

# The 2012 AFI Global Policy Forum Report Making Financial Inclusion Real



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# Making Financial Inclusion Real

The 2012 AFI Global Policy Forum (GPF), hosted by the National Treasury of South Africa, brought together more than 300 policymakers, regulators, private sector partners, international organizations, and research institutions from 70 countries. For three days in Cape Town, GPF participants shared and exchanged knowledge on financial inclusion policies as they explored this year's theme, *Making financial inclusion real*. The GPF was also a venue for the AFI network to set a clear direction for its transition to an independent, member-owned institution of developing and emerging country policymaking bodies.

The first part of this report captures the various ways in which AFI member institutions are making financial inclusion real in their countries. On the first day of the GPF, AFI member institutions showcased their Maya Declaration commitments and revealed how these commitments are driving policy and regulatory changes that are already having an impact on the ground. A debate on financial inclusion's impact on the real economy, followed by sessions on the achievements of AFI's working groups and the announcement of another 17 commitments to the Maya Declaration on the closing day of the GPF, all demonstrated how AFI members are working to make financial inclusion real.

In the second part of this report, six AFI Associates present their perspectives on important GPF trends. Although each Associate views GPF 2012 through a different lens, their opinions converge on two main points. First, that the GPF helped to initiate important dialogue on the impact of financial inclusion on the real economy – dialogue that must continue since concrete evidence of this impact is not yet clear. Second, that financial education, which is receiving growing attention, should be studied carefully to identify the most effective approaches and determine who should take up this role. These issues will undoubtedly remain at the forefront of the financial inclusion policy debate as the AFI network looks ahead to the fifth Global Policy Forum, to be held in Kuala Lumpur, Malaysia, in September 2013.



THE 2012 AFI  
**GLOBAL POLICY FORUM**

Making financial inclusion real

26-28 | SEPTEMBER | 2012  
cape town, south africa

# The Maya Declaration: Commitments you can bank on



## The Maya Declaration

The AFI member commitment to financial inclusion

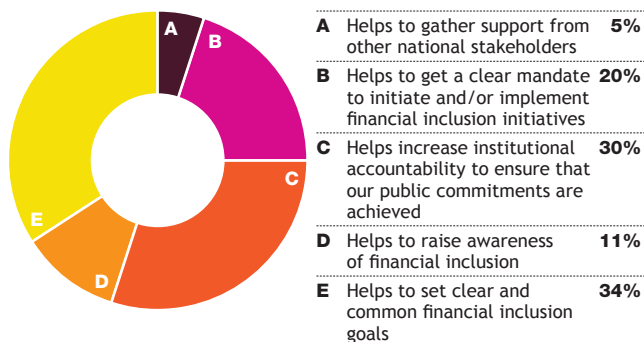
“I would like to encourage countries that are represented here to heed the call of the G20 leaders to use the Maya Declaration to make a firm commitment to concrete actions to promote financial inclusion in their respective countries.”

Pravin Gordhan, Minister of Finance, Republic of South Africa, Opening Address

GPF 2012 marked one year since the Maya Declaration was announced and 17 AFI member institutions committed to concrete actions to promote financial inclusion at home.

As South Africa’s Minister of Finance Pravin Gordhan noted in his opening address, these members “recognize the critical importance of financial inclusion in empowering and transforming the lives of all our people, especially the poor, its role in improving national and global financial stability and integrity, and its essential contribution to strong and inclusive growth in developing and emerging market countries.”

What is the value/strategic importance of the Maya Declaration?



Source: Hand-held electronic voting

## SESSION

### MAYA DECLARATION: COMMITMENTS YOU CAN BANK ON (DAY 1)

Part I: Leaders’ Report on Progress of the Commitments Made in Riviera Maya

Part II: Supporting the Maya Declaration - New Forms of Cooperation

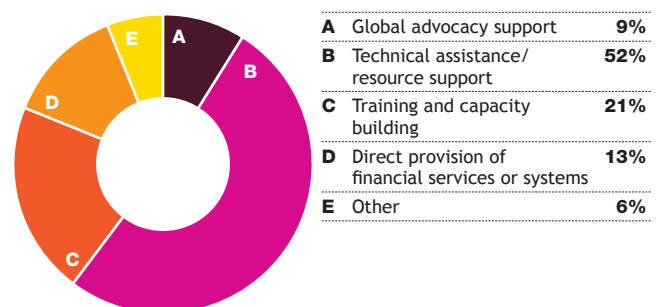
A two-part session on Day 1 of the GPF showcased the achievements of member institutions that made Maya Declaration commitments in Riviera Maya in 2011, and examined the roles that external agencies, including the private sector and development partners, can play in helping countries to meet their commitments.

### SESSION HIGHLIGHTS

The first part of the session, moderated by Governor Sanusi Lamido Aminu Sanusi of the Central Bank of Nigeria, highlighted examples of notable progress on the Maya commitments:

- **The Reserve Bank of Fiji** has reached 60% of its target to bank 150,000 additional adults.
- **The National Bank of Rwanda** has established a National Financial Inclusion Taskforce.
- **The Reserve Bank of Malawi** has drafted agent banking guidelines and established a Mobile Money Coordination Group to oversee the scaling up of mobile financial services.
- **Comisión Nacional Bancaria y de Valores (CNBV) of Mexico** is developing a national financial inclusion strategy and new business models for mobile phone platforms, and has conducted a demand-side survey.
- **Bangko Sentral ng Pilipinas (BSP)** has created a Steering Committee on Inclusive Finance, reflecting the central bank’s commitment to pursue financial inclusion as a key policy area.

Moving forward, how do you see external partner institutions supporting the Maya Declaration?



Source: Hand-held electronic voting

## The Maya Declaration: Commitments you can bank on *continued*

The second part of this session explored the potential of new forms of cooperation with the private sector and development partners. Discussions highlighted the need for a new kind of partnership between regulators and the private sector and emphasized the critical role the private sector can play in helping AFI member institutions to meet their Maya commitments.

Representatives on the panel made several offers of support:

- **MasterCard and Visa** offered to share their experiences developing mobile money solutions in different markets and to support AFI's Financial Inclusion Data Working Group (FIDWG) by sharing new types of research. They are also particularly keen to engage in financial education. The Consumer Empowerment and Market Conduct (CEMC) Working Group and its subgroup, which deals specifically with financial education, will provide an opportunity to further explore this interest.
- **GSMA** will share information across the AFI network, including key data from its global survey, take a proactive role in facilitating dialogue with the mobile industry, and participate in discussions on appropriate business models and best practices.
- **CGAP** will support further research to identify viable business models and will take an active role in global evidence-based advocacy to keep financial inclusion in the spotlight.
- **The Bill & Melinda Gates Foundation** will continue working to support financial inclusion as a global public good. They will also support initiatives and further research on measuring the impact of financial inclusion - a timely and important follow-up to the discussions initiated in Cape Town.

Striking the right balance between cooperation and competition was seen as key to encouraging the private sector to take a proactive role in financial inclusion. It was agreed that partnerships between government and the private sector are essential, but that traditional types of engagement need to be replaced with new and innovative approaches.



Deputy Governor Muhammad Ibrahim announces Bank Negara Malaysia's commitment to the Maya Declaration

### SESSION

#### THE CAPE TOWN COMMITMENTS - NEW COMMITMENTS TO THE MAYA DECLARATION (DAY 3)

On the final day of the GPF, 17 AFI member institutions announced new commitments to the Maya Declaration.

The Cape Town Commitments demonstrated the appeal of the Maya Declaration as a catalyst for national financial inclusion. As moderator Daniel Schydrowsky, Superintendent of SBS Peru, observed, "Although each country is taking its own path, we have some commonalities in approaches. The pillars of these commitments are technology, simple accounts, consumer education, and improving overall accessibility. These commitments should move us forward substantially and will improve the conditions of our citizens directly."

