



مبادرة الشمول المالي  
للمنطقة العربية  
FIARI | Financial Inclusion for  
the Arab Region Initiative

# Financial Inclusion for the Arab Region Initiative (FIARI) Achievements of 2018





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## Financial Inclusion for the Arab Region Initiative (FIARI)

### Achivements of 2018

صندوق النقد  
العربي  
ARAB MONETARY FUND



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giz | German Institute of  
International Cooperation



WORLD BANK GROUP



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# Imprint

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## Foreword

The publication of this report highlights the Financial Inclusion for the Arab Region Initiative (FIARI) for 2018 according to the strategy priorities and financial inclusion programs in the Arab region. The initiative has proven its effectiveness and its close connection with policymakers and legislative authorities in the Arab countries, in order to establish and build synergies and partnership with the public and private sectors, thereby enhancing financial inclusion in the region's sustainable economic development.

The Arab region is well positioned to take solid steps in terms of financial inclusion. Policymakers and regulatory authorities have embarked on a campaign of qualitative and important reforms to support financial inclusion, particularly access to and use of formal finance for 63% of citizens over the age of 15, as well as the corporate sector.

The initiative has fostered dialogue, coordination and regional cooperation among the parties through the organization of forums where knowledge, learning programs, peer-to-peer experiences, capacity-building, and study methodologies are shared.

The involvement of partners in the FIARI and participation in various fields, including strategic areas, data areas, microfinance, Small and Medium Enterprises (SME) financing, and modern financial technologies, have helped stimulate regional and national

**413 million**  
people in the  
Arab world

**63%**  
Of the population  
can yet benefit  
from access to  
formal finance

financial inclusion that is consistent with the policy objectives of innovation, integrity, stability and protection. Inter-country missions continued to strengthen institutional capacities and regional cooperation means, which have led to increased rates of contribution to the overall financial markets and the achievement of social and economic development goals in the region.

The Arab region embraces major financial inclusion initiatives such as Financial technology (Fintech), financial inclusion of women, and sustainable financing related to the environment. These initiatives provide the work program and resources needed to ensure that ongoing efforts are further strengthened in a coordinated and integrated manner. Arab Central Banks and Monetary Authorities are on the right track to reach out to young people, women, farmers, and low-income citizens who are denied access to formal financial services and to bring about the desired impact for their societies.

Yours sincerely,  
The FIARI Secretariat

Financial inclusion is  
an enabler of the  
UN's 2030  
Sustainable  
Development Goals,  
being a target in 8 of  
the 17 goals.



## 1. FIARI in Brief

Arab countries have recognized Financial Inclusion as a key policy objective to stimulate socio-economic wellbeing, equality, and shared prosperity as well as to strengthen financial stability. Accessible, appropriate, and affordable financial services can enable the unbanked 63 percent of the region's population to enter the formal economy and contribute to and benefit from sustainable development in accordance with the UN Sustainable Development Goals (SDGs).

*“FIARI is a key driver in promoting financial inclusion, translating the willingness of the Arab Monetary Fund to strengthen technical assistance and capacity development in support of member countries and their efforts in making financial services available to all Arab societies.”*

*H.E. Dr. Abdulrahman Al-Hamidy, Director General Chairman of the Board, the Arab Monetary Fund*

Multiple efforts have been undertaken by Arab financial regulators and the Arab Monetary Fund (AMF) to spearhead Financial Inclusion in the Arab region. The Council of Arab Central Bank and Monetary Authority Governors initiated the establishment of the regional Financial Inclusion Task Force (FITF) in 2012 as the main mechanism to support policymakers and regulators in addressing financial inclusion issues and in 2016 it endorsed the Arab Financial Inclusion Day taking place annually on April 27.

The Arab Monetary Fund (AMF), the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) on behalf of the German Ministry for Economic Cooperation and Development (BMZ), and the Alliance for Financial Inclusion (AFI) established under the auspice of the Council of Arab Central Banks and Monetary Authorities' Governors the Financial Inclusion for the Arab Region Initiative (FIARI). The World Bank joined as partner. The Initiative was launched on September 14, 2017 during the AFI Global Policy Forum held in Sharm El Sheikh, Egypt in the presence of Arab Central Bank Governors.



**FIARI supports financial inclusion policies for expanding the access to appropriate financial services for the underserved and excluded citizens and businesses. The Initiative covers:**

- Financial inclusion strategies and data
- Women's financial inclusion
- Financing of micro, small, and medium enterprises (MSMEs)
- Startup financing
- Financial Technology and Digital finance
- Agricultural Finance
- Green finance
- Microfinance
- Financial market infrastructure
- Responsible finance, consumer protection, and financial education

*“As we show the will to join forces under FIARI and foster knowledge, we reinforce our commitment to financial inclusion and thus to addressing some of the region's most urgent challenges such as youth unemployment and women's economic exclusion.”*

*Ute Klamert, Head of Europe, Mediterranean and Central Asia, GIZ*

At the regional level, the Initiative bolsters peer-to-peer learning, training, and knowledge exchange among policymakers, regulators, and other sector stakeholders. At the national level, the Initiative supports country-specific programs, coordination, and technical assistance or advisory services.

*“FIARI will enable us to engage in the region, to learn from one another on important issues such as financial inclusion for forcibly displaced persons, women's financial inclusion but also SME finance. These are important issues and regulators can make a difference.”*

*Dr. Alfred Hannig, Executive Director, Alliance for Financial Inclusion*

The Initiative's long-term goal is that policies for sustainable financial inclusion of Arab societies are developed and implemented in view of contributing to inclusive, long-term growth and shared prosperity in the countries of the region in alignment with the SDGs. It aims at (1) improved knowledge and capability of financial inclusion policymakers and (2) committed members engaging in reforms (see image).

Financial policymakers and regulators in the Initiative:

- Share lessons from financial inclusion policy and regulatory reforms with peers from the region and beyond
- Enhance implementation of national financial inclusion policies
- Partake in high-level dialogue for guidance and coordinate development of financial inclusion policies for addressing regional challenges

A three-year action plan lays out four workstreams that move forward the Initiative's support of country representatives and its establishment as a regional platform for peer-learning, namely:

- Policy, Regulation and Market Conduct
- Awareness and Advocacy
- Training & Capacity Building
- Knowledge generation and dissemination

