



April 11, 2012

Fifth meeting of the AFI Mobile Financial Services Working Group (MFSWG), 11-13 April, Moscow, Russia

Opening remarks by Alfred Hannig, Executive Director, Alliance for Financial Inclusion

I would like to thank the Russian Ministry for Economic Development (MED). MED was not only one of the first AFI members and grantees, but also has been a dedicated member from the start, and made major strides in creating agent bank regulations in Russia with substantial impact for the unbanked. The AFI community is keen to learn from MED's case. AFI feels privileged to be able to use the premises of the Ministry and we are looking forward to the Russian dinner hosted by the Ministry tonight.

I would also like to thank the Russian Microfinance Center, in particular Mikhail and Olga, for the fantastic support for the Moscow meeting. Mikhail has been visionary in his support of AFI, even when it was not yet created and when we were still in discussions with funders.

I would like to welcome:

The Russian G20 co-chair, Ana Zelentsova; the latest members of the **Mobile Financial Services Working Group** (Banco do *Moçambique*, National Bank of Rwanda, and the Ministry of Economy and Finance of Senegal); and the representatives from other AFI working groups (Belinda, Chair of the CEMC Working Group, and Rochelle Tomas, representing the Financial Inclusion Measurement and Data Working Group), both from BSP, an AFI Champion. Thank you for all of your efforts.

I would also like to welcome expert participants from the World Bank, GSMA, CGAP, Bankable Frontier Associates and GIZ.

On another note, Merle would have loved to be with us here today and sends her regards but she is currently on maternity leave. Our colleague Denise Spaul will support the MFSWG in her absence until her return in September.

The AFI Mobile Financial Services Working Group (MFSWG)

AFI is delighted to see this working group growing; it now represents one of the biggest and most dynamic AFI working groups. This expansion also meant that we had to make a change in the sponsorship policy, and the decision was made to sponsor only one participant per institution and those who are making contributions to this meeting. This decision policy aims to encourage participation from many AFI members - the success of this group lies in your hands and relies on inputs from all of you. AFI exists to help support and implement your decisions and action plans.

I want to congratulate all of you, for the production of highly relevant deliverables. I was impressed when reviewing the Guidance Notes that were submitted by members. The quality of these products demonstrate how seriously the members take their roles in the group, and I am looking forward to tomorrow's discussion about how we can use these products not only on a domestic level but also within the wider community and beyond. Certainly these products will be presented at the next GPF in Cape Town in September.



Update on current developments at AFI:

1. The Member Zone is up and running. Please make use of it.
2. We are currently preparing for the second phase of AFI, and the Bill & Melinda Gates Foundation has finalized its strategy refresh. In the future, the Foundation will put more focus on digital payments systems and financial services which is in line with policy developments within the AFI network, with the working groups playing a key role in AFI's evolution into a policy clearing house. Working groups are indeed the core of AFI.
3. AFI will further regionalize its operations. The Zanzibar Forum on MFS Policy Issues was our first and highly successful regional event. The follow-up will be the Africa Mobile Financial Services Policy Initiative (AMPI), to be governed by an African Leaders Roundtable. Together with our members, we are planning similar events in Asia (with BI at the ASEAN meeting) and in Latin America (with Central Bank of Ecuador on mobile finance and payments systems). In all this we strengthen the links with the private sector.
4. AFI will become an independent institution: discussions will take place at an extraordinary Steering Committee Meeting in D.C. next week.
5. The Maya Declaration has been a great success! Up to now, 21 countries have made a commitment, and several other members are preparing their own commitments. Some of the members will come with us to the G24/AFI meeting at the Spring Meetings in D.C. next week, and others will join the G20 Los Cabos Summit to present their progress and to be recognized for their efforts. Most importantly, at the next GPF, members' progress will be reported and new commitments will be made. We are also looking for ways to invite non-policymakers from civil society, including the private sector, to provide input on how to support the Maya Declaration.
6. Work with SSBs: AFI attended the Basel high-level meeting with the heads of the 5 SSBs, Princess Maxima, representatives from Brazil and Mexico, and major stakeholders such as World Bank, IFC and AFI. We suggest that an invitation be extended by the working group to BCBS and CPSS representatives to attend our next meeting. Any thoughts?
7. G20 GPFI: As you are aware, AFI as an implementing partner is working under the principles and SSBs. AFI systematically links activities to the G20 principles, including case studies, the Maya Declaration (due to the four areas that the Declaration supports), and its focus on concrete implementation through reform initiatives. The current collaboration is focused on supporting the peer learning program on financial inclusion strategy proposed by Mexico and supported by the World Bank as an additional implementing partner. GPFI is currently clarifying the approach and we are in discussions on how we can collaborate. Under Data stream,



core indicators have been used which provided great input. Rochelle from BSP will report.

Finally, allow me to provide an outlook on the future:

A lot remains to be done, and the challenge is second generation MFS. Current deployments of mobile financial services are focused on “first generation” products. “First generation” products focus on remittances, airtime top-up, and bill payments. These services are in high demand by the poor and offer strong enough margins to build the distribution networks in remote, underserved markets such as rural areas. Mobile payments offer the poor not only more physical and material security in their daily lives; they also reduce the transaction costs in providing other financial and non financial services such as savings, credit, insurance, electricity, water, and even fee-based education services, all of which are more risky and expensive to provide in a purely cash-based ecosystem.

That said, access to payments is just the first stepping stone to broader financial inclusion, and without ubiquity in mobile payments, “second generation” financial products are not as viable. “Second generation” products expand beyond payments by offering micro-savings, micro-credit, and micro-insurance products. Such services have the potential to be transformational (increased outreach brings new clients into the financial system) by lowering the costs to both providers and clients, and are enabled to reap the full benefits of mobile financial services from a macroeconomic growth perspective, that is, financial intermediation through their product range. Nevertheless, the regulatory challenges for “second generation” products are more extensive due to the nature of the products (e.g. deposit-taking, interest-charging) and their underlying risks (e.g. credit risks, liquidity risks, interest rate risks). Therefore, as previously mentioned, wide-scale adoption and a broader product range have yet to be achieved. I would be happy if the working group could take up this challenge.

Finally, I want to express my personal gratitude to everyone in this room for making an event like this happen. We are aware that this is quite an effort for all of us, but we are certain that it pays off. I am sure that we are all looking forward to a great working group meeting. The agenda looks great, and I am personally very excited to listen to the experiences and success stories. Let me thank our host again, and wishing everyone all the best!