



Symposium on Financial Inclusion

The Debate

(Emcee) Roger Morier:

Get ready for the next event of this Symposium, which every year is a highlight of the Symposium because the debate, which is coming up, always always, always generates a lot of heat and light. Anybody who's been to our previous Symposium knows that that this is one of the highlights.

For those of you who were with us in CapeTown in 2015, two years ago, you will remember the electric performance of the debate moderator, Khalil Sharif, who is the CEO of the Aga Khan Canada Foundation. That was a debate to remember and set the standard for any future debates. And, we liked it so much, we got so many comments about that, we invited him to come back again this year and be the moderator for this debate.

So, I will leave it to Khalil to give you the details of the debaters and the resolution. But, for the time being as you are filling out your survey, please welcome to the stage Khalil Shariff, CEO of the Aga Khan Foundation and debate moderator extraordinaire. *[Applause]*

Khalil Shariff, CEO, Aga Khan Foundation Canada:

Well, thank you Roger. Not enough for applause there. Sorry, Roger. But, thank you. Come on. I think Roger's doing excellent work. Excellent work. *[Applause]* You have not been an easy crowd to manage. So, Roger, we are in your debt.

I am delighted to be back at SoFI because I never get invited back. So, it's a very special privilege. And, of course, a particular privilege to be able to help bring our time together to a dramatic finale. And, let there be no mistake, my friends. It will be dramatic indeed.

Now look, we've had a spectacular two days of learning together. But, let me tell you, without a hint of exaggeration or overstatement, that you are about to experience the most spectacular display of intellectual agility, insight, and wit of your adult lives. *[Laughter]* That should get applause. *[Applause]* I know this because we are about to go through, now, a collective transformation.

Up until now, we have had an experience marked by empathetic listening, collegiality, open-mindedness. All of those things are now to be dispensed with summarily because now we are entering into the realm of debate where what we will prize is fierce wit, rhetorical flourish, and even some mild intellectual browbeating.

Now, I'm mostly joking, but only mostly because it is true that we're going to end SoFI2017 with a different mode of learning. The goal for the next hour or so is not convergent discussion, but divergent contest. We're not going to be seeking the narrow common ground that we can find. But, we're going to try and explore the entire terrain of the topic in front of us. We're not going to politely paper over our disagreements. We're going to expose them. We're going to revel in our differences. We're going to outline them and throw them into sharp relief. That is the purpose of our next hour together.

Our debate topic today is as follows:

Motion: Disruptive innovation in the financial sector can no longer respond to the daily challenges of poor people

Read it carefully. Study it. Envelop it. This will be our charge for the next hour or so. There is a lot at stake in this debate as our previous sessions have already highlighted so frequently.

- Has the hype of innovation caught up with itself?
- Has it run out of steam?
- Are we getting better and better at doing less and less that is relevant to the actual needs of our clients?
- Do people actually care about being financially included or do they just want a better life?

In short, have we drunk our own innovation Kool-Aid while the real world sits merely as an irrelevant sideshow, or is that the view of intellectually lazy, technological Luddites?

Perhaps disruptive innovation is our only hope. Are we only at the front-end of technological revolutions, revolutions in business models, in value propositions that will pave the way for hundreds of millions of people to use financial services as a trampoline to a better life?

So, which is it? Too much so-called disruptive innovation, or not enough? We need to know and we shall know.

We've got an extraordinary troupe of debaters who have volunteered to expose themselves to your judgment and discerning wits. They are people with extraordinary backgrounds in this area. I'm going to ask them to come out now, one by one. And, each of them you should give them a ruckus round of applause to get them excited about what they're about to do.

Arguing in support of the resolution, we have a truly formidable team.

Graham Wright is Group Managing Director at MicroSave. Come on out, Graham. *[Applause]* He is a prolific writer. He has even written a book, my friends, entitled, "Microfinance Systems: Designing Quality Financial Services for the Poor", which seems oddly relevant to our topic. He will open for his team as the first speaker.

His colleague, the second speaker, is Mamie Kalonda. Come out, Mamie. *[Applause]* Now, Mamie has spent her career serving at the frontier of service delivery for the unbanked. Currently as the CEO of Finca DRC where she was previously the COO after serving for years at Finca in Uganda.

Now, just hearing these bios and looking at these debaters, you might feel like this debate is already over. *[Laughter]* But let me assure you, my friends, that Graham and Mamie, as capable as they are, have no reason to relax. Their opponents are not only worthy, they are hungry for a win.

Opposing the resolution is Tamara Cook. Tamara come out. *[Applause]* Tamara has been at the center of the innovations storm in financial services currently as Head of the Digital Innovation at FSD Kenya. And, previously at that bastion of innovation, the Financial Services for the Poor team at the Bill and Melinda Gates Foundation. Tamara will open for the opposing team.

And, joining her as her comrade-in-arms, is Owureku Asara. Owureku come out. *[Applause]* He is not wearing pinstripes but let that not confuse you. He, in fact, is a seasoned executive in the financial industry, currently as the Regional Head of Consumer Distribution for Ecobank West Africa where he leads digital financial service initiatives in more than 15 countries in Central, East, and West Africa.

Wow. So, this is the dream team for this topic and for this group. We are delighted that they have all agreed to subject themselves to this debate.

So, this is how we're going to proceed. The first thing I want to do is vote. So, can we get the slide up please, the voting slide up. Look at the resolution again.

Disruptive innovation in the financial sector can no longer respond to the daily challenges of poor people

You will now need all your experience. You will need your sharp intellects and you will need your clickers in reverse order of importance. And, you will now have to choose whether you are in favour of the motion. If you are against the motion, or if you are weak and lazy and unsure *[Laughter]*, your choice. So, I'm going to give you 30 seconds but no more. Hit the number and then hit 'OK'. I'm making up that instruction. That's true, right? No one is nodding at me at the booth. Thank you. The people not at the booth are nodding at me, which is also helpful. Thank you.

Okay. Voting is closed. This is donor-compliant debate. Here is the baseline. Let's get the votes.

Wow, wow, wow, wow. I want to start with noting the 10% of you who are unsure despite my [Laughter] commentary. So, wow.

1. In favour of the motion - 28.7%
2. Against the motion - 60.6%
3. Unsure - 10.6%

So, Graham and Mamie, you have your work cut out for you.

We have a second question we want you just to answer. Can we get the next question up, which is:

I am open to changing my mind after listening to the debate?

