



BRINGING  
SMART  
POLICIES  
TO LIFE

# ANNUAL REPORT 2019



# WELCOME TO THE 2019 ANNUAL REPORT

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## ABOUT AFI

### OUR VISION

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MAKING FINANCIAL SERVICES MORE ACCESSIBLE TO THE WORLD'S UNBANKED.

### OUR MISSION

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EMPOWERING POLICYMAKERS TO INCREASE ACCESS AND USAGE OF QUALITY FINANCIAL SERVICES FOR THE UNSERVED AND UNDERSERVED THROUGH FORMULATION, IMPLEMENTATION AND GLOBAL ADVOCACY OF SUSTAINABLE, INCLUSIVE AND GENDER-SENSITIVE POLICIES.

# PART ONE: THE AFI NETWORK



Micro-finance, group of prospective borrowers listen to a proposal outside of Ho Municipality, in Eastern Ghana. April 2008. (Photo by tschuma417 / iStock)

## MESSAGE FROM THE CHAIR



It is my honor to present the 2019 Annual Report of the work and achievements of the Alliance for Financial Inclusion (AFI) as Chair of the Board of Directors, a role that I am humbled to take on since September 2019.

I am proud to belong to a network of financial regulators and policymakers that has demonstrated such strong resolve and commitment over the past 11 years. Collectively, the AFI network has implemented 682 policy and regulatory changes in 79 developing and emerging economies, which has increased access and usage of quality financial services for millions of people. As a global policy leadership alliance, we are well positioned to continue our cooperation and address persistent issues of financial exclusion, especially for those who are disproportionately excluded and in the “last mile”.

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**682** Collectively, the AFI network has implemented 682 policy and regulatory changes in 79 developing and emerging economies.

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In 2019, we continued to see members supporting the mission and strategic direction of the AFI network, especially by issuing policy and regulatory guidance and providing in-country support for members to implement financial inclusion policies. At the 2019 Annual General Meeting, the AFI Membership Council approved two Financial Inclusion Policy Models for member adoption: one on e-money and another on the AFI Core Set of Financial Inclusion Indicators. I wish to acknowledge the excellent oversight provided by the Global Standards and Policy Committee and commend the efforts of AFI’s Working Groups to codify good practices that members can reference at various stages of policy development.

I would like to take this opportunity to thank my predecessor, Governor Fazle Kabir of Bangladesh Bank, for his laudable role as AFI Board Chair. I would also like to recognize the wisdom and guidance provided by former Board members representing Superintendencia General de Entidades Financieras (SUGEF) Costa Rica, Bank of Ghana, Central Bank of the Russian Federation

and the Bill & Melinda Gates Foundation, with whom I was privileged to work alongside in the governance of AFI. I welcome our new colleagues to the AFI Board of Directors from the Central Bank of Armenia, Central Bank of Kenya, Comisión Nacional Bancaria y de Valores (CNBV) Mexico, Nepal Rastra Bank, Banco Central del Paraguay and the French Development Agency - Agence Française de Développement (AFD), whose contributions will continue to strengthen the work of the AFI Board. I would also like to commend the Chairs and members of Board Committees and the AFI Management Unit who have provided excellent support in the oversight function of the Board.

As we move into 2020, I encourage all members to accelerate our work by creating more opportunities for peer learning and forming strategic partnerships. This will allow us to take the AFI network to the next level of global policy leadership in financial inclusion, while also empowering members to make impactful policy and regulatory changes at national and regional levels. With our strong resolve and effective collaboration, we will address the challenges ahead of us and sustain the financial inclusion gains that have already been achieved.

**Tarek Amer**  
Governor, Central Bank of Egypt  
Chair, AFI Board of Directors



Current AFI Chair - Tarek Amer with former AFI Chair - Fazle Kabir at the 2019 Global Policy Forum in Kigali, Rwanda.

## ABOUT THE AFI NETWORK

The Alliance for Financial Inclusion (AFI) is a member-led organization with a vision of making financial services more accessible to the world’s unbanked through a unique cooperative approach and bottom-up development model.

AFI members set their own agenda and harness the power of peer learning and peer pressure to develop practical and tested policy reforms that enhance financial inclusion with strategic partnership support from the public and private sectors. AFI’s operations and programs are funded through membership subscriptions and donor contributions.

### VISION

Making financial services more accessible to the world’s unbanked.

### MISSION

Empowering policymakers to increase access and usage of quality financial services for the unserved and underserved through formulation, implementation and global advocacy of sustainable, inclusive and gender-sensitive policies.

### MEMBERSHIP

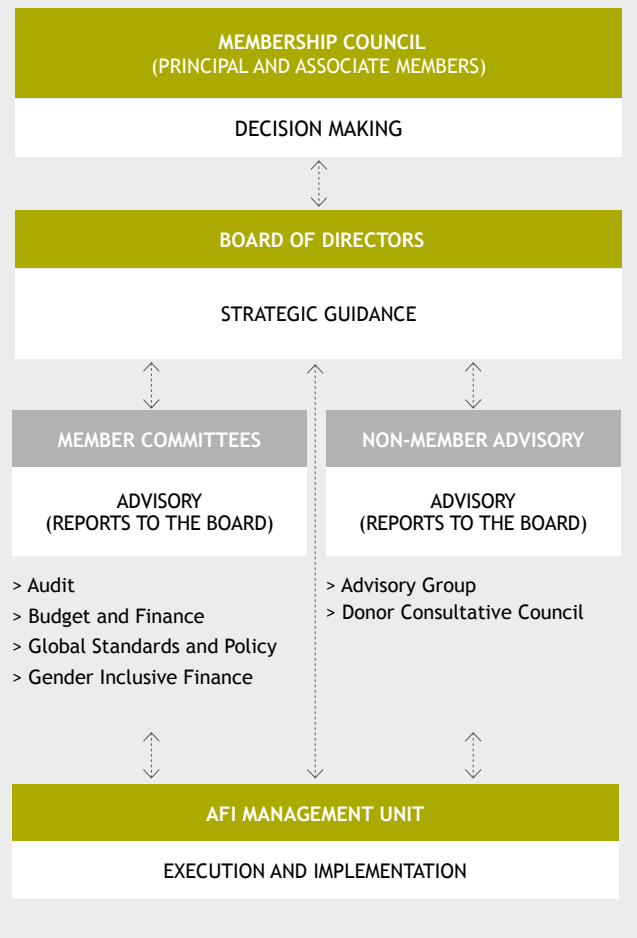
As of the end of 2019, the AFI network had 101 member institutions (comprising 84 Principal Members and 17 Associate Members) representing 89 countries.

Sub-Saharan Africa was the region with the highest number of members at 44 institutions, followed by Asia (South, East and Southeast Asia), Latin America and the Caribbean, Middle East and North Africa, Eastern Europe and Central Asia and the Pacific.

In 2019, two new institutions joined the AFI network:

- > Superintendencia de la Economía Popular y Solidaria de Ecuador as a Principal Member
- > Financial Sector Conduct Authority (FSCA) of South Africa as an Associate Member

### AFI’S GOVERNANCE STRUCTURE



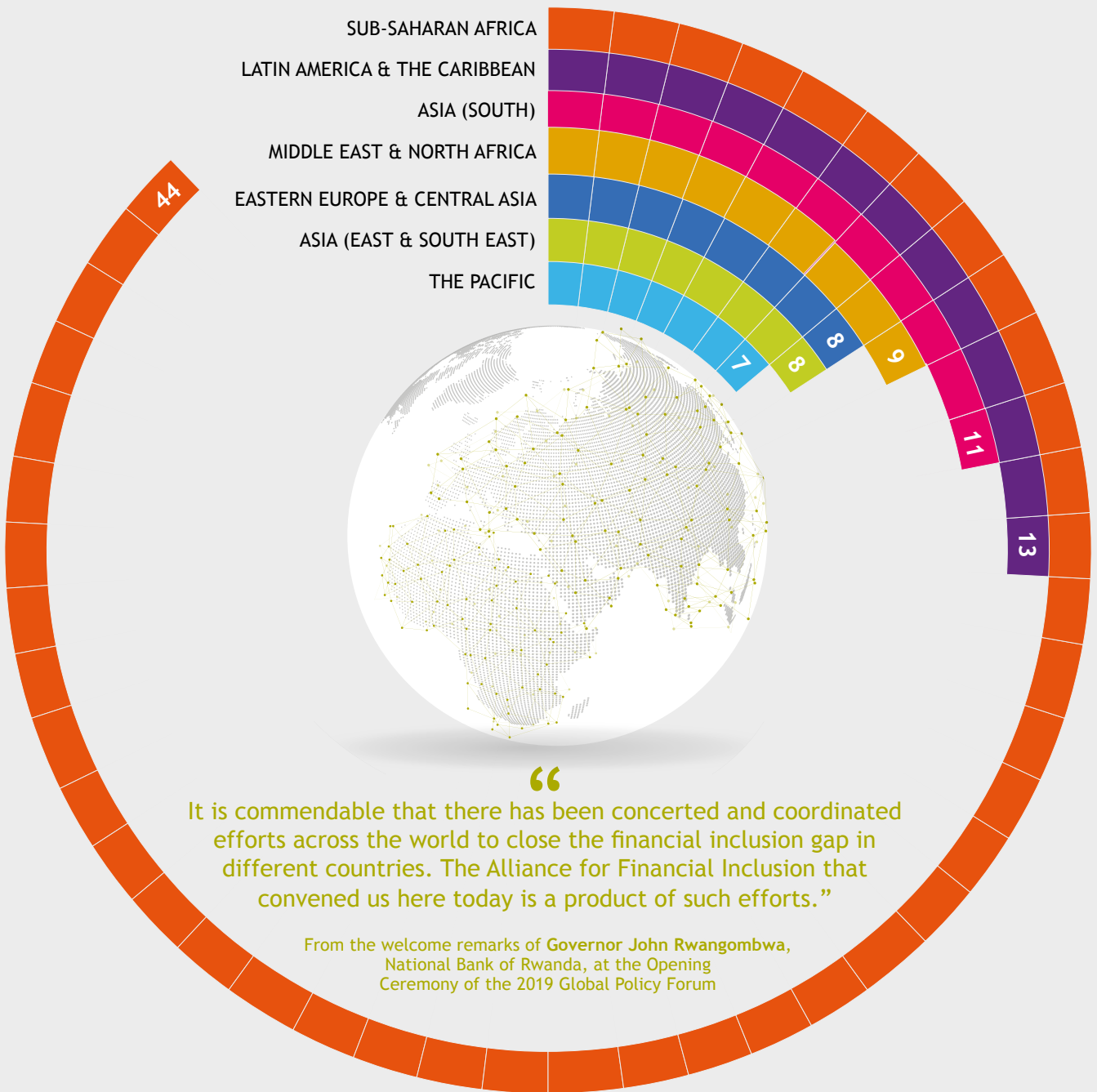
### MEMBERSHIP COUNCIL

The AFI Membership Council is comprised of Principal and Associate Members and meets once a year at the Annual General Meeting (AGM). All members have the right to attend the AGM, but only Principal Members can vote on decisions. At the AGM, the Membership Council reviews AFI’s performance report, ratifies appointments of Board and Committee members and approves strategic decisions that will have a broad impact on the AFI network.

### BOARD OF DIRECTORS

The AFI network is led by the AFI Board of Directors whose primary mandate is to provide strategic guidance to the AFI Management Unit and oversee the direction and activities of the organization.

# AFI MEMBERS BY REGION, 2019



“  
It is commendable that there has been concerted and coordinated efforts across the world to close the financial inclusion gap in different countries. The Alliance for Financial Inclusion that convened us here today is a product of such efforts.”

From the welcome remarks of Governor John Rwangombwa, National Bank of Rwanda, at the Opening Ceremony of the 2019 Global Policy Forum

## HIGHLIGHTS BY REGION INITIATIVE, 2019

### AFPI

Member institutions	44	
Countries	46	
Policy changes	251	
Maya Declaration targets	362	

### ECAPI

Member institutions	7	
Countries	7	
Policy changes	29	
Maya Declaration targets	52	

### FILAC

Member institutions	10	
Countries	10	
Policy changes	29	
Maya Declaration targets	52	

### PIRI

Member institutions	8	
Countries	8	
Policy changes	65	
Maya Declaration targets	70	

### FIARI

Member institutions	9	
Countries	9	
Policy changes	34	
Maya Declaration targets	76	

# BOARD OF DIRECTORS

Members of the AFI Board of Directors serving in the ongoing board term 2019-2021



**Mr Tarek Hassan Nour El Din Amer (Chair)<sup>1</sup>**

Governor, Central Bank of Egypt



**Mr Juan Pablo Graf (Vice-Chair)<sup>2</sup>**

President, Comisión Nacional Bancaria y de Valores (CNBV) Mexico



**Mr Bayarsaikhan Dembereldash<sup>3</sup>**

Chair, Financial Regulatory Commission of Mongolia



**Ms Maiava Atalina Ainu'u-Enari**

Governor, Central Bank of Samoa



**Mr Tiémoko Meyliet Koné**

Governor, Banque Centrale des États de l'Afrique de l'Ouest (BCEAO)



**Mr Arthur Javadyan**

Governor, Central Bank of Armenia



**Dr Patrick Njoroge**

Governor, Central Bank of Kenya



**Mr Maha Prasad Adhikari<sup>4</sup>**

Governor, Nepal Rastra Bank



**Mr José Cantero Sienna**

President, Banco Central del Paraguay



**Mr Bastien Bedossa<sup>5</sup>**

Deputy Head of Financial Systems, French Development Agency



**Dr Alfred Hannig<sup>6</sup>**

Executive Director, Alliance for Financial Inclusion



## KEY

- 1 Assumed the role of AFI Board Chair at the 2019 AGM
- 2 CNBV was elected Vice-Chair in January 2020 and was represented by Mr Adalberto Palma until March 2020
- 3 Represented by Dr Davaasuren Sodnomdarjaa until November 2019
- 4 Represented by Dr Chiranjibi Nepal until March 2020
- 5 External non-voting member
- 6 Non-voting member and Secretary to the AFI Board of Directors



The following Board members served on the Board for part of the ongoing term.



**Mr Adalberto Palma<sup>2</sup>**

CNBV President, until March 2020. Replaced by Mr Juan Pablo Graf



**Dr Davaasuren Sodnomdarjaa<sup>3</sup>**

FRC Mongolia Chair, until November 2019. Replaced by Mr Bayarsaikhan Dembereldash



**Dr. Chiranjibi Nepal<sup>4</sup>**

NRB Governor, until March 2020. Replaced by Mr Maha Prasad Adhikari

The following Board members rotated out of the AFI Board at the conclusion of the 2019 AGM after serving two consecutive Board terms.



