



BANK INDONESIA



# The 2010 AFI Global Policy Forum Report

Taking financial inclusion  
to the next level



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## From Nairobi to Bali



The 2010 AFI Global Policy Forum  
Taking financial inclusion to the next level  
27-29 September, Bali, Indonesia

Reflecting back on 2010, we are sure you will agree it has been an exciting year to be part of the AFI community.

Momentum was high after the first annual Global Policy Forum (GPF) in Nairobi in late 2009 and this energy was carried into 2010, with the AFI network converting some of the best ideas from Nairobi into concrete action. Three working groups—Financial Inclusion Data and Measurement, Mobile Financial Services, and Financial Integrity—and five Policy Champions delved into issues ranging from consumer protection to mobile financial services.

The Knowledge Exchange program was extremely successful in 2010, with nearly 20 AFI member organizations participating in about a dozen country visits. The outcomes were significant: stronger ties were forged between AFI members, important knowledge and experiences were shared, and policymakers in developing countries embraced the concept of peer-to-peer learning. With even more connections forged at the 2010 Forum, we expect this program will continue to thrive.

The AFI network has grown in both size and vibrancy over the last year. More than 60 developing country policymaking institutions became AFI members, which has meant that individuals from 50 countries are now connecting, participating, sharing, and forming bonds as peers. This rich knowledge network is a hub of innovation and provides leadership on solutions to one of the world's major economic development challenges. New ideas generated by members at our annual meeting can, and will, change the course of the future.

Over the last year, developing countries gained a voice and a foothold in the most important global policy dialogue about financial inclusion: the G20 process. AFI's Global Policy Forum gave participants the opportunity to engage directly with the G20 co-chairs responsible for financial inclusion and to help influence the final outcomes and commitments of the Seoul Summit.

This year's Forum co-hosted by Bank Indonesia and held in Bali raised the bar a notch, challenging us to find ways to take financial inclusion to the next level. President Yudhoyono's groundbreaking speech set the tone for a higher level of leadership and commitment by governments. The discussion and creative thinking generated over the course of the three-day meeting will help pave the way for AFI's activities in 2011. Many of these outcomes are captured in this summary report.

**Darmin Nasution**  
Governor  
Bank Indonesia

**Alfred Hannig**  
Executive Director  
Alliance for Financial Inclusion

## Taking financial inclusion to the next level

The theme of the 2010 AFI Global Policy Forum, “Taking Financial Inclusion to the Next Level”, infused Forum proceedings with a tone of innovation and progress. Forum sessions and exhibits featured three interpretations of the 2010 GPF theme, which were echoed in the opening remarks of distinguished speakers who set the scene for three days of vibrant dialogue.

### Leadership and Strategy

Professor Njuguna Ndung’u, Governor of the Central Bank of Kenya and AFI steering committee president, expressed his pleasure that AFI is “*providing the platform and channel for our members to participate and shape the global financial inclusion agenda, such as the G20 financial inclusion initiative*”. Over the last year, stories of countries benefiting from strong leadership on financial inclusion have illustrated that financial inclusion is a powerful tool for poverty alleviation and economic growth, and have helped to move financial inclusion onto the global agenda. This year’s GPF provided a high-level platform for sharing smart policies from the developing world and for shaping global leadership initiatives on financial inclusion. The first group of sessions at the Forum focused on the **potential of leadership** to devise national strategies and approaches and to elevate financial inclusion to the global agenda.



### Policy Development

Dr Alfred Hannig, Executive Director of the Alliance for Financial Inclusion, described the next level as “*an increase in the speed, size, and scale of implementation of policy solutions to realize their potential and ultimate impact*”. This theme was brought to life in the technical discussions that headlined the second set of sessions, which focused on **policy development and implementation**. These sessions highlighted practical steps policymakers are taking in their countries to advance financial inclusion through focused, issue-specific dialogue. Sessions delved into policy development in both established and exploratory areas of financial inclusion policy.

“We have each come to this Forum because we are trying to figure out how, as policymakers, we can foster successful financial inclusion models in our countries. How can we make sure solutions are sustainable, and systems are credible and also reach the poorest? This AFI network is about finding solutions to these common goals of financial inclusion.”

Professor Njuguna Ndung’u, Governor,  
Central Bank of Kenya and Chair of  
AFI Steering Committee



### Network Learning in Action

Dr Darmin Nasution, Governor of Bank Indonesia, declared that the GPF would once again be a platform for network learning: *“We will be able to learn what activities proved to be successful and which ones continue to face challenges, and more importantly, we will be able to pick up lessons during this relatively early stage.”* The third set of Forum activities focused on the **AFI network as a living source of knowledge** with its peer-to-peer learning activities. The network stays connected and humming between the annual GPFs through knowledge exchange visits, working group meetings, and the online member zone, and these activities were introduced to the wider AFI network.

Over the course of three days, 250 policymakers from 57 institutions representing 44 countries discussed leadership and strategy, policy development, and network learning. Policymakers were at the forefront of Forum proceedings, bringing diverse expertise to the table and taking ownership of the event.

“This strong commitment we carry is not only from our determination to see the poor improve their lives, but also due to the fact that financial inclusion will ultimately support an important goal that central banks and other financial authorities around the globe share - that is the perseverance of financial stability. ”

Dr. Darmin Nasution, Governor, Bank Indonesia



# Innovative financial inclusion - a cornerstone of poverty reduction

The President of the Republic of Indonesia, H.E. Dr Susilo Bambang Yudhoyono, delivered a groundbreaking opening keynote address that inspired participants and set the stage for a successful event.

The President opened the Global Policy Forum by reflecting on how the global financial crisis, which reached its peak in the year since the AFI network met in Nairobi, spurred national and global efforts to make the financial system more accessible to the poor: *“We used the crisis as an opportunity to begin reforming the architecture of the global financial system—an ongoing process that we must keep up.”*

He recognized the G20 as the premier forum for international economic cooperation and noted the position of economic development and financial inclusion (a central pillar of economic development) on its agenda. *“The G20 reflects the 21st century landscape of the world economy, which includes both the developed and emerging economies.”* The G20 meeting was a key event ahead of the Seoul Summit in late 2010, where global cooperation around financial inclusion was on the agenda and non-G20 countries were able to evaluate the proposed activities and have their voices heard. The President declared that Indonesia, together with AFI, is ready to bring developing country perspectives on financial inclusion to the attention of G20 leaders.

Poverty alleviation is a top priority for Indonesia and financial inclusion is an essential component of its poverty-alleviation strategy. *“Financial inclusion is a central theme for all of us because most of those in poverty do not have access to financial services—savings, loans, transfer payments, and insurance—at a reasonable cost. The exclusion of people will only perpetuate their poor lives.”* The President added that greater financial inclusion will ultimately reduce poverty and inequality.

The President stressed the importance of tackling poverty in developing countries through financial inclusion, but that countries must do so on their own terms: *“I call on all the participants of this forum to set your own national targets, develop your own objectives, commit to your own appropriate targets and allocate a certain budget for financial inclusion.”*

The President encouraged a rich dialogue at the GPF among peers from the developing world: *“This forum will enable us to exchange views on our respective national efforts, and discuss the issue of financial inclusion in the context of global efforts to tackle poverty. With that in mind, I hope that this forum could benefit from best practices and lessons learned from the experiences of different countries and institutions. I also invite you to share any groundbreaking ideas to make innovative financial inclusion more effective in helping reduce poverty.”*



**“Financial inclusion that addresses poverty must be innovative. It must not be business as usual.”**

Innovative financial inclusion:  
a cornerstone of poverty reduction  
*continued*



“Let us make this forum a bridge between our national, regional, and global efforts. Let us collaborate and synergize our works to eradicate poverty through financial inclusion. I am convinced that we have just as much to share as we do to learn. We are looking forward to hearing your experiences from Asia, Africa, and Latin America so we can be inspired by your ideas and make our own financial system stronger, more inclusive, and innovative.”

