



**2016 GLOBAL POLICY
FORUM (GPF) REPORT
BUILDING THE PILLARS
OF SUSTAINABLE
INCLUSION**

CONTENTS

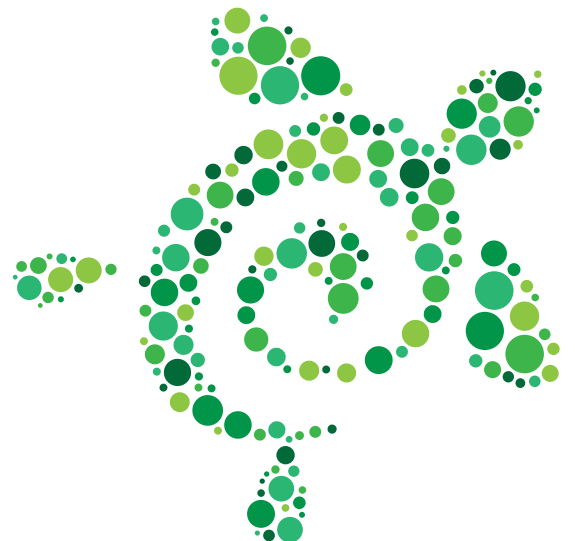
Foreword	3
GPF in Pictures	5
Annual General Meeting	6
Reglab: A Special Session on Innovative Financial and Regulatory Technology	7
Regional Meetings	8
GPF Opening Ceremony	9
The Pillars of Sustainable Financial Inclusion	10
AFI Marketplace	12
Amazing Academia: The Value of Research for Financial Inclusion	13
Stealth Ops: The \$80 Trillion Business of Shadow Banking	14
Changing Behaviors? Linkages between Behavioral Economics and Financial Inclusion	15
Beyond Mobile Money: New Services for Effective Financial Inclusion	17
3.52 Billion Women: Reaching the Unbanked	18
Finding a Balance: Regulatory Approaches to Big Data	19
The Role of Telecom Regulators in Supporting Digital Platforms for Financial Inclusion	20
The Long Road Traveled: Inclusive Finance for Refugees	22
Public Launch of the AFI Data Portal	23
The More You Know! Financial Inclusion Quiz	24
Fiji's Financial Inclusion Journey	26
A Snapshot of Fiji's Financial Inclusion Achievements	28
The Pacific Island Regional Initiative (PIRI) Journey	30
The Pyramid of Prosperity: Achieving an Inclusive World	33
Re-Risking the De-Risked	35
Tech takes MSMEs: Regulatory Approaches to Innovative MSME Financing	37
Sowing the Seeds: Opportunity to Advance Leadership on Green Finance	39
No One Left Behind: Making the Case for Inclusive Insurance	41
Closing the Gender Gap	42
Outcomes of the 2017 GPF	44
Denarau Action Plan on Gender and Women's Financial Inclusion	45
Announcement of Maya Commitments	47
GPF by the Numbers	48
Closing Ceremony	50

FOREWORD

There was much to celebrate as members of the alliance gathered at the 2016 Alliance for Financial Inclusion (AFI) Global Policy Forum (GPF) in Nadi, Fiji.

Co-hosted by the Reserve Bank of Fiji, the eighth annual GPF was the first to be held since AFI became a fully independent organization. It was also the largest GPF ever held, attracting over 500 senior financial inclusion policymakers, regulators and leaders from the AFI network and beyond.

The 2016 GPF also marked the fifth anniversary of the Maya Declaration, with members making new and renewed commitments to amplify and accelerate financial inclusion in their countries. Six additional members made commitments for the first time, bringing the total number of members with Maya Declaration commitments to 62.



FOREWORD CONTINUED

With the world now turning to Financial inclusion as an essential development tool, the AFI network is well positioned to make great leaps towards reducing the unbanked and improving the lives of the poor. In recent years, the rapid progress and measurable success of financial inclusion has shown how it is integrally connected to broader sustainable economic development priorities. This is why financial inclusion is a key part of the United Nations (UN) 2030 Agenda and an important enabler of the Sustainable Development Goals (SDGs).

The theme of this year's GPF, Building the Pillars of Sustainable Inclusion, invited AFI members, partners and stakeholders to discuss financial inclusion policy through sessions which focused on eight pillars that Alliance see as critical to supporting sustainable financial inclusion policies and development around the world.

These pillars play a pivotal role in ensuring that financial inclusion progress is achievable and sustainable:

- > Gender and Women's Financial Inclusion
- > Green Finance
- > SME Finance
- > De-risking and Re-risking
- > Financial Inclusion Data
- > Technology and Innovation
- > Consumer Empowerment
- > Partnerships

Each of these pillars represent an essential element of AFI's work, but it is how they work together that always been the key to making advances in the field.

One of these pillars took center stage at the 2016 GPF: gender and women's financial inclusion. Picking up the

inspiring discussions that began at the 2014 and 2015 GPFs in Port of Spain and Maputo respectively, this year's forum culminated in the adoption of the Denarau Action Plan: The AFI Network Commitment to Gender and Women's Financial Inclusion. This 10-point Action Plan will be overseen by the newly formed AFI Gender and Women's Financial Inclusion Committee (GWFIIC).

Other highlights included:

- > Launch of the Financial Inclusion Initiative for Latin America and the Caribbeans (FILAC)
- > The launch of an AFI special report on de-risking and re-risking
- > The decision to examine the interlinkage of green finance and financial inclusion in the AFI network's work streams
- > The public launch of the AFI Data Portal (ADP)
- > The introduction of AFI's new website
- > The signing of a Memorandum of Understanding between AFI and the International Telecommunication Union (ITU).

The GPF was also an opportunity to showcase the latest technologies and innovations in financial inclusion, the experiences and successes of AFI members in meeting their Maya Declaration commitments and the fascinating work being done by AFI members in the Pacific Islands Regional Initiative (PIRI) to strengthen financial inclusion across the region.

Finally, the 2016 GPF was a chance to reflect on AFI's journey to independence, celebrate this historic milestone and consider the new challenges and opportunities facing the AFI network as a global policy leadership organization.

AFI members, partners and stakeholders look forward to continuing these conversations and exploring new themes at the 2017 GPF, which will be hosted by the Central Bank of Egypt.



"The network renewed its effort to promote financial inclusion in the year ahead to sustain progress in reaching the goal of access to, and usage of, quality financial services for all individuals, households and small businesses."

Benno Ndulu
Governor of the Bank of Tanzania (BOT) and Chair of the AFI Board

GPF IN PICTURES



The 2016 Annual General Meeting (AGM) was AFI's first as an independent member-owned institution.



Following its registration as an International Organization under the International Organizations (Privileges and Immunities) Act of the Laws of Malaysia on 27 January 2016. The AGM was chaired by Governor Benno Ndulu of the Bank of Tanzania and opened with welcoming remarks from Governor Barry Whiteside of the Reserve Bank of Fiji, and Alfred Hannig, AFI Executive Director.

The AFI Management Unit presented the Management Report for the period of September 2015 to August 2016. The report focused on AFI's strategy and performance, outlining the strategic objectives, key performance indicators, key challenges and strategic outlook beyond 2016 based on seven pillars: capacity building, policy and regulatory guidance, global commitments, impact, global voice, funding, and innovation. The AFI Executive Team also provided members with an overview of AFI's membership base, membership fee status and member services and benefits for 2017.

The AFI Executive Team and Budget and Finance Committee reported on AFI's mid-year financial performance and funding status for the period of 1 January to 15 September 2016.

The AFI Membership Council ratified the nominations of the Chair, Vice-Chair and members of the AFI Board of Directors, and approved the establishment of the Global Standards and Policy Committee. The Council also noted the establishment of the Gender and Women's Financial Inclusion Committee by the AFI Board of Directors. The AFI Membership Council approved the nominations of two new members of the Budget and Finance Committee: Palestine Monetary Authority and Banque Centrale des l'Afrique de l'Ouest (BCEAO).

The AFI Membership Council unanimously approved a proposal from the AFI Board of Directors and AFI Executive Team to amend the AFI Articles of Association to strengthen governance and enhance operational efficiency.

The AFI Membership Council also approved with great majority the adoption of the Denarau Action Plan, which is the AFI Network commitment to gender and women's financial inclusion. AFI members supported the motion to launch the AFI Data Portal (ADP) for public access, which will enhance the reach of the ADP and enable stakeholders to use and cite it as a key source of financial inclusion data.

REGLAB: A SPECIAL SESSION ON INNOVATIVE FINANCIAL AND REGULATORY TECHNOLOGY

MODERATOR

Kennedy Komba, Alliance for Financial Inclusion

SPEAKERS

Mackenzie Wallace, United States Agency for International Development (USAID)

PANELISTS

Deputy Governor Nestor Espenilla, Bangko Sentral ng Pilipinas

Assistant Governor Jessica Chew, Bank Negara Malaysia
Luis Siqueira, Banco Central do Brasil

There are a variety of ways to create regulatory frameworks that support the deployment of innovative financial technology for financial inclusion. But what are the potential risks of these technologies and how can regulators identify and address them before the technology is deployed? This special session held during the AGM featured the experiences of adopting innovative financial technology (FinTech) and regulatory technology (RegTech) in the Philippines, Malaysia, Brazil and the United States.

What is FinTech?

Financial technology or “FinTech” companies develop tools that aim to change how consumers pay, send money, borrow, lend and invest. These financial innovations have great potential to bring millions more into the financial system, but how can regulators keep up with the speed of innovation while also ensuring they meet financial inclusion goals?

What is RegTech?

Regulatory technology, or “RegTech” refers to a set of technology-enabled tools and solutions that regulators can use to supervise markets, protect consumers, enable innovation, and promote more inclusive marketplaces.



Deputy Governor Nestor Espenilla addressing participants

“As one scans the globe, we increasingly find the sources of financial innovation not in New York or London but in Nairobi, Bangalore, and many other cities in the developing world. As this financial innovation continues, emerging market regulators have an opportunity to become the regulatory pioneers and leaders.”

Mackenzie Wallace
USAID

How are regulators doing this? Mackenzie Wallace of USAID pointed to three new approaches being practiced around the world: collaboration, peer learning and technology-enabled.

How are AFI members adopting RegTech?

AFI members have explored different options for RegTech to support financial inclusion innovations. For instance, the Philippines, as an early adopter of FinTech, is working to address real-life issues such as data profiling (using data captured via FinTech), formally regulating Bitcoin as a remittance provider, and creating regulations on government digital surveillance. In Brazil, the regulator is encouraging innovation through proportionate regulatory frameworks for innovative financial services with a financial inclusion objective. Malaysia, on the other hand, has an elaborate FinTech and RegTech regulatory framework that ensures a systematic approach to address the risks and opportunities of embracing technology for financial services. Malaysia has applied specific guidelines to encourage a sandbox approach to test innovative financial services solutions.

Other early adopters in the AFI network applied a “test and learn” approach whereby regulators provided space to deploy digital financial services such as mobile phone financial services.

CONCLUSIONS

AFI members unanimously agreed that AFI should embark on a peer learning initiative for FinTech and RegTech, dubbed “Reglab”, to enhance members’ capacity to formulate and implement appropriate policies for innovative financial inclusion.

REGIONAL MEETINGS

AFI's regional initiatives met to hear updates from member countries, identify common challenges and priorities, and agree on action items and next steps.

Latin America & Caribbean Region

A major decision was taken by members from the Latin America and Caribbean (LAC) region to adopt a regional initiative called the Financial Inclusion Initiative for Latin America and the Caribbean (FILAC). FILAC, which will be formally launched in November 2016 in Cartagena, Colombia, will focus on four policy areas: digital financial services, data, women's financial inclusion and consumer empowerment and financial literacy.

Asia Region

Members outlined their policy priorities for 2017 and common themes emerged: demand-side surveys, national financial inclusion strategies and a focus on consumer education. Members heard the results of the 2016 Member Needs Assessment (MNA) for Asia. Value chain finance also emerged as one of the top three policy areas in Asia, which is unique among AFI member regions.

ECA Region

Members from the European and Central Asia (ECA) region agreed one common challenge was regulators keeping pace with evolving technology. All members present (Belarus, Armenia, Tajikistan and Russia) expressed interest in drafting a regional definition of financial inclusion and agreed that Russia would take the lead on this and share their definition to kick-start discussions.

PIRI

Leaders of the Pacific Islands Regional Initiative (PIRI) and members of the Experts Group on Financial Inclusion Policy (EGFIP) concluded their meeting with members recognizing the importance of a demand-side survey, which forms the basis of the financial inclusion strategic plan that has made gender and reaching the unbanked key priorities.

Members also acknowledged the importance of green finance given the region's vulnerability to the impacts of climate change. All seven central bank governors from PIRI were present at the meeting, including Deputy Governor

Gane Simbe (CBSI), Chair of the EGFIP. University of New South Wales (UNSW) Professor Ross Buckley presented the design of the Regulatory Diagnostic Toolkit (RDT) for analyzing regulatory frameworks for digital financial services in emerging markets. The Pacific Financial Inclusion Programme (PFIP) presented an update of PFIP's progress, including the way forward in the region for PIRI members' consideration. Members concluded their meeting with the announcement of the next host of the PIRI regional forum in 2017: Bank of Papua New Guinea.

Africa Region

AFI members from Africa adopted a "Cooperative Arrangement Framework with Telecommunications Regulators" for DFS. The Framework encourages financial regulators in Africa to take the lead in formalizing regulatory cooperation with telecom regulators to avoid market distortions by regulatory conflicts. They highlighted the importance of using the Framework as a way of encouraging cooperation between telecom and financial regulators, and as an element of a broader approach to strengthen the collaboration among the relevant stakeholders at a country level. AMPI Leaders also exchanged views on key findings of the 2016 AFI Members Needs Assessment for Sub-Saharan Africa and the G20 high-level principles for digital financial inclusion, and their implementation in devising national financial inclusion strategies in support of commitments under the Maya Declaration.



Regional Meeting-Asia



Regional Meeting-AMPI



Regional Meeting-PIRI

The 2016 AFI Global Policy Forum opened with a traditional Fijian welcome ceremony, setting the stage for two days of sharing and open dialogue on financial inclusion.



On behalf of the Reserve Bank of Fiji (RBF), Governor Barry Whiteside welcomed guests and participants to the first gathering of AFI in the South Pacific. He extended a special welcome to fellow Pacific Islands Regional Initiative members, which he said have been working together in a spirit of “collaboration, cooperation and passion” to strengthen financial inclusion across the Pacific Islands. “Although we are spread east to west over 7,000km of ocean, our knowledge sharing and bond grows stronger over time.”

