

## **Closing Remarks**

### **AFI Global Policy Forum, Mexico, 2011**

#### **Mr. Felipe Calderón Hinojosa**

President of the United Mexican States

Your Royal Highness, Princess Máxima of the Netherlands, UN Secretary-General's Special Advocate for Inclusive Finance for Development, and Honorary Patron of the Global Partnership for Financial Inclusion, be very welcome to Mexico, we are much honored with your presence. Mr. Alfred Hanning, Director of the Alliance for Financial Inclusion, be very welcome as well.

Distinguished members of the Global Partnership for Financial Inclusion, welcome to Mexico. This is your home, and we hope you enjoy very much our beloved country.

Mr. Roberto Borge, Governor of the State of Quintana Roo, thank you for your hospitality. I greet the representatives of the Powers of the State of Quintana Roo; the Commanders of the Navy and Army Zones and Regions.

I also greet the Superintendents, Vice-Presidents and Presidents of the Central Banks who are present here and who come from various nations of the world. I appreciate very much your presence as well; dear special guests; ladies and gentlemen; Your Royal Highness:

It is an honor for Mexico to be the venue of this Third Global Policy Forum of the Alliance for Financial Inclusion, AFI.

I am aware that after a quite intense work, a very productive work, carried out during three days, the Forum concludes its activities today. At the same time, I am also very pleased to announce the commencement of the First Global Partnership for Financial Inclusion Forum, a project launched by the G-20 that will start tomorrow.

I consider that the participation of this Global Partnership for Financial Inclusion is quite relevant. As you know, Mexico will be host for the G-20 next year. For the first time, a developing country shall be the venue for the leading world countries, particularly at such an important and significant time, not only due the world economic problems, but due to the imperious need of defining, right now, common public policies that allow the comprehensive human development of our peoples.

So, Your Royal Highness, I am very grateful for your invitation to these major events.

I know these are privileged spaces for the exchange of knowledge and experiences, which will allow strengthening the financial inclusion policies in our countries and building a future of greater wellbeing and progress for everyone.

I am also very glad that this financial inclusion effort has such a strong leadership as that of Princess Máxima of the Netherlands, not only for her status within the Dutch Royal House, but mostly for being a person who is absolutely committed with the topic, on one side, but who has a profound knowledge on the matter, on the other.

I consider that it is really unusual to find skills, knowledge and leadership all gathered in one person, which will allow, as we have witnessed, transforming the world's vision on the financial exclusion problem, mainly in regards to the poor.

Of course, Mexico is committed to such international effort, especially after the visit of Her Royal Highness, a few months ago. Likewise, we are stepping up the pace towards a greater financial inclusion; i.e., towards access to financial services for all sectors of society.

As you know, it was not until some years ago that the global agenda for development incorporated this topic to its priorities. It seemed that after many decades of studying and discussing development, financial inclusion was not even present in such agenda. Today, it is taking the utmost significant role that it probably should have always had.

For example, I would like to highlight a study conducted by the World Bank that shows that over half the adults, i.e., 56 percent of adults worldwide, have no access to formal financial services.

This is a quite delicate situation, but moreover in developing countries, and moreover in poor families, who are precisely those who need financial services the most, in view that the number of excluded persons in developing countries rises to 64 percent, i.e., two out of every three family members in developing countries, such as Mexico, are excluded from financial services.

What does this mean?

It means that billions of people are left out of a key service, not only from the formal economy, but also excluded from the possibility of financing their own personal and household development.

It means that they may not have access to credit for opening a small business. It means they do not have services to produce stable savings, to create wealth. It means that they have no opportunity of

facing, in an orderly or at least anticipated manner, circumstances where they have to incur in unpredicted expenses, whether for health, personal or family reasons, or even related to their own businesses. It means that such persons must turn to quite costly and less reliable informal intermediaries.

I can perfectly recall the case, which must be the case of hundreds of thousands of families, maybe millions, in Mexico and worldwide, who, if required, must turn to a loan shark, someone who lends money in their neighborhood or locality, at excessive interest rates; I have witnessed, I have known of some cases of monthly interest rates of over 10 percent; with this, they end up smothering the poor finances of the poor people, and making them even poorer.

On the other hand, what other means of financing such families excluded from financing may avail from?

That is why it is so important that we are all gathered here today, public officials, Central Bank Presidents, Ministers, Secretaries, academics, specialists of over 70 countries, to reflect on the developments and challenges of financial inclusion.

It is a key task, since, by opening the doors of credit, savings and insurance to more persons, we are giving more certainty to the present and we are broadening their capacity to build a better future. Financial inclusion is a means to reach greater social justice.

