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AFI ANNUAL REPORT

MAKING FINANCIAL SERVICES MORE ACCESSIBLE TO THE WORLD'S UNBANKED

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MESSAGE FROM THE CHAIR

Our esteemed members, it is my honor to present to you once again the AFI Annual Report. 2016 was a historic and eventful year as we marked one year since AFI's registration as a full-fledged international organization on 27 January 2016. This achievement was made possible by the unwavering support and dedication of AFI members in upholding the principles, values and work of the organization.

As we journey together as an independent, member-owned network, sustainability becomes more important than ever. In laying the foundations for the organization, we reinforced AFI's governance structures by establishing a new Board of Directors, supported by strategic, member-led committees, ranging from the Advisory Group which offers strategic advice, to specialized Board committees that ensure accountability in achieving AFI's mandate and elevating the collective voice of members to address a wide array of financial inclusion challenges.

These foundations were further strengthened by the strong support of the membership in terms of commitments and payment of membership fees thereby contributing to overall organizational effectiveness and sustainability. While the network is off to a good start, there is much more work to be done in the coming years.

In 2016, AFI expressed its cooperative principles and values by being responsive and flexible to the diverse financial inclusion policy challenges of its members. Through a peer approach and valuable strategic partnerships, we have strengthened regional initiatives and capacity building activities, implemented financial inclusion policies, generated intellectual content, and enhanced AFI's influence on the global stage.

In 2017, I see great opportunities to strengthen our resolve as a sustainable network, promote smart financial inclusion policy changes, and have an even greater impact in our respective regions and countries.

Professor Benno Ndulu
Governor, Bank of Tanzania
Chair, AFI Board of Directors



PART ONE: INTRODUCTION

ABOUT AFI

The Alliance for Financial Inclusion (AFI) is a member-owned organization with a vision of making financial services more accessible to the world’s unbanked. To make this vision a reality, the AFI network has adopted a unique cooperative approach and bottom-up development model that allows AFI members to 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.

AFI GOVERNANCE STRUCTURE



GOVERNANCE

ROLE AND RESPONSIBILITY

GOVERNANCE	ROLE AND RESPONSIBILITY
MEMBERSHIP COUNCIL	Ratification of strategic decisions having an overall impact on the AFI network
BOARD OF DIRECTORS	Provides oversight and strategic guidance to the AFI Management Unit
BUDGET AND FINANCE COMMITTEE	Provides oversight on AFI’s financial strategy and management of financial resources
GLOBAL STANDARDS AND POLICY COMMITTEE	Provides guidance and advice for AFI’s engagement and peer learning initiative with international Standard-Setting Bodies, and oversees AFI’s policy initiatives and programs
GENDER AND WOMEN’S FINANCIAL INCLUSION COMMITTEE	Provides leadership on advancing and promoting women’s financial inclusion in the AFI Network
ADVISORY GROUP	Provides strategic advice to the AFI Board of Directors and Management Unit to promote sustainable value to AFI members and ultimately achieve AFI’s vision
GROUP OF DONORS	Represent funders in the AFI network

HIGHLIGHTS OF AFI'S KEY ACHIEVEMENTS

2016 was a year of milestones for the AFI network. The year began with AFI being registered as a fully member-owned international organization under the International Organizations (Privileges and Immunities) Act of the Laws of Malaysia on 27 January 2016.

GOVERNANCE

- > The AFI Steering Committee transitioned to a full-fledged Board of Directors, comprised of heads or deputy heads from seven member institutions, as well as an external member from one of AFI's main funders or cooperating partners.
- > The AFI Board of Directors strengthened AFI's governance by establishing strategically important member-led committees to support its work, including the Budget and Finance Committee, the Global Standards and Policy Committee, and the Gender and Women's Financial Inclusion Committee. The AFI Board of Directors also established an Advisory Group comprised of partners (non-AFI members) who will provide external stakeholder perspectives and promote greater collaboration between AFI and its major stakeholders.
- > The AFI Membership Council approved amendments to the AFI Articles of Association to strengthen governance and enhance operational efficiency at the 2016 AFI Annual General Meeting on 7 September 2016.
- > AFI members approved the membership fee structure and 69 members paid membership fees for the financial year 2016.

MEMBER ACCOMPLISHMENTS

- > 261 policy improvements have been implemented by 63 AFI members to date, with 58 (22% of the total) implemented in 2016 alone, mainly in the areas of national financial inclusion strategies, SME finance, and digital financial services.
- > Member engagement in AFI and use of AFI services and offerings has continued to increase, with 96% of AFI members using at least one AFI service, and 83% using at least two services.
- > AFI launched the Financial Inclusion Initiative for Latin America and the Caribbean (FILAC) with the support of its new partner, Canada's International Development Research Centre (IDRC).
- > 62 countries have made Maya Commitments, several of which have far exceeded their initial national policy targets and are now making more ambitious commitments.

PARTNERSHIPS

- > AFI entered new funding partnerships in 2016, including with the International Development Research Centre (IDRC) to launch FILAC.
- > AFI commenced a strategic knowledge partnership through a Memorandum of Understanding (MoU) with the International Telecommunication Union (ITU), which will promote engagement between AFI and ITU, and dialogue between DFS regulators from the financial services and telecommunications sectors on issues of common interest.
- > AFI continued its partnerships with the Pacific Financial Inclusion Programme (PFIP) and enhanced the involvement of private sector partners in AFI's Public-Private Dialogue (PPD) Platform, the AFI Global Policy Forum, and AFI's Capacity Building Program.
- > AFI strengthened technical and intellectual partnerships by designing and delivering training modules jointly with PPD partners, benefiting over 400 policymakers from AFI member institutions.
- > AFI held discussions with potential partners to lay the groundwork for partnerships expected to be formalized in 2017, including with the African Development Bank and Arab Monetary Fund.

GLOBAL RECOGNITION

- > In line with AFI's recognition in the Addis Ababa Action Agenda (AAAA), the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) recognized AFI as a strategic partner institution uniquely suited to advance financial inclusion policy in the Asia Pacific region.

NEW POLICY INITIATIVES

In 2016, AFI launched new policy initiatives that meet the emerging needs and interests of AFI members.

A STRONG POLICY FOCUS ON FINANCIAL INCLUSION AND GENDER

At the 2016 AFI Global Policy Forum (GPF) in Fiji, AFI members adopted the Denarau Action Plan: The AFI Network Commitment to Gender and Women's Financial Inclusion. This paves the way to designing and implementing regulation and policy aimed specifically at expanding access to financial services for women, and will engage a broad spectrum of partners and stakeholders.

FINANCIAL INCLUSION DATA

The AFI Data Portal (ADP) was publicly launched in September 2016. The ADP provides a unique platform for policymakers and regulators to analyze and share their country-level data with one another, as well as with AFI's partners and stakeholders.

GREATER EXPOSURE FOR POLICYMAKERS TO MERGING PRIVATE SECTOR TECHNOLOGY AND INNOVATION

There was strong consensus among AFI members at the 2016 GPF to proceed with the creation of a global peer learning platform, the 'AFI Initiative on FinTech and RegTech for Financial Inclusion', which will bring together policymakers and regulators with innovators in the FinTech space.

POLICY FOCUS ON GREEN FINANCE (CLIMATE CHANGE) AND FINANCIAL INCLUSION

AFI member institutions from more than 20 countries have indicated that green finance (climate change) and financial inclusion is a high-priority policy area. The first Maya Declaration commitment on financial inclusion and climate change was made by the Reserve Bank of Fiji in September 2016, and more are expected to follow. AFI is currently designing a policy peer learning platform to meet this policy interest.

MITIGATING THE IMPACT OF DE-RISKING IN EMERGING MARKETS

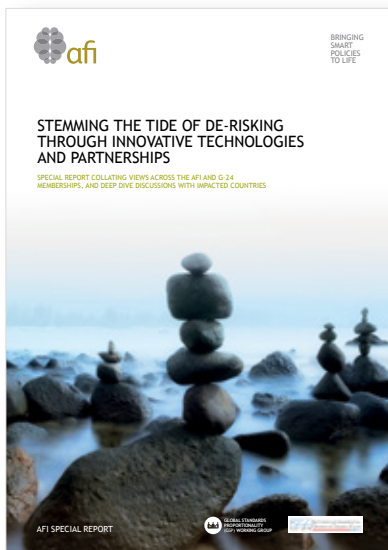
AFI and the G-24 have published a qualitative study, "Stemming the Tide of De-Risking through Innovative Technologies and Partnerships", and will work globally and regionally with AFI members and key partners to promote solutions for re-risking, including the deployment of new technologies, AML/CFT capacity building, and public-private dialogue.

BUILDING INSTITUTIONAL CAPACITY FOR MEMBERS TO STRENGTHEN DFS RISK MANAGEMENT AND CYBERSECURITY

AFI has strengthened cooperation with private sector partners within the PPD framework to implement new training and capacity building offerings that build technical skills in these areas. More than 200 individuals from 40 policymaking institutions (both current and prospective members) received training on these topics, and these offerings will be expanded in 2017 and beyond.

SYSTEMATIC KNOWLEDGE EXCHANGE BETWEEN FINANCIAL AND TELECOMMUNICATIONS REGULATORS

Through its MoU with the ITU, AFI seeks to establish ongoing systematic dialogue between financial and telecommunications regulators on financial inclusion policy, with input from the private sector and other stakeholders.



Stemming the Tide of De-Risking through Innovative Technologies and Partnerships



The AFI Data Portal (ADP)

PART TWO: STRATEGY AND OBJECTIVES

The cooperation model upon which our network is built is a simple one, based on two key priorities:

COUNTRY-LED APPROACHES

AFI members focus on ways to support countries in designing and implementing high-impact solutions to meet their unique needs and challenges. This approach has created ownership and a sense of pride as ever more ambitious targets are set and achieved.

PEER-TO-PEER ENGAGEMENT

The value of knowledge and experience is not judged by the size or wealth of any one institution. Our cooperation model creates a community of equals where every member, no matter how large or small, is given the opportunity to share as well as to learn.



THE CHALLENGE

AFI has continued to deliver interventions that address the policy and regulatory challenges of its members and build their capacity to implement reforms that advance financial inclusion at the country level. However, the capacity of members to implement these changes was a challenge in 2016. Although AFI has been instrumental in addressing some in-country capacity needs, there is still more work to be done. Among the areas requiring stronger regulatory capacity include the implementation of proportionality in practice and development of an extended risk framework, which takes full account of the risks of financial exclusion for financial integrity and stability, as well as socioeconomic and political risks.

Members noted the challenge of staying abreast of the dynamic financial inclusion ecosystem, including balancing stability and financial inclusion objectives, innovative solutions that are challenging legacy institutions and systems, consumer diversity and capabilities, and the emergence of FinTech and RegTech. Global social and political challenges have also prompted new initiatives that require AFI to intervene and assist its members, such as forcibly displaced persons (FDPs) and green finance.

Financial inclusion interventions require broad cooperation between different players and approaches, both at the domestic and international level.

AFI members are seeing the need for strong cooperative arrangements to address the financial inclusion gap effectively. AFI will continue to put in place initiatives that encourage and provide a framework for global and domestic partners to tackle financial inclusion challenges together.

Members have also shown keen interest in addressing the gender gap in financial inclusion, particularly since the launch of AFI policy initiatives in 2016. The main issue at hand is the implementation of the Denarau Action Plan on Gender and Women's Financial Inclusion, which will spur interventions at the country level.

DYNAMIC FINANCIAL INCLUSION ECOSYSTEM



AFI'S STRATEGY AND APPROACH

STRATEGIC OBJECTIVES

As an independent, member-owned organization, AFI's strategy is guided by a theory of change that provides a systematic approach to achieving its objectives. In 2016, AFI focused on four strategic objectives, all of which are aligned with AFI's mission:

- 1 Improving the financial inclusion knowledge and capability of policymakers
- 2 Members have concrete financial inclusion commitments and implement policy changes
- 3 Impact on the global policy agenda
- 4 AFI's independence and sustainability

STRATEGIC OBJECTIVE 1: IMPROVING THE FINANCIAL INCLUSION KNOWLEDGE AND CAPABILITY OF POLICYMAKERS

a Delivery of Working Groups

Following a review of AFI's Working Group activities and outcomes, AFI refocused the role of its Working Groups on producing regulatory guidelines, and reassigned the training and education aspect of the Working Groups as a deliverable of AFI's Capacity Building Program. This streamlining enabled a distinction to be made between the outcomes of both services. The Working Groups also began tailoring discussion topics to members' respective levels of financial inclusion or the stage of their interventions.

b Delivery of capacity building programs

AFI prioritized training topics based on member demand, and aimed to reduce overlaps between different program components, particularly those provided by the private sector. AFI also tailored the content of capacity building programs depending on the level of financial inclusion in a member's country or Maya Declaration commitment in a particular area.

c Delivery of relevant services to members

To make capacity building services more relevant to members, AFI customized them based on information gathered from the Country Policy Profiles. Fee-paying members had the advantage of a tailored capacity building plan as a value-added service.

STRATEGIC OBJECTIVE 2: MEMBERS HAVE CONCRETE FINANCIAL INCLUSION COMMITMENTS AND IMPLEMENT POLICY CHANGES

a Repositioning of the Maya Declaration

As the Maya Declaration reached its fifth year, AFI took steps to raise its profile as an effective and publicly accountable platform for advancing financial inclusion at the national level. This involved repositioning the Maya Declaration as a framework for offering relevant AFI programs, services and grants to members and as a basis for tracking members' progress in advancing policy changes vis-à-vis their financial inclusion targets.

b Refine and enable country commitments

AFI focused on ensuring concrete, time-bound and measurable financial inclusion commitments are made under the Maya Declaration or other national frameworks or strategies, by improving the process and approach to encouraging more members to make commitments.

STRATEGIC OBJECTIVE 3: IMPACT ON THE GLOBAL POLICY AGENDA

a Identify and engage stakeholders for a 'country-led approach' to advocacy

AFI's global advocacy work was guided by consistent communication of key themes to the right stakeholders, prioritizing engagements and the systematic involvement of AFI members.

b Influence on global standards

Topics or policy areas were prioritized in advance, and AFI's influence on global standards is tracked and measured systematically.

STRATEGIC OBJECTIVE 4: AFI'S INDEPENDENCE AND SUSTAINABILITY

a AFI strengthened its corporate governance by establishing its Board of Directors and refining the scope and mandate of various special committees that support the work of the Board.

b AFI instituted a strategic planning process, which is integrated with the annual budgeting process and its periodic monitoring and evaluation exercise. The development of the annual corporate strategy is guided by input and advice by the Board of Directors and Advisory Group.

c AFI created a funding strategy for long-term sustainability, as AFI's sources of funding is now mainly derived from fees paid by members, and contributions by donors, the private sector, and other partners.

d AFI set up its own core operational and administrative functions, including project management, internal communications, human resources, and financial management and reporting.

e AFI worked on building a lean, agile and competent workforce, and inculcating AFI's corporate culture and values among its teams.

PART THREE: PERFORMANCE

2016 was a very significant year for AFI. We reached milestones that now define our prospects. AFI members have been instrumental in these achievements and the overall success of the AFI network. Their support has enabled the organization to overcome key challenges in the operating environment and mirrors the core values that have anchored AFI since its inception: equality and collaboration. Throughout 2016, members upheld these values by actively championing our various financial inclusion initiatives and interventions. For this, we are very appreciative and take note of the 261 policy improvements achieved by our members to date.



MESSAGE FROM THE EXECUTIVE DIRECTOR

In terms of organizational effectiveness and efficiency, we worked to improve internal controls by streamlining the structure of AFI, creating an agile and competent workforce, and strengthening the oversight of the Board, all aimed at building a robust organization that can fulfill its mandate in a fast-changing environment. Looking ahead to 2017, the AFI Working Groups will become more content-focused and capacity building activities will be enhanced with the introduction of an online training program.

Through various financial inclusion interventions tailored to our members, and with the concrete support of our strategic partners, we met our corporate objectives. In 2016, we saw strategic partnerships strengthen existing regional initiatives, such as the Pacific Islands Regional Initiative (PIRI) with the support of the Pacific Financial Inclusion Programme (PFIP), and the new Financial Inclusion Initiative for Latin America and the Caribbean (FILAC) with the support of Canada's International Development Research Centre (IDRC). We also saw stronger working relationships with private sector partners, such as MasterCard, Visa and GSM Association, which provided technical input on digital financial services for AFI's regional capacity building workshops.