GPF participants were then addressed via a video message by Melinda Gates of the Bill & Melinda Gates Foundation (BMGF), who applauded AFI members as a unique force in the movement for financial inclusion, singling out those who have begun to look at their data through the lens of gender and are working to close the gender gap in financial access. “Economies that include everyone,” she said, “benefit everyone.”

An engaging keynote address was delivered by the Honorable Prime Minister of the Republic of Fiji, Rear Admiral (Retired) Josaia Voreqe Bainimarama, who is also the Reserve Bank of Fiji’s champion for financial inclusion. Prime Minister Bainimarama told the story of Fiji’s financial inclusion journey and the critical role the RBF plays in ensuring that financial services, including credit, insurance and electronic transactions, are made more accessible to poor customers.

Guided by a green growth framework, a 20-year sustainable development plan, and a new constitution that guarantees a range of social and economic rights, Fiji’s government is committed to bringing more people into the mainstream financial system and building a more secure financial future for its people, especially those most affected by climate change. Its target for 2020 is to increase access to financial services from 65% of all adults to 85%, with women accounting for 50% of this number.

Following the Prime Minister’s remarks, the 2016 Global Policy Forum was officially opened with the traditional ringing of the GPF ceremonial gong, welcoming all participants to the GPF.

“We are determined to leave not one behind in our journey as a nation. An inclusive society can only be achieved when there is an appropriate national framework in place.”

Rear Admiral (Retired) Josaia Voreqe Bainimarama
Honorable Prime Minister of the Republic of Fiji

THE PILLARS OF SUSTAINABLE FINANCIAL INCLUSION

MODERATOR

Dr. Daniel Schydlowsky, Kennedy School of Government, Harvard University

PANELISTS

Alfred Hannig, Alliance for Financial Inclusion
Vice Governor Monique Nsanzabaganwa, National Bank of Rwanda

Aiyaz Sayed-Khaiyum, Minister of Economy, Republic of Fiji

Gloria Grandolini, World Bank Group

Jason Lamb, Bill & Melinda Gates Foundation

Shawn Miles, Mastercard

It is now well recognized that financial inclusion is a key part of the UN 2030 Agenda and the Sustainable Development Goals, particularly those related to ending global poverty, achieving gender equality and ensuring environmental sustainability. How can we ensure financial inclusion is contributing as fully as possible to this ambitious global agenda? In this session, panelists discussed how AFI members can intervene to amplify financial inclusion and fulfill global development objectives.

Seen as a key enabler of at least eight of the 17 Sustainable Development Goals (SDGs), financial inclusion will contribute heavily to the development objectives of the UN 2030 Agenda. However, policymakers face some persistent challenges, such as reaching last mile consumers, closing the financial inclusion gender gap and dealing with the threat of de-risking. This session discussed how AFI members can address these challenges and intervene to support the SDGs.

Innovative Technologies & New Partnerships

Technology and digitization have a major role to play in making financial services more accessible and affordable, driving broad and sustainable economic growth and forging new partnerships with innovative industry players. By scaling up digital payments and mobile loans, sharing infrastructure like national switches and expanding the number of ATMs, the cost of electronic transactions can be lowered and attract more users.

Jason Lamb of the Bill & Melinda Gates Foundation highlighted important findings of recently released research which suggests digital financial contribution can contribute an additional 6% to GDP growth in emerging economies. Identifying policymakers as the drivers of sustainable growth in their economies, he suggested the way forward should be digital payments, savings and investment, national IDs, creating dynamic markets and supportive growth policies, and innovating the right products and services, particularly for women.

Replacing Cash with Digital Payments

“Cash,” said Shawn Miles of Mastercard, “is our biggest competitor.” With 85% of all transactions globally still performed in cash, at a cost to governments of up to 1-3% of GDP, driving up affordable electronic payments is critical to expanding access to finance. Maya Declaration commitments from the public sector and public-private partnerships provide a foundation to move forward, and are critical to understanding customer behavior, getting KYC right, and designing programs that add quality to people’s lives. For its part, Mastercard has made a commitment to add 40 million new merchants (including small and micro merchants) and bring 500 million new consumers into the financial mainstream by 2020.

Evidence & Innovation

In just the last six years, Rwanda has seen massive gains in financial inclusion. Formal financial inclusion has climbed dramatically to now include 68% of the population, total exclusion has dropped to 11% and the percentage of women who are financially included has doubled to 63% (although there is still a gender gap of 11%, two percentage points higher than the global average). Gathering this evidence, said Vice Governor Monique Nsanzabaganwa of the National Bank of Rwanda, is one of the pillars of sustainable financial inclusion because it sets a baseline and helps with monitoring and accountability.

The other pillar, she said, is innovation. Working with Savings and Credit Cooperatives (SACCOS) at the grassroots, enacting an agent banking regulation that protects consumers, practicing transparent product pricing and requiring financial institutions to report on the gender composition of their clients are all helping to institutionalize and build capacity for financial inclusion, make institutions more accountable to their customers, and create champions and new partnerships.

Driving up GDP

“By 2025, financial inclusion will increase growth in an average emerging economy by 6%, which translates into USD 3.7 trillion globally. That is the impact and reach of financial inclusion.”

Jason Lamb

Bill & Melinda Gates Foundation



Dynamic panel discussions for session on Pillars of Sustainable Financial Inclusion

Closing the Gender Gap

With a global average of 9% more women excluded from the financial system compared to men, according to Global Findex, the gender gap is a global challenge that cannot be left to the market, nor can we assume the gap will close just because it is part of a national strategy. To serve unbanked women and close the financial inclusion gender gap, Gloria Grandolini of the World Bank pointed out, “We need specific approaches and specific measures tailored to each country, based on its circumstances.”

Fiji decided it would not leave it to the market, and enshrined gender equality and the right to economic participation in its constitution, creating a level playing field and enabling those who are excluded to participate in the market. “We talk about gender empowerment,” said Fiji’s Minister for Economy Aiyaz Sayed-Khaiyum, “but it has to be followed up with practical laws and regulations.”

What is the biggest remaining challenge for sustainable financial inclusion in the next 15 years?

- 19% Reaching last mile consumers
- 19% Closing the financial inclusion gender gap
- 16% Ensuring the capacity of regulators to keep pace with and leverage technology
- 18% Protecting and delivering quality services to consumers new to formal financial services
- 18% Ensuring financial inclusion complements the global sustainability agenda
- 11% Dealing with the threat of de-risking by financial institutions



AFI Members making their votes count

FINANCIAL INCLUSION AND THE SUSTAINABLE DEVELOPMENT GOALS (SDGS)

47% Financial inclusion is an enabler of at least 8 of the 17 SDGs

3 GOOD HEALTH AND WELL-BEING
Digital government payments contribute to GOAL 3 on Healthy Lives and Well-Being

10 REDUCED INEQUALITIES
Remittances and insurance contribute to GOAL 10 on Equality

1 NO POVERTY
Increasing financial inclusion for individuals contributes to Goals 1, 2, 3, 4, 10

2 ZERO HUNGER
4 QUALITY EDUCATION

3 GOOD HEALTH AND WELL-BEING
10 REDUCED INEQUALITIES

5 GENDER EQUALITY
Greater access to finance for small and medium sized enterprises contributes to Goals 5 and 8

8 DECENT WORK AND ECONOMIC GROWTH

13 CLIMATE ACTION
Given the interrelationship between financial inclusion and green finance, financial inclusion will also contribute to Goal 13 to stem, and mitigate the impacts of, climate change

The AFI Marketplace showcased AFI services, programs and latest platforms, giving members and other stakeholders the opportunity to talk to AFI staff and learn more about how they can benefit from AFI's offerings.

Working Groups, the online AFI Member Zone, Capacity Building Programs and the AFI Data Portal were all popular booths. Representatives from the Bank of Tanzania and Reserve Bank of Fiji were on hand to share their experiences and answer questions about AFI's Peer Advisory Service and assist their peers in logging on to the AFI Member Zone respectively. The Maya Declaration stand was also very prominent, managed by representatives of Bank Negara Malaysia and Banco de Moçambique.

The Marketplace featured two important new platforms launched at the 2016 GPF: AFI's engaging and user-friendly website and a live demonstration of the AFI Data Portal, a unique and integrated global database on financial inclusion policies, regulations, targets and outcomes. Available to members since April this year, the AFI Data Portal was launched to the public at the 2016 GPF, allowing AFI's partners and stakeholders to access this extensive financial inclusion database for the first time.

AMAZING ACADEMIA: THE VALUE OF RESEARCH FOR FINANCIAL INCLUSION

MODERATOR

Ahmed Dermish, United Nations Capital Development Fund (UNCDF)

PANELISTS

Deputy Governor Nestor Espenilla, Bangko Sentral ng Pilipinas

Prof. Ross Buckley, University of New South Wales (UNSW)
Doubell Chamberlain, Centre for Financial Regulation and Inclusion (CENFRI)

Amina Tirana, Visa Inc.

Julie Zollmann, Bankable Frontier Associates

Research is often seen as an expense item, but a cost-benefit analysis of well-conducted research suggests that the benefits of investment in policy relevant research are long term and significantly outweigh the costs. In this session, panelists described these benefits and reported on research findings that have had a direct impact on policy decisions and regulation for financial inclusion.

Research provides us with answers to many issues and sometimes reinforces information we already know. When financial inclusion policies, products, and business models are developed based on research and data, we make more informed choices and better decisions. They can also help us to look at problems differently and understand the demands and challenges of evolving markets.

The Benefits of Research for Central Banks

Central banks tend to conduct small-scale research into specific policy issues and depend on research institutions to provide them with detailed research reports. The main challenge for central banks is capacity and resources – there is a lot of research out there, but collating it requires gathering information from multiple organizations. A new diagnostic toolkit is helping to do this. Prof. Ross Buckley of University of New South Wales described how this research tool is helping central banks assess the policy and regulatory landscape, identify gaps in the regulatory environment, test these gaps against evidence, and then make informed decisions. “We need to collect more evidence to find out what we think is really missing.

BANGKO SENTRAL NG PILIPINAS

Research has helped to make proportionate decisions, refine strategic thinking, test whether policies and regulations were being implemented on the ground, and provide insight into whether financial inclusion is contributing to or detracting from central bank mandates.

“It is difficult to make policies for people you do not understand or do not know exist.”

Julie Zollman

Bankable Frontier Associates

There may be a particular regulation that is making the provision of services expensive. This is very country-specific. Laws have to be organic, they have to grow up in the country they are produced in.”

Research Finding: Living on the Cusp

Across Africa, there has been a reduction in the number of people classified as poor, but research by FSD Africa found that about one-quarter of Africa’s population (227 million people) are living on the cusp between poverty and middle class. Getting by on \$2-5/day, “cuspers” are increasingly urban, active earners who straddle the formal and informal economy and are quite financially vulnerable. Cuspers tend to churn within their own group - they have moved out of poverty, but have not been able to make the next step up.

The research also showed that, unlike those living in poverty, this emerging class tends to benefit from a diverse suite of financial products. For example, an informal loan of USD 100 to a young woman in the cusp group helped to transform her life. Thanks to this research project, African policymakers are developing a better understanding of the role of credit in the upward mobility of this group and the importance of adding healthy credit to severely underloaned markets.

Research Finding: Small Merchants are a Path to Financial Inclusion

There are more than 180 million micro and small merchants across developing markets (95% micro, 3% small and 2% medium) producing more than 4.5 billion daily transactions with underserved people worth USD 6.5 million per year. About 55% of these customers do not have a bank account. Working through these merchants is a path Visa has chosen to enhance financial inclusion. However, Amina Tirana, Senior Director of Government and Partnerships, identified several hurdles: inadequate physical and information infrastructure (especially in rural areas), a lack of appropriate incentives, and government policy and regulations that impede the growth of merchant acceptance.

Providing a Common Language

CENFRI is an independent think tank that looks at evidence from emerging countries to determine how countries are complying with regulation. “Countries with better evidence,” said Managing Director, Doubell Chamberlain, “have a better process for promoting financial inclusion.” CENFRI also represents consumers, whose voices and issues are often poorly represented in the research process. “Do banks and regulators have insights into consumers, despite having regular dialogues?” When different stakeholders sit across the table from each other, he said, they tend to speak in different “languages”. CENFRI provides a common language for discussion among stakeholders.

STEALTH OPS: THE \$80 TRILLION BUSINESS OF SHADOW BANKING

MODERATOR

Prof. Njuguna Ndung'u, University of Oxford

PANELISTS

Gertrudes Tovela, Banco de Moçambique
Deputy Governor Vladimir Chistyukhin, Central Bank of the Russian Federation
Greta Bull, Consultative Group to Assist the Poor (CGAP)

Shadow banking has become a big issue in many countries, especially in emerging economies where non-bank financial institutions provide financial services to large numbers of the unbanked or underbanked. However, shadow banking is a difficult issue to grapple with: definitions vary between countries, the relationship between shadow banking and financial inclusion is not always clear, and it is challenging to develop proportionate regulatory and supervision frameworks.

The Financial Stability Board (FSB) has estimated that, globally, the shadow banking system represents 25% of financial system assets, half of banking system assets and 120% of GDP. How do we address the issue of shadow banking in a way that mitigates systemic risk and regulatory arbitrage, adequately protects consumers, and avoids over-regulating parts of the non-bank financial sector that offer innovative solutions for financial inclusion?

Coming to a Common Understanding of Shadow Banking

One of the big challenges of shadow banking is defining what it is. Peer-to-peer platforms, which have seen enormous growth in China, have some aspects of shadow banking, as does digital credit delivered through mobile phones.

A NEW WAY TO DESCRIBE SHADOW BANKING

The first step in containing the negative consequences of shadow banking is addressing the negative connotations. In Russia, “parallel banking system” is now being used instead, which Deputy Governor Vladimir Chistyukhin described as a more positive and useful term.

To reach a common understanding of shadow banking, Professor Njuguna Ndung'u suggested comparing the features of shadow banking in each country and comparing experiences to understand the distinctions between shadow banking and informal finance. This would help to avoid regulatory arbitrage and to try to contain the negative consequences of shadow banking.

Regulating Shadow Banking

The main criteria for deciding how to regulate shadow banking should be whether there are risks to financial stability, liability and operational transparency, and if there are, there should be heavy but proportionate regulations. Identifying the risks is not straightforward though, particularly with digital financial services. As Greta Bull of CGAP pointed out, “Technology is making it difficult for regulators to understand where the risks are. We need tiered regulation and a conversation between regulators and industry.”

As for concerns about regulatory arbitrage, Deputy Governor Vladimir Chistyukhin pointed out this only occurs when the same product or service is offered by a more lightly regulated institution. In Russia, when banks do not have a presence in small villages, microfinance providers step in to fill the gap, but he said there is very little direct competition between banks and microfinance providers themselves.

