FINDEV CYBERLETTER

42ND EDITION

HIGHLIGHTS

WORLD BANK MULLS CAPITAL INCREASE, CLIMATE FOCUS IN NEW REFORM PLAN

THE GOAL IS TO ACCELERATE EFFORTS TO TACKLE CLIMATE CHANGE, INCREASE THE LENDER’S CAPACITY TO FIGHT POVERTY, AND BOOST SUPPORT TO MIDDLE-INCOME COUNTRIES

DEVELOPMENT BANKS NEED CLIMATE FINANCE MAKEOVER, SAYS COP CHIEF

PROPONENTS OF THE REFORMS ARGUE THAT THOSE MULTILATERAL DEVELOPMENT BANKS COULD BECOME THE FOUNDATION OF A MARSHALL PLAN FOR THE PLANET

CGAP: MAXIMIZING THE IMPACT OF FINANCIAL INCLUSION FOR YOUNG WOMEN

CGAP’S SOCIAL EXCLUSION ANALYSIS FOUND WOMEN FACED THE HIGHEST LEVELS OF EXCLUSION FROM MARKETS, SERVICES, AND SPACES OF ANY SEGMENT OF FINANCIAL SERVICE USERS

RURAL BANKS CAN ACCELERATE FINANCIAL INCLUSION IN SOUTHEAST ASIA

BY PARTNERING FINTECH COMPANIES WITH RURAL BANKS, INITIATIVES CAN DRIVE FINANCIAL SERVICES INNOVATION

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POVERTY, INEQUALITY, GAPS IN HUMAN DEVELOPMENT INDICATORS, AND LIMITED CONNECTIVITY COULD BE REINFORCING GENDER GAPS IN ACCOUNT OWNERSHIP

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Editor's Note

Welcome to Gallup Pakistan's FinDev Cyberletter!

The principal purpose of this Cyberletter is to inform its readers of the latest developments in the financial industry across the globe, particularly in the realms of Financial Inclusion and Digital Financial Services (DFS), where efforts are being undertaken by both private and government sectors. This is the 42nd issue of the FinDev Cyberletter series (For January and February). Each issue of the FinDev Cyberletter will focus on a particular theme within the broader area of financial inclusion and related topics. This newsletter is divided into three main sections. The sections are:

1. NEWS ROUNDUP – This section will cover the latest happenings in the financial services industry in Pakistan and around the world.
2. INITIATIVES – Constant work is being undertaken by experts, governments and research organizations in order to enhance the understanding of, and to find solutions to the challenges encountered within the financial services industry. This section will aim to cover some of these research initiatives, both locally and internationally.
3. DATA VISUALIZATIONS & STATISTICAL FIGURES – Research backed by data not only increases its credibility but also helps paint an accurate picture of the situation at hand. This section will contain graphical representations of data on various relevant topics

A diligent effort has been made to ensure that the content extracted from external sources has been cited and given due credit. In some cases, excerpts from the original sources have been extracted. To access the original sources, please click on the link provided at the end of each article. In case of any errors or omissions, we would like to apologize and would be eager to rectify the changes at the earliest. For feedback, comments or questions, feel free to write to us at caf@gallup.com.pk.

Warm Regards,

The Gallup Pakistan Financial Inclusion Team

Led by Bilal I Gilani (Executive Director, Gallup Pakistan)

NEWS ROUNDUP

THIS SECTION COVERS THE LATEST HAPPENINGS FROM THE REALM OF FINANCIAL INCLUSION AND DIGITAL FINANCIAL SERVICES ACROSS THE GLOBE

World Bank Mulls Capital Increase, Climate Focus in New Reform Plan

The World Bank is weighing a potential one-time capital increase, along with the ambitious idea that donor nations create a new concessional lending fund to address severe development challenges across all its client countries, according to a reform roadmap sent to shareholders.

The goal is to accelerate efforts to tackle climate change, increase the lender's capacity to fight poverty, and boost support to middle-income countries — including doing regional projects on cross-border challenges, in what would be a huge shift for the bank.

Notably, the 20-page evolution roadmap obtained by Devex says the bank's mission needs to more clearly reflect a focus on "global public goods," such as climate change and pandemic preparedness. This would also mean stepping up support to climate-vulnerable countries, even if their income levels place them above the poverty lines for the most concessional lending.

