



20
18

AFI ANNUAL REPORT

MAKING FINANCIAL SERVICES MORE ACCESSIBLE TO THE WORLD'S UNBANKED

CONTENTS

PART ONE: THE AFI NETWORK	3
<i>Message from the Chair</i>	3
<i>About the AFI Network</i>	4

PART TWO: PERFORMANCE	16
<i>Message from the Executive Director</i>	16
<i>Highlights of Key Activities</i>	18
<i>Strategic Approach and Performance</i>	21
<i>Strategic Objective 1</i>	22
<i>Strategic Objective 2</i>	27
<i>Strategic Objective 3</i>	29

PART THREE: FINANCIAL REPORT	34
<i>Statement by the Management Unit</i>	35
<i>Independent Auditors' Report</i>	35
<i>Statement of Financial Position</i>	37
<i>Statement of Income and Expenditure</i>	38
<i>Statement of Cash Flows</i>	39
<i>Notes To The Financial Statements</i>	40

PART FOUR: REFERENCES	48
<i>AFI Knowledge Products</i>	48
<i>2018 AFI Calendar of Events</i>	49
<i>Glossary of Terms</i>	51

PART ONE: THE AFI NETWORK

MESSAGE FROM THE CHAIR

It is my privilege to present the Annual Report of AFI for 2018, a year no less exciting than the previous one. As the network celebrated 10 successful years of bringing smart policies to life, AFI also geared up for a new strategic focus for its next phase of work, from 2019-2023.

We have witnessed together the impressive growth of AFI from being a grant-making facility to rapidly become a policy-driving network. With over 500 policy changes achieved by members in their respective countries, the AFI network is now mature and ready to be strategically positioned as a global policy leadership alliance.

The Board is delighted to acknowledge and receive the continued support of members in the governance of AFI, with most Board and Committee members renewing their commitment to serve for a second term, beginning from the 2019 AGM. This is a testament to the strong sense of ownership members have in the strategic direction of AFI. The year also saw the ratification of the Audit Committee, which supports the Board in overseeing the governance, risk management, and internal control practices of AFI. The governance of AFI and its accountability to members, donors and partners continued to be strengthened in 2018 as it prepared to deliver on policy and content leadership.

At the 2018 Annual General Meeting, the Membership Council took the historic step in endorsing new membership fees for the period of 2019 to 2021.

It also formally adopted a framework for financial inclusion policy models to systematically develop policy guidance for network-wide adoption by members. We remain grateful for the support of members which served as a catalyst for AFI's work in tackling the challenging task of closing the financial exclusion gap, which as the Global Findex data reported, remained stubborn in many jurisdictions despite wide efforts undertaken.

I take this opportunity to thank my predecessor, Governor Ilan Goldfajn of Banco Central do Brasil, for his laudable role as AFI Board Chair (and previously, Vice-Chair), and to commend my colleagues on the AFI Board of Directors, Committees and the Management Unit for their dedication and excellent contribution to the network in achieving its goals. Moving into 2019, I am confident that the continued support of AFI members will enable the network to provide a solid platform for financial inclusion policy leadership. Through peer learning and strategic partnerships, AFI is destined to continue to make an impact globally, while helping members to achieve their financial inclusion objectives at regional and national levels.

Fazle Kabir
Governor, Bangladesh Bank
Chair, AFI Board of Directors



OUR IMPACT ON THE GROUND

107

MEMBERS FROM
92 COUNTRIES
(85 PRINCIPAL MEMBERS
AND 22 ASSOCIATE
MEMBERS)



545

POLICY CHANGES
IMPLEMENTED BY
75 COUNTRIES
REPRESENTED IN
THE AFI MEMBERSHIP



650 MILLION

UNBANKED PEOPLE NOW
HAVE ACCESS TO FORMAL
TRANSACTION ACCOUNTS IN
THE COUNTRIES REPRESENTED
IN THE AFI NETWORK



+500

PARTICIPANTS FROM
ACROSS THE GLOBE
ATTENDED THE 2018
GPF IN SOCHI, RUSSIA



OUR UNIQUE NETWORK

The Alliance for Financial Inclusion (AFI) is a member-led organization with a vision of making financial services more accessible to the world's unbanked through a unique cooperative approach and bottom-up development model.

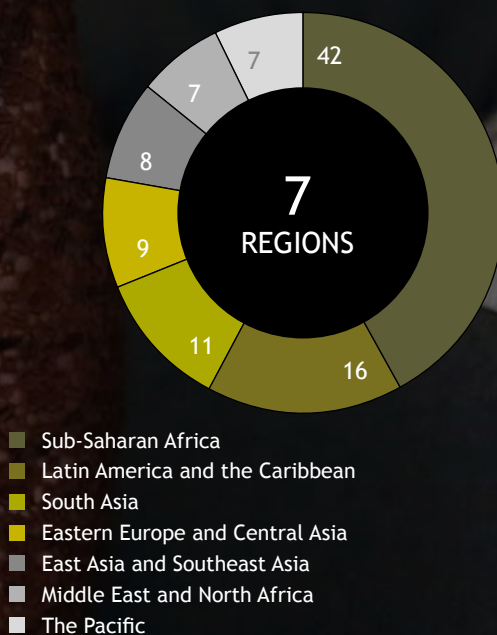
AFI members set their own agenda and harness the power of peer learning and peer pressure to develop practical and tested policy reforms that enhance financial inclusion with strategic partnership support from the public and private sector. AFI's operations and programs are funded through membership subscriptions and donor contributions.



MEMBERSHIP

As of the end of 2018, the AFI Network had 107 members from 92 countries, with Sub-Saharan Africa as the largest region accounting for over a third of members, followed by Latin America and the Caribbean, South Asia, and Eastern Europe and Central Asia. In terms of membership categories, the AFI Network has 85 Principal Members and 22 Associate Members. In 2018, the AFI network was joined by five new institutions: Central Bank of the Bahamas; Insurance Development and Regulatory Authority of Bangladesh; National Bank of Georgia; Banque Centrale de Tunisie and Central Bank of the Republic of Uzbekistan.

AFI MEMBERS BY REGION, %



Source: AFI

ABOUT THE AFI NETWORK

BOARD OF DIRECTORS

The AFI network is led by the AFI Board of Directors, which has the primary mandate of providing strategic guidance to the AFI Management Unit and oversight of the organization's direction and activities. Members of the AFI Board of Directors serving in the current Board term from 2017 AGM to 2019 AGM are:



Mr. Fazle Kabir¹
(Chair)

Governor, Bangladesh Bank



Mr. Tarek Hassan Nour El Din Amer²
(Vice-Chair)

Governor, Central Bank of Egypt
Alternate: Mrs. Lobna Helal, Deputy Governor



Mr. Luis Delgado

President, Consejo Nacional de Supervisión del Sistema Financiero de Costa Rica - CONASSIF, Superintendencia General de Entidades Financieras (SUGEF) Costa Rica

Alternate: Mr. Bernardo Alfaro, Superintendente, SUGEF Costa Rica



Dr. Ernest Kwamina Yedu Addison

Governor, Bank of Ghana

Alternate: Ms. Elsie Addo Awadzi, Second Deputy Governor



Dr. Davaasuren Sodnomdarjaa

Chair, Financial Regulatory Commission of Mongolia



Mrs. Elvira Nabiullina

Governor, Central Bank of the Russian Federation

Alternate: Mr. Sergey Shvetsov, First Deputy Governor, Central Bank of the Russian Federation



Ms. Maiava Atalina AINU'u-ENARI

Governor, Central Bank of Samoa



Mr. Tiémoko Meyliet KONÉ

Governor, Banque Centrale des États de l'Afrique de l'Ouest (BCEAO)



Mr. Jason Lamb

Deputy Director, Bill & Melinda Gates Foundation (External non-voting Board member)



Dr. Alfred Hannig

Executive Director, Alliance for Financial Inclusion (Secretary to the AFI Board of Directors)

¹ Governor Ilan Goldfajn of Banco Central do Brasil held the position of Chair until he relinquished the position on 29 May 2018 due to schedule constraints. The institution continued to be represented on the Board by Deputy Governor Mauricio Moura. The then Vice-Chair, Governor Fazle Kabir of Bangladesh was appointed as new Board Chair.

² Elected by the Board of Directors on 4 September 2018.

BOARD COMMITTEES

BUDGET AND FINANCE COMMITTEE (BFC)

The BFC provides oversight of AFI's financial strategy to enhance accountability to members, funders and partners. Members of the BFC serving in the new Committee term from 2018 AGM to 2020 AGM are: Reserve Bank of Fiji (Chair), Palestine Monetary Authority (Vice-Chair), Bank Negara Malaysia, National Bank of Rwanda, Da Afghanistan Bank, and Bill & Melinda Gates Foundation.

GLOBAL STANDARDS AND POLICY COMMITTEE (GSPC)

The GSPC provides guidance and advice on AFI's programmatic direction and engagement with international Standard-Setting Bodies. In line with the Framework for Issuance of Financial Inclusion Policy Models approved by members at the 2018 AGM, the Committee now has an ongoing role in reviewing and approving specific Policy Models developed by the Working Groups. Members of the GSPC serving in the new Committee term from 2018 AGM to 2020 AGM are: Central Bank of Kenya (Chair), Central Bank of the Russian Federation (Vice-Chair), Bangladesh Bank, Reserve Bank of Malawi, Comisión Nacional Bancaria y de Valores (CNBV) Mexico, and Banco Central del Paraguay. At the 2018 AGM, the Central Bank of Kenya assumed the role of new Committee Chair from the previous Chair, Bank Negara Malaysia.

GENDER AND WOMEN'S FINANCIAL INCLUSION COMMITTEE (GWFIC)

The GWFIC provides leadership on advancing and promoting women's financial inclusion in the AFI network. Members of the GWFIC serving in the new Committee term from 2018 AGM to 2020 AGM are: Bank of Zambia (Chair), Central Bank of Egypt (Vice-Chair), Central Bank of Lesotho, National Bank of Rwanda, National Bank of Cambodia, Banco Central de Reserva de El Salvador, and Da Afghanistan Bank.

AUDIT COMMITTEE

The establishment of the Audit Committee was ratified by the Membership Council at the 2018 AGM to provide oversight of the governance, risk management, and internal control practices of AFI. Members of the Audit Committee serving the term from 2018 AGM to 2020 AGM are: Banque de la République d'Haiti (Chair), Banco Central de Reserva de El Salvador (Vice-Chair), Royal Monetary Authority of Bhutan, Banque de la République du Burundi, and Banco de Moçambique.

ADVISORY GROUP

The Advisory Group is comprised of external (non-AFI members) stakeholders who provide strategic advice to the AFI Board of Directors. It also supports the Management Unit on providing sustainable value to members in order to achieve AFI's vision. Members of the Advisory Group are: Dr. Tilman Ehrbeck, Senior Partner, Omidyar Network (Chair); Professor Njuguna Ndung'u, Executive Director, African Economic Research Consortium (Vice-Chair); and Dr. Christoph Beier, Vice-Chair of the Management Board, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ).

DONOR CONSULTATIVE COUNCIL

The Donor Consultative Council comprises all funders in the AFI Network and provides consultative advice to promote sustainable value to AFI members, with the goal of achieving AFI's vision, particularly focusing on the sustainability of AFI, as well as resource mobilization and financial support for AFI's programs and activities.

VISION

MAKING FINANCIAL SERVICES MORE
ACCESSIBLE TO THE WORLD'S UNBANKED.

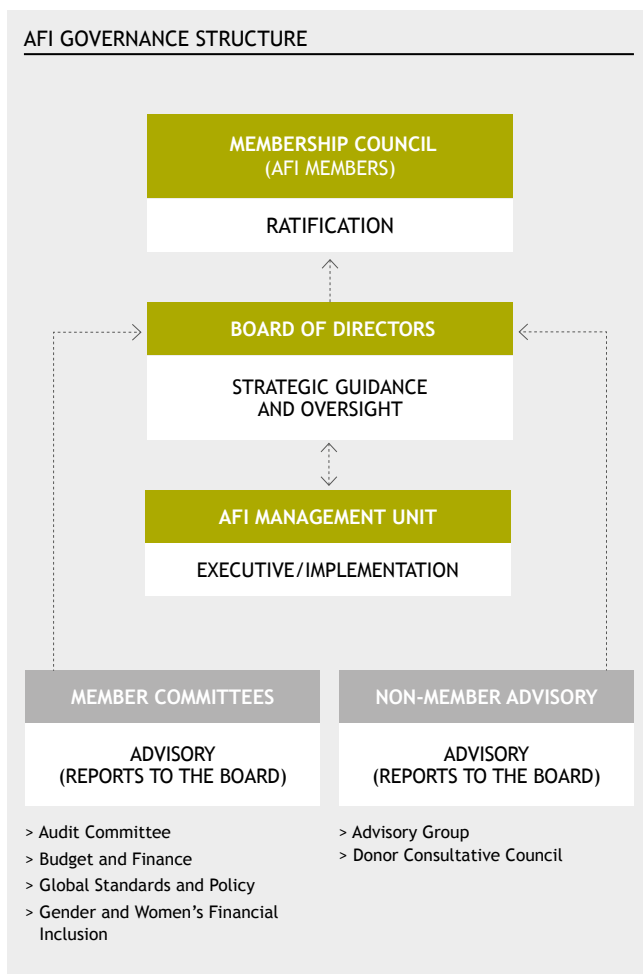
MISSION

EMPOWERING POLICYMAKERS TO INCREASE
ACCESS AND USAGE OF QUALITY FINANCIAL
SERVICES FOR THE UNDERSERVED THROUGH
FORMULATION, IMPLEMENTATION AND
GLOBAL ADVOCACY OF SUSTAINABLE AND
INCLUSIVE POLICIES.

