

From Nairobi to Bali

2010 Executive Directors' report to the members on progress

27-29 September 2010, Bali, Indonesia



2009 Nairobi to 2010 Bali

“bringing smart policies to life”
to
“taking financial inclusion to the next level”



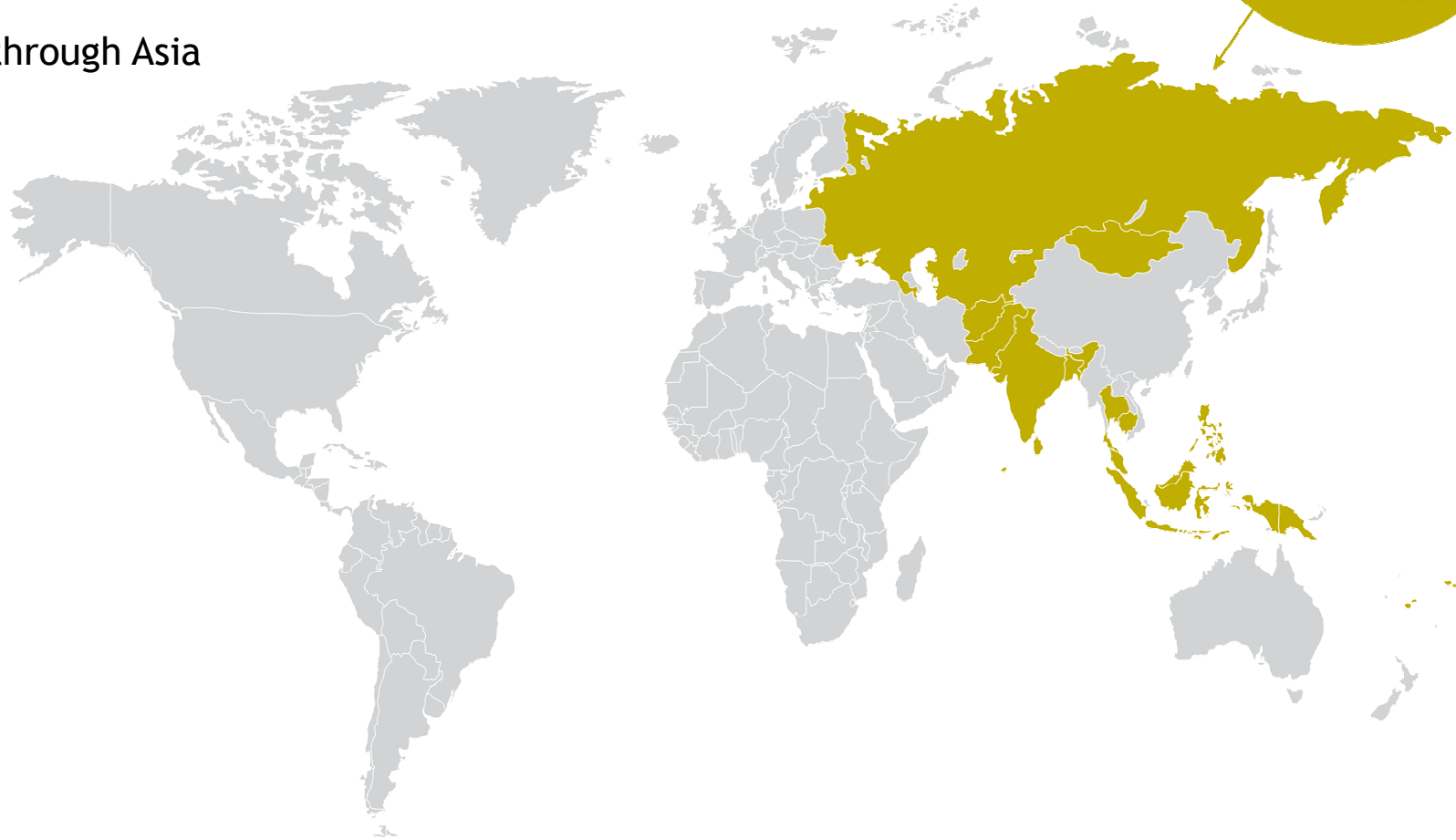
Network

Indonesia was the first to join.
From there our network has expanded rapidly ...



