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Open Dialogue: Paradigm Shift in Inclusive Finance Policy: The New Role of the Public Sector in Microfinance

Moderator:

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Speakers:

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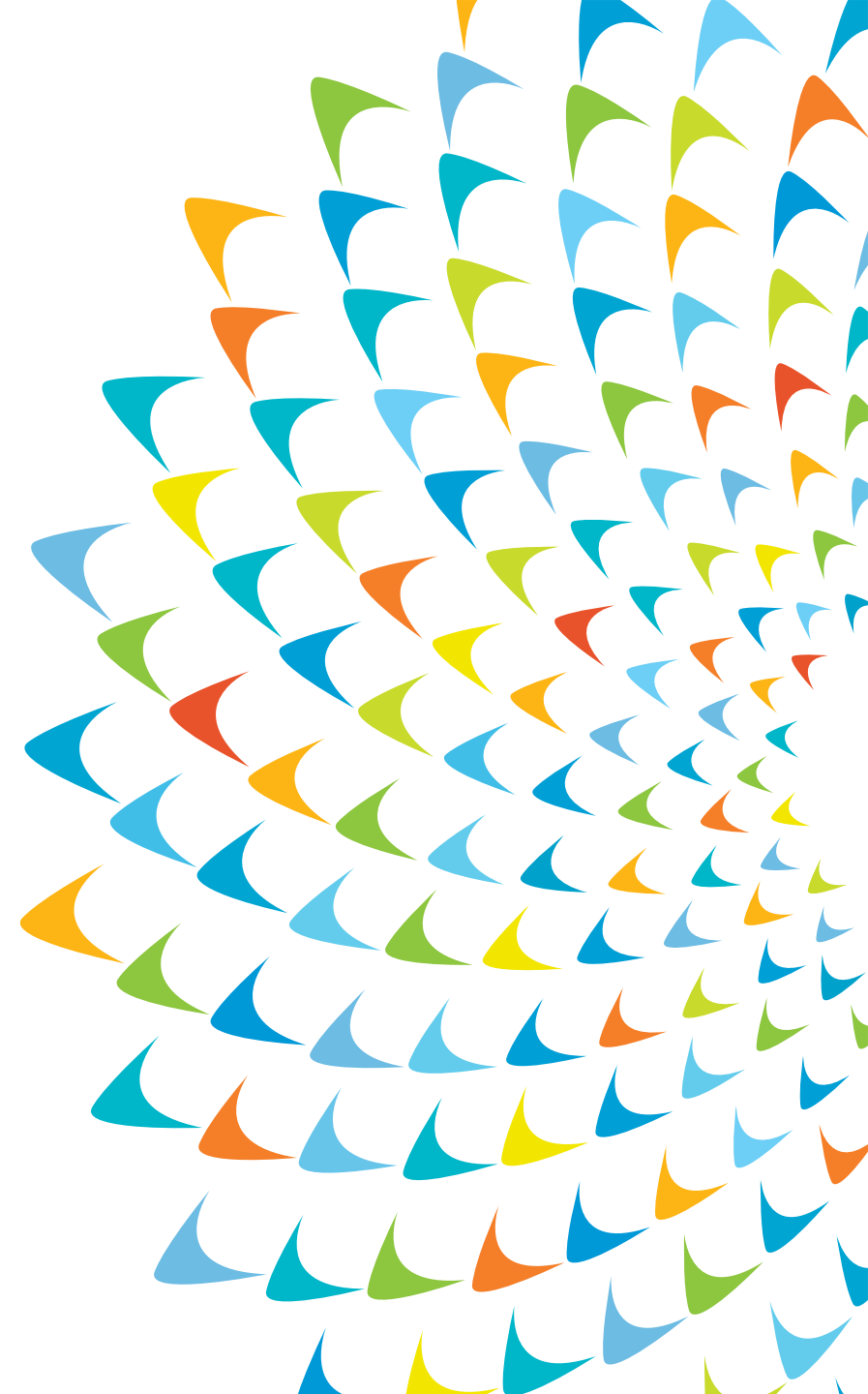