In Mozambique, where 80% of the population is unbanked, the “shadow banking” sector consists largely of unregulated, informal village savings and loans schemes. Some are small 4-5 person schemes, others involve several hundred people. Some charge interest rates, others do not. There are both good and bad sides to this financial activity, said Gertrudes Tovela of Banco de Moçambique. On the one hand, it contributes to sustainable development and economic growth, but it offers no protection or recourse for consumers. It is therefore an urgent priority for the central bank to formalize and regulate these kinds of informal financial services, which would help to bring funds into the formal system, protect consumers and strengthen financial inclusion.

CONCLUSIONS

The session concluded with two recommendations: AFI should, through the Shadow Banking subgroup of the Global Standards Proportionality Working Group (GSPWG):

- 1 Develop a definitional guide for non-bank financial institutions to overcome the negative connotations of the term ‘shadow banking’; and
- 2 Collect experiences and ideas from all members and prepare a synthesis report on shadow banking.

CHANGING BEHAVIORS? LINKAGES BETWEEN BEHAVIORAL ECONOMICS AND FINANCIAL INCLUSION

MODERATOR

Kate McKee, Consultative Group to Assist the Poor

PANELISTS

Armenuhi Mkrtchyan, Central Bank of Armenia
Carolina Trivelli Avilla, Pagos Digitales Peruanos
Rosamund Grady, Financial Inclusion - Regulatory Design

How does evidence-based policymaking contribute to positive outcomes for low-income consumers? Two TED-style talks told the story of how AFI members from Armenia and Peru adopted a behavioral economics approach that ultimately led to smarter policies on consumer protection and financial education. Examples from the UK, US and Rwanda also showed how academics and policymakers are working together to better understand consumer behavior, consumer demand and social dynamics in low-income populations, and then use this evidence to create more tailored and useful credit products.

Armenia

In an effort to determine whether its transparency and disclosure rules were achieving their intended purpose, the Central Bank of Armenia (CBA) conducted an impact assessment that revealed some surprising results. Although CBA assumed that it should be dictating disclosure rules, focus groups and surveys showed that the kind of information regulators thought was important, for example, that penalties should be known in advance, were actually not. Indeed, it was found that consumers rarely pay attention to these details in the regulations and the CBA realized it did not have to be as strict about requiring such disclosures in the regulations.



Carolina Trivielli, Rosamund Grady, Armenuhi Mkrtchyan

“When financial education programs don’t work and code of conduct and disclosure policies do not work, we have to embed behavioral insights in our policies.”

Armenuhi Mkrtchyan
Central Bank of Armenia

“Making payments using bank accounts was insufficient to encourage rural women to use that account. Trust increased after the financial education program... It required a lot of resources and time, but it was worthwhile.”

Carolina Trivelli Avilla
Pagos Digitales Peruanos

The CBA also conducted an impact assessment of its financial education policy and campaigns to determine whether they were enhancing consumer behavior. It was found that only 24% of recipients of financial education programs really benefited in the long term, which prompted the CBA to revise the entire design of its financial education program to better meet the needs of customers.

Both impact assessments revealed important insights into consumer behavior and helped the CBA to correct and shape more effective policies. By using a behavioral economics policy to show evidence and make a good policy.

Peru

In 2005, Peru’s Ministry of Development and Social Inclusion began depositing bi-monthly social program payments tax-free into women’s accounts as long as they agreed to send their children to school. A small group of 350 women in rural areas were surveyed to see whether they were ready to use the bank, and found that although women needed bank accounts, they rarely used them because they were afraid to go to a branch and they were afraid their money would disappear from their accounts after a certain time. Another problem was that since the payment was bi-monthly, the women did not have much contact with the bank.



Active participant engagement at Changing Behaviors session

CHANGING BEHAVIORS? LINKAGES BETWEEN BEHAVIORAL ECONOMICS AND FINANCIAL INCLUSION **CONTINUED**

The Ministry realized that making payments into bank accounts was not enough to encourage rural women to use their account and launched a financial education campaign to build trust in the financial sector. They invited women to visit their local branch and received a voucher to check that their money was still there. Trust increased, and after two years, 21% of the poorest women in rural areas had begun to save. These women are currently being trained to use e-wallets and it is expected that more women will use this device in future.

United Kingdom

The UK’s Financial Conduct Authority uses behavioral insights to test new policy ideas and inform policymaking. This process takes time and resources, but evidence has contributed to improvements in credit and insurance law in terms of the amount of information customers need to review.

United States

The US has come a long way in this area. Three months ago, federal government agencies, including the Consumer Financial Protection Bureau (CFPB) adopted behavioral insights and consulted academics as part of their policy duties. The CFPB now has an academic advisory council that includes scholars and uses “nudge theory” to assess policymaking.

Rwanda

Similar to Armenia, focus groups were held in Rwanda with urban and rural women. Policymakers used behavioral insights to find a simpler way to disclose the compound interest of credit products.



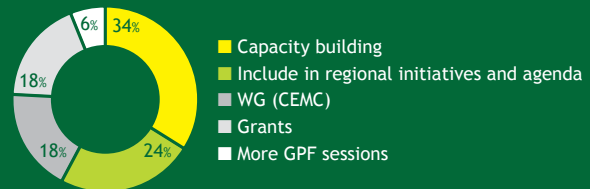
GPF Participants had the opportunity to express their views with both electronic and physical voting

CONCLUSIONS

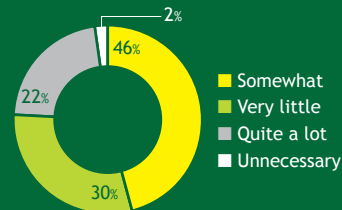
Behavioral economics is a topic generating a lot of interest from AFI members, and one objective of this session was to gauge whether members wanted to become more familiar with this area through new AFI services. In a vote, 97% (over 105 people) indicated they were interested in learning more, primarily through capacity building and regional initiatives. Rosamund Grady of Financial Inclusion - Regulatory Design suggested there could be opportunities for exchanges between AFI members and these countries, potentially including both behavioral research teams in-house and those from academia.

VOTING RESULTS

How do you think AFI could best help its members to become familiar with behavioral insights?



To what extent do your consumer protection rules and/or financial literacy programs rely on research findings and evidence on consumer experience?



97% of people indicated they were interested in learning more, primarily through capacity building and regional initiatives.



BEYOND MOBILE MONEY: NEW SERVICES FOR EFFECTIVE FINANCIAL INCLUSION

MODERATOR

Gerald Rasugu, GSMA

PANELISTS

Deputy Governor Ibrahim Stevens, Bank of Sierra Leone
Smita Aggarwal, Omidyar Network
Leon Perlman, Columbia Business School
Paul Thornton, Bank South Pacific
Sosthenes Kewe, FSDT Tanzania
Greg Kidd, Global ID
Luis Derteano, Adam Miló Credit Latam

Financial inclusion is about having a positive impact on the lives of the unserved and underserved. For years now, mobile money has given millions of unbanked people the ability to store, send and manage their money securely, but what new technologies and opportunities are on the horizon? This session explored how new mobile-enabled financial services are reaching more customers and some of the risks and challenges they bring.

The growth of mobile money in developing countries continues to be impressive, with more than 411 million mobile money accounts now in existence across 93 countries globally. Collectively an average of 33 million transactions per day are processed across these transactions. However, a mobile money account alone does not guarantee financial inclusion, as emphasis is now being placed on leveraging this channel to enable clients to access a full range of financial services that meet their needs, not only payments. New fintech players are also developing innovative products, for example, leveraging alternative credit scoring models to offer digital credit to consumers without formal credit histories.

As highlighted in the session, Papua New Guinea provides one such example of a market where digital financial services are being enhanced in innovative ways, for



Leon Perlman, Columbia Business School

example, with tablet technology issued for customer onboarding. For Bank South Pacific (BSP), 30% of transactions are conducted through mobile, and it is looking beyond the bottom of the pyramid to reach SMEs as well. A key challenge, however, is educating customers on how to use the technology. As Paul Thornton of BSP said, “Sometimes innovation is not about technology but about processes.”

Digital IDs

Another trend highlighted in the session was the increased leveraging of digital IDs, such as mobile numbers, biometrics, and user identities for Facebook and Twitter, which can all serve as customer IDs. However, according to Gregg Kidd of Global ID, a global standard for identification is still needed. In Peru and across Latin America, the business model for microfinance is undergoing a major change as more stringent customer identification is beginning to be required. The biggest risks to the banks are assessing the creditworthiness of clients and not knowing their credit officers.

Digital Footprints

Billions of people can be reached with credit through their digital footprint. Mobile phone records can be used to provide better credit assessments, particularly for people with no borrowing history. Messages can be delivered to mobiles to offer targeted personal financial services. Mobile and digital signatures can also be used for efficient claims settlement and paperless loan processes. As a channel and access tool, mobile has seen broad penetration, but as Smita Aggarwal of Omidyar Network pointed out, we now need to work on increasing usage of mobile money and mobile banking.

“I love the innovations, but we need to understand the risks surrounding these innovations.”

Deputy Governor Ibrahim Stevens
Bank of Sierra Leone

CONCLUSIONS

To expand the frontier of financial inclusion and make it more efficient, new mobile services need to be embraced. However, the market will only move if innovation is allowed to happen and systemic risks are properly managed and understood. Some challenges include financial literacy, examining best practices in facilitating proportionate client identification and verification, achieving interoperability, stakeholder collaboration, and developing an appropriate ecosystem for mobile money and mobile banking. Consumers also need to be educated about how new mobile services work and the terms and conditions, and innovators need to provide full disclosure of product terms and conditions. Regulators have an important role to play in building trust in the system.

3.52 BILLION WOMEN: REACHING THE UNBANKED

MODERATOR

Katherine Miles, AFI/UNCDF

PANELISTS

Governor Denton Rarawa, Central Bank of Solomon Islands

Deputy Governor Natu E Mwamba, Bank of Tanzania

Carolina Trivelli Avilla, Pagos Digitales del Perú

Sarah Iqbal, World Bank's Women, Business and the Law

Smita Aggarwal, Omidyar Network

Although much progress has been made towards full financial inclusion, there is a persistent gender gap in access to finance: globally, over 1 billion women do not have access to a bank account. Using a storytelling format, this session highlighted some of the successful policies and lessons that have been learned in various countries and regions, as well as the global barriers and challenges for women to access finance.

With a gender gap of nine percentage points in emerging economies since 2011, understanding the barriers women face in accessing finance is crucial. There is evidence that financial regulators and policymakers can play an important role in advancing women's financial inclusion, and although there are challenges that go beyond the scope of financial regulation, such as cultural norms, working collaboratively with a range of stakeholders will build the capacity and knowledge necessary to advance women's financial inclusion.

Women's Financial Inclusion: Shaping National Targets through Data

For the Central Bank of Solomon Islands, sex-disaggregated data has shone a light on the challenges women face in accessing finance. This data has informed the Bank's policy strategy and interventions, and shaped financial inclusion targets for women under the national financial inclusion strategy. Working collaboratively with key stakeholders, such as government agencies or the ministry responsible for gender, is also helping the Bank to address these barriers more effectively.

Closing the Gender Gap in Tanzania through Collaboration

Despite not having any gender-specific strategies in its 2013 National Financial Inclusion Strategy, Tanzania has been working with AFI over the past two years to review and integrate a gender-specific framework. Significant improvement has been made through the adoption of a digital finance strategy, better designed financial products and services, and sex-disaggregated data collection and research, all of which have helped Tanzania to craft high-impact policies. Financial education and literacy programs for women have also played a major part.

A Widening and Worrying Gender Gap in Peru

In Latin America and the Caribbean, women still earn on average 30% less than male counterparts. As Carolina Trivelli Avilla of Pagos Digitales del Peru explained, women who want to start a business face barriers to financial access and are more likely to fail than men. In Peru, this gender gap is widening and worrying. Although the gap is narrower for credit than financial products such as insurance and savings accounts, women's primary entry point into the financial sector is usually not credit, but savings accounts. Why? Research in Peru has found that financial products are not designed to meet the needs of women. Among women who opened an account, three out of four women (45%) stopped using the accounts two years after opening them, suggesting that the accounts were not meeting their needs.

Sarah Iqbal, World Bank, Women, Business and the Law

Laws and regulations can affect gender equality in many areas, including access to finance. For example in some jurisdictions women may be restricted in ownership of land or property, often needed as collateral to obtain credit, or may require their husband or a male family member to co-sign legal documents.

Smart Policies Unlocking Savings in India

India has reduced the gender gap, but it is still significant. The gender gap in access to financial accounts is 8%, while the gap in account usage is even wider at 14%. Over 280 million women in India are financially excluded, and across South Asia far fewer women own a mobile phone and are able to access digital financial services than men. However, smart policies are moving India in the right direction. Since the Prime Minister's People Money Scheme (PMJDY) was launched in 2014, 220 million new accounts have been opened within just two years, USD 6 billion of savings deposits was mobilized, 75% of new accounts remain active and 124 million new insurance policies have been issued.

Research by the Omidyar network estimated USD 40 billion could be saved by bringing more women in India into formal financial. The research also identified the need to better understand women's needs as they go through different phases of their financial lives – marriage, early motherhood, maturing households – and this varies across cultures, regions and countries. Designs of financial products and services that meet women's needs and are able to offer flexibility, liquidity and privacy are critical to advancing women's financial inclusion.

CONCLUSIONS

By sharing information about the practical policy solutions AFI members have implemented and the lessons they have learned, AFI's peer learning platform can enhance members' capacity and knowledge in this area. The session highlighted that there is a need for a complete ecosystem to address this issue effectively. As such, to implement the smart policies and strategies needed to advance women's financial inclusion, financial regulators and policymakers will need to collaborate and create new partnerships with a range of stakeholders, including government agencies and ministries, financial services providers, civil society, business associations and development partners.

FINDING A BALANCE: REGULATORY APPROACHES TO BIG DATA

MODERATOR

Kerry Grossman, Bankable Frontier Associates

PANELISTS

David Watts, UN Big Data Review

Shailendra Prasad, Vodafone

Abenaa Addai, Insights to Impact (i2i)

How can data be used in innovative ways to enhance financial inclusion while also safeguarding the rights of individuals to protect their personal information? This session examined private sector needs and opportunities, the legal and practical implications of designing and implementing an appropriate regulatory framework for data protection, and the relationship between financial sector regulation and national financial inclusion strategies.