Network

...through Asia

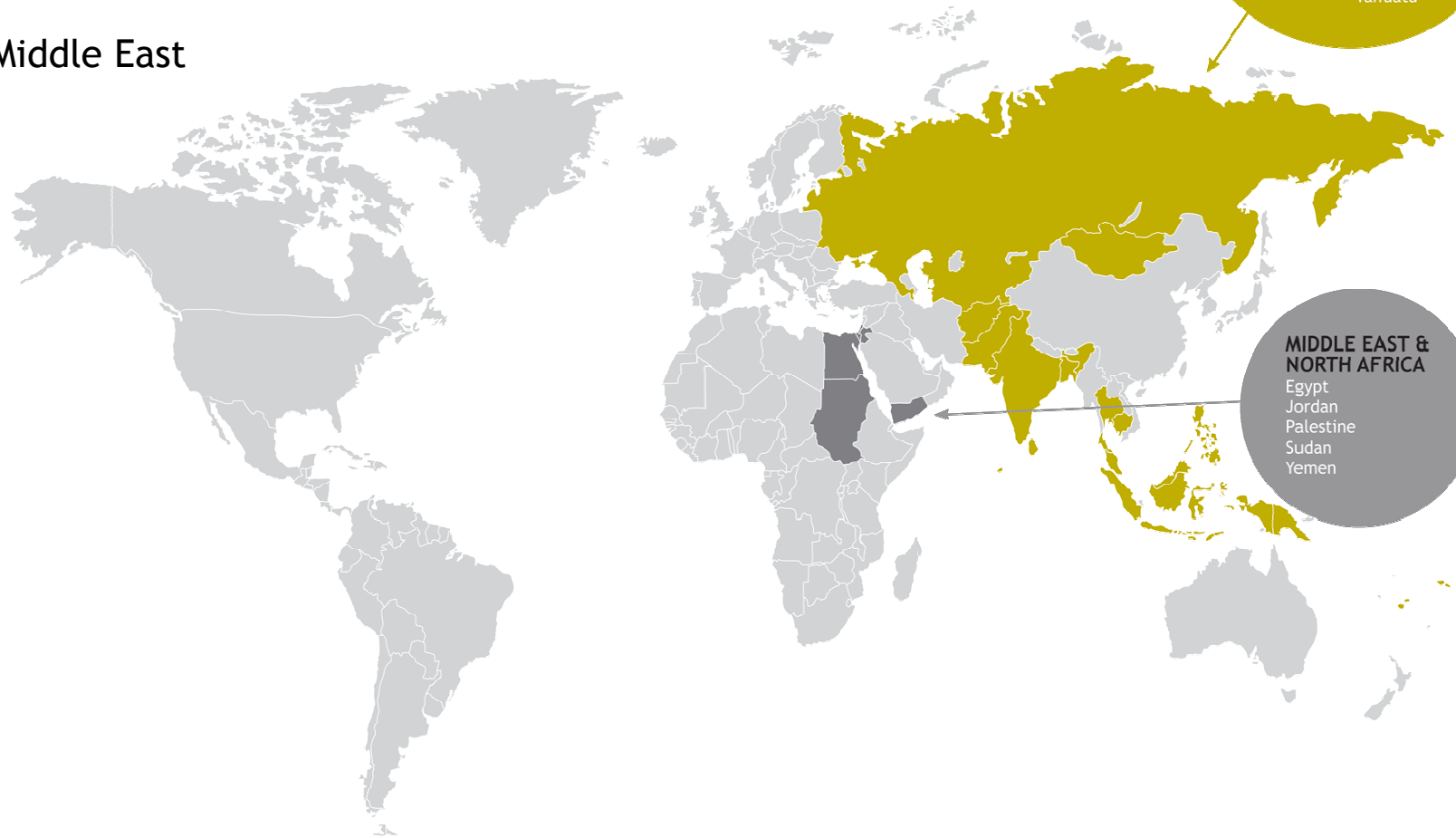


ASIA & PACIFIC

Afghanistan	Pakistan
Bangladesh	Papua New Guinea
Belarus	Philippines
Cambodia	Russia
Fiji	Samoa
India	Solomon Islands
Indonesia	Sri Lanka
Malaysia	Thailand
Maldives	Timor Leste
Mongolia	Tonga
	Vanuatu

