Coordination Structures for Financial Inclusion Strategies and Reforms

Over 45 countries have made commitments to financial inclusion targets and strategies, including through the Alliance for Financial Inclusion (AFI) and the G20 Financial Inclusion Peer Learning Program. At the national level, countries must bring to the table a range of stakeholders in order to implement concerted and achievable policies around financial inclusion. And as Queen Máxima noted in her speech at the AFI Global Policy Forum in 2010, "countries that have been most successful in advancing financial inclusion have been those that have had strong leadership and subsequently good coordination."

Despite its importance, setting up a national coordination structure is seen as a challenging task by many countries. At the 2012 AFI Global Policy Forum, 50% of participants polled identified "coordinating nationally" as the main challenge to developing and implementing a financial inclusion strategy.[1] Drawing from a wide range of experiences that countries have had thus far, this note provides an overview of coordination structures used for financial inclusion strategies globally, by focusing on their mandate, institutional set-up, as well as operational plans and coordinating mechanisms.

MANDATE AND LEADERSHIP

The creation of a new coordination structure can be a strong demonstration of leadership at the government level. Leadership is one of the G20 Principles for Innovative Financial Inclusion, which appeals to "cultivate a broad-based government commitment to financial inclusion to help alleviate poverty," and calls for increased visibility among the various stakeholders and implementing agencies that touch on financial inclusion and poverty alleviation. In order to ensure proper buy-in from these stakeholders, the coordination structure must make the case for why it is best placed to take the lead. This may come from:

- ***Historical legitimacy:*** If one agency has historically been involved with promoting financial inclusion, then it may be best positioned to lead efforts in coordinating other government agencies and outside actors. This was the case for Brazil's Central Bank, which had assumed the promotion of the Financial Inclusion of the population as a strategic objective since 2004.
- ***Representational legitimacy:*** In some cases, the coordination structure may achieve representational legitimacy by including relevant organizations and stakeholders as part of its member base. This was the case with the National Council for Financial Inclusion in Mexico, which consists of core members from all relevant government agencies, as well as other relevant institutions (cf. Figure 1).
- ***Political endorsement:*** The coordination structure may gain legitimacy through high level political endorsement, such as the case of Indonesia, where the government invested the Vice President's (VP) office with promoting and achieving financial inclusion.

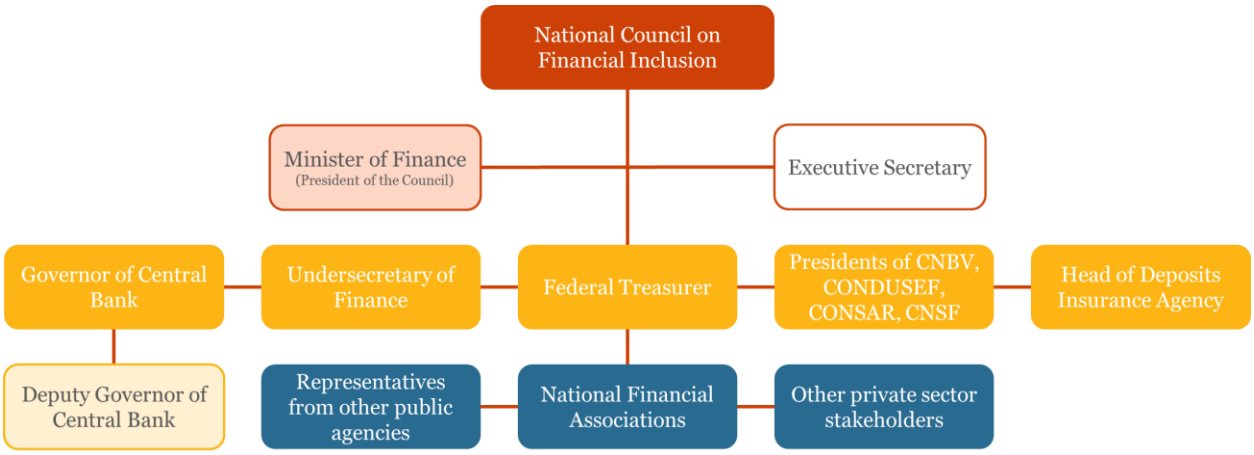
The United Kingdom has been an exception to these three case scenarios, since its Financial Inclusion Taskforce was launched as an independent body that advised Her Majesty's Treasury on financial inclusion matters. The Taskforce included members from the private, public, and social sectors, serving on a voluntary basis and in a personal capacity.