We are in the midst of a data revolution. Not only has there been an increase in the types and amount of data available, but also in how data is being used to generate new value and insights into areas such as consumption patterns and consumer preferences and behavior. With this revolution comes the need to govern how this data is used, stored and shared. With appropriate regulation, there is the potential to stimulate innovation and amplify financial inclusion. Without it, there is the potential for abuse.

Regulating Big Data

There is an opportunity to create better financial services and products using big data by providing a regulatory environment that encourages innovation and protects consumers and markets. For this we need to create safe spaces for innovation to flourish, such as partnerships and labs, as well as tailored, proportionate regulations that ensure data privacy and security.

This session heard from private sector players that want to share their large data sets and see it used to enhance financial inclusion, but they need the space to innovate and the regulatory guidance to make it happen. Meanwhile, regulators need innovators to engage and collaborate with them and be open about their intentions. As David Watts of UN Big Data Review explained, there are different approaches to regulating data. Europe has an overarching privacy law – a gold standard that governs all sectors and all data usage, while the US takes a sectoral approach, applying different regulations for different sectors and data sets.

Who Should Lead the Way in Regulating Big Data?

Session participants pointed out that data is a powerful tool that requires investment to take full advantage of the opportunities. It was suggested that the AFI network serve as a hub for stakeholder discussions on balancing privacy and security and generating innovative ideas and piloting solutions. It was also suggested that AFI develop its own voluntary data privacy guidelines and set benchmarks for data and financial inclusion to build trust and confidence.

It was agreed that the AFI network should:

- 1 Develop high-level principles, guidelines, template and model language for regulating big data usage that members can take and tailor to their different jurisdictions;
- 2 Develop case studies and use cases for peer learning, to sensitize regulators about the opportunities and risks that come with big data;
- 3 Use the Public-Private Dialogue (PPD) platform for the private and public sector to examine the risks and opportunities;
- 4 Consider links to other financial inclusion areas, for instance, consumer protection and market conduct.

Fiji does not currently have a legal framework in place for data usage and data privacy, and until it does, Shailendra Prasad of Vodafone Fiji said, the field is open to abuse, with no recourse for dispute resolution. Meanwhile, the Bank of Tanzania is encouraging innovation even in the absence of a regulatory framework by developing guidelines and consulting closely with interested parties.

THE ROLE OF TELECOM REGULATORS IN SUPPORTING DIGITAL PLATFORMS FOR FINANCIAL INCLUSION

MODERATOR

Michael Tarazi, Consultative Group to Assist the Poor (CGAP)

PANELISTS

Alexander Ntoko, International Telecommunication Union (ITU)

R.S. Sharma, Telecom Regulatory Authority of India

Raynold Mfungahema, Tanzania Communications Regulatory Authority (TCRA)

Dalsie Baniala, Telecommunications and Radio Communications Regulator (TRR), Vanuatu

Countries that have had success meeting the needs of the unbanked and underserved with digital financial services have also had the telecommunications regulatory authority as a key stakeholder. What is the role of telecom regulators in supporting digital platforms for financial inclusion, how can financial and telecom regulators cooperate, and which one should be regulating digital financial services? This session featured examples of regulatory cooperation in Vanuatu and India and discussed efforts to reach the unbanked, especially in remote areas where network coverage is sparse.

Expanding Access and Cooperating with the Regulator: The Case of Vanuatu and India

In Vanuatu, where mobile coverage is about 92% and services like internet banking and mobile banking are limited mainly to urban areas, the Telecommunications and Radio Communications Regulator (TRR) is working closely with the central bank to implement a policy of universal access and achieve 98% coverage by the beginning of 2018. One of the main tasks is improving the network and expanding services to remote areas without internet and phone.



Former CBK Governor Njuguna Ndung'u posing a question for the moderator

Through a “pay to play” approach, mobile operators indicate their intention to the regulator to become market players and then roll out services at their own expense. An MOU between financial and telco regulators is currently being finalised.

Like the US, India has opened up the telecommunications channel to those who do not have access to either banks or smartphones. Since traditional banks have failed to provide services to the poor, banking services are now being driven by technology as telecom operators now reach 1.1 billion people, out of a population of 1.3 billion. The regulator needs to cooperate with Mobile Network Operators (MNO) to enable interoperability and ensure transaction costs stay low enough to reach customers at the bottom of pyramid. It is also important to keep the roles of financial and telecom regulators separate. As R.S. Sharma asked, if the telecom regulator starts regulating the market, what is stopping them from regulating other sectors that use telecommunications?

Collaborations to Enhance Security

Telecommunications and ICT should be a platform that many can use, but security standards are required for digital financial inclusion and important for all sectors. The International Telecommunication Union (ITU) facilitates discussions at a global level with financial standard-setting bodies, convenes focus groups of telecom users and providers who come together to talk about specifications for security standards, and works on public-private partnerships (PPP) between market players providing a variety of services.

“My view is that telecommunications is an essential platform for communication. They must continue to regulate and ensure that services are available to all, including financial institutions, without any discrimination.”

Dr. R.S. Sharma

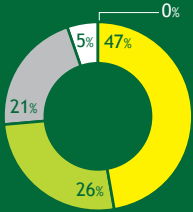
Telecom Regulatory Authority of India

CONCLUSIONS

Panelists agreed it was important to have consistent regulatory standards for digital financial inclusion across sectors and to outsource certain regulatory aspects, such as database management for electronic ID profiles. There was also consensus that different sectors should engage and collaborate, for example, purchasing equipment together to bring down costs. However, there were mixed views on making the interoperability of digital financial inclusion products mandatory.

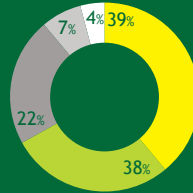
VOTING RESULTS

Why should telco regulators be involved in financial inclusion?



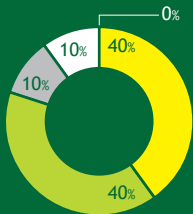
- Only they can ensure robust ICT backbone for DGS (broadband, coverage, wi-fi, etc.)
- Only they can regulate telco platforms as a public good
- They are best positioned to supervise MNOs and agents
- Other
- They shouldn't be involved - the fewer regulators involved the better

The most important financial inclusion function of the telco regulator is:



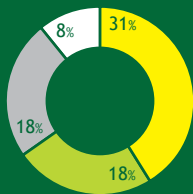
- Universal access through greater coverage
- Regulating quality of service
- Promote interoperability standards between MNOs
- Opening a mobile channel to banks and financial institutions
- Other - something else entirely

The most important regulator for digital financial inclusion is:



- Financial regulator - these are financial services
- Both are equally important
- Telco regulator - in the end its more about the technology
- These aren't the only two important regulators in this space
- Regulators are never really that important

Cooperation between the telco and financial regulators in my country is:



- Healthy - but they don't always agree
- Very strong - they complete each other's sentences
- Less than optimal - often a turf battle
- Sporadic - they talk at AFI events but little more



THE LONG ROAD TRAVELED: INCLUSIVE FINANCE FOR REFUGEES

MODERATOR

Dr. Daniel Schydlowsky, Harvard Kennedy School of Government

PANELISTS

Maha Bahou, Central Bank of Jordan
Professor Kim Wilson, Fletcher School
Andreas Proksch, GIZ Germany
Greg Kidd, Global ID

The financial needs of refugees can generally be divided into immediate needs for cash in an emergency situation, and longer term needs to establish new lives in host countries. Increasingly, mobile money channels are providing fast and effective delivery of emergency funds, but the needs of those on the move and those who have arrived at a temporary destination are quite different. This session looked at examples of countries leading the way in inclusive finance for refugees and the regulatory and technological innovations that could improve the livelihoods of millions of people away from home.

This important and timely session brought together central bankers, researchers, development organizations, and private sector innovators to highlight the challenges refugees face in accessing financial services, both to receive and send money between their home and host country, and to manage their money in the host country. These challenges, the panelists argued, require proactive approaches from financial regulators (cross-border regulatory collaboration in particular), leveraging new digital technologies, and a holistic view of refugees' financial needs that not only provides emergency financial assistance to refugees, but the secure and authentic identification they need to access it, send money home and save for the future.

How Refugees Use Money on the Move

Professor Kim Wilson of the Fletcher School reported on the results of recent Fletcher research that looked at how refugees use money on the move in Greece, Turkey, Jordan and Denmark. Typically refugees gather large amounts of cash at the start of their journey, typically about \$7,000, and send most of it to their next destination. She described a system of “store and release” whereby cash is given to a shopkeeper, a code is given in return and the code is then given to another shopkeeper at the destination to collect the cash. A versatile informal system that works, it is also perilous and costly, and refugees are limited to using established corridors where these “Safari” agents operate. However, as new corridors open, new agents establish themselves too.

The Experience of Jordan

After decades of taking in refugees and accepting them into the population, managing the financial issues of refugees is nothing new for Jordan. Today, with 660,000 Syrian refugees officially registered in the country, and perhaps another 800,000 who are there but do not officially exist in the system, the Central Bank of Jordan (CBJ) is working to provide official channels for refugees to transact and monitor their finances, rather than relying on informal systems. “During emergencies they can still transact, they can still save,” said Maha Bahou, Executive Manager of Central Bank of Jordan, but people need official identification and to be familiar with digital systems.

In Jordan, refugees use electronic vouchers and prepaid cards from the World Food Programme and branded by Mastercard, and UNHCR has created a smart ID card linked to biometric data (iris verification) and cardless ID for ATMs. This identification gives refugees access to mobile wallets, which are linked to bank accounts. This provides a comprehensive solution: refugees can save, identification is secure and reliable, and the system is quick. However, challenges remain: for example, with international transfers, de-risking has made regulators more conservative and this is excluding people from the system, and with remittances in Jordan accounting for 10% of GDP, the CBJ wants to increase the integrity of the system and make it more secure and flexible.

New Technologies and the Right to Identity

Gregg Kid, CEO of Global ID, suggested that a world in which everyone has the right to identity would help refugees and that new technologies are making such innovation possible. He described interconnected messaging systems that can be used to create a mobile entity. “The most practical way to do this is to link identity to someone’s mobile phone. You just need a mobile phone and a phone number and an app that can let you create an identity from those. The information can be stored on a public ledger and it would become a public good – a way of enabling everyone, including refugees, to confirm their identity and to hold and receive funds.”

CONCLUSIONS

There are some excellent examples of progressive financial regulators in AFI’s network, such as the Central Bank of Jordan, with proactive strategies to ensure refugees have a financial identity. However, the issue goes far beyond identity alone. Even with access to basic humanitarian payments through the digital channel, this is not full financial inclusion, and the range of financial services refugees can access can often be limited, particularly formal channels for cross-border transfers. Opportunities are also limited by concerns about issuing identification and credit to people who have just entered a country, and must be reconciled with the concerns of both security services and regulators.

PUBLIC LAUNCH OF THE AFI DATA PORTAL

The AFI Data Portal (ADP) is a unique and integrated global database of financial inclusion policies, regulations and outcomes built by policymakers for policymakers. The objective of this brief session was to mark the official launch of the ADP, which is now open for any member of the public to access.

Housing information sourced directly from policymakers and regulators, the ADP empowers countries to share their financial inclusion stories through data. When country data is combined in one place and members update this database perpetually, the ADP becomes an eternal record of different countries' journeys towards full financial inclusion. This makes the ADP a powerful resource not only for peer learning but also for research and impact measurement.

Through the Portal, members can make commitments to the Maya Declaration and share their progress on achieving them. They can show their country's policy profiles on key aspects of policies/regulations related to financial inclusion. They can also share data on their financial inclusion indicators.

The ADP was initially launched with AFI members in April 2016. At the GPF, the ADP was launched publicly to enable individuals from non-AFI member institutions to also enjoy the benefit of the ADP for the first time. Additional technical features, such as smartphone and tablet friendly versions of the ADP will be rolled out soon.

“The ADP captures our members’ stories of financial inclusion that reflect the entire cycle of the policymaking process.”

Norbert Mumba
Alliance for Financial Inclusion



Assistant Governor Jessica Chew of Bank Negara Malaysia and Liz Kellison from the Bill & Melinda Gates Foundation were invited to launch the Portal.

THE MORE YOU KNOW! FINANCIAL INCLUSION QUIZ

This quiz show session tested participants' knowledge of AFI in a fun and interactive way.

Quiz Master Mervin Singh of the Reserve Bank of Fiji asked questions that touched on AFI's independence, GPFs, Maya Declaration commitments, member initiatives, Working Groups, Regional Initiatives, and AFI outcome statements/communiqués/accords that were issued in the past. He highlighted AFI's history, milestones, products and services, and member initiatives, and celebrated AFI's independence.

About 20 teams of eight people participated and the quiz was quite competitive, with a small number of teams leading the way. After 20 questions, first, second and third place prizes, kindly provided by the Reserve Bank of Fiji, were presented by Eliko Boletawa of AFI.

SAMPLE QUESTIONS

When did AFI become legally and officially independent?

27 January 2016


Which AFI Working Group has the highest number of members?

Digital Financial Services Working Group (DFSWG)



FIJI'S FINANCIAL INCLUSION JOURNEY

Traditionally in Fiji and the Pacific, stories are told through dances and song lyrics that have been passed down through generations. In this very special performance, the story of Fiji's financial inclusion journey was told by a narrator accompanied by traditional dance, songs, a Kava ceremony and striking screen projections.



“From day one, the RBF’s vision was to develop an inclusive financial system that would give all Fijians the knowledge and the support they need to access financial services. We saw this as the ‘hand up’ that would enable our people to contribute to the economy and help lift themselves out of poverty.”

2008

Ratification of the Coombs Declaration. Fiji's financial inclusion story began when Pacific finance ministers and central bank governors met in Coombs, Australia, to ratify the Coombs Declaration on strengthening financial capacity and promoting sustainable and equitable economic growth in the region. The event was a watershed moment for the Reserve Bank of Fiji, which stepped up to take the lead in driving Fiji's financial inclusion agenda. A special department was established within the RBF to focus on financial inclusion.

RBF begins to form partnerships with key national and international players: AFI, the Fiji National Financial Inclusion Taskforce and its four Working Groups, the Pacific Islands Regional Initiative and the Pacific Financial Inclusion Programme (PFIP).

2009

RBF hosts a national financial inclusion workshop of all potential stakeholders to map out a joint vision and set major strategic goals.

Fiji joins AFI. Today, the RBF is a member of the Financial Inclusion Strategy Peer Learning Group and the Global Standards and Proportionality, SME Finance and Financial Inclusion Data Working Groups.

Pacific Islands Working Group established to enable collaboration between Pacific Island countries and give member countries a voice at the international level.

2020 Money Pacific Regional Goals endorsed by Fiji and other Pacific countries to build financial competency through financial education, consumer protection and access to basic financial services.

