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AMF – AFI – GIZ Partnership Promote Financial Inclusion in the Arab Region

Strategic Context and Background

Arab countries have recognized Financial Inclusion as a key policy objective to reduce poverty, boost economic growth, and contribute to financial stability. Indeed, according to Global Findex Data, enabled financial inclusion can help bring 71 percent of the region's individuals into the formal economy and offer them access to finance. When looking at gender gap, there is an even more opportunities as the weighted average of women adults that could be included into formal financial systems goes up to 78 percent¹.

Moreover, small-and-medium enterprises (SMEs) represent 80 percent of businesses in the region, only one in five has a loan or line of credit and the available financing options for SMEs are almost in working capital forms, as long-term funding for SME remains small. Therefore, there is a great opportunity for banks and other financial institutions in the Arab region to increase lending to SMEs as there is a need of 300 percent increase of the current credit outstanding portfolio to meet SMEs funding requirements in the Arab region², which consequently will help creating jobs and reducing unemployment.

The critical importance of financial inclusion to empowering and transforming the lives of all people, especially the poor, has been recognized by the G20 for several consecutive years. Following the successful establishment of the Alliance for Financial Inclusion (AFI) and the G20 Global Partnership for Financial Inclusion (GPFI), and the recognition of the importance of financial inclusion within the agenda of global stakeholders such as the United Nations (UN), World Bank Group (WBG), the International Monetary Fund (IMF), and global standard setting bodies (SSBs), there is an emerging trend for the promotion of knowledge sharing and peer learning on financial inclusion policy and regulatory issues at a regional level.

In this context, multiple efforts have been undertaken by Arab financial regulators and the Arab Monetary Fund (AMF), in particular to spearhead this trend and help to address Financial Inclusion challenges in the Arab region. In this regard, a regional Financial Inclusion Task Force has been established in 2012 under the umbrella of the Council of Arab Central Banks Governors and for which Arab Monetary Fund (AMF) acts as a Technical Secretariat. In addition,

¹ Data: FINDEX 2014

² Data refer to the whole MENA region

a series of high-level financial inclusion policy events have been organized to spur peer-to-peer learning and knowledge exchange among Arab Central Banks and beyond, organized by the AMF in cooperation with AFI and Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH as well as with other regional and international development partners. Moreover, the Council of Arab Central Banks Governor has approved April 27th as Arab Financial Inclusion Day. The effort exerted by the Arab Monetary Fund (AMF) in this regard is driven by its 2015 – 2020 Strategic Plan, aiming to help member countries to improve access to financial services by the underserved and to broaden and deepen the region's financial systems as well as by its role as the Secretariat of both the Council of Arab Central Banks Governors and the Council of Arab Ministers of Finance.

Scope of the Partnership

To support these ongoing efforts and building on the regional momentum toward financial inclusion as a key opportunity to boost sustainable and inclusive growth in the Arab countries, the Arab Monetary Fund (AMF), the Alliance for Financial Inclusion (AFI) and Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH through the program *Promotion of the Microfinance Sector in the MENA Region (MFMR)* have joined forces to advance financial inclusion in the Arab region. AMF, AFI and GIZ intend to broaden and deepen their cooperation by establishing a regional initiative dedicated to cover all Arab countries.

There is an emerging trend towards regional collaboration to promote financial inclusion as it is reflected by the most recent cases of the Pacific Islands, Latin America and the Caribbean, as well as Sub-Sahara Africa. The desire for AMF-AFI-GIZ collaboration within regional initiative is based on important communalities and existing economic ties within AMF's member countries. Such initiative which follow the demand from members is geared towards regional alignment on key policy and regulatory issues, and subsequent implementation within national jurisdictions. It often allows AMF member countries to better address the unique constraints to the expansion of financial inclusion, and provide a regional platform for peer learning and knowledge sharing on key issues and discussions of global financial inclusion innovation and strategies.

Arab Monetary Fund (AMF)

Alliance for Financial Inclusion (AFI)

Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)

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