***2014 UNSGSA Annual Report***

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**Section 1: LETTER FROM THE UNSGSA**

Recently, on a visit to southern Ethiopia, a farmer showed me once again how long-term change can arise from a simple financial tool. Seated in the market before bags of haricot beans and brimming with optimism, Yohannes described how he had obtained a small loan for better seed and had then been able to double his harvest. Now, a few years later, he is standing on solid ground. He is selling his beans to a school feeding program, a source of great pride for him. His improved harvests provide the extra income he needs for his own children’s school fees. And he is able to invest further in his farm as well as save, creating an upward economic spiral that allows him to plan for his family’s future.

Yohannes’s story demonstrates how financial inclusion provides a path to empowerment and opportunity for individuals and communities. A rising number of global, national, and local leaders now recognize that financial services are imperative for stabilizing financial systems, fostering equitable economic growth, and reaching urgent development goals. Financial inclusion cannot be set aside as countries emerge from the world economic crisis. Rather, the deepening of inclusion will help build long-term resilience and mitigate the impact of future financial-system and humanitarian crises, especially those affecting the most vulnerable populations of the world.

During the course of the last five years as the United Nations Secretary-General’s Special Advocate for Inclusive Finance for Development, I have been deeply encouraged by the growing breadth of country and global commitments to financial inclusion and by the concrete progress countries have made. I continue to be impressed by the efforts of public and private entities whose collaboration will be essential for sustained success. The strong commitment I encountered this year during visits to Colombia, Ethiopia, India, Peru, and Tanzania were echoed in dozens of conversations with global organizations, national business leaders, multinational CEOs, stakeholders, and partners. As always, the contributions offered by members of my advisory Reference Group have been invaluable, both for my own work and within the broader financial inclusion movement, and for that I am grateful.

But financial inclusion is still an idea waiting to happen. With one out of every three adults excluded from formal financial systems—overwhelmingly in developing countries among low income, rural, and female populations, but also among hundreds of millions of small businesses, and at surprising levels in more prosperous nations—there is a clear and compelling challenge. We have the data to show that financial inclusion works, we have game-changing technological innovations, inspired public-private partnerships, deeply committed national and global leaders, and more conducive regulatory environments. And, most importantly, we have a huge unserved population whose financial needs have not been met.

This coming year will be pivotal to our efforts to root financial inclusion strongly into global development efforts. Discussions are well underway at the UN to frame a global development agenda that will shape policy and action through 2030. It is crucial for financial inclusion to be recognized explicitly within this new agenda as critical infrastructure for expanding equitable growth, combatting poverty and hunger, creating jobs, and empowering women. This will remain a central focus of my work.

What goal should we set ourselves in regard to financial inclusion? Looking at the ambitious targets that some countries have already adopted, including those starting from low levels, I am convinced that universal financial inclusion is within reach. Let us work together to include a bold and inspiring vision: universal access to financial services for households and enterprises by 2030.   
  
Making this happen will not entail huge funding but it will require reaffirmed and expanded political leadership, collaboration across sectors, and a determination to embrace the complex work of implementation. Throughout the past year, as described in this report, I have worked to encourage new commitments and strategies and to advance concrete achievements. With the help of local, national, and international partners, I will continue to advocate the expansion of financial services to individuals and entrepreneurs. Bringing financial inclusion to the 2.5 billion in need by 2030 is a promise we are ready to make. For the sake of our shared future, it is a promise we must fulfill.

**H.M. Queen Maxima of the Netherlands**

United Nations Secretary-General’s Special Advocate

For Inclusive Finance for Development

**Section 2: PROGRESS**

The momentum behind financial inclusion is building around the world and at all levels. After many years of developing data, sharing information, reforming regulations, and setting detailed agendas, financial inclusion has moved firmly into the crucial phase of implementation in many countries.

But progress must be accelerated in order to achieve urgent economic and development goals—in countries where financial inclusion is strongly under way, as well as those in earlier stages. The World Bank Group made a particularly powerful contribution to this process in October 2013 when President Jim Kim announced an initiative to provide universal financial access by 2020.

While the support of the international community is of great consequence, much of the hard work on financial inclusion takes place at the country level, where political, financial, and private-sector leaders collaborate to develop plans, set targets, and roll out services. Around 50 countries have now made commitments at the highest political levels to advance financial inclusion, an impressive number by any accounting.