#### Sizing up the commitments



#### Enable 70,000 (30,000 of which are women) in the Solomon Islands

Almost half of those with financial access by 2015 will be women.

*Commitment, Central Bank of Solomon Islands*



#### 95% of benefit recipients in Chile

Will receive electronic payments instead of cash payments.

*Commitment, Ministerio de Desarrollo Social*



#### 34 member institutions

36% of AFI's member institutions have made Maya Declaration commitments.

### NEXT STEPS

AFI will follow up with each member institution that made a commitment to the Maya Declaration at GPF 2012, and with stakeholders such as the private sector, to determine how to support initiatives aimed at achieving financial inclusion targets.<sup>1</sup>

<sup>1</sup> For more information on AFI's initiatives to support country implementation of the commitments, please see *Commitments you can bank on: the 2012 Maya Declaration Progress Report*, <http://www.afi-global.org/library/publications/2012-maya-declaration-progress-report>

# The Maya Declaration: New commitments

## ARMENIA

### Central Bank of Armenia

Will encourage the rollout of private sector products that respond to the needs of the poor, with an emphasis on innovative channels like mobile and electronic money. Will also implement a swift, effective, and free complaint-handling system via the financial mediator office, and improve the regulatory framework so that consumers have the information, protection, and ability to access all services.

## BANGLADESH

### Microcredit Regulatory Authority of Bangladesh

Will promote agent and mobile banking, implement consumer protection initiatives, and establish a credit bureau for the MFI sector.

## CHILE

### Ministerio de Desarrollo Social

Will encourage the adoption of an electronic payment system, develop measurement tools and data indicators, and create a high-level coordination platform to develop a national strategy on financial inclusion.

## COLOMBIA

### Ministry of Finance and Public Credit

Will design a long term financial inclusion strategy by 2013, establish a committee to coordinate financial inclusion policy with public authorities and private agents, and submit a bill to create a special license for e-money issuers and prepaid card schemes administrators and a set of new rules for small payment systems.

## DEMOCRATIC REPUBLIC OF CONGO

### Banque Centrale du Congo

Will complete the modernization of the national payment system, improve consumer protection regulations, and introduce mobile banking and banking agents, all by 2013.

## ECUADOR

### Banco Central del Ecuador

Will improve local financial structures and the national payment system in 200 districts, and expand financial products and services in unreached areas through a grant fund.

## GHANA

### Bank of Ghana

Will aim for 70% financial inclusion by 2017, revise its payment strategy and develop a financial literacy program by 2012, stimulate uptake of mobile financial services, and report on progress and peer learning.

## GUATEMALA

### Superintendencia de Bancos de Guatemala

Will create a code of good practice for consumer protection for all financial service providers, develop transparency and disclosure standards for products and services, measure the impact of our commitments, and create a database by 2013.

## INDONESIA

### Bank Indonesia

Will launch a financial identity project, further develop and implement financial education programs, further expand and promote the "Tabunganku", a no-frills savings account, and encourage sustainable growth of branchless banking through smart regulatory frameworks.

## MALAYSIA

### Bank Negara Malaysia

Will ensure 95% of the adult population has access to financial services by 2014, adopt innovative channels to improve agent and mobile banking, and expand products and services that meet the needs of all citizens, including microfinance and long-term savings.

## MONGOLIA

### Financial Regulatory Commission of Mongolia

Will put in place policies that create an enabling environment for cost-effective access to financial services and implement a regulatory framework that achieves financial inclusion, financial stability, and financial integrity. Will promote consumer protection, and make evidence-based policy a priority by collecting and analyzing data and producing comparable indicators.

## MOZAMBIQUE

### Banco de Moçambique

Will promote collaboration among public and private entities, and draft a financial inclusion strategy based on: financial stability; regulatory environment; financial literacy and financial consumer protection; access, dissemination and usage of financial services; and building a database to measure and monitor progress.

## NAMIBIA

### Bank of Namibia

Will launch its Financial Inclusion Sector Strategy, collect data to compile financial inclusion indicators, and have a framework for consumer protection and financial literacy activities and implementation in place.

## PALESTINE

### Palestine Monetary Authority

Will improve financial literacy among Palestinians, develop services to facilitate access to financial services, and draft principles for consumer protection.

## SENEGAL

### Ministère de l'Economie et des Finances du Sénégal

Will develop an institutional and regulatory framework that supports grassroots financial service providers, create better operational control of the MFI sector and intermediation, and diversify financial services, particularly MFS.

## SOLOMON ISLANDS

### Central Bank of Solomon Islands

Will enable an additional 70,000 (of which 30,000 are women) unbanked and under-served citizens to have access to financial services by 2015, conduct a survey to measure financial literacy, collect data to produce measurable indicators and integrate financial education into the national school curriculum by 2013, and encourage expansion and diversification of financial services and products through an enabling legal environment.

## VANUATU

### Reserve Bank of Vanuatu

The Council of Ministers will endorse the national strategy by 2013. Will also develop course curricula and conduct an access and demand survey.

# GPF in pictures



Pravin Gordhan, Minister of Finance of the Republic of South Africa, officially opens the 2012 GPF



Amar Bhattacharya, G24 Secretariat



Alfred Hannig, Executive Director, Alliance for Financial Inclusion



Governor Sanusi Lamido Aminu Sanusi, Central Bank of Nigeria



Deputy Governor Kamalesh Chandra Chakrabarty, Reserve Bank of India



Opportunities to network were plentiful during the session breaks



Panelists discuss the importance of financial inclusion measurement during the *Meet a Practitioner: Real-Life Solutions to Your Data Challenges* session



Ute Klamert, Director General for Asia, German International Cooperation (GIZ)



For more pictures and news from the 2012 GPF, check out issues from GPF Connect - the AFI Global Policy Forum's daily newsletter, at: [www.afi-global.org/library/publications](http://www.afi-global.org/library/publications)

# Financial inclusion's impact on the real economy

**“Finance must serve the real sector: inclusive growth cannot happen without financial inclusion.”**

Kamalesh Chandra Chakrabarty, Deputy Governor, Reserve Bank of India

**“The global financial system as it operates now has become counterproductive... when we talk about financial inclusion and including more people in the system, we must ensure the finance paradigm changes or else we are bringing poor and vulnerable people into a system that exploits them.”**

Iraj Abedian, CEO, Pan African Investment and Research Services



Policymakers discuss financial inclusion and stability, and the impact on the real economy



Iraj Abedian, CEO, Pan African Investment and Research Services

In a key session focusing on the theme of the GPF, participants discussed whether financial inclusion is having tangible and measurable impacts on the real economy.

## SESSION

### FINANCIAL INCLUSION'S IMPACT ON THE REAL ECONOMY (DAY 1)

#### SESSION HIGHLIGHTS

Panelists agreed that clear and compelling evidence of financial inclusion's impact on the real economy is still lacking. As Amar Bhattacharya of the G24 Secretariat pointed out, we are still dealing largely in the realm of belief rather than evidence – a view that was shared across the panel. Panelists also discussed the relationship between financial inclusion and financial stability, and the most effective modes for delivering quality financial services to the poorest households.

Lesetja Kganyago, Deputy Governor of the South African Reserve Bank, pointed out that stability and inclusion are not mutually exclusive – a message that must get through to regulators who assume that financial inclusion can pose a threat to financial stability.

In a discussion about delivery channels, panelists agreed that technology plays a key role in financial inclusion, but opinions differed on whether banks are the best institutions to drive innovations in technology. Some argued that non-bank models should drive innovation, while Kamalesh Chandra Chakrabarty, Deputy Governor of the Reserve Bank of India, emphasized that in order to provide access to a full range of financial services, banks must be a part of the solution.

Finally, panelists unanimously agreed that the drive to extend access to the financial system is fruitless unless equal efforts are made to ensure the quality of financial services. Effective financial consumer protection must go hand-in-hand with greater financial inclusion if policymakers are to achieve the policy outcomes they desire.