GOVERNANCE

MEMBERSHIP COUNCIL

The AFI Membership Council is comprised of Principal and Associate Members and meets once a year at the Annual General Meeting (AGM). All members have the right to attend the AGM, but only Principal Members can vote on decisions at the AGM. At the AGM, the Membership Council reviews the performance of AFI, ratifies appointments of Board and Committee members, and approves strategic decisions with overall impact on the AFI network.



FURTHER INFORMATION

For the AFI Articles of Association and Terms of Reference of Committees, visit: <https://www.afi-global.org/board>



REGIONAL GOVERNANCE STRUCTURE

AFI's regional activities are supported by the AFI Management Unit through a governance structure comprising of a Leaders' Roundtable and an Expert Group on Financial Inclusion Policy (EGFIP). The AFI Management Unit coordinates the meetings of the Leaders' Roundtable and those of the EGFIP.

LEADERS' ROUNDTABLE

The Leaders' Roundtable is responsible for providing strategic guidance, oversight, and monitoring of the work plans of AFI Regional Initiatives, which address regional financial inclusion challenges. Leaders, high-level policymakers and regulators meet at an annual roundtable and during the AFI Global Policy Forum to provide strategic perspectives on addressing policy issues and identify solutions. Regional members elect a Chair and Co-Chair for the Leaders' Roundtable whose terms of office vary depending on the charter of the respective Regional Initiative.

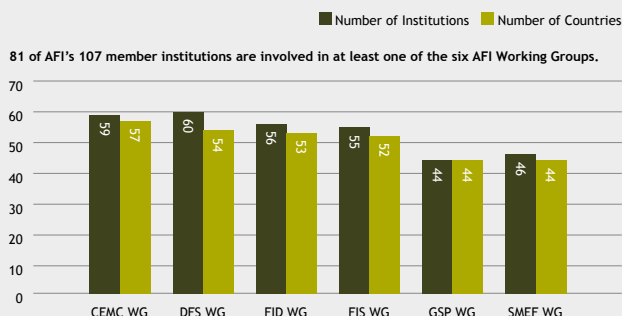
EXPERT GROUP ON FINANCIAL INCLUSION POLICY (EGFIP)

The EGFIP is responsible for identifying key policy issues and undertaking the technical implementation and work plan of the Regional Initiative activities. The EGFIP also provides insights into policy and regulatory approaches to help address pertinent regional and sub-regional challenges of enhancing financial inclusion. The EGFIP is represented by senior officials nominated by their respective heads of institution.

WORKING GROUPS

AFI Working Groups are the technical backbone of policy development, knowledge generation, regulatory guidance and policy implementation in the AFI Network. AFI Working Groups produce policy guidelines and tools for formulating financial inclusion policies, provide peer reviews of members' draft policies and regulatory frameworks, and contribute to the engagement of global Standard-Setting Bodies (SSBs) and financial inclusion ecosystems at national and regional levels. Each Working Group is led by a Chair and two Co-Chairs elected by Working Group members annually.

WORKING GROUP MEMBERSHIP IN 2018



Source: AFI

AFI has six working groups that focus on the major policy areas identified from the financial inclusion mandates of members across the AFI Network:



15th CEMC & 17th FID Working Group Meetings, Mexico

PARTNERSHIPS

AFI engages and collaborates systematically with three broad categories of partners and stakeholders:

- > funding partners;
- > private sector partners;
- > financial inclusion stakeholders.

FUNDING PARTNERS

Funding partners are integral to AFI's success and provide unique and substantial intellectual, technical and financial contributions to support the advancement of AFI members' objectives. AFI formalizes partnerships with funders through a funding agreement.

As a major funding partner of AFI since its inception, the **Bill & Melinda Gates Foundation (BMGF)** renewed its funding commitment to AFI for 2018-2021, focusing on the scaling up of Digital Financial Services (DFS) and gender-related work streams.

AFI received a grant from the **German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMUB)** to establish the Financial Inclusion and Climate Change Policy Peer Learning Initiative in furtherance of the Sharm El Sheikh Accord on Financial Inclusion, Climate Change and Green Finance adopted at the 2017 Global Policy Forum. **Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)** and **Germany's Ministry for Economic Cooperation and Development (BMZ)** provided funding support for the implementation of activities including the Financial Inclusion for the Arab Region Initiative (FIARI) and the work stream on Forcibly Displaced Persons (FDPs) respectively.

AFI continued to be supported by funding from the **Omidyar Network** to facilitate AFI's strategic transitioning to Phase III and implement AFI's policy peer learning platform on FinTech for Financial Inclusion.

AFI continued to receive funding support from Canada's **International Development Research Centre (IDRC)** for implementation of activities for the Financial Inclusion Initiative for Latin America and the Caribbean (FILAC).

The grant by the **Data2X** consortium continued to support capacity building efforts for sex-disaggregated, supply-side data and showcasing best practices through country case studies with the Bank of Zambia and the Central Bank of Egypt, through AFI.

FUNDING PARTNERS



The **Pacific Financial Inclusion Programme** continued to provide support for AFI's Pacific Islands Regional Initiative (PIRI) meetings.

AFI received confirmation of funding support from the **Swedish International Development Cooperation Agency (Sida)** for AFI's global gender work stream from 2018 to 2022.

As a significant step towards the diversification of AFI's funding base and to ensure it remains sustainable to deliver services to members, AFI has formally established the **Multi-Donor Financial Inclusion Policy Implementation Facility (MD-PIF)**. Funding will be earmarked mainly for advancement of financial inclusion in Africa and the Middle East, as well as for global learning initiatives, to benefit the network. Since the introduction of the Facility, AFI has received initial funding commitments from prospective public sector funders, with potentially longer-term support.

PRIVATE SECTOR PARTNERS

Private sector partners are part of AFI's Public-Private Dialogue (PPD) Platform, providing a combination of unique private sector perspectives, technical input and targeted funding for specific AFI policy areas and activities. AFI formalizes these partnerships in PPD Partnership Agreements.

VISA and **MasterCard** continued to support AFI in the design and delivery of key capacity building and technical training modules for members on the topics of digital payments, DFS risk management, and cybersecurity.

AFI benefited from technical input provided by the **GSM Association (GSMA)** on the gender gap in the usage of mobile money, data quality, and focus areas to close the gap. GSMA also provided its recommendations on what can be done by the industry, development community and regulators to address these issues.

AFI continued to benefit from its partnership with B2B mobile payment network **TransferTo**, which shared with members its innovative solutions on how to address the impact of de-risking on the financial inclusion objectives and overall economic progress of developing countries.

Letshego, a microfinance holding company in the African region, contributed to global discussions of the role of regulators in spurring innovation while ensuring stability, reliability and sustainability and addressing issues related to financial consumer protection, cybersecurity, and integrity of new products for vulnerable segments.

In line with AFI's strategic shift towards issuing guidance and in-country implementation, AFI is exploring partnerships with potential PPD partners that can add value to AFI's initiatives and enhance technical know-how in various policy themes, based on members' requests.

With the launch of the Eastern Europe and Central Asia Policy Initiative (ECAPI) in September 2018, AFI is also engaging potential partners from the Eastern Europe and Central Asia (EECA) region to support regional capacity building efforts.

PRIVATE SECTOR PARTNERS



Launch of EECA Regional Initiative - 2018 GPF



Mastercard - 2018 GPF

FINANCIAL INCLUSION STAKEHOLDERS

AFI engages a broad range of stakeholders in sharing the global voice of its members, and as part of its collective responsibility to address global barriers to financial inclusion. Also referred to as ‘strategic knowledge resource partners’, these stakeholders have unique capacity, resources and technical know-how to support AFI members in developing and implementing policy. AFI formalizes cooperation with these partners in the form of a Memorandum of Understanding (MoU) or letter of cooperation.

In April 2018, AFI signed an MoU with **Women’s World Banking (WWB)** to develop and deliver a Leadership and Diversity Program for Regulators in support of the implementation of the Denarau Action Plan (DAP), in particular Action Point #10: ‘To drive greater gender diversity within AFI member institutions, and their initiatives and strategies’. Taught by WWB and Oxford University’s Saïd Business School, the nine-month program aims to equip women policymakers and regulators with leadership skills as well as the strategic and technical know-how to develop effective policies.

As a **G20 Global Partnership for Financial Inclusion (G20 GPFII)** Implementing Partner, AFI has a specific mandate to foster participation of non-G20 developing countries. Towards this end, AFI supported the work of the Argentinian G20 presidency in the areas of digitization and informality. In 2019, AFI will continue to support the incoming Japanese G20 presidency in its priority to address the issue of financial inclusion and the aging population.

AFI signed a letter of cooperation for technical and knowledge partnership with the **Women 20 (W20) Initiative** under the current G-20 Presidency. As W20 Co-Chair together with the Global Banking Alliance for Women, AFI showcased its knowledge products related to the gender work stream and brought the Denarau Action Plan to the global agenda, in order to close the gender gap.

AFI conducted two roundtable meetings in 2018 in collaboration with the **Intergovernmental Group of Twenty-Four on International Monetary Affairs and Development (G-24)**: the first, at the sidelines of the World Bank/IMF Spring Meetings on the theme ‘FinTech for Financial Inclusion: The Role of Regulators in an Age of Digital Transformation’, was followed by the second meeting on the margins of the World Bank/IMF Annual

FINANCIAL INCLUSION STAKEHOLDERS



Meetings on the theme ‘From Commitments to Action: Implementing FinTech for Financial Inclusion in the G-24 and AFI Networks’. AFI looks forward to the 11th Annual Policymakers’ Roundtable in 2019, which will discuss the special report on DFS and gender.

AFI collaborated closely with the **Arab Monetary Fund (AMF)**, **GIZ** and the **World Bank Group (WB)** in the development and implementation of a work plan for the Financial Inclusion for the Arab Region Initiative (FIARI), including co-organizing the Arab #FinTex Symposium on Blockchain and Financial Inclusion, as well as the FIARI scoping mission in Iraq.

As a technical partner of the **Islamic Financial Services Board (IFSB)** Task Force, AFI continued to provide technical input on the Revised Preliminary Exposure Draft for the Technical Note on Financial Inclusion and Islamic Finance which will be finalized and issued in 2019.

AFI formalized its collaboration with Financial Action Task Force (FATF)-style regional bodies in 2018, including the signing of an MoU with the **Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG)** and the admission of AFI as an observer of the **Asia Pacific Group on Money Laundering (APG)** and the **Financial Action Task Force of Latin America (GAFILAT)**.

AFI continued to engage with the **Office of Her Majesty Queen Máxima of the Netherlands**, and the **UN Secretary General's Special Advocate for Inclusive Finance for Development (UNSGA)** in high-level dialogue with global Standard-Setting Bodies (SSBs).

AFI continued its cooperation with the **International Monetary Fund (IMF)**, particularly in contributing to the deliberation of the role of FinTech in advancing financial inclusion and its impact on financial integrity, consumer protection and financial stability in the Asia Pacific region.

AFI continued to collaborate with regional development partners, including the **African Development Bank (AfDB)** and the **Asian Development Bank (ADB)** with which AFI entered into a cooperative arrangement in 2017 to facilitate support of region-specific programs.

Both institutions provided input at AFI's regional meetings held in 2018, including the AfPI Leaders' Roundtable and PIRI High-Level Forum.

As a partner in the Addis Ababa Action Agenda to facilitate financial inclusion peer learning, AFI continued to benefit from the support of the **United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP)**, including its presence at the PIRI High-Level Forum. AFI is exploring an arrangement with UNESCAP to advance technical cooperation and undertake joint peer learning activities.

AFI's continuing collaboration with **The Fletcher School at Tufts University** has supported capacity development of the AFI network of policymakers and regulators since the launch of the Leadership Program for Financial Inclusion in 2011.



G-24/AFI Policymakers' Roundtable, Bali



G20 Global Partnership for Financial Inclusion (GPFI)



Fletcher School Graduation - 2018 GPF



Role of Islamic Finance in supporting Financial Inclusion

PART TWO: PERFORMANCE

MESSAGE FROM THE EXECUTIVE DIRECTOR

2018 was a significant year for AFI as it marked the 10th anniversary of its mission to bring smart policies to life. Likewise, this Annual Report demonstrates AFI's accomplishments in driving changes in policy as the network prepares to take on the role of global policy leadership in AFI's Phase III Strategy.



AFI Executive Director Dr. Alfred Hannig during G24/AFI High Level Roundtable on 10 October 2018 in Bali, Indonesia, organized alongside the IMF and World Bank Annual Meetings.

Members continue to lead network-wide policy changes, with 545 high-impact financial inclusion policy changes made with the support of the AFI network since 2008. These policy changes have helped provide access to formal transaction accounts for approximately 650 million unbanked people in the countries represented by members in the AFI network.

AFI continued to strengthen oversight of governance and controls of the AFI Management Unit, including through the establishment of the Audit Committee at the 2018 AGM. AFI also underwent several due diligence exercises, with favorable audit outcomes. These included external and internal audits, as well as donor audits by the Swedish International Development Cooperation Agency (Sida) as a prerequisite for new grant approval, and by the Bill & Melinda Gates Foundation.

