

Speaker Spotlight: A Fireside Chat with Ajay Banga and Michael Schlein – English Transcript

(note: generated through AI; may contain inconsistencies, sentences have been condensed)

00:14

"Welcome to Financial Inclusion Week! This is our 10th anniversary, and we've got leaders from all over the globe—entrepreneurs, investors, donors, regulators, and researchers—coming together to share what's working and what we can improve. I'm Michael Schlein, the CEO of Accion, and I'm super excited to have Ajay Banga, the president of the World Bank and a long-time advocate for financial inclusion, with us. Thanks for being here, Ajay, and welcome back! You've only been in the job for a few months, about 16."

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"Take a moment to think about the past few months—what were the highs, the lows, and the challenges? Honestly, the biggest highlight for me is just how lucky I feel to be doing this job. I never imagined I'd get the chance, and every day when I walk into the office, I'm reminded of that. It's a real opportunity to make a difference with capital and think about the long-term, which ties right back into our chat about financial inclusion."

01:07

"Hey Michael, a lot has happened since we last talked. We've managed to speed up the project approval process. It used to take us 19 months from start to approval, but now we're down to 16 and aiming for 12. I'd love to get it even lower, but getting to 12 is already a huge improvement. We've been collaborating much better with other multilateral development banks, and if you're interested, I can share some examples. We're also working with the private sector because there's too much at stake to think we can solve this on our own."

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We're tackling different challenges by leveraging public funds or MDB Capital, but we really need the private sector to step in. They have the resources to reinvest, bring in technology and innovation, and get their people involved. There's a ton of work happening right now, and we're working on expanding our balance sheet to make better use of the capital we get from taxpayers and governments. Ultimately, this all helps us set bigger goals that can fuel our ambitions.

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For example, I want to get 300 million people in Africa connected to renewable energy by 2030—that's half of the people who currently don't have any power. I also want to link 1.5 billion people to basic healthcare, both digital and in-person, to improve outcomes. We need to catch what I call "diseases of prosperity" early in the diagnostic process—like heart attacks, high blood pressure, and diabetes—issues that aren't getting enough attention in the primary healthcare system. And then, you know, we've made a...

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We're saying we're going to take 45% of our funding from the IBRD and IDA and put it towards climate stuff—half for adaptation and half for mitigation. These are really big goals to achieve in a short time, but I think we can do it with faster progress, better partnerships, and support from the private sector. It's a good mix of initiatives. That 45% target is super ambitious, and you've already changed the conversation at the World Bank by saying you want to end poverty while making sure the planet is livable. That's a huge cultural shift. How's that going?

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So, the first thing we did was realize how all these challenges are connected. We couldn't just keep focusing on poverty and shared prosperity without also considering things like climate change, conflict, violence, food insecurity, and pandemics. It just didn't add up anymore. We noticed that when COVID hit, all the progress we were making on reducing poverty as a society—not just at the bank—was affected.

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We've really hit a wall in a lot of countries, and things have even gone backwards in the last four or five years. Trying to tackle these issues in neat categories just isn't possible right now. So, we thought about how to get the concept of a "livable planet" into the bank's language. You can pick what's making your area less livable, which is a global idea but tailored to local needs. It was also crucial to highlight the challenges specific to each country. Throughout this, we made sure to keep a focus on women and young people, which ties back to our main goals.

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We're talking about including mental health for women because they make up half the population, yet they still don't get a fair shot at being active members of the economy or, more importantly, getting treated fairly in society. Then there are young people—1.2 billion of them are coming into the job market in emerging markets over the next 12 to 15 years.

They call this a demographic dividend, but it only works if we provide them with clean air, clean water, health care, and education while they're growing up. Once they reach adulthood, it's crucial to set them up for success.

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We need to create jobs for people in those countries. Right now, they're on track to generate around 400 million jobs, which is a huge gap. We have to change that. Forecasts aren't set in stone, but if we don't take action, they could become our reality. We need to give these folks a shot, not just for the income it brings to them and their families, but also for the dignity and purpose it gives them. Their optimism is our future—that's what we call a demographic dividend.

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The number of people and their optimism and energy is key. The big question is, can you channel that effectively? Job growth is super important. Are there some countries that are really nailing this? Yes, definitely! If you look back over the last 15 or 20 years, you'll see incredible changes in the fight against poverty in places like China, India, Bangladesh, Brazil, Vietnam, and Indonesia. These changes didn't just happen by chance.

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Improvements happened thanks to proper health education, skills training, and the right physical infrastructure in these countries. But it also took a united effort to create jobs. For example, China became the world's factory, and Indonesia, Bangladesh, and Vietnam followed suit to some degree. In India, it was all about boosting local consumption and helping businesses grow.