After several years of careful planning and discussions, Tanzania launched its national financial inclusion strategy in December 2013, Colombia established a formal roadmap in March 2014, and other nations were immersed in laying the groundwork for their own strategies.

National strategies can be highly effective at guiding a country's efforts on financial inclusion and ensuring that all involved are pushing in the same direction, but measurable targets are what define success. Tanzania offered a striking example of what careful, determined planning can do when new data released this year showed that it had already outstripped its own ambitious target for financial access, reaching 57 percent of its population well ahead of its target of 50 percent by 2016. In Uganda, where 54 percent of adults now have access to financial services, the central bank has committed to a target of at least 70 percent by 2017. Rwanda is aiming for 80 percent coverage by 2017 and Malaysia is targeting 95 percent by the end of 2014. These challenging timetables testify to country-level convictions that financial inclusion warrants the hard work—and that it can be achieved.

Innovative, cheaper, and more convenient solutions such as electronic payments continue to make it easier for financial services to reach businesses and households, particularly in remote areas. Last year the number of active mobile money accounts globally reached 61 million across 84 countries, a sharp rise from 37 million the year before. And the number of mobile financial businesses reaching scale doubled during the same period—13 companies now have in excess of 1 million active users. In Africa, where mobile money has made the deepest inroads, regional telecommunications companies, microfinance institutions, banks, and government leaders continued to focus jointly on harnessing the power of digital financial inclusion across the continent**.**

Agent banking is expanding as well, providing another important platform for financial inclusion. Building on models developed in Brazil, Colombia, India, Mexico, and other countries, agent banking is making it possible for financial institutions to reach large numbers of previously unserved municipalities. Some Latin American countries are seeing notable gains in coverage when banks partner with retailers, post offices, and other agents. In India, a six-fold increase in village-based business correspondents between 2010 and 2013 has dramatically expanded financial access.

As the landscape of financial inclusion broadens and new services are introduced to millions of novice customers, countries are recognizing the imperative of providing financial education and creating effective systems to protect customers. Most low-income finance customers have never received basic financial education. To counter that, 56 countries have already established or are developing financial education strategies, including Peru, where financial education has now been incorporated into school curricula, and Colombia, which this year began to implement a national test of financial literacy among 5th- and 9th-grade students.

In July 2014 the Programme for International Student Assessment (PISA) released results from its first financial literacy test of thousands of 15-year-olds from 17 countries. Using this initial assessment as a baseline, PISA will test students again in 2015 and every three years hence, in the process building up the data and understanding necessary for countries to design and refine financial education for youth.

Good data stands at the center of all effective efforts to expand financial services to the poor; indeed one of the cornerstones of recent progress lies in data collection and analysis to understand what is working, what is not, and how resources can be used most effectively. An increasing number of countries such as Mexico, Malaysia, and Brazil are developing their own specialized financial inclusion data while organizations like Finscope and the Bill & Melinda Gates Foundation are providing in-depth data on specific country-level issues. On the global level, major data projects like the World Bank’s Global Findex and the International Monetary Fund’s Financial Access Surveys are offering broad insight into international trends.

Financial inclusion gained significant backing this past year at the global level. In addition to the World Bank’s statement in support of universal access, the G20 took further action at its St. Petersburg Summit by endorsing a set of financial inclusion indicators developed by its Global Partnership for Financial Inclusion. Within the UN, member states have worked intensely throughout the year on the building blocks of a new global development agenda to succeed the Millennium Development Goals in 2015. Those ongoing conversations have focused high-level attention on the powerful potential of financial inclusion to advance global development, including poverty alleviation, rural development, women’s empowerment, and economic growth.

While financial services alone cannot eliminate poverty, they can make transformative contributions to the stability of poor households, the economic potential of small businesses, and the vibrancy of communities and economies. Ongoing research and country-level practice continue to demonstrate how financial inclusion can have a deep and sustained impact. This past year, commitments grew and were in turn replaced by action but progress remained incremental. Scaling up financial inclusion to help strengthen economic activity, improve livelihoods, and reduce poverty’s footprint around the world remains a goal for the future.

**Section 3  
ADVANCING FINANCIAL INCLUSION: KEY ADVOCACY ISSUES**

Her Majesty Queen Máxima of the Netherlands was appointed as the UN Secretary-General’s Special Advocate for Inclusive Finance for Development (UNSGSA) five years ago at a time when financial inclusion was a relatively new concept, one whose impact on urgent goals such as economic stability, food security, and poverty reduction was only beginning to be recognized.

