

# Creating Inclusive and Interoperable Payment Systems in APEC: The Way Forward in Implementing ABAC's Recommendations

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**Dr Peter Lovelock**  
*Director and Founder* | TRPC | Singapore Hong Kong  
Beijing Melbourne

# Emerging Payment Channels in APEC and their Potential for Accelerating Financial Inclusion



***“Interested APEC developing economies should facilitate the accelerated development of alternative payment channels by introducing digital identities and interoperable consumer ID to promote digital financial services, promoting responsible digital financial practices to ensure consumer and data protection, creating coordinating policy agencies to oversee digital financial sector deployment, and establishing Common Digital Financial Services Indicators to measure and track progress.***

1. *Interested APEC economies should initiate discussions on the feasibility and requirements of an APEC Digital ID.*
2. *Interested APEC economies should establish the following structures in their own jurisdictions as needed:*
  - a. *A Digital Finance Task Force, bringing together finance and relevant ministers involved in digital economy policies to undertake cross-sectoral coordination.*
  - b. *An overarching advisory body to ensure consumer protection and data protection in digital finance.*
  - c. *A task force to oversee the development of APEC Digital Finance Indicators and an APEC Digital Trade Index. Following initial development of these indicators, APEC member economies should collect and provide data to the APEC Secretariat for collation and analysis.*

The concept of digital identity identifies a specific object. This can be categorised into ***three main categories*** that can help to isolate specific traits:

- **Foundational digital identity**: usually created as part of a domestic identity scheme (or similar), which is based on the establishment – preferably formal – of identity through the examination of qualifying documents;
- **Functional digital identity**: created to address the specific needs of an individual sector. For instance, the healthcare or transportation sectors;
- **Transactional digital identity**: intended to ease the conduct of financial or other transactions (either face-to-face or remotely/ via Internet) *across multiple sectors*.

# An APEC Digital ID

***ABAC calls for the creation of a Working Group to develop the baseline requirements for an APEC Digital ID.***

## Suggested Baseline Requirements

- 1. Resilience**
- 2. Trust, Privacy and Security**
- 3. Data quality**
- 4. Flexibility and Scalability**
- 5. Interoperability**
- 6. Sustainability and Cost Optimisation**
- 7. Identity as a platform**
- 8. Robustness and 'future-proofed' (in approach)**

## 1. Resilience.

- Should enable an efficient risk management approach and ensure an appropriate level of resilience.
- Risks not only economic or financial, but also related to sensitivity of the processed data. (Consider, for example, the health sector.)
- Should be aimed at limiting the risks that may originate from identity data management.

## 2. Trust, Privacy and Security.

- Should ensure adequate safeguards for the privacy of users and guarantee appropriate levels of security for data in order to gain a high level of trust among users and stakeholders.
- Should have clear and effective privacy and data protection measures. Data collection, integration and management need to be underpinned by legal frameworks and procedures that *clearly* specify the treatment of different sets of data (including ensuring users retain adequate control over their data, and robust security measures to ensure data protection).

## 3. Data quality.

- Critical that steps are taken to ensure data quality at multiple levels.
- Data quality and accuracy is first assured by a unique identifier (e.g., unique ID number) via biometric deduplication (or other method), so that ID providers can reduce admin errors and increase efficiency of ID records management *over time and across agencies* that leverage the identifier.
- When integrated into other systems, unique IDs help facilitate integration and interoperability, and typically precede and strengthen the robustness of digital authentication processes and services.

## 4. Flexibility and Scalability.

- ID management needs to be operated in a flexible and scalable manner to ensure modification or updates as necessary.
- The number of economies involved will increase over time, and coverage within a single economy will be progressive, especially for economies with large populations.
- Conditions of application and usage of digital identity will evolve, driven by technological evolution and social progress, and will thus need to be updated and modified over time, as well as adapted to very different contexts.

## 5. Interoperability.

- Interoperability between identification systems with sufficient coverage and robustness can create the opportunity to reduce or eliminate redundant aspects of the identity ecosystem. This can include avoiding duplicate data collection or eliminating obsolete databases or credentials ('de-duping').
- A high level of interoperability is crucial to reducing operating costs and making possible inclusion.