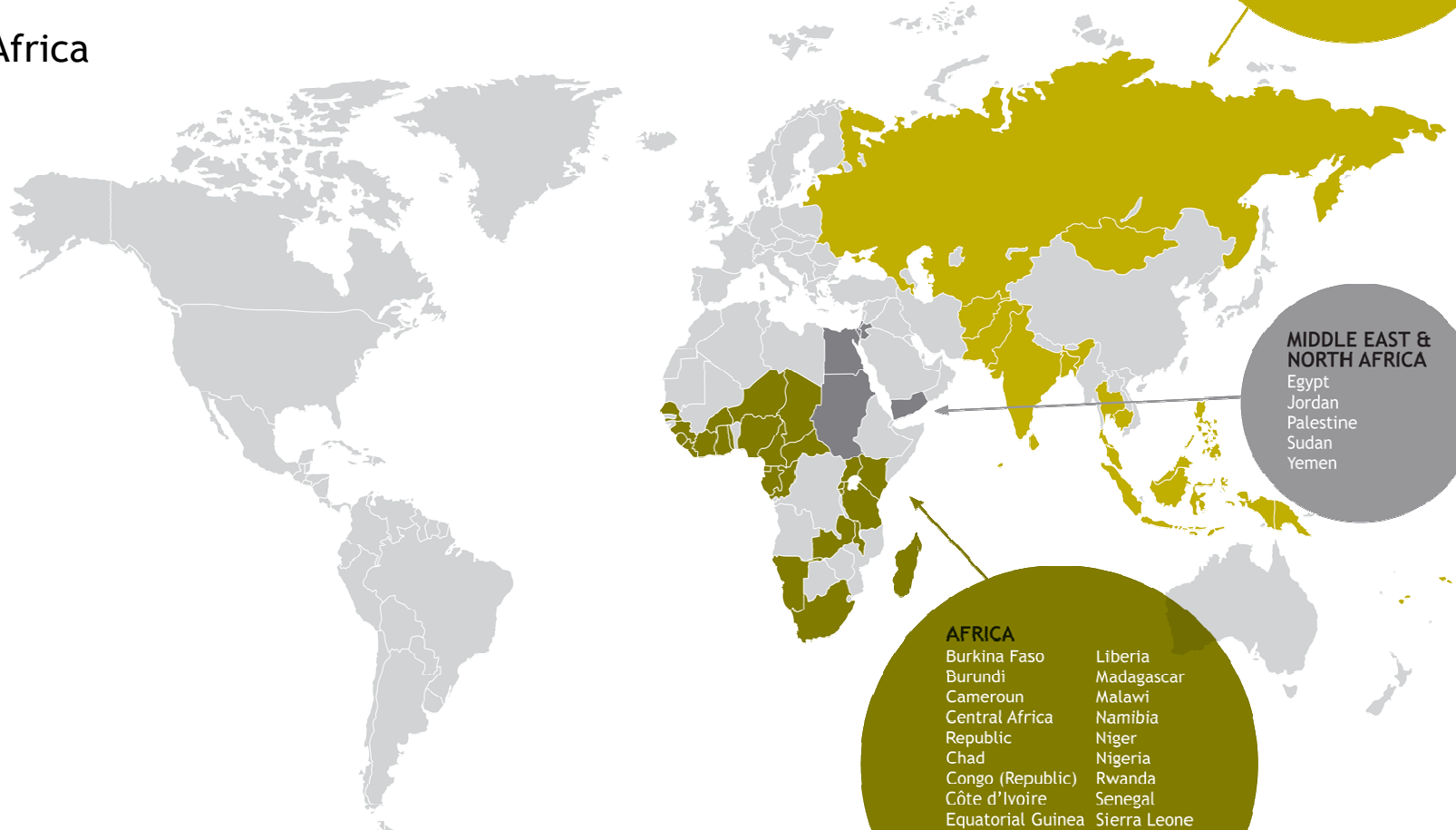
Network

...Middle East



Network

...Africa



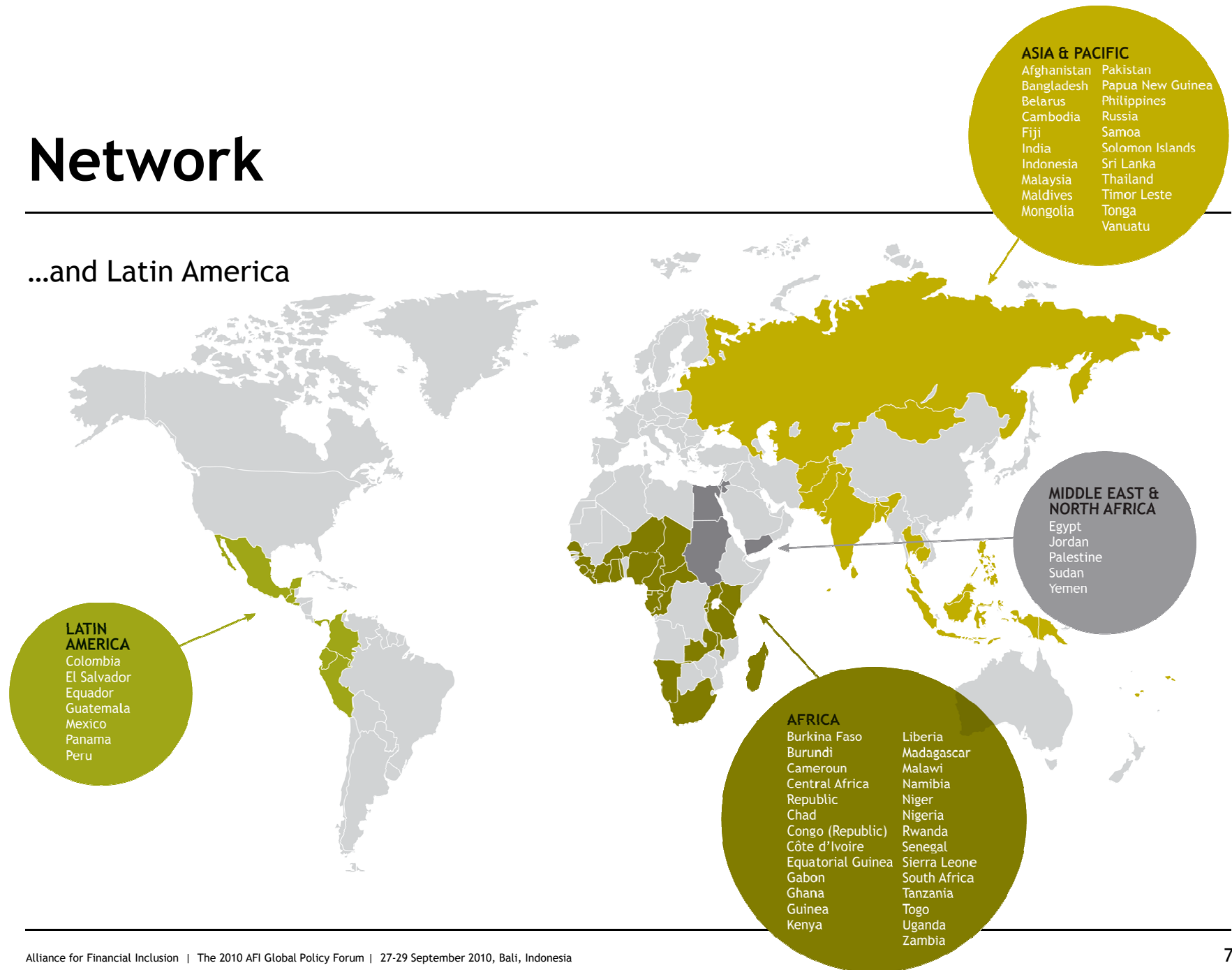
- ASIA & PACIFIC**
- Afghanistan
 - Bangladesh
 - Belarus
 - Cambodia
 - Fiji
 - India
 - Indonesia
 - Malaysia
 - Maldives
 - Mongolia
 - Pakistan
 - Papua New Guinea
 - Philippines
 - Russia
 - Samoa
 - Solomon Islands
 - Sri Lanka
 - Thailand
 - Timor Leste
 - Tonga
 - Vanuatu

- MIDDLE EAST & NORTH AFRICA**
- Egypt
 - Jordan
 - Palestine
 - Sudan
 - Yemen

- AFRICA**
- Burkina Faso
 - Burundi
 - Cameroun
 - Central Africa Republic
 - Chad
 - Congo (Republic)
 - Côte d'Ivoire
 - Equatorial Guinea
 - Gabon
 - Ghana
 - Guinea
 - Kenya
 - Liberia
 - Madagascar
 - Malawi
 - Namibia
 - Niger
 - Nigeria
 - Rwanda
 - Senegal
 - Sierra Leone
 - South Africa
 - Tanzania
 - Togo
 - Uganda
 - Zambia