AFI launched initiatives first conceptualized in 2015 to advance women's financial inclusion through the establishment of the Gender and Women's Financial Inclusion Committee and adoption of the Denarau Action Plan: The AFI Network Commitment to Gender and Women's Financial Inclusion. The implementation will be guided by a strategic plan setting out key activities, time frames, targets, deliverables, and responsibility. This plan is off to a positive start with the garnering of significant international support and engagement of advocates thus far.

This year, we marked the fifth anniversary of the Maya Declaration. To date, a total of 62 countries have made Maya Commitments, with six new commitments and 12 updated ones in 2016 alone. It is worth noting that the number of institutions with commitments focusing on gender and women's financial inclusion increased from three to 12, most of which were announced at the 2016 Global Policy Forum immediately following the adoption of the Denarau Action Plan. On the global front, AFI continued to represent members' unique financial inclusion challenges through dialogues with international Standard-Setting Bodies (SSBs). These discussions were led by the newly merged Global Standards and Policy Committee, which provides oversight on global standards, policy and program review, and AFI's global engagement.

The 2016 AFI Global Policy Forum (GPF) in Nadi, Fiji registered the highest number of GPF participants ever, with over 500 senior policymakers and partners. The GPF helped us to conceptualize financial inclusion initiatives that address the diverse needs of members across the AFI network. It also reaffirmed AFI's approach by highlighting the role of innovation and technology

in advancing financial inclusion, and the importance of balancing financial stability and financial inclusion. The GPF culminated in the adoption of the Denarau Action Plan for Gender and Women's Financial Inclusion and the AFI Initiative on FinTech and RegTech for Financial Inclusion, which will see AFI collaborating with like-minded organizations in 2017 to implement these initiatives. We saw new topics take center stage—forcibly displaced persons (FDPs), green finance (climate change), and FinTech and RegTech, being issues currently faced by our members.

AFI achieved an important milestone in regional initiatives with the launch of the Financial Inclusion Initiative for Latin America and the Caribbean (FILAC) in November 2016, AFI's third regional initiative since the African Mobile Phone Financial Services Policy Initiative (AMPI) and the Pacific Islands Regional Initiative (PIRI). In the same month, AFI took early steps toward creating a regional initiative in the Arab region, which is expected to be launched in 2017. At the 2016 Annual General Meeting, the AFI Management Unit shared AFI's strategic outlook for 2017 with members to gather feedback and direction. As always, our aspirations are shaped by the needs of members, which will fuel our enthusiasm to propel the network forward and sharpen our focus with a refresh of AFI's Strategic Plan for Phase III.

Once again, I would like to thank our members and strategic partners for your commitment and support toward the AFI network, and we look forward to continuing our efforts to spur more policy changes and have a greater impact at the national and regional level.

Dr. Alfred Hannig
Executive Director, AFI

261

Policy improvements
achieved by our members
to date

+500

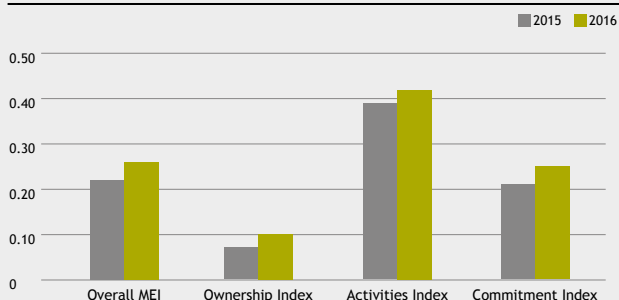
The 2016 AFI Global Policy
Forum (GPF) attracted over
500 senior policymakers and
partners from around the world

MEMBER ENGAGEMENT

AFI’s Member Engagement Index (MEI) captures how members have used AFI services and offerings throughout the year, the leadership roles they have assumed, the commitment they have shown to the Network, and the knowledge they have shared. In 2016, the average level of member engagement increased by 15 percent.

The most widely used service in 2016 was the AFI Member Zone, with users from 77 member institutions accessing the platform last year. This was followed by the AFI Working Groups, with 74 member institutions actively participating in at least one. AFI’s global events also attracted participants from 74 member institutions in 2016, with 70 attending AFI’s annual flagship event, the Global Policy Forum. The fourth most-used service (based on the number of member institutions accessing it) was AFI’s Capacity Building Program, with 64 member institutions taking part in at least one training and 38 member institutions participating in three or more programs.

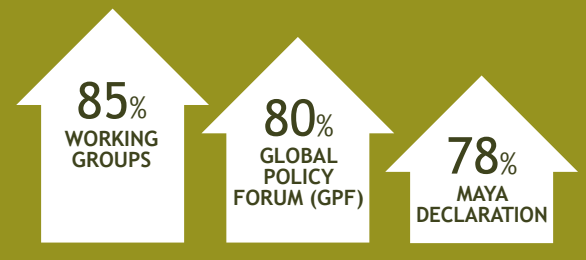
MEMBER ENGAGEMENT INDEX (MEI) OVERALL AND SUB-INDICES



MEMBER SURVEY IN NUMBERS



TOP 3 MOST KNOWN AFI SERVICES



SATISFACTION WITH POLICY AREAS



259 INDIVIDUALS COMPLETED THE SURVEY, REPRESENTING 78 INSTITUTIONS IN 67 COUNTRIES



MEMBER ZONE

The AFI Member Zone (MZ) is a private and secure online network that allows members of the AFI network to collaborate on financial inclusion policy issues. The MZ virtually connects over 800 regulators from more than 90 countries on an interactive and user-friendly platform. As a virtual community, the MZ allows users to ask questions, receive feedback on unfinished ideas, identify peers working on similar issues, and learn about worldwide successes in financial inclusion.

PERFORMANCE OF THE AFI MEMBER ZONE

Based on results of the AFI Member Needs Assessment, the MZ remains in the top three most used services. It has a high representation of members, with over 97% represented on the platform.

The MZ experienced significant growth in 2016, up from 749 users in December 2015 to 857 users at the end of December 2016. In total, we recorded 108 new users in this reporting period.

There was a slight decrease in the number of users from October 2016 to November 2016 as inactive user accounts were deleted in this period.

Engagement on the MZ outperforms comparable online community platforms, with engaged users (for policy and regulatory consultation) reaching a peak of 104 monthly active users in September 2016. There were 4,536 recorded activities on the MZ, which includes 598 posts, 819 comments and 1,812 private messages for individual consultations, 108 shared documents and others.

In total, there are 38 groups on the MZ and the top three most active groups in 2016 were the SME Finance Working Group (SMEF WG), Global Policy Forum and the Digital Financial Services Working Group (DFS WG).

Over the years, the MZ has responded to requests from members to add groups that address new issues and the ever-changing path toward financial inclusion. This has led to the number of groups on the MZ growing from the original six (SME Finance, Global Standards Proportionality, Financial Inclusion Strategy, Financial Inclusion Data, Digital Financial Services, and Consumer Empowerment and Market Conduct) to 38, including AMPI, PIRI, and the Digital and Mobile Financial Services Open Forum.

The most engaged individual user was Ricky Satria, Deputy Director at Bank Indonesia, who won the Member Zone Award at the AFI Awards Ceremony at the 2016 GPF in Nadi, Fiji.

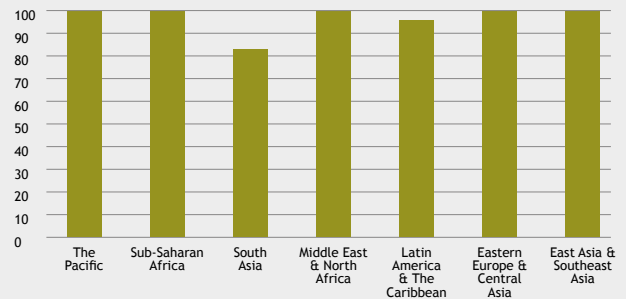
FURTHER INFORMATION

AFI Member Zone Fact Sheet:
www.afi-global.org/publications/2333/The-AFI-Member-Zone-2016-Fact-Sheet

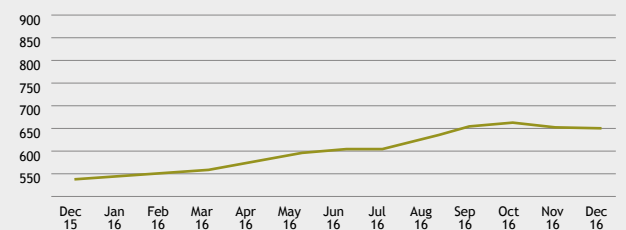
To access the AFI Member Zone, visit:
www.afi-memberzone.org



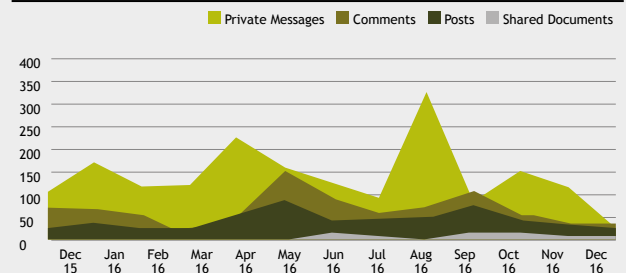
PERCENTAGE OF MEMBER INSTITUTIONS REPRESENTED ON THE MZ



NUMBER OF MZ USERS



NEW ACTIVITY ACROSS THE NETWORK



“The AFI Member Zone is a one-stop zone for gathering innovative ideas to enhance financial inclusion. The network provides space for members to openly share views, ask questions and provide constructive criticism that will shape policy and implement initiatives to facilitate financial inclusion for those at the bottom of the pyramid.”

Ricky Satria, Bank Indonesia, 2016 Member Zone Award Winner



Bank Indonesia, 2016 Member Zone Award Winner

REGIONAL INITIATIVES



Over 100 high-level African financial inclusion policymakers, regulators and public and private stakeholders convened in Dakar, Senegal on 4-5 February 2016, for the 4th Annual Leaders' Roundtable of the African Mobile Phone Financial Services Policy Initiative (AMPI), co-hosted by the Banque Centrale des Etats de l'Afrique de l'Ouest (BCEAO). AMPI leaders approved:

- > The guiding principles for the AMPI Charter and basic requirements for the AFI Regional Office for Sub-Saharan Africa and Middle East and North Africa; and
- > A revised AMPI Strategic Plan 2016-2018, which includes a fifth strategic objective related to the gender dimension of financial inclusion policymaking, and activities to enhance knowledge exchange between microfinance institutions (MFIs) and digital financial services (DFS).

AMPI leaders also agreed to focus on the following areas during the period of 2016-2018:

- > Strengthen cooperation between financial and telecommunications regulators on issues related to DFS, and collaborative approaches among financial regulators to facilitate digitally enabled cross-border remittances.
- > Reinforce capacity building efforts for financial regulators in line with the rapidly changing DFS landscape and to mitigate the underlying risks of these services.
- > Support domestic dialogue between market participants on effective interoperability for DFS.
- > Promote inclusive policies for women, especially leveraging new technologies and adopting regulations and frameworks to advance women's economic participation.
- > Finalize the institutional framework confirming AMPI as a regional initiative of AFI, and establish a physical presence for AMPI in Africa.

At its next meeting, held on the sidelines of the 2016 AFI Global Policy Forum, AFI members from Africa adopted a "Cooperative Arrangement Framework with Telecommunications Regulators", which seeks to encourage financial regulators in Africa to take the lead in formalizing regulatory cooperation with telecommunications regulators to avoid market distortions by regulatory conflicts with DFS.

Additional AMPI activities in 2016 included:

- a Publication of the third AMPI e-newsletter, which focused on the Central Bank of Nigeria's approval of the first licenses for Super Agent Banking, interoperability of DFS in Tanzania and DFS in the West African Economic and Monetary Union.
- b The AMPI Regulatory Capacity Building Workshop, under the umbrella of AFI's PPD Platform, was conducted in partnership with MasterCard on 2-3 February 2016 in Dakar, Senegal. Convening more than 70 public and private sector participants, the workshop focused on strengthening capacity to build adequate supervisory framework to mitigate emerging risks, and implementing interoperable schemes and regulatory frameworks that improve the efficiency of distribution channels for DFS.

"Mobile financial services have advanced the frontiers of financial inclusion across the continent. These advances are made possible by the resolve of AFI policymakers and regulators involved in AMPI, who come together to better harness new technologies and business models that scale up financial inclusion."

Mr. Tiémoko Meyliet Kone, Governor of Banque Centrale des Etats de l'Afrique de l'Ouest (BCEAO)

"There has been a move in a direction with very risk-averse regulators. The issue was raised on how we can leverage technology to improve financial inclusion, and it was identified that the biggest problem with capacity is regulators that kill good innovations."

Mr. Stephen Mwaura, Head, National Payments System, Central Bank of Kenya



AMPI Leaders Roundtable Meeting, February 2016



In 2016, the International Development Research Centre (IDRC) and AFI entered a three-year partnership to develop a regional peer learning platform for AFI members in the Latin America and the Caribbean (LAC) region. The Financial Inclusion Initiative for Latin America and the Caribbean, or FILAC, aims to achieve concrete policy improvements in:

- 1 digital financial services (DFS);
- 2 data;
- 3 consumer empowerment; and
- 4 women's financial inclusion, which will inform members' national financial inclusion strategies.

To this end, AFI will provide a regional platform based on peer learning, study and research.

AFI launched FILAC at Cartagena, Colombia, on 15-16 November 2016. The vision of FILAC, to contribute to inclusive and sustainable growth and poverty reduction in the LAC region through sustainable financial inclusion policies, is supported by efforts to build knowledge and scale up peer learning on priority topics for the region: DFS, consumer empowerment and financial literacy, data and women's financial inclusion.

FILAC leaders established a Leaders' Roundtable with Banco Central do Brasil as its first Chair supported by two Co-Chairs: Superintendencia General de Entidades Financieras de Costa Rica (SUGEF Costa Rica) and Banque de la République d'Haiti.

Looking Ahead

Members and partners endorsed FILAC's foundation document, the "Cartagena de Indias Consensus", which provides a framework for coordination on DFS, data, women's financial inclusion, consumer empowerment and financial literacy for the LAC region.

"The FILAC alliance will serve as an engine of economic growth and poverty reduction in the LAC region, while making financial services accessible in a meaningful and sustained way."

Mr. Luis Delgado Murillo, President, El Consejo Nacional de Supervisión del Sistema Financiero (CONASSIF), SUGEF Costa Rica and member of the AFI Board of Directors

FURTHER INFORMATION

Cartagena de Indias Consensus:
www.afi-global.org/initiatives/financial-inclusion-initiative-filac



FILAC was launched in Cartagena de Indias, Colombia, November 2016



On 2-3 June 2016, 50 high-level policymakers, regulators, stakeholders and partners from the Pacific region met in Port Vila, Vanuatu, for discussions under the overarching theme:

“Islands of Inclusive Finance: SMEs and Financial Inclusion in the Pacific”

The forum followed the 4th Experts Group on Financial Inclusion Policy (EGFIP) Meeting on 1 June 2016, where key activities and outcomes of PIRI were outlined, submitted and approved at the PIRI Leaders’ Roundtable on 2 June 2016. The communiqué issued highlighted eight key objectives:

- 1 the status and progress of financial inclusion in the Pacific;
- 2 developing a holistic ecosystem to support SME finance;
- 3 rethinking the regulation of digital financial services;
- 4 financial literacy to empower SME entrepreneurs and consumer protection avenues to seek information and redress for SMEs;
- 5 policies and regulatory approaches to enhance access to financial services for women-owned SMEs;
- 6 inclusive insurance;
- 7 secured transactions and other policies to support SME finance; and
- 8 commitments and actions (PIRI members endorsed the first draft of the AFI Action Plan for Gender and Women’s Financial Inclusion).

PIRI Leaders’ Roundtable

The 3rd PIRI Leaders’ Roundtable convened in Nadi, Fiji, on 6 September 2016. Each PIRI member shared their experiences and challenges with financial inclusion in their country, including barriers they have faced with domestic stakeholders, such as government and private sector partners, as well as resource constraints and lack of capacity to undertake their financial inclusion initiatives. Members recognized the importance of conducting a demand-side survey, which would form the basis of a strategic plan for financial inclusion that would prioritize gender and reaching the unbanked. PIRI members also recognized the importance of green finance given the region’s vulnerability to the impact of climate change.

Looking Ahead

Leveraging the technical assistance provided by AFI, PIRI members look forward to learning from each other through knowledge exchange and identifying key areas requiring assistance, taking into account each country’s particular strength in financial inclusion.

“There are differing levels of progress across the network. Some countries are more advanced than others, and they have been and will continue to be relied upon to assist those that are not yet as advanced.”

Mr. Simeon Athy, Governor of the Reserve Bank of Vanuatu

“SMEs are important drivers of economic development, but unfortunately, we have incomplete information on this market. We need to better understand the SME market, and one important step is for PIRI to adopt a standard definition for SMEs.”