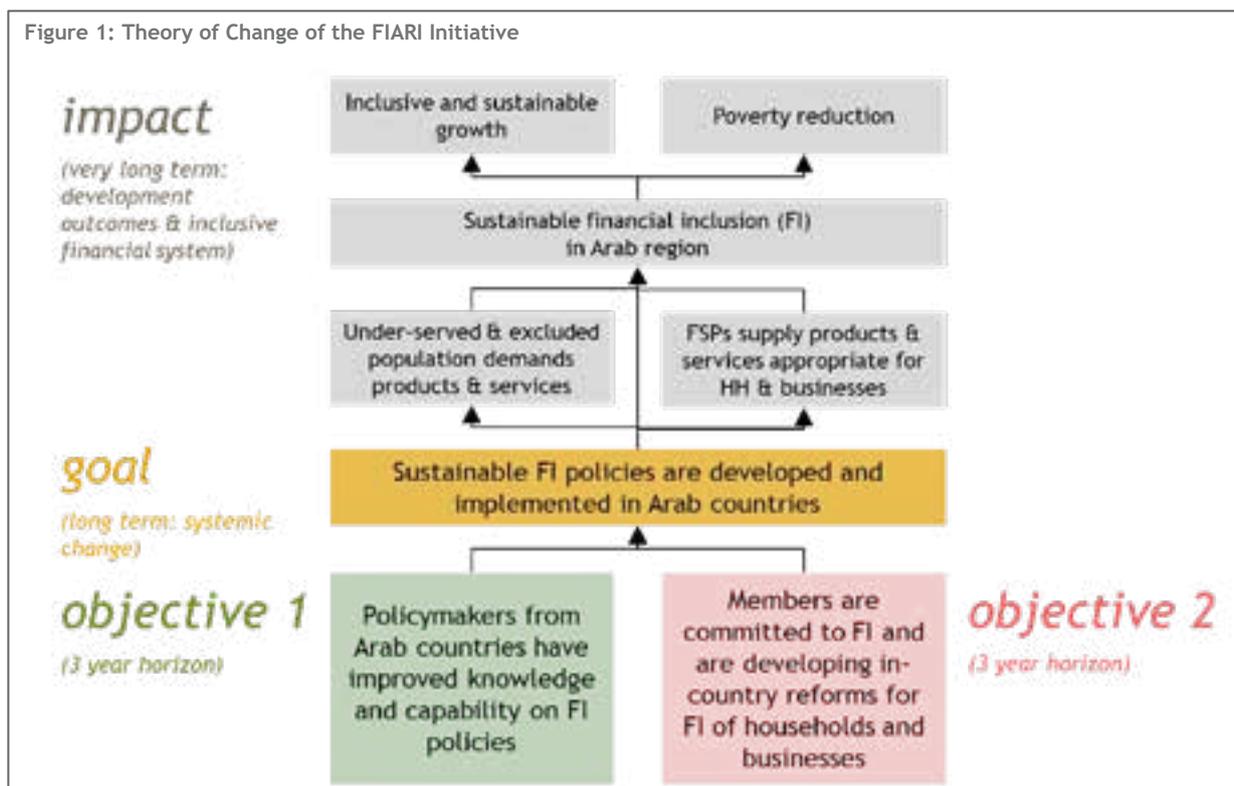
The Initiative has so far yielded a series of capacity building programmes, high-level policy conferences, peer-learning fora, in-country missions, the development of methods and tools, and knowledge products. Outcomes are based on demand of Arab policymakers and regulators who work at the forefront of financial inclusion.

*"FIARI is important for accelerating knowledge about what works in financial inclusion and bringing together key partners in financial inclusion policymaking based on Arab countries' needs. Financial inclusion is a catalyst for achieving the World Bank's goals of ending extreme poverty and boosting shared prosperity. Universal financial access requires access to accounts for all adults by 2020."*

*Mr. Jean Pesme, Practice Manager, Finance Competitiveness and Innovation, World Bank*

The organizations behind FIARI are coordinating through an Executive Committee that sets the annual workplan in consultation with the FITF group, while day-to-day activities are managed with the support of the Technical Secretariat hosted at the AMF.

Figure 1: Theory of Change of the FIARI Initiative





## FINANCIAL INCLUSION POLICY FORUM

THE LAUNCH OF  
THE FINANCIAL INCLUSION STRATEGY FOR JORDAN:  
MOVING FORWARD TOWARDS INCLUSIVE GROWTH



## 2. Policy, Regulation and Market Conduct

### a. Financial Inclusion Strategy Launch in Jordan

On December 4, 2017 the Central Bank of Jordan (CBJ) launched the National Financial Inclusion Strategy (NFIS) 2018-2020 for the Hashemite Kingdom of Jordan. Under the Royal Patronage of His Majesty King Abdullah II ibn Al Hussein, the Jordanian Financial Inclusion Policy Forum as well as the Strategy carry forward the economic and social empowerment of the unbanked and financially under-served population.

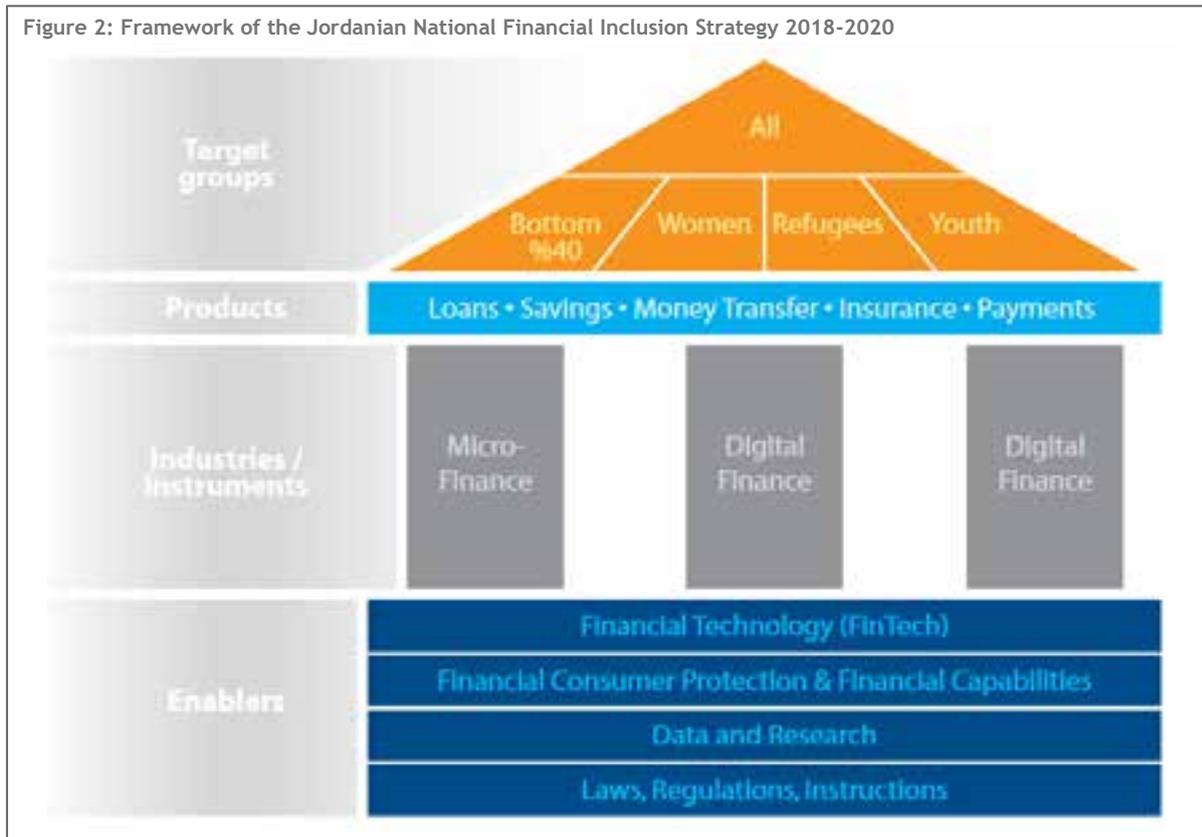
Welcoming remarks at the Forum were made by H.E. Dr. Ziad Fariz, Governor of CBJ, H.E. Dr. Abdulrahman Al-Hamidy, Chairman of AMF, and high-level representatives of the EU and German Government. The Deputy Governor, H.E. Dr. Maher Sheikh Hasan, and Executive Manager Mrs. Maha Bahou presented **the NFIS which will help to meet the ultimate goal of increasing the share of financially included adults to 42.5 percent by the end of 2020**, while addressing the gaps for the youth, women, forcibly displaced persons (FDPs), and low-income population.