Financial Inclusion Medium-term Strategic Plan for 2010-2014 developed in collaboration with stakeholders at the first National Microfinance Workshop. A key goal was to reach 150,000 unbanked Fijians by 2014.

2010

Fiji National Financial Inclusion Taskforce established, with four working groups on financial literacy, inclusive products and services, statistics and inclusive insurance. Chaired by the Governor, the Taskforce includes members from government, the private sector, civil society, NGOs, development partners and donor agencies.

2011

Fiji makes commitments under the new AFI Maya Declaration. Fiji was among the first 17 countries to make Maya commitments to provide access to financial products and services, including improving regulation, integrate financial education into the national curriculum and improve adult financial literacy, reach 150,000 more unbanked and strengthen data collection.

2013

Fiji wins the first Maya Declaration Award at the 2013 GPF in recognition of its efforts to set clear and measurable financial inclusion targets, and measure and regularly report on progress.

2014

Fiji's first demand-side survey reveals that a higher proportion of men hold bank accounts than women, prompting greater policy attention on gender equality and women's financial inclusion.

"On this financial inclusion journey, we have realized that achieving our goals is only possible through a consultative and inclusive decision-making process with our stakeholders, leveraging new technology, close partnership with local and national authorities and development partners, and raising financial literacy across the population."

2015

Pacific Islands Regional Initiative (PIRI) established as the successor body to the AFI Pacific Islands Working Group (PIWG). Through its partnership with other PIRI members, Fiji has been able to share its experiences by hosting a number of knowledge exchanges and facilitating PIRI discussions on successful financial inclusion initiatives as well as the challenges.

2016

Launch of Fiji's Five Year Strategic Plan, which includes a focus on SME development and women's financial inclusion.

Renewal of Maya Declaration commitments and new medium-term targets set for 2016-2020 on increased access to financial services, SME development, mobile money usage, G2P digital payments, tertiary education climate change and data.

Reserve Bank of Fiji hosts the 2016 AFI Global Policy Forum, giving Fiji the opportunity to celebrate its successes, share its knowledge and experiences and learn lessons from AFI members around the world.



"The Reserve Bank of Fiji salutes and ceremonially raises our bilo to toast Pacific finance ministers for vision and all of our stakeholders for their commitment!"

A SNAPSHOT OF FIJI'S FINANCIAL INCLUSION ACHIEVEMENTS

Fiji has achieved a number of its financial inclusion goals. Two important areas of focus have been financial education, digital financial services and microfinance.

FINANCIAL EDUCATION



FINANCIAL EDUCATION (FINED) PROGRAM

Financial literacy for the next generation. Through Fiji's Financial Education (FinEd) program, students from year 1 to year 12 learn basic money management skills as part of the national curriculum. Through the RBF's "Be Money Wi\$e" program, students compete in oratory, poetry, singing, painting and drama contests about savings and how to best grow their money. Fiji's national mascot for financial education is "Vuli the Vonu".



GREEN RIBBON CAMPAIGN

The Green Ribbon Campaign promoted financial literacy, complete with a financial literacy mascot: a huge green turtle called Vuli the Vonu. "Vuli" is the Fijian word for "education" or "learning" while "Vonu" means "turtle". The name signifies two things: longevity (financial education is a lifelong process) and certainty (once learned, financial knowledge becomes a way of life).



YELLOW RIBBON CAMPAIGN

Fiji's financial institutions have championed financial literacy programs for adults and schoolchildren. The Yellow Ribbon Campaign was aimed at market vendors, villagers, wheelbarrow boys and prisoners, who had the opportunity to open bank accounts for the first time.

DIGITAL FINANCIAL SERVICES



INNOVATIVE DIGITAL FINANCIAL SERVICES

Innovative digital financial services have become a key pillar of Fiji's financial inclusion agenda. Commercial banks have expanded their electronic banking services and MNOs have launched a number of mobile money products, such as Digimoney, MPaisa, G2P transfers and social welfare cards.

MICROFINANCE



MICROFINANCE EXPOSITIONS

Microfinance expositions have raised public awareness of financial inclusion by creating opportunities for financial inclusion service providers, microentrepreneurs and the public to interact, and allowing government agencies and financial institutions to take their products and services to the people. In 2013, the RBF held the first annual Microfinance Awards, which celebrate and encourage Fiji's small entrepreneurs. The Awards attract a lot of interest, and in 2015 a new Youth category was added.

THE PACIFIC ISLAND REGIONAL INITIATIVE (PIRI) JOURNEY

MODERATOR

Governor Barry Whiteside, Reserve Bank of Fiji

PANELISTS

Governor Loi Bakani, Bank of Papua New Guinea

Governor Maiava Atalina Ainuu-Enari, Central Bank of Samoa

Governor Denton Rarawa, Central Bank of Solomon Islands

Governor Abraao De Vasconcelos, Banco Central de Timor-Leste

Governor Sione Ngongo Kioa, National Reserve Bank of Tonga

Governor Simeon Athy, Reserve Bank of Vanuatu

In this session, the central bank governors of PIRI shared stories of their financial inclusion journey, including the lessons they have learned in implementing policy and regulation and the collaborative relationship they have enjoyed with their fellow PIRI Governors. They also discussed the unique financial inclusion challenges they face in their countries and how they are working together to overcome them. PIRI is an excellent example of peer-to-peer learning and collaboration, with Pacific Island countries coming together to share their challenges and experiences and achieve a common goal of advancing financial inclusion in the region.

A Common Set of Challenges

As island nations, PIRI members face many of the same challenges: low levels of financial literacy, a gender gap in financial inclusion, shadow banking and unsound informal financial services for the unbanked, difficulty delivering financial services in a challenging geography of dispersed islands, remote areas and rugged mountainous terrain.

Digital financial services are seen as a solution to reach the unbanked, although this introduces risks associated with cybercrime. Another key challenge for all PIRI members is the availability of baseline financial inclusion data, which is critical to identifying policy indicators. The gender gap in financial inclusion continues to be a challenge for PIRI members due to the high rate at which women are excluded from the financial system. The exception is Samoa, where women have a stronger position in the economy and slightly more women than men are banked.

FINANCIAL INCLUSION AND CLIMATE CHANGE

As island nations, climate change is a critical issue for PIRI members. In Fiji, the destruction wrought by Tropical Cyclone Winston in February 2016 showed just how vulnerable the poor, unbanked and uninsured are when natural disaster strikes. One way the government responded was with the Help for Homes Initiative, which provided individuals with an ATM card to purchase what they needed to restock and rebuild their homes, and it simultaneously helped them become more comfortable using digital financial services.

FIJI



Governor Barry Whiteside, Reserve Bank of Fiji, Current Chair of PIRI

Fiji continues to set ambitious financial inclusion goals. With a second five-year national strategy for financial inclusion underway, the announcement of new Maya Declaration Commitments at the 2016 GPF, and gender equality high on the agenda, Fiji's financial inclusion journey is a model in the region and the world. Governor Barry Whiteside highlighted PIRI as an important source of collaboration, peer learning and friendly peer pressure, which has helped to strengthen financial inclusion across the Pacific.

Success: The Reserve Bank of Fiji surpassed its Maya Declaration targets of reaching at 150,000 unbanked and underserved citizens by 2014; integrating financial education into the school curriculum; conducting a financial competency survey; and collecting and reporting the AFI core set indicators.

PAPUA NEW GUINEA



Governor Loi Bakani, Bank of Papua New Guinea

Reaching the financially excluded in the rural and remote highlands and valleys of Papua New Guinea is difficult. Digital financial products seem to be the best solution, but the downside of mobile technology, Governor Loi Bakani said, is that people have used mobile products for cyber scams and the central bank has had to monitor and respond to these.

The Governor highlighted two main lessons: the need to bring MNOs into the financial inclusion space and to work with donors to introduce new products to the market.

The agent challenge is a common one and working with financial institutions is important. For Papua New Guinea, it has been a challenge to identify viable and sustainable agents and determine which model to use. PNG faces the challenge of identifying viable and sustainable agents and also the model to be used for financial inclusion. This is critical as agents are a crucial part of the success for FI products. Maintaining and servicing the most viable agent network is very important. There is a need to have agents that can reach out to the majority of the population. Sharing agents among financial services providers is the way forward. Agents also face cash problems which can be overcome with changes in the banking system.

Success: Insurance products are now available in PNG and 600,000 people now have insurance products in two years. In addition to this they also voluntary super and medical insurance which are possible through these products.

SAMOA



Governor Maiava Atalina Ainuu-Enari, Central Bank of Samoa

One of the main challenges for PIRI has been data and measurement. No baseline data on financial inclusion was available so, with the support of development partners, PIRI established a data management framework to collect data on financial services. Demand-and supply-side surveys were conducted and the data was used to formulate national financial inclusion strategies and develop financial indicators for PIRI.

PFIP and AFI continue to support knowledge exchanges for PIRI in certain areas and work bilaterally with each member.

As the “wealth makers and peacemakers” in Samoan society, women have a stronger position in the economy than in some other countries. Forty percent of women are banked – a slightly higher percentage than men. The Central Bank of Samoa is working to further increase the participation of women in financial services, SMEs, and other areas of the economy. As a result, the gender gap in financial inclusion is not the same issue in Samoa as in other PIRI member countries.

SOLOMON ISLANDS



Governor Denton Rarawa, Central Bank of Solomon Islands

Solomon Islands began their financial inclusion journey back in 2007 and 2008 before anyone had even heard the term. Many factors have contributed to their success, but cooperation with PIRI members, the group’s passion for advancing financial inclusion in the region, and support from stakeholders and partners have been crucial.

The gender gap in financial inclusion is an issue in Melanesia’s male-dominated society. Fifty percent of the population is women, but they have the highest rate of financial exclusion. The Central Bank of the Solomon Islands has made women’s financial inclusion a priority and was one of the first AFI member countries to make a Maya Declaration commitment to closing the gender gap in financial inclusion. They have also been leveraging digital financial services to reach women and link them to commercial banks, especially in rural areas.

Other initiatives include expanding the national provident fund to include those who have been using informal banking services. Anyone can become a member of this fund.

Success: The Central Bank of Solomon Islands made a Maya commitment to bank an additional 70,000 individuals by the end of 2015, 30,000 of whom had to be women. This target was not only reached a year early in 2014, over 150,000 customers open bank accounts, including 50,000 women. The next target is to bank another 300,000 people, half of whom must be women.

TIMOR-LESTE



Governor Abraao De Vasconcelos, Banco Central de Timor-Leste

THE PACIFIC ISLAND REGIONAL INITIATIVE (PIRI) JOURNEY CONTINUED

Timor-Leste began its financial inclusion journey a few years ago with a large scale awareness-raising campaign that attracted 70,000 participants. Facilitators and mentors from the central banks and commercial banks were trained and equipped with financial literacy tools and methods, and then sent to schools to share the information.

After launching a master plan for financial inclusion, Timor-Leste developed the national strategy for the financial literacy program. Banco Central de Timor-Leste has signed an agreement with the Ministry of Education to introduce a financial literacy program to schools in 13 municipalities. Until now, financial literacy has been a separate extracurricular activity, but teachers have been trained to implement this program for five years, after which it will be reviewed to determine whether it will be integrated into the curriculum.

Success: Last year, a savings account product was launched for youth under 17 called My Future. Today 8,000 kids have this savings account, which offers an interest rate of 1.75%, and about 47% of the account holders are girls.

TONGA



Governor Sione Ngongo Kioa, National Reserve Bank of Tonga

The Reserve Bank of Tonga is one of the newest members of PIRI, but the group has already helped to advance financial inclusion in Tonga in many ways:

- > Signed and endorsed the Maya Declaration last year. As the youngest sibling of the PIRI family, Tonga took advantage of the experiences and lessons of fellow PIRI members.
- > Expanded their view to consider national growth projections, which helped to sketch a roadmap for its national financial inclusion strategy.
- > Demand- and supply-side surveys has just been completed, which will help to set financial inclusion goals.
- > 40% of men and women have access to finance.
- > Internet access in Tonga is very low and a reliable network is needed on the islands.
- > The unregulated and informal financial sector is a major issue as the non-banked are vulnerable to a wide range of shadow banking activities. Regulations are needed to safeguard the public from unsound financial practices.

Success: Bills and legislation have been drafted on credit, money lenders, insurance companies, and other areas and are currently in the consultation process.

VANUATU



Governor Simeon Athy, Reserve Bank of Vanuatu

Cross-sector partnerships have been a key part of Vanuatu's financial inclusion journey. The National Financial Inclusion Taskforce includes members from all sectors, who been tasked with coordinating and facilitating the progress of financial inclusion. Work is currently underway to develop inclusive insurance products and SME policies, a draft payment system is in place and a draft consumer protection framework has been prepared with the support of PIRI and AFI. However, the Ministry of Education has not agreed to include financial literacy in the curriculum, which is still a struggle.

Important lessons have been learned along this journey, including the need for a well-coordinated approach (the NFIT was established to address this) and to introduce new innovative products to the market.

Success: Thanks to the assistance of NFIT members, the demand-side survey is almost ready to be published, an unprecedented achievement in the last 36 years.

CONCLUSIONS

There are some excellent examples of progressive financial regulators in AFI's network, such as the Central Bank of Jordan, with proactive strategies to ensure refugees have a financial identity. However, the issue goes far beyond identity alone. Even with access to basic humanitarian payments through the digital channel, this is not full financial inclusion, and the range of financial services refugees can access can often be limited, particularly formal channels for cross-border transfers. Opportunities are also limited by concerns about issuing identification and credit to people who have just entered a country, and must be reconciled with the concerns of both security services and regulators.

THE PYRAMID OF PROSPERITY: ACHIEVING AN INCLUSIVE WORLD

MODERATOR

Alfred Hannig, Executive Director, Alliance for Financial Inclusion

PANELISTS

Georgette Jean-Louis, Banque de la République d’Haïti

Margaret Miller, World Bank Group

Jo Ann Barefoot, John F. Kennedy School of Government

Penny Burt, Visa Inc

Alex Lazarow, Omidyar Network

Dialogue is important for harnessing and capitalizing on the experiences of different stakeholders in the financial inclusion sphere to enhance capacity and financial inclusion and avoid duplication of efforts. This session explored how the AFI network should continue to evolve to address emerging policy issues and seize new partnership opportunities to shape AFI’s future course.

Over the last seven years, AFI has evolved from an information exchange organization, to an international advocacy platform, to an independent network of global policy leaders. AFI’s success has been due in part to the diverse and lasting partnerships it has forged with the development community, donors, investors, academics and the private sector.

