Rule-Making for Financial Inclusion: from Policy Athlete to Policy Champion
Lessons from The Fletcher Leadership Program for Financial Inclusion

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Summary
Each year, The Fletcher Leadership Program for Financial Inclusion brings together a group of policymakers and public servants whose professional interest is to integrate un- and underbanked populations into safe, reliable, and convenient financial systems. The program, which draws applicants from around the world, is a nine-month fellowship that uses a combination of residencies and online learning to help fellows develop the best possible policies and the skills to bring them to fruition. To earn a certificate, fellows complete four deliverables: a policy gap analysis, a policy memo, a policy pitch, and a policy implementation roadmap. The following paper describes our journey and lessons learned along the way.

Our Journey
For many, a good idea marks the beginning of a policy journey; positive change in the lives of people marks that journey’s end. Since 2011, we at The Fletcher Leadership Program for Financial Inclusion (FLPFI) have spirited the launch of many such journeys, and in the process, learned from our Fellows, our Advisors, and their constituents what a successful end can and will look like in the realm of financial inclusion. This paper documents our journey to-date with forty policymakers and regulators from around the world, as they work to transform good ideas into actions that will change the lives of people, and ultimately, the state of financial services for the poor. It also documents our steps and missteps, and our first glimpses of a final destination.

In 2010, Ignacio Mas, then with the Bill & Melinda Gates Foundation (BMGF), and David Porteous, of Bankable Frontier Associates (BFA), had identified a major gap: many talented regulators with whom they worked had good ideas and were committed to translating larger financial inclusion mandates into meaningful, practical plans of action. What these regulators lacked was the space to produce a strategic plan to convert their ideas into action and the professional skills necessary to “sell” these ideas to stakeholders. We at The Fletcher School at Tufts University had been teaching and conducting research in financial inclusion, but had not developed any practitioner-focused training. Ignacio and David hatched a plan, and thus was born a new Fellowship— The Fletcher Leadership Program in Financial Inclusion.

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The Fellowship draws on years of sound academic study and practical field experience in financial inclusion. The Fletcher team, with counsel from BMGF and BFA, designed a residency program geared toward public servants. The program is a nine-month fellowship whose mission is to help promising individuals drive sound policy in financial inclusion. Each year the fellowship matriculates 14-16 mid-career regulators from central banks, ministries of finance, and similar departments and agencies.

Our central assumption is simple: good policies need trained champions to guide them to completion. Completion may be the full development of a policy idea to be adopted by multiple stakeholders, or it may be the articulation of strategies that can transform existing mandates into plans of action. The goal of the fellowship is to identify natural talent and enhance it with a pedagogy grounded in the twin factors of leadership: confidence and competence. Our theory of change appears below.

![Fletcher Inputs and Fellow Impact Diagram]

While many programs aim to provide technical assistance to policymakers, a few features differentiate FLPFI from other programs in financial inclusion:

- **We focus on competence and confidence.** Leaders need topical knowledge as well as the ability to galvanize support for their ideas. Fellows exit the Fletcher program with new information and practical skills in how to communicate their policy ideas and negotiate with diverse stakeholders.

- **Fellows, not faculty, generate key deliverables.** Most financial-inclusion programs use a variety of lectures, debates, and case studies as their modes of instruction and highlight their faculties. FLPFI deploys these methods and takes them a step further. Our interactive sessions compel fellows to produce their own case-specific outputs.
The program offers a Certificate from a university known for its research, ties in international policy, and expertise in financial inclusion. As a Fletcher “Fellow,” participants are welcomed into a close-knit professional community.

FLPFI is a nine-month program that utilizes distance-learning technology to facilitate assignments, online video instruction, and interaction and post-residency clinics.

We place the policies our Fellows are developing at the center of the program throughout the entirety of the program. This high-touch, specialized instruction allows tailored, real-time learning for Fellows while they work.

