

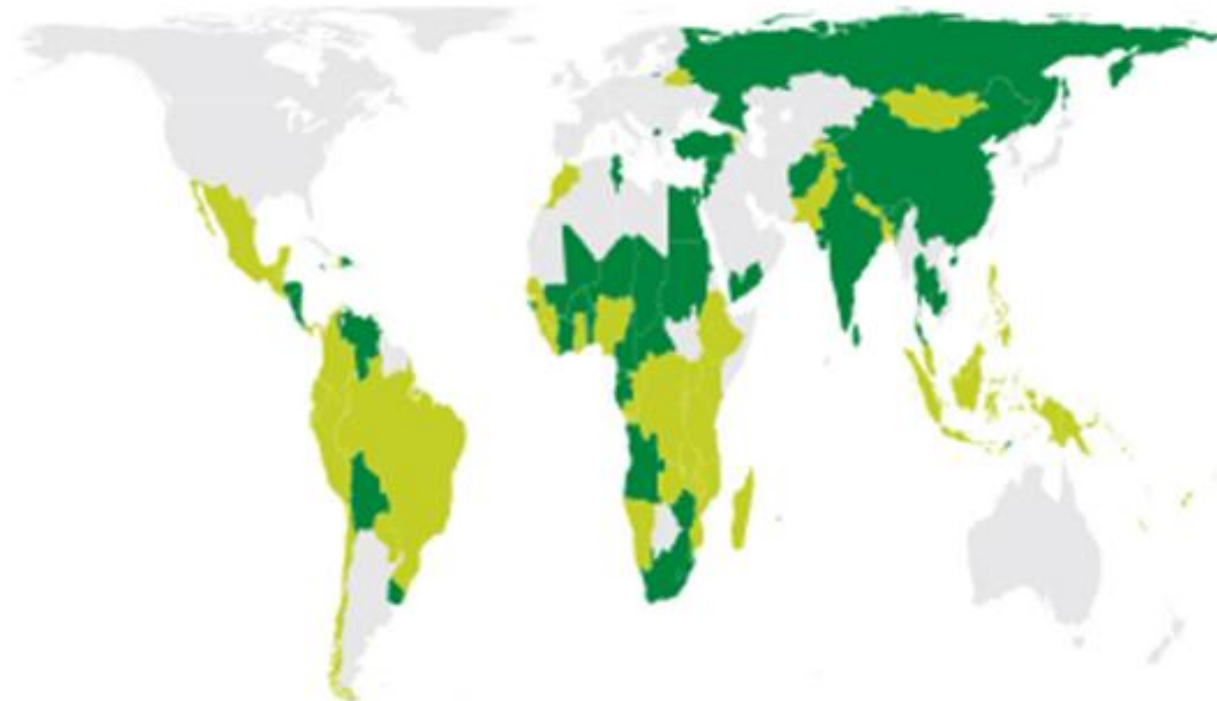


Financial Inclusion Strategies: Global Trends and Lessons Learnt from the AFI Network

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Klaus Prochaska
Senior Policy Analyst & Knowledge Manager
Alliance for Financial Inclusion(AFI)

AFI 2008-2013




- 118 Institutions, 94 countries (more than 85% of the world's unbanked)
- Unique Peer Learning Network (working groups, GPF, regional initiatives)
- 7 policy areas
- More than 53 tangible policy changes
- 63 demand driven policy grants
- Shaping global discussions (G20, G24, SSBs)
- Platform for public private dialogues
- Maya Declaration, 47 concrete commitments and progress tracking with more to come



PURPOSE OF THE FISPLG

- To develop a platform for members of AFI to promote the development and implementation of national financial inclusion strategies.
- To support countries that have made commitments under the Maya Declaration and to the G20 Peer Learning Program to develop national financial inclusion strategies.

