Global Forum Roundup
December 2013

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For videos of sessions and more information, visit www.financialinclusion2020.org
Dear Friends,

Welcome back to the Financial Inclusion 2020 Global Forum! In this magazine we capture highlights from the Global Forum, which we all agree was an extraordinary event.

The Center for Financial Inclusion has received wonderful feedback from those who attended. Many comments compliment the quality of the speakers, discussions, and content. We’re glad you noticed, because it took a great deal of effort! We’re also glad many of you noticed the production quality; our conference producers, Linder & Associates, made it look so easy.

Personally, we were struck by the vitality arising from this carefully selected group. The main hall and lobby constantly buzzed with new ideas. We know of quite a number of contacts made at the Global Forum that are already turning into important relationships.

Our hopes for the Global Forum were to enable people who ordinarily work on separate aspects of financial inclusion to connect so they would become more aware of how their own work fits into a broader picture. Call it a community, call it a movement – what’s important is that more of the actors committed to financial inclusion share both the goals and the vision about how to reach them. The roadmap principles are a tool for the actors to advance inclusion in synergy.

These pages highlight some major themes from the gathering. Among the most important is getting it right for clients. The technology is here, it’s available, and it’s waiting to be applied. Attention now needs to turn more clearly to creating value for clients. While this sounds like common sense, the conversations at the Forum convinced me that it is in fact a profound challenge. Innocent Ephraim of Vodacom told an insightful story that illustrated how even major corporations can get it wrong, despite careful market research. The disability representatives dared everyone to live up to their community’s mantra of “Nothing about us without us.” And Sendhil Mullainathan helped us view the mindset of people in scarcity in a new light. After the Forum, Graham Macmillan of Citi Foundation reflected that the conference marked a turning point on financial capability – from something “over there” to an essential aspect of financial inclusion. We hope each of you had new insights of your own.

All of us on the Financial Inclusion 2020 team are grateful for the enthusiastic help and participation from so many of you who contributed to the Global Forum. We look forward to continuing to share our journey with you.

Elisabeth Rhyne
Managing Director, Center for Financial Inclusion

Susy Cheston
Senior Advisor, Center for Financial Inclusion
Roadmap to Inclusion

Reflections on the Roundtables

Fourteen roundtables met simultaneously to consider how to move the Roadmap to Financial Inclusion to action. Here are a few big themes that emerged from the wide-ranging discussions.

1. **What works? We need evidence!** Many of the roundtables dreamed of a clearinghouse of case studies, research, country examples, and other evidence on the effectiveness of different approaches to technology, financial capability, and client protection including a platform for governments and providers to share and disseminate their experiences.

2. **We want metrics.** Are our services customer-centric? Do we have effective client protection practices? Do we track complaints? Do we know who is opting in to our services and who isn’t? And are we getting the data into the hands of people who can use it to make services better?

3. **Who’s at the table?** The drivers of financial inclusion within governments are not just bank regulators, but telecommunications, insurance, and utility regulators, and often, ministries of finance, agriculture, social welfare, or education.

4. **We need to talk.** These various stakeholders need to coordinate or at least share experiences if we are to achieve full financial inclusion. One approach is a multi-stakeholder Financial Inclusion Task Force within the national government or between government and the private sector.

5. **It’s not just regulators.** Industry leadership is essential for moving forward innovations in technology, for integrating financial capability and consumer protection into services, for adopting credit reporting for the base of the pyramid, and, above all, for meeting customer needs.

6. **We need to find our balance.** That includes knowing when to let the market take its course and when to regulate. It also includes balancing access and protection. For example, how do we use client data analytics as an on-ramp for thin file customers while protecting their privacy? And how do we promote access to credit without over-indebtedness?

7. **Don’t let innovations lead to inadvertent exclusion.** There is a danger of innovations leading to a new class of excluded customers. For example, a person with a disability may become even more excluded if mobile money services are not accessible.

8. **We need to figure out the business models.** This is an issue for every major “opportunity” to advance inclusion and reach new, harder to reach customers. Many feel the business case is already there for companies that take the long view, but we need to articulate this and have much to learn.

9. **It’s easy to say but hard to do.** Many of the Roadmap principles are common sense and most have widespread agreement—but they are not happening. Some of the solution is to align incentives by governments, investors, and donors with the Roadmap principles.

