



**FINANCING FOR
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TIME FOR GLOBAL ACTION

Financial inclusion and The Addis Ababa Action Agenda

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Achieving Financial Inclusion

- Addis Ababa Action Agenda contains 14 distinct policy commitments on achieving financial inclusion.
- Financial inclusion is universal access to and usage of a wide range of affordable financial services, provided by a variety of financial service providers.
- Strives to enhance access to and usage of financial services for both individuals and micro-, small and medium-sized enterprises.
- Benefits of financial inclusion:
 - Ability to start and expand businesses,
 - Invest in education,
 - Manage risk, and absorb financial shocks.
 - Access to accounts and to savings and payment mechanisms
 - Increases savings, **empower women**, and boosts productive investment and consumption.
 - Reduces income inequality and accelerates economic growth, especially in countries with low starting points for financial inclusion and shallow financial sectors.

Commitments

Financial services for all (Addis)

Promoting lending to micro, small and medium-sized enterprises (Addis)

Increasing and diversifying lending and financial tools for increased access (Addis)

Capacity building on financial literacy and inclusion (Addis)

I. Commits to work towards full and equal access to formal financial services for all

II. Commits to adopt or review financial inclusion strategies, in consultation with relevant stakeholders, and to consider including financial inclusion as a policy objective in financial regulation, in accordance with national priorities and legislation

III. Encourage commercial banking systems to serve all, including women

IV. Supports microfinance institutions, development banks, agricultural banks, mobile network operators, agent networks, cooperatives, postal banks and savings banks as appropriate

Monterrey



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Financial services for all (Addis)

Promoting lending to micro, small and medium-sized enterprises (Addis)

Increasing and diversifying lending and financial tools for increased access (Addis)

Capacity building on financial literacy and inclusion (Addis)

I. Commits to promoting affordable and stable access to credit to MSMEs

II. Encourages international and national development banks to promote finance for SMES, noting the IFC, including through the creation of credit lines

III. Recognizes that financial regulations can permit collateral substitutes, create appropriate exceptions to capital requirements, reduce entry and exit costs to increase competition and allow microfinance to mobilize savings by receiving deposits

IV. Commits to strengthen capacity for cost-effective credit evaluation, including through public training programmes, and through establishing credit bureaux where appropriate

V. Commits to providing adequate skills development training for all, particularly for youth and entrepreneurs

Monterrey



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Capacity building on financial literacy and inclusion (Addis)

I. Encourages the use of innovative tools, including mobile networks, banking, payment platforms and digitalized payments

II. Recognizes the potential of new investment vehicles, such as development-oriented venture capital funds, blended finance, risk mitigation instruments and innovative funding structures

Monterrey



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Capacity building on financial literacy and inclusion (Addis)

I. Promotes financial literacy

II. Expands peer learning and experience-sharing among countries and regions, including through the Alliance for Financial Inclusion and regional organizations

III. Commits to strengthening capacity development including through the UN development systems, and encourage collaboration between initiatives

Monterrey



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Monterrey

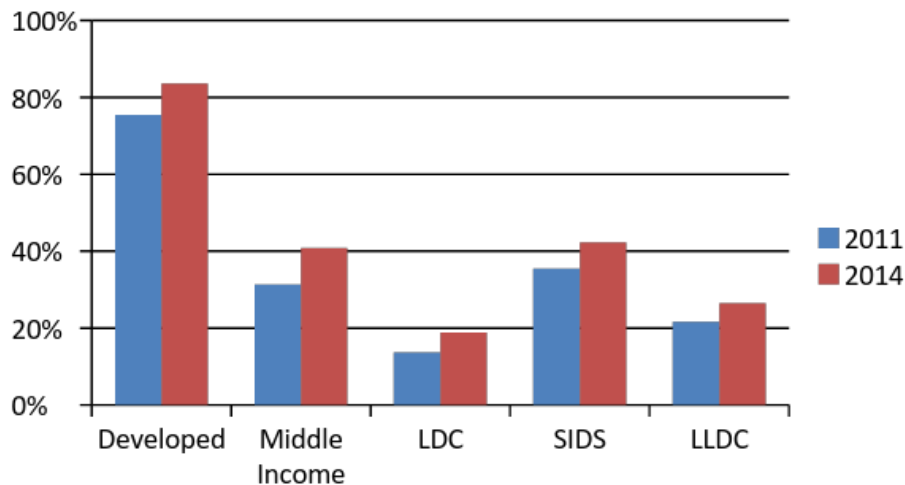
Will strive for diversified, well-regulated, inclusive financial systems that promote savings and channel them to sound growth generating projects (paragraph 17)