As Iraj Abedian, Chief Executive of Pan African Investment and Research Services, pointed out,

**“We must ensure the finance paradigm changes.”**



# AFI working groups

## Making financial inclusion a reality

“Working groups are showing the power of peer learning.”

Matthew Gamser, Head, SME Finance Forum,  
International Finance Corporation

The AFI working groups play a central role in helping member institutions to make their Maya commitments a reality, primarily by identifying and sharing knowledge of practical policy solutions and regulatory measures. GPF 2012 gave working group representatives the opportunity to discuss their work with a wider audience of policymakers and stakeholders.

### SESSION

#### AFI WORKING GROUPS: THE YEAR IN REVIEW (DAY 2)

#### SESSION HIGHLIGHTS

GPF 2012 made it clear that the working groups are at the heart of the AFI network's efforts to make financial inclusion real. In this session the working groups reported on their key achievements in 2012.

- **Mobile Financial Services Working Group (MFSWG):** Produced four guidance notes and conducted a number of peer reviews of members' draft regulations.
- **Consumer Empowerment and Market Conduct (CEMC) Working Group:** Created five subgroups and prepared a number of draft guidelines.
- **Financial Inclusion Data Working Group (FIDWG):** Developed the Core Set of Financial Inclusion Indicators, adopted by the G20's Global Partnership for Financial Inclusion (GPII), and is now focusing on developing additional indicators to measure the quality of financial services.
- **Financial Integrity Working Group (FINTWG):** Engaged proactively with the Financial Action Task Force (FATF), the key global Standard Setting Body responsible for ensuring that financial integrity and financial inclusion goals are aligned.
- **Pacific Islands Working Group (PIWG):** Supported members in deploying mobile financial services and implementing national financial inclusion strategies.

Other working group achievements included collaboration on areas such as consumer protection for mobile financial services and demand-side data collection, as well as increased influence on global dialogues on financial inclusion, especially within the G20, GPII, and Standard Setting Bodies such as the FATF.

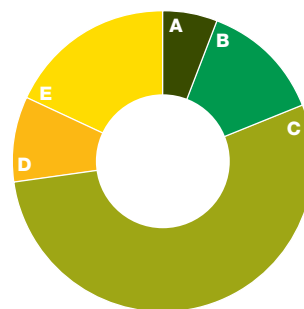
Three additional sessions delved deeper into key issues the working groups are addressing.

### SESSION

#### BREAKING THE BARRIERS OF MOBILE FINANCIAL SERVICES TO MAKE FINANCIAL INCLUSION REAL (DAY 2)

This session focused on the impact of interoperability on financial inclusion goals and whether or not central banks should mandate it. The panelists and participants were divided on this key question, some believing that a mandated push is unnecessary since key players will gravitate toward interoperability if regulators establish a rule-based framework to govern operations.

When is it most appropriate for regulators to mandate interoperable mobile financial services platforms?



<b>A</b> Never: the laws of supply and demand will eventually produce the right results	<b>6%</b>
<b>B</b> Maybe later: only upon clear demonstration of anti-competitive behavior	<b>13%</b>
<b>C</b> Maybe sooner: within a reasonable period after the launch of operations	<b>54%</b>
<b>D</b> Now: as a condition to starting operations	<b>9%</b>
<b>E</b> It doesn't make a difference, they don't listen to us anyway	<b>18%</b>

Source: Hand-held electronic voting

Interoperability remains a hotly debated issue between the majority of policymakers and regulators, who argue it is important for financial inclusion to establish interoperability early, and mobile operators, who argue that it would not be financially viable for the industry if interoperability was required from the beginning. This debate is expected to continue and remain at the core of the AFI MFS working group's agenda in the coming year.



Members participate in the discussion during the MFS session on breaking barriers

# AFI working groups making financial inclusion a reality *continued*

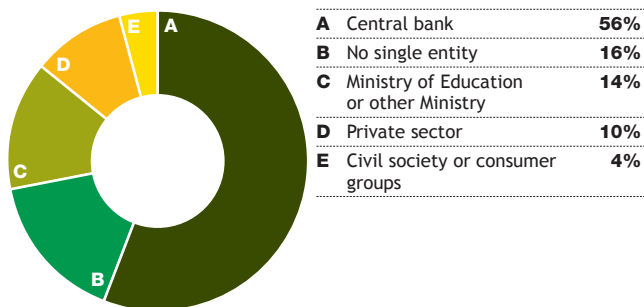
## SESSION

### FINANCIAL EDUCATION: A CRITICAL SUCCESS FACTOR FOR FINANCIAL INCLUSION AND CONSUMER PROTECTION (DAY 2)

This session focused on the role of central banks in educating clients about financial products and services and their rights and responsibilities as financial consumers. This was an important topic given the significant resources required to operate effective financial education campaigns.

On the whole, panelists agreed that central banks should take a leadership role since they are neutral parties and can help to ensure that financial education remains a consumer protection tool, not a marketing tool for financial institutions.

#### Who takes the lead on financial education in your country?



Source: Hand-held electronic voting

#### Does your country measure financial literacy?



Source: Hand-held electronic voting



AFI working group chairs reflect on achievements from 2012

## SESSION

### MEET A PRACTITIONER: REAL-LIFE SOLUTIONS TO YOUR DATA CHALLENGES (DAY 2)

This session on financial inclusion data addressed the three dimensions of financial inclusion: access, usage, and quality. Supply-side statistics were available in 94% of the countries represented on the panel, but panelists felt that demand-side data (available in 84% of the countries) are also needed to produce better evidence-based policies. The efforts of FIDWG to produce a demand-side survey toolkit will therefore be very important. The least developed dimension of data collection was widely acknowledged to be quality indicators, with only 38% of the countries represented currently measuring consumer protection.

#### The three dimensions of financial inclusion



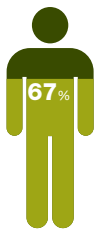
Policy makers address the three dimensions of financial inclusion

# South Africa's financial inclusion experience

“As policymakers we must ensure that consumers understand their rights and responsibilities... A financial services sector that provides affordable and appropriate products and services – and does so in an enabling way to all – is a national asset. But a sector that is dominated by greed and opaque practices is, as we have all learned, a national threat.”

Pravin Gordhan, Minister of Finance, Republic of South Africa

In 2011...



67% of adults in South Africa had access to formal or informal financial services (compared to 47% in 2003)

28%

had a savings account



91% lived within 10 km of a transaction point



Ingrid Goodspeed, National Treasury of the Republic of South Africa

Policymakers at GPF 2012 sought lessons on how to achieve greater financial inclusion, and the South African experience showed the progress that can be made when there is a clear strategic framework and coordination among all national stakeholders.

## SESSION

### SOUTH AFRICAN EXPERIENCE IN FINANCIAL INCLUSION (DAY 1)

#### SESSION HIGHLIGHTS

A key initiative for advancing financial inclusion in South Africa has been the Financial Sector Charter. The first Charter was negotiated in 2003 by the financial services sector, government, organized labor, and community representatives. The Charter spurred the launch the following year of the Mzansi low-cost basic bank account, and by 2009 six million new accounts had been opened, 75% by those who had previously been unbanked. By 2011, 63% of adults in South Africa used a formal transactional bank account compared to 47% in 1947.

The South African National Treasury has outlined South Africa's broader financial sector reform in a policy document, “A Safer Financial Sector to Serve South Africa Better”. The policy framework of this reform includes maintaining financial stability, strengthening consumer protection, combating financial crime, and ensuring that financial services are appropriate, accessible, and affordable.

One of the main initiatives in these financial sector reforms is a shift to a “twin peaks” regulatory framework of prudential regulation and consumer protection, while the National Treasury will remain responsible for formulating and implementing policy. The government intends to have this model fully implemented over the next 12 to 18 months.