*achieved through peer
learning on key topics*



Priority Topics

- ✓ National coordination and leadership
- ✓ Effective public-private partnership for Financial Inclusion Strategies
- ✓ Sequencing issues of financial inclusion, financial education, financial literacy and financial consumer protection strategies
- ✓ Data for financial inclusion strategies including diagnostic exercises and target setting
- ✓ Identification of key challenges and barriers to strategy development and implementation



FIS Peer Learning Group Membership

39 member institutions from 32 countries

Co-Chairs

- Mr. Noor Ahmed, State Bank of Pakistan
- Mr. Cheikh Amadou Bamba Fall, Ministry of Finance & Economy, Senegal
- Mrs. Eden Dema, Deputy Governor, Royal Monetary Authority of Bhutan

Pakistan (Co-Chair)

Senegal (Co-Chair)

Bhutan (Co-Chair)

Bangladesh

Belarus

Burundi

China

Chile

Ecuador

El Salvador

Fiji

Indonesia

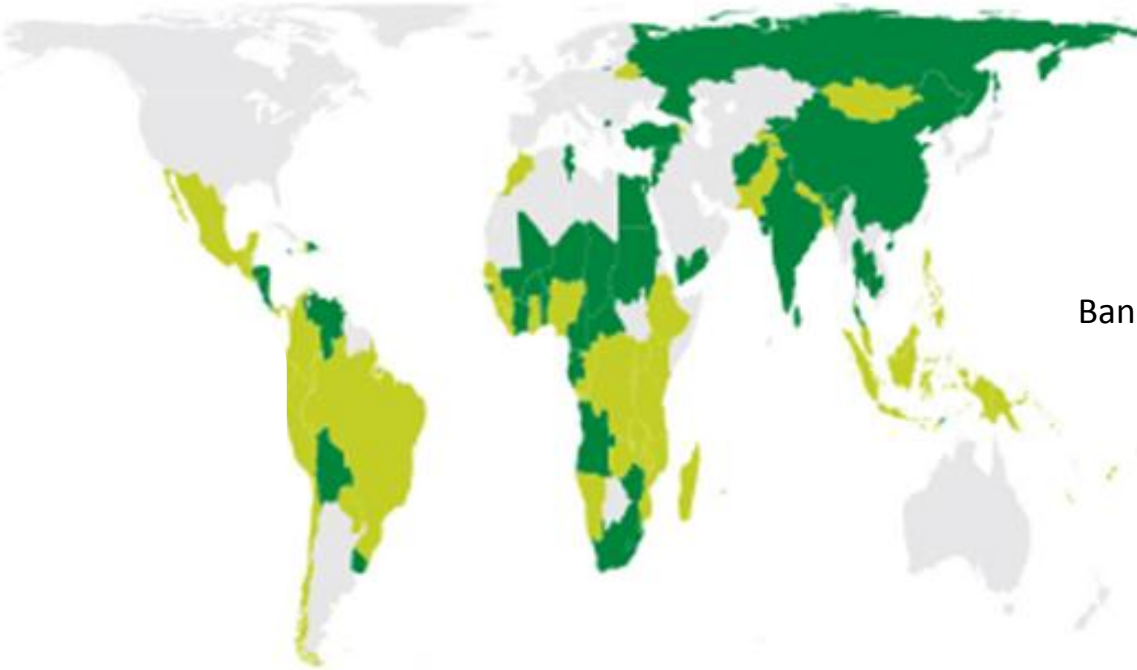
Haiti*

Macedonia

Madagascar

Malaysia*

Mexico



Mongolia

Nigeria

Palestine

Papua New Guinea

Peru

Philippines

Rwanda

Samoa

Banque Centrale des Etats
de l'Afrique de l'Ouest

Sierra Leone

Swaziland

Tanzania

Togo

Turkey*

Uganda*

Yemen

* = Sub-Group Chair



There is a growing consensus amongst financial policymakers globally that Financial Inclusion strategies are needed

- Poll at AFI Global Policy Forum (GPF) in 2011 highlighted that **96% of policymakers considered a national strategy essential but only 25% actually had one in place**
- According to survey of AFI members, 20 countries in the Network have now published Financial Inclusion strategies (8 in Asia-Pacific, 9 in Africa, 3 in Latin America. At least 18 more countries are at various stages of the formulation process.
- Key drivers have been the Maya Declaration (2011) and the G20, especially under Mexico's 2012 Presidency.
- Other factors underlying growing focus on strategies include: recognition of complexity of financial inclusion requiring a common vision & framework; improved quality of data available to policymakers; and peer pressure!