**Mr Fazle Kabir**

Governor, Bangladesh Bank



**Dr Ernest Kwamina Yedu Addison**

Governor, Bank of Ghana



**Mrs Elvira Nabiullina**

Governor, Central Bank of the Russian Federation



**Mr Jason Lamb**

Bill & Melinda Gates Foundation (External non-voting Board member)



**Mr Luis Delgado**

Consejo Nacional de Supervisión del Sistema Financiero de Costa Rica (CONASSIF), Superintendencia General de Entidades Financieras (SUGEF) Costa Rica



## BOARD COMMITTEES

### BUDGET AND FINANCE COMMITTEE (BFC)



The BFC provides oversight on AFI's financial strategy and resource management to ensure accountability to members, funders and partners. The members are: Reserve Bank of Fiji (Chair), Palestine Monetary Authority (Vice-Chair), Bank Negara Malaysia, National Bank of Rwanda, Da Afghanistan Bank and Bill & Melinda Gates Foundation.

### GLOBAL STANDARDS AND POLICY COMMITTEE (GSPC)



The GSPC provides guidance and advice on AFI's programmatic direction, engagement with international Standard-Setting Bodies and reviews high-impact policy lessons recommended by AFI's Working Groups to be endorsed as Financial Inclusion Policy Models for the voluntary adoption of members. The members of the GSPC are: Central Bank of Kenya (Chair), Central Bank of the Russian Federation (Vice-Chair), Bangladesh Bank, Reserve Bank of Malawi, Comision Nacional Bancaria y de Valores (CNBV) Mexico, Banco Central del Paraguay and Palestine Monetary Authority.

### GENDER INCLUSIVE FINANCE COMMITTEE (GIFC)



The GIFC provides leadership on advancing and promoting women's financial inclusion in the AFI network. The members are: Bank of Zambia (Chair), Central Bank of Egypt (Vice-Chair), Central Bank of Lesotho, National Bank of Rwanda, National Bank of Cambodia, Banco Central de Reserva de El Salvador and Da Afghanistan Bank.

## AUDIT COMMITTEE (AC)



The Audit Committee supports the Board by providing oversight on AFI's governance, risk management and internal control practices. The members are: Banque de la République d'Haiti (Chair), Banco Central de Reserva de El Salvador (Vice-Chair), Royal Monetary Authority of Bhutan, Banque de la République du Burundi and Banco de Moçambique.

### ADVISORY GROUP

The Advisory Group is comprised of external stakeholders (non-AFI members) who provide strategic advice to the AFI Board of Directors. It also supports the Management Unit in providing sustainable value to members and achieving AFI's vision.

### DONOR CONSULTATIVE COUNCIL

The Donor Consultative Council is comprised of funders in the AFI network and provides consultative advice to promote sustainable value to AFI members. The goals of the Council are to achieve AFI's vision, with a particular focus on the sustainability of AFI, resource mobilization and financial support for programs and activities.



### FURTHER INFORMATION

To read the AFI Articles of Association and Terms of Reference for Committees, visit:

> <https://www.afi-global.org/board>

## REGIONAL LEADERSHIP

AFI’s regional activities are supported by a governance structure comprising a Leaders’ Roundtable and an Expert Group on Financial Inclusion Policy (EGFIP).

The AFI Management Unit coordinates the meetings of the Leaders’ Roundtable and the Technical Group of Experts.

### LEADERS’ ROUNDTABLE

The Leaders’ Roundtable comprises heads of AFI member institutions from regions across the network. Their main responsibility is providing strategic guidance, oversight and monitoring of the work plans of AFI’s Regional Initiatives, which address regional financial inclusion challenges. The Leaders meet at an annual roundtable and during the AFI Global Policy Forum (GPF) to provide strategic perspectives on addressing policy issues. Regional members elect a Chair and Co-Chair for the Leaders’ Roundtable for a tenure specified in the charter of the respective Regional Initiative.

### EXPERT GROUP ON FINANCIAL INCLUSION POLICY (EGFIP)

The EGFIP comprises senior technical officials from AFI member institutions across the network. Their main responsibility is developing regional frameworks or guidelines to address regional financial inclusion challenges. The EGFIP reports to the Leaders’ Roundtable for endorsement of these frameworks and guidance.



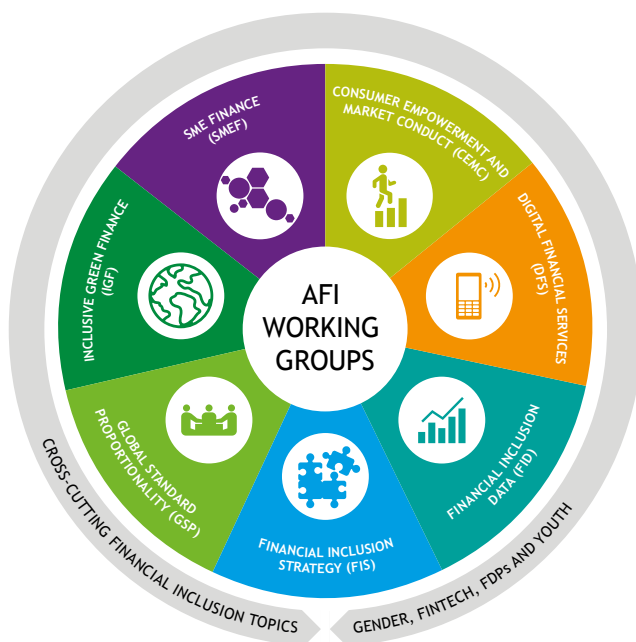
## WORKING GROUPS

AFI Working Groups comprise technical officials from the AFI network. Their main responsibility is developing network-wide technical policy guidelines, regulatory and supervisory toolkits and inputs for network-wide policy models.

Working Group members also offer their practical technical expertise and facilitate in-country missions to support policy implementation at the country level. Each of the Working Groups is led by a Chair and two Co-Chairs elected annually by Working Group members, with tenures specified in the terms of reference of the respective Working Group.

AFI has seven Working Groups that focus on major policy areas identified from the financial inclusion mandates of members across the AFI network. The newest Working Group, the Inclusive Green Finance Working Group (IGFWG), was established in 2019 and held its first meeting during the 2019 GPF in Kigali, Rwanda.

**80%** WORKING GROUP MEMBERSHIP IN 2019  
81 of AFI’s 101 member institutions are involved in at least one of the seven Working Groups based on their institutional policy priorities.



## PARTNERSHIPS

AFI engages and collaborates systematically with three broad categories of partners and stakeholders: (i) funding partners; (ii) private sector partners; and (iii) financial inclusion stakeholders.

### FUNDING PARTNERS



Funding partners provide unique and substantial intellectual, technical and financial contributions to support AFI's programs and help members advance their financial inclusion objectives. AFI formalizes partnerships with funders through a funding agreement.

In early 2019, AFI launched the **Multi-Donor Financial Inclusion Policy Implementation Facility (MD-PIF)**, a significant step toward diversifying AFI's funding base and ensuring it remains sustainable to deliver services to members. AFI signed a Letter of Understanding (LOU) with the first three funders of the MD-PIF: the **Ministry of Finance of the Grand Duchy of Luxembourg**, the **French Development Agency (AFD)** and **Germany's Ministry of Economic Cooperation and Development (BMZ)**. The three MD-PIF funders supported a broad range of African Financial Inclusion Policy Initiative (AFPI) activities; the scaling up of capacity building and in-country policy implementation in members' jurisdictions across the Sub-Saharan Africa and Arab regions; and the establishment of the AFI Regional Office for Sub-Saharan Africa and Middle East and North Africa. **BMZ** also funded the implementation of AFI's Financial Inclusion for Forcibly Displaced Persons (FDPs) Workstream.

The grant provided by the **German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU)** supported the implementation of AFI's Inclusive Green Finance (IGF) Workstream and activities to promote the 4P Framework for IGF policies, including the establishment of a dedicated Working Group, a global conference and member training. The IGF Workstream has since gained significant momentum with BMU's support.

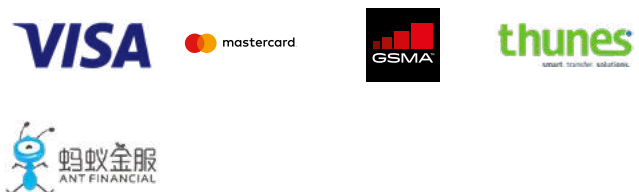
AFI received substantial funding support from the **Swedish International Development Cooperation Agency (Sida)** for the period of 2018 to 2022 to implement activities that advance Gender Inclusive Finance (GIF) in the AFI network, and to achieve the targets and deliverables set out in the Denarau Action Plan.

The AFI Management Unit signed a funding agreement with the **UK Department for International Development (DFID)** for the period of 2019 to 2021 to implement a global program that will advance and scale innovations in digital financial services (DFS) across the AFI network. The funding from DFID supported the implementation of the PIRI Regional Regulatory Sandbox and AFI's inaugural Global Fintech Dialogue between regulators from developing and developed countries. It also enabled AFI to organize a knowledge exchange program on DFS, micro, small and medium-sized enterprises (MSMEs), consumer protection and digital financial literacy, in response to requests from several member institutions. The funding also allowed AFI to showcase member experiences in DFS policy during the 2019 Global Policy Forum.

AFI continued to receive support from the **Bill & Melinda Gates Foundation (BMGF)** under its programmatic funding to scale up DFS and gender-related workstreams for 2018-2021.

Funding from **Flourish Ventures** (formerly the Omidyar Network) supported AFI's implementation of activities under the Phase III Strategy and the policy peer learning platform on FinTech for Financial Inclusion.

### PRIVATE SECTOR PARTNERS



AFI's private sector partners provided the network with a combination of unique perspectives, technical input and targeted funding for specific policy areas and activities as part of AFI's Public-Private Dialogue (PPD) Platform. AFI formalizes these partnerships through PPD Partnership Agreements.

**VISA** and **Mastercard** continued to support AFI in the design and delivery of key capacity building and technical training modules for members on the topics of digital payments, digital financial services, innovations and cybersecurity challenges.

AFI benefited from technical input provided by the **GSM Association (GSMA)** on emerging trends in mobile money services and bridging the financial inclusion gender gap at the global level.

AFI continued to benefit from its partnership with B2B mobile payment network **Thunes**, previously known as TransferTo, which shared with members its innovative solutions and on building resilient payment system infrastructure and services.

AFI formalized a partnership with **Ant Financial Services Group** to support capacity building for AFI members in the area of digital innovation.

### COLLABORATIONS



AFI engages a broad range of stakeholders as “strategic knowledge resource partners” to support AFI members in policy development and implementation, and to amplify the global voice of members as part of a collective responsibility to address global barriers to financial inclusion.

AFI collaborated with **Women’s World Banking (WWB)** and the University of Oxford to conduct the inaugural nine-month Leadership and Diversity Program for Regulators to equip high-potential women leaders from member and non-member institutions with the tools and skills to advance financial inclusion policy initiatives for women, and enhance gender diversity within their respective institutions in line with the Denarau Action Plan.

As a **G20 Global Partnership for Financial Inclusion (G20 GPMI)** Implementing Partner, AFI continued to elevate the voices of non-G20 developing countries and supported the Japanese G20 presidency to address its priority theme for 2019, “Aging and Financial Inclusion”. In preparation for the Saudi Arabian G-20 Presidency in 2020, AFI has begun engaging with the Saudi Arabian Monetary Authority to support the presidency’s priority to advance digital financial inclusion for youth, women and SMEs.

AFI continued to engage with the **Intergovernmental Group of Twenty-Four on International Monetary Affairs and Development (G-24)** in a dialogue focused on how DFS and financial technology (FinTech) can be leveraged to increase women’s access to quality and affordable financial services and promote greater gender equality.

AFI also benefited from technical and strategic collaboration with the **International Monetary Fund (IMF)** and continued to cooperate with the **World Bank Group** in various dialogues and capacity building efforts, as well as country-level collaboration in select markets. This work is expected to continue in 2020. AFI also continued to engage with the **Office of Her Majesty Queen Máxima of the Netherlands** and the **UN Secretary General’s Special Advocate for Inclusive Finance for Development (UNSGA)**.

AFI collaborated closely with the **Arab Monetary Fund (AMF)**, **GIZ** and the **World Bank Group** through high-level representation at the Financial Inclusion for the Arab Region Initiative (FIARI) Executive Committee and AMF’s Financial Inclusion Task Force. AFI also provided technical input to the AMF’s Committee on Payment and Settlement Systems for the Arab Region.

As an observer, AFI engaged in the activities of the FATF-Style Regional Bodies in the **Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG)**, the **Financial Action Task Force of Latin America (GAFILAT)** and the **Asia/Pacific Group on Money Laundering (APG)**.

AFI once again collaborated with the **Frankfurt School of Finance & Management** in offering the online training module, “Certified Expert in Financial Inclusion Policy (CEFI)”, which has had five successful intakes since the program began in 2017.

AFI continued to collaborate with **The Fletcher School at Tufts University** to facilitate the Leadership Program for Financial Inclusion graduation and recruitment at the 2019 Global Policy Forum, which is aimed at developing the capacity of policymakers and regulators in the AFI network.

AFI has developed an extensive range of technical and intellectual partnerships across Europe, including developed country policymaking institutions, academia, technical service providers and other financial inclusion experts and stakeholders. Expanding AFI’s partnerships has significantly enhanced the Regional Initiatives, capacity building and related member services and offerings.

# PART TWO: PERFORMANCE



Group of women march to mark the International Afro Latin American and Afro Caribbean Women's Day, Sao Paulo, Brazil. July 2017. (Photo by Nelson Antoine/Shutterstock)

## MESSAGE FROM THE EXECUTIVE DIRECTOR



The 2019 AFI Annual Report marks the first year of the implementation of the Phase III Strategy (2019-2023), which aims to strengthen AFI's position as a global policy leadership alliance in financial inclusion.

We are proud to report that AFI achieved all planned initiatives in this critical first year while maintaining a high level of member satisfaction during a period of dynamic growth. We remain humbled by the trust and confidence of our members and external funders who have continued to support AFI's course by mobilizing resources to meet our expanding capacity and resource needs.