MFC Annual Summit, Krakow

Public sector support for sustainable microfinance

15th May 2024

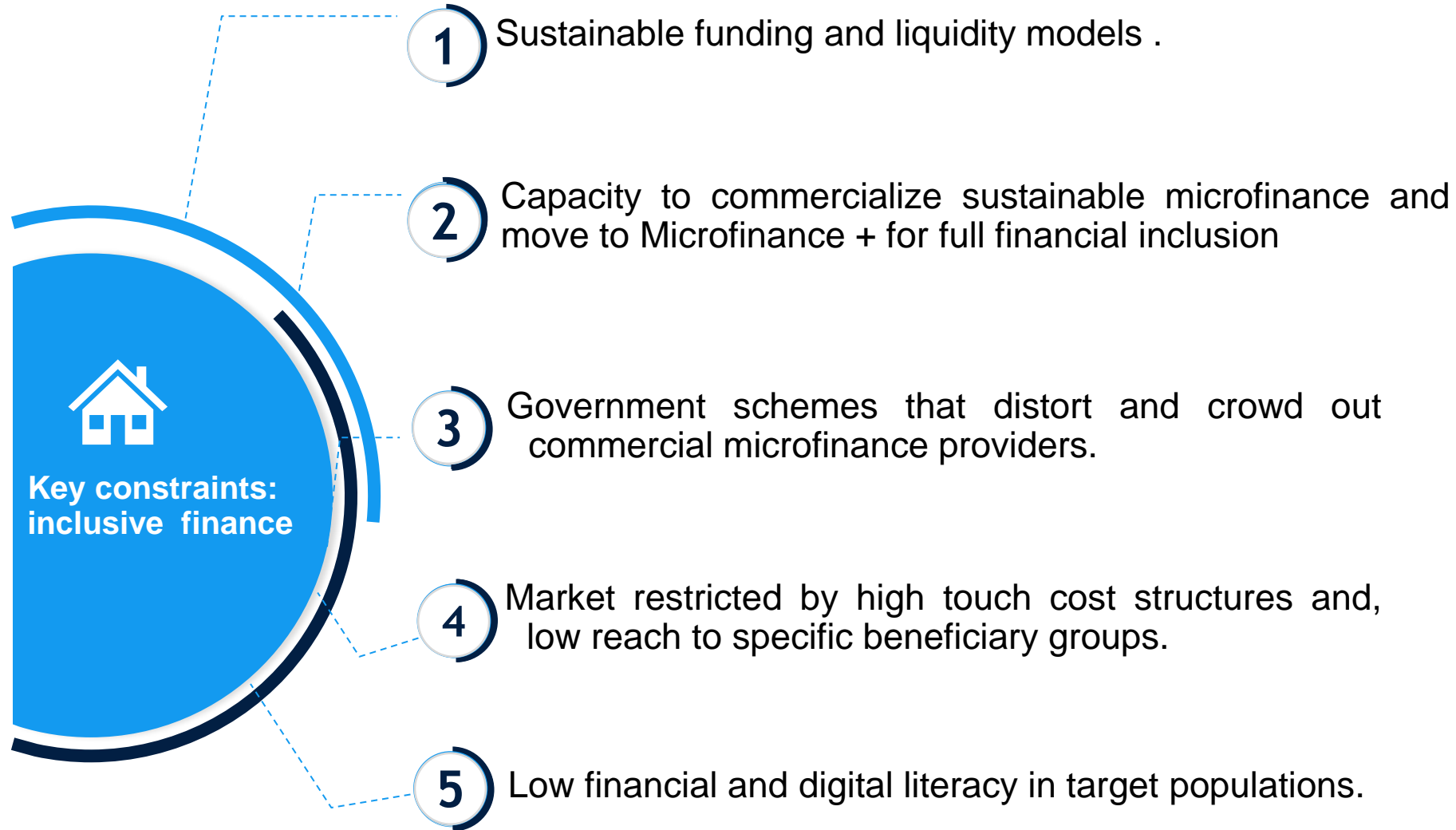
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Background

- Governments have increasingly engaged in financial inclusion as a key policy objective to support growth, jobs and poverty alleviation;
- Despite progress, financial inclusion gaps remain especially after COVID which has reversed a lot of gains, leading to growing pressure for governments to intervene;
- Traditional role of the public sector is to support financial infrastructure, regulatory and supervisory environment and protect consumer whilst leaving it to the private sector to fund the end beneficiaries;
- Opportunity to increase the size of the microfinance sector exponentially over next 5 years by leveraging and repositioning the role of the public sector.
- Public sector interventions typically include regulatory enablers, supply and demand barriers across the microfinance ecosystem

To scale up inclusive finance, a number of binding constraints need to be addressed...



So where are the areas for public sector intervention to support sustainable microfinance



- **Long term funding platforms** that blend private and public funding whilst providing access to capital markets. Establish state bank champions for wholesale as needed



- **Digital platforms** to enhance reach and reduce costs: digital ID, cloud based shared platforms, digital inclusion and mobile programs.



- **Direct government funding** schemes to incentivize and derisk that are highly targeted on market failures e.g. women, climate and youth



- **Reposition regulator to support market development** and promote of innovation: Market roadmaps with targets and regulatory sandbox leverage for rapid innovation



- **Capacity building programs** to commercialize whilst creating greater linkages with banks



THANK YOU

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