Network

...and Latin America



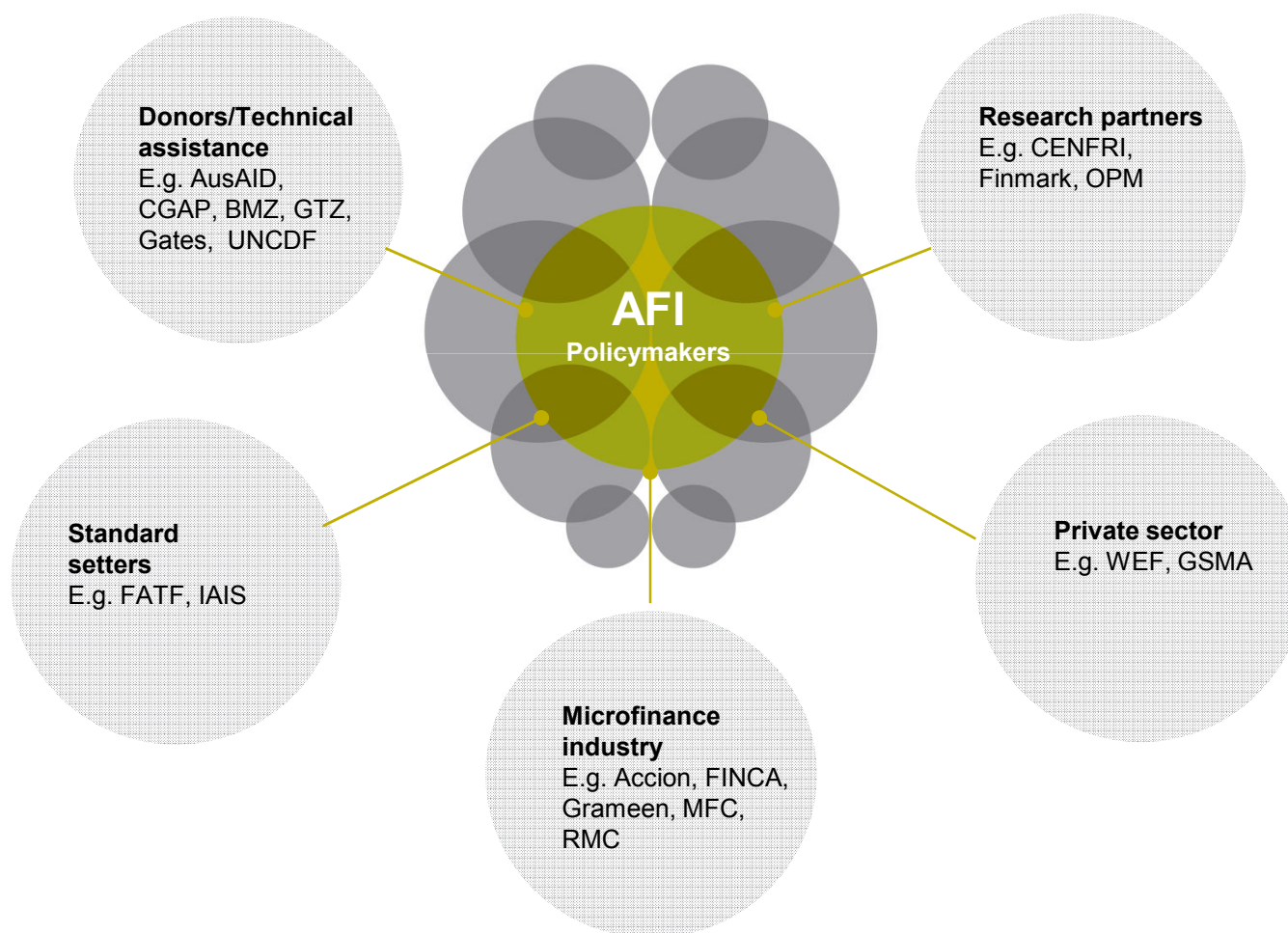
Network



61 institutions
from 59
countries

half
of the
world's
unbanked

Network - Strategic partners



People - Steering committee



Professor Njuguna Ndung'u
Governor, Central Bank of Kenya



Nestor Espenilla Jr
Deputy Governor, Banko Sentral
ng Pilipinas



Guillermo Babatz
Chairman, CNVB Mexico



Philippe Tam Fox
Superintendent, SBS Peru



Krirk Vanikkul
Deputy Governor, Bank of Thailand



Kinglsey Chiedu Moghalu
Deputy Governor, Central Bank
of Nigeria



Christoph Beier
Managing Director, GTZ



Alfred Hannig
Alliance for Financial Inclusion

People - Policy champions

**Halim Alamsyah**

Deputy Governor, Bank Indonesia
Policy champion on financial identity

**Nestor A. Espenilla, Jr**

Deputy Governor, Bangko Sentral ng Pilipinas (BSP)
Policy champion on mobile phone financial services & financial inclusion strategy

**Raul Hernandez-Coss**

Director General for Access to Finance. Comision Nacional Bancaria y de Valores, Mexico
Policy champion on improving financial inclusion data and measurement

**Koid Swee Lian**

Director of the Consumer and Market Conduct Department, Bank Negara Malaysia (BNM)
Policy champion on consumer protection

**Gerald Nyaoma**

Director of Banking, National Payments Systems, External Payments & Reserve Management Department, Central Bank of Kenya (CBK)
Policy champion on mobile phone financial services

People - Meet the team

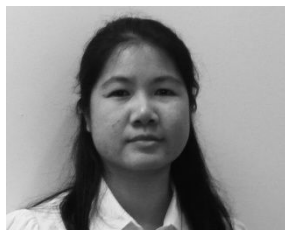
Executive Director's Office and Administration



Strategy and Network Development



Policy and Grant Management



People - Associates



Ernesto Aguirre



Eduardo Cabral Jimenez



Nimal Fernando



David Porteus



Nicola Jentzsch



Yashwant Thorat

Policy areas

Channels:

