



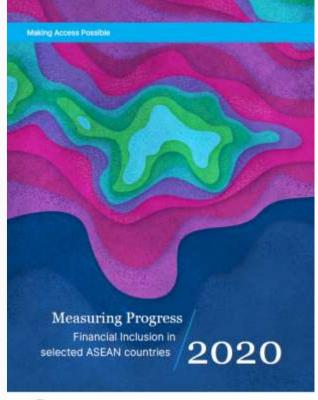
Virtual, 8th Feb 2021

Status of support to DO1 and ASEC



- WC-FINC Guidance Note on developing and M&E framework for financial inclusion developed and published
- Measuring Progress 2020 report –
 Financial inclusion in selected ASEAN countries
 - Report collaboratively developed with AMS, ASEC and WC-FINC
 - Report approved by AMS
 - Report endorsed at the October AFMGM & published



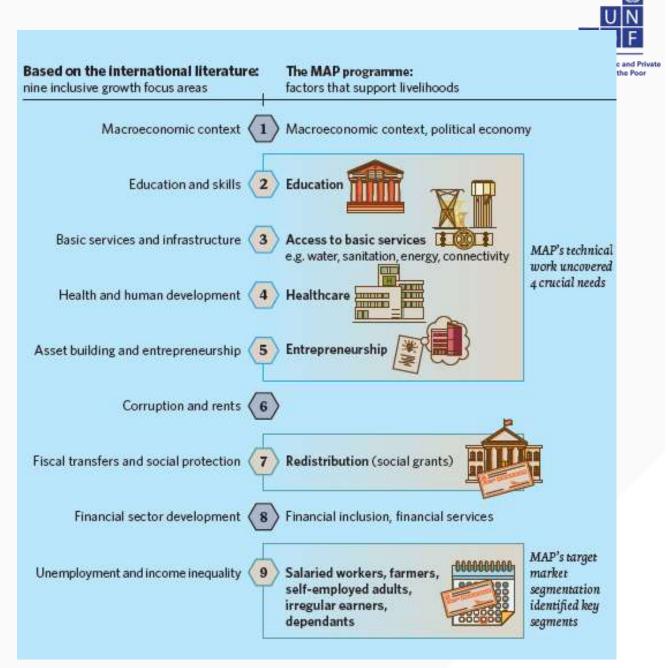






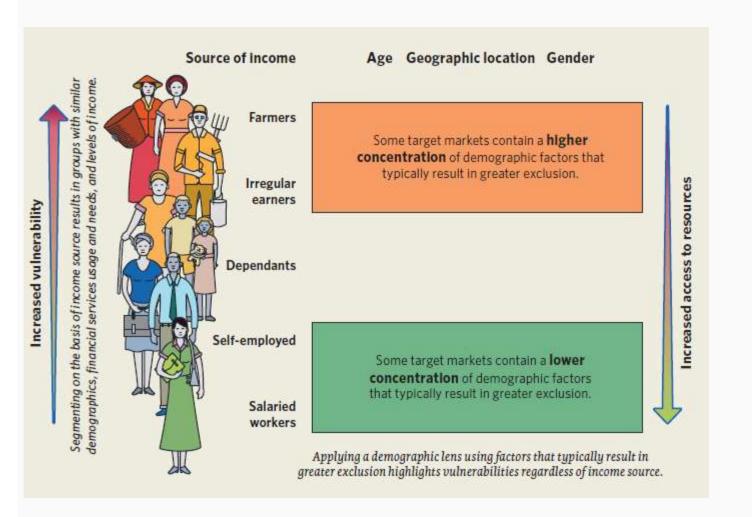
2021 – Working together Linking Financial Inclusion and Inclusive Growth

- Replication of the ASEAN M&E 2020 report for 2021:
 - Leverage Regional M&E as a platform for collaborative learning and sharing, continue capacity building at national level for data collection
 - Development of 2021 report in collaboration with AMS
 - Expand indicator set to also look at quality indicators, inclusive growth/real economy (see right), and with potential for some standardisation
- Undertaking specific segmental deep dives on status of Financial Inclusion in AMS on MSMEs and their potential to power inclusive growth



Financial needs driven by economic needs





- By supporting people's access to resources and opportunities, financial inclusion enables inclusive economies.
- Most economic activity is informal
- By capturing existing economic activity into the formal system more deliberately, this stimulates and grows the REAL economy where most people derive their livelihoods.
- Increased growth allows for expansion of the financial system - focusing on improved livelihoods.
- Financial sector growth is dependent on real economic growth which in turn translates to improved livelihoods.

Potential indicator expansion (2021 illustrative)



