BRINGING SMART POLICIES TO LIFE

GPF 2017 REPORT
ALLIANCE FOR FINANCIAL INCLUSION (AFI)

AFI SPECIAL REPORT

CONTENTS

INTRODUCTION

The 2017 Global Policy Forum marked many firsts. It was the first GPF to be held in the Middle East, it was the largest in AFI's history, and members made a major commitment to advance policies linking financial inclusion and climate change. It was also announced that AFI would be strengthening its presence in Africa with a new regional office and in the Arab Region with a new regional initiative, FIARI (Financial Inclusion for the Arab Region Initiative).

Co-hosted by the Central Bank of Egypt in Sharm El Sheikh on the Red Sea, the ninth annual GPF was attended by over 700 senior financial inclusion policymakers, regulators and leaders from the AFI network and beyond. There was cause for celebration as AFI launched FIARI, endorsed the Sharm El Sheikh Accord as the AFI network's commitment to climate change and financial inclusion, and announced that an AFI Africa Office would be opening in Abidjan, Côte d'Ivoire.

Through the theme, "Exploring Diversity, Promoting Inclusion", the 2017 GPF reinforced that diversity and inclusion are engines for effective and innovative financial inclusion policy, poverty reduction and economic growth. A broad range of perspectives tackled complex issues in financial inclusion, including gender and women's financial inclusion and the role of financial inclusion in the global response to climate change.

"The host has chosen a great theme: Exploring Diversity, Promoting Inclusion. This is what AFI is all about. In our world, diversity is an asset."

Dr. Alfred Hannig, Executive Director, AFI

GPF participants attended plenary and breakout sessions on a range of emerging financial inclusion topics, including:

> Enabling technologies for SMEs;
> FinTech;
> Cybersecurity;
> Financial inclusion of forcibly displaced persons (FDPs); and
> Innovative digital technologies and microfinance.

The 2017 GPF marked the second anniversary of the Denarau Action Plan, and AFI reaffirmed its commitment to women's financial inclusion and bridging the gender gap, which included expanding its Board of Directors, welcoming Governor Maiava Atalina Ainuu-Enari of the Central Bank of Samoa and Davaasuren Sodnomdarjaa, Chair of the Financial Regulatory Commission of Mongolia, as new members.

All six AFI Working Groups and three Regional Initiatives met ahead of the GPF to deliberate on new and emerging policy issues, and to report on the progress of their deliverables. Fourteen recipients were recognized at the annual AFI Awards Night for their outstanding work in promoting financial inclusion across the AFI network and beyond.

Throughout its nine-year history, AFI has demonstrated that mutual learning and open exchange among peers is key to achieving full financial inclusion and that the diversity of our network is our greatest asset and unique strength. At the Opening Ceremony, Prof. Benno Ndulu, Governor of the Bank of Tanzania and outgoing AFI Board Chair, described AFI as "a network of equals who learn from each other, separating us from other initiatives."

AFI members, partners and stakeholders look forward to continuing the conversations begun at the 2017 GPF and exploring new themes at the 10th annual and jubilee of the AFI GPF in 2018. It will be held in Sochi, Russia and co-hosted by the Central Bank of Russia.

OUTCOMES OF THE 2017 GPF

The 2017 GPF moved forward on two major initiatives from past years, while also announcing new commitments in the areas of climate change, gender diversity, and strengthening financial inclusion for women and across new regions.

GPF 2017 BY THE NUMBERS

946
TOTAL NUMBER OF ATTENDEES

361
TOTAL POLICYMAKER ATTENDEES

76
PARTICIPATING MEMBER INSTITUTIONS

92
TOTAL COUNTRIES REPRESENTED

SHARM EL SHEIKH ACCORD

The AFI network's commitment to climate change and financial inclusion

At the Annual General Meeting (AGM) held in advance of the 2017 GPF, AFI members adopted the Sharm El Sheikh Climate Change Accord, which aims to strengthen peer learning and knowledge sharing to implement financial inclusion policy solutions with positive environmental outcomes in AFI member countries. The focus of the Accord is on communities most vulnerable to climate change.

Through the Sharm El Sheikh Accord, AFI members will work together and with partners to:

> Adapt and mitigate climate change in their own jurisdiction and region;

> Achieve Sustainable Development Goal (SDG) 13: Take urgent action to combat climate change and its impacts; and

> Pursue peer learning on practical policy solutions to the intersecting challenges of financial inclusion, climate change and green finance.

"It is very timely that financial regulators from developing and emerging economies make a statement and a commitment to ensuring that financial inclusion can be delivered in a sustainable way, in line with the Sustainable Development Goals."

Dr. Alfred Hannig, Executive Director, AFI

GREATER GENDER DIVERSITY ON THE AFI BOARD OF DIRECTORS

The AGM formally approved the Gender and Women's Financial Inclusion Committee as a permanent committee of the AFI Board of Directors, and gender balance was included in the AFI Articles of Association as criteria for selecting board members.

AFI's Board of Directors expanded to nine members with the addition of two women: Ms. Davaansuren Sodnomdarjaa, Chief of the Financial Regulatory Commission of Mongolia, and Ms. Maiava Atalina Ainuu-Enari, Governor of the Central Bank of Samoa. The third female member of the AFI Board, Ms. Elvira Nabiullina, Governor of the Central Bank of the Russian Federation, has been a member since 2015.

PROGRESS ON THE DENARAU ACTION PLAN

The Denarau Action Plan celebrated its second anniversary at the 2017 GPF. Implementing this initiative has allowed AFI members to take significant steps toward bridging the gender gap in financial inclusion, including the changes mentioned above. Progress was also made on women's financial inclusion via the Maya Declaration. Of the 66 member countries that have made Maya commitments, 27 have at least one target focused on gender and women's financial inclusion.

"We have now added gender as a criteria for selecting board members. […] This is absolutely significant — a giant step towards the Denarau Action Plan within the AFI Management Unit governance structure."

Norbert Mumba, Deputy Executive Director, AFI

FINANCIAL INCLUSION IN THE ARAB REGION INITIATIVE (FIARI)

Arab countries have recognized financial inclusion as a key policy objective for its ability to stimulate growth and employment, reduce poverty, promote social well-being and contribute to financial stability. Greater access and use of formal financial services would empower almost 71 percent of adults (78 percent of women) and four out of five businesses in the Arab region, moving them into the formal economy and promoting sustainable development.

On the first day of the GPF, AFI, together with the Arab Monetary Fund (AMF) and Deutsche Gesellschaft fur Internationale Zusammenarbeit (GIZ) GmbH, launched the Financial Inclusion for the Arab Region Initiative (FIARI).

The goals of FIARI are to:

> Accelerate policies and actions that will enhance access to financial services in Arab societies through effective coordination mechanisms;

> Support the implementation of national financial inclusion policies;

> Delve into key financial inclusion issues in the region, such as gender, SME finance and forcibly displaced persons; and

> Use financial inclusion as a driving force for sustainable economic and social development in line with the United Nations Sustainable Development Goals (SDGs).

"This is a very important step for us. I understand the region welcomes AFI, and AFI welcomes the region. This new regional initiative will look into some of the key financial inclusion issues in the region, such as gender, SME finance and forcibly displaced persons."

Dr. Alfred Hannig, Executive Director, AFI

ANNOUNCEMENT OF THE OPENING OF THE AFI AFRICA OFFICE

On the second day of the GPF it was announced that a new AFI Africa Office would be opening in Abidjan, Côte d'Ivoire, hosted by the Ministry of the Economy and Finance of Côte d'Ivoire and the Central Bank of West African States (BCEAO). The AFI Africa Office will provide better access for AFI members in Sub-Saharan Africa, the Middle East and North Africa, and aims to improve the ability of the network to support members working on specific regional priorities, to share regional knowledge and to translate global financial inclusion issues into practice at regional and national levels.

FIGURE 1: **PARTICIPANTS BY REGION**

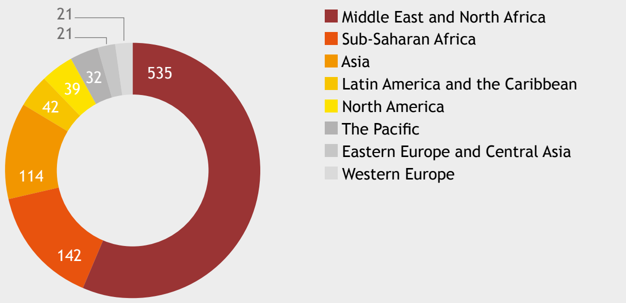


FIGURE 2: **PARTICIPATING VS. TOTAL MEMBER INSTITUTIONS**

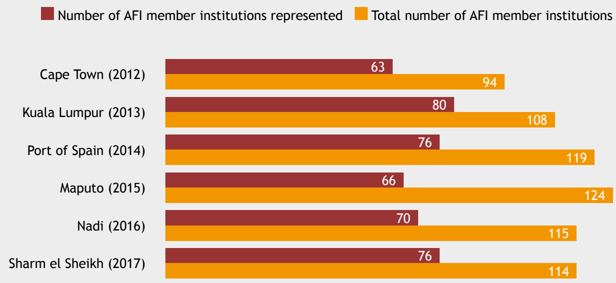


FIGURE 3: **WORKING GROUP ATTENDEES**

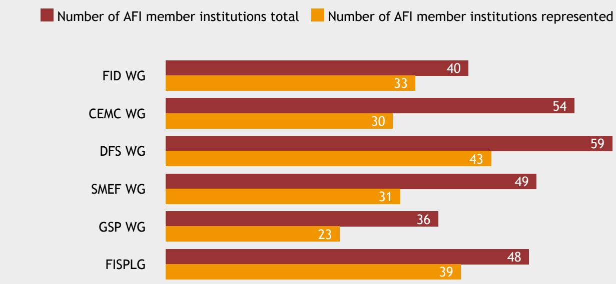


FIGURE 4: **ATTENDEES BY TYPE**

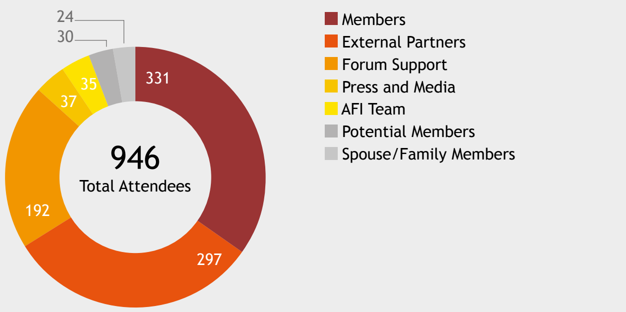


FIGURE 5: **GPF STAKEHOLDERS**

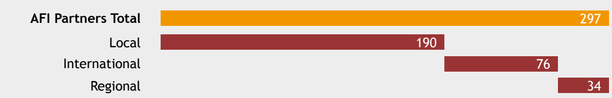


FIGURE 6: ANNOUNCEMENT OF MAYA COMMITMENTS

NEW COMMITMENTS

AFI MEMBER	AREAS OF COMMITMENT
National Bank of Cambodia	Financial Inclusion for Women
Central Bank of Lesotho	Consumer Protection, Data and Measurement, Financial Literacy, National Financial Inclusion Strategy
Banco Central de São Tomé e Príncipe	Data and Measurement, National Financial Inclusion Strategy
Central Bank of Seychelles	Financial Literacy, Consumer Protection, Digital Financial Services

