



National Financial Inclusion Strategies: What and how? Experiences from outside Latin America

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Presentation will cover



- One:** AFI Network's experience of Financial Inclusion Strategies
- Two:** What are the global trends in Financial Inclusion Strategy Formulation & Implementation?
- Three:** How are national strategies being developed and implemented in practice? - experiences from Nigeria, Tanzania, Indonesia and India



Presentation will cover



One: AFI Network's experience of Financial Inclusion Strategies





“This working group serves as the global barometer as far as financial inclusion changing trends are concerned worldwide” – Eden Dema, Deputy Governor, Bhutan

THE STRUCTURE OF FISPLG

FISPLG CO-CHAIRS

3 CO-CHAIRS, 2-YEAR TERM (AS PER CHARTER)

ALL FISPLG MEMBERS RESPONSIBLE FOR:

FISPLG survey, strategy profiles & status of practice, peer reviews and capacity building

SUBGROUP 1:

FIS Toolkit (Guideline for FIS Formulation & Implementation)

SUBGROUP 2:

National Coordination & Leadership Case Studies

SUBGROUP 3:

Principles for Public-Private Engagement in Strategies

SUBGROUP 4:

Financial Inclusion Strategy Perspectives of Francophone Countries

SUBGROUP GOVERNANCE & RESPONSIBILITIES - PROPOSED FOR DISCUSSION

- > Each subgroup responsible for developing a knowledge product to be endorsed by the FISPLG and presenting updates at meetings.
- > One chair per subgroup, minimum five members per subgroup

FISPLG Definition of Financial Inclusion Strategy



“A Financial Inclusion Strategy is a comprehensive public document developed through a broad consultative process involving private and public sector stakeholders involved in financial sector development to systematically accelerate the level of financial inclusion”

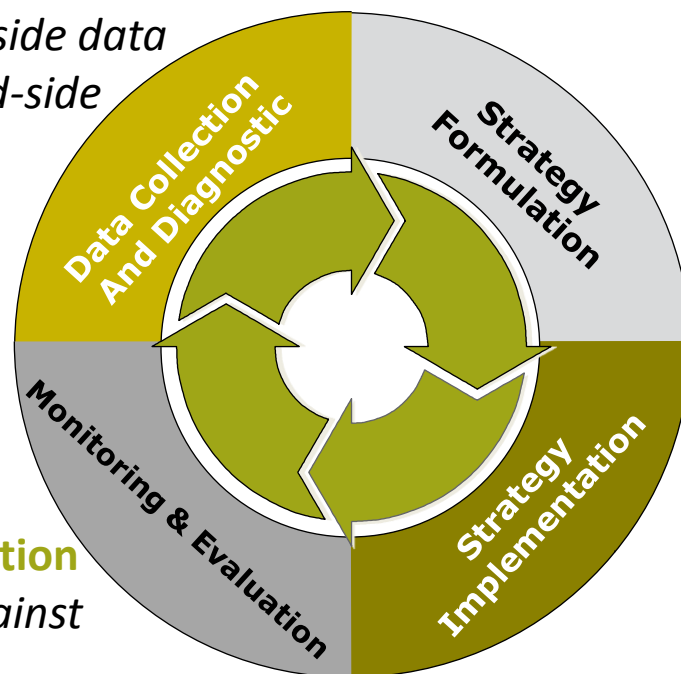
Financial Inclusion Strategy Stages



(a) Data Collection and Diagnostic

Activities:

- Collection of supply-side data
- Collection of demand-side data
- Data Analysis



(d) Monitoring & Evaluation

- Tracking progress against core indicators
- Identifying if strategy is on track and any responses needed

(b) Strategy Formulation

- Agreement of definition and vision for financial inclusion
- Consultation with public & private sector stakeholders
- Development of action plan and targets

(c) Strategy Implementation

- Policy Reforms
- Private Sector Response
- Establishment of architecture for implementation (e.g. National Council or Taskforce)

Effective strategy formulation & implementation involves a continuous feedback cycle

Presentation will cover



Two: What are the global trends in Financial Inclusion Strategy Formulation & Implementation?