Much progress has been made since then. Awareness of financial inclusion has risen significantly among individual countries and on a global level. Much of the necessary groundwork has been laid—bringing regulatory bodies on board, developing the basic data necessary to shape successful policies and implementation, creating innovative financial products to meet the needs of widely diverse global communities. And concrete commitments are increasing.

The Special Advocate continues to address the broad range of strategic and technical issues that underpin financial inclusion for both individuals and small businesses. As solutions take root, increasingly her work concentrates on the next stage: gaining new commitments, strengthening action plans, and converting those plans into large-scale progress.

This past year, she highlighted global and country-level issues and emphasized the importance of collaboration, particularly in private-sector partnerships focused on scale and sustainability. In dedicated visits to five countries, high-level speeches before a wide range of organizations, meetings with dozens of country leaders, and discussions with global bodies, she supported the hard work of making financial inclusion a reality—and a success.

**GLOBAL COMMITTMENTS**

The UNSGSA works actively to lay out thesignificance of financial inclusion for global leaders and to build support among far-reaching global entities, including the UN system, the World Bank Group, the Organisation for Economic Co-operation and Development, the G20, and others.

She has been an influential voice this past year in discussions on the role of financial inclusion in the UN’s Post-2015 development agenda, which will guide political priorities, policies, investment, funding, and action for years to come*.* In speeches, meetings, and conversations with UN member states and agency leaders, she strongly advocated the importance of financial inclusion as a cross-cutting issue.

As UN deliberations on the Post-2015 agenda progressed, the Special Advocate underscored the impact of financial services for the poor on economic growth, poverty eradication, sustainable agriculture, and women’s empowerment. By generating income, creating jobs, and protecting people from unforeseen setbacks, “inclusive financial systems are critical infrastructure, just like roads,” she said in a speech to leaders of 21 UN agencies.

The UNSGSA collaborated closely this year with the newly formed Group of Friends of Financial Inclusion. Co-chaired by Indonesia, Peru, and Tanzania, this informal group of several dozen UN member states exchanges information and promotes financial inclusion at the UN, especially in the Post-2015 discussions.

“What should our goal be when it comes to setting clear targets for financial inclusion?”, she asked at a UN Special Event on the Millennium Development Goals convened by the president of the General Assembly. “Let us make [the Post-2015 agenda] a bold and inspiring vision for universal access to financial services both for households and enterprises by 2030, backed by a global target, perhaps even 90 percent.”

The movement to advance financial inclusion has found strong support from other global institutions such as the World Bank Group and the G20, with which the UNSGSA continued to work closely this year. She commended the World Bank’s goal of universal access to financial services by 2020: “Every person and every business deserves this,” she said in a public dialog with President Jim Kim at the World Bank/IMF annual meeting. For this to happen, partners and national stakeholders will need to make their own strong commitments.

The impact of time-bound, concrete goals such as the World Bank’s cannot be underestimated. “A goal always inspires both ambition and action, and what makes this one exciting is that it is achievable.”

**COUNTRY PROGRESS**

The concrete work to expand financial services for the poor takes place under the leadership of national governments and financial sectors. Despite the intricate challenges involved, remarkable progress has already been made.

The UNSGSA consulted closely this past year with country leaders who are spearheading financial inclusion. In visits to Colombia, Ethiopia, India, Peru, and Tanzania, and in meetings with finance ministers, central bankers, government authorities, civil society, and private sector representatives from Brazil, China, Indonesia, Mexico, Nigeria, Paraguay, South Africa, Turkey, and other countries, she discussed national progress, shared best practices, examined innovative financial tools, provided counsel on target-setting, and encouraged partnerships and dialogue to advance implementation.

“Every country has a different starting point,” she said to financial policymakers from more than 80 countries at the Alliance for Financial Inclusion’s Global Policy Forum in Malaysia. “Targets, actions, and time frames will thus vary. I am really inspired by the level of ambition that countries have already set, including those starting from low levels.”