Mr. Denton Rarawa, Governor of Central Bank of Solomon Islands and PIRI Chair



PIRI Meeting in Vanuatu May 2016

REGIONAL HIGHLIGHTS

ASIA

Key initiatives and activities in 2016 included:

- > **Asia-Pacific Regulatory Policy Forum on Digital Financial Services and Financial Inclusion held 3 August 2016 in Bali, Indonesia, in collaboration with MasterCard**

Attended by 37 participants from nine AFI member institutions and partners, the key takeaways included: (a) e-KYC is imperative to facilitating customer identification and easing client on-boarding; (b) cybersecurity is important to building customer trust in DFS schemes and government confidence in the use of financial technologies; and (c) the cost of cash is significant in many regions of the world. Promoting DFS to facilitate a cash-lite economy is imperative to strategies such as government payments.

- > **Global conference: “Maximizing the Power of Financial Access: Finding an Optimal Balance Between Financial Inclusion and Financial Stability” held 30 November-1 December 2016 in Bali, Indonesia, co-hosted by Bank Indonesia**

Attended by more than 100 participants from AFI member institutions and partner organizations across 30 countries, the conference culminated with the adoption of the “Bali Outcome Statement on the Linkages between Financial Inclusion and Financial Stability”. The statement calls for renewed efforts to promote financial inclusion while ensuring strong consumer protection and vigilance on preserving financial system stability in the face of new risks from the digitization of financial services. The statement also encourages AFI members to contribute more practical examples and case studies of how they have successfully applied proportionality in practice in the implementation of global standards for financial stability, complementing the guidance of global Standard-Setting Bodies (SSBs).

- > **Asia regional meeting at the AFI Global Policy Forum (GPF) in Nadi, Fiji**

Members outlined policy priorities for 2017, including demand-side surveys, national financial inclusion strategies and consumer education and discussed the findings of the 2016 Member Needs Assessment (MNA) for the Asia region. Value chain finance emerged as one of the top three policy areas, a unique priority among AFI member regions.

EASTERN EUROPE AND CENTRAL ASIA (ECA)

Key initiatives and activities in 2016 included:

- > **ECA regional meeting at the AFI GPF in Nadi, Fiji**

AFI members from the ECA region discussed the various financial inclusion activities undertaken over the past year. Members agreed there were common challenges, namely, the ability of regulators to keep pace with evolving technology and the lack of common DFS terminology in Russian. As part of the work plan for the ECA region, AFI members will establish a regional definition of financial inclusion, an initiative to be led by the Central Bank of the Russian Federation.

- > **Engagement in the Western Balkans**

In October 2016, a small delegation led by AFI’s Executive Director, Dr. Alfred Hannig, visited central banks in the Western Balkans to learn how financial inclusion policy is being approached across the region and explore possibilities for deeper engagement with AFI, including potential membership. AFI recognized the diversity of financial inclusion challenges and policy priorities being addressed by central banks in the region, such as DFS regulation, FinTech and RegTech, anti-money laundering/combating the financing of terrorism (AML/CFT) issues, consumer protection and financial literacy, cross border remittances, SME finance and green finance.

In 2017 and beyond, AFI plans to enhance its engagement with the Western Balkans region and create a regional platform for technical knowledge exchange and peer learning on priority financial inclusion policy topics.

MIDDLE EAST AND NORTH AFRICA (MENA)

Key initiatives and activities in 2016 included:

- > **High-level Policy Forum: “Advancing Women’s Financial Inclusion in the Arab World”**

Co-hosted by the Central Bank of Jordan (CBJ), the Arab Monetary Fund (AMF) and Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), and held in Dead Sea, Jordan on 22-23 November 2016, this high-level policy forum was attended by financial policymakers and regulators from Arab countries.

AFI’s Executive Director moderated the session, “Regulatory Barriers and Policy Changes to Enhance Women’s Access to Financial Services”. The second day of the forum featured a capacity development program that provided practical information and technical knowledge to support the work of the region’s regulators. The Chair, Vice-Chair and members of the AFI Gender and Women’s Financial Inclusion Committee (GWVIC), together with AFI’s knowledge partners, the Global Banking Alliance for Women (GBA) and Women’s World Banking (WWB), participated in various dialogue sessions.

- > **Formation of a Regional Initiative**

In collaboration with AFI, the AMF and GIZ, the Arab Financial Inclusion Task Force (FITF) intends to establish the Financial Inclusion Initiative in the Arab Region (FIARI) in the first half of 2017. The initiative aims to support financial policymakers and regulators in Arab countries by strengthening peer learning and knowledge sharing on policy through the AFI cooperation model.

FURTHER INFORMATION

The Bali Outcome Statement on the Linkages between Financial Inclusion and Financial Stability:
www.afi-global.org/sites/default/files/publications/2017-01/AFI_Bali_statement_Final.pdf



AFI'S GLOBAL ENGAGEMENT

AFI'S PEER LEARNING PROGRAM WITH THE STANDARD-SETTING BODIES (SSBs)

In 2016, the Peer Learning Program had three key strategic priorities: (a) advancing the adoption of proportionality in practice in the implementation of global standards; (b) documenting the impact of de-risking on financial inclusion and developing thought leadership on potential solutions; and (c) exploring the linkages between financial inclusion and financial stability, and identifying practical measures members can take to ensure there is an optimal balance.

(1) Proportionality in Practice

Following the adoption of the Kuala Lumpur Resolution on Proportionality in Practice, a seven-point blueprint for stakeholders to ensure proportionality, AFI members have been submitting case studies on the theme, "Proportionality in Practice". In 2017, AFI will integrate proportionality in practice into its capacity building programs, including adding a course on proportionate AML/CFT to the Bank Negara Malaysia-AFI training in 2017. AFI is also exploring a proposal to pilot a peer advisory service for national risk assessments (NRAs), following the positive results from an initial pilot involving several members.

(2) De-Risking

Findings from a qualitative study on the impact of de-risking through innovative technologies and partnerships were presented to the AFI/G-24 Roundtable at the 2016 Spring Meetings in Washington, DC, and to the Global Standards Proportionality (GSP) Working Group at its meeting in Moscow, Russia, in June 2016. The final report, "Stemming the Tide of De-Risking through Innovative Technologies and Partnerships", was then published in conjunction with the 2016 AFI Global Policy Forum.

(3) Financial Inclusion and Financial Stability

In response to member demand, AFI introduced the topic of the linkages between financial inclusion and financial stability, co-hosting with Bank Indonesia a special conference in 2016, on finding an optimal balance between the two policy objectives. The conference attracted approximately 100 participants from across the AFI network and key international organizations, including the IMF, World Bank, Financial Stability Board and university research departments. The conference concluded with the adoption of the "Bali Outcome Statement on the Linkages between Financial Inclusion and Financial Stability". AFI's Global Standards Proportionality (GSP) Working Group will lead the implementation, under the oversight of the Global Standards and Policy Committee (GSPC).

HIGH-LEVEL DIALOGUE WITH THE SSBs

On 30 September 2016, AFI participated in the biennial meeting of the heads of the SSBs, co-chaired by H.M. Queen Máxima of the Netherlands and Stefan Ingves, Chair of the Basel Committee on Banking Supervision. As Chair of AFI's GSPC, Governor Muhammad Ibrahim of Bank Negara Malaysia presented a paper, "Risks of Financial Exclusion", which proposed a partnership between AFI and the SSBs, including joint work on capacity building, documenting

the implementation of proportionality in practice, and developing an extended risk framework that takes full account of the risks of financial exclusion for financial integrity and stability, as well as socioeconomic and political risks.

G20 GLOBAL PARTNERSHIP FOR FINANCIAL INCLUSION (GPFI)

AFI continued its support for the G20 Presidency of China in 2016, coordinated by the People's Bank of China (PBOC), an AFI member institution. AFI participated as a presenter and moderator in all three GPFI events organized under China's Presidency (Shanghai in February 2016, Xian in May 2016 and Chengdu in July 2016).

AFI also supported the key deliverable of China's Presidency, the G20 High-Level Principles for Digital Financial Inclusion, in two main ways:

- > AFI policy experts formed part of the technical team selected by the Chinese G20 Presidency to develop the drafts of the principles for consultation and submission to first Finance Ministers and Central Bank Governors, and later G20 Leaders.
- > The PBOC specifically requested that AFI share the draft Principles with non-G20 countries for consultation, and the Digital Financial Services (DFS) Working Group conducted a virtual peer review of the Principles. Many of the DFS WG's comments were reflected in the final draft of the Principles.

"Digital finance can be a double-edged sword, if the risks are not well handled, consumer interests can be damaged, so we need to enhance protection and financial education for consumers."

Mr. Gang Yi, Deputy Governor of the PBOC

In 2016, AFI continued to serve as an implementing partner for all four of the GPFI's subgroups, particularly supporting the Subgroup on Regulation and SSBs with comments and inputs to the GPFI's second White Paper on Global Standards and Financial Inclusion, and the Subgroup on SME Finance by mobilizing additional commitments and targets for SME finance from AFI members under the framework of the Maya Declaration and the Maputo Accord.

FURTHER INFORMATION

Stemming the Tide of De-Risking Through Innovative Partnerships:
[www.afi-global.org/sites/default/files/publications/2017-01/2016-Tide of DeRisking-digital.pdf](http://www.afi-global.org/sites/default/files/publications/2017-01/2016-Tide%20of%20DeRisking-digital.pdf)

The Bali Outcome Statement on the Linkages Between Financial Inclusion and Financial Stability:
www.afi-global.org/sites/default/files/publications/2017-01/AFI_Bali_statement_Final.pdf



AFI DATA PORTAL

The AFI Data Portal (ADP) is a unique global database on financial inclusion policies, regulations and outcomes provided by policymakers and regulators. The ADP was developed to meet the growing demand of AFI members for online access to crucial information on financial inclusion policies, regulations and outcomes.

The ADP currently features three datasets:

MAYA DECLARATION COMMITMENTS

AFI members can announce new targets under the Maya Declaration and regularly report their progress. Portal users can view all commitments and related progress reports.

AFI COUNTRY POLICY PROFILES (ACPP)

The ACPP is a repository of knowledge on policy and regulatory status pertaining to financial inclusion, emphasizing aspects AFI members have deemed important. Through the Portal, the ACPP database allows users to examine the policy and regulatory frameworks of their peers, while also allowing AFI to identify thematic, regional and global trends on financial inclusion policies, and track the policy development of various countries over time. Going forward, the ACPP database will help inform AFI's monitoring and evaluation work, as well as policy research by partner organizations.

FINANCIAL INCLUSION INDICATORS

AFI members can report country data on indicators such as the AFI Core Set and the AFI SME Finance Base Set. Members can also add their own country-specific indicators.

The ADP was launched for members in April 2016 and to the public in September 2016, to ensure researchers and other key stakeholders enjoy full access to valuable data. As of September 2016, the ADP contained approximately 330 in-progress Maya Declaration targets, 62 AFI Country Policy Profiles and 20 unique financial inclusion indicators. Approximately 250 users are registered to use the Portal. AFI foresees that the volume of data and usage of the Portal will continue to grow in the coming years.

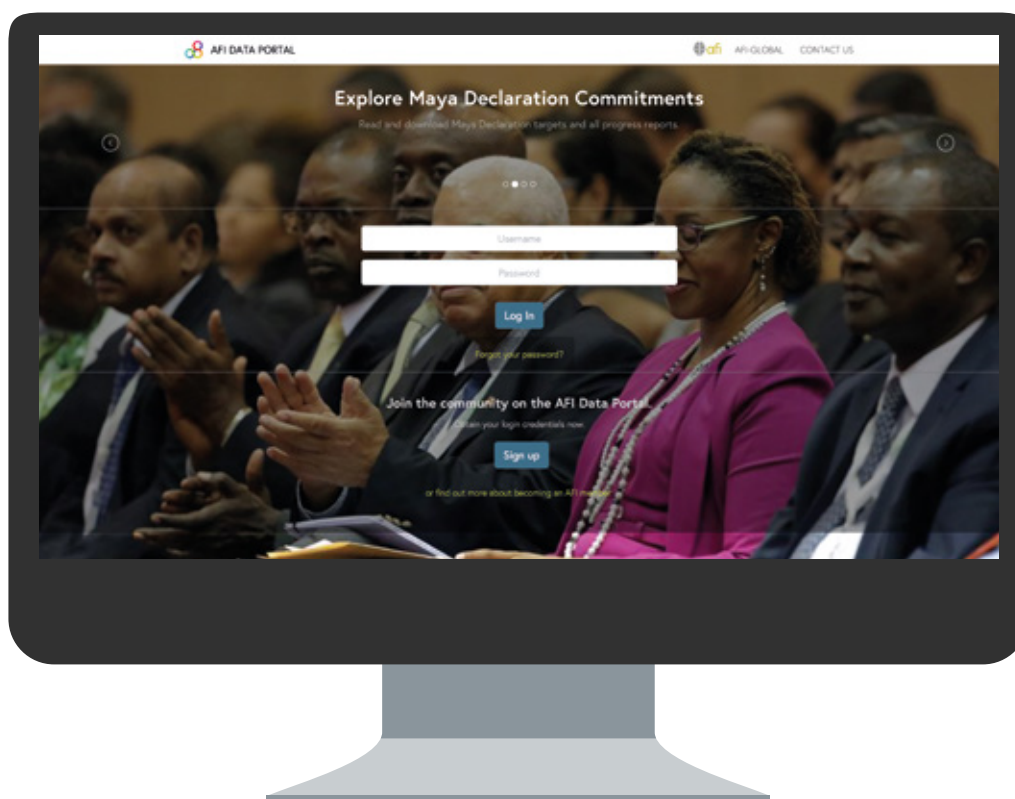
AFI is currently in the process of enhancing the ADP. To ensure it is more user friendly and useful, AFI will form an informal focus group of dedicated test users among its members. Focus group members will have the opportunities to test a beta version of the enhanced ADP and provide valuable feedback to AFI.



FURTHER INFORMATION

AFI Data Portal:
www.afi-dataportal.org

AFI Data Portal Fact Sheet:
www.afi-global.org/publications/2338/AFI-Data-Portal-Advancing-Country-Led-Approach-to-Data-Sharing-2016-Fact-Sheet



MAYA DECLARATION COMMITMENTS

From January to December 2016, AFI received six new commitments and 12 renewed commitments to the Maya Declaration. New commitments were received from: Ministère de l'Économie et des Finances de la Côte d'Ivoire, Central Bank of Egypt, Central Bank of Jordan, Central Bank of Suriname, Ministry of Finance Swaziland, and Reserve Bank of Zimbabwe.

The number of institutions making commitments on SME finance increased significantly following the launch of the Maputo Accord at the 2015 AFI Global Policy Forum. The Maputo Accord encourages AFI member institutions to support access to finance for micro, small and medium enterprises (MSMEs), in acknowledgement of their shared objective to promote sustainable and inclusive development, and spur innovation.

The number of institutions with commitments focusing on gender and women's financial inclusion also increased significantly from three to 12, most of which were announced at the 2016 AFI Global Policy Forum immediately after members adopted the Denarau Action Plan: The AFI Network Commitment to Gender and Women's Financial Inclusion.

To date, there are a total of 62 Maya commitments from 62 countries, representing the majority of the world's unbanked.¹

As shown in Figure 2, Digital Financial Services, Financial Literacy, Financial Inclusion Data & Measurement and National Financial Inclusion Strategy are some of the top thematic areas for commitments, and these interests are also reflected by the high membership numbers of the Digital Financial Services (DFS) Working Group, Consumer Empowerment and Market Conduct (CEMC) Working Group, and Financial Inclusion Strategy (FIS) Peer Learning Group. Furthermore, most Maya signatory institutions use the Working Groups as a resource to implement their commitments. For example, almost 70% of AFI members with commitments on financial literacy or consumer protection are part of the CEMC Working Group.

AFI's services help members to translate Maya commitments into concrete policy changes. As of January 2017, over 30% of commitments have been reported as complete. Banco de Moçambique, Superintendencia de Banca, Seguros y AFP del Perú, Central Bank of the Russian Federation, and Ministère de l'Économie et des Finances du Sénégal reported that at least one of their targets was achieved in 2016. Details on members' progress in achieving their commitments are captured in the 2016 Maya Declaration Progress Report and the AFI Data Portal (<http://www.afi-dataportal.org>). With the launch of the AFI Data Portal (ADP) in September 2016, AFI members can now update their targets under the Maya Declaration and regularly report on their progress. ADP users can view all commitments and related progress reports.

