Case Study: Why did the Central Bank of Jordan put Policies for Financial Inclusion in Place?

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Abbreviations, Acronyms and Glossary

AFI	Alliance for Financial Inclusion
AML/CFT	Anti-Money Laundering and Combating the Financing of Terrorism
CFI	Center for Financial Inclusion
CGAP	The Consultative Group to Assist the Poor
DFS	Digital Financial Services
FATF	The Financial Action Task Force (FATF)[1], it is an inter-governmental body established in 1989 by the Ministers of its Member jurisdictions. The objectives of the FATF are to set standards and promote effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and other related threats to the integrity of the international financial system. The FATF is a "policy-making body" which works to generate the necessary political will to bring about national legislative and regulatory reforms in these areas.
FCP	Financial Consumer Protection
FinTech	Financial Technology
G20	The Group of Twenty (G20) is a leading forum of the world's major economies that seeks to develop global policies to address today's most pressing challenges. The G20 is made up of 19 countries and the European Union. The 19 countries are Argentina, Australia, Brazil, Canada, China, Germany, France, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, South Korea, Turkey, the United Kingdom and the United States[2].
GDP	Gross Domestic Product
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH
IFC	International Finance Cooperation of the World Bank Group
I-SIP	Financial Inclusion – Financial Stability (S), Financial Integrity (I), and Financial Consumer Protection (P) (collectively)

[1] The Financial Action Task Force (FATF), http://www.fatf-gafi.org/about/whoweare/
[2] The Group of Twenty (G20), https://www.g20.org/en/g20/what-is-the-g20

IMF	International Monetary Fund
JOD	Jordanian Dinar
KYC	Know – Your – Customer
MFI	Microfinance Institution
NFC	Near-Field Communication
NFIS	Jordan's National Financial Inclusion Strategy
NGO	Non-Governmental Organizations
SME	Small and Medium Sized Enterprises
UNCDF	United Nations Capital Development Fund
UNHCR	United Nation High Commissioner for Refugees
UNDP	United Nations Development Program
UNODC	United Nations Office on Drugs and Crime
UNRWA	United Nations Relief and Works Agency for Palestinian Refugees in the Near East
USD	United States Dollar
USSD	Unstructured Supplementary Service Data[3], a global system for mobile communication technology that is used to send text between a mobile phone and an application program in the network. Applications may include prepaid roaming or mobile chatting.

[3] CGAP, DMA Global, Deutsche Zusammenarbeit, and Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), "Paving the way for Digital Financial Services in Jordan, Market and Regulatory Assessment of Payments and Remittances," Working Paper, June 2017, page xiv.

Introduction

Economic development and growth are the main drivers for reducing poverty, inequality and vulnerability[4], and thus, promoting prosperity and wellbeing. Countries with comprehensive financial systems, would have proper means for quick access, cheap, and safe transactions. Hence, greater access to financial services would enable poor households to better plan their future, invest in land or shelter, and utilize productivity enhancing assets. For example, if farmers' households get access to financial services that are affordable to them, they would acquire fertilizers, better seeds, machinery, and other equipment, which would yield better crops. This would lead to more investments and higher productivity, which would translate into more income, better nutrition, health and education for their children[5]. Hence, households and small firms will start to accumulate financial assets, they will reduce their vulnerability to unfortunate economic instability and shocks. Accordingly, financial services would ultimately contribute to reducing poverty and child labor activities, it would also empower vulnerable women[6] and refugees.

Consequently, understanding the meaning of ***financial services*** in this context is important. The International Monetary Fund (IMF) defines financial services as *"the process of acquiring the financial good."* This means the transaction needed to obtain the financial good. Then comes the identification of the ***financial good***, the IMF explains that the financial sector covers many different types of transactions (i.e. financial goods) such as real estate, consumer finance, banking, and insurance. It also covers a broad spectrum of investment funding, including securities[7].

Therefore, financial inclusion supports economic, monetary and financial stability within a country, in which comes the role of the ***central banks*** in promoting economic development through creating policies that would lead to economic growth and financial inclusion of the poor and vulnerable. This economic development advancement can be achieved through the central banks

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[4] Schaffner, Julie, "*Development Economics, Theory, Empirical Research, and policy Analysis,"* Tufts University, John Wiley & Sons, Inc., 2014, Pages

[5] Claessens, Stijn, and Erik Feijen, *"Financial Sector Development and the Millennium Development Goals,"* The International Bank for Reconstruction and Development, World Bank Working Paper No. 89, The World Bank, December 2006, Page xi.

[6] Ibid.

[7] The International Monetary Fund (IMF), http://www.imf.org/external/pubs/ft/fandd/2011/03/basics.htm

in facilitating the means to develop better efficient saving and investment mechanisms, to enhance the applicability of monetary policy, and to facilitate a better run economy.

This capstone, case study, will explore the ideas and rationale behind the decisions made by the Central Bank of the Hashemite Kingdom of Jordan to incorporate policy structures for financial inclusion, i.e. to include the poor population and refugees in Jordan to use financial services. It would also explore the rationale behind the idea if short-term policy interests affecting the poor and migrants are met then long-term goals for poverty reduction and development would be achieved.

Background

On the Global Scene

According to the Consultative Group to Assist the Poor (CGAP), a global partnership of more than 30 leading organizations that seek to advance financial inclusion of the poor, housed at the World Bank, it estimates that there are about two billion work-aged adults – more than half of the world's total adult population – that do not have an account at a formal financial institution[8]. Most of these poor live and work in the informal economy. Even with their little money that they own, they save, borrow and manage day-to-day expenses, but without formal financial institution transactions. Therefore, without access to a bank, i.e. savings account, debit card, insurance, or line of credit, they would use informal means to manage their money. Thus, the informal economy includes family and friends, cash-on-hand, pawn-brokers, moneylenders, or even keeping the money under the mattress. These choices can sometimes be inadequate, risky, expensive, and unpredictable.

Since the global financial crisis of 2007-2008, many economic and financial policy makers wanted to include and to encourage the disadvantaged, vulnerable and poor segments of societies to use financial services at affordable prices. Their rational for including the vulnerable and poor to use financial services was to increase economic growth and wellbeing within societies. They thought that if the central banks put the right set of financial frameworks and policies the poor and vulnerable would positively impact the stability of a country's social, and political structures,

[8] CGAP (The Consultative Group to Assist the Poor) Advancing Financial Inclusion to Improve the Lives of the Poor, http://www.cgap.org/about/faq/what-financial-inclusion-and-why-it-important

enhance economic development and growth, and increase financial customer protection mechanisms[9].

According to the World Bank, around 2 billion people do not use formal financial services and more than 50% of adults in the poorest households are unbanked[10]. The probability for individuals to have bank accounts is linked to having income. In poor developing countries, not many adults have bank accounts, because the little income they earn will end up being spent on living necessities quickly, and it would not be worthwhile for them to deposit the income in a bank account as they need the cash to survive. As for the banks, it would not be feasible to provide the poor with services.[11]

On the Local Jordanian Scene

Jordan, a relatively small country with limited natural resources, had a total population of a little over 10 million[12] in early 2018 from which 30% are refugees. It is currently hosting many refugees that came from neighboring countries, from which they had fled conflict, such as Iraq, Palestine and Syria. Many of these refugees, live in urban areas with host communities, outside camp settings, and are not registered with the United Nation High Commissioner for Refugees (UNHCR) and the United Nations Relief and Works Agency for Palestinian Refugees in the Near East (UNRWA). According to UNHCR, currently the agency has registered in Jordan 659,063 Syrian refugees[13] and about 65,922 Iraqi refugees[14]. Additionally, UNRWA is currently assisting more than 2 million Palestinian refugees in Jordan[15].

Presently, two thirds of Jordanian adults do not have a bank account[16] and Iraqi and Syrian refugees have very limited access to banking services. This means that these poor and vulnerable groups

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[9] Central Bank of Jordan Website, Financial Inclusion
[10] The World Bank, http://www.worldbank.org/en/topic/financialinclusion
[11] The World Bank, *"Banking the Poor, Measuring Banking Access in 54 Economies"*, The International Bank for Reconstruction and Development, 2009, page 7.
[12] Jordan's Department of Statistics, http://dosweb.dos.gov.jo/#
[13] UNHCR, as of March 13, 2018 ,https://data2.unhcr.org/en/situations/syria?id=107&v=1362363401000%3f
[14] UNHCR, as of December 2017, active registered Iraqis in Jordan, https://reliefweb.int/sites/reliefweb.int/files/resources/ExternalStatisticalReportonUNHCRRegisteredIraqisasof31December2017.pdf
[15] UNRWA Website, as of December 1, 2016, https://www.unrwa.org/where-we-work/jordan
[16] Halaiqah, Enas, *"Digital Financial Services (DFS) Council, The multi stakeholder platform for DFS policy dialogue in Jordan,"* Digittances – Improving Access to Remittances and other Financial Services through Digital Solutions Deutsche Gesellschaft fürInternationale Zusammenarbeit (GIZ) GmbH, December 2017.

are not using the basic financial service of banking. This may be attributed to the high unemployment rate of 18.5% for Jordanians[17], to a poverty rate of 14.4% (estimated in 2010) in Jordan[18], and to the low income poor Jordanians and refugees can earn doing informal day labor.

Moreover, banks don't find it feasible to encourage low income individuals to open bank accounts, as the service will not be profitable for the bank. For example, banks usually set a minimum amount limit for saving accounts' balances, they will charge customers a fee for the low balance if the balance goes below the set limit.

As a result, these limits that prevented the poor and vulnerable in participating in using financial services had led the Central Bank of Jordan, the monetary, financial and economic policy maker in Jordan, to announce at the Policy Forum organized by the Alliance for Financial Inclusion in 2016 to commit to financial inclusion targets as part of its commitment to the Maya Deceleration[19], to create the necessary set of policies to financially include the poor, vulnerable and refugees, with additional regard to gender, as a work priority on its agenda[20].