We are pleased to note that AFI's interventions continued to support members in achieving their national financial inclusion goals. In 2019, members reported 117 policy reforms in various thematic areas. These policy changes have helped members address priority financial inclusion challenges in their countries in line with the AFI Accords, and are intended to create an enabling environment for advancing financial technologies in areas such as SME finance and inclusive green finance, as well as address barriers facing disadvantaged segments of the population, such as women and youth. We expect to see more impact as we respond to members' evolving policy needs with enhanced support for in-country implementation, including grants, in-country technical assistance missions and peer advisory.

In line with the strategic focus of Phase III, AFI is becoming a technical content leader. The AFI Working Groups and Regional Initiatives are developing practical regulatory and supervisory tools that have been used to train over 600 technical officials through our capacity building programs. We also elevated high-impact policy lessons and evidence to provide policy and regulatory guidance. The network-wide adoption of AFI's first two Financial Inclusion Policy Models — the Policy Model for E-Money and the Policy Model for the AFI Core Set of Financial Inclusion Indicators are living documents that will be enhanced based on members' policy implementation and the dynamics of the financial sector ecosystem.

Broadening AFI's funding base with new funding from the governments of Germany, Sweden, Luxembourg, France and United Kingdom has been instrumental in launching new workstreams and scaling up existing workstreams to meet members' demands. Funding from donors complemented the significant and steady mobilization of membership fees. Fee payments from 78 members signaled positive uptake of the revised membership fee rate in 2019, with two new members joining AFI in 2019.

We enriched AFI's collaborative approach by expanding global discourse on the convergence of financial inclusion challenges across diverse jurisdictions in developing and developed economies. We held two successful global dialogues in 2019: the Global Thought Leadership Conference in Abidjan, Côte d'Ivoire and the Global Dialogue on Regulatory Approaches for Inclusive FinTech in Prague, Czech Republic. The practical solutions that emerged from these global dialogues addressed converging challenges in financial inclusion, such as financial and regulatory technologies, emerging risks in digital financial services ecosystems, consumer protection and market conduct and balancing the triple objectives of financial integrity, financial stability and financial inclusion.

On behalf of AFI, I wish to thank the Board of Directors and AFI Committees for their oversight and strategic guidance, which has helped to strengthen the network's accountability and deliverables. I also commend the management and staff of the AFI Management Unit for your dedication and commitment to achieving AFI's goals. Finally, I would like to acknowledge and appreciate all our members and partners for your continuous support and commitment to maintaining AFI as a unique global institution focused on advancing financial inclusion through the leadership of financial sector regulators and policymakers based on a peer-to-peer cooperative model.

I am eager for yet another successful year as we work together to bridge the financial inclusion divide in access, usage and quality of financial services. I am confident that with the resolve of our network, we will be able to address the challenges and embrace the opportunities ahead.

**Dr Alfred Hannig**  
Executive Director, AFI

# HIGHLIGHTS OF KEY ACTIVITIES

## GOVERNANCE

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### MEMBERSHIP COUNCIL AND BOARD OF DIRECTORS

- > Ratified five new Board members for the Board term commencing September 2019 to September 2021.
- > Approved the AFI Annual Report and Audited Financial Report for Financial Year ended 31 December 2018.
- > Approved the Policy Model for E-Money and the AFI Core Set Policy Model.
- > Adopted the Kigali Statement: Accelerating Financial Inclusion for Disadvantaged Groups.

### AUDIT COMMITTEE

- > Reviewed the Audited Financial Report of AFI for Financial Year ended 31 December 2018, which was certified as an unqualified report by external auditors.
- > Reviewed and endorsed AFI's Risk Management Policy and AFI's Key Risk Profile.
- > Reviewed and endorsed the Policy for Selection and Rotation of External Auditors.
- > Reviewed the progress updates of internal audits performed in FY2019.
- > Approved the internal audit plan for FY2020.

### BUDGET AND FINANCE COMMITTEE

- > Reviewed year-to-date financials and mid-year budget status.
- > Reviewed the Budget Proposal for FY2020.
- > Reviewed the proposal for establishing the AFI Endowment Fund, including the investment policy and guidelines and Terms of Reference of the Investment Committee.

### GENDER INCLUSIVE FINANCE COMMITTEE (FORMERLY KNOWN AS THE GENDER AND WOMEN'S FINANCIAL INCLUSION COMMITTEE)

- > Reviewed the deliverables and targets of the Strategic Implementation Framework under the Denarau Action Plan based on AFI's Phase III Strategy and strategic priorities of the network.
- > Reviewed and agreed on renaming the Committee as the Gender Inclusive Finance Committee in line with the network-wide adoption of Gender Inclusive Finance as the official name of AFI's gender workstream.
- > Provided guidance on the implementation of the inaugural Leadership and Diversity Program for Regulators in partnership with Women's World Banking and the University of Oxford.

- > Participated as discussants at the G-24/AFI Policymakers' Roundtable, which focused on how DFS and FinTech can improve women's access to quality and affordable financial services and close the financial inclusion gender gap.
- > Provided guidance on the development of the Gender Inclusive Finance Ambassadors initiative.
- > Provided oversight and guidance on the activities of the gender workstreams across the AFI Working Groups.

### GLOBAL STANDARDS AND POLICY COMMITTEE

- > Reviewed and endorsed the Policy Model for E-Money and the AFI Core Set Policy Model.
- > Provided guidance on the implementation of AFI's workstreams on Inclusive Green Finance (IGF) and Financial Inclusion for Forcibly Displaced Persons (FDPs).
- > Provided guidance on AFI's engagement with global Standard-Setting Bodies (SSBs) with a view to enhance the representation and voice of AFI members, and encourage peer learning between SSBs and AFI members on the impact of the implementation of global financial standards on national financial inclusion policies.

## MEMBERSHIP

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AFI received annual subscriptions from 78 member institutions (68 Principal Members and 10 Associate Members) under the new fee rates adopted by the Membership Council for 2019-2021. The number of paying members has increased every year – an indication that members are committed to and support AFI as a member-owned organization and value the support they receive to advance their national financial inclusion policy goals.

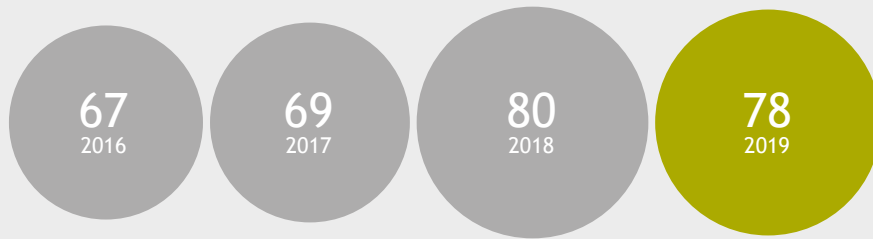
## POLICY CHANGES

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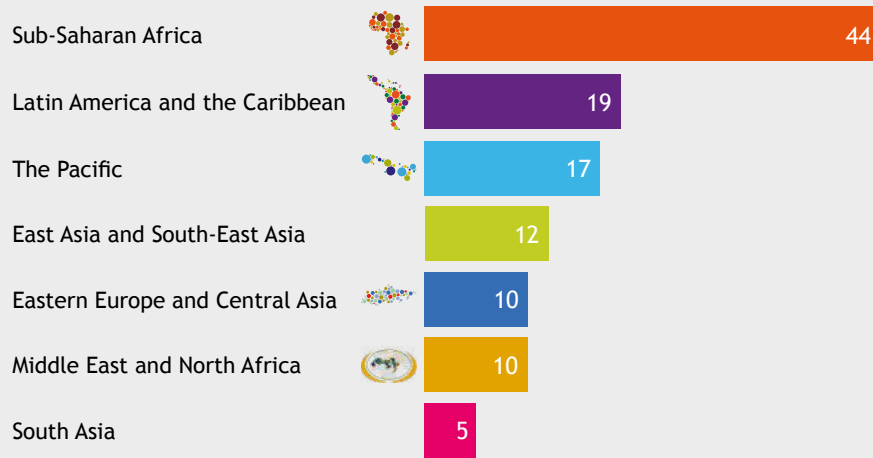
AFI members continued to advance policy changes in 2019 with 117 reported policy reforms. The policy changes relate to various thematic areas that members have prioritized to address financial inclusion challenges, and which also correspond with AFI's various member-endorsed Accords.



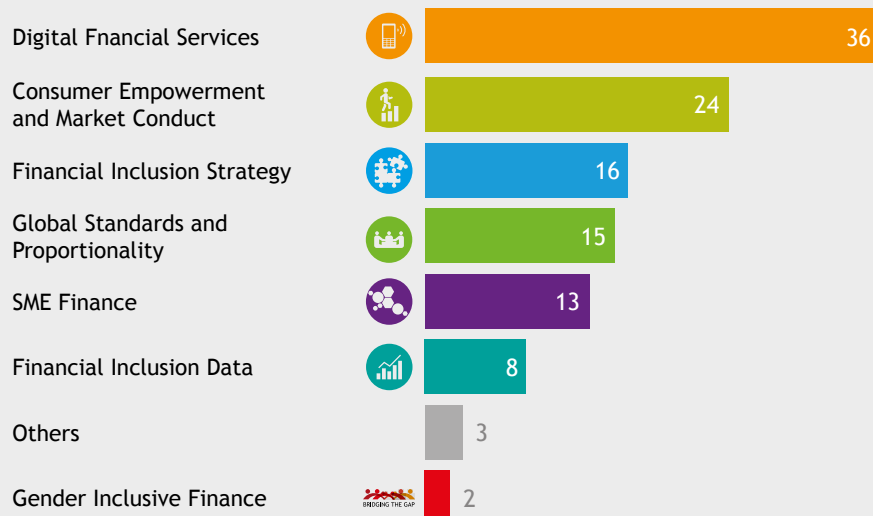
NUMBER OF PAYING MEMBERS, 2016-2019



POLICY AND REGULATORY REFORMS REPORTED BY AFI MEMBERS IN 2019, BY REGION



POLICY AND REGULATORY REFORMS REPORTED BY AFI MEMBERS IN 2019, BY POLICY AREA



## HIGHLIGHTS OF KEY ACTIVITIES

### MEMBER SATISFACTION

87%

The Member Needs Assessment (MNA) survey conducted for 2019 indicated that overall satisfaction of AFI members with the organization increased to 8.7 (out of 10) from 8.6 in 2018.

57%

Members' attribution of AFI's contribution to their national policy reforms was at 57 percent.



The Global Policy Forum and peer reviews were rated as the services that provided the highest level of satisfaction to members.

88%

The rating of AFI as a Center of Technical Excellence increased to 8.85 (out of 10) compared to 8.5 in 2018.



All five types of AFI's capacity building services were rated above 8.5, with the satisfaction rate of 8.97 (out of 10) for member training and 9.19 for Joint Learning Programs (JLP).



## MEMBER ENGAGEMENT

99%

AFI members recorded significantly high engagement in 2019, with 99 percent of paid members using at least two AFI services.



Members continued to take up leadership roles in the governance of AFI with 60 percent of paid members holding at least one leadership role in the AFI network in 2019.

## REGIONAL INITIATIVES



AfPI leaders endorsed the Policy Framework for Responsible Digital Credit in Africa as a tool for sharing best practices in improving regulatory capacity to regulate and supervise digital credit in Africa.



FILAC members contributed to the report published on the digital financial services ecosystem in Latin America and the Caribbean. The study was undertaken jointly by AFI and the Economist Intelligence Unit (EIU).



PIRI leaders adopted the FinTech Regional Regulatory Sandbox, Regional Regulatory Sandbox Guidelines and Implementation Plan and Regional De-Risking Action Plan.

## STRATEGIC APPROACH AND PERFORMANCE: LAUNCH OF THE PHASE III STRATEGY

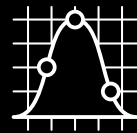
AFI began implementing the Phase III Strategy in 2019, which builds on its strong position as a policy-driving network solidified during Phase I (2008-2013) and Phase II (2013-2018). AFI's strategic priorities in Phase III aim to strengthen AFI's position as a global policy leadership alliance and enhance members' in-country implementation of financial inclusion policies.

AFI's Phase III Strategy is guided by three strategic objectives:



1

Guidance for devising financial inclusion policies and regulations



2

Enhancing the implementation of evidence-based financial inclusion policies



3

Agenda-setting in the global financial inclusion discourse



## STRATEGIC OBJECTIVE 1: GUIDANCE FOR DEVISING FINANCIAL INCLUSION POLICIES

### ACHIEVEMENTS

AFI continued to support members in developing financial inclusion policies and regulations to achieve their national financial inclusion goals in line with the Accords endorsed by members at the annual Global Policy Forum.

A total of 682 policy changes have been implemented by AFI members in 79 countries since AFI was established in 2009, of which 117 (or 17 percent of the total) were implemented in 2019.

In 2019, the knowledge products and tools produced by AFI's Working Groups were elevated into guidance for devising financial inclusion policies or into policy models as guided by the Framework for the Issuance of Financial Inclusion Policy Models adopted by the AFI Membership Council at the 2018 AGM.

The Framework provides a systematic, member-based issuance process that uses practical tools developed by the Working Groups to aid members with policy development. Similarly, at the regional level, the Expert Groups on Financial Inclusion Policy developed specific policy frameworks to address regional policy needs or regulatory challenges.



In 2019, AFI produced a total of 31 knowledge products, including:

- > 2 annual reports
- > 3 case studies
- > 6 guideline notes
- > 2 member series
- > 2 policy models
- > 1 policy framework
- > 1 toolkit
- > 1 roadmap
- > 1 event report
- > 3 special reports
- > 9 factsheets

### KEY ENABLERS

#### 1. WORKING GROUPS

As AFI's member-based content generation platform, the Working Groups continued to codify practical policy solutions from the network to support the issuance of policy guidance. In 2019, the high-impact policy lessons documented by the Working Groups were adopted as financial inclusion policy models or guidance by AFI members at the AGM. The following policy models were aligned with international good practices and presented members' experiences as evidence of effective policy implementation in different thematic areas:

- > **Policy Model for E-Money** developed by the **Digital Financial Services Working Group (DFSWG)** guides members through the development of proportionate key regulatory and policy measures to enable, promote and enhance the use of e-money services and products.
- > **AFI Core Set Policy Model** developed by the **Financial Inclusion Data Working Group (FIDWG)** provide evidence and guidance to members on developing a framework to measure financial inclusion.

In 2019, AFI established the Inclusive Green Finance Working Group (IGFWG) to build a body of best practices in response to members' growing interest in learning more about, and addressing the challenges of, inclusive green finance.

13

A total of 13 peer reviews were conducted by AFI's Working Groups.