10. **It all comes down to customers.** The single most significant driver of financial inclusion is meeting customer needs. That includes expanding our market to include new customers.

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**Cherie Blair Stresses Putting Roadmap Principles into Action**

In her keynote speech, Cherie Blair, founder of the Cherie Blair Foundation for Women, stressed the importance of thinking ambitiously on financial inclusion: “Now is the time that is ripe for us to take this idea and really make it happen, not just in little pockets, but at scale.” Technology is decreasing costs, increased investment in previously underserved areas is supporting innovation, and policymakers are promoting regulatory action. To make financial inclusion a reality, Mrs. Blair stressed the importance of understanding low-income consumers. “They know best what they need. We have to make sure that we develop products that fit the needs and aspirations of low income people.”

"We have to think and act strategically if we want to expand access to financial services globally. While this is starting to happen do we already have a movement? Do we have a roadmap to guide stakeholders? I understand this resource is here at the Global Forum. That resource is the Roadmap to Financial Inclusion." – Cherie Blair
Financial Capability and Client Protection

Everyone agrees on the need for financial capability and client protection, but each topic faces major unresolved questions. Sendhil Mullainathan set the stage for both topics by describing how low income people often operate under stresses that can lead them to poor financial decisions. In the financial capability roundtable sessions, participants welcomed the idea that building financial capability is a responsibility of both providers and governments. The real controversy, however, is efficacy. “Are there techniques that really work?” Sessions ended with pleas for more applied research and exchange of experience.

Client protection discussions reflected skepticism that steps other than regulation will change provider behavior, although most participants did endorse incorporating client protection into the identity of banking professionals. There was interest in the concept of a “Money Advisor” that would allow consumers to voice their opinions of providers. This idea received a further boost in a side meeting of the FI2020 Consumer Protection Working Group at which representatives of Consumers International presented thoughts on avenues for direct consumer advocacy.

Sendhil Mullainathan on the Behavioral Economics of Poverty and Implications for Financial Inclusion

“What does it mean to be poor?” asked Sendhil Mullainathan, a behavioral economist at Harvard University, as he began his presentation on how the persistant worry of the poor caused by scarcity affects the ability to make good decisions. When people are focused on meeting day-to-day needs, according to Mullainathan, they are less able to resist temptation or stick to a plan. Financial services, by smoothing consumption and protecting against risk, can help people keep out of that scarcity mindset.

"The biggest effect of changing people's finances may have nothing to do with dollars and cents. It has to do with fundamentally changing the mind…[Financial services] takes care of people’s everyday needs, so then their minds are clear to think about other things.” -- Sendhil Mullainathan

Constance Considers Financial Inclusion

What is financial inclusion? No-frills bank accounts? Mobile money? Microloans? In this short animated video, we learn how financial inclusion can improve lives through the eyes of Constance, a fictional prospective client.
Meet the Providers

The FI2020 team was excited to bring together many representatives of the growing number of start-ups that challenge traditional methods of reaching the excluded, and offer promise for accelerating financial inclusion.

Zoona, a Zambia-based electronic payments startup, builds distributor and agent networks to increase liquidity for cash-in/cash-out services. Cignifi and DemystData use alternative sources of customer data (e.g. mobile phone or online activity data) to estimate credit risk through advanced algorithms and analytical techniques that go beyond traditional credit scoring. Kopo Kopo brings mobile financial services to small and medium enterprises by enabling them to accept, process, and manage mobile payments. GlobokasNet trains and equips small shop owners and merchants in Peru to act as banking agents in hard-to-serve localities. Tixa works with mobile operators across 11 countries to provide mobile financial services to low-income clients, including very small “Balance Advance” loans. M-KOPA supplies solar energy systems and eventually other tangible assets using a unique mobile money platform to make extended financing possible. Juntos Finanzas, partners with financial institutions to embed financial capability into mobile financial services through personalized text messages that encourage savings and remind clients of money spent.

All these start-ups introduce new ways of doing business and have the potential to change traditional business models.

Microinsurance at the Forefront of Financial Inclusion?

