Closing Remarks by Guillermo Babatz, President, Comisión Nacional Bancaria y de Valores (National Banking and Securities Commission of Mexico) and AFI Steering Committee Member

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Dear friends,

I would like to thank the Alliance for Financial Inclusion, AFI, for inviting me to deliver some closing remarks today.

During the last three days we have had the opportunity of sharing our knowledge about some key pillars that could support financial inclusion in our countries. But what is more important than the forum itself, is the fact that we have now materialized the vision of having a network of policy makers for policy makers.

In one year, we have passed from a conceptual project to an innovative platform to explore roads that could promote a welfare improvement in the life of millions: a platform that could be used to learn from each other, to test our ideas, and to challenge ourselves to think out of the box. We, as policy makers, are the owners of this platform and we are responsible for maximizing its potential. In a way, we have created a new challenge for all of us: How we can effectively use this new platform called AFI?

The Policy Forum has allowed us to share our experiences on designing public policies that are aimed to promote access to financial services.

You may share with me the strong belief that a greater financial access brings a better allocation of resources and spreads opportunities to both individuals and enterprises; that financial services and products should address the needs for all segments of the population and not only of those that are economically privileged.

However, how strong is the evidence to prove that increased financial access leads to economic development?

The answer is: we do not have strong evidence to support the belief that gathers us here. This is in part, because there is not enough data to support it.

The reason I am including this issue in my closing remarks is because sometimes we need to convince other policy makers and colleagues within our own countries on the benefits of implementing financial inclusion policies.

Therefore, I would like to encourage researchers to look into this topic and use the new efforts for financial inclusion as an opportunity to build the analytical evidence that we are still missing. We need to move from a belief to an evidence based conviction. In the same vein, we policymakers have to also reach out to researchers to learn from them and to facilitate their research.

We also heard about the response from the private sector on some of the policies that have been implemented. In some cases, these responses show that some of the policies are not what they are expecting from us as policy makers. And we all know that balancing public policy goals is not an easy task. This was particularly clear from discussion on the deployment of mobile financial services and banking agents. All of us as policy makers are accountable for the decision we take and the impact they could have in the financial system we oversee, and sometimes we need to be comfortable with the policy we dictate from different angles and different stages of our economic context. Regulation necessarily has an effect on market outcomes. Regulation should be the result of a consultative process and be nurtured with as good information as possible.

Better data has been a common term in several of the presentations we had. Data should not only inform us, but also help us to measure the impact of new policies.

We have had a substantial discussion about the challenges in the area of measuring financial inclusion.

Data resulting from surveys should be used to inform the design of public policies, conduct rigorous policy impact assessments and support the private sector in introducing appropriate financial products. The end outcome of improved measurement of financial inclusion should be financial sector development.

Access indicators from service penetration and account adoption are not enough to build a picture of financial inclusion. Measurement tools should also explore usage patterns and permanence of products.

We learned from those already conducting surveys and those that are planning to implement them. In the coming months, I expect to see a role of AFI on supporting the exchange of experiences and becoming a gateway for improving data collection.

Probably Anti-Money Laundering and Combating of Terrorist Financing international standards have been identified by policy makers as one of the most problematic regulatory framework for financial inclusion. In particular, "Know-Your-Costumer" and record keeping rules have been mentioned as examples of strict regulatory approaches.
Therefore, having the participation of the Financial Action Task Force in this policy forum has been, in my opinion, a milestone for AFI as an institution that could build bridges with other stakeholders that influence across the board.

This policy forum is the beginning of a policy dialogue with the AML/CFT standard setter. It adds to the list of challenges that we have ahead in which again AFI could become a conduit to merge the policy goals of financial inclusion with promoting a shift from informal to formal financial services. These two goals may convergence into an AML/CFT framework that actually fosters, not inhibits inclusion.

Financial Inclusion is not only a problem for poor people or developing countries, neither a rural versus urban presence of financial services, it is an economic development issue. We as developing economies could be teaching more advanced economies more advance on new ways to increase financial deepening.

One note of caution: Yesterday it was noted that our inclusion policy thinking has not been noticeably affected by the international financial crisis. We must not get carried away with our inclusion goals and forget the foundations of a safe and sound financial system: robust procedures for deposit taking and prudent lending practices. We would do a major disservice to inclusion if we fail to enforce the appropriate prudential rules, for the sake of advancing our inclusion goals faster than it is feasible.

Along the discussions, we have identified common themes that are present in most public policy objectives. Each of them could be incorporated into a working definition for financial inclusion. And it will make a lot of sense to ask AFI to promote a universal definition for financial inclusion which could give us a reference point. Therefore, I would like to initiate this process by proposing a working definition:

We understand financial inclusion as an efficient access to and appropriate use of a full portfolio of financial services including savings, credit, insurance, payments, pensions and securities, which is enhanced through the mechanisms of financial education and consumer protection, and supported by appropriate regulation.

I am confident that this seminar will be the first of several opportunities where we can meet and continue building AFI as a community of resources.

Finally, let me thank all of you for being here; including AFI's strategic partners. We value the potential that AFI has for connecting policy makers with the right partners on pursuing our goals.

I also want to express my appreciation to Central Bank of Kenya, Governor Professor Njuguna Ndung'u, and his staff for the impressive effort made to carry-out this forum. Our gratitude goes to the Bill and Melinda Gates Foundation for supporting this initiative.

I thank you very much for your attention.

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