Financial services for all (Addis)

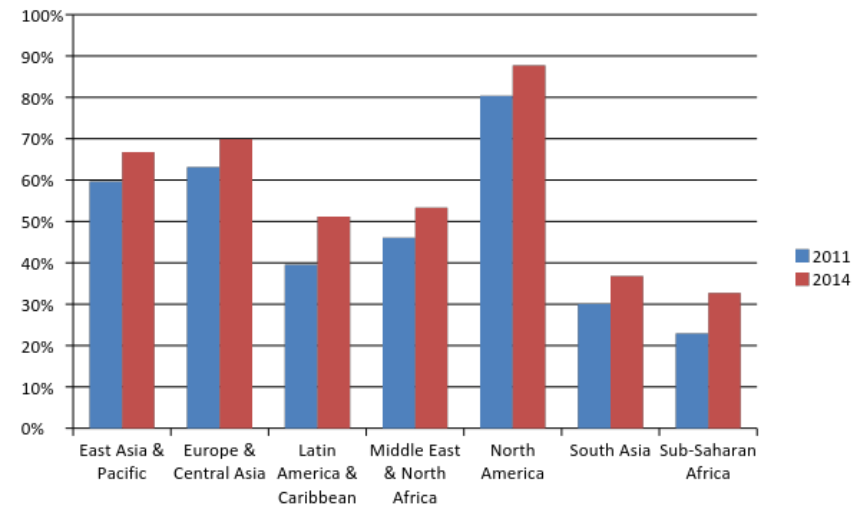
I. Commits to work towards full and equal access to formal financial services for all

Fig. 3.1: Proportion of adults with bank accounts- account holder (average % age 15+), by country classification (2011-2014)



Source: World Bank

Fig. 3.2: Reported account holders, by age 15 and above, by region (average %)

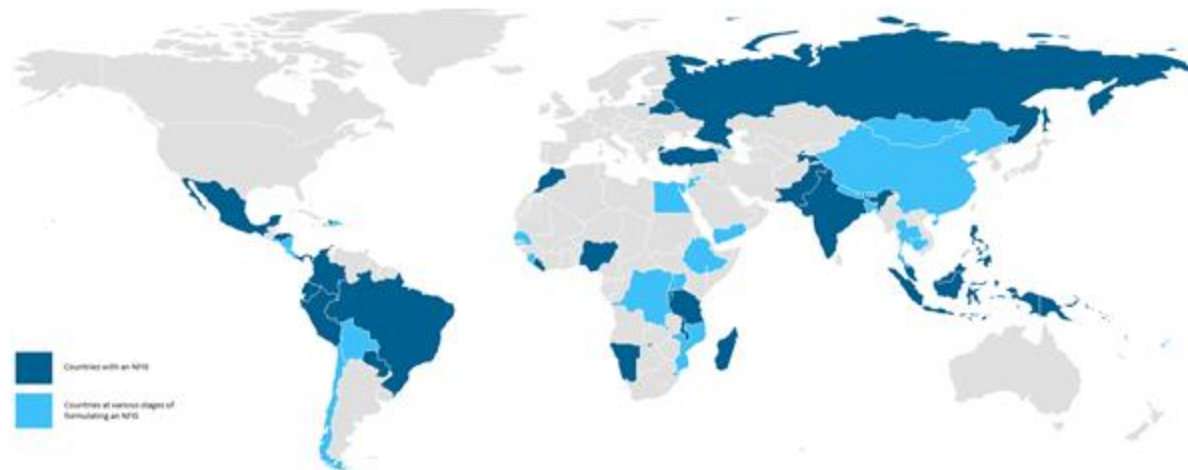


Source: World Bank

- As of 2014, 62% of the world's adult population has an account, up nine points from 2011
- Still 2 billion people do not have access to formal financial services
- The percentage of people who have an account increased in each country income group from 2011 to 2014, with greatest increase is in the middle income (MIC) group (31.3 to 40.9%).
- Geographically, there have been financial inclusion gains in every region. The largest increases were in Latin America and the Caribbean (40 to 51%)