Source: Published by www.devex.com January 3, 2023. Click here to access full article

Islamic Development Bank Group Commits to Supporting "Climate Resilient Pakistan" with US$4.2 Billion in Financing

Islamic Development Bank Group (IsDB) President and Group Chairman, H.E. Dr. Muhammad Al Jasser, announced a US$4.2 billion IsDB Group commitment to support Pakistan's climate resilience efforts and development agenda and the country vision 2025 over the next three years. Addressing the devastating effects of Pakistan's recent floods, he also expressed IsDB's Group commitment to supporting Pakistan in achieving strong, inclusive, and sustainable socio-economic progress through green, resilient, and sustainable infrastructure, strengthened human capital, and reinforced governance systems.

Source: Published by www.isdb.org January 9, 2023. Click here to access full article

Newly licensed digital banks promise greater financial inclusion

The digital banks recently licensed by the State Bank of Pakistan to operate in the country have promised greater financial inclusion among the un-banked masses and investment in technology and customer services to help the financial sector grow. Chief executives of three digital banks - including Mashreq Bank, Raqami, and Easypaisa DB, shared similar future plans during the 4th Digital Banking and Payments Summit and Expo (DigiBAP2023) organized by TerraBiz in Karachi.

Commenting on the state of banking in the country, speakers were of the opinion that it is not easy making the behavioral change to transition from a cash economy to a digital economy. Mashreq Bank and UBL CEOs espoused filling of service gaps, and adoption of design thinking and data analytics, as both aspirational direction for new entrants and good practice for established institutions.

Source: Published by www.brecorder.com February 9, 2023. Click here to access full article

Development Banks Need Climate Finance Makeover, Says COP Chief

Multinational development banks should be overhauled so they can play a bigger role in financing critical climate-related projects that might otherwise struggle to secure funds, the official presiding over the COP28 climate talks said. "We need real reform of international financial institutions and multilateral banks to unleash more concessional dollars, lower risk and attract more private finance for vulnerable communities," Sultan Al Jaber, who also leads the United Arab Emirates' state oil company, said.

Banks and climate officials have stepped up calls in recent months for institutions like the World Bank or the Asian Development Bank, which are partly funded by governments, to be reoriented to focus on climate. Proponents of the reforms argue that those multilateral development banks could become the foundation of a Marshall Plan for the planet, supporting projects that might otherwise be too risky to attract finance — and accelerating the transition to cleaner energy.

Source: Published by www.bloomberg.com February 14, 2023. Click here to access full article

INITIATIVES

CONSTANT WORK IS BEING UNDERTAKEN BY EXPERTS, GOVERNMENTS, AND RESEARCH ORGANIZATIONS TO ENHANCE UNDERSTANDING AND FIND SOLUTIONS TO CHALLENGES ENCOUNTERED WITHIN THE FINANCIAL SERVICES INDUSTRY. THIS SECTION COVERS SOME OF THESE RESEARCH FINDINGS

[Davos] What Works for Financial Inclusion: Data, Low-Tech Fixes...and Maybe Not Blockchain

The world's elite are pondering how to expand access to banking and other financial services. Here are some takeaways from a Davos panel Thursday on financial inclusion:

- Without a phone—often a smartphone—access to banking is difficult. Add the need for cellphone signal and identity documents, and financial inclusion can vary widely by country and region
- Understanding who needs financial services is key... That insight comes from data gleaned by interacting with locals.
- Such data can show, for example, when mothers are saving for school fees, or crops are being harvested, so companies can create financial products accordingly
- Remittances, an important part of finance, show why making payments needs to be easy and digital
- Blockchain could help expand the reach of some financial services, but the panelists were skeptical it could be an immediate solution. Networks can be electricity-intensive, and volatility in digital assets makes it difficult to build trust.

There is an argument to be made for helping small businesses with low-tech solutions like point-of-sale devices that can allow payments even when the power is down.

Source: Published by www.wsj.com January 19, 2023. Click here to access full article

CGAP: Maximizing the Impact of Financial Inclusion for Young Women

CGAP's social exclusion analysis found women faced the highest levels of exclusion from markets, services, and spaces of any segment of financial service users. Young women's adoption of financial services also levels off far earlier than young men's, producing a pervasive gender gap in financial inclusion.