RENEWED COMMITMENTS

AFI MEMBER	AREAS OF COMMITMENT
Bangladesh Bank	Consumer Protection, Financial Literacy, Digital Financial Services, Data and Measurement, SME Finance, National Financial Inclusion Strategies, Climate Change & Green Finance
Banque Centrale des Etats de l'Afrique de l'Ouest (BCEAO)	Digital Financial Services
Banco Central do Brasil	National Financial Inclusion Strategy, Data and Measurement, Financial Literacy, Consumer Protection, SME Finance
Banque de la République du Burundi	Digital Financial Services, Consumer Protection, Financial Literacy, Data and Measurement, National Financial Inclusion Strategy
Central Bank of Egypt	Data and Measurement, Consumer Protection, SME Finance, Digital Financial Services, Overarching National Goal
Banco Central de Reserva de El Salvador	Digital Financial Services, Financial Literacy, SME Finance, Data and Measurement, Financial Inclusion for Women
Reserve Bank of Fiji	Digital Financial Services, Financial Literacy, Overarching National Goal, Data and Measurement, SME Finance
Bank of Ghana	Digital Financial Services, Overarching National Goal, Consumer Protection, Financial literacy, Data and Measurement, National Financial Inclusion Strategy
Central Bank of Jordan	Financial Inclusion for Women, Consumer Protection, Financial Literacy, Digital Financial Services
Central Bank of Liberia	Digital Financial Services, Overarching National Goal, Data and Measurement, Financial Inclusion for Women
Comisión Nacional Bancaria y de Valores Mexico and Secretaría de Hacienda y Crédito Público de México (joint commitment)	Digital Financial Services, Data and Measurement, Overarching National Goal
Bank Al-Maghrib Morocco	Financial Inclusion for Women
Banco de Moçambique	Data and Measurement, Financial Inclusion for Women
Bank of Namibia	National Financial Inclusion Strategy, Financial Inclusion for Women
Palestine Monetary Authority	National Financial Inclusion Strategy, Overarching National Goal, SME Finance
Central Bank of the Russian Federation	SME Finance, National Financial Inclusion Strategy, Financial Literacy, Data and Measurement
National Bank of Rwanda	Overarching National Goal, Financial Inclusion for Women, Consumer Protection, Data and Measurement
Ministère de l'Economie et des Finances du Sénégal	National Financial Inclusion Strategy
Bank of Sierra Leone	Financial Literacy, Data and Measurement
Central Bank of Solomon Islands	SME Finance, Global Standards
National Bank of Tajikistan	National Financial Inclusion Strategy, Digital Financial Services

ANNUAL GENERAL MEETING

The 2017 Annual General Meeting (AGM) marked AFI's second as an independent, member-owned institution. Representatives from 66 Principal Member institutions and 10 Associate Member institutions were in attendance, meeting the quorum required under AFI's Articles of Association.

Presided by the outgoing Chair of the AFI Board of Directors, Prof. Benno Ndulu, Governor of the Bank of Tanzania, the AGM commenced with opening remarks by Prof. Ndulu and Dr. Alfred Hannig, AFI Executive Director. This was followed by welcoming remarks by Governor Tarek Hassan Nour El Din Amer of the Central Bank of Egypt.

Members were presented with the AFI Management Unit Report for September 2016 to August 2017, which focused on AFI's performance in strategic direction, membership engagement and commitments, member needs assessment, capacity building, working groups, regional initiatives and strategic partnership engagements.

Looking ahead, AFI will be focusing on:

> Implementing the new working group strategy;
> Responding to member demand for bottom-up financial inclusion policies that expand access to microinsurance and other risk mitigation financial services for the poor; and
> Communicating and sharing stories about impact of practical implementation of policies and lessons learnt within the network.

The AFI Budget and Finance Committee (BFC) reported to the AFI Membership Council that Financial Year 2016 (FY 2016) — the first year of AFI's operation as an independent organization — the AFI Management Unit closed the financials within budget. AFI's financial statements for FY 2016 were audited and certified with an unqualified opinion by an external auditor.

The AFI Gender and Women's Financial Inclusion Committee (GWFIC) reported to the AFI Membership Council on initiatives they had implemented since the launch of the Denarau Action Plan (DAP) at the 2016 AFI Global Policy Forum. This included the Strategic Implementation Framework under the DAP and the adoption of a major target to halve the gender gap in every country with an AFI member by 2021.

The AFI Membership Council ratified the nominations of Banco Central do Brasil as the new Chair, Bangladesh Bank as the new Vice-Chair, and members of the AFI Board of Directors, including four new members: Central Bank of Egypt, Financial Regulatory Commission of Mongolia, Central Bank of Samoa and Banque Centrale des Etats de l'Afrique de l'Ouest (BCEAO).

The AFI Membership Council noted the elevation of the Gender and Women's Financial Inclusion Committee as a permanent Committee of AFI, the appointment of Central Bank of Egypt as Committee Vice-Chair, and the appointment of Banco Central de Reserva de El Salvador as a new member of the Committee. The AFI Membership Council also approved the adoption of the Sharm El Sheikh Accord on Financial Inclusion, Climate Change and Green Finance, with a 96 percent majority vote.

At the close of the 2017 AGM, the AFI network bid farewell to the outgoing Board Chair, Prof. Ndulu, who had completed his two-year term, and welcomed the incoming Board Chair, Deputy Governor Isaac Ferreira, Alternate of Governor Ilan Goldfajn, Banco Central do Brasil.

"Although AFI is a relatively young organization, it has already taken on a prominent and prestigious role before the international community, consolidating itself progressively as a leading organization and a global reference on the financial inclusion of the underprivileged." [Closing remarks by incoming Chair]

Deputy Governor Isaac Ferreira, Banco Central do Brasil

STRATEGIC DISCUSSION ON AFI'S FUTURE: THE ROLE OF ISSUING GUIDANCE

MODERATOR
Kennedy Komba, Alliance for Financial Inclusion

PANELISTS
Dr. Alfred Hannig, AFI Management Unit

Governor Nestor Espenilla Jr, Bangko Sentral ng Pilipinas

Governor Dr. Louncény Nabe, Central Bank of the Republic of Guinea

Deputy Governor Shitangshu Kumar Sur Chowdhry, Bangladesh Bank

Deputy Governor Jessica Chew, Bank Negara Malaysia

Mikhail Mamuta, Central Bank of the Russian Federation (representing Deputy Governor Vladimir Chistyukhin

During consultations on AFI's Phase III Strategy (2019-23), members called on AFI to provide more concrete regulatory and policy guidance on: 1) effective adoption of policy solutions that have been tested and proven in the AFI network, and 2) proportionate implementation of standards issued by the global Standard-Setting Bodies (SSBs) that have an impact on financial inclusion.

This strategic discussion, led by heads of AFI member institutions, aimed to reach consensus on the approach AFI should take to providing this guidance — one that would leverage AFI's unique peer-to-peer cooperation model, find opportunities to enhance cooperation with the SSBs and support sustainable financial inclusion.

OUTCOMES

AFI members unanimously endorsed an approach to issuing regulatory and policy guidance based on peer learning, cooperation and a bottom-up approach. The guidance will be based on tested solutions and key lessons from the AFI network. The AFI Management Unit was tasked with undertaking this work as part of its implementation of the Phase III Strategy through:

> **Structured member endorsement:** Members will endorse tested policy solutions in the AFI network that address major challenges to financial inclusion. The working groups will translate key policy lessons into recommendations that will be elevated to AFI governance structure for final member endorsement.

> **In-country implementation:** Members will endorse guidance that can be implemented across the AFI network, tailored to the country context and specific member needs.

> **Cooperation with the SSBs:** This will provide better evidence of the state of practice of the adoption of global standards in AFI member countries and a feedback mechanism for supportive financial inclusion policies.

"The value of AFI is its convening power, where discourse of practical applications of policies derives value to members. AFI is better placed to help members overcome the challenges of implementing standards in proportionality versus the assessors' views on authorities in implementing the SSBs' standards."

Deputy Governor Jessica Chew, Bank Negara Malaysia

REGIONAL INITIATIVE MEETINGS

AFI's Regional Initiatives bring members together to build high-level consensus on financial inclusion policy issues and find innovative solutions to shared challenges. AFI's three Regional Initiatives — AfPI, FILAC and PIRI — met prior to the GPF in Expert Group meetings and at the Leaders' Roundtable to discuss new and emerging policy issues, review their progress and prepare action plans for 2018.

AFRICAN FINANCIAL INCLUSION POLICY INITIATIVE (AfPI)

At its first GPF meeting since it transitioned from the African Mobile Phone Financial Services Policy Initiative (AMPI), AfPI Leaders endorsed the charter and nominations for the Expert Group on Financial Inclusion Policy (EGFIP). EGFIP will work on policy and regulatory approaches, effective policy interventions for interoperability schemes and strengthening collaboration between financial and telecom regulators in Africa on digital financial services (DFS) issues.

FROM AMPI TO AfPI

For the last five years, the African Mobile Phone Financial Services Policy Initiative (AMPI) has provided a platform for AFI members to exchange policy and regulatory lessons and to promote the adoption and uptake of mobile money across Africa. This past spring, AMPI Leaders unanimously agreed to expand their policy focus under a new name: the Africa Financial Inclusion Policy Initiative (AfPI).