1. Yes
2. No

So, we want to make sure that there are no dogmatists out there blind to being reasoned with. So, please now vote. Yes, you are now open to changing your mind or no. I should tell you now that if the 'no's' predominate, these guys are just going to walk off stage right now. [Laughter] So, a good way of wrapping this up early.

Okay, vote.

Let's see the results.

1. Yes - 75.8%
2. No - 24.2%

Thank you. Thank you. The debate can carry on. Well done, well done. Okay.

We will remember these numbers because we are going to vote again at the end. It's called, an end-line for those of you who are not familiar with donor-speak. And, we will be able then to entirely assess our long-term sustainable impact.

Now, this is our plan. There are rules to this debate. The rules are stringent and burdensome and they shall be enforced without mercy.

We will ask the first opening speaker to present opening arguments for four minutes. That will be followed by the second team's first speaker, who will also get four minutes. The affirmative team will then have a chance to make a second statement that will present more substantive arguments as well as, if they choose, to rebut any of the faulty contentions put forth by their opponents for another four minutes. Then, that will be followed by a second presentation from the opposing side for four minutes. So, they'll each get two slots of four minutes each.

Then, we will pause. We will pause and invite all of you into the debate. This will be your opportunity to make a brief argument. Your task will be to participate in the debate. You're going to offer a view of an argument that has not yet been made by either side, or to elaborate an argument that you think has been inadequately made. So, you are trying to put your thumb on one side of this resolution or the other. We'll have about 20 minutes to do that. Then, we will invite each of the first speakers to offer closing remarks for a brief three minutes each, and then we will vote. Then, we will finish the debate and we'll have a chance, out of our debating roles, to reflect a little bit on what we have learned, if anything.

Now, my last comment.

I have asked the debaters to inhabit their roles fully without any regard for their personal beliefs, convictions or institutional affiliations. Do not tweet out to the world what they say. They will not be held liable for anything they say on stage for the next hour. They are putting their intelligence, agility, and indeed their very reputations in the service of our collective learning for which we are grateful.

Please join me in giving them one big round of applause to encourage them on. [*Applause*] And, with that, my friends, I will ask Graham to begin the debate. You have four minutes starting now.

Graham Wright, Group Managing Director, MicroSave:

I love fintech. Fintech is my life. I use it every day, but I am privileged. I am educated, and I am connected.

Let's go together to a typical African village. There's no electricity. There's no mobile network coverage. And, let's look at the people there. The Economist in 2016 said that "only 50% of the African population have access to mobile phones and the vast majority of those are feature phones. And of those, the vast majority are held and used by men. And, those that do have smartphones rarely can afford the data packages to actually use them".

And, let's look at the people involved. They are, along with a billion plus on this planet, illiterate and very often innumerate. They really struggle with the alpha-numeric interfaces that are required to interact with the current states of innovation.

And, these innovators rarely take the time to build the interfaces, or the user cases, for the applications for poor people. They work for the more affluent. They have little understanding of the needs, the aspirations, the perceptions or the behaviour of poor people. And so, the innovations that they produce are typically solutions looking for a problem.

Fifth. We just remember, of course, that these people are extremely vulnerable. And, I think we can agree that the current state of consumer protection around this disruptive innovation is grossly inadequate. There are millions out there who have lost money either due to fraud or to having sent value to the wrong number inadvertently. There are even more millions now

blacklisted on the databases of banks and credit reference bureaus for small digital credit loans. This cannot be credibly seen as a way forward to address the real daily needs of the poor.

And finally, let us not forget that poor people value personal interaction. We've heard that time and time again throughout this conference, and yet my esteemed opponents would like to argue that, somehow with technology, they will solve the very, very real problems and the very, very difficult pain points that the poor face in the under-resourced poor infrastructure distant villages. They need us to do better for them. They need us to think more clearly and to move beyond the naivety of ignoring the real world and saying, "fintech will fix it". Thank you. *[Applause]*

Khalil Shariff:

Well, Graham has thrown down the gauntlet, indeed dressed eerily like Steve Jobs. *[Laughter]* He has told us that innovation is nothing but an amoral and naive force blind to the aspirations and dreams of the most vulnerable, indeed even preying on them.

Does the resolution have any hope of failing? Tamara, we're in your hands. Your four minutes begins now.

Tamara Cook, Head of Digital Innovation, FSD Kenya:

Unlike one of these Steve Jobs and like 60% of the people in this room, Owureku and I believe that disruptive innovation CAN respond to the daily needs of poor people.

First, some definitions:

Disruptive innovation means using technology in new ways to change the way market works. Financial sectors range from the microfinance institutions to the fintechs, to the insurance, to the traditional banks. Daily challenges. We're talking about tools that can provide *meaningful* solutions to help poor people manage day-to-day, invest in the future, and deal with risk.

There are five reasons just, plus many more, that we believe that this can happen.

1. The financial sector has a track record in delivering disruptive innovation that solves problems. Microfinance applied lending technologies in new ways to help micro entrepreneurs grow their businesses. Mass retail banks stripped down technology that was meant for high-street banks to deliver mass accounts to the retail market. Mobile money took technology that was meant to, basically, buy air time, SIM tool kit, and USSD to deliver a solution that helps people send money home, to access their social networks, and now is used for a plethora of use cases that directly affect the daily needs of poor people.

Pay-as-you-go to bill-pay and metered use to deliver assets and reduce costs for people. Digital credits and savings to bill-pay plus scoring to deliver new solutions for people.

And, recent research that we have in Kenya shows that the top uses are for business, farm, and education.

2. The acceleration of the pace of change creating new opportunities for disruption. In Kenya, it took 115 years for banks to reach 25% of Kenyans. It took mobile money two years.

Microfinance never reached 25% of the population. Digital credit and savings did that in five years.

Landlines never reached 25% of the population. Mobile phones did that in 16 years and smartphones did it in eight. Data released just yesterday predicts that 80% of Kenyan phone lines will be smart by 2022.

3. With increased mobile penetration, especially smartphones, increased connectivity and digitation will help us *discover* new things about the daily challenges poor people face by being able to monitor what they do with this connectivity and truly create value for people like we heard about with the Customer-Centric Guide this morning.