The President outlined six conditions for implementing successful financial inclusion innovations:

- **Leadership**

In Indonesia, 400,000 unbanked individuals became part of the formal financial system thanks to government guarantees to credit totalling 2 trillion rupiah (200 million USD) and up to 20 trillion rupiah in microfinance activities through the government’s Kredi Usaha Rakyat KUR (Credit for the People) program.

- **Accountability and coordination**

Indonesia is currently developing a national cluster program that will strengthen coordination between institutions responsible for both upstream and downstream development.

- **Diversity**

In Indonesia, microenterprises make up 99% of the business sector. To serve their financial needs, various microfinance schemes have been developed, such as Lembaga Perkreditan Desa (LPD) or Village Credit Institutions. Promoting competition and market-based incentives such as these are an important way to encourage financial inclusion.

- **Innovation**

Innovation allows financial products and services to be customized to those who need it and it is critical for creating a diverse set of solutions to financial inclusion.

- **Culture**

Many people do not feel comfortable using banks to store their money. This is common in Indonesia, where two national programs have been launched to shift this mindset: Ayo ke Bank’s “Let’s go to the Bank” (2008) and another with the slogan, “whatever the product, ensure the benefits, understand the risks and consider the costs” (2009).

- **Strong regulatory framework**

Innovative financial inclusion works when a strong regulatory framework balances international standards and national conditions.

# Leaders' roundtable: approaches to cross-sector policy leadership and coordination for financial inclusion

## Discussants

**Atiur Rahman**, Governor, Bangladesh Bank

**Benno Ndulu**, Governor, Bank of Tanzania

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

**Kingsley Chiedu Moghalu**, Deputy Governor, Central Bank of Nigeria

**Felipe Tam Fox**, Superintendent, Superintendencia de Banca, Seguros Y AFP (SBS), Peru

Moderator: **Graeme Maxton**, The Insight Bureau

## Context

Building an inclusive financial sector is firmly on the agenda of many financial sector policymaking bodies. Leadership in this effort was apparent at the Leaders' Roundtable, where senior financial sector policymakers gathered to discuss their commitment to financial inclusion as a mainstream financial sector policy and to lay out their visions. Policymakers are pursuing financial inclusion for many reasons—economic growth, poverty alleviation, or greater financial stability—and it is emerging as a priority issue on both national and global agendas. Some leaders are taking their policies to the global level, such as the G20, while others are taking the lead in promoting financial inclusion domestically.

Leadership in this effort was apparent at the Leaders' Roundtable, where senior financial sector policymakers gathered to discuss their commitment to financial inclusion as a mainstream financial sector policy and to lay out their visions.

## Challenges

Policy leaders are tailoring national approaches to financial inclusion in ways that address the unique challenges their countries face. Significantly, regulatory bodies are also embracing opportunities to lead and coordinate national approaches to financial inclusion.

By understanding the current players in industry and policymaking, and by assessing strengths and weaknesses in a country's financial system (such as gaps in serving the real economy and consumer trust and protection), regulators are finding financial inclusion strategies that work.

Commitment and leadership in this area are evident, but challenges in achieving financial inclusion remain. Around the table, leaders face **resistance from the private sector and challenges of policy coordination, low consumer confidence, fraud, and insufficient national identification systems.**

## Strategies

Rather than scrap the financial inclusion agenda in the face of these challenges, leaders have adapted with a variety of innovative approaches, from financial education "road shows" to collecting advice from peers to bringing the banking industry on board with mobile financial services.

Across countries, regulators have worked to establish an **enabling regulatory framework** for microfinance institutions. In this task, leaders have been mindful of new standards in the banking landscape, such as the introduction of Basel III capital requirements. It is widely recognized that an enabling regulatory and supervisory approach for microfinance should be simplified but stringent to reflect the unique risks of microfinance, especially the qualitative aspects of corporate governance and risk management. In response to the unique challenges of banking the poor, many countries have established dedicated departments and institutions to provide rigorous on- and off-site supervision of microfinance activities.



Leaders' roundtable: approaches to cross-sector policy leadership and coordination for financial inclusion  
*continued*



“The challenge and obligation for the State to promote use and access of the financial system by the poor requires a creative and flexible approach for identifying the tools that can foster the development of new products and services that reach new segments of the population.”

Guillermo Babatz, President, Comisión Nacional Bancaria y de Valores, CNBV

**Expanding outreach** through the use of agents and technology such as mobile phones and POS devices is also a major item on national financial inclusion agendas. Leaders have tailored their approaches to domestic markets and the banking sector, tending to favour a strong role for banks in all models. Some countries have assumed a “late-mover” advantage by learning from the experiences of other countries, which has made them more comfortable and flexible when dealing with non-bank providers and cooperating with other government players.

Regulators are keen to bolster this leadership with **more sophisticated data**, which would help them to inform future policies and monitor progress. Regulators are no longer content with basic outreach data, such as number of accounts in a country. They are now interested in understanding other dimensions, such as usage, to identify positive socioeconomic contributions to the lives of the poor. Policymakers acknowledge that additional effort and resources will be required to

gather data, such as financial inclusion surveys and databases, but recognize the importance of measuring and understanding the usage and quality of financial services.

#### **Next steps**

Leadership from the highest levels of financial sector policy offers great potential for expanding financial inclusion. As regulators, supervisors, and policymakers champion financial inclusion and take steps on issues that cut across departments and bodies, leadership can be supported with clear mandates, policy documents, data, and appropriate institutional structures.

## HRH Princess Máxima: leadership and coordination

HRH Princess Máxima of the Netherlands, UN Secretary General's Special Advocate for Inclusive Finance for Development, opened the Leaders' Roundtable via videoconference from the Netherlands.

HRH Princess Máxima expressed pleasure with the policy momentum around financial inclusion at both the national and global level in 2010, as demonstrated by the G20 initiative and the large gathering of committed policymakers at the GPF. Princess Máxima urged policymakers to coordinate financial inclusion activities at three levels: across countries through AFI and other channels, with existing standard-setting bodies, and, most importantly, on national platforms where stakeholders can discuss the many dimensions of financial inclusion.

Princess Máxima encouraged policymakers to start simply and focus on three key elements required to build an inclusive financial sector. First, create a **national payment system**—a precondition for accounts, services, and innovation, and a critical step towards universal access (defined as a transaction point for all within a reasonable distance). These efforts should be complemented by adequate **consumer protection and rights** and **data for monitoring progress**. To reach these goals, financial inclusion should be brought within the framework of the national financial system and driven by a leader with sufficient authority to address the full range of issues.



“What do I mean by coordination? It is important to have a national platform where stakeholders can discuss the many dimensions of financial inclusion. At the end of the day, only through strategic partnership will we get financial inclusion at the right place at the right price.”

H.R.H. Princess Máxima of the Netherlands,  
UN Secretary-General's Special Advocate  
for Inclusive Finance for Development

# Prospects for a G20 action plan on financial inclusion

## Discussants

Yongbeom Kim, Co-chair, G20 Financial Inclusion Experts Group (FIEG)

Paul Flanagan, Co-chair, G20 Access through Innovation Sub-Group (ATISG)

Njuguna Ndung'u, Governor, Central Bank of Kenya

Muliaman Hadad, Deputy Governor, Bank Indonesia

Amar Bhattacharya, Director of Secretariat, Group of 24

Moderator: Graeme Maxton, The Insight Bureau



## Context

This session was hosted by the co-chairs of the G20 Financial Inclusion Experts Group (FIEG) and the G20 Access Through Innovation Sub-Group (ATISG). The purpose of the session was to gather feedback from the AFI network regarding the G20 action plan and key deliverables for the Seoul Summit in November 2010. The session provided an opportunity for AFI members, and non-G20 countries in particular, to learn about the process, recommendations, and actions to date, as well as the prospects for the G20 Summit in Seoul.