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"You know, the growth in services has been incredible, but there are definitely more challenges in all these countries now. So much progress has been made! Someone told me recently that close to a billion odd jobs have been created in the last 15 to 20 years across these countries and in the broader emerging markets. That really helps explain the boost in prosperity and the drop in poverty we've seen over the last couple of decades. The big question now is, what's next? That's a great question."

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In the past decade, we've watched around 3 billion people get left out, and now it's down to about 2 billion. That's a huge deal when we're talking about financial exclusion. But getting the next billion included is going to be tougher than the last. We're talking about

smallholder farmers, folks in very rural areas, women, and micro and small businesses. How do we tackle those challenges and keep the momentum going? You're absolutely right—the closer we get to including fewer people, the harder it's going to be.

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It's going to get tougher to include everyone because they're scattered around and face more challenges than others. But Michael, you really know this well—you've been at it for years at Accion and you get the scene. The first step is giving these folks some kind of identity, ideally a digital one that can be verified. That digital aspect helps break down the barriers created by established systems and infrastructure issues. So, if we can give people a digital identity...

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Some countries have done a great job with this, and others are starting to catch up. Right now, the World Bank is collaborating with about 60 countries over the past 15 to 20 months to speed up the rollout of digital identities. Once that's in place, it allows banks—whether they're full banks, non-bank financial institutions, payment banks, or lightly regulated ones—to move forward. They all need a way to verify a person's identity to help them open an account, whether it's in the cloud or on their phone, just with a fingertip.

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Whatever you think of as a different version of a bank account—like a place to store money that you can spend from—you need to have an identity first. After that, you have to open that account. Then, you actually need to use it. Because when you use the account, it builds a history. And that history lets you get credit and insurance. That's what financial inclusion is all about. It's not just about having an identity, or opening a bank account, or using it; it's about using that data from your account.

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"Let's really make financial inclusion happen—that's the long game. It's super important to keep that focus. That's why banks are working with 60 countries on identity solutions. We're also partnering with several countries to set up social payment programs, which help open accounts that can receive money. At first, people will just withdraw cash from ATMs, but that doesn't help build their financial history."

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With the right education and financial know-how, they'll start using it to make transactions and save money, and that's when they can really benefit from credit and insurance. But it's

easier said than done—there's a lot to consider. It costs money, there are regulations to navigate, and a bunch of other things to take into account. The bottom line is, there's no quick fix for improving the lives of those two billion people, or even the one and a half billion who are still outside the mainstream financial system. That's what I'm getting at. There's one more thing.

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Small businesses often struggle with cash flow and getting credit. One of the best ways to tackle this is by linking them to faster payment systems. This helps cut down on the costs associated with traditional banking and speeds up the time it takes for vendors to get paid. We're also working on getting about 50 countries to assess their regulations so they can connect these fast payment systems, not just within their own borders, but also with other friendly countries.

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"Let's make paying bills and sending money faster and easier. You talked about digital IDs and quick payments, and there's an exciting tech revolution happening with digital public infrastructure in places like India, Brazil, and many others. The big question is whether we're handling this right, especially when it comes to privacy, governance, ongoing funding, and innovation. I'd really like to hear your thoughts on this, because while it's super exciting, there are also some concerns."

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There are definitely challenges out there, but I think India really got the ball rolling on this whole thing with what they call the India stack. It was basically the concept of digital public infrastructure (DPI) before it even had that name. The brilliance of it was how simple it was: they issued digital identities to hundreds of millions of people through a decentralized program. You could go to different centers, get yourself registered, and receive your identity along with a physical card that had your number on it.

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Biometrics are involved too, and from that, you can open bank accounts using that identity. Then, you can fund those accounts through the social benefit programs that Prime Minister Modi is pushing with even more energy than before. So, you set up some of those steps we talked about earlier. I think the simplicity improved when we added more components to the DPI stack, like document recognition and record management.

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"We could go over the documents together, and then you could verify them as the government to prove they're legit. I wouldn't need a notary public; I could just swap the documents and so forth. The idea is to set up different categories for that physical foundation, but on top of that, we need the private sector to create the apps. If the government tries to build the apps themselves, they'll struggle to keep up with innovation and the changes needed because they have a lot of other priorities. So, I think the key is..."

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"Set up a solid foundation and let the private sector build on it—that's a winning combo that really boosts the impact. Some countries are nailing it better than others, but there's still the whole governance and privacy thing to consider. I truly believe we can't compromise on people's privacy and the security of their data, whether it's about their identity, biometrics, or even their shopping habits. If that data gets misused, it could lead to serious problems."

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"If we mess this up, we could really set back our chance to connect with those one and a half billion people because of a few mistakes here and there. We have a real opportunity to do this right. Technology today can offer us a safer and better way to manage and share information using cryptograms and blockchain. We should totally embrace it and keep pushing forward. The idea of DPI isn't going anywhere; we're just talking about making small tweaks to improve safety."

