 4,670, made up of a minimum earnings-related pension of CZK 770 plus the basic component of CZK 3,900.

The voluntary pension funds are Supplementary Pension Savings (*Doplňkové penzijní spoření*) and Additional Pension Savings (*Penzijní připojištění*):[131]

- **Supplementary Pension Savings** (*Doplňkové penzijní spoření*): these voluntary schemes offer individual accounts invested in various financial instruments. While they were previously more common, new participation in these types of pension funds ceased in 2013. However, individuals with existing funds in these schemes can continue contributing.
- **Additional Pension Savings** (*Penzijní připojištění*): this is also a voluntary system allowing for additional retirement savings. The key difference between this voluntary scheme and the one mentioned above is that this scheme receives state contributions based on the amount the individual contributes as an incentive for participation. This is also tax deductible, making it attractive to some.

People participating in private pension funds have choices when it comes to investment strategies with varying risk and return profiles. Contributions to private pension funds are limited.[132]

The public pension fund plan in the Czech Republic is managed and supervised by the Czech Social Security Administration (*Česká správa sociálního zabezpečení* – ČSSZ), which also decides on entitlement to pensions, their amounts and payment.[133].Pension fund supervision is carried out by the Czech National Bank (CNB).[134]

Professional assistance in the matters of pension insurance is provided to individuals and organizations by district social security administrations (*Okresní správa sociálního zabezpečení* – OSSZ) and, in Prague and in its local businesses, by the Prague social security administration (*Pražská správa sociálního zabezpečení* – PSSZ). The activities of OSSZ and PSSZ are managed and supervised by the ČSSZ.[135]

The voluntary private pension fund plan is administered by various pension funds that offer different investment options and tax incentives for participants. The participants can choose from the pension funds that are licensed and regulated by the CNB.[136]

2_2_4_1_3
FUNDING SOURCES

The first pillar is a defined benefit pay-as-you-go system covering employees and the self-employed.[137]

The contribution rate for the public pension system is 28%. Employers pay 21.5% of payroll, employees 6.5% of earnings. The self-employed pay the whole 28% of their earnings. Since 2013, employees have been given the option of diverting 3% of their earnings from this contribution to new second-tier pension funds.[138]

The scheme has two components: a flat-rate basic pension and an earnings-related part. The flat-rate component provides all entitled citizens with a basic pension. The earnings-related component has a strong redistributive character. The base on which pensions are assessed is 100% up to CZK 8,400 (~EUR 330) per month, 30% between CZK 8,400 and CZK 20,500 (~EUR 330 and ~EUR 810), and 10% above this sum.[139]

The value of the basic pension is equal to 10% of the legislated average wage. In 2022 this translated into an annual benefit equal to CZK 46 800 (~EUR 1850).[140]

The voluntary supplementary pension scheme is run by pension companies, which offer exclusively direct contribution plans. The pension companies are joint stock companies, incorporated in the Czech Republic under the provisions of the Commercial Code. The purpose of pension companies is limited to the provision of supplementary pension insurance. Pension companies must be licensed by the Ministry of Finance, in agreement with the Ministry of Labor and Social Affairs and the Securities Commission. Members are allowed to choose between the state asset manager and private administrators.[141]

Pension companies are not authorized to offer more than one pension plan. If participants have joined the system, they can switch pension funds as often as they like; there are no switching fees.[142]

2_2_4_1_4
DISBURSEMENT PROCESS

Pension payout and disbursement are executed by ČSSZ usually in the form of an electronic transfer from the pension fund's bank account to the retiree's bank account, or cash via the Czech Post.[143]

The cash payment via Czech Post is charged, and, starting from 1 April 2020, the client pays CZK 29 for each pension payment (the sum of the pension paid is reduced by the amount above).[144]

The Czech Republic government website[145] states that people living abroad can receive their pension into a personal account held at a bank abroad or in the Czech Republic, or by bank check to their overseas address.

Information about the exact percentage or proportions of payment mechanisms used to disburse pension funds is not readily available.

2_2_4_2 Social Assistance Sector

2_2_4_2_1 OVERVIEW OF THE SOCIAL ASSISTANCE PROGRAM[146]

The social assistance system in the Czech Republic consists of material-need assistance, which is a cash transfer that provides a minimum level of income to people who have insufficient or no income, and who meet certain eligibility criteria, such as age, residence, and assets. The system also includes housing subsidies, which are benefits that help people pay for their housing costs, such as rent, mortgage, or utilities.

Furthermore, the system provides social services, which are services that aid and support people who face social difficulties, such as disability, dependency, domestic violence, or social exclusion. The Ministry of Labor, in cooperation with the Blue Line and the Czech Red Cross Prague, has also established a social assistance call center, the LIA line, to provide support to refugees from Ukraine.

According to the Czech Republic government website, a total contribution of 30.8% of an employee's gross salary goes to social welfare (the employer pays 24.8 % and the employee pays 6.5%). Self-employed individuals pay different social security and health insurance rates.

However, the amount of the assessment base for a self-employed person may not be lower than:

- 25% of the average wage (as for the self-employed who have carried out main/full-time independent gainful activity).
- 10% of the average wage (as for the self-employed who have carried out subsidiary/part-time independent gainful activity).

Since February 2023, an employer can apply a discount to the social security contributions of certain employees (including a specified range of part-time workers and employees under the age of 21) of 5% of the total assessment base of the employees to which the discount is applied.

The so-called "living minimum" for individuals (and therefore also pensioners who live alone) amounted to CZK 4,620 per month.

Recipients of pensions do not pay social security contributions from their pensions, but they pay social security contributions for income from work.

Social assistance consists of:

- **Family Benefits**: child benefits, housing allowances, one-off benefit and parental benefit.
- **Incapacity and Healthcare**: disability, accidents at work, healthcare, and sickness benefit.
- **Old age and Survivors**: old-age pensions, survivor benefits, special pension contributions and supplements.
- **Social assistance**: assistance in material need and unemployment.

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2_2_4_2_2 TYPES OF SOCIAL ASSISTANCE AND TARGET RECIPIENTS[147]

The types of social assistance detailed on the Czech Republic government website are:

- **Child allowance**: Child allowance is a basic long-term benefit provided to families with dependent children. A dependent child up to the age of 26 years, living in a family with an income of less than 3.4 times the family's living minimum is entitled to this allowance. The allowance is provided at three levels, depending on the age of the child , and in two amounts according to sorts of income. Eligibility for the increased amount is determined by having income from employment or from certain social benefits.
- **Housing allowance**: Property owners or tenants having residence in that property are entitled to a housing allowance, if 30% of family income is insufficient to cover housing costs and, at the same time, this 30% of family income is lower than the relevant prescriptive costs set by law. The prescriptive housing costs are set as average housing costs based on the size of the municipality and the number of members of the household. They include a rent and similar costs for residents of cooperative flats and flat owners. They also include the cost of services and energy. Prescriptive housing costs are calculated based on reasonable sizes of flats for the number of permanent inhabitants.. The level of housing allowance is set as the difference between prescriptive housing costs and the relevant family income multiplied by a coefficient of 0.30.
- **Parental allowance**
  - **Children born before December 31, 2023**: a parent who personally and duly cares for a child who is the youngest in the family is entitled to parental allowance. Parental allowance is provided until the total amount of CZK 300,000 is drawn, maximum up to 4 years of child's age. In the case of twins or more children born at the same time, the total amount extends to CZK 450,000.
  - **Children born from January 1, 2024**: a parent who personally and duly cares for a child who is the youngest in the family is entitled to parental allowance. Parental allowance is provided until the total amount of CZK 350,000 is drawn, maximum up to 3 years of child's age. In the case of twins or more children born at the same time, the total amount extends to CZK 525,000.
- **Birth grant**: this is a one-off benefit for low-income families to help them to cover costs related to the birth of their first and second live-born child. Families are entitled to the birth grant provided the family income in the calendar quarter prior to the birth of the child does not exceed 2.7 times the family's living minimum. The birth grant amounts to CZK 13,000 for the first child and CZK 10,000 for the second child.
- **Funeral grant**: the funeral grant is a one-off payment to a person who has arranged for the funeral of a dependent child, or to a person who was the parent of a dependent child, on condition that the deceased was a permanent resident of the Czech Republic on the date of death, or of a fetus after abortion or termina-

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tion of pregnancy for medical reasons. The amount of the funeral grant is a fixed sum totaling CZK 5,000.

2_2_4_2_3
FUNDING SOURCES[148]

Family benefits and social assistance are financed from the State budget (general taxation).

2_2_4_2_4
DISBURSEMENT PROCESS

In the Czech Republic, social assistance payments are made through a combination of the following methods:[149]

- **Bank Transfer**: the benefit is transferred directly to the beneficiaries' bank account. This is the most common method for disbursing social assistance in the Czech Republic.
- **Cash Payments via Czech Post**: although less common, this method of disbursement is used for those who have no or limited access to banking services. The money is sent to the Czech Post branch location and the beneficiaries can collect their cash from there. In some cases, a small fee may be deducted from the benefit. This is used to encourage beneficiaries to set up bank accounts to receive their full benefit easily and securely.

2_2_4_2_5
INTEGRATION WITH PAYMENTS SYSTEMS

Based on the information gathered above (ref. disbursement process) social assistance benefits are to some extent integrated with payment systems in that social payments are made using bank transfers. However, there is no information that illustrates the extent of the integration.

2_2_4_2_6
DIGITAL PAYMENT SOLUTIONS

No information available from a reliable source.

2_2_4_3
Healthcare Sector

2_2_4_3_1
OVERVIEW OF THE HEALTHCARE SYSTEM

The Czech Republic operates a Social Health Insurance (SHI) system with a strong regulatory role for the Ministry of Health. Seven quasi-public health insurance funds act as purchasers of care and negotiate annually with health providers to set prices and volumes. The population enjoys a broad benefit package and has access to many hospitals, most of which are owned either by the state (27%) or the regions and municipalities (45%). Health insurance funds may offer additional services to their insured in the area of prevention (e.g., vitamins, voluntary immunizations). The largest health insurance fund (referred to as VZP) insured just over half of Czechs in 2017.[150]

The Czech Republic's SHI system is regulated by the government. Seven semi-public health insurance funds act as purchasers of care, and the largest fund covers 56% of the population.

The compulsory SHI system provides a broad benefits package and virtually universal population coverage. All permanent residents and third-country national employees of Czech companies are entitled

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to SHI coverage. Apart from the economically inactive population, whose health insurance contributions are paid directly by the state, all other residents are obliged to make monthly advance payments. Competition between funds is limited, but they can offer supplementary benefits to their members, such as non-SHI-covered immunizations.[151]

According to a report by the European Observatory on Health Systems and Policies, a Partnership hosted by the World Health Organization, in 2021,[152] the Czech Republic spent EUR 2,994 per capita on health (adjusted for differences in purchasing power) – about a quarter less than the EU average of EUR 4,029. Health spending accounted for 9.5 % of Gross Domestic Product (GDP), a higher share than in pre-pandemic years but still below the EU average of 11.0 %. Most health spending in the Czech Republic (86 %) came from public funds – the highest share in the EU and more than 5% above the EU average.

According to EUROSTAT,[153] the healthcare expenditure per capita (2,151.86), is significantly lower when compared to the EU average of 3,562.06.

2_2_4_3_2
PUBLIC AND PRIVATE PROVIDERS

The Czech Republic has a mixed healthcare system with both public and private providers.[154]

Public healthcare offers universal essential healthcare coverage for all citizens and qualifying residents.

It is primarily funded through mandatory employee and employer contributions deducted from salaries. Public healthcare aims to cover a wide range of health-related services such as primary care, specialist consultations, hospitalization, and prescription medications, etc. Public healthcare is provided by state-owned or state-managed hospitals, polyclinics, outpatient clinics and individual doctors contracted with public health insurance companies.

Private healthcare in the Czech Republic exists in addition to public healthcare, offering contributors additional choices and potentially faster access to certain medical services. Contributors pay out-of-pocket for private medical services or utilize their chosen private health insurance plan. Private providers may, in addition to essential healthcare, offer specialized medical services such as cosmetic procedures or other services that are not available within the public healthcare system.

2_2_4_3_3
MINISTRY OF HEALTH

The Ministry of Health is a central authority of the state administration for the healthcare, public health protection, health research activities, directly controlled health facilities, handling with drugs, preparations, and other agents, search, protection and use of natural health resources, natural spas and mineral water resources, medicaments and technical equipment for prevention, diagnostics and treatment of people, health insurance and health information system. The Czech Spa Inspectorate is also part of the Ministry of Health.. The Inspectorate of Narcotic Drugs and Psychotropic Substances is also part of the organizational wing of the Ministry of Health.[155]

The Ministry of Health of the Czech Republic (*Ministerstvo zdravotnictví České republiky*) plays a central role in shaping and overseeing the country's healthcare system. Moreover, it is the key regulato-

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ry body in charge of setting healthcare policy and supervising the system.[156] Outpatient care providers are mainly privately owned, while many inpatient providers are owned by the state (including most teaching hospitals and specialized centers), the regions and the municipalities. Primary care doctors do not have a gatekeeping role in the Czech Republic.

Some of the Ministry's key functions include:

- Policy and Regulation: health-policy development, legislation, healthcare insurance, and drug and medical device oversight.
- Disease Prevention and Epidemic Control.
- Healthcare system management comprising health statistics and monitoring, funding allocation, provider oversight and health research.

2_2_4_3_4
PUBLIC FUNDING – FUNDING SOURCES

The main source of health funding comes from SHI contributions, consisting of wage-based contributions from individuals and employers, income-related contributions from self-employed people and transferred state contributions on behalf of economically inactive people. State contributions for the economically inactive increased substantially in 2020 and accounted for over a quarter of total SHI revenues. General tax revenue is also responsible for additional public expenditure in the healthcare sector, such as state or regional investment subsidies to providers.[157]

All SHI contributions are managed by Health Insurance Funds, including state budget transfers on behalf of the economically inactive. SHI revenues are fully subject to redistribution among HIFs according to a risk-adjustment scheme. The reallocation process among HIFs is calculated by the Ministry of Health through a special central account of the General Health Insurance Fund (VZP), which serves as a clearing center. The reallocation process takes place monthly and is conducted one month after the respective collection of premiums.[158]

The employee and employer pay a combined 13.5% of the gross income of the employee. The employee pays 4.5% and the employer 9%. The combined contribution is paid to the fund of the employee by his/her employer. Self-employed people pay 13.5 % of 50% of their profit. The minimum contribution is 2,393 CZK per month. People without a taxable income (e.g., stay-at-home mothers) pay their contributions themselves. The monthly contribution is 2,052 CZK.[159]

2_2_4_4
Implementation of Electronic Health Records (EHR) and Integration with Payment Systems

There seems to be conflicting information about the existence of an EHR system in the Czech Republic. One source[160] states that there is an EHR system in the Czech Republic called IZIP (Individual Health Information System), which is a voluntary and private online health record that stores health information about a patient, such as diagnoses, treatments, medications, test results, etc. IZIP can be accessed and updated by the patient and authorized health professionals and can be shared across different health settings. IZIP does not inte-

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grate with the payment system of the VZP (General Health Insurance Company), which is the main payer of health services in the Czech Republic. The VZP payment system is based on a fee-for-service model, where health providers submit claims to the VZP for the services provided, and the VZP reimburses the health providers or the patients according to the agreed tariffs.

Another source[161] (dated 2024) writes that the Czech health sector is still operating without a centralized electronic health records system, which is a serious drawback. Novinky says that, while in Estonia the system was digitized in 2008, patients in the Czech Republic are still given paper documents to deliver to their specialist or general practitioner, which is both unreliable and costly. Ondřej Jakob, spokesperson for the Czech Health Ministry, said Czech health data should be digitized by June 2026 at the latest, within a National Recovery Plan, which is funded by the European Union.

Another source yet states that the Czech Republic is in the process of digitalization of the healthcare system. Digitalization is one of the key specific objectives of the Strategic Framework for the development of healthcare by 2030 (Health 2030).[162] The same source indicates that some health data is digitalized.

Electronic information systems are used by healthcare providers at all levels. However, most medical records are also paper-based due to a legal barrier to e-signature of health documentation. Hospitals have different software for processing, storing and archiving health data, produced by at least five suppliers. Several hospitals were updating their information systems in 2022. There is no central data repository; an infrastructure for exchange of health data is currently being built. Currently, patients' health data is generally not shared electronically between healthcare providers. No centralized electronic health record (EHR) exists. A concept of a national EHR is under examination.

The DESI report[163] states that the healthcare system in the Czech Republic is undergoing digital transformation following the adoption of a dedicated law in 2021. The number of medical facilities with electronic medical records is gradually increasing and the Ministry of Healthcare is involved in the EU-funded X-eHealth project that aims to develop a common standard for health data to enable cross-border interoperability. The Czech Republic has played a role in this project, primarily focused on harmonizing health data exchange standards.

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2_3 France

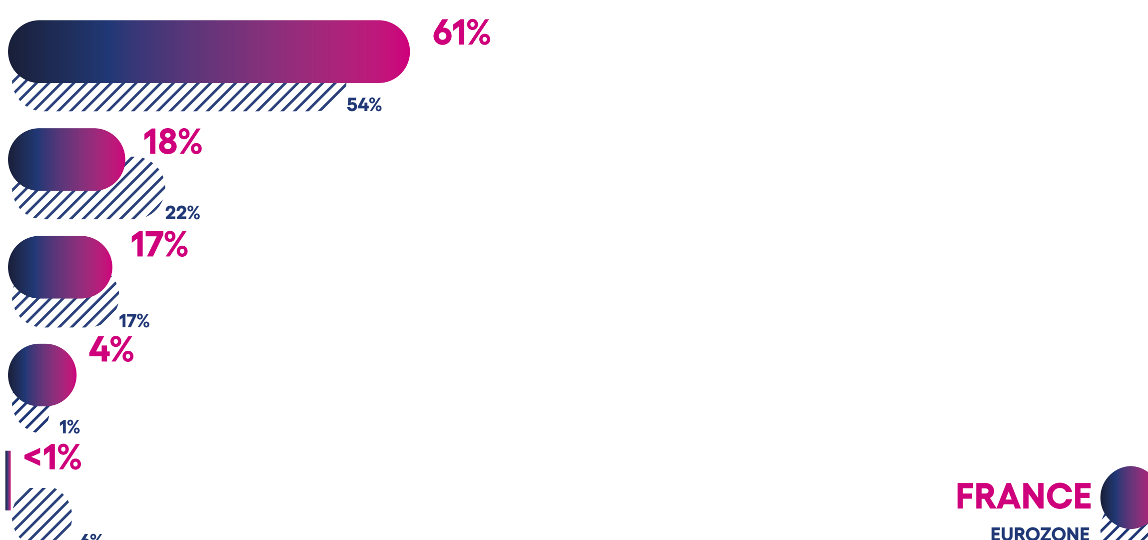
2_3_1

Digital Payments: status

The digital payments realm in France is well-developed and the market, according to Payments Europe, is happy with the current payment solutions available.[164] According to research, the total transaction value in the digital payments market in France is projected to reach US$247 billion in 2024.[165]

According to the European Central Bank (ECB),[166] the distribution of cashless payments in France in 2022 is as follows:

FIGURE
DISTRIBUTION OF CASHLESS PAYMENTS IN FRANCE (2022)



From the above, cards dominate the market in France,[167] accounting for over 60% of cashless transactions at a point of sale (POS) or online.

According to a bulletin released by Banque de France, in 2022, France was number one in Europe for cashless payment use in terms of transaction volumes, with cards playing a predominant role (accounting for six out of 10 cashless payments).[168]

The bulletin goes on to state that, in 2022, there was an increase of 137% in the number of card pay-

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ments by mobile phone compared to 2021. Moreover, there was an 85% increase in the number of instant credit transfers compared to 2021.

Other digital payment trends in France include BNPL services, such as Klarna and Oney, which offer interest-free installment plans for online purchases. Despite the wide variety of digital payment options, cash is still the number-one payment instrument and accounted for 50% of POS transactions in France in 2022 and 59% in the Euro area.[169]

There are two main payment systems available in France for interbank transactions, one for large-value payments and one for retail payments:[170]

- The large-value payment system is the Real-Time Gross Settlement Trans-European Automated Real-time Gross Settlement Express Transfer System (RTGS TARGET2)-Banque de France, which is part of the Eurosystem's TARGET2 system and handles high-priority and urgent payments in Euros.
- The retail payment system is the CORE (COmpensation REtail) system, which is operated by Systèmes Technologiques d'Echange et de Traitement and processes low-value and bulk payments in Euros, such as card payments, direct debits, credit transfers, and checks.

In addition to these systems, other payment instruments and platforms are popular in France, such as:[171]

- **Cartes Bancaires**, a co-branded card scheme with Visa and Mastercard, which is the most common card brand in France.
- **Paylib**, a digital wallet that allows users to make online and contactless payments using their cards supported by the Carte Bancaire system.
- **Lydia and Paylib**, mobile payment apps that enable users to send and receive money via their smartphones.
- **Klarna and Oney**, buy now, pay later services that offer interest-free installment plans for online purchases.
- **SEPA Instant Credit Transfer** (SCT Inst), an instant payment scheme that allows real-time fund transfers within 10 seconds across the Single Euro Payments Area (SEPA) zone.

The 2022 edition of the Digital Economy and Society Index (DESI) report indicated that France has over-performed in the past years due to a sustained effort in support of digitalization[172]. The digital transformation of the French economy and society is being supported by the Plan de Relance (Recovery plan), benefitting from a Recovery and Resilience Facility contribution of around EUR 40 billion, and France 2030, a strategic plan to strengthen technological sovereignty, ensure the greening of the economy and boost innovation. Initiatives are ongoing in several areas. According to the report, France ranks 12th of the 27 European Union (EU) Member States in the 2022 edition of DESI. With a score of 53.3 out of 100, slightly above the EU average of 52.3.

To overcome challenges and further promote digital payments, the French government and the financial sector have taken several initiatives, such as:[173]

- Supporting the adoption and innovation of fintech solutions, such as digital Euro.
- Regulation of payment instruments.

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2_3_2

Payments and Financial Inclusion

According to the Global Findex 2021 database, France has a high level of payment and financial inclusion compared to other countries globally.[174] About 99% of adults in France have an account at a bank or other financial institution, or with a mobile money provider, which is above the average of 76% internationally and 71% for developing economies. In France, the percentage of women holding an account is high, at 100%, which is 12% higher than the Europe and Central Asia average (88%) and 26% higher than the worldwide average of 74%.

In France, 98%[175] of people over the age of 15 made or received digital payments in 2021, which is above the Europe and Central Asia average (87%).[176]

Financial inclusion continues to be a hot topic for discussion in many countries. Below are some of the challenges facing France:

- Persisting underbanked population: Around 1% of adults remain unbanked, mainly low-income individuals, immigrants, and the unemployed.[177] If we consider individuals in vulnerable groups, the percentage increases to 2%.
- Trend towards cash usage[178] due to security fears related to online or electronic payments.[179]
- Digital divide: unequal access to technology and digital literacy skills hinder full participation in digital financial services.[180]

The French government has launched several initiatives to drive financial inclusion, such as:

- Initiatives to promote financial inclusion by rolling out a complete service offering for the financially vulnerable via its nationwide branch network.[181]
- Promoting digital inclusion: expanding internet and offering training. Expanding iSafer Internet along with education specialist Tralalere, which runs *Internet sans crainte* providing resources and training on digital literacy and safety to children, their families, and their teachers.[182]

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FOCUS

Pandemic effect

people and businesses have shifted to online and contactless transactions to reduce the risk of infection

The COVID-19 pandemic has also affected the payment and financial inclusion landscape in France, as well as in other countries. The pandemic has increased the demand for and supply of digital financial services, as people and businesses shifted to online and contactless transactions to reduce the risk of infection and comply with the lockdown measures. According to a report by Banque de France, the use of cash as a payment method declined from 68% in 2019 to 59% in 2020, while the use of cards increased from 28% to 38%, and the use of mobile phones increased from 2% to 3%. The report also found that 79% of respondents used e-banking services in 2020, up from 74% in 2019.The French government and the financial sector have also taken several initiatives to promote payment and financial inclusion, especially in response to the pandemic. These initiatives can be found here: *https://jfin-swufe.springeropen.com/articles/10.1186/s40854-023-00522-1*

use of cash from 68% down to 59%

2_3_3

Government Payments

According to the 2022 edition of the DESI report,[183] France ranked 15th of the 27 EU Member States, with a score of 67.4 out of 100, above the EU average of 67.3 for digital public services.

The DESI report further stated that France is among the best performers in terms of e-government users, with 87% of internet users using online public services, against the EU average of 65%. France is also particularly well placed in the area of open data, with a score 17% higher than the EU average. Its performance is slightly below the EU average in digital public services for citizens and for businesses (respectively 6% and 2% below the EU average).

To overcome challenges and further promote digital payments in government services, the French government and the financial sector have implemented several initiatives, such as:

- The implementation of the national strategy for the digitalization of public administration (tech.gouv – launched in 2019):[184] in 2022, 88% of the most common procedures were digitalized. In addition, to accelerate the dematerialization and processing of routine administrative procedures, representing 80% of administrative procedures, the French Government has developed and deployed an open-source dematerialization platform called *démarches-simplifiées* (simplified steps).
- France Connect:[185] a digital identity federator launched in 2016, relying on pre-existing accounts widely used by French citizens, such as health insurance and tax administration accounts, among others. Six years later, in 2022, 35 million people used it on a regular basis and around 1 000 public and private online services (mostly banking and insurance services for the private sector) are connected.

According to web search results,[186] e-invoicing has been mandatory since 2017. Chorus Pro[187] is the electronic invoicing portal in France. It emerged due to the EU's decision to push business digitization and promote transparency, efficiency, and agility in commercial transactions. Chorus Pro is a centralized portal for submitting electronic invoices to France's public administration. It facilitates the exchange of electronic invoices between businesses and public organizations to simplify and expedite administrative processes.

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France's Pension, Social Assistance and Welfare Sectors

2_3_4_1

Pension Sector

2_3_4_1_1

OVERVIEW OF THE PENSION SYSTEM

The general retirement age depends on the year you were born.[188] For example, for people born in 1955 or later, the minimum legal retirement age is 62 for both men and women. However, some people born in 1955 or later, must be at least 67 to be entitled to a full pension. Each person must contribute a minimum of 43 years to receive the full pension benefit.

The 2023 reform increases the minimum legal age by three months for each generation starting in 1961 (born in September or later). For people born in 1968 and later, the legal age is 64. The minimum contributory period is set to gradually increase from 165 quarters for people born in 1954 to 172 (43 years) for people born in 1965 or later. The French pension system has three pillars: the state pension, compulsory supplementary pension, and voluntary private pensions.[189]

2_3_4_1_2

TYPE OF PENSION PLANS

As mentioned, the French pension system has three pillars: the state pension, compulsory supplementary pension, and voluntary private pensions.[190] Workers who want to boost their pension savings can contribute to all three pillars.

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	PILLAR 1 "RÉGIME DE BASE"	PILLAR 2 "RÉGIME COMPLÉMENTAIRE"	PILLAR 3 "RÉGIME VOLONTAIRE"
Participation	Mandatory	Mandatory	Voluntary
Contribution Percentage	— Employee Contribution: The employee contribution rate for the general scheme can vary slightly depending on salary level but typically falls within a range of 8.15% to 12.8% of gross salary.[191] — Employer Contribution: Employers contribute a significantly larger share, typically around 28.70% of the employee's gross monthly salary.[192] — This might also include an additional variable rate for occupational accidents depending on the specific job type.	Contributions are calculated on a salary bracket system with a fixed contracted contribution rate multiplied by an adjustment factor. The overall contribution rate (shared between employers and employees) can vary but is typically around 16-17% of gross salary.[193]	— The Collective Retirement Savings Plan (PERCO) offers a locked-in savings account, allowing employers to make generous company-matching contributions of up to €5,149 in 2007 on voluntary employee contributions. This is twice as much as the upper limit for PEE standard savings plans.[194] — Contributions to a DC plan (standard and/or PERCO) and company-matching contributions to PERCOs are tax deductible, provided the aggregate contribution does not exceed 8% of the annual gross salary, and is limited to eight times the social security ceiling (€32,184 for 2007).[195]
Principles	Compulsory for all workers and based on the number of quarters they have contributed to the system.	Compulsory for all workers and based on a points system that varies depending on their occupation and salary.	Optional for workers who want to save more for their retirement and benefit from state incentives.
Provider	State	The Agirc and Arrco schemes that were merged on January 1st, 2019.[196]	Privately owned pension companies
Managerial Body	— The public pension system in France is overseen by the French Social Security System (*Sécurité Sociale*), a vast network of institutions under the Ministry of Solidarity, Health and Prevention.[197] — Administration: Within the Social Security system, the main body responsible for managing public pension funds is the National Old Age Insurance Fund (*Caisse Nationale d'Assurance Vieillesse* - CNAV). It collects contributions, manages the funds, and distributes pensions to eligible retirees.[198] — The public pension scheme for civil servants is managed by the *Service des Retraites de l'Etat*, while the complementary pension scheme is managed by the *Régime Additionnel de la Fonction Publique*.[199]		Privately owned pension companies

Other	The CNAV will typically disburse a monthly pension benefit through direct deposit into a designated bank account. This is the most common method. In some cases, the recipient might be able to choose to receive their pension by check or cash pickup at a designated location, but this is less common.[200]		— Types of Private Pension Plans:[201]:
			  — Individual Retirement Savings Plans (*Plan d'Epargne Retraite* - PER): These plans allow individuals to save for retirement with tax benefits.
			  — Enterprise Pension Plans, PERCO): These are employer-sponsored plans where both employers and employees can contribute.
			— Employees who contribute are entitled to a tax-deductible up to a limit of 10% of their income.[202]

2_3_4_1_3
FUNDING SOURCES

The public pension funds are mainly funded by employee and employer contributions, which are deducted from gross salary and transferred to the public pension institutions. The contribution rates and ceilings depend on the sector and occupation of the workers. Some public pension funds may also receive fiscal transfers or other sources of income from the government, such as surpluses from social security funds, privatization revenues, mobile phone licenses, or stock market transaction tax.[203]

The PER is funded by voluntary contributions from the individual savers, who can deduct them from their taxable income and benefit from tax advantages. The contributions are invested in different options and guarantees offered by the private pension companies, such as banks, insurance companies, or mutual funds.[204]

2_3_4_1_4
DISBURSEMENT PROCESS

Pension payouts and disbursements are usually made by electronic transfer from the pension fund's bank account to the retiree's bank account, or by check sent to the retiree's home address. The retiree can choose the frequency of the payment, either monthly, quarterly, or annually.[205]

Some of the common payment methods are:

- **Bank transfer**: This is the most widely used method for paying pensions in France, as it is fast, secure, and convenient. Most pension providers, such as the CNAV (and the AGIRC-ARRCO (Compulsory Supplementary Pension Scheme) use bank transfers to pay pensions directly into the retiree's bank account, either in France or abroad.
- **Check**: This is a less common method, as it is slower and less secure than bank transfers. However, some pension providers, such as the National Pension Fund for Local Government Employees, may still use checks to pay pensions, especially for retirees who do not have a bank account or who live in countries where bank transfers are not possible.

Information on the exact percentage or proportions of payment mechanisms used to disburse pension funds is not readily available.

2_3_4_2
Social Assistance Sector

2_3_4_2_1
OVERVIEW OF THE SOCIAL ASSISTANCE PROGRAM

The social assistance system in France consists of minimum income schemes, housing allowances and other types of social assistance to people who face social difficulties, such as disability, dependency, domestic violence, or social exclusion.[206]

In France, social assistance programs are administered and managed by a complex network of institutions, with the national government playing a central role and local authorities having significant responsibilities. Here is a breakdown of the key players:

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NATIONAL LEVEL:

- **Ministry of Solidarity, Health and Prevention** (*Ministère des Solidarités, de la Santé et de la Prévention*): This ministry oversees the overall social-welfare policy framework in France and sets national guidelines for social assistance programs.[207]
- **National Solidarity Fund for Autonomy** (*Fonds National de la Solidarité pour l'Autonomie*): This national fund provides financial support for dependent elderly individuals and people with disabilities who require assistance with daily living activities.[208]
- **National Family Allowance Fund** (*Caisse Nationale des Allocations Familiales*): This national agency manages family allowances and other social benefits targeted at families with children.[209]

LOCAL LEVEL:

- **Départements** (Departments).[210] These are administrative divisions within France responsible for managing a wide range of social assistance programs, including minimum income support and social housing programs.
- **Communes** (Municipalities):[211] local municipalities can also play a role in social assistance by offering local programs or collaborating with the departments on specific initiatives.

2_3_4_2_2 TYPES OF SOCIAL ASSISTANCE AND TARGET RECIPIENTS

The main types of social assistance are active solidarity income, disability allowance[212], family allowance,[213] housing allowance, and the solidarity fund for housing. Below a brief description of each is provided.

- **Revenu de Solidarité Active:**[214] this minimum income scheme aims to ensure a decent living standard and encourage social and professional integration. Active solidarity income is a means-tested cash benefit for people who have no income or whose income is below a certain threshold.
- **Allocation aux Adultes Handicapés:**[215] the disability allowance is a non-means-tested cash benefit for people with a permanent disability and reduced work capacity.
- **Allocation de Solidarité aux Personnes Agées:**[216] this is a benefit for elderly people who have low pensions.
- **Allocation de Solidarité Spécifique:**[217] this is a benefit for unemployed people who have exhausted their unemployment insurance rights.
- **Allocations familiales:**[218] is a non-means-tested cash benefit paid to people with at least two children under the age of 20, regardless of their employment status. The amount of the benefit depends on the income, the number of children, and their age.
- **Allocations Logement:**[219] a means-tested benefit for people who live in rented or owned accommodation and have a low income. There are different types of allocation lodgments, depending on the personal situation of the beneficiary, such as:
  - **Aide personnalisée au logement**: this is for people who live in social housing or who have a reasonable-rent lease with their landlord.
  - **Allocation de logement familiale**: this is for

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people who have at least one dependent child or who receive certain family benefits.

— **Allocation de logement sociale**: this is for people who do not qualify for APL or ALF, but who still have a low income and a high rent.

The amount of the allocation lodgement depends on various factors, such as income, rent, location, and the size of the household.

- **The solidarity fund for housing**:[220] is a means-tested financial aid scheme that helps people who have difficulties paying expenses related to their housing, such as rent, bills, or a security deposit.

2_3_4_2_3 FUNDING SOURCES

Social Security contributions are paid by both employers and employees, based on gross salary or other income. The employer pays various rates for different branches of Social Security, such as pensions, health, family, unemployment, and accidents at work. The employee pays 9.7% for pensions, 0.75% for health, and 6.7% for unemployment. The contribution base is capped at varying levels depending on the branch of Social Security. On average, the employer's share of contributions represents 45% of the gross. For example, for the main pension scheme for private sector workers, the employer's contribution rate is 10.45% of the gross salary.[221]

The main funding source for social assistance programs is the national solidarity fund for autonomy, [222] which covers the costs of the active solidarity income, the disability allowance, the family allowance, the housing allowance, and the solidarity fund for housing. The national solidarity fund for autonomy is financed by a special tax on income, a contribution from the general social security scheme, and a transfer from the central government.[223]

The various social assistance providers are funded from a range of sources, such as:

- **Caisse d'Allocations Familiales**,[224] is a branch of the French social security system. The *Caisse d'Allocations Familiales* collects contributions from employers and employees, as well as from the state budget, to finance family benefits.
- **Mutualité Sociale Agricole**,[225] the social security system for the agricultural sector. The *Mutualité Sociale Agricole* gets its funds from various sources, such as:
  - — Contributions from employers and employees in the agricultural sector, based on their income and activity.
  - — Subsidies from the state budget, to cover the deficits and specific expenses of the *Mutualité Sociale Agricole*.
  - — Transfers from other branches of the social security system, such as the general scheme (*régime général*)[226] or the solidarity fund for autonomy.[227]
  - — Other revenues, such as taxes, fees, donations, or investments.
- **The Solidarity Fund for Housing**[228] collect funds from various sources, such as the state budget, the general social contribution, the housing solidarity contribution, and the housing solidarity tax. The departmental councils also decide the eligibility criteria, the amount, and the duration of aid for each beneficiary.

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2_3_4_2_4
DISBURSEMENT PROCESS

To receive social assistance payments in France, claimants need to contact the correct authority. The next step in the process is to provide bank details, proof of identity, and proof of residence. They must also inform their social assistance providers of any changes in their personal or financial situation, such as moving to another country, getting married, or changing bank accounts.[229]

From the information available (referenced above) it would appear that the disbursement process for social assistance programs is usually made monthly, by electronic transfer to the recipient's bank account.

2_3_4_2_5
INTEGRATION WITH PAYMENT SYSTEMS

Based on the information gathered above (ref. disbursement process) social assistance benefits are, to some extent, integrated with payment systems in that social payments are made using bank transfers. However, there is no information that illustrates the extent of the integration.

2_3_4_2_6
DIGITAL PAYMENT SOLUTIONS

No information available from a reliable source

2_3_4_3
Healthcare Sector

2_3_4_3_1
OVERVIEW OF THE HEALTHCARE SYSTEM

France runs a statutory health insurance (SHI) system providing universal coverage for its residents. The system is financed through employee and employer contributions, and, increasingly, by earmarked taxes on a broad range of revenues. The main schemes providing SHI are one specific to the agricultural sector and another more general scheme, with the same coverage and benefit policies. Funds are pooled at national level with the possibility of subsidies between schemes. Voluntary, complementary private health insurance (VHI) also plays a major role. Almost 95% of the population has VHI, with means-tested subsidies for 10.5% of the population and 8% of lower-income individuals fully subsidized.[230]

According to a report by the European Observatory on Health Systems and Policies, a Partnership hosted by the World Health Organization (WHO),[231] France spends a high proportion of its national income on healthcare: in 2020, 12.2% of Gross Domestic Product (GDP) was spent on healthcare, the third highest in Europe after Germany (12.8%) and Armenia (12.2%). Measured in terms of health spending per capita, France's position has fallen to ninth in the European region. However, with a spending of US$5,740 per capita (PPP) in 2020, it is well above the EU average of US$4,224.

According to EUROSTAT,[232] expenditure on healthcare represents around 12.30% of GDP, placing France among the top spenders within the EU.

Healthcare expenditure per capita (4,542.27), is significantly higher when compared to the EU average of 3,562.06.

The leadership of health policy and regulation of the healthcare system is divided among the State (parliament, government, and the Ministry of Health), SHI and, to a lesser extent, local authorities. Reforms in the past decade have attempted to devolve a greater remit in governance and health policy decision-making, around planning, to the regional level. Cutting across the traditional boundaries of healthcare, public health and social-care sectors, regional health agencies have responsibility for ensuring that healthcare provision meets the needs of the population. Responsibility for planning health system resources and capacity is shared by the Ministry of Health and the regional health agencies.[233]

2_3_4_3_2
PUBLIC AND PRIVATE PROVIDERS

There are both public and private healthcare providers in France. The French healthcare system is based on a universal and compulsory health insurance scheme that covers most of the population. However, some people may choose to supplement their public coverage with private insurance or pay for private services out-of-pocket.[234]

Most providers are paid either by the SHI or directly by patients who are later reimbursed. The statutory tariffs are set through negotiations between providers and the SHI and are approved by the Ministry of Health. Quality of care is regulated at national level.[235]

Public healthcare in France is provided by a network of hospitals, clinics, and health centers that are mostly owned and operated by the state or by non-profit organizations[236]. Public healthcare providers offer a range of services, such as primary care, specialist care, emergency care, maternity care, and long-term care. Public healthcare is funded by social security contributions, taxes, and subsidies from the state budget.

Private healthcare in France is provided by a network of hospitals, clinics, and health centers that are mostly owned and operated by for-profit organizations.[237] Private healthcare providers offer similar services as public providers, but they may have more advanced equipment, shorter waiting times, or more comfortable facilities. Private healthcare is funded by private insurance, out-of-pocket payments, or a combination of both.

2_3_4_3_3
MINISTRY OF HEALTH

The Ministry of Health is the government body that is responsible for overseeing and regulating the healthcare system in France.[238] Some of the main functions of the Ministry of Health are:[239]

- Setting the national health policy and strategy and defining the priorities and objectives for the health sector.
- Allocating and managing the public health budget and ensuring the financial sustainability and efficiency of the health system.
- Developing and implementing the legal and regulatory framework for the health sector and ensuring the compliance and accountability of the health providers and stakeholders.
- Monitoring and evaluating the performance and quality of the health system and ensuring the availability and accessibility of health services and resources.

- Promoting and protecting public health and preventing and responding to health emergencies and outbreaks.
- Supporting and coordinating health research and innovation and fostering collaboration and integration of the health sector with other sectors.

2_3_4_3_4 PUBLIC FUNDING - FUNDING SOURCES

Public and private healthcare in France is funded by a blend of sources, such as:[240]

- Social security contributions paid by employers and employees, which account for about 50% of total health spending.
- General social contribution), which is an earmarked tax on all sources of income, such as wages, pensions, and capital, which accounts for about 35% of the total health spending.
- Taxes on tobacco, alcohol, and pharmaceutical products, which account for about 5% of total health spending.
- Private insurance premiums, which account for about 13% of total health spending.
- Out-of-pocket payments, which account for about 7% of total health spending.

2_3_4_3_5 IMPLEMENTATION OF ELECTRONIC HEALTH RECORDS (EHR) AND INTEGRATION WITH PAYMENT SYSTEMS

The EHR system in France is called *Dossier Médical Partagé*,[241] which is a personal and secure online health record that stores the health information of a patient, such as allergies, medications, test results, hospitalizations, etc. The *Dossier Médical Partagé* can be accessed and updated by the patient and authorized health professionals and can be shared across different health settings.[242]

Assurance Maladie (Health Insurance),[243] is the main funder of health services in France. The reimbursement or payment system/structure of the *Assurance Maladie* is based on a fee-for-service model, where health providers submit claims to the *Assurance Maladie* for the services provided, and the *Assurance Maladie* reimburses the health providers or the patients according to the agreed tariffs.