FIGURE 1: TOTAL AFI MEMBER COMMITMENTS, AS OF JANUARY 2016

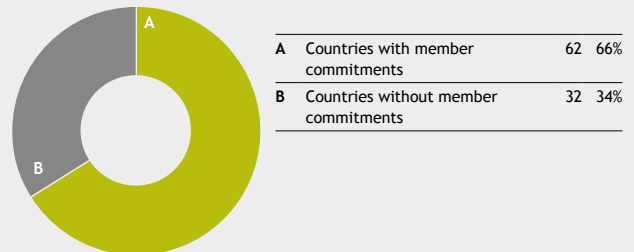
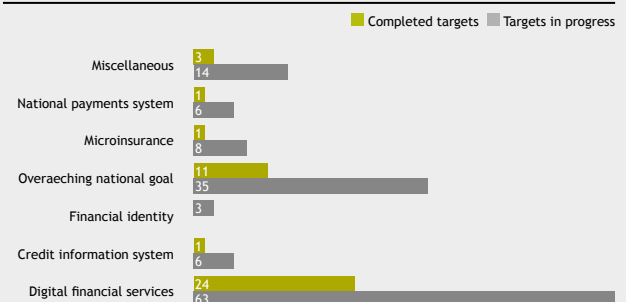


FIGURE 2: COMMITMENTS BY POLICY AREA



FIGURE 3: COMPLETED TARGETS AND TARGETS IN PROGRESS



62 Maya commitments from 62 countries, representing the majority of the world's unbanked

6 New commitments and 12 renewed commitments in 2016

¹ Source: World Bank Findex, 2012. Based on the question: Do you have an account at a formal institution?

MEMBER HIGHLIGHTS

THE MAYA DECLARATION: A COMMITMENT KEEPING PACE WITH CHANGING TECHNOLOGY

In 2012, Bank Negara Malaysia (BNM) committed to accelerating the rollout of the mobile banking platform, MyMobile.

By the end of March 2014, there were more than 141,000 MyMobile registered users and 1.8 million transactions, amounting to USD 7.4 million. Of these transactions, more than 43,000 were fund transfers valued at USD5.8 million.

However, as changes in the mobile banking landscape saw users transition to smartphones and mobile banking apps, MyMobile's USSD technology became outdated, and the platform was discontinued on 30 September 2014.

BNM began transitioning to e-payments to provide a cost-effective, secure and convenient way for its customers to make and receive payments, and worked on enhancing the access, usage and quality of this service. BNM identified two key instruments to drive Malaysia's migration to e-payments: 1) Interbank GIRO (IBG), an interbank fund transfer service offered by 30 banks, accounting for 99% of total current and savings accounts in Malaysia; and 2) debit cards, with a base of 43.4 million cards in a population of 30 million as of the end of December 2014. BNM took critical steps to ensure the transition was smooth, including implementing a tiered pricing structure, expanding access to the IBG, and ensuring faster crediting time.

In May 2016, BNM updated their Maya Declaration target to capture this major change in their policy direction. Instead of accelerating the rollout of a mobile banking platform, they committed to accelerating the migration to e-payments by increasing the number of point of sale (POS) terminals by 800,000 by 2020. In doing so, BNM invoked the core value and spirit of the Maya Declaration as a living commitment—one that moves as swiftly as technology and evolves with the global financial inclusion landscape.

Moving forward, AFI members are strongly encouraged to update and renew their Maya commitments to better capture not only the progress their country has made, but also their unique country circumstances and the changing needs of the unbanked.

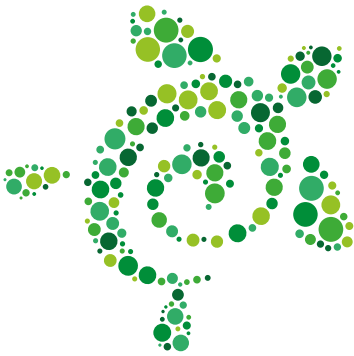
FURTHER INFORMATION

2016 Maya Declaration Report:
www.afi-global.org/publications/2359/The-2016-Maya-Declaration-Report



AFI GLOBAL POLICY FORUM

The 2016 Global Policy Forum was held in Nadi, Fiji, 7-9 September 2016, and was attended by 530 senior financial inclusion policymakers, regulators and partners from the AFI network.



THE 2016 AFI GLOBAL POLICY FORUM

BUILDING THE
PILLARS OF
SUSTAINABLE
INCLUSION

NADI, FIJI 7-9 SEPTEMBER



KEY HIGHLIGHTS AND TAKEAWAYS

- > The AFI membership adopted the Denarau Action Plan: The AFI Network Commitment to Gender and Women's Financial Inclusion, which paves the way to designing and implementing regulation and policy aimed at expanding access to financial services for women. The adoption of the Action Plan was enthusiastic and several member institutions announced Maya commitments related to gender and financial inclusion.
- > AFI member institutions from more than 20 countries identified green finance and financial inclusion as a high policy priority. There was consensus that if AFI established a policy peer learning platform on green finance, most member institutions would work toward specific policy targets and commitments on green finance. Members also agreed to engage with development partners and the private sector, which would be essential to delivering on commitments.
- > AFI members unanimously approved a peer learning initiative on RegTech and FinTech to build the capacity of members to formulate and implement appropriate financial inclusion policies that support innovative financial services for financial inclusion. This platform will bring AFI members together with innovators in the FinTech space, researchers and other stakeholders in selected markets where innovations can be explored, with a view to share these lessons with AFI's entire global network. The platform is also envisioned to create strong ties with other initiatives in this space and possibilities will be explored to implement this initiative at the regional level.
- > The AFI and G-24 qualitative study, "Stemming the Tide of De-Risking through Innovative Technologies and Partnerships", was published. AFI will work globally and regionally across the network and with key partners to promote solutions for re-risking, including the deployment of new technologies, AML/CFT capacity building and public-private dialogue.
- > The AFI Data Portal was publicly launched and met with enthusiasm by partners and other stakeholders.
- > A Memorandum of Understanding (MoU) was signed between AFI and the International Telecommunication Union (ITU) to establish a high-level framework of cooperation that will promote and enable digital financial services.
- > Members of the Latin America and Caribbean region adopted a regional initiative called the Financial Inclusion Initiative for Latin America and the Caribbean (FILAC), which was formally launched 15-16 November 2016 in Cartagena, Colombia. FILAC focuses on five areas: consumer protection, digital financial services, financial literacy, data and women's financial inclusion.
- > The GPF provided an opportunity to showcase the latest technologies and innovations in financial inclusion, the experiences and successes of AFI members in meeting their Maya Declaration Commitments and the notable work done by AFI members in the Pacific Islands Regional Initiative (PIRI) to strengthen financial inclusion across the region.

- > The GPF provided members, stakeholders and partners with an opportunity to reflect on AFI's journey to independence, celebrate this historic milestone and consider the new challenges and opportunities facing the AFI network as a policy leadership organization.
- > 19 AFI members graduated as Fellows of the Fletcher Leadership Program for Financial Inclusion (FLPFI), an executive education program run by The Fletcher School at Tufts University in the United States. They join 70 other AFI members who have graduated from the program.
- > AFI members, stakeholders and partners look forward to the 2017 GPF in Egypt, which will be co-hosted by the Central Bank of Egypt in September 2017.

20

Member institutions from more than 20 countries identified green finance and financial inclusion as a high priority

530

Senior financial inclusion policymakers, regulators and partners from the AFI network attended the 2016 GPF

FURTHER INFORMATION

2016 Global Policy Forum Report:
www.afi-global.org/publications/2458/The-2016-Global-Policy-Forum-GPF-Report-Building-the-Pillars-of-Sustainable-Inclusion



PARTNERSHIPS AND COLLABORATIONS

AFI engages systematically with a broad array of partners and stakeholders:

1

FUNDING PARTNERS As AFI's key partners, they provide a combination of financial, technical and intellectual contributions.

2

PRIVATE SECTOR PARTNERS Part of AFI's Public-Private Dialogue (PPD) Platform, they provide a combination of unique private sector perspectives, technical input and funding for specific AFI policy areas and activities.

3

FINANCIAL INCLUSION STAKEHOLDERS This community includes a broad range of stakeholders AFI engages with to share the global voice of its members and as part of its collective responsibility to address global barriers to financial inclusion.



HIGHLIGHTS OF KEY ACTIVITIES IN 2016

HIGH-LEVEL PPD ENGAGEMENT

PPD Forum in Washington, DC

AFI held its 3rd Public-Private Dialogue (PPD) High-Level Meeting on 16 April 2016 in Washington DC, USA. The meeting was chaired by Dr. Alfred Hannig, Executive Director at AFI, and moderated by Dr. Tilman Ehrbeck, Senior Partner at the Omidyar Network. AFI and PPD partners examined both barriers and enablers to the expansion of DFS, and considered common strategies to overcome them.

Due to strong demand from members and PPD partners, AFI will expand the PPD through the following measures:

- a Enhance collaboration between financial and telecommunications regulators which are mutually beneficial to both parties.
- b Encourage the digitization of government payments to build customer awareness and trust.
- c Together with the global Standard-Setting Bodies (SSBs), promote the principle of proportionality in the implementation of global standards (including KYC).
- d Enhance the use of big data for regulatory purposes and for credit scoring while ensuring consumer data is protected.
- e Enhance capacity building and training for regulators on innovative technology, leveraging private sector collaboration and support.
- f Promote competition among providers that encourages innovation and reduces costs while encouraging interoperability.
- g Facilitate domestic dialogue on DFS among regulators and stakeholders.
- h Enhance interoperability in DFS in line with the rapid expansion of DFS across markets.



PPD Forum in Nadi, Fiji

“The PPD platform is important in forging the capacity of financial inclusion policymakers and regulators in DFS by strengthening the synergies between private players and the public sector to address DFS uptake barriers in the region.”

Shawn Miles, Executive Vice President, Global Public Policy at MasterCard

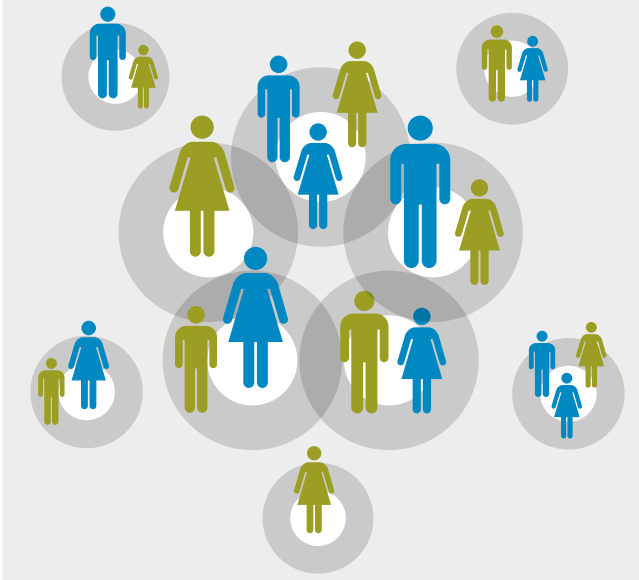
AFI held its 3rd Public-Private Dialogue (PPD) High-Level Meeting on 7 September 2016 during the Global Policy Forum in Nadi, Fiji. It was attended by senior representatives of AFI’s PPD partners, and senior policymakers and regulators in the AFI network.

The meeting produced two major outcomes:

- a The adoption of the Joint Public-Private Statement of Understanding and Intent, which articulates the key barriers and enablers for the uptake of DFS, and suggests concrete actions that members and PPD partners may take to address these barriers; and
- b The public and private sector agreed on concrete actions to be taken in response to the next steps outlined in the Joint Statement based on key priority areas and deliverables.

DID YOU KNOW?

AFI’s Public-Private Dialogue (PPD) is a unique platform that brings together the public and private sector to discuss key financial inclusion policies and market solutions for those at the bottom of the pyramid. It provides an opportunity for open dialogue, offering candid and open discussions to address regulatory policy and market challenges faced by financial service providers. Like AFI, the PPD platform takes a cooperative approach, identifying common ground for the benefit of the unbanked and underserved around the world.



FUNDING PARTNERSHIPS WITH AFI

“Our partnership with AFI is a leading example of connecting research with policymakers that can act upon it to foster large-scale positive change.”

Carolina Robino, Senior Program Officer, IDRC

As a key funding partner of AFI since the beginning, the Bill & Melinda Gates Foundation (BMGF) continued to provide funding for AFI’s core costs in 2016. As an external member of the AFI Board of Directors (appointed in September 2016), BMGF also contributed to the governance and oversight of the AFI network, representing the perspective of AFI’s partners.

The Omidyar Network provided funding for AFI’s programmatic costs. Its contribution enabled AFI to deliver training and events to meet the capacity building needs of members in various policy areas. These programs also brought together public and private sector players to share knowledge and experiences, and identify practical solutions.

In addition to funding for AFI’s core and programmatic costs, the support of funding partners was also crucial in helping AFI to strengthen its regional presence and initiatives. The Pacific Financial Inclusion Programme (PFIP) provided funding for AFI’s Pacific Islands Regional Initiative (PIRI) meetings. The Pacific region received significant focus this year as the region hosted the 2016 AFI Global Policy Forum in September 2016.

During 2016, AFI continued to utilize funding provided by Germany’s Ministry for Economic Cooperation and Development (BMZ) for knowledge exchange grants, covering areas such as SME finance, national financial inclusion strategies, digital financial services, peer advisory and microcredit.

AFI has entered a three-year partnership with Canada’s International Development Research Centre (IDRC) to develop new knowledge and foster peer learning in areas of gender and financial inclusion, financial literacy, data and digital financial services. Funding support from IDRC supported the successful launch of the Financial Inclusion Initiative for Latin America and the Caribbean (FILAC) in November 2016 in Cartagena, Colombia. The launch of FILAC, coupled with the establishment of an AFI regional office in the LAC region, will enable AFI to provide the right services and respond to members’ needs more effectively, especially in this region.

TECHNICAL AND INTELLECTUAL PARTNERSHIPS WITH AFI

AFI has been collaborating with PPD partners to offer tailored technical input that enhances members' capacity to formulate financial inclusion policy. The following PPD partners have been involved in AFI training and capacity building activities:

1. MasterCard

- > Delivered technical input for three regional PPD capacity building initiatives in 2016. The first initiative was the African Mobile Phone Financial Services Policy Initiative (AMPI) Regulatory Capacity Building Workshop, held 2-3 February 2016 in Dakar, Senegal. Over 70 participants from the public and private sector examined the latest innovations and progress in advancing financial inclusion through DFS, ways to strengthen capacity in building adequate supervisory frameworks to mitigate emerging risks, and provided insights on implementing interoperable schemes and regulatory frameworks that improve the efficiency of distribution channels.
- > Organized the Asia-Pacific Regulatory Policy Forum on Digital Financial Services and Financial Inclusion, held 3 August 2016 in Bali, Indonesia. This forum gathered about 37 regulators and partners to discuss options and solutions that regulators and policymakers can apply to address the challenges of cybersecurity, which AFI members have identified as an important topic.
- > Co-hosted the FILAC Regulatory Policy Forum on Digital Financial Services and Financial Inclusion, 17-18 November 2016 in Cartagena, Colombia. This forum provided a platform for 75 public and private sector players to share information and explore areas of collaboration to address the evolving challenges of the DFS landscape in the region.

70

Over 70 participants from the PPD examined the latest innovations in advancing financial inclusion through DFS

37

Regulators and partners gathered to discuss options and solutions to address the challenges of cybersecurity



2. Visa

“Financial inclusion is all about making the ecosystem work. We work with AFI as a player that can bring the public and private sectors together to have a real dialogue on these issues.”

Stephen Kehoe, Head of Global Financial Inclusion, VISA Inc.

- > Served as a technical partner for a session on electronic payments at the training event, “Financial Inclusion Strategy and Data and the Forum on Strengthening Maya Declaration Commitments via the Sasana Accord”, co-hosted by AFI and Bank Negara Malaysia, 23-27 May 2016 in Kuala Lumpur, Malaysia. 44 policymakers and regulators from the AFI network looked at the latest developments in electronic payment channels, risks and issues, an important focus area for AFI members.
- > Co-hosted the AFI PPD Program Initiative, “Catalyzing Financial Inclusion with Government Payments Workshop”, on 29 September 2016 in Nairobi, Kenya. 36 AFI members discussed ways to promote the digitization of G2P payments and its importance, policy opportunities, barriers and potential solutions. The workshop was beneficial to members involved in the operational and policy aspects of DFS, and for those who have recorded substantial progress in DFS and consider G2P payments a priority area of intervention.

3. GSM Association

AFI worked with the GSM Association (GSMA) to provide technical input for several member training sessions on DFS, focusing on recent trends in the sector and ensuring relevant policies and regulations are formulated to reflect these developments.