To address the multifaceted nature of young women's marginalization, an arsenal of programmatic interventions has been developed, often combining interventions across multiple sectors. Educational interventions and job training aim to increase young women's economic potential, and sexual/reproductive health programs seek to delay childbearing and reduce unsafe sexual practices – impacting health and fertility at both the individual and community levels.

Although they receive less focus, financial services – including savings and lending groups, savings accounts, and business loans – are also common ingredients in programs designed to improve well-being outcomes for young women. Over the last decade, several evaluations have documented increases in young women's savings as a result of such interventions. Others have shown how a financial inclusion component can enhance the impact of educational, health, and psychosocial interventions, directly or by increasing participant fidelity to the program.

Source: Published by www.cgap.org January 26, 2023. Click here to access full article

Rural banks can Accelerate Financial Inclusion in Southeast Asia

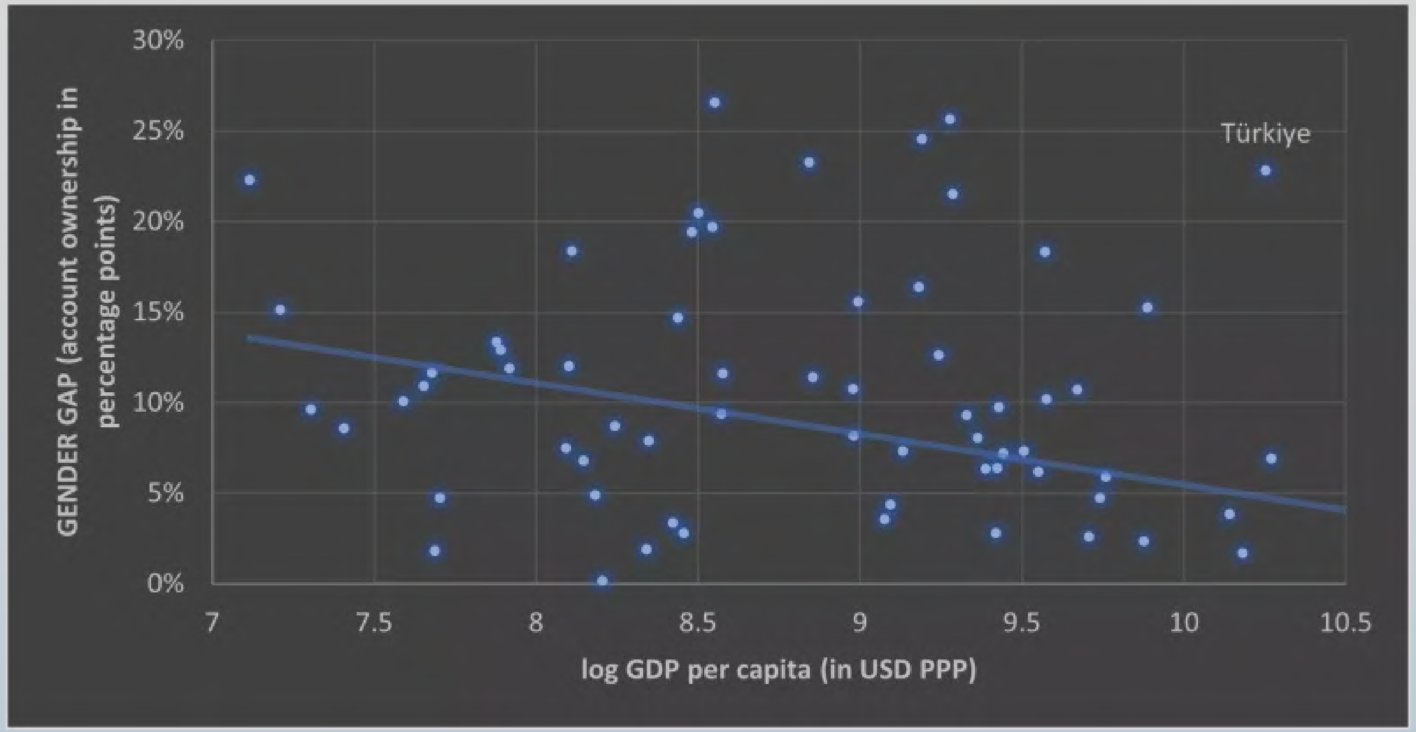
Southeast Asia is home to more than 660 million people, with at least 70% of consumers unbanked or underserved and many SMEs still preferring cash. The region's financial services industry is ripe for innovation and evolution, and key to this will be rural banks, which cover underserved communities. By partnering fintech companies with rural banks, initiatives can drive financial services innovation and better serve customers in all areas.

as of 2019, at least 70% of the consumers remain ‘unbanked’ and ‘underbanked’ and 70% of small- and medium-sized enterprises (SMEs) still prefer to accept cash payments. Individuals and SMEs are still adjusting to the different financial technology, or fintech, solutions being offered in banking, credit, payments and remittances – a trend which accelerated due to the pandemic.