Assurance Maladie pays both public and private providers for the healthcare services they deliver to the insured population. However, the payment methods and rates may vary depending on the type and level of care, the contractual status of the provider, and the patient's choice of provider.

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224 https://www.cleiss.fr/docs/regimes/regime_france/an_4.html
225 https://statistiques.msa.fr/sw_course_tag/financement-agricole/#:~:text=Les%20prestations%20sociales%20(légales%20et,pour%20le%20régime%20des%20salariés).
226 The régime général is the main social security system in France, which covers 88% of the population. It has provided health, family, retirement, and disability benefits to salaried workers in the private sector, as well as to self-employed workers since 2018. It is composed of five branches, each managed by a specialized agency under the supervision of the state.
227 The solidarity fund for autonomy (CNSA) is a French social security agency that provides financial support and funding for services and benefits for people who experience a loss of autonomy due to old age or disability. It also offers technical support and expertise to its partners in the regions and departments, and ensures equality of treatment across the French territory. The CNSA was created in 2004 following the heat wave that occurred in 2003 in France, and it has a tripartite mission in the field of long-term care. Since 2020, the CNSA has had a new role managing the fifth branch of social security, dedicated to the promotion of autonomy.
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2_4 Greece

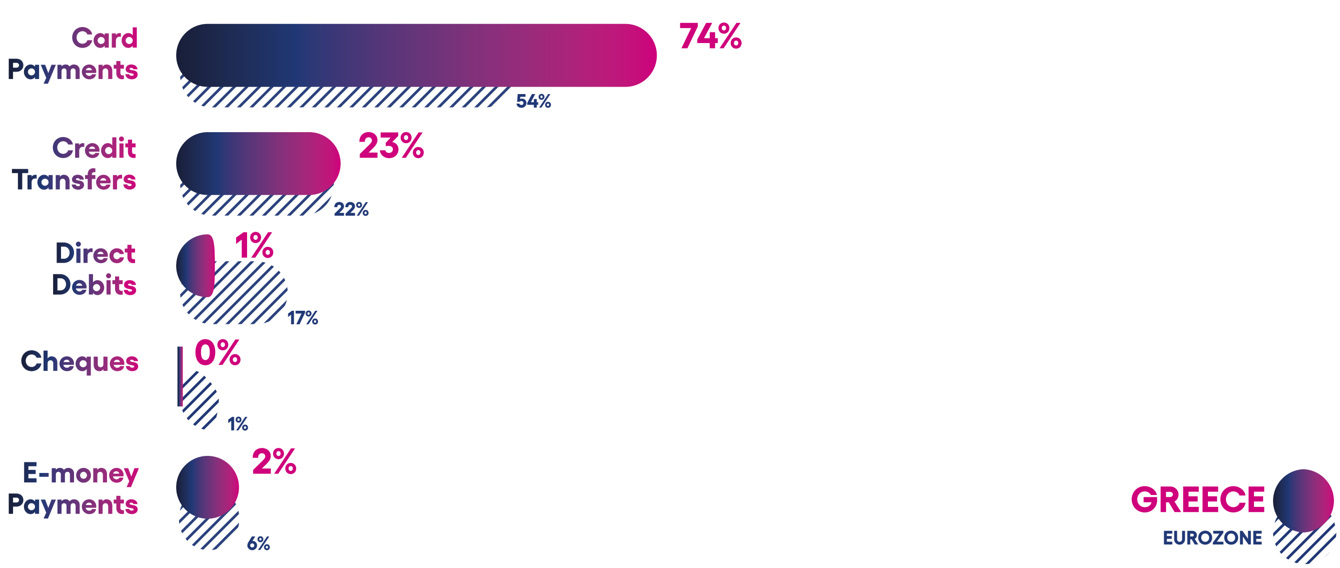
2_4_1

Digital Payments: status

According to one source, the total transaction value in the digital payments market in Greece is projected to reach US$12.01 billion in 2024.[244] This includes payments made through digital wallets, mobile payment apps, online banking, and other digital platforms. The digital payments market is expected to grow at an annual rate of 5.04% from 2024 to 2028, reaching US$14.62 billion by 2028.[245]

According to the European Central Bank (ECB),[246] the distribution of cashless payments in Greece in 2022 is as follows:

DISTRIBUTION OF CASHLESS PAYMENTS IN GREECE (2022)



Digital payments in Greece are growing rapidly, but still lagging behind the European Union (EU) average.[247] The use of cards and other electronic payments increased significantly according to European Payments Council (EPC) data. However, the Greek population is still heavily reliant on cash. Greece is

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one of the top 20 countries that are most reliant on cash. Data shows that over 50% of payments were cash-based in 2022.[248] Moreover, in 2019, the share of consumers using cash transactions at point of sale (POS) stood at 83%, declining to 73% in 2023. Moreover, during the same period, cash on delivery for online transactions fell by 5%.[249]

According to the 2022 edition of the Digital Economy and Society Index (DESI) Report, Greece ranks 25th of the 27 EU Member States. With a score of 38.9 out of 100, well below the EU average of 52.3.

Various domestic payment systems are used in Greece,[250] such as:

- DIAS: a private, multilateral retail payment netting system that processes credit transfers, direct debits, card payments, and checks. It is operated by Interbanking Systems S.A. (DIAS S.A.), a company owned by Greek banks.
- HERMES: the Greek component of the Trans-European Automated Real-time Gross Settlement Express Transfer System (TARGET2) system, which settles payments in Euros across the EU. It is operated by the Bank of Greece, the central bank of Greece.
- BOGS: the securities settlement system for the Greek market, which settles transactions in dematerialized securities, such as government bonds, corporate bonds, and equities. It is operated by the Bank of Greece, in cooperation with the Athens Exchange Group.
- TIPER: the interbank payment system for the clearing and settlement of retail payments in Euros, such as pensions, salaries, and social benefits. It is operated by the Bank of Greece, in cooperation with the Hellenic Post.
- IRIS: the Greek component of the TARGET2 system, which settles payments in Euros across the EU. Using IRIS, consumers can quickly and safely transfer funds to peers and professionals simply using their mobile phone number, as well as pay professionals or online shops through their Value Added Tax number or with Quick Response code scanning respectively.

Greece has faced many financial,[251] political, social, and economic issues over the past few years and is therefore still in the process of catching up with other EU Member States.[252]

There are some barriers hindering the penetration of digital payments in Greece:

- Customer preferences: the Study on the Payment Attitudes of Consumers in the Euro area (SPACE) – 2022[253] shows that most Euro-area citizens (85%) did not receive any regular income in cash. However, Greece was an outlier, in that 11% of people in that country received up to a quarter of their income in cash (roughly twice the Euro-area average of 5%); 8% received half and 9% received more than three-quarters. This indicates a stronger cash dependency in Greece than in other Member States, at least in terms of willingness to accept cash as opposed to other options like direct deposit.

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- Level of Digital Literacy: according to the 2022 edition of the DESI report,[254] Greece ranks 22nd of 27 EU countries, scoring below the EU average. With only 52% of people (aged 16-74) having at least basic digital skills, Greece is very close to the EU average (54%).
- Other:[255] Greece has fallen behind its EU peers in basic efforts to digitize. Greece experiences marked inequality in Internet use among EU countries, as one in four Greek women did not use the Internet in 2019, compared to the rest of Europe, where one in 10 women had not used the Internet. In a country with stubbornly high unemployment, the perceived risk of automation has also led to skepticism among much of the Greek population towards digitization efforts.

According to DESI, the "Digital Transformation Bible" presented by the Ministry of Digital Governance in 2020 became state law on 5 July 2021. It sets out the strategic roadmap for Greece's digital transformation over the next five years. The strategy covers six pillars: (i) connectivity; (ii) digital skills; (iii) digital state; (iv) digital business; (v) digital innovation; and (vi) integration of digital technology in every sector of the economy. Greece went on to publish its Operational Program for e digital transformation (2021- 2027) under the EU cohesion policy in October 2021, which will help it to implement all pillars of the strategy. Greece also participates in a wide spectrum of European initiatives and programs such as the Technical Support Instrument (TSI) and the Research and Innovation funding program Horizon 2020 (e.g., GLASS project) that contribute to the country's digital transformation.

The PYMNTS report[256] also reveals that daily real-time payments volume in Greece is set to increase from 94 million in 2021 to hit 403 million in 2026, growing at a compound annual growth rate (CAGR) of 34% during that period. This growth potential is likely due to the presence of a domestic scheme in addition to the adoption of SEPA Instant Credit Transfer (SCT Inst) by a significant number of banks — 23 of 36 major banks and payment service providers (PSPs) — in Greece, per the latest Register of Scheme Participants from the EPC.

2_4_2

Payments and Financial Inclusion

According to the Global Findex 2021 database, Greece has a relatively high level of payment and financial inclusion compared to other countries in the region.[257] About 95% of adults in Greece have an account at a bank or other financial institution, or with a mobile money provider, which is above the average of 76% globally and 71% for developing economies. In Greece, the percentage of women holding an account is high, at 93%, which is 5% higher than the Europe and Central Asia average (88%), and 19% higher than the worldwide average of 74%.

However, there is still room for improvement, as only 88.1% of people over the age of 15 in Greece made or received digital payments in 2021.[258]

Financial inclusion continues to be a hot topic for discussion in many countries. Below are some of the challenges facing Greece:

- Persisting underbanked population: Around 5% of adults lack a bank account, mainly low-income individuals, immigrants, and the elderly in rural areas.[259] If we consider individuals in vulnerable groups, the percentage increases to 8%.
- Debt overhang:[260] the aftermath of the financial crisis and high debt levels can hinder financial inclusion efforts.
- Digital financial literacy: the Digital Financial Literacy score of adults in Greece is 54 out of 100. Young adults, those on higher incomes, and, particularly, those with higher educational attainment display higher levels of digital financial literacy, with little variation by gender.[261]

Greece's government recognizes the importance of financial inclusion and has implemented several strategies:

- National Strategy for Financial Inclusion (2021-2025):[262] this strategy outlines key areas for improvement, focusing on financial education, access to credit, and digital inclusion.
- Promoting microfinance: supporting microfinance institutions to offer loans to small businesses and entrepreneurs.[263]
- Financial education programs:[264] raising awareness about financial products and services, particularly among vulnerable groups.
- Promoting digital infrastructure: Technical Support Instrument and the Research and Innovation funding program Horizon 2020 (e.g., GLASS project) that contribute to the country's digital transformation.[265]

FOCUS

Pandemic effect

The COVID-19 pandemic has also affected the payment and financial inclusion landscape in Greece, as well as in other countries. The pandemic has increased the demand for and supply of digital financial services, as people and businesses shifted to online and contactless transactions to reduce the risk of infection and comply with lockdown measures. According to a survey by the Bank of Greece, the use of cash as a payment method declined from 88% in 2019 to 71% in 2020, while the use of cards increased from 10% to 25%, and the use of mobile phones increased from 1% to 3%. The survey also found that 44% of respondents used e-banking services in 2020, up from 36% in 2019.

use of cash from **88% down to 71%**

2_4_3

Government Payments

According to the 2022 edition of the DESI report[266] Greece ranked 26th of the 27 EU Member States, with a score of 39.4 out of 100, far below the EU average of 67.3 for digital public services.

According to the DESI report, although the level of progress is not yet entirely reflected in these numbers, Greece has embarked on a comprehensive digitalization of its public services as outlined in the Digital Transformation Bible. The implementation plan consists of over 450 actions and Information Technology projects. Notable examples include setting-up critical e-registers, the universal use of a single sign-on mechanism and the continuous upgrade of the single portal for all digital public services (Gov.gr). The law underpinning the digital transformation stipulates that digital communication and services should be the default for public authorities, which should provide their digital services for both individuals and enterprises on Gov.gr. As a result, Gov.gr currently hosts over 1,370 digital public services. Since its launch, more than seven million users have visited the website. Today, 80% of key “life event” certificates such as for births, marriages, and deaths are issued online. Thanks to the digitalization of public services and the infrastructure improvements, Greece has recorded an exponential increase in the use of digital public services. In 2021, public digital platforms recorded more than 566 million transactions (six times the 2020-level of 94 million). Between 2018 and 2019, digital transactions had already increased from 8.8 million to 34 million.

These initiatives are expected to further enhance the status of digital payments in government services in Greece, and to bring benefits for the public sector, the private sector, and its citizens.

2_4_4

Greece's Pension, Social Assistance and Healthcare Sectors

2_4_4_1
Pension Sector

2_4_4_1_1
OVERVIEW OF THE PENSION SYSTEM

Pensions are provided through a public scheme, where the pension is comprised of a non-earnings-related part (the national pension) and a contributory pension.[267]

According to the European Commission regarding employment[268],to be entitled to claim a pension in Greece you must have reached a minimum age and have accumulated a certain number of insurance days. The right to a pension can be exercised at any time and, until then, insured people are entitled to continue working.

The general retirement age is 67 for both men and women, with a minimum of 15 years of contributions.[269]

The pension amount is based on the average wage, the number of contribution years, and the replacement rate. The pension system consists of a three main pillars, a public scheme, a supplementary scheme, and a voluntary scheme.[270]

Over the past few years, the pension fund system in Greece has undergone several reforms[271]. This is largely due to the economic and fiscal crisis that affected the country. The reforms aimed to reduce public spending, increase revenues, and ensure the sustainability and adequacy of pensions. Some of the measures included raising the pension age, lowering the replacement rate, merging pension funds, excluding certain professions, and introducing a national pension.

2_4_4_1_2
TYPES OF PENSION PLANS

There are three main types of pension-fund plan types available in Greece:[272]

- Public pension fund, known as "IKA":[273] this is a mandatory scheme that provides pensions to Greek retirees based on their contributions and earnings. It consists of a national pension, which is not earnings related, and a contributory pension, which is earnings related.
- Supplementary pension fund: this is also a mandatory scheme for most workers that provides additional benefits based on a defined-benefit or a notional defined-contribution system, depending on the date of entry.

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- Voluntary pension fund: this optional scheme allows workers to save for retirement through occupational or personal pension plans. The voluntary pension fund is regulated by the state but administered by private entities such as banks, insurance companies, or mutual funds.

The public pension fund in Greece is managed by the Unified Social Security Fund (e-EFKA),[274] which is a public entity under the supervision of the Ministry of Labor and Social Affairs.

The e-EFKA is responsible for collecting social security contributions, paying pensions and benefits, and administering the public scheme. The e-EFKA also oversees the supplementary pension fund, which is an independent branch within the e-EFKA.

The private pension fund types in Greece are managed by various private bodies, such as banks, insurance companies, or mutual funds. These entities are regulated by the state but have autonomy in their investment and operational decisions.

2_4_4_1_3
FUNDING SOURCES

The funding sources per pension fund type are:[275, 276]

- Public pension fund: the public pension fund is financed by the state budget and social security contributions.
- Supplementary pension fund: the supplementary pension fund is managed by a public fund and financed by employer and employee contributions.
- Voluntary pension fund: the voluntary pension fund is financed by individual contributions and tax incentives.

Before 2010, it amounted to 6.67% for employees but increased to 8.87% in arduous occupations. The corresponding employer rate was 13.33% or 17.73% for arduous occupations – although the Government is currently phasing in a program for firms to cut these contributions by one-quarter. For the supplementary pension an additional contributions rate must be paid.[277]

2_4_4_1_4
DISBURSEMENT PROCESS

There is no information publicly available that suggests which payment mechanism is used to disburse pension fund payments.

2_4_4_2
Social Assistance Sector

2_4_4_2_1
OVERVIEW OF THE SOCIAL ASSISTANCE PROGRAM

The Church of Greece plays a role, particularly in the welfare sector. Within the scope of its philanthropic work, it owns a significant number of nursing homes, orphanages and hostels and runs a voluntary blood donation program. This network of welfare services does not have any connection with the corresponding structures of the Ministry of Health, nor is any type of supervision or control exercised over it. It is financed exclusively by donations and by income derived from the Church's assets. The Orthodox Church does not have any responsibility or influence on the planning, administration, and regulation of the National Healthcare Service. In some cases, and for some issues, particularly those with bioethical dimensions, the Church takes a public stance and submits proposals. Its Bioethics Committee (appointed in 1998) helps to express the Church's position in these circumstances.[278]

2_4_4_2_2 TYPES OF SOCIAL ASSISTANCE AND TARGET RECIPIENTS[279]

The main types of social assistance are social solidarity income, disability allowance, family allowance, housing allowance, and the social housing program.

- Social solidarity income: a means-tested cash benefit for people who have no income or whose income is below a certain threshold. It provides financial support, access to social services and goods, and integration into the market for households living in extreme poverty.
- Disability allowance: a non-means-tested cash benefit for people who have a permanent disability and reduced work capacity. This is a benefit that provides monthly payments for people with disabilities, based on an assessment of their degree of disability and their income and assets.
- Family allowance/child benefit: a means-tested cash benefit for families with dependent children i.e., children under the age of 18, or under 24 if they are students or have disabilities.
- Housing benefit: a means-tested cash benefit that provides subsidies for rent or mortgage payments for low-income households.
- The social housing program: a means-tested non-cash benefit that provides subsidized rental housing for people who are homeless or at risk of homelessness.

There are other benefits that provide social assistance for specific groups or situations, such as unemployment benefits, maternity benefits, funeral benefits, heating allowances, etc.

2_4_4_2_3 FUNDING SOURCES[280]

Greece's Social Assistance Programs are funded primarily through a combination of sources:

- Government budget: a significant portion comes from the national budget allocated by the Greek government. This allocation reflects the government's commitment to social welfare and poverty reduction.
- Social Security contributions: employed individuals and employers contribute a percentage of their earnings towards social security. A portion of these contributions is directed towards financing social assistance programs.
- European Union funds: the EU provides financial support for social inclusion and poverty alleviation programs in member states, including Greece. These funds can be used to co-finance social assistance programs or specific initiatives within them.

Here is a breakdown of the contributions:

- Government budget: the exact percentage varies but forms a substantial portion.
- Social Security contributions: as of 2023, the insured person contributes 0.4% (cash benefits) and 2.15% (medical benefits) of their monthly covered earnings. Pensioners also contribute 6% of their monthly pension.
- EU funds: the specific amount fluctuates depending on the allocated budget and programs.

Additional notes:

- The specific breakdown of funding sources might differ slightly depending on the individual program.
- Greece might seek additional funding through international organizations or specific grants for targeted initiatives.

2_4_4_2_4 DISBURSEMENT PROCESS[281]

The disbursement process for social assistance programs is usually made monthly by electronic transfer to the recipient's bank account. The recipient must submit a declaration of income and assets every year and report any changes in their situation to the social security fund.

Below are the different types of social assistance payments and a description of who disburses them:

- Social solidarity income: disbursed by the Ministry of Labor and Social Affairs through electronic deposit into a bank account.
- Child benefit: disbursed by the e-EFKA through electronic deposit into a bank account.
- Housing benefit: disbursed by the Ministry of Infrastructure and Transport through electronic deposit into a bank account.
- Disability benefit: disbursed by the e-EFKA through electronic deposit into a bank account.
- Other benefits: there are other benefits that provide social assistance for specific groups or situations, such as unemployment benefits, maternity benefits, funeral benefits, heating allowances, etc. These benefits are disbursed by a range of bodies, such as the e-EFKA, the Manpower Employment Organization, the Ministry of Finance, and the municipalities, through various methods, such as cash, electronic deposit, or vouchers.

Information on the exact percentage or proportions of payment mechanisms used to disburse pension funds is not readily available.

2_4_4_2_5 INTEGRATION WITH PAYMENTS SYSTEMS

Based on the information outlined above (ref. disbursement process), social assistance benefits are to some extent integrated with payment systems in that social payments are made using bank transfers. However, there is no information that illustrates the extent of integration.

2_4_4_2_6 DIGITAL PAYMENT SOLUTIONS

No information available from a reliable source.

2_4_4_3 Healthcare Sector

2_4_4_3_1 OVERVIEW OF THE HEALTHCARE SYSTEM

Greece's centralized health system provides near universal coverage and a unified benefits package.[282] The National Health System (*Εθνικό Σύστημα Υγείας – ΕΣΥ*) is financed through a single health insurer, the National Organization for the Provision of Health Services, along with substantial funding from the government budget. The National

Health System offers a standardized national benefits package covering preventive, primary and secondary care. Since 2011, the National Organization for the Provision of Health Services acts as the single purchaser of publicly funded health services, contracting with both public and private providers.

Since 2014, responsibility for public primary/ambulatory care provision lies with the National Primary Healthcare Networks coordinated by the seven Regional Health Authorities.[283]

According to a report by the European Observatory on Health Systems and Policies, a Partnership hosted by the World Health Organization,[284] the share of public financing for healthcare grew slightly to 62.1 % in 2021, but it ranks lowest among EU Member States and is significantly below the EU average of 81.1 %.

According to EUROSTAT,[285] expenditure on healthcare represents around 9.18% of Gross Domestic Product (GDP), placing Greece below average when compared to the EU. The healthcare expenditure per capita (1,576.75), is significantly lower when compared to the EU average of 3,562.06.

Many actors are responsible for the financing, planning, administration, regulation, and provision of healthcare.[286]

One of the main challenges facing the Greek Healthcare System is providing services to a large number of non-nationals.

Greece is still recovering from an extended period of economic austerity and, at the same time, has been at the forefront of the flow of migrants arriving in Europe over the past five years. Non-nationals' access to the healthcare system is still an issue.[287]

2_4_4_3_2
PUBLIC AND PRIVATE PROVIDERS

There are both public and private healthcare providers in Greece[288]. The public (national) healthcare system provides free or low-cost health services to residents who contribute to the Social Insurance Institute or have a European Health Insurance Card or a Global Health Insurance Card.

The National Health System provides emergency pre-hospital, primary/ambulatory and inpatient healthcare through rural surgeries, local health units, health centers and public hospitals.[289]

The private sector mainly supplies primary care, ambulatory specialist care and diagnostic services. Reform efforts since 2017 have aimed to strengthen community-level primary care, health promotion and preventive services by expanding the network of local health units and health centers.[290]

The private sector plays an important role in the provision of health services, although it does not have any direct involvement in the planning, financing, and regulation of the public system. It is mainly financed through the National Organization for the Provision of Health Services, which contracts with private-sector providers to supply services that meet the healthcare needs of its beneficiaries. It includes general and maternity hospitals, many private diagnostic centers, and specialists either contracted by the National Organization for the Provision of Health Services or paid directly by patients privately through out-of-pocket payments.[291]

According to research,[292] after 2010, the role of voluntary initiatives, non-governmental organizations and informal healthcare networks increased significantly. This was mainly a response to address the needs of the large portion of the population

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that lost insurance coverage and access to public healthcare, primarily through prolonged unemployment or other inability to pay contributions.

2_4_4_3_3 MINISTRY OF HEALTH

The Ministry of Health is responsible for extensive regulation of the entire system. Coverage is nearly universal, with health services available to citizens and legal residents, while undocumented migrants are entitled to access only emergency care.[293]

The Ministry of Health is responsible for ensuring the general objectives and fundamental principles of the public National Health System, such as free and equitable access to quality health services for all citizens. The Ministry makes decisions on health policy issues and the overall planning and implementation of national health strategies. It sets priorities at the national level, defines funding for proposed activities and allocates relevant resources, proposes changes in the legislative framework and undertakes the implementation of laws and reforms. The Ministry is also responsible for healthcare professionals and coordinates the hiring of new healthcare personnel, subject to approval by the Ministerial Cabinet.[294]

Although some of the Ministry's responsibilities have been transferred to Regional Health Authorities, it still plays the dominant role in the regulation, planning and management of the National Health System and the regulation of the private sector. Notably, the National Organization for the Provision of Health Services is also under the jurisdiction of the Ministry of Health, a significant change from the period prior to 2011 when health insurance funds were under the jurisdiction of the Ministry of Labor, Social Insurance and Welfare.[295]

The Ministry, headed by the minister, a deputy minister and three general secretaries, is organized according to three general directorates: the Directorate General for Health Services, the Directorate General for Public Health, and the Directorate General for Primary Healthcare. Various bodies participate in the governance and regulation of the public healthcare system. The Ministry also supervises several organizations and institutions including:[296]

- The National Organization for Public Health, responsible for disease prevention and epidemiological surveillance, as well as for the control of all communicable diseases and HIV/AIDS.
- The National Organization for Medicines, responsible for the evaluation and market authorization of pharmaceuticals.
- The Institute of Medicinal Research and Technology, responsible for the statistical analysis of the pharmaceutical market and the distribution of pharmaceutical products.
- The National Evaluation Center of Quality and Technology in Health, responsible for certification, quality control and research on medical devices.
- The Organization Against Drugs, responsible for the planning, coordination, and implementation of policies to combat drug addiction.
- The Therapy Centre for Dependent Individuals, provides help to people suffering from addiction, including alcohol, gambling, and the Internet.
- The National Blood Donation Centre, the scientific and administrative body for transfusion medicine.
- The National Transplant Organization, respon-

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sible for managing and ensuring the correct utilization of transplants.

- The National School of Public Health, responsible for the postgraduate training of health professionals.
- The Hellenic Centre for Mental Health and Research, responsible for research, prevention, and provision of open mental healthcare.
- The Hellenic Pasteur Institute, responsible for the study of infectious, autoimmune, and neuro-degenerative diseases, the understanding of pathogenesis and the development of new therapeutic strategies.
- The Institute of Child Health, responsible for research, educational and preventive activities relating to children.
- The Greek Diagnostic-related Groups Institute, established in September 2014 to develop and manage a transparent, fair, valid and reliable system for measuring the cost of hospital medical procedures based on international diagnostic–related groups.
- The National Health Operations Center, coordinates the institutions responsible for responding to emergencies and disasters that are hazardous to public health.
- The National Central Procurement Authority for Health, established in May 2017 (law 4472), responsible for national procurement policy in the healthcare sector and the annual supply of products and services to public healthcare organizations.

Several other ministries have responsibilities that are linked in one way or another to the public healthcare system:[297]

- The Ministry of Labor and Social Affairs plays a significant role given that social health insurance (SHI) contributions are not paid by employees and employers directly to the National Organization for the Provision of Health Services but (since 2017) are collected through a single fund, e-EFKA. Since January 2017, e-EFKA has collected all SHI contributions and transfers the portion corresponding to health insurance to the National Organization for the Provision of Health Services.
- The Ministry of National Defense owns and runs 14 military hospitals (with approximately 1900 beds), 10 of which have fewer than 100 beds. These hospitals and their personnel enjoy a special status as they operate outside the public National Health System. However, the military hospitals of Athens and Thessaloniki have also provided services to civilians since 2011 and participate in the emergency rotation system.
- The Ministry of Education and Religious Affairs is responsible for undergraduate training of healthcare professionals and for awarding academic degrees such as masters and post-doctorates. In association with the Ministry of Health, it defines the occupational qualifications of health professionals. The Ministry also owns two small teaching hospitals, which operate outside the public National Health System under the authority of the National Kapodistrian University of Athens.
- The Ministry of Finance prepares and controls the national budget and consequently decides on the amount of money allocated to the healthcare system.

Regional and local authorities have played a secondary role to implement health policies at regional level. Their role has been limited to the provision of poverty health booklets (giving entitlement to services for the poor and needy); the running of public infant and child centers and day-care centers for the aging population; and the implementation of certain welfare programs such as Help at Home. Since 2013, they have also run social-welfare centers. Some large municipalities also run healthcare centers, particularly in the wider area of Attica, providing services mainly to the poor and the uninsured population.[298]

2_4_4_3_4 PUBLIC FUNDING - FUNDING SOURCES

The National Health System is financed by the state budget via direct and indirect tax revenues and social insurance contributions.[299]

The private sector includes profit-making hospitals, diagnostic centers, and independent practices, financed mainly from out-of-pocket payments and, to a lesser extent, by private health insurance. However, a large part of the private-sector contracts with the National Organization for the Provision of Health Services to provide primary/ambulatory and hospital care.[300]

Generally, expat residents and their families have access to free or low-cost public healthcare if they contribute to the Social Insurance Institute. The Social Insurance Institute is a public insurance company that oversees Greece's social security. As soon as expats start working, they will need to apply for national health insurance, which is administered by the Social Insurance Institute, and they will be given a social security card known as AMKA. Medical care by Social Insurance Institute-approved practitioners is generally free, although patients are required to pay a fee for prescribed medicines.[301]

In 2021, Greece spent less than half of the primary source of financing (62%), which is less than the EU average of 81%. Most private spending is in the form of out-of-pocket payments (33%), a share much higher than the EU average (15%).[302]

2_4_4_3_5 IMPLEMENTATION OF ELECTRONIC HEALTH RECORDS (EHR) AND INTEGRATION WITH PAYMENT SYSTEMS

According to a report entitled "Overview of the national laws on electronic health records in the EU Member States – National Report for Greece",[303] in 2000 the Greek government, in accordance with European Union recommendations for the Information Society, procured an operational program to implement the information society strategy for Greece in a coherent and integrated way. During the period 2000-2006, in the frame of the 3rd Community structural assistance program, Greece started developing Integrated Information Health Systems for the majority of the – at that time – 17 Regional Health Directorates. 83 of Greece's 132 hospitals were covered by the program and received Integrated Information Systems through the Regional Health Directorate to which they belonged. The great value of the Integrated Information Health Systems is that they allow the distributed collection of medical and clinical data as part of the work processes and efficient access to the EHR. However, as the development of the Integrated Information

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Health System for each Regional Health Directorate was acquired separately, different systems were developed, without interoperability among the regions. Moreover, a local Patient Register Number was created for each patient that could be used only in the system of each specific Directorate, making difficult the exchange of information about a patient. The Integrated Information Systems allowed hospitals to maintain the medical records of their patients in an electronic format. However, the information that is contained in the records is not harmonized and homogeneous. In 2008, Greece adopted a law regulating a Social Security Number (AMKA) for all Greek citizens, a number that is today broadly used in healthcare and on which the ePrescription system was based, which became operational in Greece in 2009. AMKA is now used in all healthcare related transactions and is part of all hospital records alongside the local patient register number. A core hindrance in the development of EHR has been the fact that, until recently, the healthcare system in Greece was fragmented, as it was partly a responsibility of the Ministry of Health and partly a responsibility of the Ministry of Labor and Social Security.

The digital transformation of the health sector has been another priority in Greece and includes the expansion of telemedicine service.[304] Recovery and Resilience Plan funding is being invested to introduce a national digital health record widely across the country, to develop a national digital infrastructure to support oncology patients, and to improve hospital digital readiness and the digital transformation of the National Organization for the Provision of Health Services. Additionally, it contributes to establishing home healthcare and hospital-at-home services through the implementation of telemedicine applications as monitoring tools for patient support.

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2_5

Italy

2_5_1

Digital Payments: status

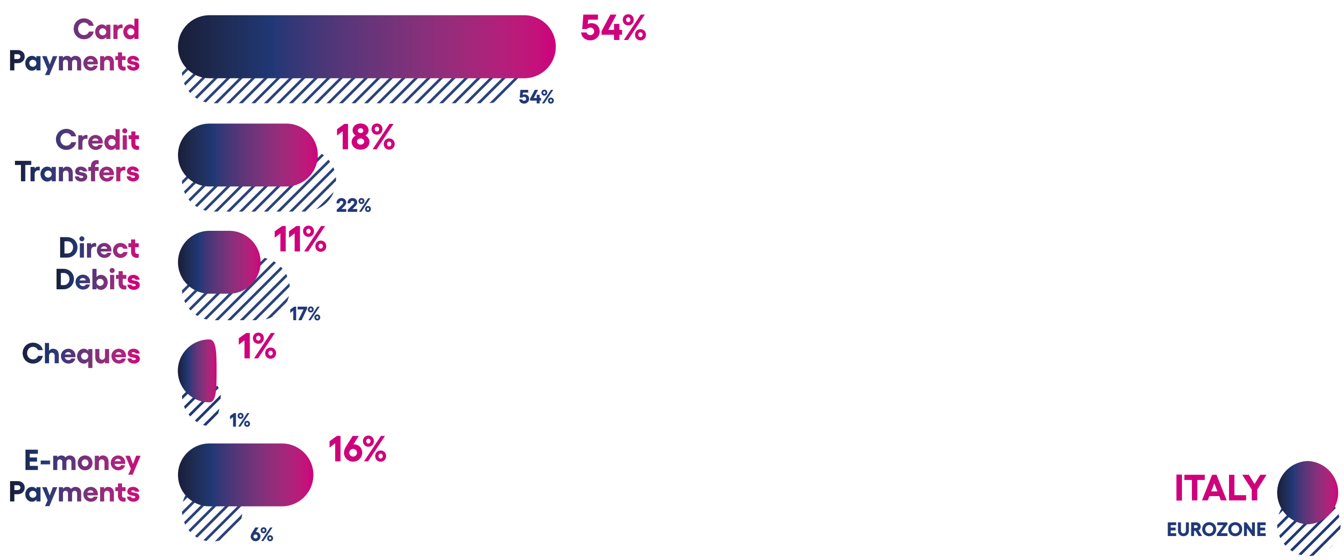
According to web sources, the total transaction value in the digital payments market in Italy was US$65.8 billion in 2021.[305] This means that the total value of money that was transferred digitally for goods and services in Italy in that year was US$65.8 billion. This figure is expected to grow by 32.3% year-on-year to US$87.1 billion in 2022. The web sources further indicate that Italian digital payments are set to double and hit almost US$123 billion by 2025.[306]

The adoption of cashless means of payment in Italy has been growing.[307] According to the Study on the Payment Attitudes of Consumers in the Euro area (SPACE)–2022,[308] cash is the most-used payment instrument at the physical point of sale (POS), although its share has declined in recent years: cash payments represent 69% of total payments (86% in 2016; 82% in 2019).

Official payment statistics suggest that the adoption of cashless means of payment (credit transfers, direct debits, card payments, checks, mobile payments) in Italy has been growing rapidly in the past five years (the compound annual growth rate of non-cash payments per capita is 6.4% compared to 5.3% across the Euro area – European Central Bank (ECB), Payments Statistics, July 2021). The country, however, remains behind the Euro-area average in terms of yearly cashless transactions per capita (130.1 in 2020 in Italy compared to 296.6 in the Euro area – ECB, Payments Statistics, July 2021).[309]

According to the ECB,[310] the distribution of cashless payments in Italy in 2022 is as follows:

DISTRIBUTION OF CASHLESS PAYMENTS IN ITALY (2022)



Italy is undergoing a transition from cash to cashless payments. In fact, a Report by the Bank of Italy,[311] noted that most respondents reported that they would pay with cards or other cashless methods. Cash is the preferred means of payment for only 18% of Italian respondents, a little lower than in the Euro area (22%).

Credit and debit cards are the most popular form of cashless payment in Italy, both online and offline. They accounted for more than 58% of cashless payments in 2022.[312] Digital wallets, such as PayPal, Apple Pay, Google Pay, and Samsung Pay, are also gaining popularity among Italian consumers, especially for online shopping. They represented 16% of cashless payments in 2022.[313]

Other forms of digital payments, such as BNPL, cryptocurrency, and instant payments, are still emerging in Italy and face various challenges, such as low awareness, regulatory uncertainty, and security concerns.[314]

According to the Bank of Italy,[315] the share of cash transactions in number of payments at the POS declined to 82.2 per cent from 86% in 2016. The share of cash payments in value was 57.8% in Italy with a decline of more than 10% from 2016 (68%).

However, when we consider the data, cash continues to be the preferred method of payment, specifically in retail payment transactions.

The main payment systems available in Italy are:[316]

- The large-value payment system is the Trans-European Automated Real-time Gross Settlement Express Transfer System (TARGET2), which is part of the Eurosystem's TARGET2 system and handles high-priority and urgent payments in Euros.
- BI-REL is the TARGET 2 system's domestic component.
- BI-COMP is the system used for the settlement of retail (low-value) interbank transactions.
- TARGET Instant Payment Settlement service (TIPS) is the processing and settlement of instant payments.
- TARGET 2-S is the settlement of securities.

In addition to these systems, other payment instruments and platforms are popular in Italy, such as:[317]

- **Satispay**: Satispay is an independent digital wallet that allows users to make payments with their smartphone or online using their bank account or prepaid card. It also offers features such as cashback, savings, and donations.[318]
- **Bancomat Pay**: mobile payment app allowing its users to pay through the Bancomat Pay app.[319]
- **MyBank**: Mybank is an Italian bank transfer option. It offers high security, privacy, and reassurance to customers as payments are made within the online banking environment of the customer's bank.[320]
- **SEPA Direct Debit**: the Single Euro Payments Area (SEPA) Direct Debit is a payment arrangement where the debtor/payer authorizes a creditor to collect payments from his or her bank account through a signed mandate. The SEPA Direct Debit allows users to pay for goods and services through bank transfers if they come from the 34 SEPA member countries.[321]
- **PayPal**: PayPal is an online payment system that allows users to send and receive money around the world.[322]

Despite the increase in digital payments according to the Global Findex Database 2021,[323] the share of adults using a mobile phone or the internet to make a bill payment was just over 30% in Italy. According to the 2022 edition of the Digital Economy and Society Index (DESI) report, Italy ranks 18th of the 27 European Union (EU) Member States. With a score of 49.3 out of 100, slightly below the EU average of 52.3.[324]

To overcome these challenges and promote digital payments in Italy, the Italian government and the financial sector have taken several initiatives, such as:

- Launching the Italia Cashless project,[325] which is a national digital transformation strategy that aims to improve the efficiency, transparency, and accessibility of public services, including e-government, e-health, and e-education.
- Developing the PagoPA system,[326] which is a national payment system that enables the interconnection and interoperability of different payment service providers, such as banks, payment institutions, and e-money institutions. It is a public payment platform that allows users to

pay taxes, fines, bills, and other public services online or offline using various payment methods, such as cards, digital wallets, bank transfers, and cash.

- Postepay:[327] Postepay is a prepaid card issued by Poste Italiane, the national postal service. It can be used for online and offline payments, as well as for withdrawals at Postamat Automated Teller Machines. It also has a mobile app that allows users to manage their card and make payments.

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2_5_2

Payments and Financial Inclusion

According to the Global Findex 2021 database, Italy has a high level of payment and financial inclusion compared to other countries around the world.[328] About 97% of adults in Italy have an account at a bank or other financial institution, or with a mobile money provider, which is above the average of 76% globally and 71% for developing economies. In Italy, the percentage of women holding an account is high, at 97%, which is 9% higher than the Europe and Central Asia average (88%) and 23% higher than the worldwide average of 74%.

In Italy, 93%[329] of people over the age of 15 made or received digital payments, which is also above the Europe and Central Asia average (87%).[330]

Financial inclusion continues to be a hot topic for discussion in many countries. Below are some of the challenges facing Italy:

- Persisting underbanked population:[331] around 3% of adults lack a bank account, mainly low-income individuals, immigrants, and the elderly in rural areas. If we consider individuals in vulnerable groups, the percentage increases to 5%.
- Low levels of financial literacy and low employment opportunities.[332]
- Digital divide:[333] unequal access to technology and digital literacy skills poses obstacles for utilizing digital financial services.

The Italian government has launched several initiatives to drive financial inclusion, such as:

- **Financial education programs**:[334] raising awareness of financial products and services, particularly among vulnerable groups.
- **Promoting digital infrastructure**:[335] expanding broadband internet access and offering digital literacy training programs.

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FOCUS

Pandemic effect

The COVID-19 pandemic has also affected the payment and financial inclusion landscape in Italy, as well as in other countries. The pandemic has increased the demand for and supply of digital financial services, as people and businesses shifted to online and contactless transactions to reduce the risk of infection and comply with lockdown measures. According to a report by the Bank of Italy, the use of cash as a payment method declined from 86% in 2019 to 79% in 2020, while the use of cards increased from 12% to 18%, and the use of mobile phones increased from 1% to 2%.

The report also found that 75% of respondents used e-banking services in 2020, up from 69% in 2019.

The Italian government and the financial sector have also taken several initiatives to promote payment and financial inclusion, especially in response to the pandemic.

use of cash from 86% down to 79%

2_5_3

Government Payments

According to the 2022 edition of the DESI report,[336] Italy ranked 19th of the 27 EU Member States, with a score of 58.5 out of 100, significantly lower than the EU average of 67.3 for digital public services.

The status of digital payments in government services in Italy is improving, but, as in many countries, there is still room for further development. Currently, only 40% of Italian internet users use digital public services, well below the EU average of 65%. Italy outperforms the EU on open-data policies, reaching a score of 92%, but it is still below the EU average for the availability of pre-filled forms, which supply users with data that is already known to public administrations. Looking at the scores measuring the supply of digital public services, Italy is very close to the EU average in services for businesses (with a score of 79, against an EU average of 82). The gap with the EU average is slightly higher when it comes to offering digital public services to citizens (67 in Italy versus 75 in the EU).

However, according to DESI, these results do not yet reflect the boost that the Recovery and Resilience Plan is expected to give initiatives for the digitalization of the public administration and its services.

To overcome these challenges and promote digital payments in government services, the Italian government and the financial sector have implemented several initiatives, such as:

- *Italia Digitale 2026*: sets important targets for the modernization of public administration and services to be achieved with the support of the Recovery and Resilience Plan.
- The platform *PA Digitale 2026* helps coordinate the implementation of the Plan's measures and enables public administrations to access funding and receive assistance.
- Among the measures taken, in 2021, the government published the national strategy *Cloud Italia*, an important step to improve the security and efficiency of the public administration's digital infrastructure.