Financial Inclusion and Development

What is Financial Inclusion?

The World Bank defines financial inclusion as the means for individuals and businesses to have access to useful and affordable financial products and services that would meet their needs – transactions, payments, savings, credit and insurance – delivered in a responsible and sustainable way.[21] The CGAP adds, *"Financial inclusion efforts seek to ensure that all households and*

[17] Source: Jordan's Department of Statistics, rate calculated as of 4th Quarter, 2017, http://dosweb.dos.gov.jo/
[18] Source: Jordan's Department of Statistics.
[19] "The first global and measurable set of commitments by developing and emerging country governments to unlock the economic and social potential of the 2.5 billion poorest people through greater financial inclusion." *"A Quick Guide to the Maya Declaration on Financial Inclusion,"* The AFI 2012 Global Policy Forum, Cape Town, South Africa. https://www.afi-global.org/sites/default/files/afi_maya_quick_guide_withoutannex_i_and_ii.pdf?op=Download
[20] Alliance for Financial Inclusion (AFI), *"Central Bank of Jordan makes bold Maya commitment to financial literacy, access for refugees, gender, DFS and data,"* https://www.afi-global.org/news/2016/11/central-bank-jordan-makes-bold-maya-commitment-financial-literacy-access-refugees
[21] World Bank, http://www.worldbank.org/en/topic/financialinclusion/overview

businesses, regardless of income level, have access to and can effectively use the appropriate financial services they need to improve their lives."[22]

The Central Bank of Jordan defines financial inclusion in its National Financial Inclusion Strategy (NFIS), *"Financial inclusion is the state wherein individuals and businesses have convenient access to and use affordable and suitable financial products and services – payments, savings, credit, transactions and insurance – that meet their needs, help to improve their lives, and delivered in a responsible and sustainable way.*[23]*"*

Why is Financial Inclusion Important?

The aim for including those that are poor, who live and work in the informal economy, in the formal financial system is to help them have access to the day-to-day financial transactions, such as sending and receiving money. The formal financial system also safeguards their savings and helps households to better manage their cash flows. Financial inclusion helps make their consumption more efficient, and it builds working capital for them. Consequently, financial inclusion allows them to effectively manage their money, regardless of their level of income or social status within the society. Moreover, the financial system helps business owners to invest in assets and grows their businesses through the financing of small and micro enterprises. The formal financial system enables the poor to plan and pay for recurring expenses, such as school fees. It also mitigates shocks and manages expenses related to unexpected events such as medical emergencies, death in the family, theft, or natural disasters. In short, the formal financial system would improve the lives of the poor, increase their income and overall welfare. Thus, the benefits of the financial inclusion are not only significant for individuals, but they are also important for economies[24].

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[22] CGAP (The Consultative Group to Assist the Poor) Advancing Financial Inclusion to Improve the Lives of the Poor, http://www.cgap.org/about/faq/what-financial-inclusion-and-why-it-important

[23] Central Bank of Jordan, Summary of the National Financial Inclusion Strategy for Jordan 2018-2020, http://www.cbj.gov.jo/EchoBusv3.0/SystemAssets/PDFs/AR/JANPDF/Executive%20Summary%20EN.pdf

[24] CGAP (The Consultative Group to Assist the Poor) Advancing Financial Inclusion to Improve the Lives of the Poor, http://www.cgap.org/about/faq/what-financial-inclusion-and-why-it-important

What is the Link between Financial Inclusion and Development?

Increasing the income of individuals increases their wellbeing and living standards, and thus, it pulls them out of extreme poverty and poverty. The financial sector can play a significant role in this happening, as it can contribute to income growth and generation. The financial sector is the market place that brings in demand and supply of capital through bank savings, securities markets, and other financial intermediaries such as mutual funds and pension funds. Hence, the financial sector mobilizes savings and ensures that savings are allocated to users of capital, who put it to its most productive use. It enables risk sharing between investors and it provides an efficient payments system to facilitate financial transactions. Thus, when a financial sector is well-developed, it would provide efficient allocations and would lower the cost of the financial services[25].

Moreover, a well-developed financial sector would screen potential investments, and would monitor and produce information about the behavior of users of capital. For example, domestic savers and foreign investors would be cautious to part away with their money if the financial sector was not reliable, resulting in lower investments, hence, lower economic output and lower household wellbeing. However, with a well-developed financial system, firms can expand production using financial services, and would provide households with the ability to obtain essential assets like a house, insure against income shocks, start a company, receive cheaper remittances, and enjoy a pension when they retire[26]. Accordingly, a well-developed financial sector would act as the driver for economic growth and wellbeing for households. Therefore, because of financial development, Gross Domestic Product (GDP) per capita grows and households would benefit from the higher income, hence, these households would be able to consume and invest more in the process. This can be observed as households start to have better wellbeing, in terms of nourishment, healthcare, education, etc.

In short, people who make good financial decisions and interact effectively with providers of financial services are more likely to achieve their financial goals and improve their household's

[25] Claessens, Stijn, and Erik Feijen, *"Financial Sector Development and the Millennium Development Goals,"* The International Bank for Reconstruction and Development, World Bank Working Paper No. 89, The World Bank, December 2006, Page 15-16.
[26] Ibid.

wellbeing. And financially included people, who contribute to the financial sector development, will be the strong drivers to promote economic growth.

Means to Financial Inclusion

Remittances

Nowadays, rapid and massive increase in communication technology development has helped migrants send remittances to their countries of origin, if they have family there, or to the place their families are residing, as in the case of diasporas and refugees. The report of the International Fund for Agricultural Development (IFAD) and the World Bank Group to the G20 Global Partnership for Financial Inclusion (GPFI), *"The use of remittances and financial inclusion,"* September 2015, defines remittances ***as cross – border, person – to – person payments of relatively low value***[27]. These remittances usually assist the survival of individuals and family members at their original homeland in peaceful times, during conflict, and maybe, participate in the future rebuilding efforts after conflicts end. The report adds that migrants usually send on average USD 200 a month, though sent irregularly, and is often 50 percent or more of their family's income back home. Thus, this amount may look small but may help these families in the countries of origin sustain better incomes. This income may lead to: higher human capital accumulation; greater health and education expenditures; better access to information and communication technologies; improved access to formal financial sector services; enhanced small business investment; more entrepreneurship; better preparedness for adverse shocks such as droughts, earthquakes, and cyclones; and reduced child labor[28]. Accordingly, recipients experience the first step of access to financial service through remittances.

Remittances can promote economic growth[29] if the economic conditions within a country enables it. Remittances can finance local consumption and strengthen the local economy. Migrants often

[27] International Fund for Agricultural Development (IFAD) and the World Bank Group to the G20 Global Partnership for Financial Inclusion (GPFI), *"The use of remittances and financial inclusion,"* September 2015. http://g20.org.tr/wp-content/uploads/2015/11/The-Use-of-Remittances-and-Financial-Inclusion.pdf.
[28] World Bank, International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), Understanding Poverty Topics, Overview, http://www.worldbank.org/en/topic/migrationremittancesdiasporaissues/overview
[29] German Federal Ministry for Economic Cooperation and Development (BMZ), "Remittances in Development Cooperation, Guidelines for Practice," Published by GIZ, May 2013.

invest their money in their country of origin or become active in the private sector there. Thus, in both examples, remittances would contribute to the development of the local economy, and hence, create jobs. However, the challenge is enabling the right environment for small business credit as well as proper access to consultation and assistance to do business startups.

According to the World Bank, remittances have three types; (1) worker remittances, which are money transfers made by migrants residing and working in other countries, (2) compensation of employees that includes transfers by nonresident migrants, seasonal workers, and cross – border workers, and (3) migrant transfers that include transfers of goods or financial assets.

Financial Consumer Protection (FCP) and Financial Capabilities

Financial Consumer Protection (FCP) includes the laws, regulations, and institutional arrangements that safeguard consumers in the financial marketplace[30]. Therefore, institutional arrangements are one of the main factors of efficiency and eventual success of any framework for FCP.

The World Bank defines Financial Capability as *"the internal capacity to act in one's best financial interest, given socioeconomic environmental conditions.[31]"*. For that reason, it includes the knowledge, attitudes, skills, and behaviors of consumers pertaining to managing their resources and understanding, selecting, and making use of financial services that suits their needs. Hence, financial capability, as a strategic policy objective, complements financial inclusion and financial consumer protection agendas[32].

To promote participation in the financial markets, consumers need to be better informed about the features of financial products, have the confidence to interact with agents and providers of the financial services, know how to choose and use these products and where to seek advice, and to be aware of their rights and available reparation mechanisms. Therefore, adequate financial infrastructure must be developed to promote access and use of these services. Moreover, financial

[30] The World Bank, http://responsiblefinance.worldbank.org/publications/financial-consumer-protection
[31] The World Bank, http://responsiblefinance.worldbank.org/publications
[32] The World Bank, *"Making Sense of Financial Capability Surveys around the World, A Review of Existing Financial Capability and Literacy Measurement Instruments,"* International Bank for Reconstruction and Development, February 2013, Page 7. http://responsiblefinance.worldbank.org/~/media/GIAWB/FL/Documents/Misc/Financial-Capability-Review.pdf

consumer protection mechanisms must be established in a way that would protect consumers from risks associated with interactions with agents and providers of the financial services[33].

Financial Technology (FinTech)

Emerging financial technology companies – FinTechs are innovating change in the finance industry. Innovations such as artificial intelligence, machine learning, blockchain technology, biometric identification, cloud computing, and the use of big data are revolutionizing the collection and processing of financial information, the way we save and borrow, how we intermediate financial resources, the channels we use to pay for goods and services, and how we engage in money transfers between wallets and accounts, domestically and across borders. FinTechs are offering technology-enabled solutions that can better address customer needs and preferences by offering enhanced accessibility, convenience and tailored products. Fintech is thought to disrupt legacy financial systems often cumbersome, intimidating or expensive for the end-user. Economic policy-makers interested in keeping their financial industries dynamic and customer-centric must keep abreast of changes in the digital arena[34]. FinTech firms are important drivers for competition, access to finance, economic growth and job creation.