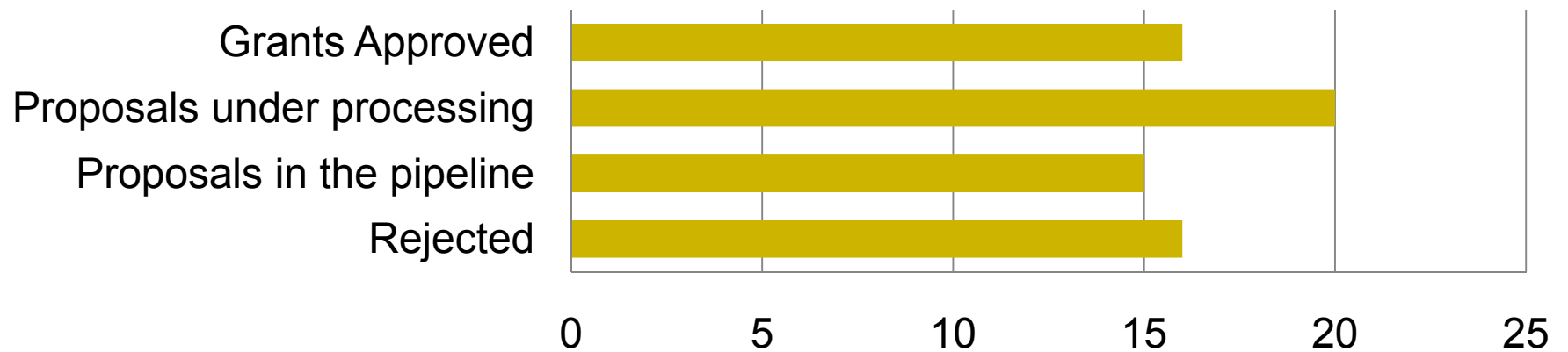
- Agent banking
- Mobile financial services
- Formalizing microsavings

Enablers:

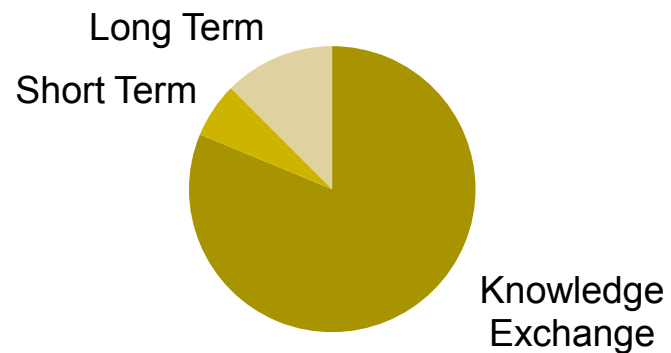
- Consumer protection
- Financial identity
- State bank reform
- Data & measurement

