FINANCIAL INCLUSION TARGETS AND GOALS: LANDSCAPE AND GPFI VIEW

A Note to the Global Partnership for Financial Inclusion (GPFI)

Prepared by CGAP and IFC for the GPFI Data and Measurement Sub-Group

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Contents

EXECUTIVE SUMMARY

Setting targets for financial inclusion has been on the agenda of the Global Partnership for Financial Inclusion (GPFI) since its inception. At the outset, the GPFI chose to defer target setting to instead focus on developing relevant indicators and establishing a baseline. There is now increased momentum to raise the topic of targets since more systematic data has evolved. Moreover, the timing is opportune with the United Nations (UN) post-2015 Millennium Development Goals (MDGs) discussion and an increasing number of countries defining financial inclusion national strategies, goals, and targets on their own.

Targets can be a powerful tool to translate the ambition of goals into practical outcomes. When well-defined, publicized, and monitored, targets can have a rallying effect. The underlying data that buttress targets can help countries' efforts to analyze their financial inclusion challenges, craft policies, monitor progress, and set targets that align stakeholders. Tracking progress against targets often provides insights into obstacles and/or opportunities for inclusion. It is critical that target-setting is done on an informed basis as rash target setting efforts can have unintended negative consequences. Carefully considered target setting can help avoid creating inappropriate incentives and counter-productive behaviors.

GPFI thus has the following view regarding targets:

1. Targets are a powerful instrument for transparency, accountability, and setting clear priorities and ambitious goals. GPFI holds that target setting begins with national initiatives to set well-calibrated financial inclusion targets. National targets can be complemented by broader global directional goals. Global goals provide a common framework for national efforts, and will lead to greater focus and momentum to manage the financial inclusion challenge. GPFI also encourages countries to collect the data necessary to track financial inclusion themselves and to set public targets and timelines to expand financial inclusion.
2. GPFI's role is not to set targets. GPFI views its role as one of supporting the careful development of setting targets for those countries that wish to do so. The development of G-20 Financial Inclusion Indicators is similarly aimed at providing a common framework of indicators while encouraging countries to collect their own data. The previous GPFI paper on target-setting provides a good summary and some guidance on setting targets, and this note recalls the most important principles at a high level (IFC 2011). Even the best intentions can lead to adverse consequences when targets are not carefully selected and set.
3. GPFI promotes country-led financial inclusion target setting and recognizes international efforts in support of this, such as Alliance for Financial Inclusion's (AFI) Maya Declaration platform. Country-led efforts leverage on-the-ground information about priorities and specific obstacles or opportunities and create real buy-in that increases the likelihood that a target will spur concrete actions. However, countries are encouraged to set targets that will have the most beneficial developmental impact. This view was echoed by World Bank Group President Jim Yong Kim in an Annual Meeting financial inclusion event in Washington D.C. in October 2013 when he said: "*Setting*

and then achieving country-led national targets will open the way toward broadening financial inclusion."

4. GPFI recognizes the value that a set of global aspirational goals has in creating political momentum, and focusing efforts. While broader goals can be helpful, GPFI does not encourage top-down global numerical target-setting, given the diversity of country conditions and the necessity for country ownership of and commitment to the target-setting process. A demonstration of this type of aspirational global goal that is based on existing national targets was expressed by H.M. Queen Máxima of the Netherlands, in her capacities as UN Secretary General's Special Advocate for Inclusive Finance for Development (UNSGSA) and Honorary Patron of GPFI, in her remarks to the UNSG's HLP meeting on the Post-2015 Development Agenda in Bali, March 2013:

> *"I think we are very well underway to an aspirational global goal for financial inclusion,* ***with a target of 90% for usage of financial services by 2030.*** *This is* ***based on national targets*** *that some countries have set already. Nigeria has a target of 70% by 2020. Tanzania, 50% in 2015 from a very low level. And Rwanda, 80% by 2017 from 21%. So, I think 90% is realistic."*

World Bank Group President Kim, in the same address mentioned above, put forward a related ambitious global goal:

> "***Universal access to financial services is within reach*** *– thanks to new technologies, transformative business models and ambitious reforms*. *As early as 2020, such instruments as e-money accounts, along with debit cards and low-cost regular bank accounts, can significantly increase financial access for those who are now excluded*."

5. The foundation of strong targets is a comprehensive and balanced view of all dimensions of financial inclusion in a country. The G-20 Financial Inclusion Indicators, endorsed at the G-20 St. Petersburg Leaders' Summit, serves as an excellent starting point for capturing the core dimensions of financial inclusion. As such, GPFI encourages countries to consider this newly expanded set as possible underlying metrics for setting targets and monitoring progress.
6. The GPFI holds that country level target setting must be carefully calibrated and must consider wider links to financial sector stability, integrity and protection. Financial inclusion can reinforce stability, integrity and protection if carefully calibrated to establish synergies rather than contradictions between these multiple objectives.

I. INTRODUCTION

Setting targets for financial inclusion has been on the agenda of the Global Partnership for Financial Inclusion (GPFI) since its inception. Financial inclusion targets were deferred as a major G-20 activity for some time as the focus was first to ensure having relevant data and establishing a baseline. Accordingly, the GPFI Data and Measurement Sub-Group focused the first phases of its work on landscaping, addressing and helping to improve the data gaps. With the key data sources established as continuous global or national surveys to measure the financial inclusion challenge, there is now increased momentum to revisit the target-setting focus. An additional impetus is represented by the global dialogues. The United Nations (UN) post-2015 Millennium Development Goals (MDGs) discussion is creating renewed attention—and debate—on targets and how they are set. Target setting was on the agenda of the first-ever meeting of the Irving Fisher Committee dedicated to financial inclusion in 2012. Finally, as increasing numbers of countries recognize the importance of inclusive financial systems in supporting and reinforcing broader development goals, they are defining ambitious goals and developing national strategies to expand financial inclusion. These national goals and strategies are often translated into targets. Over 40 countries have set targets for financial inclusion in the past two years, through platforms like the G-20 Financial Inclusion Peer Learning Program (PLP) and the Alliance for Financial Inclusion's (AFI) Maya Declaration. Complementary alliances at the private sector level or topical level (such as alliances focused on improving electronic payments systems) provide an additional engine for framing and motivating countries to strive for high financial inclusion goals.

