

afi Alliance for
Financial Inclusion

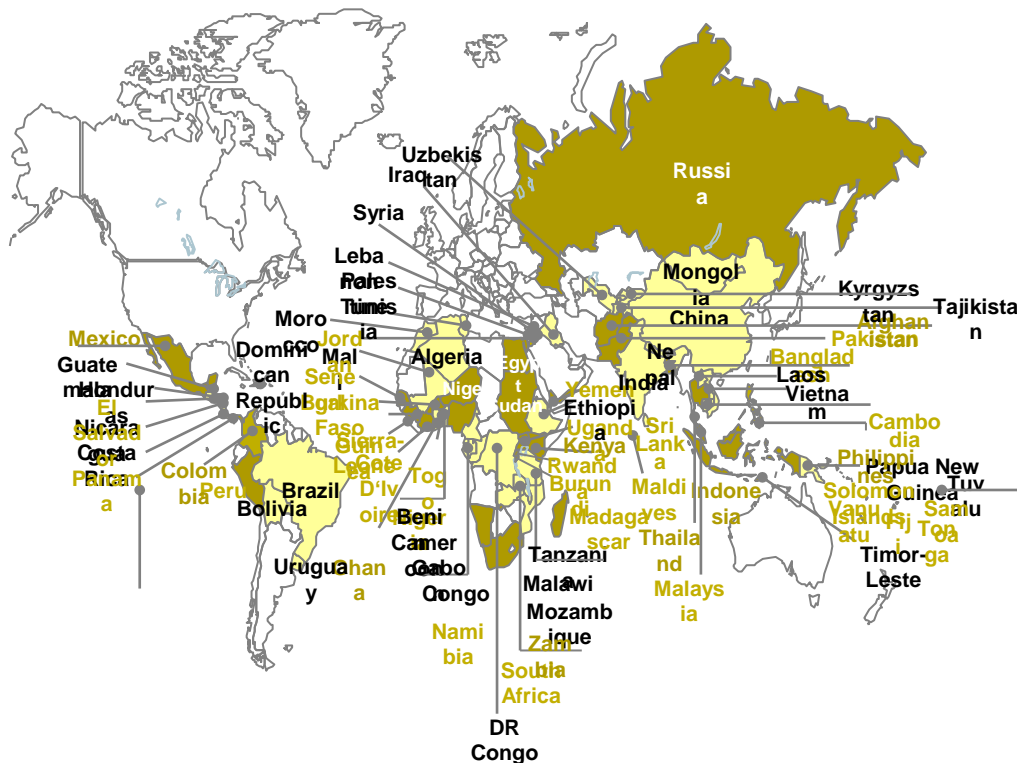
The AFI survey of financial inclusion policy in the developing countries

Preliminary findings

April 22 2010

- About the survey
- Financial inclusion policy trends
- Challenges to financial inclusion policy-making
- Key lessons learned
- Feeding into the Principles
- Outlook

About the survey



- Survey of AFI global membership on the current state of financial inclusion policies and practices based on the recommendation from the AFI Steering Committee
- Sent to 79 central banks and other policymaking bodies in Africa, Asia and Latin America. At present around half of countries re In-depth telephone interview with a sample of 20 countries.
- Ongoing process

Focus:

- ✓ Current activities to increase access to and use of financial services
- ✓ Political processes underlying decision-making in this area
- ✓ Major obstacles faced by regulators and policymakers
- ✓ Policymaker needs with regards to design and implementation of more efficient strategies and policies

Aims:

- **Inform and focus AFI work: demand-driven**
 - Network activities
 - Effective policy solutions
- **Intended Outputs**
 - Synthesis report for AFI members
 - Country profiles
- **Provide insights to the G20 Financial Inclusion Experts Group - Access Through Innovation Sub-Group**
 - Informing the creation of *Principles for Innovative Financial Inclusion*
 - Supporting document

- **Changing role of financial sector policymakers:** growing leadership and ownership of the issue of financial inclusion
- **Microfinance as the entry point:** predominant financial inclusion strategy
- **New technology on the horizon:** need to understand new risk to balance innovation and prudential regulation
- **Savings as a cornerstone:** promote safe, formal, savings in prudentially regulated institutions

- **A critical role for banks:** expect existing formal providers to reach the poor with existing and new services.
- **Financial inclusion policy going beyond supply:** empower consumers through financial education, consumer protection, financial transparency etc.
- **Prioritizing evidence-based policy:** increased emphasis on financial inclusion data collection

- **Market response:** complexity of new business models and difficulty in - predicting market uptake
- **Coordination amongst policymakers:** policymaking involves multiple stakeholders from different public institutions
- **Absence of reliable financial data:** obstacle to making well-informed decisions and monitoring progress
- **Lack of identity documents and systems** required to perform KYC procedures and open accounts
- **Understanding and trust** from and **protection** of the consumer

Key lessons learned

- A new openness for technology solutions that offer a variety of products
- Public-Private Partnerships for fostering access
- Learning from the experience of others (peer-to-peer exchange) critical
- Step-by-step and self-set objectives: solutions appropriate to the level of development and adopting realistic self-set targets

Three-phases of country status

- I. Countries that have successfully implemented FI strategies
 - “Champions” ... clear vision, leadership & political support
- II. Countries that have initiated reforms & show openness for innovation
 - Peer learning critical
- III. Countries with pressing structural financial sector priorities
 - Acknowledged importance of financial inclusion

- Emphasizing countries' holistic approach to increasing access to financial services
- Input frames four general policy principles that have provided a foundation for all innovation in financial inclusion
- 'Emerging enabling policy conditions' for supporting technological innovation

- Implications for AFI - learning, adjusting focus where necessary
- Systematic global and regional efforts are needed to refine and spread these insights widely
- Adopting policies at the country level that respond to both demand- and supply-side barriers will be most effective
- Peer learning and exchange plays a crucial role in leveraging proven solutions for developing country policymakers
- Any global policy response should be based on leadership and ownership from developing countries
- Encouraging countries to self-set their financial inclusion objectives and agree upon can build global commitment

Your feedback is most welcome!



Thank you

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