

# THE ADVISORY GROUP ON APEC FINANCIAL SYSTEM CAPACITY-BUILDING

A Public-Private Sector Initiative

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## **First Meeting 2012**

23 February 2012

7:30 AM – 9:30 AM

Room S221, Hong Kong Convention and Exhibition Center  
Hong Kong SAR, People's Republic of China

## **Meeting Paper 5-B**

# **Summary Report on the Citi Foundation – Monitor Group Strategic Convening on Financial Inclusion, Education and Capability, 16-18 November 2012, Madrid, Spain**

Mr. Gary Judd QC, Advisory Group Co-Chair, ABAC New Zealand

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| <b><i>PURPOSE</i></b>            | For information.   |
| <b><i>ISSUE</i></b>              | Summary Report on the Citi Foundation – Monitor Group Strategic Convening on Financial Inclusion, Education and Capability   |
| <b><i>BACKGROUND</i></b>         | Mr. Gary Judd represented ABAC at a “Strategic Convening on Financial Capability and Education” held in Madrid, Spain, November 16 and 17, 2011. The Citi Foundation funded the Monitor Group to conduct a global project on how to best strengthen client capabilities through financial education and other demand-side means. There were some 22 delegates from MFIs; other financial institutions including Western Union; financial education organisations/providers; NGOs, Associations & network owners (ABAC was placed in this group); donors and funders; research; innovation and coordination. The purpose of the convening was to consider the issues raised by the draft white paper and any other inputs so that the draft could be finalised. |
| <b><i>PROPOSAL</i></b>           | N.A.   |
| <b><i>DECISION<br/>POINT</i></b> | Note the report.   |

**Summary Report**  
**Citi Foundation – Monitor Group**  
**Strategic Convening on Financial Inclusion, Education and Capability**  
**16-18 November 2012**  
**Madrid, Spain**

I represented ABAC at a “Strategic Convening on Financial Capability and Education” held in Madrid, Spain, November 16 and 17, 2011.

Citi Foundation funded the Monitor Group (in conjunction with Partners for Sustainable Development) to conduct a global project on how to best strengthen client capabilities through financial education and other demand-side means, alongside or as part of financial services delivered via MFIs, CCTs, remittances, etc. Interviews and research across multiple countries were conducted for a few months prior to the convening. A draft ‘white paper’ was prepared for consideration at the convening.

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The purpose of the convening was to consider the issues raised by the draft white paper and any other inputs so that the draft could be finalised. Following further input from delegates subsequent to the convening, the white paper is currently in the course of preparation. Once completed it will constitute what I believe will be a valuable resource.

There are two key components of full financial inclusion – access to finance and financial capability.

For the purposes of the draft Monitor defined some terms. Financial Inclusion is: “Access for individuals to appropriate financial products and services. This includes people having the skills, knowledge and understanding to make best use of those products and services.” Financial Capability is “The ability to make informed judgments and effective decisions about the use and management of one’s money” and includes financial skills, knowledge and understanding and also awareness of rights and responsibilities and grievance channels. Access to finance encompasses both availability – “Access to an account with a financial intermediary (includes new modes of accessing financial services)” – and usage of products and services.

The two key components have not been keeping pace with each other. Over 75% of the 500 million to 800 million low-income customers who have access to formal financial services today have not been engaged in any deliberate financial education, resulting in a massive financial capability gap. The gap is set to increase. New forms of financial access—conditional cash transfers and mobile money, to name two – are growing at rates of 24%-88%/year, keeping pace with, if not outstripping traditional ‘brick –and-mortar’ banking and MFIs. Consequently, there is a need to fundamentally rethink and retool financial education models in order to cater to these new dynamics.

It would be premature to anticipate the white paper so I will say no more about the deliberations which were facilitated by Monitor during a very full day. I have two personal observations at this stage.

One is the extreme difficulty in trying to devise solutions because of the massive diversity of the consumers of financial services. It was evident during the discussions that some of the delegates were focusing on remedies for financial illiteracy in developed economies whilst others were concerned with the problems in developing economies. It is obvious that the needs and solutions are quite different even though in both cases lack of financial capability inhibits financial inclusion.

My second observation concerns the Advisory Group's role. Whilst financial capability is touched on from time to time during events sponsored by the Advisory Group and its partners and there are some aspects of the Group's capacity building work aimed at improving financial capability in certain areas, it has not been a generic topic to which the Advisory Group itself has directed specific attention. As the statistics summarised above demonstrate its importance to the achievement of full financial inclusion, I recommend that after the white paper is published, the Advisory Group consider whether improving financial capability should be a dedicated agenda item.

Gary Judd QC