The session also focused on identifying priority activities for developing countries. AFI members and key stakeholders had the opportunity to share their priorities and opinions with the co-chairs of the G20 FIEG and the ATISG, as well as present proposals for concrete implementation activities in developing countries. Participants were asked to provide feedback on the type of support and collaboration the G20 could facilitate or provide to developing countries pursuing these activities, as well as the added value that the G20 could bring.

## Next steps

The co-chairs introduced the proposed **Global Partnership for Financial Inclusion (GPFI)**, which will include non-G20 countries and relevant stakeholders. The partnership will leverage existing initiatives to avoid duplication of activities and act as a consultative and coordination mechanism for these efforts. The GPFI was approved at the Seoul Summit in November 2010, and AFI, as an implementing partner and supporter of inclusiveness, will feed non-G20 country input into its agenda.

The **G20 Action Plan for Financial Inclusion** was also announced in Seoul, outlining concrete actions to implement the G20 Principles on Innovative Financial Inclusion. The Action Plan will include national actions on the G20 principles, further engagement with standard-setting bodies, and more work with the private sector. It will also support improved data coordination and collection to promote evidence-based policies. Through the Action Plan for Financial Inclusion, the G20, in collaboration with non-G20 countries and other stakeholders, can make substantial inroads in achieving universal access to financial services. This new and inclusive approach to development is a reflection of a changing mindset within the international community that focuses on engaging, supporting, and sharing knowledge with and between developing and emerging market countries.

## Policy lab: creating a strategy for financial inclusion

Amongst financial sector policymakers, there has been a clear preference for strategic thinking, thoughtful planning, and coordination to reach the goals of financial inclusion.

### Discussants

**Carlos Serrano**, Comisión Nacional Bancaria y de Valores (CNBV), Mexico

**Samuel Thompson**, Central Bank of Liberia

**Kamari Zaman Juhari**, Bank Negara Malaysia

**Inia Naiyaga**, Reserve Bank of Fiji

**Carlos Alberto Moya Franco**, Banca de las Oportunidades, Colombia

**Umesh Sarangi**, NABARD, India

Moderator: **Nimal Fernando**, Inclusive Finance International & AFI Associate

### Context

In developing strategies for financial inclusion, financial sector policymakers tend to engage in strategic thinking, thoughtful planning, and coordination to achieve their goals. With or without a strategy document, this approach has emerged as an important tool for those taking a leadership role. Regulators are devising their own strategies for financial inclusion and are no longer working in isolation. Their strategies are either integrated with or closely linked to broader financial sector and development goals because of their familiarity with financial sector master plans and poverty reduction strategies. Policymakers were brought together in this session to showcase unique, well-designed approaches and to articulate a clear philosophy of financial inclusion that includes a broad set of initiatives, from building the capacity of cooperatives to harnessing new information and communication technologies.

Two common themes stand out from the session:

**1. Financial inclusion strategy goals are country-specific.** Every national financial inclusion strategy is grounded in local conditions and a particular financial sector and is therefore often focused on addressing specific weaknesses or challenges. Some countries are already aware of the gaps in their financial system and are working to address their needs such as recapitalized banks or financing for microenterprises. In other countries, the strategy is simply to identify the barriers.

**2. Data and diagnostics have an important role to play in national financial inclusion strategies.** As both initial drivers and supporting pillars, data and diagnostics can help to uncover the state of financial inclusion, design policies, monitor progress, and even lead the market. Countries use data differently, but the focus is rarely limited to setting numerical targets.

In developing strategies for financial inclusion, financial sector policymakers tend to engage in strategic thinking, thoughtful planning, and coordination to achieve their goals. With or without a strategy document, this approach has emerged as an important tool for those taking a leadership role.

Policy Lab: Creating a strategy  
for financial inclusion  
*continued*



Better data may even be the backbone of a strategy for financial inclusion that measures and diagnoses the status of financial inclusion in a country, provides information to financial actors to lead the market, and, in the longer term, assesses policies.

#### Strategies

The scope of current national financial inclusion strategies goes beyond national microfinance strategies of the past to pull a variety of initiatives to reach the unbanked under one umbrella. Two common elements appear in many strategies. First, there is a strong emphasis on using **existing infrastructure**, banks, and other financial institutions instead of creating new institutions and direct delivery of services. These institutions may be public or private and include existing development finance institutions, post banks, agricultural banks, cooperatives, self-help groups, and commercial banks (depending on the national context).

Second, **consumer protection and financial empowerment** are a key part of nearly all the strategies, indicating that regulators are very concerned about the experiences that poor and more vulnerable customers have with the formal financial

system. Policymakers are taking an active role in promoting consumer protection and empowerment either by setting market conduct standards and providing redress mechanisms, or indirectly through other players, such as supporting financial education in public schools.

#### Next steps

Strategies for financial inclusion are usually a direct outcome of leadership from financial sector policymakers. While national strategies may differ in approach, they demonstrate that financial inclusion is not a “one-off” effort, but rather an ongoing process that requires informed policy interventions, revisions, and new additions. Setting an appropriate and evolving financial inclusion agenda through continuous, formalized engagement between policymakers and stakeholders (where relevant) would provide great support to these initiatives.

# Developing a financial inclusion strategy: the case of Indonesia

## Presentation by

Muliaman Hadad, Deputy Governor, Bank Indonesia

### Context

Indonesia has a rich history of successful financial inclusion initiatives that include Bank Rakyat Indonesia (BRI) and the LPDs (Village Credit Institutions). As part of its mandate, the central bank is spearheading more innovations that reflect a consistent, systematic, and holistic strategy to reach the unbanked. This strategy is rooted in financial sector goals, builds on past successes, and responds to the current economic climate.

In Indonesia, the central bank estimates that 60% of the population has no or very limited access to the formal financial system. Banks are the backbone of the country's financial system and BI supports banks in order to promote the financial inclusion agenda, but there is also space for private sector and public-private partnerships to play a greater role in financial inclusion. The Indonesian government is also engaged in a variety of programs at the national and regional level that support financial inclusion. To help facilitate better coordination and synergy in these efforts, BI encourages a common understanding of the scope and definition of financial inclusion.

### Strategies

The global financial crisis provided Indonesia with many lessons and insights that have informed a new approach to financial inclusion. BI's traditional function has been to ensure monetary stability, but its mandate has now expanded to include **financial stability**. Under this new mandate, financial inclusion is a key element in ensuring financial stability. The bank has a **four-pronged strategy** for robust financial inclusion: financial eligibility, proportional supportive regulation,



facilitation, and financial education, all supported by basic infrastructure such as a legal system and credit bureaus.

To build these four pillars, BI's new initiatives span the supply and demand side of financial services. On the demand side, BI considers **consumer protection** to be a critical part of financial inclusion and stability, and helps banks to empower their clients. BI also works to empower consumers through **financial education** projects, such as a public-private partnership that launched the national financial education campaign, "Let's go to the bank". Credit bureaus for individuals, SMEs, and BI innovations such as a financial identification number (FIN), are helping to expand eligibility and access to financial services. On the supply side, recent initiatives focus on providing affordable "no frills" savings accounts through the TabunganKu (MySaving Program), building a culture of saving and advocating responsible approaches to microcredit.

## Taking policy leadership to the next level

“The commitment and leadership within the AFI community of policymakers gives me hope that perhaps the day when people living on less than \$2 a day have access to a wide range of financial services, including savings, is not so far in the distance.”

Bob Christen, Director, Financial Services for the Poor, Bill & Melinda Gates Foundation

“AFI represents an exciting new approach to development and cooperation. Policymakers in this network are part of a coming sea change in the way international cooperation happens - a change that empowers developing country policymakers to learn from each other and implement the solutions that are right for their country circumstances.”