Kicking off their new agenda at the 2017 GPF, AfPI announced it will concentrate on four main policy areas:

> MSME and agricultural finance;
> Cross-border remittances;
> Financial inclusion of women and vulnerable groups; and
> Digitizing microfinance.

FINANCIAL INCLUSION INITIATIVE IN LATIN AMERICA AND THE CARIBBEAN (FILAC)

FILAC members discussed the ongoing challenges of interoperability and interconnectedness, financial education models, and the need to continue collecting data and finding strategies to bridge the gender gap in financial services. FILAC members were updated on FILAC's work plan, as well as the Study of the Digital Financial Services Ecosystem.

PACIFIC ISLANDS REGIONAL INITIATIVE (PIRI)

PIRI discussed a range of pressing and emerging issues in the region, from climate change and de-risking to the new digital fiat currencies being issued to digitize cash across the Pacific Islands. PIRI Leaders endorsed member strategies to implement the Denarau Action Plan (sex-disaggregated data indicators in particular) and reviewed the Dili Consensus to include climate change, green finance and gender.

GPF OPENING CEREMONY

The 2017 GPF opened with a traditional Egyptian welcome ceremony, setting the stage for two days of dialogue on the theme, "Exploring Diversity, Promoting Inclusion".

The Governor of the Central Bank of Egypt (CBE), Tarek Amer, welcomed participants and highlighted an important change in Egypt's financial culture: the elimination of barriers to financial access, which has given all segments of society, particularly women and youth, the opportunity to use financial products and services. He acknowledged that financial attitudes in Egypt are changing as the CBE has worked to build public trust and promote stability and economic growth in line with the country's sustainable development objectives.

The Honorable Prime Minister Eng. Sherif Ismail then welcomed GPF participants to Egypt and emphasized the link between financial inclusion and social justice. His Excellency President Abdel Fattah El-Sisi delivered the keynote address and extended his gratitude for the opportunity for Egypt to host this year's GPF. He remarked that it was a sign of confidence in the country, which "aspires to be a pioneer in financial inclusiveness."

The outgoing Chair of the AFI Board of Directors, Prof. Benno Ndulu, Governor of the Bank of Tanzania, incoming Chair Isaac Ferreira of Banco Central do Brasil, and Executive Director of AFI, Alfred Hannig, spoke in turn about AFI's unique culture of cooperation and a growing global network in which diversity is an asset and defining strength.

"AFI has become a movement of financial inclusion … and a network of equals — everyone has a chance to learn."

Prof. Benno Ndulu, Governor, Bank of Tanzania

Following the traditional ringing of the gong to officially open the Global Policy Forum, a signing ceremony launched the Financial Inclusion for the Arab Region Initiative (FIARI), a joint initiative of the Council of Arab Central Banks and Monetary Agencies' Governors, the Arab Monetary Fund (AMF), the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH and the Alliance for Financial Inclusion (AFI).

"Egypt's decision to host the GPF is a clear manifestation of how important financial inclusion is to Egyptian society."

Dr. Alfred Hannig, Executive Director, AFI

DIVERSITY AND FINANCIAL INCLUSION: BALANCING THE FORMAL AND INFORMAL SECTORS

MODERATOR
Mr. Tarek Amer, Governor, Central Bank of Egypt

PANELISTS
Mr. Nestor Espenilla Jr, Governor, Bangko Sentral ng Pilipinas

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

Hon. Dr. Hala Elsaid, Minister, Monitoring and Administrative Reform, Egypt's Ministry of Planning

Mr. Stephen Kehoe, Executive Vice President of Global Financial Inclusion, VISA

Mr. Michael Wiegand, Director, Financial Services for the Poor, Bill & Melinda Gates Foundation

Mr. Shawn Miles, Executive VP of Global Public Policy, Mastercard

A variety of policy solutions and regulatory tools have been used to capture the economic potential of the informal economy and balance the formal and informal sectors. What have we learned and how can these lessons be applied in countries grappling with this challenge?

BARRIERS TO BALANCING THE FORMAL AND INFORMAL SECTORS: EGYPT'S EXPERIENCE

In Egypt, the informal sector accounts for 40 percent of GDP, with 35 percent of informal businesses in the trade and retail sector and 15 percent in intermediary industries. Most of the agricultural sector is also informal. However, several forces are working against the transformation of the informal sector: low economic growth and high unemployment, access to formal financial services, property rights, regulatory barriers to registration, taxation regimes, urban planning and infrastructure. Addressing these barriers, said Egypt's Minister of Planning, will require the coordination of several government agencies.

What incentives can governments provide for informal businesses to shift to the formal economy? How can regulators encourage banks to extend low interest rates to small businesses, typically high-risk customers that yield low returns?

ENCOURAGING THE SHIFT TO THE FORMAL SECTOR: STRATEGIES AND APPROACHES IN THE AFI NETWORK

Understanding the informal sector: To balance the formal and informal sectors, governments and regulators need to understand the needs and motivations of informal businesses. In the Philippines, government and regulators have conducted a thorough analysis of the sector to assess the economic potential of the informal economy, differentiate between businesses based on their capacity and willingness to become formal, and formulate informal sector policies based on this analysis.

National and regional strategies: National and regional strategies are needed to provide the informal sector with financing, promote innovation and create incentives to join the formal sector. In Sub-Saharan Africa, the BCEAO is increasing access to financial services for informal businesses, allowing institutions to issue e-money without the involvement of banks. In Egypt, the central bank is promoting SME finance and connecting government authorities and institutions through a digital network to promote electronic payments.

Attractive financial services: For informal businesses to make the shift to the formal economy, financial services need to be affordable, accessible, valuable and reliable. People need to be convinced they will benefit from the use of financial technology and that these benefits will outweigh their concerns about shifting to the formal sector, for example, paying taxes.

EGYPT'S FINANCIAL INCLUSION JOURNEY

MODERATOR
Mrs. Shira Amin, Independent journalist

THEME SETTER
Mrs. May Abulnaga, Sub-Governor, Central Bank of Egypt

PANELISTS
Mrs. Ghada Wali, Minister, Ministry of Social Solidarity, Egypt

Mrs. Lobna Helal, Deputy Governor, Central Bank of Egypt

Mrs. Mona Zulficar, Chair, Egyptian Microfinance Federation

Mr. Dante Campioni, Managing Director and CEO, ALEXBANK

Egypt's financial inclusion journey has been marked by series of achievements, reforms, challenges and policy interventions, all shaped by a "future-facing" outlook that embraces change, digitization, and the role of women in achieving economic growth.

With an expansive territory, challenging regulatory framework, low levels of financial literacy and awareness, and lack of unified data, Egypt embarked on a national financial inclusion project that aimed to extend the reach of affordable and reliable financial services to the poor and build a thriving, stable, inclusive and sustainable economy.

ACHIEVEMENTS

> The government has taken several measures to develop the country's microfinance sector;
> Increased awareness and enhanced financial consumer protection through digital channels;
> Enhanced IT security measures;
> Application of a risk-based approach;
> Introduction of e-KYC; and
> Increased awareness of financial inclusion within the private sector.

Financial inclusion will have a positive impact on financial stability and inclusive economic growth, as well as sustainable development and social security. In 2017, the Year of the Woman in Egypt, Egyptian stakeholders agreed that addressing women's financial inclusion will lead to exponential growth. The Central Bank of Egypt affirmed its full support for enhancing policies and regulation for financial inclusion. This will include:

> Digitizing and promoting the use of DFS, including mobile payments;
> Creating an enabling legal framework (CBE, EFSA, etc.);
> Leading the country's financial inclusion efforts and coordinating the stakeholders;
> Building a technical infrastructure;
> Increasing awareness and enhancing financial consumer protection;
> Reducing bureaucracy;
> Identifying the beneficiaries of government schemes; and
> Achieving sustainable growth through education and cultural change.

These efforts will be backed by tangible targets…

"Work as a government to reach the 20% of unreached persons."

Ghada Wali, Minister, Ministry of Social Solidarity, Egypt

"Looking forward to reach 10 million borrowers in 6 years."

Mona Zulficar, Chair, Egyptian Microfinance Federation

… and an overarching vision:

"There is a commitment to make dreams come true."

Lobna Helal, Deputy Governor, Central Bank of Egypt

PUBLIC-PRIVATE DIALOGUE: CROSS-BORDER REMITTANCES

MODERATOR
Ms. Greta Bull, CGAP

PANELISTS
Nathan Naidoo, GSMA
Eric Barbier, TransferTo
Christopher Low, Letshego
Shawn Miles, MasterCard
Amina Tirana, VISA

In this session, AFI members and private sector partners discussed new trends in international remittances, explored ways to collaborate to lower remittance costs and meet other consumer needs, and discussed the importance of clear policy guidelines and sound regulatory frameworks to increasing the flow of secure transactions through formal remittance channels.

CONTEXT

Formal international remittance flows to emerging markets reached over USD$400 billion in 2016 and continue to exceed both foreign direct investment and official development assistance. In some AFI member countries, cross-border remittances represent over 30 percent of GDP. The impact at the individual level is no less significant: more than USD$100 billion in remittances are used each year for education and health, savings and investment, and other income-generating activities.

One of the Sustainable Development Goals is to reduce the cost of sending money to less than three percent by 2030.

In 2016, the international community rallied behind the UN Sustainable Development Goal target of reducing migrant remittance transaction costs to a global average of three percent by 2030. The potential gains of reaching this target could mean up to USD$20 billion in additional resources flowing directly to households. The mobilization of philanthropic and state efforts to lower costs is occurring at the same time as new technology-based commercial solutions are increasing competition, enabling cheaper prices and providing an on-ramp to broader financial inclusion. In this context, some financial services regulators have moved to establish rules that allow for a more diverse set of actors, such as mobile network operators, to facilitate international transactions. Efforts to integrate regional payments have also gained momentum, although the path to regional infrastructure and regulatory harmonization is long.