Members continued to demonstrate leadership and high ownership of AFI's governance, with most Committee members renewing their commitment to serve for a second term, namely on the Budget and Finance Committee, Global Standards and Policy Committee, and Gender and Women's Financial Inclusion Committee. AFI remains confident that these Committees will continue to strengthen the network's deliverables and its position as a global policy leadership alliance.

In 2018, AFI received fee payments from 80 member institutions, the highest number of fee-paying members on record since membership fees were introduced in 2016. In support of its future sustainability, AFI also received funding from new donors, including the German Federal Ministry for the Environment, Nature Conservation, and Nuclear Safety (BMUB) to mobilize the Financial Inclusion and Climate Change (FICC) project; and from Sida, to scale up the gender workstream. We closed the year with a positive outlook on AFI's financial resources, with the establishment of a multi-donor facility and expressions of willingness from an increased number of like-minded partners (public sector funders from France, Luxembourg and Sweden) in support of AFI's in-country policy implementation programs.

The annual AFI Global Policy Forum (GPF) was graciously hosted in Sochi, Russia in September by the Central Bank of the Russian Federation. This edition of the GPF was not only significant to AFI, being the 10th annual gathering of financial inclusion policymakers and regulators; it also saw the launch of the Eastern Europe and Central Asia Policy Initiative (ECAPI) which will strengthen peer learning and galvanize members in their efforts to advance financial inclusion in the EECA region. Members also adopted by overwhelming majority the Sochi Accord on FinTech for Financial Inclusion,

thus renewing their resolve to harness the potential of FinTech in their respective countries through new Maya Declaration commitments and quantified targets.

AFI continued to leverage on Accords adopted at previous editions of the GPF to enhance its financial inclusion policy program with members through practical capacity building programs tailored to members' needs. These included enhancing access to micro, small and medium enterprise (MSME) financing via the Maputo Accord; reducing the financial inclusion gender gap by half as part of the Denarau Action Plan; addressing the challenges of green financial inclusion through effective mitigation and resilient policies as set out in the Sharm El Sheikh Accord; improving access and usage of financial services; and improving regulatory capacity through FinTech as highlighted in the Sochi Accord.

The adoption of the Framework of Issuance of Policy Models by the Membership Council at the 2018 AGM will enrich AFI's role in providing members with financial inclusion policy and regulatory guidance in AFI's Phase III (2019-2023). The systematic process prescribed by the Framework is key to expediting policy changes and their implementation at country level. AFI plans to document evidence of high-impact policy changes to strengthen the network's standing with Standard Setting Bodies (SSBs). AFI will also continue to highlight at a global level the practical implementation challenges faced by members, and help shape global standards that impact financial inclusion policymaking.

In regards to influencing the global financial inclusion policy agenda, AFI furthered its plan to have observer status in the Financial Action Task Force (FATF) by formalizing its collaboration with several FATF-style regional bodies in 2018. This included the signing of an MoU with the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), and the admission of AFI as an observer of the Asia Pacific Group on Money Laundering (APG) and the Financial Action Task Force of Latin America (GAFILAT).

In terms of financial performance, AFI very efficiently delivered on its initiatives within budget, with some key initiatives exceeding targets. I thank the Board of Directors, Audit Committee, and Budget and Finance Committee for their excellent oversight of AFI's financial stewardship.

AFI remains grateful to members for their support and dedication that has led to the wide recognition of AFI as an acclaimed international organization of policymakers and regulators dedicated to financial inclusion. As we move into a new decade, we shall continue to work with like-minded organizations and partners to accelerate the goal of financial inclusion. Rest assured that we remain committed to serving the AFI network for the common good and benefit of all members.

Dr. Alfred Hannig
Executive Director, AFI

HIGHLIGHTS OF KEY ACTIVITIES

GOVERNANCE

MEMBERSHIP COUNCIL AND BOARD OF DIRECTORS

- > Strengthened governance by ratifying a new Board Chair and Vice-Chair, the establishment of the Audit Committee, and the positions of members of various Committees for a new term.
- > Approved AFI Annual Report and Audited Financial Statements for FY2017.
- > Adopted a new membership fee structure for 2019-2021.
- > Adopted the Framework for the Issuance of Financial Inclusion Policy Models, providing an enhanced role for the Global Standards and Policy Committee to review and approve specific Policy Models developed by Working Groups.
- > Adopted the Sochi Accord on FinTech for Financial Inclusion.

AUDIT COMMITTEE

- > Elected Committee Chair and Vice-Chair and adopted the Charter of the Audit Committee.
- > Reviewed AFI's Enterprise Risk Management Report and Key Risk Profile.
- > Reviewed the progress updates of internal audits performed in FY2018.
- > Approved the internal audit plan for FY2019.

BUDGET AND FINANCE COMMITTEE

- > Reviewed the audited financial report of AFI for FY2017 which were certified as an unqualified report by external auditors.
- > Reviewed year-to-date financials and mid-year budget status.
- > Reviewed the Budget Proposal for FY2019 which was approved by the Board.

- > Reviewed the Committee's Terms of Reference to complement the role and functions of the newly-established Audit Committee.
- > Reviewed the policy for managing investments and the contingency reserve fund which was approved by the Board in December 2018.

GENDER AND WOMEN'S FINANCIAL INCLUSION COMMITTEE

- > Provided the final review of the Special Report on Gender Diversity as the first step to drive greater gender diversity in AFI member institutions, in line with Action Point 10 of the Denarau Action Plan.
- > Guided the design and development of the Leadership and Diversity for Regulators program in partnership with the Women's World Banking.
- > Provided oversight and guidance on the implementation of capacity building activities related to gender and women's financial inclusion, including training in sex-disaggregated data and a pilot workshop on communicating gender and women's financial inclusion.
- > Provided oversight and guidance on the activities of the gender work streams across AFI Working Groups.
- > Participated as discussants at the W20-AFI-Global Banking Alliance for Women (GBA) Dialogue in Washington, DC, USA and the W20 Financial Inclusion Roundtable in Riyadh, Saudi Arabia.
- > Encouraged through written communication to AFI members, additional commitments by members on gender and women's financial inclusion under the Maya Declaration to be made at the GPF in Sochi, Russia.
- > Called on AFI members to nominate a gender and women's financial inclusion 'champion', being a senior member of staff responsible for promoting women's financial inclusion in their country, as well as gender diversity in their institutions.



15th CEMC & 17th FID Working Group Meetings, Mexico



Launch of Special Report, Cambodia

GLOBAL STANDARDS AND POLICY COMMITTEE

- > Provided guidance on the development of the survey report on Inclusive Insurance in National Financial Inclusion Strategies (NFIS) jointly developed by AFI and the Access to Insurance Initiative (A2II).
- > Provided guidance on the development of the report on FinTech for Financial Inclusion: A Framework for Digital Financial Transformation jointly developed by AFI with the support of Professor Douglas Arner of Hong Kong University, Professor Dirk Zetzsche of the University of Luxembourg, and Professor Ross Buckley of the University of New South Wales.
- > Reviewed the draft report on preconditions for an effective financial inclusion ecosystem which was guided by strategic input and advice from Professor Thorsten Beck of the Cass Business School, with technical support from the Asia School of Business and the University of Malaya.
- > Advanced dialogue with the World Bank Group on incorporating financial inclusion as part of Financial Sector Assessment Programs (FSAPs).
- > Reviewed and endorsed the proposed Framework for the Issuance of Financial Inclusion Policy Models which was approved by the Board and Membership Council.

ADVISORY GROUP

- > Provided strategic advice on action planning for priority areas and thematic work streams for implementation in 2019, including in the areas of issuing policy and regulatory guidance, FinTech for Financial Inclusion, bridging the gender gap through DFS and financial inclusion, and climate change.
- > Provided input at high-level PPD discussions in the AFI network during the year.

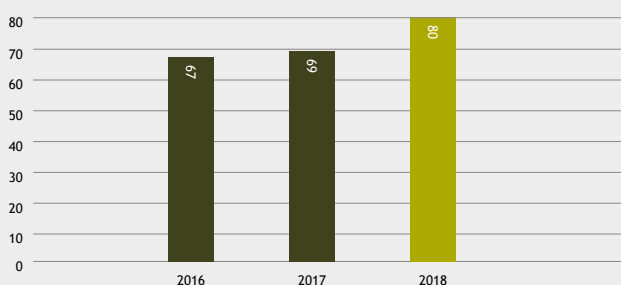
Membership

- > The number of members with annual subscriptions continued to increase since subscriptions were introduced in 2016, with 80 paying members (66 Principal Members and 14 Associate Members) in 2018, the highest number on record. This compares with 67 and 69 members in 2016 and 2017, respectively.

Policy Changes

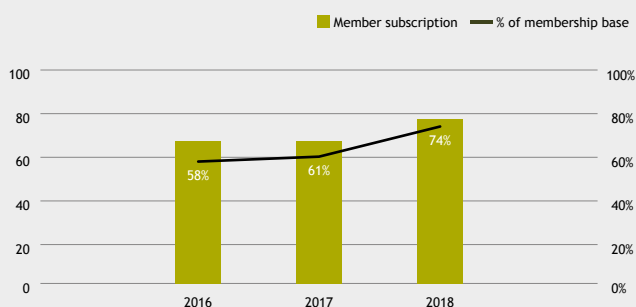
- > AFI members continued to advance policy changes in 2018, surpassing the number of policy changes in 2017. A total of 147 policy changes was reported in 2018 compared with 118 in 2017. The highest number of policy reforms were recorded in the areas of consumer empowerment and market conduct and digital financial services followed by financial inclusion strategy and SME finance.

MEMBERS' FEE PAYMENTS 2016-2018



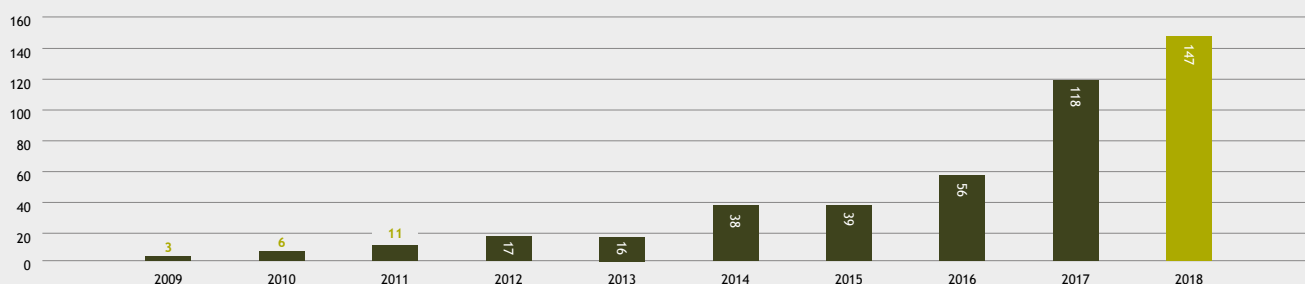
Source: AFI

PERCENTAGE OF PAYING MEMBERS



Source: AFI

POLICY CHANGES IN THE AFI NETWORK



Source: AFI MU Member Survey, January 2019

Policy reforms were also made in the relatively new policy areas of Gender and Women's Financial Inclusion and Financial Inclusion and Climate Change (FICC). Since 2015, 14 policy changes by 10 countries have been recorded in the policy area of Gender and Women's Financial Inclusion. This is an encouraging indication of progress made in the AFI network towards closing the gender gap as committed by the AFI membership under the Denarau Action Plan.

Member Engagement

- > Member engagement in AFI remained high with 93.8 percent of paid-up members utilizing at least two AFI services; 50 percent of paid-up members held at least one leadership role in the AFI network in 2018.

Member Satisfaction

- > Based on the Member Needs Assessment (MNA) survey conducted for 2018, overall satisfaction of AFI members with the organization remained strong at 8.6.
 - Members' attribution of AFI's contribution to their national policy reforms remained consistent at 60 percent.
 - Peer learning, rated nine (out of 10), remained the highest-rated AFI feature by members since this aspect was first assessed in 2015.
 - Members continue to view AFI's independent status as offering more advantages to the membership, as shown in the rating of 8.7 in 2018.
 - Members rated AFI at 8.5 (out of 10) on the aspect of AFI being a 'Center of Technical Excellence'.
 - AFI's capacity building activities were rated highest in terms of satisfaction and usage across all AFI services, with satisfaction rating for member trainings at 8.6 and for joint-learning programs at 8.4.