This note, prepared by the GPFI Data and Measurement Sub-Group, is intended to serve as a reference document for all GPFI co-chairs and implementing partners to help inform a GPFI position on target setting for financial inclusion.

II. RATIONALE FOR TARGET SETTING

Why targets at all?

The Merriam Webster dictionary defines a target as "a goal to be achieved." Members of the global development community often use targets and goals interchangeably, or more confusingly use the words in quite different ways. The Report of the United Nations Secretary General's (UNSG) High-Level Panel of Eminent Persons on the Post-2015 Development Agenda (UN 2013) makes a good case for developing a clear and shared understanding of this vocabulary (Table 1). For the purposes of GPFI work, we have adopted the same goal, target, and indicator definitions.

Goals naturally fit in a global domain, whilst targets are best set at national level as this requires considerations on resource allocation and careful country-level calibration. Global goals could provide direction, but national targets are the tools to translate the ambition of goals into practical outcomes. When well-defined, publicized, and monitored, targets can have a rallying effect—creating a sense of urgency and focus, improving transparency, and strengthening accountability. Targets can also provide strong incentives that galvanize collective action by national governments, development partners, and the private sector toward shared goals. In summary, targets bring specificity and concreteness to what may otherwise not progress beyond well-intentioned strategies and statements of intent.

TABLE 1. GOALS, TARGETS, INDICATORS: DEFINITIONS		
Term	**How it is used in the report**	**Example from MDGs**
Goal	Expresses an ambitious, but specific, commitment. Always starts with a verb/action.	Reduce child mortality
Target	Quantified subcomponents that will contribute in a major way to achievement of goal. Should be an outcome variable.	Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate
Indicators	Precise metric from identified databases to assess if target is being met (often multiple indicators are used).	Under-five mortality rate Infant mortality rate Proportion of one-year olds immunized against measles
Source: UN (2013a, p. 57).		

Even the best intentions can lead to unintended adverse consequences when targets are not carefully selected and set. Targets create incentives, and incentives must be aligned with financial inclusion but also to reinforce the ever-present goals of stability, integrity and protection. Targets are most useful when the development of targets incorporates careful consideration of contextual factors and dynamics and appropriate incentives. This consideration again points to the necessity of country-owned processes and outcomes.

Why financial inclusion targets?

The positive impact of targets is also attractive to stakeholders interested in expanding financial inclusion. Setting targets is a way to focus energy on the most impactful goals and galvanize action to achieve scale in financial inclusion.

"Financial inclusion" refers to universal access by households and enterprises to an appropriate range of financial services at a reasonable cost provided by a range of responsible and sustainable financial institutions. There is a growing body of evidence on the impact of access to financial services at the microeconomic, local economic and macroeconomic levels.[1] Theory holds that an appropriate range of quality financial services helps households smooth consumption, mitigate and manage risks, build assets, and create the peace of mind needed to make effective decisions about the future. Enterprise owners can use credit or savings to invest in productive assets, insurance to manage risks, and payments services to make transactions more efficient and safe (Table 2). At the macroeconomic level, the literature shows that financial inclusion is correlated with economic growth and development. An

[1] For example, the Innovations for Poverty Action initiative (http://www.poverty-action.org), and Jameel Poverty Action Lab (J-PAL) (http://www.povertyactionlab.org/), among others have various completed and ongoing impact assessments of financial inclusion work around the world.

inclusive financial system facilitates inclusive growth by strengthening financial systems, allocating resources more efficiently, and creating opportunities for all.

TABLE 2. USE OF FINANCIAL SERVICES TO SMOOTH CONSUMPTION, MANAGE RISK, AND ALLOCATE RESOURCES		
	INDIVIDUALS/MICROENTERPRISES	SMALL AND MEDIUM ENTERPRISES
Credit	• Consumption smoothing • Investment in human development (health, education, etc.)	• Financing for working capital and for investment • From financial institutions or through supply chain
Savings	• Cushion in case of shocks • Low-risk source of self-financing	• Savings (retained earnings) as primary source of financing
Insurance	• Risk-management tool for managing shocks	• Lower risks of business activity
Payments	• Safe and low-cost alternatives to informal mechanisms and cash	• For efficient, low cost, and safe transactions

Despite significant efforts, half of all adults globally (an estimated 2.5 billion people) are still excluded from formal financial services (here defined as having a savings or credit account with a formal institution). In emerging markets, the challenge is even greater: almost three in four adults do not have an account at a formal financial institution. There is also an important gender gap—women's access considerably lags behind men in developing economies.

The problem of financial exclusion is not limited to individuals. Around 200 million formal and informal micro, small, and medium enterprises (MSMEs) in developing economies lack access to loans or lines of credit. An estimated 55–68 percent of formal small and medium enterprises (SMEs) lack adequate financing. SMEs are also held back by inefficient or costly business-to-business payments options; a lack of appropriate risk management products, such as insurance; and a shortage of growth capital. Women-owned SMEs have consistently lower access to finance worldwide.

Financial inclusion goals and targets can thus galvanize action, provide the necessary motivation and become a powerful tool to overcome the problem of financial exclusion.

What special considerations exist with regard to targets for financial inclusion?