Christoph Beier, Managing Director, GIZ and AFI Steering Committee Member

“We are leaders in poverty alleviation and financial inclusion in our own jurisdictions; we face diverse and unique challenges requiring innovative mindsets to overcome obstacles; and we are in close cooperation by sharing and exchanging experiences and viewpoints. May the virtues of those three elements always support our effort in financial inclusion.”

Halim Alamsyah,  
Deputy Governor, Bank Indonesia

“I would say that a financial inclusion program cannot stand for itself. It will require other programs, to make it effective, and I would recommend to start integrating financial inclusion programs with other basic programs which directly affect the lower classes of society, especially in developing countries.”

S. Budi Rochadi,  
Deputy Governor, Bank Indonesia

# The regulator's challenge: balancing innovation, inclusion, and safety in mobile financial services

## Discussants

Raymond Estioko, Bangko Sentral ng Pilipinas

Syed Irfan Ali, State Bank of Pakistan

Michael Mukete, Bank of Namibia

Carlos Lopez-Moctezuma, Comisión Nacional Bancaria y de Valores (CNBV), Mexico

Claire Alexandre, Bill & Melinda Gates Foundation

Moderator: Michael Tarazi, CGAP

## Context

Mobile financial services (M-fs) continue to be a key area of interest for regulators and are surfacing in broader financial sector goals and national strategies to reach the unbanked. The discussion has progressed significantly since the last Global Policy Forum in Nairobi, where policymakers rated sessions on mobile financial services very highly and exposure to the topic was a priority. As a group, regulators have recognized the potential of mobile phones to dramatically reduce the cost of delivering financial services to where poor people live and work. As a model of delivery, it is not only highly accessible and convenient, but its relatively small fees can also cover the cost of doing business.

## Outcomes

Simply put, **the debate about whether to enable mobile money has been won.** Regulators have now shifted their attention to addressing technical issues of implementation, developing appropriate policies, safeguarding against prudential risks, and preserving the integrity of the financial system. Led by members of the newly formed **AFI Mobile Financial Services Working Group**, the conversation deepened in Bali as regulators explained how they were formulating approaches to increase outreach through M-fs.

Enabling the movement of mobile money through regulation is akin to building infrastructure—it provides a way for different players to provide a variety of financial services products through appropriate partnerships.





The regulator's challenge: balancing innovation, inclusion, and safety in mobile financial services  
*continued*

The discussion has evolved from a debate on whether Mobile Network Operators (MNOs) or banks should take the lead in expanding outreach of M-fs to a conversation about **emerging business models and partnerships** for M-fs. Banks play a role in all of the new business models, but country experiences vary. Some prefer a prominent role for the bank (for legal and supervisory reasons) while others allow MNOs to drive business and reach out to clients with low-value, high-volume transactions.

Despite the differences, there is a broad understanding that **the preference is for regulation to be flexible** enough to allow different business models and partnerships to coexist. Traditional providers such as banks, typically reluctant to enter this market, may feel threatened by new entrants taking advantage of this flexibility. However, fresh competition between entities and models can spur action and expand outreach, bringing positive benefits for financial inclusion.

In this session, policymakers agreed that **regulation is a journey**. In the initial stages of launching mobile financial services, regulators can avoid regulating on paper by providing sufficient oversight through ongoing dialogue with industry and testing innovations within limits. Regulators should invoke the principle of proportionality, first developing their own criteria and then regulating accordingly. The regulatory journey continues even in experienced countries where regulation is updated for expanded outreach. A flexible and unfolding approach proves that regulation does not necessarily have to inhibit the business case for M-fs.



#### Next steps

M-fs can play a role in expanding financial inclusion by offering financial services other than payments. With more services, clients could move up a ladder of products that includes interest-bearing savings accounts. This might involve unbundling bank products and offering them separately through different players based on their strengths, who might later form partnerships. Enabling the movement of mobile money through regulation is akin to building infrastructure—it provides a way for different players to provide a variety of financial services products through appropriate partnerships. In many markets, the challenge now is to **scale up financial inclusion** with more M-fs and outreach. In many cases, constraints to expansion are not regulatory, but practical.

Deeper questions raised in this session about practical implementation, supervision, consumer protection, interoperability, cross-border issues, reporting requirements, and reaching those still outside the reach of mobile financial services, will continue to be pursued by the AFI Mobile Financial Services Working Group. The group will convene with the aim of developing principles and good practices for enabling mobile financial services and will work closely with the G20.

# Better data for better policies on financial inclusion

## Presentations by

Alejandro Vázquez Zavala, Comisión Nacional Bancaria y de Valores (CNBV), Mexico

David Porteous, Bankable Frontier Associates & AFI Associate



## Context

Policies to advance financial inclusion begin with an understanding that millions of people do not have access to quality financial services. Effective policy design benefits from good data that identify gaps in access, use, and quality, and measures impacts and trends over time. While there has been notable progress in gathering data on microfinance in recent years, in-depth data on financial access, use, quality, barriers, and impact are still lacking or inconsistent across countries.

At last year's Global Policy Forum, a few countries reported on their progress in collecting financial inclusion data and found strong common interests with other policymakers in the audience. This group mobilized to form the **AFI Financial Inclusion Data Working Group (FIDWG)**. Representing approximately 15 member institutions, FIDWG will support data and measurement efforts by developing and using a common framework for measuring financial inclusion that includes agreement on basic components and priority indicators. FIDWG will develop a **financial inclusion measurement framework**, including a **set of core indicators** that will directly contribute to the activities of the G20 Global Partnership for Financial Inclusion.

## Outcomes

The Working Group hosted a highly interactive discussion in a "World Café" format in which small groups of participants addressed three questions to gain feedback on the FIDWG indicator framework under development. The framework outlines **three dimensions of financial inclusion**—access, usage, and quality—and offers relevant components and indicators to measure each of these. Participants discussed the relevance and usefulness of the proposed set of indicators as well as the potential of this framework as a cross-country tool.

Participants' collective experience in measuring financial inclusion in different countries brought important reflections to the table. Participants were keen to consider **issues of quality in financial access** to ensure sound and balanced access, and a strong case was made to address and measure quality even in the early stages of financial inclusion. The group cautioned that, in many low access countries, unregulated providers (or providers regulated by a body other than the usual financial sector regulators) are not typically captured by supply-side data, and efforts would be needed to get a complete and accurate picture of the financial inclusion landscape. To improve the strength of the indicator framework, **measures of inequality** would also need to be added to understand the causes of financial inclusion and design appropriate policy. Other products such as **remittances and microinsurance** should also be captured to give a complete picture.

## Next steps

These and other valuable inputs were well-received and will inform the work of the Financial Inclusion Data Working Group as the framework continues to be developed and implemented through the data initiatives of AFI member countries. The Group will also share lessons learned on survey methodology, analysis, and using data to inform policymaking and target-setting.

# The complementarity between financial integrity and financial inclusion

## Discussants

**José Christian Carreón Álvarez**, Ministry of Finance and Public Credit, Mexico

**Jorge Yumi**, Superintendencia de Banca, Seguros Y AFP (SBS), Peru

**Raúl Hernández-Coss**, Comisión Nacional Bancaria y de Valores (CNBV), Mexico

**Ngoni Mangoyi**, National Treasury of South Africa

Moderator: **Nicola Jentzsch**, DIW Berlin & AFI Associate

## Context

In this session, discussions from Nairobi and the **AFI Financial Integrity Working Group (FINTWG)** were moved forward to explore innovative policy solutions for supporting both financial integrity and financial inclusion. The work of this group is driven by a new understanding that **financial integrity and financial inclusion are strengthened when more people join the formal financial system**. With greater financial integrity and inclusion comes less reliance on cash, improved transparency, and better monitoring of transactions.