4. Increasing opportunities and incentives to partner with those outside the financial sector. We just heard about this. Banks partnering with people in agriculture, health, technology, other sectors. In Kenya, there was 70 applications last year from banks to the central bank to launch new products. Almost all of them were across the mobile channel and in partnership with people outside of their normal day-to-day.

5. Finally, new technology is evolving in ways that don't even exist now that are going to help us solve these problems and enable solutions to be more profitable.

We heard yesterday about business models that aren't yet profitable. Disruptive innovation may be the only way we can do that. How can we extend the success of short-term digital credit, which currently helps with daily needs to long-term investment needs? How can we use artificial intelligence paired with chat bots to inject behavioural science insights and nudges into financial solutions? How can smartphones be used to create new user interfaces for intuitive money management that helps people manage day-to-day?

So, building on these five things, we believe that disruptive innovation will continue to respond to the daily challenges of poor people and do it in better ways, in more ways than my colleague thinks.

#disruptive innovation delivers value to poor people. Stay with us. [*Applause*]

Khalil Shariff:

Ladies and gentlemen, wow. *A tour de force*. Does the affirmative team have any arguments left? Disciplined and structured, Tamara defines our terms. She gives us an avalanche of examples, even statistics which were released just yesterday. Can you believe it?

And, what about artificial intelligence? Won't that solve all our problems?

Ladies and gentlemen, let us see if the affirmative team can muster the intellectual resilience to respond. Ladies and gentlemen, Mamie, for the second speaker on the affirmative side. Four minutes.

Mamie Kalonda, CEO, Finca DRC:

Many financial institutions, as they are thinking innovation, technology, they are looking at the breakeven points. When we make profits, we want to have a very good business plan sitting in a room like this with 4G Internet and thinking about what will give satisfaction to those poor in the village. Is that what those poor are looking at? Is it the needs for those poor people in the village? Why do we have so many inactive accounts? We talk about M-Pesa. We have so many inactive accounts. If they give you active accounts against dormant accounts, it is dormant accounts double, sometimes three times more than, the active accounts. So, people they tend to come in but this is not really what they want. We need to do better. We need to look at what will really satisfy those people.

Technology, yes. Opportunities, yes, they are there. But, we need to look at what will satisfy those customers. We need financial literacy. We need the technology literacy, as well. Many people have destroyed the financial histories. They are poor. They need to improve their standard of living. But, today, because of 2-dollar loans, they can't get back into financial. Some of them, they've become poorer than how they used to be before. So, we need to look closely to what we are doing. Innovation, yes. Technology, yes. Digital, yes. But, let's satisfy that customer.

Financial inclusion, we need more and more customers to join the network. We're having many poor out there that are representing over 50% of the active population. So, if we want really to succeed, we need them to join us. And, as we are joining them, we need to understand what is the needs so that once they are in, they will not get out. Once they are in, they will become more, more educated, they will understand and improve their standard of living as the histories we saw for the guy from Rwanda, the history from Catalina in the coffee. We need to educate them. Without education, without financial literacy, you can't innovate. But, what will they do? They don't have even a simple DSM phone. They don't understand. Some of them you can send a smartphone to them, but they will end by using it just for calling. They're saving calls, that is it. So, that means it requires more education.

As we are thinking about innovation, as we are thinking about technology, let's think about the base of the pyramid. They need to understand, they need to buy in, and they need really to accept what we are giving to them. They need to trust. They need to transfer it to their children and grandchildren. This is about good technology, good financial inclusion. And, if we do it like

that, we'll certainly reach what we are looking at today or these two days, last two days. This is what we've been looking at, financial inclusion. Bringing more people into the financial sector. And, we'll get there. Thank you. [Applause]

Khalil Shariff:

Ladies and gentlemen, Mamie Kalonda.

Steadily, gracefully demolishing brick-by-brick the edifice of the argument put forth by her opponents. Innovation after all is simply the indulgence of the Kempinski crowd she says sitting with your 4G phones and your power suits. What about all the poor people in the world? What about the base of the pyramid? What about financial and technological literacy she asks in her penetrating and fierce way? Can Owueku save his team? [Laughter] Only the next four minutes will tell. Owureku.

Owureku Asare, Regional Head of Consumer Distribution for Ecobank West Africa:

I'm surprised that after the votes, Graham and Mamie still stayed. I thought you were going to walk away because for them to defend this, I think, isn't even possible.

At the heart of Tamara's definition two things came out: sustainability and client centricity.

Daryl reminded us yesterday and, it was just yesterday, that the poor don't need accounts. What they need is shelter, they need education for their kids, access to healthcare, meals for the family, tangible rewards. These are the solutions that digital innovation is going to bring to the poor. Ladies and gentlemen, I'm sure these needs are no different from ours.

Farmerline, a financial company, technology company, empowers the poor with solutions to be able to improve their farm produce. They are touching lives of 200,000 people in 11 countries. How do they do this? Just package information through voice in the local dialects to be able to communicate with these rural folks.

Today, they are sending best practice to them, weather, price, and other details that they need to be able to improve on their farm activities. In return, they gather on smallholder farmers information to be able to understand the *needs* that they have. They've actually piloted extending loans to these farmers without collateral. And guess what? There's no default rate to it. With that said, the company does a package of financially attractive contents through agents of these rural folks and they educate them, for them to understand what it means to be financially savvy.

Ecobank has launched a flagship product with MTN Mobile Money. What does this do? It allows the poor to be able to save as low as, or to invest as low as 20 cents in Treasury Bills. Hitherto, this was a preserve of the bank.

PEG, as you know, is a pay-as-you-go solar home energy system. How do they do it? They provide these assets to the poor and they allow them to repay through a scheduled direct debit from

their mobile wallets. I'm sure you are used to this because in terms of your financing, your asset financing with your respective banks, your debits are scheduled as and when you've agreed to for these debits to go through.

Ladies and gentlemen, we have a school in Ghana called Omega School. They have what I call, a "pay-as-you-learn" model. The whole system has been digitized and school fees are paid daily, 65 cents on a daily basis. This pays for tuition, hot meals, school uniforms, and assessments.

Today, we can talk about utility payments being paid through mobile money. We can talk about even Kofi Brookman, those of you who know about Kofi Brookman, the street seller who sells roasted plantain, accepting mobile money.