*A **coordination structure** is the main body responsible for promoting the discussion and debate regarding financial inclusion and coordinating financial inclusion reforms.*
***Public implementing agencies** are public sector bodies – such as financial intelligence units, labor and employment ministries, and tax and customs agencies – involved in the implementation of financial inclusion programs.*
***Private implementing agencies** are private sector actors – such as banks, finance companies, credit unions – that deliver financial products and services.*

[1] *AFI (2013), Financial Inclusion Strategy Peer Learning Group Handout.*

Sarah Fathallah & Douglas Pearce, October 2013

Figure 1. Membership Structure of the National Council on Financial Inclusion in Mexico



CNBV = National Banking and Securities Commission; CONDUSEF = National Commission for the Protection of Users of Financial Services; CONSAR = National Commission for the Pension System; CNSF = National Insurance and Surety Commission.

INSTITUTIONAL SET-UP

The institutional set-up can vary from one country to another, depending on national political priorities, the existing level of financial inclusion, and other factors (cf. Annex 1). Generally, the coordination structure could either be:

- A new team or unit within an existing authority, such as a Central Bank or Ministry of Finance,
- A newly created structure.

The former model is seen in Brazil, where the Financial Inclusion Project was created within the Central Bank in 2009 and also in India, where the Reserve Bank of India (RBI) created a Financial Inclusion Advisory Committee under the Chairmanship of RBI's Deputy Governor. Likewise, the Philippines Central Bank created its Microfinance Unit, which it then transformed into the Inclusive Finance Advocacy Staff in 2007. On the other hand, the National Council on Financial Inclusion was created in Mexico as a separate entity whose objective is to organize the different entities working on financial inclusion in the country.

The creation of a new and separate structure then poses the challenge of determining the appropriate legal status for its establishment and functioning.

OPERATIONALIZATION

Resources

Since financial inclusion is a cross-cutting, it bears the risk of potentially "falling through the cracks." A strong coordination structure can help avert this situation by providing dedicated staff and budget to develop and implement a national financial inclusion strategy and reforms. In the case of Nigeria, the Central Bank plans on deploying a team of at least three people to the newly created Financial Inclusion Secretariat within its Development Finance Department. In Kenya, the Financial Access Partnership (FAP) was formed in 2005 as a public-private partnership, managed jointly by the Central Bank of Kenya and Financial Sector Deepening Kenya. FAP receives financial support by these organization as well as additional members.

Targets and Monitoring

In order to create a workplan as well as reasonable deliverables, data should be gathered in order to form appropriate targets. That data can be collected either by the coordination structure directly or through the implementing agencies.

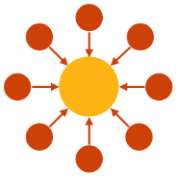
For instance, the Financial Inclusion Secretariat in Nigeria does not gather primary data, but instead relies on various regulators to collect and provide the data needed to monitor their work and progress towards financial inclusion goals. The contributing organizations provide monthly data updates and the Secretariat then collates and analyzes that information on a bi-annual basis.
On the other hand, the Financial Inclusion Project at the Central Bank of Brazil is responsible for the collection, organization and analysis of data and research on various issues related to financial inclusion (such as the expansion of correspondent banking across regions in Brazil).

COORDINATION MECHANISMS

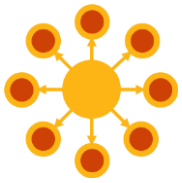
Cooperation is an important aspect in creating an institutional environment with clear lines of accountability. Coordination itself is another G20 Principle for Innovative Financial Inclusion that calls for partnerships across a variety of government, business, and social sector stakeholders. There are a variety of ways to enable cooperation, not all of which are mutually exclusive. In fact, some of them may create a greater impact when combined (Cf. Box 1).

Consultative Model

In the consultative model, the coordinating body comprises of or is structured in the form of a taskforce or steering committee composed of representatives from different implementing agencies and other relevant actors drawn from the private and social sectors, including donors. The steering committee of the Financial Inclusion Program in Pakistan comprises of members from the State Bank of Pakistan and the Government, but also of representatives from the UK Department for International Development (DFID).

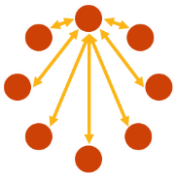


The coordination structure can also convene periodic events that allow different agencies to update each other and advance agendas in unison. The Bangko Sentral ng Pilipinas has created a Financial Sector Forum as a coordination mechanism for relevant financial sector regulators.