2_5_4

Italy's Pension, Social Assistance and Healthcare Sectors

2_5_4_1
Pension System

2_5_4_1_1
OVERVIEW OF THE PENSION SYSTEM

According to the Organization for Economic Co-operation and Development (OECD),[337] currently, the pension system prorates pension entitlements from the defined benefit and notional defined contribution schemes. In the notional defined contribution schemes, contributions earn a rate of return related to real Gross Domestic Product (GDP) growth. At retirement, the accumulated notional capital is converted into an annuity taking account of average life expectancy at retirement.

The retirement age is 67 for both men and women, with a minimum of 20 years of contributions. The pension amount is based on total contributions, the contribution rate, and the transformation coefficient.[338]

The transformation coefficient, according to OECD is a function based on the likelihood of death, the likelihood of leaving a widow or widower behind and the expected number of years that a survivor's benefit will be drawn. Consequently, benefits are strongly related to retirement age – the lower the age, the lower the pension. The calculation of the transformation coefficient assumes a discount rate of 1.5% and price indexation of benefits.[339]

The pension system consists of a mandatory public notional defined contribution scheme, a mandatory occupational funded Direct Contribution scheme, and a voluntary occupational or personally funded scheme.[340]

2_5_4_1_2
TYPES OF PENSION PLANS

The Italian pension fund system in Italy consists of three pillars: the state pension, occupational pensions, and private pensions.[341]

- The state pension, known as the notional defined contribution scheme, is a mandatory pay-as-you-go insurance plan that provides a basic income for retirees.
- Occupational pensions are voluntary schemes that are set up by employers or trade unions for specific groups of workers.
- Private pensions are individual plans that are offered by banks, insurance companies, or investment management companies for anyone

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who wants to save for retirement.

While less prevalent in Italy, professional and private pension funds do exist and can impact retirement planning. Professional pensions are organized by unions or professional associations, and eligible individuals are typically informed about them by their employers, affording them the option to join.

On the other hand, private pensions, known as the piano *individuale pensionistico*[342] (individual pension plan) or *fondi pensione aperto*[343] (open pension funds) in Italian, are offered by banks, insurance companies, and private providers.

The notional defined contribution scheme is administered and managed by the National Institute for Social Security (Istituto Nazionale della Previdenza Sociale) and is the main component of the Italian public retirement system. The scheme is under the supervision of the Ministry of Labor and Social Policies.[344]

Other pension funds, such as occupational and private pension funds, are managed and administered by a variety of bodies including trade unions and licensed financial institutions such as banks and insurance companies.

2_5_4_1_3 FUNDING SOURCES

In Italy, both private and public pension funds derive their funding from various sources[345].

Public Pension Funds are funded by:

- **Social Security Contributions**: mandatory contributions from employed individuals and their employers, which are deducted from employees' salaries.
- **Government Funding**: The government may allocate funds to support public pension schemes, especially if there are shortfalls or to enhance pension benefits for specific groups.
- **Investment Returns**: Similar to private pension funds, public pension funds invest their assets to generate returns, which can help sustain and improve the fund's financial health.
- **Other Revenue Streams**: Public pension funds may also receive income from various sources, such as fines, fees, or other government revenues earmarked for pension programs.

Private Pension Funds are funded by:

- Contributions from Individuals: Contributions from individuals who participate in these funds voluntarily. These contributions can be made by employees and self-employed individuals, or anyone else interested in securing additional pension benefits.
- Employer Contributions: Employer contributions, where companies contribute to their employees' pension funds as part of their employee benefits package.
- Investment Returns: Returns on the contributions they invested such as stocks, bonds, and real estate. The returns generated from these investments contribute to the fund's growth.
- Government Subsidies or Tax Incentives: in some cases, the government may provide subsidies or tax incentives to encourage individuals and companies to contribute to private pension funds.

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The notional accounts system has a contribution rate of 33%, of which about one third is paid by the employee and two thirds by the employer.[346]

2_5_4_1_4
DISBURSEMENT PROCESS

There is no information publicly available that suggests which payment mechanism is used to disburse pension fund payments.

2_5_4_2
Social Assistance Sector

2_5_4_2_1
OVERVIEW OF THE SOCIAL ASSISTANCE PROGRAM[347]

Apart from the healthcare system, the Italian system of social protection is not organized according to a universal criterion. To be entitled to benefits, claimants must meet some requirements such as age, contribution records and, in some cases, a means test is added).

The Italian welfare system covers the following social security categories: old age, early retirement, invalidity, survivors, sickness, unemployment, family, and maternity and paternity benefits, as well as benefits in respect of work injuries and occupational diseases and means-tested benefits for individuals and households in need.

The insurance scheme offering protection for workers in case of occupational diseases, injuries or death at work, financed by employers' contributions, is managed by the National Institute for Insurance against Accidents at Work. The National Institute for Insurance against Accidents at Work grants either temporary benefits or life-long annuities in the event of permanent disability, or death grants. The system also provides means-tested, income-support allowances and long-term care benefits for families and people in need, in respect of old age, low income, or physical impairment. These means-tested benefits are financed through general taxation and are paid either by the National Institute for Social Security or by the relevant municipalities.

The social security institutions and professionals' specific pension funds previously discussed manage both the collection of contributions and the provision of benefits. While implementing social security provisions, they act under the guidance and supervision of the relevant ministerial authorities: the Ministry of Labor and Social Policies (*Ministero del Lavoro e delle Politiche Sociali*), the Ministry of Economy and Finance (*Ministero dell'Economia e Finanza*) and the Ministry of Health (*Ministero della Salute*).

The Ministry of Labor and Social Policies is responsible for sickness and maternity cash benefits granted to employees in the private sector. The administration of contributions and benefits has been assigned to the National Institute for Social Security. Civil servants do not receive cash benefits for sickness and maternity, however, the State continues to pay their salaries.

The Ministry of Labor and Social Policies oversees accidents at work and occupational diseases, while the collection of contributions and provision of benefits is carried out by the National Institute for Insurance against Employment Injuries (*Istituto nazionale contro gli infortuni sul lavoro*).

The Ministry of Labor and Social Policies is responsible for family benefits. The collection of con-

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tributions and provision of benefits falls to an ad hoc administration within the National Institute for Social Security. The benefits are partly financed through general taxation.

The legislation and supervision of the unemployment benefit system is controlled by the Ministry of Labor and Social Policies. The collection of contributions and the provision of benefits has been entrusted to an ad hoc administration within the National Institute for Social Security, which also includes all non-contributory benefits granted by the INPS: i.e., early-retirement pensions, social pensions, and minimum pensions.

2_5_4_2_2 TYPES OF SOCIAL ASSISTANCE AND TARGET RECIPIENTS[348]

Below is an overview of the various types of social assistance available:

- **National Social Security Institute**: plays a central role in managing social assistance programs, including pensions, unemployment benefits, family allowances, and other forms of financial support.
- **Unemployment Benefits**: unemployed individuals may be eligible for unemployment benefits, which provide financial support during periods of involuntary unemployment. The conditions and duration of unemployment benefits may vary based on factors such as work history and the reason for unemployment.
- **Family Allowances**: family allowances are provided to support families with children. These allowances may include child benefits and other financial assistance to help cover the costs associated with raising children.
- **Social Assistance for Disability**: individuals with disabilities may receive social assistance, including disability pensions, to support their financial needs. This assistance aims to enhance the quality of life and participation in society for individuals with disabilities.
- **Means-Tested Assistance**: Italy also provides means-tested social assistance to individuals or families with low income or who are facing specific financial challenges. These programs are designed to address the immediate needs of those in poverty.
- **Housing Assistance**: social assistance programs include support for housing, offering financial aid or subsidized housing options for individuals or families facing housing insecurity.
- **Integration and Inclusion Programs**: Italy has various integration and inclusion programs for migrants and refugees, offering support in areas such as education, employment, and social integration.
- **Local Social Services**: local municipalities and regions may have their own social assistance programs, providing additional support based on specific local needs and priorities.

2_5_4_2_3 FUNDING SOURCES[349]

For sickness and maternity cash benefits granted to employees in the private sector, the administration of contributions and benefits has been assigned to the National Institute for Social Security. Civil servants do not receive cash benefits for sickness and maternity; however, the State continues to pay their salaries.

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For accidents at work and occupational diseases, the collection of contributions and provision of benefits is carried out by the National Institute for Insurance against Employment Injuries (*Istituto nazionale contro gli infortuni sul lavoro*).

The collection of contributions and provision of benefits for family benefits falls to an ad hoc administration within the National Institute for Social Security. The benefits are partly financed through general taxation.

For the unemployment benefit system, the provision of benefits has been entrusted to an ad hoc administration within the National Institute for Social Security, which also includes all non-contributory benefits granted by the National Institute for Social Security: i.e., early retirement pensions, social pensions, and minimum pensions.

The Ministry of the Interior (*Ministero dell'Interno*) is responsible for guaranteeing sufficient resources for social assistance. However, benefits are granted at local level and are administered by regional and/or local authorities and the National Institute for Social Security.

2_5_4_2_4
DISBURSEMENT PROCESS[350]

Italy's social assistance funds are integrated with various payment systems to disburse benefits efficiently and securely to eligible recipients. Some of the integrated payment systems used for disbursing social assistance funds include:

- Bank Transfers and Direct Deposit: most social assistance payments in Italy are disbursed through bank transfers and direct deposit into beneficiaries' bank accounts. This method allows for the quick and convenient delivery of funds while minimizing administrative costs.
- Prepaid Cards: in some cases, prepaid cards may be used as a payment instrument for disbursing social assistance funds, especially to individuals who do not have bank accounts or prefer alternative payment methods. Prepaid cards can be loaded with the amount of the benefit and used like debit cards to make purchases or withdraw cash from ATMs. More recently, the Inclusion Card has been introduced. The prepaid electronic payment card can be used to pay inclusion allowances to eligible families under current legislation.

2_5_4_2_5
INTEGRATION WITH PAYMENT SYSTEMS

Based on the information outlined above (ref. disbursement process) social assistance benefits are, to some extent, integrated with payment systems in that social payments are made using bank transfers. However, there is no information that illustrates the extent of integration.

2_5_4_2_6
DIGITAL PAYMENT SOLUTIONS

No information available from a reliable source.

2_5_4_3 Healthcare Sector

2_5_4_3_1 OVERVIEW OF THE HEALTHCARE SYSTEM

Italy's National Health Service (*Servizio Sanitario Nazionale*)[351] provides universal coverage for all citizens and residents. Since October 2013, EU citizens have been able to obtain free (cross-border) healthcare, while temporary visitors from outside the EU must pay the treatment costs of any care they receive.

Italy operates on the concept of a decentralized health system that is tasked with delivering health services uniformly across the country. Italy's National Health Service operates on a regional basis and provides universal coverage to citizens and registered foreign residents. Undocumented migrants are entitled to access urgent and essential medical services.[352]

The central government allocates general tax revenues for publicly financed healthcare to regions, defines and supervises regional compliance with the delivery of the guaranteed benefits package (known as "essential levels of care") and exercises overall stewardship.[353] Regions are responsible for the organization, planning and delivery of health services. A wide range of preventive, primary and community healthcare services is provided through local health authorities, with general practitioners acting as gatekeepers to specialist and hospital care.[354]

According to a report by the European Observatory on Health Systems and Policies, a Partnership hosted by the World Health Organization,[355] the share of public spending on health stood at 74% in 2019 but increased sharply in 2020 in response to the COVID-19 pandemic. This was slightly lower than the EU average of 76.3%.

According to EUROSTAT,[356] expenditure on healthcare represents around 9.21% of GDP, which is lower than the European average. The healthcare expenditure per capita (2,837) is lower when compared to the EU average of 3,562.06.

Based on national statistics, healthcare expenditure in 2019 was equal to EUR 154.8 billion, of which EUR 114.8 billion (approximately 74%) was funded by the National Health Service and the remaining EUR 40 billion (26%) came from private sources.[357]

Despite a strong commitment to equity in healthcare provision across regions, regional differences do exist in population health status, access and quality of services. Northern and central regions generally have higher capacity, more advanced technology, and care that is perceived to be of better quality, leading patients to travel to northern and central regions for services.[358]

2_5_4_3_2 PUBLIC AND PRIVATE PROVIDERS

Hospital and specialist ambulatory care are provided by a blend of public and accredited private providers, with significant variation across regions.[359]

Providers are paid using a variety of methods; fee-for-service and diagnosis-related groups are the main methods of paying independent providers (both public and private accredited) while local health authorities are mainly paid according to capitation formulae that vary region by region. Pri-

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mary-care physicians are mainly paid according to capitation in all regions.[360]

According to one source,[361] Italy's public-health system is rated among the best in the world, as almost all patient costs are covered. The system focuses on both preventative and prescriptive care. However, public healthcare facilities in Italy do vary in terms of quality, depending on the specific region. There are acknowledged concerns with hospital crowding and long waiting times at public facilities, but, overall, the system is efficient and affordable.

Italy's private health insurance system is not as standardized as it might be in other countries.[362] Firstly, it is impossible for eligible individuals to opt out of the public system, so private insurance is always in addition to National Health Service coverage. Secondly, private medical insurance premiums in Italy are not tax-deductible, so most Italians choose to remain with the country's public healthcare system, which is free.

Private health insurance in Italy can be divided into two categories:[363]

- The first is corporate insurance. Just as the name suggests, this is private insurance paid for by companies. It covers employees and (sometimes) their families. In Italy, private health insurance is occasionally offered by employers as an employment bonus, but often not at the same level as provided by other countries.
- The second form of private health cover is non-corporate insurance. This type of policy is supplied by either for-profit or non-profit organizations and can be individual or collective. Of course, non-Italians may also buy international health insurance, purchased in their home country before they move abroad.

As in many countries, a major advantage of private health insurance in Italy is that patients enjoy shorter waiting times to see specialists and can be sure of being treated in secure and comfortable facilities. Doctors and nurses working in private facilities are also more likely to speak English.[364]

Private medical insurance is also popular with patients living in the south of Italy.[365] This is because public facilities in the south are more basic than in the north, so private insurance gives southern patients a greater number of healthcare options.

2_5_4_3_3
MINISTRY OF HEALTH

The Ministry of Health is the government body that is responsible for overseeing and regulating the healthcare system in Italy. According to one report,[366] since 2014, the Ministry of Health has had 12 General Directorates on:

- Preventive services.
- Health planning.
- Health professions and human resources.
- Medical devices and pharmaceutical services.
- Health research and innovation.
- Supervision of institutions and healthcare safety.
- Animal health and veterinary drugs.
- Food hygiene, safety and nutrition.
- Digitalization of the health information system and statistics.
- Health protection collegiate bodies.
- Communication and European and interna-

tional relations.

- Personnel, organization, and budget.

The Ministry of Health may delegate some of its functions and responsibilities to other bodies, such as regional health authorities, health insurance funds, health agencies, or other ministries.[367]

2_5_4_3_4
PUBLIC FUNDING - FUNDING SOURCES

The system is funded by national and regional taxes, with national resources matching the regions' needs to ensure equal, and age-adjusted, per-capita funding.[368]

The share of private health spending had been growing over the past decade, reaching just over 26% of current health expenditure in 2019. This trend was interrupted in 2020 during the COVID- 19 pandemic.[369]

The national allocation system ensures homogenous per capita funding between the regions but the mobility of patients seeking care outside their region of residence transfers financial resources from the south of the country to the north.[370]

According to a review of Italy's healthcare system,[371] the central government retains both a regulatory and funding role. It sets the national benefits package and ensures that regions have adequate resources to deliver them. In practice, however, central government defines the total amount of public resources assigned to the health system mainly based on the general macroeconomic framework.

The national Ministry of Health manages a modest part of this sum for national programs and assigns the rest to the regions. Each region's share is calculated based on a capitation formula that considers the age structure of the population and other epidemiological indicators. The specific formula to be used is agreed annually between central government and the regions in the State-Regions Conference. Thereafter, the central government estimates the amount of revenue that each region is expected to raise from two regional taxes:

- The first regional tax is the *imposta regionale sulle attività produttive*, which is an earmarked corporate tax on the value-added of companies (i.e., the difference between operating revenues and costs) and on the salaries paid to public-sector employees. The tax base is set at 3.9% but regions can top up with another 0.92%, depending on the industry, thus leading to interregional differences in the corporate tax base.
- The other tax is a regional surcharge on the national income tax (*Addizionale IRPEF*). The surcharge is applied differently by each region. For example, some regions apply a flat rate while others apply a sliding-scale rate according to the personal income bracket. The amount of these regional revenues, augmented by estimates of patient co-payments (received by the National Health Service organizations and accredited private providers) defines the amount of resources that are available in each region from their own sources. For each region, the difference between their "financial need" and this amount determines the financial gap that ought to be covered by central government. This gap is covered through the "equalization fund" which contains resources collected through the national Value

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Added Tax (VAT). There are different rules for the five autonomous regions (i.e., Valle d'Aosta, Trentino-Alto Adige, Friuli-Venezia Giulia, Sicily, Sardinia) since they are directly entitled to a share of tax revenues raised by the national government and are expected to provide the national benefits package with their own resources. Rules are also different for "Recovery Plan" regions, where both *imposta regionale sulle attività produttive* and *Addizionale IRPEF* can be higher to generate additional revenues to cover overspending.

Overall, the funding mechanisms comprise a mix of national and regional taxes. While national taxes play a major equalization role, regional taxation systems create an uneven playing field. Richer northern regions, with higher GDPs, have a large taxation base and thus can top up the "financial need" set by the central government, while the poorest regions in the south have a smaller taxation base and thus little space to raise additional funds for their public healthcare systems. Different regional taxation rules also create different business opportunities across regions and, therefore, may exacerbate regional differentials in socioeconomic development. Outside the National Health Service, private funding mainly consists of out-of-pocket payments by households and voluntary private insurance, the latter mainly sponsored by employers or professional associations.

2_5_4_3_5 IMPLEMENTATION OF ELECTRONIC HEALTH RECORDS (EHR) AND INTEGRATION WITH PAYMENT SYSTEMS

The New Health Information System (Nuovo Sistema informativo sanitario – NSIS),[372] with its various elements, was introduced in 2003 and is the primary tool for measuring quality, efficiency, and appropriateness of care, supporting national and regional governance, monitoring expenditure, and guaranteeing the uniform provision of the national benefits package. The NSIS is managed, coordinated and quality-controlled by an intergovernmental body (under the State-Regions Conferences) known as the Control Room. The NSIS has introduced compatibility and coordination among the National Health Services Information Technology systems and records process, as well as managerial aspects and citizens' health. Today, its information base covers 85% of the services included in the national benefits package. Already incorporated into legislation in 2011, e-prescriptions are now widely adopted for pharmaceuticals but less so for referrals for outpatient visits.

The NSIS is the SSN's primary information system to support national and regional governance[373] and health-expenditure monitoring and to guarantee the uniform application of the national benefits package. In Italy, the services that traditionally fall under this category are single appointment centers, which enable patients to book appointments online and by telephone; electronic health records (EHRs), electronic medical certificates, e-prescriptions and telemedicine. Online booking and payments connected to regional platforms and EHRs are present in over 75% of facilities. Through the EHRs, citizens can trace and consult their entire health history and share it with health professionals, however, only a minority of people have heard of them. The information in each citizen's EHR is provided and managed by the regions. It is currently active in all regions, yet its full potential is yet to be operationalized with only 21% of the population using it.

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2_6 Poland

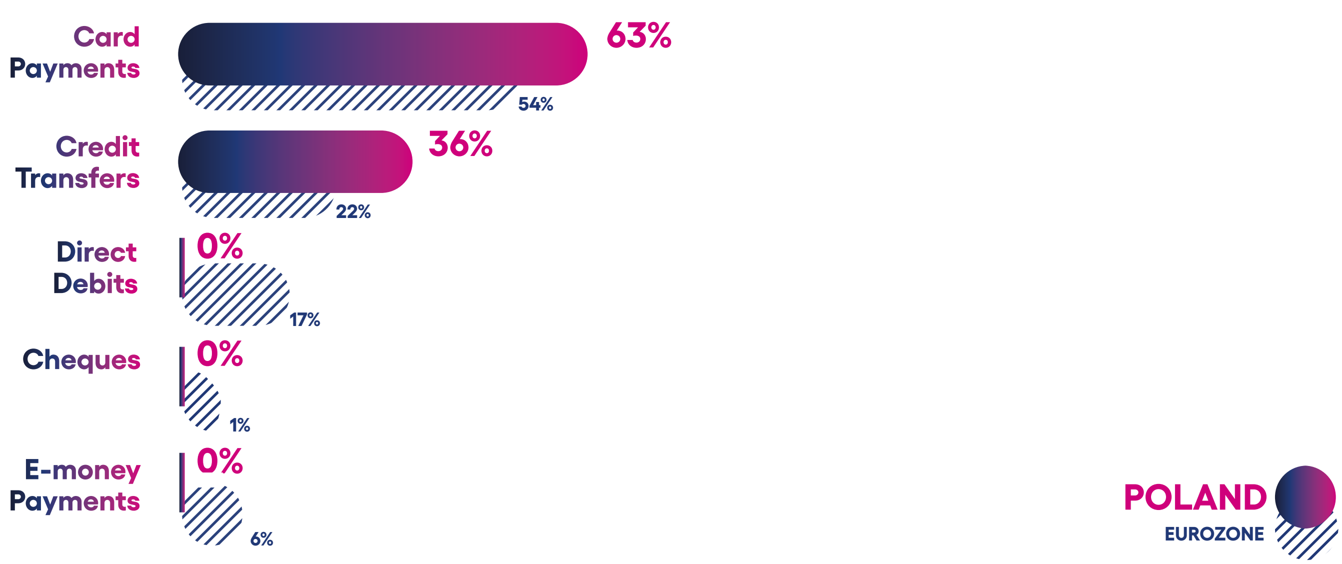
2_6_1

Digital Payments: status

According to web sources, the total transaction value in the digital payments market in Poland was US$43 billion in 2022.[374] According to Statista, the total transaction value in the Digital Payments market is projected to reach US$70.12bn in 2024. Moreover, the total transaction value is expected to show an annual growth rate (CAGR 2024-2028) of 11.53%, resulting in a projected total amount of US$108.50bn by 2028.[375]

According to the European Central Bank (ECB), the distribution of cashless payments in Poland in 2021 is as follows:

DISTRIBUTION OF CASHLESS PAYMENTS IN POLAND (2021)



According to a study “Payment habits in Poland” by the ***Nardowy Bank Polski*** (the central bank of Poland, NBP),[376] 88.5% of adult Polish residents had a payment account, which has led to cash losing its dominant position in retail payments. The study further stated that, in 2020, cash was used for 46.4% of

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the number and 29.3% of the value of transactions, a significant improvement when compared to the use of cash in 2012. In 2012, cash-based payments accounted for 81.8% of the number of transactions and 63.7% of their value.

Supporting the above, the European Payments Council (EPC), following an interview[377] with the Head of Digital Banking and Payments at the Polish Bank Association, stated that "The Polish payment landscape is characterized both by traditional practices such as cash, which remains one of the dominant methods of payment, and by innovation and digital payments."

According to the EPC,[378] the number of cashless card transactions per capita in Poland was 253.2 in 2020. This number is lower than the European Union (EU) average of 287.6.

There are various domestic payment systems and mechanisms used in Poland,[379] such as:

- **Large Value Payment Systems:**
  - **SORBNET 2**: The RTGS system or the Large-Value Payment system in Poland is the SORBNET2, which was launched on 10 June 2013.
  - **Trans-European Automated Real-time Gross Settlement Express Transfer System (TARGET)** is the real-time gross settlement (RTGS) system for the Euro, where processing and settlement takes place in real time (continuously) and where each transfer is settled individually (gross settlement). Transactions are settled using central bank money and with immediate finality.
- **Securities Settlement System:**
  - **There are two depository, clearing and settlement systems in Poland:**[380] the SKARBNET4 system operated by NBP and systems operated by the National Depository for Securities SA (*Krajowy Depozyt Papierów Wartościowych SA* (KDPW)). The first handles transactions in Treasury bills and NBP bills concluded on primary and secondary markets (TBSP and interbank market). On the other hand, the systems operated by the KDPW Group handle transactions involving other financial instruments concluded on the markets operated by GPW SA and BondSpot SA and outside organized trading. As a rule, clearing of transactions is carried out by a central counterparty (CCP) in a clearing system operated by KDPW_CCP SA, while, with regard to Treasury bills and NBP bills, the clearing and settlement is performed in the SKARBNET4 system.
- **Low Value (Retail) Payment Systems:**[381]
  - **ELIXIR**: Poland's low-value bulk payment system for payments in PLN. Domestic payments have a maximum value threshold of PLN (Polish Złoty) 1m (~USD 254000 | ~EUR 232000). ELIXIR is operated by KIR SA, the national clearing house established by Poland's leading banks, the NBP and the Polish Bank Association (ZBP).
  - **EURO-ELIXIR**: The Euro Elixir system handles domestic payments in EUR currency and is part of an integrated infrastructure

of the European payments area. It allows processing transfers sent between institutions in Poland, as well as those sent abroad.

- **EXPRESS-ELIXIR**: the first instant payment clearing system in Poland that allows the direct execution of the transaction from the payer's account in one bank to the payee's account in another bank. It allows the settling of transactions in near real-time, without any intermediary institutions. By using the infrastructure of KIR and NBP, the assets remain in the banking system.
- **Blue Cash**: an instant payment system processing payment orders in close to real time. Instant transfers settled in BlueCash may be initiated via the Internet or mobile banking or at a bank branch. The settlement of orders in the BlueCash system takes place in the money of a commercial bank (instead of the money of the central bank).
- **BLIK**: a mobile payment system that allows users to pay for e-commerce transactions, point-of-sale purchases, and other services using a six-digit code or contactless technology. BLIK is a joint venture between the six largest Polish banks and Mastercard and has over 10 million users as of 2023. The system enables payments using mobile devices. Transactions can be initiated via the Internet, at physical points-of-sale, on public transport, in public offices as well as between users (Person-to-Person, P2P). Moreover, the system enables cash withdrawals from Automatic Teller Machines.

According to the 2022 edition of the Digital Economy and Society Index (DESI) report,[382] Poland ranks 24th of the 27 EU Member States. With a score of 40.5 out of 100 possible points, well below the EU average of 52.3.

According to the DESI report, there are still persistent gaps regarding human capital. The study indicated that only 43% of people between 16 and 74 years of age have at least basic digital skills (54% in the EU) and 57% have at least basic digital content creation skills (66% in the EU). Information Communication and Technology specialists account for a slightly lower percentage of the workforce in Poland than the EU average.

To overcome these challenges and promote digital payments, the Polish government and the financial sector have implemented several initiatives, such as:

- **Launching the Digital Poland project**,[383] which is a national digital transformation strategy that aims to improve the efficiency, transparency, and accessibility of public services, including e-government, e-health, and e-education.[384]
- **Developing the ELIXIR system**,[385] which is a national payment system that enables the interconnection and interoperability of different payment service providers, such as banks, payment institutions, and e-money institutions.
- **Digital Development program for 2021-2027**[386]: focuses even more than ever on the access of households, enterprises, and locations essential for socioeconomic development to ul-

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tra-fast Internet, on the growth of electronic public services and improved access to digital data as well as on the implementation of projects relating to cybersecurity.

- **Supporting the adoption and innovation of fintech solutions**,[387] such as mobile payments, e-wallets, and crowdfunding platforms, and by creating a regulatory sandbox and a fintech hub.

2_6_2

Payments and Financial Inclusion

According to the Global Findex 2021 database,[388] Poland has a relatively high level of payment and financial inclusion compared to other countries in the region. About 96% of adults in Poland have an account at a bank or other financial institution, or with a mobile money provider, which is above the global average of 76% and 71% for developing economies. In Poland, the percentage of women holding an account is high, at 96%, which is 8% higher than the Europe and Central Asia average (88%) and 22% higher than the worldwide average of 74%.

In Poland, 91.4%[389] of people over the age of 15 made or received digital payments in 2021, which is above the Europe and Central Asia average (87%).[390]

Financial inclusion continues to be a hot topic for discussion in many countries. Below are some of the challenges facing Poland:

- Persisting underbanked population:[391] around 4% of adults still lack a bank account, mainly low-income individuals, rural residents, and the elderly. If we consider individuals in vulnerable groups, the percentage increases to 6%.
- Digital divide:[392] unequal access to technology and digital literacy skills creates obstacles for utilizing digital financial services.
- Financial literacy gap:[393] many individuals, particularly in vulnerable groups, lack basic knowledge about financial products and services.

The Polish government has launched several initiatives to drive financial inclusion, such as:

- The National Strategy for Financial Education[394] for Poland and its first implementation roadmap will provide guidance to national stakeholders involved in financial education in Poland over the seven years following its adoption.
- Establishing foundations such as the Digital Poland Foundation[395] to drive digitization.

2_6_3

Government Payments

According to the 2022 edition of the DESI report,[396] Poland ranked 22nd of the 27 EU Member States, with a score of 55.8 out of 100, below the EU average of 67.3 for digital public services.

According to the DESI report, on pre-filled forms, Poland scores significantly above the EU average (74 compared to 64 – score out of 100). It also scores very well on open data (95% compared to 81% for the EU). However, Poland is still underperforming in the availability of digital online services, scoring 57 on digital public services for citizens (EU average: 75) and 70 for businesses (EU average: 82). In this area, ongoing efforts would need to be stepped up to enable Poland to achieve the digital decade target of providing 100% of key public services online.

Some of the main transactional platforms of Poland's digital public payment landscape are:

- E-Payments, a fully electronic payment scheme that can be used for some 44 services, including tax declarations and waste removal charges. This scheme was set up by an EU-funded project in 2017 and aims to reduce the administrative burden and increase the efficiency of public services.
- The Tax and Customs Service of Poland, offers an electronic services portal that allows taxpayers and businesses to access various online services, such as submitting declarations, applying for refunds, and making real-time online payments. The portal was launched in 2020 and is operated by the National Revenue Administration.

According to the Digital Government Factsheets,[397] new digital government infrastructures were put in place:

- Gov.pl portal for all official matters.
- Dane.gov.pl portal for open data.
- Registry of Sexual Crimes.
- National Electronic Identification Node.
- ID card with electronic layer.
- mCitizen mobile application.
- Electronic court payments.

The following digital government services for citizens and businesses were implemented, among others:

- Residence registration.
- Mobile School ID and Mobile Student ID.
- Patient's Internet Account (IKP).
- Electronic medical leave.
- ePrescription.
- Registering the birth of a child.
- Registering on the voters' register.
- Registering to vote by correspondence.
- Individuals' ePIT.
- Request for issuing work permits online.

According to the New Direction magazine,[398] the administration should be there to make things easier for everyone. The report further elaborates on the digital transformation of public services that has seen a welcome shift from focusing on government needs to what people and businesses need.

2_6_4

Poland's Pension, Social Assistance and Healthcare Sectors

2_6_4_1

Pension System

2_6_4_1_1

OVERVIEW OF THE PENSION SYSTEM

The retirement age is 65 for men and 60 for women, with a minimum of 25 years of contributions for men and 20 years for women. The pension amount is based on total contributions, the contribution rate, and life expectancy.[399]

According to the European Commission,[400] the retirement pension will be increased if it emerges that pension is lower than the minimum state pension. Individuals who have reached the required age are also entitled to a pension if they can document at least a 15-year contributory and non-contributory period for women, and at least a 20-year contributory and non-contributory period for men. However, in this case, there is no guarantee that the pension will be increased to the amount of the minimum pension.

According to the Organization for Economic Co-operation and Development (OECD)[401] the pension fund system in Poland consists of the following main components: the Social Insurance Institution (ZUS) and the Open Pension Funds (OPF) and other voluntary funds.

2_6_4_1_2

TYPES OF PENSION PLANS

In 1999, the state pension system in Poland was radically reformed. Within the new regime, benefits are strictly linked to contributions paid to secure the sustainability of pensions.

The main types of pension plans are:[402 403]

- **ZUS** is a public, pay-as-you-go scheme that operates based on notional accounts. Participation in ZUS is mandatory for all employees and self-employed people.
- **Open Pension Funds** (*Otwarte fundusze emerytalne*, OFEs) are private, funded schemes that manage individual accounts for their members. Participation in OPF has been voluntary since 2014.
- **Individual Pension Security Accounts** (*Indywidualne konta zabezpieczenia emerytalnego*, IKZEs) are special accounts that enable citizens to save funds for the future and, at the same time, to deduct annual payments to the account from their income in a Personal Income Tax (PIT) return. Participation is voluntary.
- **Individual Pension Accounts** (*Indywidualne konta emerytalne*, IKEs) are exceptional accounts into which participants accumulate

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savings to provide for their future. They offer one of the few possibilities to save in Poland without attracting a 19% tax on gains. Participation is voluntary.

- **Occupational Pension Schemes** (*Pracownicze programy emerytalne,* PPEs) are a voluntary group form of assets accumulation for pension purposes organized by an employer with the participation of employees. The basic contribution is financed by the employer, while the employee may make an additional contribution, deducted from their salary. The funds are transferred by a financial institution chosen by the employer and the employees during the organization phase of the program. This institution manages the funds paid.
- **Employee Capital Plans** (*Pracownicze programy kapitałowe*, PPKs) The Employee Capital Plans are regulated by an Act of 4 October 2018 on employee capital plans. From 1 January 2021, PPKs automatically cover all employees between 18 and 54 years of age, for whom the employer pays pension contributions. The plan does not cover the self-employed, uniformed services employees, and farmers. The Employee Capital Plans constitute a compulsory package of employee benefits. The employer is obliged to select an institution running a PPK and to create a PPK for its employees.
- **KEZ** is a voluntary pension fund established in 2012 by the Polish Chamber of Commerce.

Social Insurance is managed by ZUS. Open Pension Funds are managed by private financial institutions.[404]

IKEZ, IKE and KEZ are supervised by the Polish Financial Supervision Authority (*Komisja Nadzoru Finansowego,* KNF), which regulates the pension fund market in Poland.[405]

2_6_4_1_3 FUNDING SOURCES

The Social Security Fund managed by ZUS is financed through the mechanism of notionally defined-contribution accounts.[406]

Total contribution is 19.52% (2018) of taxable income to the old-age pension insurance (the employer pays 9.76 % and the employee pays 9.76%), of which 16.6% is credited to the notional accounts and 2.92% is transferred to the OPF (for those who opt-in). The notional accounts are indexed by the growth of the covered wage bill or the inflation rate, whichever is higher.[407]

There is also a minimum pension guarantee under the ZUS scheme, which is financed by the state budget and paid when the total mandatory pension does not meet the minimum. The minimum pension is PLN 1,388.00 (EUR 324) as of March 2020.[408] The pension benefits are subject to periodic indexation to account for inflation.

The Open Pension Funds are managed by private financial institutions.[409] IKEZ, IKE and KEZ are funded through the contributions of their members, who can be either individuals or employers. The members can choose from different investment plans, depending on their risk appetite and expected returns. The pension funds invest the contributions in various assets, such as bonds, stocks, real estate, and alternative investments. They aim to provide its members with additional income in retirement, as well as tax benefits and inheritance options. At retirement, the accumulated notional capital in ZUS is divided by average life expectancy to calculate the pension benefit. The OPF pay out the funds either as a lump sum or as an annuity.[410]

2_6_4_1_4 DISBURSEMENT PROCESS

There is no information publicly available that suggests which payment mechanism is used to disburse pension fund payments.

2_6_4_2 Social Assistance Sector

2_6_4_2_1 OVERVIEW OF THE SOCIAL ASSISTANCE PROGRAM[411]

The social assistance system in Poland consists of material-need assistance, which is a cash transfer that provides a minimum level of income to people who have insufficient or no income, and who meet certain eligibility criteria, such as age, residence, and assets. The system also includes housing subsidies, which are benefits that help people pay for their housing costs, such as rent, mortgage, or utilities. Additionally, the system offers social services, which are services that provide assistance and support to people who face social difficulties, such as disability, dependency, domestic violence, or social exclusion.

According to the government website of Poland, social assistance supports individuals and families in their efforts to meet their essential needs and enables them to live in conditions appropriate for human dignity. Social assistance should also prevent difficult life situations by taking actions aimed at supporting the independence of individuals and families and their integration into society.

Social assistance is organized by government administration bodies (the minister in charge of social security, voivodes), as well as local governments (*voivodeship* marshals, *poviat starostes* and mayors or city presidents) at commune level. While carrying out their social-welfare tasks, these bodies engage in partnership cooperation with social and non-governmental organizations, the Catholic Church, other churches, religious associations as well as natural and legal persons.

2_6_4_2_2 TYPES OF SOCIAL ASSISTANCE AND TARGET RECIPIENTS[412]

Some of the social assistance benefits that are available in Poland include:

- **Permanent benefit**: a monthly cash benefit for people who are unable to work and have no income or have income below the income criterion (PLN 701 for a single person and PLN 528 for a person in a household as of October 2018).
- **Temporary benefit**: a cash benefit for a period of up to 12 months for people who are in a crisis caused by natural disasters, accidents, illness, violence, or other circumstances.
- **Targeted benefit**: a cash benefit for a specific purpose, such as covering the costs of education, healthcare, housing, or a funeral.
- **Nursing benefit**: a cash benefit for people who provide care for a disabled or elderly person who requires constant or long-term assistance.
- **Family benefit**: a cash benefit for families with children who have low income or face other

difficulties, such as disability, single parenthood, or multiple births.

- **Supplement for raising a child in a large family**: a cash benefit for families with at least four children under 18 years old or under 25 years old if they continue education.
- **Supplement for starting school**: a cash benefit for families with children who start primary or secondary education and have low income or face other difficulties.
- **Supplement for the birth of a child**: a one-time cash benefit for families who have a child and have low income or face other difficulties.
- **Housing allowance**: a cash benefit for people who have low income and pay high housing costs, such as rent, utilities, or maintenance fees.
- **Heating allowance**: a cash benefit for people who have low income and pay high heating costs, such as coal, gas, or electricity.
- **Meal allowance**: a cash benefit for children who attend public kindergartens or schools and have low income or face other difficulties.
- **Scholarship**: a cash benefit for students who attend public schools or universities and have low income or face other difficulties, such as disability, orphanhood, or homelessness.
- **Specialized services**: non-cash benefits that provide professional assistance and support, such as social work, counselling, therapy, rehabilitation, education, training, employment, or social integration.
- **Social-welfare home**: a residential facility that provides accommodation, care, and assistance for people who are homeless, disabled, elderly, or socially maladjusted and have no family or other support.
- **Shelter**: a temporary facility that provides accommodation, food, and basic services for people who are homeless or in a crisis.
- **Night shelter**: a facility that provides overnight accommodation, food, and basic services for people who are homeless or in a crisis.
- **Day-care center**: a facility that provides daytime care, activities, and meals for people who are disabled, elderly, or socially isolated and need support.
- **Community self-help home**: a facility that provides accommodation, care, and assistance for people who are mentally ill or intellectually disabled and need support.
- **Workshop**: a facility that provides vocational training, employment, and rehabilitation for people who are disabled or socially excluded and need support.

To receive social assistance benefits, one must meet certain criteria, such as income level, place of residence, legal status, and personal situation. One also must apply to the relevant social assistance institution, such as a social-welfare center, a Polish family assistance center, or a regional social policy center. The social assistance institutions assess the needs and eligibility of the applicants and provide them with appropriate benefits and services.

2_6_4_2_3 FUNDING SOURCES[413]

Social assistance in Poland is funded by various sources, depending on the type and level of the benefit or service. Some of the main sources are:

- The state budget, which covers the costs of permanent benefits, temporary benefits, targeted benefits, nursing benefits, family benefits, supplements for raising a child in a large family, supplements for starting school, supplements for the birth of a child, housing allowances, heating allowances, meal allowances, scholarships, specialized services, social-welfare homes, shelters, night shelters, day-care centers, community self-help homes, workshops, and integration assistance for foreigners who have refugee status or subsidiary protection.

- The local government budgets, which cover the costs of social work, specialist counselling, providing information and support in contact with other institutions, other activities supporting the process of the integration of foreigners, and other forms of social assistance that are not financed by the state budget.
- European Union funds, which provide additional resources for social assistance programs and projects, especially in the areas of social inclusion, employment, education, and innovation. For example, the European Social Fund Plus has allocated €76.5 billion to Poland for the period 2021-2027, of which €3 billion will promote social inclusion by improving the quality of and access to social assistance and healthcare services.

2_6_4_2_4 DISBURSEMENT PROCESS

No information available from a reliable source.

2_6_4_2_5 INTEGRATION WITH PAYMENT SYSTEMS

Based on the information outlined above (ref. disbursement process) social assistance benefits are, to some extent, integrated with payment systems in that social payments are made using bank transfers. However, there is no information that illustrates the extent of integration.

2_6_4_2_6 DIGITAL PAYMENT SOLUTIONS

No information available from a reliable source.

2_6_4_3 Healthcare Sector

2_6_4_3_1 OVERVIEW OF THE HEALTHCARE SYSTEM

According to a report by the OECD,[414] the health system remains centralized and offers universal coverage for the resident population. The Polish health system is based on social health insurance (SHI). Although SHI formally covers only 91 % of the population, it is considered nearly universal, as most of those who are uninsured live outside the country while still being registered as residents. People who lack SHI coverage can obtain outpatient emergency medical care and primary care.

The system is centralized,[415] with the Ministry of Health and the National Health Fund (Narodowy Fundusz Zdrowia, NFZ) in charge of governance, financing and purchasing. However, some key re-

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sponsibilities have been decentralized, mainly to the 16 regions, which own the larger regional hospitals, and the 314 counties, which own the smaller county hospitals. Medical universities and the Ministry of Health own highly specialized clinics and institutes. Only about 15% of hospital beds are private. Some primary-care practices are owned by municipalities, but the vast majority are privately owned, as is the bulk of specialist outpatient care provision. All private providers can offer services to patients under contracts with the NFZ, or on a private, fee-paying basis.