Financial integrity standards and guidelines relevant to financial inclusion are issued by the **Financial Action Task Force (FATF)** under the FATF 40+9 recommendations. FATF has emerged as the primary standard-setting body with which policymakers and industry leaders engage. Realizing that financial integrity is strengthened when more people are in the formal financial system, G20 leaders have asked standard-setting bodies such as FATF to include financial inclusion on their agendas. FINTWG will use their collective experience and engagement with FATF to share knowledge on the practical application of the FATF 40+9 recommendations, the flexibility they offer for financial inclusion, and the country assessment and evaluation process that is required.

## Outcomes

As the discussion evolves, the **FATF 40+9 recommendations** on financial inclusion will go beyond

KYC/CDD requirements to include the supervision of innovative financial products, reporting of suspicious transactions, and coordination of responsibility for such reporting. The key to innovative policy solutions is a **risk-based approach or risk assessments** that support simplified KYC/CDD requirements. Determining different risk categories remains a challenge, and FATF has embarked on a process to engage the private and public sector in deciding what constitutes different levels of risk and then establishing a common understanding that can be applied in practice. The FATF plans to issue a guidance note and consider financial inclusion in its review of the methodology of the 40+9 recommendations.

FATF maintains there is **flexibility in their recommendations**, but policymakers face the challenge of leveraging this flexibility to devise national policies that meet international standards. Industry, in turn, is challenged to comply with these policies without being too cautious. Understanding the assessment process and criteria of the FATF regarding flexibility is vital. Failure to comply may bring critical repercussions in national investment, and compliance officers at financial institutions are often reluctant to utilize flexibility and tend to err on the side of caution, which means they often do not support financial inclusion.

**FATF-style regional bodies (FSRBs)** provide a great opportunity to learn and build capacity with peers from one's region and implement financial integrity standards. These meetings then provide FINTWG with an opportunity to share country experiences and collaborate with FSRBs to include their perspectives on financial inclusion.

## Next steps

FINTWG will act as a platform for developing countries to share their successes with implementing the FATF standards and leveraging its complementary objectives. These activities are timely, following the G20 leaders' call for international standard-setting bodies to review guidelines relevant to financial inclusion. Mexico's Ministry of Finance, which currently holds the FATF Presidency and chairs the FINTWG, is taking a lead role in organizing discussions to move financial inclusion onto the financial integrity agenda.

# The role of policy in enabling safe places to save

## Presentations by

Camilla Nestor, Grameen Foundation

Kim Vada, National Bank of Cambodia

Lauren Hendricks, CARE Tanzania

Andrés Arauz, Central Bank of Ecuador

Moderator: Wolfgang Buecker, GIZ

## Context

Savings are a fundamental tool for building assets, managing cash flows, and insuring against unforeseen events. Savings products are in demand among the poor who are able and willing to save: households already use numerous informal saving mechanisms from ROSCAS to money guards. Informal mechanisms are convenient and flexible and may even offer high returns. However, informal services can be risky and perceptions of risk may increase with higher value savings. This session highlighted how policymakers and regulators can help to **expand access to innovative, safe, convenient, and reliable savings** by integrating microsavings into regulatory and supervisory practices.

Formal savings services are essential for meeting the financial needs of the poor. There is room for formal and informal financial institutions to coexist and complement each other's work. Research shows that consumers use a **combination of services** offered by banks, SACCOs, and informal institutions to maximize their benefit. In Tanzania, informal institutions may have an important role to play in improving access and generating demand for formal services and would benefit from regulation that allows partnerships and linkages with formal providers.

## Challenges

Simply creating regulations that allow mature microfinance institutions to enter the formal sector and to take deposits does not guarantee the mobilization of formal savings services. These services can offer security, but providers still face the challenge of **creating services that are as convenient and flexible as the informal sector**. The results of new regulatory

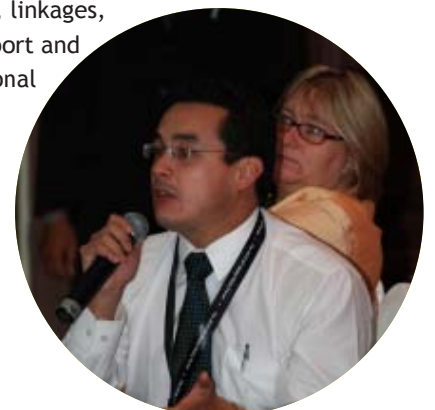
frameworks have been mixed. There have been successes in countries such as Cambodia where deposit-taking institutions have been licensed. National savings have increased significantly and the industry has benefited from a low-cost source of funds. In other cases, the **complexity of regulation and the resources needed to supervise new providers (or business lines) have been pitfalls** to success. Mobilization by formal sector providers has also been hindered by a **lack of consumer trust in formal providers**, generated by a lack of transparency in microcredit operations and the recent financial crisis.

## Strategies

Where regulation alone has not increased uptake of formal savings products (and even where it has), regulators are using complementary initiatives to increase uptake in the short term. These include incentives that tackle barriers such as high initial costs of brick and mortar branches or funding "mini" branches and technology that expand outlets and outreach. Supporting **policies that mobilize savings** may also include enabling the use of agents, modifying KYC requirements, promoting consumer protection, and introducing non-bank players such as telcos. Some countries are trying different avenues, such as supporting and formalizing local and trusted providers like cooperatives.

## Next steps

Enabling microfinance institutions to take deposits safely will remain on the policy agendas of regulators, but this will not be the only approach to bring formal savings to the poor. To scale up formal savings products, regulators are using new modes of outreach—partnerships, linkages, and technology—that support and complement more traditional microfinance regulations. Discussions on these new approaches continue to unfold.



# Consumer protection and financial education: taking the concept into practice



## Presentations by

**Koid Swee Lian**, Bank Negara Malaysia

**Giovanna Prialé Reyes**, Superintendencia de Banca, Seguros Y AFP (SBS), Peru

**Jan Augustyn**, National Credit Regulator, South Africa

**Katharine McKee**, CGAP

Moderator: **Beth Rhyne**, Center for Financial Inclusion, ACCION International

## Context

Capable, aware, and protected consumers contribute to the stability and efficiency of the microfinance sector and the financial system as a whole. The consumer protection and financial education session adopted a marketplace format in which four conversations took place simultaneously and identified initiatives in consumer empowerment and market conduct. The discussions focused on key policy questions that are open for debate, such as how to establish and implement a comprehensive framework for market conduct and consumer empowerment, making market conduct supervision effective, and assessing consumer protection challenges to draft a list of country-specific priorities.

## Challenges

Comprehensive approaches to consumer protection and financial education focus on building confidence in the financial sector and well-informed, empowered consumers. Initiatives aimed at **consumer awareness and financial literacy** are central to these approaches, but, to date, the discussion has not identified one specific policy or regulatory institution to lead the way in developing a comprehensive framework for market conduct and consumer empowerment.

## Challenges and strategies

For some regulatory institutions, **resource and capacity constraints** have actually spurred effective market conduct oversight and enforcement. These institutions have found success by **focusing strategically** on

consumer protection issues and legal cases that have potential large-scale impact on consumers and the financial system. This has been achieved by employing **enforcement tools** have included targeting the worst offenders or sending compliance letters that regulators know will have a multiplier effect throughout the industry. However, not all cases require this type of response and it is important to use the right tool for the right situation.

Central Banks have departed from their traditional regulatory and supervisory role and are now active in financial education to empower consumers to make informed decisions. Scaling up these efforts is a challenge for policymakers because of the **high costs of outreach programs**. Passing the costs onto banks is one option that regulatory institutions have addressed. Another option is to create a “waterfall effect” whereby new financial education initiatives are spread and shared among households and other individuals.