The opening plenary of the Forum highlighted microinsurance, and with good reason. Alexia Latortue, US Treasury, moderated a discussion featuring two leaders in microinsurance, Michel Khalaf, MetLife, and Martyn Parker, Swiss Re. These global leaders believe that microinsurance can work in emerging markets and that companies such as theirs will increasingly reach new and underserved customers. Low-income people face challenges of managing risk, whether due to health, natural disaster, or a household disaster such as fire. However, products must be adapted to the needs of the customers and their specific culture, which makes having a physical presence and close interactions with customers vitally important.
Panelists from two of the top-ranked countries, Peru and Pakistan, joined the Economist Intelligence Unit (EIU) and sponsors Accion and Citi to review the rankings and scores of 55 countries. The Microscope improves every year. The Microscope inclusion in 2014.

The Economist Intelligence Unit Presents the 2013 “Global Microscope on the Microfinance Business Environment”

India: Panel participants Nish Kotecha (Geosansar), Veena Mankar (Swadhaar FinServe), Alok Prasad (Microfinance Institutions Network), Duvvuri Subbarao (Reserve Bank of India, retired), and moderator Sital Patel (MarketWatch) discuss how policy signals and special regulation can be used to encourage banks to reach to the base of the pyramid. (Photo left; Duvvuri Subbarao)

Peru: _Monica Brand (Accion) led a panel on financial inclusion efforts in Peru, with Mariela Zaldívar (Superintendencia de Banca, Seguros y AFP de Peru), Oscar Graham (Ministry of Economics and Finance, Peru), and Gino Picasso (GloboKasNet). Picasso declared that financial inclusion is “about ensuring a close relationship and constant, clear dialogue between the providers and the regulators...Peru is a great example of this.”

A number of themes emerged from the discussion. One was the importance of communication and partnership. Participants discussed the necessity of ministries and cabinets working together to achieve financial inclusion, and the role that a national multi-stakeholder task force play in this work. For example, bank regulators and telecommunications regulators need to meet and work together with telecommunication innovators if they are to create facilitating regulation in this challenging space.

Regulators underlined the needs of vulnerable client segments. The pre-forum meetings on persons with disabilities made an impression as an important lens to consider for banking regulation. One participant mentioned that he thinks a great deal about disability in his personal life, but had not even considered how he could bring such a focus to his professional life.

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Africa: Leaders in sub-Saharan Banking, Aigboje Aig-Imoukhuede (Access Bank), Kennedy Bungane (Barclays Africa), Edward Effah (Fidelity Bank Ghana Ltd.), and Bob Annibale (Citigroup) considered challenges and solutions in banking the base of the pyramid. Bungane summarized, “This is not just about corporate social responsibility, but...learning about new skills [in] these markets. And this includes new, untraditional partners.”

Regulators Reflect on FI2020

During the forum, Elly Ohene Adu (Head of Banking Department, Bank of Ghana) hosted a special meeting of almost 20 policymakers, regulators, and representatives from support organizations. She shared her reflections on what resonated with her at the event, and invited others to do the same.

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At the Global Forum, many providers and policymakers woke up to the large market of persons with disabilities, possibly the largest vulnerable minority in the world. Discussions began at pre-Forum meetings on disability inclusion led by the CFI’s Joshua Goldstein in partnership with Pina D’Intino of Scotiabank and Axel Leblois of the Global Initiative for Inclusive ICTs.

Over 15 percent of the world’s adult population, 785 million people, live with a disability, and by age 60, 40 percent of humanity has acquired some disability. There is an economic impact when persons with disability are excluded: unemployment for persons with disabilities is as high as 90 percent in the developing world.

Thanks to heightened awareness, legal mandates as embodied in the United Nations Convention for the Rights of Persons with Disabilities (CRPD), and assistive technology innovations, new solutions are emerging to close the accessibility gap.

Financial service providers, IT providers, and persons with disabilities are working together to achieve digital equality, including digital access to mobile devices and other platforms. The good news is that inclusion solutions need not be expensive, especially if they are built in from the start—and sometimes all it takes to make progress is a leader who decides to put accessible financial services onto the agenda.

Population Focus: Aging Adults

In 1950, 1 in 20 were elderly. By 2050, it will be 1 in 5 (Source: United Nations).