POLICY CHANGES BY THEMATIC POLICY AREAS



Source: AFI MU Member Survey, January 2019

Regional Initiatives

- > **AfPI leaders** endorsed two regional policy frameworks under the network policy guidance initiative: (i) The Framework for Innovative Cross-Border Remittances in Africa; and (ii) The Framework for Digital Financial Services Interoperability in Africa. Members identified action plans for the implementation of both frameworks and agreed to look into the issue of high remittance costs in the Africa region.
- > **FILAC leaders** and members agreed on a plan to develop case studies related to financial inclusion policy developments in the LAC region, including cybersecurity and proportionality in e-money regulation to promote sustainable development. The case studies are based on sharing of experiences by members including: (i) the workshop on a case study of the enabling regulatory environment in Paraguay for e-money; (ii) current state of practice of data collection in the region, including the assessment survey conducted to measure the gender gap in financial inclusion and case studies on sex-disaggregated data collection efforts in Argentina and Mexico; (iii) development of digital financial services highlighting examples of e-wallet penetration in the commercial ecosystem in Paraguay and Argentina; and (iv) case studies on financial education strategy development undertaken in Colombia and Brazil.
- > **PIRI leaders** adopted the revised PIRI Charter that allows AFI members from small island states outside the Pacific region to be invited to attend PIRI meetings by invitation. In line with the member-adopted Framework for Issuance of Financial Inclusion Policy Models, PIRI members agreed to issue regional policy frameworks addressing specific financial inclusion challenges in the Pacific region, namely in SME finance and inclusive insurance. Members have formed a task team to consolidate case studies as part of the development of the policy frameworks. Members advanced the FinTech for Financial Inclusion workstream in the region through: participation in the regional training co-hosted by Banco Central de Timor-Leste (BCTL); and developing a publication on the implementation framework for regulatory sandbox and other innovative approaches.

STRATEGIC APPROACH AND PERFORMANCE

2018: Year of transition to AFI Phase III

AFI applied the three strategic objectives under the Phase III Strategic Plan, which positions AFI as a Policy Leadership Alliance.

1

**GUIDANCE FOR DEVISING
FINANCIAL INCLUSION
POLICIES AND REGULATIONS**



2

**ENHANCING IMPLEMENTATION
OF EVIDENCE-BASED FINANCIAL
INCLUSION POLICIES**



3

**AGENDA-SETTING IN
THE GLOBAL FINANCIAL
INCLUSION DISCOURSE**



STRATEGIC OBJECTIVE 1

Guidance for devising financial inclusion policies

ACHIEVEMENTS

AFI's initiatives under this strategic objective facilitated members to develop financial inclusion policies and regulations. 545 policy changes have been implemented by 75 countries represented in the AFI membership to date, with 147 (27 percent of the total) implemented in 2018 across all six main policy areas. About 41 percent of the policy changes in 2018 were led by members in the Sub-Saharan Africa region. The top two policy areas registering the highest number of policy changes were consumer empowerment and market conduct and digital financial services.

AFI programs that facilitated these changes applied the bottom-up process to develop policy guidance, frameworks, and peer reviews under key enabling programs that include Working Groups, Regional Initiatives technical groups, issuance of policy guidance program, and policy analysis.

KEY ENABLERS

1. WORKING GROUPS

Working Groups (WGs) have been positioned as member-based content generation platforms to collate and document the network's practical policy solutions to support AFI's issuance of policy guidance initiatives. As a result, during the reporting period, the WGs produced a total of 14 policy knowledge products and nine peer reviews in the six thematic policy areas.

The knowledge products respond to current policy challenges that the membership is facing in the areas of innovation and technology, enhancing usage of financial services, bridging the gender gap in financial inclusion, incorporating financial inclusion policies on climate change aspects, enhancing SME finance, and developing effective national financial inclusion strategies.

147
POLICY CHANGES
IMPLEMENTED IN 2018
ACROSS ALL SIX MAIN POLICY
AREAS



41%
POLICY CHANGES IN 2018
WERE LED BY MEMBERS IN THE
SUB-SAHARAN AFRICA REGION



14 POLICY CHANGES
BY 10 COUNTRIES RECORDED
IN GENDER AND WOMEN'S
FINANCIAL INCLUSION



Highlights of Activities in 2018

The Consumer Empowerment and Market Conduct Working Group (CEMC WG) conducted peer reviews for the Central Bank of Seychelles, Bank of Namibia and Bank of Uganda and through its subgroups worked on the following deliverables:

- > **Institutional framework and supervision:** Developed three Guideline Notes on financial and consumer protection institutional arrangements, institutional arrangement, and addressing consumer problems in over-indebtedness.
- > **Responsible Lending:** Developed a Guideline Note on lowering cost of lending and literature review of the existing policies and practices of green finance.
- > **Financial Education:** Designed the program for financial education for governments and private education and produced a guide on first steps in developing the program for financial education.



Impact of Financial Inclusion Policies in the Last Decade, 2018 GPF



Communicating Gender & Women's Financial Inclusion, Malaysia

- > **Gender:** Conducted surveys on consumer protection and financial literacy for women and developed a concept note on how financial literacy can promote economic empowerment of women; a survey on discriminatory practices; and a policy guideline, risk-sharing mechanisms - credit guarantees for financing for women.

The Digital Financial Services Working Group (DFS WG) through its subgroups worked on the following deliverables:

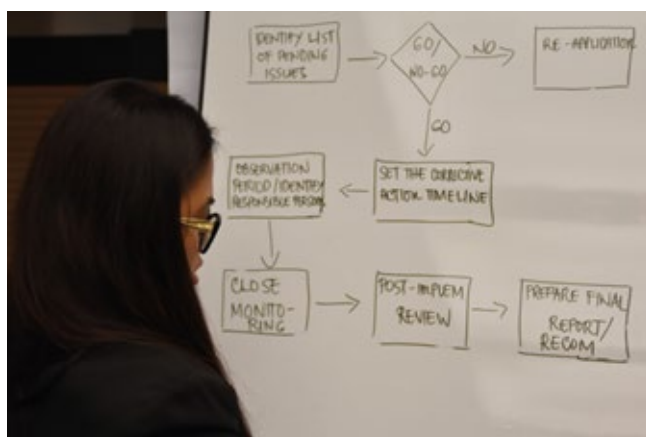
- > **Innovative Cross-Border Remittances:** Published a guideline note on innovative cross border remittances.
- > **KYC Innovation:** Completed a guideline note to highlight innovative know-your-customer (KYC) solutions that promote financial inclusion and strengthen due diligence and Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) measures.
- > **FinTech for Financial Inclusion:** Published a special report on Fintech for Financial Inclusion.
- > **Interoperability:** Developed a Guideline Note on interoperability to identify and compare models within AFI members' countries, and related policy recommendations.
- > **DFS Indicators for Access, Usage and Quality:** Developed a guideline note jointly with the Financial Inclusion Data Working Group (FID WG) on Digital Financial Services (DFS) indicators for access, usage and quality.
- > **Cybersecurity Frameworks for Financial Inclusion:** Developed a cybersecurity framework on cybersecurity risks faced by emerging market economies in financial inclusion.
- > **DFS and Gender:** Developed a policy framework on how to utilize DFS and FinTech to reduce or eliminate the financial inclusion gender gap.

The FID WG provided case studies on sex-disaggregated data in Zambia and Egypt and through its subgroups worked on the following deliverables:

- > **Supply-Side Data Collection:** Developed a Guideline Note on strengthening the collection and use of supply-side data on financial inclusion.
- > **Monitoring and Evaluation Framework:** Developed a toolkit on monitoring and evaluation framework to guide National Financial Inclusion Strategy (NFIS) implementation, including lessons learned and good practices.
- > **DFS Indicators for Access, Usage and Quality:** Developed a Guideline Note jointly with DFS WG on DFS indicators for access, usage and quality.
- > **Sex-Disaggregated Data:** Developed a Guideline Note and generic regulatory templates to collect sex-disaggregated data from financial service providers (supply-side).
- > **Customer-Centric Approach:** Developed case studies on measuring the customer-needs approach from the financial inclusion perspective.

The Financial Inclusion Strategy Peer Learning Group (FIS PLG) conducted peer reviews for the Royal Monetary Authority of Bhutan and Bank Al-Maghrib Morocco and through its subgroups worked on the following deliverables:

- > **Stakeholder Coordination:** Developed a Guideline Note on effective stakeholder co-ordination mechanism for NFIS implementation.
- > **SDG and SRF:** Conducted a scoping study on progress in Sustainable Development Goals and Socially Responsible Financing.
- > **Communication Strategy:** Developed a Guideline Note on communication strategy for the implementation of NFIS.
- > **Gender:** Drafted a visual presentation (infographic) to highlight the Denarau Action Plan and its implementation; built a community of practice for gender; and identified 'gender champions' to promote and drive women's financial inclusion initiatives.



Peer Advisory Service: FinTech for Financial Inclusion



Innovations in Digital Finance with Bank Al-Maghrib

The Global Standards Proportionality Working Group (GSP WG) through its subgroups worked on the following deliverables:

- > **AML-CFT Proportionality:** Developed a guideline on AML-CFT and financial inclusion, and drafted case studies of members' incorporation of financial inclusion in national risk assessments and mutual evaluation exercises.
- > **Basel Standards:** Completed a member survey on the current status of implementing Basel Standards, proportionate policies, and measurement of the impact of Basel Standards.
- > **Deposit Insurance:** Finalized Terms of Reference to recruit technical advisors from selected deposit insurers to aid the development of deposit insurance and financial inclusion case studies.
- > **Non-Banking Financial Institutions:** Published a survey report on shadow banking and financial inclusion.

The SME Finance Working Group (SMEF WG) through its subgroups worked on the following deliverables:

- > **Defining SME Parameter (Phase II):** Developed a catalogue of micro, small and medium enterprise (MSME) definitions of AFI members' countries, and a case study on Morocco's MSME Data Framework.
- > **AFI/G20 Collaboration:** Reviewed a road map for collaboration with G-20 Global Partnership for Financial Inclusion (GPFI).
- > **Financial Education for MSMEs:** Developed a case study on MSME financial capabilities (financial education and literacy) of member countries.
- > **Gender:** Developed Guideline Note, Policy Catalogue and a case study on policies for promoting access to finance for women SMEs and leveraging FinTech as a conduit for financing of women-owned SMEs.



4th PIRI, Samoa

2. REGIONAL INITIATIVES TECHNICAL GROUPS

The technical groups under the Regional Initiatives comprising of members known as the Experts Group on Financial Inclusion Policy (EGFIP) made a significant contribution to enhancing guidance for policy development. This was done through leaders' forum engagements that discussed and endorsed work plans for the delivery of knowledge products to facilitate addressing pressing policy needs of the respective regions.



African Financial Inclusion Policy Initiative (AfPI)

AfPI leaders endorsed two regional policy frameworks under the network policy guidance initiative: (i) The Framework for Innovative Cross-border Remittances in Africa; and (ii) The Framework for Digital Financial Services Interoperability in Africa. Members identified action plans for the implementation of both frameworks and agreed to look into the issue of high remittance costs in the Africa region.



Pacific Islands Regional Initiative (PIRI)

PIRI leaders adopted the revised PIRI Charter that allows AFI members from small island states outside the Pacific region to be invited to attend PIRI meetings by invitation. Members discussed upcoming activities under the FinTech for Financial Inclusion workstream in the region including: (i) a regional training event to be co-hosted by Banco Central de Timor-Leste (BCTL); and



6th AfPI leaders' Roundtable, Conakry

(ii) implementation framework for a regulatory sandbox and other innovative approaches. In line with the member-adopted Framework for Issuance of Financial Inclusion Policy Models, members are also keen to issue regional policy frameworks to address specific financial inclusion challenges in the Pacific region. To move forward with this initiative, PIRI members identified the two priority areas of SME finance and inclusive insurance; and formed a task team to consolidate case studies as part of the development of the policy frameworks.



Financial Inclusion Initiative for Latin America and the Caribbean (FILAC)

FILAC leaders and members reviewed initiatives undertaken by FILAC throughout the year including: (i) the workshop on a case study of the enabling regulatory environment in Paraguay for e-money; (ii) current state of practice of data collection in the region including the assessment survey conducted to measure the gender gap in financial inclusion and case studies on sex-disaggregated data collection efforts in Argentina and Mexico; (iii) development of digital financial services highlighting examples of e-wallet penetration in the commercial ecosystem in Paraguay and Argentina; and (iv) case studies on financial education strategy development undertaken in Colombia and Brazil. Members agreed to develop case studies related to financial inclusion policy developments in the LAC region including cybersecurity and proportionality in e-money regulation to promote sustainable development.



FILAC EGFIP Meeting - 2018 GPF



Financial Inclusion for the Arab Region Initiative (FIARI)

AFI continued to collaborate closely with the Arab Monetary Fund (AMF), GIZ and the World Bank Group (WB) in the development and implementation of a work plan for FIARI. This included participating in the FIARI scoping mission in Iraq to provide assistance in the development of the national financial inclusion strategy (NFIS) and institutionalizing the national coordination structure to facilitate NFIS development. AFI also co-organized the Arab #FinTech Symposium on Blockchain and Financial Inclusion to support the advancement of the FinTech work stream for the Arab region, with a focus on leveraging blockchain technology to advance financial inclusion.



Eastern Europe and Central Asia Policy Initiative (ECAPI)

The newest regional initiative of AFI, ECAPI was launched by the AFI network on 7 September 2018, the second day of the GPF. Leaders representing AFI members in the EECA region adopted the ECAPI charter, and elected the Central Bank of Armenia as Chair of the Leaders' Roundtable, and Central Bank of the Russian Federation as its Vice-Chair. Leaders also approved the policy topics for the ECAPI workplan to include: interoperable remittance systems; market conduct regulation and supervision; financial education and impact measurement; and design of financial education programs.



Launch of EECA Regional Initiative - 2018 GPF

3. ISSUANCE OF POLICY GUIDANCE PROGRAM

Following the 2017 AGM directive for AFI to issue financial inclusion policy guidance (Policy Models) for voluntary adoption by members, the Membership Council at the 2018 AGM adopted the framework that will facilitate the systematic process to implement the policy guidance issuance program. The Policy Models are developed through AFI's member-driven, bottom-up approach.