The panel discussion focused on the accomplishments and challenges faced by South Africa in the pursuit of its financial inclusion goals. The historical economic imbalances in the country were a strong incentive to pursue change and improve financial inclusion, and the initiatives and interventions have been supported by a well-developed financial services sector. However, targeted efforts were required in a number of areas. The importance of quality data became apparent, as did collaboration between all players – government, the private sector, financial institutions, and others. Challenges included a lack of trust in financial services within some communities, shifting from institution-specific interests to making broad improvements in the financial services sector, and overcoming the effects of historical economic deprivation, including improving financial literacy and market conduct.

# South Africa’s financial inclusion experience *continued*

The panelists acknowledged that measures of financial access and usage currently in place do not capture the full picture of financial inclusion in South Africa. It will be equally important in the coming months and years to monitor and evaluate the quality of these financial services and to truly understand the impact of these measures on the quality of life of ordinary South Africans.

### NEXT STEPS

Setting targets has helped South Africa to achieve significant progress on its financial inclusion goals. Going forward, these targets will need to be refined and improved in order to increase their impact. Another priority will be improving and expanding the search for data on the quality of financial services to better inform policy and to understand the links between financial inclusion and economic growth.



Panelist discussions centered around the challenges faced and achievements made by South Africa while in pursuit of its financial inclusion goals

## South Africa’s journey towards financial inclusion

Initiative	What Is It?	Progress On Financial Inclusion
<b>South African Financial Sector Charter</b>	A unique multistakeholder forum that sets financial sector targets with financial inclusion in mind.	Initiatives have been launched in all financial services sectors. One example: targets have been met to ensure banking services are within walking distance to the vast majority of South Africans.
<b>Mzansi account</b>	A basic entry-level bank account for financially excluded and disadvantaged segments of the population.	The Mzansi bank account is being used by more than 3m previously unbanked South Africans.
<b>Risk-based approach to anti-money laundering</b>	Well-known as Exemption 17 of the Financial Intelligence Centre Act, it enables the majority of South Africans to open and operate a basic account at a regulated entity in safety and with dignity.	Significantly advanced financial inclusion efforts by relaxing strict user identification requirements for basic accounts such as Mzansi with use and balance limits built in to reduce risk.
<b>South African National Payment System</b>	Manages multiple payment streams and ensures interoperability between all participating institutions.	Enabled the widespread use of all bank accounts for many types of payments and transactions and expanded the use of basic bank accounts such as Mzansi.

# Regional approaches to financial inclusion

Since the 2011 GPF, a number of regional cooperation initiatives have been actively explored.

Three parallel sessions on Day 2 of GPF 2012 were devoted to discussing the next steps for regional AFI initiatives in Africa, Asia and the Pacific, and Latin America.

Do you think regional cooperation can make a significant contribution to AFI goals?



Source: Hand-held electronic voting



Participants discuss the next steps for AMPI



Governor Njuguna Ndung'u, Central Bank of Kenya

## SESSION

### REGIONAL COOPERATION FOR FINANCIAL INCLUSION (DAY 2)

#### REGIONAL COOPERATION IN AFRICA

Regional cooperation among AFI member institutions is most advanced in Africa, where the Africa Mobile Financial Services Policy Initiative (AMFI) was launched at the first African Financial Inclusion Policy Forum in Zanzibar in 2012.

In a specially convened AMFI Leaders Roundtable at the GPF, Governor Ndulu of the Bank of Tanzania, Governor Ndung'u of the Central Bank of Kenya, and AFI Executive Director Alfred Hannig led discussions setting out the rationale behind the AMFI initiative and proposing next steps for implementation.



 AFI member countries: Sub-Saharan Africa & North Africa

## NEXT STEPS

Participants agreed on the framework and governance for AMFI, with strategic leadership to be provided by the AMFI Leaders Roundtable and technical inputs from the AFI Mobile Financial Services Working Group (MFSWG). They also agreed to hold the second African Financial Inclusion Policy Forum with a wider set of stakeholders in February 2013.

## Regional approaches to financial inclusion *continued*

### REGIONAL COOPERATION IN ASIA AND PACIFIC

Participants in the “Regional Cooperation in Asia and the Pacific” session agreed on the potential benefits of a regional financial inclusion initiative, but emphasized the need to coordinate with existing regional bodies such as APEC, ASEAN, and SAARC. They also agreed to focus on areas that would benefit from a regional approach, including cross-border remittances, trade finance, SME finance, and engagement with the Standard Setting Bodies.



■ AFI member countries: Asia & Pacific



Members identify focus areas that can benefit from a regional approach

### NEXT STEPS

A number of topics were identified as potential regional initiatives. AFI will hold discussions with existing regional bodies to identify ways to leverage their networks to advance peer learning on financial inclusion policy initiatives.

### REGIONAL COOPERATION IN LATIN AMERICA

In Latin America, conditional cash transfer programs are widely used as a tool for financial inclusion and poverty alleviation, and many countries are also developing regulatory frameworks for agent banking, mobile financial services, and the microfinance sector. The presence of both banks and mobile network operators (MNOs) in the region was identified as an opportunity for knowledge sharing. There was strong support from Latin American regulators for a “Latin America AFI” with a regional office and regular regional meetings.



■ AFI member countries: Latin America & Caribbean

### NEXT STEPS

Regulators in the region identified a range of key topics to be explored in greater depth at the regional level and presented the case for stronger regional engagement by AFI in Latin America. The first concrete step will be a regional meeting on mobile financial services policy and regulatory issues to be held in the first quarter of 2013.

# AFI members explore new policy areas

Does your country have a national strategy for financial inclusion?



Source: Hand-held electronic voting

Do you think a national financial inclusion strategy is an essential measure to accelerate the spread of financial inclusion?

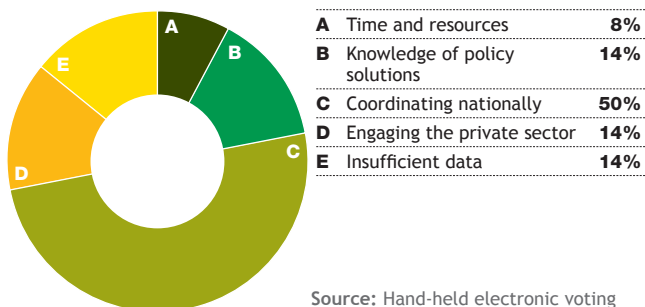


Source: Hand-held electronic voting

**“We have used the peer learning method to develop our national strategy – we benefited from the experience of Fiji and Solomon Islands in the formation of our own strategy.”**

Odo Tevi, Governor, Reserve Bank of Vanuatu

What are the challenges to developing and implementing a financial inclusion strategy?



**“The importance of sharing information about financial inclusion strategies via the G20 platform is the political leadership that it brings – if we can keep this on the G20 agenda it will be a lot easier in the future to implement actions toward financial inclusion.”**

Juan Manuel Valle, Secretaría de Hacienda y Crédito Público de México

GPF 2012 gave AFI members the opportunity to explore topics beyond the current focus areas of the working groups, including national strategies for financial inclusion, SME finance, and microinsurance.

## SESSION

### STRATEGIC APPROACHES FOR TAKING FINANCIAL INCLUSION TO THE NEXT LEVEL (DAY 2)

#### SESSION HIGHLIGHTS

This session focused on a number of key issues: the rationale for having a financial inclusion strategy, the critical components of a strategy, and the challenges that countries face in implementing one. It was agreed that the rationale for developing a strategy is that financial inclusion is a long-term activity and invariably involves multiple stakeholders at the national level. The session produced some important conclusions that will be taken forward by the AFI Financial Inclusion Peer Learning Group:

- Leadership and political commitment at the highest levels are critically important.
- National strategies must be implementable and achievable, with realistic priority setting.
- Coordination is a key challenge and must be taken into account from the beginning.
- Consumer protection and financial education are key strategy components.
- Monitoring and evaluation frameworks are critical.

This session revealed tremendous interest in strategic approaches to financial inclusion and a recognition of the long-term nature of this process and the challenges associated with it.