Simultaneously, digitization is also challenging the conventional roles of central banks. Virtual currencies running on blockchain technology is still considered to be volatile, risky, and energy intensive, allowing for peer-to-peer transactions without the clearing house role traditionally provided by central banks[35]. Still, central banks are investing in these technologies as they understand that long-term these currencies and their underlying technologies may be valuable contributors to the financial ecosystem.

Laws, Regulations, Instructions

Laws, regulations and instructions are important elements in providing the necessary infrastructure for financial inclusion. They act as instruments to provide the base for the financial sector

[33] Ibid.

[34] Alliance for Financial Inclusion (AFI), https://www.afi-global.org/blog/2017/12/fintech-whats-it-financial-inclusion

[35] Ibid.

development and financial inclusion. They usually aim to cover a broad range of policy topics that concern financial institutions and their consumers[36].

Spreading Financial and Banking Literacy

Financial awareness and financial literacy are key to financial inclusion. Spreading awareness for available financial products and services would help people understand their uses and would make them increase their utilization in an optimal and a safe manner. Thus, financial and banking literacy would acquire people better skills to manage personal properties and savings, in addition to helping them make proper financial decisions. It raises awareness on the institutions and services available for micro-financing and financing of small and medium enterprises[37].

Stock Markets

A developed stock market is a driver for economic growth. The indicator used for stock market development is the stock market trading volume as a fraction to the GDP. More trading means that capital is more actively seeking the most efficient use. According to Claessens and Feijen in their study "Financial Sector Development and the Millennium Development Goals" (Claessens and Feijen 2006), they say that both banks and capital markets on their own spur growth. They indicate that there is evidence that development of capital markets and banks seem to complement each other. They add that countries with higher banking development seem to grow almost twice as much as fast countries with low banking development in an environment where stock markets are more liquid. However, they also say that having better stock markets helps growth, although to a lesser extent, in countries with low banking development. They attribute this aspect to firms and households that can make better financing and risk-sharing choices in countries with both better banks and markets, which may lead to a disproportionate beneficial effect on growth [38].

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[36] Central Bank of Jordan, Summary of the National Financial Inclusion Strategy for Jordan 2018-2020, http://www.cbj.gov.jo/EchoBusv3.0/SystemAssets/PDFs/AR/JANPDF/Executive%20Summary%20EN.pdf

[37] Central Bank of Jordan, http://www.cbj.gov.jo/Pages/viewpage.aspx?pageID=202

[38] Claessens, Stijn, and Erik Feijen, *"Financial Sector Development and the Millennium Development Goals,"* The International Bank for Reconstruction and Development, World Bank Working Paper No. 89, The World Bank, December 2006, Pages 21-22.

Financial Inclusion Instruments

Digital Financial Services (DFS)

DFS are means to expand the delivery of basic financial services to the poor, i.e. payment and money transfer systems, through innovative technologies like mobile – phone – enabled solutions, electronic money models and digital payment platforms. In that way, digital channels can significantly drive down costs for customers and service providers, making it cheap for the poor, vulnerable and refugees to use its service, and hence, include them in the formal financial system[39].

Microfinance

Access to finance is very important to firms, as it would increase the firm's productivity, competition, innovation, and lower transaction costs. Hence, this would end up in spurring growth[40]. Hence, microfinance is important for economically active low-income people, as it allows them to build assets, to manage risk and to increase their own income levels. Microfinance products and services historically covered microcredit, micro savings, and insurance. Emerging technology and new business models move forward the convergence of Digital Financial Services (DFS) and microfinance and add a payments dimension[41].

Small and Medium Sized Enterprises (SMEs)

In general, SMEs contribute to economic growth and employment creation. However, sometimes SMEs are financially constrained. Hence, incentive-based instruments, such as loans at preferential rates, appropriate maturity dates and guarantee programs support access to finance and bring in new long-term growth prospects for SMEs[42].

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[39] Alliance for Financial Inclusion (AFI), https://www.afi-global.org/policy-areas/digital-financial-services
[40] Claessens, Stijn, and Erik Feijen, *"Financial Sector Development and the Millennium Development Goals,"* The International Bank for Reconstruction and Development, World Bank Working Paper No. 89, The World Bank, December 2006, Page 25.
[41] Central Bank of Jordan, Summary of the National Financial Inclusion Strategy for Jordan 2018-2020, http://www.cbj.gov.jo/EchoBusv3.0/SystemAssets/PDFs/AR/JANPDF/Executive%20Summary%20EN.pdf
[42] Central Bank of Jordan, Summary of the National Financial Inclusion Strategy for Jordan 2018-2020, http://www.cbj.gov.jo/EchoBusv3.0/SystemAssets/PDFs/AR/JANPDF/Executive%20Summary%20EN.pdf

The Role of Central Banks in Financial Inclusion

Incentives for Financial Inclusion

Central banks have gone beyond their usual mandate to ensure macroeconomic stability through monetary policies and price stability. They have taken the role of a change agent for creating sustainable economic development. The orthodox approach to central banking has been severely undermined by the global financial crisis of 2007-2008. And the rapid evolution of banking to enhance financial inclusion is posing new risks[43]. Therefore, it has become clear that central banks should take the responsibility for safeguarding financial stability and facilitating the means for financial inclusion. Accordingly, financial stability, integrity, accountability and inclusion are well-suited goals for central banks.

After the global financial crisis, many central banks started to adopt unconventional policies to address problems of debt, stagnation and deflation. Central Banks started to incorporate developmental policies that include policies directed at financial sector development, such as the promotion of financial inclusion and financial system alignment with sustainable development.

Proportionate regulation has become a guiding principle for central banks, which considers the implications of financial regulation for both financial stability and financial inclusion.

Challenges

A wider mandate for central banks can complicate matters, as developmental objectives may clash with stability objectives. As mandates of central banks widen, it becomes important to reform central banks' policy frameworks with a view towards addressing the risks arising from the wider mandate. Thus, the reform of central banks' policy frameworks is essential to ensure the promotion of balanced economic development and stability through new framework for development finance.

[43] Lipton, David, "Central Bankers and Inclusive Growth: Building a Framework for Financial Inclusion," April 22, 2017, http://www.imf.org/en/News/Articles/2017/04/22/sp042217-central-bankers-and-inclusive-growth-building-a-framework-for-financial-inclusion

Accordingly, it is imperative for the financial regulating body within a country, usually the central bank of that country, to ensure improvement of performance of the financial system, by incorporating policies that would enforce the following conditions[44]:

(1) competition to force financial institutions to be more efficient and find best investment opportunities.

(2) higher quality and better enforcement of the regulatory framework guarantees financial intermediaries can operate efficiently and that investors and lenders are protected.

(3) Availability of reliable creditor information allows better screening of investment and improves selection based on the creditworthiness of borrowers.

(4) Stable macroeconomic environment with low inflation rates makes people less hesitant to save using financial assets.

(5) Smaller fiscal deficits as they lesson non-market-based competition of the government with the private sector for capital (the crowding – out effect), as usually, the private sector would have more productive investment opportunities than the public sector.

Moreover, regulators need to address issues arising from the new financial inclusion instruments that can be categorized as crime, such as Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT)[45]. For example, Digital Financial Services (DFS) raise important new regulatory issues for policy makers that want to ensure these services are delivered responsibly, at a cost affordable to the customer, and sustainable for the providers. Nowadays, in many countries, growing numbers of poor and low-income customers can transfer funds and store value via digital transactional platforms accessed through mobile phones or other low-cost digital communications infrastructure. Many retail agents transform cash received from customers into electronically stored value and back into cash. Moreover, governments are also now using digital transactional platforms to deliver a cumulative range and volume of payments and benefits, which often carries significant cost savings and provides a potential entry point into formal finance for recipients.

[44] Claessens, Stijn, and Erik Feijen, *"Financial Sector Development and the Millennium Development Goals,"* The International Bank for Reconstruction and Development, World Bank Working Paper No. 89, The World Bank, December 2006, Page 17.
[45] Alliance for Financial Inclusion (AFI), https://www.afi-global.org/policy-areas/digital-financial-services.

Thus, DFS can be subjected to risk in its dealings. The main regulatory focus areas for DFS relate to agents, consumer protection, anti-money laundering and countering the financing of terrorism (AML/CFT), and e-money [46].

I will discuss the criminal issues in the *Underground Finance and Its Impact on the Outcomes of the Central Bank's Inclusion Policies* section in this paper.

Who are the Key Players in Financial Inclusion?

Global Organizations that assist Financial Inclusion

- ***The Consultative Group to Assist the Poor (CGAP):***

They are a global partnership group of more than 30 leading organizations that seek to advance financial inclusion. CGAP develops innovative solutions through practical research and active engagement with financial service providers, policy makers, and funders to enable approaches at scale. It is housed at the World Bank. It combines a pragmatic approach to responsible market development with an evidence-based advocacy platform to increase access to the financial services the poor need to improve their lives[47].

- ***Center for Financial Inclusion (CFI)***

They are an action-oriented think tank that engages and challenges the industry to better serve, protect and empower clients. They develop insights, advocate on behalf of clients and collaborate with stakeholders to achieve a comprehensive vision for financial inclusion. They aim to enable 3 billion people that are left out of – or those that are poorly served by – the financial sector to improve their lives[48].