Financial inclusion is nuanced and sensitive to country-specific legal, regulatory, tax, and government environments. The following considerations ought to be taken into account:

- Targets ought to be considered in the three dimensions of financial inclusion—access, usage, and quality—in a progressive and thoughtful manner that avoids creating incentives that are too skewed in favor of one dimension over another. Targets that simultaneously recognize the need for stability, integrity, and protection will better reinforce the long-term goal of financial inclusion. The GPFI has analyzed how to optimize linkages between four distinct policy objectives: financial inclusion (I), financial stability (S), financial integrity (I) and financial consumer protection (P) (or, collectively, "I-SIP").[2]

- Poor people likely need access to a comprehensive suite of financial services, though they may not need to avail themselves of all services at all times. Similarly, enterprises require a range of financial products beyond transactional accounts and credit. Targets on usage need to take into account the reality that households and enterprises might not use all services at all times.
- More is not always better. The risks of over-indebtedness are increasingly well-documented. Not every poor person or small enterprise can afford credit. Risks also exist with other services such as the over-selling of insurance or investment products. Savings is not always healthy in highly inflationary environments. In the long run it is not only the reach and size of service levels but the sustainability of financial services that benefits both consumers and providers.
- Finally, it is critical that financial inclusion targets be set in a manner that is viable and systemically safe. Viable refers to providing valuable financial solutions that are affordable for the consumer and sustainable/profitable for the provider. Safe refers to ensuring that financial services do not have adverse impact on consumer protection and financial stability. Ultimately, targets that promote financial services in a manner that damage stability, integrity or consumer protections will also undermine financial inclusion by weakening the wider financial system.

III. APPROACHES TO TARGET SETTING

A target setting process has four stages. The first stage consists of assessing the existing state of financial inclusion. Depending on country-specific needs, general or specific targets can then be set along with a timeline for their achievement. In the third stage, an implementation plan to reach the targets is needed, including possible policy reforms, and investments from private sector actors. The final stage is to institute regular monitoring of progress against the targets, for accountability, and to help uncover specific obstacles or opportunities for financial inclusion.

General principles for target setting

- Information must guide the target-setting process.
- Targets need to be aspirational and challenging to motivate real change.
- Historical benchmarking or simulations can help balance the aspirational with the feasible.
- Targets should be easy to understand and easily communicable to ensure broad endorsement and backing.
- Targets should consider the resources available for implementation.
- Effective monitoring is key to ensure accountability and credibility.
- Targets should be in line with the context, capacity, and ambition of a particular country. Different countries can pursue specific goals at different speeds based on the priority of the goal for the country (and trade-offs with other priorities), the initial starting point, the technical and organization capacity, and the level of resources that can be mobilized.

[2] GPFI (2012). Also note Cull et al. (2012) for further information on stability and inclusion.

- Financial inclusion targets ought to balance stability, integrity and consumer protection considerations.
- Target-setting and monitoring are best undertaken in a national forum, where relevant stakeholders, both public and private, are participating.

FIGURE 1. SPECTRUM OF TARGET-SETTING APPROACHES

Country-specific ⟷ Country-agnostic

Approach	Fully country-designed	Archetypes	Generalized path	Top-down modeling
Description	▪ Allow each country to decide their own approach to setting targets	▪ Sort countries into archetypes based on their starting point and enabling environment ▪ Define different target setting approach depending on a country's archetype	▪ Based on assumption that there is a generalizable path for use of financial services; hypothesis that it will be in the shape of an S-curve ▪ Use historical data for countries to inform how much progress is realistic depending on a country's starting point	▪ Model global and regional-level targets based on a transparent set of metrics and assumptions
Strengths	▪ Fully takes into account countries' starting points and ambition levels	▪ Fully takes into account countries' starting points and how that affects financial inclusion targets ▪ Provides actionable path forward for countries through differentiated targets for different archetypes ▪ Easily communicable to countries	▪ Provides strong fact base for feasibility of targets (e.g., path of countries that have been in the same starting position in the past) ▪ Easily communicable to countries	▪ Methodologically simple and easy to understand ▪ Provides immediate sense of the global aggregate target
Limitations	▪ Some countries may have limited capabilities or capacity to design a robust target setting approach	▪ Will likely be longer process to arrive at global numerical target (i.e., since critical mass of countries must individually go through this process)	▪ Data limitation requires this analysis to be done only for usage metrics, leading to not enough emphasis on other dimensions of full financial inclusion ▪ Likely too deterministic regarding country trajectories; allows little flexibility for country ambition and unique situations	▪ Limited understanding of aspiration and feasibility (e.g., does not take into account inputs in enabling environment) ▪ While some steps are informed by country-level data, does not provide country-by-country understanding of targets

Adapted from IFC. 2011. *Financial Inclusion Data: Accessing the Landscape and Country-Level Target Approaches*. Washington, D.C.: IFC. A discussion paper prepared by IFC on behalf of the Global Partnership for Financial Inclusion.

Key decision point: Universal (country-agnostic, global) vs. country-specific

There is a spectrum of target-setting approaches, from a fully country-specific approach to country-agnostic top-down modeling (see Figure 1). Four examples on this spectrum are fully country-designed approach, archetypes approach, generalized path, and top-down modeling.

The *fully country-designed approach* begins with countries' unique starting points and ambition levels and develops targets based on each country's strategy. As such, country-designed target setting helps prioritization among development goals at the country level, and influences the resource allocation process. Standardized financial inclusion indicators are required to facilitate benchmarking and comparisons across countries in this scenario.

