

# ***Understanding the e-Payment System***

**By**  
**Alhaji Ibrahim H. Dankwambo, FCA, OON**  
**Accountant-General of the Federation**

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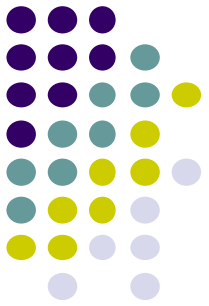


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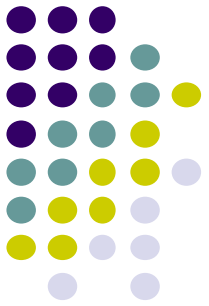


# Background Information



- ❑ The world's economic meltdown has negative impact on the economy of our endeared country - Nigeria. The FG is currently employing our excess crude oil reserve to finance the 2009 budget deficit because of paucity of funds.
- ❑ The major revenue earner of the government continues to suffer decrease in valuation (prices) internationally. The fracas in the Niger delta region is militating against meeting Nigeria's quota in the supply of crude to the international oil market.
- ❑ All these are generic problems which the government face in administering the Nigerian state: no fund and yet the onus is on the President to deliver to his people.
- ❑ Little or no wonder he has launched an irreversible attack on corruption. He is poised to making sure that the little resources available or to be made available is not squandered or wasted in any form.

## Background Info. Contd.....



- ❑ It was in pursuance of this that the President of the Federal Republic of Nigeria during the presentation of the 2009 Budget to the National Assembly introduced a number of measures for ensuring transparency and accountability. This will lend credence to his ambition of delivering tolerable and good governance.
- ❑ One of the measures was the unveiling of *e*-payment regime directing that, all financial transactions of the Federal Government be made electronically. This has taken effect from 1<sup>st</sup> January 2009.
- ❑ The OAGF has issued Treasury Circular and detailed guideline on implementation of *e*-payment, held series of sensitization meetings with PS, DFAs and Heads of Accounts, and also met with the representatives of CBN, Commercial Banks and National Payment Committee.

# ***e-payment Defined***



- E-payment is a subset of e-governance which is the application of electronic means in the interaction between Government and Citizens and Government and Businesses. It is a form of direct payments and banking without physical appearance at the MDA or Bank through the means of electronic, interactive communication channels and other technology infrastructure.
- e-payment can be described as the method of effecting payments from one end to another end through the medium of the computer without manual intervention beyond inputting the payment data.

Two options are identified:

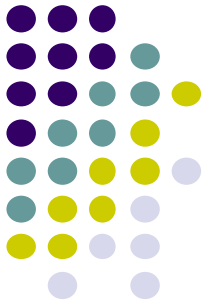
- **End to End Processing:**

Here, all the processes from approvals to the receipt of value by the beneficiary are done electronically

- **Manual e-payment** or use of Mandate:

It is the mixture of manual and electronic process where the available infrastructures cannot support the End-to-End processing.

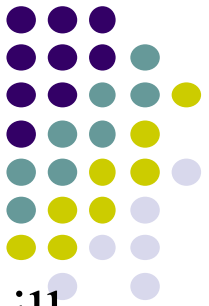
# ***Implications of e-payment***



**The implications of this are :-**

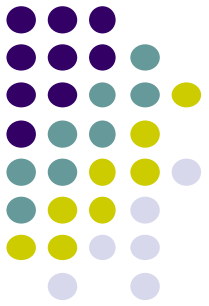
- ❑ There is a new payment regime;
- ❑ The use of cheques or cash payments to beneficiaries has been discontinued;
- ❑ No physical contact between accounts officials and beneficiaries in the MDAs;
- ❑ Effective use of Information Technology i.e. the use of Computer and Computer Software applications ;
- ❑ However, normal book-keeping will continue to be effected in all MDAs.

## **Benefits of e-payment**



- ❑ Easy Tracking of payments to Beneficiaries' Accounts hence it will assist Audit Trail;
- ❑ It reduces cases of corruption;
- ❑ It will assist Corruption fighting Agencies like the EFCC and ICPC in cases of investigation;
- ❑ It is the beginning of a cashless society;
- ❑ Overall increase in the efficiency of operation:
  - Reduced transaction costs
  - Enable transactions of very low value

## **Benefits Contd.....**



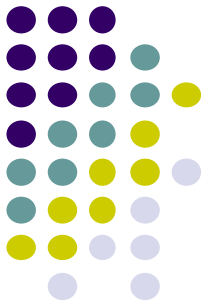
- ❑ Increased convenience of payments:
  - Payment can be made swiftly and remotely using various devices
- ❑ Accountants will appreciate IT more and this will improve the quality of financial reports generated by MDAs;
- ❑ Economic Growth and Development as Transparency and Accountability improve;
- ❑ Real Time Reporting; and
- ❑ Eliminates writing of cheques:
  - The risk associated with cheques been stolen, forging of signature and disparity between amount in words and figures has been totally eliminated.