*"Our main goal at CBJ is to observe impact on the lives of individuals and target groups as a result of implementing this strategy, and to contribute to sustainable and holistic economic and social growth."*

H.E. Dr. Ziad Fariz, Governor, CBJ

Figure 2: Framework of the Jordanian National Financial Inclusion Strategy 2018-2020



Only 33 percent of adults in Jordan, 27 percent of women, have an account according to the 2017 CBJ-GIZ study. Access to finance has improved in recent years, but disparities remained for the majority of the population and vulnerable groups continue to be disadvantaged.

Recognizing financial inclusion as a key contributor to national development priorities, such as employment and socio-economic equality, Jordan formed a Financial Inclusion Steering Committee chaired by the CBJ in 2015. The Bank embarked on a policy process for advancing financial inclusion. In 2016, it committed under the Maya Declaration to expand access to finance for the unbanked while reducing the gender gap and released its Vision for Financial Inclusion.

**The Policy Forum titled “Moving Forward Towards Inclusive Growth” formed a milestone event for the Kingdom.** Experts shared latest insights into the key policy areas that both form the basis for the NFIS in Jordan (see image) and are of global relevance and regional importance for financial policymakers and regulators: Fintech including digital financial services (DFS); Microfinance; SME Finance; Consumer Protection; Financial Capabilities; and Data.

The conference further gave stage for prominent advocates to elaborate on women’s financial inclusion, the financial

inclusion of FDPs, and the power of regional initiatives. This provided a unique opportunity to corroborate FIARI’s aim of supporting conducive policies and actions for enhancing Arab societies’ access to financial services through regional coordination, knowledge exchange, and peer learning.

The Forum allowed more than 200 policymakers, regulators, professionals, civil society actors and development partners from the region and beyond to learn from one another about international developments in financial inclusion.

In recent years, NFIS have become a very popular policy tool in many countries worldwide. With financial inclusion being a key enabler for SDGs, NFIS play an important



role in ensuring a country's financial inclusion reforms will contribute to the achievement of its national development goals.

Joint projects coordinated among the FIARI organizations have supported in developing and operationalizing the NFIS for Jordan, strengthening the national financial inclusion unit, setting up a monitoring and evaluation system, and providing in-country peer-learning and capacity building programs.

The World Bank is supporting the implementation of Jordan's NFIS through a grant by the MENA Transition Fund in coordination with AMF, AFI, GIZ, and other donors. Technical assistance by GIZ provided to key project partners is tapping on international experience. The AMF brings in extensive knowledge from the region guided by priority reforms and technical assistance based on its experience with central banks and competent leadership.

These well-coordinated in-country measures by the FIARI organizations positively affect regional capacities. Jordan can now share practical lessons with its peers through FIARI, AMF's FITF and other working groups. The launch of this NFIS in Jordan, which is the first in the region, confirms CBJs leading role in financial inclusion in the Arab world. Shortly after, the Palestinians followed suit with the launch of their NFIS.

## b. Financial Inclusion Strategy Launch in Palestine

On December 2, 2018, the Palestine Monetary Authority (PMA) and the Palestine Capital Market Authority (PCMA) presented the country's policy priorities for financial inclusion with the launch of the National

**Strategy 2018-2025: Empowered financial clients. Quality financial services used by**



*"We launch the Financial Inclusion Strategy today which was developed in alignment with development priorities in view of achieving SDGs, particularly for economic development, social welfare among our society, and job creation."*

*H.E. Mr. Azzam Shawwa, Governor, PMA.*

**people and businesses in all corners of the country. Equal opportunities for women and men.**

Under the Patronage of H.E. the President of Palestine Mahmoud Abbas, the PMA and PCMA jointly released the NFIS 2018-2025, which marks the second strategy launch in the region following the establishment of FIARI.

H.E. Dr. Mohammad Mustafa, the President's Economic Advisor, underlined the importance of the country's financial inclusion policies for sustainable economic development and



poverty alleviation. The ultimate goal of the Palestinian authorities is to increase the level of the financially included adult population in terms of current account, bank credit, and insurance holders from 36.4 percent to 50 percent by the end of 2025. The NFIS helps to guide public-private sector efforts towards that goal in a systematic and concerted manner.

The deliberations at the conference highlighted the global importance of financial inclusion for growth and its recognized role to transform the lives of people including in Palestine.

*“The strategy is smart as it addresses access, use and quality. It is realistic with its goal of financially including 50 percent of adults by 2025 as it takes time and considerable investments to attain quality inclusion. It is relevant because in the social and economic context of Palestine, financial inclusion can be a key enabler for jobs, social stability, and economic development.”*

*Dr. Alfred Hannig, AFI Executive Director*

The Palestinians envision “a financial sector that fully meets the financial needs of all segments of the Palestinian society to improve their welfare.” A [2016 study](#), however, found that a substantial share of people and businesses remain unaware and use informal services: e.g. only 20.8 percent borrowed overall, while only 4 out of 10 used a bank or MFI and others approached friends, family, or private lenders due to inadequate products, cost, limited awareness and literacy levels. Bank and MFI loans to SMEs, which form the bulk of the private sector, made up only 17 percent of total credit.

The Palestinian officials therefore cater to advance the “access to and use of financial services by all, while meeting their needs in an affordable manner, protecting their rights and promoting their financial knowledge.”

