



HM Queen Maxima UNSGSA on Inclusive Finance for Development visit to Pakistan

**February 9th – 11th, 2016
Islamabad-Pakistan**



State Bank of Pakistan

Executive Summary/ Visit Context

Financial Inclusion plays a pivotal role in promoting inclusive economic growth through enhancing livelihoods and enterprise activities. State Bank of Pakistan (SBP) being the apex policy & regulatory body has been striving to promote access to formal financial services for achieving policy inclusiveness which is a prerequisite for wider distribution of the economic growth across all regions and segments of the population. In pursuit of this objective, SBP has been driving 'Financial Inclusion' as a strategic goal through a three pronged approach, which covers agile & innovative regulations, development of market information & infrastructure and capacity building of providers & clients.

Pakistan developed and launched its National Financial Inclusion Strategy (NFIS) in May 2015. The goal of the NFIS is to enhance formal financial access to 50 percent of the adult population by 2020. Currently, Pakistan has the world's fourth highest unbanked population and only 11 percent of women have bank accounts. The NFIS lays out the vision, framework, action plan, and target outcomes for financial inclusion.

Since financial inclusion is a strategic goal for SBP and the country has recently made great strides to prioritize improvement of access to finance, the Her Majesty (HM) Queen Maxima, United Nation's Secretary General on Inclusive Finance for Development visit to Pakistan happened at the right time. The visit helped SBP in raising the importance of financial inclusion agenda. Therefore, SBP organized a number of meetings and conferences for HM Queen Maxima to meet and interact with key public and private sector stakeholders.

These series of meeting and conferences held in the honor of HM Queen Maxima have provided further impetus to NFIS implementation by prioritizing financial inclusion at the national level. These have been helpful in securing public and private sector's commitments to drive awareness, access and usage of financial services and to make achieving Pakistan's national financial inclusion vision a near reality. This report provides detailed proceedings of the meetings and conferences organized by SBP. Also, the report provides press coverage of the events as annexure.

Launching Ceremony of Universal Financial Access (UFA) Initiative

Date: Tuesday, 09 February, 2016

Time: 1415-1530 hrs

In its efforts to reach out to people who do not have access to financial services, State Bank of Pakistan launched its “Universal Financial Access Initiative” (UFA). The underlying objective is to achieve sustainable development by providing people with the opportunity to access and use financial services.

The event was graced by HM Queen Maxima, UN Secretary-General’s Special Advocate for Inclusive Finance for Development (UNSGSA), the Federal Finance Minister, Senator Mohammad Ishaq Dar, President World Bank Group Dr. Jim Yong Kim and Governor State Bank of Pakistan, Ashraf Mahmood Wathra. Around 300 participants including key federal ministers, members of Parliament, federal secretaries, diplomats, presidents of the banks, senior SBP officials and other dignitaries attended the event.

The event was started with the recitation from the Holy Quran. Governor, SBP while welcoming the dignitaries highlighted SBP efforts and shared that the Universal Financial Access initiative was a means for the marginalized segment to improve their socio-economic conditions and end poverty in a sustainable way. He shared that SBP, with the support of World Bank, has prepared National Financial Inclusion Strategy to overcome the persistent levels of financial exclusion in the face of long-standing efforts to promote inclusion. SBP has a strong resolve to promote financial inclusion over the coming five years (2015-2020) for encouraging individuals and firms to access and use a range of quality payments, savings, credit and insurance services meeting their needs with dignity and fairness. Banking upon the technological developments and the rapid expansion of branchless banking, SBP is committed to transforming the financial inclusion landscape in Pakistan. The Governor said that SBP was taking all necessary steps to establish an eco system for achieving the goal of universal access to formal financial services.

Speaking at the event, the Federal Finance Minister said that Pakistan’s Vision 2025 was aimed at elevating the country from a position of lower middle income to an upper middle income country. Higher levels of financial inclusion would not only facilitate efficient allocation of productive resources but also had the potential to reduce the cost of capital, thereby stimulating business activities and entrepreneurship in Pakistan; which was critical in achieving our long term goals of equitable economic growth.

HM Queen Maxima while appreciating Pakistan’s commitment and efforts for financial inclusion said that Pakistan was ready to take its efforts to another level. She commended the efforts of all the stake holders in this regard and acknowledged the fact that Pakistan had built one of the strongest foundations for financial inclusion in the world. New regulations had supported the emergence of branchless banking, a growing microfinance sector, effective payments systems and a more constructive approach to customer identification. She said that access to affordable and effective financial services would help poor to protect themselves against hardship and invest in their futures. HM Queen Maxima

stressed the need for developing need based financial products in order to increase the usage of financial services.

World Bank Group President, Dr. Jim Yong Kim said that Pakistan had a great opportunity to become more ambitious in reforming its economy so that more people were lifted out of poverty more quickly and prosperity was more widely shared among its people. He appreciated government efforts for stabilizing the economy over three tough years. He stressed upon the need for strengthening the role of the private sector for job creation, accelerating energy reforms, making improvements at the community level for health and education, and ensuring that anti-poverty measures are effective at reaching poor people. He said that the National Financial Inclusion Strategy comes at a particularly opportune moment as new technology and the rapid expansion of branchless banking offered unprecedented opportunities to transform financial inclusion in Pakistan. He added that Pakistan was leading the way in South Asia in terms of digital finance and branchless banking.

In the second half of the event, a Panel Discussion was held to share and discuss the learning from the success stories of 3 clients/beneficiaries of microfinance. The discussion was moderated by Mr. Nadeem Hussain, President and CEO of Tameer Microfinance Bank. HM Queen Maxima, Dr. Jim Yong Kim and the Finance Minister Mr. Muhammad Isahaq Dar also participated in the panel discussion. The beneficiaries told the participants about their experiences and how they have been benefitting from formal financial services particularly in times of distress. The ease and convenience offered by the mobile wallet accounts (branchless banking) was matchless as it provided them with the much needed convenience at their doorstep for making utility payments and transfers. Similarly, access to microcredit and insurance has improved their livelihoods and lifted their quality of life.