Some of the highlights from Working Group activities in 2019 include:

The Consumer Empowerment and Market Conduct Working Group (CEMCWG) conducted peer reviews for the Bank of Uganda, Royal Monetary Authority of Bhutan and National Bank of Tajikistan, and published the following knowledge products:

- > **Complaint Handling in Central Bank Framework** to provide guidance for members on how central banks can manage their responsibility to handle consumer complaints efficiently and effectively without eroding the benefits of the core supervisory work for consumer protection and market conduct.

- > **Experiences in the Implementation of the Principle of Disclosure and Transparency** is a survey report that aims to improve understanding of the implementation challenges members face.

The Digital Financial Services Working Group (DFSWG) developed the Policy Model for E-Money, which was ratified by the AFI membership; conducted peer reviews for the Central Bank of Egypt, Central Bank of Sierra Leone and Central Bank of Sri Lanka; and published the following knowledge products:

- > **Cybersecurity for Financial Inclusion: Framework and Risk Guide** provides guidance for regulatory and supervisory authorities to devise tools for the financial sector to deal with cybersecurity risks, and for financial service providers to strengthen cyber-risk management in the provision of financial services to underserved consumers.
- > **Policy Framework for Women's Financial Inclusion Using Digital Financial Services** provides guidance for regulators and policymakers on using DFS to advance women's financial inclusion through lessons, good practices and successful interventions by AFI members.
- > **Special Report on KYC Innovations, Financial Inclusion and Integrity** explores know-your-customer (KYC) solutions that promote financial inclusion and strengthen anti-money laundering and combating the financing of terrorism (AML/CFT) measures.
- > **Guideline Note on Digital Financial Services Indicators** provides guidance for members to formulate DFS indicators that take all types of digital financial services into account.

The Financial Inclusion Data Working Group (FIDWG) developed the Policy Model for the AFI Core Set of Financial Inclusion Indicators, which was ratified by the AFI membership, and published the **Special Report on a Client Needs-Centered Approach to Financial Inclusion Measurement** to share the findings of a pilot testing of an innovative financial inclusion data framework for the financial needs of customers in selected countries. The FIDWG also conducted peer reviews for Banco Central Timor Leste and SUGEF Costa Rica and produced three deliverables: (i) Financial Inclusion Supply-Side Measurement Framework; (ii) Financial Sex-Disaggregated Data Templates Toolkit; and (iii) Monitoring and Evaluation for National Financial Inclusion Strategies Guideline Note.

The Financial Inclusion Strategy Peer Learning Group (FISPLG) conducted peer reviews of the National Financial Inclusion Strategies (NFIS) of the Central Bank of Liberia and Da Afghanistan Bank, and published the following knowledge products:

- > **Guideline Note on Effective Stakeholder Coordination for National Financial Inclusion Strategy Implementation** guides members through establishing the necessary structures and processes to manage financial inclusion stakeholders effectively.
- > **Guideline Note on Communication Strategies for National Financial Inclusion Strategy Implementation** guides members through the development, processing, dissemination and sharing of information to support the implementation of an NFIS.



AFIs first Gender Inclusive Finance Ambassadors, 2019 GPF.

The Global Standards Proportionality Working Group (GSPWG) conducted a peer review for the Central Bank of Sierra Leone and reviewed the following: AML-CFT Inclusive Financial Integrity Toolkit; progress on the development of the Joint AFI-IADI Issues Paper on Deposit Insurance, Financial Inclusion and E-Money; the updated methodology review by the Basel Subgroup and a compilation of case studies by the Non-Bank Financial Institutions (NBFIs) Subgroup on the Regulation and Supervision of NBFIs. The GSPWG also agreed on an approach for preparing the Special Report on RegTech for Financial Inclusion.

The SME Finance Working Group (SMEFWG) conducted peer reviews for the Central Bank of Solomon Islands, Ministry of Finance Eswatini and Bank of Zambia, and developed the following knowledge products:

- > **SME Finance Guideline Note**, which guides and encourages dialogue among members when developing policy and regulation for SME access to finance.
- > **Case Study on Gender, Women’s Economic Empowerment and Financial Inclusion in Zimbabwe**, which showcases policy interventions made by the Reserve Bank of Zimbabwe to enhance gender economic empowerment and financial inclusion in line with domestic commitments and the Sustainable Development Goals (SDGs).

The Inclusive Green Finance Working Group (IGFWG) held their inaugural meeting at the 2019 Global Policy Forum in Rwanda. Members were oriented to AFI’s work on IGF with a presentation of the 4P Framework for IGF policies (Provision, Promotion, Prevention and Protection) and reports from the IGF subgroups in other Working Groups, including a report by the SMEFWG on integrating adaptation and mitigation policies to

strengthen the resilience of MSMEs, a survey by the FIDWG on the Impact Measurement Framework of IGF and PIRI’s update on Disaster Preparedness and Response within the PIRI Regional Workstream. The IGFWG established three new subgroups to work on different priorities in the IGF Workstream: Promotion of IGF to the Private Sector; Greening the Financial Sector and Green Bonds; and Climate Risk Insurance for Agriculture.

## 2. REGIONAL INITIATIVE TECHNICAL GROUPS

AFI’s Regional Initiatives continued efforts to issue guidance on policy development with the support of the technical groups, known as the Experts Group on Financial Inclusion Policy (EGFIP). The EGFIP also worked with leaders of the Regional Initiatives to adopt work plans for knowledge products that will address pressing regional policy needs.

- + See page 24 for further information on AFI’s Regional Initiatives.

### Update on Other Regions

AFI does not currently have a formal regional initiative for the Asia region, but collaborates with the Association of Southeast Asian Nations (ASEAN) Financial Inclusion Initiative in supporting specific deliverables for the region. At the roundtable meeting held during the week of the Global Policy Forum in Kigali, members from the Asia region identified challenges related to digital financial literacy in the region that could be addressed through work in the AFI network, including: conducting program evaluations; building sustainable financial literacy programs; and scaling and customizing programs to different countries and regions based on stakeholder mapping and the local context.



BAM-AFI Global Conference on Green Finance.



Global Dialogue on Inclusive FinTech.

# AFIs REGIONAL INITIATIVE TECHNICAL GROUPS



## FINANCIAL INCLUSION INITIATIVE FOR LATIN AMERICA AND THE CARIBBEAN (FILAC)

Members adopted a regional work plan for 2020 focused on financial education, communication, FinTech, microinsurance and green finance, the deliverables for which will include a toolkit on financial education initiatives and a guideline note on closing the gender gap in the region. Members also agreed to conduct two capacity building programs: Data Science on Financial Inclusion and Financial Inclusion Empowerment and a workshop on institutional analysis and strategic communication. Members will also focus on strengthening partnerships with GAFILAT, Visa and Mastercard to support the development of smart financial inclusion policies.

## AFRICAN FINANCIAL INCLUSION POLICY INITIATIVE (AFPI)

AfPI Leaders endorsed the Policy Framework for Responsible Digital Credit in Africa as a tool for sharing best practices and improving capacity to regulate and supervise digital credit in Africa. Members also shared their experiences in implementing the two policy frameworks adopted in 2018 — DFS Interoperability and Innovative Cross-Border Remittances — and identified technical topics, knowledge products and capacity building interventions to support the implementation of the two policy frameworks.

## FINANCIAL INCLUSION FOR THE ARAB REGION INITIATIVE (FIARI)

Members reviewed and discussed the annual report of FIARI's first year of activities and agreed to develop a Digital Financial Inclusion framework for the Arab region as a priority for 2020. AFI will focus on strengthening engagement between FIARI partners, namely the Arab Monetary Fund (AMF), GIZ and the World Bank Group, to help achieve regional financial inclusion goals.

## EASTERN EUROPE AND CENTRAL ASIA POLICY INITIATIVE (ECAPI)

Members resolved to develop four knowledge products in 2020 on the following topics: digital financial services; market conduct regulation and supervision; and financial education and impact measurement. Development of the technical content for each knowledge product will be led by a member institution.

## PACIFIC ISLANDS REGIONAL INITIATIVE (PIRI)

PIRI Leaders adopted the FinTech Regional Regulatory Sandbox, Regional Regulatory Sandbox Guidelines and Implementation Plan and resolved to create a Disaster Preparedness and Response Subgroup under the IGFWG. Members also made progress on the Regional De-Risking Action Plan at a regional workshop with key stakeholders, such as the Asia/Pacific Group on Money Laundering, SWIFT, IMF, World Bank, Asian Development Bank, as well as regulators and commercial banks from Australia, New Zealand and the United States. Members also supported AFI's implementation of the PIRI Regulatory Sandbox in their respective countries.





## STRATEGIC OBJECTIVE 2: IN-COUNTRY POLICY IMPLEMENTATION

### ACHIEVEMENTS

AFI continued to support members with in-country implementation based on their stage of financial inclusion development. In 2019, 633 AFI members participated in practical, member-focused capacity building programs that provided the opportunity for peer-to-peer knowledge exchange on priority topics for the network.

In addition, 15 countries received support to implement high-impact financial inclusion policies through the provision of technical assistance from peer experts or external expertise facilitated by AFI.

“AFI is very valuable as it brings together all the members under one vision of financial inclusion. This member training allows you to learn about innovations from each other and not just on digital credit. You can compare notes on all matters.”

Governor Patrick Ngugi Njoroge  
Central Bank of Kenya (CBK) at the CBK-AFI  
Member Training on Regulatory and Supervisory  
Framework for Digital Credit

“This training reflects the need for awareness raising and offers a timely reminder of the severity of climate change and its costs, and the financial sector is not immune.”

Hakima El Alami  
Head of Cashless Payment Oversight,  
Bank Al-Maghrib (BAM) at BAM-AFI Member  
Training on Inclusive Green Finance

### KEY ENABLERS

#### 1. PRACTICAL CAPACITY BUILDING PROGRAMS

AFI continued to offer practical capacity building programs in response to the needs and demands of members. Knowledge tools developed by the AFI Working Groups and the Regional Initiative Technical Groups (EGFIP) were used to provide guidance for members and were supplemented by input from strategic partners, offering a holistic view of the implementation of financial inclusion policies.

The training covered all seven thematic areas of AFI's financial inclusion policy interventions, including the first-ever member training on IGF co-hosted with Bank Al-Maghrib, Morocco.

In 2019, AFI delivered 17 on-site trainings that reached 633 policymakers (44 percent female; 56 percent male) from 77 member institutions. Overall, 89 percent of participants affirmed that the capacity building activities met their stated objectives, while 100 percent of participants agreed that the capacity building activities had “met the learning objective” and helped them to “acquire practical solutions”.

✦ See page 26 for examples of AFI's Capacity building events.

#### 2. IN-COUNTRY IMPLEMENTATION SUPPORT

AFI has implemented a systematic process for providing in-country implementation support to members that enhances practical skills through hands-on involvement and ownership.

Based on the specific policy development needs and stages of each member, AFI will provide support through activities that have proven effective and beneficial to members, including conducting tailored and practical capacity building events; supporting skill transfer (technical assistance); providing small policy grants; supporting members through high-level representation from AFI MU at their in-country financial inclusion symposiums; providing communication support to highlight their progress in global forums; and facilitating national dialogues on their financial inclusion objectives.



## CAPACITY BUILDING EVENTS



In 2019, AFI delivered 17 on-site trainings that reached 633 policymakers (44 percent female; 56 percent male) from 77 member institutions.



Overall, 89 percent of participants affirmed that the capacity building activities met their stated objectives.

# 100%

100 percent of participants agreed that the capacity building activities had “met the learning objective” and helped them to “acquire practical solutions”.



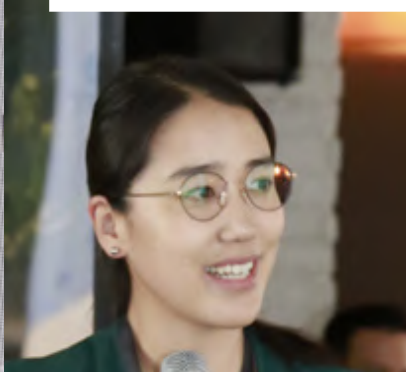
**EVENT**  
CENTRAL BANK OF EGYPT  
(CBE)-AFI JOINT LEARNING PROGRAM  
ON DIGITAL FINANCIAL SERVICES  
INTEROPERABILITY

**LOCATION:** CAIRO, EGYPT

**DATE:** 25-28 NOVEMBER 2019

**Feedback:**

1. “I gained important knowledge in the three fundamental pillars and a key takeaway that adequate infrastructure depends on the political and regulatory framework of every country. Furthermore, some aspects such as stakeholders, risks, opportunities and threats must be identified to create a sustainable financial interoperable ecosystem.”
2. “The main objectives were certainly achieved in these four days where we had an opportunity to learn more about payment systems. The sharing of country experiences was a very useful method to motivate each other to the same level and I am confident we will achieve full interoperability in our region.”





**EVENT**

**COMISIÓN NACIONAL BANCARIA Y DE VALORES (CNBV) MEXICO-AFI JOINT LEARNING PROGRAM ON FINTECH REGULATION AND PROPORTIONALITY FOR FINANCIAL INCLUSION**

**LOCATION:** MEXICO CITY, MEXICO

**DATE:** 21-24 OCTOBER 2019

**Feedback:**

1. "The learning objective has been well met and proved to be relevant for my country as we are moving to the execution phase of our national FinTech roadmap. I was able to obtain the much-needed understanding of Mexico's FinTech law, open banking and virtual assets. I have also gained confidence in the structuring of various legislation because I understand better now how these fit together."
2. "The information provided in the sessions was very enriching and applicable in the areas of my work, from how the FinTech have helped and will continue to help the inclusion of more people into the country's financial system through low cost and reliability, even as it has managed to motivate the population to acquire financial products through additional benefits."