The NFZ is the main institution responsible for managing public funds for healthcare. It is the pillar of the entire health insurance system. National health policy is the responsibility of the Ministry of Health.[416]

The share of public financing for health has grown slightly in recent years and amounts to approximately 73% of all financing, which is around 8% lower than the EU average in 2021 (81.1%). Approximately 60% of this funding comes from SHI contributions, which are collected as an earmarked payroll deduction.

According to EUROSTAT,[417] expenditure on healthcare represents around 6.44% of Gross Domestic Product (GDP), which is considerably lower than the European average. The healthcare expenditure per capita (983.14), is again significantly lower when compared to the EU average of 3562.06.

According to a report by the OECD,[418] in 2021, Poland's health spending was among the lowest in Europe, both in per capita terms and as a share of GDP.

2_6_4_3_2 PUBLIC AND PRIVATE PROVIDERS

There is a blend of both public and private healthcare providers in Poland.[419]

Private clinics in Poland offer high-quality medical services, modern facilities, and fast access to care. People who want personalized attention and fast access to care often choose them. There are also specialist medical centers in Poland, focusing on specific areas such as cosmetic surgery, fertility, dentistry, and many others. These centers offer specialized treatments and are often equipped with the latest technology.

Some primary care practices are owned by municipalities, but the vast majority are privately owned as is the bulk of specialist outpatient care provision. All private providers can offer services to patients under contracts with the NFZ, or on a private, fee-paying basis.[420]

According to the Public Opinion Research Center (CBOS) survey,[421] which was carried out in June and published last week, 86% of people said they had used health services. A quarter (24%) did so exclusively through the public NFZ – which was a record low – while 11% only used private providers. Meanwhile, the largest proportion, 51%, used a combination of both public and private services. That was the highest figure ever recorded by CBOS. It was 15% higher than in 2021, the last time the survey was conducted.

2_6_4_3_3 MINISTRY OF HEALTH

The system is centralized,[422] with the Ministry of Health and the NFZ in charge of governance, financing and purchasing. However, some key responsibilities have been decentralized, mainly to the 16 regions, which own the larger regional hospitals, and the 314 counties, which own the smaller county hospitals. Medical universities and the Ministry of Health own highly specialized clinics and institutes.

Originally established in 1918,[423] the *Ministerstwo Zdrowia Rzeczypospolitej Polskiej* (Ministry of Health of the Republic of Poland) is a government ministry responsible for healthcare in Poland. The ministry does not have a direct role in higher education. However, it may collaborate with universities and research institutions in the fields of medicine, healthcare, and life sciences to promote research and innovation in healthcare.

The Ministry may also provide support and funding for medical education and training programs in universities and other educational institutions. This support may include scholarships, grants, and funding for research projects.

Additionally, the Ministry may work with the Ministry of Science and Higher Education in developing policies related to the regulation and accreditation of medical education programs and institutions, ensuring that medical students receive a high-quality education that meets national and international standards.

According to the Polish Government website,[424] the Ministry of Health is a government administration office serving the Minister of Health. As part of this service, it performs tasks, among others, in the field of:

- Supervision of the National Health Fund.
- Reimbursement of medicines, medical devices, and foodstuffs for special nutritional purposes.
- Supervision of the performance of the medical professions.
- Developing and coordinating the implementation of health programs.
- Organization and supervision of the State Emergency Medical System.
- Implementation of tasks related to spa treatment.

2_6_4_3_4
PUBLIC FUNDING AND OTHER FUNDING SOURCES

Public healthcare in Poland is financed through the NFZ. All people employed in Poland, including foreigners, must pay health-insurance fees, which are deducted from their salary. Deductions are usually made by the employer. Being employed (insured with ZUS/NFZ) allows foreigners to insure their family members as well.[425]

Although many health services are covered by the NFZ, co-payments and additional charges may be made for some treatments, medicines, or specialist services. The cost of co-payments may vary depending on the services and the insured person's situation.[426]

Employees must make a 9% healthcare contribution. A minimum of 314.10 Zloty per month. Up to 7.75% of the contribution is tax-deductible. The remaining part of the healthcare contribution (1.25% of the assessment basis) is a non-deductible cost, which decreases the after-tax income.[427]

Private healthcare is funded by optional private insurance plans that are offered by various insurers and paid by individuals or employers.[428] Some of the private insurers also cooperate with the public system and provide complementary or supplementary coverage for some services that are not fully covered by the public system. Additionally,

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both public and private healthcare providers can receive donations or grants from other sources, such as EU funds, foundations, or non-profit organizations.

2_6_4_3_5 IMPLEMENTATION OF ELECTRONIC HEALTH RECORDS (EHR) AND INTEGRATION WITH PAYMENT SYSTEMS

There have been recent implementations of e-health tools, such as electronic health records (implemented in 2019), e-prescriptions (2020) and e-referrals (2021), which can further support the co-ordination of health services across providers and levels of care.[429] Although the number of procedures performed in day-care settings has been increasing, the share of one-day hospitalizations within the total number of hospitalizations remains much lower than the OECD average.

The EHR system in Poland is called eWUŚ[430] (Electronic Verification of the Entitlement to Health Services), which verifies the eligibility and entitlement of a patient to health services and records the health services provided to the patient.

NOTES

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2_7

Portugal

2_7_1

Digital Payments: status

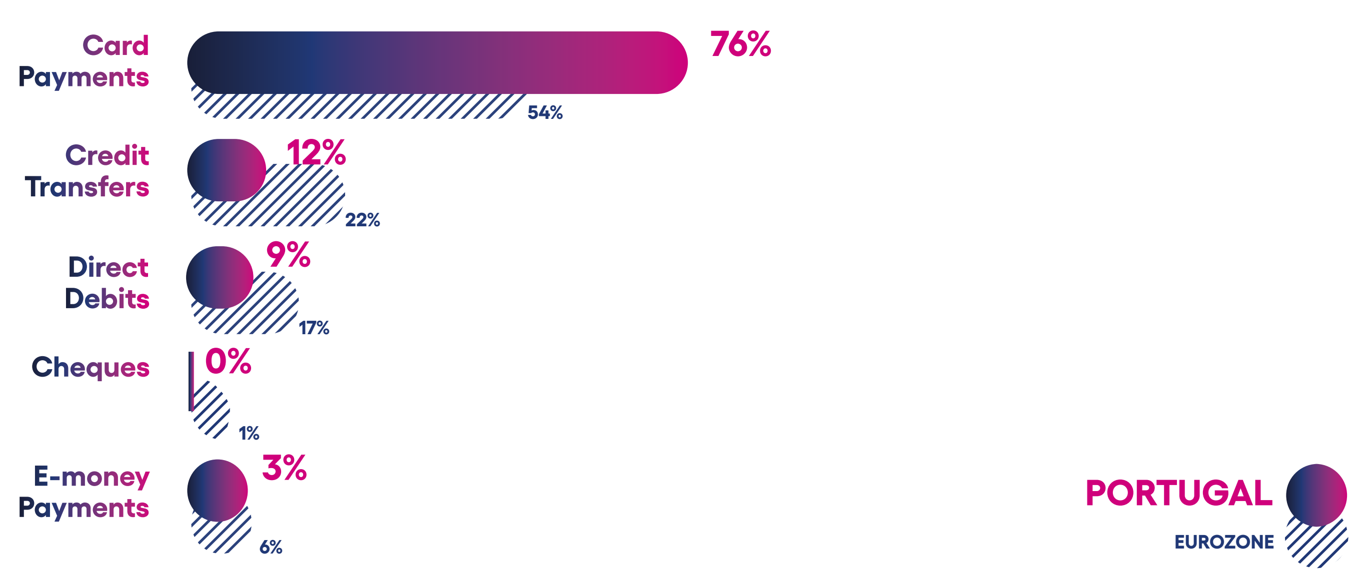
According to Statista, the total transaction value in the digital payments market in Portugal was projected to reach US$16.02 billion in 2024.[431] The total transaction value is expected to show an annual growth rate (CAGR 2024-2028) of 8.02%, resulting in a projected total amount of US$21.81bn by 2028.[432]

Although cash is still a prevalent means of payment in Portugal, it is decreasing. According to the Study on the Payment Attitudes of Consumers in the Euro area (SPACE) – 2022,[433] cash-based transactions at a point of sale (POS) in terms of number of transactions has dropped by 17%.[434]

This point of view is supported by a study[435] released on new digital payment methods which states that "Despite the obvious trend towards digital payment methods, and the decline in cash payments over the years, cash was still greatly valued, and in some countries more than others. Cash was the main payment method reported by merchants in Portugal in 2022."

According to the European Central Bank (ECB),[436] the distribution of cashless payments in Portugal in 2022 is as follows:

DISTRIBUTION OF CASHLESS PAYMENTS IN PORTUGAL (2022)



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According to Banco de Portugal's Report on Payment Systems 2022,[437] consumers continued to prefer electronic payment instruments (payment cards, direct debits, credit transfers and instant credit transfers). Electronic instruments were used in 99.7% of non-cash retail payments, i.e., 0.2% more than in 2021.

The report further states that the use of all electronic payment instruments went up both in volume and amount. Instant credit transfers grew by 34.3% and 54.4% respectively, despite continuing to represent a minor share in the interbank clearing system "SICIO" total (0.3% in volume and 2.1% in value). Payments by check decreased by 15.1% in volume but grew in value for the first time since 2014 (6.2%).

According to a study of new digital payment methods,[438] the tech-savvy population in Portugal relied heavily on mobile payment options for everyday shopping, and most did not carry cash or a physical wallet. Revolut was also popular for traveling, as was paying with cryptocurrency. Some used Apple Pay but were limited by the fact that not all banks offered it. For online shopping, they preferred PayPal and virtual cards as they liked that they did not have to give their card or bank details online.

There are various domestic payment providers available in Portugal, providing a range of domestic and cross border payment mechanisms to the public. Some of them include:[439]

- **SICOI (Interbank Clearing System)**: a system that processes most day-to-day retail payments, such as cards, credit transfers, direct debits, checks, and e-money. It operates on a deferred net settlement basis and is managed by the Banco de Portugal.
- **Trans-European Automated Real-time Gross Settlement Express Transfer System (TARGET2-PT)**: a system that processes large-value and urgent payments, mainly between banks and other financial institutions. It operates on a real-time gross settlement basis and is part of the Eurosystem's TARGET2 platform.
- **T2S (TARGET2-Securities)**: a system that settles securities transactions in central bank money, mainly involving government bonds and equities. It operates on a delivery-versus-payment basis and is part of the Eurosystem's T2S platform.
- **In TARGET Instant Payment Settlement service (TIPS)**: the system provided by the Eurosystem for pan-European instant credit transfers.
- **Multibanco**: a national system that links more than 25 different Portuguese banks and offers a wide range of services, such as Automatic Teller Machine withdrawals, POS payments, online payments, bill payments, mobile top-ups, and ticket purchases. It operates on a deferred net settlement basis and is managed by SIBS, a private company owned by the banks.

Below are some of the more innovative cashless payment solutions:

- **MB WAY**:[440] this popular mobile wallet enables instant peer-to-peer transfers, in-store payments, and online purchases. It requires linking a bank account and offers convenience and security.
- **Contactless payments**: both debit and credit cards with contactless technology are quickly gaining traction, offering a fast and touchless payment experience. Portugal ranks third highest for contactless payments (59%), only

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surpassed by the United Kingdom (69%) and Spain, which leads this index, with 72% of the population opting for this digital option.[441]

According to the 2022 edition of the Digital Economy and Society Index (DESI),[442] Portugal ranks 15th of the 27 EU Member States. With a score of 50.8 out of 100, slightly below the European Union (EU) average of 52.3.

According to the DESI report, Portugal's relative progress is generally slightly below that of its peers, so there is room for the country to accelerate its digitalization efforts. Portugal's digital transformation strategy and action plan of 21 April 2020 have set digital inclusion, public education, and digital transformation of businesses and public administration as its national priorities. These objectives align with the digital transition component of its recovery and resilience plan, which focuses on digital skills and the digitalization of businesses and public administration. The strategy and action plan's guiding principles capitalize on previous successful programs and strategies, complementing them with new ones. Structured around three strands - people, companies, and public administration – the inter-sectoral plan encompasses the most relevant aspects of the digital transition. A national digital decade strategic roadmap is expected in 2022 to connect the action plan to the goals of the 2030 EU policy program Path to the Digital Decade.

2_7_2

Payments and Financial Inclusion

According to the Global Findex 2021 database,[443] Portugal has a high level of payment and financial inclusion compared to other countries. About 93% of adults in Portugal have an account at a bank or other financial institution, or with a mobile money provider, which is above the average of 76% globally and 71% for developing economies. In Portugal, the percentage of women holding an account is high, at 90%, which is 2% higher than the Europe and Central Asia average (88%) and 16% higher than the worldwide average of 74%.

In Portugal, 87.5% of people over the age of 15 made or received digital payments in 2021,[444] which is above the Europe and Central Asia average (87%).[445]

Financial inclusion continues to be a hot topic for discussion in many countries. Below are some of the challenges facing Portugal:

- **Persistent underbanked population**:[446] around 7% of adults do not have a bank account, mainly low-income individuals, immigrants, and the elderly in rural areas. If we consider individuals in vulnerable groups, the percentage increases to 12%.
- **Digital Financial Inclusion variations**: there is a disparity in digital financial inclusion across different ages. Of respondents aged 25-39, 74.7% use digital channels, compared to 8.1% of respondents aged 70 and over.[447]
- **Low income**: the unbanked population stated that they do not earn enough to justify having a bank account.[448]
- **Financial literacy gap**:[449] many individuals, particularly in vulnerable groups, lack basic knowledge about financial products and services.

The Portuguese government has launched several initiatives to drive financial inclusion, such as:

- **National Strategy for Financial Inclusion (2021-2025)**:[450] this strategy outlines key areas for improvement, focusing on financial education, access to credit, and digital inclusion.
- **Expansion of the “Minimum Banking Services System”**:[451] this system aims to further increase access to affordable banking services for vulnerable populations.
- **The Digital Financial Strategy**:[452] the Digital Financial Literacy Strategy for Portugal sets out a long-term vision and objectives, supported by short- and medium-term actions, for Banco de Portugal and other Portuguese stakeholders with an interest in improving digital financial education.
- **Promoting digital infrastructure**:[453] expanding

broadband internet access and offering digital literacy training programs.

- **Promoting fintechs**, which expands development of microfinance, mobile wallets, and other financial solutions.[454]

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2_7_3

Government Payments

According to the 2022 edition of the Digital Economy and Society Index (DESI) report,[455] Portugal ranked 14th of the 27 EU Member States, with a score of 67.9 out of 100, above the EU average of 67.3 for digital public services.

The DESI report further stated that Portugal has transformed the functioning of its public administration and the design of public services thanks to sustained digitalization over time, rising to join the EU leaders in that sphere. The report stated that, apart from e-government users and big data applications, Portugal exceeds or is on par with EU averages in the field of digital public services.

Digital payments in government services in Portugal are becoming more popular and accessible, thanks to various initiatives and innovations by the government and the private sector. Some of the main initiatives include:

- ePortugal,[456] a portal that provides information and access to almost 3,000 public administration services for citizens and businesses, in simple and clear language. Users can use online authentication tools, such as the Mobile Digital Key or the Citizen's Card, to perform various services online, such as renewing a Citizen's Card, requesting a Tax Identification Number, or registering at the employment center.
- Electronic invoicing,[457] a mandatory requirement for all public procurement contracts since 2020, in compliance with the European Directive 2014/55/EU. Electronic invoicing aims to reduce costs, errors, and fraud, and to increase transparency and efficiency in public administration.
- SIMPLEX,[458] running since 2006, is the flagship program for administrative simplification.
- The national strategy for the digital transformation of public administration:[459] strengthens Portugal's commitment to provide integrated, seamless digital public services focusing on life events of the public and businesses, anchoring interoperability, and reusing data as fundamental for the public sector's digital transformation.
- Strategy for Innovation and Modernization of the State and Public Administration 2020-2023,[460] which aims to strengthen the focus on administrative modernization to better serve citizens and companies.

These are some examples of how digital payments are facilitating and improving how people interact with government services in Portugal. As the country continues to embrace innovation and digitalization, more opportunities and benefits are likely to emerge for both the public and private sectors.

2_7_4

Portugal's Pension, Social Assistance and Healthcare Sectors

2_7_4_1 Pension System

2_7_4_1_1 OVERVIEW OF THE PENSION SYSTEM

According to the Organization for Economic Co-operation and Development (OECD),[461] the standard retirement age with an old-age pension was 66 years in 2014 and 2015. It increased to 66 years and two months in 2016, 66 years and three months in 2017, 66 years and four months in 2018, and 66 years and five months in 2019 and 2022. The retirement age was again adjusted in 2023 to 66 and four months for both men and women, with a minimum of 15 years of contributions.[462]

According to the OECD,[463] this development follows the automatic process of adjusting the normal age of retirement by two-thirds of gains in life expectancy from age 65, measured as the average of the previous two years. The standard age of retirement can be reduced by four months for each year of contributions exceeding 40 years when the beneficiary turns 65 years old with a 65-year threshold. Pensioners also receive an additional amount equal to their monthly pension every year in July and December.

As specified by the OECD, Portugal has an earnings-related public pension scheme with a means-tested safety net.[464] Expatica[465] stated that the Portuguese pension system is one of the most generous in the world. The OECD's 2017 Pensions at a Glance report identified the country's average 95% pension contribution to be the fifth-highest out of its 35 member countries.

The pension amount is based on the average wage, the number of contribution years, and the sustainability factor.[466] The pension system consists of a mandatory public Pay-As-You-Go (PAYG) scheme, a mandatory occupational PAYG scheme, and a voluntary occupational or personally funded scheme.[467]

Portugal's pension system is covered by the *Centro Nacional de Pensoes* department of Portugal's Social Security organization *Segurança Social*.[468]

The Portuguese state pension falls into two categories:[469]

- An earnings-related, social security contribution-based pension. This covers everyone in the Portuguese workforce who makes a certain

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amount of contributions.

- A means-tested, minimum-rate social pension. This covers those who have not participated in the workforce or have not made sufficient social security contributions.

The pension fund system in Portugal consists of three main pillars: a public pension pillar, an occupational pension pillar, and a personal pension pillar.[470]

2_7_4_1_2 TYPES OF PENSION PLANS

The three pillars in Portugal are:[471,472]

- *Segurança Social*, the public pension fund, which provides old-age benefits on an earnings-related basis, financed by mandatory contributions from employees and employers. It is mandatory for all employees and self-employed individuals. Benefits are calculated based on earnings and contribution history and are administered by the Social Security System (*Segurança Social*).
- The occupational pension pillar consists of voluntary pension plans sponsored by employers or trade unions, funded by pension funds or insurance contracts. Types include:[473]
    - *Fundos de pensões fechados* (closed pension funds). *Adesões coletivas a fundos de pensões abertos* (collective membership of open pension funds).
    - *Contratos de seguro de grupo* (group insurance).

  It offers tax benefits and potential higher returns than the public system, however only a small percentage of the workforce participates. However, occupational pension plans are uncommon and cover only 3.7% of the Portuguese workforce. Only 1% of companies in Portugal operate their own pension plan.[474]
- The personal pension pillar comprises voluntary pension savings arrangements offered by various financial institutions, such as banks, insurance companies, or mutual societies. Types include:[475] *Adesões individuais a fundos de pensões abertos* (individual membership of open pension funds).
    - *Planos poupança-reforma* (retirement saving schemes - insurance contracts, pension funds or investment funds).

  It also offers tax advantages and individual investment choices; however, participation remains limited.

As specified by Expatica,[476] most company pensions use a pension fund arrangement. Alternatively, some smaller companies use an insurance-based scheme. Pension fund societies manage the pension funds in Portugal. They are either closed funds (limited to a single employer or a small number of employers, usually linked to a trade union agreement) or open funds (where external pension plans invest funds). The Portuguese government regulates pension fund investments. A maximum equity exposure of 55% and a maximum 60% investment in bonds applies.

The public pension fund in Portugal is overseen by the Ministry of Labor, Solidarity and Social Security, which is responsible for formulating and implementing the national social security policy, including the public pension scheme. However, the Social Se-

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curity Institute, P.I. (ISS, IP – Instituto da Segurança Social, I.P.)[477] carries out functions for the Ministry of Labor, Solidarity and Social Security (MTSSS), under the supervision and authority of the respective minister.[478]

The main regulator and supervisor of the private pension fund market is the Portuguese Insurance and Pension Funds Supervisory Authority (*Autoridade de Supervisão de Seguros e Fundos de Pensões* – ASF),[479] which is an independent public entity that ensures the stability, solvency, and transparency of the pension funds and insurance contracts. The ASF also cooperates with other national and international authorities, such as the Ministry of Finance, the Bank of Portugal, the Securities Market Commission, the European Insurance and Occupational Pensions Authority, and the International Organization of Pension Supervisors.

2_7_4_1_3
FUNDING SOURCES

The funding sources for private and public pension funds vary depending on the type and structure of the fund. Public pension funds are typically funded by mandatory contributions from employees and employers, as well as from the government budget.[480]

Private pension funds are funded by voluntary contributions from employers or employees, or by individual savings arrangements.[481]
The first pillar provides old-age benefits on an earnings-related basis. Pension fund funding is linked to social security contributions of 34.75%. Contributions amount to 11% of income for employees and 23.75% for the employer. Of the total social security contribution, 16.01% goes into the public pension fund system.[482] The net replacement ratio is estimated to be approximately 69%.[483]

Occupational pensions or company benefit plans are not widespread, with only about 3.7% of Portugal's four million workforce included in occupational pension schemes.[484] Only 1% of all Portuguese companies have a pension plan in operation. Most employees with a pension promise receive their benefits under a pension fund arrangement.[485] Occupational pension provision is provided by either a closed or an open fund. Closed funds relate to a single employer's pension plan, groups of companies or an agreement between employers and trade unions[486]. Open funds accept and invest money from any number of unrelated pension plans. Closed pension funds are the prevailing form, providing benefits mostly of the defined benefit type. Insured schemes are less prominent and are used mainly by small and medium-sized companies. Unfunded schemes are rarely found nowadays.[487]

In relation to occupational pension plans, employers and employee contributions represented, respectively, 2% and 0.6% of the total amount of salaries in 2017.[488]

Pension funds must be managed by pension fund managing societies specifically created for the purpose by mutual societies or insurance companies. Pension fund managing societies are prevalent and manage more than 95% of assets. The four biggest managing societies have a market share of nearly 70%.[489]

Employer contributions to a pension plan or an insured plan providing vested rights are tax-deductible up to 15% of salary; 25% of employee contributions attract tax relief up to an annual limit.[490]

According to a publication,[491] the public pen-

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sion reserve fund is managed by a state institution, the Social Security Capitalization Funds Management Institute. The Social Security Capitalization Funds Management Institute is a public institute within the Ministry of Labor, Solidarity and Social Security specializing in asset management.[492]

2_7_4_1_4
DISBURSEMENT PROCESS

According to the *Portal de serviços públicos* (e-portugal),[493] pension pay-outs and disbursement are usually made monthly. When submitting documents to apply for a pension, the applicant must provide proof of their International Bank Account Number, if they wish payment to be made by bank transfer, thus indicating that it is possible to receive pension funds in Portugal by electronic transfer from the pension fund's bank account to the retiree's bank account. However, this also implies that there are additional payment mechanisms. Unfortunately, there is no further information available on the additional payment mechanisms.

The exact percentage or proportions of payment mechanisms used to disburse pension funds is not readily available.

2_7_4_2
Social Assistance Sector

2_7_4_2_1
OVERVIEW OF THE SOCIAL ASSISTANCE PROGRAM[494]

Social security (*Segurança Social*) in Portugal provides support and welfare benefits for residents. The system has three strands:

1. The welfare (*Previdencial*) system provides financial support to workers who lose their employment income.
2. The solidarity (*Solidariedade*) system aims to guarantee citizenship rights and eradicate poverty.
3. The family support (*Protecção Familiar*) system provides assistance and allowances for families, particularly in cases of disability or dependency.

The total number of beneficiaries in 2021 was 4,908,280.

2_7_4_2_2
TYPES OF SOCIAL ASSISTANCE AND TARGET RECIPIENTS[495]

Some of the main types of social assistance can be categorized under basic income support, family support, disability and dependence, housing support and other forms.

Below are some examples from each category:

BASIC INCOME SUPPORT:

- Minimum Social Insertion Income: provides financial aid to individuals and families living in poverty or social exclusion.
- Complementary Solidarity Allowance (Rendimento Social de Inserção): offers support to families lacking employment opportunities or needing specific social support.
- Guarantee Program for the Elderly: ensures a minimum income for elderly individuals who do not have sufficient retirement pensions.
- Social unemployment benefit: a monthly cash benefit for unemployed workers who have ex-

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hausted their unemployment benefit or do not meet the eligibility criteria for it.

FAMILY SUPPORT:

- Family Allowance (Abono de Família): provides monthly payments to families based on children's ages and family size.
- Single-Parent Allowance (Abono de Família Monoparental): offers additional support to single-parent households.
- Prenatal Allowance (Subsídio de Natalidade): supports childbirth through a one-time payment to new mothers.

DISABILITY AND DEPENDENCE:

- Social Integration Benefit for People with Disabilities: offers financial aid to individuals with disabilities based on their degree of impairment.
- Dependency Allowance (Subsídio de Dependência): provides additional support for individuals requiring assistance due to disability or age.
- Attendant Care Allowance (Subsídio de Assistente Pessoal): helps cover costs of professional care for individuals with severe disabilities.

HOUSING SUPPORT:

- National Rental Support Program: offers subsidies for rent payments to low-income families and individuals.
- Social Housing Program: provides access to affordable housing units for disadvantaged groups.
- Temporary Accommodation Program: offers emergency shelter to individuals or families facing homelessness.

OTHER FORMS OF ASSISTANCE:

- Food Support: programs like the *Banco Alimentar contra a Fome* distribute food staples to low-income families.
- Medical Assistance: the National Health Service provides free or subsidized healthcare for Portuguese citizens and legal residents.
- Education Support: scholarships and grants are available to assist students from low-income backgrounds.
- Social action services: a range of services provided by public or private bodies that aim to prevent, restore, or minimize situations of vulnerability, dependency, or social risk. These include home help, residential care, day care, food support, social canteens, emergency shelters, and others.

Eligibility criteria and application procedures vary for each program. Moreover, specific amounts of assistance might change based on individual circumstances and program updates.

2_7_4_2_3 FUNDING SOURCES[496]

Social security assistance in Portugal is funded by:

- Contributions and taxes (59.4%).
- Central Administration Transfers (29.1%).
- Other current revenues and transfers (4.8%).
- European Social Fund Transfers (3.9%).
- VAT (Social Value Added Tax) (2.7%).

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2_7_4_2_4
DISBURSEMENT PROCESS[497]

Social assistance payments are made by the Social Security System (*Segurança Social*) in Portugal. The payments are usually made monthly, by bank transfer or postal order, depending on the type of benefit and the preference of the beneficiary.

2_7_4_2_5
INTEGRATION WITH PAYMENT SYSTEMS

Based on the information outlined above (ref. disbursement process), social assistance benefits are to some extent integrated with payment systems in that social payments are made using bank transfers. However, there is no information that illustrates the extent of integration.

2_7_4_2_6
DIGITAL PAYMENT SOLUTIONS

No information available from a reliable source.

2_7_4_3
Healthcare Sector

2_7_4_3_1
OVERVIEW OF THE HEALTHCARE SYSTEM

The healthcare system in Portugal consists of three separate systems:[498]

- The *Servico Nacional de Saúde* (SNS – National Health Service).
- Occupation-based social health insurance schemes (health subsystems) used in the public sector and in specific professions such as police, military, and banking.
- Voluntary private health insurance.

The health system remains centralized and offers universal coverage for the resident population.[499] The Polish health system is based on social health insurance (SHI). Although SHI formally covers only 91 % of the population, it is considered nearly universal as most of those who are uninsured live outside the country while still being registered as residents. People who lack SHI coverage can obtain outpatient emergency medical care and primary care.[500]

The system is largely centralized,[501] with the Ministry of Health and the National Health Fund (NFZ) in charge of governance, financing and purchasing. However, some key responsibilities have been decentralized, mainly to the 16 regions, which own the larger regional hospitals, and the 314 counties, which own the smaller county hospitals. Medical universities and the Ministry of Health own highly specialized clinics and institutes. Only about 15% of hospital beds are private. Some primary-care practices are owned by municipalities, but the vast majority are privately owned, as is the bulk of specialist outpatient care provision. All private providers can offer services to patients under contracts with the NFZ, or on a private, fee-paying basis.

According to a report by the European Commission and the OECD,[502] in 2023, the entire population was covered for a core set of services. 63% of people were satisfied with the availability of quality healthcare (OECD average 67%). Financial coverage, with 63% of spending covered by mandatory prepayment, was lower than the OECD average of 76%. Out-of-pocket spending, at 29% of health expenditure, was higher than the OECD average of 18%. 2.3% of the population reported unmet needs (OECD average 2.3%).

According to EUROSTAT[503], expenditure on healthcare represents around 11.07% of Gross Domestic Product (GDP), placing Portugal among the top spenders within the EU. However, the healthcare expenditure per capita (2,308.06 Euros), is lower when compared to the EU average of 3,562.06 Euros.

Planning and regulation take place largely at central level by the Ministry of Health and its institutions, whereas the management of the NHS takes place at regional level, via the regional health administrations which were introduced in 1993.[504] In each of the five regional health administrations, there is a health administration board accountable to the Ministry of Health and responsible for strategic management of population health, supervision of hospitals, management of the NHS primary-care centers, and the implementation of national health policy objectives. The regional health administrations are also responsible for contracting services with hospitals and private-sector providers for NHS patients. Although in theory the regional health administrations have financial responsibilities, these are limited to primary care because hospital budgets are defined and allocated centrally. The Azores and Madeira, as autonomous regions, have broad powers for their own healthcare planning and management.

2_7_4_3_2
PUBLIC AND PRIVATE PROVIDERS

There are both public and private healthcare providers in Portugal.[505] Public provision is predominant in primary care and hospital care, with a gate-keeping system in place for access to hospital care. Pharmaceutical products, diagnostic technologies and private practice by physicians constitute the bulk of private healthcare provision.

The NHS predominantly provides primary care and acute general and specialized hospital care. Dental consultations, diagnostic services, renal dialysis, and rehabilitation are more commonly provided in the private sector (but with public funding to a considerable extent) under contractual arrangements with the NHS.[506]

All private providers can offer services to patients under contracts with the NFZ, or on a private, fee-paying basis.[507]

Approximately 20% of Portuguese residents pay for private healthcare to supplement their public healthcare. Private healthcare covers extra services that the public system does not include, such as dental and vision care. It can also offset patients' out-of-pocket costs. Private healthcare also means that users can see specialists more quickly than in the public system. For expats, the private system also improves the chances of seeing an English-speaking practitioner. In general, when private healthcare is used, hospital and clinic visits are quicker, more comfortable, and more confidential.[508]

However, there is a downside. When using private care, patients normally must pay upfront for services and afterwards apply for reimbursement from their provider. This can be an expensive undertaking if patients have not planned ahead. In the public system, services are either free or incur only a nominal fee. In addition, in Portugal, some doctors work in both the public and private healthcare systems. Furthermore, some hospitals operate on both a private and public basis.[509]

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2_7_4_3_3
MINISTRY OF HEALTH

According to research,[510] some of the primary functions of the Ministry of Health are:

- Ensuring that every citizen has access to preventive, curative and rehabilitative medical care.
- Ensuring efficient national coverage in terms of healthcare units and human resources.
- Working towards public funding of the costs of medical care and medicines.
- Regulating and controlling the production, distribution, marketing, sale and use of chemical, biological and pharmaceutical products and other means of treatment and diagnosis.
- Drafting policies for the prevention and treatment of drug abuse.
- The Integrated Medical Emergency System.
- Integration of medical services and healthcare provision.
- Determining hospital budgets pending national annual budgets.

The Ministry of Health may delegate some of its functions and responsibilities to other bodies, such as regional health administrations, health insurance funds, health agencies, or other ministries.[511]

2_7_4_3_4
PUBLIC FUNDING – FUNDING SOURCES

The share of public financing for health has grown slightly in recent years and amounts to approximately 73% of all financing, which is around 8% lower than the EU average in 2021 (81.1%). Approximately 60% of this funding comes from SHI contributions, which are collected as an earmarked payroll tax. Household private spending is the second most significant source of funding, representing 28% of current health spending compared to 19% in the EU on average. More than two thirds of this private spending (20% of current expenditure) is in the form of out-of-pocket (OOP) payments – mainly on outpatient pharmaceuticals, outpatient medical care and dental care. Voluntary health insurance (VHI) also plays a significant role, accounting for 8% of total health spending. It is usually purchased by employers for their employees to cover occupational health and other health services.[512]

The public SNS system in Portugal is funded through general taxation. It is also subsidized by contributions from workers paying into the social security system. However, the system covers people who are not employed, as well as dependent family members and retirees. SNS services include everything from GP services and maternity care to hospital treatments and community medical programs. Portuguese residents must pay a small portion of their medical costs. This includes a small contribution to the cost of doctor and specialist visits, hospital care, and prescriptions. The amount is usually around 5 Euros.[513]

Central funding is devolved to Regional Health Authorities, who are responsible for the coordination of hospitals and the management of traditional primary healthcare centers in regional districts, as well as the implementation of national health policy objectives. A 1993 SNS statute redefined the organization of these districts into five health regions. Local primary healthcare provision is split between two models: traditional primary healthcare centers and primary-care services grouped together in Family

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Health Units (*Unidades de Saúde Familiar*).[514]

Please refer to social assistance for an indication of the contributions from employers and employees to the national healthcare system.

2_7_4_4 Implementation of Electronic Health Records (EHR) and Integration with Payment Systems

In Portugal the EHR system is known as *Registo de Saúde Eletrónico* – RES.[515] It has the following features:

- Focus: individual patient health records, including medical history, prescriptions, test results, and other clinical data.
- Purpose: to provide a comprehensive view of a patient's health history for better clinical decision-making and continuity of care.
- Access: primarily accessible by healthcare professionals involved in a patient's care.
- Implementation: gradual rollout, with different regions and healthcare providers at various stages of adoption.

There is no reliable source that gives information or any indication of the integration between the EHR and various payment systems.

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2_8 Slovakia

2_8_1

Digital Payments: status

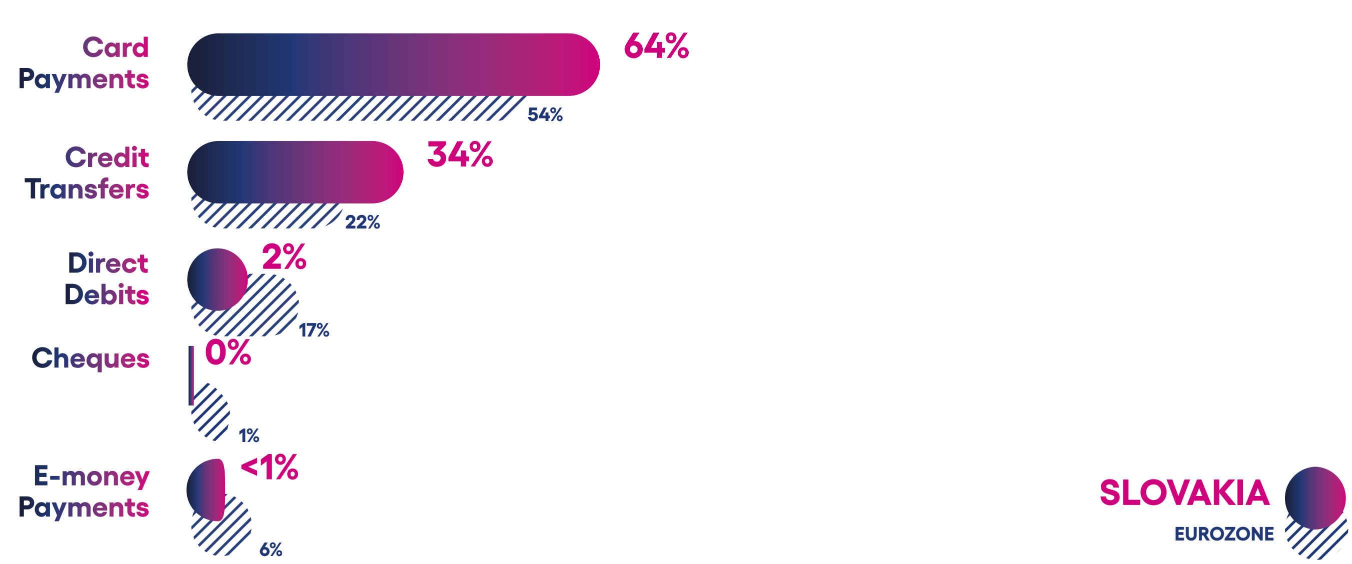
According to Statista Market Forecast, the total transaction value in the digital payments market in Slovakia is projected to reach US$9.05 billion in 2024.[516] Moreover, total transaction value is expected to show an annual growth rate (CAGR 2024-2028) of 8.17% resulting in a projected total amount of US$12.39bn by 2028.[517]

According to the European Payments Council, the number of cashless transactions per capita in Slovakia was 189.3 in 2020.[518] This means that, on average, each person in Slovakia made about 189 payments without using cash in that year, according to the ECB, Payments Statistics, 2020.

This number is relatively low compared to European countries such as Finland (448.9), Sweden (434.8), and the Netherlands (416.5). However, when compared to Croatia (124), France (87.8), Greece (87.8) and Italy (130.1), Slovakia is a front runner.

According to the ECB,[519] the distribution of cashless payments in Slovakia in 2022 is as follows:

DISTRIBUTION OF CASHLESS PAYMENTS IN SLOVAKIA (2022)



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Furthermore, according to Statista, Slovakia's most frequently used payment method, as of 2022, was a payment card; [520] this data is supported by the evidence provided by the ECB.

According to the Study on the Payment Attitudes of Consumers in the Euro area (SPACE) – 2022,[521] Cyprus was the country where contactless payments had the highest share of total card payments in 2022 (88%), followed by Slovakia (84%) and Greece (84%).

According to Statista, 30% of respondents said they paid by card multiple times a day. The other most frequent form of payment was contactless using a mobile phone or another smart device. Cash largely was used two to three times a week. Most people who paid by gift cards or vouchers did so no more than once a month.[522]

Various domestic payment systems are available in Slovakia. Some of them include:

- **SIPS (Inter-Bank Payment System):**[523] this is a retail payment system designed for processing client payments, such as credit transfers, direct debits, and card transactions. It is operated by the National Bank of Slovakia and all banks are obliged to use it for their domestic payment transactions.
- **Target-SK:**[524] this is the Slovak component of the Trans-European Automated Real-time Gross Settlement Express Transfer System (TARGET), which is owned and operated by the central banks of the Eurosystem. It is used for large-value and urgent payments, mainly between banks and other financial institutions. It also supports the settlement of other payment systems, such as SIPS and SEPA Instant Credit Transfer (SCT Inst).
- **SCT Inst**:[525] a scheme that allows the immediate transfer of funds within seconds, both domestically and cross-border, in Euros. It was introduced in Slovakia in 2022 and, so far, three payment service providers have joined the scheme. The scheme was supported by the National Bank of Slovakia, the Ministry of Finance, and the State Treasury, and was adopted voluntarily by the payment service providers (PSPs). Payment service providers participate in SCT Inst on a voluntary basis.
- **TARGET Instant Payment Settlement service (TIPS)**: as a member of the Eurosystem, Národná banka Slovenska provides the Eurosystem-operated TARGET Instant Payment Settlement (TIPS) service to the Slovak banking market. TIPS is based on the SCT Inst scheme and was developed as an extension of TARGET2, the real-time gross settlement system owned and operated by the Eurosystem. TIPS settles payments in central bank money and currently only in Euros. Payment services providers participate in TIPS on a voluntary basis.

According to the 2022 edition of the Digital Economy and Society Index (DESI) report,[526] Slovakia ranks 23rd of the 27 EU Member States, with a score of 43.4 out of 100, slightly below the EU average of 52.3.

According to DESI, to overcome these challenges and promote digital payments, the Ministry of Investment, Regional Development and Informatization of the Slovak Republic (MIRRI) will adopt a new strategic document, the "Action Plan for the Digital Transformation of Slovakia for the years 2023-2026". The action plan will present measures to improve Slovakia's digital performance, building on the 2030 digital transformation strategy for Slovakia. Additionally, Slovakia is trying to drive digitization in several ways, such as participating in the European Union's Digital Single Market, which aims to create a seamless online environment where people and businesses can access and offer goods and services across borders.

2_8_2

Payments and Financial Inclusion

According to the Global Findex 2021 database, Slovakia has a high level of payment and financial inclusion.[527] About 96% of adults in Slovakia have an account at a bank or other financial institution, or with a mobile money provider, which is above the average of 76% globally and 71% for developing economies. In Slovakia, the percentage of women holding an account is high, at 94%, which is 6% higher than the Europe and Central Asia average (88%) and 20% higher than the worldwide average of 74%.

In Slovakia,[528] 92.7% of people over the age of 15 made or received digital payments in 2021, which is above the Europe and Central Asia average (87%).[529]

Financial inclusion continues to be a hot topic for discussion in many countries. Below are some of the challenges facing Slovakia:

- Underbanked Population:[530] while the figure is lower than in many neighboring countries, 4% of Slovaks remain without bank accounts. If we consider individuals in vulnerable groups, the percentage increases to 9%.
- Rural-Urban Financial Divide:[531] access to financial services and digital infrastructure can be more limited in rural areas.
- Limited Financial Literacy:[532] gaps in financial knowledge and understanding may hinder people from fully utilizing financial services.