Current portfolio status

Grant Status

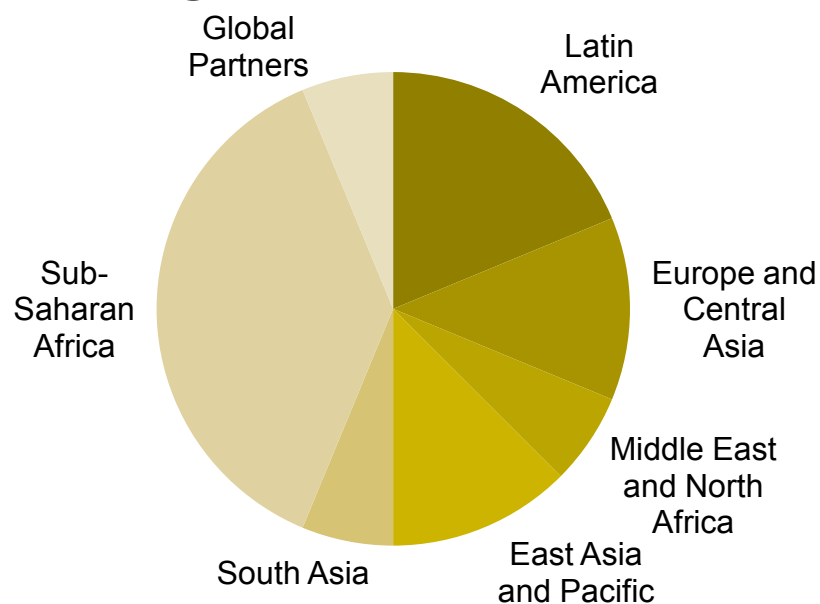


Grant Type

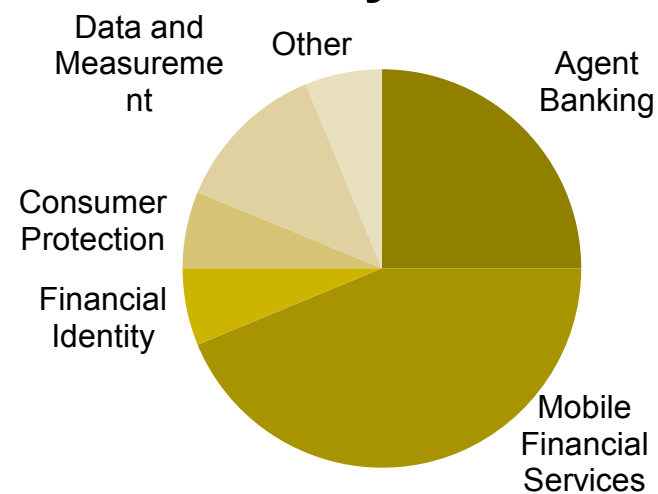


Current portfolio distribution

Regional Distribution

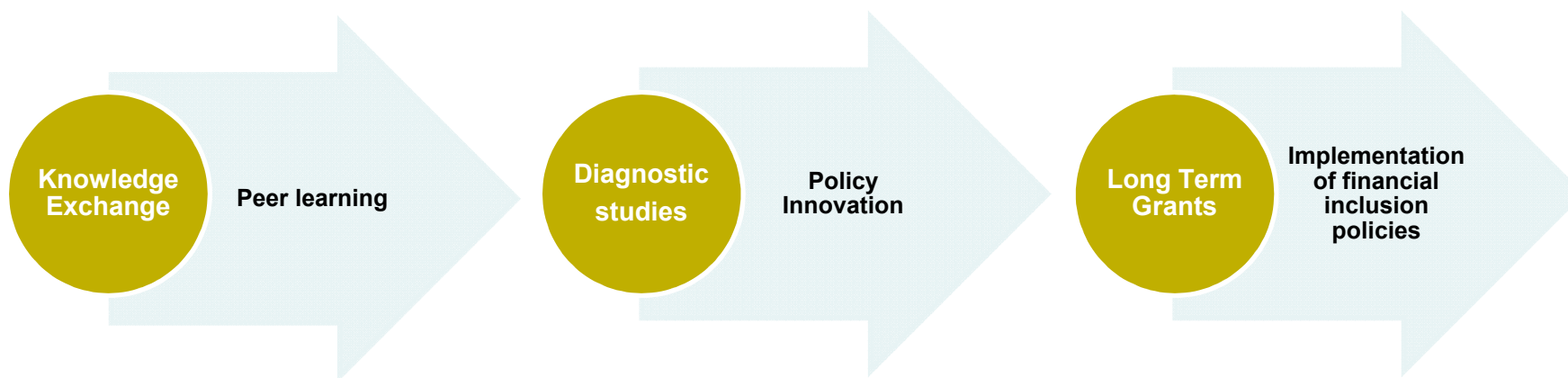


Policy Area

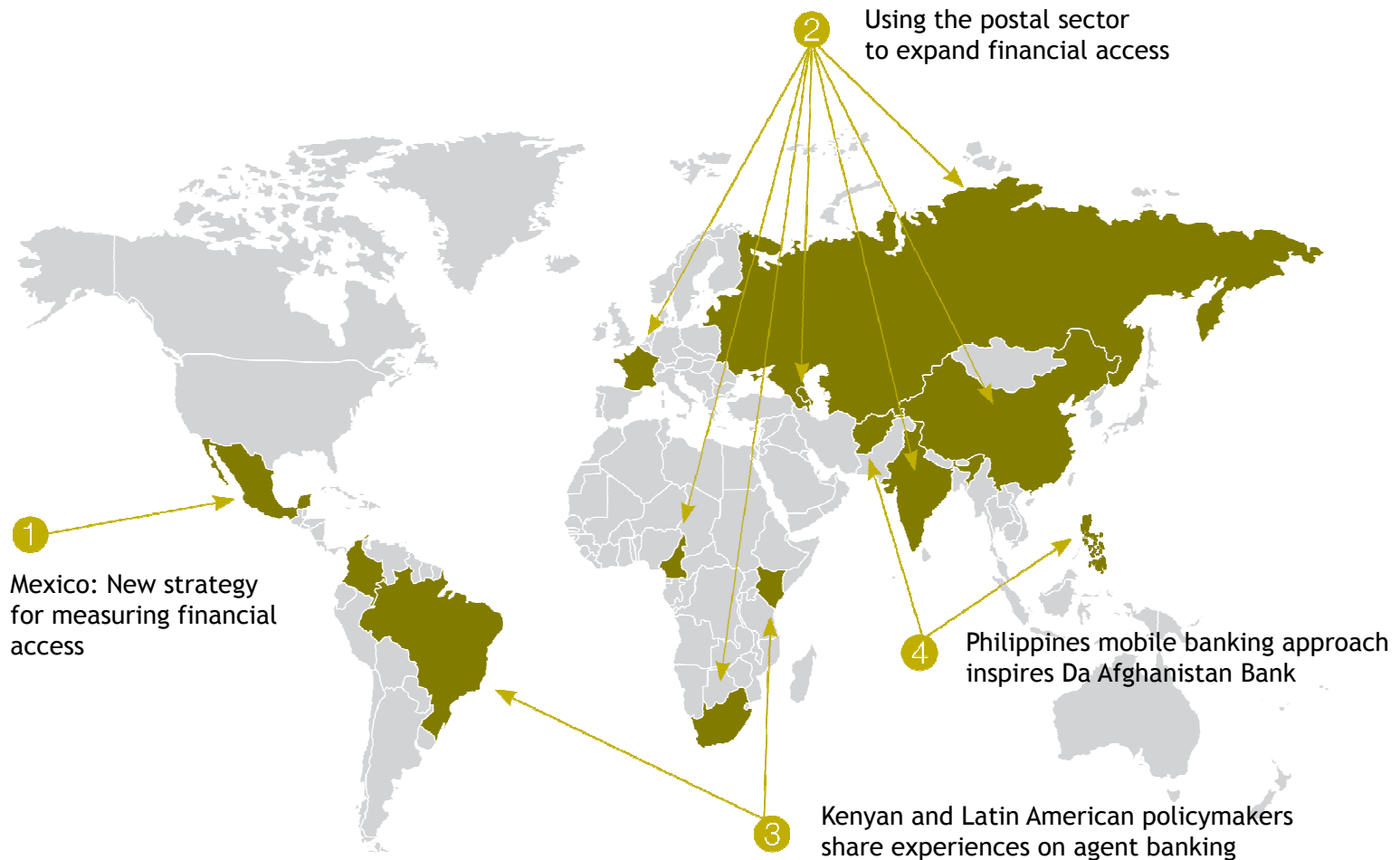


Key lessons learned

- Peer learning and diagnostic studies crucial
- Integrated and leverage Working Groups