+$400 BILLION
FORMAL INTERNATIONAL REMITTANCE FLOWS TO EMERGING MARKETS IN 2016

+30%
OF GDP IN SOME AFI MEMBER COUNTRIES IS REPRESENTED BY CROSS-BORDER REMITTANCES

+$100 BILLION
IN REMITTANCES ARE USED EACH YEAR FOR EDUCATION AND HEALTH, SAVINGS AND INVESTMENT, AND OTHER INCOME-GENERATING ACTIVITIES

Against this promising backdrop, several trends are cause for concern. For example, de-risking behavior by international correspondent banks in response to rising compliance costs and fines has raised provider costs and stifled competition, undermining lower transaction costs and greater access to formal financial channels. Competing pressures are also apparent at the policy and regulatory level. In part due to the trends above, for the first time in recent history, the total value of global remittance flows to emerging markets has declined for two successive years. Longstanding issues also persist: when remittances are sent through formal digital channels, they are often immediately converted into cash, contributing to the opaque informal economy and limiting the impact on financial inclusion.

PPD DIALOGUE

In this context, AFI members and partners explored ways to deepen collaboration, not only to achieve the SDG target of lowering remittance costs, but also to advance other needs of senders and recipients, such as privacy, transparency, accessibility and digital literacy, with a view to encouraging more people to opt for formal over informal channels.

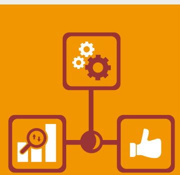
THE FOLLOWING QUESTIONS WERE RAISED

WHAT ARE THE KEY ENABLERS TO SCALING INNOVATIVE TECHNOLOGY-BASED REMITTANCE SOLUTIONS THAT MAKE CROSS-BORDER REMITTANCES EFFICIENT AND COST EFFECTIVE?

HOW CAN INTERNATIONAL REMITTANCES BE A CONDUIT FOR FINANCIAL INCLUSION?

WHAT CAN EXTERNAL STAKEHOLDERS DO TO SUPPORT REGULATORS IN ADDRESSING SHARED CONCERNS, SUCH AS AML/CFT, DATA SECURITY AND CONSUMER PROTECTION?

IS THERE SPECIFIC CAPACITY BUILDING ASSISTANCE THAT WOULD ALLOW REGULATORS TO ASSESS AND SUPPORT NEW REMITTANCE SOLUTIONS MORE EFFECTIVELY?



GLOBAL GUIDELINES FOR CROSS-BORDER REMITTANCES

“We feel that clear guidelines and regulations will dramatically increase international money transfers through formal channels.”

Eric Barbier, President, TransferTo

One example highlighted in the AFI Public-Private Dialogue (PPD) session was the global effort currently underway to agree on best practices for regulating mobile companies, specifically settlement and reconciliation of transactions, data security, due diligence, customer identity management systems and consumer protection. Dialogue between regulators and the private sector is a sign that the two sides recognize the huge potential of mobile money to contribute to better social and economic conditions for users, but more dialogue is needed at the regional level to identify infrastructure, business practices and regulatory challenges to fostering safe and affordable cross-border remittances, including how to manage currency risk in fragmented markets in regional corridors. The AFI PPD platform has provided a space for this type of dialogue.

Given the dynamic nature of cross-border remittances, this session also addressed the need to establish policy guidelines and a sound regulatory framework with clear rules on enabling secure cross-border transactions, increasing the number of deployments, capturing global best practices and accelerating new business solutions that leverage digital financial services. AFI is well positioned to provide such policy guidelines, both at the regional and global level.

TAKEAWAYS

It was agreed that public-private cooperation on this topic remains a priority for AFI and that global dialogue would be carried forward into 2018. The dialogue would also be brought into regional contexts, beginning with AFI’s Africa Financial Inclusion Policy Initiative (AfPI) where regional guidelines on digital cross border remittances would be developed, and that partnerships with the private sector, development and research partners would be critical to the success of this effort. Complementary capacity building and in-country policy implementation support frameworks provided through AFI and in collaboration with partners were also identified as critical to success.

ENABLING TECHNOLOGIES FOR SMEs

MODERATOR
Mr. John Mwaka, CEO, SACCO Societies Regulatory Authority (SASRA) Kenya

PANELISTS
Dr. Michael Hililan, Reserve Bank of Vanuatu
Mr. David Myeni, Ministry of Finance Swaziland
Ms. Amina Tirana, VISA
Mr. Khalid Elgibali, Mastercard
Mr. Ahmed Dermish, UNCDF

This session highlighted the importance of SMEs in developing and strengthening economies and discussed how policymakers, regulators and industry institutions can leverage innovative digital technologies to meet the needs of SMEs and make it easier for them to do business.

For SMEs, a lack of information and awareness, difficulties accessing finance, unique financial needs and behavior, and the high cost of transition are all barriers to adopting and implementing new technology. What are some potential solutions?

AFI members should ease into implementing new technology by reducing the costs and designing them based on the financial needs and behaviors of SMEs.

"We need the best way to reduce the cost of technology infrastructure, transitions and administration, and create incentives for SMEs to use it."

David Myeni, Ministry of Finance Swaziland

"We have worked on providing digital financial services through e-commerce to SMEs and platforms."

Amina Tirana, Visa

"We have to make it easier for SMEs to use technology and provide a lot of options."

Ahmed Dermish, UNCDF

The fear of using new technology is the main reason implementation has been slow.

"The main challenges of SMEs are: finance, capital vision, access to information and awareness."

Khalid Elgibali, Mastercard

The best way to implement technology in agribusiness is to understand and study the risks at all stages of the value chain.

"Digital financial services are not delivered to projects in agricultural areas, especially for women."

Michael Hililan, Reserve Bank of Vanuatu

CYBERSECURITY AND FINANCIAL INCLUSION

MODERATOR
Dr. Settor Amediku, Bank of Ghana

THEME SETTER
Dr. Leon Perlman, Columbia University

PANELISTS
Sherif Hazem Salah, Central Bank of Egypt

Vijay Mauree, International Telecommunication Union (ITU)

The financial sector is facing a growing number of cyber threats targeted at consumers. What efforts are being made at national and global levels to address these threats while also mitigating risks and finding innovative solutions?

The rapid growth of technology-based financial services has led to increase in cybersecurity-related risks. The industry has moved far beyond witnessing simple computer viruses to sophisticated malware attacks orchestrated by industrial-scale cybergangs and even state actors. Cybersecurity vulnerabilities are occurring at the front, middle and back ends of the technology platforms enabling digital financial services. For example, the Florida Institute for Cybersecurity Research analyzed 46 mobile applications from countries including Indonesia, Brazil, India, and the Philippines, and uncovered pervasive vulnerabilities, such as botched certification validation and information leaks.

For financial institutions, cyber threats pose several challenges: a lack of cybersecurity finding reports, cooperative models, consumer awareness about the potential threats of cybersecurity, capacity building and support from senior management. A perception that regulations are restrictive and expensive to comply with is another obstacle, and with inadequate resources to address cybersecurity challenges, financial institutions have come to rely heavily on third parties to provide solutions. Nevertheless, AFI members are finding ways to collaborate, share information and develop innovative solutions for financial inclusion in the face of budgetary constraints and emerging cyber threats.

EGYPT

In Egypt, efforts have been focused on preventing the harmful effects of cyberattacks on the banking sector, raising awareness of information security in the banking sector, disseminating important information on cyber threats, and information systems governance and risk management. Various regulations have been published to address new cybersecurity threats, and a series of proportionate policies are being implemented in line with international best practices, established by the Financial Action Task Force (FATF). This risk-based approach includes: tiered customer identity verification methods, which allows customers to open an account at a banking agent with only an ID; tiered PIN management; vulnerability assessments; and infrastructure and security monitoring.

Other AFI member countries are responding to cyber threats with new cybersecurity frameworks and strategies. For example, the Central Bank of Jordan has developed a cybersecurity plan that has a risk management matrix and mitigation strategies. Similar initiatives are being undertaken by Nigeria (draft USSD risk rules), Morocco and Malaysia.

> *"In mobile financial services, cybersecurity vulnerabilities and risks exist at three levels: mobile network operator, financial infrastructure and consumer."*
>
> **Leon Perlman**, Columbia University

GLOBAL LEVEL: THE ITU

The International Telecommunication Union (ITU) provides standards, technical assistance and capacity building for cybersecurity at the global level. The global cybersecurity agenda covers five main areas: legal, technical, institutional capabilities, capacity building and cooperation at international, regional and national levels. The ITU has developed a global cybersecurity index that tracks performance on these five pillars.

42%
of participants thought the most effective intervention to help protect and empower consumers at risk from cyber fraud/attacks was smart product design.

37%
of participants rated the cyber resilience of their countries as 50%.

NEXT STEPS

> Given the nature of cybersecurity challenges, a platform for collaboration and information sharing needs to be established.

> Financial institutions need to find new ways to promote awareness of the policy challenges and develop innovative consumer products.

> Protection mechanisms are needed to create a more resilient environment.

1 The Florida Institute for Cybersecurity Research Institute at the University of Florida analyzed registration, login and transaction procedures. For more information, please see: "Mo(bile) Money, Mo(bile) Problems: Analysis of Branchless Banking Applications in the Developing World".

DE-RISKING: REGIONAL APPROACHES

MODERATOR
Dr. Justine Walker, AFI Consultant

THEME SETTER
Ms. Caroline Pickering, Co-chair of Global Standards Proportionality Working Group, Reserve Bank of Fiji

PANELISTS
H.E. Khalil Sediq, Governor, Da Afghanistan Bank

Mr. Gamal Negm, Deputy Governor, Central Bank of Egypt

Mr. Gilbert Wongsin, Assistant Governor, Central Bank of Samoa

Mr. Eric Barbier, TransferTo

Although de-risking is a global problem, the root causes and potential solutions vary from region to region. This session examined what regulators can do to address de-risking and discussed how AFI's regional initiatives and approaches can tackle it effectively.

In emerging economies, the results of mutual evaluation have been poor, prompting international banks to cease operations and relocate. One of the reasons de-risking has become such a big concern is the high cost of compliance with international standards such as the Basel Principles and those established by the FATF. Given a higher perception of risk, it is very likely that regulatory requirements will become stricter.

"De-risking is a complex issue and we cannot wait for the perfect solution. We should continue to work within the existing infrastructure while we continue to improve."

Dr. Justine Walker, AFI Consultant

To properly address de-risking issues, we will need better customer identification, more robust systems, technological innovation and credit infrastructure. Given that mobile money targets low-income populations traditionally considered high risk, progress will depend on the level of connectivity in South-South corridors, as well as on institutional arrangements. To tackle cost increases, a shared platform could be established to get better pricing and foster transparency.