## 6. Sustainability and Cost Optimisation.

- As public and private service providers transition into the digital realm, the ability for individuals to prove who they are is essential.
- The move toward digital platforms can only increase efficiency of delivery and create significant savings (as well as drive innovation) *if transaction and delivery costs are reduced.*
- Any identity management system requires certain costs to be operated and managed. It is crucial to anticipate such costs, so that benefits can be directed to end-users and the sustainability of the system can be ensured over the long term.

## 7. Identity as a platform.

- Should foster the development of digital ID as a platform, so that users can plug it into any domain and use it.
- *Should be of a foundational nature.*
  - A foundational approach ensures that digital identity is not just an asset or an attribute of a citizen.
  - This approach opens the possibility to employ the digital identity environment as a platform to aggregate a variety of different and interrelated services.

## 8. Robustness and 'future-proofing' technology.

- Technologies and systems used for the creation of Digital IDs should be robust and scalable, ensuring at the same time that they are future-proofed and do not become easily obsolete.
- Robustness refers to the accuracy, integrity, and security of system assets and processes.

***ABAC calls for the establishment of a “Digital Finance Taskforce” bringing together Finance Ministers and relevant Digital Economy Ministers to discuss cross-sectoral coordination. The initiative recognizes that digital transactions increasingly go beyond traditional finance areas, causing gaps to emerge. When these gaps are not dealt with, they can have a significant impact on the developments of the regional regulatory architecture on the one hand, or on regional trade agreements such as with e-commerce.***



# TOR for an APEC Digital Finance Task Force



## *The Issue*

- Multi-stakeholder approach required.
- Finance Ministers and relevant Digital Economy Ministers (and others) need to be able to discuss cross-sectoral *coordination*.
- Digital transactions increasingly go beyond ‘traditional’ finance areas, causing gaps to emerge. When the gaps are not dealt with, they have significant impact on regional regulatory architectures, or regional trade agreements (such as e-commerce).
- At this point, governments not only need to coordinate various public sector stakeholders, but engage the private sector, civil society and academia in setting the agenda for digital financial development. Much of the expertise for digital disruption and digital transformation resides in the private sector.
- The necessary knowledge of how to establish frameworks and rules for participation sits in the public sector, government and multilateral groupings (such as APEC). This is particularly true when it comes to the need for enabling cross border data flows and cross border transaction flows, wherein privacy regimes, security frameworks, etc, need to be able to talk to each other.
- And, finally, to be inclusive, diverse and sustainable, the voice of civil society needs to be heard as new frameworks are being created. This is not least because in the new world solutions need to be created simultaneously from the top-down – the enabling frameworks – and the bottom up – the proof of concepts and of scale.

# APEC Digital Finance Task Force



## *Suggested TOR Outline*

- The Task Force meets regularly throughout the year (minimum of 3x), with representation from Finance agency(s), and relevant Digital/ Communications agencies
- Representatives from ‘user’ sectors – e.g., Health, Education, Agriculture, Tourism, etc – to be proactively brought in as benefits the overall strategic environment
- Private sector and civil society to have permanent representation on Task Force *or* to have parallel input track
- Initial focus to be on facilitation of:
  - Low-cost, faster payments; ensuring low cost delivery on an inclusive basis; and effective consumer protection
  - Overall system architecture, innovation and governance
    - Initial technical topics (outsourcing, instant payments, open banking, next-generation licensing, etc) to be determined by each economy based on maturity and needs, but to have outputs *under each of the three sub-areas*: system architecture, innovation, and governance (*including* regulation)
- Outputs on agreed-to KPIs provided in report to Steering Committee (or similar) each year
- ***Key requirement at economy and regional level: re-evaluation of costs and benefits of infra rollout to connect all citizens in to financial access***

*ABAC calls for the establishment of a Task Force to oversee the development of APEC Digital Finance Indicators, and the development of an APEC Digital Trade Index. Following initial development of the indicators for APEC economies, ongoing collection would be by APEC member economies, with collation and analysis by the APEC Secretariat.*

## *The Issue*

- Across digital economy development there is a dearth of consistent and effective measurement indicators.
- This is particularly true for the digital financial sector, not least because of its cross-cutting nature.
- For new policy initiatives to be effective, for development programs to be able to be assessed, and for innovations to be rolled out in a way that ensures economic and societal benefit ***requires the ability to measure and assess impact.***
- Introducing new initiatives requires political capital. Success wins demonstrating success.
- APEC economies need to prioritize the development of a *common* set of baseline digital financial sector measurements, so that economies can assess and track both their absolute and comparative progress.