Top-down modeling (i.e., setting a global target across the board for all countries to achieve regardless of country-specific conditions) lacks the credible country perspective and country ownership if developed without complementary bottom-up feasibility assessments, but would be the simplest to communicate globally. Globally set targets may be inappropriate for some countries and may potentially distort incentives, leading to counter-productive outcomes. Instead of country-agnostic top-down global target setting, global figures could be deduced from an aggregation of national targets, but such an effort requires a high level of co-ordination, or standardized data and targets. At the global level it may therefore be the best to articulate goals giving directional impetus and providing wider consensus, and rely on national level efforts for actual financial inclusion targets.

The *generalized path* approach is based on the assumption that there is one path that describes a country's journey toward full financial inclusion which is applicable to all countries. Each country follows the path, but is at a different position on the path. This approach thus argues that countries that lag behind will eventually catch up with the ones that lead, using similar policies that the more developed countries have used earlier when they were in a similar state.

The *archetypes approach* was explored earlier by GPFI as it contains the promise of being country-specific enough with a potential for developing guiding frameworks and globally relevant aggregate analytics (IFC 2011). Within this approach, a small number of archetypes are defined based on different starting points for the level of financial inclusion, separately for individuals and for enterprises. Each archetype is designed to include a number of countries which share similar characteristics in terms of their level of financial inclusion, and financial and economic development. This approach enables a country to choose the archetype that it feels is appropriate for individual level and for enterprise level financial inclusion. For each archetype, the approach lays out possible options for setting financial inclusion targets, which are based on archetype-specific characteristics that are based on a typical country within that archetype. For example, a country that is well advanced in individual inclusion may choose an archetype accordingly, leading to a certain set of possible target setting options for its own archetype for individuals. The same country may be relatively less advanced in terms of access to finance by micro and small enterprises, and thus may select a different archetype for improving enterprise access to finance, with a different set of target setting options corresponding to that archetype.

All of these approaches have advantages and disadvantages. It is important to acknowledge the power of global goals in providing momentum, the power of fully-country designed approaches to mobilize and channel resources appropriately, and the power of the in-between approaches to facilitate analyses, comparisons and benchmarking for monitoring progress. Therefore, it is best to focus on national targets that have some elements of standardized indicators and monitoring progress embedded, with an over-arching global goal.

Overview of current target-setting initiatives

This section provides an overview of UN-led efforts to shape the post-MDG era and the role of financial inclusion, and an overview of other global and national initiatives to improve the state of financial inclusion at the country level.

UNSG's High-Level Panel on the Post-2015 Development Agenda and global financial inclusion targets

UNSG formed a 30-person panel, the High-Level Panel (HLP) of Eminent Persons on the Post-2015 Development Agenda, to develop a set of recommendations for the global development agenda beyond 2015 when the MDGs will expire. The HLP had global consultations with many sectors during a 10-month period, and produced a report that recommended building the new development agenda around five transformative shifts to eradicate extreme poverty by 2030. They are (1) leave no one behind; (2) put sustainable development at the core; (3) transform economies for jobs and inclusive growth; (4) build peace and effective, open, and accountable institutions for all; and (5) forge a new global partnership.

The HLP's report is a key input for the UNSG's report (UN 2013b) to follow up on the MDGs and to discuss the post-2015 development agenda during the UN General Assembly session in September 2013. The report will feed into the new development framework owned and developed by all UN member countries.

The HLP benefited from consultations with H.M. Queen Máxima of the Netherlands in her capacity as UN Secretary-General's Special Advocate for Inclusive Finance for Development (UNSGSA) and Honorary Patron of GPFI. Her Majesty advocated for the role of financial services, as an enabler and accelerator of equitable economic growth and development. She stressed the importance of including financial inclusion in the post-2015 global development agenda. In addition, the panel sought input from the private sector. The private sector's feedback seconded the views expressed by UNSGSA.

The HLP's report presents an illustrative framework for setting goals and targets to achieve these transformative shifts and made a strong appeal for improving the quality and the availability of statistics. The proposed framework has 12 universal goals that build on national planning processes, ambitions, and targets. Each goal has three to six targets—the levels at which these targets are set are left to the discretion of countries. The report includes only a few global targets, all related to the objectives by the UNSG's Sustainable Energy for All Initiative.

Two financial-inclusion-related targets[3] are included in the proposed framework: (1) "Ensure equal right of women to own and inherit property, sign a contract, register a business and open a bank account" as part of the proposed goal "Empower girls and women, and achieve gender equality"; and (2) "Strengthen productive capacity by providing *universal access to financial services* and infrastructure such as transportation and ICT" as part of the proposed goal "Create jobs, sustainable livelihoods, and equitable growth."

Disaggregated indicators are to be used to track progress against the targets by income, gender, location, age, disabled population, and other social groups relevant for country-specific contexts to

[3] While these are termed as targets in the HLP report (UN 2013a) based on Table 1 above, in the context of this note these two items would be classified as goals.

ensure equality of opportunity. Global monitoring and peer review are key drivers for implementation, encouragement of partnerships, and accountability.