National issues and high levels of variation across countries can limit widespread application and adoption of consumer protection initiatives. Policymakers can use diagnostic tools, such as consumer research, to assess and identify where oversight and resources are needed. **Consumer research** also provides policymakers with knowledge of customer needs and guidance on tailoring market conduct tools to low access areas. In the absence of a set of best practices, this can aid policymakers in developing a list of consumer protection policies that meet people’s needs.

## Next steps

This session revealed the need to move this discussion forward, and members supported the creation of an **AFI Working Group on Consumer Empowerment and Market Conduct**. The group will promote widespread adoption of evidence-based policy and regulatory solutions for consumer protection that contribute to financial inclusion. Additionally, the group will serve as a platform for discussing critical and emerging policy and regulatory issues and concerns.

# Advancing financial inclusion through innovative partnerships

## Discussants

Anne-Françoise Lefèvre, World Savings Bank Institute

Ali Abbas Sikander, Tameer Microfinance

Nils Clotteau, Universal Postal Union

Maybelle M. Santos, Smart Communications

Syed Irfan Ali, State Bank of Pakistan

Emílio Carlo Teixeira de França, Central Bank of Brazil

Moderator: David Porteous, Bankable Frontier Associates & AFI Associate

## Context

Innovative partnerships exist in a variety of financial inclusion models and include actors from both the private and public sector. Consensus is building among policymakers and industry leaders that, although there are different approaches to creating an enabling environment for financial inclusion, successful partnerships offer benefits to everyone. From a policymaker's perspective, this might mean going beyond developing regulations to developing partnerships. Forming partnerships is only the first step—their ultimate success is determined as partners work through new regulations and negotiations over time.

## Challenges

It is generally accepted that different environments require different policy approaches to bring financial services to low-income populations. However, there is also a need for **regulatory consistency**, and policymakers agree that an ideal environment would require any market player performing the same function and providing the same service to comply with the same regulation. In reality, new partnerships and players are often met with reluctance from market players, and frequent interaction and discussion between policymakers and industry leaders may be required to identify mutually beneficial objectives. To ensure a sustainable partnership, it is important that these roles and responsibilities are clearly defined and that a degree of legal certainty is established.



Forming partnerships is only the first step—their ultimate success is determined as partners work through new regulations and negotiations over time.

Advancing financial inclusion  
through innovative partnerships  
*continued*

### Strategies

Partnerships form when there is an incentive for different parties to enter into an agreement to support new or ongoing work. Incentives vary between market players, creating a **diverse range of partnership opportunities**. Some market players seek to scale up their client base by partnering with mobile operators, whereas others aim to build a sustainable business by receiving fees for their services (such as case for post offices). In other cases there may not even be a profit incentive, but rather a social benefit such as targeting an excluded group. These incentives may change over time and it is important to have flexibility within regulations and contract agreements for partnerships to evolve and meet new challenges.

### Next steps

Moving forward, partnerships will play a key role in enabling low-income segments of the population to access financial services. The cross-cutting nature of partnerships supports policies that expand financial services through mobile financial services and agent banking.

Postal banks and mobile telecommunications operations have been identified as potential partners due to their capacity to scale up a customer base, but many other untapped opportunities exist as long as the right incentives are in place. In the nascent stage of development, policymakers may be required to actively support the initiatives, but as regulations and partnerships develop there will be a need to establish a level playing field in terms of regulation to allow other partnerships or models to enter the market.

Policymakers may be required to actively support the initiatives, but as regulations and partnerships develop there will be a need to establish a level playing field in terms of regulation to allow other partnerships or models to enter the market.



## Insights from AFI knowledge exchanges

AFI knowledge exchange visits provide a window into the life of AFI between Global Policy Forums. These visits embody the AFI philosophy that dialogue with fellow policymakers and seeing the fruits of policymaking first-hand are extremely effective ways to understand and internalize policy knowledge.

### Discussants

**Rochelle Tomas**, Bangko Sentral ng Pilipinas

**George Sije**, Bank of Tanzania

**Norasi Bukhamana**, Bank of Thailand

**Matu Mugo**, Central Bank of Kenya

Moderator: **Alfred Hannig**, Alliance for Financial Inclusion

AFI knowledge exchange visits provide a window into the life of AFI between Global Policy Forums. These visits embody the AFI philosophy that dialogue with fellow policymakers and seeing the fruits of policymaking first-hand are extremely effective ways to understand and internalize policy knowledge.

Policymakers were in the driver's seat for the knowledge exchanges and demonstrated clear purpose and direction in determining policy questions, as well as a deep understanding and clarity about how to apply policy in their own countries. Their quest for learning transcended regions and borders as policymakers visited other parts of the world to find answers to their questions and fulfill their objectives.

In this session, participants presented their personal knowledge exchange stories, the effect knowledge exchanges had on their policy decisions, and the concrete policy outcomes of the visits. These powerful accounts provided a compelling proof of concept for AFI and evidence of the power of knowledge sharing.

### ① Consumer protection: Bangko Sentral ng Pilipinas visits Bank Negara Malaysia

The Bangko Sentral ng Pilipinas (BSP) team visited Bank Negara Malaysia (BNM) to learn from their experiences with consumer assistance, transparency and disclosure, and consumer education. Driven by a concern for the vulnerability of poorly educated low-income clients, the BSP is aiming to find the right balance between full financial access and consumer protection. To meet this objective, the BSP has sought to enhance its complaints handling through the BSP consumer affairs group, coordinate consumer protection efforts across all national players, and integrate existing financial education efforts into a national campaign.

Over a two-day period, BSP met with BNM's Consumer and Market Conduct Department headed by Koid Swee Lian, AFI Policy Champion in Consumer Protection, and other important players in the Malaysian consumer protection area. The BSP identified key policy insights, such as how BNM's integrated contact center for consumer assistance, BNM Link, interacts directly with consumers and provides feedback into policy. Through strong market conduct initiatives, BNM demonstrated how it has created a culture of vigilance that extends beyond the department and is effective at protecting consumers. The BSP also pointed out the importance of measuring impacts periodically and recognized a need for baseline data to make this possible.

The BSP returned home with a menu of best practices in consumer protection and financial education. Since the exchange, the BSP Monetary Board has been actively advocating for an integrated approach to financial education and different sectors have come together to support this. The BSP is proposing regulation on the use of a uniform disclosure statement for all types of loans for microfinance and non-microfinance



Insights from AFI knowledge exchanges  
*continued*

banks in order to facilitate cost comparisons and promote competition. The microfinance NGOs self-regulatory body is also working to adopt these standards. The visit also influenced BSP's plans for 2011, when they hope to adopt a financial mediation bureau and amend the BSP charter to give financial education a larger role. On a broader level, BSP plans to formulate a national framework for financial inclusion that includes consumer protection.

### ② Mobile financial services: Bank of Tanzania visits Bangko Sentral ng Pilipinas

With four mobile financial services providers in operation since 2008, the Bank of Tanzania is on a path to create a regulatory framework for mobile payments and pursued a knowledge exchange visit to the Bangko Sentral ng Pilipinas to learn from their experiences.

A key policy insight from the exchange was the need for a flexible approach to enable new innovations in mobile financial services (M-fs), which has allowed BSP to regulate entities traditionally outside its spheres, such as telcos and agents. This flexibility has allowed more than one model to flourish and the delegation found it helpful to see both bank-led and telco-led models in action. (The jurisdiction of the bank over the regulation and supervision of agents had been a concern for the Bank of Tanzania.)

The Bank of Tanzania was able to relate to the Philippines context, where even without a payment systems law in place, the BSP developed an effective regulatory framework through the issuance of circulars.

The Bank of Tanzania also learned the importance of complying with international standards such as FATF, the benefits of cooperating with regulators from other sectors (such as communications), and the need to build capacity among staff overseeing mobile payments.