Palestine’s NFIS is all about empowering financial customers through stronger protection and education frameworks, setting the right incentives for better access to quality financial services relevant to people and small-scale businesses, and equal opportunities for women and men through

smart policies and data. New technology will soon be deployed on a wider scale starting with digital finance frameworks as well as datafication trends.

Guided by the new strategy, the authorities, private sector, and civil society in Palestine can harness the transformative power of financial inclusion to stimulate shared prosperity, employment, and growth in a systematic manner.

### c. Financial Inclusion Advisory in Iraq

In 2018, a mission by the Initiative assessed the Financial Inclusion gaps in Iraq and provided recommendations for financial inclusion priority reforms and prospective approaches to developing a national financial inclusion strategy (NFIS). Together with the Central Bank of Iraq (CBI) and the main country stakeholders, the mission identified key challenges and opportunities for responsible inclusion of households and MSMEs in the financial system.

The political, economic, and demographic conditions in Iraq are favorable to advance financial inclusion to unlock the immense potential for diversification and structural transformation of the economy, greater productivity of businesses, and improved socio-economic perspectives of individuals. They create a positive environment for financial sector strategies and reforms aimed at more inclusive, adequate, responsible financial services for individuals and firms in Iraq. While only 20.3 percent of adults in Iraq have accounts, recent growth rates indicate a remarkable upward trend.

The mission identified supply and demand side challenges in the financial system that need to be overcome to make the financial sector more inclusive and to allow the society benefit from greater access and use of quality of formal financial services: for example, the non-bank financial sector, the infrastructure, and outreach of providers outside of urban areas bear immense potential. Providers can yet develop low-cost products and services that are practical to the majority population and create delivery channels that make the financial system an inclusive and profitable endeavor.

The Government of Iraq and the Central Bank of Iraq (CBI) recognize the significant relevance and importance of a policy process for financial inclusion in support of sustainable development goals. The recent notable efforts by the CBI and its partners have created sound foundations for financial inclusion policies and technological progress by creating an enabling environment and infrastructure for a larger variety and outreach of financial services.

The CBI is the policy leader in the promotion of financial inclusion in Iraq. It is successfully developing key components of a modern payment system infrastructure, which adds to the great potential for a vibrant mobile money and Fintech ecosystem as well as the digitalization of G2P payments and retail payments among persons and businesses. Policy reforms will have to strengthen the financial infrastructure incentivize lending to the range of smaller-scale businesses. A strengthened framework for NBFIs would add to a more diversified financial landscape enabling entrepreneurs and businesses to thrive.

Several initiatives can unlock the vast potential to boost financial inclusion in the short term, including the development of NBFIs, agent networks for mobile money and other financial services, electronic and proportionate KYC frameworks, digitized G2P payments. A NFIS developed in a consultative multi-stakeholder process can help to introduce evidence-based, prioritized, and comprehensive reforms for expanding access and usage of financial services.

Putting in place the needed institutional and informational foundations can help the Iraqi NFIS project get started and guide it through the consultative multi-stakeholder policy process. This includes a common definition of financial inclusion in Iraq, a road map for the preparation of the NFIS, revisiting the governance framework, developing staff capacities, conducting a diagnostic of the state of financial inclusion, developing the NFIS and setting a monitoring and evaluation framework, engaging in regular consultations with national stakeholders and international partners, and appraising strategic opportunities.

The CBI is willing and ready to act upon developing the NFIS for Iraq together with the multiplicity of public, private and civil society stakeholder to harness ambitious and

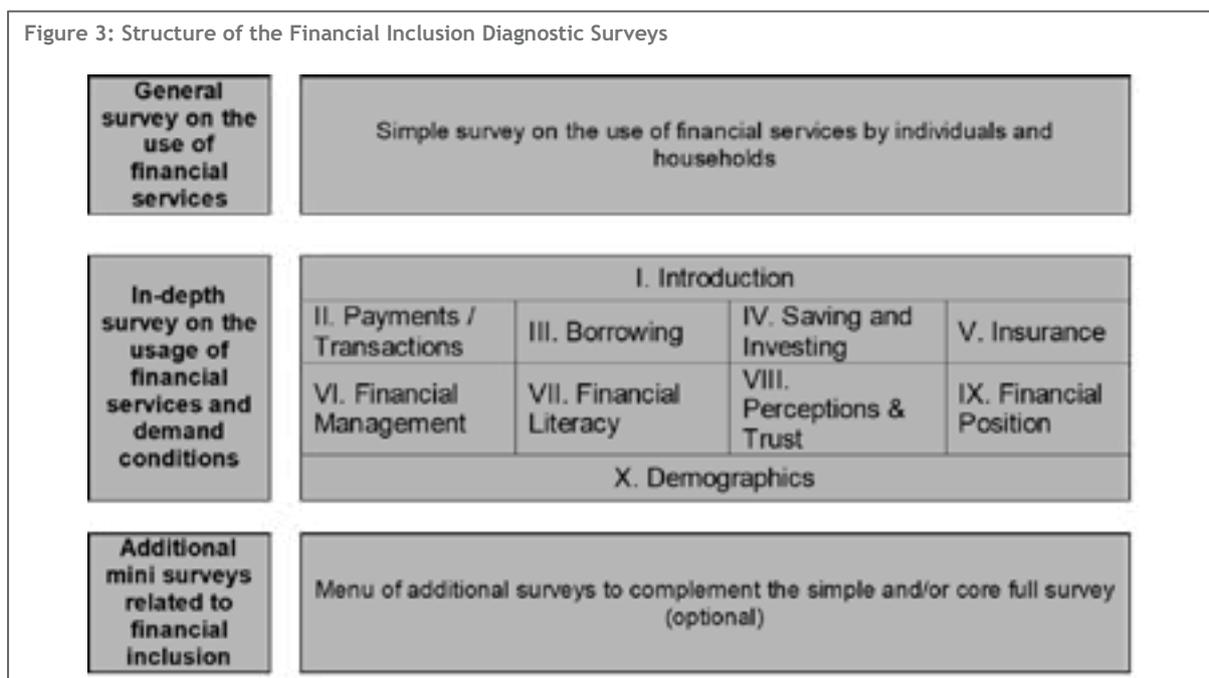
attainable financial inclusion goals in the medium- to long-term. The future national strategy is expected to guide the country stakeholders' reforms and actions in a coordinated and solution-oriented manner towards financial inclusion and hence national development goals.

#### **d. Financial Inclusion Demand-side Survey Development**

As part of FIARI, the AMF with the support of GIZ has developed a framework for data collection and monitoring to support evidence-based policies for financial inclusion. Countries in the Arab region, characterized by the greatest potential in financial inclusion worldwide, can now build comprehensive data bases that take into account their specific needs while aligning the methodology with international best practices.