At the close of the panel discussion, the Chairman Pakistan Banks' Association (PBA), Mr. Aftab Manzoor assured banking sector's full support in reaching out to the general public and achieving targets set under the NFIS. PBA pledged to increase the access to Digital Transaction to 50 percent of the adult population and 25 percent of adult female population by 2020. In addition, it committed to enhance the access points of banks to half a million from the current figures of round 350,000 by 2020. He expressed banking sector's resolve to increase agricultural credit disbursements by 20% per annum and add additional 100,000 farmers annually introducing half a million new farmers by 2020. The SME lending would be increased from 7 percent to 15 percent of total banks' private sector credit by 2020. On behalf of microfinance sector, he made the commitment to further its efforts of expanding financial access to the un-served and under-served segments by reaching 10 million active borrowers (4 million active female borrowers), 50 million depositors, and 11 million insurance policy holders by 2020.

Deputy Governor SBP, Saeed Ahmad in his vote of thanks said that the UFA ceremony was indeed a very auspicious occasion due to the combined presence of HM Queen Maxima and Dr. Jim Yong Kim, President World Bank Group. He said that the launching ceremony has facilitated in securing public and private sector commitments which will help Pakistan in further boosting financial inclusion for enhanced financial stability and poverty alleviation.

Roundtable on Future of Digital Financial Inclusion in Pakistan

Date: Wednesday, 10 February, 2016

Time: 1600-1730 hrs

The roundtable discussion on future of digital financial services in Pakistan was hosted by SBP to discuss the challenges and opportunities for leveraging digital channels to achieve the financial inclusion objective in Pakistan.

The roundtable was opened with welcome remarks delivered by Ashraf Mahmood Wathra, Governor SBP. He highlighted the role that digital financial services have been playing in overcoming the hurdles posed by the conventional business models. The Governor alluded to the role of Branchless banking as a convenient and affordable tool for extending the outreach of financial services to the general public, particularly to the underserved demographics.

While giving an overview of the alternative delivery channels in the country, the Governor, SBP mentioned that currently nine banks have been offering digital financial services through agent assisted banking, maintaining 15.2 million digital financial accounts or M-wallets. He also highlighted the growing penetration of branchless banking models and its usage across the country, particularly by low income persons. He further acknowledged that despite the progress in Digital Financial Services arena, the number of financially excluded people remained significantly high, demanding an increasing focus of extending the product offerings and outreach in order to achieve the Financial inclusion target by 2020. The Governor also highlighted the challenges faced by the branchless banking industry including shifting customers from using Over-The-Counter (OTC) BB services towards opening and using M-Wallet accounts, developing customer centric products and interoperability of BB services access points. The Governor emphasized that the government of Pakistan, State Bank and the industry were in sync to overcome these challenges and will continue their synergized efforts on the path of digital financial inclusion.

The Governor's remarks were followed by a brief presentation on 'Future of Digital Financial Inclusion in Pakistan' which was presented by Abrar Mir, Group Head Innovation & Financial Inclusion, HBL. The presentation began with an overview of DFS ecosystem in Pakistan followed by the main players and their roles in this eco system. In his presentation, Mr. Abrar touched upon the key drivers of Financial Inclusion in Pakistan as well as the opportunities that existed for various players. The presentation provided the impetus for a moderated discussion on key issues to enhance financial inclusion through DFS.

The discussion was moderated by Mr. Qasif Shahid CEO, Finsurgents, which engaged the conference participants over the challenges, opportunities and way forward for promoting digital financial services as a mechanism for achieving the universal financial inclusion targets. The discussion led to the following conclusions:

- It was established that the role of banking agents is critical in opening digital accounts. As such the industry needs to incentivize agents to open mass m-wallets.

- It was agreed that in order to accelerate progress towards interoperability it was necessary to provide the National Payment Gateway and for it to be considered as a public good. However, such discussion should be made after considering all the options and giving due attention to the short term priorities aligned to the objectives.
- It was recognized that the role of NADRA was pivotal for triggering accelerated growth in mobile wallets. Therefore, it was needed to facilitate solution providers for NADRA to share relevant fields with banks for biometric verification. Also, the need for rationalization of NADRA's verification fees charged for its verification services was assigned high priority which has to be accomplished in the short term.
- It was agreed that increasing access and outreach of mobile phones, particularly to women is an absolute requisite for digital financial inclusion. In this regard, the importance of making availability of smart phones with built in specialized applications for women was felt strongly. Also, a key recommendation was to introduce tax incentives for reducing smart phone prices. Moreover, introduction of special talk time/ data usage packages for the women segments were discussed to be helpful to drive usage and access of mobile services in women.

HM Queen Maxima of Netherlands, UN Secretary-General's Special Advocate for Inclusive Finance for Development (UNSGSA) actively participated in the discussion to help drive the key takeaways from the discussion. HM appreciated the progress made by banking industry in areas of digital banking and trusted that the financial landscape would completely change over next five years. HM shared that strong banking institutions, coupled with new technologies like smart cards and mobile phones, hold promise of expanding access by dramatically reducing costs for providers and clients alike.

The roundtable ended with a vote of thanks by Saeed Ahmad, Deputy Governor, SBP, who thanked the Honorable Chief Guest HM Queen Maxima and participants which included representatives of regulatory bodies, NADRA, Telcos, financial institutions, technology services provides, donors and multilateral agencies.