**EVENT**

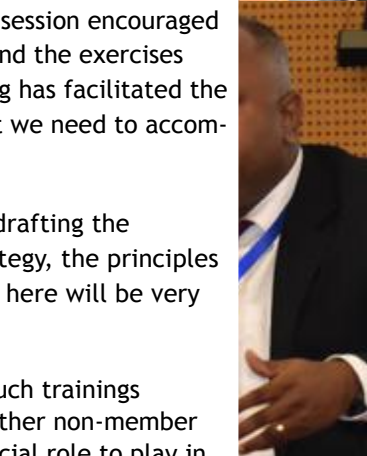
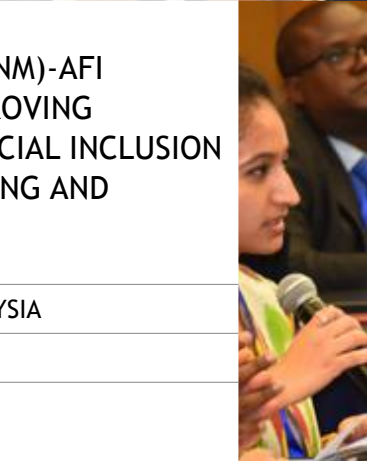
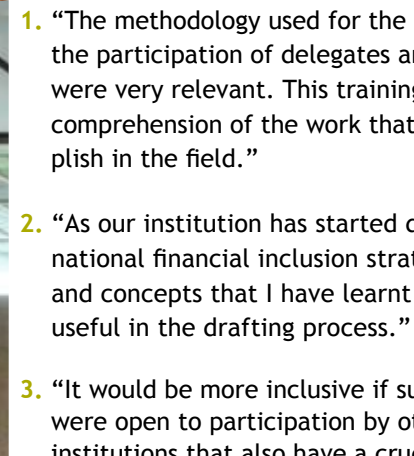
**BANK NEGARA MALAYSIA (BNM)-AFI MEMBER TRAINING ON IMPROVING IMPLEMENTATION OF FINANCIAL INCLUSION STRATEGY USING MONITORING AND EVALUATION DATA**

**LOCATION:** KUALA LUMPUR, MALAYSIA

**DATE:** 18-22 NOVEMBER 2019

**Feedback:**

1. "The methodology used for the session encouraged the participation of delegates and the exercises were very relevant. This training has facilitated the comprehension of the work that we need to accomplish in the field."
2. "As our institution has started drafting the national financial inclusion strategy, the principles and concepts that I have learnt here will be very useful in the drafting process."
3. "It would be more inclusive if such trainings were open to participation by other non-member institutions that also have a crucial role to play in the overall national financial inclusion objective."



In 2019, AFI provided direct technical support to 17 member institutions implementing high-impact financial inclusion policies:

- > **Da Afghanistan Bank:** Provided technical support for the second review of its NFIS.
- > **National Bank of Angola:** Provided technical input as a speaker at its National Financial Inclusion Conference.
- > **Banco Central de la República Argentina and Ministry of Finance of Argentina:** Conducted a technical peer review of Argentina's NFIS.
- > **Royal Monetary Authority of Bhutan:** Participated in the Bhutan Economic Forum for Innovative Transformation (BEFIT) 2019, "Catalyzing CSIs to Drive Bhutan's Economic Diversification", as a speaker on "Financing SMEs: International Best Practices" and as a moderator of the session, "Access to Finance: Financing CSIs".
- > **Superintendencia de Economía Popular y Solidaria (SEPS) Ecuador:** Participated as a speaker in its forum, "Supervision Days of the Popular and Solidarity Economy".
- > **Centre for Financial Inclusion of Eswatini:** Presented emerging global trends enhancing uptake and practice of SME finance and participated in two panel discussions on the "Legal and Regulatory Framework for SME Finance" and "IGF for SMEs: Responding to the Climate".

- > **Banque de la République d'Haiti:** Technical support for the implementation of its Financial Education Strategy, including a review of the strategy document and facilitation of a session at the national stakeholders' workshop.
- > **Central Bank of Lesotho:** Delivered a presentation on the FinTech Regulatory Framework at a conference on financial inclusion held in conjunction with National Financial Inclusion Week.
- > **Central Bank of Liberia:** Provided peer review support for the NFIS through the FISPLG.
- > **Bank Al-Maghrib:** Provided a technical peer review on Morocco's NFIS and grant support for the collection of reliable data related to the conditions, behavior and potential of rural women in relation to financial services.
- > **Banque Central de Mauritanie:** Provided support in the NFIS formulation, including components on diagnosis and a financial inclusion data framework incorporating gender and forcibly displaced persons.
- > **Banco de Moçambique:** Participated in the mid-term review of Mozambique's NFIS and facilitated the participation of the Bank of Ghana and Bank of Uganda, which shared their country experiences.



BCRA - AFI Member Training, Argentina.



Innovations in Digital Finance with Bank Al-Maghrib.

- > **Nepal Rastra Bank:** Provided grant support to develop a structured financial literacy framework that can help domestic banks and financial institutions enhance behavioral change through financial literacy activities for unbanked populations.
- > **Palestine Monetary Authority:** Facilitated a peer learning visit to the Bank of Ghana to receive peer advisory on advancing its supply-side data collection framework.
- > **Central Bank of Seychelles:** Provided technical input to its National FinTech Strategy and high-level and technical-level participation at the stakeholders' workshop.
- > **National Bank of Tajikistan:** Provided advisory support to set the agenda for its NFIS pre-formulation workshop with national stakeholders, and to conceptualize a clear roadmap for the development and implementation of the NFIS.
- > **Banque Centrale des États de l'Afrique de l'Ouest (BCEAO):** Participated in BCEAO's International Conference on FinTech as a moderator in the session, "Regulatory and Supervisory Approaches to Fintech".

AFI conducted the PIRI Regional Regulatory Sandbox Roadshow following the adoption of the Regional Regulatory Sandbox Guidelines by PIRI leaders at the Global Policy Forum in Kigali. The month-long roadshow was held 4-22 November 2019 supported by funding from DFID and co-hosted by AFI members in Fiji, Papua New Guinea, Solomon Islands, Samoa, Vanuatu, Tonga and Timor Leste.

AFI hosted a knowledge exchange program 25-27 November 2019 in Kuala Lumpur, Malaysia that focused on DFS, MSMEs, consumer protection and digital financial literacy. The program was conceptualized and organized in response to specific requests from Bank Negara Malaysia, Bank of Thailand and Bangko Sentral ng Pilipinas to have a platform for sharing expertise with peer institutions facing similar challenges.



Regional PIRI Sandbox, Vanuatu.



## STRATEGIC OBJECTIVE 3: GLOBAL ADVOCACY ON FINANCIAL INCLUSION POLICY

### ACHIEVEMENTS

In 2019, AFI continued to amplify members' voices in the global arena, including with the G-24 and G20 GPFI and at the annual Global Policy Forum. As part of its objective to engage with developed country regulators to advance financial inclusion through knowledge sharing, AFI convened financial regulators from developing and developed economies at various high-level events to discuss converging financial inclusion challenges. It was observed that AFI's knowledge products and tools have been referenced in various global forum reports and discussions, a signal that AFI is a strong voice for members on the implementation of financial inclusion policies.

“

The mandate of advancing financial inclusion is not a task of a single institution, but a cooperative and supportive effort among different stakeholders.”

From the keynote address of the guest of honor, His Excellency Dr Édouard Ngirente, Prime Minister of the Republic of Rwanda

“

I am confident that our meeting this year will be proved to be the harbinger of a new era of financial inclusion and pave the way for more milestones to be achieved in 2020. Definitely AFI is capable of making a financial world for every single person.”

From the opening remarks of Governor Fazle Kabir of Bangladesh Bank and outgoing AFI Board Chair at the Opening Session of the 2019 AGM

### KEY ENABLERS



THE 2019  
AFI GLOBAL  
POLICY FORUM  
USING TECHNOLOGY  
FOR INCLUSION OF  
WOMEN AND YOUTH

11-13 SEPTEMBER, KIGALI, RWANDA

#### 1. GLOBAL POLICY FORUM

The Global Policy Forum (GPF) is AFI's primary global event convening financial inclusion policymakers and regulators from emerging and developing countries, as well as developed economies. The 11th annual AFI GPF was held in September 2019 and co-hosted by the National Bank of Rwanda. Over 670 participants from across the world convened in Kigali, Rwanda for a week of official meetings with AFI Working Groups and Regional Initiatives, as well as the Annual General Meeting and GPF. The theme of the 2019 AFI GPF, “Using Technology for Inclusion of Women and Youth”, showcased the financial inclusion experience of Rwanda and highlighted how the use of technology will support progress on financial inclusion among society's most vulnerable groups, especially women and youth.

The key policy outcomes of the 2019 GPF were: the adoption of the Policy Model for E-Money and the AFI Core Set Policy Model; the appointment of AFI members as Gender Inclusive Finance Ambassadors; the inaugural meeting of the IGFWG; and the announcement of multiple new strategic partnerships.

The GPF culminated in the adoption of the Kigali Statement: **Accelerating Financial Inclusion for Disadvantaged Groups**, which aims to build consensus across the network to accelerate financial inclusion through concrete actions and collaborative initiatives that will harness the economic potential of the disproportionately excluded and ensure no one is left behind.



Kigali Statement, AFI GPF 2019.



## The Maya Declaration

Commitments you can bank on

### 2. MAYA DECLARATION COUNTRY COMMITMENTS

Country commitments continued to be made through the Maya Declaration, a platform for galvanizing in-country implementation support and raising country profiles on financial inclusion initiatives undertaken by AFI member institutions, particularly the development of NFIS.

Members update their commitments in the AFI Data Portal and make new commitments at the annual GPF. 78 percent of AFI members have made a Maya Declaration Commitment, and the targets they set reflect their policy and regulatory priorities to address specific financial inclusion challenges.

During the 2019 reporting period, AFI members updated their targets to align them with the various Accords endorsed at Global Policy Forums.

### 3. ENGAGEMENT WITH STANDARD-SETTING BODIES (SSBs)

With the guidance of the Global Standards and Policy Committee (GSPC), AFI engaged with SSBs on policy frameworks to ensure effective implementation of financial inclusion policies in the AFI network.

#### G20 Global Partnership for Financial Inclusion (GPFI)

As a G-20 GPFI Implementing Partner, AFI engaged with and supported the Japanese G20 presidency on financial inclusion policy issues, especially enhancing policies that address the needs of groups that are disproportionately financially excluded, such as the elderly. AFI contributed the network’s perspective, which supports the inclusion of women, forcibly displaced persons and youth, and incorporated AFI member experiences in the Japanese presidency’s main deliverable, “G20 Fukuoka Policy Priorities on Financial Inclusion and Aging”. Executive Director of AFI, Alfred Hannig, also moderated a high-level panel of finance ministers and central bank governors at the GPFI forum held in Tokyo.

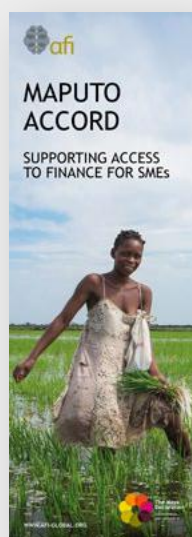
AFI also began engaging with the Saudi Arabian Monetary Authority in preparation for the forthcoming G-20 Presidency by Saudi Arabia for 2020, which will focus on digital financial inclusion for youth, women and SMEs.

#### DISTRIBUTION OF MAYA DECLARATION COMMITMENTS BY ACCORD



43%

Sochi Accord on Fintech for Financial Inclusion



23%

Maputo Accord on SME Access to Finance



20%

Denarau Action Plan on Gender Inclusive Finance



4%

Sharm El Sheikh Accord on Inclusive Green Finance

10%

Other policy areas, such as consumer protection, financial literacy, NFIS, financial inclusion data frameworks and FDPs

### FATF-Style Regional Bodies (FSRB)

AFI participated as an official observer of the activities of FATF-Style Regional Bodies (FSRBs) and presented relevant AFI knowledge products at their meetings, including the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), Financial Action Task Force of Latin America (GAFILAT) and Asia/Pacific Group on Money Laundering (APG).

AFI also participated in the plenary meeting of the Inter-Governmental Action Group against Money Laundering in West Africa (GIABA) and was subsequently accepted as an observer in this FSRB. FSRBs also provided inputs to the GSPWG's Inclusive Financial Integrity Toolkit, which will be used to help members align financial inclusion and AML-CFT policies in their National Risk Assessments, Mutual Evaluations and Risk-Based Supervision Frameworks.

The APG also provided support to AFI to organize a special PIRI workshop on a regional action plan to address the challenge of bank de-risking.

### Technical Advisers on Deposit Insurance

Building on an existing partnership with the International Association of Deposit Insurers (IADI), AFI engaged 10 deposit insurance organizations to participate as technical advisers to the GSPWG in its work to analyze the role of effective deposit insurance systems in advancing financial inclusion, and facilitate peer learning on the protection of customer funds held in electronic money accounts. The collaboration is supporting the development of a joint AFI-IADI issues paper on E-Money and Deposit Insurance to be published in 2020, which will provide guidance for AFI members in developing policy approaches to the protection of customer funds held in digital wallets.

### Humanitarian Stakeholder Organizations

To provide in-country implementation support to AFI members addressing financial inclusion challenges for forcibly displaced persons (FDPs), AFI engaged the support of the United Nations High Commissioner for Refugees (UNHCR), Norwegian Refugee Council (NRC), Internal Displacement Monitoring Centre (IDMC), Cash Learning Partnership (CaLP), International Labour Organisation (ILO) and International Council of Voluntary Agencies (ICVA).

These partners have supported the implementation of AFI's Financial Inclusion of Forcibly Displaced Persons project through: (i) capacity building (providing expert resource persons for member training); (ii) thought leadership (contributing blog posts on the AFI website

and social media content for World Refugee Day); and (iii) in-country implementation by participating in national multi-stakeholder workshops held with participating AFI members.

### Other SSBs

AFI participated in high-level dialogues with the Financial Stability Board (FSB), Financial Stability Institute (FSI), Committee for Payments and Market Infrastructure (CPMI), Basel Committee on Banking Supervision (BCBS), International Organization of Securities Commissions (IOSCO), International Association of Deposit Insurers (IADI) and International Association of Insurance Supervisors (IAIS). The discussions included enhancing the implementation of financial inclusion policy through proportionality in practice, and FinTech for financial inclusion.

## 4. ENGAGEMENT WITH STAKEHOLDERS



### Public-Private Dialogue (PPD)

AFI continued to strengthen engagement with public and private partners through its PPD platform, which provides a space for open discussion between policymakers, regulators and private sector leaders on the regulatory challenges of implementing financial inclusion policies and promoting responsible market conduct. The following initiatives were undertaken in 2019:

- > High-Level Global PPD on Cybersecurity, which deliberated on industry best practices and regulatory approaches to addressing the challenges of cybersecurity; and
- > High-level Regional PPD on Cross-Border Payments, which deliberated on the need to harmonize regional regulatory approaches and market conduct to help reduce remittance costs in Africa.