II. Commits to adopt or review financial inclusion strategies, in consultation with relevant stakeholders, and to consider including financial inclusion as a policy objective in financial regulation, in accordance with national priorities and legislation

Fig. 3.6: Countries with a national financial inclusion strategy

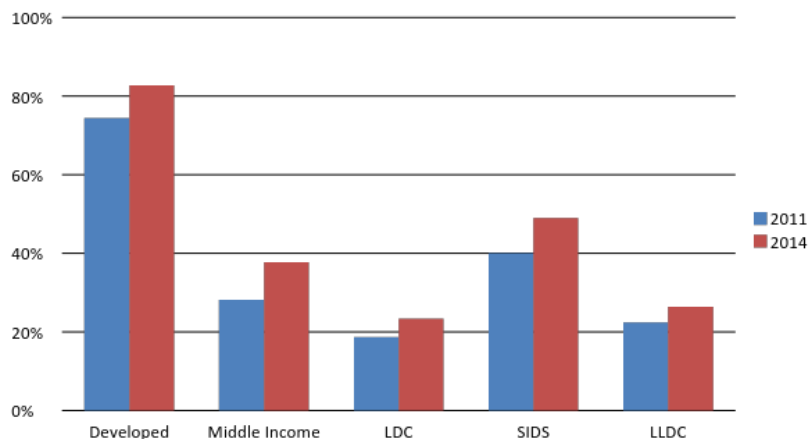


Source: AFI

- Countries that adopt financial inclusion strategies reduce exclusion twice as fast as those that do not.
- 53 NFIs in 96 country members of the Alliance for Financial Inclusion (AFI) with 5 still in the formulation stage. These commitments are commonly known as “Maya Commitments”
- Poorer countries more likely to have strategies for financial inclusion
- Some developed countries, including the UK, have also developed strategies

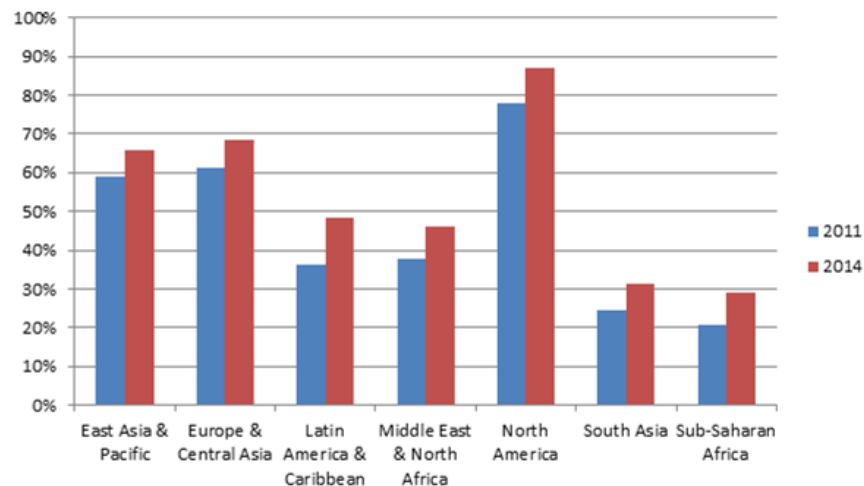
III. Encourage commercial banking systems to serve all, including women

Fig. 3.3: Reported female account holders, age 15 years and above by region (average percentage)