- ***The Global Partnership for Financial Inclusion (GPFI)***

[46] CGAP (The Consultative Group to Assist the Poor) Advancing Financial Inclusion to Improve the Lives of the Poor, http://www.cgap.org/topics/policy-making-and-digital-financial-services

[47] CGAP (The Consultative Group to Assist the Poor) Advancing Financial Inclusion to Improve the Lives of the Poor, http://www.cgap.org/about.

[48] Center for Financial Inclusion (CFI), http://www.centerforfinancialinclusion.org/about/who-we-are

It is an inclusive platform for all G20 countries, interested non-G20 countries and relevant stakeholders to carry forward work on financial inclusion, including implementation of the G20 Financial Inclusion Action Plan, endorsed at the G20 Summit in Seoul[49].

Institutions that help with Financial Inclusion

Here is a list of international organizations that help with financial inclusion:

- International Finance Cooperation (IFC) of the World Bank Group
- United Nations Capital Development Fund (UNCDF)
- United Nations Development Programme (UNDP)

International Foundations and Non-Governmental Organizations (NGOs) that Promote Financial Inclusion

Here is a list of International foundations and NGOs that also work on financial inclusion:

- Bill and Melinda Gates Foundation
- Mercy Corps
- MetLife Foundation,
- BRAC
- Grameen Foundation

[49] The Global Partnership for Financial Inclusion (GPFI), https://www.gpfi.org/about-gpfi

Some Local Service Providers in Jordan that Offer Domestic Payments Market and Financial Inclusion Instruments

Local Service Providers in Jordan, Domestic Payments Market and Financial Inclusion Instruments, in Addition to Beneficiaries	
Banks	As of December 2016, Jordan had 25 banks operating in country, of which 16 are Jordanian and 9 are foreign[50].
Exchange Houses[51]	These exchange houses form the largest group of nonbank financial institutions in Jordan. They play an important role in domestic and international payments, supporting trade – related and personal payments. There are 140 Exchange Houses in Jordan that are licensed to operate by the Central Bank of Jordan under the Money Exchange Business Law. They usually collaborate with International Money Transfer Operators to facilitate international remittances into and out of Jordan. These Exchange Houses are competitive in doing cash – to cash service for domestic transfers. Approximately 75 percent of the Exchange Houses are based in Amman.
Jordan Post Company and Jordan Postal Savings Fund[52]	The Jordan Postal Company has more than 310 branches across Jordan in its network. These branches cover a good portion of rural areas in Jordan. Nowadays, there is a strong focus on using this network to improve access to financial services for the poor and other excluded groups. Along these lines, the Jordan Postal Savings Fund and the Jordan Post Company have an agreement that allows to use the Jordan Post Company and its branches for the Fund's operations. The Jordan Postal Savings Fund allows customers to open savings accounts with a minimum balance of JOD 10 (equivalent to USD 14) and maintain a minimum balance of JOD 25 (equivalent to USD 35). Currently, Jordan Post Company is distributing Jordan's national aid fund in the monthly amount of JOD 9 million (equivalent to USD 13 million) to 98,000 families across the country. Moreover, Jordan Post Company is now a key distribution point for select government payments, it also offers the Central Bank of Jordan – endorsed bill payment services for private and public services, such as municipalities, universities, telecommunication companies, utility companies and government entities. Additionally, Jordan Post Company has agreements to act as agents for

[50] CGAP, DMA Global, Deutsche Zusammenarbeit, and Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), "Paving the way for Digital Financial Services in Jordan, Market and Regulatory Assessment of Payments and Remittances," Working Paper, June 2017. Page 2.
[51] Ibid. 2-3.
[52] Ibid. 4.

<table>
<tr><td></td><td colspan="2">its mobile money services with two of the four Licensed Mobile Payment Services Providers, Motamayezah (Zain Cash) and Al Hulool (Mahfazati). (Please, see below section on Licensed Mobile Payment Services Providers).

The challenge for Jordan Post Company is finding investment funding to allow all of its branches to be able to facilitate access to digital financial services.</td></tr>
<tr><td>Digital Financial Services (DFS) – Digital Wallets and Mobile Payment Platforms</td><td colspan="2">• eFAWATEERcom
• Jordan Mobile Payment (JoMoPay)
• Jo-NET</td></tr>
<tr><td>Licensed Mobile Payment Services Providers</td><td colspan="2">• Al Hulool (Mahfazati – My Wallet in Arabic)
• Aya
• Motakameleh (Dinarak – Your Dinar in Arabic)
• Motamayezah (Zain Cash)</td></tr>
<tr><td rowspan="2">Microfinance[53]</td><td>Not-for-Profit Companies</td><td>• Jordan Micro Credit Company (Tamweelcom)
• Middle East Micro Credit Company
• Micro-fund for Women
• National Microfinance Bank (Al Watani)</td></tr>
<tr><td>For - Profit Companies</td><td>• Al – Ahli Microfinance Company
• Al Amin
• FINCA Jordan</td></tr>
<tr><td>Government Agencies</td><td colspan="2">• Development Employment Fund</td></tr>
<tr><td>Donor</td><td colspan="2">• UNRWA</td></tr>
<tr><td>Beneficiaries</td><td colspan="2">• Households and Individuals
• Micro, Small and Medium Sized Enterprises</td></tr>
</table>

[53] Jordan Ministry of Planning and International Development, *"Jordan Microfinance Market Study,"* May 2012.

The Case of the Central Bank of Jordan

The need for a Jordanian national strategy for financial inclusion emerged from the following reasons:

(1) ***Jordanians had a high level of financial exclusion.*** In 2014, the percentage of adult financial inclusion in Jordan was 24.60%, a low financial inclusion percentage compared to other countries with similar income levels as Jordan, although that percentage is quite high compared to other countries in the Middle East and North Africa region, that had the rate of 14% in 2014. However, the rate for financial inclusion in Jordan has increased in 2017 and has reached 33.1%[54]. This still means that most of the adult population in Jordan do not have access to the formal financial system, and that they do not actively participate in the development process or acquire any benefits from it[55].

(2) ***Financial inclusion contributes to national development goals.*** The effective participation of most of the population in the formal financial system, i.e. making savings and becoming borrowers, increases the efficiency of the financial intermediaries. This happens through local savings that will be directed towards funding investments and finances. Thus, this process would lead to better distribution mechanisms of the limited resources, which would achieve greater economic growth, reduce poverty, decrease unemployment levels and prevent inequalities from happening within the different segments of society[56]. Thus, the National Financial Inclusion Strategy for Jordan 2018-2020 (NFIS) is expected to contribute to reducing socio – economic inequalities in line with the Jordan 2025 Vision and Strategy and the Jordan Economic Growth Plan[57].

(3) ***The financial exclusion of most of the adult population in Jordan has become a real impediment to income generating opportunities and has stalled raising levels of economic wellbeing***, considering the continuous growth in the levels of the various

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[54] Central Bank of Jordan, Summary of the National Financial Inclusion Strategy for Jordan 2018-2020, http://www.cbj.gov.jo/EchoBusv3.0/SystemAssets/PDFs/AR/JANPDF/Executive%20Summary%20EN.pdf
[55] Central Bank of Jordan, Financial Inclusion vision (Arabic Document), March 2018.
[56] Ibid.
[57] Central Bank of Jordan, Summary of the National Financial Inclusion Strategy for Jordan 2018-2020, http://www.cbj.gov.jo/EchoBusv3.0/SystemAssets/PDFs/AR/JANPDF/Executive%20Summary%20EN.pdf

financial products and services. Thus, this kind of impediments to financial inclusion has especially excluded youth, women and refugees.

Therefore, the Central Bank of Jordan needed to fix the problems in the formal financial system to include the people that were excluded from its use, as this is part of the comprehensive sustainable process of economic development of the country[58].

Before the Central Bank of Jordan had put the financial inclusion policies, it conducted consultations with experienced international experts regarding financial inclusion and its mechanisms. The outcome from these consultations indicated that there was a need to develop and adopt a comprehensive national strategy for financial inclusion. The experts indicated that the strategy should aim to protect customers, promote financial literacy to the local communities and school students, support small and medium sized enterprises through financial resource options, develop electronic payment systems, and empower woman to have access to financial resources and instruments to bridge the gender gap[59].

Around the end of 2015, the Prime Ministry of Jordan issued a decree establishing a national steering committee that included both the public and private sectors to supervise the preparation and implementation of the financial inclusion national strategy. This committee is headed by the Governor of the Central Bank of Jordan and consists of Secretary Generals from different ministries in addition to representatives from the private sector[60].

By the end of September 2016, the national financial inclusion strategy was founded through the launching of six working groups that originated from the main steering committee to work on six principal pillars[61] that included[62]:

(1) Electronic (Digital) Payment Systems, i.e. mobile payments and full interoperability digital government payments;

(2) Microfinance, i.e. enabling policy and regulatory environment;

[58] Central Bank of Jordan website on financial inclusion, March 2018.
[59] Ibid.
[60] Ibid.
[61] Ibid.
[62] Central Bank of Jordan, National Financial Inclusion Strategy (2018-2020) Vision Document.

(3) Financing Small and Medium Sized Enterprises (SMEs), i.e. access to finance governance, competitiveness, and modernization;

(4) Financial Literacy, i.e. well informed and knowledgeable customers;

(5) Financial Customer Protection; i.e. transparency, fairness, redress, privacy, over indebtedness and awareness.

(6) Data Collection, Analysis and Performance Indicators; i.e. data collection, measurement, and analysis, evidence – based financial inclusion policies and targets.

The working groups prepared the strategic vision and policy statement of the Hashemite Kingdom of Jordan (2018 – 2020) regarding the financial inclusion, which were launched through the second high – level regional conference that was organized by the Central Bank of Jordan and the Arab Monetary Fund in cooperation with the German – Jordanian Technical Cooperation Program (GIZ). This document provides the road map and corner stone for the preparation of the Jordanian national strategic plan for financial inclusion, in a manner that aims at improving social welfare in line with the national agenda and strategic directions of the Kingdom[63].