AFI Working Groups initiate recommendations for applying proven practical policy solutions to be adopted as Policy Models. AFI's governance structure is used for systematic evaluation and to endorse the recommendations before they are subsequently tabled by the Membership Council for approval.

AfPI's Leaders' Roundtable in September 2018 endorsed policy guides to address two key financial inclusion policy challenges facing Africa on the cost of cross-border remittances and low usage of digital financial services due to inadequate interoperability. These two regional policy frameworks were developed through the bottom-up approach using the AfPI technical group (EGFIP). The two frameworks are: (i) The Framework for Innovative Cross-border Remittances in Africa; and (ii) The Framework for Digital Financial Services Interoperability in Africa.

4. POLICY ANALYSIS

AFI continued to provide knowledge-content generation through analysis of key financial inclusion policy challenges impacting the network and regions. Part of knowledge-content generation is also produced via Working Groups to provide practical applications that

support in-country policy implementation. Specifically, in 2018, AFI published six special reports, eight case studies, six member series, two guideline notes and two regional policy frameworks.



Financial Inclusion, Climate Change and Green Finance

In 2018, AFI commenced the implementation of the Financial Inclusion and Climate Change (FICC) project as part of the action framework under the Sharm El Sheikh Accord on Financial Inclusion, Climate Change and Green Finance. Key deliverables under this work stream included the Nadi Action Agenda on financial inclusion and green finance, knowledge content, and the 3Ps of green financial inclusion policies (provide, promote and protect).

Together with the Reserve Bank of Fiji (RBF), AFI co-hosted the conference, Smart Policies for Green Financial Inclusion: Securing development gains and building resilience, in November 2018 where the FICC work stream was officially launched. AFI members adopted the Nadi Action Agenda which will be shared with relevant global leaderships to raise awareness on green financial inclusion by AFI member institutions.



Smart Policies for Green Financial Inclusion, Fiji

STRATEGIC OBJECTIVE 2

In-country policy implementation

ACHIEVEMENTS

AFI provided support to members that facilitated in-country financial inclusion policy implementation in various thematic areas that have high impact in achieving the members' financial inclusion objectives. During the period, over 500 members were provided practical hands-on training on implementing policies using AFI's knowledge content and key learnings from strategic partners to develop financial inclusion policies and regulations. Over 10 countries were supported to implement financial inclusion policies at country level in the following thematic areas: national financial inclusion strategies; demand-side surveys; consumer empowerment and market conduct; gender and women's financial inclusion; and SME finance.

KEY ENABLERS

1. PRACTICAL CAPACITY BUILDING PROGRAMS

AFI provided practical capacity building programs using knowledge tools developed by Working Groups and Regional Initiatives technical groups as well as key learnings from strategic partners to provide members with technical know-how on implementing financial inclusion policies. The training covered all six thematic areas of AFI financial inclusion policy interventions and had an impact on policy changes recorded in the network. In 2018, AFI delivered 17 on-site trainings, reaching out to 519 policymakers (43 percent female; 57 percent male) from 77 member institutions. The trainings received a rating of 90 percent for satisfaction and 88 percent for relevance to members' ongoing work in relation to in-country implementation.

"The key benefit of attending a JLP is the ability to learn from more than one country about practical experiences in a particular area, which you can then customize to meet requirements, situations and expectations. In addition, you get to share your own experiences, which is also good as it gives the opportunity to critically think through your own processes and make the necessary adjustments."

Audrey Hove, Reserve Bank of Zimbabwe

In 2018, AFI's capacity building service offerings were enhanced to meet members' demands through:

- > Conducting a **learning needs assessment** before designing the training to focus on specific needs of members;
- > Engaging the support of **external technical experts** from among member institutions and private sector partners to lead the delivery of the trainings;

17

ON-SITE CAPACITY BUILDING TRAININGS, REACHING OUT TO 519 POLICYMAKERS



90%

SATISFACTION FOR CAPACITY BUILDING TRAININGS AND 88 PERCENT FOR RELEVANCE TO MEMBERS' ONGOING WORK IN RELATION TO IN-COUNTRY IMPLEMENTATION



43%

FEMALE PARTICIPANTS AT CAPACITY BUILDING TRAININGS WITH 57% MALE PARTICIPANTS FROM 77 MEMBER INSTITUTIONS



16

AFI GRANTS WERE UNDER IMPLEMENTATION OR IMPLEMENTED DURING 2018



- > Using **knowledge products** developed by the Working Groups for the trainings as guidance for members' in-country policy implementation; and
- > Using **four-level evaluation** to monitor training quality and impact.

To meet members' capacity building needs in training delivery, AFI introduced for the first time a **Training of Trainers on Instructional Strategies** for Working Group Chairs and Co-Chairs and selected technical and policy staff, to reinforce the use of adult learning principles in training design and delivery. As an outcome of this training, AFI received positive reports on the overall quality of capacity building programs, particularly on the design and achievement of training objectives as well as the delivery of knowledge by resource persons from member institutions who participated in AFI's training of trainers.

DFS, gender and financial inclusion strategy were key policy themes in high demand from members for capacity building. The technical delivery of AFI's capacity building activities continued to be supported by AFI's PPD partners to enrich content and showcase current trends.

2. IN-COUNTRY IMPLEMENTATION SUPPORT

AFI offered financial and technical support to its members to facilitate in-country policy implementation. This support was in response to members' requests for support in implementing their Maya Declaration commitments and high-impact policy initiatives. The key policy areas that were supported through the program included: national financial inclusion strategies; demand-side surveys; consumer empowerment and market conduct; gender and women's financial inclusion; and SME finance.

16 AFI grants were under implementation or implemented during the year under review, out of which the following three new grants were issued and three grants concluded:

New grants:

- 1 Financial Regulatory Commission of Mongolia:** Policy grant on data and measurement to assess gender gap in inclusive finance.
- 2 Bank of Zambia:** Policy grant to develop SME policy.
- 3 Superintendencia General de Entidades Financieras (SUGEF) Costa Rica:** Policy grant to conduct demand-side survey to identify gaps in financial inclusion.

Completed grants:

- 1 Central Bank of Seychelles:** Capacity building grant on NFIS.
- 2 Central Bank of Egypt:** Policy grant in gender-disaggregated data and women's financial inclusion
- 3 Ministry of Finance of Swaziland:** Knowledge exchange grant on consumer protection and financial literacy strategy.

CAPACITY BUILDING EVENTS



BANK NEGARA MALAYSIA-AFI HIGH-LEVEL JOINT LEARNING PROGRAM ON BUILDING AN INCLUSIVE MSME FINANCING ECOSYSTEM

Location: Kuala Lumpur, Malaysia

Date: 9-13 April 2018

Feedback:

- 1** It's remarkable that AFI brought together large and small member institutions from around the globe. Inclusive growth and financial stability are an overarching goal of all countries. Therefore, it's a privilege to sit and learn - together - Governor Dasho Penjore, Royal Monetary Authority of Bhutan.
- 2** There is a lot of merit in high-level training programs. Looking at the finance ecosystem in Malaysia has put into perspective Fiji's efforts to address MSME and reduce the SME finance gap - Deputy Governor Joseph Esala Masitabua, Reserve Bank of Fiji.



BANK OF TANZANIA-AFI JOINT LEARNING PROGRAM ON IN-COUNTRY IMPLEMENTATION AND MEASURING PROGRESS OF FINANCIAL INCLUSION STRATEGIES

Location: Dar es Salaam, Tanzania

Date: 8-11 October 2018

Feedback:

- 1** This program touched on all the key areas, from pre-formulation to implementation. And the Tanzanian experience broadened our horizon on the subject. This program will help me to actively participate in developing NFIS for my country.
- 2** The lessons learnt will help us to develop enabling tools for monitoring and evaluating our financial inclusion strategy which is currently being implemented. It will also enable us to address the issue of lack of coordination of financial inclusion activities being implemented by various stakeholders in the country.

STRATEGIC OBJECTIVE 3

Global advocacy on financial inclusion policy

ACHIEVEMENTS

In 2017, AFI continued to enhance members' voices on the global platform, including with the G-24, G20 GPFI and annual AFI Global Policy Forum. AFI also provided input based on members' experiences to the global dialogue on DFS and emerging topics such as gender, financial inclusion for Forcibly Displaced Persons (FDPs), FinTech, RegTech and climate change. It was observed that AFI's knowledge products have been referenced in discussions by various SSBs, and that this would help AFI become a more influential player in setting the global policy agenda.

KEY ENABLERS

1. GLOBAL POLICY FORUM

GPF is AFI's main global forum for financial inclusion policymakers and regulators from emerging and developing countries as well as developed economies. This hallmark annual event is usually held in September. The 2018 GPF was the 10th annual forum and coincided with AFI's decade of existence as a global network of policymakers and regulators.

Given its unique importance, GPF is a key platform for global advocacy and setting the agenda for financial inclusion discourse in the world. The 2018 GPF delivered key policy outcomes that will shape the future landscape of financial inclusion policy implementation by members in the following key areas: the role of technology via the Sochi Accord on FinTech for Financial Inclusion; and a systematic process for AFI to issue member-based policy guidance.

"AFI has already become the platform for peer learning and experience exchange, and has great potential for further development. We are proud to be a part of the AFI membership."

From the opening remarks by Governor Elvira Nabiullina of the Central Bank of the Russian Federation, co-host institution of the 2018 GPF, during the 2018 AFI Awards

More than 500 participants from across the world convened in Sochi, Russia and witnessed the launch of a new AFI regional initiative for the EECA region, the Eastern Europe and Central Asia Policy Initiative (ECAPI), adding to four other AFI Regional Initiatives. The 2018 GPF highlighted the role of technological innovation in addressing specific challenges for financial inclusion policy implementation and service delivery.

G-24 + G20 GPFI

AFI CONTINUED TO ENHANCE MEMBERS' VOICES ON THE GLOBAL PLATFORM



81%

OF MEMBERS THAT HAVE MADE MAYA DECLARATION COMMITMENTS REPORTED ACHIEVING ONE OR MORE TARGETS



2. MAYA DECLARATION COUNTRY COMMITMENTS



The Maya Declaration

Commitments you can bank on

The Maya Declaration platform accelerates financial inclusion at country level through provision of concrete and quantitative targets for financial inclusion policy implementation. Maya Declaration commitments have been instrumental in galvanizing national-level efforts through development of national strategies and cross-agency coordination mechanisms.

Members' Maya commitments also helped to strengthen membership-endorsed Accords. Members provide commitments to implement at country level the network-wide Accords such as the Sochi Accord, Denarau Action Plan, Sharm El Sheikh Accord and Maputo Accord. AFI supports its members to implement their commitments through systematic action plans outlined in these network-wide Accords. The AFI Data Portal (ADP) is an important online resource to facilitate effective monitoring and cross-country peer learning. It is accessible by members, partners and the general public and enables users to track policy developments and generate reports.

There are 68 Maya Declaration Commitments with 735 targets committed; 246 have been completed while 370 are currently in progress, with six targets discontinued.

Out of 68 members that have made commitments, 55 (81 percent) have reported achieving one or more targets.

AFI members have also been updating the targets made under their Maya Declaration Commitments, aligning with Accords endorsed by the membership:

- > In line with the goals of the Sasana Accord, 59 percent of Maya Declaration Commitments (40 out of 68) have measurable and quantifiable targets.
- > In line with the Maputo Accord, 40 percent of Maya Declaration Commitments (27 out of 68) make SME Finance a priority.
- > 32 of 68 (47 percent) of Maya Declaration Commitments have concrete targets to advance women's financial inclusion in line with the Denarau Action Plan.
- > Four Maya Declaration Commitments now have targets on financial inclusion, climate change and green finance, supporting the Sharm El Sheikh Accord.
- > Under the most recently adopted Sochi Accord on FinTech for Financial Inclusion, AFI expects to review members' commitments on DFS and identify those specifically related to FinTech.

3. ENGAGEMENT WITH STAKEHOLDERS



Public-Private Dialogue (PPD)

AFI continued to enhance its PPD platform to systematically engage public and private sector leaders on key challenges in financial inclusion policy implementation. In 2018, key policy take-aways and market-based actions were delivered at high-level PPD meetings. These were:

- > Harnessing technology for cross-border payments.
- > Mitigating emerging risks and challenges of technology in financial inclusion.
- > Addressing barriers to efficient remittance flows in Africa.

"AFI's Public Private Dialogue provides a unique platform to help regulators develop the policies necessary to achieve our mutual goal to bring financial inclusion to all."

Alexey Malinovskiy, General Manager for Russia, Mastercard



High-Level PPD Roundtable - 2018 GPF

Intergovernmental Group of Twenty-Four on International Monetary Affairs and Development (G-24)

The G-24 is a key strategic partner of AFI in advancing global dialogue on emerging financial inclusion policy issues. Recognizing the importance of elevating key policy challenges affecting emerging economies, AFI and G-24 have in the last decade conducted high-level discussions instrumental in garnering the support of the international community on topics such as de-risking and closing the gender gap in financial inclusion. In 2018, AFI and G-24 continued the discourse by bringing to the fore issues related to the role and impact of FinTech on financial inclusion.

“FinTech continues to be the greatest hope in terms of financial inclusion and inclusive growth.”

