

Evaluating Regulatory Frameworks for Financial Inclusion

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Overview

- Background – “Review of Getting the Framework Right”
- Key Findings from the Review
- Review Findings Assessment
- Survey results
- A plan for further work

Background

- Review of “Getting the Framework Right” (GTFR)

Getting the Framework Right: Policy and Regulation for Microfinance in Asia (GTFR) was first published in 1998 by the Banking with the Poor Network and this work was subsequently updated in 2010.

In 2013 the Foundation for Development Cooperation (FDC) engaged with the Australian APEC Study Centre (AASC) to conduct a review of the 2010 GTFR and identify possible utilisation of the document. Dr. Jules Gribble, an actuary and consultant of the AASC, was commissioned carry out this work.

Utilising the GTFR

Review key findings

Dr Gribble found that the GTFR could be used to develop:

- An effective benchmarking tool to measure the quality of financial inclusion prudential and supervisory arrangements in an economy over time and across economies; and
- The foundation for a training program for regulators and policy makers in agencies in the Asia Pacific region responsible for developing and implementing regulatory arrangements to promote financial inclusion.

Outcomes

Dr. Gribble put forward a tool derived from the GTFR as well as a draft training program design for regional regulators and supervisors.

Tool is comprised of following the dimensions:

- Policy: The environment, from a policy perspective, in which financial inclusions is to be achieved.
- Products: The set of products (services) provided to consumers to achieve financial inclusion.
- Providers: The type of entity that provides products to consumers.
- Product Provider issues: The set of product provider issues which need to be addressed or managed to support the delivery of financial inclusion. For each product, there is consideration of the relevant set of topics or issues from the perspective of the providers of services, as the conduit through which financial inclusion is achieved.
- Consumer issues: For each product, there is consideration of the relevant set of topics or issues from the perspective of the consumers, as the users of the services.
- Infrastructure: This includes a number of related topics, which may not be directly part of the consumer or provider perspectives but are none the less important. These topics are included under the heading of 'Infrastructure'.

5 Day Training Program

Objectives

Participants will examine current practices and issues as they affect the regulation and supervision of financially inclusive products and services, with a focus on microfinance products. This is done with an awareness of international best practices, both from a regulatory perspective and a wider financial inclusions perspective. The primary bases for international best practice are provided by G20, BIS, FATF, IAIS, CGAP

These regulatory principles are enhanced by discussion of implementation issues and recognition of the practicalities of the varying environments in which both regulators and businesses they regulate operate.

Training Program Themes and Structure

Program Themes:

- Principles and Examples
- Differentiating between microfinance and financial inclusion
- Developing a common language
- International best practices
- Active participation is expected
- Networking
- Participant needs
- Participant feedback and program review

Training program structure:

- Module 1: Introduction and context
- Module 2: Financial inclusion
- Module 3: Successes and failures
- Module 4: Regulation and supervision
- Module 5: Distribution
- Module 6: Providers
- Module 7: Consumers
- Module 8: Moving forward

Survey of benchmarking tool and training program design

The Australian APEC Study Centre at RMIT (AASC) was further engaged by FDC to conduct a survey on the value of the assessment tool that was intended to help quantify and assess the quality of financial inclusion frameworks in the region and to solicit the views of the respondents on the content of a training program designed for regional regulators and supervisors derived from the GTFR.

Stakeholder response was sought from attendees of the **'2013 Asia-Pacific Financial Inclusion Forum: Financial inclusion, Innovation and Regulation: Meeting the Challenges of Policy Reform and Capacity Building'** held in Batam Island, Indonesia.

Survey design

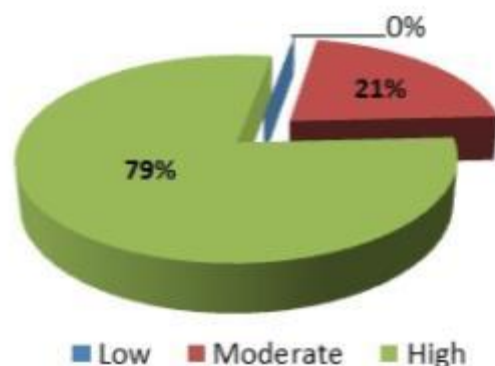
Survey questions asked participants to elicit their views on:

- a) The value of the assessment tool to enhance financial inclusion
- b) Utilisation of the tool (would regional regulators and supervisors use the tool?)
- c) The content and approach of the training program
- d) Value of the training program to regional regulators and supervisors
- e) Participation and support of a pilot training program

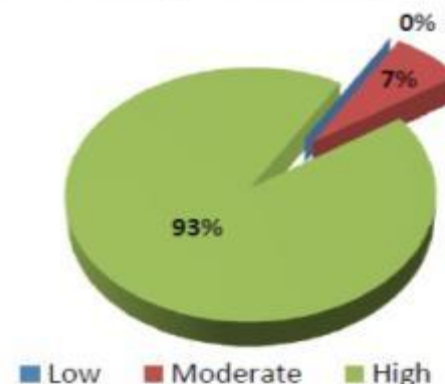
The Survey Results

A high level of support was given by stakeholder agencies working in financial inclusion. Respondents were unanimous in saying that they would utilise the tool, providing key recommendations were taken into consideration.

Value of Tool to Enhance Financial Inclusion



Value of tool to regulators & supervisors



Value in the content and approach of the Training Program

	Rating
High	60%
Moderate	33%
Low	7%

Survey Key Recommendations

Benchmarking tool

- identify party responsible for advocacy, monitoring and updating of the tool;*
- make framework simple, specific, current and widely applicable to different economies;
- customization of the benchmarks according to classes of economies that have varying regulatory capacities or underlying legal codes;
- framework should provide basic principles where member countries are provided with enough space to tailor the tool to meet their specific need and circumstance;
- ensure that the tool being developed complements the existing frameworks already done by CGAP and other regional bodies
- assessment tool and the training program should complement each other;

** To engender confidence in the assessment tool, the process of data collection, analysis, dissemination and presentation should be undertaken by an objective, trusted and independent institution. (The AASC would welcome the opportunity to undertake this role)*

Key Recommendations cont.

Training Program Design

- include consumer credit reporting infrastructure as part of the framework;
- involve private and public sector stakeholders in the training component;
- training should include follow-up activities for the implementers;
- develop a clear yardstick for measuring best practices;
- institute post-training or pre-entry plan including incentives to help ensure replication of best practices;
- participants who attend the training need to interact with beneficiaries, observe actual operations and best practice, and deliberate on their insights/observations;
- provide sufficient time for key sessions such as discussion/report back to achieve session objectives;
- should be designed around basic principles with space provided for a tailored approach to meet specific needs and circumstances

A plan for further work

- To incorporate survey recommendations into the benchmarking tool and the training program design.
- Continue work on developing a highly transferable pilot workshop, flexibly designed so it is able to be individualised to specific economy needs, regulatory requirements and shortcomings.
- Assessment tool and training program pilot and comprise to parts of a work plan which will be presented for endorsement by ABAC at the 2nd meeting in May 2014, Santiago.
- Explore funding options

Thankyou!

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