## NEXT STEPS

Participants welcomed AFI's new Financial Inclusion Strategy Peer Learning Group, which met for the first time in Abuja, Nigeria, 23-24 October 2012. The Peer Learning Group will act as a support mechanism for countries developing and implementing effective financial inclusion strategies.

# AFI members explore new policy areas *continued*

## SESSION

### THE IMPACT OF THE FINANCIAL CRISIS ON THE SME SECTOR AND POTENTIAL POLICY RESPONSES (DAY 2)

This dedicated session on SME finance focused on the role that AFI member institutions should play in setting SME finance policy and whether the AFI network should support peer learning in this area. Given the role of SMEs in job creation and economic growth, there was a clear connection to the theme of making financial inclusion real.

#### SESSION HIGHLIGHTS

A lively and interactive panel discussion and table discussions with the audience revealed a range of country experiences and policy interventions:

- Chile has used guarantees in a counter-cyclical fashion to keep credit flowing.
- Russia has launched 70 regional guarantee funds for SMEs without collateral and created subsidies for unemployed business people to establish SMEs.
- Bangladesh has mandatory lending targets for SMEs and banks can partner with MFIs to reach their targets.
- Uganda has taken a more cautious approach, seeking to influence the operating environment for SMEs through indirect measures such as monetary policy.

Although the range of country experiences, policy interventions, and the precise role of AFI member institutions in SME finance policy varied tremendously, the session participants overwhelmingly (95%) thought that AFI should take a leading role in facilitating peer learning to share knowledge of potential policy solutions.

Should central banks take a proactive role in setting SME finance policy?



Should AFI take a proactive role in peer learning for SME finance policy?



Source: Hand-held electronic voting

#### NEXT STEPS

AFI will work with member institutions to identify the most relevant SME finance policy topics and will also work with partners such as the International Finance Corporation (IFC), SME Finance Forum, and the World Bank Group to develop effective peer learning mechanisms for SME finance.

## SESSION

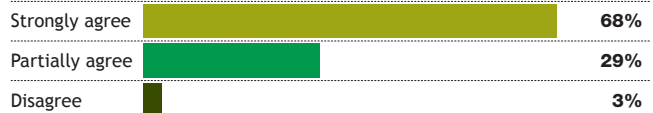
### MICROINSURANCE AS PART OF THE BROADER ECOSYSTEM OF FINANCIAL INCLUSION (DAY 2)

#### SESSION HIGHLIGHTS

This session examined how microinsurance fits into the financial inclusion agenda by considering the needs of those who do not have access to conventional insurance. For example, participants heard that, in China, the microinsurance policy framework focuses on food security while in Peru regulations are aimed at addressing natural disasters.

Microinsurance, the panelists concurred, is not just about lowering the premiums for existing products – it is about developing new products based on needs. Participants stressed that trust would be a critical issue and that it would be essential to focus on partnerships with insurance regulators to promote confidence in the industry.

Do you believe that microinsurance should be a key component of the financial inclusion ecosystem in your country?



Source: Hand-held electronic voting

**“Microinsurance is not small insurance. It is innovative insurance products for the mass market.”**

Craig Thorburn, World Bank

#### NEXT STEPS

There will be greater collaboration between AFI and the A2ii to explore mutual interests. This collaboration will initially focus on identifying innovations and pilot projects on microinsurance, which will be documented and shared among AFI members.



# Innovating for financial inclusion: new technologies and business models

**“We need a concerted effort to move away from cash ... technology is an enabler but not a driver of financial inclusion.”**

Brian Richardson, Chief Executive, WIZZIT, South Africa



Gerhard Coetzee, Head of Inclusive Banking at ABSA Bank, leads an interactive dialogue on new business models



Experts discuss how innovative payment systems support the acceleration of financial inclusion

Innovation – in all its forms – is widely accepted as key to achieving significant increases in financial inclusion. Two related sessions focused on the challenges of introducing new business models and innovative payment systems and explored the relationships between technology breakthroughs, effective regulation, and achieving real financial inclusion on the ground.

## SESSIONS

### NEW BUSINESS MODELS IN FINANCIAL INCLUSION: THE CHALLENGES (DAY 2)

### INNOVATIVE PAYMENT SYSTEMS: ACCESS TO ESSENTIAL SERVICES AND BEYOND (DAY 2)

#### SESSION HIGHLIGHTS

Several conclusions were reached in the two sessions. First, it was clear that payment systems, innovations in technology, and new business models all have important roles to play in accelerating financial inclusion. However, barriers to achieving breakthroughs in these areas were not only regulatory, but cultural. Customers need to trust the institutions providing the service, and since electronic payments tend to give institutions greater access to a customer's information, the integrity of the data that they store is critical.

A case study of Colombia was instructive. Three million people there now receive government assistance, such as education grants, through mobile financial services. These payments are deposited in savings accounts that are free of charge and do not have a minimum balance or onerous account opening requirements. This MFS project enabled the government to achieve its social policy and educational objectives and the banks and other financial institutions to reach a new market.

## NEXT STEPS

AFI will continue to provide a platform for sharing knowledge on innovative technologies and new business models, as well as sharing lessons learned from regulatory responses and other challenges. Issues likely to receive close attention moving forward are the extent to which payment systems can be opened up to non-banks, the interoperability of payment systems, and effective monitoring of new technologies and products to determine whether and how they are meeting consumer needs, particularly the poorest.

# Delivering results through the G20



## The 2nd annual forum of the Global Partnership for Financial Inclusion (GPIFI)

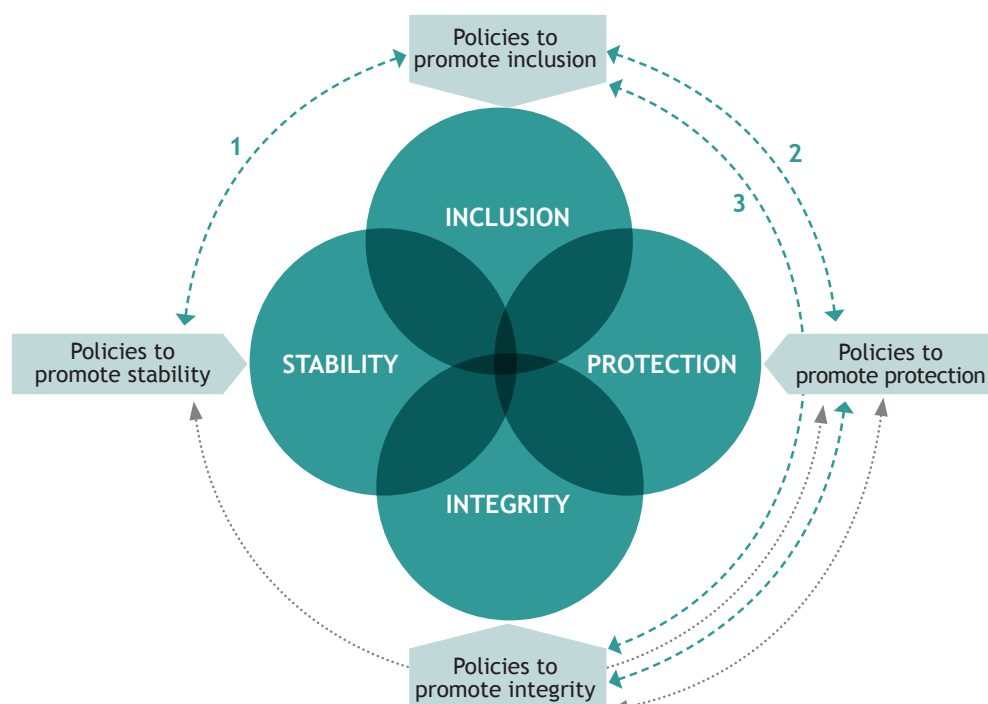
As in Riviera Maya in 2011, the GPIFI Forum was held in conjunction with the GPF, opening immediately after the GPF 2012 closing ceremony. Holding these two events back-to-back once again gave participants the opportunity to explore connections between the GPIFI's work streams and current issues facing policymakers and regulators.