Governor Patrick Ngugi Njoroge of the Central Bank of Kenya

“We need to now work together to identify and implement technological solutions which can address some of the most problematic financial inclusion challenges, such as de-risking, closing the financial inclusion gender gap, and the financial inclusion of vulnerable communities such as forcibly displaced persons.”

Deputy Governor Lobna Helal, Central Bank of Egypt

G20 Global Partnership for Financial Inclusion (GPFI)

As a G-20 GPFI Implementing Partner, AFI continued to collaborate with other Implementing Partners under this initiative by: (i) providing non-G20 members’ perspective on the work of GPFI; (ii) providing input from the wider AFI network to GPFI policy papers on financial inclusion; and (iii) highlighting AFI members’ policy challenges on financial inclusion. In 2018, AFI supported the Argentinian G-20 presidency by providing members’ input for the DFS Policy Guide.

4. GLOBAL DIALOGUE IN POLICY AREAS

Gender and Women’s Financial Inclusion

As part of elevating the Denarau Action Plan, AFI continued to collaborate with key partners under the Argentinian G-20 presidency as co-chair of the Women 20 (W20) Financial Inclusion Group alongside the Global Banking Alliance for Women (GBA). AFI and GBA co-organized the W20 Roundtable on Financial Inclusion at the sidelines of the G-20 GPFI meetings, which culminated in a Financial Inclusion Communique with recommendations for actions and indicators to improve the financial inclusion of women.



G-24/AFI Policymakers’ Roundtable, Bali

Financial Inclusion for Forcibly Displaced Persons (FDPs)

AFI continued its role as a member of the GPFI Temporary Steering Committee for the Financial Inclusion of FDPs whose mandate was extended until the end of the Argentinian G-20 presidency. Specifically, AFI provided technical advice to inform the development and finalization of a global Roadmap for the Sustainable and Responsible Financial Inclusion of FDPs. On the advocacy front, AFI also brought the perspectives of members to the global discourse to highlight the importance of global support in addressing financial inclusion for FDPs, an issue affecting several countries in the AFI network. In 2018, AFI led the Temporary Steering Committee's work in its 'National Strategies and Regulation' cluster. AFI also co-hosted the GPFI High-Level Workshop on the Financial Inclusion of FDPs, which identified policy recommendations and an implementation plan for the roadmap. In 2019, AFI will begin taking the policy recommendations forward in order to advance the financial inclusion of FDPs at country level.

Islamic Finance

AFI collaborated with the Islamic Financial Services Board (IFSB) Task Force to provide technical input on the Revised Preliminary Exposure Draft for the Technical Note on Financial Inclusion and Islamic Finance. The Technical Note aims to provide guidance on good practices in regulating the financial sector to enhance financial inclusion through Islamic finance, while taking into consideration proportionality in balancing risks and benefits against costs of regulation and supervision. The Technical Note is expected to be finalized in 2019.

5. COMMUNICATION AND OUTREACH ACTIVITIES

Digital communication channels, including website, social media and email represent a significant component of AFI's communication and outreach activities. Traffic to the AFI website increased by 18 percent in 2018, with total of 69,659 visitors in 2018. Email newsletters remained an important distribution source for AFI's communication and outreach activities. Members received the AFI Network News newsletter in March, July and December 2018, highlighting the network's progress and accomplishments in financial inclusion. During the 2018 GPF, members received daily updates on the outcomes of various meetings and sessions through the GPF Connect newsletter to complement real-time coverage of the event on the website and social media. AFI is active on four social media platforms (Facebook, Twitter, LinkedIn, Instagram) and two multimedia platforms (YouTube, Flickr). In 2018, AFI's social media followers reached a combined total of 18,886, an increase of 5,055 followers (37 percent) from the previous year.

To further promote the organization's cross-cutting policy areas, AFI ran organic, unpaid social media campaigns for International Women's Day and World Refugee Day. Both campaigns reached more than 59,000 people on social media, amplifying AFI's work in gender, women's financial inclusion and FDPs.

In the quest to enhance efficiency and in line with AFI's green policy practices, the 2018 GPF featured a microsite that served as a content hub and registration portal for the event, allowing online visitors to have a seamless experience. AFI also developed a custom



Smart Policies for Green Financial Inclusion, Fiji

mobile app that was used by over 70% of participants to view the event agenda, access the venue map and transport schedule, download presentation materials, and more. Attendees unable to download the app due to their phone's specifications were able to access the web-based version of the app for ease of usage.

In response to members' requests for capacity building in the gender work stream, AFI organized a three-day workshop on Communicating Gender and Women's Financial Inclusion to build greater awareness, and support for the Denarau Action Plan (DAP). The workshop was designed for staff from the Communications Department of AFI member institutions represented in the Gender and Women's Financial Inclusion Committee (GWFI), and selected institutions. With AFI's support, participants developed a toolkit to guide the development of communications programs for gender and women's financial inclusion.

6. MEDIA RELATIONS

AFI collaborated with members to promote media coverage in local and regional outlets. As co-hosts of events and visits, AFI encouraged members to reach out to media and jointly promote financial inclusion activities and accomplishments. During the reporting period, AFI with members' support, engaged three regional media opportunities resulting a total of 140 media articles published or broadcasted.

AFI received extensive media coverage during the 2018 AfPI Leaders' Roundtable in Guinea from the joint efforts of AFI and Banque Centrale de la République de Guinée (BCRG). AFI and the BRCG highlighted BRCG's role in the global and regional financial inclusion arena and in the AFI network during several press opportunities, including a day before the event, at the event opening, and during a news conference conducted by BRCG Governor and AFI Executive Director. These engagements resulted in reports on AFI on prime time news and in over 10 online media reports.

During the first-ever Green Financial Inclusion Conference in Fiji, the Reserve Bank of Fiji engaged with two local TV stations and two print media outlets which broadcasted reports and outcomes of the event and published an exclusive interview with the AFI Executive Director highlighting the network's contribution to the region and a range of Sustainable Development Goals, specifically SDG 1, 7 and 13. At the 2018 GPF, the Governor of the co-host, Central Bank of the Russian Federation (CBR), and the AFI Executive Director jointly conducted a news conference for global, regional and local media, which was streamed on the social media platforms of CBR and AFI to raise awareness of the event and its theme. With strong media presence at the 2018 GPF, a total of 122 articles were published by a variety of the Russian media.

+18%
INCREASE IN TRAFFIC
TO AFI WEBSITE
(69,659 VISITORS)



+37%
INCREASE OF SOCIAL
MEDIA FOLLOWERS
(18,886 FOLLOWERS)



4
SOCIAL MEDIA PLATFORMS
(FACEBOOK, TWITTER,
LINKEDIN, INSTAGRAM)



2
MULTIMEDIA PLATFORMS
(YOUTUBE, FLICKR)



70%
OF PARTICIPANTS USED
2018 GPF MOBILE APP



"The GPF mobile app is a useful depot of information especially when we want to revisit key lessons and discussion points from the GPF and AGM."

A participant at the 2018 GPF



2018 AfPI Leaders' Roundtable, Guinea

PART THREE: FINANCIAL REPORT



Deputy Governor of the National Bank of Rwanda Dr. Monique Nsanzabaganwa

STATEMENT BY THE MANAGEMENT UNIT

We, Alfred Hannig and Chee Soo Yuen, being members of the Management Unit of Alliance for Financial Inclusion (“the Organisation”), state that, in the opinion of the Management Unit, the financial statements set out on pages 5 to 27 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the International Organisations (Privileges and Immunities) Act 1992 in Malaysia so as to give a true and fair view of the financial position of the Organisation as of 31 December 2018 and of its financial performance and cash flows for the financial year ended on that date.



Alfred Hannig
Executive Director



Chee Soo Yuen
Chief Operations Officer

11 April 2019

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF ALLIANCE FOR FINANCIAL INCLUSION

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of Alliance for Financial Inclusion (“the Organisation”), which comprise the statements of financial position as at 31 December 2018, and the statement of income and expenditure and statements of cash flows of the Organisation for the financial year ended 31 December 2018 and notes to financial statements, including a summary of significant accounting policies and other explanatory information, as set out on pages 37 to 47.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Organisation as at 31 December 2018, and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the International Organisations (Privileges and Immunities) Act 1992 in Malaysia.

BASIS FOR OPINION

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENCE AND OTHER ETHICAL RESPONSIBILITIES

We are independent of the Organisation in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants (“By-Laws”) and the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (“IESBA Code”), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

RESPONSIBILITIES OF THE MANAGEMENT UNIT FOR THE FINANCIAL STATEMENTS

The Management Unit of the Organisation is responsible for the preparation of financial statements of the Organisation that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the International Organisations (Privileges and Immunities) Act 1992 in Malaysia.

The Management Unit is also responsible for such internal control as the Management Unit determines is necessary to enable the preparation of financial statements of the Organisation that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Organisation, the Management Unit is responsible for assessing the Organisation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Unit either intends to liquidate the Organisation or to cease operations, or have no realistic alternative but to do so.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements of the Organisation as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As a part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- > Identify and assess the risks of material misstatement of the financial statements of the Organisation, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- > Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organisation's internal control.
- > Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Unit.

- > Conclude on the appropriateness of the Management Unit's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organisation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Organisation or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Organisation to cease to continue as a going concern.
- > Evaluate the overall presentation, structure and content of the financial statements of the Organisation, including the disclosures, and whether the financial statements of the Organisation represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Management Unit regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

OTHER MATTERS

This report is made solely to the members of the Organisation, as a body, and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Anne Malayan PLT

Crowe Malaysia PLT
LLP0018817-LCA & AF 1018
Chartered Accountants

11 April 2019

Kuala Lumpur

Ung Voon Huay

Ung Voon Huay
Approval No: 03233/09/2020 J
Chartered Accountant

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2018

	Note	USD 2018	USD 2017
ASSETS			
NON CURRENT ASSET			
Equipment	4	91,950	84,173
CURRENT ASSETS			
Receivable	5	219,138	123,898
Other receivables and prepayments		844	28,054
Fixed deposits with a licensed bank	6	8,751,900	-
Cash and bank balances		595,426	7,380,634
		9,567,308	7,532,586
TOTAL ASSETS		9,659,258	7,616,759
FUND AND LIABILITY			
FUND			
Accumulated funds	7	4,670,075	4,693,410
TOTAL FUND		4,670,075	4,693,410
CURRENT LIABILITY			
Other payables and accruals	8	4,989,183	2,923,349
TOTAL LIABILITY		4,989,183	2,923,349
TOTAL FUND AND LIABILITY		9,659,258	7,616,759

STATEMENT OF INCOME AND EXPENDITURE

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	USD 2018	USD 2017
INCOME			
Donor funder		3,991,996	5,376,076
Donor - PPD partner		930,333	646,617
Membership subscription fee		3,873,000	3,476,548
Fixed deposit interest		89,379	63,145
Other income		18,779	119
TOTAL INCOME		8,903,487	9,562,505
Less: Expenditure		(8,926,822)	(8,654,561)
(Deficit)/Surplus of income over expenditure before taxation for the financial year		(23,335)	907,944
Income tax expense	9	-	-
(Deficit)/Surplus of income over expenditure after taxation for the financial year		(23,335)	907,944
Auditors' remuneration		4,949	5,977
Bank charges		12,865	8,878
Communication, publication & media cost		87,327	29,728
Contract services fee		802,613	909,972
Depreciation of assets		21,658	6,424
Event & logistic expenses		912,442	652,572
Grant disbursement		369,935	788,900
Office & general supplies		8,983	11,821
Other indirect costs		33,825	37,285
Professional fees		27,345	12,629
Realised foreign exchange rates		52,016	15,313
Recruitment fees & expenses		64,114	12,756
Rental of premise		13,234	13,639
Repair and maintenance expenses		120,484	147,322
Staff costs		4,347,868	4,367,380
Telecommunication expenses		61,287	64,448
Travel expenses - staff		775,122	732,867
Travel expenses - sponsorship		1,210,755	836,650
		8,926,822	8,654,561

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	USD 2018	USD 2017
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		7,380,634	2,494,219
RECEIPTS			
Cash receipts from donors and membership fee		10,811,505	10,477,852
Cash receipts from GIZ		-	2,566,769
Interest received		10,099	66,764
		10,821,604	13,111,385
LESS: PAYMENTS			
Auditor's remuneration		5,765	6,643
Bank charges		12,865	8,878
Contract services fee		750,168	581,628
Communication, publication & media cost		67,058	41,731
Event & logistic expenses		961,206	865,136
Grant disbursement		501,252	589,548
Other indirect costs		20,947	42,591
Office & general supplies		3,625	3,782
Professional fees		27,345	6,002
Repair & maintenance expenses		78,678	155,882
Realised foreign exchange rates		8,909	15,788
Rental of premise		11,232	12,221
Recruitment fees & expenses		57,446	7,250
Staff costs		4,443,853	4,412,158
Travel expenses - staff		557,087	607,368
Travel expenses - sponsorship		1,336,254	806,186
Telecommunication expenses		11,222	62,178
		8,854,912	8,224,970
NET INCREASE IN CASH AND CASH EQUIVALENTS		1,966,692	4,886,415
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	10	9,347,326	7,380,634

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

1. ORGANISATION

The Organisation is principally engaged in the activities of promoting and developing evidence-based policy solutions that help to improve the lives of the poor. There have been no significant changes in the nature of these activities during the financial year.

2. BASIS OF PREPARATION

The financial statements of the Organisation are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards ('MFRS') and International Financial Reporting Standards.