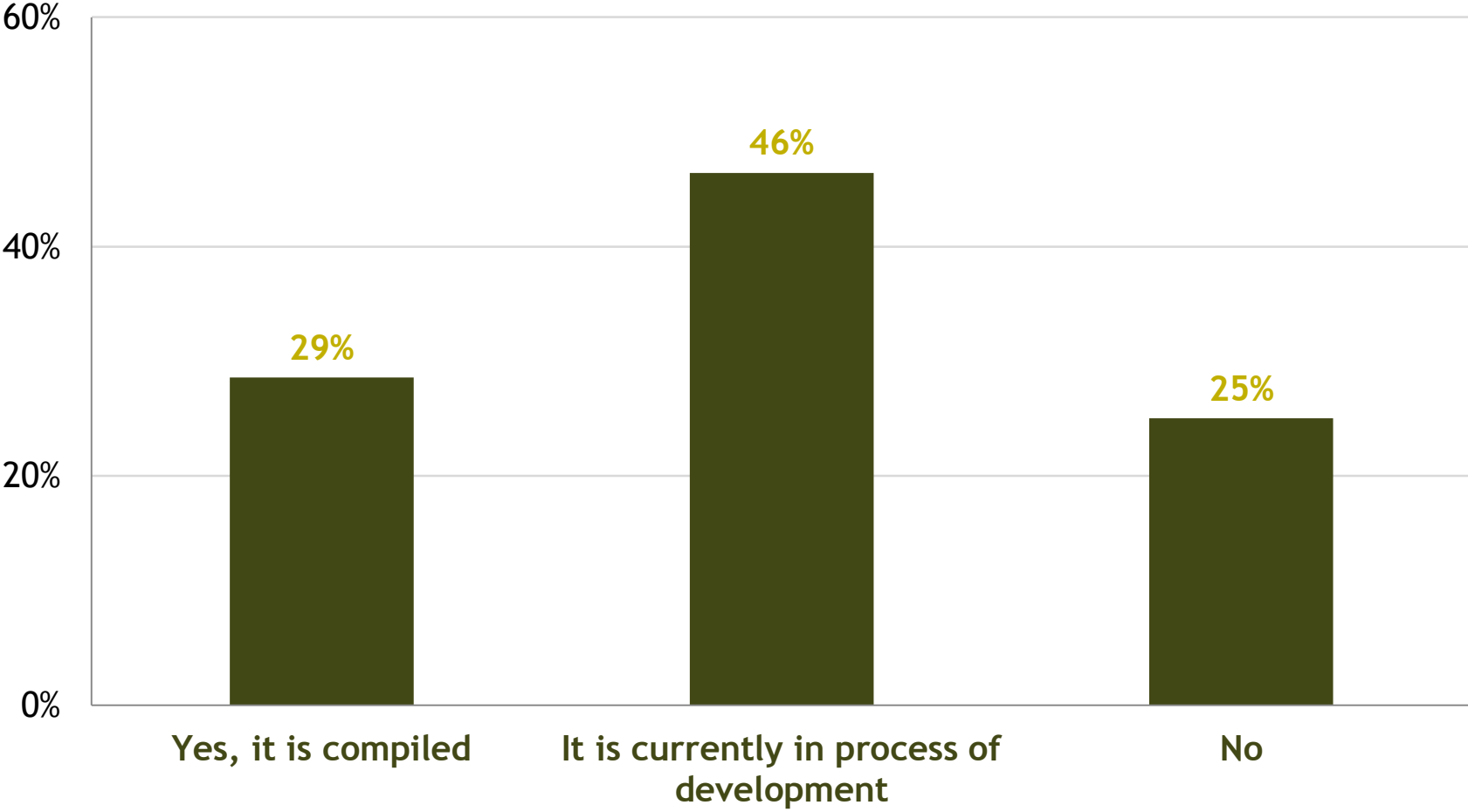




There is a growing consensus amongst financial policymakers globally that Financial Inclusion strategies are needed

- Poll at AFI Global Policy Forum (GPF) in 2012 highlighted that **96% of policymakers considered a national strategy essential but only 25% actually had one in place.**
- According to survey of AFI members, at least 21 countries in the Network have now published Financial Inclusion strategies (8 in Asia-Pacific, 9 in Africa, 3 in Latin America, 1 in Eastern Europe/Central Asia). At least 18 more countries are at various stages of the formulation process.
- Key drivers have been the Maya Declaration (2011) and the G20, especially under Mexico's 2012 Presidency.
- Other factors underlying growing focus on strategies include: recognition of complexity of financial inclusion requiring a common vision & framework; improved quality of data available to policymakers; and peer pressure!