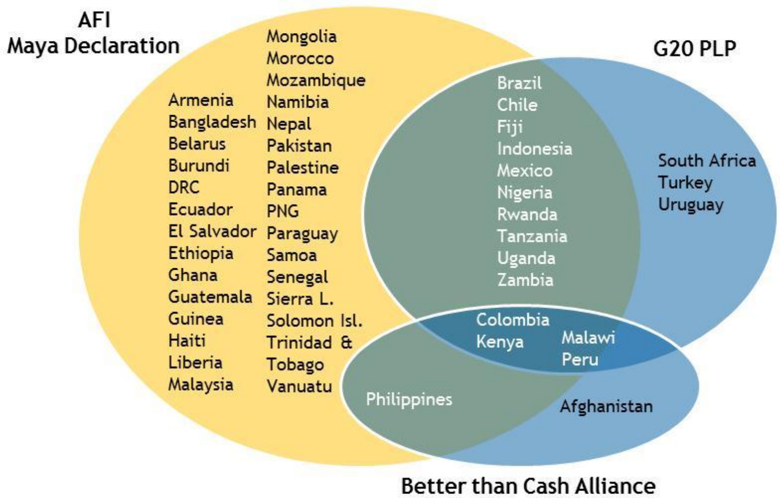
National Target-Setting Efforts – Public Institutional Commitments to Promote Financial Inclusion

Country commitments to improving financial inclusion have been on the rise since 2011. At the time of the publication of this piece, already 45 countries in developing and emerging markets have made commitments through AFI's Maya Declaration with more to come. Seventeen of these 45 countries set financial inclusion targets in addition to their commitments. In addition, 17 countries made national commitments to coordination mechanisms and national strategies to achieve financial inclusion as part of the G-20 Financial Inclusion Peer Learning Program ("G-20 PLP"), announced at the G-20 Los Cabos Summit in June 2012. These commitments stand poised to bring over 700 million people into the formal financial system.

A number of countries have announced commitments both through the G-20 PLP and the Maya Declaration process (see Figure 2; 14 countries are common among the two programs). Also, the recently formed "Better than Cash Alliance" (BTCA) represents a global platform that focuses on the promotion of electronic payments for higher financial inclusion. Through the BTCA, governments have the opportunity to publicly commit and frame their payment systems improvements goals. Combining the Maya Declaration, the G-20 PLP and BTCA, as of September 2013, a total of 49 countries have made their national financial inclusion commitments. This growing wave of country commitments on the global stage reflects a milestone development. Specifically, a number of countries have put in place or are developing detailed strategies, goals and targets as part of national action plans. The caselets on Malaysia and Nigeria given in the Annex illustrate this type of deeper, developed attention to goal and target-setting at the national level.

Of the total of 49 countries, the highest number of publicly committed goals are from Sub-Saharan Africa (18 countries), Latin America (13 countries) and East Asia and the Pacific (nine countries). Other countries are from Europe and Central Asia (three countries), South Asia (three countries), and the Middle East and North Africa (three countries). In the aggregate, these 44 countries are home to more than 1 billion economically active people, with a significant share of that population still unbanked (a simple average across the country set indicates a level of 70 percent unbanked). Eight countries that have made specific goals to improve financial inclusion are currently among the group of countries with the highest number of unbanked. These are Bangladesh, Brazil, DRC, Indonesia, Mexico, Nigeria, Pakistan, and the Philippines.

FIGURE 2. COUNTRY COMMITMENTS (MAYA DECLARATION, G-20 PLP AND BTCA)—COMMON COUNTRIES



Data Source: *http://www.afi-global.org/maya-declaration*; *http://www.g20mexico.org/index.php/en/press-releases/459-evento-de-inclusion-financiera-en-los-cabos*

The country commitments announced through the evolving Maya Declaration process, typically include goals and sometimes explicit targets for increasing access to bank accounts for the unbanked, as is demonstrated by variety of goals in terms of focus and measurability of the selected countries in Table 3 and the two case studies (Nigeria and Malaysia) that follow.

TABLE 3. EXAMPLES OF MAYA DECLARATION COUNTRY COMMITMENTS

Country and Region	Goals / Targets
National Bank of the Republic of **Belarus** (Eastern Europe and Central Asia)	• Increase the number of the **adult population with bank accounts from (current) 70% to 85% by 2015** by switching salary payments of employees to card accounts • Improve financial literacy of all household categories through the Joint Action Plan of Government Agencies and Financial Market Participants for 2013-2018, as approved by the Resolution of the Council of Ministers and the National Bank of the Republic of Belarus
Central Bank of **Ecuador** (Latin America and Caribbean)	• Place payment points for local financial structures (that are connected to the national payment system) in at least 200 cantons with **coverage of approximately 90% of the country by 2015** • Increase the number of transactions using the mobile phone channels of the BCE by 2015 • Promote financial education to inform current and potential users of financial services by 2015 • Create a grant fund to support the expansion of financial services provision • Expand remittance distribution channels through local financial entities by 2015 • Issue mobile banking regulations by 2015
Reserve Bank of **Fiji** (East Asia and Pacific)	• Reach at least **150,000 unbanked and underserved citizens by 2014** • Integrate financial education into the Fiji school curriculum from class 1 to 13 by 2012 (*completed)* • Conduct financial competency survey by 2012 (*completed*) • Collect core set indicators by 2013 • Ensure the provision of enabling legislative and regulatory environment for payment systems • Expand savings services by 2013
National Bank of **Rwanda** (Sub-	• Increase access to formal financial services from **21 percent (baseline in 2008) to 80 percent by 2017** • Adopt National Financial Inclusion Policy and put in place a national financial inclusion task force • Develop a set of financial inclusion indicators based on AFI core set to monitor national target of 80

Saharan Africa)	percent access • Adopt a National Financial Literacy Strategy and a financial awareness campaign

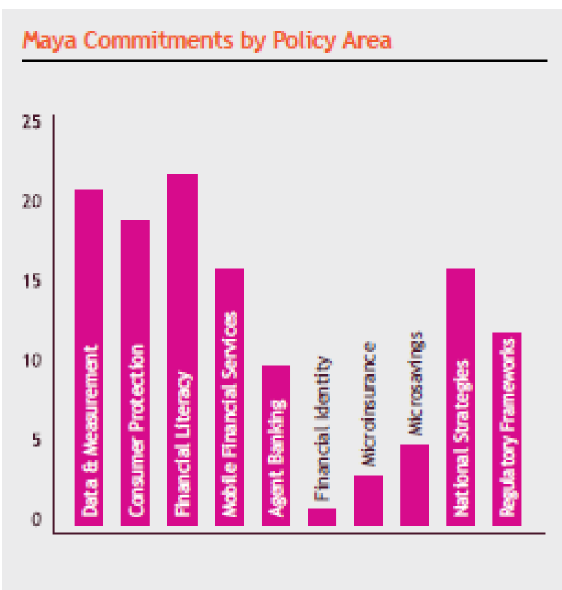
Source: Alliance for Financial Inclusion. 2013. "Putting Financial Inclusion on the Global Map – The 2013 Maya Declaration Progress Report". http://www.afi-global.org/maya-declaration