Grants - Knowledge exchange



Working groups



**Pacific Islands
Working Group**
Building a collaborative
dynamic between peers
in the region



**Financial Integrity
Working Group**
Advancing financial
inclusion and financial
integrity together



**M-Financial Services
Working Group**
Balancing innovation,
inclusion and safety
in mobile phone
financial services



**Financial Inclusion
Data Working Group**
Better measurement
for better policies

Knowledge - Peer to peer model

“The value of AFI for many of its members is the potential for exchanges with their global counterparts. The members clearly see the value in **learning from each others’ experiences**”




Member needs
assessment


Knowledge - Products

Creating knowledge products

- Tailor-made to keep members up to date
- Policy studies and notes, FAQs on key issues, policy champion case studies
- Emphasis on impact measurement, global trends, new tools and policies



Policy note
Consumer protection
Leveling the playing field
in financial inclusion



Scene setting

Gerald Nyamora returned to his office in Nairobi in December 2008 to discover a newspaper story on his desk with the headline “Mikichuki: Proba Cash Transfer.” The article in Kenya’s influential Daily Nation (see Annex C) reported that the Minister of Finance, John Michuki, had requested the Central Bank of Kenya (CBK) to undertake an audit of M-Pesa, the highly successful mobile phone based payment platform that was run by mobile network operator Safaricom. Within the article, Michuki was quoted as saying the, “I don’t know whether it [the audit] will go well.” Nyamora’s role as Director of Banking Services meant that he oversaw the National Payment System Department of the bank, responsible for the authorization and oversight of M-Pesa, and hence the senior manager at the CBK responsible for M-Pesa.

In addition, Nyamora had been Director of Bank Supervision at the time that M-Pesa had launched, and therefore he had been at the heart of discussions within CBK over how to respond to the new service. “Well,” he thought, “it’s today the day of reckoning has arrived.” Before he could even consult his M-Pesa contact at Safaricom, it was the Governor, wanting to know how he planned to respond to a story which would protect the reputation of the Central Bank.

After the call, Nyamora immediately called together his head of Payment Systems to discuss how to respond to the gathering political and media storm.

afi | AFI Case study | Enabling mobile money transfer

Kenya context

In 2008, Kenya had a stable, growing banking sector that appeared to have avoided most of the problems arising from the global financial crisis of 2007/8, however, despite the strong growth of leading retail banks like Equity Bank, in the preceding five years, only 19 percent of Kenya’s population of 30 million in 2008 had bank accounts. As in many developing economies, banking was still generally considered to be the business of the rich who could afford the higher and associated fees, as there was well established bank branches, albeit concentrated and serving customers closely with 70 percent of the population still living in rural communities, there was not only limited access to bank infrastructure, there was very limited access to alternative financial services, such as payment facilities or savings, as this time there existed little incentive for banks to serve the unbanked, mainly due the significant costs of establishing a branch network and the tight margins associated with banking the poor. This was indicated by the low penetration of conventional banking channels. At the time of the M-Pesa application there were only 1.5 bank branches per 100,000 people and only one Automated Teller Machine (ATM) per 100,000 people.

But for many Kenyans that had access to a bank account, at least two others had access to a mobile phone. Mobile phone penetration in 2008 was nearly 50 percent and growing much faster than bank account penetration (see Annex B, Table 1).


The Financial Access Survey in 2009 that highlighted to the CBK the very low reach of the traditional banking sector, with more than a third excluded from all financial services, and another third dependent only on informal services as Figure 1 below shows.

Figure 1: Access to formal financial services (Percent, 2009)

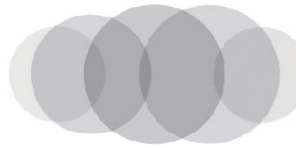



Category	Percent
Formal (regulated banks, holding institutions or Postbank)	~19%
Informal (MFI, SACU and MFI, microfinance institutions)	~15%
Informal (MFI, SACU and MFI, microfinance institutions and MFI/SA)	~15%
Unbanked (no formal or informal financial products used)	~51%