After the knowledge exchange, the Bank of Tanzania reviewed their existing Electronic Payment Schemes Guidelines and incorporated lessons learned from the Philippines. The result was the development of mobile payments regulations in Tanzania to guide industry players. To oversee mobile financial services, the bank has established a new working relationship with Tanzania Communications Regulatory Authority. Most importantly, the bank is spearheading coordination and policy formation for financial inclusion in the country.

### ③ Agent banking: Bank of Thailand visits Mexico's Comisión Nacional Bancaria y de Valores (CNBV)

Thailand's Financial Sector Master Plan II includes a focus on promoting commercial microfinance with a preference for appropriate, low-cost business models that offer safe and suitable products for customers. Agent banking meets this criteria and offers a solution to challenges like the high cost of setting up remote branches and the discomfort some people feel in dealing with banks. Thus far, agents are used in Thailand for existing customers but not for expanding access to the unbanked.

In 2009, Mexico's Comisión Nacional Bancaria y de Valores (CNBV) extended an invitation to Bank of Thailand (BOT) to meet with the CNBV and local MFIs,

## Insights from AFI knowledge exchanges *continued*

visit agent operations at Banco Wal-Mart and Telecomm, and make a field visit to the Conditional Cash Transfer program “Oportunidades” to learn about other public-private partnerships. The BOT was impressed by the CNBVs clear mandate to pursue financial inclusion and their strategy to improve livelihoods by providing both basic and advanced services as appropriate.

The BOT observed a range of services offered by agents in Mexico, from deposit-taking to preliminary credit screening. They learned how basic and convenient services could offer confidence and safety through appropriate risk management and accountability and how simplified AML/CFT requirements have increased usage for low-risk accounts. Agents in Mexico are supervised using a safe online and real-time system that collects reports on agent transactions and supervisors conduct onsite inspections and can take action against agents if needed. Agent banking is also supported by more general consumer protection initiatives.

Moving forward, the BOT will make decisions about the activities and scope of agents to serve the needs of different segments of Thailand’s population. The BOT is considering allowing agents to open low-risk accounts to promote savings and intends to encourage bank-agent relationships that utilize agents’ local knowledge and relationships. The speed at which agents are rolled out will depend on a number of supervisory issues that ensure consumer protection, transparency and accountability, operating system and risk management, assessment, selection, and monitoring.

### ④ Agent banking: Central Bank of Kenya visits Banco Central do Brasil and Banca de las Oportunidades

To reach the Kenya Vision 2030 goal of making Kenya a middle-income country, the Central Bank of Kenya (CBK) faces an urgent need to scale up financial inclusion to increase efficiency and penetration of the financial sector. Among many financial inclusion challenges, Kenya has faced barriers of distance between financial services locations. To address these issues, the CBK has tried to introduce lower cost delivery channels and branching options through policies on agent banking and the review of branching regulations.

Proposals to amend banking legislation to allow banks to use agents were tabled in the Kenyan Parliament in June 2009. Since the CBK was required to draft the guidelines, they embarked on a knowledge exchange visit to the Banco Central do Brasil and Banca de las Oportunidades to learn from their successful model. The intention of the visit was to analyse the successes and challenges in Brazil in order to help determine the best model for Kenya. The visit included all of the players that are working together to promote this initiative: the Central Bank of Kenya, the Ministry of Finance, and representatives of commercial banks.

The knowledge exchange provided CBK with a few key policy insights. The team observed first-hand the benefits of a risk-based approach to supervising agents, as well as the need to look at the “demand side” to understand consumer needs and include provisions for consumer protection in the guidelines. CBK’s focus on public-private partnerships has been instrumental in developing the model, not only through consultations with banks but with microfinance institutions and telcos as well. The CBK discovered other challenges to be addressed in regulations, such as the security of agents and their cash and uncompetitive behaviour by banks that limits the interoperability and non-exclusivity of agents.

The knowledge exchange resulted in CBK issuing agent banking guidelines in April 2010. At the time of the Global Policy Forum, two banks had been authorized (three applications were in progress), 5,892 agents had been approved, and a third party agent network manager had been authorized. The “M-Kesho” account, launched through a partnership of Equity Bank and M-Pesa, utilizes the agent banking guidelines and has huge potential to scale up mobile financial services. In September 2010, approximately 600,000 M-Kesho accounts had been opened, with 100,000 of these opened at agents.

Insights from AFI knowledge exchanges  
*continued*

**Peer- to-Peer learning**

Presenters offered positive impressions about the peer-to-peer learning process:



“You are provided with a buffet table of ideas, of best practices and principles but of course you have to look at your own situation –the local context–in terms of legal barriers, market situation, institutional capacities, not just of you as regulator but also of other agencies in your country, and from there from the buffet table, you should chose what will work in the local context and this has reinforced the idea that not one solution fits all, but we can have a very good menu to choose from.”

Rochelle Tomas, Bangko Sentral ng Pilipinas

“It is two-way learning - be prepared to share.”

Matu Mugo, Central Bank of Kenya

“We see peer-to-peer learning as a forum for creating technical partnerships among ourselves.”

George Sije, Bank of Tanzania

“The advantages of an exchange program over other forms of learning is that they allow practical learning within a real context, they are more in-depth, and they can be tailor-made to suit our interests.”

Norasi Bukhamana, Bank of Thailand

“I think the recipe for success is that all these people have a felt need - this is not something that is just an interest. There is a felt need, there is a strategic framework behind. There is a master plan, there are ambitious national objectives, and they are in charge and they are looking for solutions. With this felt need, it is easy to mobilize this kind of energy.”

Alfred Hannig, Alliance for Financial Inclusion

## Member zone

AFI members explored AFI's online member zone at an in-person members' area at the Forum. Here, members were given their new login details and a guided tour to familiarize them with this online community.

The member zone is the first and only online resource designed exclusively for policymakers. It allows members to stay connected with others working in central banks or similar regulatory bodies, and acts as a platform for asking and answering questions and keeping the global policy dialogue about financial inclusion alive.

Through the online member zone, AFI members can:

**Connect** by building a profile page that highlights their policy interests, experience with financial inclusion, and contact information. They can also use the directory to find AFI members with similar interests.

**Learn** about the policy initiatives undertaken by AFI member regulatory bodies and the policy interests of fellow policymakers.

**Collaborate** by sharing with Working Groups online and getting involved in new discussions.

**Get involved** by accessing other information on the AFI service.

Stay connected with other policymakers at [www.afi-global.org/memberzone](http://www.afi-global.org/memberzone)



“We got involved in AFI just as the network was seeded, but as the network grows and deepens it becomes of even greater value to us as we learn from each other to pursue our goals of greater financial inclusion.”

Krirk Vanikkul, Deputy Governor,  
Bank of Thailand and AFI Steering  
Committee member



## Working groups

AFI working groups facilitate and advance in-depth member dialogue around specific objectives on issues of financial inclusion.

Working groups are created when there is significant member interest and demand in a particular area.

Three AFI working groups have been convened and activated since the last Global Policy Forum: the **Financial Inclusion Data Working Group (FIDWG)**, the **Mobile Financial Services Working Group**, and the **Pacific Islands Working Group (PIWG)**.

A new, fourth group, the **Financial Integrity Working Group (FINTWG)**, was launched at the Forum itself. The four working groups had the opportunity to introduce their objectives and work to the rest of the AFI network through exhibits and sessions. Three of the four groups organized and hosted sessions on their respective topics as part of the main program, taking ownership of their issue areas and gathering new interest and input from the network.

On the third day of the conference, the working groups took advantage of their time together to meet and move forward on their agendas. Based on growing interest and a strong call to action by members in the consumer protection session at this year's GPF, a working group dedicated to consumer empowerment and market conduct is planned for early this coming year.



## The next level

After three days of rich dialogue and deepened knowledge sharing around effective financial inclusion policy solutions, policymakers arrived at several key themes that will dominate their agenda for the coming year.