WHAT ROLE SHOULD AFI PLAY? MAINTAINING A PLATFORM FOR GLOBAL DIALOGUE

"AFI should invite international banks to forums like the GPF to create dialogue between countries affected by de-risking and the challenges they face if international banks withdraw operations from these countries."

Eric Barbier, TransferTo

"AFI provides the platform for countries affected by de-risking to tell their stories, to ensure they are heard by the relevant international bodies and community."

Ms. Caroline Pickering, Co-chair of the AFI Global Standards Proportionality Working Group, Reserve Bank of Fiji

NFIS ASPIRATIONS WITH THE SUSTAINABLE DEVELOPMENT GOALS

MODERATOR & THEME SETTER
Dr. Nimal Fernando, AFI Consultant

PANELISTS
Mr. Azzam Shawwa, Governor, Palestine Monetary Authority

Dr. Johnson Asiama, Deputy Governor, Bank of Ghana

Mr. Esala Masitabua, Reserve Bank of Fiji

Ms. Temitope Akin-Fadeyi, Central Bank of Nigeria

Mr. Kee Beom Kim, International Labor Organization (ILO)

Mr. Hayder Al-Bagdadi, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH

Financial inclusion is a key part of the UN Sustainable Development Goals (SDGs), particularly those related to macroeconomic development, gender equality and environmental sustainability. This session discussed how financial inclusion can accelerate achievement of the SDGs and how national financial inclusion strategies can help to meet ambitious global targets while also amplifying financial inclusion at home.

Of the 17 SDGs, SDG 1 to 6 have a direct link to financial inclusion and SDG 10 to 17 have indirect links. National financial inclusion strategies (NFIS) can play an important role in achieving the SDGs, particularly SDG8: Sustained economic growth and decent work for all, through:

> Financial inclusion policies that strengthen the formal job market (formal jobs promote formal finance and financial inclusion);
> Monetary policies to promote financial inclusion (however, the large size of informal economies in most developing countries can make this a challenge);
> Supporting SMEs through access to finance and financial education, particularly for women.

ACTION ON THE SDGS IN THE AFI NETWORK

Ghana: Ghana has made the highest political commitment to achieve financial inclusion and the SDGs, with strong engagement from the President. Ghana's national development plan has incorporated the SDGs and the NFIS, launched in November 2017, is linked to inclusive economic growth. Now, said Dr. Johnson Asiama of the Bank of Ghana, "The need of the hour is a strong multi-stakeholder process to achieve the SDGs using financial inclusion. We have an inter-ministerial committee in place to do that."

"The Bank of Ghana was an early adopter of the Maya Declaration. If we deliver on our Maya commitments, we can deliver on the SDGs."
Dr. Johnson Asiama, Bank of Ghana

Fiji: In the early days of Fiji's NFIS, there were no SDGs. "We had to do the groundwork and coordination ourselves," recalled Joseph Esala Masitabua of the Reserve Bank of Fiji. Today, the country's NFIS includes integrating financial education into primary and secondary schools. "Financial inclusion is about reaching the poor, underserved and marginalized. We strongly believe that you cannot achieve the SDGs without financial inclusion."

"Of the 17 SDGs, we are paying more attention to reaching women because they are marginalized."
H.E. Azzam Shawwa, Palestine Monetary Authority

FINANCIAL INCLUSION AND ECONOMIC EMPOWERMENT FOR WOMEN

MODERATOR

Ms. Serey Chea, Director General, National Bank of Cambodia

THEME SETTER

Ms. Liz Kellison, Bill & Melinda Gates Foundation

PANELISTS

Mr. Rogério Zandamela, Governor, Banco de Moçambique

Dr. Tukiya Kankasa-Mabula, Deputy Governor, Bank of Zambia

Mrs. Lobna Helal, Deputy Governor, Central Bank of Egypt

Ms. Ceyla Pazarbasioglu, World Bank

Dr. Maya Morsy, Chair, National Council for Women in Egypt

On the second anniversary of the Denarau Action Plan, policymakers and regulators in the AFI network reported on what they have been doing to empower women economically and meet the goal of the AFI Gender and Women's Financial Inclusion Committee's (GWFIC): to halve the persistent nine percent gender gap in financial inclusion in their countries by 2021.

What do we need to do to financially include one billion more women in the financial system by 2022 and create a gender-inclusive financial system?

"WE MUST HAVE THE COURAGE TO TAKE BOLD ACTIONS"

In Mozambique, financial exclusion is a way of life, particularly for women. Governor Rogério Zandamela of Banco de Moçambique reported that the problem is not so much financial access, but usage. "Banks are primarily foreign owned and the formal financial system still serves mainly men, while women operate in an inefficient and expensive informal system."

"THERE IS NO SILVER BULLET"

When it comes to women's financial inclusion, said Dr. Tukiya Kankasa-Mabula, Deputy Governor of the Bank of Zambia, there is no silver bullet. Rather, everyone in the AFI network needs to reflect on their mandates and identify what they can do to move the needle on women's financial inclusion, assessing every area, from legal reforms to policy changes. She advocated for greater gender balance on the AFI Board of Directors and a key role for government regulators, digital technologies and payment systems that work for women, for example, payments that go into women's accounts, rather than to male heads of households. The top barrier to women's financial inclusion, she said, is financial literacy.

"Gender equality is an economic necessity as well as a moral imperative."

Serey Chea, Director General, National Bank of Cambodia

"ACCESS, AFFIRMATIVE ACTION AND KNOWLEDGE ARE CRITICAL"

We don't just need a gender inclusive financial system, said Dr. Maya Morsy, National Council for Women in Egypt; it should also be gender responsive to meet women's unique needs. Different strategies are required: affirmative action in banking so that women are involved in decision making, considering rural women as agents on the ground, and financial education, although this will not automatically lead to financial inclusion. "There are still educated women without bank accounts and it is important to have programs for both the literate and illiterate."

"WE NEED TO WORK ON THE DATA"

Lobna Helal of the Central Bank of Egypt emphasized the need to work on market data to understand the demand side and to uncover more evidence on the impact of financial literacy training. "We need more evidence to the training more effective and to change mindsets. Timing of the training is also crucial."

LEAPFROGGING FINANCIAL INCLUSION THROUGH NEW TECHNOLOGIES/FINTECH

MODERATOR

Professor Njuguna Ndung'u, Educator

PANELISTS

Alexandre Lazarow, Omidyar Network

Xiaoxiao Li, People's Bank of China

Jessica Chew, Bank Negara Malaysia (BNM)

Ayman Hussain, Central Bank of Egypt

When people can save, send and receive money safely, and access affordable credit and insurance services, they are in a better position to protect themselves from economic shocks, build their assets and invest. Digital finance, FinTech and other innovative technologies are helping to accelerate financial inclusion and economic growth. What are some of the successful and innovative business models and what are the regulatory challenges?

REGULATORY SANDBOXES

Bank Negara Malaysia's FinTech Regulatory Sandbox tests innovative FinTech solutions to bridge the gap in financial inclusion, with a focus on three main interventions: e-KYC and online remittance transactions; web/mobile apps for insurance products; and alternative providers for payments, remittances and credit. This test-and-learn approach has yielded important lessons, including:

> Engaging with solution providers and coordinating across central bank departments through advisory or enabler groups is crucial to ensure regulatory compliance; and

> FinTech is a continuous learning curve so a willingness to learn is vital. FinTech companies and regulators should pursue ongoing education and research, such as through regulatory boot camps and soliciting ideas from the public through the 'FinTech Hacks' initiative.

NEW FORMS OF INVESTMENT

Omidyar Network pursues three types of investments to advance financial inclusion:

1) reducing the distribution costs of reaching underserved populations with financial services;
2) disrupting the high information costs of credit risk assessments for this group of consumers; and
3) bringing innovative products and services to market that leverage this lower cost environment.

THE CAUTIOUS PROMISE OF FINTECH

FinTech has evolved and expanded dramatically in China over the last few years. New market entrants have innovative models, delivery channels and products that leverage the massive scale and network infrastructure of online e-commerce and social media platforms. This rapid growth is due in part to FinTech companies meeting demand from consumers and MSMEs traditionally neglected by financial institutions. However, as Xiaoxiao Li of People's Bank of China cautioned, "Not all FinTech products provided by FinTech companies are appropriate to meet the needs of unserved or underserved populations; different models could represent new sources of risk for financial stability and consumer protection."

TRENDS TRANSFORMING THE FINANCIAL INCLUSION LANDSCAPE

In Egypt, four trends are shaping financial inclusion through new technologies: a young population with a mobile penetration rate of more than 100 percent; new market players, like mobile banking agents, incubators, accelerators and startups; low levels of electronic payments with huge potential to create jobs and drive economic growth; and new FinTech providers that offer services via a national switch. These trends have translated into nine million mobile money subscribers (as of August 2017) and 65 percent annual growth in mobile payments (May 2017).

TRANSFORMING THE LIVES OF FORCIBLY DISPLACED PERSONS (FDPs) THROUGH FINANCIAL INCLUSION

MODERATOR

Mr. Andreas Proksch, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH

PANELISTS

Natascha Beinker, German Federal Ministry of Economic Cooperation and Development (BMZ)

Maha Bahou, Central Bank of Jordan

Claire Scharwatt, GSMA

Sofiene Marouane, MENA Financial Action Task Force (FATF)

Nangi Massawe, Bank of Tanzania

When refugees reach a new country, they usually do not have any identification. How can policymakers and regulators facilitate access to financial services and what are the regulatory challenges and solutions to meeting the financial needs of forcibly displaced persons (FDPs)?

The financial inclusion of FDPs features prominently in policy dialogues in both developing and developed countries, yet there is still limited implementation on the ground. This reflects the challenges involved in generating political will and the capacity to respond with concrete, practical solutions. However, financial inclusion for FDPs is a pressing issue for many AFI member countries and a priority on the global financial inclusion agenda.

THE ROLE OF THE FATF

While local authorities are responsible for identifying and calibrating the risks of providing financial services for FDPs, the role of the Financial Action Task Force (FATF) is to promote and apply standards that are relevant and ensure compliance. Policymakers and regulators can identify low-risk areas for the unbanked or people who lack formal identification and then mitigate the risk using a risk-based approach.