Alfred Hannig of AFI turned to panelists from each of these areas to reflect on the AFI of the future, especially its new role as an independent network, how to deal with new policy topics and engage with new sets of actors, and identify practical opportunities for collaboration to amplify financial inclusion and contribute more broadly to sustainable development.

“It seems we are moving from a financial inclusion agenda to a broader social inclusion agenda. Are we on the right track with this or should we stick to what we are good at? It looks like a bit of a paradigm shift.”

Alfred Hannig
Alliance for Financial Inclusion

DEVELOPMENT PARTNER: WORLD BANK



WORLD BANK GROUP

Margaret Miller of the World Bank Group congratulated AFI on becoming a member-owned network, which was a model for peer learning, but suggested it could be strengthened even further in the context of sustainability. For example, by moving more peer learning and collaboration online through virtual meetings. Ms. Miller said she was keen to discuss partnering with AFI to advance the financial inclusion agenda and support the new focus on regional initiatives.

“New financial inclusion issues and focus areas should evolve organically. There is still a lot of work to do and it is important not to stray too far from the core mandate.”

ACADEMIC PARTNER: JOHN F. KENNEDY SCHOOL OF GOVERNMENT, HARVARD UNIVERSITY



HARVARD Kennedy School
JOHN F. KENNEDY SCHOOL OF GOVERNMENT

Jo-Ann Barefoot praised AFI as the organization at the right moment in time to convene the people with the mission, knowledge and power to make transformation happen. Thanks to financial innovation and technology, we are seeing financial exclusion move from being a “wicked problem” with complex causes and solutions like poverty or crime, to a problem that we can solve.

“To diagnose the remaining challenges for financial inclusion, we should put the consumer at the center and ask them what the barriers are from their perspective.”



Georgette Jean-Louis, Banque de la République d’Haïti

THE PYRAMID OF PROSPERITY: ACHIEVING AN INCLUSIVE WORLD CONTINUED

PRIVATE SECTOR PARTNER: VISA INC



Penny Burt suggested one important question we need to ask ourselves is why we are not getting enough traction with digital financial inclusion. The business community has an important role to play in investing to bring about scale, but an enabling regulatory environment and open competition are needed for all players in the ecosystem to play their roles.

“We would like to see AFI take the initiative to convene PPD discussions at the regional and sub-regional level and connect everyone in the ecosystem. ASEAN could be a place to start as the recent ASEAN Central Bank Governors and Finance Ministers meeting identified financial inclusion as a priority. We should really try to bring the vision to life.”

AFI member partner: Banque de la République d’Haiti Georgette Jean-Louis identified financial inclusion and youth as an important emerging issue, as the financial needs of millennials are different. She also pointed out that access to finance is important but not sufficient. Unless people find a way to generate an income, accounts will remain unused, which is why Haiti is prioritizing the issue of SME finance.

“AFI should support a regional approach to financial inclusion as national priorities vary. For example, de-risking is currently a major problem in the Caribbean and members are asking how to advance financial inclusion when our financial system is at stake?”



Jo Ann Barefoot, John F. Kennedy School of Government

INVESTOR PARTNER: OMIDYAR NETWORK



OMIDYAR NETWORK

Although we are in a unique time with a tremendous number of people gaining access to financial services, said Alex Lazarow, usage remains low and a major barrier. Only 30% of mobile money accounts in most deployments are active, and credit, insurance and savings are not being provided to everyone at large scale and low cost. We need to continue encouraging innovation in financial product design, which will require innovators and regulators to collaborate. Two approaches are important: the “regulatory sandbox” which creates a safe space for innovation to flourish and the “regtech accelerator” which helps regulators and innovators connect better.

“AFI is uniquely positioned to move capacity building forward on regtech and regulatory sandboxes.”

CONCLUSIONS

There was strong consensus that AFI should leverage its global peer learning network to develop more practical initiatives at the regional level, recognizing that different regions may have different priorities (e.g. de-risking in the Caribbean, PPD in ASEAN).

As a global convener, AFI is able to bring regulators and other stakeholders together, leverage new technologies (FinTech and RegTech), and enabling regulatory approaches (e.g. Sandbox).

Finally, as AFI grows as an independent global policy network, it must strike the right balance between responding to members’ interests in new policy areas, while at the same time retaining its core mission and focus and recognizing there is much still to be done to achieve full financial inclusion for all.

RE-RISKING THE DE-RISKED

MODERATOR

Justine Walker, AFI Adviser

PANELISTS

Governor Maiava Atalina Ainuu-Enari, Central Bank of Samoa

Governor Jean Dubois, Banque de la République d’Haiti

Viktor Dostov, Russian Electronic Money Association

Robert Bell, Klick-Ex

This session examined the phenomenon of de-risking – international financial institutions pulling out of certain jurisdictions and having a significant impact on correspondent banking access, remittances and access to finance for charities. The impact of de-risking on financial inclusion has been in the spotlight for the last two years, but if anything the situation continues to deteriorate. In a moderated debate, two teams deliberated the extent to which technology might stem the tide of de-risking and promote re-risking.

The recent publication of the AFI and G-24 Special Report, “Stemming the Tide of De-Risking through Innovative Technologies and Partnerships” is the culmination of two years’ work by the AFI Global Standards Proportionality Working Group (GSPWG), which conducted extensive discussions with AFI member countries that have been impacted by de-risking most. De-risking in certain countries and market segments has accelerated, affecting both cross-border and in-country financial activity, making it an issue not only for domestic financial institutions, but international ones as well.



Panelists for the Re-Risking the De-Risked session

In a moderated debate, Viktor Dostov of the Russian

Electronic Money Association and Robert Bell of Klick-Ex debated Governor Maiava Atalina of the Central Bank of Samoa and Governor Jean Dubois of the Banque de la République d’Haiti on the motion: “Technology holds the answers to stemming the tide of de-risking and promoting re-risking”.

“We’ve heard that technology can reduce costs, but it doesn’t address the risk appetite of correspondent banks to operate in small countries.”

Viktor Dostov, Russian Electronic Money Association (arguing for the motion)

New technology will help to address de-risking because it provides a lot of opportunities to combat money laundering. For example, technology makes it easier to conduct KYC and verify a customer’s identity. This position has been supported by the global standard-setting bodies (SSBs) such as the Financial Action Task Force (FATF).

“The situation is different for big and small economies, need to recognize the unique difficulties small economies are facing. It is difficult for a small country to attract the attention of the SSBs. [Therefore] AFI should become an SSB in the future.”

Governor Maiava Atalina Ainuu-Enari, Central Bank of Samoa (arguing against the motion)

We strongly disagree that technology holds the answers since:

- > The root cause of the problem is the loss of US banking correspondent relationships. Commercial banks have adopted strategies to eliminate the risk of AML-CFT out of fear of losing US correspondent banking relationships. They do not conduct case-by-case risk assessment, but are rather engaging in wholesale de-banking of money transfer operators, which will significantly impact the ability of people in Samoa to send and receive remittances.
- > The penetration of new technology is not yet sufficient in countries like Samoa to provide the answer. Only 3% of adults have access to mobile money services, 70% of young adults are completely excluded from financial services, and there is still a reliance on face-to-face services and little uptake of new technological instruments. Technology does not provide the full answer to this challenge.

“We strongly disagree that technology holds the answers. We all know for a fact that the cause of de-risking is losing US banking correspondent relationships... By threatening international trade, remittances and jobs, de-risking has become a development issue for small island states.”

RE-RISKING THE DE-RISKED CONTINUED

Robert Bell, Klick-Ex
(arguing for the motion)

No amount of technology can solve the problem entirely. We have spent billions on technology, but this will not convince banks they can manage risk. The real issue is the regulatory risk coming from other markets. However, technology can play an important role in mitigating the impacts of de-risking and enabling MTOs to stay in business and keep costs low. Klick-Ex is the last locally owned remittance business in the Pacific. Technology can solve a lot of these problems. We have the technology to build a correspondent bank clearing network and AFI could play a major role in getting this established. Technology is stemming the tide of de-risking, but new partnerships are needed to reverse it.

“No amount of technology will convince the banks they can manage risk.”

Governor Jean Dubois, Banque de la République d’Haïti
(arguing against the motion)

Unfortunately, technology alone does not hold the answers. Technology may be an innovative response to de-risking when the issue is domestic transactions, but when a country is perceived as high risk, exiting will be primarily a business decision no matter how effective the AML/CFT regime. The real issue is small countries becoming isolated from the entire financial system due to the loss of correspondent banking relationships. They lose the ability to conduct international money transfers, which in turn causes a massive loss of jobs and reversal of financial inclusion. In this context, technology alone cannot help a country to trade outside correspondent banking relationships.

“I wish it was true that technology holds the answer to stem de-risking. Technology cannot solve this problem.”



Panelists considering their arguments on the motion

CONCLUSIONS

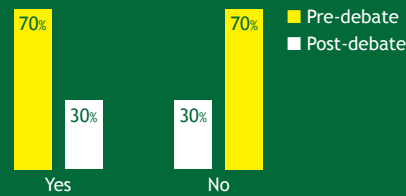
In a vote taken before the debate, 70% of the audience believed technology was the solution to de-risking, but after the debate most had completely reversed their position, with only 30% still believing this.

The debate therefore shed light on the complexity of de-risking and showed that technology alone will not enable re-risking unless it is accompanied by concerted and coordinated global efforts to address the decline of correspondent banking, especially in small countries with relatively few ties to the global economy.

There was consensus that AFI must continue to play a major role in the global dialogue, since many of the most impacted countries have no other voice or influence with the global standard-setting bodies, the G20, and other international forums where de-risking is being discussed.

VOTING RESULTS

Does technology hold the answers to stemming the tide of de-risking and promoting re-risking?



TECH TAKES MSMEs: REGULATORY APPROACHES TO INNOVATIVE MSME FINANCING

MODERATOR

Yunita Resmi Sari, Bank Indonesia

PANELISTS

Hemant Baijal, MasterCard

Chris Low, Letshego

Peter Dirou, Asian Development Bank

Expanding access to finance for micro, small and medium enterprises (MSMEs) in emerging economies has involved an array of public sector actors. Digital platforms are being used in many countries to improve access to payments and credit for MSMEs, reach rural clients with agent banking services, and deliver new crowdfunding solutions, which are giving business owners quick access to capital for the first time. In this session, panelists discussed the latest innovations supporting MSME finance and how regulators are managing the operational, integrity, credit and stability risks arising within this new financial ecosystem.

As important sources of employment and economic growth, MSMEs play a major role in the digital financial services ecosystem. Yet, when it comes to accessing finance, there is still a gap between MSMEs and larger businesses. The main constraint, Hemant Baijal of Mastercard suggested, are the risks they pose themselves: typically a lack of assets or low-value assets. MSMEs also tend to operate in the informal economy, dealing in cash, and accessing credit often depends on building personal relationships with microfinance institutions over time.

By creating a more level playing field for MSMEs, regulators can help to enable innovative new technologies like digital payments, value chain financing schemes and crowdfunding. But what are the risks of these new financing models and what approach should regulators take to mitigating these risks? To answer this question, session participants divided into three groups for an in-depth policy dialogue with each financial services provider. The risks and recommended regulatory approaches appear in the sections below.

Digital Payments

Mastercard has been working with the International Finance Corporation (IFC) to allow small financial institutions to become licensed issuers and offer financial products to the unbanked and MSMEs. A risk share arrangement allows Mastercard to cover settlements and credit risks if the issuer is unable to fulfill their settlement obligations. Another innovation is mobile Points of Sale (POS), which allow MSMEs to keep up with changes to infrastructure and expand their customer base and sales. However, it is still challenging for MSMEs who still operate in cash and are not able to accept card payments.

The regulatory approach should rely on data, proportionate regulation, proportional risks, licensing requirements and fiscal incentives for consumers and small business:

Risks

- 1 Credit and settlement risks are at the top of the regulator's concerns
- 2 Access is jeopardized due to the risk of fraud by MSMEs
- 3 Consumer trust of digital payments

Regulatory approaches

- 1 Policies should rely on incentives and foster data integrity
- 2 Expanding regulatory engagement to include new business regulation
- 3 Know-your-customer (KYC) approach for e-money
- 4 Consumer protection and disclosure to avoid risks



Peter Dirou, Asian Development Bank

TECH TAKES MSMEs: REGULATORY APPROACHES TO INNOVATIVE MSME FINANCING CONTINUED

Value Chain Financing Schemes

In several countries in Africa, Letshego is using agent banking to reach rural MSME clients. Working with financial services providers as an external third party, it is creating value chain flows at agent locations. Through this arrangement, MSMEs are registered as agents, and a “super-agent” connects the supply chain with the financial sector.

By relying on strategic partners, Letshego is providing the technological platform to deliver an innovative solution for MSMEs: an “agent blue box”, which provides technology solutions to shops and other businesses. The box has all the devices and technology the agent needs (POS, battery, mobile phone). The agent blue box is given to enrolled agents. Once a super-agent is enrolled in the scheme, the chain is created. The innovation of this product comes from the small transactions conducted by this chain of agents. Trust in the technology and the scale required to keep these digital systems sustainable is derived in large part from familiarity with government payments.

Risks

- 1 Agent liquidity (the ability to manage cash flows to avoid either running out of cash or holding very large volumes at any one time): this should be considered in the agent approval process, and there should be training to show agents how to minimize liquidity risk.
- 2 Fraud: GPS tracking and the use of offline tracking systems. Management systems needed to tackle operational risks.
- 3 Event risks: catastrophes or other events can be covered by insurance

Regulatory approach

Should avoid limitations coming from different policies to expand the business.

Crowdfunding

Crowdfunding platforms, which match investors with businesses, provide quick access to capital in a way the financial sector cannot. However, as Peter Dirou of ADB pointed out, “Crowdfunding is not new. What is new is the channel for mobilizing funds.” The innovation is experimentation with the platform, and the regulatory discussion is about how the channel is used.

Regulatory approaches need to look at the reduced transaction costs associated with information disclosure requirements. Countries like China, Russia and Mexico have focused on licensing intermediaries, promoting competition and protecting investors. Regulatory definitions are also important to distinguish between equity funding and donations, for example. Financial markets regulation and financial market conduct law both also need to be revised to register transaction costs. Finally, with internet access so widespread, financial literacy is important to helping people decide whether to invest in new companies.

Risks

- 1 Asymmetry of information for the public (borrower/ investor)
- 2 Cross-border transactions when using online platforms in different jurisdictions
- 3 Secondary market

Regulatory approach

- 1 Use of sandbox approaches
- 2 Use of blockchain contracts to limit risks



Thought provoking ideas on tech

CONCLUSIONS

Innovative financing models for MSMEs are reaching more of the unbanked, but the regulator needs to assess, anticipate and manage the risks. Consumer protection and transparency are important to fostering this access to finance, particularly for crowdfunding investors, and a “sandbox” approach can be helpful. This topic will be explored in more depth by AFI’s SME Finance Working Group.