2.1 During the current financial year, the Organisation has adopted the following new accounting standards and interpretations (including the consequential amendments, if any):

MFRSs and/or IC Interpretations (Including The Consequential Amendments)

MFRS 9 Financial Instruments (IFRS 9 as issued by IASB in July 2014)
MFRS 15 Revenue from Contracts with Customers
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration
Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions
Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
Amendments to MFRS 15: Effective Date of MFRS 15
Amendments to MFRS 15: Clarifications to MFRS 15 'Revenue from Contracts with Customers'
Amendments to MFRS 140 - Transfers of Investment Property
Annual Improvements to MFRS Standards 2014 - 2016 Cycles
> Amendments to MFRS 1: Deletion of Short-term Exemptions for First-time Adopters
> Amendments to MFRS 128: Measuring an Associate or Joint Venture at Fair Value

The adoption of the above accounting standards and interpretations (including the consequential amendments) did not have any material impact on the Organisation's financial statements.

2.2 The Organisation has not applied in advance the following accounting standards and interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial year:

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
MFRS 16 Leases	1 January 2019
MFRS 17 Insurance Contracts	1 January 2021
IC Interpretation 23 Uncertainty Over Income Tax Treatments	1 January 2019
Amendments to MFRS 3: Definition of a Business	1 January 2020
Amendments to MFRS 9: Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 101 and MFRS 108: Definition of Material	1 January 2020
Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
Annual Improvements to MFRS Standards 2015 - 2017 Cycles	1 January 2019

The adoption of the above accounting standards and interpretations (including the consequential amendments) is expected to have no material impact on the financial statements of the Organisation upon their initial application.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Key Sources of Estimation Uncertainty

Management Unit believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year other than as disclosed below:

(a) Depreciation of Equipment

The estimates for the residual values, useful lives and related depreciation charges for the equipment are based on commercial factors which could change significantly as a result of technical innovations in response to the market conditions. The Organisation anticipates that the residual values of its equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(b) Impairment of Receivables

The Organisation uses the simplified approach to estimate a lifetime expected credit loss allowance for all receivables. The Organisation develops the expected loss rates based on the payment profiles of past payment trends and the corresponding historical credit losses, and adjusts for qualitative and quantitative reasonable and supportable forward-looking information. If the expectation is different from the estimation, such difference will impact the carrying values of receivables.

(c) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Organisation recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax expense and deferred tax balances in the year in which such determination is made.

Critical Judgements Made in Applying Accounting Policies

Management Unit believes that there are no instances of application of critical judgement in applying the Organisation's accounting policies which will have a significant effect on the amounts recognised in the financial statements.

3.2 FUNCTIONAL AND FOREIGN CURRENCIES

(a) Functional and Presentation Currency

The functional currency of the Organisation is the currency of the primary economic environment in which the Organisation operates.

The financial statements are presented in United States Dollar ("USD"), which is the Organisation's functional and presentation currency.

(b) Foreign Currency Transactions and Balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

3.3 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the statements of financial position when the Organisation has become a party to the contractual provisions of the instruments.

Financial instruments are classified as financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual arrangement and their definitions in MFRS 132. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as an expense or income.

Financial instruments are offset when the Organisation has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially at its fair value other than trade receivables without significant financing component which are measured at transaction price as defined in MFRS 15 - Revenue from Contracts with Customers at inception). Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/ deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments recognised in the statement of financial position are disclosed in the individual policy statement associated with each item.

(a) Financial Assets

All recognised financial assets are measured subsequently in their entirety at either amortised or fair value (through profit or loss, or other comprehensive income), depending on the classification of the financial assets.

Debt Instruments

(i) Amortised Cost

The financial asset is held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset. When the asset has subsequently become credit-impaired, the interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), excluding expected credit losses, through the expected life of the financial asset or a shorter period (where appropriate).

(ii) Fair Value through Other Comprehensive Income

The financial asset is held for both collecting contractual cash flows and selling the financial asset, where the asset's cash flows represent solely payments of principal and interest. Movements in the carrying amount are taken through other comprehensive income and accumulated in the fair value reserve, except for the recognition of impairment, interest income and foreign exchange difference which are recognised directly in profit or loss. Interest income is calculated using the effective interest rate method.

(iii) Fair Value through Profit or Loss

All other financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss.

The Organisation reclassifies debt instruments when and only when its business model for managing those assets change.

Equity Instruments

All equity investments are subsequent measured at fair value with gains and losses recognised in profit or loss except where the Organisation has elected to present the subsequent changes in fair value in other comprehensive income and accumulated in the fair value reserve at initial recognition.

The designation at fair value through other comprehensive income is not permitted if the equity investment is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise.

(b) Financial Liabilities

(i) Financial Liabilities at Fair Value through Profit or Loss

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. The changes in fair value of these financial liabilities are recognised in profit or loss.

(ii) Other Financial Liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), through the expected life of the financial liability or a shorter period (where appropriate).

(c) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the carrying amount of the asset and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of a debt instrument classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity to profit or loss. In contrast, there is no subsequent reclassification of the fair value reserve to profit or loss following the derecognition of an equity investment.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

3.4 EQUIPMENT

All items of equipment are stated at cost less accumulated depreciation and impairment losses if any.

Subsequent to initial recognition, all equipment are stated at cost less accumulated depreciation and any impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the organisation and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of equipment are recognised in profit or loss as incurred.

Depreciation on equipment is charged to profit or loss (unless it is included in the carrying amount of another asset) on a straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:

> Motor vehicles	20%
> Office equipment	20%
> Office renovation	20%

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property and equipment. Any changes are accounted for as a change in estimate.

When significant parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment.

An item of equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset, being the difference between the net disposal proceeds and the carrying amount, is recognised in profit or loss.

3.5 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, bank overdrafts and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three months or less.

3.6 IMPAIRMENT

(a) Impairment of Financial Assets

The Organisation recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost.

The expected credit loss is estimated as the difference between all contractual cash flows that are due to the Organisation in accordance with the contract and all the cash flows that the Organisation expects to receive, discounted at the original effective interest rate.

The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Organisation always recognises lifetime expected credit losses for trade receivables and contract assets using the simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix based on the Organisation's historical credit loss experience and are adjusted for forward-looking information (including time value of money where appropriate).

(b) Impairment of Non-financial Assets

The carrying values of assets, other than those to which MFRS 136 - Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount of the assets is the higher of the assets' fair value less costs to sell and their value in use, which is measured by reference to discounted future cash flow using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Organisation determines the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment loss is recognised in profit or loss.

When there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately.

3.7 EMPLOYEE BENEFITS

(a) Short-term Benefits

Wages, salaries, paid annual leave and bonuses are measured on an undiscounted basis and are recognised in profit or loss in the period in which the associated services are rendered by employees of the Organisation.

(b) Defined Contribution Plans

The Organisation's contributions to defined contribution plans are recognised in profit or loss in the period to which they relate. Once the contributions have been paid, the Organisation has no further liability in respect of the defined contribution plans.

3.8 INCOME TAXES

(a) Current Tax

Current tax assets and liabilities are expected amount of income tax recoverable or payable to the taxation authorities.

Current taxes are measured using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period and are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss (either in other comprehensive income or directly in equity).

(b) Deferred Tax

Deferred tax are recognised using the liability method for temporary differences other than those that arise from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Current and deferred tax items are recognised in correlation to the underlying transactions either in profit or loss, other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill or negative goodwill.

Current tax assets and liabilities or deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity (or on different tax entities but they intend to settle current tax assets and liabilities on a net basis) and the same taxation authority.

3.9 FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique.

The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:

- > **Level 1:** Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;
- > **Level 2:** Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and
- > **Level 3:** Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

3.10 INCOME

(a) Membership fee

Membership fee is recognised on annual basis over the membership period upon receipt of the payment.

(b) Donations

(i) Donor funder

Donations from corporations and foundations are recognized on the receipts basis.

(ii) Donor - PPD partner

AFI's Public-Private Dialogue (PPD) platform represents a unique, global collaboration of public and private sector decision-makers working together to advance financial inclusion. The parties are interested to engage in intellectual exchange within the framework of the PPD platform that raises awareness of private sector insights, unique know-how, and technical expertise to support AFI Members in designing and implementing financial inclusion policies. AFI's PPD partners are committed to the financial sustainability of the PPD Platform and contribute technical and financial resources to ensure that sustainability, as well as to strengthen delivery of select aspects of AFI's Capacity Building and Technical Training program for policymakers and regulators. These contributions are recognized on the receipts basis.

(c) Interest income

Interest income is recognised on an accrual basis using the effective interest method.

4. EQUIPMENT

2018	AT 1.1.2018 USD	ADDITIONS USD	DEPRECIATION CHARGES USD	AT 31.12.2018 USD
<i>Carrying Amount</i>				
Motor Vehicles	25,735	-	(6,333)	19,402
Office Equipment	58,438	7,150	(13,097)	52,491
Office Renovation	-	22,285	(2,228)	20,057
	84,173	29,435	(21,658)	91,950

2017	AT 1.1.2017 USD	ADDITIONS USD	DEPRECIATION CHARGES USD	AT 31.12.2017 USD
<i>Carrying Amount</i>				
Motor Vehicles	-	31,169	(5,434)	25,735
Office Equipment	-	59,428	(990)	58,438
	-	90,597	(6,424)	84,173

2018	AT COST USD	ACCUMULATED DEPRECIATION USD	NET BOOK VALUE USD
Motor Vehicle	31,169	(11,767)	19,402
Office Equipment	66,578	(14,087)	52,491
Office Renovation	22,285	(2,228)	20,057
	120,032	(28,082)	91,950

2017	AT COST USD	ACCUMULATED DEPRECIATION USD	NET BOOK VALUE USD
Motor Vehicle	31,169	(5,434)	25,735
Office Equipment	59,428	(990)	58,438
	90,597	(6,424)	84,173

5. RECEIVABLE

The Organisation's normal credit terms ranging from 30 to 180 (2017 - 30 to 180) days. Other credit terms are assessed and approved on a case by case basis.

6. FIXED DEPOSITS WITH A LICENSED BANK

The fixed deposits at AFI's principal bank, Standard Chartered Bank at the end of the reporting period bore effective interest rate of 2.27% (2017 - 1.74%) per annum. The fixed deposits have maturity periods ranging from 30 to 365 (2017 - 30 to 365) days.

7. ACCUMULATED FUNDS

	2018 USD	2017 USD
Accumulated funds balance brought forward	4,693,410	3,785,466
(Deficit)/Surplus of income over expenditure after taxation for the financial year	(23,335)	907,944
Accumulated funds balance carried forward	4,670,075	4,693,410

8. OTHER PAYABLES AND ACCRUALS

	2018 USD	2017 USD
Deferred income	4,002,007	2,015,776
Other payables	55,442	511,351
Accruals	931,734	396,222
	4,989,183	2,923,349

9. TAXATION

The income of the Organisation is tax exempt in accordance with the provisions of Section 44(6) of the Income Tax Act, 1967.

10. CASH AND CASH EQUIVALENTS

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following:

	2018 USD	2017 USD
Fixed deposits with a licensed bank	8,751,900	-
Cash and bank balances	595,426	7,380,634
	9,347,326	7,380,634

11. FINANCIAL INSTRUMENTS

The Organisation's activities are exposed to a variety of market risk (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Organisation's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Organisation's financial performance.

11.1 Financial risk management policies

The Organisation's policies in respect of the major areas of treasury activity are as follows:

(a) Market Risk

(i) Foreign Currency Risk

The Organisation is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than the respective functional currencies of the Organisation. The currencies giving rise to this risk are primarily Ringgit Malaysia ("RM"). Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

The Organisation's exposure to foreign currency risk (a currency which is other than the functional currency) based on the carrying amounts of the financial instruments at the end of the reporting period is summarized below:

Foreign currency exposure

	RINGGIT MALAYSIA USD	UNITED STATES DOLLAR USD	TOTAL USD
2018			
Financial Assets			
Cash and bank balances	111,514	483,912	595,426
2017			
Financial Assets			
Cash and bank balances	165,509	7,215,125	7,380,634

Foreign Currency Risk Sensitivity Analysis

Any reasonably possible change in the foreign currency exchange rates at the end of the reporting period against the respective functional currencies of the Organisation does not have material impact on the surplus after taxation of the Organisation and hence, no sensitivity analysis is presented.

(ii) Interest Rate Risk

The Organisation does not have any material interest bearing borrowing and hence, is not exposed to interest rate risk.

(iii) Equity Price Risk

The Organisation does not have any quoted investments and hence, is not exposed to equity price risk.

(b) Credit Risk

The Organisation's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables.

(i) Credit Risk Concentration Profile

The Organisation's major concentration of credit risk relates to the amounts owing by one receivable which constituted approximately 100% of its trade receivables at the end of the reporting period.

(ii) Exposure to Credit Risk

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position of the Organisation.

(iii) Assessment of Impairment Losses

At each reporting date, the Organisation assesses whether any of financial assets at amortised cost are credit impaired.

The gross carrying amounts of those financial assets are written off when there is no reasonable expectation of recovery (i.e. the debtor does not have assets or sources of income to generate sufficient cash flows to repay the debt) despite they are still subject to enforcement activities.

Other Receivables

Other receivables are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial and hence, it is not provided for.

