

Advancing financial inclusion in the Middle East and Africa

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SPEAKERS

Arunima Sharan



00:00

You're listening to the omfif podcast, the show that explores the latest insights and discussions on Global Finance, Economics and Policy. For people who love staying informed about the rapidly evolving landscape of the financial world. Join us as we break down complex topics, interview key thought leaders and provide essential insights to keep you informed about the evolving world of finance.



Arunima Sharan 00:24

Hello and welcome to the omfif podcast. My name is Arunima Sharon. I'm a senior economist here at omfifs Today, I'm joined by Omar masirwe, who's the vice president public policy for Middle East and North Africa for MasterCard. We'll be talking about a project that we did at omfif in partnership with MasterCard titled The path to Morocco. The aim of the project was to foster public and private sector dialog on inclusive national payment systems and ensuring financial inclusion is at the core of the future of economies. The project continued the conversation from a white paper that was published by the World Economic Forum in 2021 titled The shared principles for an inclusive financial system. And our project examined the extent to which initiatives to bolster levels of financial inclusion in the Middle East and Africa aligned with the principles. We held two high level roundtables on the topic, the findings of which culminated in a report titled building inclusive financial systems in the Middle East and Africa. You can find the report, and it's free to download from our website. So Omar, coming to you now. Thank you for joining us today. I'd like to first start with asking you to introduce yourself, your role. Why this topic is important for you at MasterCard?



01:45

Sure. Thanks. Aranima, I'm Omar. I lead public policy for MasterCard in the Middle East and

North Africa region. I think this, the opportunity to discuss what we're about to discuss today is very important to MasterCard, because it, you know, highly relates to our purpose. And our purpose is basically connecting and empowering an inclusive digital economy that really benefits everyone and makes transactions safe, simple, smart and accessible and across our various stakeholders, whether they be consumers, whether they be the government, financial institutions, merchants, etc. That's the reason for our call on our podcast today, and where we're focused on it.

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Arunima Sharan 02:29

So going right into it, I'd like to first start with asking, What have been some of the main findings or main messages that you've taken away from the project?



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So I think overall findings were consistent with what we expected, maybe that you know, policymakers are prioritizing digital approaches for financial inclusion, and that effective regulation is key for stability and innovation, particularly in addressing things like cybersecurity threats, efforts to deepen trust centered around specific topics like enforcing protection, improving financial literacy, but there's still a lot of scope for improvement. I'd say I think what we found interesting is the amount of focus on the specific principle, name the effectively regulated principle. If you had asked me the same question, pre covid, considering the amount of regulation that the sector witnessed as a result of it, which is quite a lot, I think we might have had a different view or answer from from the various participants, just by virtue amount of you know, regulation that was issued pre and post covid is quite astonishing. So I think with that said, the pandemic has really awakened us all to the importance of this specific principle when it comes to, for example, things like consumer protection, data privacy, et cetera. But if you use the pandemic as an experience, specifically in terms of what led people to being able to gain access to their funds and use them without getting sick or being afraid or getting infected, without having to physically go to the bank or their ATM machine, was the fact that they had multiple ways of accessing their funds and enabling purchases electronically in many different ways. So I think these types of innovations, which is no doubt exponentially expanding in terms of use cases and applications, is precisely the reason that innovation exists and can, at times, unfortunately, be impeded by excessive regulation. So as always, in line with what many respondents said, regulation must be balanced in terms of keeping incentivization for the investment in innovation to continue, and leaving room for technology to ultimately, first. So ultimately, I would say something like an open sandbox, if you will, until such a time that regulators decide that there needs to be some sort of a risk based approach to any specific regulation in place, which, in the end, should balance all of the needs of the parties of the ecosystem, optimizing it for for future investment.