Source: World Bank

Fig. 3.4: Account holders, female (% of 15+) by region

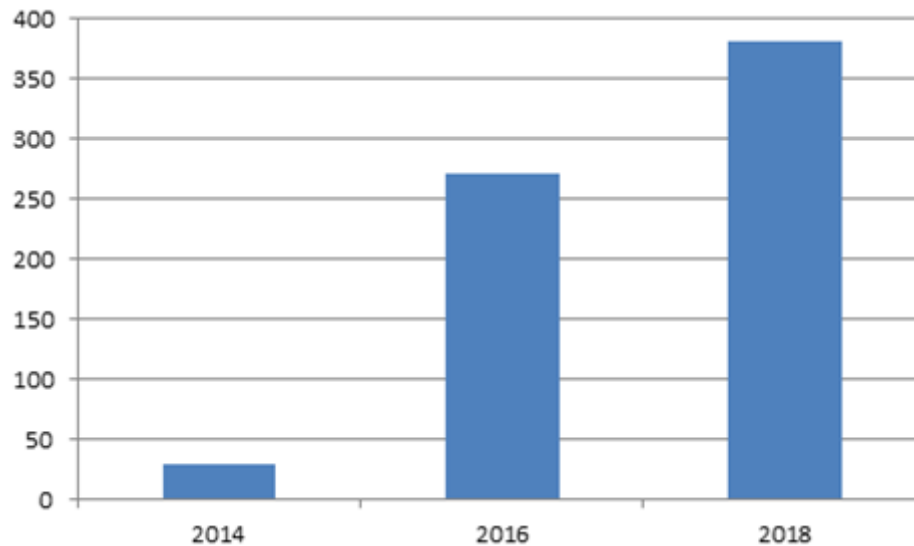


Source: World Bank

- Account ownership amongst women increased across the globe from 47 per cent (versus 54 per cent for men) in 2011 to 58 per cent in 2014 (versus 65 per cent for men)
- The smallest increases amongst women are registered in LDCs.
- growing evidence that financial inclusion has significant beneficial effects for women and female-owned firms. For example, providing individuals access to savings instruments increases productive investment of female entrepreneurs, as well as consumption, particularly of healthcare and education.
- progress has been the result of deliberate policies by governments
- New business models and technology innovations by providers has had a particularly strong positive impact on financial inclusion, for example through new mobile money providers in East Africa.

IV. Supports microfinance institutions, development banks, agricultural banks, mobile network operators, agent networks, cooperatives, postal banks and savings banks as appropriate