COUNTRIES WITH A FINANCIAL INCLUSION STRATEGY DOCUMENT (GLOBAL)





The Driver for National Strategies is National Commitments

23 countries have made National Strategy commitments under the Maya Declaration

- **Seven from Africa:** Burundi, Congo, Mozambique, Namibia, Nigeria, Uganda, and Rwanda
- **Nine from Asian-Pacific:** Indonesia, Pakistan, Papua New Guinea, Philippines, Fiji, Solomon Islands, Samoa, Vanuatu, China
- **Seven from LAC:** Brazil, Colombia, Chile, Mexico, and Paraguay, Haiti and Trinidad and Tobago





There is a growing and striking convergence over the last two years towards standalone financial inclusion strategies

There have been traditionally two dominant approaches in practice

1. Use of broader financial sector strategy to address financial inclusion (Sierra Leone; Namibia; Mozambique; Nepal)
2. Use of stand-alone FIS (Fiji; Indonesia; Thailand; Tanzania; Burundi; Nigeria; Malawi)
 - Now a clear trend in favor of stand-alone modality
 - The trend reflects the influence of Maya Declaration
 - Countries already having National Microfinance Strategies are working to broaden them (Pakistan, Philippines)



In most regions of the world, central banks are taking a leadership role in financial inclusion strategies

“Central Banks are well positioned to take leadership and coordination role to help maximize efforts, overcome barriers, and steer activities towards shared goals” - AFI Pacific Islands Working Group

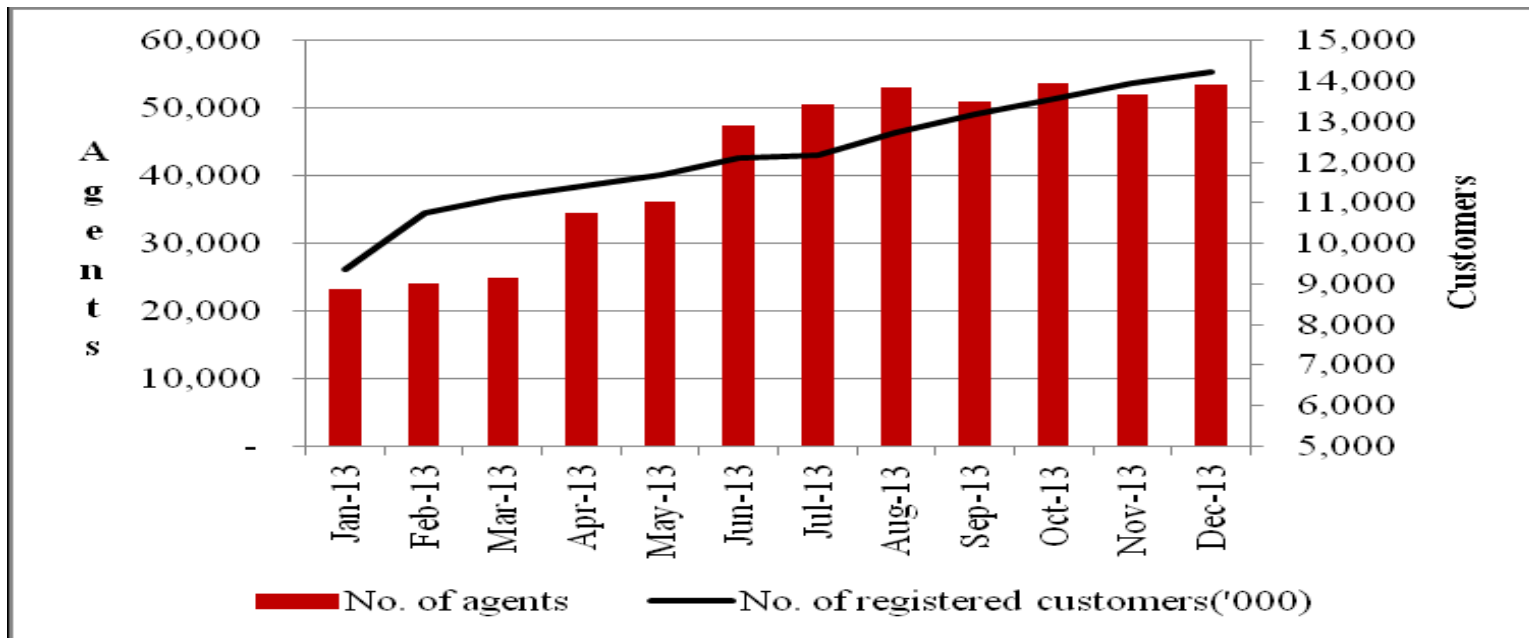
- **In the majority of cases the Central Bank has taken the leadership role in the Financial Inclusion Strategy - 85% of cases in Asia-Pacific, 70% of cases in Africa and 33% in Latin America**
- **In other cases Ministries of Finance have taken the lead (Malawi, Rwanda and Swaziland in Africa, Indonesia and Thailand in Asia)**
- **Which institution may be less important than the characteristics - strong convening power, credibility amongst public and private sector stakeholders, and sufficient resources (esp. human resources)**