Like in other countries that are AFI members, in Mexico, we share this commitment to promote financial inclusion. Particularly in view of the opportunity of holding these meetings, specifically this Forum and this meeting of the Global Partnership here in Mexico, which opportunity we very much appreciate. After the date was set and the event was confirmed, the sole fact of welcoming you all here, I must confess, caused a great concern to my Administration, I would not know to what extent to my colleagues, but I am sure it did to me.

That motivated an additional effort to expedite the steps towards financial inclusion. For example, today, we have taken a fundamental step forward. I can recall when Her Highness Princess Máxima visited us a few months ago to invite us to participate in this Forum, she specifically insisted on creating an entity that could bring together the views of all responsible officials in the financial sector of the country, and the views of the private sector. So, such entity would allow us to actually expedite and consistently improve the design of financial inclusion public policies.

Therefore, today, I am very pleased to have signed, at this closing ceremony, the Agreement whereby the National Council for Financial Inclusion is created in Mexico.

Among the various important duties that this Council will have, it shall be responsible for proposing

measures for the planning, preparation, implementation, execution and follow up of a financial inclusion national policy.

In addition, the Council may propose any changes to the financial architecture of our system, as well as any regulatory reforms to our laws; it shall coordinate efforts in an aspect that is crucial: the financial education of potential users. Moreover, an extremely relevant aspect: it will approve or regulate the statistical instruments used to accurately measure the country's progress in regards to financial inclusion.

I would also like to urge the Minister of Treasury, in his capacity as Minister and as member of such Council, not to wait two or three years to conduct the financial inclusion surveys. I believe that the statistical progress is such, and data in the century of information technology is also such, that we require such surveys to be conducted at least once each year. Hopefully there will be at least one proxy out of such surveys. Every time the Minister receives financial information related to the country, there must be some financial inclusion data in it.

In addition, the Council will strengthen many efforts that have been carried out in Mexico, which, I must confess, have been fortunately accelerated after we became aware that we were having the presence of all of you here.

First. We are prompting the bancarization of more Mexicans. Let us analyze, for example, the fact mentioned by the Minister of Treasury: according to the World Bank, in 2004, in Mexico, only 25 percent of people had access to bancarization.

In 2009, the survey carried out by the Ministry of Treasury already showed a bancarization of 48 percent. If we uphold the criterion of having a specific account and the criterion of financial service users, bancarization could have reached maybe 60 percent. However, ladies and gentlemen, from 2009 to date, we have made major changes. For example, we know that, as it happens all over the world, most persons with no access to finance, are low-income persons. Concretely, the poorest people in the country have no banking services, no account and practically do not go near any bank branches. Moreover, there are no bank branches in many of their communities.

What have we been doing? We are making the Government channels used to reach those poor people turn into bancarization channels as well.

For example, we, the Government, are giving to the poorest families in the country -we are talking about six and a half million families, around 30 million Mexicans, the fourth and third part of the population, the fourth and third poorest part- a subsidy named Opportunities (*Oportunidades*), a Conditional Money Transfer Program.

We are giving each of such very poor families, between 60 and 230 dollars per month, depending on the number of children they have in school, with the condition that they actually take their children to school, that the mothers periodically take their children to the doctor, and that the mothers themselves go to the doctor for checkups.

At the same time, we have also completed the effort, by closing the gaps that we had in view of the lack of opportunities. Nowadays, for example, since the past year in Mexico, all children between 6 and 12 years -100 percent of them- have a guaranteed enrollment in school. And, from this year on, in various states of the Mexican Republic, including this State of Quintana Roo, we have implemented a Universal Health Coverage, i.e., there are doctors, medicines, hospitals and treatments for every Mexican who so needs.

Right here, in the municipality where we are at, I just opened a general hospital today; and six months ago, I opened another general hospital, both with nearly 200 beds each, which help us providing such coverage.

We give this type of support to poor families, with the condition that they take their children to the doctor and take them also to school. We are speaking, I might insist, of six and a half million families.

And now that we are doing so, the families are receiving such money through a debit card and, with this, we are bancarizing them. We have carried out the above with nearly three million families and, before the end of my Administration, on December of next year, such lower-income sector of our population will be completely bancarized through the Opportunities (*Oportunidades*) Program.

Second. We are building a more adequate regulatory framework to promote access to financial services, particularly the access of those who have less.

At present, for example, banking regulations compel Banks to have an accessible account for the poor people, an account without so many complications, without so many requirements, without so many commissions and that indeed fulfills the user's needs.