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Arunima Sharan 04:51

Thank you. I'd like to go a little bit deeper into something that you mentioned in the beginning, where we've. Found that of the Seven World Economic Forum principles, digitally led and effectively regulated, were the most common where respondents of that financial institution

said were most aligned with their priorities. Does this tally with your view on where the strengths are in the system? Yeah, I



05:18

think pretty much. I think the alignment of financial institutions in the region with the with the West principles that you mentioned, particularly digitally led and effectively regulated, is indeed in line with the strength in the ecosystem. However, there remains obviously an opportunity to further strengthen the financial systems in the region on a number of fronts, while a lot of progress has been made, obviously ongoing collaboration, innovation, regulatory enhancements can all help to optimize and ensure the resilience and inclusivity of these systems in this evolving digital era. But if I want to highlight maybe just one of the principles that didn't get as much recognition, and what did somewhat surprising was most of the fact that the respondents did not cite financial feasibility in the end of a certain project, be it the government funded or not, is not feasible. Somebody, in the end has to take the burden of the cost. So to use government led initiatives as an example, when government set up specific financial infrastructure initiatives, it has increasing and significant costs, whether in the setup or the maintenance of the platform making it available. 24/7, continuous development innovation needed for the platform to compete and ultimately be used, constantly protecting it from things like cyberattacks, et cetera, becomes quite costly. So if the platform is not somewhat feasible from a financial perspective, then inevitably somebody really needs to bear the costs. And in many cases, governments do. But the question here is, at what cost, as you know, otherwise it will be, could be shifted to consumers after it gets shifted from the various places in the ecosystem that already pay for these costs. So and then you want them to use the system so it has to be reasonably priced. So for example, to use an example in the various real time payment systems that we're seeing around the world, some governments have decided, or began to signal, that they want to levy some fees and charges, because if they don't, eventually it'll catch up to them, and at the expense of some party in the ecosystem, and even potentially at the expense of innovation and increasing investment into this ecosystem, which ultimately you know you don't want to see. So financial feasibility is important for maintaining the system into the future and competing for the long run. It should be considered to strengthen any payments infrastructure when, when it's in the design phase.



Arunima Sharan 07:35

So would you say financial feasibility, or adequately considering that and making that assessment is an area where there's scope for improvement. Are there maybe other areas where there's scope for improvement for other countries in the region?



07:50

I think, referring maybe to my initial findings that I just mentioned, there are a number of not improvements, I would say, but maybe adjustments or ideas that the governments need to take into consideration, in general, when they strategize for their financial ecosystems and specifically building their own infrastructure. I think many have coined this term digital public infrastructure of late. So basically what governments consider somewhat critical infrastructure, similar to things like very sovereign services, like transportation, education, health, etc. So

when it comes to going back to the effectively regulated and digitally led principle, specifically taking this into consideration the whole DPI discussion that's happening, I think there's room for introducing a more sort of holistic view of how governments can think about to go, go on planning for their infrastructure, namely, a couple of points or principles that that we could consider, as I mentioned previously, DPI, should enable some form of commercially sustainable operations and a business model that's conducive to long term growth and obviously minimizes reliance on on public subsidies and costs, especially in light of a lot of the rising Public debt that we're seeing in many of the developing economies in the region. But mainly, I think, you know, DPI should not be used to replace or displace existing market solutions, but to complement them. Of course, the concept of open and fair competition, level playing field should always prevail, because alternative of which is that options become quite limited for consumer choice, as the private sector is, or could ultimately be crowded out, which also impacts innovation, cost, investment, et cetera, to just take. I think participation in dpi should always be voluntary and based on consumer choice. Avoiding horizontal creep, if you will, is quite key to keep this open and free. When it comes to governance of these entities, it should be obviously transparent and open to all key stakeholders, including the private sector, other sectors of society, instead of being led by government alone or government affiliated entities specifically. And the idea behind this is really. To encourage inclusiveness in decision making, benefiting from private sector and other sectors and societies experience. And I think many governments in the region have really done a good job at this so to support this specific notion, and not to have citizens feeling that their data is not secure or being used in unauthorized ways or is at risk of being lost or leaked. There's obviously need to incorporate things like strong privacy protections that would safeguard data from cyber attacks or being misused, another topic that many governments are putting on their priority list. So that's that's also great. Maybe final point on this topic is, I think we should try to avoid this concept of digital fragmentation, where you have these systems operate at the national level, and they initially, in the beginning, do not easily interoperate across regions or between countries. So sort of the risks of splintering the economy into these various local silos, if you will. Could create significant barriers of flow of cross border data, for example, additional trade so as geopolitical changes and shifts are ongoing, this idea obviously becomes ever more increasingly important, considering the emergence of various new alliances, political blocs, Economic Unions, et cetera.