SOWING THE SEEDS: OPPORTUNITY TO ADVANCE LEADERSHIP ON GREEN FINANCE

MODERATOR

Savenaca Narube, Former Governor of the Reserve Bank of Fiji

PANELISTS

Deputy Governor Shitangshu Kumar Sur Chowdhury, Bangladesh Bank

Second Deputy Governor Jennifer Sullivan, Central Bank of Seychelles

Margaret Miller, World Bank Group

Tessa Price, ANZ Bank

Maimouna Gueye, African Development Bank

For development finance to be inclusive, it must consider the effects of climate change and other environmental risks on those at the bottom of the pyramid. Financial inclusion plays a critical role in financial resilience and mitigating losses, and this session highlighted some of the practical solutions financial regulators and policymakers are implementing to promote green finance and reach the rural poor, small businesses, and other vulnerable segments of society.

Green Finance in Areas Vulnerable to Climate Change

There are 160 million people in Bangladesh, and every year the country is exposed to the risks of climate change. Bangladesh Bank has taken a leadership role in this area, implementing policies and regulations that support the green finance and sustainable finance agenda, help to counter the effects of climate change, and reduce risks and vulnerabilities. The Bank has set targets for green finance products, created green finance tools for financial services providers (FSPs), established a “green transformation fund” and encouraged FSPs to offer products and services in this area.

A \$10 BILLION COMMITMENT TO GREEN FINANCE

ANZ Bank is committed to the green finance agenda. By 2020, ANZ intends to provide \$10 billion in financing or loans to help countries transition to a greener economy through investments in energy-efficient equipment, renewable energy, solar power and other clean energy options.

“The private sector needs to show responsible practices and take the lead. We need to walk the talk.”

Tessa Price
ANZ Bank

As a small island state, Seychelles is particularly affected by climate change. From a policy perspective, adaptation to climate change is expensive, but the government has been playing a key role in scaling up funding and finding innovative solutions. For example, Seychelles’ external debt to the Paris Club was converted into a local loan that will be invested in protecting the health of the oceans. Other policy interventions include a scheme whereby the government subsidizes half of insurance premiums paid by farmers and fishermen to reduce their vulnerabilities to natural disasters, and provides government guarantees on 50% of the amount borrowed by households and small businesses to allow them to purchase energy-efficient equipment.

At the 2015 Paris Climate Conference (COP 21), Africa was in the spotlight as one of the most vulnerable continents to the effects of climate change. With 550 million people living in poverty and 640 million without access to electricity, the African Development Bank (AfDB) has set three top priorities:

- i) improving food security and working with the private sector to empower farmers through access to appropriate financial services;
- ii) providing universal access to energy by supporting infrastructure and appropriate financing; and
- iii) improving the lives of the poor.

With so many green finance issues needing regulatory attention, said Margaret Miller of the World Bank, setting priorities and providing leadership is essential.

“What are our biggest concerns with the future of the planet? There are many areas to be considered, such as energy efficiency, fisheries, forestry and oceans. Financial services for the poor, such as risk mitigation products, should aim to reduce vulnerabilities to climate change and the associated risks. There is also a need to identify the business case for green finance, particularly for financial sector providers. Commitments and appropriate leadership will help to achieve this agenda.”



Savenaca Narube, Former Governor of the Reserve Bank of Fiji

SOWING THE SEEDS: OPPORTUNITY TO ADVANCE LEADERSHIP ON GREEN FINANCE CONTINUED

“Climate adaptation for us is not a matter of choice, but a matter of survival.”

DG Sullivan
Central Bank of Seychelles



Margaret Millar, World Bank Group



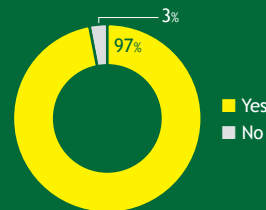
Tessa Price, ANZ Bank

CONCLUSIONS

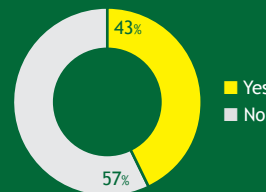
By the end of the session, there was overwhelming agreement that financial regulators should be concerned with climate change, that it was important to have a clear definition of the links between green finance and financial inclusion, and that the AFI working groups and regional initiatives should make green finance a priority in their work streams.

VOTING RESULTS

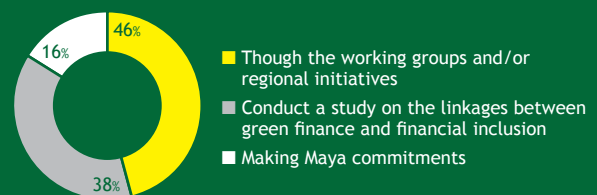
Should financial regulators be concerned with climate change?



As a financial policymaker, does your institution have policies concerning green finance? (What you understand to be green finance?)



How can the AFI network prioritize the issue of green finance and climate change in its work streams?



NO ONE LEFT BEHIND: MAKING THE CASE FOR INCLUSIVE INSURANCE

MODERATOR

Mark Flaming, Pacific Financial Inclusion Programme

PANELISTS

Governor Loi Bakani, Bank of Papua New Guinea

Donald Mitchell, BIMA

Hannah Grant, Access to Insurance Initiative (A2ii)

Jason Nili, Dominion Insurance

This session featured a case study of BIMA, a global microinsurance provider that has partnered with Digicel and Capital Insurance to offer mobile-enabled micro life and medical insurance products in Papua New Guinea. Discussions focused on the challenges regulators and insurers faced in developing this innovative model and the role of the regulator in creating an enabling environment for innovation in microinsurance and protecting consumers that are new to the insurance market.

Insurance markets are changing in many parts of the world, especially as technological advances are made and new business models emerge. This session highlighted the example of BIMA, which collects premiums by deducting small amounts from a customer's mobile phone airtime balance.

This is a new way of paying for insurance in Papua New Guinea. PNG is a family-based society, and the traditional wantok system (people speaking the same language or "one talk") is how people have always met their emergency financial needs. Jason Nili of Dominion Insurance explained that the new BIMA products are not displacing existing products, but complementing them, and they are specifically designed to appeal to low-income clients, a consumer segment that has been largely unserved by the insurance industry to date.



Questions from the audience

"We must always remember our basic duty to help maintain stable and transparent financial markets and safeguard consumer protection standards."

Governor Loi Bakani

Bank of Papua New Guinea

Before the BIMA/Capital/Digicel rollout, the estimated penetration rate for insurance in the country was around 2%, but following the launch of the partnership it climbed to about 5%. Mobile penetration has been leveraged to promote it, and uptake is now around 600,000 people.

Governor Loi Bakani explained that the Bank of Papua New Guinea gives special consideration to any initiative that helps to support the country's National Financial Inclusion and Financial Education Strategy and that encourages more insurance providers to serve the lower income segments of the population, even if an agent or an insurer uses innovative approaches and new distribution channels. By designing products and working with an insurer that has complementary expertise, experience and capacity, BIMA has been moving the market forward.

However, consumer protection challenges remain. Access to Insurance Initiatives (A2ii) is actively involved in developing guidelines for inclusive insurance, and Hannah Grant of A2ii pointed to some of the new consumer protection challenges that are emerging and also evident in the BIMA product:

- > New distribution entities, such as agents and telcos
- > New payment mechanisms, such as airtime and e-money
- > Users have never had an insurance product before

Different supervisors react to these challenges differently, but some develop new regulations (e.g. for agents) while others adjust existing ones. Some take a test-and-learn approach while others engage in dialogue with telco regulators and the central bank. In Papua New Guinea, the regulator's view is that as long as the collection process is transparent, public money is properly accounted for and allocated to the various parties in the value chain (in this case, to BIMA, Digicel and Capital Insurance), proper records are kept and returns are made to the regulator, then how BIMA collects premiums is not an issue.



Mark Flaming, PFIP

CLOSING THE GENDER GAP

MODERATOR

Governor Benno Ndulu, Bank of Tanzania

PANELISTS

Governor Abraao De Vasconcelos, Banco Central de Timor-Leste

Deputy Governor Tukiya Kankasa-Mabula, Bank of Zambia

Dr. Serey Chea, National Bank of Cambodia

Liz Kellison, Bill & Melinda Gates Foundation

Mereia Volavola, Pacific Islands Private Sector Organisation (PIPSO)

This session provided an overview of the progress of women's financial inclusion globally and highlighted the main features of the Denarau Action Plan, the AFI network's commitment to gender and women's financial inclusion. Panelists discussed how AFI members and partners could implement activities in support of the Action Plan and showcased successful policy interventions and strategies implemented by policymakers, the private sector and development partners in Zambia, Timor-Leste and Cambodia.

Despite progress in advancing financial inclusion globally, women remain disproportionately excluded from the formal financial system. According to the 2014 Global Findex Survey, more than a billion women are still excluded from the financial system and there is a persistent 9% gap in account ownership between women and men across developing countries. Some common challenges women face in accessing financial services include cultural barriers, lower educational status and financial literacy, a lack of assets, work and family responsibilities, and geographical distance to financial institutions, particularly in rural areas.



Panelists for the Closing the Gender Gap session

AFI has been working to move these issues from the fringes into the mainstream. At the heart of this work is a new commitment announced at the 2016 GPF: the Denarau Action Plan on Gender and Women's Financial Inclusion. Adoption of the Denarau Action Plan will accelerate women's financial inclusion by, among other things, identifying concrete activities to be undertaken by the AFI Working Groups (for example, research, the collection of sex-disaggregated data, and new partnerships and collaborations), mobilizing Maya Declaration commitments on gender, and strengthening collaboration with AFI partners and stakeholders, especially women.

Zambia

When discussions first began on mainstreaming the issue of gender, there were major challenges within the central bank. However, the Bank of Zambia will be incorporating the entire Denarau Action Plan into its National Strategic Plan 2016-2019. The Denarau Action Plan, said Deputy Governor Kankasa-Mabula, can be a reference point for many AFI members to mainstream gender into their own strategy.

“Women's financial inclusion is not a women's issue. We all need to become champions and it is critical to have male voices.”

Deputy Governor Tukiya Kankasa-Mabula
Bank of Zambia

AFI GENDER AND WOMEN'S FINANCIAL INCLUSION COMMITTEE (GWFIG)

Provides leadership and strategic guidance on the development of smart policies to advance gender and women's financial inclusion. The Committee also monitors progress on the actions identified and gender-related Maya commitments. It will also act as an advocacy voice for AFI in global forums.

“AFI has come a long way with this agenda since discussions started at the 2014 GPF in Trinidad and Tobago. Although there were some initial sceptics, AFI is a dynamic organization, and today we are seeing overwhelming support for this agenda. AFI has successfully created platforms for all to participate in advancing women's financial inclusion: members, partners and collaborators.”

Dr. Tukiya Kankasa-Mabula
Deputy Governor of the Bank of Zambia
and Chair of the GWFIG

Timor-Leste

The Central Bank has implemented various initiatives to be undertaken in the immediate and medium term. The majority of the action items identified in the Denarau Action Plan are already aligned with the Central Bank of Timor-Leste's strategy, and the Bank will continue its commitment to implementing it. Among the initiatives are a financial education program and the introduction of a national switch, which will open the door to more market players and increase efficiency. The Central Bank is also supporting the development of financial infrastructure by working with development partners. The Bank has also recently completed a supply-side survey.

Cambodia

In Cambodia, women's empowerment is an issue of economic sustainability, as women contribute 70% to 80% of the country's economic consumption. However, there is a gender gap: while women account for 80% of clients in the MFI sector, in the banking sector only 40% of clients are women. Women with larger businesses also find it challenging to access loans. Dr. Serey Chea of the National Bank of Cambodia said the Bank would be adopting the recommendations of the Denarau Action Plan and expressed support for AFI's Gender and Women's Financial Inclusion Committee (GWFIG), which she said is showing a very strong commitment to narrowing the gender gap and accelerating women's financial inclusion.

“With AFI members collectively agreeing on the Denarau Action Plan, a strong signal is being sent that women's access to finance is a serious issue. A collective voice will have implications for financial sustainability and promote accountability.”

Dr. Serey Chea
National Bank of Cambodia

Finding What Works for Women

Liz Kellison of the Bill & Melinda Gates Foundation pointed to the importance of creating affordable and relevant approaches to gender inclusiveness in finance. To reach the 1.1 billion women who are currently unbanked, she said, it will be crucial to leverage technology to create an enabling ecosystem that works for women. Digital solutions will also create efficiencies in terms of costs and resources. By encouraging digital payments and other digital revolutions, countries like Tanzania, Peru and India are creating very large ecosystems to include billions of people.

Mereia Volavola of the Pacific Islands Private Sector Organisation (PIPSO) suggested that for regulators and policymakers to fully understand the challenges and needs of people on the ground, they need to engage with businesses, particularly small traders, business representatives and women in rural areas. ID requirements and KYC, for example, should not disproportionately affect women wanting to access finance, and harmonized regulations are needed to ensure women can open an account and access finance more easily.

“Addressing women's financial inclusion requires smart regulators developing and implementing smart policies.”

Mereia Volavola
Pacific Islands Private Sector Organisation



Enthusiastic support for AFI's commitment to gender and financial inclusion

NEXT STEPS

With AFI members approving the adoption of the Denarau Action Plan, and the work of the Gender and Women's Financial Inclusion Committee now underway, the next steps will be design of a strategic implementation plan by the Committee to provide leadership on this issue and to ensure that practical steps are taken and partnerships formed to ensure the successful realization of the Action Plan.

OUTCOMES OF THE 2017 GPF

Denarau Action Plan on Gender and Women's Financial Inclusion

Picking up the inspiring discussions that began at the 2015 GPF in Trinidad and Tobago, the 2016 GPF culminated in the adoption of the Denarau Action Plan: The AFI Network Commitment to Gender and Women's Financial Inclusion. This 10-point Action Plan will be overseen by the newly formed AFI Gender and Women's Financial Inclusion Committee (GWFIC), which will work with key partners and gender focal points from each of the AFI Working Groups.

The Action Plan identifies measures AFI members can take to develop and implement smart policies and regulations to increase the number of women with access to quality and affordable financial services globally and close the financial inclusion gender gap by pursuing the goals of financial access, usage, and quality in parallel and in a responsible and sustainable manner. The Action Plan fosters strong partnership and collaboration with financial service providers to drive private sector leadership. It also emphasizes the importance of measuring and evaluating our progress.