The need for evidence-based policies in support of sustainable development is well recognized but there often is a gap between the availability of data and country needs. Collecting data is the first step to reliable information which allows to describe the use and lack of use of appropriate financial services by citizens and businesses in any given economy. Arab countries are taking action to address this gap and collect the financial inclusion data that they need.

Figure 3: Structure of the Financial Inclusion Diagnostic Surveys



Not only does the new data collection and monitoring framework make it possible for Arab countries to create data systems that fit their needs but, once implemented on a wider scale, its harmonized surveys and indicators also allow to draw benchmarks for comparisons across the region.

The surveys allow to better identify the use of financial services by citizens and businesses - mostly microenterprises as well as small and medium-sized enterprises (MSMEs). The evidence serves governments to develop better policies that enable financial services market to flourish and the population to use financial services to improve their socio-economic perspectives.

This demand-side research further provides the basis for assessing the impact of financial inclusion or exclusion within a society over time. The surveys are directed towards users and non-users of financial services, describing them by their socio-economic profiles and targeting a representation of the total population of a country. It serves as a tool to monitor the financial market by the accessibility (physical; digital; legal, etc.), usage (e.g. appropriateness), and quality (e.g. affordability) of financial services.

There are two sets of survey instruments: one for capturing data about financial inclusion (or exclusion) of individuals or households, another one for micro- and small businesses.

The Banque du Liban was first in the region to pilot the demand-side data survey, adapting

it to the country-specific context. For example, it is measuring the ownership of accounts with a financial institution primarily among adults defined as 18 years and older, the legal minimum age for obtaining an account as is the case in Arab countries. Egypt is soon to follow suit.

**FIARI's demand-side data collection and monitoring framework is the most comprehensive and customized one that has been so far developed for the Arab region.** The framework stands out in multiple ways:

- **Content:** it contains a simple, yet comprehensive set of questions based on the best practices in international experience such as World Bank's Findex and European Central Bank's SAFE survey for firms.
- **Modularity:** it has been designed with a set of flexibly structured modules: (1) a simple survey to assess the use or lack of use of financial services, (2) an in-depth demand-side survey about the use of financial services and constraints, and (3) additional mini-surveys to deep dive into specific aspects of financial inclusion (e.g. gender aspects or informality).
- **Harmonization:** its demand-side surveys contain a common set of core questions for all countries, that allow for cross-country comparison.
- **Customization:** it allows countries to flexibly add elective questions based on their national policy needs using the mini surveys on topics of interest.

- **Comparability:** it is compatible with global financial inclusion surveys and provides data for the internationally accepted core financial inclusion indicators.
- **Methodology:** it proposes uniform sampling and data collection procedures to ensure cross-country comparability.
- **Measures:** it proposes a set of measures using the demand-side data. These indicators include the generally accepted G20 and AFI measures and additional specific ones to provide deeper guidance for policy making.

The Arab region's financial inclusion initiative has brought to life a data framework that offers its member states the tools they require to collect the data they desire for informed financial inclusion policies that its citizens deserve.

It has been a starting point for Arab central bankers to collaborate closer on regional level and will be a starting point for them to do so with the multiplicity of stakeholders in their countries. Those will find this journey rewarding, who acknowledge that better data means better policy means better impact.



### 3. Awareness and Advocacy

#### a. Arab Financial Inclusion Day

The Council of Arab Central Banks and Monetary Authorities' Governors is giving particular attention to the public promotion of financial inclusion in the Arab countries. To sensitize financial system players and the general public alike about the importance of formal financial services, the Council endorsed in 2016 the annually recurring Arab Day of Financial Inclusion on April 27. In 2019 it went under the theme *"Promoting young people's and entrepreneurs' access to financial services."*

The Council welcomed the measures taken by Arab countries to promote financial inclusion and reaffirmed the need to integrate all segments of society into the formal financial system, especially young people, women and entrepreneurs. That is, improving their access to affordable and appropriate financial products and services that match their needs, to protect their rights and to help them make informed financial decisions.

The Council underlined the role of Central Banks, Monetary Authorities and other financial sector regulators in the Arab countries in promoting financial inclusion. They are called upon to (i) strengthen the regulatory frameworks for inclusive financial services, (ii) develop payment systems and credit information services, (iii) identify gaps and constraints on supply and demand sides and take the necessary measures to address them, and (iv) encourage the private sector to lifting financial literacy and capability levels in the population.



The Council welcomed efforts undertaken in cooperation with regional and international institutions to promote financial inclusion in the Arab region, key among them the establishment of the FIARI initiative. The Council called on all involved stakeholders to strengthen their cooperation and coordinate their actions within the FIARI initiative.

The Council also stresses the importance of taking specific measures to raise financial inclusion by encouraging innovation in the financial sector, launching specific initiatives for each segment of the population, including young people and women, with a view to reducing gender inequality and strengthening the regulatory environment for the protection of consumers of financial services and products.

Emphasizing the importance of national goals for financial inclusion, that are best outlined in NFISs, the Council reaffirms the importance of strengthening the financial infrastructure, the legal and regulatory frameworks, and fit-for-purpose financial products that meet the needs of the majority citizens.

The Council calls all member countries to celebrate the Arab Day of Financial Inclusion through the implementation of dedicated awareness activities to promote and highlight the importance of financial inclusion, mainly of youth and women entrepreneurs and start-ups.



## b. Policy Forum on Venture Finance in the Arab World - Accelerating Arab Startups, Morocco

From November 20-21, 2017 the Ministry of Economy and Finance of the Kingdom of Morocco, the AMF, the AFI, and GIZ on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ) held the high-level Policy Forum on “Venture Finance in the Arab World - Accelerating Arab Startups” in Skhirat, Rabat.

Under the overarching theme “Accelerating Arab Startups” the forum explored innovative approaches to support entrepreneurship finance in the Arab World. The debate focused in on innovative policy and regulatory approaches to creating vibrant ecosystems for investments into startups.





The event brought together more than 160 attendees from 17 FIARI member countries and beyond, among them: officials from Ministries of Finance, Industry, Labour and Social Affairs, Central Banks, Financial Market Authorities, practitioners, VC and angel investors, academia, and professionals from international financial institutions.

The conference highlighted the importance of access to finance for startups, especially young and women entrepreneurs, and its impact on innovation, competition, growth and jobs in the region. It helped attending **financial regulators and professionals to develop a common understanding about their roles in strengthening the enabling environment for entrepreneurial finance** - be it through creating business angel investor networks, strengthening accelerators, setting policy incentives for more venture capital investments, or adjusting legal-regulatory frameworks for financial institutions to reach out to startups in the face of higher risks.