With these innovations, these that I talk about, I believe, we'll be able to be met through disruptive innovations. Thank you. *[Applause]*

Khalil Shariff:

Ladies and gentlemen, like a phoenix rising from the ashes Owureku resurrects his team's arguments and dignity. Yes, he knows you can't eat an account. But, with example after example after example, Owureku shows us how disruptive innovation, whether it's in solar energy systems, pay-as-you-learn, even the august Ecobank he says, has been able to meet real needs. Wow.

- What to do?
- Where are we now?
- Where are the arguments which are the strongest?
- Which ones are the weakest?
- Which ones have yet to be uttered?

We are now moving it to you. Your challenge is, as follows:

I'd like you to enter into this debate, but with discipline. Your job is to offer an argument, not a random reflection, an argument. Put your thumb on one side of the scale or the other. Give us an argument that has yet to have been made by one of the teams or elaborate or substantiate an argument that you think has been put on the table but could be further strengthened.

Okay. Who's up next. I'm going to go down. Who's up next?

Sieka Gatabaki:

Thank you very much. I'm arguing for the need for disruptive technology.

Khalil Shariff:

So, you're arguing for Graham's team. Graham and Mamie's team. No, the other side.

Sieka Gatabaki:

So, I think many times we talk about disruptive technology we go too far into the future and we don't look at the past.

One of the most disruptive things that happened in technology was the introduction of prepaid airtime and that's given the ability for millions of people around the world to communicate. That basic ability has allowed them to access a myriad of services. So, gateway use cases such as these are so important for us to meet the challenges of those who are financially excluded. In fact, the point is that the more we look at non-technology interventions, the less we open our minds to the possibilities of technology. Thank you.

Petronella Dhitima, Mustard Seed Advisory:

For me, it's actually about the demographics of particular sub-Saharan and Africa. I think it's also been driven by demographics in this room because the poor that we're talking about is a young man with age 18-20, 24-25. And, this young man, I was in rural Tanzania three weeks ago, 1,500 kilometers from Dar es Salaam. And, they say the highest expense, we were doing some research, and the highest expense was actually the internet and social connectivity. It was higher among men, more male partners than the women's side. They said this because we have to reach our girlfriends. We have to look swaggy. We have to really be relevant and be seen to understand what's going on.

The second thing when I was living in Tanzania, M-Pesa before they launched in Tanzania, when they were in Kenya, the women in the remotest parts of Tanzania were already going to the teachers and nurses and saying, "my son has sent money to you as airtime credit, as prepaid airtime credit". They invented this. It was them thinking about how do I get money from Dar es Salaam to here? And, they said, "my son buy airtime with 20,000 shillings, whatever it was". Put it on the teacher's phone and now go to the teacher and say, "you may need this airtime, but I don't need airtime. Give me the cash". And so, they started, actually, the M-Pesa thing started in the rural part of Tanzania, and they were already doing it. By the time M-Pesa, the real M-Pesa, landed in Tanzania, the villagers understood.

So, really if we're talking about Sub-Saharan Africa, the young people...my daughter taught me WhatsApp. The young people are teaching their mothers the USSD code. They don't know that it's called a USSD code and they don't care. All they want is the service and they're being shown by friends in the villages know if you want to do it this way, do this. And, that's where the world is going.

Khalil Shariff:

Wow, Petronella. Wait! Wait! Wait! [Applause] Don't give me the mic. Petronella, stand up. Stand up. Stand up. So, one minute. So, who's side are you on? [Laughter] Who's side are you on?

Petronella Dhitma:

Tamara Cook.

Khalil Shariff:

Oh, Tamara. Okay. Okay. So, this is user-generated disruptive innovation. People are embracing it. They're already there well before M-Pesa was even there. You look like your ready. Get up. Get up. What's your name? What's your name?

Sharon D'Onofrio, SEEP Network:

Sharon from SEEP Network. I'm going to help Graham.

Khalil Shariff:

You have to be at least as animated as Petronella otherwise you have to sit down now.

Sharon D'Onofrio:

Okay. I'm going to try.

I don't think we can talk about just benefits of technology without looking at net benefits of technology. Look at the cost and look at the risk, and I so rarely see it all put together in one. And, I think our exuberant for technology is far too too great. We're not looking at risk and the cost to these individuals in a really succinct manner, so half a point for this side. *[Applause]*

Khalil Shariff:

Reasonable, thoughtful, nuanced. Sharon says about the cost of technology. Graham and Mamie, you got a point there. Give us your name.

James:

Hi. My name is James. And, I will join in arguing against the motion and simply from basic logic. If you're arguing against disruptive innovation it means that you believe that existing tools and systems are sufficient to solve the problem. We know from using our eyes that they are not. And so, absent some other explanation for how you see the situation changing, we need to assume that we need to continue to disrupt the tools and products that we are using to serve the poor until such time as the problem is solved. The fact that it hasn't been solved yet doesn't mean you stop trying unless you're imagining some halcyon day in the past when using the tools of that period actually solved the issue, which is not the case.

So, yes from logic without even going into the underlying issues, we need to recognize to deliver services at the scale, we need to innovate and we need to disrupt.

Khalil Shariff:

Wow, James. *[Applause]* Exhibiting an intimate relationship to basic logic demolishes Graham and Mamie's arguments.

Waringa Kibe, Access to Finance Rwanda:

Waringa. So, I'm on Graham and Mamie's side. That 45% of airtime use, from Caribou, is on gambling. We have a problem.

Another problem we have is digital credit addiction. Yes, we are serving the poor, but we are also making them poorer and poorer and addicted to digital credit from one supplier to another to balance off M-Shwari, your KCB, your Tala, your branch credit. It's a problem. So, the solution is there but the problem is even bigger for the poor. So, I am on that side. [Applause]

Khalil Shariff:

Wow, wow, wow. Take that logic. What about increasing vulnerability she says? What about gambling? Okay. Who's next?

Denis Moniotte, Chief Innovation Officer, Microcred:

Hi. I'm Denis. I think we have already made the mistake once in our world to think that financial services and financial transactions were something on their own. We shouldn't forget that if we are actually just helping things to be exchanged and other things from happening. And, these are the things that matter much more than financial services. So, you can get the best technology for helping people to exchange with one another. If they don't have a real thing to exchange behind, nothing really serious is sustainable and lasts very long.

Khalil Shariff:

Well, just to be clear. You're on Graham and Mamie's side?

Denis Moniotte:

Absolutely.

Khalil Shariff:

Absolutely, wow.

Dennis Haraszko, Mastercard Foundation:

Hi. I'm also Dennis. We managed to sit next to one another.