Through constant exposure to the problems of the unbanked sector, rural banks have a rich understanding of different problems being experienced by the people on the ground. Various fintech firms and initiatives can work closely with rural banks to drive digitalization of these traditional rural banks with foundational understanding of what the end users want for, and need from, their financial services. Marrying these two worlds of fintech and rural banking will increase adoption rates of the unbanked and underbanked, given that these solutions were worked and developed closely with them.

Source: Published by www.weforum.org February 2, 2023. Click here to access full article

CGAP: How Do Gender Gaps in Financial Inclusion Link to Economic Indicators?



While the Global Findex 2021 highlighted how the gender gap in account ownership for developing economies has narrowed from 9 to 6 percentage points between 2017 and 2021, there are still significant variations across regions, and some countries like Cote d'Ivoire have witnessed worsening gender gaps. To understand why some countries have made progress while others have stalled or even regressed, CGAP explored whether macro and microeconomic context could be contributing to, driving, or reinforcing gender gaps. The analysis shows how four factors – poverty (measured by log GDP per capita), inequality, gaps in human development indicators, and limited connectivity – could be reinforcing gender gaps in account ownership. [Note: This analysis only includes low- and middle-income markets and is only intended to show trends between the variables; the analysis does not establish statistically significant correlations between the variables].

It is evident that the data on gender gaps doesn't present the regional nuances of women's financial inclusion across the globe. CGAP previously projected that by 2030, 90% of people living in low- and middle-income countries will have access to an account and 86% will have made or received digital payments, but 330 million people will still be unbanked. From historic trends and what we see above, we think it's safe to say that a majority of those projected to still be unbanked will be women – particularly those who live in poor regions and face the one-two punch of income inequality and limited access to essential services.

Source: Published by www.cgap.org February 16, 2023. Click here to access full article

IsDB President Reaffirms Support to Driving Green Economic Growth in Member Countries

Islamic Development Bank Group Chairman, H.E. Dr. Muhammad Al Jasser, participated in a high-level session on Climate Finance as part of the ongoing World Government Summit. During the session, he noted that climate finance is required to increase sharply to meet future mitigation and adaptation needs. "2022 was a year that emphasized the increasingly critical role that climate finance must play. The human and economic costs of climate-related events and disasters last year were like no other, as we saw in the devastating floods in Pakistan and the recurrent drought in the Horn of Africa," he said.
President Al Jasser also reiterated the Islamic Development Bank's commitment to chart a just transition to low-carbon, resilient, and inclusive development.
In terms of finance, IsDB Group has made an ambitious commitment that by 2025, at least 35% of its operations will be in climate finance. IsDB is also committed to aligning its sovereign operations with the Paris Agreement by the end of 2023.

Source: Published by www.isdb.org February 23, 2023. Click here to access full article

DATA VISUALIZATIONS

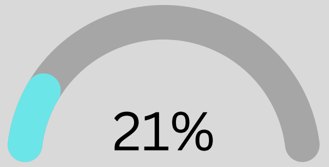
Among which segments of young women could improved financial services make the most impact?

To better understand this diversity, CGAP commissioned analysis of data on economically marginalized young women aged 15-24 in Bangladesh, Kenya, India, and Nigeria. The segments were considered from three angles:

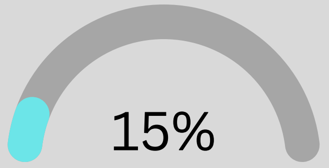
- Segment size, conceptualized in terms of life stage and context
- The prevalence of needs that research has shown can be addressed by financial inclusion
- The “relevance” of financial services; i.e., the extent of barriers faced by a given segment that would affect the likelihood of impact

This denotes which of the characteristics (y axis) is present in each segment (x axis)