Indicator	Measure	Source
Pillar 1. Health and human development		
HDI	UN Human Development Index	UNDP Human Development Reports
	Health Poverty	FinScope Indicators
Pillar 2. Economic complexity, opportunity and living standards		
GDP	GDP (constant 2010 US\$)	World Development Indicators
GDP per capita	GDP per capita (constant 2010 US\$)	World Development Indicators
GDP growth	GDP growth (average y/y %, 10 years historical)	World Development Indicators
Population	Population, total	World Development Indicators
Economic complexity score	Country Complexity Rankings (ECI)	Atlas of economic complexity
% of GDP from primary	Agriculture, forestry, and fishing value added (% of GDP)	World Development Indicators
% of GDP from secondary	Industry (incl. construction) value added (% of GDP)	World Development Indicators
% of GDP from tertiary	Services value added (% of GDP)	World Development Indicators
Pillar 3. Education and Skills		
Access	Education: Mean years of schooling	UNESCO Institute for Statistics (UIS)
	No formal education	FinScope Indicators
	Completion rate for primary education	UNESCO Institute for Statistics (UIS)
	Completion rate for upper secondary education	UNESCO Institute for Statistics (UIS)
	Completion rate for lower secondary education	UNESCO Institute for Statistics (UIS)
	Tertiary education completed	FinScope Indicators
Quality	Pupil/qualified teacher ratio in primary education	UNESCO Institute for Statistics (UIS
	Pupil/qualified teacher ratio in secondary education	UNESCO Institute for Statistics (UIS
	% of teachers in primary education who are qualified	UNESCO Institute for Statistics (UIS
	% of teachers in secondary education who are qualified	UNESCO Institute for Statistics (UIS
	Education: Literacy rate	UNESCO Institute for Statistics (UIS
	Education: Drop-out rate in primary education	UNESCO Institute for Statistics (UIS)
Pillar 4. Basic services and infrastructure	Table 1 Top Cat rate in printary Cat Cat Cat	0.112000 montano (0.0)
Electricity	Access to electricity (% of population)	World Bank, Sustainable Energy for All
	recess to electricity (/o er population)	(SE4ALL) database
Telecommunications	Individuals using the Internet (% of population)	World Development Indicators
	Adults with a mobile phone (%)	Gallup World Poll 2017
Infrastructure	Unique mobile subscribers, % population	ITU World Telecommunication/ICT
	4	Indicators Database
	Mobile network coverage, % population	ITU World Telecommunication/ICT
	3 . 1 1	Indicators Database
	3G network coverage	ITU World Telecommunication/ICT
		Indicators Database

Inclusive growth indicators to take into account vulnerable and priority groups like women and MSME

Can expand financial inclusion indicators to link closer to inclusive growth outcomes

Potential framework for financial inclusion for growth



Needs

Payments

Transact:

- Local payments
- Requited transfers (distance)
- Remittances
- Encashments

Save & invest

- Contribute to cooperative activities
- Future expense or investment
- Earn interest or return
- Security

Borrow:

- · Cover regular, short-term expenses
- · Cover unexpected expenses
- Acquire assets
- Invest (e.g., small business, farming)

Mitigate risk:

- Asset insurance
- Funeral cover
- Business cover (e.g., agriculture)

Pillar 3: Education and Skills

Pillar 1: Health and human development

Pillar 2: Economic complexity, opportunity and living standards

Potential benefit of financial inclusion

Lower transaction costs

Time savings

Better privacy & security

Transaction history

Consumption smoothing

Earn interest income or return on investment

Accumulate assets/ wealth

Increased ability to invest in future earning potential

Better protection against risk events

Obtain credit/insurance at lower cost

Transmission mechanism

Increase in disposable income proportional to cost savings

Opportunity cost of time that could have been used to generate income

Greater control personal finance which leads to economic empowerment (e.g., rural women)

Increased traceability consumers with a payments history can access credit easier

Increased household welfare due to more stable and predictable consumption

Increase in future household assets (or wealth)

Ability to access to services or to invest in assets that provide opportunity for social mobility (e.g., health, education, business, etc.)

Potential impact on growth

Increase in real household disposable income

Increase in social wellbeing leading to more productive future workforce

Increase in labour productivity and more skilled workforce

Higher employment rate

Increase capital stock due to accumulation of assets and savings

Inclusive growth context

Pillar 4: Basic services and infrastructure

Pillar 5: Government effectiveness

Pillar 6: Asset building and entrepreneurship

Pillar 7: Unemployment and inequality

Pillar 8: Fiscal transfers and social protection

Pillar 9: Financial sector development

Insurance

Suggested approach for 2021



Timelines	Activity	
April	Replicate and update existing indicators set for 2021	
April	Discuss quality indicators availability (not yet included beyond one country)	
	Inclusive growth indicators to be discussed and agreed (for future or limited	
April	application)	
April - May	Data collection update (by countries, UNCDF to coordinate and consolidate)	
June - July	Narrative reporting (by countries, UNCDF to coordinate and consolidate)	
Aug - Sept	Overall report development	

Learnings from 2020 process:

Data gaps still exist at country level

Variation in data definitions across countries

Some issues with data collection and verification

Other proposals to WC-FINC



- AMS on the path towards accelerated financial inclusion
- Depth of financial inclusion is still a challenge in most of the AMS credit, deposits, insurance, payments, remittances etc.
- The depth of FI also depends on how digital economy is inclusive of specific segments and related ecosystem set up
- Inclusive Digital Economy status and gaps along with <u>financial health</u> status and gaps would provide further areas for strengthening and accelerating financial inclusion.

- Undertake <u>Inclusive Digital Economy Scorecard</u> development for selected AMS and share findings with WC-FINC
- Based on existing FI data and supply side information, looking at depth of financial inclusion and identifying ways for AMS and ASEAN overall to accelerate Financial health for specific segments.

Other proposals to WC-FINC



- MSMEs Employment, Income Equality and overall livelihood enhancement
- MSME Digitalisation and digital transformation is a need COVID -19 has accelerated this change
- Micro and Small Enterprise the focus of digitalization, supply chain integration and digital platform onboarding

- Mapping the existing initiatives through public-private stakeholders, identifying digitalization acceleration needs and developing strategies around meeting this gap
- MSME digital financial inclusion status note in ASEAN and related guidance note



Thank You

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