The Global Forum paid special attention to vulnerable populations, including older people. The demands of aging populations are acutely felt in high income economies today, and will soon be felt in middle and lower income economies. Basic demographic analysis, as laid out in CFI’s Mapping the Invisible Market research, reveals the rapid aging of the population in middle income countries, with over-65 frequently the fastest growing population age bracket. Aging is everyone’s issue, but is especially salient for women, as older people are disproportionately female, and women facing old age alone are often especially vulnerable.

Financial services could play an important role in meeting several of the most pressing needs related to aging, such as income security and access to health care. Yet most people in the financial inclusion sector remain largely unaware of older people as a distinct client group, of the need to assist mature adults to prepare for their old age, and of the barriers that can block access to finance for older adults.

While youth are a well-represented vulnerable group in work being undertaken on financial inclusion, older people have not received the same attention. The mismatch between the scale of the need and the attention devoted to it is staggering. Given global demographic reality, research and action on this issue is critical to the goal of financial inclusion for all.

In 2014, the Center for Financial Inclusion will be turning attention to aging in an attempt to identify some of the important challenges and opportunities it will bring to the financial inclusion sector.
Ajay Banga, CEO of MasterCard Worldwide, sat down with Michael Schlein, CEO of Accion, for an electronic fireside chat. Ajay stated his views: “Inclusive growth is the only way for society to advance,” and “We need to get inclusive growth wired into our country development.” He explained MasterCard’s contributions to inclusive growth. For example, MasterCard connects now-excluded people to the broader society by working with governments and other organizations to create electronic benefit and bill payment access for millions. “Cash does not allow you to build an identity or access loans, membership in schools, etc. Cash is the friend of the rich man; cash is the enemy of the poor man.”

By 2020, falling birthrates and higher life expectancy will mean a larger working age population in less developed regions. Demographic shifts such as these mean different needs for clients.
Isaac Awuondo (Commercial Bank of Africa), Dylan Higgins (Kopo Kopo), Nick Hughes (M-PESA and M-KOPA), Innocent Ephraim (M-PESA, Vodacom), together with moderator Tilman Ehrbeck (CGAP) discussed the opening of new opportunities to serve low income people that has been made possible by the success of mobile money in East Africa. Nick Hughes, stated what all participants on this panel also affirmed: “The key is keeping things simple and reaching scale fast. This is actually very complex.”

Microfinance CEO Working Group (MCWG) Convenes at Forum

The Microfinance CEO’s Working Group (a collaborative effort by the CEOs of eight leading global microfinance organizations including Accion, FINCA International, Freedom from Hunger, Grameen Foundation, Opportunity International, Pro Mujer, VisionFund International, and Women’s World Banking) was one of several groups that took advantage of the Global Forum to convene. With FI2020 as a backdrop, they began to redefine the role of microfinance in the new environment of financial inclusion. Many of the CEOs agreed with Alex Counts, CEO of Grameen Foundation, when he blogged, “I emerged from the Global Forum feeling that this campaign for full financial inclusion… is evolving as a powerful rallying point for a diverse coalition of providers, regulators, technologists, researchers, and activists.” The CEOs also met with the Council of Microfinance Equity Funds, focusing on the importance of embedding the client protection principles, pricing transparency and social performance management into the processes of all MFIs. They agreed to continue this dialogue to encourage adoption.

Financial Inclusion 2020: Access and Quality for All

This introductory video highlights why financial inclusion matters and the global trends that are making it possible through data and quotes from clients.
New Financial Inclusion Commitments

Many exciting new initiatives are emerging to promote financial inclusion. Representatives of each used the FI2020 Global Forum as a chance to compare thinking with other initiatives.

World Bank: World Bank President Jim Kim recently called for a target of financial access for all by 2020. Mr. Kim said, “Access to savings accounts, credit or remittances can help families afford essential services like water, electricity, housing, education and health care.” The Bank’s new 2014 Global Financial Development Report, which focuses on financial inclusion, provides evidence on what works in creating and implementing policies to increase financial inclusion. The World Bank Group is working toward the target of one project in 70 countries through the new Financial Inclusion Support Framework; IFC’s network of 900 financial institutions and funds; the Global SME Finance Facility; the Global Financial Consumer Protection and Financial Literacy program; and open datasets including the Global Findex.