Our Method

After admitting Fellows, Fletcher begins coursework with a series of videos and written guidance. We ground participants with a repertoire of useful tools, emphasizing the art and science of persuasion with a cluster of lectures and activities that explore negotiation strategy, media management, public speaking, and written argument. The residency uses a charrette-style format, where Fellows refine concepts through rapid prototyping in small groups with constant iteration and redesign. Though narrow in professional scope, the FLPFI cohort represents a wide diversity of country contexts and levels of experience. We have found that variations in seniority and regulatory context generate powerful peer-to-peer learning opportunities.

The Fellowship is punctuated by two residencies—a two-week residency in April/May at The Fletcher School and a closing four-day residency at The Alliance for Financial Inclusion (AFI) Global Policy Forum in September. At Fletcher, Fellows build on a diagnosis of their current policy needs with content and skills from expert lectures and clinics. Together with enhanced professional skills, Fellows generate thoughtful, self-authored outputs:

- **A policy gap analysis.** Prior to the residency, Fellows work online with assigned faculty to identify a gap in financial inclusion, which can include a policy idea gap or an implementation gap. Upon arrival at Fletcher, Fellows test assumptions to refine their analyses.
- **A policy pitch.** Produced during the residency, the purpose of the four-minute oral policy pitch is to hone a policy or implementation solution and to improve public speaking and persuasion skills.
- **A policy memo.** Generated immediately after the residency and based on the policy pitch plus new research, the memo is a core document that provides the foundation for a new policy or better method of implementation. The most popular subject areas are financial literacy, consumer protection, consumer/SME access, and mobile-money regulation.
- **A policy roadmap.** Negotiation and implementation workshops help Fellows to develop a roadmap for change, as well as impact assessments. The Policy Roadmap is revisited during an optional summer clinic and reviewed at AFI’s Global Policy Forum.

Many executive education programs cover topics in financial inclusion. None ask participants to produce meaningful outputs. And most are geared to wide-ranging audiences (a mix of academics, practitioners, and policymakers). While such forums are helpful in exposing participants to an array of ideas, they lack the depth and focus needed to address the specific needs of policymakers and policy implementers.
Discerning household-level impact on the consumers of financial services will require more time and study. Still, this strong initial showing invites promising opportunities to observe ramifications at both institutional and household levels. A series of case studies, seeking to answer the former, is currently underway.

**What Motivates FLPFI Fellows?**

From recruitment, to engendering a collaborative classroom setting, to maintaining ties throughout implementation, understanding the central motivators of FLPFI Fellows and candidates is of fundamental importance. Extensive interviews with Fellows have taught us that four primary incentives help them maintain high levels of commitment.

- **Recognition by superiors and key stakeholders.** A prerequisite of admission, all fellow policy priorities must be relevant to a Fellow’s country context and have the support of institutional management. Having the Governor or Minister of Finance understand a fellow’s work and approve it in advance of FLPFI acceptance is a powerful motivator for fellows to produce high-caliber work throughout their Fellowship. To encourage such recognition and to stimulate this positive feedback loop, Fletcher ensures that superiors receive printed copies of policy memoranda and an invitation to a closing ceremony where Fellows receive their certificates.

- **Opportunities for career advancement.** Fellows leverage the FLPFI Certificate and the Fletcher affiliation to describe their outputs to superiors, and the combination often results in a promotion. Some more junior Fellows may use it as a point of departure to discuss career advancement. For others already in line for a promotion, the achievement has hastened the long-awaited reward.

- **Satisfaction in seeing their policies become approved and implemented.** Many Fellows are working on new policy ideas. Turning them into specific rules and guidance, while negotiating through a complex system of stakeholders, is no easy feat. Fellows have told us that observing their policies come to fruition is itself hugely satisfying. To catalyze such progress, FLPFI publishes their memos for individual distribution, which places an important seal of approval on their proposed policy and primes stakeholders with evidence and compelling justifications for cooperating toward a shared policy goal.