4. Letshego

One of AFI's newest PPD partners, Letshego, is a microfinance holding company and provider of financial services focused in the African region. Letshego participated in the PPD high-level meeting in Washington, DC and the Global Policy Forum in Nadi, Fiji. Letshego is expected to provide technical input into AFI work streams, particularly DFS and global standards proportionality.

5. TransferTo

TransferTo is AFI's newest PPD partner and a regional partner for Africa. TransferTo is a B2B mobile payment network, interconnecting financial institutions and mobile operators globally.



D. STRATEGIC COLLABORATION WITH AFI

AFI continued to collaborate with key global financial inclusion implementing partners to address global barriers to financial inclusion. The following are highlights of key strategic collaborations in 2016:

- > AFI cooperated with the International Monetary Fund (IMF) at high level to advance analysis and dialogue on the linkages between financial inclusion and financial stability.
- > AFI cooperated with the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) to advance peer learning on financial inclusion policy in Asia Pacific, building on the recognition of AFI in the Addis Ababa Action Agenda as an organization uniquely suited to support financial inclusion policy development and implementation.
- > AFI cooperated with the Office of Her Majesty Queen Máxima of the Netherlands, the UN Secretary General's Special Advocate for Inclusive Finance for Development (UNSGA) in high-level dialogue with the Standard-Setting Bodies (SSBs). On 30 September 2016, AFI participated in the biennial meeting of the heads of the SSBs co-chaired by H.M. Queen Máxima and Stefan Ingves, Chair of the Basel Committee on Banking Supervision.
- > As in previous years, AFI supported the G20 Presidency in advocating for financial inclusion on the global stage. In 2016, AFI provided the China G20 Presidency with member input on the High-level Principles for Digital Financial Services. In 2017, AFI will support the incoming German G20 Presidency's deliverables for forcibly displaced persons (FDPs) and SME finance.
- > AFI continued to support the work of the Global Partnership for Financial Inclusion (GPFI), the main implementing organization for the G20 Financial Inclusion Action Plan. As one of its key implementing partners, AFI has a special mandate to foster the participation of non-G20 developing countries. AFI also contributed to the work stream and deliverables of two GPFI sub-groups: the Subgroup on Regulation and SSBs, and the Subgroup on SME Finance.
- > AFI collaborated with the G-24 in conducting the annual G-24/AFI Policymakers' Roundtable on Financial Inclusion, which provides a high-level platform for engaging developing and emerging country policymakers in discussions on globally relevant financial inclusion policy issues.
- > AFI signed a Memorandum of Understanding (MoU) with the International Telecommunication Union (ITU) to establish a high-level framework of cooperation that will promote and enable DFS with the potential to make an effective contribution to financial inclusion. It also ensures engagement between AFI and ITU and dialogue on issues of common interest between DFS regulators from the financial services and telecommunications sectors.

“To bring about systemic change in financial markets requires multiple actors in the system to collaborate around a shared vision contributing varying strengths to solve a common problem. The establishment of this strategic partnership brings us forward in advancing women’s economic empowerment and accelerating financial inclusion in the developing world.”

Feisal Hussain, UNCDF’s Acting Asia Regional Coordinator and Senior Regional Technical Advisor for Financial Inclusion

- > AFI signed an MOU with the UNCDF SHIFT Program, which is supporting, through a combination of technical cooperation and small targeted funding, the scaling up of peer learning on financial inclusion and gender for the least developed countries of the ASEAN.
- > Since 2011, AFI has collaborated with The Fletcher School at Tufts University in the United States to offer the Leadership Program for Financial Inclusion. About 90 AFI policymakers and regulators have graduated as Fellows from this internationally-acclaimed executive education program and have gone on to become leaders in advancing policy design and implementation in the AFI Network. AFI looks forward to forming similar strategic partnerships to develop more leaders in its network.



CAPACITY BUILDING SERVICES

Improving financial inclusion knowledge and capability among policymakers is a key mission of AFI. Capacity building components are integrated across all AFI initiatives and thematic areas.

The 2016 Member Needs Assessment (MNA) Survey confirmed once again that these specially designed capacity building inputs are one of AFI's most valued services. Awareness of capacity building has increased by 29% and, having recognized the value of capacity building programs, usage has increased 76% year-on-year.

+29% Awareness in capacity building has increased by 29%

+76% Capacity building inputs are one of AFI's most valued services, with its usage increasing year-on-year

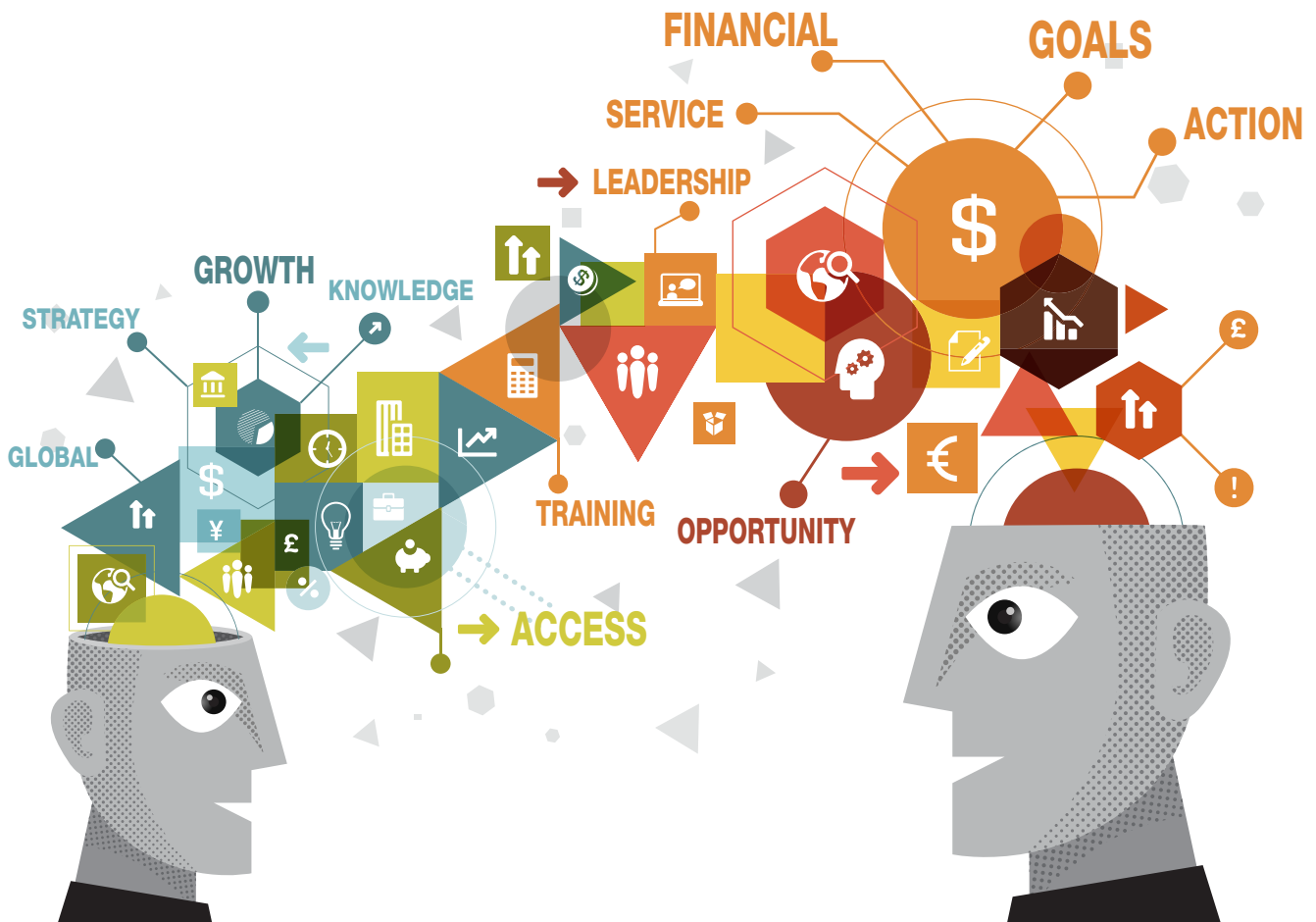
FOUR PILLARS OF THE AFI CAPACITY BUILDING PROGRAM

1 Pillar I: Joint Learning Programs

2 Pillar II: Member Training

3 Pillar III: Public-Private Dialogue (PPD) Capacity Building

4 Pillar IV: Peer Advisory Service



PILLAR I: JOINT LEARNING PROGRAMS

An AFI member institution recognized for excellence in any financial inclusion policy area hosts a five-day visit for several delegations from peer institutions, during which they share their learning and experiences in their area of expertise.

Programs held during 2016:

- > **Kenya:** Digital Financial Services (May)
- > **Malaysia:** Small and Microenterprises (May)
- > **Nigeria:** National Financial Inclusion Strategies (June)
- > **Philippines:** National Financial Inclusion Strategies (October)
- > **Brazil:** International Week of Financial Citizenship (December)

PILLAR II: MEMBER TRAINING

Member training programs are hosted by AFI members with a suitable training facility and commitment to serve as centers of excellence for financial inclusion. The training covers global trends in specific policy areas and AFI Working Groups, together with invited expert speakers, provide the core content. Training is either offered to all AFI members or may be tailored for those who already have experience or expertise on a specific topic.

Member training programs held during 2016:

- > **Malaysia:** Access to Financial Services for MSMEs (January)
- > **Malaysia:** Business Conduct and Consumer Protection (March)
- > **Malaysia:** Financial Inclusion Strategy and Data (May)
- > **Kenya:** Intermediate Digital Financial Services (July)
- > **Kenya:** New Frontiers in Digital Financial Services (September)
- > **Malaysia:** Regulatory Impact Assessment (October)

PILLAR III: PUBLIC-PRIVATE DIALOGUE (PPD) CAPACITY BUILDING

AFI works with its private sector partners to organize standalone training or involve private sector partners in specific sessions during AFI member training programs.

PILLAR IV: PEER ADVISORY SERVICE

This service matches an AFI member who is an expert in a policy area with an AFI member who is in the process of implementing this type of financial inclusion policy and has specific, practical questions or concerns. The service provides intensive support over a long period (typically 12 to 18 months) as the member implements the policy reform and improves its quality over time.

Peer advisory services provided in 2016:

- > Experts from Banco Central do Brasil supported Bank of Tanzania in developing and implementing its Agent Banking Supervision Framework.

LOOKING AHEAD

AFI responds to member requests for customized training to meet specific needs and gain maximum benefit. One of the most in-demand training topics, digital financial services (DFS), was delivered at two levels:

- > **Intermediate Level Training on DFS** - for AFI members interested in implementing DFS in their respective countries or who have recently commenced their planning and development phase for DFS and want to learn from the experiences of other AFI members who have successfully implemented DFS.
- > **New Frontiers in DFS Training** - for AFI members who have made significant progress in developing DFS regulations and initiatives and are now dealing with implementation challenges, such as interoperability and cross-border DFS delivery.

In response to AFI member requests for more technical inputs, AFI is collaborating with technical experts such as Bankable Frontier Associates, MicroSave, and JM Mantle to deliver training. AFI is also collaborating with the Frankfurt School of Finance & Management to develop an Online Certification Program on Financial Inclusion. This e-learning course is a six-month part-time distance learning course. The Online Certification Program is expected to be launched in the first half of 2017.

PPD CAPACITY BUILDING PROGRAMS HELD DURING 2016

PARTNER	REGION OR COUNTRY	MONTH	TRAINING
MASTERCARD	Africa	February	AMPI Regulatory Capacity Building Workshop
	Asia	August	Asia Pacific Regulatory Policy Forum on Digital Financial Services and Financial Inclusion
	Latin America and the Caribbean	November	FILAC Regulatory Policy Forum on Digital Financial Services and Financial Inclusion
VISA	Malaysia	May	AFI-BNM Member Training: Financial Inclusion Strategy and Data
	Kenya	September	PPD Training: Catalyzing Financial Inclusion with Government Payments
GSMA	Kenya	July	Member Training: Intermediate Digital Financial Services
	Kenya	September	Catalyzing Financial Inclusion with Government Payments
	Kenya	September	Member Training: New Frontiers in Digital Financial Services

SPECIAL FOCUS: JOINT LEARNING PROGRAMS

Assistance with developing National Financial Inclusion Strategies (NFIS) is a much-valued service AFI offers its members.

As of end-2016

21	Number of countries ² with a Maya Declaration commitment to develop an NFIS
30	Number of countries ³ with an NFIS
23	Number of countries ⁴ at various stages of formulating an NFIS

A National Financial Inclusion Strategy (NFIS) is a comprehensive public document formulated through a broad consultative process to systematically accelerate the level of financial inclusion. It involves, among others, national public and private sector stakeholders engaged in the development of the financial sector. Typically, an NFIS includes analyzing the current status of financial inclusion, identifying a measurable financial inclusion goal and defining how, and by when, the country proposes to reach this goal.

Statistics show that countries with a national strategy for financial inclusion have higher levels of financial inclusion.

54 participants representing 31 member institutions from 28 countries benefited and learned from this capacity building initiative, and appreciated the effort by AFI and the host institutions to organize and deliver these programs.

“We bring home comprehensive knowledge of experiences of the BSP-NFIS team and the experience of other teams in different countries around the world, which will certainly contribute to the development of different pillars in our national strategies.”

Dr. Ali Yaghi, General Manager, Al Hussein Fund for Excellence, Jordan

“This valuable platform contributed knowledge that is necessary to take our country’s financial education and inclusion strategies to another level.”

Mr. Emojano Rusland, Curriculum Developer, Center for Financial Education and Development, Centrale Bank van Suriname

2 Countries represented in the AFI network.

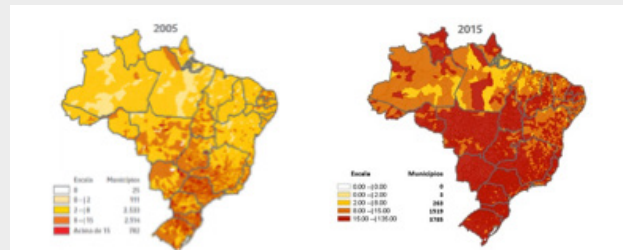
3 Ibid

4 Ibid

In 2016, three AFI member countries, Brazil, Nigeria and Philippines, opened their doors to members of the network through Joint Learning Programs to share their lessons and experiences in developing an NFIS.

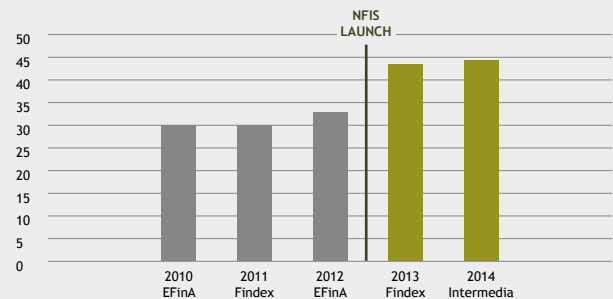
BRAZIL

Brazil has significantly increased financial access points through its strategic Financial Citizenship Program, a comprehensive approach with three pillars: Financial Inclusion, Financial Education and Consumer Protection.



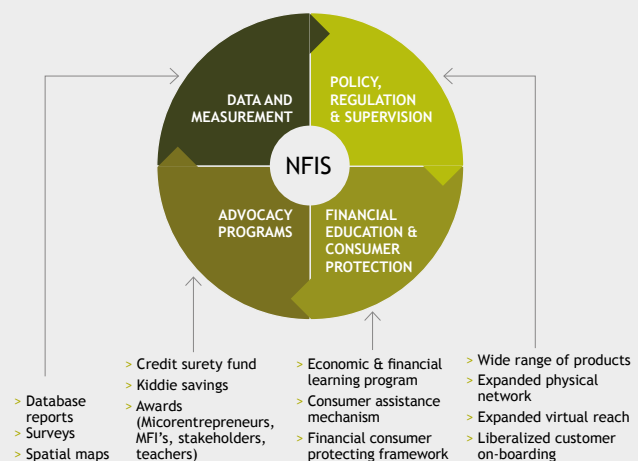
NIGERIA

In Nigeria, there was a significant increase in formal financial account ownership after the launch of the NFIS in 2013.



PHILIPPINES

The financial inclusion agenda of Bangko Sentral Ng Pilipinas focuses on four areas: policy and regulation, financial education and consumer protection, financial inclusion advocacy programs, and data and measurement. These key areas will govern the strategies that in turn will serve as a framework for crafting evidence-based regulations, designing and implementing programs and monitoring progress relevant to financial inclusion. The implementation of the NFIS is still a work in progress, but efforts in the Philippines have already been recognized globally.