Khalil Shariff:

If there are any other ones here, this table is for you. [Laughter]

Dennis Haraszko:

And, I am with the Mastercard Foundation. This is just for purposes of the debate.

Khalil Shariff:

Yes, for purposes of the debate [Laughter] To the leadership of Mastercard Foundation: do not fire Dennis.

Dennis Haraszko:

But, I don't think technology and innovation will solve our problems. We have had decades, centuries, millennia of technological innovations and we still have poor people. So, in my mind, technology and innovation will not solve the problem. [Applause]

Khalil Shariff:

Another extraordinary display of basic logic. We still have four people. I'm coming to you next. Introduce yourself.

Natasa Goronja, Boulder Institute of Microfinance:

Hi. My name is Natasa. I work for the Boulder Institute. And, for the purposes of this conversation, I will be on Graham and Mamie's side.

Two points.

1. I happen to be friends with one of the co-creators of M-Pesa. And, I also happen to be from Bosnia, which is a country of 52% unemployment. So, I said to my friend, who happened to have participated in the invention of M-Pesa, can you come with me to Bosnia one week and let's just unleash M-Pesa onto this poor country that has suffered war and suffering and now unemployment? And she said to me, "as much as I love M-Pesa, it's not going to help us. It's just not a thing that works that way". Argument 1.
2. Yes, there are now these products and services offered on digital platforms. But, I beg of you, who has reached scale when it comes to digital rural credit? Who has reached millions other than Ant Financial in China? Anybody else? Talk about SME. Not everybody needs nano-credit. If we needed nano-credit to top up our gas in our car, okay. But that's us. That's not poor people. Poor people need well-designed SME and ag lending. You can't even do it in the analog world. If the digital people can do it, more power to them, but I'm not seeing the numbers. [Applause]

Khalil Shariff:

Wow. Even the co-founder of M-Pesa admits it's all a mess. Wow. Moving to this side. Anyone want to get in? No one? No one? No one?

Male Audience Member:

This is Abdul, in favour of Graham's team. I want to support him with some hard data.

Khalil Shariff:

Oh, with data. Oh, my goodness. Let's not go there.

Male Audience Member:

So, the grandest experiment in financial inclusion, on top of financial technology, is the digital ID system that the Indian government launched. They launched a massive scheme to enroll very poor people in opening accounts, financial inclusion. It was called the Prime Minister's wealth scheme. Launched in August 2014 with support from both Melinda Gates and MicroSave.

By August 2017, 495 million accounts had been opened. Granted. Well, the government did the research and said there's 26% accounts that are dormant. Independent researchers put that

number at 76.81%. Two hundred and ninety-five million accounts, independent research, 76.81%.

The Indian government's response was to wipe out the data and stop tracking it. So, if that's how we're going to get financial inclusion on top of disruptive technology, I rest my case. I do believe that we should hand the towel in from the other team. And Graham, you are the winner. [Applause]

Khalil Shariff:

Abdul seeking to bring premature closure to the debate deploying data, statistics and evidence. It's terrible. Alright. Who's here. One at the very end here. Introduce yourself, okay.

Male Audience Member:

Thank you. My name is (*unintelligible*).

Khalil Shariff:

Oh, use the mic. That's why I gave it to you. Yeah, yeah, yeah. Use it. Yeah, yeah, yeah, yeah, yeah.

Male Audience Member:

More technology.

Khalil Shariff:

That's better, that's better. Disruptive innovation. [Laughter]

Male Audience Member:

I didn't want to use the mic because I didn't want them to hear me. [Khalil laughs]. If I use the mic, they will hear me and that's saying this is not good enough. So, can you please try hearing me without the mic? [Khalil laughs]

Technology means different things to different people. You can hear me today because I'm using the mic, which is technology.

Now, we call came here in cars, am I right? Nobody walked here. Cars are killing so many people. They're not just making them poor, but they are killing them because of accidents. Every year, we buy new cars.

Now, a friend of mine ate a food he was allergic to. He had a few problems. When he got to the hospital, the doctor told him to stop eating. Now, can you imagine what would happen? The further you have problems with food, it doesn't mean you should stop eating.

Yes, I understand we have not gotten it all with technology. It doesn't mean it is that bad. Once we begin to get it all right it's going to be far so better. So, please. I support the group on the

right. So that we find ways to make technology, make happen what we believe can happen. Thank you very much. [Applause]

Khalil Shariff:

Salvaging, salvaging the terrible reputation of disruptive technologies. What else? We've got one over here. Introduce yourself, sir.

Phillipe Breul, PHB Development:

Yes. Phillipe Breul from PHB Development. I noticed during the day that the smallholders can get a loan with interest rate of 100% per month. It's amazing. And, at the same time, they get access to a loan, a digital loan, for 10%. And some from the left side are still complaining. So, I don't understand why you are not so happy about smallholders getting an interest rate divided by 10. Thank you. [Applause]

Khalil Shariff:

Thank you. So, why aren't you? You like 100% interest rates, basically. Graham and Mamie, you love them.

Karima Wardak, UNCDF:

Okay. I'm going to preach for Tamara's side.

Karima Wardak, UNCDF:

Sorry. Because I am bad with names. So, thank you for doing that for me.

I want to respond to the counter argument from Boulder saying, "we need scale". I mean, think about the figure Tamara gave us about how much time it took banks to reach 25% of the population. Think about how much time it took for the phone lines to reach what percentage it was, I can't even remember.

Now, we're asking digital finance to have reached scale in how much time? I think that's a little bit unfair right now. I think we've done great progress already. And, it's true, we don't see the scale yet, but probably we haven't fixed all the problems. And, indeed, technology as we continue using it to help us understand some of the issues we might have created with technologies, and some of the issues we still haven't solved with technology, will help us reach this scale.

So, I think we just need to be a little bit more patient with our technology. I mean, we can click and get information in two seconds these days on the Internet and we can respond in an hour or two in an e-mail. Think of the time, and I'm still of that generation. I know, I don't look that old, but, we used to use fax.

Khalil Shariff:

What!