SIMPLIFIED KYC

In Tanzania and Jordan, countries that are hosting large numbers of FDPs, simplified and innovative KYC options and alternative identity documents are being explored. Maha Bahou of the Central Bank of Jordan suggested that since the technology is available, biometric, fingerprint and iris recognition should be considered, and Nangi Massawe of the Bank of Tanzania suggested it could be useful to explore replicating projects like those of the World Food Programme, which issues food and mobile wallet SIM cards to FDPs.

"It is vital to support FDPs through financial education programs to help them make best use of scarce resources. This should be complemented with livelihood opportunities and training."

Nangi Massawe, Bank of Tanzania

"Our approach should be holistic, as the challenges faced by FDPs are also psychological and social; it is an issue of dignity and privacy. We believe that a holistic approach will help build resilient systems."

Maha Bahou, Central Bank of Jordan

FDPS: A PRIORITY FOR THE GERMAN G20 PRESIDENCY AND THE GPFI

Financially including FDPs has been a priority for the Germany G20 presidency, and the GPFI Financial Inclusion Action Plan (FIAP) now officially recognizes FDPs as a vulnerable group. A task force has been set up within the GPFI to address FDP issues, a special report on regulatory perspectives of addressing the financial inclusion of FDPs was published in partnership with AFI, and a high-level forum was conducted in Berlin earlier in 2017. This dialogue will continue as the action plan is implemented. The GPFI aims to deliver a road map with specific activities to ensure that FDP issues are addressed within the larger financial inclusion agenda.

"We may have come a long way but there is still a long way to go. There are regulatory challenges and they are not easy to address, especially because every context is very different from the other."

Natascha Beinker, BMZ

MOBILE MONEY: A MISSED OPPORTUNITY?

Today, mobile technology is ubiquitous and, in many countries, SIM registration is mandatory. Unfortunately, the registration documents issued to FDPs by organizations like UNHCR are still not considered legal identity documents. However, GSMA has the technology to issue SIM cards, register users and leverage agent banking. Claire Scharwatt said that opening mobile money accounts for FDPs during a crisis situation, which is largely a closed loop system, is a missed opportunity. Ensuring a smooth transition to an open-loop system would guarantee FDPs are financially included in a sustainable way.

"There is political fear that providing too many services may attract more refugees and this causes reservations among regulators and policymakers. Thus, there is a need for political and regulatory intervention to provide contextualized solutions and implementation."

Claire Scharwatt, GSMA

NEXT STEPS: WHAT CAN AFI DO?

Even if an AFI member country is not currently hosting FDPs, it is still crucial for all members to participate in dialogue and debate on the role of regulators in addressing the financial inclusion issues associated with the forced displacement crisis, which is affecting a growing number of countries. AFI was encouraged to facilitate this dialogue and provide a mechanism to coordinate member countries affected by forced displacement, such as through the AFI Working Groups or peer learning platforms.

FINANCIAL INCLUSION DATA TO MAKE INVISIBLE MARKETS VISIBLE

MODERATOR

Mr. Hayder Al-Bagdadi, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH

PANELISTS

Luis Gustavo Mansur Siqueira, Banco Central do Brasil

Temitope Akin-Fadeyi, Head, Financial Inclusion Secretariat, Central Bank of Nigeria

Celina Lee, Facility Lead, insight2impact (i2i) Data Facility

Caren Robb, Deputy Group Managing Director, Letshego Holdings

Rigorous measurement, evidence-based policymaking and impact assessments can help to promote financial inclusion for marginalized groups. Measurement efforts should go beyond tracking access to services and focus on identifying the financial needs of unserved and underserved segments to develop and implement appropriate market and policy solutions.

MEASURING FINANCIAL INCLUSION IS ABOUT MORE THAN JUST NUMBERS AND STATISTICS

The proper application of good data is vital to promoting evidence-based financial inclusion policy. Measuring financial inclusion is about more than just numbers and statistics. It is ultimately about people and how to best understand and communicate their needs and design appropriate products and services.

As we approach the last mile of financial inclusion, the need to develop targeted policy solutions to reach unserved and underserved segments becomes more apparent. AFI's Denarau Action Plan, which focuses on increasing financial inclusion for women, is a prime example of these targeted interventions. To close the financial inclusion gender gap, data is a key diagnostic tool for understanding the financial needs of women, developing appropriate remedial actions and measuring impact.

The conventional approach to financial inclusion measurement has focused on measuring account ownership and access to financial services. This approach provides an overview of product uptake, but little information on how using these products has met the financial needs of consumers. It has also not been applied to the design of products and services, as there is no correlation between product uptake and real-life usage.

HIGHLIGHTING DIVERSITY, PROMOTING INCLUSION AND MAKING INVISIBLE MARKETS VISIBLE

This session discussed the importance of adopting a needs-based approach to financial inclusion impact measurement, rather than measuring it in terms of access to products and services. This approach would identify and measure the needs of consumers and the impact financial services have on their lives.

This approach is based on the premise that consumers use financial services to meet specific financial needs, including making payments and meeting expenses, coping with emergencies and financial shocks, and acquiring assets such as buying a house. A needs-based approach enables regulators and financial services providers to better understand consumer needs and develop appropriate products to meet those specific needs.

"The needs-based approach goes beyond the access strand, and assesses consumers' financial needs, then examines the action consumers take to respond to those needs, which service providers, products and services they use, either formal and informal."

Richard Chamboko, Measurement Manager, Insight2Impact

Traditional data collection has been effective at measuring the uptake of financial services, but new approaches are available to better understand consumer and market needs and respond to them effectively. Stakeholders agreed there is need to invest in the development of customer-centric measurement frameworks.

The AFI network has demonstrated a commitment to developing tools and strategies that go beyond measuring access to focus on consumers of financial services. This session demonstrated that data can be used to highlight diversity, promote inclusion and make invisible markets visible.

PILLARS OF GENDER DIVERSITY

MODERATOR
Ms. Karen Miller, Women's World Banking

PANELISTS
Dr. Monique Nsanzabaganwa, National Bank of Rwanda
Jessica Schnabel, IFC Egypt
Nathan Naidoo, GSMA

Achieving gender diversity in different contexts will advance women's financial inclusion. This session examined the barriers impeding progress on gender diversity and identified practical solutions to increasing gender diversity in AFI member institutions.

BARRIERS TO GENDER DIVERSITY

Outdated leadership models, inflexible working practices, socio-cultural barriers, biases in talent management, financial literacy, education levels, KYC issues, and traditional ways of life, especially in rural areas, are all barriers to gender diversity.

To address these barriers, gender diversity needs to be seen as a strategic leadership issue, and AFI recognizes that those in leadership positions can drive change. The Denarau Action Plan encourages the private sector to develop a better understanding of the female market segment to tailor products and services to women's needs. For example:

> **Digitizing social transfers and government payments** (for which most beneficiaries are women) could help to increase women's uptake of mobile money, particularly if payments are made into women's accounts, not to male heads of households.

> **Customizing digital products and services for sending international remittances**, as women represent half of all remittance senders globally.

> **Providing easy access to a range of trusted agents** to ensure uptake and continued use by female clients.

> **Understanding the financial needs of women** and focusing on solutions that lead to gender diversity and create energizing goals (particularly important for central banks).

> **Making gender diversity a consolidated effort of a range of stakeholders**, including regulators, banks and other financial providers, and international agencies. Identify the role of each stakeholder in achieving gender diversity, for example, government regulators can create an enabling environment and financial providers need to be aligned and responsive to women's needs.

PEER-TO-PEER IN-COUNTRY SUPPORT 2.0: THE AFI APPROACH

MODERATOR

Mr. Norbert Mumba, Deputy Executive Director, Alliance for Financial Inclusion (AFI)

PANELISTS

Mr. Joseph Attah, Head, Strategy Coordination Office, Financial Inclusion Secretariat, Central Bank of Nigeria

Davaansuren Sodnomdarjaa, Chair, Financial Regulatory Commission of Mongolia

Johnson P. Asiama, Deputy Governor, Bank of Ghana

Lucas Llach, Vice Governor, Banco Central de la República Argentina

With demand for AFI's peer-to-peer in-country approach on the rise, this session explored options to meet growing demand sustainably, increase the visibility of members and strengthen cooperation and partnerships.

AFI has the opportunity to expand its outreach and showcase tested and practical policy solutions, but the approach needs to be sustainable. The following are panelists' reflections on how their institution has benefited from the AFI approach and how this could be sustained.

IN THEIR OWN WORDS

Johnson P. Asiama, Bank of Ghana

"The Bank of Ghana has benefited from AFI's peer advisory approach by sharing our financial inclusion journey and receiving practical policy solutions from the membership. We need to ensure that this approach is sustained and leverages the opportunities the network provides for collaboration with key financial inclusion stakeholders."

Lucas Llach, Banco Central de la República Argentina

"As a new member of AFI, we appreciate the importance of AFI as a peer platform for financial inclusion policies in the world. As the Central Bank of Argentina embarks on its G20 presidency, it will leverage AFI and consider relevant financial inclusion themes to facilitate socio-economic integration, such as formalizing the informal labor force and other relevant topics."

Tarek Amer, Governor, Central Bank of Egypt

"The Central Bank of Egypt appreciates the importance of the AFI network. In the context of enhancing and sustaining the in-country implementation approach, it is imperative that AFI continually improves communication between its members. One major event is not enough to provide technical details."

Dr Jesimen Tarisai Chipika, Deputy Governor of the Reserve Bank of Zimbabwe

"The Reserve Bank of Zimbabwe (RBZ) has benefited from AFI's peer-to-peer in-country implementation approach during the development of its National Financial Inclusion Strategy. The RBZ is keen to provide effective pro-poor programs to generate income (for MSMEs), and a special fund has been set aside to facilitate this initiative. As a peer platform, AFI has provided vital information during this GPF by sharing what the National Bank of Rwanda has learned about the advantages of Savings and Credit Cooperative Organization (SACCO) in financial inclusion."

ROLE OF ISLAMIC FINANCE IN SUPPORTING FINANCIAL INCLUSION

MODERATOR
Nik Mohd Zainul Kamarun, Alliance For Financial Inclusion

PANELISTS
Amr R. Ahmed, Jo-National Payment Council, Central Bank of Jordan

H.E. Khalil Sediq, Governor, Da Afghanistan Bank

What impact is Islamic finance and banking having on financial inclusion in Muslim and non-Muslim majority countries in the AFI network? What policies and regulations are required to enable Islamic finance and banking, and how can Islamic banks, microfinance institutions, and financial services providers seize the market opportunities to reach more households and SMEs and close the gap in financial inclusion?