PROGRAM INNOVATIONS

In 2016, AFI took concrete steps to advance gender and women's financial inclusion throughout the network. At the 2016 AFI Global Policy Forum in Nadi, Fiji, AFI members endorsed and adopted the Denarau Action Plan, which sets out the AFI network's commitment to gender and women's financial inclusion. The Denarau Action Plan aims to incorporate gender considerations in the network's core activities by promoting best practices and policies, developing appropriate knowledge products, leveraging digital financial services, and collaborating with key stakeholders to better understand the issues and inform policymaking.

INCORPORATING GENDER AND WOMEN'S FINANCIAL INCLUSION INTO AFI'S WORK STREAMS

The AFI network has incorporated gender and women's financial inclusion as a cross-cutting theme into the AFI work stream, and AFI Working Groups are taking on the issue in their discussions and activities. In particular, the Financial Inclusion Strategy Peer Learning Group (FISPLG) identified good practices for incorporating gender and women's financial inclusion into national financial inclusion strategies. The Financial Inclusion Data Working Group (FID WG) is developing and promoting best practices in collecting, analyzing and using sex-disaggregated data. These knowledge products are expected to be published in the first half of 2017. Other AFI Working Groups have also started looking through a gender lens for their policy areas and identifying best practices in advancing gender and women's financial inclusion.

Establishment of a High-Level Committee

AFI established the Gender and Women's Financial Inclusion Committee (GWFIC), comprised of high-level representatives from AFI member institutions in the African, Asia and Middle East region. The GWFIC provides high-level advocacy, leadership and strategic guidance on initiatives undertaken by the AFI Network to address issues of gender and women's financial inclusion. In particular, the GWFIC provides strategic oversight on the implementation of the Denarau Action Plan within the AFI network. A Gender Focal Point from each of the AFI Working Groups has also been appointed to facilitate the implementation process of the Denarau Action Plan across all work streams.

High-Level Conference

The high-level conference, "Bridging the Gap: Commitments and Actions for Women's Financial Inclusion" was held on 28 April 2016 in Dar es Salaam, Tanzania. Co-hosted by AFI and the Bank of Tanzania (BOT), the meeting convened 100 high-level financial inclusion policymakers and stakeholders, including representatives from the Bill & Melinda Gates Foundation, World Bank, Global Banking Alliance for Women, Women's World Banking, United Nations Capital Development Fund, CGAP, African Development Bank, New Faces New Voices, the GSMA Mobile Money programme and more.

At this meeting, the first Draft AFI Action Plan for Gender and Women's Financial Inclusion was introduced for review and endorsement, ahead of its adoption at the AFI Global Policy Forum. Members of the AFI Financial Inclusion Data Working Group (FID WG) also delivered presentations on sex-disaggregated data in their respective countries, highlighting how good data can make invisible markets visible.

Gender-Related Targets by AFI Member Institutions

Given the importance of bridging the gender gap, several AFI members have set concrete targets to address this issue at the national level: Royal Monetary Authority of Bhutan, Central Bank of Egypt, Central Bank of Jordan, Reserve Bank of Fiji, Bank Negara Malaysia, National Bank of Rwanda, Central Bank of Solomon Islands, Bank of Papua New Guinea, Reserve Bank of Vanuatu, Bank of Zambia, and Reserve Bank of Zimbabwe.

The targets set by the above-mentioned institutions range from building financial access platforms and services to SME finance for women and youth. For details on these targets, visit the AFI Data Portal (<http://www.afi-dataportal.org>).

"Whether one's institutional strength lies in economic management, development of enabling policy and regulations for financial inclusion, advocacy, research, financial access and outreach through the delivery of financial services, or the provision of financial, capacity building and technical assistance, funding, our collective efforts will make a difference in the lives of women."

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

FURTHER INFORMATION

Bridging the Gap: Financial Inclusion for Gender and Women 2016:
www.afi-global.org/publications/2334/Bridging-the-Gap-Financial-Inclusion-for-Gender-and-Women-2016

Denarau Action Plan: The AFI Network Commitment to Gender and Women's Financial Inclusion: www.afi-global.org/sites/default/files/publications/2016-11/FS-Denarau-105x297-digital-3.pdf



AFI INITIATIVE ON FINTECH AND REGTECH FOR FINANCIAL INCLUSION

AFI is embarking on a new multi-stakeholder initiative to support members in designing and implementing enabling regulation for FinTech and RegTech with the potential to advance financial inclusion. The initiative, which will be governed and advised by AFI's Global Standards and Policy Committee, has the following goals:

- 1 Identify relevant Fintech and RegTech innovations most relevant to financial inclusion in developing and emerging countries.
- 2 Promote peer learning, including with developed country regulators, on proportionate regulatory approaches to FinTech, such as through the Regulatory Sandbox approach.
- 3 Support AFI members in implementing effective policy changes to enhance the enabling regulatory environment for FinTech innovation. As part of this project, AFI is building closer relationships with the FinTech community, including private sector FinTech firms, academic experts and thought leaders.

AFI's exploratory discussion with members in 2016 revealed strong interest in this initiative, particularly among emerging and middle-income countries. Initial discussions indicate members are interested in areas such as blockchain, cloud technology, big data analytics, biometric technology and innovative credit scoring methods. This interest in FinTech and RegTech gained momentum following the Innovation Marketplace at the 2016 Global Policy Forum and a special session on FinTech and RegTech at the 2016 AFI Annual General Meeting, where there was unanimous approval for AFI to embark on a peer learning initiative for RegTech and FinTech.

Toward the end of 2016, AFI conducted a survey of members to gauge their specific interest in FinTech and RegTech. The survey results will be shared with members and inform subsequent peer learning activities.

DID YOU KNOW?

- > FinTech companies develop tools that aim to change how consumers pay, send money, borrow, lend and invest. Although these financial innovations have great potential to bring millions more into the financial system, regulators face challenges in keeping up with the speed of innovation while also ensuring they meet financial inclusion goals.
- > RegTech refers to a set of technology-enabled tools and solutions that regulators can use to supervise markets, protect consumers, enable innovation and promote more inclusive marketplaces. RegTech also encompasses technologies that financial service providers use to help them comply with regulations.



Deputy Governor Nestor Espenilla, Jr. (BSP) moderating RegTech discussion at the 2017 GPF

WORKING GROUPS

Member participation in Working Groups increased substantially for every group during 2016, with DFS WG and CEMC WG continuing to lead the trend. Currently, 92 member institutions belong to one or more Working Groups, representing 80% of the AFI Network.

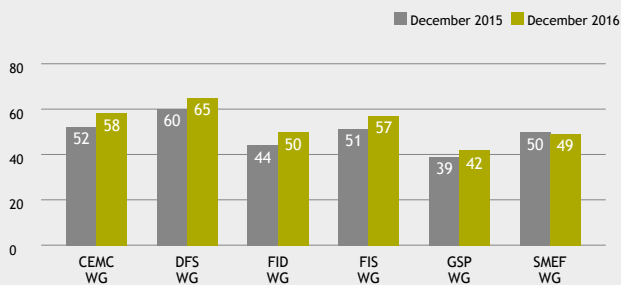
During 2016, AFI Working Groups conducted a total of nine peer reviews. The increase in the number of peer reviews is due partly to growing demand by members and partly to AFI placing a stronger emphasis on this service as part of its current strategic approach.

AFI Working Groups also lead and contribute to the development of various knowledge products. In 2016, AFI produced 14 knowledge products, including seven guideline notes, two case studies and three special reports.

The focus areas, peer reviews and key outputs and highlights for each Working Group in 2016 are as follows:

- 
CONSUMER EMPOWERMENT AND MARKET CONDUCT (CEMC) WORKING GROUP
- 
DIGITAL FINANCIAL SERVICES (DFS) WORKING GROUP
- 
FINANCIAL INCLUSION DATA (FID) WORKING GROUP
- 
FINANCIAL INCLUSION STRATEGY (FIS) PEER LEARNING GROUP
- 
GLOBAL STANDARDS PROPORTIONALITY (GSP) WORKING GROUP
- 
SME FINANCE (SMEF) WORKING GROUP

MEMBER INSTITUTIONS IN WORKING GROUPS



WORKING GROUPS IN NUMBERS

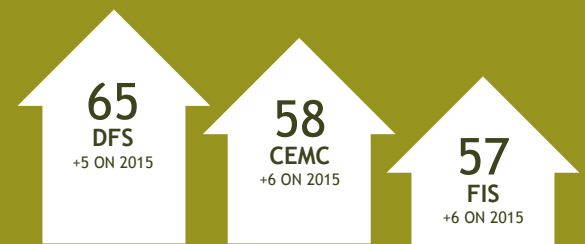
80%
OF THE AFI NETWORK IS A MEMBER OF ONE OR MORE WORKING GROUPS



9
PEER REVIEWS CONDUCTED DURING 2016, DUE TO DEMAND AND STRONGER EMPHASIS PLACED ON THIS SERVICE



TOP 3 WORKING GROUPS BY MEMBERS



KNOWLEDGE PROJECTS





CONSUMER EMPOWERMENT AND MARKET CONDUCT (CEMC) WORKING GROUP

The CEMC WG is a platform for policymakers to discuss policy and regulatory issues related to consumer empowerment initiatives and market conduct regulations.

Focus Areas

- > Gender Stream
 - Discriminatory practices against women in financial services
 - Guideline for financial institutions on requirements to develop specific products for women
 - Financial literacy and education awareness for women entrepreneurs
 - Guideline on digital financing, socially responsible and sustainable financing for women
 - Microcredit funding for women
 - Access to financial products for women
- > Green Finance and Responsible Lending
- > Financial Literacy Country Cases
- > Institutional Framework and Supervision: Assessments on Risk and Impact and Supervisory Strategy
- > Responsible Lending: Digitally-delivered credit

Peer Review and Support

- > Nepal Rastra Bank, Banco Central de Reserva de El Salvador, Bank Indonesia and Banco Central de Timor Leste reviewed National Financial Education/Literacy Strategy for Bank of Sierra Leone.
- > Central Bank of Armenia, Bangko Sentral ng Pilipinas and Bank Indonesia supported Reserve Bank of Malawi in the development of consumer protection policies for disclosures on products, sales and marketing practices, and fair treatment of consumers.
- > Central Bank of Armenia, Bangko Sentral ng Pilipinas, Nepal Rastra Bank, Central Bank of Sudan, Reserve Bank of Malawi and Banco Central do Brasil supported Central Bank of Liberia and Bank of Zambia by sharing their experiences on the institutional structure of Consumer Protection Units.

Key Outputs and Highlights

- > Published Guideline Note 17 - Digitally Delivered Credit: Policy Guidance Note and Results from Regulators Survey
- > Published Guideline Note 21 - Market Conduct Supervision of Financial Services Providers: A Risk-Based Supervision Framework
- > Published Case Study - Armenia: Financial Capability Barometer
- > Priority areas include big data, behavioral economics and gender-related issues around consumer protection and market conduct
- > Streamlined sub-groups to focus on three areas: Institutional Framework and Supervision (IFS), Responsible Lending (RL), and Financial Literacy and Education (FLE)



DIGITAL FINANCIAL SERVICES (DFS) WORKING GROUP

The DFS WG provides a platform for policymaker discussions of DFS regulatory issues, including various technologies that promote DFS as a major driver of financial inclusion in emerging and developing countries.

Focus Areas

- > Enhanced leadership in financial inclusion policy and regulation in DFS interoperability.
- > Provided capacity on regulatory impact assessments focusing on DFS regulations, digital identification (biometrics ID), and national retail payment systems to support financial inclusion.
- > Improved indicators for DFS access, usage and quality, and the overall experience of regulators with supply-side statistics.
- > Incorporated new topics, such as digital currency, FinTech and RegTech, for which more peer learning will be provided in 2017.

Peer Review

- > Central Bank of Sudan's Mobile Payment Rules
- > Banco Central de Timor-Leste's draft regulations on electronic fund transfer

Key Outputs and Highlights

- > **Published Guideline Note 19** - Digital Financial Services (DFS) Basic Terminology
- > Focused on trending issues and emerging topics:
 - Concerns on cybersecurity as DFS technology evolves
 - Cross-border payment operations via DFS increase exposure to the risk of money laundering
 - e-KYC is imperative in facilitating customer identification
 - Continuing debate around interest payments on e-money balances
 - Continuing challenges and issues with interoperability
- > Upcoming deliverables will include:
 - Knowledge products on national retail payment systems to support financial inclusion
 - Library of DFS regulations, statistics and products
 - Revision of Guideline No. 11 - DFS Access and Usage Indicators
 - Compilation of members' regulatory data on DFS access and usage indicators
 - Tracking of DFS policy changes
 - Peer reviews of draft regulations and policies



FINANCIAL INCLUSION DATA (FID) WORKING GROUP

The FID WG is a platform for promoting and sharing information on financial inclusion measurement.

Focus Areas

- > Sex-Disaggregated Data
 - **Baseline Survey:** Conducted a survey in 70 AFI member countries to determine the current state of policy and practice on the use of sex-disaggregated data in the AFI Network, to prioritize member needs in designing programmatic interventions across the Working Groups and to measure progress and impact.
 - **Advocacy and Awareness Raising:** Developed an advocacy note to raise awareness of the importance of sex-disaggregated data for informed financial inclusion policymaking using 'champions' in the AFI network.
 - **Technical Capacity:** Developed toolkits for policymakers based on best practices in the AFI network to directly address the challenges of generating and using both supply-side and demand-side sex-disaggregated data.
- > **Geo-Spatial Mapping for Financial Inclusion:** Conducted a survey and documented lessons from experienced members who have developed an effective long-term geospatial data collection and mapping system, and published their experiences as a toolkit.
- > **Regulatory Implications of Big Data for Financial Inclusion:** Developed a concept note which will guide FID WG in prioritizing future work streams, including the development of high-level principles on big data for financial inclusion policymakers.

Peer Review

- > Bangko Sentral ng Pilipinas, Bank of Ghana and Banco Central do Brasil reviewed the draft financial inclusion data and measurement framework by the Central Bank of Egypt.
- > Bank of Tanzania and Reserve Bank of Malawi reviewed the recently released reporting guidelines for e-money issuers by the Bank of Ghana.



FINANCIAL INCLUSION STRATEGY (FIS) PEER LEARNING GROUP

The FISPLG is a platform for facilitating peer learning on different approaches to developing and implementing financial inclusion strategies.

Focus Areas

- > Global trends and practices in financial inclusion strategy development
- > Advisory guidelines for the financial inclusion strategies toolkit
- > Survey of practices among members of leadership and national coordination in financial inclusion strategy development
- > Principles on public-private engagement
- > Incorporating gender and women's financial inclusion into national financial inclusion strategies
- > Challenges in implementing national financial inclusion strategies

Peer Review

- > Bank of Tanzania, Superintendencia de Banca, Seguros y AFP del Peru and Bank of Uganda reviewed the draft National Financial Inclusion Strategy of the Solomon Islands.
- > Bank of Tanzania, Superintendencia de Banca, Seguros y AFP del Peru and Bank of Uganda reviewed the draft National Financial Inclusion Strategy of Zimbabwe.
- > Bangko Sentral ng Pilipinas, Banque de la République d'Haiti and Bank of Tanzania reviewed the draft National Financial Inclusion Strategy of Swaziland, jointly presented by the Ministry of Finance of Swaziland and Central Bank of Swaziland.

Key Outputs and Highlights

- > Appointed a Gender Focal Point, who is lead coordinator for all Gender Focal Points from each AFI Working Group.
- > Conducted a survey to gauge the level and practices of members in supporting women's financial inclusion, which revealed that only 22% of respondents have an explicit focus on women in their national financial inclusion strategies.
- > Published guideline notes on the National Financial Inclusion Strategies Toolkit.
- > Provided feedback and comments to finalize the Denarau Action Plan.
- > Conducted a survey on AFI members' approach to national-level coordination and leadership in developing and implementing national financial inclusion strategies, which revealed that 85% of these countries have a national coordination structure.
- > Developed the draft Guideline Note, "Incorporating Gender and Women's Financial Inclusion into National Strategies".



GLOBAL STANDARDS PROPORTIONALITY (GSP) WORKING GROUP

GSP WG provides a platform to facilitate peer learning on issues policymakers and regulators face in achieving a balance between financial inclusion, financial integrity and financial stability, and to examine the proportionate implementation of global standards set by the SSBs.