This was the second annual GPIFI Forum and was attended by financial inclusion policymakers and regulators from across the globe, representatives of G20 countries, and the GPIFI's implementing partners. The Forum opened with a keynote speech by South Africa's Deputy Minister of Finance Nhlamhla Nene, who thanked Mexico for its leadership in bringing financial inclusion to the forefront of the G20 agenda and encouraged the GPIFI in its important work. He also encouraged cooperation between the GPIFI and AFI's working groups.

### SESSION FINANCIAL INCLUSION: PATHWAY TO FINANCIAL STABILITY?

This key session explored the relationship between the objective of financial inclusion and other important policy objectives such as financial stability, financial integrity, and financial consumer protection. A South Africa case study demonstrated that financial stability and inclusion are potentially complementary policy objectives, as are financial integrity and financial consumer protection. A methodology was introduced that optimizes the links between these four policy objectives, maximizing synergies and minimizing unnecessary tradeoffs: the ISIP methodology. ISIP stands for inclusion, stability, integrity, and protection, and highlights coordination as key to implementing all four policy objectives effectively.

The interrelationship of inclusion, stability, integrity and protection (ISIP) are explored at the 2nd annual GPIFI Forum



## Delivering results through the G20 *continued*

### SESSION

#### IMPLEMENTING THE G20 FINANCIAL INCLUSION PEER LEARNING PROGRAM

This session was devoted to a roundtable discussion on implementing the G20 Financial Inclusion Peer Learning Program. Launched at the G20 Leaders' Summit in Los Cabos, Mexico, in June 2012, the program focuses on 17 countries that have committed to developing national financial inclusion strategies and national coordination mechanisms.

Representatives from Colombia, Nigeria, and Indonesia, three of the countries taking part in the program, met with the implementing partners of the GPFI – the World Bank, CGAP, IFC, and AFI – to discuss how to achieve practical results through the Peer Learning Program.

Participants concurred that knowledge sharing among participating countries and implementing partners offered an opportunity to accelerate the development and implementation of national financial inclusion strategies. As Executive Director of AFI, Alfred Hannig, noted, “When we talk about peer learning we are talking about a new collaboration model or new approach.”

#### NEXT STEPS

G20 finance ministers and central bank governors met in Mexico City, 4-5 November 2012, and reiterated the importance of promoting financial inclusion in a communiqué issued at the end of the meeting. In December, the Presidency of the G20 will pass from Mexico to Russia.

In a closing address at the GPFI Forum, Russian co-chair Anna Zelentsova declared the intention of the Russian Presidency to focus on financial inclusion, financial education, and financial consumer protection as three complementary pillars in the build-up to the 2013 G20 Leaders' Summit, which will be held in St. Petersburg, 5-6 September 2013.



GPFI Co-Chair Juan Manuel Valle, Secretaría de Hacienda y Crédito Público de México



The South African National Treasury passes the gong to Bank Negara Malaysia, host of the 2013 Global Policy Forum



GPFI implementing partners and participants in the G20 Peer Learning Program

# Feedback

## What did you like most about the Forum?

“Bottom-up approach - southern countries learning from each other to build up their own solutions.”

“AFI has gone beyond just being an Alliance, it is now a family pushing the idea of Financial Inclusion.”

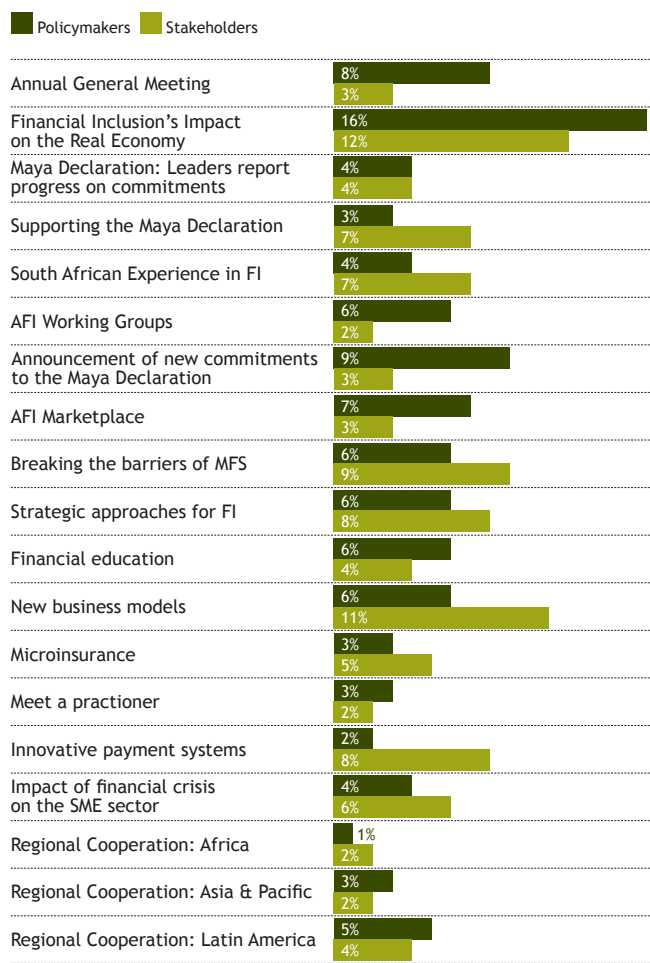
“This is a real global forum which allows and encourages learning from other countries with similar levels of development.”

“The opportunity to discuss the ‘key’ issues in making Financial Inclusion a reality and the practical solutions to specific challenges.”

“Presentation of real experiences, challenges and real problems.”

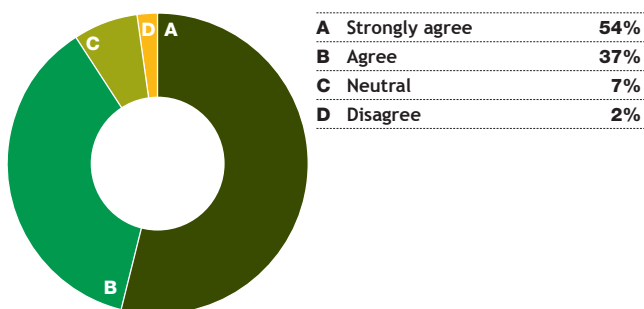
Source: GPF Evaluation Forms

### Favorite sessions: policymakers & external partners



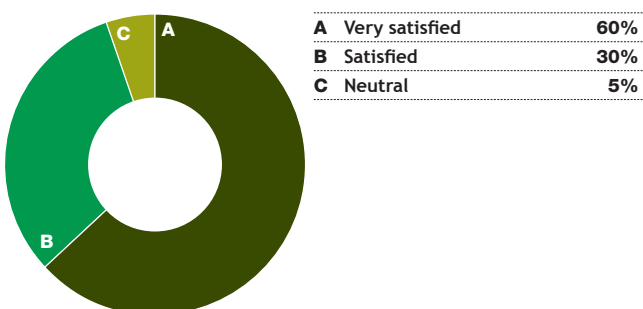
Source: GPF Evaluation Forms

### This forum has strengthened institutional commitment



Source: GPF Evaluation Forms

### How satisfied were you with the GPF in general?



Source: GPF Evaluation Forms

# Opinion

## Financial inclusion perspectives from the AFI network

On the following pages, six AFI Associates provide their insights on the Global Policy Forum, AFI network, and trends and challenges within key financial inclusion topics.

# Financial inclusion and the real economy: the nexus

By NIMAL A. FERNANDO

The AFI Global Policy Forum of 2012 kicked off in the beautiful city of Cape Town, South Africa, with a session on financial inclusion's impact on the real economy. I thought this reflected the fundamental reason for putting financial inclusion at the center stage of development policy. And it was also an attempt to go back to basics.