The commitments cover a range of topics including increasing access, payments systems, branchless banking, financial education, consumer protection, data, national strategies, laws and regulations, increasing the range of products, and financial infrastructure (e.g., credit bureaus, national IDs). Very few targets are around distinct provider types. Overall, data, consumer protection and financial literacy are so far the most "popular" policy areas of commitments, as the summary chart in Figure 3 below demonstrates.

The G-20 Russia presidency encouraged the development of a mechanism ("the Financial Inclusion Support Framework") to support countries in setting and achieving national FI targets. The July 2013 meeting of Finance Ministers and Central Bank Governors communique endorses national target-setting development and global platforms and mechanisms that support these targets:

"We commend the forty emerging market and developing countries, which have made financial inclusion commitments, and ask the GPFI to continue support of the global platforms such as AFI's Maya Declaration, G20 Peer Learning Programme and the World Bank Group's Financial Inclusion Support Framework to assist countries in meeting their commitments."

FIGURE 3. COMMON POLICY AREAS IN MAYA DECLARATION COMMITMENTS, AS OF 2013



Source: Alliance for Financial Inclusion. 2013. "Putting Financial Inclusion on the Global Map – The 2013 Maya Declaration Progress Report". http://www.afi-global.org/maya-declaration

Private sector target-setting joint initiatives

The financial inclusion private sector ecosystem encompasses a diverse group of providers and innovators of financial services and products. Each private sector institution typically implements its own corporate scorecard with its own business-driven targets and goals. However, various groupings or alliances of private-sector actors have recently started to articulate common global financial inclusion goals.

The private sector's engagement with the HLP in the post-2015 MDG consultations is one example of its involvement in financial inclusion target setting. Other examples include alliances formed by a group of private sector actors that aim to improve financial inclusion. For example, Global Alliance for Banking on Values (GABV) is a network of leading sustainable banks with over $60 billion in combined assets and a total client reach of 10 million in 25 countries; BRAC, Mibanco, Triodos, XacBank, and BancoSol are among its members. GABV has a shared commitment to find solutions to international problems and pledged to touch the lives of 1 billion people by 2020 with sustainable banking by expanding its network of banks, further increasing the capital it raises and training a new generation of sustainable bankers to use that money to make a lasting difference.

Furthermore, the B-20 Task Force on Financing for Growth and Development delivered its recommendation report on "Priority Actions for Los Cabos" during the G-20 Mexico Presidency in 2012. The task force did not present explicit targets or goals, but included actions to accelerate progress in financial inclusion. A sample of the B-20 recommended global actions (edited version, *not* verbatim) is as follows:

- Governments should support widespread access to finance by promoting existing access points, including public networks and government offices, as well as innovative distribution channels, including third-party correspondent and mobile service providers.
- G-20 leaders should eliminate barriers to entry for providing financial services through easing the transition for financial providers to transform into regulated institutions; creating a favorable legal environment, including effective regimes for documenting property rights and foreclosure legislation; and considering the elimination of interest rate and profit caps.
- Attention needs to be given to overindebtedness.
- G-20 leaders should support further financial education guidance by the OECD's International Network on Financial Education, especially for the un- and underbanked, other vulnerable groups, and SMEs.
- G-20 leaders should support efforts by all countries to improve data on SME finance, in particular, bank access to credit data.

IV. THE GPFI VIEW OF FINANCIAL INCLUSION TARGET-SETTING

GPFI fully supports the global goal of universal financial access and welcomes the interest of an increasing number of countries in addressing financial exclusion. Financial exclusion reinforces social exclusion and creates missed opportunities for individuals and firms to grow and prosper, limiting the ability to escape poverty and improve the quality of life for many. Financial inclusion is an essential building block for economic development and financial stability.

GPFI considers reliable data and indicators as powerful tools in countries' efforts to assess their financial inclusion challenges, craft policies, monitor progress, and set targets that align all stakeholders, thereby creating a national focus on financial inclusion. In addition, the monitoring of targets often provides useful insights into obstacles and/or opportunities for inclusion.

GPFI thus has the following view regarding targets:

1. Targets are a powerful instrument for transparency, accountability, and setting clear priorities and ambitious goals. GPFI holds that target setting begins with national initiatives to set well-calibrated financial inclusion targets. National targets can be complemented by broader global directional goals. Global goals provide a common framework for national efforts, and will lead to greater focus and momentum to manage the financial inclusion challenge. GPFI also encourages countries to collect the data necessary to track financial inclusion themselves and to set public targets and timelines to expand financial inclusion.
2. GPFI's role is not to set targets. GPFI views its role as one of supporting the careful development of setting targets for those countries that wish to do so. The development of G-20 Financial Inclusion Indicators is similarly aimed at providing a common framework of indicators while encouraging countries to collect their own data. The previous GPFI paper on target-setting provides a good summary and some guidance on setting targets, and this note recalls the most important principles at a high level (IFC 2011). Even the best intentions can lead to adverse consequences when targets are not carefully selected and set.
3. GPFI promotes country-led financial inclusion target setting and recognizes international efforts in support of this, such as Alliance for Financial Inclusion's (AFI) Maya Declaration platform. Country-led efforts leverage on-the-ground information about priorities and specific obstacles or opportunities and create real buy-in that increases the likelihood that a target will spur concrete actions. However, countries are encouraged to set targets that will have the most beneficial developmental impact.
4. GPFI recognizes the value that a set of global aspirational goals has in creating political momentum, and focusing efforts. While broader goals can be helpful, GPFI does not encourage top-down global numerical target-setting, given the diversity of country conditions and the necessity for country ownership of and commitment to the target-setting process. A demonstration of this type of aspirational global goal that is based on existing national targets was expressed by H.M. Queen Máxima of the Netherlands, in her capacities as UN Secretary General's Special Advocate for Inclusive Finance for Development (UNSGSA) and Honorary Patron of GPFI, in her remarks to the UNSG's HLP meeting on the Post-2015 Development Agenda in Bali, March 2013:

> *"I think we are very well underway to an aspirational global goal for financial inclusion, **with a target of 90% for usage of financial services by 2030.** This is **based on national targets** that some countries have set already. Nigeria has a target of*

70% by 2020. Tanzania, 50% in 2015 from a very low level. And Rwanda, 80% by 2017 from 21%. So, I think 90% is realistic."

5. The foundation of strong targets is a comprehensive and balanced view of all dimensions of financial inclusion in a country. The G-20 Financial Inclusion Indicators, endorsed at the G-20 St. Petersburg Leaders' Summit, serves as an excellent starting point for capturing the core dimensions of financial inclusion. As such, GPFI encourages countries to consider this newly expanded set as possible underlying metrics for setting targets and monitoring progress.
6. The GPFI holds that country level target setting must be carefully calibrated and must consider wider links to financial sector stability, integrity and protection. Financial inclusion can reinforce stability, integrity and protection if carefully calibrated to establish synergies rather than contradictions between these multiple objectives.

ANNEX – Case Studies

Malaysia—Reaching Beyond Standard Measurement Practices by Developing a Financial Inclusion Index to Track and Motivate Target Setting

Malaysia, a country with close to 20 million economically active people and 66 percent formally banked adults, has set specific and ambitious goals as part of the Maya Declaration process. Bank Negara Malaysia, through the Maya Declaration, has committed to the following goals and targets:

- 95% of the adult population to have access to the formal banking system by 2014
- By 2014, 90% of the 837 sub-districts (mukim) in Malaysia with population more than 2,000 to have at least one physical financial services access point
- Develop an agent banking framework (COMPLETED)
- Accelerate the rollout of a mobile banking platform
- Expand the range of products and services, including flexible microfinancing, long-term contractual microsavings and the development of a microinsurance and microtakaful framework (COMPLETED)
- Strengthen the institutional arrangements (role of specialized DFIs, build capacity of practitioners)
- Put in place a monitoring framework to track the progress of financial inclusion (COMPLETED)
- Provide financial advisory services to underserved population and build the capacity of microenterprises (COMPLETED)

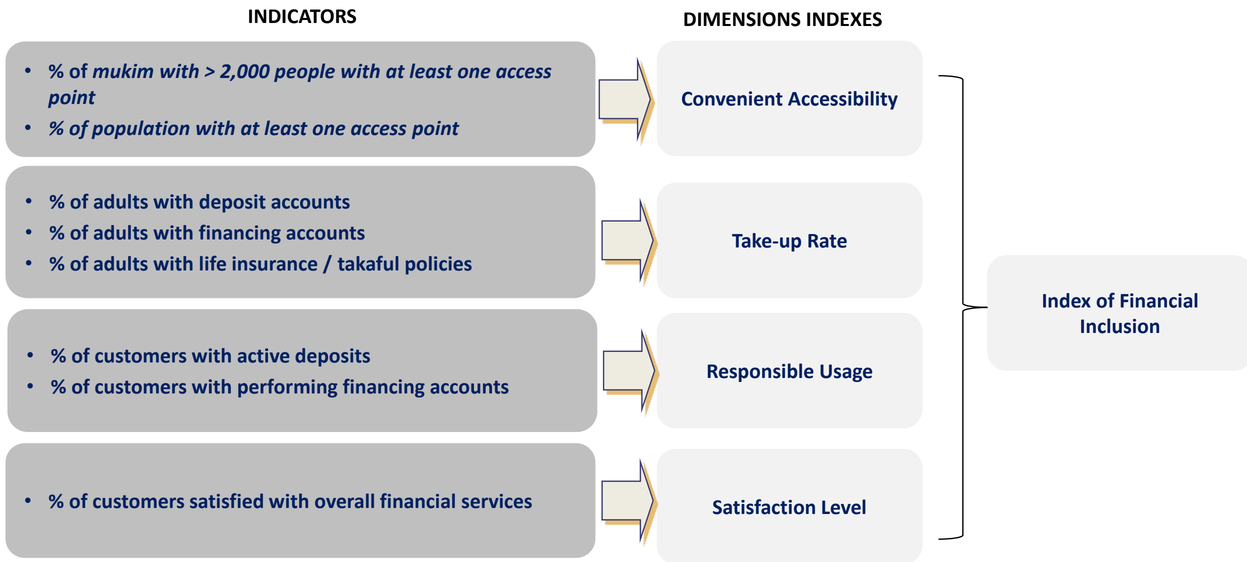
In addition, Malaysia has extended its commitment to goal and target setting by developing an index of financial inclusion (IFI) to "measure the effectiveness of formal financial institutions in delivering financial products and services to all members of society" (Bank Negara Malaysia 2013). This nationwide IFI aims to strengthen the diagnosis and tracking of the development of an inclusive financial system. The index comprises four dimensions: (1) convenient accessibility; (2) take-up rate of financial products; (3) responsible usage; and (4) satisfaction level (see Figure A1).