The government in Slovakia has launched several initiatives to drive financial inclusion, such as:

- National Strategy for Financial Inclusion:[533] Slovakia has developed a strategy focused on improving financial literacy, expanding digital services, and promoting the use of financial services.
- Financial Education Programs:[534] the government supports initiatives to raise awareness of financial products, responsible finance, and digital payments across diverse communities.
- Government Support for Microfinancing:[535] programs exist to facilitate access to microloans and other small-scale financial solutions for individuals and small businesses facing traditional credit barriers.
- Digital Inclusion Programs:[536] efforts to expand broadband access and digital literacy training, especially in rural areas, contribute to bridging the digital divide. Several national strategic

documents underline the need to increase digital competences of people in Slovakia. The strategy and action plan to improve Slovakia>s position in the DESI index by 2025 and the 2019-2022 action plan for digital transformation of Slovakia outline concrete measures to help the country make progress in the human capital sphere. The program of digitalization of education for 2030 highlights the needs to foster digital competences of children, students, and educators from pre-primary to tertiary education.

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Government Payments

According to the 2022 edition of the Digital Economy and Society Index (DESI) report,[537] Slovakia ranked 24th of the 27 EU Member States, with a score of 52 out of 100, significantly lower than the EU average of 67.3 for digital public services.

According to DESI, Slovakia needs to continue its efforts to improve and expand digital public services. Although progress has been made, the country remains below the EU average in this area. A new strategy document, "The National Concept of Informatization of the Public Administration for years 2021-2026," was approved by the Slovak Government in December 2021. The strategy outlines a vision for more reliable and user-friendly digital public services, including e-health, and it explicitly aligns with the three Digital Decade targets in this domain.

The Slovakian Government is striving to improve digitization and drive digital payments through various initiatives, such as:

- National Strategy for Digitization of Slovakia 2021-2027:[538] this comprehensive strategy outlines goals and action plans to accelerate digital transformation across various sectors, including finance.
- Digitalization of Public Services: the "National Concept of Informatization of the Public Administration for years 2021-2026".[539] The government is increasingly offering public services, including tax payments, document issuance, and social security applications, online. This promotes convenience and fosters the use of digital financial tools.[540]
- Financial Education:[541] programs aim to improve financial literacy and educate citizens about managing their finances safely and effectively, including using digital payment methods responsibly.
- Support for fintech Startups:[542] initiatives encourage the development of innovative financial technology (fintech) companies, which can offer new and convenient payment solutions, and include the establishment of the Fintech Hub.[543]

2_8_4

Slovakia's Pension, Social Assistance and Healthcare Sectors

2_8_4_1

Pension System

2_8_4_1_1

OVERVIEW OF THE PENSION SYSTEM

According to the OECD,[544] the pension fund system in Slovakia is earnings-related. The public scheme is a points system, with benefits that depend on individual earnings relative to the average. Low-income workers who have qualified pension contributions are protected with a minimum pension. All pensioners are eligible for social-assistance benefits. Voluntary defined contribution plans were introduced in 2005.

As specified by the OECD,[545] the retirement age in the Slovak Republic is defined on a cohort basis. The retirement age for males and females with no children is set to increase by two months for each subsequent cohort, until it reaches 64 years in 2030 for cohort 1966. From 1 January 2023, a new mechanism for raising the retirement age over 64 years has been adopted. The retirement age for a woman who has raised children is lowered by at least six months for each child, up to three children.

A minimum of 15 years of contributions is required to retire.[546] The pension amount is based on the average wage, the number of contribution years, and the pension-point value.

According to the official website of the National Bank of Slovakia (Národná Banka Slovenska),[547] the Slovak pension system comprises three pillars,[548] which will be complemented by the Pan-European Personal Pension Product (PEPP). *Národná banka Slovenska* (NBS) is responsible for supervising the second pillar (the old-age pension scheme), the third pillar (the supplementary pension scheme) and Pan-European Personal Pension Products marketed in Slovakia.

The Ministry of Labor, Social Affairs and Family of the Slovak Republic is responsible for employment support, social care and the functioning of the pension scheme.[549]

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2_8_4_1_2
TYPES OF PENSION PLANS

As mentioned above, the Slovakian pension fund system consists of three pillars.

- The first pillar is a mandatory, defined-benefits pension scheme financed on a pay-as-you-go basis and managed by the Social Insurance Agency.[550]
- The second pillar[551] is a funded, defined-contribution scheme in which pension savings are managed by pension fund management companies (PFMCs). Combined with pension insurance (first pillar), the scheme is designed to ensure an income for savers in old age and for their survivors, if any, in the event of their death. It is a mandatory scheme with automatic participation, but participants can opt out after two years. They have a right to re-enroll in this pillar (however a saver may only leave and re-enroll once).
- The third pillar[552] is a voluntary scheme (although enrolment is compulsory for people working in specific hazardous occupations). It is a defined contribution scheme based on the collection of contributions from participants and employers. It is, moreover, a funded scheme designed to earn returns on the contributions paid into it and pay participants supplementary pension benefits in old age.
- The Pan-European Personal Pension Product (PEPP)[553] is a new EU-wide voluntary personal pension scheme offering citizens an additional option to save for retirement. Supervised by national supervisory authorities and EIOPA, the scheme is intended to:
  - Help address challenges resulting from an aging European population.
  - Support mobility across the EU.
  - Facilitate the portability of pension savings across EU borders.

2_8_4_1_3
FUNDING SOURCES

Funding sources and contributions differ depending on the pillar but, in most cases, they are funded by contributions from employees and employers. The mandatory state pension fund is also financed from the state budget.[554]

First Pillar:[555] the state pension is a Pay-As-You-Go (PAYG) system. It is mandatory for all employees and self-employed individuals. It is funded by mandatory contributions from employees and employers. Both employees and employers contribute 14%.

Second Pillar:[556] savers' contributions to the second pillar are transferred to their personal pension account. Second-pillar contributions include both mandatory and voluntary contributions.

- Mandatory contributions
  - The Social Insurance Agency collects mandatory contributions and is required to transfer them to the saver's pension-fund management company, which, in turn, is required to credit them to the saver's personal pension account.
  - The amount of mandatory contributions is determined as a percentage rate of the assessment base attained in the relevant period. From 1 September 2012 to 31 December 2016, that rate stood at 4% of the assessment base. After this period, the rate rose 0.25% each year until 2022. In the

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years 2022 to 2023, the rate was 5.5% of the assessment base. In 2024 and in subsequent years, the rate will remain at the level of 4% of the assessment base.

- Voluntary contributions
  - Savers may also transfer voluntary contributions, in an unlimited amount, to their personal pension account under the second pillar.

Third Pillar:[557] the scheme is based on the collection of contributions from participants and employers and the earning of returns on those contributions. The benefits are payable in the following ways:

- As a supplementary retirement annuity or a temporary supplementary retirement pension.
- As a supplementary service annuity or a temporary supplementary service pension.
- As a lump sum.
- As an early withdrawal.

2_8_4_1_4
DISBURSEMENT PROCESS

Pension payout and disbursement is usually made by electronic transfer from the pension fund's bank account to the retiree's bank account, or in cash.[558]

The exact percentage or proportion of payment mechanisms used to disburse pension funds is not readily available.

2_8_4_2
Social Assistance Sector

2_8_4_2_1
OVERVIEW OF THE SOCIAL ASSISTANCE PROGRAM[559]

The Ministry of Labor, Social Affairs and Family of the Slovak Republic ensures that its social support system is just and economically sustainable. Its role is to effectively combat poverty and reduce dependence on social benefits.

The Section of Social and Family Policy of the Ministry of Labor, Social Affairs and Family of the Slovak Republic oversees social exclusion, poverty, material-need assistance, state social support, family policy, social-legal protection of children and social guardianship, social services, financial contributions for the compensation of severe disabilities and the activities of medical assessors.

2_8_4_2_2
TYPES OF SOCIAL ASSISTANCE AND TARGET RECIPIENTS[560]

Slovakia's social-security system offers various benefits to its citizens, categorized into two main components, Social Insurance Benefits and Social Assistance (*Sociálna pomoc*):

The types of social assistance are:

- Financial support of families with children:
  - The State provides families with children with the following allowances:
    - birth allowance
    - birth allowance supplement
    - allowance for parents on the birth of three or more children or the birth of twins in the course of two years

- child allowance
- child allowance supplement
- parental allowance
- allowance for a child in alternative care.

■ Social and legal protection of children

— The Slovak Republic rigorously observes the rights of the child and ensures the protection of a child for their wellbeing while respecting their best interests, as outlined in the international convention. The basic aim of measures concerning the social-legal protection of children and social guardianship is to provide essential assistance to families so that children can remain in their parents' care. Social/legal protection bodies working with children and social guardianship fulfil preventative tasks, particularly in situations where the child's parents are divorced or unable to resolve problems or conflicts in the family. For example, this pertains to recommending, ensuring, or providing social counselling, psychological assistance, or professional support to resolve family conflict and adapt to a new situation. They may also decide to impose various educational measures if necessary. Local government plays a significant role in preventing the occurrence of crises in families and in mitigating and eliminating their negative impact. The institution of the family has a strong tradition in Slovakia. This is reflected in the fact that most children who cannot be brought up by their own parents are entrusted to the care of other family members, usually grandparents. The social/legal protection and social guardianship body arranges to find a new family for a child only when childcare cannot be provided by other members of their family.

■ Funeral Allowance

— a state social benefit through which the state helps to defray costs associated with a funeral.

■ Material Need Assistance

— Material need arises when the income of a person and any natural persons who are connected to this person fails to reach the subsistence minimum and the person and any natural persons who are connected to this person are unable to ensure or increase their income through their own actions. Material-need assistance is a component of the social protection system. It represents a safety social net for individuals and families.

■ Severe Disability

— The state provides financial contributions and social services to mitigate or overcome the social consequences of a severe disability. The support is designed to aid the social inclusion of natural persons with severe disabilities, allowing them to actively participate in society while preserving their human dignity. The social consequences of the following areas of severe disability are compensated for:

- Mobility and orientation – reduced mobility or orientation
- Communication – impaired communication ability
- Increased expenditure – increased expenditure related to special diets, hygiene or wear and tear of clothing, underwear, shoes, and household furnishings, running a passenger vehicle
- Care of a trained assistance dog
- Self-care – limited or total loss of the ability to take care of oneself.

Financial contributions for the compensation of a severe disability are provided by the Offices of Labor, Social Affairs and Family.

- Social Services
  - Social services are one of the forms of social assistance to support people in a challenging social situation. Through these services, the state supports the social inclusion of individuals in challenging circumstances and the fulfilment of their social needs.
    Types of social services:
    - Ensuring a basic standard of living
    - Supporting families with children
    - Supporting the elderly and people with severe disabilities
    - Social services using telecommunication technologies
    - Support services.
  - The role of the Ministry of Labor, Social Affairs and Family of the Slovak Republic is to ensure a peaceful future for all. It designs social insurance and pensions legislation to protect most of the population from life's challenges while ensuring the just redistribution of pensions in the national economy. The Section of Social Insurance and Pension Saving of the Ministry of Labor, Social Affairs and Family of the Slovak Republic administers a set of goals, instruments and methods that ensures income for the economically inactive population. The pension scheme covers everyone, but some of its benefits and commitments are provided to specific groups of the population in various stages of their lives.

2_8_4_2_3 FUNDING SOURCES[561]

The allowances provided within this system are financed directly from the state budget. Entitlement to social support is usually based on permanent or temporary residence in Slovakia and does not depend on the income of the family or the economic activity of an individual and his/her family members. Specific conditions must be met to receive a particular allowance.

2_8_4_2_4 DISBURSEMENT PROCESS[562]

The relevant social assistance authority typically determines the disbursement method based on the recipient's circumstances and available options. In most cases, individuals will be encouraged to provide bank account details to facilitate electronic transfers.

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In situations where an individual does not have a bank account, especially if they live in remote areas with limited access to banking services or where immediate access to cash may be necessary, cash is used. The beneficiary can visit a designated cash disbursement point (e.g., a post office) and present the voucher along with valid identification to collect the benefit sum in cash.

2_8_4_2_5 INTEGRATION WITH PAYMENT SYSTEMS

Based on the information outlined above (ref. disbursement process) social assistance benefits are, to some extent, integrated with payment systems in that social payments are made using bank transfers. However, there is no information that illustrates the extent of integration.

2_8_4_2_6 DIGITAL PAYMENT SOLUTIONS

No information available from a reliable source.

2_8_4_3 Healthcare Sector

2_8_4_3_1 OVERVIEW OF THE HEALTHCARE SYSTEM

The healthcare system in Slovakia is based on a model covering most of the population and providing access to a range of public and private health services. The system is funded by payroll contributions, general taxation, and out-of-pocket payments.

According to a report by the European Observatory on Health Systems and Policies, a Partnership hosted by WHO, in 2021,[563] Slovakia operates a compulsory social health insurance (SHI) system, with three competing health insurance companies (one public and two private) that negotiate contracts with healthcare providers based on the quality, cost and volume of healthcare. In 2023, the public insurance company covers 55.5 % of the population, and the Ministry of Health is its sole shareholder.

The compulsory SHI system provides nearly universal population coverage. All permanent residents in Slovakia are entitled to SHI coverage, except those with valid health insurance coverage in another EU country. Apart from the economically inactive population, whose insurance contributions are paid directly by the state, all other residents are obliged to make monthly advance payments.[564]

The Healthcare Surveillance Authority acts as an independent monitoring body for healthcare provision, insurance and purchasing. The Ministry of Health, as a central administrative body, assumes critical regulatory functions by defining the benefits package, managing national health registries, and setting minimum quality criteria. In addition, it owns various healthcare facilities, including university hospitals and specialized healthcare centers.[565]

According to a report by the European Observatory on Health System and Policies, a Partnership hosted by WHO, in 2021, Slovakia spent EUR 1,743 per capita on health (adjusted for differences in purchasing power) – less than half the EU average of EUR 4,028 (Figure 9). Health spending as a share of Gross Domestic Product (GDP) accounted for 7.8% in 2021, far below the EU average of 11%.[566]

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Almost 80% of health expenditure in 2021 was funded by public budgets (government and compulsory schemes), which is just below the EU average of 81%. Out-of-pocket (OOP) payments consist mainly of co-payments for outpatient medications, some user fees and direct payments for services not covered by SHI, and represented 19.4% of health spending in 2021. Voluntary health insurance (VHI) plays a negligible role, accounting for less than 1% of total health spending in 2021.[567]

According to EUROSTAT,[568] expenditure on healthcare represents around 7.76% of GDP, which is lower than the European average. The healthcare expenditure per capita (1,427) is lower compared to the EU average of 3,562.06.

The National Health Information Centre (NCZI) is a state-funded organization founded by the Ministry of Health of the Slovak Republic. NCZI performs tasks in the area of informatization of health service, administration of the National Health Information System, standardization of health informatics, health statistics and provision of library and information services in the field of medical sciences and health service. It also administers national health registries and national health administrative registries. At international level, NCZI collaborates with WHO, OECD, EUROSTAT and EMCDDA.[569]

Overall, the health system remains very hospital-centric, with a limited role for primary care. GPs act as formal gatekeepers of the health system but this role is not well enforced, and patients often see specialists directly without, in practice, suffering any form of penalty. Even though the eight self-governing regions are required to ensure minimum GP-to-population ratios, accessibility of primary care varies and is reported to be problematic in several regions.[570]

2_8_4_3_2
PUBLIC AND PRIVATE PROVIDERS

In Slovakia, there are state and private healthcare providers.[571] There are three main health insurance companies in the Slovak Republic:

- General Health Insurance Company, Inc. (Všeobecná zdravotná poisťovňa, a. s.)
- Health Insurance Company Dôvera, Inc. (*DÔVERA zdravotná poisťovňa, a. s.*)
- Union Health Insurance Company, Inc. (*Union zdravotná poisťovňa, a. s.*)

All are joint-stock companies governing public resources and function across the Slovak Republic.

Slovakia also has completely private healthcare providers, which do not have a contract with a health insurance company. Patients seeking treatment from these providers will be liable for all costs.[572]

2_8_4_3_3
MINISTRY OF HEALTH

The Ministry of Health (*Ministerstvo zdravotníctva Slovenskej republiky*), as a central administrative body, regulates the benefits package, manages national health registries, and sets minimum quality criteria. In addition, it owns a range of healthcare facilities, including university hospitals and specialized healthcare centers.[573]

The Ministry of Health (*Ministerstvo zdravotníctva Slovenskej republiky*) is the health system's primary regulatory body. It is also sole shareholder in the biggest health insurance company (VšZP),

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covering a little over 60% of the population.[574]

The Ministry's key functions include:[575]

- Policy and regulation: drafting and implementing healthcare legislation, establishing best practice and quality standards, and health policy development.
- Oversight and monitoring: overseeing public and private institutions, licensing, monitoring, and analyzing health statistics
- Funding allocation: price negotiations
- Collaboration: collaboration with international organizations and bodies
- Public communication and awareness: health education.

2_8_4_3_4 PUBLIC FUNDING – FUNDING SOURCES

Sources of revenue are mainly wage-related contributions paid by employers and employees, accounting for a little more than two-thirds of total public spending on health. The remaining third comes from general tax revenues, which pay contributions for some subsidized categories of the population such as dependent family members, students, and pensioners. Out-of-pocket (OOP) payments in Slovakia correspond mainly to formal co-payments for prescribed outpatient pharmaceuticals and user fees for health services or goods not covered by health insurance companies.[576]

The contributions are paid by the employee and the employer (or selfemployed person) and deducted automatically by the employer. In general, the employee pays 4% of the basis of assessment (usually equal to the gross wage) and the employer 10%.[577]

Private healthcare is funded by contributions, out-of-pocket payments and/or co-payments from individuals who want to opt in or use private healthcare.

2_8_4_4 Implementation of Electronic Health Records (EHR) and Integration with Payment Systems

The EHR system in Slovakia is called *naezdravizalezi* (National Health Information System), and was developed in 2013. The system connects public and private health providers, health insurance companies, pharmacies, and laboratories, and facilitates the exchange of health data, such as e-Prescriptions, e-Referrals, e-Reports, and e-Health Cards, etc.[578,579]

There is no reliable source that provides information or any indication of the integration between the ERH and various payment systems.

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2_9

Spain

2_9_1

Digital Payments: status

According to Statista Market Forecast, the total transaction value of Spain's digital payments market is projected to reach US$114.90 billion in 2024.[580] Moreover, total transaction value is expected to show an annual growth rate (CAGR 2024-2028) of 7.68%, resulting in a projected total of US$154.50bn by 2028.[581]

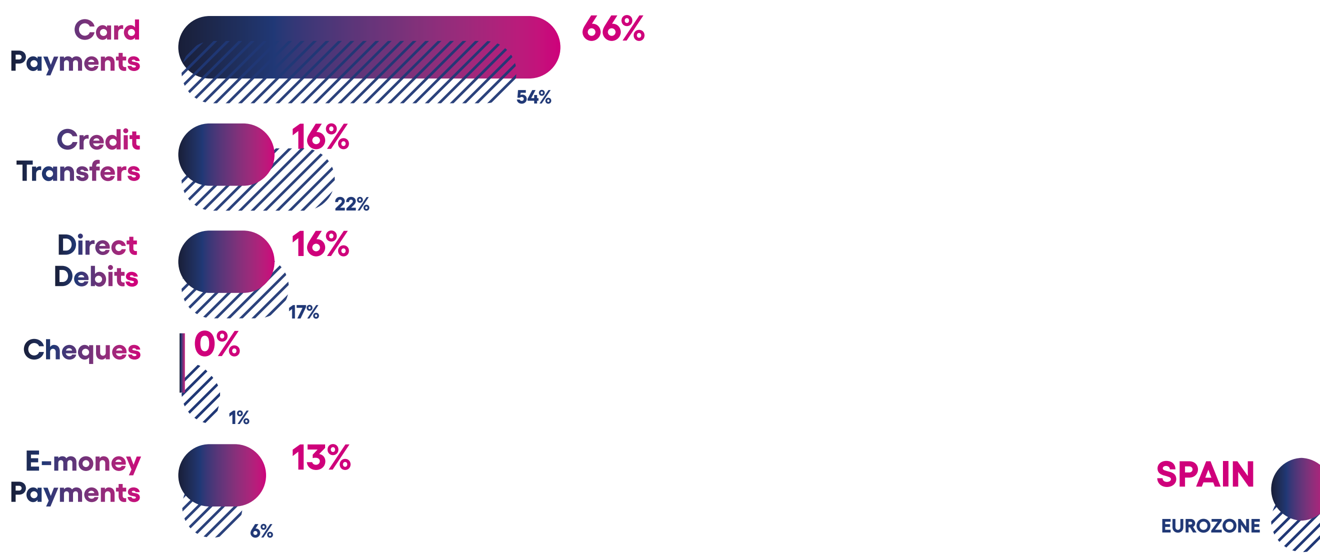
According to a report published by the Central Bank of Spain (Banco de Españа), in 2022,[582] cash is the most-used payment method in Spain at the physical point of sale (POS) and in person-to-person transactions but its use has declined compared with 2019. The report stated that the decrease in the use of cash is primarily driven by two factors. First, the growth in online purchases, which limits the opportunity to pay in cash, and, second, a shift in consumers' payment habits, with an increase in the use of digital payment methods for purchases.

In an interview, Fernando Rodríguez Ferrer, Head of Business Development at Bizum, the Spanish Instant Payment System launched in 2016,[583] stated that cash was Bizum's main competition. However, he continued , Bizum is gaining ground as the average figure for Bizum payments has grown from 52 Euros in 2017 to 46 Euros in 2019.

According to the European Central Bank, the number of cashless transactions per capita in Spain was 140 in 2020, lower than the European Union average of 220.[584] This means that each person in Spain made an average of 140 cashless payments in 2020, using methods such as cards, credit transfers, direct debits, e-money, and mobile payments.

According to the ECB,[585] the distribution of cashless payments in Spain in 2022 was as follows:

DISTRIBUITION OF CASHLESS PAYMENTS IN SPAIN (2022)



The most popular cashless payment method in Spain was card payment, which accounted for 66% of all cashless transactions in 2022.[586] Nevertheless, according to the Central Bank of Spain report,[587] cash remains the most used means of payment at the physical point of sales (POS). Specifically, the share of cash purchases was 66% in 2022, compared with 83% in 2019.

Spain is taking steps to improve digitization and drive digital payments, such as developing and implementing the 2030 Digital Transformation Strategy,[588] promoting the use of digital payments among consumers and businesses and encouraging the development of fintech solutions and platforms.

According to the Central Bank's website,[589] the Spanish interbank payment system is structured around two systems: Trans-European Automated Real-time Gross Settlement Express Transfer System (TARGET)-Banco de España for processing large-value payments, and the National Electronic Clearing System (SNCE) and payment cards, for small-value payments.

- TARGET Services are a suite of services developed and operated by the Eurosystem which ensure the free flow of cash, securities and collateral across Europe. These financial market infrastructure services include T2 (for settling payments), T2S (for settling securities), TARGET Instant Payment Settlement service (TIPS) (a service for instant payments) and ECMS (a service for collateral management). All settle in Central Bank money.
- The National Electronic Clearing System is

managed by Iberpay, a private company owned by participating credit institutions. It processes transactions conducted using retail payment instruments: SEPA credit transfers, SEPA direct debits, checks, bills of exchange and various other operations (non-standardized documents, commissions and fees on loans or documented batches, foreign-currency exchange, etc.). The settlement of these transactions is conducted in accounts held by the participants in TARGET-Banco de España.

Bizum[590] is another domestic payment service launched by Spanish banks, in 2016, to allow users to conduct Person-to-Person (P2P) payments through a smartphone. It is based on the SEPA Instant Credit Transfer (SCT Inst) standard.

A range of domestic payment providers is available in Spain, offering various payment mechanisms to the public. They include:[591]

- Debit and credit cards.
- Digital wallets such as PayPal.
- Mobile wallets such as Apple Pay, Google Pay.

Other digital payment trends in Spain include BNPL services such as Cofidis, and other innovative solutions such as Teleingreso, a unique system allowing shoppers to initiate a purchase online and finalize the payment offline at a physical location using a generated code.

According the 2022 edition of the Digital Economy and Society Index (DESI) report,[592] Spain ranks seventh of the 27 EU Member States With a score of 60.8 out of 100, it is well above the EU average of 52.3.

According to the DESI Report, Spain is making relatively good progress and outperforming previous years, especially on integration of digital technology (ranking 11th, five positions up from 2021), on digital public services (fifth compared to 7th in 2021) and human capital (tenth compared to 12th). Spain is an EU leader in connectivity and ranks third for the second consecutive year.

2_9_2

Payments and Financial Inclusion

According to the Global Findex 2021 database,[593] Spain has a high level of payment and financial inclusion compared to other countries. About 98% of adults in Spain have an account at a bank or other financial institution, or with a mobile money provider, which is above the average of 76% globally and 71% for developing economies. In Spain, the percentage of women holding an account is high at 97%, which is 9% higher than the Europe and Central Asia average (88%) and 23% higher than the global average of 74%.

In Spain, 97.2% of people over the age of 15 made or received digital payments in 2021,[594] which is above the Europe and Central Asia average (87%).[595]

Financial inclusion continues to be a hot topic for discussion in many countries. Below are some of the challenges facing Spain:

- Persisting underbanked population:[596] though relatively small, a section of the population, particularly those on a low-income, the elderly, and people in rural areas, remain underbanked. Interestingly, in Spain, the division between the average adult and adults in vulnerable groups, remains consistent at 2%.
- Digital divide:[597] unequal access to digital infrastructure and digital literacy skills can hinder the adoption of digital financial services in some population groups and regions.
- Financial literacy gaps:[598] although improving, gaps in financial education persist, limiting some individuals' ability to confidently use financial products and services.

The Spanish government has launched several initiatives to drive financial inclusion, such as:

- National Financial Education Plan:[599,600] this comprehensive plan promotes financial literacy initiatives across various demographics, including school programs, community workshops, and online resources.
- Promoting fintech and innovation:[601] the government fosters a dynamic fintech sector, encouraging the development of accessible and affordable digital financial solutions.
- Supporting the microfinance sector:[602] Spain supports microfinance institutions, which play a crucial role in supporting underserved communities and expanding financial inclusion.

2_9_3

Government Payments

According to the 2022 edition of the Digital Economy and Society Index (DESI) report, Spain ranked fifth of the 27 EU Member States for digital public services, with a score of 83.5 out of 100, significantly higher than the EU average of 67.3.

According to the report, the number of internet users who actively engage with e-government services has increased considerably (from 67% in 2020 to 73% in 2021) and is well above the EU average (65%). On prefilled forms, Spain shows a relatively high degree of reuse of information across administrations, scoring considerably above the EU average (78 points versus 64). Spain also performs well on digital public services for citizens (87), significantly above the EU average (75); businesses (94 points versus 82); and open data (95 points versus 81).

Spain offers a variety of government services online, allowing citizens and residents to conveniently complete tasks and access information.

The centralized portal referred to as Punto de Acceso General (General Access Point) is a single point of access that allows citizens to access horizontal information about ministries and their linked or dependent public bodies, as well as information on public employment, aid, grants, scholarships, and Spanish public administrative and EU regulations.

According to DESI,[603] Spain is striving to further promote digital payments across government services. One such initiative is the Digital Spain 2025 strategy, which embeds the digitalization of public administration, particularly in the areas of employment, justice (developed through the Justice 2030 plan) and social policies, into its 10-pillar digital agenda. The Plan for the Digitalization of Spain's Public Administration 2021-2025 develops the digital agenda further, setting out measures on: 1) the digital transformation of the State administration; 2) high-impact projects promoting public-sector digitalization and trust; 3) the digital transformation and modernization of the Ministry of Territorial Policy and Public Function, as well as its regional and local administrations. The first pillar aims to improve the usability, quality, and accessibility of digital public services. To that end, Spain is setting up an app factory to develop mobile apps and user-friendly services for the public. Expectations are that at least 50% of digital public services will be accessible through a mobile app by the end of 2025 (budget: EUR 8.67 million).

2_9_4

Spain's Pension, Social Assistance and Healthcare Sectors

2_9_4_1

Pension System

2_9_4_1_1

OVERVIEW OF THE PENSION SYSTEM

According to the OECD,[604] the Spanish public pension system consists of an earnings-related scheme, with a minimum contributory pension. The retirement age for a full pension (without actuarial reduction) was 66 years and two months in 2022, increasing to 67 years in 2027. However, the retirement age reduces to 65 if an individual has at least 37 years and six months of contributions in 2022, increasing to 38.5 years of contributions by 2027. Fifteen years of contributions must have been made to qualify for a pension benefit.[605]

The accrual rate is 50% after 15 years and reaches the maximum 100% after 37 years (from year 16 onwards, every additional month of contributions increases the accrual by 0.19% per month from months one to 248, and by 0.18% per month thereafter).[606]

Law 21/2021 of 28 December 2021 reintroduced price indexation.[607] Pensions will be revalued at the beginning of each year to the average value of the interannual variation rates expressed as a percentage of the Consumer Price Index for the 12 months prior to the December of the previous year.

The three-pillar pension system in Spain consists of Public, Occupational and Private Pension Funds.[608]

2_9_4_1_2

TYPES OF PENSION PLANS

The first pillar: commonly referred to as the *Sistema de Seguridad Social* (Social Security System) or *Régimen General de la Seguridad Social* (General Regime of Social Security).[609]

- The state pension in Spain covers two categories under which people can claim benefits. These are:
  - A contributory pension based on employment,
  - A non-contributory pension to ensure basic economic provision for residents who don't qualify for other pension support. This is mainly for low-income households and those with disabilities, and is financed by contributions paid by employees and employers.[610]

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The second pillar: company and employee pensions where conditions and availability depend on the employer. Traditionally, pension plans have been of the defined benefit (DB) type. DB plans are usually 100% financed by the employer. Defined contribution (DC) plans are becoming more popular. Typically, the employer bears 65-80% of the total plan cost and the employees contribute the rest.[611]

The third pillar: private pensions are voluntary and typically enjoy more flexible conditions than the state Spanish pension. Approximately 45% of people living in Spain contribute to a private pension.[612]

The Spanish Ministry of Inclusion, Security, and Migration (*Ministerio de Inclusion, Seguridad Social y Migraciones*) oversees the state pension in Spain. The government spends around 11.4% of Gross Domestic Product (GDP) on pensions, above the global OECD average of 8.2%.[613]

The Dirección General de Seguros y Fondos de Pensiones (DGSFP)(General Directorate of Insurance and Pension Funds) within the Ministry of Economy and Business has general oversight of private pension and occupational plans.[614]

2_9_4_1_3 FUNDING SOURCES

The system is financed through contributions paid by employees (4.7%) and employers (23.6%).[615]

As specified by the OECD,[616] to finance future spending and build up the public reserve fund, from 1 January 2023, until 31 December 2050, employees and employers will pay a special contribution. The employee and employer special contribution rates are respectively 0.1% and 0.5% of monthly covered earnings/payroll, and will increase gradually to 0.2% and 1%, respectively, by 2029.

There is a minimum pension benefit payable from age 65 equal to EUR 721.70 per month for single pensioners and EUR 890.50 per month for pensioners with a dependent spouse.[617] Fourteen payments are made each year.

There is also a minimum pension benefit equal to EUR 834.90 per month for widows with children and a minimum pension benefit for orphans. The maximum pension is EUR 2,819.18 per month in 2022, with 14 payments per year. From 2025, the maximum pension will be revalued by the change in the Consumer Price Index (IPC) for the 12 months prior to the December of the previous year plus an additional increase of 0.115 cumulative percentage points each year until 2050. From 2051, the additional annual increase applicable to determine the maximum initial amount of pensions from that year until 2065 is . The maximum pension is subsequently scheduled to increase from 3.2% above inflation in 2051 to 20% in 2065.[618]

Pension benefits are taxed. A new tax rule allows pensioners with low pension benefits to avoid paying taxes in advance every month.[619]

2_9_4_1_4 DISBURSEMENT PROCESS

Pensions are paid in 14 installments a year, one each month plus two extra, which are issued with the June and November pay checks and are for the same amount.[620]

There is no publicly available information that indicates which payment mechanism is used to disburse pension fund payments.

2_9_4_2
Social Assistance Sector

2_9_4_2_1
OVERVIEW OF THE SOCIAL ASSISTANCE PROGRAM[621]

Via social security contributions, the state guarantees protection in circumstances and situations defined by law to people who are eligible by virtue of their occupation, and the family members or dependents in their care.

In the case of contributory benefits, the social security system covers Spanish nationals residing in Spain and foreign nationals residing or living legally in Spain, regardless of their gender, civil status or occupation, as long as, in both cases, they work within national territory.

2_9_4_2_2
TYPES OF SOCIAL ASSISTANCE AND TARGET RECIPIENTS[622]

According to the European Commission's Employment, Social Affairs and Inclusion Department, Spain offers the following types of social assistance:

- Minimum Income Benefits: a range of minimum income schemes is available at national and regional levels including the *Ingreso Mínimo Vital* (Minimum Living Income), which was introduced in 2020 in response to the COVID-19 crisis, and the *Renta Mínima de Inserción* (Minimum Insertion Income), a regional scheme that varies across autonomous communities.
- Families Benefits: financial support for families with children and children affected by cancer, as well as birth and childcare maternity benefits, covering, for example, risk during pregnancy and breastfeeding.
- Healthcare including temporary incapacitation.
- Incapacity including permanent invalidity and accidents at work.
- Survivors: death and survivor pensions and early-retirement pension.
- Housing assistance: rental subsidies or social-housing programs, which can assist people struggling with affordable housing costs.
- Employment Assistance: programs offering employment training, placement assistance, and support services to help people find work and achieve economic independence.
- Support for Dependent Individuals: assisting people with disabilities, the elderly, or those requiring care at home.

2_9_4_2_3
FUNDING SOURCES[623]

In Spain, social protection is financed by a blend of social contributions and taxes. In general, financial benefits are funded by social contributions, and benefits-in-kind by taxes. Universally accessible benefits (such as healthcare and long-term care) tend to be financed through taxes, with only some residual benefits funded by social contributions. On the other hand, monetary benefits (such as pensions) financed through social contributions are supplemented by taxes to guarantee a minimum pension. In addition, welfare pensions are financed through taxation. Finally, there are fiscal allowances, expenditure on which shows up directly as lower tax revenue.

Another source of financing is "private" and is derived from co-payments, etc. This source involves out-of-pocket spending to receive a benefit, either as a service or in cash. This source of funding is used in universal social domains, such as healthcare or LTC.

2_9_4_2_4
DISBURSEMENT PROCESS

Social assistance payments in Spain are typically handled by the Spanish Social Security system (*Seguridad Social*). The national agency responsible for social security is the Institute for Social Security and Migration (*Instituto Nacional de la Seguridad Social – INSS*). Research suggests that some social assistance payments tend to be made through bank transfers into the beneficiaries' bank account.[624]

There is no publicly available information that indicates which percentage of the various payment mechanisms is used to disburse each type of social assistance benefit.

2_9_4_2_5
INTEGRATION WITH PAYMENT SYSTEMS

Based on the information gathered, social assistance funds in Spain are, to some extent, integrated in that social payments are made using bank transfers. However, there is no information to explain the extent of that integration.

2_9_4_2_6
DIGITAL PAYMENT SOLUTIONS

There is no information publicly available that suggests social assistance programs have been integrated with payment mechanisms.

2_9_4_3
Healthcare Sector

2_9_4_3_1
OVERVIEW OF THE NATIONAL HEALTHCARE SYSTEM

The National Healthcare System in Spain (Sistema Nacional de Salud – SNS) is based on a decentralized model, which guarantees universal coverage and free choice of providers to the population.[625] Just over 99% of the population is entitled to public healthcare (Asistencia sanitaria pública).[626]

The public healthcare system is organized at national and regional level. The national level is responsible for laws and regulations, and the regional level – shared across the 17 autonomous regions – oversees the local administration of healthcare services. The system is supervised by the Spanish Ministry of Health (Ministerio de Sanidad), which develops policy and oversees the national health budget. Over 70% of the healthcare system is financed by public taxes, which is reportedly around 11% of GDP. It is common for Spanish residents to have private health insurance (*seguro de salud privado*) to supplement public healthcare coverage.[627]

According to a report by the European Observatory on Health System and Policies, a Partnership hosted by WHO, in 2021,[628] Spain's health expenditure – at EUR 2,771 per capita – falls below the EU average of EUR 4,028. The health system provides universal health coverage. As the system is decentralized, regional health authorities have jurisdiction over operational planning, resource allocation, and purchasing and provision decisions. Moreover, the report indicated that health expenditure reached new highs in Spain during the COVID-19 pandemic.

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Spain's expenditure on health was 10.7% of GDP in 2021, close to the EU average (11%).

The Spanish health system is characterized by three parallel statutory subsystems: the universal national health system (*Sistema Nacional de Salud – SNS*); mutual funds catering for civil servants, the armed forces, and the judiciary (**MUFACE, MUGEJU and ISFAS**); and the mutuality focused on support following an accident or diagnosis of an occupational disease, known as "Collaborating Mutualities with Social Security".[629]

According to EUROSTAT,[630] expenditure on healthcare represents around 10.66% of GDP, which is lower than the European average. Healthcare expenditure per capita (2,733) is lower than the EU average of 3,562.06.

2_9_4_3_2 PUBLIC AND PRIVATE PROVIDERS

Health services are delivered by a blend of public and private providers, with primary-care doctors playing a gatekeeping role to specialist and hospital care[631]. Residents can choose to use the public system exclusively, hold private insurance to supplement the public system, or rely solely on private healthcare.

Private healthcare requires private health insurance or direct payment for services. It is offered by private hospitals, clinics, and healthcare professionals. Private healthcare providers often offer shorter waiting times and a wider range of services, including dentistry and ophthalmology.[632] Not everyone chooses to buy private insurance, but around 25% of the population does.[633]

2_9_4_3_3 MINISTRY OF HEALTH

According to a report by the European Observatory on Health System and Policies, a Partnership hosted by WHO, in 2021, the Ministry of Health was responsible for national health planning and regulation, while the 17 regional health authorities ran regional operational planning, resource allocation, purchasing and provision decisions. High-level coordination is managed by the SNS Interterritorial Council, which comprises the national Minister of Health and the 17 regional ministers of health. Regional variations in coverage are limited, although there are regional disparities in the allocation of resources.[634]

2_9_4_3_4 PUBLIC FUNDING – FUNDING SOURCES

Public funding for health is drawn from general taxation and is managed by the regions (known as autonomous communities – ACs). Private spending on health largely arises from OOP payments on dental care, optical care, medicines, and medical devices outside of hospitals, although there are exemptions and caps for medicines. In recent years, there has been a steady increase in both supplementary voluntary health insurance (VHI), which provides faster access to treatment, and complementary VHI, which covers services not included in the national benefits package (such as dental care). However, the share of the population who have VHI varies widely across ACs.[635]

People that have chosen private insurance, pay monthly premiums and co-payments. These contribute to the funding of the private healthcare system.[636]

2_9_4_4 Implementation of Electronic Health Records (EHR) and Integration with Payment Systems

The EHR system in Spain is called HCDSNS (*Historia Clínica Digital del Sistema Nacional de Salud*),[637] which integrates the regional EHR systems and allows the exchange and sharing of health data, such as diagnoses, treatments, medications, test results, etc. HCDSNS can be accessed and updated by authorized health professionals and can be shared across various regions and health settings.

According to the DESI report,[638] strengthening the health system is a primary measures in the plan to digitalize public administration. Spain is facilitating interoperable health systems and information exchange between autonomous communities, which are responsible for healthcare provision. This includes a vaccination registry and a monitoring system for electronic prescriptions. Spain is also developing a data space, where regional administrations can stock healthcare information for design purposes, in compliance with data protection rules.

There is no reliable source for information or any indication of the level of integration between EHR and the various payment systems.

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A Summary Table

To conclude this section, a table is included below summarizing some of the WSP indicators observed for the EU countries discussed previously. Note the prevalence of NIA [No Information Available] in the table, especially regarding the integration of WSPs with existing payment systems. This indicates the lack of a systematic treatment of WSPs at national level that was noted at the outset of this study. This is one of the motivations prompting the design and adoption of an assessment methodology for country WSP ecosystems, the subject of the next section.