Fig. 3.5: Mobile Money Providers



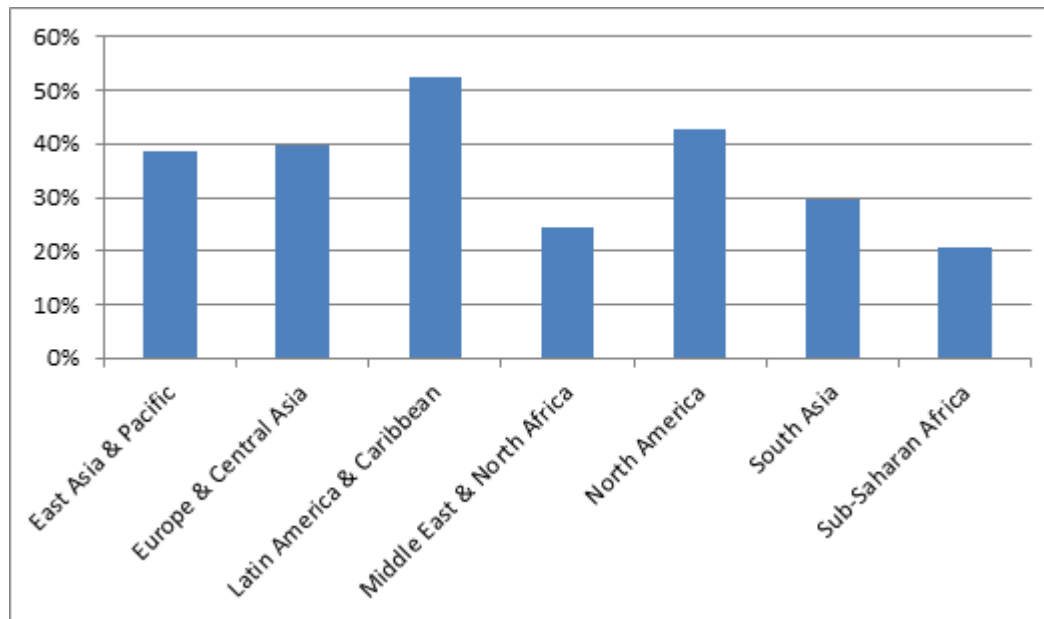
Source: Global Findex Index

- 12% of adults in Sub-Saharan Africa have mobile money accounts, compared to only 2 percent worldwide
- Agent networks are another related innovation that is being used to bring down costs and bring on customers
- Cooperatives, postal banks, savings banks can broaden financial inclusion to households and enterprises that usually lack access to commercial and formal banking institutions
- In many countries, postal banks are the primary financial service provider for rural, women, and/or low income groups, addressing urban-rural, gender, and income gaps
- Good practices: government-backed small saving schemes that have safely targeted many groups that are traditionally excluded by the commercial banking sector, such as students, women, and senior citizens

Promoting lending to micro, small and medium-sized enterprises

I. Commits to promoting affordable and stable access to credit to MSMEs

Fig. 3.7: Average percent of firms with a bank loan/line of credit

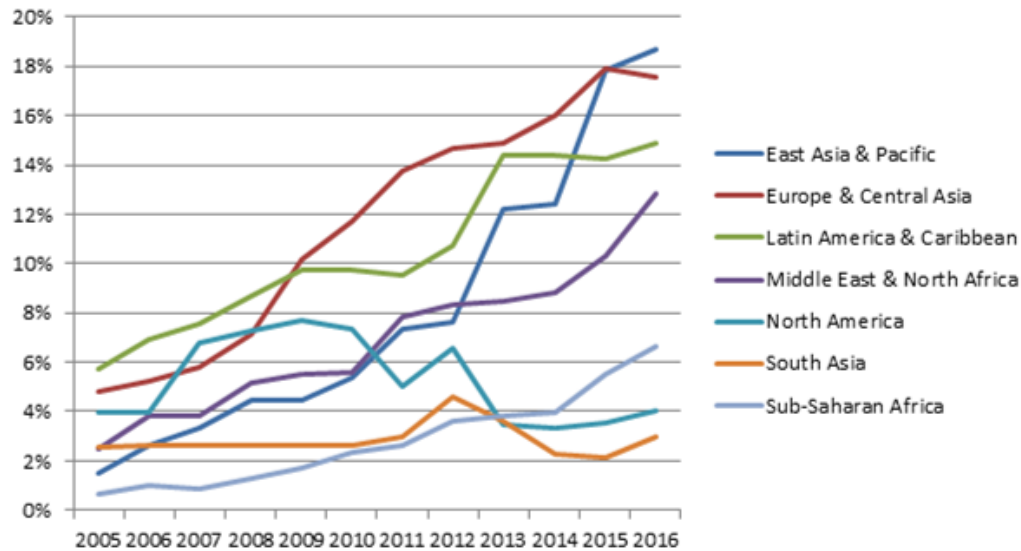


Source: World Bank.

- While the gap varies considerably between regions, it's particularly wide in LDCs
- \$300 billion credit gap for women-owned SMEs, with 80 per cent of women-owned SMEs needing credit unserved or underserved.

II. Encourages international and national development banks to promote finance for SMEs. noting the IFC, including through the creation of credit lines