Bank Negara Malaysia also set the following benchmark categories for the index:

- $0.75 < IFI \leq 1$— high financial inclusion
- $0.5 \leq IFI < 0.75$— above average financial inclusion
- $0.25 \leq IFI < 0.5$— moderate financial inclusion
- $0 \leq IFI < 0.25$— low financial inclusion

The current diagnosis (IFI = 0.77) indicates that Malaysia has a high level of financial inclusion, but when the index is computed for the low-income population, the index score is lower.

FIGURE A1. INDEX OF FINANCIAL INCLUSION, MALAYSIA



Source: Bank Negara Malaysia (2013)

The case of Malaysia demonstrates how national efforts can expand beyond formulating goals to developing detailed and country-specific data tools, such as the financial inclusion index, that can provide additional insight into the country's progress toward targets and its comparative positioning with peers.

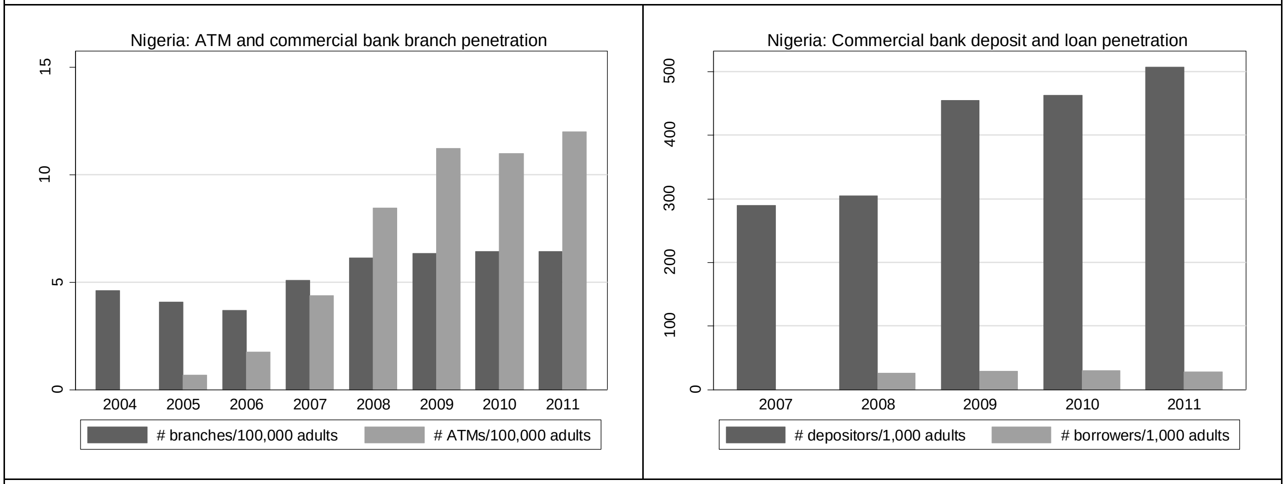
Nigeria—National Financial Inclusion Strategy and Targets

Almost 30 percent of adults in Nigeria had an account at a formal financial institution as of 2011, while only about 2 percent of adults had formal credit. And about 3.5 percent of SMEs had a loan or line of credit in 2007. These numbers show that while Nigeria is at par with the rest of the sub-Saharan African countries and lower-middle-income countries in terms of account penetration, there is much room for improvement on the credit side.

Historical data show that both access points and commercial bank deposit penetration have increased over the past few years in Nigeria (Figure A2). This is especially noticeable in the number of automatic teller machines (ATMs) and the number of depositors per adult. This is only part of the story, however, as nonbank financial institutions constitute a significant share of the Nigerian financial sector.

The Nigerian government introduced a new National Financial Strategy in 2012, as part of its commitment to the Maya Declaration. The government's target is to reduce financial exclusion to 20 percent by 2020 from the 2012 level of 46.3 percent.[4] The report by the Central Bank of Nigeria on the national financial inclusion strategy describes the challenges involved and sets targets based on these challenges (Table A1).

FIGURE A2. NIGERIA—ACCESS AND USAGE OVER TIME



Source: IMF FAS.

The strategy report lists the key indicators to be used for monitoring purposes, identifies stakeholders and their responsibilities, identifies possible risks and potential solutions, and provides a detailed plan for implementation, monitoring and evaluation, and tracking of progress.

TABLE A1. NUMERICAL FINANCIAL INCLUSION TARGETS IN NIGERIA

	Status at 2010	Target for 2020
Payments	Usage: 21.6% of adults	Usage: 70% of adults
Savings	Usage: 22.4% of adults	Usage: 60% of adults
Credit	Usage: 1.8% of adults	Usage: 40% of adults
Insurance	Usage: 1% of adults	Usage: 40% of adults
Pensions	Usage: 5% of adults	Usage: 40% of adults
Deposit money banks branches	6.8 per 100,000 adults	7.6 per 100,000 adults
Microfinance banks branches	2.9 per 100,000 adults	5 per 100,000 adults
ATMs	11.8 per 100,000 adults	203.6 per 100,000 adults
Point-of-sale terminals	13.3 per 100,000 adults	850 per 100,000 adults
Agents	0 per 100,000 adults	62 per 100,000 adults

[4] See Central Bank of Nigeria (2012). Note that the Central Bank of Nigeria includes informal inclusion (i.e., usage of unregulated institutions, such as cooperatives or money lenders) as part of financial inclusion, and thus finds 46.3 percent of adults are financially excluded. Informal access is estimated to be around 17.4 percent. The target also includes a reduction of the informally saved down to 10 percent and thus an increase of the formally banked from 36 percent to 70 percent.

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