History provides ample evidence of global member organizations that forgot the basics as they began to experience dazzling growth in membership and global visibility, and drifted away from the very reasons they were established. It is in this respect that AFI's effort to discuss the impact of financial inclusion right at the beginning of the 2012 GPF is commendable. AFI members have recognized the need to remind themselves that they are in this for the simple reason that financial inclusion can make a potentially significant contribution to inclusive economic growth.

Yes, they have recognized this nexus. However, given that their recognition may be vulnerable to misinterpretations and criticisms, it is vital to explain the assumptions underpinning this recognition. It is common for some critics of development paradigms to "attack a straw man" because the underlying assumptions of the development paradigm in question have not been clearly spelled out by those who pursue and support it.

In my view AFI members do not implicitly or explicitly assume that financial inclusion alone can make a significant dent in inclusive economic growth. Nor do they assume that the global community should displace other development interventions seeking to promote and ensure inclusive economic growth. As Pravin Gordhan, Honourable Minister of Finance of the Republic of South Africa, noted at the opening ceremony of the GPF 2012, "financial inclusion alone cannot change the lives of the poor." This may sound trivial, but it is fact. Many tools are necessary to achieve inclusive economic growth and AFI members have chosen the financial inclusion tool and rallied around to use it. Virtually all AFI members to whom I have spoken, from the GPF in 2009 (Nairobi) to GPF 2012 (Cape Town), strongly believe that financial inclusion has a fundamental



*Nimal Fernando was Practice Leader for Microfinance at the Asian Development Bank (ADB) until his retirement in 2008. He is currently an AFI Associate.*

role to play in inclusive growth.

Recognizing the importance of financial inclusion for inclusive economic growth is, however, necessary but not sufficient to drive AFI members' towards the achievement of their goal. They need to move far beyond this. In my view they need to have a much better understanding of how financial inclusion in different country contexts contributes to inclusive economic growth. While recent development theory asserts financial inclusion contributes to inclusive economic growth, how does it work in practice? How does the inclusion of currently financially excluded segments of society – such as the poor, women, small farmers, agricultural labor, factory workers, micro, small and medium enterprises, youth and children – affect inclusive economic growth and social inclusion? When attention is focused on this aspect of the issue, it becomes clear that interrelated use and quality dimensions of financial inclusion are much more critical than what we usually tend to assume.

Is it AFI's responsibility to measure and provide evidence of the impact of financial inclusion on inclusive economic growth? It is well known that AFI members seek and want to pursue evidence-based policies. But this does not necessarily mean that AFI itself should take up the responsibility of measuring and providing empirical evidence on the impact of financial inclusion on inclusive growth. First, such evidence should be generated by sources independent of AFI. Second, pushing AFI into this may cause AFI to drift away from its core business. Lest I am misunderstood I should further clarify my point. I do not say empirical evidence on impact is not necessary. What I say is that such evidence should be generated by other institutions such as universities and research institutions.

# A window into the new ‘financial inclusion paradigm’

By DAVID PORTEOUS

On the first day of the 2012 AFI Global Policy Forum, held in Cape Town, South Africa, we heard two sets of remarks, which together for me provide insight into the current state of financial inclusion.

First, in the panel on the real economy, South African economist Iraj Abedian warned of the dangers of the ‘finance paradigm’. This paradigm is based on the view that finance, not the real economy, is at the center and that financial stability matters above all else. Most of us in the GPF audience could take comfort in the knowledge that we at least are not under the influence of that paradigm: after all, we represent the cause of the excluded, the real world, and real economy in which microfinance creates jobs, not destroys them; we challenge ‘Big Finance’ and are standard bearers for the cause of distributed ‘small finance’.

However, what if we are part of creating a new ‘financial inclusion paradigm’ which could come in time to have equally fatal flaws? After all, a paradigm is nothing more than a set of interconnected beliefs that frame a way of thinking and acting. Because paradigms frame thinking, they help to organize our thoughts, but they can also blind us to seeing what really works and what doesn’t. That is where the second set of remarks comes in. On the same ‘real economy’ panel, Amar Bhattacharya of the G24 secretariat also cautioned that much of what we presently do in financial inclusion rests on hypotheses, or beliefs, for which there is not yet clear evidence about ultimate impact. Of course, lack of evidence should not necessarily mean that we have to wait, rather than act: with any new approach, there might not be evidence available anyway. But it does mean that our mindset should be different: a lack of evidence should mean that what we do, we do carefully, humbly. It means that we hold lightly what we cannot call ‘self-evident truth’. In a peer learning context like AFI’s gatherings, it means that we learn even as we teach one another.

That sort of attitude of humility in the face of evidence is what makes the difference between ‘hard’ and ‘soft’ paradigms. A hard paradigm is rigid and inflexible, with a hard skin of its own self-created truth. It does not absorb new insights easily and struggles to adapt over time: evidence is reinterpreted to confirm the paradigm. Its proponents may even fight a rearguard action to sustain



*David Porteous is the founder and Managing Director of BFA, a consulting firm based in Boston. He is also an AFI Associate.*

it even in the teeth of the evidence, although eventually it is discarded in the dustbin of the history of ideas. The finance paradigm of which Iraj Abedian warned is an example of a hard paradigm which blinded many for a time. Financial inclusion, too, is a paradigm, but it is younger, and as yet, still ‘softer’.

The real warning perhaps from GPF 2012, and in particular from the discussion about the real economy, is for the AFI network to be suitably cautious in our paradigm-building task: holding apparent truths lightly until we have more evidence, treating the evidence we gather with care, and walking humbly with one another on the long journey toward the deeply desired end goals, for which financial inclusion is but a means.

# Consumer education remains a challenge

By KIMANTHI MUTUA

The 2012 AFI Global Policy Forum brought to the fore two main challenges in financial inclusion policies: consumer education and the impact of financial inclusion on poverty alleviation and the bigger picture of economic development.

With respect to consumer education, most speakers conceded that significant progress has been made in terms of highlighting strategies and action plans for consumer education in national financial inclusion strategies. But, successful models have yet to emerge.

Consumer education remains a challenge both in terms of implementation and the identification of a good model. Questions of who or what institutions should take up this intervention remain unanswered, but there is a clear realization that regulators cannot take up or coordinate consumer education interventions effectively. Reliable data and performance measurements for effective consumer education also have yet to be established, making it difficult for members to monitor and report on the impact of policy interventions.

An interesting consumer education intervention was mentioned, albeit in passing, by both the Pacific Islands Working Group and a panelist (Tilman Ehrbeck, CEO of CGAP) in the “Supporting the Maya Declaration Session”: the embedding of consumer education in Germany’s school curricula. The Pacific Islands Working Group mentioned that this was also one of its interventions.

Financial inclusion policies are long-term in nature. The impact of many policy interventions can only be gauged after a long time. Yet, to date, much of the impact data relates to quick gains or ‘low hanging fruit’, such as numbers of new entrants into the financial system. This is of course an important measure, but may not be useful for interventions such as consumer education. It is instructive, therefore, that the GPF adopts the lessons and experiences of consumer education interventions from countries such as Germany. The peer learning method may not be appropriate for this type of policy initiative.

Another perspective on consumer education came from the Governor of the Central Bank of Nigeria, Sanusi Lamido Sanusi, who highlighted the need to educate banks on financial inclusion, asking, “Who needs education more -



*Kimanthi Mutua was Chief Executive Officer of K-Rep Group, an organization focusing on microfinance in Africa. He is currently an AFI Associate.*

banks or consumers?” This in turn raised other interesting questions about what consumer education should entail. Should it just focus on educating consumers about conventional banking products and how to conform to conventional banking practices? Or should it also educate banks to innovate, change, or adopt their practices and products to meet the demands of the unbanked? This is a very interesting perspective that AFI should explore further. In response to Governor Sanusi’s question, a participant made a suggestion that is worth exploring further: urge respective member institutions to promote, hold, or sponsor financial inclusion awareness and education workshops for banks.