Karima Wardak, UNCDF:

Yeah. Do you still remember what a fax was? Well, I was born before even we started using fax and we have forgotten about fax. So, let's give a little bit credit to technology and to this pace we want to see change, see happen. And, let's give credit to poor people. We are asking them to be technological literates right now when they can indeed, thank you Graham to remind us, that they're maybe not literate and not numerate. So, let's be a little bit patient with people. And, like Petronella told us, I'm pretty sure their kids will teach them how to use WhatsApp very soon and that will happen much quicker than what we ever thought. So, voila. Talk about a little bit of patience. *[Applause]*

Khalil Shariff:

Speaking of games to resolution. What's the hurry? Just wait a bit.

Sabine Mensah, UNCDF:

Hi. My name is Sabine Mensah with UNCDF.

Three points I would like to make.

I think somebody raised the cost issue. For let's say, for Aminosah who lives in a rural area, this is how much it costs her to get a bank account, about one-hour distance from where she lives to go to the bank. And she is asked to have an account that has a minimum balance that she doesn't even have. And she's told that every month this is how much it's going to cost you to have that money at the bank. And if you're in West Africa, they actually tell you you have to pay the bank a fee to deposit the money into the account.

So, for mobile money, she has a shop that's actually five minutes from where she lives. She has a phone and it doesn't cost anything to open that account. Figure that out in terms of costs for her, the poor.

I think somebody else made a comment regarding the activity rate. Yes, it is not where we would like it to be, but it's more than 30%. If you look at the banking rate in West Africa, particularly, we're close to 25%. And I'm not talking about the active bank accounts. I'm just talking about the opened ones. Figure that out for the poor.

The last thing ...somebody made a comment about literacy. I'm really surprised because Graham himself here came up with something called, Mobile Wallets for Oral, where you're using pictures of bills and what you want to do in a phone. And, that's what technology can do, especially with the penetration of smartphones. You can make this a big issue enough that literacy won't matter that much anymore because we can serve even those customers. So, I'm for the group there. *[Applause]*

Khalil Shariff:

Excellent arguments. Excellent arguments for speaking opposed to the resolution. Now, let's go to Gerhard. I'm sure CGAP has a toolkit somewhere that you published that solves all of our problems on this. *[Laughter]*

Gerhard Coetzee, Head, Customer and Provider Solutions, CGAP:

Gerhard here. I was listening to all of this and I know Graham in his dark days may have sort of spoke for the other side. But now, I listen to him and I'm so impressed by their team, their argument. And, I'm with them and here's the reason.

We are creating waves and waves and waves of people on digital, and more and more and more people are not using it. So, what are we doing here? We're making a few companies rich on the backs of the poor. And we are creating a digital divide that gets bigger and bigger and bigger. And we see women falling down the abyss of this digital divide. The poor, the real poor, the illiterate, innumerate falling for this divide. But, it serves us because as long as we have that, we can go on with this game. *[Applause]*

Khalil Shariff:

Thank you, Gerhard. "It's a house of cards" says Gerhard that's about to all collapse. Okay. We've got one last comment before we wrap up. This will be the last comment. No pressure. Make it good.

Teshome Dayesso, Buusaa Gonofaa Microfinance:

I'm Teshome from Ethiopia. I just felt like the discussion seems to be between artificial intelligence and real intelligence. *[Khalil laughs]*

Now, look at that photograph behind the speakers. Actually, it looks like this village of my mother itself. And the next shop is 25 kilometers from where these people are standing.

The question of inclusion in this society, where, 50% of people of Africa live in, between the next shop and where the people are standing, how can we increase yield where the financial lack of intelligence can become relative? How will this be possible to be improved? What can change that context is real intelligence, not artificial intelligence. Then after that, we can come to technology. *[Applause]*

Khalil Shariff:

Finally, the expensive backdrop pays off. Thank you for your spirited participation. You've expanded the terrain of issues that the debate is covering and you have made the closing arguments for both teams virtually impossible. So, thank you for that.

It is now time for us to invite the two teams to offer their closing remarks. I will ask Graham first and then Tamara. They've each got three minutes to sum up the most salient parts of their argument just before we ask you to vote again.

Ladies and gentlemen, Graham. *[Applause]*

Graham Wright:

I am absolutely amazed. I didn't realize that SoFI was a religious cult [*Laughter*] in favour of fintech. I find this quite extraordinary. We managed to get through these two days almost without exception without mentioning the word poverty because we're not caring enough. Because we're assuming that people have the money, the technology, the capability to use that technology. We make this assumption for what reason? I have no idea. You look at the state of the industry report from GSMA 2016. What proportion of these mobile money deployments that we love so much are actually reaching any scale? Twelve percent out of 286 deployments have achieved more than a million active customers. Guys, this is a joke.

And as they said, "we need to think about the very poor". Because, as Gerhard so well pointed out, "if we don't, we are creating a digital divide" because the big corporates that are running these things are paid to give shareholder value. They will simply not attend to the very poor. So, get out of the cult and join the development process. [*Applause*] Mamie.

Khalil Shariff:

Mamie, yield your time. Go.

Mamie Kalonda:

We have to think about that poor. Don't just think about sustainability. We need to build trust. We need to help them to get out of poverty and we'll not do it sitting here. We have to be with them. Understand their needs and build something that will really satisfy and help us in this financial inclusion journey. Thank you. [*Applause*]

Khalil Shariff:

Well done. The affirmative side definitely within three minutes was able to deploy both their big guns, which was clever and impactful. Are you shaking in your boots, Tamara?

Ladies and gentlemen, for the final closing argument, Tamara. Your three minutes starts now.

Tamara Cook:

I have literally spent half my life in this world called financial inclusion. And, I've sat in many rooms like this. There have been many debates over these last 20 years in this financial inclusion world or whatever it was called at the time. It was poverty versus sustainability. Now, it's digital versus not. High-touch, low-touch - you name it. But they've all boiled down to, I believe for most of the people in the room, how do we help poor people and how do we help more of them?

Both sides were often saying, "if we do it our way, we'll hit more of them". And, people over here said, "if we do it our way, we'll hit poorer and poorer people and we'll help them more". Disruptive innovation, I believe, is one of the only ways, or the way that we have now, that will help us get there.

I've done some data analytics over the last four debates. Every single time the person from Kenya loses votes [*Laughter*] and I think that's because there's a little bit of fatigue around digital whatever in Kenya. "Oh, Kenya. But you have this and it can work that way". It's true. Our

possibility frontier in Kenya is further. We're further towards, we've got the possibilities of figuring it out and hopefully helping point the way to others.

There are risks. My esteemed debaters have pointed that out. But you know what? Disruptive innovation is one of the ways that we can actually solve for those risks.

