

Financial Inclusion Initiative for Latin America and the Caribbean (FILAC) Launch *Welcome Remarks by Carolina Robino, Senior Program Officer* *International Development Research Centre (IDRC)*

Intercontinental Hotel, Cartagena, Colombia, 15 November, 2016

Thank you everyone for being here today. I am very pleased to welcome you all to the launch of the Financial Inclusion Initiative for Latin America and the Caribbean (FILAC). My name is Carolina Robino, and I am Senior Program Officer at the Inclusive Economies program area of Canada's IDRC.

For those of you not familiar with IDRC, we are the International Development Research Centre. We are a Canadian Crown Corporation. The research we fund helps to advance Canada's international development priorities.

We focus on creating new knowledge and innovative solutions to address some of the most pressing challenges facing developing countries, such as inequality and poverty; to ensure that future development is more robust and reaches those on the sidelines. In the Inclusive Economies area we work to establish more dynamic economies with opportunities for the most vulnerable.

IDRC is unique in that beyond investing in research, we also build research capacity. We develop collaborative partnerships that ensure research findings get into the hands of those who can best use them: Our partnership with the Alliance for Financial Inclusion is a leading example of this: connecting research with policymakers that can act upon it to foster large scale positive change.

Fostering financial inclusion fits naturally as one of our areas of interest. Research has shown that access and use of financial services, can benefit the poor and marginalized, especially women. Access and use of appropriate financial services is an important step in helping people escape poverty and reduce vulnerability.

I am sure I do not need to convince this audience about the relevance of financial inclusion as a tool for prosperity and inclusion for all, but very briefly let me share a few findings including from research supported by IDRC:

-From a micro-level perspective research shows that financial services help people manage risks, they provide a safe place to save money for emergencies, and to invest in education or realize small business opportunities. In particular, women financial inclusion allows women to invest in themselves, in their families and in their communities. When women have access and can use

financial services they save for the future, pay for educational and health expenses, put money for small business and it leads to enhanced empowerment through greater control of their finances and self-esteem. An under researched area, financial inclusion can mainstream the informal into to the formal economy.

And for business, the excluded from accessing and using formal financial services represent an untapped segment of the market.

-From a macro level perspective research demonstrates that financial Inclusion is positively associated with economic growth.

And, going back to financial inclusion and women economic empowerment, there is strong evidence that gender equality and women empowerment can promote economic growth (including by the GROW program, one of the world's largest research programs on women economic empowerment which is led by IDRC).

So, financial inclusion is a key ingredient of inclusive growth. BUT: While there has been progress in financial inclusion, significant barriers remain and, globally, this leaves more than 2 billion excluded from accessing formal financial services; and women, the poor and those living in rural areas are overrepresented.

While the percentage of women with an account has increased, a significant gender gap persists. The gender gap in developing countries remains stagnant at 9 percentage points. This suggests women face barriers that men do not in accessing financial services. In LAC, while progress has been made, less than 50% percent of women have a bank account.

Solutions and opportunities

There is a growing momentum around ongoing global, regional and national level efforts and platforms to promote financial inclusion, there is an opportunity to move the agenda forward and reduce the gaps in terms of access and use of appropriate financial services for the most vulnerable.

I would like to highlight four opportunities to foster large scale financial inclusion with some examples and findings from IDRC supported research:

1) Government to people payments can be a tool for large scale financial inclusion. As an example, IDRC-supported initiatives particularly in Latin America have shown that linking social protection with financial inclusion can be an effective way to promote greater financial outreach. The region has made significant progress on this but it is critical to link 'accessibility' with 'use' of financial services. Just 25% of account holders use formal saving methods. A pending task is how to enhance use of accounts at large scale. Both the supply and demand side require more attention. Findings show that incorporating financial education components in existing social programs reinforces proper and effective usage of financial services. IDRC partners working on this will

share during this conference some of the experiences and how regulatory frameworks can foster this.

II). Digital financial services (DFS) offer an opportunity for financial inclusion to reach billions. DFS using mobile phones have been launched in more than 80 countries with significant advances in accessibility and affordability.

Research carried out by IDRC partners, and some of them are here as well, have rendered valuable lessons on this, including some contradicting common wisdom:

(a) Penetration of mobile infrastructure is not necessarily a precondition for DFS to succeed. [In Philippines and Kenya mobile banking flourished with a very low (below 20%) penetration of mobile services.]

(b) Widely available formal banking does not seem to diminish the value of mobile alternatives. In fact, the volume of potential customers (those unbanked or excluded from commercial banking) does not appear to be a driver of mobile banking success.

(c) Studies have also found no consistent pattern in the strength of financial systems across countries where mobile banking has succeeded.

(d) And a key issue for this conference: Because of the speed of technological advance in many cases regulatory frameworks lag behind technological advances and policymakers are often playing “catch-up”: The challenge is striking the right balance where regulation does not hinder useful innovation and experimentation and permit DFS to expand and thrive while managing risk and ensuring that appropriate supervision and consumer protections are in place. This is a key topic for this event and also the training workshop developed in partnership with Master Card.

III). Working with the private sector is also recognized as a need and opportunity but much progress needs to be done in terms of sensitizing and incentivizing financial institutions as a key part of the solution. Everyone refers to the business case, but more evidence is needed on whether there is a business case for providers. How can data (including sex disaggregated data; differentiating customer segments) be used to attract providers and develop appropriate products?

Strengthened private and public sector collaboration is required and National Financial Inclusion Strategies could also be a space for this.

IV).Collaboration:

To tap into these opportunities we need platforms of peer-learning and coordination such as those by the Alliance for Financial Inclusion to help connect local and global efforts and learning.

The experience in Latin America and the Caribbean is rich and diverse and there is a huge opportunity for joint learning. As an example: Are there countries that are showing gender parity? What are they doing differently? What can we learn from them? And there is also great potential to learn and share lessons from other regions.

Because we at IDRC share AFI's commitment to achieving greater financial inclusion we have entered into a three-year partnership that will develop new knowledge and foster peer learning in the areas I mentioned above which include gender and financial inclusion, financial literacy, data, digital financial services.

AFI's Denarau Action Plan supports the development and implementation of policies and regulations by AFI's members to foster an enabling environment for women financial inclusion. It highlights the role of research, data, measurement and evaluation. By brokering relationships between researchers and AFI members, we hope the IDRC – AFI partnership will help advance on this.

To catalyze policy and regulatory reforms that address financial inclusion, the partnership supports AFI's regional policy peer learning platform in Latin America and the Caribbean—the Financial Inclusion Initiative for Latin America and the Caribbean (FILAC), which we are here to launch.

The vision of FILAC is to promote inclusive and sustainable growth and poverty reduction through sustainable financial inclusion policies.

I am extremely proud to represent IDRC at this event and to have the opportunity to work close with AFI more broadly and FILAC in particular to realize this vision.

We hope the AFI IDRC partnership will support cross fertilization of ideas between policy-makers and researchers.

I do want to express my sincere gratitude and appreciation to the AFI team and all of you who have come from near and far to join us in these discussions. Also, I hope that this sharing and exchange of ideas will continue beyond these days in Cartagena through your active engagement in FILAC and AFI.

I wish FILAC and AFI lots of success.