## ***Suggested Outline Requirements***

**Indicators developed need to be based on the following five key criteria:**

### **Accessibility**

The indicator must have data that is easily accessible. Whether a detailed report, a downloadable data file, or a dedicated micro-site, the data must be openly available. This is to ensure that any other person or organization can access the same datasets

### **Coverage**

The indicator must have data for at least 18-19 of the 21 APEC Member Economies. Any bigger gap in data coverage makes it difficult for overall scores to be accurate or representative. This is to ensure that data effectively guides policy recommendations

### **Timeliness**

The indicator must have up-to-date data, or at least be published *consistently recently*. This is to ensure that the data reflects current realities as closely as possible

### **Consistency**

The indicator must come from databases that are published *regularly*. Even if the methodology evolves over the years, it is important that the data used today is still available tomorrow. This is to ensure continuity and sustainability in future iterations

### **Transparency**

The indicator must be from a reputable source that shares its approach and methodology. Whether it comes from an international organization or a private entity, the full, detailed methodology must be published along with the data. This is to ensure that scoring mechanisms are impartial and objective

# APEC Digital Trade Index

## *The Approach*

**Pillar 1 – Digitally Enabled Trade & Logistics**

**Pillar 2 – Data Protection & Cybersecurity**

**Pillar 3 – Digital Payments & Identities**

**Pillar 4 – Digital Skills & Talent**

**Pillar 5 – Innovation & Entrepreneurship**

**Pillar 6 – Institutional & Infrastructural Readiness**

## **Digitally Enabled Trade & Logistics**

Digital trade requires reliable physical infrastructure and favorable trade policies to facilitate seamless, digitally enabled trade flows. It is critical for APEC economies to rapidly modernize trade platforms and mechanisms, including the digitization of physical infrastructure, the integration of logistical networks, and the optimization of trade policies.

## **Data Protection & Cybersecurity**

Globalization and digitization have led to greater connectivity, which in turn has rapidly increased the quantities of data being accessed, moved, and exchanged both within and between countries. *All* sectors increasingly rely on data to plug into global value chains and contribute to the global economy. It is essential for APEC economies to have frameworks in place that protect and secure data.

## **Digital Payments & Identities**

Digital integration requires reliable, interoperable digital financial services that enable secure digital transactions across platforms. Digital identity frameworks allow populations to take part in the digital economy. Achieving regional interoperability requires coordination among multiple stakeholders, a conducive legal and regulatory framework, the support of policymakers and overseers, commercially viable business models, and technological solutions (based on international standards).

## **Digital Skills & Talent**

Digital trade requires a skilled and trained workforce capable of driving and sustaining the digitization of key economic sectors. This includes everything from technical skills and competencies to develop and maintain complex ICT systems and platforms, to digital literacy and capacity to use and apply digital technologies. From coding courses in schools to training and up-skilling programs in workplaces, APEC economies must prepare citizens and businesses to both contribute to and benefit from fast-evolving digital environments. This includes partnering with the private sector to design relevant digital skills roadmaps and accelerating the roll-out of these programs for prioritized sectors.

## **Innovation & Entrepreneurship**

Digital economy growth and integration requires a conducive business environment in which budding digital enterprises can grow into a dynamic, innovative business ecosystem. In a fast-transforming digital world, competitiveness is no longer just about attracting talent and investment, it is also about driving, fostering, and supporting innovation. This includes assisting budding digital enterprises as they navigate the business ecosystem and contribute to the digital economy – from the ease of starting a business to digital regulations.

## **Institutional & Infrastructural Readiness**

Digital readiness include both availability of digital infrastructure and adoption of technology across the public sector. Digitally enabled economies have both the material and the organizational ability to drive and sustain digital transformation at all levels of society. Quantifying this ability entails observing the quality of digital infrastructure and the digital readiness of institutions. Together, these elements are indicative of APEC economies' capacity to effectively enable the coordination of public- and private-sector initiatives, as well as their openness to driving cooperation across regional/global initiatives.





### Contact:

email: [peter@trpc.biz](mailto:peter@trpc.biz)

phone: +65 6920 8561

website: [trpc.biz](http://trpc.biz)

### About TRPC:

TRPC is a boutique consulting and research firm with over 30 years experience in the telecommunications and ICT industries in the Asia-Pacific. We offer specialised advisory, research, and training services, with a focus on regulatory and strategic business issues, and possess an extensive network of industry experts and professionals throughout the region.