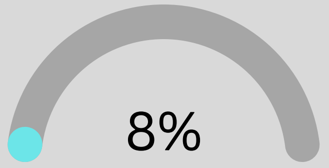
20-24, rural, married, no-income, non-student



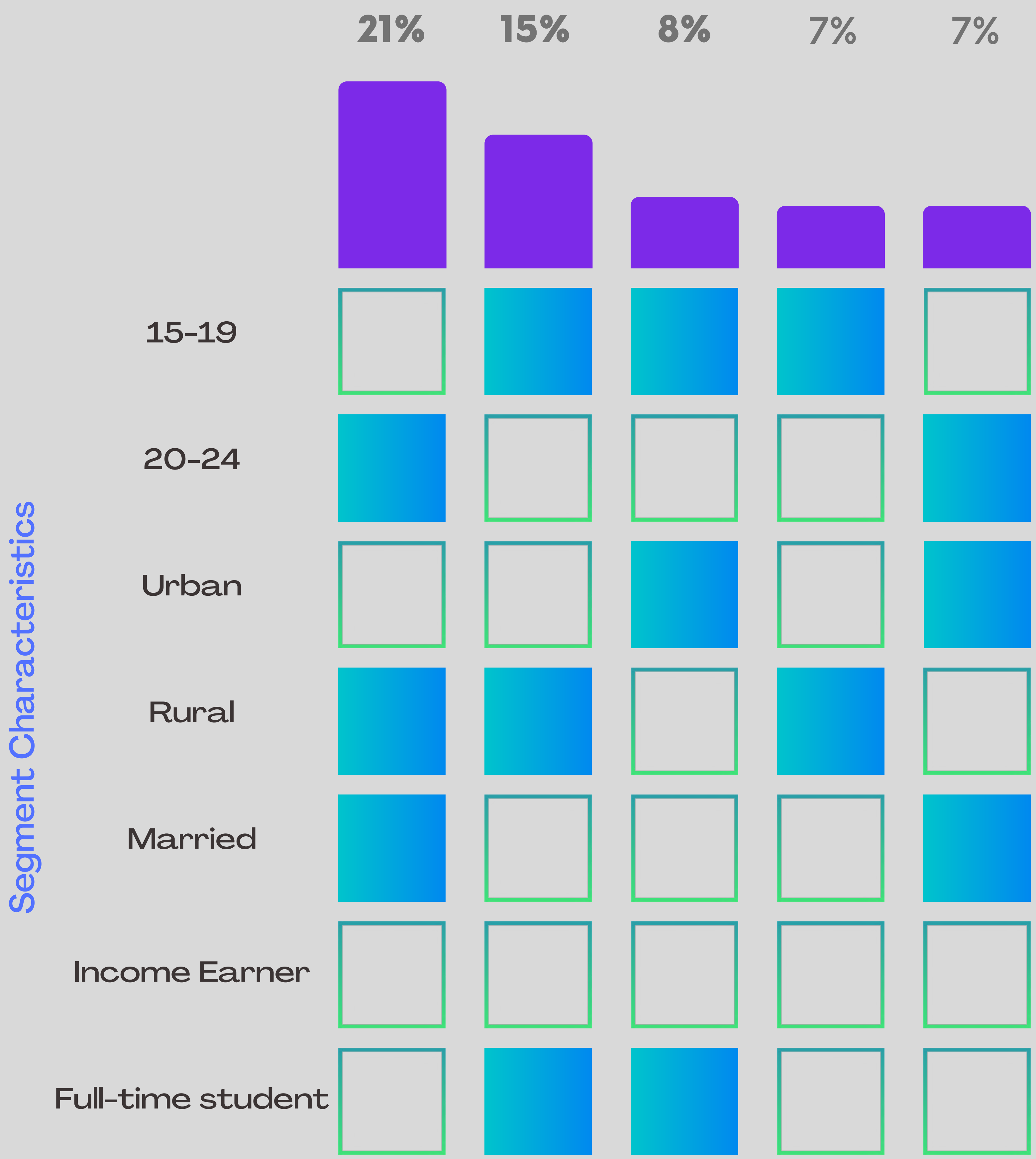
15-19, rural, unmarried, no-income, student



15-19, urban, unmarried, no-income, student



Share of young women in each segment



Adapted from: www.cgap.org; Young Women and Financial Services: Maximizing Impact (Click for source Infographic and Blog)

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