- **Opportunities to present.** Fellows are often asked to speak at regional and international forums, opportunities that can bolster confidence and visibility. To boost public speaking confidence, we teach the art of persuasion and communications, and require each Fellow to present his or her policy idea to a panel of judges. This year, Ann Miles, (MasterCard Foundation) Daryl Collins (BFA), and Loretta Michaels (US Treasury and Fletcher CEME Fellow) served as judges, offering detailed commentary on each policy pitch.
The First Three Years: Key Takeaways

Six key lessons are driving changes we plan to make during the 2015 Fellowship.

- **Wisdom trumps evidence.** Collecting evidence is a trend in development circles, bordering on obsession. Evidence is clearly important, but we know that data can be chosen to support any argument. To illustrate this, all we need to do is try to reconcile the findings that microfinance seems to be a pretty okay thing in Mexico with findings that microfinance seems to be a pretty horrible thing in Mexico. Both cases boast lots of evidence, so which is it? Pretty okay or pretty horrible? Good policies depend on wisdom—the ability to interpret evidence and information, test assumptions, and finally shape an idea into a plan that will make a stark difference in the financial lives of the poor.

In many cases, policy is not the answer to an inclusion problem, even though it may be the knee-jerk impulse of a policymaker. In others, a policy that works in one setting is disastrous in another. We have seen policies, influenced by Western thinking, that run roughshod over local wisdom. One need look no further than international and bilateral policies promoting microfinance in Nicaragua and Bosnia, and the damage they catalyzed, to see that the evidence at the time was inadequate and deeply biased.

**Our conclusion:** To balance the presentation of evidence, often by scholars in academic journals and at times bordering on sophistry, FLPFI 1) includes experienced Fellows in its cohort and 2) teaches complex problem-solving skills. Our tested assumption and experience to-date is that experienced Fellows can help mentor junior Fellows in applying reason and research to new ideas. Experienced Fellows offer important counterpoints to conventional wisdom and encourage deep reflection. Teaching problem-solving methodologies allows Fellows to put their own wisdom to work on new challenges, tempering data-driven “conclusions” with systematic, holistic reasoning.

- **Crystallizing policy recommendations is challenging.** Despite being steeped in context expertise, turning broad policy mandates into crisp recommendations is challenging. The ideal policy memo presents a clear problem diagnosis (tied to evidence from credible sources), clear policy options (where possible referencing successful policies tried elsewhere), and a clear, persuasive set of implementable recommendations, sprinkled throughout, with local wisdom.

Throughout the memo-writing process, about a third of our fellows find it extremely difficult to list options directly related to policy gaps, fail to cite evidence that justifies the options, are not infused with local wisdom, or fail to make recommendations that are concrete and actionable. They lack a well-defined, feasible implementation strategy with specific measurable outcomes.

**Our conclusion:** As educators, we see these results as challenges. In the first two years, Fellows wrote a draft memo before arriving for the residency, but we found that Fellows were hesitant to later make major changes to their thinking. Last year, we asked only that they identify a policy gap, and wait until the residency to develop solutions. This approach yielded deeper thinking about the problem-side of the policy landscape. Going forward, we will tinker with this approach, in order to yield succinct, actionable recommendations.

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The implementation gap is big—and important. As one Fellow said, “In my country, we have no shortage of great ideas, but a shortage of workable implementation plans.” Policy can create a regulatory space for creative problem-solving or it can tamp down good ideas. Worse, and more worrisome, is that poorly implemented policy can do great damage.

Perhaps one of the biggest policy experiments in financial inclusion is taking place in the United States. The Affordable Care Act has a grand vision—to ensure every American has health insurance, as is the case in most developed countries. But the policy implementation has caused so much frustration and disenfranchisement of potential users that it has negatively affected President Obama’s popularity and perceptions of his policy. The vision is only as good as its implementation. Similar debates are taking place in India around a sweeping national campaign, spearheaded by the Prime Minister, to drive millions of “financial untouchables” in to the banking sector.