"AFI recognizes the importance of closing the persistent gender gap in access to financial services, and reducing the more than 1 billion women worldwide lacking access to even a basic transaction account."

Dr. Tukiya Kankasa-Mabula
Deputy Governor of the Bank of Zambia
and Chair of the GWFIC

DENARAU ACTION PLAN

ACKNOWLEDGE that there is a persistent gender gap in access to financial services and that over one billion women globally are financially excluded.

BELIEVE that by paying attention to the gender dimensions of access, usage and quality of financial services, we will be better able to achieve our aim of full financial inclusion.

RECOGNIZE that proactive strategies to consider women's financial inclusion will better inform and enhance our policy objectives. It will also support a global commitment to UN Sustainable Development Goal 5 to achieve gender equality and empower all women and girls.

FURTHER RECOGNIZE that diverse teams can lead to better outcomes.

WELCOME opportunities offered by digital financial services and the role that interoperable systems can play in bringing the unbanked women onto the mainstream.

ACCEPT the important role sex-disaggregated data will play in tracking our efforts to achieve women's financial inclusion, and supporting evidence-based policymaking.

RECALL the milestones and growing momentum of the AFI Network to establish women's financial inclusion as a cross-cutting priority in its agenda. These milestones include:

- > The first discussion of women's financial inclusion at the Global Policy Forum in Port of Spain, Trinidad & Tobago, September 2014;
- > The first high-level conference on the financial inclusion of women hosted by Banque Centrale des Etats de l'Afrique de l'Ouest (BCEAO) in Yamoussoukro, Côte d'Ivoire, on 22 July 2015 to discuss the connections between financial inclusion policy and women in Africa;
- > The keynote address by Graca Machel at the 2015 Global Policy Forum in Maputo, Mozambique, hosted by Banco de Moçambique, which emphasized the benefits of bridging the gender gap in financial inclusion;

- > Board approval in February 2016 to establish a high-level committee from diverse regions to provide leadership on advancing women's, with a view to promote to promote women's financial inclusion within the context of AFI's activities;
- > The development of a policy framework to support women's financial inclusion based on good practices and mapping of successful policies; and
- > The endorsement of the Action Plan at the second high-level conference on the financial inclusion of women in Dar es Salaam, Tanzania, co-hosted by Bank of Tanzania on 28 April 2016.
- > Subsequent endorsement of the Action Plan at the second Pacific Islands Regional Initiative (PIRI) Forum on 2-3 June 2016 at Port Vila, Vanuatu.

COMMEND those AFI members that have already taken concrete steps to advance women's financial inclusion by formulating specific Maya Declaration commitments, setting, and in some cases exceeding, concrete targets for women's financial inclusion and/or incorporating gender considerations into their national financial inclusion strategies.

CALL for AFI members and partners to seize the opportunity to make further progress by implementing the AFI Action Plan for Gender and Women's Financial Inclusion.



Voting on the Denarau Action Plan



96% member support

DENARAU ACTION PLAN CONTINUED

THIS ACTION PLAN WILL

- 1 **INCORPORATE** gender considerations in the AFI Network's core activities, with each working group to promote peer learning and develop appropriate knowledge products relating to gender and women's financial inclusion between 2016 and 2018.
- 2 **CONSIDER AND IMPLEMENT** best practices in integrating policies for women's financial inclusion and gender considerations within national financial inclusion strategies, through AFI's Financial Inclusion Strategy (FIS) Peer Learning Group. Knowledge products will be developed to support this work.
- 3 **LEVERAGE** digital financial services and other innovative technologies, to accelerate progress.
- 4 **HIGHLIGHT** the role of appropriate financial infrastructure, such as interoperable payment systems, credit bureaus and electronic collateral registries, in enabling women's financial inclusion.
- 5 **INVITE** focal points from each of the AFI working groups to coordinate with FISPLG and lead on issues and knowledge products relating to gender, and specifically women's financial inclusion, according to each of their mandates.
- 6 **DEVELOP** and promote best practices in collecting, analyzing and using sex-disaggregated data to promote financial inclusion for women through the Financial Inclusion Data (FID) Working Group. Guidance, including indicators, will be developed to support AFI members in the collection and analysis of the data.
- 7 **ENCOURAGE** all AFI members to set specific financial inclusion objectives and targets for women's financial inclusion within both the framework of the Maya Declaration and their national financial inclusion strategies, with progress to be monitored and reported on a regular basis.
- 8 **CALL ON** financial institutions and other private sector actors, including through AFI's Public-Private Dialogue (PPD) platform, to take concrete actions to better understand to better understand the female market segment, develop internal capacity and support culture change to more effectively serve women clients.
- 9 **COLLABORATE** with other key stakeholders, including government agencies, development partners and civil society, to:
 - > identify through research the gender-specific barriers to financial inclusion and understand gender differences relevant to product development;
 - > advocate the business case for the financial inclusion of women;
 - > encourage effective data collection and implementation of sound gender-sensitive policies for financial inclusion; and
 - > create enabling and supportive environment to accelerate women's financial inclusion.
- 10 **DRIVE** greater gender diversity within member's own institution and its initiatives and strategies. Data shows that greater gender diversity in the workplace can lead to better performance, increased productivity and innovation.



ANNOUNCEMENT OF MAYA COMMITMENTS

NEW COMMITMENTS

AFI MEMBER	AREAS OF COMMITMENT
Ministère de l'Économie et des Finances de la Côte d'Ivoire	National strategy for financial inclusion, financial inclusion data, consumer protection
Central Bank of Egypt	Financial inclusion for women, consumer protection, SME finance, digital financial services
Central Bank of Jordan	Financial inclusion for women and youth, consumer protection, financial literacy, SME finance, digital financial services
Central Bank of Suriname	SME finance
Ministry of Finance of Swaziland	National strategy for financial inclusion, consumer protection, financial literacy, financial stability
Reserve Bank of Zimbabwe	National strategy for financial inclusion, consumer protection, financial literacy, financial inclusion data, microinsurance, SME finance, financial inclusion for women

RENEWED COMMITMENTS

AFI MEMBER	AREAS OF COMMITMENT
Banque Centrale des Etats de l'Afrique de l'Ouest (BCEAO)	Overarching national goal, SME finance
Banco Central do Brasil	National strategy for financial inclusion, financial inclusion data, consumer protection, financial literacy, national payments system, SME finance
Banque de la République du Burundi	Digital financial services, consumer protection
Reserve Bank of Fiji	Overarching national goal, digital financial services, SME finance, financial literacy, green finance
Bank Negara Malaysia	Overarching national goal, digital financial services, SME finance, financial literacy, financial inclusion data
Banco de Moçambique	National financial inclusion strategy, digital financial services, SME finance national payment system
Central Bank of the Russian Federation	SME finance
National Bank of Rwanda	Financial inclusion for women, national financial inclusion strategy, consumer protection, financial literacy
Central Bank of Solomon Islands	SME finance
Bank of Tanzania	Overarching national goal, SME finance
Reserve Bank of Vanuatu	SME finance, financial inclusion for women, consumer protection

COMMITMENTS ON SME FINANCE

■ # of targets

■ Institutions with commitments



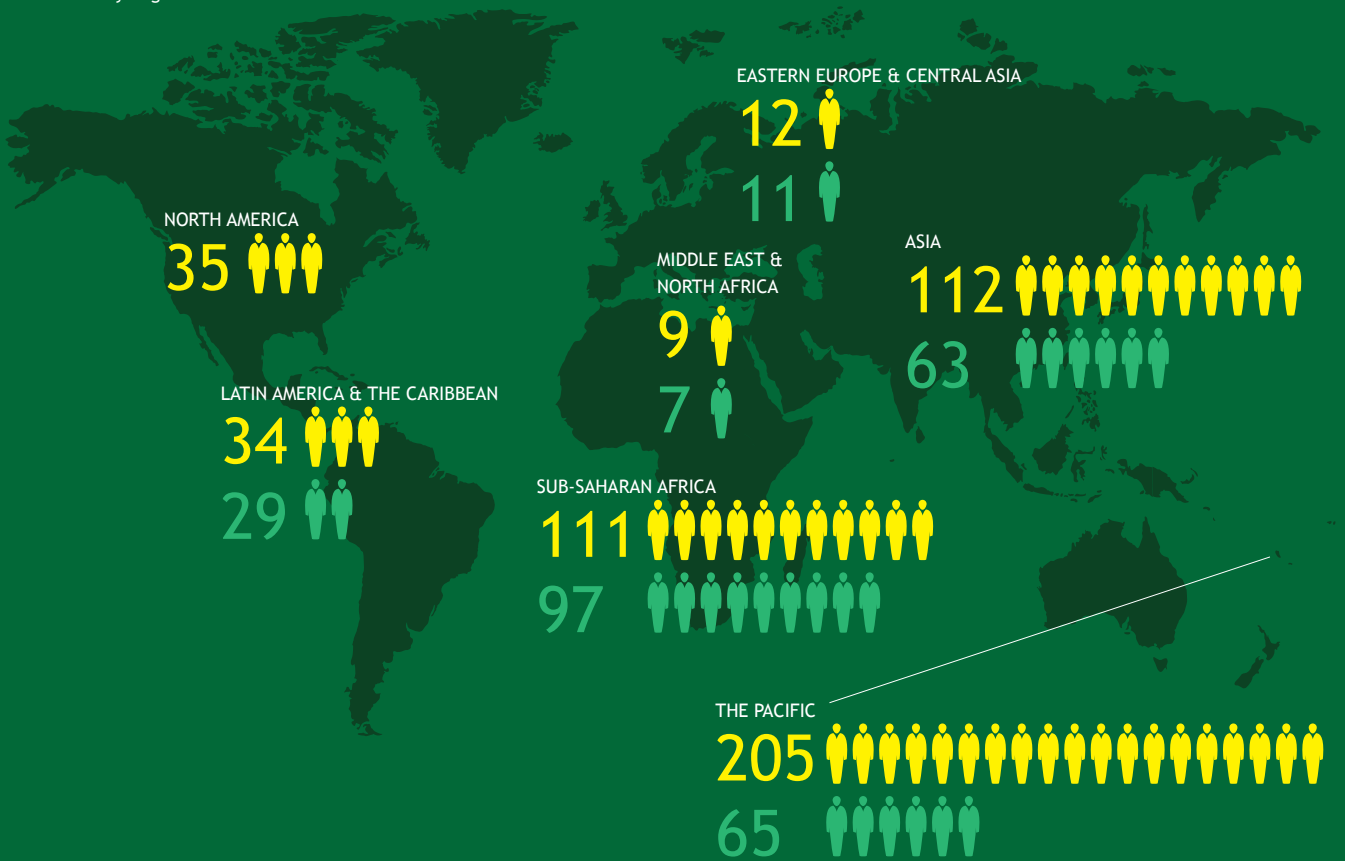
There has been a remarkable increase in SME finance commitments since the launch of the Maputo Accord at the 2015 GPF in Mozambique. Commitments focused on the financial inclusion of women have also begun an upward trend, with three new and seven updated commitments announced upon the launch of the Denarau Action Plan at the 2016 GPF in Fiji.

GPF BY NUMBERS

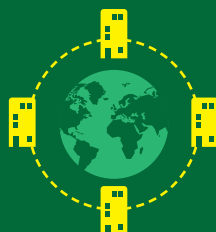
AFI's eighth Global Policy Forum, was the largest ever held, attended by over 500 senior financial inclusion policymakers and regulators and leaders from international organizations and the private sector.

PARTICIPANTS VERSUS MEMBERS BY REGION

- Participants by Region
- Members by Region

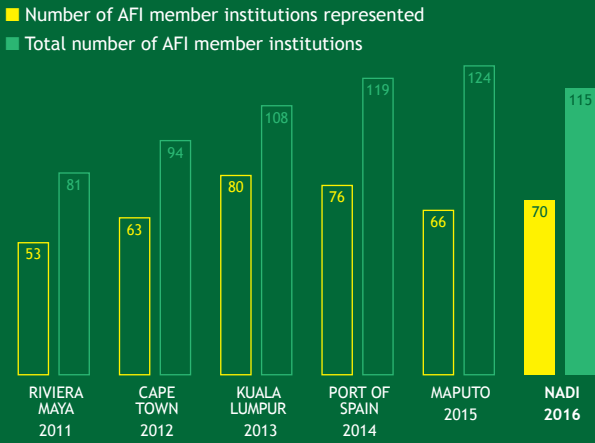


78 total countries represented

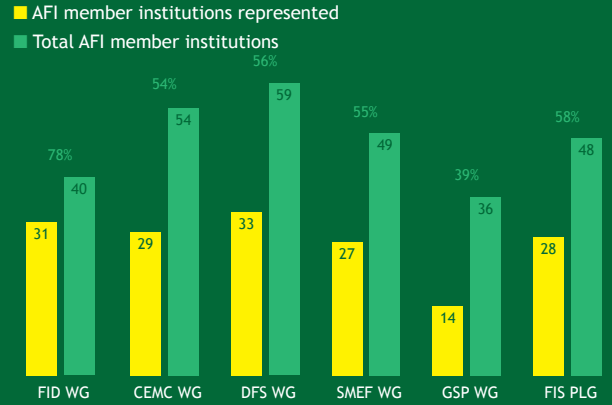


64 countries represented by member institutions

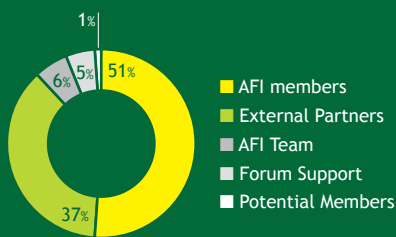
PARTICIPATING VERSUS MEMBER INSTITUTIONS



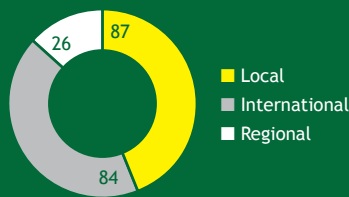
WORKING GROUP ATTENDEES



ATTENDEES, BY TYPE



STAKEHOLDERS OF GPF



REPRESENTED MEMBER INSTITUTIONS, BY CATEGORY AND PAYMENT STATUS



531 total number of attendees



277 total policymaker attendees



70 participating member institutions



The 2016 AFI Global Policy Forum concluded with the announcement that the ninth annual GPF will be hosted by the Central Bank of Egypt in 2017.

THE 2016
AFI GLOBAL
POLICY FORUM

BUILDING THE
PILLARS OF
SUSTAINABLE
INCLUSION

NADI, FIJI 7-9 SEPTEMBER



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

f www.facebook.com/AFI.History @NewsAFI