Fixed Deposits with Licensed Banks, Cash and Bank Balances

The Organisation considers these banks and financial institutions have low credit risks. Therefore, the Organisation is of the view that the loss allowance is immaterial and hence, it is not provided for.

(c) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Organisation practices prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

Maturity Analysis

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payment computed based on the rate at the end of the reporting period):

	WEIGHTED AVERAGE EFFECTIVE RATE %	CARRYING AMOUNT USD	CONTRACTUAL UNDISCOUNTED CASH FLOWS USD	WITHIN 1 YEAR USD
2018				
Non-derivative Financial Liabilities				
Other payables and accruals	-	987,176	987,176	987,176
2017				
Other payables and accruals	-	907,573	907,573	907,573

11.2 Classification of financial instruments

Financial Assets	2018 USD
<i>Amortised Cost</i>	
Trade receivables	219,138
Other receivables	844
Fixed deposits with a licensed bank	8,751,900
Cash and bank balances	595,426
	9,567,308
Financial Liability	
<i>Amortised Cost</i>	
Other payables and accruals	987,176
Financial Assets	2017 USD
<i>Loans and Receivables Financial Assets</i>	
Trade receivables	123,898
Other receivables	28,054
Fixed deposits with a licensed bank	-
Cash and bank balances	7,380,634
	7,532,586
Financial Liability	
<i>Other Financial Liability</i>	
Other payables and accruals	907,573

11.3 Fair values of financial instruments

At the end of the reporting period, there were no financial instruments carried at fair values in the statement of financial position.

The fair values of the financial assets and financial liabilities of the Organisation that maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments or repayable on demand terms.

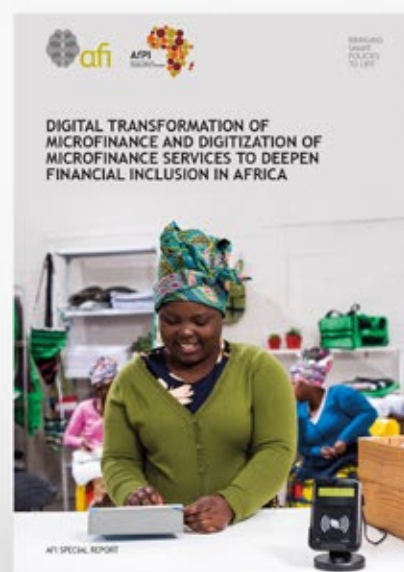
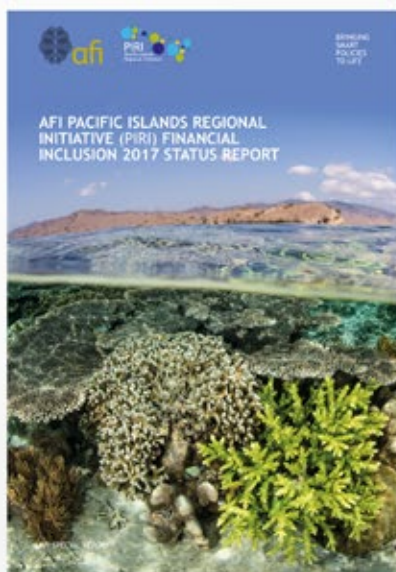
PART FOUR: REFERENCES

AFI KNOWLEDGE PRODUCTS

In 2018, AFI produced a total of 52 publications which generated 37,000 views on the website and 585 shares on social media channels. These publications included special reports on crucial topics such as gender diversity, National Financial Inclusion Strategy (NFIS), digital finance in the African region and FinTech for financial inclusion. In addition, a special edition bookmarking AFI's 10th anniversary in bringing smart policies to life was distributed during the 2018 GPF.

Members' financial inclusion experiences were highlighted in a series of case studies, including on Fiji and Bangladesh, for their remarkable progress in climate change and green finance; and for how countries such as Philippines, Tanzania, Brazil, Honduras, Egypt and Haiti have paved the way in advancing financial inclusion.

Five special reports were registered with the International ISBN (International Standard Book Number) Agency. These reports focus on cross-cutting policy areas, including microfinance in Africa, cross-border remittances, NFIS, gender diversity and FinTech for financial inclusion.



2018 AFI CALENDAR OF EVENTS

FEBRUARY

6-7	G-20 GPFI Plenary and Workshop	Buenos Aires, Argentina
11-13	Financial Inclusion for the Arab Region Initiative (FIARI) Meeting	Abu Dhabi, UAE
19-23	Member and Staff Training: Training of Trainers on Instructional Strategies	Kuala Lumpur, Malaysia
19-23	Member Training: Program Training Personal Financial Management Trainers (PTPFMT)	Lisbon, Portugal

MARCH

1	Gender and Women's Financial Inclusion Committee Meeting	Teleconference
5-8	Consumer Empowerment and Market Conduct Working Group (CEMC WG) Meeting	Merida, Mexico
5-8	Financial Inclusion Data Working Group (FID WG) Meeting	Merida, Mexico
8	PPD Training on Digital Financial Services: Role of Data, and Approaches to Enhancing Data Privacy and Protection	Merida, Mexico
12-13	Financial Inclusion Initiative for Latin America and the Caribbean (FILAC) EGFIP Meeting	San Jose, Costa Rica
19-23	Joint Learning Program on Consumer Protection: Enhanced Market Conduct Regulation and Supervision for Financial Inclusion	Dilijan, Armenia
22	Budget and Finance Committee Meeting	Kuala Lumpur, Malaysia
26-30	Peer Advisory Service on Implementing National Financial Inclusion Strategy (NFIS)	Abuja, Nigeria

APRIL

2	FinTech Policy Forum	Amman, Jordan
2-5	Digital Financial Services Working Group (DFS WG) Meeting	Amman, Jordan
2-5	SME Finance Working Group (SMEF WG) Meeting	Amman, Jordan
5	PPD Training on A Digitally Connected World to Advance Financial Inclusion	Amman, Jordan
9-13	Joint Learning Program on Building an Inclusive MSME Financing Ecosystem	Kuala Lumpur, Malaysia
18	10th Annual G-24/AFI Policymakers' Roundtable at the World Bank/IMF Spring Meetings	Washington, DC, USA
19	High-Level PPD Meeting	Washington, DC, USA
19	Board of Directors Meeting	Washington, DC, USA
24-27	Global Standards Proportionality Working Group (GSP WG) Meeting	Siem Reap, Cambodia
24-27	Financial Inclusion Strategy Peer Learning Group (FIS PLG) Meeting	Siem Reap, Cambodia
27	Training on Sex-Disaggregated Data and Launch of AFI Special Report on Gender Diversity and Women's Leadership in AFI Member Institutions	Siem Reap, Cambodia

MAY

7	African Financial Inclusion Policy Initiative (AfPI) EGFIP Meeting	Conakry, Republic of Guinea
8-9	PPD Training on Approaches to Enhancing Financial Inclusion through Digital Financial Services (DFS)	Conakry, Republic of Guinea
10-11	AfPI Leaders' Roundtable	Conakry, Republic of Guinea
14-15	Technical Team Meeting for Proposed Eastern Europe and Central Asia (EECA) Regional Initiative	Khujaand, Tajikistan
23-25	Member Workshop on Communicating Gender and Women's Financial Inclusion	Kuala Lumpur, Malaysia

JUNE

4-8	Joint Learning Program on Measuring Financial Inclusion: The Way Forward in the Digital Age	Accra, Ghana
5	Pacific Islands Regional Initiative (PIRI) EGFIP Meeting	Apia, Samoa
6	Global Standards and Policy Committee Meeting	Teleconference
6-7	PIRI High-Level Forum	Apia, Samoa
8	PPD Training on Accelerating Digital Payment Systems in the Pacific	Apia, Samoa
8	High-Level Meeting for Proposed EECA Regional Initiative	St. Petersburg, Russia
19	Gender and Women's Financial Inclusion Committee Meeting	Teleconference

JULY

9	Budget and Finance Committee Meeting	Kuala Lumpur, Malaysia
30-3 August	Member Training on Financial Inclusion Strategy and Data Program	Kuala Lumpur, Malaysia

AUGUST

6	Board of Directors Meeting	Teleconference
---	----------------------------	----------------

SEPTEMBER

3	Regional Initiatives EGFIP Meetings	Sochi, Russia
4	Board of Directors Meeting	Sochi, Russia
4	Gender and Women's Financial Inclusion Committee Meeting	Sochi, Russia
4	Working Group Meetings	Sochi, Russia
5	Annual General Meeting	Sochi, Russia
5	Global Standards and Policy Committee Meeting	Sochi, Russia
5	Audit Committee Meeting	Sochi, Russia
5	Regional Initiatives Leaders' Meetings	Sochi, Russia
6-7	Global Policy Forum	Sochi, Russia
10-11	G20 GPFI High-Level Workshop on the Financial Inclusion of Forcibly Displaced Persons	The Hague, Netherlands
24-28	Peer Advisory Service on FinTech: Boosting Financial Inclusion	Kuala Lumpur, Malaysia

OCTOBER

8-12	Joint Learning Program on In-country Implementation and Measuring Progress of Financial Inclusion Strategies	Dar es Salaam, Tanzania
10	G-24/AFI Policymakers' Roundtable on Financial Inclusion at the World Bank/IMF Annual Meetings	Bali, Indonesia
29-2 November	Member Training on Innovations in Digital Financial Inclusion	Rabat, Morocco

NOVEMBER

12-16	Member Training on Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) and Financial Inclusion	Kuala Lumpur, Malaysia
19	Budget and Finance Committee Meeting	Kuala Lumpur, Malaysia
26-27	Conference on Smart Policies for Green Financial Inclusion: Securing development gains and building resilience	Nadi, Fiji
27	Gender and Women's Financial Inclusion Committee Meeting	Teleconference

DECEMBER

6	Audit Committee Meeting	Teleconference
17	Board of Directors Meeting	Teleconference

GLOSSARY OF TERMS

ADB	Asian Development Bank
AfDB	African Development Bank
AFI	Alliance for Financial Inclusion
AfPI	African Financial Inclusion Policy Initiative
AGM	Annual General Meeting
AMF	Arab Monetary Fund
AML	Anti-Money Laundering
AMPI	African Mobile Phone Financial Services Policy Initiative
APG	Asia/Pacific Group on Money Laundering
ASB	Asia School of Business
BCBS	Basel Committee on Banking Supervision
BFC	Budget and Finance Committee
BMGF	Bill & Melinda Gates Foundation
BMZ	German Federal Ministry for Economic Cooperation and Development
BNM	Bank Negara Malaysia
CEMC WG	Consumer Empowerment and Market Conduct Working Group
CFT	Combating the Financing of Terrorism
CGAP	Consultative Group to Assist the Poor
CPSS	Committee on Payment and Settlement Systems
DAP	Denarau Action Plan: The AFI Network Commitment to Gender and Women's Financial Inclusion
DFS	Digital financial services
DFS WG	Digital Financial Services Working Group
ECAPI	Eastern Europe & Central Asia Policy Initiative
EGFIP	Experts Group on Financial Inclusion Policy
E-Money	Electronic money
E-Payment	Electronic payment
ESAAMLG	Eastern and Southern Africa Anti-Money Laundering Group
FATF	Financial Action Task Force
FDPs	Forcibly displaced persons
FIARI	Financial Inclusion for the Arab Region Initiative
FICC	Financial Inclusion and Climate Change
FID WG	Financial Inclusion Data Working Group
FILAC	Financial Inclusion Initiative for Latin America and the Caribbean
FinTech	Financial Technology
FIS PLG	Financial Inclusion Strategy Peer Learning Group
FSB	Financial Stability Board
FY	Financial Year

G20	Group of Twenty consisting of governments and central bank governors from 20 major economies
G-24	Intergovernmental Group of Twenty-Four on International Monetary Affairs and Development
GAFILAT	Financial Action Task Force of Latin America
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit or German Society for International Cooperation, Ltd.
GPF	Global Policy Forum
GPFI	Global Partnership for Financial Inclusion
GSP WG	Global Standards Proportionality Working Group
GSPC	Global Standards and Policy Committee
GWFI	Gender and Women's Financial Inclusion Committee
IDRC	International Development Research Centre
IMF	International Monetary Fund
IT	Information technology
JLP	Joint Learning Program
KYC	Know Your Customer
MDGs	Millennium Development Goals
MENA	Middle East and North Africa
MFS	Mobile financial services
MNA	Member Needs Assessment
MoU	Memorandum of Understanding
MSME	Micro, Small and Medium Enterprise
MU	Management Unit
NFIS	National financial inclusion strategy
OECD	Organisation for Economic Cooperation and Development
PAS	Peer Advisory Service
PFIP	Pacific Financial Inclusion Programme
PIRI	Pacific Islands Regional Initiative
PPD	Public-Private Dialogue
PPP	Public-Private Partnership
RegTech	Regulatory Technology
SDGs	Sustainable Development Goals
SME	Small and Medium Enterprise
SMEF WG	SME Finance Working Group
SSA	Sub-Saharan Africa
SSBs	Standard-Setting Bodies
UN	United Nations
W20	Women 20
WWB	Women's World Banking

Alliance for Financial Inclusion

AFI, Sasana Kijang, 2, Jalan Dato' Onn, 50480 Kuala Lumpur, Malaysia

t +60 3 2776 9000 e info@afi-global.org www.afi-global.org

 Alliance for Financial Inclusion  AFI.History  @NewsAFI  @afinetwork