The Driver for National Strategies is National Commitments

21 countries have made National Strategy commitments under the Maya Declaration

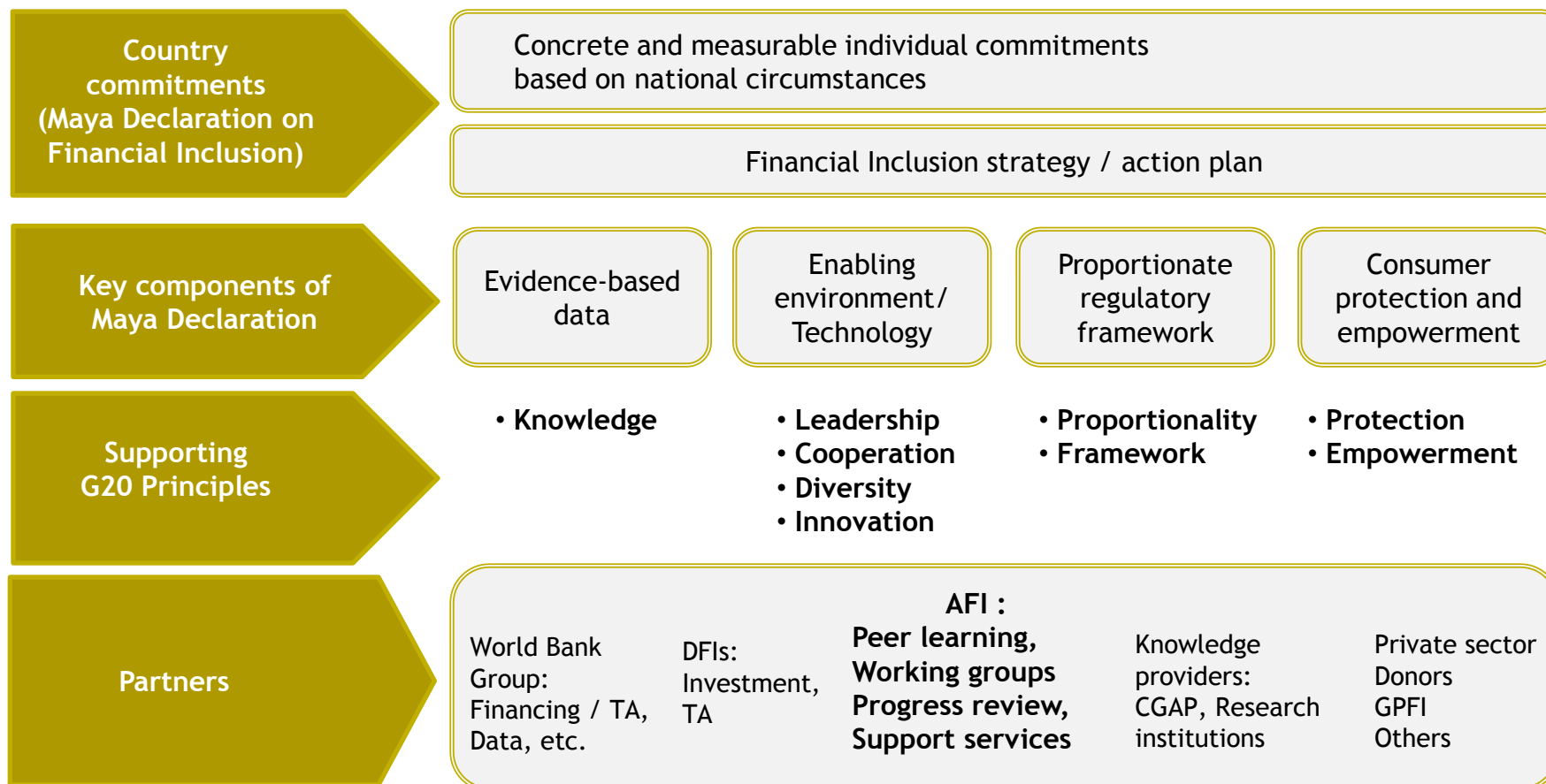
- **Seven from Africa:** Burundi, Congo, Mozambique, Namibia, Nigeria, Uganda, and Rwanda
- **Eight from Asian-Pacific:** Indonesia, Pakistan, Papua New Guinea, Philippines, Fiji, Solomon Islands, Samoa, and Vanuatu
- **Six from Latin America:** Brazil, Colombia, Chile, Mexico, and Paraguay, and Trinidad and Tobago



Maya Declaration



The first global and measurable set of commitments on financial inclusion by developing and emerging countries





There is a growing and striking convergence over the last two years towards standalone financial inclusion strategies

There have been traditionally two dominant approaches in practice:

1. Use of broader financial sector strategy to address financial inclusion (Sierra Leone; Namibia; Mozambique; Nepal)
2. Use of stand-alone FIS (Fiji; Indonesia; Thailand; Tanzania; Burundi; Nigeria; Malawi)

- Now a clear trend in favor of stand-alone modality
- The trend reflects the influence of Maya Declaration
- Countries already having National Microfinance Strategies are working to broaden them (Pakistan, Philippines)

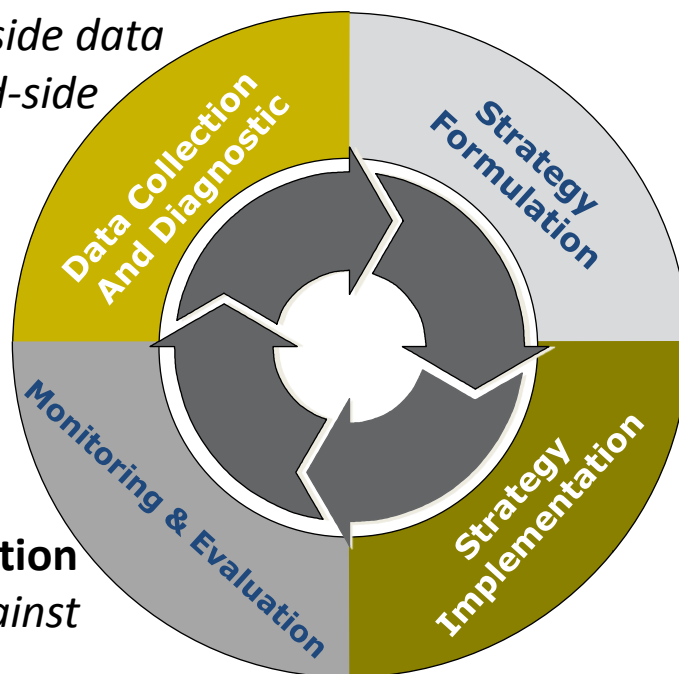
Financial Inclusion Strategy Stages



(a) Data Collection and Diagnostic

Activities:

- *Collection of supply-side data*
- *Collection of demand-side data*
- *Data Analysis*



(d) Monitoring & Evaluation

- *Tracking progress against core indicators*
- *Identifying if strategy is on track and any responses needed*

Effective strategy formulation & implementation involves a continuous feedback cycle

(b) Strategy Formulation

- *Agreement of definition and vision for financial inclusion*
- *Consultation with public & private sector stakeholders*
- *Development of action plan and targets*

(c) Strategy Implementation

- *Policy Reforms*
- *Private Sector Response*
- *Establishment of architecture for implementation (e.g. National Council or Taskforce)*



In most regions of the world, central banks are taking a leadership role in financial inclusion strategies

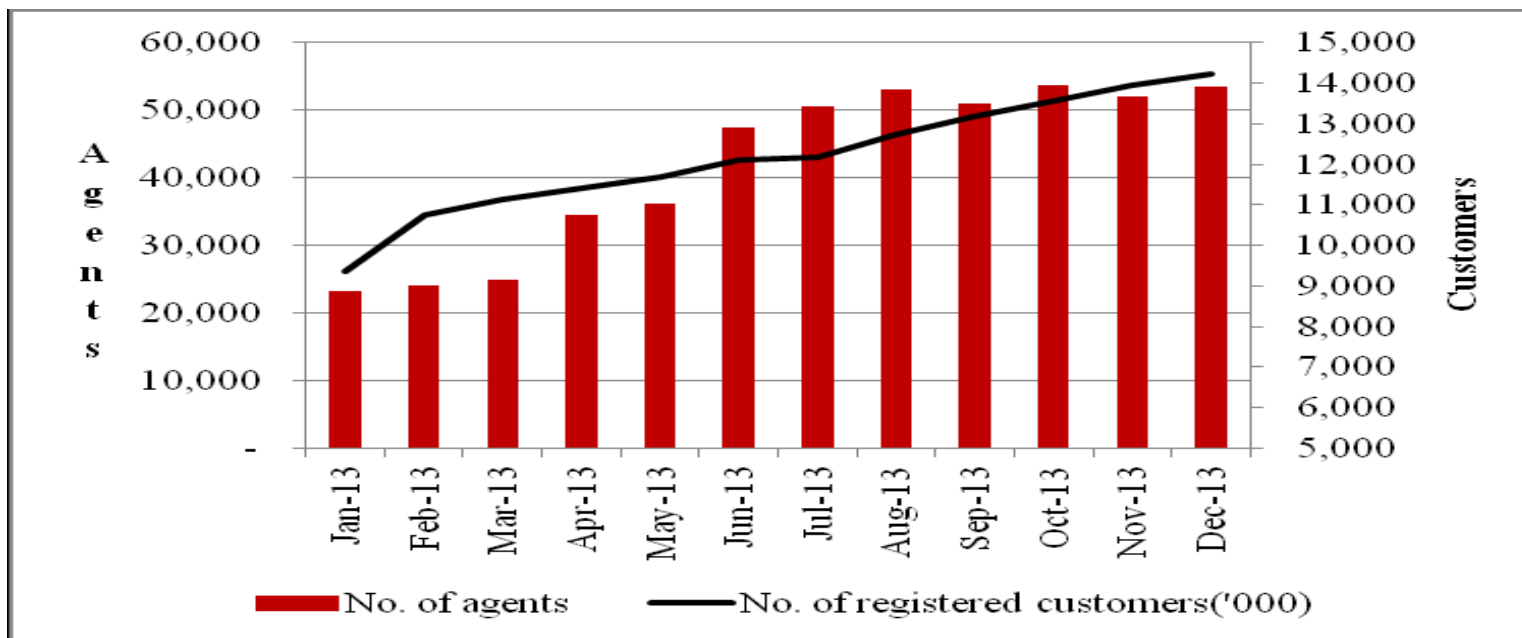
“Central Banks are well positioned to take leadership and coordination role to help maximize efforts, overcome barriers, and steer activities towards shared goals” - AFI Pacific Islands Working Group