“

As a PPD partner, we have been able to learn from AFI members and to hold meaningful dialogue on a number of important issues that affect us both at regional and global levels, such as interoperability, gender equality in financial inclusion and international remittances.”

Killian Clifford,  
Director of Policy & Advocacy, GSMA Mobile Money



### G-24/AFI Policymakers' Roundtable

AFI continued to engage the G-24 as a key strategic partner in advancing global dialogue on emerging financial inclusion policy issues, and elevating key policy challenges affecting emerging economies to garner the support of the international community. In 2019, the dialogue focused on how DFS and FinTech can be used to increase women's access to quality and affordable financial services and promote greater gender equality.

“We need not just to address the problems of gender inequality in financial inclusion but to accelerate the policies, implementation and design. In most countries, we still do not have women in the driving seat.”

Governor Rogerio Zandamela,  
Banco de Moçambique

“Fintech companies can greatly facilitate payments, loans, and remittances; and the innovations they are bringing into the financial market can significantly favor financial inclusion among the population in general and women in particular.”

Adrian Armas,  
Chief Economist, Banco Central de Reserva del Perú

As part of providing thought leadership and input on policy guidance for the network, AFI facilitated discussions on converging financial inclusion issues, challenges and solutions through high-level dialogues.



G24/AFI 2019 Policymakers Roundtable, Washington.



Global Thought  
Leadership Conference

**RESHAPING  
THE FUTURE FOR  
FINANCIAL INCLUSION**

1 March 2019  
Abidjan, Côte d'Ivoire

### Global Thought Leadership Conference (GTLC), 1 March 2019, Abidjan, Côte d'Ivoire

The GTLC was AFI's inaugural thought leadership conference that convened global leaders from AFI member institutions, including central banks, Ministries of Finance and financial regulators, global and regional development banks, international organizations, academia and the financial sector. The key policy outcomes of the GTLC were:

- (i) The global convergence of financial inclusion challenges call for new ways for regulators from developing and developed countries to collaborate
- (ii) Practical policy solutions that have been effective in addressing access and usage should be accelerated across the AFI network and beyond
- (iii) FinTech solutions for financial services work most effectively in markets with enabling regulatory frameworks
- (iv) Global efforts are required to address the emerging risks of FinTech services, such as cybersecurity and data protection
- (v) Practical learning is required to enhance policy solutions that mitigate the impact of climate change on financial inclusion



Global Thought leadership Conference 2019, Côte d'Ivoire.



**GLOBAL  
DIALOGUE ON  
REGULATORY  
APPROACHES  
FOR INCLUSIVE  
FINTECH**

26-27 SEPTEMBER 2019  
PRAGUE

**Global Dialogue on Regulatory Approaches for Inclusive FinTech, 26-27 September 2019, Prague, Czech Republic**

This event was the first global dialogue conducted under AFI's developed-developing countries peer learning collaboration, and convened regulators and policymakers from the AFI network, non-member financial regulators from Europe such as Estonia, Finland, Luxembourg and Spain, as well as private sector players, international organizations and research institutions. Participants identified priority topics such as payment innovations, payment system oversight, FinTech ecosystems, cybersecurity, data protection and privacy, financial capability and well-being and digital banking innovations. It was agreed that key policy takeaways should foster intellectual partnerships among financial regulators from diverse jurisdictions, and policy lessons should advance in-country implementation in the network.

These converging policy areas provided an opportunity for AFI to consider a separate workstream under the Sochi Accord on FinTech for Financial Inclusion to address and facilitate practical solutions between regulators in developing and developed countries.



**PIRI**  
Pacific Islands  
Regional Initiative

**PIRI Workshop on De-Risking in the Pacific, 20-21 November 2019, Sydney, Australia**

This workshop was held on the sidelines of the Pacific Central Bank Governors meeting to finalize and endorse a Regional De-risking Action Plan as a follow-up to an agreed deliverable at the PIRI High-Level Forum earlier in the year. Participants agreed to form a data task team to prepare a coordinated data report on de-risking in the Pacific and report the findings to PIRI leaders. They also voiced their support for enhanced coordination and information-sharing on de-risking in the region through existing mechanisms.



**INCLUSIVE  
GREEN  
FINANCE**

**AFI Side Event at the Pre-Conference of Parties 25 (Pre-COP25), UN Framework Convention on Climate Change (UNFCCC), 9 October 2019, San Juan, Costa Rica**

This event achieved AFI's objective to provide insights from financial sector regulators on how their work with financial inclusion policies can contribute to the implementation of the Paris Agreement, and how financial regulators and policymakers can be involved in national and global processes related to climate mitigation and adaptation. AFI will communicate the main conclusions to the COP and explore a recommendation to encourage the participation of financial regulators in national adaptation plans through a possible addition to the UNFCCC guidelines or guidance on plans and initiatives to reach more audiences with inclusive green finance and its potential impacts.

**Global Conference on Green Finance, 30 October 2019, Rabat, Morocco**

This event provided an opportunity for dialogue and cooperation between financial policymakers and regulators on how to address the impacts of climate emergencies with inclusive green finance. The conference positioned IGF as a strong pillar of green finance and outlined five steps to transform the financial sector:

- (i) mindset shift
- (ii) mapping and understanding risks
- (iii) developing informed policy responses and solutions
- (iv) capacity building
- (v) implementation through cooperation and shared learning to formulate national policies

# PART THREE: FINANCIAL REPORT



Woman sells breakfast food from street stall with payment via QR code, Lijiang, Yunnan, China. September 2017. (Photo by Maciej Bledowski/Shutterstock)

## STATEMENT BY THE MANAGEMENT UNIT

We, Alfred Hannig and Chee Soo Yuen, being members of the Management Unit of Alliance for Financial Inclusion (“the Organisation”), state that, in the opinion of the Management Unit, the financial statements set out on pages 5 to 29 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the International Organisations (Privileges and Immunities) Act 1992 in Malaysia so as to give a true and fair view of the financial position of the Organisation as of 31 December 2019 and of its financial performance and cash flows for the financial year ended on that date.



**Alfred Hannig**  
Executive Director

**Chee Soo Yuen**  
Chief Operations Officer

12 May 2020

## INDEPENDENT AUDITORS’ REPORT TO THE MEMBERS OF ALLIANCE FOR FINANCIAL INCLUSION

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

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#### OPINION

We have audited the financial statements of Alliance for Financial Inclusion (“the Organisation”), which comprise the statement of financial position as at 31 December 2019, and the statement of income and expenditure and statement of cash flows of the Organisation for the financial year ended 31 December 2019 and notes to financial statements, including a summary of significant accounting policies and other explanatory information, as set out on pages 5 to 29.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Organisation as at 31 December 2019, and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the International Organisations (Privileges and Immunities) Act 1992 in Malaysia.

#### BASIS FOR OPINION

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### INDEPENDENCE AND OTHER ETHICAL RESPONSIBILITIES

We are independent of the Organisation in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants (“By-Laws”) and the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (“IESBA Code”), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

### RESPONSIBILITIES OF THE MANAGEMENT UNIT FOR THE FINANCIAL STATEMENTS

The Management Unit of the Organisation is responsible for the preparation of financial statements of the Organisation that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the International Organisations (Privileges and Immunities) Act 1992 in Malaysia. The Management Unit is also responsible for such internal control as the Management Unit determines is necessary to enable the preparation of financial statements of the Organisation that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Organisation, the Management Unit is responsible for assessing the Organisation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Unit either intends to liquidate the Organisation or to cease operations, or have no realistic alternative but to do so.

### AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements of the Organisation as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As a part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:-

- > Identify and assess the risks of material misstatement of the financial statements of the Organisation, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional


omissions, misrepresentations, or the override of internal control.

- > Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organisation's internal control.
- > Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Unit.
- > Conclude on the appropriateness of the Management Unit's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organisation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Organisation or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Organisation to cease to continue as a going concern.
- > Evaluate the overall presentation, structure and content of the financial statements of the Organisation, including the disclosures, and whether the financial statements of the Organisation represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Management Unit regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### OTHER MATTERS

This report is made solely to the members of the Organisation, as a body, and for no other purpose. We do not assume responsibility to any other person for the content of this report.



**Crowe Malaysia PLT**  
201906000005 (LLP0018817-LCA)  
& AF 1018  
Chartered Accountants



**Ung Voon Huay**  
03233/09/2020 J  
Chartered Accountant

Kuala Lumpur  
12 May 2020

# STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Note	USD 2019	USD 2018
<b>ASSETS</b>			
<b>NON CURRENT ASSET</b>			
Equipment	4	212,700	91,950
<b>CURRENT ASSETS</b>			
Receivables	5	1,302,009	219,138
Other receivables		-	844
Fixed deposits	6	11,491,111	8,751,900
Cash and bank balances		710,334	595,426
		13,503,454	9,567,308
<b>TOTAL ASSETS</b>		<b>13,716,154</b>	<b>9,659,258</b>
<b>FUND AND LIABILITY</b>			
<b>FUND</b>			
Accumulated funds	7	6,396,160	4,670,075
<b>TOTAL FUND</b>		<b>6,396,160</b>	<b>4,670,075</b>
<b>CURRENT LIABILITY</b>			
Other payables and accruals	8	7,319,994	4,989,183
<b>TOTAL LIABILITY</b>		<b>7,319,994</b>	<b>4,989,183</b>
<b>TOTAL FUND AND LIABILITY</b>		<b>13,716,154</b>	<b>9,659,258</b>

# STATEMENT OF INCOME AND EXPENDITURE

For the financial year ended 31 December 2019

	Note	USD 2019	USD 2018
<b>INCOME</b>			
Donor funder		8,292,851	3,991,996
Donor - PPD partner		970,000	930,333
Membership subscription fee		4,341,000	3,873,000
Fixed deposit interest		196,556	89,379
Other income		27,794	18,779
<b>TOTAL INCOME</b>		<b>13,828,201</b>	<b>8,903,487</b>
<b>EXPENDITURE</b>			
Auditors' remuneration:			
- audit fees		5,271	4,949
- non-audit fees		16,681	-
Bank charges		10,131	12,865
Communication, publication & media cost		169,509	87,327
Contract services fee		582,117	802,613
Depreciation of assets		41,047	21,658
Event & logistic expenses		428,153	912,442
Grant disbursement		900,365	369,935
Office & general supplies		28,223	8,983
Other indirect costs		994	33,825
Professional fees		50,346	27,345
Realised foreign exchange rates		13,999	52,016
Recruitment fees & expenses		45,998	64,114
Rental of premise		9,473	13,234
Repair and maintenance expenses		200,552	120,484
Staff costs		5,425,927	4,347,868
Telecommunication expenses		57,380	61,287
Travel expenses - staff		1,469,349	775,122
Travel expenses - sponsorship		2,646,601	1,210,755
<b>TOTAL EXPENDITURE</b>		<b>(12,102,116)</b>	<b>(8,926,822)</b>
<b>SURPLUS/(DEFICIT) OF INCOME OVER EXPENDITURE BEFORE TAXATION FOR THE FINANCIAL YEAR</b>		<b>1,726,085</b>	<b>(23,335)</b>
<b>INCOME TAX EXPENSE</b>	9	-	-
<b>SURPLUS/(DEFICIT) OF INCOME OVER EXPENDITURE AFTER TAXATION FOR THE FINANCIAL YEAR</b>		<b>1,726,085</b>	<b>(23,335)</b>

# STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2019

	Note	USD 2019	USD 2018
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR</b>		9,347,326	7,380,634
<b>RECEIPTS</b>			
Cash receipts from donors and membership fee		14,031,655	10,811,505
Interest received		168,640	10,099
		<b>14,200,295</b>	<b>10,821,604</b>
<b>LESS: PAYMENTS</b>			
Auditor's remuneration		9,459	5,765
Bank charges		10,131	12,865
Contract services fee		718,318	750,168
Communication, publication & media cost		119,651	67,058
Event & logistic expenses		437,506	961,206
Grant disbursement		217,970	501,252
Other indirect costs		4,333	20,947
Office & general supplies		28,278	3,625
Professional fees		46,429	27,345
Repair & maintenance expenses		307,176	78,678
Realised foreign exchange rates		13,999	8,909
Rental of premise		9,473	11,232
Recruitment fees & expenses		33,302	57,446
Staff costs		5,397,267	4,443,853
Travel expenses - staff		1,539,314	557,087
Travel expenses - sponsorship		2,403,197	1,336,254
Telecommunication expenses		50,373	11,222
		<b>11,346,176</b>	<b>8,854,912</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>2,854,119</b>	<b>1,966,692</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR</b>	10	<b>12,201,445</b>	<b>9,347,326</b>



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

## 1. ORGANISATION

The Organisation is principally engaged in the activities of promoting and developing evidence-based policy solutions that help to improve the lives of the poor. There have been no significant changes in the nature of these activities during the financial year.

## 2. BASIS OF PREPARATION

The financial statements of the Organisation are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards ('MFRS') and International Financial Reporting Standards.

**2.1** During the current financial year, the Organisation has adopted the following new accounting standards and interpretations (including the consequential amendments, if any):-

### MFRSs and/or IC Interpretations (Including The Consequential Amendments)

MFRS 16 Leases

IC Interpretation 23 Uncertainty Over Income Tax Treatments

Amendments to MFRS 9: Prepayment Features with Negative Compensation

Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement

Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures

Annual Improvements to MFRS Standards 2015 - 2017 Cycles

The adoption of the above accounting standards and interpretations (including the consequential amendments, if any) did not have any material impact on the Organisation's financial statements.

**2.2** The Organisation has not applied in advance the following accounting standards and interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial year:-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
MFRS 17 Insurance Contracts	1 January 2023
Amendments to MFRS 3: Definition of a Business	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7: Interest Rate Benchmark Reform	1 January 2020
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 101 and MFRS 108: Definition of Material	1 January 2020
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020

The adoption of the above accounting standards and interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Organisation upon their initial application.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### 3.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

#### Key Sources of Estimation Uncertainty

Management Unit believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year other than as disclosed below:-

#### (a) Depreciation of Equipment

The estimates for the residual values, useful lives and related depreciation charges for the equipment are based on commercial factors which could change significantly as a result of technical innovations in response to the market conditions. The Organisation anticipates that the residual values of its equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of equipment

as at the reporting date is disclosed in Note 4 to the financial statements.

**(b) Impairment of Equipment**

The Organisation determines whether an item of its equipment is impaired by evaluating the extent to which the recoverable amount of the asset is less than its carrying amount. This evaluation is subject to changes such as market performance, economic and political situation of the country. A variety of methods is used to determine the recoverable amount, such as valuation reports and discounted cash flows. For discounted cash flows generated by the assets, which involve uncertainties and are significantly affected by assumptions used and judgements made regarding estimates of future cash flows and discount rates. The carrying amount of equipment as at the reporting date is disclosed in Note 4 to the financial statements.