These outcomes will help define AFI's work program for 2011, as we support our members in initiatives that take financial inclusion to the next level and involve more poor people in the financial system.

### Leadership.

Central banks and other policymaking bodies have recognized their role as champions of financial inclusion and the importance of interacting and coordinating with other ministries and stakeholders in expanding financial inclusion. This has been recognized by the G20 financial inclusion initiatives and has spurred the formulation of national strategies for financial inclusion that reflect a country's unique economic and political circumstances. Most policymakers are looking for more data to inform policy, set national targets, and monitor policy progress.

*What to watch for in 2011:* There will be a movement towards institutionalizing government commitment to financial inclusion, possibly manifested in national strategy developments, the establishment of new departments, or multi-stakeholder task forces. The drive for data will continue to feed the strategy development process. Finally, through continued peer learning, policymakers with a relatively new commitment to financial inclusion will assert their leadership over the course of the year and forge new policy paths.

### Mobile financial services.

The dialogue made a discernible shift this year from questioning whether mobile financial services can expand financial inclusion to how to implement them in a safe and secure way. The current discussion is focused on the importance of enabling mobile phones to deliver financial services and creating a model to reach the unbanked through partnerships with a variety of financial institutions.

*What to watch for in 2011:* Further thinking outside the box and finding innovative business models that allow for increased financial intermediation and meet the needs of the provider, the regulator, and the client. The traditional dichotomy of bank-based and MNO-based business models will become less relevant as innovative new partnerships emerge.

### Partnerships.

In order to truly expand the outreach of financial services, regulators should provide an enabling environment at the right time, for new and untraditional actors to play a role, and even lead the way, in offering innovative services and channels to reach the poor. Regulation should allow all relevant public and private sector players to leverage their strengths in the value chain and nurture sustainable business models.

*What to watch for in 2011:* Partnerships are already prominent when it comes to using information and communication technologies to increase the delivery of financial services, and they will continue to evolve as the strengths of new and old players are leveraged. New partnerships will form between governmental bodies, the private sector, and civil society to provide new services or protections for poor clients.

The next level  
*continued*



**Consumer empowerment and market conduct.**

A cross-cutting theme raised in nearly every session was the need to find ways to promote access while balancing the safety and rights of the client. Regulation and empowerment play a role in establishing trust in the formal sector and ensuring that the poor are not exploited or victims of unfair practices as they gain access to formal financial services for the first time. The need for protection extends beyond the traditional “supply side” role of the regulator to include financial education and empowerment.

*What to watch for in 2011:* Consumer protection will have a place on regulators’ agendas as financial inclusion strategies and regulators will have to choose the right combination of policies to enhance access safely. To this end, more regulators will promote and enable financial literacy and education campaigns as new services emerge in their markets.

## Postcards from Bali: What people said about the GPF

Participants indicated in their feedback from the Forum surveys that they were highly satisfied with the outcome of the 2010 Global Policy Forum in Bali, with 93% of participants indicating they were either “Satisfied” or “Very Satisfied” with the Forum in general.

In addition, 87% of the participants were either “Very Satisfied” or “Satisfied” with the contacts made at the Forum. Participants appreciated the opportunity to meet and exchange experiences with other policymakers from the developing world, with the added benefit of building upon the contacts made and lessons learned during the Forum.

The three most popular plenary sessions were: “The Regulators’ Challenge: Balancing Innovation, Inclusion and Safety in Mobile Finance Services,” followed by “Leader’s Roundtable: Approaches to Cross-Sector Leadership and Coordination,” and “Lessons Learned from the AFI Exchange Programs.”

Participants particularly enjoyed the content of Day 2, which featured smaller and more interactive sessions. Of the small parallel sessions, the “Consumer Protection and Financial Education: Taking the Concept into Practice” Marketplace was the most popular, followed by the “Better Data for Better Policies” World Café. Participant surveys and feedback provided many valuable and creative suggestions on how to improve next year’s Global Policy Forum, which AFI will use to make next year’s Forum even better.

*“It is so great that AFI is providing a platform for coordination. Before, we were alone out there but now we have a direction.”*

George Sije, Bank of Tanzania

*“I strongly feel that the 2010 AFI Global Policy Forum equipped me with the necessary skills and information in financial inclusion issues; the event was an eye opener to me. I will apply the lessons learned as the Reserve Bank of Malawi continues with its efforts to modernize Malawi’s payment systems while at the same time striving to attain financial inclusion.”*

Fraser Mdwazika, Reserve Bank of Malawi

*“It was a pleasure for me to present the Central Bank’s experiences. Thanks again for the excellent event in Bali and the great experience to exchange policies with people around the world.”*

Andrés Arauz, Banco Central del Ecuador

87% of the participants were either “Very Satisfied” or “Satisfied” with the contacts made at the Forum.





Postcards from Bali:  
What people said about the GPF  
*continued*

“The meeting  
in Bali was one-  
of-a-kind.”

George Awap, Bank of  
Papua New Guinea



and from AFI Strategic Partners:

*“The main thing I took away from the Forum is that the AFI network has reached its trigger point and is really dynamic, the network is almost running by itself, the members are discussing so actively with each other...it is all going in the right direction.”*

Claire Alexandre, Bill and Melinda Gates Foundation



*“What AFI is doing is unprecedented. By bringing together this many policymakers interested in financial inclusion, AFI creates a stronger voice for the issue all around the world. And the philosophy behind AFI was inspired. AFI believes in peer-to-peer exchange. And it works! It’s much more convincing to regulators to hear from a fellow regulator than to be told what to do by an ‘expert’.”*

Beth Rhyne, Center for Financial Inclusion at  
ACCION International



“I personally benefited from the knowledge sharing with AFI members, particularly on mobile banking. The Kenya and Philippines experience give me good insight on how they manage challenges. At this forum, AFI has displayed its ability to bring the financial inclusion agenda to the next level.”

Kamari Zaman Juhari, Bank Negara Malaysia



## Looking ahead: see you in Mexico!

As the Bali Forum came to a close the AFI network looked ahead to a busy year inspired by the outcomes and discussions over the past days.

Over the course of the year AFI's working groups will take forward some of the key topics of interest - mobile financial services, consumer protection, data and measurement, and financial integrity. The 2011 Forum will be an important milestone in the groups' workplan, a place where they can report back on progress to their peers and gain insights and new direction for 2012.

At the Bali Forum many AFI members formulated and discussed their ideas for knowledge exchanges and grants - one year from now there will be many new findings and lessons learned to be shared with the broader network as a result of these activities. But the conversation is not yet closed. AFI members will remain connected through 2011 using the online member zone - a place where policymakers can connect, share information, and ask questions in a dynamic digital space.

The AFI network will convene for its third annual meeting in Riviera Maya, Mexico in September 2011. Back to back with the AFI Global Policy Forum 2011 will be the first meeting of the Global Partnership for Financial Inclusion (GPFI) an initiative launched by the G20 and in which AFI and its members are actively participating.

See you there!

"We look forward to another year of progress and convening again at the next Global Policy Forum in Riviera Maya, Mexico, which we are happy to announce will be graciously co-hosted by the National Bank and Securities Commission of Mexico (CNBV) and the Superintendency of Peru who are our members of the AFI Steering Committee."

Dr. Kingsley Moghalu, Deputy Governor, Central Bank of Nigeria and AFI Steering Committee Member

AFI members are invited to log onto the Member Zone and help contribute to the design of the GPF 2011. [www.afi-global.org/memberzone](http://www.afi-global.org/memberzone)

Save the date

**AFI Global Policy Forum 2011**  
**Riviera Maya, Mexico**  
**September 28-30**

Co-hosted by

- Comisión Nacional Bancaria y de Valores (CNBV)
- Superintendencia de Banca Seguros y AFP (SBS) del Peru
- Alliance for Financial Inclusion



**Alliance for Financial Inclusion (AFI)**

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