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Arunima Sharan 11:19

Yeah, no, definitely. I think, touching on what you've mentioned now and some of your previous answers, I wanted to ask what you in your view, are maybe some potential use cases for new or emerging or existing technologies to enhance financial inclusion, whether that you know was something that came with the pandemic or had can be through improved interoperability, or whether it's the innovation side of things. So yeah, just to see what your visa on that. So



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obviously, you know, financial inclusion is crucial as MasterCard, when we extend our services to the unbanked on a large scale, if not only benefits them, but also boosts the local economy, it's a positive outcome, obviously, for everyone involved, whether it be you know, the government, the corporate partner, citizens, etc, through a myriad of programs over 80 plus countries, MasterCard has reached a lot of people previously excluded from financial services in the digital economy through efforts like partnerships with mobile network operators,

government, dispute solutions, wage digitization, solutions for gig workers. And obviously, you know, digital payments plays a vital role in advancing financial inclusion. This sort of allows us to cater to the financial requirements of those without access to traditional banking services, which creates, you know, new avenues for them to be included in the form of economy. So as an example, in response to this, MasterCard developed something called a community Pass, which tailors to the challenges encountered by service providers and individuals within marginalized communities, where it basically facilitates transactions for people who are digitally excluded or underserved, as many of them don't have, you know, consistent idea, credentials, onboarding and servicing becomes quite the challenge, as it's often manual, somewhat inefficient. Could be expensive with community pass the service providers have access to a number of these features. So a functional identity, a shared wallet, digital acceptance, device that's secure, and it's designed to be interoperable with with third party solutions. So under MasterCard community, sort of fast, if you will, that tailor to specific sectors, we have farm Pass, which was our agricultural solution for small farmers in Sub Saharan Africa, and it provides access to a stable marketplace with transparent pricing, basically enables farmers to secure necessary capital and advisory services. We've launched it in 2015 and it's benefited over over a million farmers in in countries like Uganda, Tanzania, etc, also have wellness Pass, which was launched in Ethiopia and Mauritania, I think it addresses the number of challenges that stem from fragmented and manual healthcare systems, such as interoperability issues, reliance, again, on paper based medical records. This basically digitizes health and vaccination records, making them accessible offline. Another sort of use case that we've created to promote financial inclusion is called the jazzeduka, which is our microcredit digital lending platform, which operates in normal countries in Africa. It basically offers short term credit and digital payment capability to small shop owners.

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Arunima Sharan 14:38

Yeah, all of those sound like very interesting and useful initiatives related to that. There's all the work that MasterCard is doing with the farm pass the community, pass the wellness pass the microcredit lending system. Just stepping back a little bit, how can financial institutions, whether in the public private sector, in the regions? Because. Specifically in the Middle East and Africa, work together to create an environment that is conducive to similar kind of technological and business model innovation.



15:11

Sure. So I think ultimately, the days of organizations innovating and isolation is past us today, collaboration is very necessary for sparking innovation. It's about, you know, bringing different partners together and building on sort of complementary strengths, if you will. At MasterCard, we're we're eager to leverage our partnerships to fuel innovation. And to that aspect, we've transitioned previously from our sort of product centric organization to be more of a solution centric organization, and this has made us evolve into a multifaceted innovation partner to various governments and stakeholders in the financial services with an extensive range of capabilities. For example, we applied a trusted technology to a number of use cases that are brought to market through precisely these collaborations with a wide variety of partners and stakeholders. So we encourage our partners to do the same, get closer to their customers, offer diverse services, digitize their operations and ultimately optimizing their value chains. It helps them unlock efficiencies, provide a superior customer and digital experience that ultimately

sort of drives innovation. I think one area on collaborating, on collaboration in general, is with local FinTech startups, which has been proven very promising in regions, such as in Africa, for example. So I think financial institutions also invest in continuous education and training for their employees. Obviously, this ensures that the workforce, you know, remains up to date with the latest technological investments, best practices, industry specific knowledge, etc. But ultimately, through supporting a lot of the sectors that are crucial. Need of support to be able to be financially good is key. So for example, in Pakistan, take about 79% of population outside of the formal banking sector. Out of that, it's 82% of women are unbanked and obviously a huge challenge and quite the opportunity to provide these types of product, services and technology through these various innovative use cases that can improve the specific aspect.