**(c) Impairment of Receivables**

The Organisation uses the simplified approach to estimate a lifetime expected credit loss allowance for all receivables. The Organisation develops the expected loss rates based on the payment profiles of past payment trends and the corresponding historical credit losses, and adjusts for qualitative and quantitative reasonable and supportable forward-looking information. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

**(d) Income Taxes**

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Organisation recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax expense and deferred tax balances in the year in which such determination is made.

**Critical Judgements Made in Applying Accounting Policies**

Management Unit believes that there are no instances of application of critical judgement in applying the Organisation's accounting policies which will have a significant effect on the amounts recognised in the financial statements.

**3.2 FUNCTIONAL AND FOREIGN CURRENCIES**

**(a) Functional and Presentation Currency**

The functional currency of the Organisation is the currency of the primary economic environment in which the Organisation operates.

The financial statements are presented in United States Dollar ("USD"), which is the Organisation's functional and presentation currency.

**(b) Foreign Currency Transactions and Balances**

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

**3.3 FINANCIAL INSTRUMENTS**

Financial assets and financial liabilities are recognised in the statements of financial position when the Organisation has become a party to the contractual provisions of the instruments.

Financial instruments are classified as financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual arrangement and their definitions in MFRS 132. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as an expense or income.

Financial instruments are offset when the Organisation has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially at its fair value (other than trade receivables without significant financing component which are measured at transaction price as defined in MFRS 15 - Revenue from Contracts with Customers at inception). Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/ deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments recognised in the statement of financial position are disclosed in the individual policy statement associated with each item.

#### (a) Financial Assets

All recognised financial assets are measured subsequently in their entirety at either amortised or fair value (through profit or loss, or other comprehensive income), depending on the classification of the financial assets.

#### Debt Instruments

##### (i) Amortised Cost

The financial asset is held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset. When the asset has subsequently become credit-impaired, the interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), excluding expected credit losses, through the expected life of the financial asset or a shorter period (where appropriate).

##### (ii) Fair Value through Other Comprehensive Income

The financial asset is held for both collecting contractual cash flows and selling the financial asset, where the asset's cash flows represent solely payments of principal and interest. Movements in the carrying amount are taken through other comprehensive income and accumulated in the fair value reserve, except for the recognition of impairment, interest income and foreign exchange difference which are recognised directly in profit or loss. Interest income is calculated using the effective interest rate method.

##### (iii) Fair Value through Profit or Loss

All other financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss.

The Organisation reclassifies debt instruments when and only when its business model for managing those assets change.

#### Equity Instruments

All equity investments are subsequently measured at fair value with gains and losses recognised in profit or loss except where the Organisation has elected to present the subsequent changes in fair value in other comprehensive income and accumulated in the fair value reserve at initial recognition.

The designation at fair value through other comprehensive income is not permitted if the equity investment is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise.

#### (b) Financial Liabilities

##### (i) Financial Liabilities at Fair Value through Profit or Loss

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. The changes in fair value of these financial liabilities are recognised in profit or loss.

##### (ii) Other Financial Liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), through the expected life of the financial liability or a shorter period (where appropriate).

#### (c) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the carrying

amount of the asset and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of a debt instrument classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity to profit or loss. In contrast, there is no subsequent reclassification of the fair value reserve to profit or loss following the derecognition of an equity investment.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

### 3.4 EQUIPMENT

All items of equipment are initially measured at cost. Cost includes expenditure that are directly attributable to the acquisition of the asset and other costs directly attributable to bringing the asset to working condition for its intended use.

Subsequent to initial recognition, all equipment are stated at cost less accumulated depreciation and any impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the organisation and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of equipment are recognised in profit or loss as incurred.

Depreciation on equipment is charged to profit or loss (unless it is included in the carrying amount of another asset) on a straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

Motor vehicles	20%
Office equipment	20%
Office renovation	20%
Computer software	20%
Computer hardware	20%

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property and equipment. Any changes are accounted for as a change in estimate.

When significant parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment.

An item of equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset, being the difference between the net disposal proceeds and the carrying amount, is recognised in profit or loss.

### 3.5 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, bank overdrafts and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three months or less.

### 3.6 IMPAIRMENT

#### (a) Impairment of Financial Assets

The Organisation recognises a loss allowance for expected credit losses on financial assets measured at amortised cost.

The expected credit loss is estimated as the difference between all contractual cash flows that are due to the Organisation in accordance with the contract and all the cash flows that the Organisation expects to receive, discounted at the original effective interest rate.

The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Organisation always recognises lifetime expected credit losses for trade receivables and contract assets using the simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix based on the Organisation's historical credit loss experience and are adjusted for forward-looking information (including time value of money where appropriate).

For all other financial instruments, the Organisation recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Organisation measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

The Organisation recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

#### **(b) Impairment of Non-financial Assets**

The carrying values of assets, other than those to which MFRS 136 - Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount of the assets is the higher of the assets' fair value less costs to sell and their value in use, which is measured by reference to discounted future cash flow using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Organisation determines the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment loss is recognised in profit or loss.

When there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately.

### **3.7 EMPLOYEE BENEFITS**

#### **(a) Short-term Benefits**

Wages, salaries, paid annual leave and bonuses are measured on an undiscounted basis and are recognised in profit or loss in the period in which the associated services are rendered by employees of the Organisation.

#### **(b) Defined Contribution Plans**

The Organisation's contributions to defined contribution plans are recognised in profit or loss in the period to which they relate. Once the contributions have been paid, the Organisation has no further liability in respect of the defined contribution plans.

### **3.8 INCOME TAXES**

#### **(a) Current Tax**

Current tax assets and liabilities are expected amount of income tax recoverable or payable to the taxation authorities.

Current taxes are measured using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period and are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss (either in other comprehensive income or directly in equity).

#### **(b) Deferred Tax**

Deferred tax are recognised using the liability method for temporary differences other than those that arise from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Current and deferred tax items are recognised in correlation to the underlying transactions either in profit or loss, other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill or negative goodwill.

Current tax assets and liabilities or deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes

relate to the same taxable entity (or on different tax entities but they intend to settle current tax assets and liabilities on a net basis) and the same taxation authority.

### 3.9 FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:-

- Level 1:** Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;
- Level 2:** Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3:** Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

### 3.10 REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue from contracts with customers is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer net of sales and service tax, returns, rebates and discounts. The Organisation recognises revenue when (or as) it transfers control over of the asset. Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

#### (a) Membership fee

Membership fee is recognised on annual basis over the membership period.

#### (b) Donations

##### (i) Donor funder

Donations from corporations and foundations are recognised on the accrual basis.

##### (ii) Donor - PPD partner.

AFI's Public-Private Dialogue (PPD) platform represents a unique, global collaboration of public and private sector decision-makers working together to advance financial inclusion. The parties are interested to engage in intellectual exchange within the framework of the PPD platform that raises awareness of private sector insights, unique know-how, and technical expertise to support AFI Members in designing and implementing financial inclusion policies. AFI's PPD partners are committed to the financial sustainability of the PPD Platform and contribute technical and financial resources to ensure that sustainability, as well as to strengthen delivery of select aspects of AFI's Capacity Building and Technical Training program for policymakers and regulators. These contributions are recognised on the receipts basis.

### 3.11 REVENUE FROM OTHER SOURCES AND OTHER OPERATING INCOME

#### Interest income

Interest income is recognised on an accrual basis using the effective interest method.

#### 4. EQUIPMENT

	AT 1.1.2019 USD	ADDITIONS USD	DEPRECIATION CHARGES USD	AT 31.12.2019 USD
<b>2019</b>				
<b>CARRYING AMOUNT</b>				
Motor vehicles	19,402	-	(6,250)	13,152
Office equipment	52,491	-	(13,330)	39,161
Office renovation	20,057	9,078	(5,365)	23,770
Computer software	-	112,601	(12,090)	100,511
Computer hardware	-	40,118	(4,012)	36,106
	<b>91,950</b>	<b>161,797</b>	<b>(41,047)</b>	<b>212,700</b>

	AT 1.1.2018 USD	ADDITIONS USD	DEPRECIATION CHARGES USD	AT 31.12.2018 USD
<b>2018</b>				
<b>CARRYING AMOUNT</b>				
Motor vehicles	25,735	-	(6,333)	19,402
Office equipment	58,438	7,150	(13,097)	52,491
Office renovation	-	22,285	(2,228)	20,057
	<b>84,173</b>	<b>29,435</b>	<b>(21,658)</b>	<b>91,950</b>

	AT COST USD	ACCUMULATED DEPRECIATION USD	NET BOOK VALUE USD
<b>2019</b>			
Motor vehicle	31,169	(18,017)	13,152
Office equipment	66,578	(27,417)	39,161
Office renovation	31,363	(7,593)	23,770
Computer software	112,601	(12,090)	100,511
Computer hardware	40,118	(4,012)	36,106
	<b>281,829</b>	<b>(69,129)</b>	<b>212,700</b>

	AT COST USD	ACCUMULATED DEPRECIATION USD	NET BOOK VALUE USD
<b>2018</b>			
Motor vehicle	31,169	(11,767)	19,402
Office equipment	66,578	(14,087)	52,491
Office renovation	22,285	(2,228)	20,057
	<b>120,032</b>	<b>(28,082)</b>	<b>91,950</b>

#### 5. RECEIVABLES

The Organisation's normal credit terms ranging from 30 to 180 (2018 - 30 to 180) days. Other credit terms are assessed and approved on a case by case basis.

#### 6. FIXED DEPOSITS

The fixed deposits at AFI's principal bank, Standard Chartered Bank at the end of the reporting period bore effective interest rate of 1.98% (2018 - 2.27%) per annum. The fixed deposits have maturity periods ranging from 30 to 365 (2018 - 30 to 365) days.

#### 7. ACCUMULATED FUNDS

	2019 USD	2018 USD
Accumulated funds balance brought forward	4,670,075	4,693,410
Surplus/(Deficit) of income over expenditure after taxation for the financial year	1,726,085	(23,335)
Accumulated funds balance carried forward	6,396,160	4,670,075

#### 8. OTHER PAYABLES AND ACCRUALS

	2019 USD	2018 USD
Deferred income	5,456,972	4,002,007
Other payables	110,113	55,442
Accruals	1,752,909	931,734
	<b>7,319,994</b>	<b>4,989,183</b>

#### 9. TAXATION

The income of the Organisation is tax exempt in accordance with the provisions of Section 44(6) of the Income Tax Act, 1967.

#### 10. CASH AND CASH EQUIVALENTS

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following:-

	2019 USD	2018 USD
Fixed deposits	11,491,111	8,751,900
Cash and bank balances	710,334	595,426
	<b>12,201,445</b>	<b>9,347,326</b>

#### 11. FINANCIAL INSTRUMENTS

The Organisation's activities are exposed to a variety of market risk (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Organisation's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Organisation's financial performance.

##### 11.1 Financial risk management policies

The Organisation's policies in respect of the major areas of treasury activity are as follows:-

**(a) Market Risk**

**(i) Foreign Currency Risk**

The Organisation is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than the respective functional currencies of the Organisation. The currencies giving rise to this risk are primarily Ringgit Malaysia (“RM”) and Pound Sterling (“GBP”). Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

The Organisation’s exposure to foreign currency risk (a currency which is other than the functional currency) based on the carrying amounts of the financial instruments at the end of the reporting period is summarised below:-

**Foreign currency exposure**

	RINGGIT MALAYSIA USD	POUND STERLING USD	UNITED STATES DOLLAR USD	TOTAL RM
<b>2019</b>				
<b>FINANCIAL ASSETS</b>				
Receivables	-	1,008,476	293,533	1,302,009
Cash and bank balances	125,480	-	584,854	710,334
	125,480	1,008,476	878,387	2,012,343
<b>FINANCIAL LIABILITY</b>				
Other payables and accruals	-	-	(1,863,022)	(1,863,022)
Net financial asset/(liability)	125,480	1,008,476	(984,635)	149,321
Less: Net financial (asset)/liability denominated in the respective entities’ functional currencies	-	-	984,635	984,635
<b>CURRENCY EXPOSURE</b>	125,480	1,008,476	-	1,133,956
<b>2018</b>				
<b>FINANCIAL ASSETS</b>				
Cash and bank balances	111,514	-	483,912	595,426
<b>FINANCIAL LIABILITY</b>				
Other payables and accruals	-	-	(987,176)	(987,176)
Net financial asset/(liability)	111,514	-	(503,264)	(391,750)
Less: Net financial (asset)/liability denominated in the respective entities’ functional currencies	-	-	503,264	503,264
<b>CURRENCY EXPOSURE</b>	111,514	-	-	111,514

**Foreign Currency Risk Sensitivity Analysis**

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies at the end of the reporting period, with all other variables held constant:-

	2019 USD	2018 USD
<b>EFFECTS ON SURPLUS/(DEFICIT) OF INCOME OVER EXPENDITURE AFTER TAXATION</b>		
GBP/USD - strengthened by 10%	100,848	-
- weakened by 10%	(100,848)	-

**(ii) Interest Rate Risk**

The Organisation does not have any material interest bearing borrowing and hence, is not exposure to interest rate risk.

**(iii) Equity Price Risk**

The Organisation does not have any quoted investments and hence, is not exposed to equity price risk.

**(b) Credit Risk**

The Organisation’s exposure to credit risk, or the risk of counterparties defaulting, arises mainly from receivables.

**(i) Credit Risk Concentration Profile**

The Organisation’s major concentration of credit risk relates to the amounts owing by one receivable which constituted approximately 75% of its receivables at the end of the reporting period.

**(ii) Exposure to Credit Risk**

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position of the Organisation after deducting any allowance for impairment losses (where applicable).

**(iii) Assessment of Impairment Losses**

At each reporting date, the Organisation assesses whether any of financial assets at amortised cost are credit impaired.

The gross carrying amounts of those financial assets are written off when there is no reasonable expectation of recovery (i.e. the debtor does not have assets or sources of income to generate sufficient cash flows to repay the debt) despite they are still subject to enforcement activities.

**Receivables**

The Organisation applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for the receivable.



To measure the expected credit losses, receivable has been grouped based on shared credit risk characteristics and the days past due. The Organisation considers any receivable having significant balances and more than 180 days overdue are deemed credit impaired.