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"Better governance and handling data and privacy the right way is crucial, not just avoiding data protection impact assessments. Another tech that's got people really excited is generative AI. Do you think it'll be a game changer for financial inclusion? Are you seeing any relevant applications yet, or is that still on the horizon? I think it's still early days, but I see it as a game changer—not just for financial inclusion, but for all kinds of inclusion. I believe it could really change how we provide healthcare and other services."

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We're talking about how we educate farmers on climate issues, sustainability, and things like drought-resistant and heat-resistant seeds. You know what I mean? It's all about giving them access to better markets and affordable fertilizers. There's a ton of support that can be offered to small farmers and microenterprises using AI. But one thing people really need to consider is that to effectively use AI on their own, rather than just using it as a service from somewhere else, they need decent computing resources.

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There's a ton of data out there, and we need to keep it simple, safe, and private. The folks who know how to handle that data and create algorithms for emerging markets just don't have enough of the basics: computing power, electricity, and properly managed data, plus the right people. Some countries, like India, are really good at this, but not all emerging markets are on the same level. I think we need to figure out how institutions like ours can help these markets make the most of this technology without getting left behind.

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"Leaving anyone behind is really important. I get how transformative digital technology can be, which is why we've created a new area focused on it. This fifth area is all about harnessing the power of digital to improve DPI, as well as looking at AI, data, and the ethics and governance around them. This transformation is crucial for making a positive impact on prosperity, people, the planet, and infrastructure. I truly believe this whole digital and AI revolution has the potential to make a huge difference, and we're seeing it happen everywhere."

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There are some sluggish economies out there, and with the debt crisis, governments are really stretched, especially after the pandemic. We're seeing floods, droughts, and a worsening climate crisis. Are you worried? Is there stress in the emerging markets? And can inclusive finance help build resilience? I definitely think there's stress in those markets. If you look at several of these countries, they're currently spending more on paying off debt than on health care and other essential services.

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If you combine education with everything else, you know this is a tough spot for them. There are several steps people like us can take. The IMF, along with us, has set up a global sovereign debt Roundtable that collaborates with the G20's common framework to help countries manage their debt. This Roundtable includes everyone—multilateral organizations, bilateral partners, the Paris Club, you name it, even commercial lenders. So what we're doing for Chad, Ethiopia, Ghana, and Zambia, who are all facing these challenges, is that we've been the ones supporting them over the last four years.

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"\$16 billion—half in grants and half at very low interest—is basically their lifeline to keep their economies afloat. The real focus for all four countries is restructuring that debt so they can move forward. Ultimately, inclusive growth of all kinds is the key for these nations.

Financial inclusion, along with literacy and the ability to use digital tools, is super important because it can really help small and medium-sized businesses manage their capital, credit, and operations."

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Capital can help small businesses and farmers get access to seeds, fertilizers, and tackle climate issues. I really believe this is where we should focus our efforts. If you think about it, we have 300 million people in Africa who need electricity. If 600 million people don't have power, they'll be left behind in the digital age because you can't charge a phone just using solar energy unless it's converted. So, we need to get them power—electricity is a basic human right.

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"We can connect 300 million people by teaming up with the African Development Bank, Rockefeller, and others by the end of 2030. While we're setting up distributed solar power stations, we're also putting up cell phone towers with telecom companies. This way, we can get people online while they have access to electricity. It's this kind of thinking—where 1 + 1 equals 3—that your organization is really important for, because financial inclusion is what it's all about."

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"We need to focus on the multiplier effect. You're speaking to a wide audience from the financial inclusion community all over the world. Do you have any messages for them or specific areas you want them to concentrate on? Definitely! Keep in mind that this is tough and requires patience, but it's really worth it. That multiplier we mentioned earlier is key. So, think about using digital tools, technology, and AI, and make sure to collaborate with governments, banks, and others in the field."

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The key thing is having people willing to pitch in and help out. If we try to tackle financial inclusion on our own, we're going to struggle—it's a tough challenge. This is a complex issue that can't be fixed by individual efforts; it requires everyone working together, collaborating as partners. As for your last question, what's the best part of the job at the World Bank? Honestly, it's meeting all the amazing people. You get to connect with individuals who are more than just statistics; they have real stories and experiences.

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Experts in their fields, thanks to their education and years of experience in areas like desalination, gender violence, or infrastructure, aren't just knowledgeable—they've actually lived and worked in all sorts of countries with their families. They go where most people wouldn't even think of going. If we can tap into that on-the-ground knowledge and commitment and make the most of it, which is what we're aiming for at the bank, I really believe we can achieve something significant.

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"We've got an awesome group of really inspiring people here, and their motivation is something to see. Ajay, thanks a ton for being with us today and for your amazing leadership. And thank you all for tuning in and taking part in Financial Inclusion Week. There's a lot more to come—great speakers and awesome conversations ahead. I hope you'll stick around. Thanks, everyone!"