Despite the business and investment environment in the region being rather challenging, there are low-hanging fruits for creating a more enabling ecosystem for startups as the case of Morocco and Lebanon show. The Banque du Liban (BDL) started using the USD 9 billion of reserve funds in excess to loan to banks at no interest for supporting startups that are chronically financially constrained. Banks could invest up to 3 percent of their capital into startups or investment funds, while BDL guarantees 75 percent of the investment, limiting their expected loss (exposure at default). Again because of risk aversion among banks and information asymmetries in the market, startups in Morocco also face financial constraints, especially the technology type of startups that tend to be riskier. The Ministry of Finance in Morocco helped setting up a USD 51 million public-private Innovative Investment Fund for the direct investment

into startups or into technical assistance provided by incubators and accelerators. Under its NFIS, the Moroccan authorities also introduced a distinct legal-regulatory framework for crowdfunding.

At a so-called 'Finance Souq', the event enabled deliberations about distinct themes spanning across donor, investors and market perspectives: The increasing number of new players in the financial sector that harness technology-driven innovations in finance stood out. Financial technology (Fintech), by startups or corporations, support in the delivery of financial services or unlock new funding sources for the benefit of entrepreneurs, startups, and SMEs, given the private sector's heavy constraint in accessing finance from financial institutions. Fintech is one of the booming sectors in the region with a total of USD 893 million invested into Arab startups. However, also in this domain startups face an estimated USD 2 billion funding gap in private investments.

The 'Venture Finance in the Arab World' Policy Forum offered policymakers, regulators, professionals and their FIARI partners an exclusive opportunity to network and exchange knowledge about innovative policies and strategies for effective startup investment promotion initiatives so that more ventures see the light of the day.



# Arab #FinTeX Symposium

## Blockchain & Financial Inclusion

Abu Dhabi, the United Arab Emirates | December 12-13, 2018

### c. Arab #FinTeX Symposium on Blockchain & Financial Inclusion, the UAE

From December 12-13, member institutions of the FIARI Initiative, partners and affiliates from the Arab region and beyond met at the 2018 Arab #FinTeX Symposium in Abu Dhabi to discuss the latest international developments in Blockchain & Financial Inclusion and conducive approaches to financial technology (Fintech) for the Arab Region.

Fintech holds promise for transformative change in the economies of the Arab world and Blockchain technologies are one of the most debated topics with many outlining its ramifications for financial inclusion against a backdrop of broader financial sector concerns. In the spirit of “Fintech & Development Solutions by Academics, Policymakers, and Professionals” the Symposium provided a unique platform for an informed and critical debate on how best to promote transformative Fintech opportunities that can aid further development in Arab countries.

Creating the nexus of technology and finance, important enablers of economic growth, the conference allowed public and private stakeholders to revisit international deliberations about Fintech and developments in Blockchain technology for financial inclusion. It was opened by high-level representatives of the co-hosting organizations, the Central Bank of the UAE and the founding partners of the FIARI Initiative.

- H.E. Mubarak Rashid Al Mansouri, Governor of the Central Bank of the UAE;

- H.E. Dr. Abdulrahman Al-Hamidy, Director General Chairman of the Board of the Arab Monetary Fund (AMF);
- Dr. Alfred Hannig, Executive Director of the Alliance for Financial Inclusion (AFI);
- Dr. Andreas Kuck, Country Director of the Deutsche Gesellschaft für internationale Zusammenarbeit (GIZ);
- Dr. Najy Benhassine, Director in the Finance, Competitiveness and Innovation Global Practice (FCI) of the World Bank Group.

The Symposium highlighted the Arab World Fintech for Financial Inclusion Agenda and the Arab Fintech Action Plan outlining the region’s priorities in Fintech and the unique ecosystem opportunities. It further gave stage for announcing the new regional Fintech Working Group as well as the ambitious plan for developing the first Arab Regional Payments System.

The Symposium further provided a platform for knowledge exchange and an informed debate among policy makers from financial and monetary authorities, scholars at the frontier of research, and executive practitioners active in the fields of finance and technology from Arab countries and beyond. It allowed over 250 participants comprising policymakers and regulators, academics, and professionals active at the frontier in technology and finance to discuss questions about the promise of Fintech for financial inclusion in the region as well as the role of policymakers and regulators.



The program covered a range of topics including innovations in payment systems, digital currency, cross-border remittances, impact investing, and digital identities. Sessions offered an opportunity to learn about policies and innovative regulatory approaches (including regulatory and supervisory technology) to transformative Fintech opportunities that can improve financial and economic development in Arab countries.

The symposium served as a venue to share experiences and provided a unique platform for an informed and critical debate on how best to promote transformative Fintech opportunities that can aid further development in Arab countries. On Day One, discussions tackled the latest international developments in Blockchain & Financial Inclusion and conducive approaches to Fintech for the Arab Region. The conference discussed benefits and drawbacks of different types of DLTs and crypto-assets ranging from remittances, clearing and settlement, digital (fiat) currencies, to digital Identities for financial inclusion. On Day Two, discussions covered, DLT & Blockchain Global Policy Developments. Discussions also covered regulatory challenges and technology-enabled tools for financial regulators and supervisors (RegTech/SupTech) to pro-actively leverage Fintech opportunities for financial inclusion gains. Sessions also covered the business case of Fintechs from an investors point of view to create an understanding of what it takes to accelerate and invest in Fintechs and how policymakers and regulators can remove barriers and support innovation and the growth of Fintech sectors in their countries.

In October 2018, the Bali Fintech agenda was announced by the World Bank Group and the International Monetary Fund introducing new prospects for achieving the SDGs particularly in developing countries aspiring to achieve stable and inclusive economic growth. For many Arab countries, the Fintech agenda is an opportunity to adopt fintech solutions to strengthen the resilience and stability of

financial markets while enhancing responsible access to financial services.

The AFI Sochi Accord on Fintech for Financial Inclusion and the World Bank-IMF Bali Fintech Agenda initiated the global dialogue among policymakers and regulators that was moved forward at the Arab #FinTeX Symposium. *“Fintech innovations can enhance financial inclusion by broadening financial access ‘at scale’ and improving the affordability and quality of financial services through ‘efficiency’” if countries harness the benefits of Fintech for more inclusive, resilient and stable financial markets while managing newly emerging risks.*

To make some of the key issues at the intersection of Fintech and Financial Inclusion in the Arab world available to a wider audience, the Arabic FinDev Gateway and GIZ curated a blog series by experts and guest authors, following the Arab #FinTeX Symposium. They are available in Arabic and English.



## 4. Capacity Building

### a. Financial Inclusion Strategy and Data Peer-learning in Jordan

National Strategies for financial inclusion offer a comprehensive framework that addresses the complexities that are inherent in advancing financial inclusion. NFIS facilitate coordination, collaboration and monitoring of implementation of national priorities and goals to advance financial inclusion. Empirical evidence demonstrates that countries with such strategies have done relatively better than those without them in advancing financial inclusion. Global trends show strong and ever-increasing interest in the development of National Financial Inclusion Strategies.