The information about the exposure to credit risk and the loss allowance calculated under MFRS 9 for receivables is summarised below:-

	GROSS AMOUNT USD	LIFETIME LOSS ALLOWANCE USD	CARRYING AMOUNT USD
<b>2019</b>			
Current (not past due)	1,302,009	-	1,302,009
<b>2018</b>			
Current (not pass due)	219,138	-	219,138

#### Other Receivables

Other receivables are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial and hence, it is not provided for.

#### Fixed Deposits, Cash and Bank Balances

The Organisation considers these banks and financial institutions have low credit risks. Therefore, the Organisation is of the view that the loss allowance is immaterial and hence, it is not provided for.

#### (c) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Organisation practices prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

#### Maturity Analysis

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payment computed based on the rate at the end of the reporting period):-

	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE %	CARRYING AMOUNT USD	CONTRACTUAL UNDISCOUNTED CASH FLOWS USD	WITHIN 1 YEAR USD
<b>2019</b>				
<b>NON-DERIVATIVE FINANCIAL LIABILITY</b>				
Other payables and accruals	-	1,863,022	1,863,022	1,863,022
<b>2018</b>				
<b>NON-DERIVATIVE FINANCIAL LIABILITY</b>				
Other payables and accruals	-	987,176	987,176	987,176

## 11.2 Classification of financial instruments

	2019 USD	2018 USD
<b>FINANCIAL ASSET</b>		
Amortised Cost		
Receivables	1,302,009	219,138
Other receivables	-	844
Fixed deposits	11,491,111	8,751,900
Cash and bank balances	710,334	595,426
	13,503,454	9,567,308
<b>FINANCIAL LIABILITY</b>		
Amortised Cost		
Other payables and accruals	1,863,022	987,176

## 11.3 Fair values of financial instruments

At the end of the reporting period, there were no financial instruments carried at fair values in the statement of financial position.

The fair values of the financial assets and financial liabilities of the Organisation that maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments or repayable on demand terms.

## 12. SIGNIFICANT EVENT OCCURRING AFTER THE REPORTING PERIOD

The impact of the COVID-19 outbreak on public life and the industry in Malaysia and the broader region has changed the Organisation's operating modality approach by replacing physical events with virtual meetings in order to achieve its objectives to meet the funders' target.

While this is expected to have an impact on the Organisation's operating expenses for the coming reporting periods, the Organisation is unable to quantify the magnitude and duration of such impact at this juncture as the outbreak continues to progress and the conditions are unpredictable.

# PART FOUR: REFERENCES



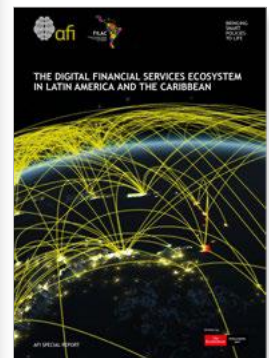
Group of women at a community meeting, Guinea-Bissau. February 2018. (Photo by Tiago\_Fernandez /iStock)

# AFI KNOWLEDGE PRODUCTS

In 2019, AFI published 31 reports that were viewed 27,000 times through its website and shared 2,100 times via its social media channels. Publications explored emerging trends covering topics from, inclusive FinTech, gender, and green finance, to financial inclusion of forcibly displaced persons, cybersecurity, national financial inclusion strategies and small and medium enterprises. These included two annual reports, three case studies, six guideline notes, two member series, two policy models, one policy framework, a toolkit, a roadmap, one event report, three special reports, and nine factsheets.

Members' experiences were highlighted in a series of case studies that focused on the major strides being made in gender and women's financial inclusion in Egypt and Zimbabwe. Delving further were AFI's members series on Rwanda's use of social protection programs to enhance financial inclusion and how harnessing digital financial services nearly doubled Uganda's formal financial inclusion rates.

In-depth reports detailed important findings on innovations in Know Your Customer processes, financial inclusion measurements pilot trials, the role of regulators in creating enabling FinTech ecosystems and how Latin America and the Caribbean countries are embracing digital financial services. Other notable knowledge products included Inclusive Green Finance's first-ever special report on how AFI members were addressing the impacts of climate change as well as policy models on E-Money and Core Set of Financial Inclusion Indicators.



## 2019 AFI CALENDAR OF EVENTS

### FEBRUARY

11-15	Bank Negara Malaysia (BNM)-AFI Member Training of Trainers on Instructional Strategies	Kuala Lumpur, Malaysia
25 -1 March	African Financial Inclusion Policy Initiative (AfPI) Meetings	Abidjan, Côte d'Ivoire
19-23	PPD Training on Approaches to Enhancing Financial Inclusion through Digital Financial Services	Abidjan, Côte d'Ivoire

### MARCH

1	Global Thought Leadership Conference on Financial Inclusion	Abidjan, Côte d'Ivoire
11-14	Global Standards Proportionality Working Group (GSPWG) Meeting	Cairo, Egypt
11-14	Financial Inclusion Data Working Group (FIDWG) Meeting	Cairo, Egypt
12	Audit Committee Meeting	Kuala Lumpur, Malaysia
18	Gender and Women's Financial Inclusion Committee Meeting	Teleconference
26-29	Consumer Empowerment and Market Conduct Working Group (CEMCWG) Meeting	Nassau, Bahamas
26-29	Digital Financial Services Working Group (DFSWG) Meeting	Nassau, Bahamas

### APRIL

1-4	SME Finance Working Group (SMEFWG) Meeting	Livingstone, Zambia
1-4	Financial Inclusion Strategy Peer Learning Group (FISPLG) Meeting	Livingstone, Zambia
10	11th Annual G-24/AFI Policymakers' Roundtable at the World Bank/IMF Spring Meetings	Washington, DC, USA
11	High-Level PPD Meeting	Washington, DC, USA
11	Board of Directors Meeting	Washington, DC, USA
25-26	Financial Inclusion Initiative for Latin America and the Caribbean (FILAC) EGFIP Meetings	Lima, Peru
29 -3 May	Central Bank of Armenia-AFI Member Training on Behavioral Economics and Evidence-Based Policymaking	Dilijan, Armenia

### JUNE

3-6	Pacific Islands Regional Initiative (PIRI) Meetings	Honiara, Solomon Islands
4	PPD Training on Accelerating Digital Payments in the Pacific	Honiara, Solomon Islands
10	Gender and Women's Financial Inclusion Committee Meeting	Teleconference
11-13	Eastern Europe and Central Asia Policy Initiative (ECAPI) Meetings	Minsk, Belarus
12	Training on Approaches to Enhancing Financial Inclusion through Digital Financial Services	Minsk, Belarus
24-26	Banco Central de la República Argentina (BCRA)-AFI Regional Training on Innovating Digital Financial Services Policies and Regulations for Financial Inclusion	Buenos Aires, Argentina
27-28	PPD Training on Approaches to Enhancing Financial Inclusion through Digital Financial Services	Buenos Aires, Argentina

### JULY

1-3	Banco de Portugal-AFI Member Training on Financial Education for Financial Inclusion	Lisbon, Portugal
1-3	BNM-AFI Member Training on Platform Economy and Its Promise for Financial Inclusion	Kuala Lumpur, Malaysia
3	Board of Directors Meeting	Teleconference
4-5	PPD Training on Approaches to Enhancing Financial Inclusion through Digital Financial Services	Kuala Lumpur, Malaysia
17	Budget and Finance Committee Meeting	Teleconference

## AUGUST

7	Global Standards and Policy Committee Meeting	Teleconference
21	Budget and Finance Committee Meeting	Teleconference
22	Gender and Women's Financial Inclusion Meeting	Teleconference

## SEPTEMBER

9	Regional Initiatives EGFIP and Working Group Leadership Meetings	Kigali, Rwanda
9	Audit Committee Meeting	Kigali, Rwanda
10 S	Working Group Meetings	Kigali, Rwanda
10	Global Standards and Policy Committee Meeting	Kigali, Rwanda
10	Gender and Women's Financial Inclusion Committee Meeting	Kigali, Rwanda
10	Board of Directors Meeting	Kigali, Rwanda
11	Annual General Meeting	Kigali, Rwanda
11	Regional Initiatives Leaders Meetings	Kigali, Rwanda
12-13	Global Policy Forum	Kigali, Rwanda
26-27	Global Dialogue on Regulatory Approaches for Inclusive FinTech	Prague, Czech Republic

## OCTOBER

7-11	BNM-AFI Joint Learning Program on Empowering Consumers through Financial Education	Kuala Lumpur, Malaysia
21-24	Comisión Nacional Bancaria y de Valores (CNBV)-AFI Joint Learning Program on FinTech Regulation and Proportionality for Financial Inclusion	Mexico City, Mexico
28-29	Bank Al-Maghrib (BAM)-AFI Member Training on Inclusive Green Finance	Rabat, Morocco
30	BAM-AFI Global Green Finance Conference	Rabat, Morocco

## NOVEMBER

6-8	Central Bank of Kenya (CBK)-AFI Member Training on Regulatory and Supervisory Framework for Digital Credit	Nairobi, Kenya
1	Budget and Finance Committee Meeting	Kuala Lumpur, Malaysia
18-22	BNM-AFI Member Training on Improving Implementation of Financial Inclusion Strategy Using Monitoring and Evaluation Data	Kuala Lumpur, Malaysia
20-21	PIRI Workshop on the Regional De-risking Action Plan for the Pacific	Sydney, Australia
25-27	Knowledge Exchange Program on Digital Financial Services	Kuala Lumpur, Malaysia
25-28	Central Bank of Egypt (CBE)-AFI Joint Learning Program on Digital Financial Services Interoperability	Cairo, Egypt

## DECEMBER

10	Gender Inclusive Finance Committee (previously the Gender and Women's Financial Inclusion Committee) Meeting	Teleconference
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## GLOSSARY OF TERMS

<b>ADB</b>	Asian Development Bank
<b>AFD</b>	Agence Française de Développement (French Development Agency)
<b>AfDB</b>	African Development Bank
<b>AFI</b>	Alliance for Financial Inclusion
<b>AfPI</b>	African Financial Inclusion Policy Initiative
<b>AGM</b>	Annual General Meeting
<b>AMF</b>	Arab Monetary Fund
<b>AML</b>	Anti-Money Laundering
<b>AMPI</b>	African Mobile Phone Financial Services Policy Initiative
<b>APG</b>	Asia/Pacific Group on Money Laundering
<b>BCBS</b>	Basel Committee on Banking Supervision
<b>BFC</b>	Budget and Finance Committee
<b>BMGF</b>	Bill & Melinda Gates Foundation
<b>BMU</b>	German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety
<b>BMZ</b>	German Federal Ministry for Economic Cooperation and Development
<b>BNM</b>	Bank Negara Malaysia
<b>CEMCWG</b>	Consumer Empowerment and Market Conduct Working Group
<b>CFT</b>	Combating the Financing of Terrorism
<b>CGAP</b>	Consultative Group to Assist the Poor
<b>CPSS</b>	Committee on Payment and Settlement Systems
<b>DAP</b>	Denarau Action Plan: The AFI Network Commitment to Gender and Women's Financial Inclusion
<b>DFS</b>	Digital Financial Services
<b>DFSWG</b>	Digital Financial Services Working Group
<b>ECAPI</b>	Eastern Europe and Central Asia Policy Initiative
<b>EGFIP</b>	Experts Group on Financial Inclusion Policy
<b>E-Money</b>	Electronic Money
<b>E-Payment</b>	Electronic Payment
<b>ESAAMLG</b>	Eastern and Southern Africa Anti-Money Laundering Group
<b>FATF</b>	Financial Action Task Force
<b>FDPs</b>	Forcibly Displaced Persons
<b>FIARI</b>	Financial Inclusion in the Arab Region Initiative
<b>FICC</b>	Financial Inclusion and Climate Change
<b>FIDWG</b>	Financial Inclusion Data Working Group
<b>FILAC</b>	Financial Inclusion Initiative for Latin America and the Caribbean
<b>FinTech</b>	Financial Technology
<b>FISPLG</b>	Financial Inclusion Strategy Peer Learning Group
<b>FSB</b>	Financial Stability Board

<b>FY</b>	Financial Year
<b>G20</b>	Group of Twenty consisting of governments and central bank governors from 20 major economies
<b>G-24</b>	Intergovernmental Group of Twenty-Four on International Monetary Affairs and Development
<b>GAFILAT</b>	Financial Action Task Force of Latin America
<b>GIABA</b>	Inter-Governmental Action Group against Money Laundering in West Africa
<b>GIFC</b>	Gender Inclusive Finance Committee
<b>GIZ</b>	Deutsche Gesellschaft für Internationale Zusammenarbeit or German Society for International Cooperation, Ltd.
<b>GPF</b>	Global Policy Forum
<b>GPFI</b>	Global Partnership for Financial Inclusion
<b>GSPWG</b>	Global Standards Proportionality Working Group
<b>GSPC</b>	Global Standards and Policy Committee
<b>ICI</b>	In-Country Implementation
<b>IDRC</b>	International Development Research Centre
<b>IGFWG</b>	Inclusive Green Finance Working Group
<b>IMF</b>	International Monetary Fund
<b>IT</b>	Information Technology
<b>JLP</b>	Joint Learning Program
<b>KYC</b>	Know Your Customer
<b>MDGs</b>	Millennium Development Goals
<b>MD-PIF</b>	Multi-Donor Policy Implementation Facility
<b>MENA</b>	Middle East and North Africa
<b>MFS</b>	Mobile Financial Services
<b>MNA</b>	Member Needs Assessment
<b>MoU</b>	Memorandum of Understanding
<b>MSME</b>	Micro, Small and Medium Enterprise
<b>MU</b>	Management Unit
<b>NFIS</b>	National Financial Inclusion Strategy
<b>OECD</b>	Organisation for Economic Cooperation and Development
<b>PAS</b>	Peer Advisory Service
<b>PIRI</b>	Pacific Islands Regional Initiative
<b>PPD</b>	Public-Private Dialogue
<b>RegTech</b>	Regulatory Technology
<b>SDGs</b>	Sustainable Development Goals
<b>SME</b>	Small and Medium Enterprise
<b>SMEFWG</b>	SME Finance Working Group
<b>SSA</b>	Sub-Saharan Africa
<b>SSBs</b>	Standard-Setting Bodies
<b>UN</b>	United Nations
<b>WWB</b>	Women's World Banking



**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](http://www.afi-global.org)

 Alliance for Financial Inclusion  AFI.History  @NewsAFI  @afinetwork