Jordan's three-year National Financial Inclusion Strategy (NFIS) (2018-2020) will focus mainly on the unserved and the underserved adults in Jordan, who have low-income and are considered marginalized. It will also include financial inclusion policies for micro, small and medium enterprises, in addition to policies that will financially include youth, women, non-nationals and refugees. The NFIS will establish and strengthen strong links between financial inclusion and the Sustainable Development Goals (SDGs) for 2030 announced by the UN General Assembly[64].

Thus, the Central Bank of Jordan is currently implementing the NFIS in collaboration with both key stakeholders; the public and the private sectors. The Central Bank of Jordan will be monitoring and evaluating the operational outcomes of the strategy in accordance with set key indicators and will provide sufficient assistance and necessary secretariat assistance for its implementation.[65]

[63] Central Bank of Jordan website on financial inclusion, March 2018.
[64] Central Bank of Jordan, National Financial Inclusion Strategy (2018-2020) Vision Document.
[65] Ibid.

Main Objectives of the Central Bank of Jordan for Financial Inclusion

The main priorities and objectives for the Central Bank of Jordan to encourage financial inclusion are as follows[66]:

(1) To financially include the poor and vulnerable Jordanians and refugees

The idea of the Central Bank of Jordan is to provide individuals (households) and firms with access to financial services and products at affordable prices. Thus, including the people that were once excluded into using the formal financial system, would positively impact the socio – economic inequalities in host communities by enhancing self – reliance and enabling the poor, vulnerable and refugees to contribute to economic activity; as this is a mean to enhance their wellbeing and include them through participation in the economic development process.

(2) To incorporate gender equality in financial inclusion

As Jordan gears towards economic development and poverty reduction, gender has become an important part of that notion. Hence, gender equality and gender gap reduction are important goals and priority for Jordan's NFIS. The strategy promotes gender equality in terms of reducing the gender gap in finance that would help release the economic potential of entrepreneur women and women – led enterprises. Thus, by incorporating financial inclusion policies, the Central Bank of Jordan would enable to enhance women's financial inclusion in accordance with the Denarau Action Plan[67], endorsed by its member states at the 2016 Global Policy Forum of the Alliance for Financial Inclusion (AFI), as Jordan is part of that alliance.

(3) To facilitate financial inclusion and access through payment systems

As payment systems are considered essential parts of the financial infrastructure within a market economy, the Central Bank of Jordan has established developed, safe and efficient modern

[66] Central Bank of Jordan website on financial inclusion, March 2018.
[67] Prepared through consultation with Alliance for Financial Inclusion (AFI) members and partners present at the *"Bridging the Gap: Commitments and Actions for Women's Financial Inclusion"*, held in Dar es Salaam, Tanzania on 28 April 2016, *"Denarau Action Plan: The AFI Network Commitment to Gender and Women's Financial Inclusion"*, Brochure, www.AFI-GLOBAL.org

payment systems to achieve these means. These systems provide equal opportunity for stakeholders to capitalize gains accruing in terms of reduced costs and risks. Moreover, they provide increased efficiency, accessibility, and full packages of digital financial services.

(4) To facilitate financial inclusion for the SME

A small country like Jordan with limited resources, its economy works through micro, small and medium- sized enterprises (SMEs). Thus, this sector contributes to the broad-based economic growth of the country and generates employment. According to the Central Bank of Jordan, Micro and Medium Sized Enterprises represented 99.4% of all registered enterprises in Jordan with the majority being Microenterprises. Thus, the SMEs roughly make up 10% of businesses in Jordan[68]. These enterprises face barriers and obstacles to access financial services within the country. The NFIS emphasizes this fact and provides means and programs to solve this issue. NFIS would help enterprises to have access to adequate funding sources, thus, creates employment opportunities that the low – income sectors can benefit from, in addition to the unemployed youth.

(5) To build a comprehensive financial consumer protection framework

The Central Bank of Jordan recognized the fact that there is a strong link between access to finance, financial literacy and consumer protection, hence, it incorporated the necessary measures to build a comprehensive financial consumer protection framework in the NFIS. Thus far, the Central Bank of Jordan has prepared a Financial Consumer Protection Action Plan and has started to implement a financial education program in the Kingdom.

(6) To build reliable and consistent financial data sources that has improved quality

The Central Bank of Jordan needs to have good quality data and measurement tools to advance its financial inclusion process and create evidence-based policies and targets. Accordingly, the Bank is currently trying to strengthen the national statistical capacity to achieve reliable, consistent and quality data sources.

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[68] Central Bank of Jordan, Summary of the National Financial Inclusion Strategy for Jordan 2018-2020, http://www.cbj.gov.jo/EchoBusv3.0/SystemAssets/PDFs/AR/JANPDF/Executive%20Summary%20EN.pdf

(7) To ensure that the National Financial Inclusion Strategy (NFIS) and the implementation of the financial Inclusion process will maintain proportionality between the main objectives of financial inclusion

The Central Bank of Jordan wants to ensure that the NFIS and the financial inclusion implementation process will maintain proportionality between the four main objectives of financial inclusion (I), financial stability (S), financial integrity (I), and financial consumer protection (P), i.e. (I-SIP).

(8) To follow new innovative tools and technology revolutions that would foster greater financial inclusion, and to try to endorse them in the Central Bank of Jordan policies

The Central Bank of Jordan aims to follow global innovative tools and technology revolutions regarding financial inclusion to update its own policies and to comply with the G20 Principles for Innovative Financial Inclusion[69] and action plan.

(9) To reduce geographical disparities for accessing financial services and products

By having good means to access financial services and products, this action would reduce socio – economic inequalities across the country.

Current Financial Inclusion Programs Initiated by the Central Bank of Jordan

The Central Bank of Jordan[70] has issued the Microfinance Enterprises Act to constitute a legal reference for the regulatory and supervisory framework of the Central Bank to oversee this sector, thus, enhancing chances for micro and small companies to obtain funding. The Central Bank is currently considering the expansion of its supervision to include other non-banking financial

[69] The G20 Principles for Innovative Financial Inclusion were developed in 2010 by the Access Through Innovation Subgroup (ATISG) of the G20 Financial Inclusion Experts Group (FIEG). Tasked with raising awareness and collecting further examples of the Principles in action, the Alliance for Financial Inclusion (AFI) has reprinted the G20 Principles in this executive brief, along with some examples of how developing country policymakers are bringing these Principles to life. **Source:** https://www.gpfi.org/publications/g20-principles-innovative-financial-inclusion-executive-brief
[70] Central Bank of Jordan, http://www.cbj.gov.jo/Pages/viewpage.aspx?pageID=198.

institutions, and it is in the process of enhancing the financial consumer protection framework, in addition to spreading financial and banking literacy within the Jordanian community.

The Central Bank of Jordan[71] has started to initiate literacy programs for financial inclusion as part of its commitment to the initiative. Thus, it has collaborated with the Jordanian Ministry of Education and Injaz Program to provide societal financial literacy, by including a separate course on the subject in the Ministry of Education's curriculum for grades from 7th till 12th. The project also aims to spread and deepen the societal financial literacy in all sectors of the Jordanian society. Hence, the program's objectives are:

1. To understand the basic principles and concepts of financial and banking services.
2. To manage savings and personal assets and to know the optimal ways on how to invest these assets.
3. To recognize beneficial financial sources, services, and facilities that banks and financial institution provide in Jordan.
4. To increase the financial inclusion and to enhance financial, economic, and social stability in the Kingdom.

This program targets several key sectors within the Jordanian community:

(1) Financial teaching that targets schools,
(2) Financial teaching that targets higher education institutions,
(3) Financial teaching for women and rural communities,
(4) Financial awareness in the business development field,
(5) Financial teaching at the workplace, and
(6) Financial teaching through conventional media outlets, social media, and the internet.

The Central Bank of Jordan[72] also played an essential role in developing, implementing and regulating the national payments system in Jordan, such as the Electronic Payment System for bill payments (eFAWATEERcom) and the Mobile Payments System (JoMoPay). Both systems are important means for financial inclusion in Jordan, as they provide people in remote and rural areas

[71] Central Bank of Jordan, Arabic Website, http://www.cbj.gov.jo/Pages/viewpage.aspx?pageID=32.
[72] Central Bank of Jordan, http://www.cbj.gov.jo/Pages/viewpage.aspx?pageID=198

with access to key financial services without incurring the trouble and cost of accessing them using the conventional financial methods. Both systems provide effective contribution to raising the financial efficiency in Jordan by reducing costs and providing service for non- bank covered customers.

Additionally, the Central Bank of Jordan has licensed the Credit Information Company, which opened for business on December 15, 2015 and it operates under the Bank's authority. It is Jordan's first private credit bureau. This credit bureau helps banks, microfinance institutions and other lenders to assess the creditworthiness of potential borrowers in a more accurate way, and it gives small and medium-sized enterprises (SMEs) and individuals greater access to finance[73]. According to the Bank, this company would have a positive effect on increasing opportunities to obtain funding; thus, it would help to promote financial inclusion and maintain financial, economic, and social stability in the Kingdom.

Furthermore, the Central Bank of Jordan[74] works in collaboration with the international donor community to serve the refugees and the non-Jordanians residing in country with the set of financial tools to include them in the formal financial system. According to the bank, this inclusion will incur a positive economic and social impact in enhancing the standard of living for these segments of people and will ensure a decent life for them.