The World Economic Forum, with strategic support from McKinsey & Company, recently launched its Financial Inclusive Initiative, a multi-stakeholder platform to convene key players and facilitate public-private partnerships to promote financial inclusion. Guided by a steering committee representing leading organizations from across the financial inclusion ecosystem, the initiative will identify key issues, best practices, and new opportunities to advance financial inclusion globally. Several working groups have formed – on bridging the gap from access to usage, the cost of financial service delivery, and enabling break-through innovation. Regional workshops in December will further initial findings and discuss how they apply in specific country contexts. Findings and insights generated as part of this initiative will be integrated into the private and public programs of the World Economic Forum’s Annual Meeting and Regional Summits in 2014.

MasterCard Center for Inclusive Growth: On November 4, 2013, MasterCard announced the launch of its new Center for Inclusive Growth. The Center will conduct its own research and support that of others and will invest in initiatives that advance sustainable and inclusive growth and financial inclusion. The Center will be supported by an academic advisory council, including Fan Gang, Robert Lawrence, Guntram Wolff, Martyn Davies, Ricardo Hausmann and Suman Bery. Walt Macnee, vice chairman of MasterCard Worldwide, underlined the importance of financial inclusion, noting that it “provides the opportunity [for people] to join the financial mainstream, participate in the global economy, and build more self-determined lives.”

At the end of the FI2020 Global Forum participants wrote personal commitments to advancing financial inclusion on self-addressed postcards. We waited a couple of weeks, then mailed them back as a reminder. Highlights included:

"Always keep clients and consumers at the center of my work—their voice needs to be loud!"

"I commit to ensure the customer and her financial capability is at the center of our solutions, services, and programs."

"Go out and learn."

"Advocate for development of a "financial inclusion strategy" in collaboration between and amongst diverse private sector players and different regulators [in my country]."

"Reach 20 million people by 2020 to empower them to change their lives as they see fit — through financial solutions and training."

"Bringing the impact of exclusion of older women and men from financial services on the global development agenda."

"Explore the integration of financial services into agricultural value chains - what synergies to reduce cost to serve and incentivize sustainable productivity improvement."

What’s your commitment to financial inclusion? We want to hear from you. Add your comment on one of the roadmaps on our website or send a tweet using #FI2020.
Now comes the hard part. To make migration work for all, we have to reduce the cost of remittances and we must apply most of the recommendations advanced by the Financial Inclusion 2020 Financial Capability working group. From providers taking responsibility for building financial capacity to governments creating and implementing cohesive national strategies to continuously improved delivery methods work towards scale.

- Elly Ohene-Adu

The time to act is now. Full Financial inclusion by the year 2020 is not an option. I think it is the option. It is critical to our shared aspirations for the future. And I believe it is possible to achieve. I have no doubt in my mind that it produces that win-win situation that is so necessary for efficient and all-around growth, which ensures that every sector, every community, every person old enough and well enough is covered and included.

Ladies and gentlemen, let the passion we’ve shown in our discussions lead to action for growth.

- Alin Aggarwal

I believe financial inclusion for all is not only possible by 2020, I think it’s inevitable. I believe there is more potential in innovation in money in the next 7 years than in the last 30 years. By 2020 I believe we will see a profound and fundamental shift in the way people do business, manage, and spend money.

-- Imelda Nicolas

Albert Einstein said “We cannot solve problems by using the same kind of thinking we used when we created them.” – in terms of Financial Inclusion we think that we can continue to use traditional banking tools for increasing the penetration of the financial system. We have to change our mind set.

-- Carlos Lopez Moctezuma
What's Next for FI2020

In 2014 and beyond, FI2020 will continue to:

- Share insights from the Global Forum and the Roadmap to Financial Inclusion
- Continue research through Mapping the Invisible Market
- Deepen our work on financial capability, consumer protection, data analytics, and related topics
- Promote financial inclusion for the aging and other vulnerable groups
- Help move the Roadmap principles to action in key markets
- Report on global progress toward financial inclusion

As always, we will do this through partnership with key private and public sector stakeholders and we will champion others’ work in advancing inclusion. If you are interested in receiving updates from us, please provide us with your contact information here.