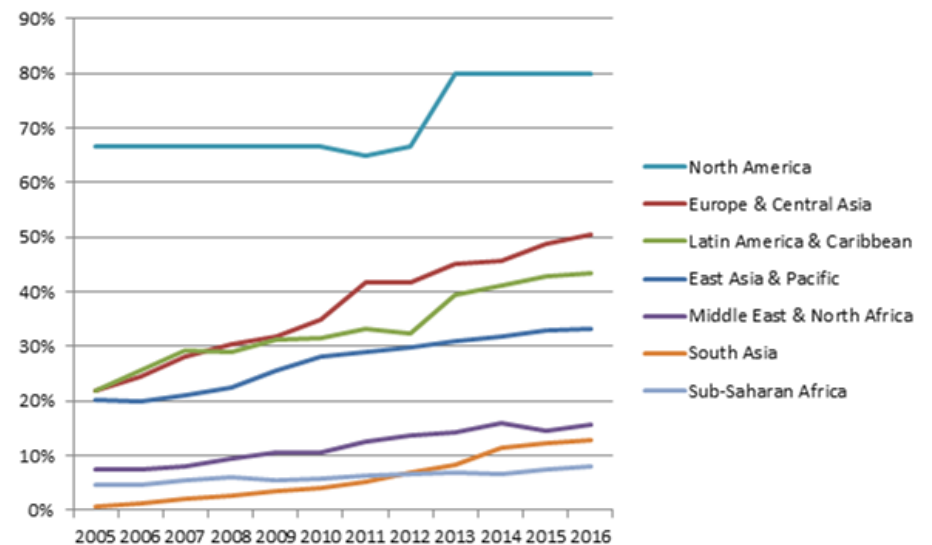
Fig. 3.8: Public credit registry coverage (% of adults) by region



Data Source: [Doing Business database](#)

- Public credit registries and private credit bureaus might exclude small borrowers, many of whom are female entrepreneurs, as they do not meet the minimum threshold.
- Credit registries and bureaus do not record loans from microfinance institutions—for whom women make up a large share of borrowers—the good repayment histories of microfinance clients cannot be leveraged.
- Information from nonbank institutions is often not used to assess borrower creditworthiness → which excludes those who lack traditional banking relationships, many of whom are women.

Fig. 3.9: Private credit bureau coverage (% of adults) by region

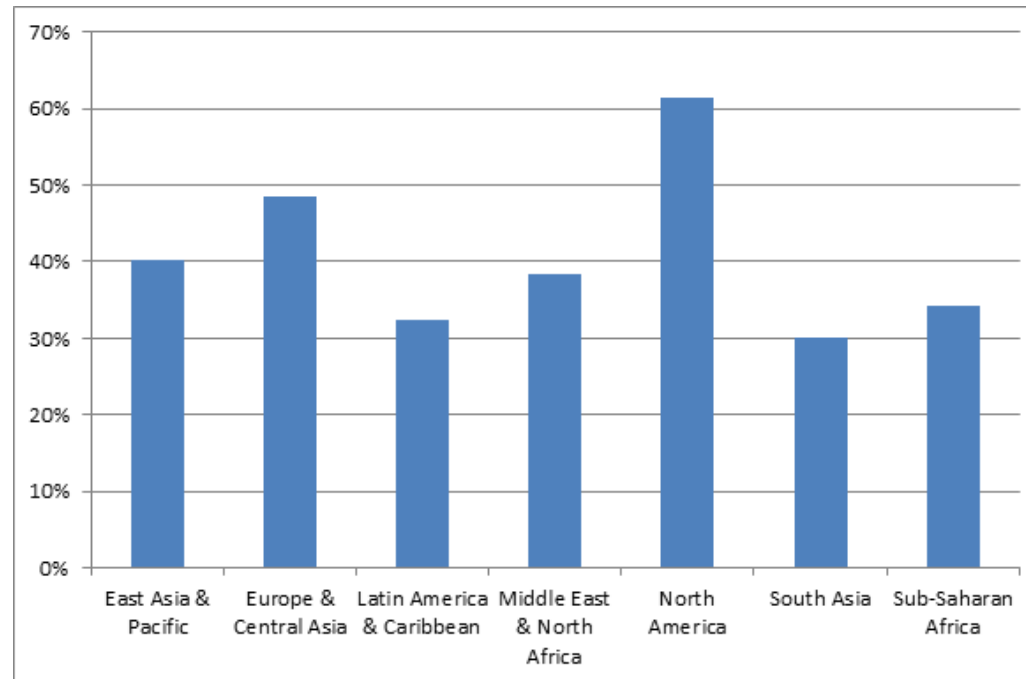


III. Recognizes that financial regulations can permit collateral substitutes, create appropriate exceptions to capital requirements, reduce entry and exit costs to increase competition and allow microfinance to mobilize savings by receiving deposits

IV. Commits to strengthen capacity for cost-effective credit evaluation, including through public training programmes, and through establishing credit bureaux where appropriate

V. Commits to providing adequate skills development training for all, particularly for youth and entrepreneurs

Fig. 3.10: Average percentage of adults who are financially literate by region



Source: S&P Global Financial Literacy Survey

- Women's financial literacy is consistently lower than men's—worldwide there is a gap of five percent (30 percent versus 35 percent).