# IMPLEMENTATION ROAD MAP



- ❑ End to End Processing is the ultimate.
- ❑ Temporary use of mandates to instruct banks to effect payments in the absence of e-payment platforms in the MDAs.
- ❑ Immediately the platform for End-to-End is ready, MDAs must migrate to it.
- ❑ A common platform configuration for all MDAs is in the process of being introduced by the OAGF.
- ❑ The Governor of CBN has already been advised to instruct banks not to honour cheques issued on Government Accounts and dated from 1<sup>st</sup> January 2009. The CBN has already issued this directive.

# ***Detailed Guideline on the Implementation of e-payment***



The following implementation guidelines are crucial:

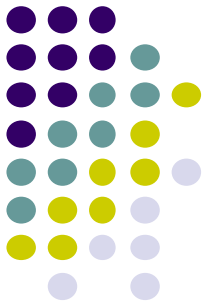
❑ **Transactions covered by the e-payment :**

All payments to Contractors, Payments to Service Providers PHCN, Payments to staff , Payments to other Government Agencies e.g. FIRS

❑ **Format of Instructions to the CBN and Commercial Banks:**

In the absence of infrastructures in the MDAs to support End-to-End processing, the temporary use of mandate to effect payments is suggested.

## ***Guidelines Contd.....***



### **Format of Instructions contd.**

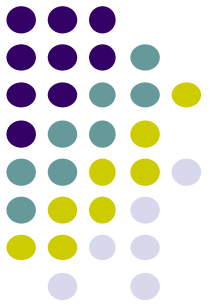
The mandate must have the following features:

- Unique Reference Number – Generated by a combination of the abbreviation of the MDA’s name, Type of Fund, the Year etc.
- Date of the transaction
- Account Name of the beneficiary
- Account Number of the beneficiary
- Bank and Branch of the beneficiary
- Sort Code (if not part of Account Number)
- Amount Payable
- Purpose of the Payment
- Signature and Thumbprint impression of the accounts signatories.





## **Guidelines Contd.....**



### ❑ **Medium**

The medium of sending instructions to the Central Bank of Nigeria and Commercial Banks will be electronic i.e. soft copy in form of Non-re-writeable CD with a hard copy conveying and confirming the transaction.

### ❑ **Data Integrity**

The integrity of the system is assured by the combined use of electronic copy of the mandate as well as the hard copy which acts as a confirmation, since it will contain the authorized signatures of officers in the MDAs.

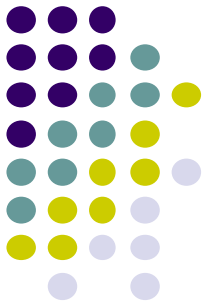
### ❑ **Elimination of Delay**

For the purpose of avoiding delays in the payment procedures, the mandates to effect payment must reach the paying banks within seventy two (72) hours after approval for payment by the Accounting officer.

### ❑ **Correct Account Number of Beneficiaries**

MDAs must insist that, the detailed particulars of the Commercial Banks accounts of the contractors are clearly stated on the invoices submitted for payment. In addition, contractors must attach stamps when forwarding invoices for payment.

# Frequently Asked Questions



## ❑ **How is special Imprest to be treated?**

Operations account is to be maintained by Imprests Holders into which special Imprest will be paid.

## ❑ **Standing Imprests**

The standing imprests is to be paid into the accounts of the officers who are holders subject to retirement.

## ❑ **How about special Programs?**

A program accountant must be appointed and all payments be made in the operations account of the officer who is required to make retirement of the fund, immediately on the completion of the program.

## ❑ **Must the beneficiaries sign payment vouchers?**

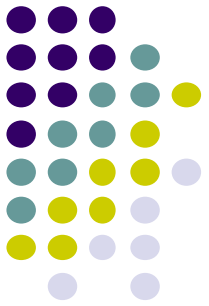
Signing of payment vouchers is no longer mandatory as the evidence of payment to beneficiaries will be obtained through the bank debit or credit advice. This is to be attached to the vouchers.