Islamic finance is growing at a fast pace in both Muslim majority and non-Muslim majority countries, with total assets of more than USD$1.8 trillion in 2017 and projected 10 percent annual growth - a clear opportunity to foster financial inclusion. The prohibition of interest, prohibition of speculative behavior, risk sharing, asset-based transactions, and sanctity of contracts are all characteristics of Islamic finance that appeal to a broad base of financial consumers.

EXPERIENCES ON THE GROUND

In Jordan, where about 25 percent of the population deals with Islamic banks, the central bank is considering how to promote financial inclusion through Islamic finance in its National Financial Inclusion Strategy. Meanwhile, in Afghanistan, the central bank has enabled Islamic regulation and guidelines to foster Islamic banking products and services, and microfinance institutions have leveraged Shar'ia-complaint Islamic finance schemes, such as Murabahah (non-interest loan agreements), to increase access to finance for smallholder farmers and low-income populations. However, as Governor H.E. Khalil Sediq of Da Afghanistan Bank pointed out, "One challenge we face in Afghanistan is that 65 percent of the population is uneducated and financial inclusion is not available to them. We still have a long way to go to educate and gain people's trust to use Islamic banking."

WHAT IS NEEDED NOW? INNOVATIVE PRODUCTS AND SERVICES

Islamic finance is key to financial inclusion. To encourage people to participate, new products and services are needed that meet their needs, such as innovative retail financial services. In Asia, Africa and the Middle East, low-income individuals and MSMEs are taking advantage of microtakaful (insurance schemes for low-income population) and Murabahah (non-interest loan agreements) offered through Islamic microfinance institutions, while governments have financed long-term infrastructure projects through Sukuk (Islamic bonds) and Mudarabah (profit and loss-sharing investment agreements).

"It is not a must to be Muslim to be attracted to Islamic products, rather it is the diversity of products."

Amr R. Ahmed, Jo-National Payment Council, Central Bank of Jordan

THE OPPORTUNITY FOR ISLAMIC FINANCE IN SUB-SAHARAN AFRICA

Islamic finance has a presence in 21 African countries, including countries with established Islamic finance systems like Sudan, as well as new entrants like Uganda. With the Muslim population of Sub-Saharan Africa projected to grow to over 385 million by 2030, it is expected that demand for Shari'ah-compliant products will only increase.

ACCELERATING PROGRESS, SCALING SOLUTIONS

MODERATOR
Ms. SungAh Lee, Bill & Melinda Gates Foundation

PANELISTS
Mr. Loi Bakani, Governor, Bank of Papua New Guinea

Ms. Sheila Mmbijjewe, Deputy Governor, Central Bank of Kenya (CBK)

Ms. Ibtissam El Anzaoui, Head of Financial Inclusion, Bank Al Maghri

Strong commitments to financial inclusion are widely recognized as catalysts for country-level implementation and progress. This session brought together AFI's 'goalkeepers' to share the key milestones, lessons and challenges of delivering on Maya Declaration commitments.

Since 2011, AFI members have leveraged the Maya Declaration to advance financial inclusion at a national level, elevating the issue, engaging partners and getting buy-in from stakeholders. Sung-Ah Lee of the Bill & Melinda Gates Foundation described the Maya Declaration as a "critical driver" of in-country commitment and implementation of financial inclusion and an "accelerator" of financial services for the poor across developing and emerging countries. AFI members who got on board early in 2011 have either met and renewed their Maya targets or achieved significant progress. However, progress has not always been smooth.

COMMON CHALLENGES IN MEETING MAYA COMMITMENTS

Limited budget: AFI member institutions need to allocate budget to scale initiatives and implement financial inclusion strategies. This is one area in which partners could step in, such as commissioning demand-side surveys or collaborating on capacity building.

Improving national coordination: In many AFI member countries, a consultative process for developing national financial inclusion strategies has proven effective in engaging stakeholders.

Better monitoring and evaluation of impact: This is an important step, not only for assessing the success of a commitment embedded in a strategy, but also for renewing and refining it. Timely, accurate and complete data is crucial for policymaking, but data collection can be challenging, and research is needed on the social dynamics of the poor. This is another area in which partners could contribute.

LESSONS FROM THE AFI NETWORK

Papua New Guinea: Create a strong implementation framework
"A strong and effective national coordination framework is the key to success in implementing financial inclusion commitments." – Loi Bakani, Bank of Papua New Guinea

Kenya: Innovate then regulate
"The Central Bank of Kenya follows an 'innovate then regulate policy' in which Maya Declaration commitments are centered around evidence-based policymaking, research, data collection and analysis." – Sheila M'mbijjewe, Central Bank of Kenya

Morocco: The Maya Declaration is for the people
"Bank Al Maghrib's commitment to the Maya Declaration is not for the bank, but to mobilize national stakeholder support behind one public and their international commitment to financial inclusion." – Ibtissam El Anzaoui, Bank Al Maghrib

NEXT STEPS FOR AFI

Having only scratched the surface of this discussion, AFI should expand the dialogue on the challenges members face in delivering on their Maya commitments, or perhaps conduct an informal regional survey through the Regional Managers to provide tailored support to members. It was also recommended that AFI plan a network-wide communication regarding the Bill & Melinda Gates Foundation's accelerator program and encourage members to be more proactive in reporting progress on their commitments.

INNOVATIVE DIGITAL TECHNOLOGIES AND MICROFINANCE: RIDING THE WAVE

MODERATOR
Ms. Nadine Chehade, CGAP

PANELISTS
Chris Low, Letshego Holdings
Nadeem Hussain, Planet Group
Amalendu Mukherjee, Microcredit Regulatory Authority of Bangladesh
Davaansuren Sodnomdarjaa, Chair of the Financial Regulatory Commission, Mongolia

There are many ways microfinance institutions can leverage technology to offer financial services for the poor. This session showcased some of the best examples from the AFI network and highlighted the operational and regulatory interventions needed to ensure microfinance 'goes digital'.

KEEPING THE HUMAN TOUCH

Most microfinance customers are poor, unbanked or underbanked, with limited experience using either formal financial services or technology, especially for payments and other financial services. There is an important human and social element to microfinance, and it is a huge behavioral shift for customers to move from cash-intensive to cashless, technology-based transactions. With digital technology, there is a threat of losing the human touch.

How can these concerns be addressed to ensure microfinance institutions (MFIs) and their customers adopt and use new digital technologies? And with low financial literacy among microfinance customers, what are the implications for consumer protection?

"MFIs are responsible for providing social services. There is a need for full-fledged digital platform without changing the human touch."

Amalendu Mukherjee, Microcredit Regulatory Authority of Bangladesh

EASING THE TRANSITION TO DIGITAL

Several companies are finding that well-designed digital microfinance products and services help to ease the transition, and regulatory interventions can also encourage MFIs to use new technologies, particularly for conducting KYC processes and due diligence, credit assessments and delinquency management.

However, they have learned valuable lessons along the way:

Regulatory dialogue is critical to fast rollout
Letshego introduced technology to the microfinance sector through the Blue Box model, which provides banking services to established financial institutions. The service is fast in processing transactions and Letshego is willing to spread its services to other countries such as Ghana and Namibia. The biggest challenges have been providing support for different languages and the lack of electricity in many areas.

Regulatory changes are needed for MFIs
Planet Group established its MFI 30 years ago and the portfolio has reached 10 million customers in Pakistan. The public sector has played an important role in the success of the microfinance sector, but big changes are needed: specialized licenses should be issued to microfinance banks and there should be a regulation for digitizing the microfinance sector and to facilitate larger numbers of customers.

Education and behavior change takes time
For the Microcredit Regulatory Authority of Bangladesh, educating and changing the behavior of microlenders to adopt technology has been a long, ongoing journey. "As the world runs toward digitization, the Microcredit Authority of Bangladesh is adapting to the changes while retaining the human element."

The investment is worth it
The Financial Regulatory Commission of Mongolia stressed that digital financial technology is cost-effective and allows non-bank microfinance to make profits even though the initial investment is high.

RECOMMENDATIONS

Technology is the future for microfinance. However, offering technology-led financial services, especially to low-income segments with limited experience using technology or formal financial services, can be challenging. Three key recommendations emerged from this session:

> **High investment costs can be mitigated** with the use of 6-digit USSD rather than smartphones and POS;

> **The regulator has a key role to play** in the microfinance sector's transition to digital; and

> **Mobile operators play an important role** in managing customer protection and education.

RESPONSIBLE FINANCIAL INCLUSION

MODERATOR
Ms. Pia Roman Tayag, Bangko Sentral ng Pilipinas

THEME SETTER
Mr. Gregory Chen, CGAP

PANELISTS
Hernán M. Colmán Rojas, Superintendente de Bancos del Paraguay

Luis Vaz, Central Bank of Portugal (BoP)

Lasha Gzirishvili, National Bank of Georgia

Asmaa Bennani, Bank Al-Maghrib

Eric Barbier, TransferTo

In the shift to digital, how do we strike a balance between achieving financial inclusion and protecting consumers from the risks of digitization, like data privacy? This session featured policies and tools that policymakers, financial services providers and researchers are using to create enabling environments for consumer protection and promote progressive, sustainable and responsible financial inclusion.

THE VIEW FROM THE GROUND: A SPOTLIGHT ON AFI MEMBERS

Portugal: In Portugal, where financial inclusion is widespread and most people have access to financial services through their mobile, relatively low levels of financial literacy and digital skills are adding an extra layer of risk: security and digital access. “Security risks and transparency are key, and youth are the starting point for creating awareness of those risks. Financial education is one of the areas where they can act.” - Luis Vaz, Central Bank of Portugal

Morocco: In Morocco, where 99 percent of transactions are conducted in cash, DFS will reduce cash circulation and improve consumer protection. Despite the risks, digital finance can dramatically reduce the time it takes to bridge the financial inclusion gap, especially for rural residents and women.