- **In the majority of cases the Central Bank has taken the leadership role in the Financial Inclusion Strategy - 85% of cases in Asia-Pacific, 70% of cases in Africa and 33% in Latin America**
- **In other cases Ministries of Finance have taken the lead (Malawi, Rwanda and Swaziland in Africa, Indonesia and Thailand in Asia)**
- **Which institution may be less important than the characteristics - strong convening power, credibility amongst public and private sector stakeholders, and sufficient resources (esp. human resources)**



The policy content with financial inclusion strategies differs but all are embracing technology and innovation

- “Developments in technology have transformed financial services delivery from the traditional physical infrastructure to a system supplemented by other innovative channels” - Bank of Uganda, Status of Financial Inclusion in Uganda (March 2014)





Countries are utilizing peer learning and knowledge exchange in order to build their national strategies

- **Different countries are at different stages in the continuum of strategy development and implementation.** Hence, opportunities for “knowledge intermediation”
- **There is tremendous diversity in country approaches.** This is fertile ground for peer learning.
- **“Peer Learning culture”** is now well-developed and established through AFI’s exchange visit programs.
- **The demand for peer learning on national financial inclusion strategies** is strong and growing.



Many countries are now including a focus on access to finance for SMEs within their financial inclusion strategies

- Around **200 million** formal and informal, micro, small and medium enterprises (MSMEs) in developing economies lack access to credit.
- Estimated **55-68%** of formal SMEs lack adequate financing.
- Additional challenges are inefficient payment options, lack of risk management products and shortage of growth capital.
- Women-owned SMEs have consistently lower access to finance worldwide.

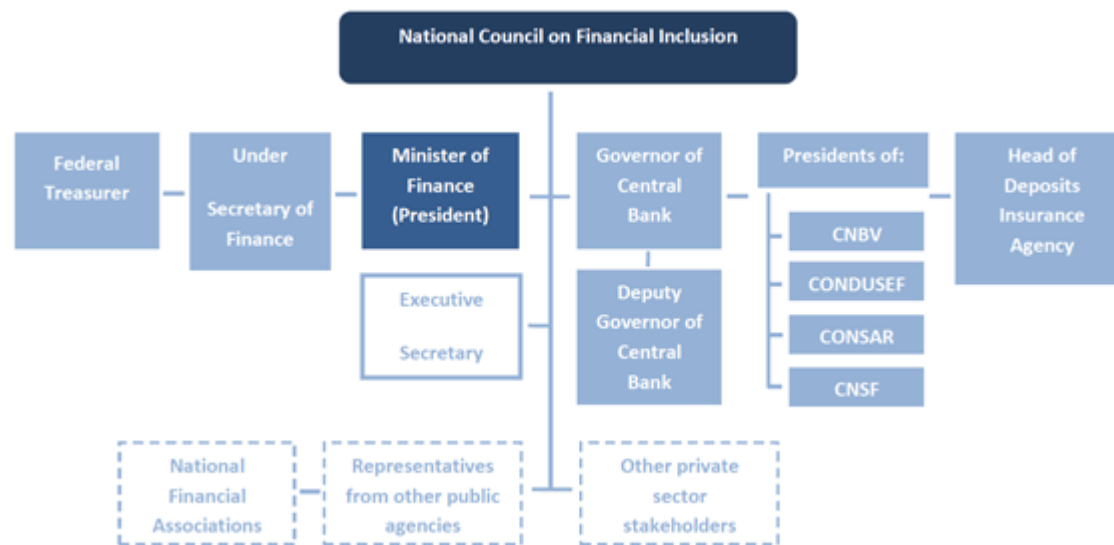
Source: Financial Inclusion Targets & Goals: Landscape & GPF View (G20 GPF)