17:13

Yeah,



Arunima Sharan 17:14

no, definitely. I liked what you said about how innovation can happen in isolation or in silos. Other examples in your experience of where public private collaboration has been successful to enhance financial inclusion and kind of reaching these unbanked sections of the population, and where has this been done in the past? Where do you see opportunities for more work in this kind of collaborative space going forward,



17:42

sure. So I think, you know, this task of public, private collaboration and financial inclusion is really large for any one sector of the economy to undertake on its own, and that's ultimately why it's called a collaborative initiative, right? There needs to be partnerships between governments, financial institutions, private sector, NGOs, you name it because you know, financial inclusion is really the key to unlock a sustainable and inclusive, developing economy in general. In the region, we have a number of innovative digital initiatives that provide affordable payment options to consumers, enabling them access to digital payments that are available anywhere at any time. So for example, recently, MasterCard collaborated with Saudi payments to lodge Syria, which is its instant payment system in Morocco, we entered a strategic partnership with CJM to provide small businesses with digital first tools and access financial services. We partnered with La post in Tunisia to provide government disbursements for our Eden, our program in Egypt, we established and helped the government establish an interoperable mobile payment ecosystem and infrastructure with the central bank and the Egyptian banks company. We had a partnership with Levi Strauss to digitize the wages of over 10,000 garment workers in Egypt, we've supported people with visual impairment, where we launched with the National Bank of Bahrain, the MasterCard touch card, currently working in Egypt with the administrative capital for urban development to build an efficient digital infrastructure that will enable its operations into future. So many, many initiatives that MasterCard has done that other players in the ecosystem are done where, I think we provide a lot of prime examples of where public, private collaboration has been, has been really successful. Thank

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Arunima Sharan 19:33

you for giving us the full range of initiatives that MasterCard has undertaken. And we've been seeing some of the results that have come out so far, and hopefully we continue to see the results in kind of moving towards a more financially inclusive world. I've now come to my last question for the podcast, which is, we've talked a lot about what can be done, what has been done to, you know, advanced levels of financial inclusion in the region. I wanted to ask you, maybe. Back from all of this, what are some of the metrics of success of financial inclusion? When can we then say, okay, we're in a more financially inclusive system today than we were, maybe two years ago or two months ago?



20:14

Sure. So just, just to comment on on your question. Now, the the initiatives that I mentioned, obviously, our sample of the initiatives. They're not all of the initiatives that that we've undertaken, and hopefully will will continue to do so you mentioned whether the metrics of success, I guess, for financial inclusion, and I think for us at MasterCard, financial inclusion is not simply about having a bank account. It means effectively addressing inequities in our financial ecosystem to ensure it's actually like small businesses have the tools and capital they need to grow. It also means closing the gap between those who have access to digital technology and and the opportunities that come with them and those who don't. So I think these inequities, unfortunately, often follow inequities in the political and economic structure of economies that we work in, whether it be things like the wealth gap, opportunity gap, gender, racial et cetera, if you use these various inequities, you think that they should be addressed in one shape or form for financial inclusion to be successful. So for example, if you look at our ESG Global Report, there's a huge focus on on financial inclusion, and we set up a number of very specific metrics for us to support this. So for example, we committed to connect a billion people to digital economy by 2025 we committed to connect 50 million Micro, Small and Medium enterprises to the digital economy through card acceptance. By 2025 we acquired to provide 25 million women entrepreneurs with solutions that can help them grow their business, we committed to register 30 million users on the community pass platform that I mentioned earlier by 2027 through our global strive initiative to reach 18 million micro and small businesses to help build their capacity, unlock access to capital, drive adoption of digital tools. So for example, on this specific topic, on MasterCard, strive with support from our Impact Fund. We work with these various SMEs and things like digitizing the business operations, like bookkeeping, inventory management, etc, and supporting a number of financial services use cases, such as access to business banking, credit insurance, expanding the reach to digital marketplace, advisory services, etc. So, you know, with all these different metrics that are a huge focus of MasterCard in supporting financial inclusion, this can't really occur without, I'd say two main things, mainly, first of all, supporting trust in ecosystem and being educated about so supporting trust in the ecosystem, in the end, is crucial for consumers to ultimately be incentivized not to use cash and to use these various tools that enable them to be financially included in the many ways provided to them. Trust ultimately breeds usage and uptake, right? So not to do that an inclusive financial ecosystem needs to rely on these consumers or users in general, feeling that their data, for example, from digital transactions, is safe and used in a responsible manner, that governments can design financial inclusion policies from various analytics private sector creating innovative products and services to justice so To complement this, therefore setting high standards for the responsible collection, storage, sharing and uses of data is crucial. Ultimately, the integrity of the data, the feeling that consumers own their