FIARI through its partners, AMF, AFI and GIZ, together with the Central Bank of Jordan, under the Royal patronage of H.M. King Abdullah II ibn Al Hussein, organized a capacity development program for regulators and policymakers in the Arab Region on Financial Inclusion Strategy Implementation. The event was held on December 5, 2017 in Amman, Jordan. The event was attended by 43 participants, 20 institutions, from 16 countries. Leveraging on AFI's unique peer learning model, participants were able to learn from the expertise of AFI member institutions from beyond the region such as Sub-Saharan Africa and Asia who shared their country experiences in implementing national financial inclusion strategies.

The key objectives of the event were to build regulators' and policymakers' capacity for: (a) establishing an effective governance and

national coordination structure that successfully galvanizes multi-stakeholder collaboration for the formulation and implementation of national financial inclusion strategies; and (b) developing financial inclusion data frameworks as well as M&E frameworks to collect, analyze, and use data in preparation for NFIS implementation.

The main outcome of the event was to empower regulators and policymakers towards committing to develop and implement national financial inclusion strategies. During the year 2018, FIARI partners commenced providing technical assistance in the region on several components of national financial inclusion strategy implementation and data collection for inclusive finance.

### b. Financial Inclusion Task Force Peer-exchange

The main objective of the Task Force is to contribute to the ongoing efforts in promoting Financial Inclusion across Arab countries by assisting national authorities in scaling up their regulation and tools to expand the coverage of financial services, enhancing awareness and financial literacy across the region, and promoting cooperation between these authorities and relevant international institutions. The Task Force also serves as a platform for exchange of expertise and experiences among Arab Central Bank and promotes cooperation in financial inclusion related areas, leading to a coordinated Arab region views on financial inclusion issues being addressed at global level.





During its first meeting in December 2013, the Task Force established the main pillars of its mandate: take an active role in developing NFIS; contribute to Financial Inclusion policies and data measurement; facilitate knowledge exchange; analyze the various pathways to improve Financial Inclusion; apply international best practices and adapt them to the specificities of the Arab region; and raise awareness on both Financial Inclusion and consumer protection.

The AMF acts as a Technical Secretariat of the Task Force. In this capacity, the AMF is responsible for the organization of meetings, including invitations, logistical arrangements, preparation and circulation of meetings' agendas and minutes, along with management of Task force work programs and schedules, in coordination with members countries. Additionally, the AMF contributes also to the preparation of the working papers, research and studies for discussions by the Task Force to be presented to the Council of Arab Central Banks and Monetary Authorities' Governors at its annual meetings.

The Task Force, through the AMF as its Technical Secretariat, maintains a close cooperation with the World Bank, GIZ, CGAP, the AFI, the Islamic Development Bank, whereby representatives of these International institutions and bodies attend the regular Task Force meetings. Similarly, representatives of the Union of Arab Banks, the Union of Arab Securities Commissions, the Secretariat General of the Gulf Cooperation Council as well as the Middle East and North Africa Financial Action Task Force against Money Laundering and Terrorist Financing, are also observers' members in the Task Force, on their quality of Observers members of the Council of Arab Central Banks and Monetary Authorities' Governors. In addition, Task Force meetings are also attended time to time by other international organizations,

such as Bill and Melinda Gates Foundation (BMGF), the International Finance Corporation (IFC), and the International Monetary Fund (IMF).

## 5. Knowledge Generation and Dissemination

### a. Digital Financial Services in the Arab Region

A study on DFS in the Arab Region has been developed to support ongoing efforts of policymakers in addressing Financial Inclusion challenges across the region and provide insights and strategic priorities for the FIARI Initiative in the areas of payment aspects for financial inclusion.

The study explored, among others, the rapid development and introduction of real-time retail payments systems (RTRPs), the emergence of over-the-top payments providers, lowering the cost of transactions



and enhancing the range of low-cost savings options. It concluded with the potential impact of these trends on the development of Arab region payments infrastructures needs, by proposing some recommendations for Arab policymakers for consideration.

Over the past five years, the Arab region's financial services industry and policymakers have taken significant steps to recognize and address challenges to meaningful financial inclusion for its citizens. Still, financial inclusion shows substantial opportunities for improvement.

There is a growing consensus as to the importance of the digital payments infrastructure within a country and region to the realization of its financial inclusion goals. This policy paper reports on the varied capabilities of the payments infrastructure in the Arab region; on emerging elements of the infrastructure, mainly the Arab Regional Payment System (ARPS) project, that can help drive financial inclusion; and on the opportunities for policymakers to take actions to strengthen the infrastructure. IT builds on the findings of a survey conducted by the AMF among its member countries in 2017, following a workshop on payments infrastructure held in March 2017, in collaboration with the Bill and Melinda Gates Foundation.

The region can capitalize on major bodies of work that have been recently completed on payments infrastructures, including the CPMI-World Bank study on "Payments Aspects of Financial Inclusion" and the Bill and Melinda Gates Foundation's "Level One Project". It can also benefit from the experience and lessons learned of other countries that have deployed payments infrastructures designed to address financial inclusion.

There are five major, and relatively recent, global trends in digital payments:

- The rapid development and introduction of real-time retail payments systems in many countries throughout the world, allowing consumers and enterprises to make and receive instant, electronic transfers.
- The emergence of regional, rather than national, payments infrastructures, facilitating low-cost domestic and cross-border remittances and payments.
- The use of crypto-assets, their associated Blockchain technologies, as

well as considerations for the introduction of digital fiat currencies.

- The emergence of front-end payments providers, often building on top of e-commerce, lowering the cost of transactions and enhancing the range of low-cost savings options.
- Increased focus on the potential for Regtech to have a significant impact on the costs and risks associated with regulatory compliance.

The potential impact of these trends on the development of Arab region payments infrastructures needs to be carefully considered, while balancing financial inclusion, consumer safeguards, and financial stability.

The paper presents nine recommendations for Arab policymakers to consider:

- Enhance and/or build digital payments infrastructures.
- Support access to low-cost transaction accounts.
- Encourage and incentivize transaction account usage.
- Improve remittance processing.
- Promote fair competition and balance innovation and stability.
- Mitigate negative consequences of de-risking.
- Promote and encourage Regtech and Suptech.
- Improve digital humanitarian assistance distribution.
- Monitoring and evaluation to inform effective regulation and interventions.

This paper has been developed to support the ongoing efforts of Arab policymakers and provide strategic priorities for the FIARI initiative in the areas of payment aspects for financial inclusion.