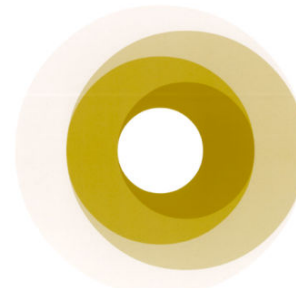
Financial Access Survey, 2009



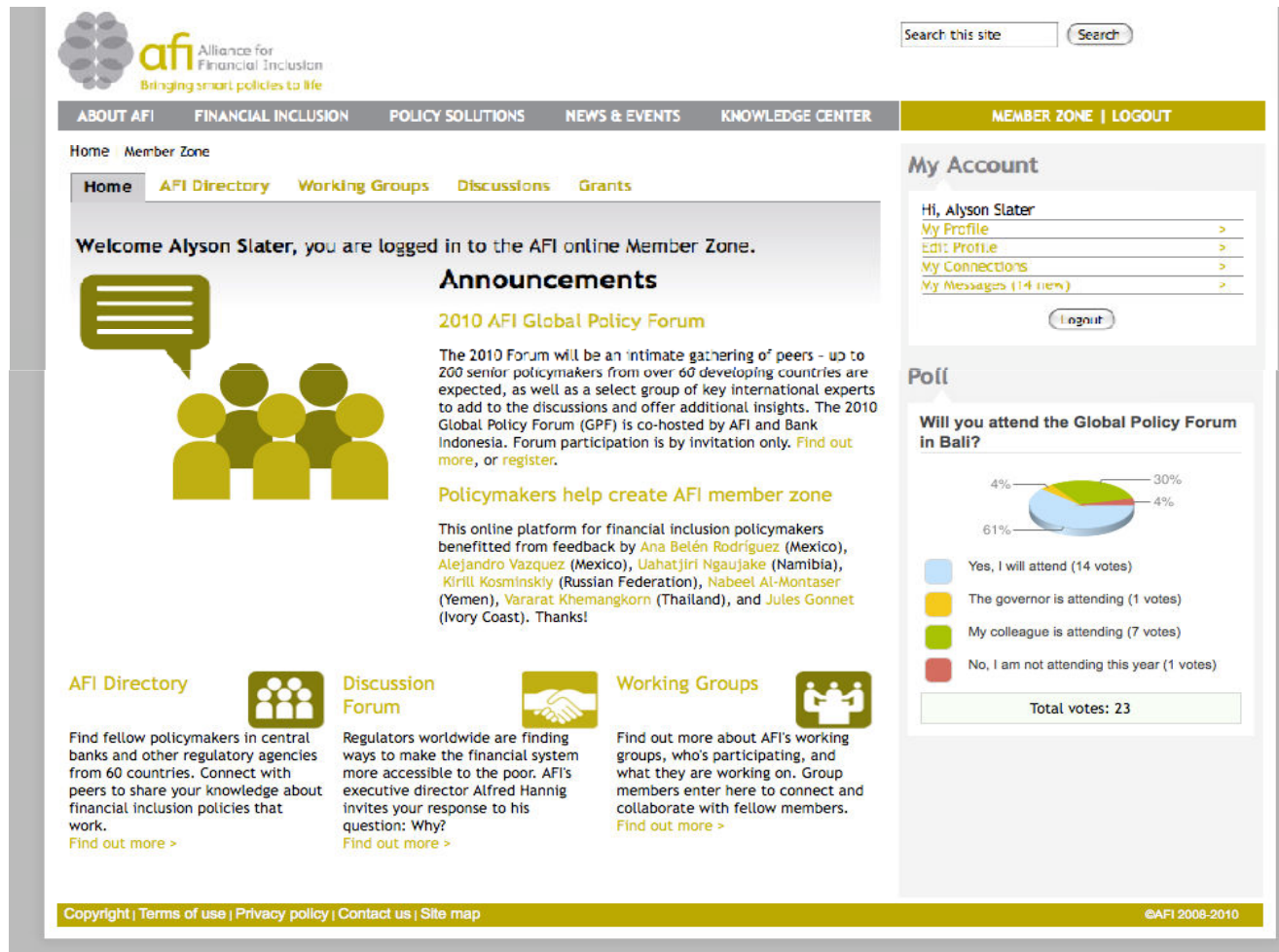
Case study
Enabling mobile money transfer
The Central Bank of Kenya’s
treatment of M-Pesa

The 2010 AFI survey report
on financial inclusion policy
in developing countries



Knowledge - Online member zone



The screenshot shows the AFI online member zone interface. At the top, there is a search bar and a navigation menu with categories: ABOUT AFI, FINANCIAL INCLUSION, POLICY SOLUTIONS, NEWS & EVENTS, KNOWLEDGE CENTER, and MEMBER ZONE | LOGOUT. Below the navigation, a welcome message reads: "Welcome Alyson Slater, you are logged in to the AFI online Member Zone." The main content area features an "Announcements" section with a graphic of people and a speech bubble. The announcement is titled "2010 AFI Global Policy Forum" and describes an intimate gathering of peers. Below this, a section titled "Policymakers help create AFI member zone" lists several individuals and their countries. On the right side, there is a "My Account" section with links for profile, edit, connections, and messages, along with a "Logout" button. Below that is a "Poll" section titled "Will you attend the Global Policy Forum in Bali?" with a pie chart showing the results: 61% for "Yes, I will attend (14 votes)", 30% for "The governor is attending (1 votes)", 4% for "My colleague is attending (7 votes)", and 4% for "No, I am not attending this year (1 votes)". The total votes are 23. At the bottom, there is a footer with copyright information and a date range of 2008-2010.

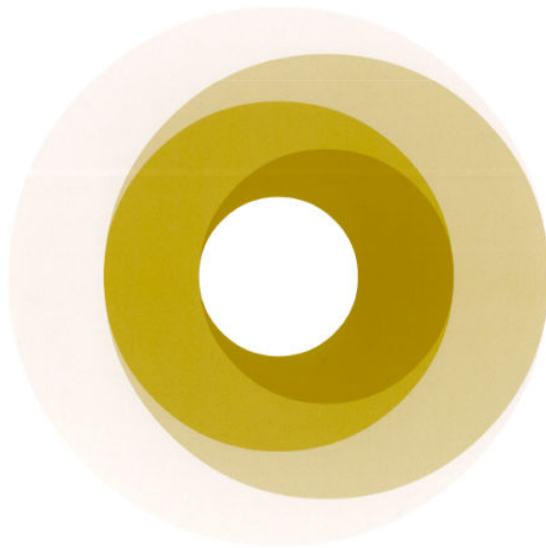
Monitoring & Evaluation

- Policy impact and contribution analysis
- Living case studies and learning
- 50 million by 2012

Network - views from our members



The 2010 AFI survey report
on financial inclusion policy
in developing countries



SC requests
Member survey on
financial inclusion



Contributing to
G20 process

Network - inputs to the G20 process

G20 process



Network: inputs to the G20 discussion

Emerging trends

- Policymakers **leadership** is key for forming national strategies
- **Microfinance** can be used as an entry point for improving access
- New **technology** provides channels and opportunities for reaching the poor
- **Savings** is the fundamental building block of financial inclusion
- **Banks** have an important role to play in reaching the poor

About the GPF

Day 1: Today

We will set our aspirations, and we will aim high—we undertake blue sky thinking and imagine a future where more people are included in a more equitable system.

We will ask ourselves the central question:

What are critical factors for taking it to the next level?

Day 2: Tomorrow

The forum will focus on identifying innovations and practical policy options that will help us take financial inclusion to the next level.

Day 3: Wednesday

Our last day, we will look at ways we can translate knowledge and lessons into actionable plans that we can all take home.

Thank you!

Alfred Hannig
Alfred.hannig@afi-global.org

