

# **Opening Remarks delivered by the Governor of Nepal Rastra Bank Mr. Maha Prasad Adhikari on G-24/AFI Policymaker's Roundtable**

**October 19, 2020**

**Excellencies Fellow Governors,**

**Mr. Maxwell Opoku-Afari, Deputy Governor, Bank of Ghana, Chair of G-24**

**Dr. Alfred Hannig, AFI Executive Director**

**Ms. Marilou Uy, Director of the G-24 Secretariat**

**All Members from G-24 & AFI,**

**Distinguished guests,**

1. It is my great pleasure to speak on behalf of AFI on this specially convened G-24/AFI Policymakers' Roundtable 2020 IMF and World Bank group virtual Annual Meetings .
2. The COVID-19 pandemic has led to a severe downturn in the global economy, leading to 4-5% contraction in global gross domestic product according to the latest World Bank and IMF projections, and a six-year reversal in human development according to the United Nations. It has also affected adversely the livelihoods of an estimated 1.6 billion workers globally in the informal economy. These developments threaten to erase many years of gains in poverty reduction as well as related Sustainable Development Goals such as gender equality (SDG5), Health and Wellbeing (SDG3) and Decent Work & Economic Growth (SDG8).
3. Governments and Central Banks, including the members of the G-24 and the Alliance for Financial Inclusion, have been at the forefront of policy responses to the pandemic, taking measures to ensure continued flow of credit to the real economy and the SME sector in particular, fiscal policy and stimulus measures to ensure emergency social transfers that can reach the most vulnerable populations, and providing incentives and regulatory flexibility to support greater usage of digital financial services as a means of sustaining commerce during the period of movement restrictions.
4. These measures taken by policymakers across the network have surely helped to alleviate suffering and protect the financial inclusion gains achieved in the past years. Despite this, the projections for the continuing and lasting economic

impact of the pandemic are concerning, and require policy responses as we move into the recovery phase of the crisis, in particular to ensure that SMEs can access credit for working capital and for vulnerable and disadvantaged population groups to receive financial support. For this reason, the AFI membership at the recent AGM endorsed the Statement on Post COVID-19 Recovery, under which members committed to develop and implement financial inclusion policies that facilitate recovery and resilience as well as restore sustainable financial inclusion.

### **The Opportunities for Digital Transformation**

5. Despite the devastating health, economic and financial impacts of the pandemic, a ‘silver lining’ has been the catalyzing effect on digitization, with usage of digital payments and e-commerce surging in many jurisdictions in the context of lockdowns and physical distancing.
6. Whilst it remains to be seen how much of this trend can be sustained beyond the immediate crisis, this is a positive signal that digital financial inclusion can help to play a key role in meeting immediate needs as well as longer term financial goals. Indeed, countries, which have invested in digital payments and identical infrastructure, have been able to reap the benefits in the current context to ensure the continuation of essential services, and efficient social welfare transfers.
7. The acceleration on digitization of finance is an opportunity to be leveraged for financial inclusion, also brings with it the need to assess, manage and mitigate risks. In particular, policymakers need to be vigilant against the risk of a digital divide between those who have access and those who do not. Inclusion therefore needs to be at the heart of the design of digital financial services to ensure that no-one is left behind in this development. For this reason, the AFI membership adopted the “Kigali Statement” at the 2019 Global Policy Forum, pledging to redouble efforts to work towards the full inclusion of disadvantaged groups including women, youth, older persons, forcibly displaced persons, and disable persons. These are also the groups that have been hit the hardest by COVID-19, and our policy responses as a network must be targeted accordingly.

### **Youth and Disadvantaged Groups**

8. Whilst the youth population may be more resilient to the direct health impacts of the virus, they will not be spared from its economic impact. More than half of all young people working in developing countries are in the informal sector,

and at higher risk of loss of employment and income. According to the International Labor Organization, more than one in six young people are out of work as a result of the pandemic. Young entrepreneurs also face challenges in accessing government support if they do not already have existing relationships with financial institutions. Young people have also suffered from the closure of schools and universities, whilst those entering the job market at this time may face challenge in securing stable and worthwhile employment.

9. Digital financial inclusion can be a key tool to help youth increase their employment opportunities, to become entrepreneurs, or to access educational opportunities, and to alleviate some of the impacts of the pandemic. Yet constraints such as lack of digital financial literacy or the unwillingness of financial institutions to lend to youth-owned businesses can restrict the ability of youth to make full use of formal financial services.
10. I am pleased therefore that today we will be discussing a Policy Framework for Youth Financial Inclusion which has been developed within the AFI network, and which will help to guide members' how best to ensure the inclusion of their youth population in formal financial services and in their policy responses to the COVID-19 pandemic.
11. Finally, I am looking forward to fruitful discussions today, and thank all members for their active participation and experience sharing. I wish you all the best. Thank you.