As for future projects[75], the Central Bank of Jordan plans to do the following in addition to some future pilot projects:

(1) JoMoPay software upgrade[76], the plan is to fully integrate Jo-NET and JoMoPay to allow mobile wallets to cash out and cash in (lesser extent) through the ATM network in Jordan. The system operator EMP has agreed to this, however, banks need to invest in software and hardware upgrades to allow their ATMs to accept mobile payments and to cash in

[73] The Economist Intelligence Unit, country Jordan, Economy Forecast, http://country.eiu.com/article.aspx?articleid=833785867&Country=Jordan&topic=Economy&subtopic=Forecast&subsubtopic=Policy+trends&u=1&pid=311536815&oid=311536815

[74] Central Bank of Jordan, http://www.cbj.gov.jo/Pages/viewpage.aspx?pageID=198

[75] Central Bank of Jordan Arabic Website

[76] CGAP, DMA Global, Deutsche Zusammenarbeit, and Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), "Paving the way for Digital Financial Services in Jordan, Market and Regulatory Assessment of Payments and Remittances," Working Paper, June 2017, page 7.

transactions. (Thus far, Jordan Kuwait Bank and Cairo Amman Bank have already done the necessary upgrades).

(2) eFAWATEERcom[77], it is expected that in mid – 2018 customers will be able to use any wallet within the ecosystem to pay bills via eFAWATEERcom, to make and to receive payments to or from any bank account or prepaid card in Jordan, and to use either the App based or Unstructured Supplementary Service Data (USSD) based service on their phone.

(3) Mobile Payment Acceptance[78], many licensed Mobile Payments Service Providers are working with retailers to improve user experience and the acceptance of mobile payments across the country. They are partnering to facilitate payments in hyper supermarkets in Jordan (e.g. Safeway), with carparks and petrol stations. Mobile payments through Near-Field Communication (NFC) are already possible on select bus routes to universities.

Underground Finance and Its Impact on the Outcomes of the Central Bank's Inclusion Policies

As most of the poor in the world live and work in the informal economy. These poor, with the little money they own, would want to save, borrow and manage day-to-day life expenses. However, without formal financial institution access, i.e. access to financial services; such as banking to deposit their money in saving accounts, to use debit card and insurance, or to receive credit, they would end up using unsafe informal means to manage their money. The informal economy may include family and friends, cash-on-hand, pawn-brokers, moneylenders, or even keeping the money under the mattress. These choices can sometimes be inadequate, risky, unsafe, expensive, and unpredictable.

Examples of problematic aspects on accessing credit in the informal economy:

(1) Household access to credit can be affected by the informal[79] economy, as irregular workers may be unable to provide banks and other financial institutions with proper documentation needed to support their ability to service debt (e.g. pay slips).

[77] Ibid.
[78] Ibid. 7, 9.
[79] Underground often means illegal versus informal which typically means unregulated.

(2) Firms that hide part of their activity and falsify their financial statements to avoid tax obligations may be unable to raise external finance in the official credit markets. They may not demand credit, because they cannot provide eligible assets as collateral to meet the minimum disclosure requirements for risk assessment in the official credit markets. Therefore, informal firms, who find access to capital scarce, will have difficulty investing and utilizing their full economic potential. Scarce capital may even force these firms to use low productivity technology that would end up depressing economic growth.

Accordingly, underground informal finance will hinder economic growth and decrease wellbeing. Therefore, it is crucial to create financial inclusion policies to bring the informal system out to become more formal and safe. Hence, financial inclusion aims to bring people, who are currently using the informal financial system, i.e. the undocumented, unmonitored and unregulated system, to join and to have access to the formal financial system that is regulated, transparent and protected.

As a result, ensuring integrity of the financial system can sometimes conflict with the financial inclusion efforts. For example, balancing ongoing risk while at the same time improving access to financial services for the greater portion of a country's population can prove challenging, such as lessening documentation requirements for individuals' identification in the case of refugees can be a challenge if one cannot differentiate between a genuine refugee, who needs the service, verses a terrorist disguised as a refugee. These challenges might increase the risk of money laundering and terrorist financing while allowing access to financial services to those that may not have proper identification documents needed to access regulated financial services[80].

There are cases in the world where the informal economy works and can even create economic growth, such like in China[81]. If it was not for China's informal economic system, it would not have become the world's center for manufacturing and trade. However, the purpose of this paper and its scope will not cover this aspect of informal economy. The purpose here is to show the role of the Central Bank in facilitating means for financial inclusion to allow the poor and vulnerable to use safe financial services at affordable prices with easy access, and to limit the criminal aspects

[80] CGAP, DMA Global, Deutsche Zusammenarbeit, and Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), "Paving the way for Digital Financial Services in Jordan, Market and Regulatory Assessment of Payments and Remittances," Working Paper, June 2017, page 15-16.

[81] Neuwirth, Robert, "*Stealth of Nations: The Global Rise of the Informal Economy"*, Anchor Books 2012.

that can arise from using unregulated or unsafe financial means provided by the underground informal economy.

Jordan’s Economic Situation

Jordan's economy is one of the smallest in the Middle East. The Kingdom's economy mainly relies on the service, trade, and tourism sectors, and certain extractive industries like fertilizers and pharmaceuticals. Although Jordan is the third largest exporter of phosphate worldwide, and it exports Potash, salts, natural gas and limestone, Jordan has scarce natural resources, i.e. inadequate supplies of water and petroleum oil, causing the government's heavy reliance on foreign assistance. Other economic challenges for the government include chronic high rates of poverty (14.4 percent in 2010)[82], unemployment (18.3 percent in 2017)[83] and underemployment, budget and current account deficits (JOD -378.1 Million in January – February 2018)[84], and government debt (in February 2018, Net Domestic Public Debt was JOD 14,154.4 Million and External Debt was JOD 11, 794.5 Million)[85].

The conflicts in Syria and Iraq have disrupted trade routes for Jordanians, have decreased the levels of tourism for the country, and have created a hesitant investment sentiment. Moreover, the conflicts have made Jordanians incur high costs for accommodating the refugees and have intensified pressures on the quality of public services. Nonetheless, growth is still holding up, the GDP growth rate at constant prices in the fourth quarter of 2017 was set at 1.8 percent,[86] the Average Increase of the Inflation Rate for March 2018 was set at 4.4 percent[87]. The current account deficit is narrowing, because of all the adjustments that the Government of Jordan has been making in the recent months in regard to taxes and subsidies, international reserves at the Central Bank of Jordan are at a comfortable level, and the banking system is robust.

Jordan is still vulnerable when it comes to the security situations in both Iraq and Syria. An escalation of the Iraq and/or Syria conflicts could further affect and decrease exports, transit trade, external inflows (remittances, tourism, and foreign direct investment), and investor confidence. It

[82] Jordan Department of Statistics
[83] Ibid.
[84] Central Bank of Jordan
[85] Ibid.
[86] Jordan Department of Statistics
[87] Ibid.

could also trigger a new influx of refugees, exacerbating pressure on Jordan's already stretched fiscal accounts and social fabric.

(1) Fraud and Financial Consumer Protection Challenges

When using the Digital Financial Services (DFS), the use of agents and mediators as the primary line with the customer presents new consumer protection challenges, such as risk of agent fraud, risk of robbing consumers, agents' abusive treatment, inadequacy of recourse roles and arrangements, and failure of agents to manage customer's data with confidentially. Many countries are now tackling new agent-related issues, including questions around whether to apply the same rules to bank and non-bank agents in a given market, who takes on the liability for the conduct of agents, and how and by whom agents should be supervised.

In Jordan, the consumer protection framework still has some gaps that could create risks to consumers using mobile financial services, according to the working paper conducted by CGAP, DMA Global, Deutsche Zusammenarbeit, and Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), *"Paving the way for Digital Financial Services in Jordan, Market and Regulatory Assessment of Payments and Remittances."* They identified the following[88]:

1) **Risk of consumer's private data being improperly released**, Jordan does not have general legislation on data protection and privacy, other than what is stated in the banking law that covers banked customers. This lack of regulation can create concerns regarding who can access the data and whether it would be improperly used.
2) **Risk of fraud**, in Jordan the mobile payments services providers are not required to provide a full policy on how to recognize, manage, and minimize fraud as part of the licensing procedure. This can result in lack of strong internal controls to recognize and manage fraud. It also does not encourage mechanisms such as consumer education and due diligence on staff and agents to minimize fraud.
3) **Risk of consumers being unable to make informed choices**, in Jordan there are no instructions for full disclosure on terms and conditions for consumers before they create a

[88] CGAP, DMA Global, Deutsche Zusammenarbeit, and Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), "Paving the way for Digital Financial Services in Jordan, Market and Regulatory Assessment of Payments and Remittances," Working Paper, June 2017, page 14-15.

mobile wallet, or full disclosure of fees before they make a transaction. There are also no guidelines that require consumers to have adequate time to respond before new changes on fees or terms and conditions come into effect.

4) **Risk of consumers losing funds if their bank fails**, there are no provisions in Jordan to ensure individual funds held in mobile wallets if banks fail.
5) **Risk of exchange houses losing funds if their bank fails[89]**, the bank guarantee or cash deposit is held with a single account, creating risk should the bank fails.
6) **Risk of exchange houses losing funds from the remittance float[90]**, in Jordan customer funds are not required to be held in a segregated account from the operations account of the exchange house. Hence, this creates risk should the exchange house become insolvent or should it use funds for other purposes.
7) **Risk of exchange houses being unable to hold the necessary paid up capital in bank[91]**, nowadays, exchange houses are finding it difficult to gain access to bank accounts, as banks consider the exchange houses risky business in terms of AMl/CFT compliance, and therefore subject them to procedures so that they become less risky. This notion creates risk of exchange houses of being unable to hold their cash deposits in a bank account or get a bank guarantee. Thus, exchange houses would need to keep their cash in their branches, which is also a security risk for them, their business and their customers.

Additionally, exchange houses in Jordan are not covered by the provisions for consumer protection contained in the 2012 Instructions on Dealing with Customers Fairly and Transparently[92], which only covers banked clients. Thus, exchange houses are prone for the following risks:

a. Risk of fraud
b. Lack of alternative despite mechanisms
c. Risk of consumer’s private data being improperly released
d. Lack of regulation around disclosure of fees and terms of conditions

[89] Ibid. 33.
[90] Ibid.
[91] Ibid.
[92] Ibid. 52.

e. Multiple risk to safeguard customer funds.