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TABLE 1 COMPARATIVE WSP INDICATORS

INDICATOR	DIGITAL PAYMENTS	PAYMENTS AND FINANCIAL INCLUSION		
COUNTRY	DESI[1] score (ranking)	Adults w/ account at financial institution (%)	Women w/ account at financial institution (%)	Adults making/ receiving digital payments (%)
CROATIA	47.5 (21st)	92.0	90.0	57.0
CZECH REP.	49.1 (19th)	95.0	93.0	93.1
FRANCE	53.3 (12th)	99.0	100.0	98.0
GREECE	38.9 (25th)	95.0	93.0	88.1
ITALY	49.3 (18th)	97.0	97.0	93.0
POLAND	40.5 (24th)	96.0	96.0	91.4
PORTUGAL	50.8 (15th)	93.0	90.0	87.5
SLOVAKIA	43.4 (23rd)	96.0	94.0	92.7
SPAIN	60.8 (7th)	98.0	97.0	97.2
EU	52.3			52.3

INDICATOR	GOVERNMENT PAYMENTS		RETIREMENT PENSION (CONTRIBUTIVE)	SOCIAL ASSISTANCE MONEY TRANSFERS		HEALTHCARE
COUNTRY	DESI[1] score (ranking) of e-government	DESI score of e-government users	Disbursement process	Disbursement process	Integration w/ payment systems	Integration w/ payment systems
CROATIA	53.6 (23rd)	69 (citizens) 68 (businesses)	Electronic transfers	Bank transfers Cash transfers	NIA[2] on the extent of integration	NIA
CZECH REP.	64.5 (17th)	75 (citizens) 81 (businesses)	Electronic transfers	Bank transfers Cash transfers	NIA on the extent of integration	Information is not consistent
FRANCE	67.4 (15th)	81 (citizens 80 (businesses)	Electronic transfers Cheques	Bank transfers Cash transfers	NIA on the extent of integration	Payment methods vary depending on type and level of care, contractual status of providers, and patient choices of providers
GREECE	39.4 (26th)	NIA	NIA	Bank transfers	NIA	NIA
ITALY	67.3 (19th)	67 (citizens) 79 (businesses)	NIA	Bank transfers Prepaid cards Cash transfers	Integrated w/various payment systems	NIA
POLAND	55.8 (22nd)	57 (citizens) 70 (businesses)	NIA	NIA	NIA on the extent of integration	NIA
PORTUGAL	67.9 (14th)	NIA	Bank transfers available, but NIA on payment mechanisms used	Bank transfers Postal orders Cash transfers	NIA on the extent of integration	NIA on the extent of integration
SLOVAKIA	52.0 (24th)	NIA	Bank transfers Cash	Bank transfers Cash transfers	NIA on the extent of integration	NIA
SPAIN	83.0 (5th)	87 (citizens) 94 (businesses)	NIA	Bank transfers Cash transfers	NIA	NIA
EU	67.3	75 (citizens) 82 (businesses)				

Sources
DESI: Digital Economy and Society Index
NIA: No information available

3

WELFARE SECTOR PAYMENTS

An Assessment Methodology

17 This section develops a methodology to assess WSP systems at the country (or regional) level and to run cross-country comparative studies of national WSP systems

The proposed assessment methodology considers the relevant aspects of WSP systems. It is designed as a tool to conduct assessments of WSP systems based on a systematic approach that assessors can use to collect relevant information using quantitative and qualitative data sources, including official reports, government publications, financial statements, and user surveys. By implementing the proposed assessment methodology, assessors can provide valuable insights to policymakers, researchers, and stakeholders in the social welfare sectors. This approach will enhance understanding of the complexities and nuances within the WSP systems under consideration.

18 The proposed assessment methodology, articulated below, is structured as follows

It consists of 15 Key Areas, which cover the relevant dimensions of WSP provision. The Key Areas are the following: 1) Legal and regulatory framework, 2) Payment systems and service providers, 3) Payment services provision, 4) Users, 5) Digitalization and Interoperability, 6) Government initiatives, 7) Security, data integrity, and privacy, 8) Financial inclusion, 9) Cost, and efficiency, 10) Accessibility and usability, 11) Data availability and reporting, 12) Governance and oversight, 13) User protection, 14) Public perception, and 15) Cross-border transactions. For each of the Key Areas, the methodology i) identifies the objective(s) of the assessment, ii) explains the objective(s), and iii) points to the outcome the assessment should help the WSP system to achieve. The methodology then develops questions designed to assist assessors in gathering the necessary facts to evaluate how the WSP system fulfills the objectives associated with the relevant Key Area. These questions are intended to inform and guide the judgment of assessors, not to replace it. The questions are not intended to serve purely as a checklist. Moreover, they are not intended to be exhaustive, and assessors could, at their discretion, pose additional or different questions as needed and/or modify specific questions to reflect circumstances specific to the assessment.

KEY AREA_1

Legal and Regulatory Framework

Assessment objective: Examine the legal and regulatory frameworks governing WSPs in the country.

Explanation: The legal and regulatory frameworks governing WSPs play a crucial role in ensuring that the systems operate transparently, fairly, and efficiently. This involves an in-depth analysis of the specific laws, regulations, and policies that guide the execution of WSPs in the country, covering both national and local regulations that may impact how funds are disbursed and managed. These frameworks define the legal obligations for various stakeholders, including government agencies, PSPs, beneficiaries and users. An important part of this analysis is assessing the compliance mechanisms in place, which ensure that all parties involved follow the regulations, and examining the structures for monitoring and enforcement of these rules. The effectiveness of these frameworks is evaluated based on their ability to guarantee transparency in how funds are distributed, protect beneficiaries from fraud, and ensure that all transactions within the WSP system are conducted in a fair and equitable manner. This includes considering whether existing regulations allow for innovation in payment systems while maintaining adequate protection for users, and how adaptable the legal framework is to evolving technological and social needs within the welfare ecosystem.

Desired outcome: Help establish a clear, robust, comprehensive and predictable legal and regulatory environment that ensures transparency, compliance, and innovation in WSPs.

Assessment questions:

1. Are there laws and regulations in place to govern the provision of WSPs?
2. Do domestic laws and regulations allow PSPs to innovate in the provision of WSPs?
3. How effective are the mechanisms in place to monitor and enforce compliance with WSP regulations?
4. How responsive are regulatory bodies in addressing compliance issues and adapting to emerging challenges?
5. What levels of transparency exist within legal obligations, and are regulations clear and accessible to all stakeholders?
6. How available and accessible is regulatory information to policymakers, service providers, and the public?
7. What regulations govern the disclosure of transactional data for WSPs?
8. Is any entity responsible for coordinating policies and regulations relating to the provision of WSPs?

KEY AREA_2

Payment Systems and Service Providers

Market Players

Assessment objective: Identify and analyze the main payment system(s) supporting WSPs in the country and the key PSPs involved in WSP provision.

Explanation: The assessment of payment systems supporting WSPs focuses on identifying and analyzing the main systems and PSPs that facilitate the flow of funds within the country's social welfare infrastructure. This involves a detailed examination of the various payment platforms employed, whether government-backed, part of traditional banking systems, or private sector innovations such as mobile money services, digital wallets, or fintech solutions. These systems are critical in ensuring that welfare payments are distributed reliably, efficiently, and on time to beneficiaries, particularly those from vulnerable populations.

In conducting this analysis, it is essential to evaluate the market share of each system or PSP to understand its reach and dominance in the welfare payment ecosystem. For example, government-backed platforms may cater to most beneficiaries due to their centralized structure and integration with public databases, while private sector platforms may offer more innovative, user-friendly features, particularly in urban or tech-savvy areas. Identifying the roles played by major PSPs—whether they are large banks, telecommunications companies offering mobile money, or emerging fintech firms—helps highlight which entities are driving the accessibility and reliability of payments. Additionally, the competitive dynamics between these providers are crucial in shaping the landscape of welfare payment solutions. In markets where there is strong competition among PSPs, there is often greater innovation, as providers strive to introduce new technologies such as automated payments, real-time transfers, or biometric authentication to enhance the user experience and reduce transaction costs. On the other hand, in cases where collaboration between public and private entities is encouraged, there can be improved integration between platforms, allowing for more seamless transactions and better service for end users. This assessment also aims to identify the strengths and weaknesses of these payment systems, such as technical reliability, geographical reach, transaction fees, and security measures. For instance, a payment system that excels in urban areas may struggle to serve rural populations with limited digital infrastructure. Understanding these nuances provides critical insights for policymakers to make informed decisions about how to improve the overall WSP infrastructure. By leveraging the strengths of different payment systems and addressing their weaknesses, governments can optimize payment delivery mechanisms to enhance financial inclusion, especially for underserved populations.

Desired outcome: Help ensure that payment systems and providers enhance accessibility, reliability, and innovation in the provision of WSPs.

Assessment questions:

1. What are the market share dynamics of key PSPs in each country?
2. What trends can be identified in market share changes over specific periods, and how do these changes impact competition and innovation?
3. Are there any dominant players in the market for WSP provision, such as large state-owned banks?
4. What specific roles and responsibilities do major PSPs have in facilitating WSP provision?
5. How does the level of collaboration or competition among PSPs affect service quality?
6. How do different PSPs influence the innovation landscape within the WSP system?
7. Can you provide examples where competition among PSPs has led to technological advancements, enhancing the security and efficiency of the WSP system?

KEY AREA_3

Payment Services Provision

Assessment objective: Assess the utilization of payment mechanisms (systems, instruments, channels, schemes, arrangements, providers) for delivering WSPs in the country.

Explanation: The assessment of the utilization of payment mechanisms for delivering welfare-WSPs involves an in-depth analysis of how various systems, instruments, and channels are employed to disburse funds within a country's social welfare system. This review spans from traditional payment methods, such as bank transfers, cash payments, and checks, to more modern and digital approaches, including mobile banking, digital wallets, and prepaid cards. These payment mechanisms support a variety of transactional flows, including government-to-individual transfers (e.g., unemployment benefits, pensions), government-to-business payments (e.g., payments to healthcare providers), and business-to-business transactions (e.g., reimbursements between service providers within the welfare system). The key goal is to understand both the prevalence and usage patterns of these payment mechanisms across different contexts, such as urban versus rural areas or among different socio-economic groups. For instance, digital solutions might be more popular in urban centers due to better internet connectivity, while cash payments might dominate in rural regions with limited access to banking infrastructure. The assessment also explores the efficiency and effectiveness of these payment mechanisms in meeting the needs of diverse stakeholders, including beneficiaries, service providers, and government agencies. Furthermore, this analysis examines trends in the adoption of digital payment technologies, which are increasingly shaping the future of WSP systems. Mobile wallets, automated payment systems, and other innovations are often introduced to enhance the speed, reliability, and security of payments, reducing administrative burdens and making it easier for recipients to access their funds. Governments can leverage the findings of this assessment to optimize the delivery of welfare payments, ensuring that systems are accessible, efficient, and inclusive across different regions and population groups, thereby improving the overall user experience for all involved.

Desired outcome: Help ensure efficient and widespread use of payment mechanisms and services for WSPs.

Assessment questions:

1. How do payment mechanisms integrate with existing social welfare systems, and to what extent do they streamline payment processes and enhance efficiency?
2. Are the current payment mechanisms compatible with the operational requirements of social welfare programs, ensuring seamless integration and functionality?
3. What are the utilization rates of various payment mechanisms across different sectors and geographical regions?
4. What trends can be identified in the adoption of payment mechanisms over time (relative to individuals using the social welfare programs

or companies providing services)?

5. What factors influence the usage of payment mechanisms, including evidence of early adoption of modern digital mechanisms, such as government-designed or supported e-wallets?
6. How can transactional data be utilized to assess the frequency and volume of WSPs executed through different payment mechanisms?
7. What are the most popular payment methods, and what is their relative importance in facilitating WSPs?

KEY AREA_4

Users

Assessment objective: Identify the communities of users of WSP services as well as the problems and challenges encountered by them in making/receiving WSPs.

Explanation: The business and institutional users of WSP services form a complex ecosystem, including individuals, businesses, government agencies, insurance companies, healthcare providers, merchants, etc.), all of whom rely on the efficient flow of funds to meet their respective roles in the welfare sector. WSPs facilitate essential transactions that enable the distribution of welfare payments, pensions, healthcare reimbursements, and other forms of social assistance. However, several challenges can hinder the use of WSP services. For instance, government agencies may face administrative bottlenecks in processing large volumes of transactions, leading to delays in disbursing funds to beneficiaries or service providers. Healthcare providers or suppliers might struggle with delayed reimbursements for services provided under welfare programs, affecting their cash flow and ability to deliver timely services. Similarly, insurance companies involved in providing social health coverage could face inefficiencies due to fragmented payment systems or issues with interoperability between different payment providers. Merchants and other service providers, particularly in rural or underserved areas, may also encounter problems such as limited access to digital payment systems, technical infrastructure shortcomings, or inadequate training on digital payment tools. Understanding these challenges helps in identifying where the system breaks down, enabling the development of solutions to improve the reliability, speed, and accessibility of WSP services for all stakeholders involved. This analysis is vital for ensuring that welfare programs operate smoothly, providing financial support where it's most needed without disruption.

Desired outcome: Help identify challenges faced by users in making and receiving WSPs.

Assessment questions:

1. Who are the primary users of WSP services?
2. What specific problems and challenges are related to WSP processing efficiency, security, fraud detection, interoperability, timeliness, accuracy, and accessibility?
3. Are there technical limitations or infrastructure challenges for using WSP services?
4. In which types of (B2G, G2B, B2B, P2B, B2P) payment flows are these problems and challenges more significant?
5. How can we solicit feedback from business users to identify their pain points and areas for improvement?
6. What changes or innovations are needed in WSPs to better meet the needs of users?

KEY AREA_5

Digitalization and Interoperability

Digitalization

Assessment objective: Assess the level of digitalization and technology adoption for the provision of WSPs.

Explanation: The assessment into the level of digitalization and technology adoption for WSP services focuses on assessing how digital solutions such as mobile apps, online platforms, and other technological tools are integrated into the delivery of these services. The use of digital technologies can greatly improve the efficiency of welfare payments by automating processes, reducing transaction times, and enabling real-time tracking of payments. The adoption of mobile apps for welfare payments, for instance, allows beneficiaries in remote areas to receive funds directly on their phones, eliminating the need for physical visits to banks or government offices (if merchants accept digital payments). Online platforms streamline interactions between beneficiaries and service providers, making it easier for individuals to access their funds and for institutions to manage and process large volumes of transactions. Additionally, digital payment systems often enhance transparency and reduce opportunities for fraud by creating clear, traceable records of transactions. However, the success of these technologies depends on several factors, including user accessibility, digital literacy, and the availability of reliable internet and mobile networks, particularly in rural or underserved areas. The assessment must also consider the user experience, as the ease of navigating these platforms can significantly affect how beneficiaries interact with the system. If a platform is too complex or difficult to use, it can lead to delays in accessing benefits or discourage individuals from adopting digital solutions altogether. Ultimately, understanding the extent of digital integration in WSP services helps to identify areas where further technological innovation or capacity-building is needed to improve service delivery and make the system more accessible, efficient, and user-friendly for all stakeholders.

Interoperability

Assessment objective: Evaluate efforts to enhance interoperability between payment systems supporting the provision of WSPs.

Explanation: The evaluation of interoperability between payment systems supporting WSPs is critical for ensuring that transactions can flow seamlessly across different platforms, enhancing the overall efficiency of the system. Interoperability refers to the ability of various payment systems – whether digital wallets, mobile banking platforms,

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or traditional banking systems – to communicate and process transactions without friction. Assessing initiatives aimed at improving this aspect includes exploring government-led programs, private sector innovations, and regulatory frameworks designed to enable cross-platform functionality. For example, enabling beneficiaries to transfer funds between different types of accounts or payment systems (e.g., from a mobile wallet to a bank account) without additional steps or delays significantly improves transaction efficiency and reduces administrative burdens for both users and service providers. Additionally, promoting collaboration among stakeholders – including government agencies, banks, fintech companies, and payment service providers – can help create an integrated ecosystem where different technologies and systems work together seamlessly. This collaboration is especially important in underserved areas, where different types of payment systems may need to operate in tandem to ensure that all beneficiaries have access to their funds. Assessing the impact of these efforts involves measuring improvements in transaction speed, reductions in failed transactions, and the overall user experience. It also includes examining how well these systems scale, especially in the context of increasing digital payment adoption. Effective interoperability can lead to cost savings, improved accessibility, and a more inclusive WSP infrastructure, allowing beneficiaries to interact with multiple payment platforms without encountering barriers.

Desired outcome: Help achieve full digitalization and interoperability of the WSP system to improve efficiency and accessibility.

Assessment questions:

1. To what extent are digital technologies (including, inter alia, mobile apps, online platforms, and other facilitating devices) integrated into WSPs?
2. How comprehensive and accessible are digital solutions in WSPs, and do they meet the diverse needs of users?
3. What insights can user experience assessments provide regarding how technology adoption influences usability?
4. What areas for improvement can be identified based on user feedback to enhance the overall user experience in WSPs?
5. What projects, programs, or collaborations exist that focus on improving interoperability in WSPs?
6. Who are the key stakeholders involved in initiatives aimed at improving interoperability, including government agencies and PSPs?
7. What relevant laws and regulations address or mandate interoperability in WSPs?
8. How compliant are industry practices with regulatory requirements related to interoperability in WSPs?

KEY AREA_6

e-Government

Assessment objective: Assess the integration of WSPs within e-government initiatives for WSP.

Explanation: The integration of WSPs into broader e-government initiatives plays a pivotal role in transforming the way social welfare services are administered and delivered. This involves leveraging digital tools and online platforms to automate and streamline the various administrative processes that underpin social welfare programs, such as beneficiary registration, eligibility verification, and the disbursement of payments. The primary aim is to make these services more accessible, efficient, and user-friendly, ensuring that beneficiaries can interact with the system remotely, access information about their entitlements, and receive payments without needing to visit physical offices. By embedding WSPs into e-government strategies, governments can also reduce paperwork and bureaucratic delays, thus speeding up the delivery of welfare services and reducing administrative costs. Furthermore, digitalizing these processes improves transparency and accountability, as beneficiaries and government officials alike can track payments and processes in real time, reducing opportunities for fraud and errors. For instance, governments that implement mobile apps or online portals for welfare services provide a more streamlined, self-service interface where citizens can manage their benefits and submit necessary documentation electronically. This enhances user convenience, particularly for those in remote or underserved areas who may otherwise have limited access to government offices. Ultimately, the integration of WSPs within e-government initiatives leads to a more agile, accessible, and equitable welfare system, better aligned with the evolving needs of both beneficiaries and public administration.

Desired outcome: Help align WSPs with broader e-government initiatives, enhancing digital accessibility and service efficiency.

Assessment questions:

1. How well do WSPs align with broader e-government initiatives, particularly in terms of the digitalization of administrative processes?
2. How accessible are the digital provisions of WSPs, and what is their impact on overall efficiency and user convenience?
3. What is the impact of e-government initiatives on the accessibility of WSPs for diverse user demographics?
4. How inclusive are digital solutions in WSPs, considering factors such as language, disability, and socio-economic status?
5. How can we quantitatively measure the impact of e-government initiatives on the overall efficiency of WSPs, particularly regarding factors like transaction speed and accuracy?
6. What specific areas require additional measures or improvements to enhance the efficiency of WSPs?

KEY AREA_7

Security, Data Integrity, and Privacy

Assessment objective: Examine security protocols and measures implemented by countries to safeguard WSPs and investigate adherence to information security, data protection and privacy regulations.

Explanation: The assessment of security protocols and data protection measures within the context of WSPs is critical for ensuring that the system remains secure, and that beneficiaries' sensitive information is protected from cyber threats. This involves evaluating the robustness of various security measures implemented by countries, such as encryption standards that safeguard data in transit and storage, authentication methods (e.g., multi-factor authentication) that ensure only authorized individuals can access and manage welfare-related transactions, and fraud prevention mechanisms designed to detect and prevent unauthorized transactions. Strong encryption, for example, is essential to protect the integrity of data related to social welfare payments, preventing unauthorized interception or tampering of beneficiary records. Furthermore, it is crucial to ensure that WSPs adhere to national and international data protection laws—such as the General Data Protection Regulation (GDPR) in the EU or equivalent frameworks in other regions—that mandate how personal data should be handled, stored, and shared. This includes ensuring the privacy and confidentiality of beneficiaries' personal and financial information, such as social security numbers or bank details, which, if compromised, could lead to identity theft or fraud. Regular audits and cybersecurity risk assessments should be part of the system to continuously evaluate and address vulnerabilities, particularly as digital payment systems evolve. Governments must also ensure compliance with privacy regulations by implementing transparent policies on data usage and retention, providing clear communication to beneficiaries about how their data is being protected, and offering mechanisms for redress in case of breaches. Ultimately, this assessment helps ensure that WSP systems are resilient against cyberattacks and data breaches while fostering trust among users by safeguarding their personal information and upholding legal standards for privacy and security.

Desired outcome: Help ensure the highest level of security and privacy for WSPs, protecting sensitive user data.

Assessment questions:

1. How strong and effective are the security measures embedded in WSP processes, particularly regarding encryption standards and authentication methods?
2. What level of data encryption is utilized in WSP processes to safeguard sensitive information against unauthorized access?
3. What potential vulnerabilities exist, and what areas can be strengthened to enhance data protection measures and compliance with pri-

vacy regulations?

4. What measures are currently in place to protect against cyber threats, and how robust are the fraud prevention mechanisms within these measures?
5. To what extent do WSPs comply with industry best practices in cybersecurity, and what vulnerabilities and areas for improvement can be identified in their overall cybersecurity infrastructure?

KEY AREA_8

Financial Inclusion

Assessment objective: Analyze the extent to which digital WSPs contribute to financial inclusion for social welfare beneficiaries and the role of innovative payment solutions in reaching underserved populations.

Explanation: The assessment of how digital WSPs contribute to financial inclusion can help better understand the role that digital technologies play in improving access to financial services for marginalized populations. This analysis focuses on the extent to which digital WSP initiatives, such as mobile wallets, prepaid cards, and online banking platforms, enable individuals who were previously excluded from the formal financial system to participate in the broader economy. Many of the populations that rely on social welfare programs—such as those in rural areas, low-income groups, or people without access to traditional banking infrastructure—often face barriers to financial inclusion. Digital WSPs can help bridge this gap by offering convenient, low-cost solutions that do not require beneficiaries to maintain traditional bank accounts, allowing them to receive and manage funds directly on mobile platforms or through digital wallets. Furthermore, the use of innovative payment solutions can significantly improve the reach of welfare payments to underserved or remote populations. For example, mobile banking platforms allow beneficiaries in geographically isolated areas, where brick-and-mortar banks may not exist, to access funds easily via their mobile devices. Additionally, the inclusivity of digital WSP systems is evaluated based on how effectively these platforms cater to diverse socioeconomic groups. This includes examining whether these platforms are easy to use for individuals with limited digital literacy or access to technology. In many cases, government-led digital payment initiatives have successfully reduced transaction costs and improved timeliness, ensuring that welfare funds reach beneficiaries without delays or excessive fees. Assessing the success of these digital innovations in fostering financial inclusion also involves analyzing adoption rates among different demographic segments, as well as identifying potential barriers that might prevent some groups from fully utilizing digital payments. Factors such as lack of digital infrastructure, low mobile phone penetration, or limited internet connectivity in certain areas can undermine the effectiveness of digital WSPs. By investigating these issues, governments and policymakers can implement solutions aimed at further reducing financial exclusion, such as providing subsidies for mobile devices, expanding internet access, or offering educational programs to improve digital literacy among social welfare recipients. Ultimately, digital WSPs hold significant potential to enhance the financial empowerment of underserved populations, contributing to broader economic participation and reducing poverty levels.

Desired outcome: Help ensure that digital WSPs promote financial inclusion and that financial inclusion policies support WSPs, particularly for underserved populations.

Assessment questions:

1. How inclusive are digital WSP initiatives when examining their demographic reach and penetration?
2. What disparities exist in the accessibility of digital WSPs among different population segments, particularly for marginalized or vulnerable groups?
3. What specific impact do digital WSPs have on various socioeconomic groups, particularly regarding the reduction of disparities in access to essential financial services?
4. How accessible, affordable, and easy-to-use are digital payment solutions within WSPs, and what is the level of adoption among users?

KEY AREA_9

Costs and Efficiency

Costs

Objective: Examine the costs of all the relevant components associated with the provision of WSPs.

Explanation: The examination of the costs associated with WSPs involves a comprehensive analysis of both direct and indirect expenses incurred in delivering these payments. Direct costs include transaction fees paid to PSPs, bank charges, and fees associated with digital platforms, which can vary based on the payment method employed—whether traditional banking, mobile money, or prepaid cards. These transaction fees, though individually small, can accumulate significantly when scaled across large numbers of beneficiaries or when disbursements occur frequently. Indirect costs encompass administrative expenses such as staff salaries for processing payments, maintaining IT infrastructure, compliance with regulatory frameworks, costs associated with managing risks and protecting users, and the costs eventually deriving from the materialization of risks. Furthermore, in some cases, the government may bear additional costs in capacity building and ensuring beneficiaries have access to digital devices or banking services, particularly in remote or underserved areas. The overall affordability of WSPs is influenced by these various cost components, affecting both the government's budget for running social welfare programs and the recipients' experience with accessing their payments. For beneficiaries, hidden or unexpected fees – such as fees or charges for receiving or transferring funds – could reduce the actual amount they receive, impacting the effectiveness of welfare support. On the government's side, high administrative and transaction costs could limit the sustainability of a social assistance program or reduce its reach. Therefore, it is essential to assess whether the payment systems employed are cost-effective, exploring opportunities for cost reduction, such as adopting more efficient digital payment solutions or increasing interoperability between platforms to lower transaction fees.

Efficiency

Assessment objective: Evaluate the efficiency of the provision of WSPs.

Explanation: The evaluation of the efficiency in the provision of WSPs focuses on assessing how well the current processes facilitate the timely and effective disbursement of funds. This involves identifying any bottlenecks, such as delays in payment processing, administrative hurdles, or technical glitches that may hinder the smooth flow of transactions. Key areas of investigation include the speed of payments, the accuracy in disbursement, and the ability of the system to scale efficiently as demand fluctuates. Additionally, the assessment examines initiatives that have been introduced to enhance efficiency, such as the implementation of automated systems, digital payment platforms, or improvements in interoperability between different payment providers. The goal is to determine whether these efforts have successfully reduced delays and streamlined the process, ensuring that beneficiaries receive their payments without unnecessary complications or costs. By identifying inefficiencies and evaluating the effectiveness of corrective actions, governments and stakeholders can optimize the overall functionality and sustainability of the WSP system.

Desired outcome: Help minimize costs while maximizing the efficiency of WSPs.

Assessment questions:

1. What are the direct and indirect costs associated with WSPs, including transaction fees and administrative costs?
2. How can the cost structure of WSPs be evaluated to identify areas for potential optimization and cost-effectiveness?
3. What is the efficiency of existing processes in WSPs, and what bottlenecks or delays may impact their efficiency?
4. What initiatives have been implemented to enhance the speed and efficiency of WSPs, and how do they ensure timely disbursement of funds at affordable prices?
5. How affordable are WSPs for both users and administrators?
6. What is the financial burden on beneficiaries, and how cost-effective are WSPs in alleviating that burden?

KEY AREA_10

Accessibility and Usability

User Interfaces

Assessment objective: Assess the user interfaces and accessibility of digital WSPs for users (especially individuals).

Explanation: The assessment of the user interfaces and accessibility of digital WSP platforms is crucial to ensuring that these systems are easy to navigate and inclusive for a wide range of users, particularly those with varying levels of digital literacy and those with disabilities. This evaluation involves analyzing the design and usability of the platforms, focusing on their ability to offer a seamless user experience. For instance, are the platforms intuitive enough for individuals who may have limited experience with digital tools? Are menus, buttons, and instructions clearly labeled and easy to follow? Additionally, the platforms must be accessible to users with physical disabilities, such as visual impairments or mobility issues. This may involve features like screen readers, text resizing options, or keyboard navigation capabilities. Another important aspect is the inclusivity of these platforms in reaching diverse demographics, such as elderly users who may not be familiar with digital technology or rural populations with limited access to the internet. It's essential that these platforms are optimized for different devices, including mobile phones, which are often the primary tool for accessing digital services in underserved areas. Evaluating whether these platforms provide multilingual support or offer features that cater to low-literacy users is also important for ensuring equitable access. Ultimately, the goal is to ensure that the design of these digital WSP platforms facilitates broad participation, enabling all beneficiaries, regardless of their technological proficiency or physical abilities, to access their welfare benefits effectively and without frustration.

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Financial Literacy and Awareness

Assessment objective: Assess efforts to educate and inform users (especially individuals) on using digital WSPs.

Explanation: The assessment of efforts to educate and inform users on utilizing digital WSP platforms is key to ensuring that recipients of social welfare benefits can effectively engage with these digital systems. This evaluation focuses on initiatives designed to enhance financial literacy, increase awareness, and build the necessary skills for beneficiaries to navigate and use digital platforms confidently. These initiatives may include training programs, informational campaigns, or the distribution of educational materials that explain how to access and manage payments via mobile apps, online portals, or other digital tools. It is crucial that these educational efforts address various user demographics, particularly those who may face challenges in adopting digital technologies, such as older individuals, those with limited digital literacy, or beneficiaries in remote areas with less access to digital infrastructure. Effective education initiatives should provide hands-on training, offering step-by-step guidance, either in person or through tutorials, on how to manage their accounts, understand transaction notifications, and troubleshoot issues independently. Additionally, efforts should include promoting financial literacy to help users better understand their benefits, manage their finances, and prevent fraud or misuse of their accounts. By building capacity in digital skills and financial management, these initiatives empower beneficiaries to make the most of available services, ensuring they can access their payments securely, reliably, and efficiently. The goal is to reduce the digital divide and create a system where all beneficiaries, regardless of their technical skills, can fully utilize the benefits of digital WSP platforms, contributing to overall financial inclusion and system efficiency.

Desired outcome: Help ensure user-friendly and accessible digital WSP payment platforms, accommodating users of all skill levels.

Assessment questions:

1. How can we evaluate the design and usability of WSP platforms through user testing and feedback?
2. What methods can we employ for accessibility testing to ensure that WSP platforms are inclusive for users with diverse needs, including those with disabilities or varying levels of digital literacy?
3. What initiatives exist to educate social welfare benefit recipients on how to effectively use digital WSP platforms for transactions or information purposes?
4. How effective are educational programs in enhancing user experience and promoting financial literacy, education, and the ability to engage with digital WSPs?

KEY AREA_11

Data Availability and Reporting

Data

Assessment objective: Assess the availability and quality of data related to WSPs.

Explanation: The assessment of the availability and quality of data related to WSPs is critical for ensuring that policymakers and stakeholders have access to the accurate and complete information necessary for effective decision-making. This evaluation focuses on the completeness of the data collected, ensuring that all relevant aspects of WSPs—such as payment volumes, disbursement times, beneficiary demographics, and transaction histories—are captured comprehensively. Any gaps in data can hinder the ability to conduct meaningful analyses or identify areas for improvement within the system. The accuracy of the data is equally important, as incorrect or outdated information can lead to flawed conclusions, potentially compromising the efficiency or fairness of welfare programs. Data must be verified through reliable mechanisms to ensure its correctness and reliability. Additionally, the assessment looks at the sources of the data, evaluating their trustworthiness, consistency, and timeliness. This includes determining whether the data comes from government databases, payment service providers, or third-party institutions, and whether it is regularly updated to reflect the latest information on WSP operations. Ensuring that the data is of high quality and accessible enables robust analysis and facilitates informed policy decisions, allowing for more effective management of welfare programs and ensuring that resources are allocated where they are needed most. Reliable data also plays a crucial role in tracking the impact of WSP initiatives and identifying trends, bottlenecks, or discrepancies that require attention. Ultimately, the goal is to ensure that the data infrastructure supporting WSPs is robust, transparent, and capable of supporting continuous improvement in service delivery.

Reporting

Assessment objective: Assess reporting practices and transparency in the use of social welfare funds.

Explanation: The evaluation of reporting practices and transparency in the use of social welfare funds focuses on how effectively governments and PSPs ensure that financial reporting is accessible, clear, and accountable to both stakeholders and the public. Transparency is a cornerstone of public trust, as it allows beneficiaries, oversight bodies, and the general public to understand how welfare funds are allocated and utilized. This involves scrutinizing the content, frequency, and clarity of reports provided by governments and PSPs, ensuring that they cover critical aspects such as the amount of funds disbursed, the breakdown of expenditures across different programs, and any variances between al-

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located and spent resources. These reports should offer a comprehensive view of financial flows, shedding light on whether funds are used efficiently and in line with program objectives. Accountability is achieved through transparent communication of both successes and challenges in fund utilization. Effective reporting practices would detail any issues such as delays in disbursement, misallocation of resources, or other inefficiencies, while also providing data that allows for external audits or evaluations by independent bodies. Moreover, reports to the general public should be presented in a way that is easily understood by non-experts, promoting widespread public understanding of the welfare system's financial health and encouraging civic engagement. Ultimately, the effectiveness of these reporting practices is measured by their ability to build trust with the public, ensure that resources are being managed responsibly, and provide policymakers and stakeholders with the data needed to make informed decisions about future welfare programs and resource allocations. Robust reporting practices are critical for fostering transparency and ensuring that social welfare programs are perceived as fair, efficient, and well-governed.

Desired outcome: Help ensure the availability of accurate and comprehensive data to facilitate transparency and informed decision-making in WSPs.

Assessment questions:

1. Is the data collected comprehensive and does it cover the relevant aspects of WSPs?
2. How accurate are the available data sources, and what methods can be used to validate data quality through cross-referencing and verification?
3. Is the data used for analysis reliable and free from errors or inconsistencies?
4. How reliable are the sources providing data on WSPs, and are they trustworthy, up-to-date, and well-maintained?
5. How can we verify the credibility of data sources to enhance the accuracy of the overall assessment?
6. How frequently are financial reports generated and disseminated to stakeholders and the public?
7. In what ways do the reporting formats and communication strategies employed by governments and PSPs enhance public understanding of fund allocation and utilization, specifically targeting non-expert audiences?

KEY AREA_12

Governance and Oversight

Governance

Assessment objective: Evaluate the governance of the WSP system, focusing on its decision-making processes, accountability mechanisms, transparency, and how well it meets stakeholder needs.

Explanation: The evaluation of the governance of a WSP system involves a detailed analysis of its decision-making processes, the mechanisms for accountability, and the level of transparency in managing and overseeing the system. This assessment looks at how well the governance structure – whether centralized or decentralized – facilitates coordination among relevant authorities, such as national or local governments, and ensures effective oversight of the WSP system. A centralized model may offer consistency in policy enforcement and uniform WSP provision, simplifying decision-making processes across regions but potentially lacking the flexibility to address local needs. On the other hand, a decentralized approach empowers regional entities to adapt services based on local specific conditions, fostering innovation and responsiveness but potentially leading to inconsistencies in WSP provision. The accountability mechanisms within the system are critical for ensuring that decision-makers are held responsible for outcomes, and that resources are allocated efficiently and equitably. This includes evaluating how transparent decision-making processes are, whether stakeholders can easily understand how decisions are made, and whether beneficiaries and other stakeholders can provide feedback or raise concerns. Moreover, the effectiveness of coordination mechanisms between different governance levels is crucial for the smooth operation of the system, as it determines how well policies are implemented and adapted to local conditions. Ultimately, the goal of this assessment is to understand whether the governance model in place meets the needs of all stakeholders, ensuring that the WSP system is efficient, accountable, and responsive to changing demands.

Oversight

Assessment objective: Evaluate the institutional governance overseeing WSPs.

Explanation: The evaluation of institutional governance overseeing WSPs focuses on assessing the role of regulatory bodies and institutions that are responsible for ensuring the smooth and compliant operation of WSP systems. This involves analyzing how these bodies enforce regulations, monitor compliance, and address issues such as fraud, mismanagement, or inefficiencies in the payment activity. Effective oversight requires that these institutions have clear authority to implement policies, conduct audits, and make necessary adjustments to the WSP system to improve its functionality and transparency. An essential component of this as-

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sessment is to evaluate the independence of these oversight bodies, particularly in terms of their ability to act without undue influence from political or external entities, which could compromise their capacity to uphold the integrity of the WSP system. Independent oversight ensures that regulatory bodies can make impartial decisions based on the system's needs and legal frameworks, rather than being swayed by conflicting interests. Additionally, the authority of these institutions is examined to determine whether they have the power to enforce penalties, implement corrective actions, and ensure that all stakeholders—government agencies, payment providers, and beneficiaries—comply with the rules. By evaluating the effectiveness and autonomy of these regulatory bodies, the assessment seeks to determine whether the governance framework of the WSP system is robust enough to maintain accountability, transparency, and efficient delivery of welfare services, ultimately protecting the interests of all stakeholders involved.

Desired outcome: Help establish strong and accountable governance structures and effective oversight of WSPs.

Assessment questions:

1. What are the decision-making processes and coordination mechanisms within the governance structure of WSPs?
2. What roles do central and local authorities play in managing and overseeing WSP systems?
3. What are the advantages and challenges associated with the chosen governance model—centralized versus decentralized?
4. How does the governance model impact adaptability, efficiency, and responsiveness to local needs?
5. Which regulatory bodies and institutions are responsible for overseeing WSPs, and how do they ensure effective governance?
6. How independent and authoritative are these oversight bodies in enforcing compliance and addressing emerging issues?
7. Do regulatory bodies have the autonomy needed to carry out their responsibilities effectively?
8. How are decisions related to WSPs made within regulatory bodies, and who are the stakeholders involved?
9. How transparent and inclusive are the decision-making processes to ensure accountability?

KEY AREA_13

User Protection

Assessment objective: Evaluate existing regulations that safeguard users of WSPs and analyze the effectiveness and accessibility of mechanisms for dispute resolution and user protection.

Explanation: The evaluation of existing regulations safeguarding users of WSP systems focuses on the strength and comprehensiveness of the legal and regulatory framework that protects users from risks such as fraud, abuse, and other vulnerabilities. This involves analyzing whether the safeguards in place effectively uphold the rights and interests of WSP users, ensuring that PSPs adhere to clear guidelines that promote transparency in their operations. Effective transparency measures by PSPs should ensure that users have a clear understanding of payment processes, fees, and potential risks, allowing them to make informed decisions.Additionally, the assessment examines the availability and accessibility of dispute resolution mechanisms, which are crucial for addressing user complaints, resolving conflicts, and ensuring that any issues arising from the use of WSPs are handled fairly and efficiently. These mechanisms should be easily accessible to all users, including those with limited financial literacy or digital access, and should offer timely solutions to complaints. The effectiveness of these processes is key to promoting user trust in the system, as a well-functioning dispute resolution framework reassures users that their rights are protected and that they have a clear recourse if problems arise. Ultimately, the evaluation seeks to determine whether the regulatory framework and dispute mechanisms provide robust protection for WSP users, fostering an environment of trust and fairness in welfare payment systems.

Desired outcome: Help introduce or strengthen robust regulatory safeguards and effective dispute resolution mechanisms to protect the interests of WSP users.

Assessment questions:

1. What legal and regulatory frameworks safeguard the rights and interests of WSP users?
2. How comprehensive and relevant are the existing safeguards against fraud, abuse, and other risks for WSP users?
3. What mechanisms are available for resolving disputes related to WSPs, and how effective are they?
4. How accessible and fair are the dispute resolution processes in protecting the rights of WSP users?
5. What impact do existing safeguards have on building and maintaining user trust in WSPs?
6. What areas can be improved to enhance protection and confidence for WSP users?

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KEY AREA_**14**

Public Perception

Assessment objective: Consider users' attitudes and perceptions regarding the use of digital WSPs and evaluate the existence of feedback mechanisms for WSP users.[639]

Explanation: The assessment of users' attitudes and perceptions toward the use of digital WSPs is critical for understanding how well these systems meet the needs and expectations of their diverse users, including individual beneficiaries, businesses, and government agencies. By conducting surveys, focus groups, or other studies, policymakers can gain insights into key factors such as trust, satisfaction, ease of use, cost, and the overall impact of digital WSPs on users. This evaluation should capture public sentiment on the efficiency and transparency of digital WSP methods, the accessibility and affordability of WSP services, and any challenges users face, such as technical difficulties or barriers related to digital literacy. These insights are essential for informing policy improvements and enhancing the user experience. Moreover, the assessment should investigate whether structured feedback mechanisms are in place, allowing users to voice their experiences and concerns regarding the use of WSPs. These feedback channels – whether through hotlines, online forms, or in-person assistance – are crucial for identifying ongoing issues within the system and ensuring that user needs are addressed promptly. Ensuring that feedback is acted upon fosters a responsive and user-centric WSP system, where continuous improvement is driven by user input, leading to enhanced trust and satisfaction across all segments of users. This approach ensures that the system evolves in line with users' needs and remains inclusive and efficient for everyone involved.

Desired outcome: Help foster positive public perception of WSP systems by ensuring trust, satisfaction, and user feedback mechanisms.

Assessment questions:

1. How can we design and conduct surveys to gauge public attitudes and perceptions towards the provision of WSPs?
2. What specific questions related to trust, satisfaction, and perceived impact should be included in the surveys about WSP users?
3. How can we conduct focus group studies to gather qualitative insights on public perceptions of WSP provision?
4. What common themes and sentiments can we identify from focus group discussions regarding public perceptions of WSP provision?
5. What nuanced perspectives and opinions might be overlooked in quantitative surveys about WSP?
6. What trends and concerns regarding WSP provision are expressed by the public through online platforms?

KEY AREA_15

Cross-Border Transactions

Assessment objective: Identify the factors that facilitate or hinder cross-border WSPs within the EU.

Explanation: The assessment of cross-border WSPs within the EU focuses on identifying both the facilitating and impeding factors that influence the seamless transfer of social welfare funds across national borders. This analysis starts by examining the regulatory environment that governs cross-border transactions, including any agreements, policies, or EU directives designed to streamline these processes. Effective policies promoting cross-border collaboration can facilitate the smooth movement of funds between countries, ensuring that social welfare beneficiaries who live, work, or move between EU nations receive their entitlements without unnecessary delays or complications. However, challenges such as regulatory inconsistencies, variations in national tax laws, or differing technological standards between countries can impede the efficient transfer of funds, creating barriers for users and complicating the management of WSPs. The assessment also seeks to identify specific barriers to cross-border WSPs, such as lack of interoperability between payment systems, differing administrative procedures, or discrepancies in eligibility criteria for receiving benefits in different countries. By analyzing these factors, policymakers can pinpoint areas where improvements are needed to promote more effective collaboration and integration among national WSP systems. Additionally, this evaluation explores potential solutions and opportunities for countries to collaborate on overcoming these challenges. These solutions might include the harmonization of regulatory frameworks, the adoption of standardized digital payment systems across borders, or initiatives to enhance the interoperability of financial and administrative systems. Ultimately, this assessment aims to foster a more integrated EU-wide WSP system, ensuring that cross-border social welfare payments are timely, efficient, and accessible for all beneficiaries, regardless of their country of residence or employment within the EU. By addressing these challenges and building on existing collaborative efforts, the EU can improve the overall functionality and inclusiveness of its WSP systems, enhancing social protection for mobile populations across the region

Desired outcome: Help facilitate seamless, transparent, and efficient cross-border WSPs.