The policy content with financial inclusion strategies differs but all are embracing technology and innovation

“Developments in technology have transformed financial services delivery from the traditional physical infrastructure to a system supplemented by other innovative channels”

- Bank of Uganda, Status of Financial Inclusion in Uganda (March 2014)





Countries are utilizing peer learning and knowledge exchange in order to build their national strategies

- Different countries are at different stages in the continuum of strategy development and implementation. Hence, opportunities for “knowledge intermediation”.
- There is tremendous diversity in country approaches. This is fertile ground for peer learning.
- “Peer Learning culture” is now well-developed and established through AFI’s exchange visit programs.
- The demand for peer learning on national financial inclusion strategies is strong and growing.



Many countries are now including a focus on access to finance for SMEs within their financial inclusion strategies

- Around **200 million** formal and informal, micro, small and medium enterprises (MSMEs) in developing economies lack access to credit.
- Estimated **55-68% of formal SMEs lack adequate financing.**
- Additional challenges are inefficient payment options, lack of risk management products and shortage of growth capital.
- Women-owned SMEs have consistently lower access to finance worldwide.

*Source:
Financial Inclusion Targets & Goals: Landscape & GPFi View (G20 GPFi)*

Presentation will cover



Three: How are national strategies being developed and implemented in practice? - experiences from FISPLG member countries



How #1: Clear definition, vision and targets



National Strategies require a clear definition of financial inclusion, vision of where to go, and concrete targets to achieve

Bank of Tanzania Definition of Financial Inclusion:

- “Financial Inclusion for Tanzania entails the “regular use of financial services, through payment infrastructures to manage cash flows and mitigate shocks, which are delivered by formal providers through a range of appropriate services with dignity and fairness”

Government of Indonesia Vision for Financial Inclusion:

- “To achieve a financial system that is accessible by all layers of the community to promote economic growth, poverty reduction and income inequality in Indonesia”

National Target, Central Bank of Nigeria

- To increase the no. of Nigerians in the formal financial sector from 30% in 2010 to 70% in 2020

National Target, Government of India

- Bank accounts for additional 75 million households and 2 account holders per household by 2018.

How #2: The centrality of financial inclusion data



Trusted, nationally collected data and clearly defined indicators are needed

“Without good data it is impossible to define indicators to build a proper financial inclusion agenda for the country” - Elvira Cruvinel, Head of Financial Inclusion Team, Central Bank of Brazil

- AFI Data Working Group has defined **core indicators for Access and Usage**
- **Second-Tier indicators** covering Quality (Literacy and Consumer Protection), Mobile Financial Services, SME Finance
- Working Group constructing a **Catalogue of all indicators** being collected by AFI members



How #3: Policy Prioritization



Important for policymakers to distinguish critical actions and take difficult decisions on where to allocate resources

Successful national FI Strategies tend to identify 4-6 pillars or critical areas of focus to achieve the vision and targets, around which specific interventions can be designed:

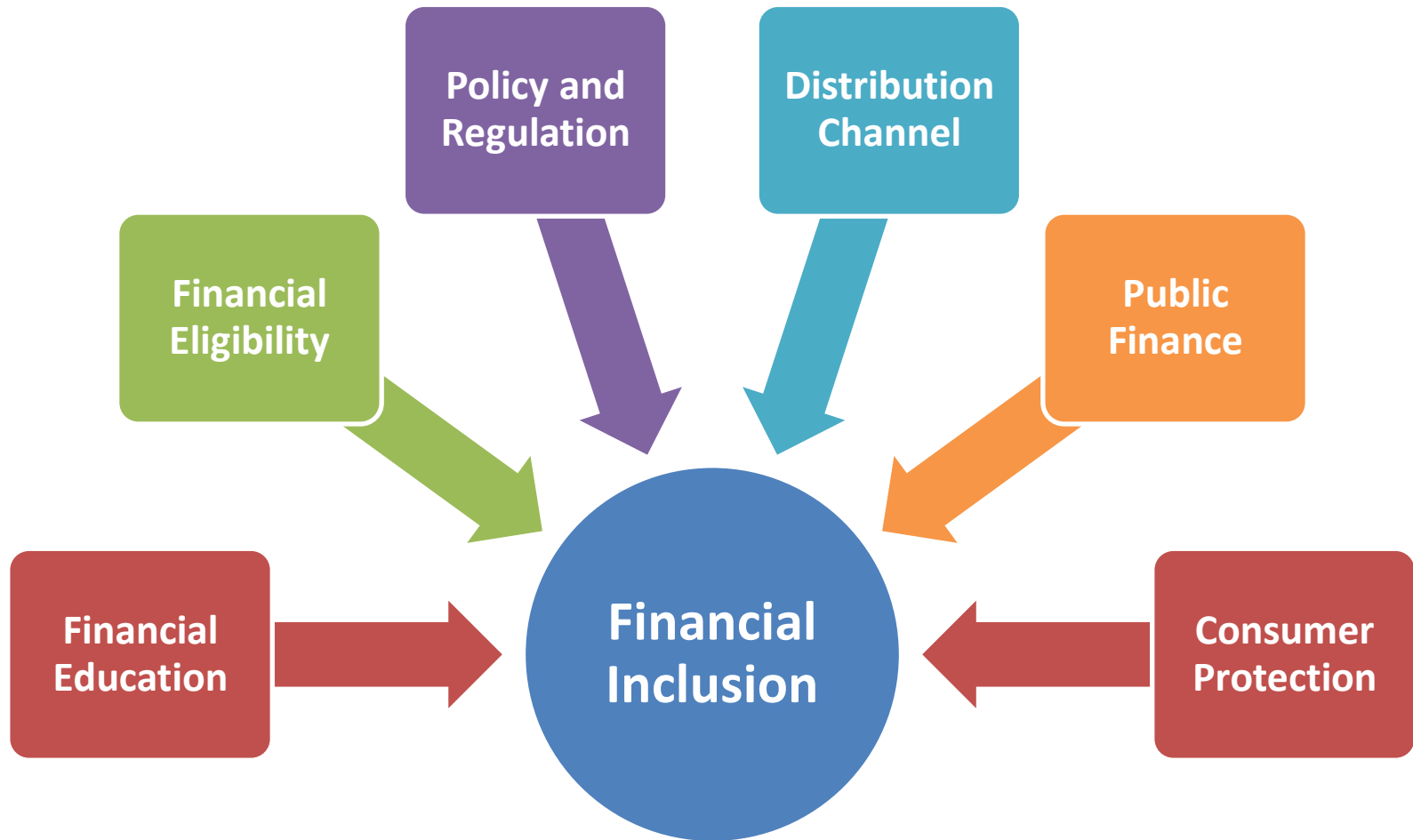
Nigeria (6 priorities):

- **Tiered KYC** Regulations
- Regulatory Framework for **Agent Banking**
- National **Financial Literacy** Framework
- **Consumer Protection** Framework
- **Mobile-Payment** System and other Cashless Policy Efforts
- Implementation of **Credit Enhancement** Schemes & Programs

Tanzania (4 enablers):

- **Proximity** (Agent Banking / MFS / SACCOs)
- **Robust E-Platform** (National Payments Act, Interoperability)
- **Robust Information and Easy Client On-Boarding** (Risk Based KYC, central collateral registry, basic bank accounts, credit reference bureau reform)
- **Informed Customers and Consumer Protection** (Consumer Protection framework, National Fin Ed strategy, deposit insurance).

Indonesia: Six Pillars of Financial Inclusion



How #4: Coordination & Sequencing



National Coordination is a critical challenge that needs to be overcome

- Countries are establishing **multi-agency Financial Inclusion Taskforces, National Councils and Steering Committees** in order to oversee their financial inclusion strategies. **Tanzania's coordination structure is three tiers** with a National Council, a National Steering Committee, and a National Technical Committee.
- **Other models have explicitly included private sector** - e.g. the united Kingdom Financial Inclusion Taskforce. Private sector needs to be part of the dialogue and action plan.
- **Sequencing issues to consider** include relationship with financial education and financial consumer protection, but also implementation of global standards

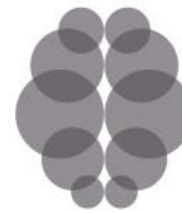




Countries need regular tracking of progress to ensure accountability, feedback loop and adjustment of policies

- *Tracking progress against core indicators*
- *Identifying if any adjustments are needed*
- *Publishing progress in the public domain – e.g. Maya Declaration Report*
- *M & E needs to be resourced effectively – e.g. dedicated unit in Central Bank*





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Financial Inclusion
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Thank you!



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