In turn, such regulatory change is also increasing bancarization. Here is a very tangible result:

If we take into consideration the branches of the different financial institutions, they only reached 43 percent of the municipalities in the country. However, as from the reform we have made to the regulations, e.g., by creating the concept of Banking Agent, the number of municipalities with a banking presence throughout Mexico increased from 43 to 60 percent.

Currently, the banking agent may be a gas station, a gas point-of-sale; the banking agent may be a hotel, as big and as fancy as this one, or a modest hotel in any community.

Banking agents are also, for example, many government agencies, such as the basic food distribution network at very deprived areas, which we know as DICONSA, a public network. Each of them is currently a banking agent. For example, at a given moment, we turned all Telegraph offices in the country into banking agents, and so on.

In that same order of ideas, since last month, we have been taking another major step forward.

Likewise, I must mention that, when Her Highness visited us, she set the record straight for us in many aspects on this topic and she made us realize our deficiencies, in a very respectful manner. As from the past month, it is now possible to open a bank account in Mexico using the mobile phone, i.e., as from August of this year, we have incorporated mobile banking to the regulations; with this, any person may carry out banking transactions from his/her mobile phone at places where there is no banking infrastructure.

In addition, in Mexico, we are talking about over 80 million mobile phones for a population of 112 million inhabitants; with that, I am certain that we will take a fundamental step forward to achieve the bancarization of the entire country.

Of course there are major adjustments needed to be done to the point-of-sale terminals, where efficient transactions may be carried out through the mobile phone; though, today, we have taken the first step by achieving a bancarization channel through the mobile phone.

On the other hand, we are strengthening the consumer protection systems. For example, we restated the Financial Services Transparency and Organization Law (*Ley para la Transparencia y el Ordenamiento de los Servicios Financieros*), which not only allows, but demands, minimum information standards that the statements of account must include.

In other words, we are taking sides with the banking users and demanding Banks what type of information *sine qua non* must be provided to such users, e.g.: nominal rate, real rate, terms of a loan, terms of a deposit, terms of the savings yield, etc.

The user has a greater opportunity of making informed decisions and, most of all, he/she may change and chose the intermediary who provides the best conditions.

As the Minister has expressed and as the fourth element, we are promoting financial education and we also have a solid institution in charge of protecting the banking users.

Specifically, the National Financial Services Users Protection Commission (*Comisión Nacional de Defensa de los Usuarios de Servicios Financieros*), is the public entity who protects the banking user

and allows such user to request clarifications of his/her statement of account and even file a formal and legal complaint, a claim for a financial service unduly provided. Financial education is also being promoted in the country. Anyway.

Dear friends, Mexico is taking the step that AFI is promoting worldwide, and we appreciate such example, such testimony and such courage.

Thanks to you, we are improving the access to financial services for more persons, because we know, so we have learned, that by doing so, we are opening more and better living opportunities for thousands, for millions of Mexican families.

Dear friends:

Guaranteeing financial inclusion in the world is, without any doubt, a challenge that requires the joint efforts of several stakeholders. It is the duty of the governments to continue promoting a proper regulation, a regulation that accomplishes a balance between the profits of financial institutions and the benefits for the users of formal financial services.

It is also our duty to continue fostering public policies that strengthen financial education and transparency, so as to protect the rights of the new users of such services.

The duty of the private sector financial institutions is to be innovative, design new products, as well as enhance access to their Banks for all people.

In addition, they have a commitment towards transparency, since creating trust in financial and banking services is the key for universal bancarization.

Lastly, let us bear in mind also that financial inclusion is barely an instrument, it is a conduit, a means to improve the welfare of people. However, the true purpose that brings us together is people living better; such living better is the goal of my Administration and is actually the objective that justifies the administration by any Government.

And in performing such task, the task of people living better, international cooperation and the exchange of ideas and proposals are crucial. For that reason, Mexico will continue fostering debates regarding such topics, in its capacity as an AFI member, as a member of the G-20 and now, as host of the world.

Thus, the global financial community may count on the commitment and effort undertaken by Mexico to continue promoting financial inclusion all over the world.

So, if I may, I would like you to kindly stand up and join me in making the formal closing declaration of this event.

On Friday, September 30, 2011, at 17:17 hours, I hereby declare formally closed the sessions of the Third Global Policy Forum of the Alliance for Financial Inclusion.

Furthermore, we have closed the Third Global Policy Forum, but now, I am also pleased to declare formally opened the First G-20 Global Partnership for Financial Inclusion Forum.

Congratulations and much success to you all.