Evidence of payment can also be confirmed using the bank statement.

## ❑ **How do we know the Account Details of Public Servants?**

The account details should be indicated in all applications to request for fund.

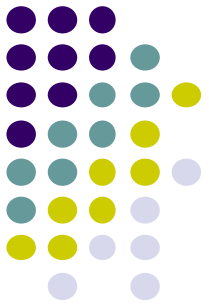
# Critical Challenges



The followings are germane:

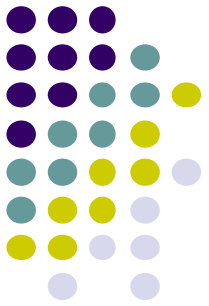
- ❑ Lack of Technological Infrastructure – the implementation of e-payment is been impeded by unavailability of ICT infrastructure. Most rural areas where majority of small and medium scale industries are concentrated have no access to internet facilities. It is proactive to also know this: research shows that it will take an average of 225 years for Africa to catch up in overall economic development in ICT compared to US (Aniebonam, 2003).
- ❑ ICT Equipment Costs – where available, the cost of ICT is a critical factor relative to per capital income. This makes the cost of entry higher compared to developed countries.
- ❑ Regulatory and Legal Issues – inexistence of proper legal and regulatory framework.
- ❑ Non-readiness of banks and other stake holders (acceptability) – even though some have shown impressive willingness, some banks are still not fully ready to for this new payment regime. Especially the non-regular banks that do not enter clearing e.g. Microfinance banks, mortgage houses and Savings and Loans banks. This is a concern because many civil servants are indebted to these non-regular banks through mortgage loans.

## Challenges contd.....



- ❑ Resistance to changes in technology among customers and staff due to:
  - Lack of awareness on the benefits of new technologies,
  - Fear of risk,
  - Lack of trained personnel in key organisations,
  - Tendency to be content with the existing structures, and
  - People are resistant to new payment mechanisms;
  - Security – where disclosure of private information, counterfeiting and illegal alteration of payment data may be rampant.
- ❑ Transport Costs – Nigeria, with a land mass of over 356,000 square miles is a vast land and is logistically difficult to move goods across due to poor transport infrastructure. Movement of ICT equipment from remote locations is a bit cumbersome.
- ❑ Frequent connectivity failure in telephone lines
- ❑ Low bandwidth, particularly for internet
- ❑ Frequent power interruption

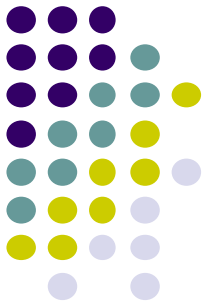
# Recommendations



The following points are crucial:

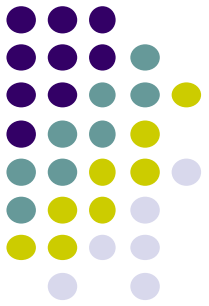
- ❑ Infrastructure Funding – there is need for adequate investment in ICT. This could be planned on any form that may be acceptable and convenient for government.
- ❑ Security of CDs/Flash drive – measures should be taken to ensure that storage medium are delivered as intended.
- ❑ Regulations – applicable regulations including those for electronic approval processes, consumer protection and e-transaction should be developed and standardized as needed.
- ❑ Public Education and Acceptability – e-payment is still new, series of sensitization meetings should be arranged at all levels. The banks and other stake holders must be educated and informed of the need to consolidate efforts to make e-payment successful.
- ❑ Monitoring of Compliance – the OAGF should take the responsibility of assessing the level of compliance in all MDAs. A work plan should be developed as regards this.

## ***Recommendations contd.***



- ❑ Workshops, seminar/e-reporters invitation to events – there is need for training and retraining of operational staff.
- ❑ Expansion of Infrastructure – the government should systematically expand the necessary infrastructure by promoting the development of necessary technologies, recruiting professional human resources, and expanding the high speed information network. This will foster a strong foundation for e-governance.

## Conclusion



- Apart from combating effects of global economic meltdown mentioned at the earlier part of this presentation, Nigeria should not also be left out in the advancement towards e-commerce which will compel the world to start trading on the web in not too distant future.
- It is pertinent that people should know that the gains of e-payment are not sweet sayings.
- We should all believe and work towards the workability of this new payment regime. There is no going back on Federal Government pronouncement on the matter.
- *Let us all join the winning campaign of e-payment where good governance and accountability thrive.*

*Thank You.*