Assessment questions:

1. What is the regulatory environment supporting cross-border transactions within the EU?
2. What factors facilitate or hinder the seamless transfer of social welfare funds between countries?
3. How efficient are cross-border WSPs (in terms of, say, cost-effectiveness, speed, convenience, transparency, accessibility)?
4. How effective are the policies and initiatives aimed at promoting seamless cross-border

collaboration, particularly concerning the execution of cross-border WSPs?

5. What areas need improvement to facilitate cross-border transactions, and what regulatory, operational, and regional initiatives should be considered?

Fast Forward Foundation

NOTES

639 Here the word “users” refer to individuals, businesses, merchants, government agencies, and all entities that may make/receive WSPs and use components of WSP systems).

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4 TOWARDS A NEW ARCHITECTURE for the Provision of Welfare-Sector Payments

19 As noted in Section 2's Stocktake, the focus countries under consideration all exhibit nonsystematic and unorganized – as well as often noninteroperable – WSP ecosystems

These have evolved over the years in a manner characterized by spontaneity and lack of central planning. Rather than following an orchestrated blueprint, the development of WSPs has typically been the result of disparate, often disjointed initiatives, with decisions made at various levels of governance, including regional authorities and sectoral institutions (see below). These initiatives appear to have stemmed from immediate needs, societal pressures, or political expediency rather than from comprehensive, long-term planning. For instance, in response to economic downturns or social unrest, governments may introduce ad-hoc welfare measures to alleviate immediate distress without necessarily considering their long-term implications or integration with existing systems. In summary, they have been shaped by the unique socio-economic contexts, political ideologies, and historical legacies of each nation. Consequently, there is a considerable degree of heterogeneity in the types and levels of welfare support offered across EU member states.

20 The absence of a consistent approach to welfare policy within EU countries has led to some inconsistencies in, and fragmentation of, their WSP ecosystems

Different regions within a country may adopt divergent strategies or priorities in addressing social-welfare needs, resulting in disparities in the availability and adequacy of welfare benefits. Moreover, difficulties in coordination between national and regional authorities can exacerbate these disparities, leading to inefficiencies and inequalities in the distribution of welfare resources. Finally, in some instances, WSPs are formulated and implemented at regional or sectoral level rather than at national level. Regional authorities, endowed with varying degrees of autonomy, may design welfare programs tailored to local needs and preferences. In other cases, welfare programs are designed by sectoral institutions, e.g., health-insurance companies, pension funds, corporations, and trade unions (Box 1). The resulting (coexisting) multiple arrangements contribute to the patchwork nature of WSP provision and delivery within EU countries. This decentralization of decision making can complicate efforts to achieve coherence and consistency in national welfare policy both within and across EU countries.

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21 This section considers the components of an integrated payments architecture, which countries could consider introducing as part of their NPS to integrate the provision of WSPs

The proposed architecture consists of a integrated ecosystem for the provision and payments and transactional activities associated with social welfare services (i.e., within the limits set out in paragraph 5), which would interconnect all entities that originate or receive WSPs within a jurisdiction. For brevity, it will be called the "Integrated WSP architecture" (IWSPA).[640] The integrated nature of the IWSPA would overcome the patchwork nature of current WSP systems. Through the IWSPA, WSPs would be provided and delivered digitally into general-purpose banking accounts and/or electronic transactional wallets, available to all beneficiaries and contributors, always and everywhere within the national jurisdiction, and giving them full choice of providers, channels, and instruments for executing and receiving WSPs. The integrated WSP system would ensure more efficient distribution and collection of funds and should contribute to increasing the inclusion of the financially excluded. The IWSPA would be built on three pillars: i) the setting up of the underpinning infrastructure, ii) operating the WPS systems based on it, and iii) managing and evaluating the systems.

22 The impetus for digitalizing the provision and delivery of WSPs has been largely aimed at creating efficiency gains for governments and citizens (Box 2)

Changes in technology, urbanization, financial infrastructure, and shocks such as the COVID-19 crisis are introducing a new array of instruments and actors in the development and delivery of cash transfers, focusing on the people receiving those transfers. Transfers that, a couple of decades ago, would be delivered in cash by line ministries are evolving to digital payments delivered by PSPs, often into bank or mobile money accounts. The efficiency gains from digitalizing payments bear significant benefits for the recipients (in terms of safety, speed, security, convenience, choice, predictability, widespread access to liquidity points, increased privacy, and control over use of funds), and for the governments (in terms of program efficiency and effectiveness by reducing leakages, improving transparency, and preventing errors, fraud, and corruption). However, provision of benefits using digital payments can be challenging to some individuals and households, particularly those in remote areas and those with low levels of financial literacy, awareness, and readiness.

BOX **2**

Digitalizing WSP Ecosystems

The digitalization of WSPs is on the rise everywhere (Box 2).[641] According to the World Bank's Global Payment Systems Survey (2016) and Snapshot of Payment Systems Worldwide (2018), electronic instruments are, by far, the most widely used methods for WSPs (therein included in the broader category of "government payments," which comprise public-sector salaries, pension and transfer payments, cash transfers and social benefits).[642]

The notion of payments digitalization goes beyond the biometric authentication of beneficiaries or the digital provisioning of payments, both front-end processes visible to individuals, families, and households. It extends backward to the automation of payments administration, the back-end processes that are visible only to program administrators. Furthermore, digitalization extends forward, beyond administration and provision, to use (by individuals, families, and households) through interoperable systems and acceptance of digital transactions (by service providers and merchants).

Where WSP are transferred through "closed-loop" systems,[643] the funds might have flowed virtually or digitally end-to-end, but people eventually must cash those out as physical currency and fail to make use of cashless transactions or operate digital wallets, mobile money accounts, or bank accounts. Provisioning payments through interoperable "open-loop" systems ensures people are not obliged to cash out their transfers; instead they can store them and use accounts easily and conveniently for everyday transactions, such as buying food from a merchant or paying for health visits, using point-of-sale (POS) systems.

4_1

The "Integrated WSP Architecture[644]"

23 The IWSPA proposed in this section encompasses all systems, regulations, policies, and design choices that enable and characterize the end-to-end delivery of WSPs

Its intended purpose is to give ample choice and great convenience and affordability to all categories of WSP users in terms of instruments, channels, and providers of services through which they can receive (and, in turn, make) payments.

24 The IWSPA is intended to contribute not only to program-level efficiency gains, but also to long-term development goals

WSP digitalization has, so far, been pursued in the context of specific programs or agencies aiming to reduce costs or increase efficiency at the specific program or agency level. The IWSPA aims to move beyond achieving program-specific efficiency gains to simultaneously increase recipient convenience, advance financial inclusion, empower women, create government-wide fiscal savings, and stimulate private-sector development and innovation.

25 The peculiarity of the IWSPA is that it essentially involves a centrally governed (or centrally coordinated) process for payments and transactional services associated with social-welfare services

This would overcome the inefficiencies of the payment service provision mechanisms adopted by existing social-welfare programs in EU countries, characterized, as noted, by nonsystematic and unorganized ("patchwork"), as well as often non-interoperable, arrangements. The IWSPA would support all social assistance programs and their associated payment streams, leveraging shared infrastructure and systems, and would deliver payment services that offer choices to recipients, and prioritize their convenience and needs, homogenously across a national jurisdiction. Importantly, establishing and maintaining the IWSPA would require a strategic approach by the government and an ongoing policy and oversight role for the government, coordinating all relevant agencies and institutions, and in cooperation with the central bank (as overseer of the national payments system, NPS) and all relevant WSP stakeholders. The following will cover the three fundamental aspects of the IWSPA: 1) the supporting infrastructure, 2) how the system would be operated; and 3) how it would be managed.

4_1_1

Infrastructure

26 **The infrastructure to support the IWSPA should include several components (Fig. 1)**

4_1_1_1

The National Digital ID System

27 **The national digital identification (ID) system facilitates the secure verification and authentication of the identities of WSP recipients**

Being able to reliably verify basic identity information (i.e., to confirm that a person is who s/he claims to be) should be important to ensure that the intended individuals are the ones receiving the WSPs. In addition to helping tackle fraud and corruption, a high-coverage system should help with targeting and expanding recipient lists, empowering individuals to access services and transactions conveniently.[645] The system should use standards and design principles that allow for interoperability with other systems and platforms.

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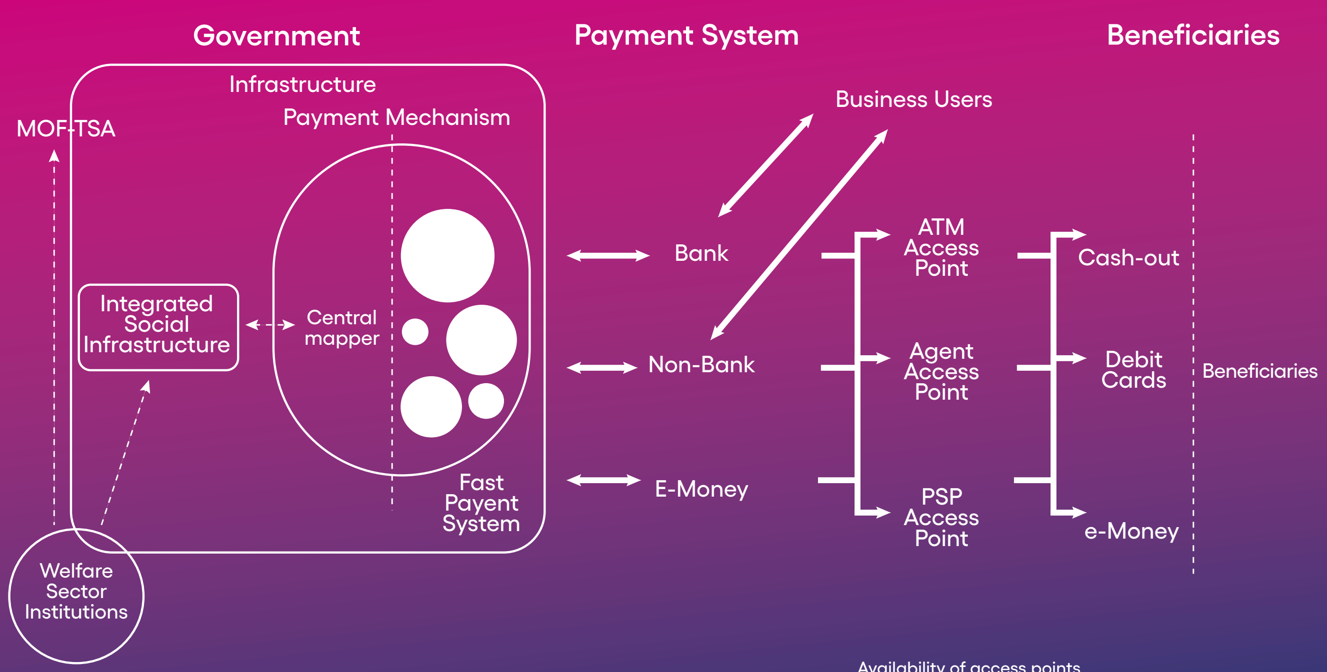
FIG. 1 **THE INTEGRATED WSP ARCHITECTURE (IWSPA)**



Social assistance distribution through utilization of shared infrastructure for every program

Payment infrastructure that supports various WSP programs by different (public and private sector) stakeholders

Availability of choice to choose payment service provider

Availability of access points (ATM, Agent, Bank Branch), dependent on interoperability, in sufficient amount and widely accessible

Combination of various payment instruments for various programs

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28 Digital ID systems are those that use digital technology throughout the identity lifecycle

They manage data capture, validation, storage, and transfer; credential management; and identity verification and authentication. Although the term "digital ID" often connotes identity credentials used for web-based or virtual transactions (e.g., for logging into an e-service portal), digital IDs can also be used for stronger in-person (and offline) authentication.

29 The national ID system should be designed to ensure that no one is left behind and to mitigate risks

Ensuring full coverage of the digital ID system among intended WSP recipients (including women, the poor, displaced persons, people with disabilities, and those who face added barriers to obtaining identity credentials) should be a priority. Features should be incorporated into system design to mitigate risks of exclusion, misuse of data, and vendor and technology lock-in.

4_1_1_2

The Payment Mechanism

30 The IWSPA requires an integrated and automated payment mechanism – the WSP system – that links together all infrastructure components and the agents involved in the provision of WSPs

The WSP system should build on a set of core (national) infrastructures, which are part of the NPS and through which WSPs would flow across all the entities operating in the welfare-sector space as originators/receivers and intermediaries of funds. The configuration, robustness, and strengths of the WSP systems determines how payments are routed, to which providers, how quickly, and at what cost. Utilizing a core (national) payment infrastructure bears enormous advantages over programs and agencies arranging bespoke payment delivery solutions.

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31 The PM should provide the following services

It should execute the transfers from government to PSPs and recipients, and vice versa, and should allow recipients to use the funds received digitally for further payment activities. The PM should interconnect with the other infrastructure components, notably the Central Treasury System (CTS) and all other relevant infrastructure (both discussed below). Beneficiaries would have to hold accounts at PSPs participating in the system. The benefits of leveraging the PM would have to include:

- **Account utility**
  The payment mechanism should help to ensure that recipient (bank, wallet, card) accounts are linked to the regulated financial system and thus can be used for other types of transactions and financial services on receipt of the WSPs. This utility, given time, may translate into more meaningful financial inclusion.
- **Improved WSP management**
  The PM should allow different government agencies, businesses, and individuals to connect to an integrated, scalable, efficient, and affordable PM.
- **Improved WSP recipient experience**
  Recipients should receive their funds faster and with fewer errors.[646]

32 The IWSPA should preferably build on a fast payment system (FPS)

Fast payments are defined as payments in which the transmission of the payment message and the availability of final funds to the payee occur in real time or near-real time and on as near to a 24-hour and seven-day (24/7) basis as possible (Box 3).[647] FPSs have developed rapidly worldwide and their number is on the rise.[648] With an FPS, payments would be credited to recipients' accounts directly and in real time, in most cases at little or zero cost for the payer and the payee in particular for P2P payments.[649] All PSPs interested in offering WSP-related services would be able to access the same WSP system (provided they comply with its rules) and would benefit from using standardized processes. PSPs could offer

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customer choice in terms of making alternative payment instruments available to them and all these instruments would be interoperable, translating into a higher number of access points and use cases for recipients; the system would guarantee operational continuity and cybersecurity, and scalability;[650] the open architecture of the two systems would allow the integration of new functionalities and participants, and the integration of its services and functionalities to different access channels. Furthermore, pricing policies for off-use transactions (for example, cash withdrawals at an ATM from a bank different to the individual's bank) would be reasonable and aligned to market development needs, avoiding prohibitive costs to recipients that erode the benefits of interoperable access points. Finally, the FPS could be used to facilitate first-time access to digital payment services from unbanked individuals (see Section 4.1.9).

33 As overseers of the NPS, central banks would have a critical responsibility as supporters of the safety and efficiency of the payment mechanisms WSP system

The central bank would be playing its role of overseer of the payment infrastructure, and, in some cases, may also play the role of owner and/or operator of the FPS. In such roles, it should be asked to ensure the integrity of the end-to-end delivery of the benefits to the recipients and set customer protection mechanisms that would be activated by the recipients in case of problems. All this would place the IWSPA at a considerable advantage, in terms of safety and efficiency, vis-à-vis those arrangements where the central bank is not involved. The role of the central bank and the government's ownership of the social benefit programs should require the two authorities to establish a protocol (e.g., a Memorandum of Understanding) that would articulate their modalities of cooperation and mutual responsibilities.

BOX 3

Fast Payment Systems

Fast payment systems are becoming the global standard for enabling real-time financial transactions, allowing individuals and businesses to transfer money almost instantly. Several countries have developed some of the most advanced fast payment systems, making these systems integral to their financial infrastructure. Below is an overview of some of the most developed fast payment systems worldwide:

AUSTRALIA – New Payments Platform (NPP). Launched in 2018 and operated by NPP Australia, the NPP offers real-time transactions for individuals, businesses, and government entities. It allows seamless bank transfers and simplifies payments through the PayID service, which uses phone numbers or email addresses as payment identifiers. NPP supports a variety of payment types, including P2P and B2B transactions, offering flexible and secure solutions. This system is integral to Australia's push toward a cashless economy, making payments both quick and efficient.

BRAZIL – PIX. Introduced by the Central Bank of Brazil in 2020, PIX has quickly become one of the fastest-growing and widely adopted payment systems in the world. It enables real-time payments between individuals, businesses, and government agencies through identifiers such as phone numbers, email addresses, and tax ID numbers. PIX is crucial for promoting financial inclusion in Brazil, as it allows individuals without bank accounts to access digital payment services. The system has significantly reduced the need for cash and has become a popular payment method across all sectors.

EUROPEAN UNION – SEPA Instant Credit Transfer (SCT Inst). Launched in 2017 and governed by the European Payments Council, the SCT Inst system facilitates real-time, cross-border payments in euros within the Single Euro Payments Area (SEPA). The system is designed for instant transfers between countries and is available 24/7. SCT Inst supports cross-border payments, benefiting both individuals and businesses involved in e-commerce and international trade across Europe. Its growing adoption reflects its key role in the ongoing integration of payment systems across the EU.

INDIA – Unified Payments Interface (UPI). The UPI, launched in 2016 and operated by the National Payments Corporation of India, is a cutting-edge system that has revolutionized digital payments in India. UPI allows real-time, 24/7 bank transfers using a variety of identifiers such as mobile numbers and virtual payment addresses. It supports transactions between individuals, businesses, and governments, processing billions of transactions monthly. UPI's success has led to international collaborations, as India expands the system to support cross-border payments with countries like Singapore.

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JAPAN – Zengin System. Japan's Zengin System, operated by the Japanese Banks' Payment Clearing Network, introduced faster payment capabilities in 2018. The system processes near-instantaneous bank transfers during operating hours and has improved payment efficiency across various sectors, including consumer-to-business and business-to-business transactions. Recent updates have focused on expanding its digital capabilities, ensuring the system remains integral to Japan's evolving financial infrastructure.

SINGAPORE – PayNow. Introduced in 2017, PayNow, operated by the Association of Banks in Singapore (ABS), allows real-time P2P transfers using mobile numbers or national ID numbers. The system is widely used for both personal and business transactions and supports QR code-based payments. PayNow's integration with other international systems, including India's UPI, has expanded its cross-border payment capabilities, cementing its role as a vital component of Singapore's cashless economy.

SWITZERLAND – SIC & TWINT. Switzerland's fast payment system comprises two components: the SIC system, launched in 1987 and operated by the Swiss National Bank, and TWINT, a private mobile payment platform introduced in 2014. While SIC handles real-time bank-to-bank transfers,

TWINT provides a mobile payment solution for consumers, integrating with SIC to offer instant payments. This dual structure supports both traditional banking and digital innovation, making Switzerland's fast payment ecosystem highly flexible and efficient.

UNITED KINGDOM – Faster Payments. The Faster Payments system, launched in 2008 and operated by Pay.UK, was one of the world's first real-time payment systems. It allows near-instantaneous transfers between UK bank accounts 24/7, supporting both individuals and businesses. The system processes billions of transactions each year and has continually evolved to increase transaction limits and improve fraud prevention, playing a key role in the UK's financial system.

UNITED STATES – RTP & FedNow. In the U.S., the RTP system, launched in 2017 and operated by The Clearing House, enables immediate fund transfers for P2P, B2B, and bill payments. It offers advanced features like request-for-payment messaging and is widely used by financial institutions. To complement RTP, the Federal Reserve is launching FedNow in 2023, further expanding real-time payment options across the country, enhancing both consumer and business payment experiences.

These fast payment systems represent some of the most advanced frameworks for real-time payments worldwide. They differ in their level of technological integration, government backing, and market adoption, but all aim to facilitate quick, secure, and accessible transactions for individuals, businesses, and governments. With the increasing global demand for immediate payments, these systems continue to evolve, incorporating new technologies like biometrics, QR codes, and cross-border capabilities to expand their functionality and reach.

4_1_1_3
Trusted Data Sharing

34 **The ability of different databases, systems, and devices (both within and across organizations) to communicate with, and understand, each other would be crucial for developing an efficient, sustainable, and useful digital WSP system**

Data exchange would involve multiple elements and layers of technology, including wired connections, application programming interfaces (APIs), web services, cloud services, and more. However, effective data-exchange platforms go beyond technology; they encompass the technical, semantic, and process aspects that allow different systems to share securely information and process queries, and a set of regulations and institutional arrangements governing access to information among participating entities. Data-exchange platforms would be needed to work as connecting gears that allow different systems to seamlessly exchange data the IWSPA should use a digital-data platform (DDP) as a technology solution that allows ministries' and institutions' IT systems to share data with each other to create various online public services. The DDP would draw data from different information systems and feed them into a unified though decentralized data-exchange platform to provide a secure and standardized way of accessing data. The DDP would collect data from citizens, businesses, and government agencies, once adhering to data-protection laws/regulations with user consent, and the collected data would be shared among authorized institutions.

35 Data sharing across different government agencies and PSPs should be agile and seamless

The DDP would operate as an interoperability layer, through which WSP stakeholders can exchange select data and submit queries, and which would be robust against potential abuses. Data transparency and portability should be ensured, whereby individuals would be able to provide consent at the appropriate touch point, made to understand how their data would be shared and used, view their personal information and records and who has accessed their data, and share this verifiable information via a secure channel with government agencies and PSPs of their choice.

4_1_1_4
The Central Treasury System

36 In the IWSPA, a centralized treasury system should be used to process government payments against budgetary allocations

The national treasury in the Ministry of Finance (MoF) would open an account in the FPS and integrate it to the FPS desktop application that enables bulk payments. On request by the government agency/agencies in charge of social-welfare programs, the MoF would request the Treasury Single Account (TSA) to prefund the FPS account to transfer funds to the PSPs where beneficiaries hold their accounts. The Integrated Financial Management Information System (IFMIS) would support the TSA, which aggregates all incoming government receipts and disburses all government payments. For programs that use digital, account-based payments, the IFMIS should issue payment orders to disburse funds from/to the TSA into an interbank payment system, which would transfer the corresponding funds to/from the recipient's account. The IFMIS should also provide the Ministry of Finance with a unified view of the government's budget execution and should improve budget management through better monitoring of compliance, tracking, and reporting.

37 The TSA should aim at some important operational objectives

One is to operate with only few failures or returns. Another is to increase transparency by facilitating reconciliation procedures, through which the transfers carried out are checked against the transfers approved in a payroll, as part of the beneficiary operations management process. Yet another is to reduce the number of steps from programs to recipient account. Finally, the system should ensure fast payments that make their way from the national treasury the (the “Treasury”) to recipients quickly and efficiently.

4_1_2

Integrated Social Infrastructure

38 **This infrastructure should integrate all social program systems under government responsibility and control**

It should include i) sectoral databases and systems, ii) social registries; iii) program and payroll management systems, and iv) the central account directory or mapper. The integrated social infrastructure (ISI) should provide various automated administrative and functional modules to map owners and authorities, allowing end-to-end service delivery through a single platform. The various functionalities provided through the ISI should include beneficiary identification and management, scheme management, benefits disbursement, payments management, grievance procedures, data analytics and reporting, and so on. The ISI should use the DDP discussed above to allow data exchange and update between the various functionalities and systems and should interconnect with the CTS and the FPS for the execution of payments.

4_1_2_1
Sectoral Databases and Systems

39 **As noted, ensuring data sharing across government databases would be crucial for the IWSPA to achieve significant efficiency gains**

Depending on the type of social-welfare programs, different sectoral databases and systems would be relevant to the end-to-end delivery of government payments.[651] The robustness of these databases and systems would be critical as they feed the payment and recipient information in the IWSPA.[652]

4_1_2_2
Social Registries

40 **An important component of the IWSPA's integrated social infrastructure would be the integrated social-assistance registry**

Social registries are information systems that support outreach, intake, registration, and determination of potential eligibility for one or more social programs. They are the gateway to the inclusion of populations of interest into social programs. Governments should develop the social-assistance registry as a consolidated repository of individual records with demographic and socio-economic details, sufficient to identify the uniqueness of the individual and create a unique social assistance identifier (SAID).[653] Multiple programs would leverage the same (integrated) platform to identify all potential beneficiaries, creating economies of scale (and therefore government fiscal savings) and allowing interoperability with other information systems through a robust data-exchange infrastructure (see above) to facilitate cross-agency data sharing and to allow for inclusion, data quality, efficiency, and integrity.

4_1_2_3
WSP Certification

41 **Another important component of the IWSPA's integrated social infrastructure would be the WSP Certification Agency**

This agency, part of the MoF but acting neutrally and independently as an auditor, would be responsible for certifying all WSP requests, especially those originating from the healthcare and social-protection sectors. The agency would monitor and verify the healthcare service claims of health facilities and social-protection transfers, and conduct quality ex-post verification of fund transfers, thereby reducing conflicts of interests and risk of frauds that might occur between contractors and health facilities. The agency would validate the payments and send them to the relevant government agency or other welfare-sector institutions responsible for reimbursements. The agency would foster public trust through transparent and accountable governance and management of healthcare funds.[654]

4_1_2_4
Program and Payroll Management Systems

42 **The IWSPA should include program and payroll management systems**

These systems automate information processing for eligibility and enrollment decisions, decisions on benefits and service packages, and data management relevant to the status of each recipient. These systems should be integrated with a payment initiation system or portal, which is shared across programs and used to initiate payment instructions once payroll lists have been produced within the program management systems,[655] and with an account directory (see below) that allows recipients to indicate and update their preferred account.

4_1_3

Central Account Directory

43 To simplify payment routing, a central account directory – or central mapper – should be established

A mapper is a database or software (which pulls data from multiple registries) that links an individual's ID number to the account(s) into which the individual wants his/her payments to flow. The mapper maps each recipient's unique identifier (that matches the record in the program or agency management or information system) to the transaction account where the recipient wishes to receive their WSPs. The identifier can be the national ID, a phone number, or other number or alias (or proxy) that can uniquely identify individuals across social protection and financial sector databases (see below). To initiate a payment, the program manager needs only to send the ID number to the mapper, where it is paired with the standing payment and account information. This means that each program need not maintain the payment and account information. Also, this solution enables customers to enroll in several different government programs without duplicating efforts and allows for changes to be made centrally (at the mapper level) when changes are needed. A central mapper would be located at an agency selected by the government and would be designed as a stand-alone solution, interoperable with all relevant systems and databases.[656]

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44 The introduction of an alias or proxy mapping would require some conditions to be in place

First, the process of mapping and switching accounts should be transparent and secure, with built-in checks to ensure that changes are made only with explicit consent from the user. This can be achieved through multi-factor authentication (MFA) or secure approval mechanisms, providing an extra layer of protection against unauthorized changes. Second, users should be notified of any changes immediately via their chosen communication channel (e.g., SMS or email), allowing them to quickly identify and report unauthorized actions. Third, the system should include clear timelines for processing switches between providers. This would minimize delays and ensure that payments are not disrupted during the transition period. Fourth, implementing service-level agreements (SLAs) with PSPs would ensure that changes happen within defined timeframes and that recipients continue receiving their welfare payments without interruption. Fifth, to prevent misdirected payments, pre-validation of account ownership would be essential; this could involve verifying details such as the recipient's name, account number, and any other relevant information before finalizing the mapping. Finally, integrating real-time data verification systems that cross-check information with financial institutions or other relevant databases could minimize errors and fraud.[657]

45 The central mapper would require each government program to "seed" recipients' ID information into its database

Thereafter, to initiate a payment, the program would send the ID number to the mapper, where it is paired with the standing payment and account information. Thus, each program would not need to separately maintain the payment and account information. Recipients can enroll in several different payment streams without duplicating efforts and, when a change is desired, the change can be made centrally, at the mapper level. The central mapper would allow recipients to easily change or update their preferred account information across multiple government programs through a single interface. It would also incorporate consumer protection measures to protect against any abuse. The central mapper would make administering WSPs easier and less error-prone, and recipients would benefit from receiving their funds through a more robust system, with few targeting errors, faster payments, less hassle, and less need to appeal to any recourse mechanism.

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46 The central mapper could be used to meet the verification-of-payee (VoP) mandate

This would require PSPs to implement beneficiary verification services to enhance the security of credit transfers. Prior to the initiation of a payment, the central mapper could aid in verifying the beneficiary and other related account details such as beneficiary name and account number. Customers would thus be provided with an opportunity to verify the beneficiary's name and other account-related information prior to the initiation of a payment. Furthermore, the mandate would hold PSPs accountable for any incorrect or faulty transactions resulting from their failure to provide a VoP service. By offering verification as a value-added service, the central mapper could benefit PSPs, government entities, and other non-bank organizations by introducing an extra layer of security against erroneous payments and fraud. This would significantly minimize economic losses and enhance the overall customer experience.

47 The central mapper would serve all government payment streams and programs

This would support recipient choices by allowing programs to keep up-to-date account information of recipients without necessarily having a contractual relationship with all PSPs and giving recipients the option to receive payments into the account of their preference.

48 Finally, the central mapper would record all PSPs (and their agents) that have an interest in delivering WSPs

The holder of the mapper would receive indications from PSPs about their interest and availability to provide WSPs and detailed information on their branch and agent locations.

4_1_4

Connectivity

49 **The IWSPA supporting a country's WSP ecosystem should rely on the country's mobile and broadband network and electrical grid**[658]

Thus, to adequately support WSPs at scale, connectivity infrastructure should have the following characteristics:

- A stable connection to the mobile network, which would be available to rural areas as well as urban.
- Broadband connectivity, which would support mobile Internet connection in rural areas as well as urban.
- Ubiquitous access to the national electrical network; this would make off-grid options affordable and accessible for recipients to charge phones and other devices.
- Mobile phones that are of sufficient quality, affordable and accessible, with no perceivable gender gap in mobile-phone ownership.

4_1_5

Product and Market Design

50 **The IWSPA is envisioned as providing WSP systems with a platform that consolidates various welfare programs, PSPs, and all entities originating and receiving WSPs into a unified system**

Its design aims to streamline the management of WSPs across the country, making it easier for PSPs to connect with all stakeholders—government agencies, businesses, and individuals. By providing a single platform and adequate product and market design, the IWSPA would enhance the accessibility and efficiency of payment processes, facilitating seamless transactions for all participants.

4_1_6

Bank and Nonbank Payment Service Providers

51 Systems based on the IWSPA should be open to all (bank and nonbank) PSPs that intend to offer WSPs (provided they comply with system access rules)

An open architecture would lead to competition, better service levels, and wider access to services. Having many different types of PSPs participate in the WSP system means that recipients would have as wide a choice of PSPs as possible. With program support to ensure that recipients are fully informed of their options and that safeguards are in place to ensure provider transparency in pricing and other features, WSP recipients would be able to make the best choice for their individual circumstances.

52 Maintaining quality and standards across PSPs would be crucial

Any PSPs participating in the WSP system should be able to provide users with an adequate level of service (Box 6). The government should stipulate with them financial inclusion-friendly requirements for the accounts, such as no minimum balance or maintenance fees. Other quality metrics for PSPs include agent opening hours, cash-out success rates, recipient satisfaction targets, availability of female agents, and geographical coverage commitments. The exact metrics would depend on the government's priorities. Standards should be applied equally across all PSPs to ensure a level playing field.

BOX **4**

Requirements for PSPs

Ensuring that every PSP participating in a WSP system offers an adequate level of service is essential for maintaining quality, consistency, and user trust. An adequate service level encompasses various factors that directly impact the user experience and system efficiency. Here are the key components that define an adequate service level:

TRANSACTION SPEED AND RELIABILITY. PSPs should be able to process transactions quickly and reliably, ensuring that WSPs are disbursed without delays. For beneficiaries who rely on these payments for daily expenses, timeliness is critical. An adequate service level guarantees real-time or near-real-time processing to avoid lags in payment delivery. PSPs must also maintain a high uptime and minimize system downtime to ensure continuous service availability.

ACCESSIBILITY AND INCLUSIVITY. The welfare system serves a diverse group of people, including those with limited digital literacy, individuals living in rural or underserved areas, and those with disabilities. PSPs must provide services that are inclusive and accessible to all user groups. This could include offering multilingual support, mobile-friendly interfaces, or agent-assisted transactions to accommodate users with different needs. Ensuring access to CICO is particularly important for individuals who may not have access to digital services.

SECURITY AND FRAUD PREVENTION. Given the sensitive nature of welfare payments, PSPs must offer robust security protocols to protect against fraud and unauthorized access. This includes ensuring secure identification processes, such as multi-factor authentication, and protecting users' financial and personal data from breaches. An adequate service level means that PSPs consistently implement high-security standards and monitor transactions for suspicious activities, safeguarding both the system and its users.

COST-EFFECTIVENESS. The cost associated with using the services of PSPs is another crucial factor in determining adequate service levels. PSPs should offer affordable transaction fees or minimize costs for users, especially since the target group for welfare payments often comprises low-income individuals. An adequate service level ensures that transaction costs do not erode the welfare payments that beneficiaries receive.

CUSTOMER SUPPORT AND ASSISTANCE. PSPs must also provide effective customer service to resolve issues or answer queries from users. This includes offering multichannel support, such as through call centers, online chat, and physical service points, to ensure that users can easily access help when needed. Efficient support services are vital in maintaining trust and satisfaction within the system, particularly for those unfamiliar with digital payment methods or experiencing issues with their accounts.

TRANSPARENCY AND COMMUNICATION. Maintaining clear and transparent communication with users is another critical factor in service adequacy. PSPs should provide real-time notifications of successful transactions, payment delays, or system updates. Transparency ensures that users remain informed and can track their welfare payments easily, reducing confusion or uncertainty.

SERVICE SCALABILITY. WSPs may experience surges in demand, such as during economic crises or natural disasters. An adequate service level means that PSPs are able to scale their services to handle increased transaction volumes without sacrificing speed or reliability. PSPs must ensure that their systems are robust enough to handle fluctuations in demand, particularly during peak periods.

INTEROPERABILITY. PSPs participating in the system should ensure seamless interoperability with other PSPs and payment systems. This allows users to make payments, receive funds, and access services across different platforms without technical barriers. An adequate service level requires that PSPs work cohesively within the broader system to ensure that transactions can be carried out efficiently across multiple channels.

4_1_7

Payment Service Provider Business Models

53 PSPs would be enticed into competing for the large market segment for WSP provision

Competition would incentivize PSPs to maintain high standards, as other providers may seek to peel away recipients if the opportunity presents itself. The PSPs' business model should be characterized by:

- A level playing field among providers;
- A fee or incentives structure that allows PSPs to cover their costs and make the requisite investments into servicing WSP recipients;
- A fee structure (or lack thereof) that is affordable and justifiable when benchmarked against the cost of manual distribution and other similar distribution costs such as electronic airtime distribution or some similar comparator.[659]

4_1_8

Distribution Networks

54 The IWSPA proposed here would allow individuals to make or receive payments in cash and/or cash out digital payments

While a modern WSP architecture should be designed with the full digitalization of payments in mind, those individuals who choose to do so – especially people with no familiarity with digital technologies or with disabilities to do so – should be given the opportunity to use cash. This means that, once in place, the system should contemplate the setting up of distribution cash-in-cash-out (CICO) network. Distribution points would include agents, ATMs, and PSP branches. These access points would belong to the PSPs or be third-party partners. The IWSPA should ensure liquidity of the distribution network.

55 Agents themselves can offer valuable services to ensure smooth transitions to digital payments

As parts of PSPs or as third-party partners, they would be well-positioned to provide clear information about the benefits of using digital payments. They can explain how digital transactions are faster, more secure, and often cheaper compared to cash-based systems. Agents can share knowledge about the various digital payment options available, such as mobile wallets, bank transfers, and prepaid cards. Through direct engagement at CICO points, agents can help individuals understand why adopting digital payments can improve their access to welfare funds and other services, ultimately making their financial lives more convenient.[660] Also, agents can conduct training sessions to build confidence in using digital payment platforms.[661] Once individuals start using digital payment methods, agents could continue to play a role by alerting users to important information.[662] Finally, by being physically present and offering hands-on assistance, agents can play a key role in building trust in digital payment systems, particularly among populations that are wary of new technology.[663]

4_1_9

Accounts and Payment Instruments

56 To leverage the IWSPA for expanding financial inclusion, WSP systems should focus particular attention on recipient account features

Recipients would be paid using transaction accounts that enable them to cash out, safely store money, make payments, and access other financial services. Facilitating financial inclusion would require that accounts be easy to open, inexpensive to transact, and convenient to use beyond cashing out. The account opening process should be simple and should not require documents that recipients are unlikely to have, while making sure that proportional and risk-based Anti-Money Laundering/Counter-Terrorist Financing (AML/CFT) requirements are met.[664] Remote customer due diligence (CDD) should be considered to enable account opening at agents or through mobile phones to simplify the process. Governments should consider automatically opening accounts for recipients through contracted PSPs by leveraging the data collected during the registration process in the case of social-protection payments.

57 The accounts into which recipients receive their WSPs should be transaction accounts

This means the accounts should be "fully functional," that is, they should allow recipients to transact and safely store money in the account instead of only being able to receive WSPs and cash-outs. WSPs

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should not be paid into "limited-purpose" accounts, which limit the way in which recipients can use them. The following are some types of "limited-purpose" accounts that should be avoided:

- Accounts that are part of closed-loop systems
- Accounts with claw back clauses (which do not enable recipients to store their payments partially or fully to use or withdraw in the future)
- Inactive accounts (recipients should be able to leave balances in their accounts).

58 A wide range of payment instruments linked to these accounts should be available for recipients to access their payments

These should include debit/prepaid cards, feature phones using USSD, smartphones relying on data, or biometrics such as fingerprints or facial recognition. The characteristics of the payment instruments made available to recipients have implications for the recipient experience, as well as for the reliability, security, and cost of payments. These payment instruments should be intuitive (i.e., straightforward to use and easy to learn), safe and secure, low cost, and interoperable (i.e., accepted at a variety of access points and by a variety of PSPs).

4_1_10

Banking the Unbanked

59 **Systems based on the IWSPA should create opportunities for granting unbanked beneficiaries first-time access to digital payment services**

While beneficiaries holding accounts would simultaneously register their identity and account information with the appropriate government agency, so that government payments can be credited to their account directly, unbanked beneficiaries – at registration – might by default be assigned an account/wallet at a PSP of government choice and procured for this purpose by the government. The account/wallet would be in the name of the identified beneficiary and would carry basic functionalities. The beneficiary would be handed a printout of the related QR-code and passcode. The beneficiary would also be presented with a list of PSPs (including their branches and agents) operating in their area. From this list, the beneficiary could choose a PSP to provide their service. Once the beneficiary has been informed they are entitled to specific social benefits under one or more programs, they could approach any agent of any PSP of their choice, and, upon validation of their ID, would be offered one of the following three options:

I. Receiving the benefits in cash,
II. Being paid on the assigned account/wallet (once the beneficiary has downloaded the associated app on their phone or other device), or
III. Opening an account/wallet with the PSP represented by the agent and receiving the benefits on that account/wallet.

From then on, the beneficiary would be banked and could opt to use any provider. They can switch at any time. This threefold-option solution would not only give beneficiaries access to digital services and a choice of provider; it would open the market for digital WSPs to competition among PSPs from the moment of inclusion of individual beneficiaries, coinciding with the time of registration. The availability of the FPS would serve as a "public good" to facilitate the diffusion of digital payment instruments among the unbanked.[665]

4_1_11

Inclusion and Empowerment

4_1_11 _1

Communication and Literacy

60 **Delivering WSPs into accounts would not be *per se* sufficient to attain the development goals defined at the outset**

Communication and awareness campaigns would be necessary to help achieve the immediate objectives of a program, as well as to support longer-term gains such as financial inclusion and women's economic empowerment. Financial capability, defined as "the capacity to act in one's best financial interest, given socioeconomic environmental conditions [encompassing] the knowledge (literacy), attitudes, skills, and behaviors of a consumer regarding managing their resources and understanding, selecting, and making use of financial services that fit their needs," should be integral to the IWSPA.[666] Financial education and training should be embedded directly into the existing WSP delivery models.

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4_1_11 _2

User Protection and Grievance Redress

61 **The IWSPA-based systems should provide users with a recourse mechanism to appeal in case of errors or disputes**[667]

The redress and complaints mechanism should include an escalation process and a set of pre-identified resolution mechanisms. The mechanism would be available to address errors and disputes relating to the transaction account, and those directly related to the program in charge of the WSPs. The mechanism should ensure two-way communication (i.e., communication to recipients and communication from recipients), making sure recipients can report and receive feedback on issues related to fraud, inconsistencies, or unfair treatment.

4_1_11 _3

Operational Resilience

62 **The operational resilience of IWSPA-based systems would be critical to ensure uninterrupted access to users, even in the face of potential disruptions**

To achieve this resilience, the system should be designed with several redundancy and flexibility features that allow it to withstand various challenges, from natural disasters to technical outages, and should integrate failover mechanisms, which automatically reroute transactions to alternate systems when primary components are compromised, ensuring that payments remain timely and accurate. Additionally, through scalability, the IWSPA should be able to handle sudden surges in transaction volumes, This can be achieved through cloud-based infrastructure, which allows dynamic scaling and resource allocation in response to increased demands. Furthermore, the multi-channel support of the IWSPA (en-

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abling transactions via mobile apps, bank transfers, ATMs, and agents) would contribute to its resilience by providing diverse payment options.[668] Another component of operational resilience is the need for clear communication and well-coordinated responses among stakeholders. Finally, training for PSPs and agents ensures they can provide support in times of disruption, offering guidance on alternative channels or procedures for accessing payments. Regular testing and simulations of disruption scenarios, such as system outages or increased transaction loads, are essential for maintaining preparedness.