Focus Areas

- > Proportionate regulation and supervision to balance financial inclusion, financial integrity and financial stability objectives, including shadow banking and FinTech
- > Identifying challenges and supporting member efforts in conducting national risk assessments (NRA) of anti-money laundering/combating financing of terrorism (AML/CFT) risks and mutual evaluation of AML/CFT regimes
- > Extensive analysis of the ‘de-risking’ phenomenon in AFI member countries and G-24 jurisdictions

Key Outputs and Highlights

- > Established four sub-groups focusing on AML/CFT proportionality, implementation of the Basel Standards, deposit insurance, and shadow banking.
- > Approved the Strategic Action Plan for 2016-2020 to promote the adoption and implementation of proportionality principles.
- > 11 members submitted case studies on proportionality in practice to highlight how they designed and implemented a policy or regulatory approach.
- > Published a special report on de-risking, “Stemming the Tide of De-risking through Innovative Technologies and Partnerships”, which studies the scale, influences and impacts of de-risking in selected AFI and G-24 jurisdictions.
- > Identified areas in national risk assessments of AML/CFT risks and mutual evaluations to inform AFI’s Capacity Building Program offering.
- > Commenced discussions on applying the principle of proportionality to policy or regulatory approaches for FinTech innovation.



SME FINANCE (SMEF) WORKING GROUP

The SMEF WG provides a platform for financial inclusion policymakers to discuss, innovate and jointly create smart policies that facilitate access to formal financial services for SMEs.

Focus Areas

- > Innovations in SME Finance: crowdfunding and peer-to-peer learning
- > Determining the criteria for defining MSMEs in the AFI network
- > Formalizing SMEs via access to finance
- > Access to finance for agricultural SMEs
- > Access to finance for women-owned SMEs and women entrepreneurs

Peer Review

- > The Royal Monetary Authority of Bhutan used the AFI Member Zone to seek the input of SMEF WG members in conceptualizing and benchmarking its Rules and Regulations for Deposit-Taking Microfinance Institutions.

Key Outputs and Highlights

- > Created a new sub-group, the G20/AFI SME Finance Dialogue Sub-Group, to promote closer dialogue between the GPFIs SME Finance Sub-Group and AFI’s SMEF WG.
- > Produced eight case studies on successful experiences with SME finance regulatory frameworks, which were shared with and well received by the G20 GPFIs Subgroup on SME Finance.
- > Published Guideline Note No. 16 - SME Finance Base Set Indicators as a unique tool for measuring access, usage and quality of financial services for MSMEs.
- > Published Guideline Note No. 23 - The Role of the Financial Regulators in Promoting Access to Financing for MSMEs: Lessons from the AFI Network.
- > Published Case Study No. 5 - Expanding Women’s Financial Inclusion in Bangladesh through MSME Finance Policies.
- > Conducted a survey across 13 countries to determine the current status of policies favoring access to finance for MSMEs owned by women and women entrepreneurs.
- > Specified the criteria for defining MSMEs, through survey and analysis from the AFI network, to develop a common definition of MSMEs.
- > To develop case studies on innovations in SME finance, such as peer-to-peer lending and crowdfunding schemes based on country experiences.

MEMBER HIGHLIGHTS

SUCCESSFUL IMPLEMENTATION OF RULES AND REGULATIONS ON DEPOSIT-TAKING MICROFINANCE INSTITUTIONS: A GLIMPSE INTO AFI'S PEER REVIEW PROCESS

The Financial Regulation and Supervision Department of the Royal Monetary Authority (RMA) of Bhutan presented its draft Rules and Regulations for Deposit-Taking Microfinance Institutions to the SME Finance Working Group for peer review. The objectives of the draft Rules and Regulations are:

- > To promote financial inclusion by increasing penetration of financial services in rural areas;
- > To protect illiterate microfinance clients from abusive lending practices; and
- > To prevent unlicensed microfinance institutions from entering the market.

According to the Financial Services Act of Bhutan 2011, the RMA must follow these standard procedures prior to the adoption of any rules and regulations:

- > The regulations must be presented to the RMA Executive Committee for endorsement;
- > The RMA shall solicit public comments for a period of one month; and
- > The regulations shall be presented to the RMA Board of Directors for final approval.

Before presenting the draft Rules and Regulations to the RMA Executive Committee, it was submitted to AFI's SME Finance Working Group for peer review. Peer reviews are used by the SMEF WG to benchmark the SME regulation initiatives of central banks with international best practices. The process is sharpened and contextualized by fellow Working Group members, whose countries share some degree of homogeneity on more than one variable, such as location, geography, level of development and similarity of institutions.

Bangladesh Bank, Reserve Bank of India, Ministry of Finance of Swaziland, Bangko Sentral ng Pilipinas, and the AFI Management Unit provided comments on the draft Rules and Regulations, which were incorporated and presented to the RMA Executive Committee, after which public comments were solicited for a period of one month. The final draft was presented to and approved by the RMA Board of Directors on 29 December 2016. The Rules and Regulations have been implemented and can be accessed on the RMA official website (www.rma.org.bt).

Reflections of SME Finance Working Group members:

“Being able to contribute in developing regulations that could impact a nation is a privilege. Thank you, AFI, for providing this avenue for us to contribute. In the process, we also learn as we broaden our horizons and see beyond our present state. Because in reality, there is a bigger picture, and that bigger perspective will make you appreciate your own experience in the journey.”

Maria Christina S. Simbulan, Bangko Sentral ng Pilipinas

“The regulations should provide for these institutions to be more responsible in ensuring adherence to consumer protection values coupled with financial capability for the clientele to make informed financial decisions. The regulator must monitor market conduct by ensuring adequate disclosure and transparency, and emphasize data collection and segregation to sufficiently monitor outreach, portfolio concentration and participation of vulnerable groups.”

David Myeni, Ministry of Finance of Swaziland

FURTHER INFORMATION

SME Working Group:
www.afi-global.org/working-groups/sme-finance-working-group



SUSTAINABLE DEVELOPMENT GOALS

AFI MEMBERS ARE HELPING TO ACHIEVE THE SUSTAINABLE DEVELOPMENT GOALS

One of the keys to achieving long term sustainable development on a global scale is financial inclusion. Having secure, stable access to financial services will improve the lives of the poor and provide them with new tools and opportunities.

In 2015, the UN announced the launch of its Sustainable Development Goals (SDGs), a roadmap to help guide development work over the next 15 years. Accompanying the SDGs was the Addis Ababa Action Agenda, which provided specific recommendations to help reach the aspirations of the SDGs.

Financial inclusion is a key element of the SDGs, along with a strong emphasis on country-led approaches to policy development and a call to engage in cooperative peer-to-peer learning.

The SDGs focus on 17 specific goals ranging from reducing poverty to the promotion of new development partnerships. Financial inclusion plays an important role, either directly or indirectly, in almost every area.

Since 2008, AFI members have been at the cutting edge of financial inclusion, promoting and advancing practical and effective policy solutions through working groups, regional initiatives and, since 2011, Maya Commitments.

AFI MEMBERS ARE EAGER TO CONTRIBUTE TO THE SUCCESS OF THE SDGs.

The chart to the right, and key below, shows how the AFI activities are connected and contributing to achieving each of the Sustainable Development Goals.

WORKING GROUPS



CONSUMER EMPOWERMENT AND MARKET CONDUCT (CEMC) WORKING GROUP



DIGITAL FINANCIAL SERVICES (DFS) WORKING GROUP



SME FINANCE (SMEF) WORKING GROUP



GLOBAL STANDARDS PROPORTIONALITY (GSP) WORKING GROUP



FINANCIAL INCLUSION DATA (FID) WORKING GROUP



FINANCIAL INCLUSION STRATEGY (FIS) PEER LEARNING GROUP

REGIONAL INITIATIVES



PACIFIC ISLANDS REGIONAL INITIATIVE (PIRI)

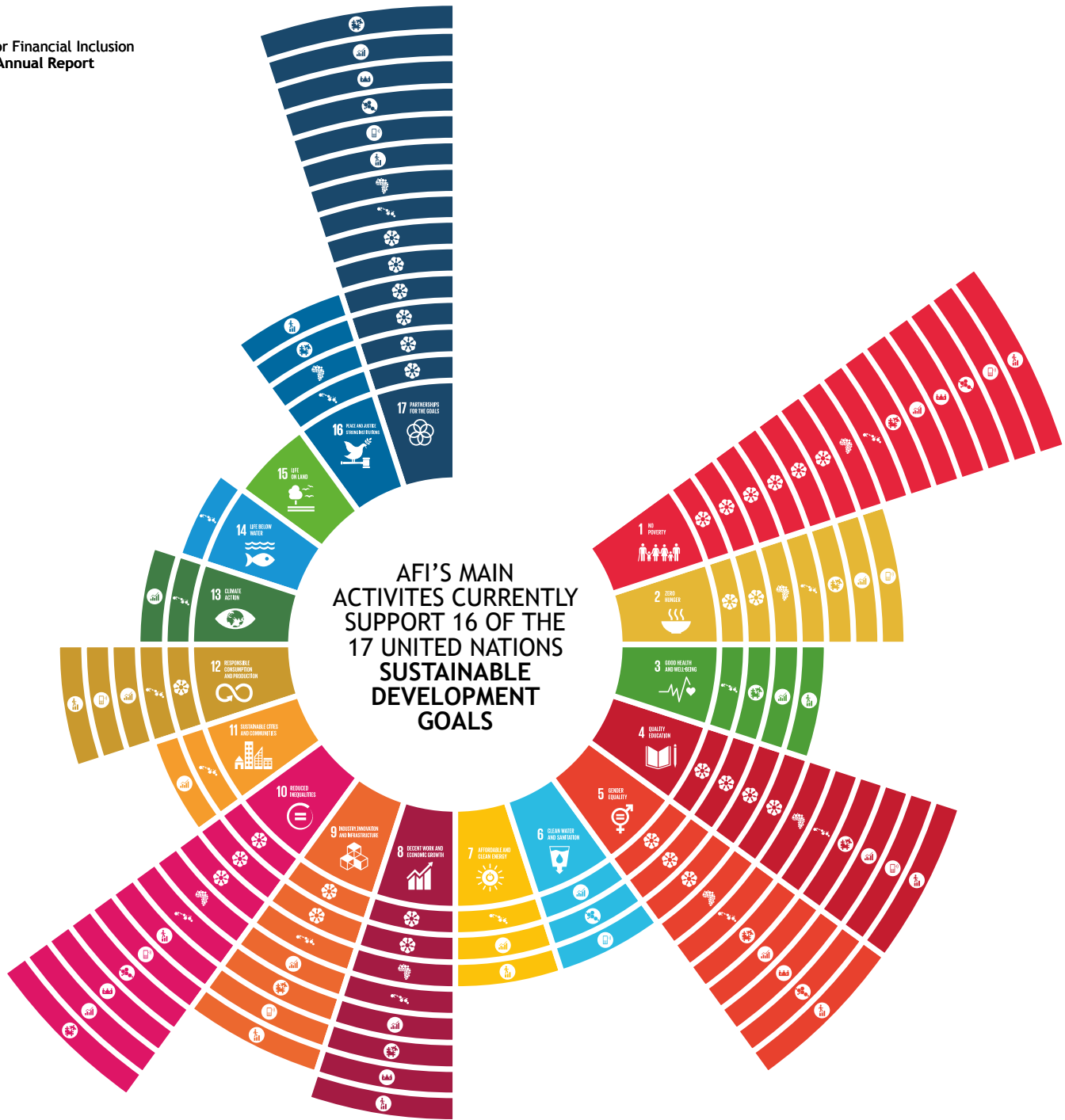


AFRICAN MOBILE PHONE FINANCIAL SERVICES POLICY INITIATIVE (AMPI)

MAYA DECLARATION COMMITMENTS



MAYA



UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

AFI MAIN ACTIVITIES

UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS	WORKING GROUPS						REGIONAL INITIATIVES		MAYA DECLARATION COMMITMENTS					
	CEM	DFS	SMEF	GSP	FID	FIS	PIRI	AMPI	CEM	DFS	SMEF	GSP	FID	FIS
	1 NO POVERTY	■	■	■	■	■	■	■	■	■	■	■	■	■
2 ZERO HUNGER		■			■	■		■	■	■	■			
3 GOOD HEALTH AND WELLBEING	■				■	■	■							
4 QUALITY EDUCATION	■	■			■	■	■	■		■				
5 GENDER EQUALITY	■		■	■	■	■	■	■	■		■			■
6 CLEAN WATER AND SANITATION		■	■		■									
7 AFFORDABLE AND CLEAN ENERGY	■				■	■	■							
8) DECENT WORK AND ECONOMIC GROWTH	■			■	■	■	■	■					■	■
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	■	■			■	■	■			■				■
10 REDUCED INEQUALITIES	■	■	■	■	■	■	■	■	■	■	■			
11 SUSTAINABLE CITIES AND COMMUNITIES					■	■		■						
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	■	■			■		■							
13 CLIMATE ACTION					■		■							
14 LIFE BELOW WATER								■						
15 LIFE ON LAND														
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	■					■	■							
17 PARTNERSHIPS FOR THE GOALS	■	■	■	■	■	■	■	■	■	■	■	■	■	■

PART FOUR: THE AFI NETWORK



BOARD OF DIRECTORS

When AFI became an independent organization, the AFI Board of Directors replaced the AFI Steering Committee as the main governing body of the AFI network. Members of the AFI Board of Directors are:

The AFI Board of Directors conducted five meetings in 2016, two of which were face-to-face and three via teleconference. The business of the meetings was largely focused on operationalizing the AFI governance structure, enhancing the AFI Articles of Association, and approving AFI's corporate strategy for 2017.



Professor Benno Ndulu
Governor, Bank of Tanzania (Chair)



Dr. Isaac Sidney Menezes Ferreira
Deputy Governor, Banco Central do Brasil
(Vice-Chair)



Mr. Fazle Kabir
Governor, Bangladesh Bank



Dr. Johnson Asiana
Second Deputy Governor, Bank of Ghana



Mr. Ronald Waas⁵
Deputy Governor, Bank Indonesia



Mr. Luis Delgado
President, Consejo Nacional de Supervisión del
Sistema Financiero de Costa Rica (CONASSIF),
Superintendencia General de Entidades
Financieras (SUGEF) Costa Rica



Mr. Vladimir Chistyukhin
Deputy Governor, Central Bank of the
Russian Federation



Mr. Jason Lamb
Deputy Director, Bill & Melinda Gates
Foundation



Dr. Alfred Hannig
Executive Director, Alliance for Financial
Inclusion

⁵ Member of AFI Board of Directors until 31 December 2016

AFI GOVERNANCE

COMMITTEES

Budget and Finance Committee

Members of the AFI Budget and Finance Committee (BFC) are: Bank Negara Malaysia, Bill & Melinda Gates Foundation, Reserve Bank of Fiji, and National Bank of Rwanda. Following an open nomination conducted among AFI Principal Member institutions, two new members have been appointed to the BFC: Palestine Monetary Authority, and Banque Centrale des Etats de l’Afrique de l’Ouest (BCEAO).

In 2016, the work of the BFC focused on overseeing the budgetary activities of an independent AFI, which is now funded by annual membership fees and supported by funding from like-minded donors and private sector partners.

Global Standards and Policy Committee (GSPC)

The Board approved the rationalization of the Global Standards Committee (GSC), Global Engagement Committee, and Policy and Program Review Committee into one high-level committee to deal with Global Standards, Global Engagement, and Policy and Program Review. The new committee to be called Global Standards and Policy Committee (GSPC), is comprised of: Bank Negara Malaysia, Bangladesh Bank, Central Bank of Kenya, Reserve Bank of Malawi, Comisión Nacional Bancaria y de Valores (CNBV) Mexico, Banco Central del Paraguay, and Central Bank of the Russian Federation.

Gender and Women’s Financial Inclusion Committee (GWFIC)

The Board established a High-Level Committee on Gender and Women’s Financial Inclusion to provide leadership on advancing and promoting women’s financial inclusion in the AFI network. The committee comprises of: Bank of Zambia, Bank of Tanzania, Central Bank of Lesotho, National Bank of Rwanda, National Bank of Cambodia, Central Bank of Egypt, and Bank Indonesia.

The Committee held two meetings in 2016, which focused on developing and adopting the Committee’s Terms of Reference and refining an action plan on gender financial inclusion, which was eventually adopted by members at the 2016 AFI Global Policy Forum in Nadi, Fiji, as the “Denarau Action Plan: The AFI Network Commitment to Gender and Women’s Financial Inclusion”.