The impact of financial inclusion on poverty alleviation and economic development was another major challenge addressed at the GPF. As noted several times in discussions, and perhaps best explained by the Governor of the Central Bank of Kenya, Njuguna Ndung’u, “Financial inclusion is not an end in itself and must focus on economic development.” There is no question that AFI and the GPF will very soon be called to account for this as this issue continues to attract attention and grow in visibility. This challenge was well-articulated by a panelist in a session on financial inclusion’s impact on the real economy: “We are operating on belief as opposed to evidence and do not have the tools with which to evaluate actual impact on the real economy.”

While most members strongly believe that financial inclusion policies can pull the real economy forward, some believe that it is necessary to have other, non-financial interventions to deal with poverty. In other words, an ethos of social responsibility is needed to support policies that offer a good business case.

All of these observations point to the need to develop impact assessment tools that will arm AFI members with good data that they can use to demonstrate the impact of financial inclusion on poverty alleviation and economic development. They also highlight the need to identify linkages with other poverty alleviation policies and strategies.



# The case for SME finance and questions on financial literacy

By GABRIEL DAVEL

The discussions at the 2012 AFI Global Policy Forum provided, as usual, invaluable engagement with central bank staff on current priorities. It is clear that significant and conflicting demands are being made on central banks.

Many donors and development financial institutions are targeting central banks with a wide range of issues, making extreme demands on their resources, often in areas that are far removed from a central bank's core mandate. Some caution is required, as there is a real risk of regulators' resources being diverted away from core activities, raising regulatory risk in the medium and long term. The discussions on financial literacy and SME finance provide contradictory perspectives.

A word of caution on the time and resources being spent on financial literacy campaigns. These currently are a hot topic and a clear favorite among donor and development agencies. But is financial literacy really a high priority in a central bank's agenda? Are there not other agencies better placed for such interventions? Many commentators are advising caution on the extent to which central banks get involved in this area, and questioning some of the strategies being employed. Many of the strategies reach only a small fraction of the target market (e.g. seminars, "community theatre", or booklets), elicit little interest among consumers, or are downright boring (brochures and leaflets). Many commentators question whether financial literacy is really a core constraint in financial inclusion, pointing out that the real problems may well lie on the supply side, with inappropriate products, inadequate distribution networks, or unappetizing fee structures.

However, the message is not all negative. There is much more support for strategies that focus on general awareness and warning messages on high-risk products or the risk of overindebtedness, or creating awareness of complaints centers or ombudsman schemes. Generating increased awareness through national media such as radio, television, or popular magazines could contribute to greater consumer awareness without a drain on scarce resources and may be a suitable fit with a regulator's or central bank's other activities.

Another "hot topic" in the current environment is the role of central banks in SME finance. In theory, the same



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reservations about diverting resources away from core central bank functions apply. However, in this case there are strong counter-arguments supporting a much more active role for central bankers and bank regulators. In a period of financial contraction, a simultaneous contraction in bank credit for the SME sector could escalate business closures and job losses, both of which increase credit risk and financial instability. Bank regulations have a direct bearing on the transmission of external shocks to the real sector. This applies to risk weighting and to collateral requirements, and even more so to the tendency of some central bankers to increase deposit or collateral requirements in periods of financial stress. The formulation or interpretation of bank regulations can have a dramatic impact on the availability of finance to the SME sector during periods of financial stress, potentially causing a domestic credit contraction that will exacerbate the negative impact of an external downturn.

There are even stronger arguments for central bank support for mechanisms such as credit bureaus or loan guarantee funds. Such mechanisms have huge value both for SME access to finance as well as contributing to better credit risk management in the banking sector and greater financial stability. Even if central banks were only focusing on collecting and publishing better data on the flow of finance to the SME sector, this could already contribute to better policy formulation in this critical sector.

There is a tendency in the current 'post-financial crisis' period to add more and more responsibilities to central bankers. These new responsibilities have a clear risk of deflecting attention and scarce resources away from core central bank functions at a time when it can least afford to do so. Donor funding for new, "hot topics" clearly increase the risk of creating distracted regulators. This is a good time to question the extent to which central bankers should get involved in esoteric topics such as financial literacy. Yet it may well also be a good time to give more attention to an area such as SME finance, which has direct bearing on the real economy and job creation as well as on credit risk management and financial stability.

# A snapshot of the 2012 GPF

By EDUARDO CABRAL JIMENEZ

The 2012 AFI Global Policy Forum was a fruitful and successful event that gathered more than 300 high-level policymakers and regulators from over 80 countries in Cape Town, South Africa. These regulators and policymakers were also joined by key movers and stakeholders from bilateral and multilateral agencies, as well as participants from the private sector.

The opening plenary session engaged participants in finding answers and points of convergence on proving the link between financial inclusion and gains in the real economy. The majority of the participants – regulators and policymakers who are committed primarily to ensuring the financial stability of their respective country – also engaged in discussions that centered on finding evidence of a relationship between financial inclusion and stability.

Other sessions focused on current and cutting-edge issues like new business models in financial inclusion, consumer protection, microinsurance, financial inclusion data, and innovative payment systems, which also tackled issues of interoperability.

The plenary sessions and the various working group sessions provided a rich source of both intellectual and practical discussions for the participants, who are committed to finding practical and workable solutions to their countries' financial inclusion challenges. The discussions, debates, and discourse throughout the GPF therefore proved to be very successful, as evidenced by the new commitments to the Maya Declaration.

During the sessions that I attended, I repeatedly heard participants voice a need for assistance in crafting and/or reviewing their national framework and strategy for financial inclusion. AFI may want to consider doing an inventory of member institutions that have a national strategy or framework so that appropriate interventions can be taken (depending on the members' needs).



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On a more personal note, I think the first plenary session, “Financial Inclusion’s Impact on the Real Economy”, was a bit disappointing in terms of the quality of discussion, perhaps due to the dearth of research material and studies. In the future, as this topic will continue to be of interest to the members of the AFI network, it might be worthwhile to invest in more studies, research, and in-depth discussion among the experts.

# Three steps toward 2013

By BEATRIZ MARULANDA

Three financial inclusion topics stood out clearly at the 2012 AFI Global Policy Forum and will no doubt be the focus of many AFI working group discussions throughout 2013.

First of all, greater efforts need to be made to inform and provide policymakers with evidence supporting the benefits of financial inclusion for populations that have so far been excluded. This effort should ensure that the interest in regulators providing an adequate framework for financial inclusion to grow, which seems to be flourishing in the developing world, will be sustainable and not fade when difficulties arise.

Second, the recognition that financial inclusion should be supported by a public-private partnership to ensure results, with some even considering this a prerequisite for sustainable financial inclusion. A session analyzing the South African experience highlighted how useful a road map agreed upon by stakeholders (in South Africa's case, the Financial Sector Charter) can be in helping to keep the process on track, and how targets and measuring instruments need to be developed to follow up the initiative, since this is not an easy process.

And third, that there seems to be great interest among regulators in developing and launching financial education strategies to promote financial inclusion. The view that financial education is an important missing piece is apparently supported by a premise that has not yet been demonstrated: that excluded clients have not used financial products because they do not know how to use them. A different approach would suggest that financial institutions have not been able to design products that both serve the needs of these clients and are supported by a strong business case. Since financial institutions still have not found a way to service lower income segments of the population, especially with appropriate savings products and microinsurance, special attention should be given when launching these strategies to ensuring consumers can use them effectively.



*Beatriz Marulanda has worked as an independent consultant for the private and public sectors in Colombia, as well as international institutions such as the World Bank and the Inter-American Development Bank. She is an AFI Associate.*

Various experiences with over-indebtedness were mentioned as a justification for financial education, but what should be recognized is that over-indebtedness is often the result of irresponsible credit providers which, applying very high interest rates that cover risk and operative costs, have not been making small value loans responsibly. This is of great concern, but it should be addressed by regulation that punishes irresponsible lending.



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