## **b. Enabling Environment for Agricultural Finance in the Arab Region**

A publication on Agricultural Finance in the Arab region was jointly prepared by the AMF and the World Bank Group in coordination with the FITF group under the umbrella of FIARI. It presents findings of a diagnostic of agricultural finance in Arab countries from July-October 2018.

The agriculture sector plays an important role in supporting a sustainable development trajectory for the Arab world. Almost a quarter of the working population in the region is involved in agricultural activities, while the agriculture sector on average contributes to 5.9 percent of the GDP. There is great potential to modernize the agriculture sector, thus empowering rural population and reducing the income gap between rural and urban areas. A modernized agriculture sector will also help better manage scarce water and land resources, alleviate the region's heavy reliance on food importing and reduce its exposure to international food market risks.

Current investment to the agriculture sector is nevertheless limited for the needed transformation. On average, agriculture sector receives disproportionately low level of credit from private sector comparing to the sector's contribution to national economies. Non-performing loans ratios are particularly high for agricultural loans in Arab countries, which might further deter financial institutions from serving the market. Only 27.6 percent of rural adults have an account at a financial institution, comparing with a world average of 64.4 percent. Only 4.8 percent of rural adults have borrowed from a financial institution.

An enabling environment- with targeted and effective agricultural finance policies and regulations, along with established financial infrastructure- is essential to ensure a well-functioning financial system that promotes the development of agricultural finance. This analysis focuses on assessing the financial regulatory and policy environment as well as financial infrastructure for agricultural finance in Arab countries. It aims to assist policy-makers in identifying regulatory barriers and gaining knowledge on best practices.

Governments and central banks play an important role in promoting agricultural finance. A paradigm shift from direct public financing to creating an enabling environment to maximize private sector financing has proven to be more effective and sustainable. Targeted and effective agricultural finance policies, smart regulations, well-established financial infrastructure are essential components of an enabling environment.

The diagnostic focuses on regulatory frameworks and policy interventions that fall under the domain of central banks.

The diagnostic focuses on regulatory frameworks and policy interventions that fall under the domain of central banks. To collect information on relevant regulation and policy, a standardized questionnaire was circulated to Arab Central Banks and Monetary Authorities. Analyses of regulatory and policy environments throughout the report were exclusively based on responses to the questionnaire. Findings on the regulatory and policy environment for agricultural finance are as below: Findings on the regulatory and policy environment for agricultural finance are as below:

- There exists limited regulatory framework to support the establishment and operation of local financial institutions. Appropriate prudential regulations for MFIs and financial cooperatives support sustainable development of local financial institutions such as MFIs and financial cooperatives, and untap their potential in serving the unbanked population.
- The Arab World is making great endeavors to promote e-money activities but there is a need of regulatory guidelines to support other innovative ways of delivering financial services such as agent banking. Leveraging the extensive outreach of non-bank institutions help promote financial inclusion in rural areas.
- Secured transaction laws as well as other legislations relating to agricultural collateral such as warehouse receipts law need to be further improved in the region. Many smallholder farmers do not have access or ownership of immovable asset and are unable to pledge it to secure loans. Regulation can play a key role in facilitating the recognition of available collateral for farmers.
- Credit guarantee mechanism and interest rate cap are the most commonly used agricultural finance policy tools in the region. Morocco, Egypt, West Bank and Gaza and Lebanon have established credit guarantee mechanisms for agricultural loans, though agricultural loans only account for a small portion of the guaranteed loans. In addition, features of those credit guarantee mechanisms vary across countries as to coverage and fees. Effectiveness of those policies depend largely on the country contexts and are not measured in this report.

- A few Arab countries are at the frontier of establishing enabling financial infrastructure. United Arab Emirates, Bahrain, Egypt, West Bank and Gaza and Saudi Arabia have established comprehensive rules and practices to improve the coverage, scope and accessibility of credit information. This is reflected as obtaining full score on Doing Business-Credit Information Index by those countries/economies. However, only United Arab Emirates, Egypt, and West Bank and Gaza have a collateral registry in operation in the region.

In summary, though the Arab world has made great endeavors to create an enabling environment to promote agricultural finance in certain aspects such as e-money and credit information availability, there lies significant room for the region to improve its regulatory and policy environment. A combination of policies and actions are needed.

The report also includes a toolkit detailing what regulatory and policy tools are available and how they could be adopted by governments and central banks. To better understand both the supply and demand side in facilitating access to agricultural finance at the country level, or to implement reform based on global best practices, policymakers need to conduct in-country agricultural finance diagnostics which is beyond the scope of this report.

## 6. FIARI Partners

### Arab Monetary Fund

The AMF is a regional Arab financial institution, which was founded in 1976, and started operations in 1977, with the mission to lay the monetary foundation of Arab economic integration and to accelerate the process of economic development of its member countries, through training and capacity building on topics of interest, as well as financial and technical assistance to member countries to correct balance of payments disequilibria and implement structural reforms towards the modernization of their financial systems, and offering technical assistance to banking and monetary institutions in Arab countries with the objective of developing and strengthening their financial markets

### GIZ

The Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ) is a globally acting federal organization that supports the German Government in achieving its objectives in the field of international cooperation for sustainable development and international education. Most of GIZ's work is commissioned by the German Federal Ministry for Economic Cooperation and Development. GIZ also operates on behalf of other German ministries, as well as public and private sector clients in Germany and abroad. GIZ operates throughout Germany and in more than 130 countries worldwide. It offers demand-driven, tailor-made and effective services for sustainable development and takes account of political, economic, social and ecological factors and supports partners at the local, regional, national and international level in designing strategies and meeting their policy goals

### Alliance for Financial Inclusion

AFI is an international organization owned by financial inclusion policymakers and regulatory institutions established under the International Organizations (Privileges and Immunities) Act of Chapter 485 of the Laws of Malaysia. AFI provides a platform for knowledge sharing and peer learning to its members to develop and implement evidence based, cutting-edge financial inclusion policies with the ultimate goal of improving the access, usage, and quality of appropriate

financial services to the unbanked and underbanked

### World Bank

The WB's mission focuses on the ambitious goals of ending extreme poverty and promoting shared prosperity and a significant body of research and country-level experience has demonstrated the importance of access to financial services for their achievement. The central role of financial inclusion in development and new opportunities presented by technology for reaching poor and remote customers means that increasingly WBG operations in a variety of sectors, including education, health, public administration, infrastructure, agriculture, environmental and natural resource management, energy and private sector development, involve solutions that rely on access to formal digital financial services. Through the provision of financial products and services to governments, loans and equity investments to the private sector (via IFC operations) and innovative knowledge sharing, research, capacity building and technical assistance, the WBG brings a comprehensive set of tools to advance toward financial inclusion and meet the ambitious Universal Financial Access 2020 goal.