So, I want to leave a little time for Owureku because he's going to have the final last word. Can't you just see it. He's not going to drop his mic this time, right? Like, drop in a whole new way.

So, I guess what I wanted to say is those of you in that 60%, *stay with us*. [Whispers] Don't go. The 10% that aren't decided, please join us. And, anybody else, you're also welcome.

Finally, I just want to say that I've *stayed* in this industry for 20 years because I believe that it's possible that finance can make a difference in people's lives. If I didn't believe that, then I might as well quit. [Applause]

Khalil Shariff:

Owureku, you have 35 seconds.

Owureku Asare:

The fact that when I wake up every morning, I know that I can have access to some funds to work with. In the morning, I can request for a facility and in the evening I can pay off. The fact that I know that if I need some funds to be able to support my kid's school fees, I'll have access to it. Those are the details that we are trying to talk about in terms of financial inclusion.

We don't want situations where people will struggle. Then, what's the point?

Today, you and I can have access to funds when we so wish. That is what we are talking about. Bringing people into the financial inclusion space through disruptive innovation. Thank you very much. [Applause]

Khalil Shariff:

Thank you, Owureku. Indeed, I think all four debaters deserve your raucous applause [Applause] for an extraordinary performance.

Now, that you've done the polite thing, you can do the impolite thing because we're going to ask you to vote again. So, this is your chance to pass judgment on what you heard, both from the debaters and from yourselves.

So, can we get the voting slides up. We're going to ask you two questions.

The first one is to revisit the resolution:

Disruptive innovation in the financial sector can no longer respond to the daily challenges of poor people.

1. In favour of the motion
2. Against the motion
3. I shall not pronounce its word: 'unsure'

Vote now. Voting is closed. Let's see the results:

1. In favour of the motion - 36.4%
2. Against the motion - 60.0%
3. Unsure -3.6%

[*Reaction for the audience*] [*Applause*] So basically, identical I think. Do we have a little bit growth in blue? If you were in the 'Unsure', someone finally listened. And, maybe a little bit of movement on blue. Who the heck remembers the first results? Mike, do you remember? What were they?

1. In favour of the motion - 28.7%
2. Against the motion - 60.6%
3. Unsure - 10.6%

So, okay. The blue got a few votes from all this. So, some of the 'Unsure' seemed to have moved blue-ward.

Okay. Second question. Has the debate changed your mind?

Now, we will know if these two numbers add up. Vote now. 'Yes' or 'No'. Something very funny is going on at that table over there. You look like you're looking at hanging chads or something. [*Laughter*] Just press the button. Okay.

Okay. Voting is closed. Voting is closed. Wow.

1. Yes - 34.6%
2. No - 65.4%

So basically, we do have a bunch of dogmatists in the room. Well, thank you for that.

We are now going to call the debate portion of this conversation to a close. I'm going to release all four of these extraordinary debaters from the parameters of the debate. You no longer have to inhabit your positions. You can leave them at the door. You can now just be who you are, responsible citizens of this community.

And, I want to spend just a few minutes reflecting on the conversation we have just had and the experience of sitting here and trying to inhabit one of these positions.

What I'd like to do is give each of you an opportunity to offer us what parts of this felt, of your argument to you as you were making them, felt the most comfortable? And, which are the ones felt the more artificial? Which of the arguments you made that you feel you were straining the most to make? Graham.

Graham Wright:

I've actually been asked to argue against every fiber of my being was quite an interesting experience. [*Khalil laughs*] I was thinking about it. I actually sat on the original steering committee of M-Pesa. So, I mean, this is really - I go back awhile. But, actually as I looked at and looked for evidence, we're not doing well enough. We really aren't. And, it's a very real risk that we're going to create a digital divide. I'm absolutely sure about that. And, I think we need to pay attention to it.

I think that what technology can do is absolutely phenomenal. And, it will allow us to take financial inclusion way beyond just bank accounts because it allows us to link into the real economy. And, I think that's fantastic. But we do need to be very aware that the benefits will not go equally. As I say, I think there's a real train crash going on right now in Kenya with the combination of sports betting and indebtedness. I mean, 10% of the adult population in Kenya are now blacklisted, 10% - 2.7 million people are now blacklisted on the credit reference bureaus in Kenya. That is not an achievement. That is not inclusion. It is exclusion. So, we really need to pay attention and drive carefully as we move ahead with this innovation.

And, I'm actually only partly joking when I say, "I worry that this is becoming like a religious cult". You need to step back and think a lot harder.

Khalil Shariff:

There's a danger of idol worship here, right? Kind of worshiping the false God on the evaluation.

Graham Wright:

I just think we're being overoptimistic. Everything is good. If it's technology it's good. Full stop. End of. It doesn't work that way.

Khalil Shariff:

There's a real anxiety there, Graham, about what our kind of coverage is and actual costs associated with some of the advances we like to cite the most making people more vulnerable.

Mamie, what parts of the argument do you feel were the most comfortable and which ones did you feel were the most difficult?

Mamie Kalonda:

Actually, it was difficult for me when I received first this subject because I've been pushing for digital and everywhere in the company I'm like, 'we have to go digital'. And, when I received it I was like, 'what will I do?' And when I begun to analyze this subject itself, I was like, 'hold on. There is something to look at'. And, I wanted to differentiate this mobile platform with the agent banking that we've been doing. I tried to analyze Finca DRC. Within five years, we're almost at 40-something, 50,000 customers.

But, after launching agent banking, within five years, we've reached over 400,000 customers. And, if I analyze the two and try to make the difference, the difference is that touch point. We're having agent data trusted in the community. Those agents, they create trust. They ask people to come and open accounts. Some people are just opening accounts not because of Finca but because they see a community leader who is being an agent. At midnight, I can go and get my money. If I'm having a challenge maybe I withdraw money, I see like the balance is not enough, I can ask questions to that agent and in my own language he can listen to me and he can help me. That is what is making the difference. So, as we are talking about mobile, we have also to build that difference if we want people to succeed. We are talking about Kenya's successful experience. But, 2 million, over 2 million blacklisted. It's a lot. We have to think about those people. Some of them, they've just come in because it was adventure.

There is the Tanzanian history. Not everyone is using WhatsApp. Let me try also to use it. Then, after that, he will just drop. That's why we're having this inactive account. They will come because it's the beginning. But will they stay? And some of them, they will just get out without knowing that I'm still having 50 cents non-paid. And, because of that 50 cents, you will be blacklisted. Yes, there is a bright future for that person.