Georgia: Digital finance plays a big role in Georgia and is a growing trend in financing as commercial bank branches disappear. The rate of access to financial services is high as all transactions are done through accounts, but banks need to empower consumers to use new digital channels. This includes providing easy-to-understand terms and conditions in the absence of an agent. “Providing basic information to consumers is not enough, and is especially useless if the consumer does not understand the information provided.” - Lasha Gzirishvili, National Bank of Georgia

RECOMMENDATIONS

Data protection: To financially include the unserved and underserved through rapidly changing digital financial services, consumers need to understand the information they receive about data protection (i.e. disclosures, terms and conditions) and understand that their privacy is not endangered.

Cooperation with stakeholders: Regulators and policymakers must cooperate and collaborate with other stakeholders, including with non-financial institutions, to achieve financial inclusion that is responsible, accountable and has integrity.

FINANCIAL INCLUSION AND CLIMATE CHANGE: AFI MOVING FORWARD

MODERATOR
Dr. Dalia A. Kader, Arab African International Bank

THEME SETTER
Mr. Jean Baden Dubois, Governor, Banque de la République d'Haiti

PANELISTS
Mr. Denton Rarawa, Governor, Central Bank of Solomon Islands

Mr. Shitangshu Kumar Sur Chowdhry, Deputy Governor, Bangladesh Bank

Dr. Whande Webster, SouthSouthNorth Africa NPC

The Sharm El Sheikh Accord is an unprecedented commitment by AFI members to link financial inclusion and climate change. What policy and regulatory initiatives will be needed to align them? How will economic and environmental risks be mitigated? And how can donors and partners contribute to this new initiative? These and other questions were tackled by panelists from countries most affected by climate change.

A CHANGE IN MINDSET

In the absence of financial inclusion, environmental crises like climate change can deepen poverty. However, only 40 percent of AFI members polled at the AGM had climate change as a focus, and only 40 percent saw a relationship between climate change and financial inclusion. As Dalia A. Kader of the Arab African International Bank pointed out, "There must be a move from a bilateral relationship (financial inclusion - society) to trilateral (financial inclusion - society - environment). This is about a change in mindset."

THE VIEW FROM THE GROUND: A SPOTLIGHT ON AFI MEMBERS

The countries most affected by climate change are also low-income countries that are the least equipped to deal with it. The poor and women also suffer much more than any other group when natural disasters strike because they lack financial resources and safety nets to prepare and recover, and tend to be more dependent on agriculture. The financial risks arising from climate change threaten the stability of financial markets and national development, and although it is costly to address, AFI members agree that we cannot continue to live as we have in the past.

Haiti: In Haiti, natural disasters have a huge macroeconomic impact, with the agricultural sector most affected. Financial inclusion, however, can help to build resilience to climate change.

Pacific Islands: In the Pacific Islands, climate change is a matter of survival, as an event like a cyclone can set countries back many years. For the Central Bank of Solomon Islands, like other central banks, climate change is a new issue that needs to be better understood and it plans to develop its capacity in this area and to better understand the needs of the poor.

Bangladesh: In Bangladesh, the central bank is driving efforts to deal with climate change with the highest political commitment and support. It has prepared a national investment plan under the Paris Agreement that has been approved by the Government. "Without sustainability/green finance in place, financial inclusion may not be realized fully." - Shitangshu Kumar Sur Chowdhry, Bangladesh Bank

> *"Financial inclusion enables countries and communities to plan. If we do not incorporate climate change now in our planning, then the cost of adaptation will be very high. Countries have put together National Development Contributions, regardless of the wealth of the country."*
>
> **Dr. Whande Webster,** SouthSouthNorth Africa NPC

WHAT CAN AFI DO?

The collective voice of AFI can be effective in influencing global initiatives on climate change. AFI must develop strong relationships with other international organizations and engage in advocacy at the global level, including at COP23, the G-20 and other high-level forums.

Global climate funds are hard for AFI members to access, but AFI can help to access those funds through relationships with these institutions.

Through peer learning, we can learn more about what we can do on financial inclusion and climate change. Joint Learning Programs could be held on financial inclusion and climate change, which could also become a focus for the Global Standards & Policy Committee.

THE G20 GLOBAL PARTNERSHIP FOR FINANCIAL INCLUSION (GPFI): A DIALOGUE WITH THE GERMAN AND ARGENTINIAN PRESIDENCIES

MODERATOR

Mr. Robin Newnham, Head of Policy Analysis and Capacity Building, Alliance for Financial Inclusion

PANELISTS

Mr. Lucas Llach, Vice Governor, Banco Central de la República Argentina

Mr. Natascha Beinker, BMZ

As the G20 presidency prepared to shift from Germany to Argentina, this session updated AFI members on the focus areas and achievements of the German G20 Presidency and the perspectives of the incoming Argentinian Presidency, and discussed how the G20 Global Partnership for Financial Inclusion (GPFI) and AFI members can collaborate to advance the global agenda on sustainable financial inclusion.

As a key implementing partner of the GPFI, AFI has a mandate to bring the voices of non-G20 nations to the table. In 2017, AFI supported work on FDPs, SME financing and implementing digital financial inclusion principles.

"We are really proud to have many non-G20 countries at the GPFI. It is really a partnership [between AFI and G20 GPFI]. There is so much to learn from each other."

Natascha Beinker, BMZ

FDPS: NO 'ONE SIZE FITS ALL' SOLUTION

Forcible displacement is a huge global crisis, with about 65 billion people currently forcibly displaced. The German Presidency added the issue of refugees and FDPs to its agenda, and AFI and the G-20 met in April 2017 on the G-20 GPFI and the topic of FDPs. The meeting acknowledged there was no 'one size fits all' solution. The GPFI is tasked with developing a roadmap in 2018 to identify ways to improve the situation and more discussion is planned.

SME FINANCE: SUPPORTING A STRONGER SECTOR

With an SME financing gap of two trillion dollars, the GPFI is continuing work that began in 2015 to develop an action plan on SME financing, which looks at credit infrastructure for SMEs. The GPFI sent a questionnaire to all G-20 members on credit infrastructure, such as collateral registry, and presented its work on SME financing at the AFI Working Group meeting in Seychelles in March 2017. The GPFI also conducted a study that assessed how SMEs could support sustainable value chains. This work is important for climate change, and GPFI also conducted a study on climate-friendly enterprises that focused on agricultural risk insurance and ways to support SMEs on climate adaptation, providing recommendations for policymakers and regulators.

DIGITAL FINANCIAL INCLUSION: IMPLEMENTING THE G-20 PRINCIPLES

Launched by the Chinese Presidency, implementation of the G20 Principle of Digital Financial Inclusion was taken up by the German Presidency, and a GPFI study on emerging approaches to digital financial inclusion found there is a need for information exchange and mutual learning.

ARGENTINIAN G20 PRESIDENCY

The 2017 GPF helped to provide input for the Argentinian G20 Presidency as financial inclusion will be a high priority on its agenda and Argentina will work to ensure continuity from the German Presidency. Although the main objectives of the Presidency had not yet been announced, key financial inclusion topics under the Argentinian G20 presidency will likely be how financial inclusion can formalize the informal sector and how technologies can deepen financial inclusion.

"The rate of return for financial inclusion is enormous, but part of the challenge is to convince richer nations that financial inclusion benefits are not only for the poor and the marginalized, but also for the country's financial system."

Lucas Llach, Banco Central de la República Argentina

NEXT STEPS FOR AFI

AFI will continue working with the Argentinian G20 Presidency on peer learning for financial inclusion. In particular, the Argentinian presidency looks forward to working in partnership with AFI to learn from successful member approaches to implementing digital financial inclusion, and to develop the G20's Roadmap for the Financial Inclusion of Forcibly Displaced Persons.

"AFI is a bank of experiments on what works and does not work."

DG Lucas Llach, Banco Central de la República Argentina

CONCLUSIONS AND POLICY OUTCOMES OF THE 2017 GPF

The 9th Global Policy Forum in Sharm El Sheikh provided important direction for the continued development of AFI's policy programs and member services:

> **First,** AFI members expressed strong demand for more normative policy guidance on policies that are already having a demonstrated impact, while retaining a strong bottom-up, peer-learning philosophy. Guided by this mandate, the AFI Global Standards and Policy Committee has overseen the development of a framework for endorsement of AFI Policy Models — policies that have been widely implemented, had demonstrated impact and which all members will be encouraged to adopt.

> **Second,** the GPF provided clear direction on priority topics for AFI's FinTech for Financial Inclusion workstream, with substantive discussions on the potential of regulatory sandboxes, Reglabs and other regulatory innovations to support technology-led financial inclusion efforts, and strong interest in topics such as digital identity to overcome client onboarding and KYC challenges. The sessions also highlighted the need for national frameworks for cyber resilience to ensure the risks of digital financial services are suitably managed. AFI's Digital Financial Services Working Group has responded by establishing subgroups for FinTech and RegTech as well as cybersecurity, and AFI will publish a special report, FinTech for Financial Inclusion, highlighting promising financial inclusion use cases.

> **Third,** with the adoption of the Sharm El Sheikh Accord, the GPF was an important milestone for AFI's new Financial Inclusion, Climate Change and Green Finance workstream. The commitment of members in this area will now be integrated in existing AFI working groups, new capacity building programs will be developed, and collaborative partnerships will be forged with key international actors whose work in these fields complements the network's focus.

> **Finally,** the GPF highlighted what has become increasingly apparent in recent years: that AFI members are deriving clear added value from regional initiatives as a complement to global dialogue and peer learning. Issues such as de-risking and the financial inclusion of forcibly displaced persons (FDPs) vary in their impact and relevance from region to region, so policy solutions need to be tailored and adapted to local circumstances. By launching the Financial Inclusion in the Arab Region Initiative (FIARI) and the Africa & Middle East Regional Office of AFI, the 9th GPF in Sharm El Sheikh strengthened both the network's regional presence and policy analysis of regional issues.

CLOSING CEREMONY

The 2017 Global Policy Forum concluded with the announcement that the Central Bank of Russia will host the 10th annual GPF in 2018, the first to be held in the Europe Central Asia region.

"We do believe that the next meeting will be productive; for both promoting financial inclusion globally and AFI's institutional development.

See you in Sochi, September 2018."

Elvira Nabiullina, Governor, Central Bank of Russia

Alliance for Financial Inclusion
AFI, Sasana Kijang, 2, Jalan Dato' Onn, 50480 Kuala Lumpur, Malaysia
t +60 3 2776 9000 **e** info@afi-global.org **www.afi-global.org**
Alliance for Financial Inclusion AFI.History @NewsAFI @afinetwork