Increasing and diversifying lending and financial tools for increased access

- I. **Encourage the use of innovative tools, including mobile networks, banking, payment platforms and digitalized payments**
 - Many tools are technology-driven, and a number of them focus on facilitating payments—whether domestic or international, between people, or enabling payments between people, businesses, and government (Example: Mobile money)

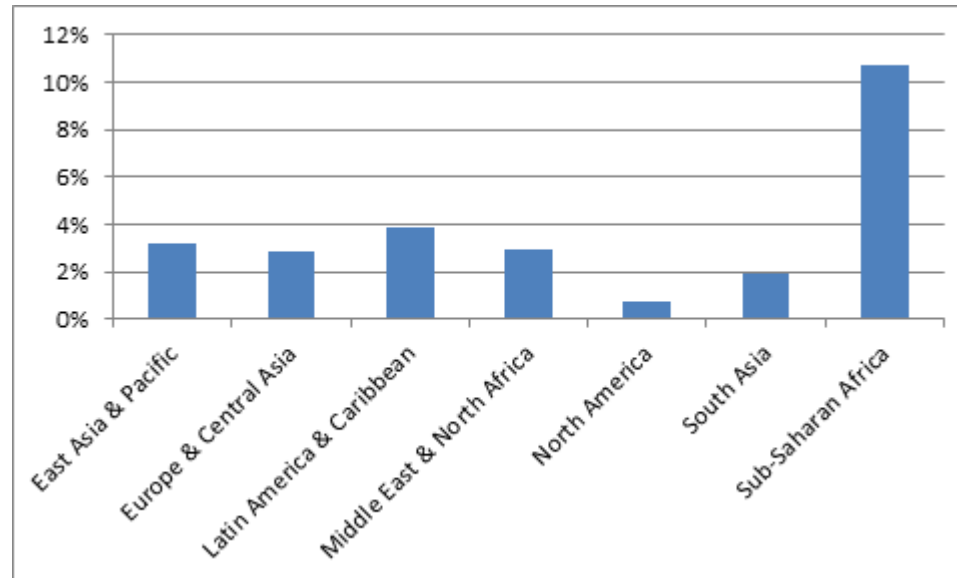
Fig. 3.12 Number of live mobile money service



Source: *The Mobile Money Deployment Tracker, 2016*

II. Recognizes the potential of new investment vehicles, such as development-oriented venture capital funds, blended finance, risk mitigation instruments and innovative funding structures

Fig. 3.13: Average Mobile account (age 15+) by regions (percentage)



Source: World Bank

- Example: **Women Entrepreneurs Opportunity Facility, launched in March 2014 by the International Finance Corporation and Goldman Sachs' 10,000 Women**
 - Dedicated to expanding access to capital for women-owned small and medium enterprises
 - IFC invest up to \$600 million in financial institutions committed to expanding their financial services to small and medium enterprises owned by women in emerging markets
 - signal the relevance of this asset class to the broader investor market.
 - funding for the facility includes \$50 million of blended finance from Goldman Sachs' 10,000 Women

Capacity building on financial literacy and inclusion

- I. Promotes financial literacy**

- II. Expands peer learning and experience-sharing among countries and regions, including through the Alliance for Financial Inclusion and regional organizations**

- III. Commits to strengthening capacity development including through the UN development system, and encourage collaboration between initiatives**
 - **Example of such courses include the World Bank's Overview Course of Financial Sector Issues, which in 2016 focused on promoting stable and inclusive financial systems,**

Q&A