63 The WSP systems based on the IWSPA should be robust on data protection and cybersecurity

Recipient information often includes personal data.[669] Once recipients have been enrolled on a particular program, various recipient-related information is required to deliver payments to them. Collection of such information from recipients, followed by using and managing that data, can create several types of risks.[670] To mitigate these risks and ensure that sharing and using recipient data is done safely, a combination of measures should be implemented. Measures should encompass privacy by design principles, techniques and technology to facilitate the provision of WSPs (for example, by incorporating recipient consent, authentication, encryption, tamper-proof audit logs, and authorization), a robust legal and regulatory framework on data privacy and protection, management controls for monitoring and oversight, operational controls that promote security awareness, training, and detection, and technology controls that limit and protect the processing of personal data and ensure the physical and virtual security of WSP systems processing personal data.

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4_2

Operation of IWSPA-Based Systems

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4_2_1

Recurring Payments Cycles

4_2_1_1

Payments Administration

64 **The administration of payments in the IWSPA should involve all processes underlying the disbursement of WSPs and receipt of funds by businesses and individuals associated with WSPs**

It should involve several sub-processes for transfers, including establishing and verifying the payroll and setting up the payment schedule, requesting inter-account transfers (by government agencies in charge of social assistance programs to the Treasury), issuing inter-account payment orders (by the Treasury to the PSPs), issuing payment instructions (by the overseeing ministry to the PSPs), providing the payments to the beneficiaries (by the PSPs), and receiving and administering the funds received by businesses and individuals.

65 **The WSP administration process should aim to produce the payroll, including calculating, validating, and approving the correct sum for the right beneficiaries**

The payroll schedule would be communicated to the PSPs of choice. The funds would be transferred to the PSPs, making sure the amounts are credited to the correct financial address of the beneficiary (bank account, mobile money account, mobile wallet, mobile number, or foundational/unique identification number). Inputs to the payment administration process include an updated beneficiary list or roster. The list would comprise information on the amount to be paid to each beneficiary, updated information on the benefits and service package, and information on payment reconciliation from the previous cycle of payments as well as information on the financial address.

> **WSP administration should be carried out through payroll calculation algorithms (through software applications) and a validation and approval process, based on the authorizing environment for these transactions**

The IFMIS, account accreditation systems (banks' internal transferring systems, mobile financial services transferring systems), and service contracts or agreements would all be instrumental in payment administration processes. Outputs of payments administration would include payroll, beneficiary accounts credited (in case of digital payments), and distribution of payments (in the case of manual payments). The outcome of these processes would be the correct amount of benefits administered being delivered to the right beneficiary, at the right time, through an established payment service provision channel. Payments administration would be articulated in two processes: establishing payroll and managing payments.

4_2_1_2

Establishing Payroll

67 **Establishing payroll would involve periodic administrative activities to produce a payroll schedule, thereby allowing the verification agency to verify and certify the beneficiaries and their payments**

The payments administration module of a beneficiary operations management system (BOMS) establishes payroll based on enrollment data (with links to the monitoring of conditionalities where applicable). Payments are linked to social registry and foundational or functional ID systems. Payroll information would include personal information on beneficiaries, such as a name, account, location, entitlement amount, and unique ID number.

68 **The agencies responsible for managing social transfers and incoming funds should verify and certify the quality and accuracy of the data**

These cross checks should be conducted through interoperability with the social registry, BOMS, and ID system(s). They may link to other administrative information systems such as property, vehicle, and civil registries. Establishing payroll would require:

- Agencies responsible for establishing, verifying, and certifying payroll.
- Information systems supporting payments administration.
- An agency that manages the BOMS (this would be the WSP Certification Agency).
- Information needed to verify payroll.

4_2_1_3

Managing WSPs Originating from Government

69 **Managing WSPs originating from government would involve periodically sending payroll transactions and payment instructions to the Treasury and through approval workflows for funds transfer and release**

On instruction by government, the Treasury would schedule payment instructions and distribute funds to one or more PSPs for the delivery of the funds. The payment instruction files would be sent to the Treasury, which would review the transactions, enter the payment requests, and release the funds subject to budget availability. The TSA would control all transactions, transferring funds to the PSPs from the spending agency, and would instruct PSPs to transfer funds to beneficiaries. The Treasury would maintain control of funds, sweep idle balances from PSP accounts, and consolidate the government's cash position at the end of each day. The TSA would send payment instruction files and requisite funds electronically to the PSPs. Managing payments would include budget transfers management, through the TSA, and payment transfers management to PSPs (and any other payment points), especially important when scaling up remote and underserved areas.

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4_2_1_4

Identification and Authentication

70 **ID platforms are integral to the authentication of identity, ensuring payments are made to the right person and allowing PSPs to meet CDD/KYC requirements**

Authentication services offered by ID platforms should rely on a minimal, challenge-response approach that asks a "yes or no: is this person who they say they are?" question, thereby privileging the protection of the individual's personal data. Such a minimalistic approach to data sharing would help to support data protection and privacy.

4_2_2

Delivering and Receiving Payments

71 **The delivery of WSPs would involve the process of disbursing payments to beneficiaries, and the receipts of payments from business and individuals**

Payments would be made digitally by default, or in person (via physical cash) upon request by the beneficiary. Payments would be outsourced to PSPs. For digital payments, the process would entail electronic transfers of WSP funds from the government to beneficiaries, from businesses and individuals to the government, from businesses to individuals and vice versa, and among businesses. The PSPs would then add electronic credits to the individual beneficiary accounts. PSPs would be responsible for organ-

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izing the process of distributing payments to respective recipients. They would communicate payment dates and payment points and authenticate ID credentials, based on Customer Due Diligence/Know Your Customer (CDD/KYC) standards. Beneficiaries' identities would be verified at payment points (PSP branches or agents). When collecting payments, recipients would need to have their identity authenticated by using their ID credentials or biometrics.

72 In the IWSPA, online authentication would be carried out through POS terminals, internet-enabled devices, and mobile devices

With the transfers, beneficiaries would receive a proof of payment (e.g., a receipt, checkbook, passbook, etc.). With digital payments, beneficiaries would be able to access multiple channels to cash out transfers, as systems would be interoperable, as well as to pay the government and businesses. These modalities could incur private costs for people in remote areas. For those requesting to be issued with cards (e.g., prepaid cards, smart cards, or debit cards) or mobile device–operated accounts (e-wallets), a personal identification number (PIN) would be required for authentication to withdraw cash from PSP branches, ATMs, and agent locations. Two-factor authentication would be the minimum standard for digital payments, corresponding to "something you are" (biometrics such as fingerprint and iris), "something you have" (card, mobile phone, token), and/or "something you know" (PIN or password). Recipients would be able to use access points belonging to different PSPs.

73 For payments transferred from the Treasury to individuals, accounts or wallets would be opened at PSPs of choice for beneficiaries of social-protection programs

The number and details of every newly opened or issued instrument would need to be transmitted to the government. PSPs would be responsible for payments provision. They would open accounts or wallets and provide instructions regarding payment instruments, methods of authentication of identification credentials at payment points, and grievance redress mechanisms to voice complaints. Account/wallet opening would be connected to identification platforms and would be facilitated by e-KYC procedures.[671] Authentication of identification credentials at the time of account/wallet opening would minimize anti–money laundering (AML) and counter-financing of terrorism (CFT) risks. Digital self-service applications would be provided to allow beneficiaries to open accounts/wallets from their homes, schools, or social program offices.

74 As noted, payments for social programs would, in some cases, require the delivery of cash to beneficiaries

Funds would be transferred electronically to a series of accounts at the district or subnational levels where local officials, program staff, or local community leaders would visit a PSP branch or a government office to collect the cash. The cash would be physically transported to payment points where recipients would collect payments at predetermined times. To complete the transfers, program staff would authenticate the recipient's identity. Beneficiaries would be notified where (payment points) and when (payment schedule) payments are made, as well as how (what to bring) to collect transfers.

75 Where cash is delivered, the government would cover the costs of cash delivery as part of the overall program's budget

This would be justified considering that the cash delivery service is aimed at the poorest sector of society. Alternatively, financial institutions may collaborate with the government or relevant agencies to provide cash delivery services. In such cases, the financial institutions may bear the cost of delivery as part of their agreement. In certain cases, beneficiaries of social benefit programs may be required to cover the cost of cash delivery.[672] More broadly, it is important to compensate providers in cases where they are required to provide services beyond what they would customarily offer their usual customers.[673] Such compensation can be tackled in different ways, such as a fixed fee per account opened, a fixed/variable fee per transfer or, even, fees paid directly to beneficiaries as a top-up to cover market prices and incentivize competition.[674]

4_2_3

Delivery confirmation

76 **Several options could be used to confirm that payments have been delivered to beneficiaries**

One option is the use of digital records and databases. Many countries have transitioned to digital systems to track the delivery of social benefits; here, beneficiaries' information (including their eligibility and payment details) is stored in centralized databases and, when a benefit payment is made, it is recorded in the system, providing a digital record of the transaction. Another option is biometric identification. In some countries, biometric technology (such as fingerprint or iris scanning) is used to verify the identity of beneficiaries and to ensure that benefits are delivered to the intended recipients. Biometric data is linked to the beneficiary's account, and their biometric information is captured during benefit collection to confirm their identity. As a third option, many governments leverage mobile phones and digital payment platforms, so that beneficiaries may receive payments directly into their mobile wallets or bank accounts. The transactions are recorded electronically, providing a digital trail of the benefit's delivery. Furthermore, in some other cases, government officials or authorized agents conduct household visits or surveys to physically confirm the delivery of benefits; they may interview beneficiaries, cross check records, or use other methods to ensure that benefits have reached the intended recipients. Finally, for cash delivery, beneficiaries receive paper receipts or vouchers to prove they have received their benefits; these receipts typically contain details such as the amount received, the date, and other relevant information, and beneficiaries are required to sign or provide a thumbprint as confirmation.[675]

4_2_4

Reconciling Payments

77 **In IWSPA-based systems, reconciliation of the transfer with actual payments made to beneficiaries should be carried out to identify any mistakes or abuse, and to mitigate the risk that funds are not properly accounted or do not reach the intended recipients**

This is especially important when government transfers to beneficiaries are involved. The reconciliation process should be entirely automatic, and funds that have not been credited would be returned to sender. Data reporting and collection applications should be required of PSPs as a condition of acceptance to a transfer scheme and should provide real-time information on transactions (and other aspects) to the authorities.

78 **In general, the shift to an IWSPA-based system may pose challenges to reconciliation of government transfers**

This is because while in a WSP systems with pre-arranged PSPs, the providers are obligated to report back the required information to support reconciliation, in open-choice systems there is no “contract” between the government agency and the PSP. To address this challenge, once the beneficiary selects the PSP of choices and informs the government, the government would mandate PSPs to share the relevant data for reconciliation purposes.

79 In some cases, a government will want to have the power to view the balance that remains in the account and any movements (withdrawals or purchases) that have been made[676]

This is widely practiced by programs around the world, even with “regular” accounts (e.g., in Mexico) where the government asks beneficiaries to sign a waiver while opening an account. In cases where PSPs are directly connected to the program’s IFMIS or centralized platform, it is possible to request this level of information. However, good practice recommends that confirmation of disbursement is sufficient evidence of payment completion in tandem with other approaches such as: (i) a strong grievance redress mechanism paired with a communications strategy that ensures beneficiaries are issued with clear steps to follow if they can’t access their payment; (ii) spot checks through iterative beneficiary monitoring or other survey approaches to confirm an adequate payment experience; and (iii) linking the civil and social registries to ensure that deaths are correctly captured and payments are no longer made to deceased beneficiaries.

4_2_5

WPS Types and System Design

80 The different types of WSPs bear different implications for the design of welfare payment systems[677]

In particular, they have a direct impact on the design and implementation of welfare payment systems. The requirements for eligibility verification, frequency of payments, and operational needs differ substantially across these types of welfare payments. For instance, conditional payments require mechanisms to track compliance with the specified conditions before the funds are released, and reimbursement-based systems necessitate processes for validating receipts and out-of-pocket expenses, which adds complexity compared to direct transfers. The heterogeneity of these payment types implies that the welfare payment system must be adaptable, integrated, and capable of handling different administrative tasks while ensuring efficiency, safety, and inclusivity. The lack of a tailored payment mechanism to cater to the specific requirements of each payment type contributes to the inefficiencies and fragmentation observed in the current WSP landscape in many EU countries.

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4_2_6

Risk Mitigation and Controls

The introduction of digital payments means considering new consumer risks

As social-protection government-to-person (G2P) recipients would be new to formal financial services, especially digital services, they are more likely to have a negative experience when accessing or using their digitalized payments. Using the provisions described in this section, the IWSPA should be able to manage and mitigate the five most common consumer risks in digital payments, which can hamper financial inclusion: i) inability to transact due to network downtime or service unreliability; ii) insufficient agent or ATM liquidity; iii) complex user interfaces and payment processes; iv) poor or no recourse mechanism; and v) fraud that targets the recipient.

81 Mitigating these risks would help build people's trust, confidence, and value in the use of digital payments

In the IWSPA, controls should be in place to prevent fraud and leakage, and payments must be secure so that the full amount of money intended for beneficiaries reaches them. The process should be transparent and easy to audit. The transmission of payroll instructions should be made through secure channels, with measures in place to prevent any modifications to the final list of recipients and amounts. Data on proof of life, as well as authentication of biometric identity credentials, can curb leakages through ghost beneficiaries. Interoperability of data between key registries such as identification civil registration, beneficiary operations management systems, social registries, and payment systems

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can help reduce human error, fraud, and corruption in this regard. Digital delivery has the potential to significantly cut down the incidence and volume of fraud especially where recipients are well informed and trained to protect themselves.[678]

82 Authentication of identity is key to ensure payments are made to the right person

As noted, the system should have a secure authentication process in place that uses a variety of measures. The choice of authentication approach should balance identification security requirements and the needs and conditions of end-users. For example, the use of a PIN may be hard to remember, requiring training and practice in creating PINs and passwords, changing them, memorizing them, and using them effectively. Also, the appropriateness of biometrics in certain contexts should be verified, where it might compromise authentication and payments when the elderly, unskilled workers, and people with disabilities are involved.

83 Distribution of cash in person raises significant security risks that require mitigation

The large quantities of cash on the way to and sitting at pay points demand significant security, provided by armed guards, police, or soldiers. In insecure locations, cash-in-transit services may be unwilling to operate or expensive to implement, so payment delivery alternatives may need to be explored.[679, 680] Agent-based payments provision should require beneficiary protections against agent fraud, such as unauthorized deductions from beneficiary bank accounts or e-money wallets, charging unauthorized fees, or charging higher than normal prices for beneficiary purchases of goods. Appropriate measures should include ensuring trustworthy individuals are hired as agents, monitoring agent performance through PSPs, and maintaining a grievance redress and appeals mechanism independent of the agents themselves, such as a toll-free phone helpline.

Fast Forward Foundation

4_3

Managing and evaluating the IWSPA-Based Systems

84 **The provision of WSPs must rest on solid institutional foundations**

These foundations should include a) acting strategically and with discipline; b) ensuring cooperation among all relevant agencies providing WSPs; c) overseeing the WSP ecosystem effectively; and d) engaging stakeholders in the policy dialogue on WSP issues.

4_3_1_1
Acting Strategically and with Discipline

85 **The government, in cooperation with all relevant authorities as needed, should ensure that the development of the WSP ecosystem is consistent and well integrated with all government plans and strategies on related sectors**

As the country may undertake multiple reforms – such as, for instance, in the areas of digital economy, financial-sector development, payment-system modernization, transition to e-government, and financial inclusion – all related plans and strategies, including for digital payment services development, should be designed and implemented in ways that are mutually consistent and maximize synergies.

86 **Successful transition to a sound and dynamic WSP ecosystem will require strategic and disciplined actions**

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The government should translate the strategy into concrete actions to be taken according to a plan, or roadmap, by identified parties and within given deadlines. In cooperation with the relevant stakeholders, the government should then implement the strategy and monitor its implementation systematically, verifying whether the planned actions are being taken according to the plan, assessing the outcomes, and taking corrective actions if necessary. Monitoring strategy implementation will be essential to assess progress. This will require setting milestones and key performance parameters and building a comprehensive and robust data and information management system to assess strategy implementation progress against the goals set, identify challenges and obstacles to implementation, and provide insights about the efficiency, effectiveness, and impact of the reforms and policy programs deployed. Tracking progress could be supported by establishing an online data portal and by publishing regular reports to provide publicly available data on the adoption and use of new WSP provision and delivery solutions.

4_3_1_2
Ensuring Effective Oversight

87 **Strong oversight will be key to building a sound and dynamic WSP ecosystem**

A government oversight unit (or council) for the oversight of the WSP ecosystem should be established, reuniting all relevant agencies involved in WSP provision and delivery, first and foremost the central bank in its capacity as overseer of the NPS.[681] The oversight unit should be responsible for the safe and efficient operation of the WSP ecosystem as part of the NPS; ensuring its robustness and resilience to risks; its ongoing operational continuity; and its evolution based on the changing needs of the economy. The WSP oversight unit should play several roles: it should adopt rules, standards, and policy guidelines for the good conduct of PSPs providing WSPs, and should ensure PSP compliance with such rules, standards, and guidelines. The WSP oversight unit should also encourage cooperation from stakeholders and coordinate their action when necessary to increase the efficiency and safety of the WSP infrastructure. An important part of the unit's oversight role should be to promote use of WSPs across users and the protection of WSP user rights.

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88 **Improving statistics and information on WSP provision and delivery should be integral to the oversight responsibility of the government**

Reliable statistics and information are critical to identifying and designing appropriate oversight responses to WSP innovation, and initiatives are needed to improve statistical reporting on PSPs, including information on their activities, risks, financial resources, cyber security, competition policy, and consumer protection.

4_3_1_3
Taking a Cooperative Approach

89 **Developing a sound and dynamic WSP ecosystem entails cooperation at multiple levels**

Cooperation, as discussed, will be required among the relevant government agencies and between these and the central bank and relevant WSP stakeholders. The co-existence of institutions of a diverse legal nature within the WSP space, the diversity of beneficiaries and players along the complex value chains of welfare sectors, and the variety of policy dimensions involved in the provision and delivery of WSPs (e.g., consumer protection, market conduct, market integrity, data integrity and information security, financial inclusion, financial stability, payment system modernization, economic and financial sector development, etc.) cross the interest and mandate of several public authorities. It is imperative that all of them cooperate to foster efficient and effective communication and consultation to help each other fulfill their respective mandates with respect to the WSP. Such cooperation needs to be effective in normal circumstances and should be adequately flexible to facilitate effective communication, consultation, or coordination, as appropriate, during periods of market stress and crisis situations, as well as the potential recovery, wind-down, or resolution of infrastructures or PSPs.

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90 Cooperation may take different forms

The form, degree of formalization and intensity of cooperation should promote the efficiency and effectiveness of the cooperation and should be appropriate to the nature and scope of each authority's responsibility for the supervision or oversight of the WSP. Cooperative arrangements should be managed to ensure the efficiency and effectiveness of the cooperation with respect to the number of authorities participating in such arrangements, and one authority should accept responsibility for establishing efficient and effective cooperation among all relevant authorities.[682] Authorities should commit to a full and mutual collaboration and establish effective lines of communications and exchange of information. Protocols can be agreed between them to define the terms of their mutual cooperation, determine the flows of information, and identify the operational modalities of the cooperative relationship, with the primary objective to facilitate and speed up the adoption of suitable action by those who are best placed to intervene in critical situations.

91 An ongoing and structured policy dialogue should take place with the WSP stakeholders

The government should promote an active policy dialogue with all WSP stakeholders, including providers, users, and beneficiaries (or representatives thereof). In market environments characterized by knowledge-intensive and fast-changing production and delivery processes, as well as by sophisticated products and complex institutions, communication between market players and public regulators and legislators is a necessary multi-way learning opportunity. The dialogue should consist of consultations on specific issues, regular and ad-hoc discussions on issues of common interest to stakeholders, and joint work on technical issues. The policy dialogue would enable the WSP government oversight unit to align stakeholder expectations around common goals and would offer a channel for the overseer to communicate its policy orientation, solicit stakeholder views and feedback, and share knowledge on WSP issues.

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92 The policy dialogue should take place in a dedicated forum

Where a national payments system council exists, the two for a should coordinate their dialogues and acts, also considering that participation in the two for a would largely overlap. The WSP forum should be established under the leadership of the government and should provide an opportunity for the government to engage with stakeholders, to discuss and agree with them on initiatives to strengthen the WSP ecosystem, and to induce collaborative efforts for the design and implementation of the strategy options. The role and remit of the forum should be defined by the government oversight unit and should be reflected in specific terms of reference. The composition of the forum should be as inclusive as possible, and its participants should represent the broadest range of existing stakeholders.

93 The government oversight unit should be committed to advancing WSP initiatives through leadership and action

It should act as leader, convener, and catalyst, as appropriate, and should commit its resources to supporting these initiatives. The unit should also actively monitor and communicate publicly the progress achieved, seek feedback from stakeholders, and adjust strategies in response to actual developments. Beyond inputs garnered through the forum, the overseer should continue to solicit input from stakeholders on key issues through live events, surveys, and engagement with industry groups, and should open online consultation on its website.

4_3_1_4

Evaluating IWSPA-Based Systems

94 **An evaluation framework will be necessary to measure the efficiency and effectiveness of the WPS system based the IWSPA, once in place**

This framework would encompass the use of metrics for benchmarking across countries and over time within each country. The work of the Inter-agency Social Protection Assessment (ISPA) could be useful to this purpose.[683] The ISPA provides a structured approach to assess, with relevant metrics and key performance indicators to assess a payment mechanism for the delivery of social transfers primarily targeted at poor and vulnerable populations. The approach is designed for use by social welfare policy makers and practitioners working in lower- and middle- income countries seeking to improve payment delivery in existing programs or to establish a payment mechanism for a new program. The tool proposes three criteria that can be applied to WSP delivery mechanisms: accessibility, robustness, and integration. These criteria can also be applied when designing a new payments delivery mechanism.

95 **The first criterion, "accessibility," refers to how easily WSPs can be accessed by beneficiaries, particularly from their perspective**

Given that beneficiaries are often vulnerable individuals or families relying on social protection programs to prevent poverty and social exclusion, it is crucial to prioritize their accessibility needs. This criterion encompasses three main components: cost of access, reliability, and user protection.

96 The second criterion, “robustness,” highlights the importance of having a secure and reliable payment mechanism that consistently delivers transfers to the correct recipients

A robust system must be monitored actively, with a focus on coordination and communication between social protection programs and PSPs. This ensures that the system can withstand disruptions and respond to potential risks that could impact beneficiaries, such as fraud, errors, or system failures. Additionally, the security of the system should be prioritized to protect beneficiaries from risks like identity theft or payment fraud, ensuring that they can safely access their funds.

97 The third criterion, “integration,” looks beyond the individual payment process to consider how the provision of WSPs fits into the broader social welfare systems

Integration encourages coordination across various social welfare programs, enabling economies of scale and improving the overall efficiency of payment systems. This includes integrating beneficiaries into the formal financial system, promoting financial inclusion by providing them with access to digital payment facilities. For policymakers, this criterion ensures the smooth delivery of payments across multiple social welfare programs, making transfers easier to administer and access. By fostering integration, the system helps simplify payment processes and better serves both beneficiaries and the institutions supporting them.

NOTE

640 Here the term “centralized” only refers to the singularity of the infrastructure used for WSP provision, understood as a multilateral system among participating institutions (including the operator of the system) and users, used for the purposes of exchanging, clearing, settling, and recording WSPs. The term does not refer to the centralized or decentralized nature of the ledger where WSPs are recorded.

641 In usage, this study distinguishes between the terms digitization and digitalization. The former refers to cases where technology is introduced in a process or business for the purpose of rendering analog records, processes, and actions in digital form. The latter refers, more broadly, to a process or business that is reengineered in a way that is cognizant of contemporary technologies built to suit modern customers and delivered, at least in part, through digital means and channels. Thus, while “digitizing” is about business efficiency and effectiveness, “digitalizing” concerns business transformation and implies the transition to a digital environment. The latter is, in fact, the subject of this report.

642 See World Bank Global Payment Systems Survey (GPSS) 2018, available at http://www.worldbank.org/en/topic/financialinclusion/brief/gpss and Payment Systems Worldwide: A Snapshot,” World Bank Group, September 2018, available at http://pubdocs.worldbank.org/en/591241545960780368/GPSS-4-Report-Final.pdf.

643 In a “closed-loop” payment system, the end user starts and completes transactions within a specific ecosystem (e.g. spending money from an account related to a specific retailer, say, a coffee shop). Money within that closed-loop system, thus, can only be used for that retailer.

644 The model architecture proposed in this section draws and elaborates on the last-generation model for government-to-people payments (the so called “G2P 4.0” model) developed at the World Bank under the G2Px Initiative. The initiative brings together experts across World Bank Global Practices and Groups, including the Consultative Group to Assist the Poor (CGAP), Digital Development (DD), Finance Competitiveness and Innovation (FCI), Gender Group (Gender), Governance (Gov), and Social Protection and Jobs (SPJ), and is used by the World Bank to assist client member countries seeking to modernize the delivery of G2P payments. See *Next Generation G2P Payments—Building Blocks of a Modern G2P Architecture,* The World Bank, 2022. The model architecture proposed in this section of the report extends beyond G2P payments and includes the payment activities between all actors of the social welfare sectors (government agencies, institutions, individuals and businesses).

645 For example, by reducing the number of documents needed to meet financial institutions' customer due diligence requirements to open an account, or to confirm eligibility for a program, or by enabling people to apply for a government subsidy from the comfort of their own home over the Internet.

646 Examples of errors are amount values received by the recipient that are less than the amount expected because fees have been incurred, or transactions that are rejected because of errors in the recipient information.

647 See Fast payments – Enhancing the speed and availability of retail payments, report by the Committee on Payments and Market Infrastructures, Bank for International Settlements, November 2016.

648 The diffusion of FSPs around the world has been supported by the World Bank. The Payment Systems Development Group of the World Bank (which, over the years, has assisted more than 120 countries in modernizing their payment systems) has recently played a leading role in global research and technical assistance to countries on fast payments. Project FASTT (Frictionless Affordable Safe Timely Transactions) is a new milestone in this critical work, supported by the Bill & Melinda Gates Foundation through the Finance for Development (F4D) Umbrella Program. The project aims at promoting the global adoption and development of FPSs and supports countries in implementing or enhancing their FPS through technical assistance, knowledge sharing, and advocacy. It helps address challenges such as lack of interoperability between PSPs and promotes digital financial inclusion by enabling seamless real-time payments across different platforms, including banks and non-bank entities. Under the project, the World Bank also collects qualitative and quantitative information on fast payments directly from the system operators and regulators in the respective jurisdictions. See https://fastpayments.worldbank.org/data.

649 The pricing policies of Brazil's PIX have greatly contributed to its success. FSP development costed BRL 4,5 million, spent over 2019 and 2020. The Central Bank of Brazil expects to spend BRL 5 million annually in FPS maintenance and upgrades. The Business model of the FPS is based on cost-recovery. Fees are charged to bear the costs of operation. The fee per transaction is BRL 0,001. The fee is only charged to the receiving participant. Regarding the pricing policies to users, the general approach

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is that individuals cannot be charged any fee to send PIX transactions. However, the 31st (and over) PIX transaction received in a month can be charged. Participants are free to determine the charges. Companies can be charged to send and to receive a PIX. These information and data have been provided by the Central Bank of Brazil and the World Bank.

650 Interoperability positively affects other factors, such as the distribution network and acceptance network, since it allows recipients to use their account to withdraw funds at access points associated with several PSPs, and to send money to friends and family regardless of whether they have the same provider. It can also contribute to fiscal savings for the government, as it facilitates sending money to many account types in real time without additional processes and systems. Additionally, it increases the value proposition for PSPs, who can gain revenue from payments in interoperable systems that they may not be able to achieve with closed-loop, non-interoperable systems.

651 Examples include social protection databases for social assistance payments, agricultural or energy databases for sector specific subsidies, and teacher and other government employee payrolls for public wages, among others.

652 For example, if the payroll list for a social program is generated incorrectly, the payment made through the payments system would be for the wrong amount, to the wrong people, or both.

653 SAID would act as a single source of information that allows scheme owners/ministries to identify eligible beneficiaries for their social-security schemes and programs and ensures maximum inclusion and coverage. It would also provide an avenue to the individuals to identify schemes for which they are eligible and ensure access to services. The social-protection registry would be developed in a phased manner, starting with a registry for health-scheme beneficiaries. The social protection registry would consist of beneficiary records from existing scheme databases as well as records of individuals who are eligible but not part of any schemes.

654 Experience shows that issues of accountability are major concerns surrounding WSP provision and delivery, unless checks and balances are put in place, such as independent outside audits, professional actuarial certification, and regular legislative oversight.

655 This system or portal can be a stand-alone infrastructure or a component of the Treasury's IFMIS.

656 As an alternative, under an appropriate arrangement, the central bank could be delegated by the government to hold and manage the mapper on behalf of the government and to inform the government accordingly. The central bank could execute its function in the context of its oversight activities over PSPs, thus benefiting from economies of scale and scope.

657 In the case of India, it is the unique identity number (Aadhaar) that used as alias which can be reliably linked to beneficiary and account number with chosen PSP. In Europe, however, there are specific privacy concerns and legal restrictions regarding the use of national ID numbers. Europe would need a system that balances efficiency with stringent data protection regulations, possibly avoiding national IDs as proxies and instead exploring alternatives like phone numbers or email addresses as privacy-friendly proxies. The plan should consider these privacy safeguards while ensuring secure and efficient welfare payments. Additionally, complying with the GDPR (General Data Protection Regulation) would be paramount in Europe to protect personal information and prevent misuse of national identity numbers.

658 For instance, a connected and charged mobile phone is required for recipients to receive a short message service (SMS) message notifying them of a cash transfer, to receive a one-time-password (OTP), to transfer funds using unstructured supplementary service data (USSD) on their phone, or make digital payments using a debit card or quick response (QR) code. The agent or PSP branch they visit to withdraw funds would need to complete the withdrawal transaction on their POS device, which also must be connected to the Internet and to a power supply.

659 There are different business models, ranging from procuring a specific set of PSPs with specific fee structures, to an open-choice model where PSPs are not contracted, and no fees are paid by program administrators. Compensation structures for PSPs also vary widely from paying them a fixed or varying fee for every payment made or every successful cash withdrawal, and thus encouraging them to forego the potential benefits of keeping and using some of the funds in the account, to allowing them to earn on the float. In the latter case, however, PSPs might be encouraged to delay distribution or transfer into recipient accounts, and PSP staff may discourage withdrawals by recipients.

660 For many, digital payment methods may seem unfamiliar or intimidating. Agents could educate individuals on how to use digital payment systems by offering step-by-step guidance This could include helping individuals download and set up a mobile payment app, explaining how to check balances, and showing how to make transfers or payments via digital platforms. Workshops or one-on-one sessions can be held at distribution points like agent locations or PSP branches to promote digital literacy.

661 This training can cover advanced features such as making bill payments, transferring funds to others, or even using biometric authentication for added security. By helping users become comfortable with these features, agents ensure that individuals not only adopt digital payments but also use them effectively. Such training can be conducted through in-person sessions, via interactive tutorials, or using community-based programs in partnership with local organizations.

662 For example, agents can notify individuals about upcoming payment disbursements, remind them to cash out benefits if necessary, or alert them to security threats such

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as scams or phishing attempts. Additionally, agents can help users set up automated alerts through SMS or mobile apps, providing real-time updates about their welfare payments or account activities.

663 Many individuals may feel more comfortable using digital payment services if they know they have a reliable agent who can help with any issues that arise, such as troubleshooting transactions or resolving technical problems. Moreover, agents can work in collaboration with PSPs and government agencies to ensure that WSPs are delivered securely and efficiently.

664 See FATF (2012-2022), *International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation,* FATF, Paris, France, and see also *FATF Guidance on AML/CFT measures and financial inclusion, with a supplement on customer due diligence.*

665 A useful example comes from Peru and Chile. In those countries, a single account is "pre-opened" for every citizen that is linked to their unique ID. The more established Cuenta RUT in Chile is an account enabled for each citizen with a state-owned bank (Banco Estado), which can be easily activated by the beneficiary of a social program remotely or in-branch using just an ID. This approach enables the government to transfer new social assistance programs to intended beneficiaries simply by knowing their ID number, even if their account has not yet been activated. Jordan is another useful example. Here, beneficiaries without accounts are contacted via SMS and given a list of PSPs to choose from. PSPs are informed they have been selected and must reach out to beneficiaries to handhold throughout the account opening process. In addition, beneficiaries who already hold an e-wallet are offered the option to keep or use a different account through SMS communication. Finally, in Nigeria, beneficiaries can opt to open an account with any institution, but the government selects a specific state-owned bank to onboard beneficiaries who are not able to open an account on their own.

666 For information on how to design and implement a financial education program for G2P recipients, see *Integrating Financial Capability into Government Cash Transfer Programs,"* World Bank, 2018, available at: https://openknowledge.worldbank.org/handle/10986/30116.

667 Distributing digital WSPs through accounts to recipients who did not previously have these products creates concerns around consumer protection, given their lack of familiarity and trust in these products. Without assurances, lower-income individuals may fear their transaction history could be used to disqualify them for future benefits, thus discouraging positive financial behavior such as saving in lieu of converting all funds immediately to cash to signal that the recipient is in continued need of benefits.

668 The CICO (cash-in-cash-out) network, which includes physical access points like PSP branches and agents, provides an essential fallback for beneficiaries, particularly in regions where digital infrastructure might be unreliable.

669 Personal data is any information that relates to an identified or identifiable living individual. Different pieces of information that, once collected, can lead to the identification of a particular person, also constitute personal data, for example, a name and surname; a home address; an e-mail address; an identification number; location data (for example the location data function on a mobile phone); and an Internet Protocol (IP) address. Personal data that has been de-identified, encrypted, or pseudonymized but can be used to re-identify a person remains personal data. Personal data that has been rendered anonymous in such a way that the individual is not or is no longer identifiable is no longer considered personal data.

670 These range from security breaches to unauthorized disclosure, exposure of sensitive personal information, function creep (i.e. the use and even sharing of data for purposes beyond those for which consent was given), identity theft, surveillance risks (i.e. the ability to correlate identifying information across different databases), discrimination, and unjust treatment.

671 See *Guidance on Digital Identity*, FATF, Paris, 2020.

672 This can happen if there are fees associated with accessing the funds or if the program design mandates the beneficiaries to contribute towards delivery expenses. Finally, where social-benefit programs are supported by donors or other philanthropic organizations, these bodies may choose to cover the cost of cash delivery as part of their funding. This is more common for programs relying on external funding sources.

673 Examples of additional (extraordinary) activities include additional reconciliation requests, seeding of account information into a centralized platform, handholding during account opening, ensuring sufficient access points for beneficiaries in certain regions, and ensuring a minimum service level, particularly in cases where the financial customer protection framework and enforcement is not sufficiently robust.

674 For fee structure options, see Baur-Yazbeck, S., G. Chen, and J. Roest, "The Future of WSP: Expanding Customer Choice," Focus Note, CGAP, September 2019.

675 In Brazil's Bolsa Família program, beneficiaries receive a Bolsa Família card, which they use to withdraw cash from ATMs. The card records the transaction, serving as proof of benefit delivery. Additionally, the program employs a digital beneficiary registry and conducts regular verifications and household visits to ensure accurate delivery. In India's Direct Benefit Transfer program, beneficiaries receive payments directly into their bank accounts. The transactions are digitally recorded, providing a transparent and auditable trail of benefit delivery. The government also employs Aadhaar, a biometric identification system, to authenticate beneficiaries and prevent duplication or fraud. In South Africa, the South African Social Security Agency utilizes a biometric verification system called SASSA Payment Card. Beneficiaries receive a card with their biometric information, and they are required to verify their identity

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using fingerprint scanning when collecting their benefits. Mexico's Programa Prospera uses electronic payment systems to deliver benefits. Beneficiaries receive payments through bank accounts or cash cards, and the transactions are recorded digitally. The program also conducts regular household visits and beneficiary surveys to validate the delivery of benefits. Finally, in Bangladesh, Grameenphone's Mobile Money Service is used for delivering social benefits. Beneficiaries receive payments directly into their mobile wallets, and transactions are recorded electronically. The government also conducts monitoring visits to verify the beneficiaries' identity and check for accurate benefit delivery.

676 This power of visibility opens the way to the adoption of "clawback clauses" where programs will claw back resources from the accounts if they are not withdrawn within a stipulated time period.

677 On the different type of WSPs, see Box 1.

678 For a more detailed review of mechanisms to prevent error and fraud, refer to Identification Systems for Social Protection: What Matters," Guidance Note, ISPA Social Protection Payments tool, Inter-Agency Social Protection Assessments, Washington, DC., 2017, https://ispatools.org/id/.

679 When it is known when and where people are being paid *en masse*, recipients may also be at risk of theft or extortion as they travel home or until they have spent their cash. Usually, governments find it difficult to provide security for such dispersed targets.

680 A focus on security should be balanced between program objectives and people-centeredness. It is important to bear in mind that introducing security measures may increase the cost of access for recipients and ultimately for the government. While cash-based payments provision tends to be more vulnerable to fraud and theft, a digital system does not guarantee error-, fraud-, and corruption-free operations.

681 In the case of EU countries which are members of the Eurozone, the relevant agency would the national central bank of each country.

682 Cooperative arrangements between authorities should in no way prejudice the statutory or legal or other powers of each participating authority, nor should these arrangements constrain in any way an authority's powers to fulfil its statutory or legislative mandate or its discretion to act in accordance with those powers.

683 See https://ispatools.socialprotection.org/tools/payments/.

5

CONCLUSION AND INDICATIONS

for Future Activities

98 The intricacies of social-welfare systems in the European Union (EU) embody a deep commitment to societal well-being, particularly through the provision of pensions, social assistance, and healthcare services

However, the inefficiencies and fragmentation within the current welfare-sector payment (WSP) systems necessitate a comprehensive reform. This study has emphasized the need to align WSP systems with modern digital payment standards, advocating for an integrated and coherent approach to improve efficiency, safety, user empowerment, and financial inclusion.

99 The proposed assessment methodology serves as a tool for evaluating the current WSP systems in select EU countries (or elsewhere)

This methodology would allow assessors to overcome the information limitations and gaps encountered by this study in trying to take stock of existing WSP systems in EU countries (Section 2). Grounded in both quantitative and qualitative data collection, the proposed methodology can provide policymakers, researchers, and stakeholders with valuable insights into the complexities and nuances of WSP systems. Future activities could focus on the following:

- Pilot studies in selected countries: conduct detailed pilot studies in the focus (or other) countries using the assessment methodology. These pilots will validate the methodology's effectiveness and identify country-specific challenges and opportunities.
- Continuous monitoring and feedback: establish a framework for continuous monitoring and feedback to ensure that the assessment methodology remains relevant and adaptive to changing circumstances. This can involve periodic reviews and updates based on the latest technological advances and policy developments.
- Capacity building and training: invest in capacity building and training programs for assessors and stakeholders involved in the WSP ecosystems. This will ensure that they are well equipped to apply the methodology effectively and contribute to the overall goal of modernizing WSP systems.

100 **The study has also discussed the elements of an integrated architecture for the provision of WSPs – the IWSPA – on which to base the design of modern WSP systems as core parts of the "Integrated Welfare" of the Fast Forward Foundation**

The WSP systems based on the IWSPA would interconnect all entities making and/or receiving payments along the supply-chain of social welfare sectors, ensuring efficient, secure, and inclusive digital payment services.

101 **To effectively design and implement WSP systems based on the IWSPA, countries should consider the following recommended steps:**

- Policy framework development: develop a robust policy framework at national level to guide the adoption and implementation of the IWSPA. This framework should address the legal, regulatory, and institutional requirements necessary for a seamless transition.
- Stakeholder engagement and collaboration: foster collaboration between all relevant stakeholders, including government agencies, financial institutions, service providers, and beneficiaries. Active stakeholder engagement will be crucial for addressing concerns, building consensus, and ensuring the smooth implementation of the IWSPA.
- Infrastructure and technological investments: invest in the necessary infrastructure and technology to support the centralized WSP ecosystem. This includes setting up secure digital-payment platforms, enhancing cybersecurity measures, and ensuring interoperability among different systems.
- Pilot implementations and scaling up: begin with pilot implementations of the IWSPA in select regions or sectors to test its effectiveness and address any operational challenges. Successful pilots can then be scaled up to cover the entire country, ensuring a phased and manageable implementation process.
- Public awareness and education campaigns: launch public awareness and education campaigns to inform beneficiaries and contributors about the new digital-payment systems. Educating the public on the benefits and functionalities of the IWSPA will be critical for gaining their trust and acceptance.

NAVIGATING THE DOCUMENT

1 INTRODUCTION

2 WELFARE SECTOR PAYMENTS

3 ASSESSMENT METHODOLOGY

4 TOWARDS A NEW ARCHITECTURE

5 CONCLUSION AND INDICATIONS

102 By systematically applying the assessment methodology and adopting the IWSPA, EU (and other interested) countries could transform their WSP systems into efficient, inclusive, and modern frameworks that better serve their citizens

Undertaking such efforts would require a deliberate policy commitment from EU governments to do so. At the outset, they should outline clear policy objectives that would need to be pursued as a foundation to drive reforms. Second, an appropriate authority should be identified to drive reforms with the inclusion of all the relevant stakeholders both in the public and private sector to ensure progress within the identified timeline. Effective integration of the WSP systems with the national payment systems of the EU could be driven through an agreed payment digitalization roadmap. Finally, some of the reforms should be implemented by the public sector (as a public good), while other could be implemented by the private sector and would need to be commercially viable to be sustainable and benefit from continuous evolution. These efforts would not only improve the delivery of social welfare services but also advance the broader goals of social equity and economic stability across the EU countries (as well as all countries adopting the approach).

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