Mandate-based Model

Through the mandate-based model, the coordination structure is tasked with ensuring that targets are met and that financial inclusion reforms are implemented by the relevant agencies. In Russia, the Ministry of Economic Development, responsible for financial inclusion, leads projects aiming to improve the financial and credit system in Russia, and works with the Ministry of Finance to develop enabling financial services legislation, as well as with the Central Bank is to ensure the stability of the banking system and protection of consumers.



Partnership Model

In the partnership model, formal or informal relationships are formed between the coordination structure and the implementing agencies. For example, the Brazilian Central Bank has established several institutional partnerships, including with government agencies such as the Ministry of Agrarian Development, the Brazilian Micro and Small Business Support Service, the Ministry of Labor and Employment, and the Ministry of Justice.

Box 1. Coordination Mechanisms deployed by the Central Bank of Nigeria

In Nigeria, the Central Bank has put in place various mechanisms to ensure coordination, including:

- **Financial System Strategy 2020**, an initiative designed to promote collaboration among all stakeholders in the financial system. The steering committee includes members from the Central Bank, Federal Ministry of Finance, Nigeria Deposit Insurance Corporation, National Insurance Commission, National Pension Commission, Nigeria Securities and Exchange Commission, and the Nigerian Stock Exchange.
- **The National Microfinance Policy Consultative Committee**, chaired by CBN, coordinates on issues related to microfinance. It includes representatives from the Federal Ministries of Finance and Agriculture, National Planning Commission, National Poverty Eradication Program, Small and Medium Enterprises Development Agency of Nigeria, Bankers' Committee, National Association of Microfinance Banks, Nigeria Association of Small and Medium Enterprises, and Nigeria Deposit Insurance Corporation.
- The Central Bank also hosts a **Microfinance Advisory Board** (MAB). MAB includes mainly donors such as GTZ, DFID, UNDP, USAID, Ford Foundation, European Union, AFDB, the World Bank, National Association of Microfinance Banks, as well as other government agencies and NGOs.
- The **Financial Inclusion Secretariat** has a broad membership that includes the National Insurance Commission, National Pension Commission, Nigerian Communications Commission, GIZ, National Identity Management Commission, Federal Ministry of Education, National Planning Commission, Bankers Committee, apex associations as well as other affiliate members.

Box 2. Mzansi Accounts in South Africa and the UK Remittances Task Force

The Mzansi Account was an initiative launched in 2004 through South Africa's Financial Sector Charter to bring basic saving accounts to all South Africans. The process involved major South African banks working collectively to develop an account that is affordable and available. Today, at least one in ten South African adults currently owns an Mzansi account; and one in six banked people are active Mzansi customers. The engagement of banks in developing and implementing this new product has been essential, and allowed for a significant increase in access to saving accounts in South Africa where close to 80 percent of the population is within reach of transactional banking savings. However, some banks are also attracting clients into less rigid basic bank account products. The question remains whether the impact of this initiative would have been even greater were the parameters of the Mzansi accounts more flexible for financial providers to adapt to their clients' needs.

In the UK, the Remittances Task Force was set up and funded by the UK Department for International Development, recognizing the importance of remittances to developing countries. The Task Force was comprised entirely of private sector membership, with members including major money transfer operators (MTOs), banks, trade associations, SWIFT, Visa, Post Office, and consumer representatives. The Task Force was able to engage both private sector and public sector in identifying ways to reduce remittance costs and barriers, through:

- Research projects to review statistics, establish consumer preferences and use of remittances to encourage financial inclusion;
- A review of regulatory issues;
- A Remittances Customer Charter, as a major effort to make consumers aware of their rights, to raise transparency on prices and service levels and to improve standards in the industry.

INVOLVING THE PRIVATE SECTOR

The private sector delivers financial products and services, and should consequently be involved in the financial inclusion strategy design and target-setting stages alongside the coordination structure. The objective is to financial institutions to have shared ownership of targets and actions, in order to perceive their achievement as part of their own interest rather than as an imposition, as well as to ensure that regulators and policymakers are providing sufficient space for innovation and the piloting of new products and delivery mechanisms (cf. Box 2), while not compromising the focus on financial stability, consumer protection, and financial integrity. For instance, in Russia, the Ministry of Economic Development has been working with private sector stakeholders such as the Russian Microfinance Centre, e-money associations, and banking associations to collaborate and ensure the development of a proportionate regulatory framework.

CONCLUSION

In order for any coordination structure to be successful, it must have a legitimate mandate and strong leadership. While its institutional set-up can vary, it is important to have the right resources, both in terms of funding and human resources, as well as appropriate mechanisms for monitoring and evaluation. It is also important for the coordination structure to look at different venues for cooperation and coordination that fit the needs of the financial inclusion agenda within the country, especially if there are a wide range of stakeholders involved. Lastly, the coordination structure should bring relevant private sector actors to the table in order to make sure that financial inclusion reforms are aligned with their technology and business models, while ensuring that targets are sufficiently ambitious and that reforms do serve the broader financial inclusion agenda.