data, and the choice of what they do with it is theirs, is at the top of our priority, and is crucial importance to support this idea of trust. Obviously, data should be secured. Are artificially intelligent powered. Cyber solutions are able to detect threats by avoiding Singapore failure, for example, that benefit from things like cross border data flows across the region and across the globe, which enables this idea of trust as well, maybe leveraging the specific concept of cross border data flows. Ultimately, this facilitates things like economies of scale, where entities can provide lower costs of services, including things like remittances, for example, through using various technologies like cloud computing and various data insights that could really be valued to any decision maker and wherever the cost of transaction is lowered by virtue of these economies of scale, people obviously have more incentive to use financial inclusive tools. So enforcing a robust consumer protection framework is one area that supports trust and transparency is also complementary to this idea. But in the end, I think promoting trust by improving the levels of digital readiness, financial literacy, savviness of users as especially important amongst the financially underserved, if you will, and is really a key prerequisite to enabling Trust, which I think is definitely something that needs to continue, and needs to continue to be a focus, not only for MasterCard, but for all of the stakeholders operating in the financial. The inclusive ecosystem that we all wish to advance, be it governments, NGOs, consumer organizations, financial institutions, etc.

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Arunima Sharan 25:10

Thank you for that. I think it's been a very interesting conversation so far to kind of learn about the range of initiatives that MasterCard has undertaken and continues to in order to, you know, reach the unbanked population and boost levels of financial inclusion. It's also been really great to hear your, you know, takeaways from the project, and your views on the strengths of the system that exists and what's needed to improve it in the future, so that we do reach this more financially inclusive ecosystem that we're all working towards. Do you have any final remarks for those who might be listening?



25:46

No, not nothing specific. Just wanted to maybe thank you and the team for for this great partnership that we've had, in terms of the number, the many activities, starting from our initial engagement over a year ago that ultimately paved the way for this path to Morocco. I think we've really highlighted a number of important factors that the various players in the ecosystem need to focus on. And you know, rest assured, obviously, that MasterCard is aligned with all of these principles and will stop at nothing to see that financial inclusion continues to improve, that the digital economies are enabled and empowered, and that consumers have many options and innovative solutions to encourage, to encourage all of that. So thank you very much.

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Arunima Sharan 26:38

Thank you. As Omar mentioned, this project has been in the works for over a year. So you can find the recording of previous discussions that we've had, as well as a report on the omfif website. And they're both free to watch and download for more information and other work

we're doing in this space. You can check out the website and the digital monetary Institute LinkedIn page. Thank you all for listening.



27:02

Thank you for joining us for this edition of the omfif podcast. If you found today's conversation engaging, make sure to stay tuned for additional thought provoking discussions on artificial intelligence, central bank digital currencies and digitalization of finance by subscribing to our channel, stay connected of the latest developments by following us on our LinkedIn page. Omfif, digital monetary Institute.