Our conclusion: We plan to take policy implementation as seriously as the formulation of policy ideas. Our curriculum will address this head-on in 2015.

Rules often exist in administrative silos. Financial inclusion has, and needs, multiple stakeholders. Insurance companies are teaming up with telecom operators to offer mobile health insurance, the two stakeholders supervised by different regulators. Telecom operators are teaming up with banks to offer mobile money, the two stakeholders supervised by different regulators. Banks in some instances can offer micro-investment products, with securities and banks reporting to different authorities.

Such combinations of services can be powerful. As a good example of a grand vision, the expansive and beautifully depicted plan for financial inclusion of the Reserve Bank of India includes other regulators, such as SEBI (securities), PFRDA (pensions), IRDA (insurance), and more. These are the kinds of crosscutting endeavors we hope for, rarely see, and are so difficult to implement from the perspective of a single regulator.

Rule-makers and regulators inside relevant ministries and authorities face two challenges. First, they may lack a mandate from their supervisors to work with other stakeholders. Second, organizational cultures vary widely, each shaped by core strengths and internal logic systems shaped over decades. Despite the challenges, full financial inclusion requires cross-stakeholder policies.

Our conclusion: We plan to include regulators from diverse stakeholders in 2015 so that Fellows have a chance to observe different organizational cultures at work in different contexts. We also plan to more intentionally workshop policy strategies that involve multiple stakeholders during the residency.

Balancing precision and flexibility in rule-making is crucial to good policy. Fletcher faculty and guest lecturers present opposite points of view regarding the importance of clearly drawn, even detailed rules with the advantages of looser, more general guidance, that allows for local interpretation. We give Fellows ample room to find the right balance for their context. We have found some governments to encourage very strict rules while others exercise a great deal of restraint and prefer very loose rules.
**Our conclusion.** We have learned to allow Fellows to reflect the preferences of their own stakeholder context with the hope that Fellows will strike a good balance.

- **Fellows’ policy ideas are often at different stages of development.** Our Fellows hail from countries in the Middle East, Eastern Africa, Western Africa, Southern Africa, Central Asia, South Asia and the Pacific, Eastern Europe, and Central and South America. Beyond this diversity, which serves to enrich classroom discussion, Fellows are at different points in their careers as well as different stages in policy development. This latter point can be tricky. Often, Fellows are uncertain as to the maturity of their own concept and have difficulty communicating where they are in the policy formulation process. The more we know about where they stand, the more we can help to develop the policy idea.

**Our conclusion:** To address this challenge, we will ask Fellows to identify the stage and type of policy idea they hope to develop by responding to a few statements in the application process:

*Is your policy idea local, regional, national or global? Is the idea yours alone, or already being shaped by your institution? Are you addressing a new policy, or implementing an existing policy? Is it externally or internally focused? What is the general subject area of your idea?*

**First Glimpses of a Final Destination**

We began this journey in 2011 with the hope of exposing Fellows to Fletcher’s world-class multi-disciplinary teaching method and international setting. Thanks to the guidance of BFA’s David Porteous, and our donor team, first Ignacio Mas and Claire Alexandre, and now Jason Lamb and Sacha Polverini, at the Bill & Melinda Gates Foundation, along with our own experience coaching three cohorts, we have been able to develop more practical and specific approaches to executive education for policymakers.

Our advisory committee, which includes Sacha Polverini (BMGF), Michael Tarazi (CGAP), Ahmed Dermish (BFA), and Simone di Castri (GSMA), has deftly counseled on all matters from admissions to fellowship structure to country-specific needs. With their support, we are beginning to articulate a clear goal: a talented civil servant in possession of confidence and the right tools can transform himself or herself from policy athlete to policy champion—able to transform an important financial inclusion idea into an operational reality. Already, our Fellows have seen their policies implemented and beginning to lead to positive change in the lives of people and small businesses. By continuing to imbue dedicated civil servants with the confidence and competence to act as financial inclusion champions, we intend to magnify the effects of our first three years of work.