Consequently, the Central Bank of Jordan, as the regulator in charge, is currently in the process of releasing consumer protection bylaws that will address and mitigate these risks[93].

(2) Money Laundering and Countering the Financing of Terrorism (AML/CFT)

"Money laundering," according to the United Nations Office on Drugs and Crime (UNODC), *"is the method by which criminals disguise the illegal origins of their wealth and protect their asset bases, so as to avoid the suspicion of law enforcement agencies and prevent leaving a trail of incriminating evidence.[94]"* However, terrorists are not concerned with disguising the origin of the money, they are concerned with concealing its destination and the purpose for which it has been collected. Terrorists and terrorist organizations therefore employ techniques like those used by money launderers to hide their money.

Moreover, there are challenges arising from Know-Your-Customer (KYC) that are known to many emerging markets. For example, AML/CFT compliance has many factors that need screening, such as client identification, identity verification, transaction monitoring, screening for sanctions and black lists, reporting suspicious activity, and ongoing management of customers' information for all the above-mentioned processes. Information like name, address, and date of birth are very important to keep it consistent and up to date across all these factors when running an effective anti-money laundering operation. Data quality and consistency from the onset can determine the appropriateness of an anti-money laundering operation and determine its costs in the long run. However, failure to collect consistent and adequate data at the identification stage can affect all future processes related to a customer. Additional checks because of insufficient information can also delay the completion of the verification process, and hence, delaying the provision of a financial product to the customer. This can mean assessing the behavior of a customer incorrectly from an anti-money laundering perspective that leads to the customer having lack of trust in the formal financial system, a fact happens in many developing countries. The poor, like businessmen,

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[93] Ibid. 15.
[94] United Nations Office on Drugs and Crime (UNODC), https://www.unodc.org/unodc/en/money-laundering/introduction.html

would want to see the creation of a bank account or provision of a loan quickly, if this does not happen they may resort to the informal system[95].

In the case of Jordan, the country has established a financially and administratively independent unit pursuant to the Anti Money Laundering and Counter Terrorist Financing Law Number (46) for the year 2007 to counter the acts stated in the law. This unit is responsible for receiving notifications regarding any transaction suspected to be related to money laundering or terrorist financing. The unit receives the information, analyze it, investigate it, then it provides the proper authorities with their findings to pursue legal action as appropriate. This law also criminates money laundering, terrorist financing. The law applies to banks, money transfer companies, foreign exchange companies, and other financial companies, including the Mobile Payments Service Providers.

In 2008, FATF review on Jordan's AML/CFT regime[96] found several deficiencies, and Jordan was put on the follow – up list. As a result, Jordan had to amend the law, thus, it was amended in 2010, and several related instructions and guidelines were issued. These included instructions on customer due diligence, internal controls, and reporting requirements, which were issued separately to money exchange companies and banks.

In 2013, the FATF review approved Jordan's application to be removed from the regular follow – up to the biennial update[97]. The review recognized the considerable improvements to Jordan's AML/CFT regime that was reviewed and followed up by the Central Bank of Jordan.

In Jordan, below the mount of JOD 700 (USD 989) does not require customer due diligence, except for specific transactions, such as sending money to a high – risk country. If we compare Jordan's AML/CFT requirements with many countries around the world, including countries within the European Union, we will find Jordan's requirements are less stringent[98].

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[95] CGAP (The Consultative Group to Assist the Poor) Advancing Financial Inclusion to Improve the Lives of the Poor, http://www.cgap.org/blog/managing-data-critical-knowing-your-customer

[96] CGAP, DMA Global, Deutsche Zusammenarbeit, and Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), "Paving the way for Digital Financial Services in Jordan, Market and Regulatory Assessment of Payments and Remittances," Working Paper, June 2017, page 30-31.

[97] Ibid. 31.

[98] Ibid.

Moreover, Jordan, as a receiving market of remittances, requires beneficiaries to present identification documents to pay off the incoming remittance. *"Paving the way for Digital Financial Services in Jordan, Market and Regulatory Assessment of Payments and Remittances,"* Working Paper, indicate that according to the remittance service providers in Jordan there is confusion over the definition of customer due diligence, as well as the transaction limits for the customer due diligence process. According to the amended law of 2010, Money Exchange Companies need to conduct customer due diligence for both set limits indicated in the body of law, i.e. both below JOD 700 (USD 989) and below JOD 10,000 (USD 14,124).

(3) Corruption and Tax Evasion

According to the Transparency International report published in 2017 on Jordan[99], administrative ***corruption*** is the most widespread corruption in Jordan. It is observed in the crimes offending the public office like bribery, embezzlement, abuse of office, and offences against public confidence, such as forging a department's seal, money or debentures, securities counterfeiting, and economic crimes that threaten the public funds. The report identifies some of the most common corruption forms in Jordan, which include nepotism, intermediation, and incompliance with laws and regulations. It provides the main reasons for corruption; low salaries coupled with high living standards, variation in income between private and public sectors, lack of transparency, widespread poverty, absence of business ethics, poor standards of conduct and external pressures exercised by stakeholders.

According to the aforementioned Transparency International report, the anti-corruption commission had reported in 2014 that the number of corruption cases in Jordan reached 151, out of which 102 cases recorded in the public sector, 34 in the private sector and 15 belonged to individuals as follows: 18 office misuse cases in the public sector, 4 cases of office breach in duties in the public sector, 34 cases of public fund abuses in the public sector, 17 in the private sector, 12 cases of abuse of office in the public sector and 16 forfeiting cases in the public sector.

The Integrity and Anti-Corruption Commission ("IACC") came into force by Law No. 13 of 2016. Two authorities were merged into one, with the cancelling of the Bureau of Ombudsman Law No.

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[99] Transparency International – Jordan, Rasheed, *"The National Integrity System (NIS) Jordan,"* 2016, published in January 27, 2017. https://www.transparency.org/whatwedo/publication/the_national_integrity_system_jordan.

11 of 2008 and the Anti-Corruption Law No. 62 of 2006. The legislator in Jordan argued the need to develop this law to establish the principles of justice, accountability and good performance in the public interest, to ensure adherence to the principles of national integrity, to fight corruption in its all forms and means, and to activate all values and behavioral norms in the public administration[100]. This Law sets out the acts of corruption that can be prosecuted by the IACC, which include the following:

- Crimes against job duties and crimes against Public Confidence and Trust in the Penal Code.
- Economic crimes in the sense defined in the law of Economic Crimes.
- Failure to declare or disclose investments, property or benefits that would lead to a conflict of interest if the applicable laws and regulations require such declaration or disclosure.
- All other acts or omissions that prejudice public funds.
- Abuse of power contrary to the provisions of law.
- An act by the public administrator relating to nepotism in favoring friends and relatives.
- The use of the information available ex-officio for their own benefits.
- Corruption offences relating to international conventions ratified by the Kingdom.

The Law also provides and states the following:

- A Legal Witnesses Program, to help witnesses and informants to submit any information that they might have to the Commission.
- Cases regarding the collection of the proceeds derived from corruption cannot be dropped or withdraw, cannot be stopped from prosecution and cannot be exempted from punishment.

This law was issued to attain transparency in the public sector, and to establish a centralized unit that would have control over white collar crimes that may challenge improvements and reforms adopted by the Jordanian government. Furthermore, this Law aims to motivate foreign investors to consider Jordan as an attractive investment hub compared to its neighboring countries in the

[100] The Integrity and Anti-Corruption Commission Law No. 13 of 2016, Jordan.

Middle East. Other obstacles to business investment in Jordan include high levels of bureaucracy, red tape, and vague regulations.

Tax evasion means using illegal means to avoid paying taxes in whole or in part, and with this act violate the law. Tax evasion can be attribute to various reasons, such as difficulty and complexity of laws and regulations that govern the tax system; burdensome tax collection procedures. Moreover, it may be related to deep conviction among the citizens of a country that there is excessive taxation in the country, and / or there is sense that the tax revenues are not being spent well on programs that would benefit the society[101].

Taxes can be categorized as direct and indirect. Direct taxes are incurred directly by taxpayers, such as income tax and taxes on profits, while indirect taxes are incurred upon spending or consumption, such as the general sales tax and the value-added tax on imports and production[102].

Taxes and fees in Jordan are the main revenue source of the government, as Jordan has scarce natural resources to receive revenue from. Tax revenue assists the government to provide its public services to its citizens, i.e. the provision of defense, public security health, education, etc. If the government does not get its planned revenue, then it would default in providing its services. Therefore, the government of Jordan tries to be always abreast in collecting the amounts of tax arrears incurred by taxpayers.

In Jordan, there are fewer cases of tax evasion related to income tax than to the sales tax. Usually, sales tax evasion happens through the reduction of the value of the taxable income, or through the non-submittal of tax returns. However, income tax evasion conducted by individuals and / or corporations happens when these entities refrain from registering with the tax department, not disclosing their full information, or by providing false information on the size of their economic activities. Private entities usually evade sales tax by failing to register with the Department of Income and Sales Tax.

The law specifies the registration limit for sales tax for the commercial sector at JOD 75,000 (USD 106,000), for the industrial sector at JOD 50,000 (USD 71,000), and for the services sector at JOD

[101] Nsour, Maen, F., *"Tax evasion in Jordan — causes, means and size,"* Jordan Times, June 3, 2014, http://www.jordantimes.com/opinion/maen-f-nsour/tax-evasion-jordan-%E2%80%94-causes-means-and-size
[102] Ibid.

30,000 (USD 42,373) for 12 consecutive months or any part thereof. The existence of these limits encourages tax evasion. Sales tax evasion can also happen by not issuing an invoice for the value of sales and the devaluation of bills in the event of cash payments.