Lessons Learnt from FISPLG experience



Lesson Learnt #1: The highest level leadership and political commitment is needed to successfully formulate and implement a Financial Inclusion Strategy

Example:
Mexico's National Council



“Strong leadership is always the foundation behind the development of a national vision and strategy for financial inclusion and this leadership empowers policymakers to be innovative and to take reasonable risks to create a more inclusive financial sector” - AFI, 2010



Lesson Learnt #2: Trusted, nationally collected data and clearly defined indicators are needed

“Without good data it is impossible to define indicators to build a proper financial inclusion agenda for the country” - Elvira Cruvinel, Head of Financial Inclusion Team, Central Bank of Brazil

- AFI Data Working Group has defined **core indicators for Access and Usage**
- **Second-Tier indicators** covering Quality (Literacy and Consumer Protection), Mobile Financial Services, SME Finance
- Working Group constructing a **Catalogue of all indicators** being collected by AFI members





Lesson Learnt #3: The definition of and vision for financial inclusion , as well as any targets included in the financial inclusion strategy need clarity and a wide acceptance

Bank of Tanzania Definition of Financial Inclusion:

- “Financial Inclusion for Tanzania entails the “regular use of financial services, through payment infrastructures to manage cash flows and mitigate shocks, which are delivered by formal providers through a range of appropriate services with dignity and fairness”

Government of Indonesia Vision for Financial Inclusion:

- “To achieve a financial system that is accessible by all layers of the community to promote economic growth, poverty reduction and income inequality in Indonesia”

National Target, Central Bank of Nigeria

- To increase the no. of Nigerians in the formal financial sector from 30% in 2010 to 70% in 2020.



Lesson Learnt #4: National Coordination is a critical challenge that needs to be overcome

- Countries are establishing **multi-agency Financial Inclusion Taskforces, National Councils and Steering Committees** in order to oversee their financial inclusion strategies.
- **Tanzania's coordination structure is three tiers** with a National Council, a National Steering Committee, and a National Technical Committee.
- **Other models have explicitly included private sector** - e.g. the united Kingdom Financial Inclusion Taskforce.
- Private sector needs to be part of the dialogue and action plan.



Lesson Learnt #5: Supply-Side and Demand-Side measures need to be pursued in parallel

- Expanding access through new technologies raises new risks in terms of consumer protection and financial education that need to be addressed
- Financial education and consumer protection are essential components of FIS in many countries.
- There is now a tendency to formulate stand-alone national strategies for financial education and literacy in an increasing number of countries (Malawi, Rwanda, Zambia under Maya Declaration).
- Some countries had stand-alone national strategies for financial education before financial inclusion strategies (Brazil, India, Ghana)



Lesson Learnt #6: Policymakers need to pursue a proportionate application of global standards

- “While global standards are sufficient to allow proportionate application, they not originally established with financial inclusion as a consideration; which can lead countries to adopt conservative approaches that limit innovation”
 - Governor Amando Tetangco Jr, Central Bank of the Philippines



BANK FOR INTERNATIONAL SETTLEMENTS





Lesson Learnt #7: Prioritize, Prioritize, Prioritize

- Risk that desire for comprehensive strategies can lead to over-optimization or failure to adequately prioritize
- Critical for policymakers to distinguish critical actions and take difficult decisions on where to allocation resources
- The best examples of national financial inclusion strategies are clear, accessible for all stakeholders and focused



Thank you!