ADVISORY GROUP

The Board established an Advisory Group of partners (non-AFI members) to provide external stakeholder perspectives on financial inclusion and to promote greater collaboration between AFI and its major stakeholders. Members of the Advisory Group are:

- 1 **Dr. Tilman Ehrbeck**, Senior Partner, Omidyar Network (Chair)
- 2 **Professor Njuguna Ndung’u**, Associate Professor, University of Nairobi (Vice-Chair)
- 3 **Dr. Christoph Beier**, Vice-Chair of the Management Board, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)
- 4 **Mr. Stephen Kehoe**, Head of Global Financial Inclusion, VISA Inc.
- 5 **Ms. Sung-Ah Lee**, Senior Program Officer, Global Policy and Advocacy, Financial Services for the Poor, Bill & Melinda Gates Foundation

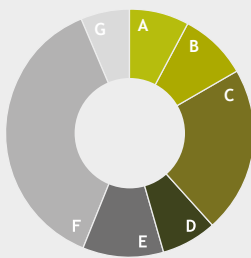
The Advisory Group held two meetings in 2016, which focused on developing and adopting the Group’s Terms of Reference, and providing input and advice on AFI’s Corporate Strategy for 2017.

AFI MEMBERSHIP

As of the end of 2016, AFI's membership comprised of 114 regulatory and policymaking institutions representing 94 developing and emerging countries. Two new member institutions joined AFI in 2016: Central Bank of Jordan, and South African Reserve Bank. Sub-Saharan Africa remains the largest region in terms of membership, accounting for more than one third of all members, followed by Latin America and the Caribbean with 22 percent.

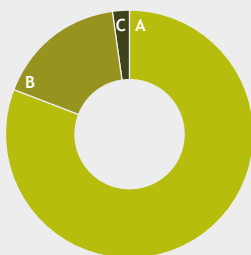
In terms of membership categories, the AFI network has 93 Principal Members, which are the main regulatory or policymaking authorities on financial inclusion in their respective jurisdiction. In addition, 19 Associate Members have a supporting role in financial inclusion policymaking in their countries, and two Specialist Members have a mandate for one specific policy area.

AFI MEMBERS BY REGION, 2016



A	East Asia & South East Asia	9	8%
B	Eastern Europe & Central Asia	10	9%
C	Latin America and the Caribbean	25	22%
D	Middle East and North Africa	8	7%
E	South Asia	12	10%
F	Sub-Saharan Africa	43	38%
G	The Pacific	7	6%

AFI MEMBERSHIP BY CATEGORY, 2016



A	Principal Members	93	81%
B	Associate Members	19	17%
C	Specialist Members	2	2%

AFI MEMBERSHIP IN NUMBERS

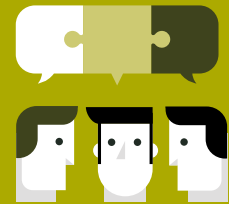
114

REGULATORY AND POLICYMAKING INSTITUTIONS MAKE UP THE AFI MEMBERSHIP.



93

PRINCIPAL MEMBERS, WHICH ARE THE MAIN REGULATORY OR POLICY MAKING AUTHORITIES ON FINANCIAL INCLUSION IN THEIR RESPECTIVE JURISDICTION.



19

ASSOCIATE MEMBERS HAVE A SUPPORTING ROLE IN THEIR COUNTRIES.



94

DEVELOPING AND EMERGING COUNTRIES ARE REPRESENTED BY THE AFI NETWORK.



2 NEW MEMBERS IN 2016



>33%

SUB-SAHARAN AFRICA REMAINS THE LARGEST REGION IN TERMS OF MEMBERSHIP, ACCOUNTING FOR MORE THAN A THIRD OF ALL MEMBERS.



PART FIVE: FINANCIAL REPORT



STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2016

	USD 31.12.2016
ASSET	
Current assets	
Trade receivable	2,231,087
Other receivables	7,906
Fixed deposit with a licensed bank	1,000,000
Cash and bank balances	1,494,219
Total Assets	4,733,212
EQUITY AND LIABILITY	
Equity	
Accumulated funds	3,785,466
Total Equity	3,785,466
Current liability	
Other payables and accruals	947,746
Total liability	947,746
Total equity and liability	4,733,212

STATEMENT OF INCOME AND EXPENDITURE

For the financial period from 27 January 2016 (date of incorporation) to 31 December 2016

	USD 27.01.2016 to 31.12.2016
Revenue	7,421,346
Interest income	10,379
Total income	7,431,725
Less: Expenditure	(9,554,604)
Deficit of income over expenditure for the financial period	(2,122,879)
Taxation	-
Deficit of income over expenditure after tax for the financial period	(2,122,879)
Fund contribution from Deutsche Gesellschaft für Internationale Zusammenarbeit ("GIZ")	5,908,345
Accumulated funds carried forward	3,785,466

STATEMENT OF CASH FLOWS

For the financial period from 27 January 2016 (date of incorporation) to 31 December 2016

	USD 27.01.2016 to 31.12.2016
RECEIPTS	
Cash receipts from donors and membership fee	7,998,537
Cash receipts from GIZ	3,677,258
Interest received	6,879
	11,682,674
LESS: PAYMENTS	
Auditor's remuneration	3,071
Bank Charges	14,236
Contracted consultants and event fees	1,392,439
Entertainment	7,423
Grant disbursements	235,530
Indirect costs	285,366
Other direct costs	371,128
Postage and Courier	6,981
Purchase of computer hardware and software	137,988
Purchase of furniture and fittings	10,010
Purchase of office supplies	8,141
Realised foreign exchange loss	59,622
Rental of premise	7,692
Staff costs	4,105,653
Travel expenses	881,256
Travel expenses - Accommodations	766,794
Travel expenses - Sponsorships	767,343
Utilities expense	73,023
Withholding tax	18,305
	9,188,455
Net increase in cash and cash equivalents	2,494,219
Cash and cash equivalents at the end of the financial period	2,494,219

AFI KNOWLEDGE PRODUCTS AND PUBLICATIONS



2015 AFI Annual Report



The 2016 Maya Declaration Report



Denarau Action Plan: The AFI Network Commitment to Gender and Women's Financial Inclusion

ONLINE:
afi-global.org/library/publications

DATE	TITLE
11 February	Benchmarking financial inclusion in Fiji, Samoa, and Solomon Islands (In coordination with Reserve Bank of Fiji, Central Bank of the Solomon Islands, Central Bank of Samoa and the Pacific Financial Inclusion Programme)
02 March	Grant Snapshot: Financial Inclusion in Armenia - The Financial Capability Assessment Project
03 March	Policy Frameworks to Support Women's Financial Inclusion (Bridging the Gap)
01 April	2015 AFI Working Groups Annual Report
02 April	Guideline Note 18: An Index to Measure the Progress of Financial Inclusion, Financial Inclusion Data (FID) Working Group
02 May	Tanzania Narrows the Financial Inclusion Gender Gap (A Bridging the Gap Case Study)
02 May	Nigeria Confronts a Challenging Financial Inclusion Gender Gap (A Bridging the Gap Case Study)
01 June	2015 AFI Annual Report
01 June	Guideline Note 19: Digital Financial Services Basic Terminology, Digital Financial Services (DFS) Working Group
01 June	Guideline Note 20: National Financial Inclusion Strategies Toolkit, Financial Inclusion Strategy (FIS) Peer Learning Group
03 June	Final Communiqué of the AFI Pacific Islands Regional Initiative (PIRI) 2nd Annual Forum
01 August	Guideline Note 21: Market Conduct Supervision of Financial Services Providers - A Risk-Based Supervision Framework, Consumer Empowerment and Market Conduct (CEMC) Working Group
01 August	Guideline Note 22: Indicators of the Quality Dimension of Financial Inclusion, Financial Inclusion Data (FID) Working Group
08 August	Stemming the Tide of De-Risking Through Innovative Partnerships, Global Standards Proportionality (GSP) Working Group
08 August	Bridging the Gap: Financial Inclusion for Gender and Women (Overview)
08 August	PIRI: The AFI Pacific Islands Regional Initiative (Overview)
08 August	AMPI: African Mobile Phone Financial Services Policy Initiative (Overview)
19 August	The 2016 Maya Declaration Report
31 August	Guideline Note 23: The Role of Financial Regulators in Promoting Access to Financing for MSMEs - Lessons from the AFI Network, SME Finance (SMEF) Working Group
09 September	Denarau Action Plan: The AFI Network Commitment to Gender and Women's Financial Inclusion
25 October	FILAC: Financial Inclusion Initiative for Latin America and the Caribbean (Overview)

2016 AFI CALENDAR OF EVENTS

JANUARY

20	Malaysia 2020 Vision: Conference on Microfinance	Kuala Lumpur, Malaysia
18-22	AFI-BNM Training Program: Access to Financial Services for MSMEs	Kuala Lumpur, Malaysia

FEBRUARY

2-3	AMPI Regulatory Capacity Building Workshop	Dakar, Senegal
4-5	4th AMPI Leaders' Roundtable	Dakar, Senegal
17	Board of Directors Meeting	Teleconference
25-26	8th Annual IIF G20 conference: The G20 Agenda under the Chinese Presidency	Shanghai, China
29-4 March	AFI-BNM Member Training: Business Conduct and Consumer Protection	Kuala Lumpur, Malaysia

MARCH

1-3	GPFI Workshop and Meeting	Shanghai, China
22-25	Consumer Empowerment and Market Conduct Working Group (CEMC WG) Meeting	Dilijan, Armenia
22-25	Digital Financial Services Working Group (DFS WG) Meeting	Dilijan, Armenia
30-31	First High-Level Follow-up Dialogue on Financing for Development in Asia & the Pacific	Incheon, Korea

APRIL

5-7	Financial Inclusion Data Working Group (FID WG) Meeting	San Salvador, El Salvador
13	Global Standards Sub-Committee (GSSC) Meeting	Washington, DC, USA
13	8th Annual G-24/AFI Policymakers Roundtable at the IMF/World Bank Spring Meetings	Washington DC, USA
14	Board of Directors Meeting	Washington DC, USA
16	Public-Private Dialogue (PPD) High-Level Meeting	Washington, DC, USA
26-27	Financial Inclusion Strategy Peer Learning Group (FIS PLG) Meeting	Dar es Salaam, Tanzania
28	High-Level Conference on Women and Financial Inclusion	Dar es Salaam, Tanzania

MAY

2-6	AFI Joint Learning Program on Digital Financial Services	Nairobi, Kenya
4	Budget and Finance Committee Meeting	Kuala Lumpur, Malaysia
9-13	AFI Joint Learning Program on SME Finance	Kuala Lumpur, Malaysia
11	International Telecommunication Unit (ITU) High Level Meeting	Sharm el Sheikh, Egypt
23-27	AFI-BNM Member Training: Financial Inclusion Data and Strategy	Kuala Lumpur, Malaysia
24-26	SME Finance Working Group (SMEF WG) Meeting	Ulaanbaatar, Mongolia

JUNE

1-3	Pacific Islands Regional Initiative (PIRI) Meeting	Port Vila, Vanuatu
7-9	Global Standards Proportionality Working Group (GSP WG) Meeting	Moscow, Russia
13-17	AFI Joint Learning Program on National Strategies	Abuja, Nigeria

2016 AFI CALENDAR OF EVENTS

JULY

11	Board of Directors Meeting	Teleconference
15	Gender and Women's Financial Inclusion Committee Meeting	Teleconference
18-20	Member Training: Intermediate Digital Financial Services	Nairobi, Kenya

AUGUST

3	Asia-Pacific Regulatory Policy Forum on Digital Financial Services and Financial Inclusion	Bali, Indonesia
3	Budget and Finance Committee Meeting	Kuala Lumpur, Malaysia
29-31	SME Finance Forum	San José, Costa Rica

SEPTEMBER

5	AMPI Helpdesk Meeting	Nadi, Fiji
6	Board of Directors Meeting	Nadi, Fiji
6	Gender and Women's Financial Inclusion Committee Meeting	Nadi, Fiji
6	Working Group and Regional Initiatives Meetings	Nadi, Fiji
7	AFI Annual General Meeting	Nadi, Fiji
8-9	2016 AFI Global Policy Forum	Nadi, Fiji
8	Advisory Group Meeting	Nadi, Fiji
19-22	6th Meeting of the ITU-T Focus Group on Digital Financial Services	Dar es Salaam, Tanzania
26-28	Member Training: Advanced Digital Financial Services	Nairobi, Kenya
29	AFI PPD Program Initiative: Catalyzing Financial Inclusion with Government Payments in Collaboration with Visa	Nairobi, Kenya

OCTOBER

10-12	AFI-BNM Member Training: Regulatory Impact Assessment (RIA)	Kuala Lumpur, Malaysia
17-21	AFI Joint Learning Program on National Financial Inclusion Strategies	Manila, Philippines
15-16	Launch of the Financial Inclusion Initiative for Latin America and the Caribbean (FILAC)	Cartagena, Colombia
17-18	FILAC Regulatory Policy Forum on Digital Financial Services and Financial Inclusion	Cartagena, Colombia
20-21	Financial Education in the Arab World	Rabat, Morocco

NOVEMBER

22-23	High-Level Policy Forum on Advancing Women's Financial Inclusion in the Arab World and Capacity Building Workshop	Dead Sea, Jordan
28	Advisory Group Meeting	Teleconference
30- 1 Dec	Global Conference: Maximizing the Power of Financial Access: Finding an Optimal Balance Between Financial Inclusion and Financial Stability	Bali, Indonesia

DECEMBER

2	Budget and Finance Committee Meeting	Kuala Lumpur, Malaysia
5	Board of Directors Meeting	Teleconference
5-9	Joint Learning Program: International Week of Financial Citizenship	Brasília, Brazil
6-7	7th Meeting of the ITU-T Focus Group on Digital Financial Services	Geneva, Switzerland



GLOSSARY OF TERMS

AAAA	Addis Ababa Action Agenda	GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit or German Society for International Cooperation, Ltd.
ADB	Asian Development Bank	GPF	Global Policy Forum
AfDB	African Development Bank	GPFI	Global Partnership for Financial Inclusion
AFI	Alliance for Financial Inclusion	GSP WG	Global Standards Proportionality Working Group
AMF	Arab Monetary Fund	GSPC	Global Standards and Policy Committee
AML	Anti-Money Laundering	GWFI	Gender and Women's Financial Inclusion Committee
AMPI	African Mobile Phone Financial Services Policy Initiative	IDRC	International Development Research Centre
Basel II	Second Basel Accord of recommendations on banking laws and regulations issued by the Basel Committee on Banking Supervision	IMF	International Monetary Fund
Basel III	Third Basel Accord of recommendations on banking laws and regulations issued by the Basel Committee on Banking Supervision	IT	Information Technology
BCBS	Basel Committee on Banking Supervision	ITU	International Telecommunication Union
BFC	Budget and Finance Committee	JLP	Joint Learning Program
BMGF	Bill & Melinda Gates Foundation	KYC	Know Your Customer
BMZ	German Federal Ministry for Economic Cooperation and Development	MDGs	Millennium Development Goals
BNM	Bank Negara Malaysia	MEI	Member Engagement Index
CEMC WG	Consumer Empowerment and Market Conduct Working Group	MENA	Middle East and North Africa
CFT	Combating the Financing of Terrorism	MFS	Mobile financial services
CGAP	Consultative Group to Assist the Poor	MNA	Member Needs Assessment
CPSS	Committee on Payment and Settlement Systems	MNO	Mobile Network Operator
Denarau Action Plan	Denarau Action Plan: The AFI Network Commitment to Gender and Women's Financial Inclusion	MoU	Memorandum of Understanding
DFS	Digital financial services	MSME	Micro, Small and Medium Enterprise
DFS WG	Digital Financial Services Working Group	MU	Management Unit
ECA	Eastern Europe and Central Asia	NRA	National Risk Assessment
e-money	Electronic money	OECD	Organisation for Economic Cooperation and Development
e-payment	Electronic payment	PAS	Peer Advisory Service
FATF	Financial Action Task Force	PFIP	Pacific Financial Inclusion Programme
FDP	Forcibly displaced persons	PIRI	Pacific Islands Regional Initiative
FIARI	Financial Inclusion Initiative in the Arab Region	PPD	Public-Private Dialogue
FID WG	Financial Inclusion Data Working Group	PPP	Public-Private Partnership
FILAC	Financial Inclusion Initiative for Latin America and the Caribbean	RegTech	Regulatory Technology
FinTech	Financial Technology	SDGs	Sustainable Development Goals
FIS PLG	Financial Inclusion Strategy Peer Learning Group	SME	Small and Medium Enterprise
G20	Group of Twenty consisting of governments and central bank governors from 20 major economies	SMEF WG	SME Finance Working Group
G-24	Intergovernmental Group of Twenty-Four on International Monetary Affairs and Development	SSA	Sub-Saharan Africa
		SSBs	Standard-Setting Bodies
		UN	United Nations

Alliance for Financial Inclusion

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