There are no clear academic studies that amount the real size of tax evasion in Jordan.

The government can directly collect their arrears through seizing bank accounts and holding the property of those that do not pay taxes. It also can impose a ban on travel on those that evade paying their taxes.

(4) Blacklisting of Countries and International Sanctions

Jordan, a small country with limited natural resources, borders Syria from the north and Iraq and Saudi Arabia from the east, was affected by the sanctions imposed on both Iraq and Syria by the international community, as both countries were once important trade partners with Jordan. Sanctions are barrier to legal trade. Therefore, they encourage illegal trade – smuggling, and thus, impose security problems for the countries involved. As a result, Jordan has beefed up its border security in response to the long-running conflicts in Syria and Iraq.

Prior to 1991, Iraq was Jordan's main trading partner, and because of the imposed sanctions on Iraq, Iraq stopped importing through Jordan in the 1990s. The sanctions imposed a blockade on the Gulf of Aqaba which severely handicapped the Jordanian Aqaba sea port. This blockade not only reduced the port's activities to almost a half at that time, it also delayed clearance of goods, affected handling, caused damage of imports for Jordan, and greatly reduced the importance of Aqaba as a regional port. Thus, the sanctions had negatively impacted the Jordanian economy at that time[103].

Additionally, the most sectors that were affected by the recent embargo on Syria were the agricultural and light manufacturing sectors in Jordan, as it used to export its products to Syria and Europe through Syria's Mediterranean seaports. And had closer markets in Lebanon and Turkey

[103] Global Policy Forum, https://www.globalpolicy.org/global-taxes/42340.html.

that went through Syria. Moreover, Jordan used to import fruits and vegetables from Syria as well as wheat, cotton and other basic needs at an affordable price.

For the purpose of this paper, I was not able to find enough academic work on this topic, but I was able to find some actual facts documented in the media press of hampered smuggling attempts of drugs and weapons between Jordan's Iraq and Syria borders.

For Example, the last reported incident, in February 2018, Jordan's news agency Petra[104] reported that Jordan's military had said it had foiled a plot to smuggle in weapons, drugs and terrorists by using an old oil pipeline linking the kingdom with Syria and Iraq.[105] According to the press release, the plan was prepared and implemented by a group of terrorists and drug traffickers using the old oil Trans-Arabian Pipeline, which links Jordanian and Syrian borders, as well as Jordanian and Iraqi borders. According to the news feed, terrorists, drug and weapon smugglers used a house near the Syrian border, in addition to the pipeline to conduct their smuggling acts and implement their terrorist operations. In an effort to have more security control over the area, the relevant technical units of the Jordanian Royal Engineering Corps destroyed the tunnels and placed the pipeline above the surface of the ground, to stop the smuggling loophole for traffickers, smugglers and terrorists.

[104] Jordan Times, *"Armed Forces dismantle terrorist smuggling network in border zone*," February 17, 2018, http://www.jordantimes.com/news/local/armed-forces-dismantle-terrorist-smuggling-network-border-zone.
[105] Chicago Tribune, *"Jordan's military says it foiled smuggling plot: report,"* Associated Press, February 21, 2018, http://www.chicagotribune.com/news/nationworld/sns-bc-ml--jordan-smuggling-20180217-story.html.

Conclusion

The Central Bank of Jordan has started to monitor and supervise the microfinance sector and has been strengthening the laws on money changers in Jordan. This will help early detection of potential risks and spillovers to the rest of the economy.

In conclusion, the Central Bank of Jordan needs to do the following steps to develop the financial sector and to ensure financial inclusion in Jordan:

(1) The Bank needs to continue working within the national strategy for development framework that aims to induce economic growth and reduce poverty.
(2) The Bank needs to ensure that its policies are not conflicting with the general Jordan's development policies, because that would be costly and counter-productive for the society.
(3) The Bank should always stay abreast with new developments in the financial service sector.
(4) The Bank should work on ensuring that the supply side of the financial services have a competitive market in order to achieve effective competitive products, services and prices, and to confirm the inclusion of everyone residing in country to use them.
(5) The Bank should encourage donors to invest in both microfinance and in SMEs.
(6) The Bank needs to start acting quickly in addressing areas of concern regarding consumer protection issues when using the financial system in Jordan. Thus, it needs to ensure effective rapid legislation development to guarantee these kind of protection mechanisms for consumers.
(7) The Bank should regulate exchange houses in Jordan as they are not covered by the provisions for consumer protection contained in the 2012 Instructions on Dealing with Customers Fairly and Transparently, which only covers banked clients.
(8) The Bank needs to address issues arising from the new financial inclusion instruments that can be categorized as crime, such as Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT).

After all that have been said, financial inclusion will contribute to long-term economic growth and poverty reduction in Jordan, as the inclusion would:

(1) Promote social stability, resilience against catastrophes

(2) Reduce transaction costs at the household level.

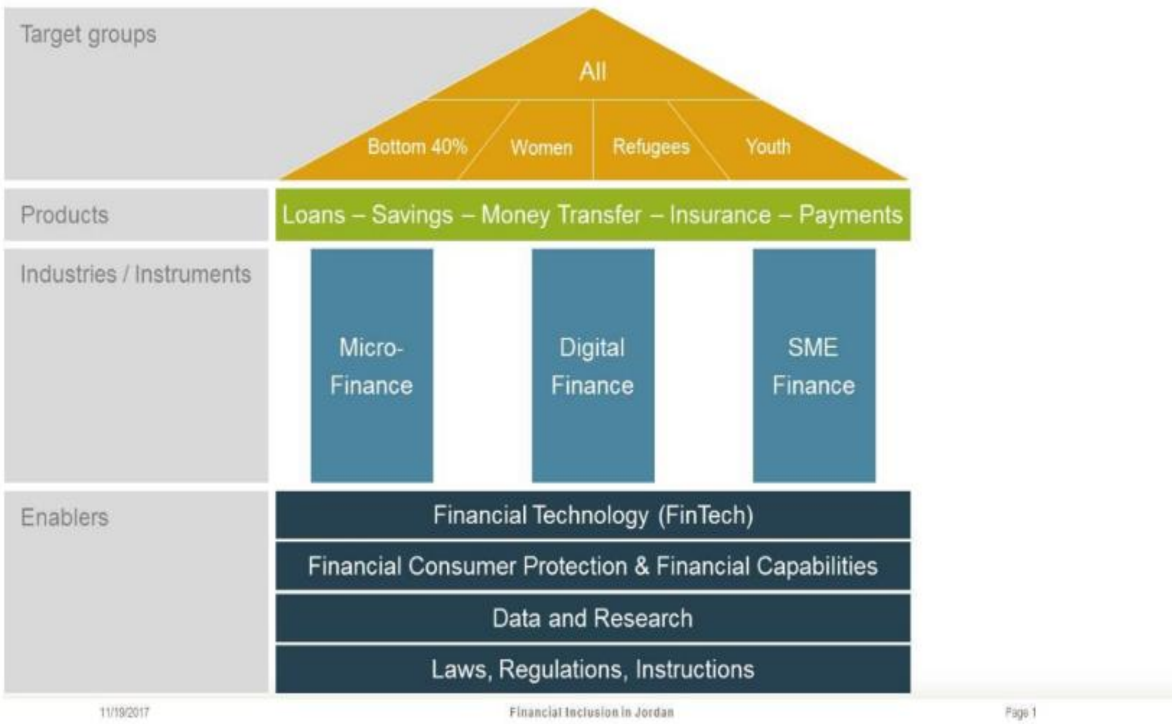
(3) Stimulate employment, microfinance and SME growth

(4) Increase financial sector integrity and economic stability

Annex: Framework for Financial Inclusion in Jordan

Source: Central Bank of Jordan, Summary of the National Financial Inclusion Strategy for Jordan 2018-2020,

Figure: Framework for Financial Inclusion in Jordan



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Thesis Review

for Mona Halasa

"Why did the Central Bank of Jordan put Policies for Financial Inclusion in Place"

Advisor: Kim Wilson

Grade: A

Background

Mona Halasa is a mid-career student at Fletcher. I met Mona last fall and found her to be an intelligent, inquisitive and highly competent professional with full grasp of the value of her career thus far as well as her potential to grow as a powerful contributor to development efforts both in and beyond her home country of Jordan. It has been a pleasure getting to know Mona and I hope very much to stay in touch with after she graduates from Fletcher.

Capstone

Mona deftly drafted this capstone with minimal input from me, once again demonstrating her ability to work on her own initiative with limited guidance.

The capstone brims with both information and critical insights on the country of Jordan's efforts to promote and sustain financial inclusion within its borders. She outlines crucial players in the ecosystem including older, legacy systems and their constraints and risks as well as groundbreaking technologies that hold the promise to transform Jordan into a hotbed of financial innovation. Most importantly, Mona carefully outlines the risks the country faces relative to increased financial innovations and how technologies can be employed to mitigate those risks.

Front and center of her thesis is the role the Government of Jordan plays in fostering financial inclusion with a myriad of public and private actors and within a constellation of competing business and political interests. In many senses Mona's writing shows Jordan as a microcosm of the larger world of financial inclusion. She shows us the risks of regulatory failures both from a consumer prospective as well as from the perspectives of promoters of financial integrity (reduced money-laundering, fraud, terrorism, and corruption) and of promoters of financial stability and growth. We see in this capstone the importance of government playing an enabling role in both financial literacy and capacity building and as well as in incentives for the building of good infrastructure.

Mona has surveyed her country's laudable efforts and shows the reader just what a leader Jordan has been in financial inclusion. Many countries in the AFI consortium are watching what will happen in Jordan in the next few years regarding financial inclusion. Mona has done an excellent job in conveying the challenges and excitement.

Bravo. Well done, Mona.