So, we need really to think about it. We need to do good partnerships not just go looking for vendors because the vendor will come and just sell you credit scoring. The vendor will come and sell you the technology - that is it. We need partners, partners who will understand that as we are going into digital, you are also having that social beat. You are also having that responsibility of planned protection. You are also having that responsibility of financial inclusion.

Khalil Shariff:

Mamie, just to draw you out a little bit. There's currently a set of problems associated with the current platforms that we've been citing for the last number of years. But isn't the response to high-touch or to the vulnerability associated with blacklisting, isn't the response to that another wave of disruptive innovation? I mean, isn't that what we need now to innovate against this new set of problems?

Mamie Kalonda:

I think it is not the response. It is not the response. And, I would like maybe the Kenyan team to begin to think of those 2 million blacklisted. There is something that is needed. You talk to those people, some of them did not know I am having an experience in Uganda. At the time, using the credit bureau, we could realize the customer was paying very well with Finca Uganda. But he had another written-off loan in another bank. And, we're like, we'll not give you a loan. You have to

go and pay first before coming to us. What we realized it was sometimes just fees, fees on their account. He did not pay for those fees. The account went dormant and, at the end, they had to write it off. And, restoring the credit was just like that. So, there is that education beat that needs to follow. There is a need to call those customers to try and get back some of those customers. I'm very sure that they don't want to be blacklisted. There is still room for them to join this financial inclusion.

Khalil Shariff:

Thank you. Graham, I'm going to come back to you in second. I just want to get the others in. Tamara, what's your, reflect upon the debate, do a meta debate for us. What parts of the argument that you were advancing felt the easiest and most authentic and which ones felt the most artificial?

Tamara Cook:

Sure. When Mastercard Foundation first asked me to do this debate, the proposition was a little bit different. And, when they read it to me I said, "ooh, I can argue either side of that debate". And, the reason was less about how the actual final one got worded, but more about is finance solving daily challenges for people? It's less about technology, but it is finance. And so, I do believe, I really do, that technology is a way to help finance and disruptive innovation can help finance do that. But, unless we actually solve real problems, finance just doesn't matter.

Khalil Shariff:

You're asking us, in fact, to take a step back and ask really this whole community: what is our role in the overall effort to advance quality of life for the most vulnerable. Is that right?

Tamara Cook:

Absolutely.

Khalil Shariff:

And, so hum the first few bars of the answer to that. Like, what is, what's your hypothesis about what the view ought to be, either after these two days or after your experience in this sector?

Tamara Cook:

So, at FSD Kenya, we've taken a step back from that. Our strategy is called, 'Creating Value Through Financial Inclusion'. And so, along the lines of starting with the customer, we're looking at starting at the real economy, which Graham just mentioned. And, look at what are the problems that are affecting poor people in agriculture, in health, in education for casual workers? What are the problems, period? And then, in which of those problems is there a financial solution that might help make those problems a little bit easier and hopefully solved? So, that's kind of how we're starting.

I also wanted to address some of the risks that we talked about.

You know in my clever 25% of the population thing, what I didn't mention is it looks like it's going to be three years before we have 25% penetration on sports betting, right. So, there are risks and there are things. I tweeted yesterday some research that we did with BFA on mobile betting and Kenya qualitative research and looking at what can we learn from how virally this has grown. What's attractive about that? How can we learn from that and apply it to finance so that we can have some of that viral uptake for things that actually do solve people's...

Khalil Shariff:

Right. This is really one of the big takeaways from this conversation, and it's been throughout the two days, that we are, that the innovations we are taking, we like to take credit for, have simultaneously unleashed both promising and pernicious forces.

Tamara Cook:

And, like I said, I do think that disruptive innovation is the way we can address some of those risks. I mean, we're definitely as concerned about the negative listings in the credit reference bureau. But, even the term 'blacklisting' is unfortunate because there's no such thing as a 'blacklist'. But, because the financial service providers in Kenya do not have the sophisticated credit scoring techniques, their query is, 'is there a negative listing or not?' 'Yes or no?' It's a binary thing whereas our credit scores in a lot of other countries are a lot more smart. And so, the 50-schilling listing, a smart score could see 'oh, there's something small there', that doesn't mean they should never get credit again for the next five years. So, how do we make those things more sophisticated and to really help people?

Khalil Shariff:

Owureku, what's your view on all this? Kind of what parts of the argument you feel most comfortable with and which ones feel most strained?

Owureku Asare:

I think the difficult one was to be able to prove that disruptive innovation would be able to impact lives and scale up. I say this because Tamara and I did work together when she was with the Gates Foundation and I was managing the grant on behalf of Ecobank. There are clear milestones that you need to ensure that you meet. And, the time is so short. And, if you're talking about innovative products for that, or use cases, you need time to be able to really understand the behaviours and the needs of the consumer.

What has happened is the fintechs have funding from all sorts of places and there's a lot of pressure for them to demonstrate that this is impactful. I think that is the most difficult. If there's any part of the debate that was really comfortable for me, I thought that, look, the definition of 'disruptive innovation' that's doesn't necessarily mean that it relates to smartphones. And, even if it does, today financial service providers are even getting to the point where they are ready to get into sponsored data. They are ready to be able to provide cheap smartphones for these consumers. So, I think that is a bit that, really, I thought that I was very comfortable to talk about. So, it's more providing financial tools than just relating disruptive innovation to smartphones.

Khalil Shariff:

Well, I think that's right, Owureku.

One of my own reflections on this conversation was that we did really talk a lot about technology and technological innovation. And, one of my reflections was the whole spectrum of other kinds of innovations that we might expect that might also be considered disruptive...I mean, part of the issue is what is disruptive and what is not disruptive? But, are there new kinds of value propositions or new kinds of business models, new kinds of arrangements using even existing technology that might help us address some of the issues? And would we all be ready to consider those innovations? Or are we, ourselves, so now married to the notion of innovation being a technological development on a mobile platform using a smartphone that our repertoire of terrains around which we're ready to innovate has become really narrow?

Ladies and gentlemen, we are very very grateful. I know you'll join me in expressing my gratitude to these four extraordinary members of our community [*Applause*] for a superb debate performance. Insightful. Thank you very much.

And, that brings us to the close of this session. Thank you.