More Information And Resources

AFI. 2013. "A Timeline of Achievement." Available at: http://bit.ly/TimelineAchievement

AFI. 2011. "Lessons Learned for Financial Inclusion Strategy Development." Available at: http://bit.ly/PIWGLessonsLearned

Global Partnership for Financial Inclusion. 2011. "The G20 Principles for Innovative Financial Inclusion. Bringing the Principles to Life: Eleven Country Case Studies." Available at: http://bit.ly/G20Principles

World Bank. 2012. "Financial Inclusion Strategies Reference Framework." Available at: http://bit.ly/FIStrategiesReferenceFramework

Annex 1. National Coordination Structures in Selected Countries

Belarus	The National Bank of the Republic of Belarus spearheaded the financial inclusion agenda since 2010 by drafting a state strategy on microfinance for 2011-15. In 2013, it also drafted a National Financial Inclusion Strategy and developed a national financial literacy program.
Brazil	In 2009, the Financial Inclusion Project (FIP) at the Central Bank was created with the objective of integrating various stakeholders to develop effective policies for financial inclusion. In November 2011, the National Partnership for Financial Inclusion was launched, as a network of public and private actors engaged in financial inclusion. The network is coordinated by the FIP.
Chile	The Ministry of Planning created a Financial Inclusion Unit on April 2011, which is leading the financial inclusion agenda in liaison with government agencies (Ministry of Finance, Superintendence of Banks and Financial Institutions, Central Bank) and private sector actors.
India	In October 2012, the Reserve Bank of India constituted a Financial Inclusion Advisory Committee (FIAC) to spearhead financial inclusion efforts. The FIAC membership includes a few Directors from the Central Board of RBI and experts from the NGO and civil society sector.
Kenya	In 2005, the Central Bank of Kenya partnered with the Financial Sector Deepening (FSD) Kenya and other financial sector players under the Financial Access Partnership (FAP), to monitor and measure levels of access to financial services.
Korea	The Financial Supervisory Commission is Korea's lead agency for financial inclusion policy. It works closely with other agencies such as the Small and Medium Business Administration.
Mexico	To facilitate coordination among different stakeholders, the National Council on Financial Inclusion was created in 2011 to coordinate proposals for financial inclusion policies and their implementation, as well as formulate guidelines for a National Policy on Financial Inclusion.
Namibia	Bank of Namibia (BoN) created a dedicated Division to coordinate financial inclusion activities, a fund to support these activities, an internal Financial Inclusion Forum, an inter-ministerial Financial Inclusion Council & Advisory Body, and other consultative workshops and meetings.
Nigeria	The Central Bank of Nigeria (CBN) is leading the promotion of financial inclusion in Nigeria, particularly through its Development Finance Department. It is under this department that CBN is deploying a team to the Financial Inclusion Secretariat to take on all coordination activities.
Pakistan	The State Bank of Pakistan established a Financial Inclusion Programme coordination office, housed within its Microfinance Department.
Philippines	The Bangko Sentral ng Pilipinas created a Microfinance Unit 2002 which was transformed into the Inclusive Finance Advocacy Staff in 2007. It has also established an Inclusive Finance Committee chaired by the Governor.
Russia	The Ministry of Economic Development is responsible for the promotion of financial inclusion, but the strategy is developed closely with the Central Bank, the Ministry of Finance, as well as other non-governmental stakeholders (Russian Microfinance Center, banking associations, etc.).
Rwanda	The National Bank of Rwanda has established a Financial Inclusion Taskforce aimed at coordinating all initiatives regarding financial inclusion.
Solomon Islands	The Central Bank of the Solomon Islands set up national coordinating committee and secretariat to implement financial inclusion actions.
South Africa	In South Africa, the National Treasury launched the Financial Sector Charter in 2004 to provide effective access to adequate financial services for all and improve racial representation in ownership.
Thailand	In 2013, the Ministry of Finance finalized a National Financial Inclusion Strategy and submitted it for cabinet approval.
Turkey	The Undersecretariat of Treasury leads the overarching financial inclusion strategy in Turkey.
United Kingdom	The Financial Inclusion Taskforce was an independent and volunteer-based body that advised HM Treasury on financial inclusion. The Taskforce concluded its work in March 2011 with final recommendations to the government and the private sector.