**[Sidebar:]**

***Outstripping Its Own Targets, Tanzania Moves Ahead***

*“I have observed that when leadership on financial inclusion comes right from the top, countries progress fast,” the UNSGSA remarked at the launch of Tanzania’s new national financial inclusion framework. Progress in Tanzania, it turns out, has been fast indeed, thanks to sustained, careful efforts. New data has confirmed that 57 percent of the population now has access to financial services–surpassing the ambitious financial inclusion goals the country had set for itself of 50 percent by 2016.*

*Tanzania is one of the fastest growing economies in sub-Saharan Africa but 80 percent of the population lives at subsistence levels. With leadership intent on moving the needle on poverty and agricultural production, the country has taken strong action to advance financial inclusion, leading to the adoption in December 2013 of its national inclusion framework and action plan, developed by the Bank of Tanzania and involving a broad cross-section of public and private actors.* Maisha bora kwa kila Mtanzania*—a better life for every Tanzanian—is not possible without financial inclusion, the UNSGSA said at the framework’s launch. Progress toward a better life seems to be on the move.*

While the Special Advocate’s efforts vary according to context, three key objectives were highlighted this past year: reaching rural populations, bringing financial inclusion to scale, and building financial literacy and consumer protection.

***Reaching Rural Populations***Seventy percent of the world’s poorest people live in rural areas where formal financial services rarely exist. These households often depend on agriculture directly or indirectly for their livelihoods and daily sustenance. Because many countries with high levels of financial exclusion also have large agricultural economies, expansion of financial services to rural areas can accelerate economic growth and can have an outsized impact on food security, the livelihoods of smallholder farmers, and the success of small businesses, and entrepreneurs.

Throughout the year the UNSGSA underlined the importance of rural access. In a joint mission to Ethiopia and Tanzania with the World Food Programme, the International Fund for Agricultural Development, and the Food and Agriculture Organization, she examined the current state of financial inclusion as it is linked to food security, agriculture, and rural development. Together with these and other partners, including the World Bank Group, she advocated a heightened focus on providing much-needed financial services to all producers, buyers, and businesses along the value chains of priority crops in each country.

One of the persistent challenges lies in overcoming geographic isolation. In Colombia and Peru, government’s role is vital in supporting renewed innovation and investment to develop “diverse financial channels that can reach across rivers and mountains,” she said. And governments alone can provide basic infrastructure such as roads and electricity to help build markets for local crops.

In Peru, where mobile finance is expected to help fuel the expansion of access points and reduce the cost of services and products, the UNSGSA drew attention to its promise in rural areas. In Ethiopia, where financial inclusion is still young and telecommunications companies have not entered the market widely, mobile technologies hold significant potential to facilitate payments across vast distances and to improve agricultural livelihoods.

Financial products must be carefully tailored for highly diverse markets if financial inclusion is to have a meaningful impact on farmers, rural households, agribusinesses, and remote communities. “Client needs must be the starting point to create real demand and usage of products like savings, loans, and insurance,” the Special Advocate stressed in an address before financial and political leaders at the launch of Colombia’s financial inclusion roadmap. Well-designed products, developed with local crops, local cultures, and local conditions in mind, can reduce many of the risks that smallholder farmers face and provide incentives for individuals and small businesses to move into formal financial systems**.**

Credit—especially long-term finance—can help farmers and agribusinesses expand their operations and harvests**.** But formal savings is the most important starting point, especially for smallholder farmers and new micro- and small-business owners.

Savings allows poor farmers, many of whom are women, to invest in their businesses, expand operations, and increase turnover per acre. It also gives them a reserve to draw on when bad weather or other setbacks threaten their stability. In addition, when women at all income strata gain access to savings accounts, studies show that they use their savings for family needs, leading to significantly greater household well-being.

Insurance, too, is a crucial tool, one that offers a basic safety net that helps farmers protect themselves against risks and provides a bigger base on which growth can start to flourish. In rural Colombia, the Special Advocate met a remarkable woman who had established a thriving orange grove thanks to a series of small loans, saved enough money to build a house for her daughter, and had recently taken out another loan for an irrigation system. But she has no insurance, and a single adverse event could wipe out everything she has worked for.

**[Pull quote:]**

*“Ministries of finance, telecommunications, and agriculture are working with each other and with the private sector. If we're going to reach millions, that's the only way.”*

*—H.M. Queen Máxima, UNSGSA*

A close observer of how progress is made in practice, the UNSGSA advocated for the creation of strong national coordination structures such as those adopted this year by Peru, Colombia, and Tanzania. “What I think is very exciting and very promising are the partnerships that we are encountering,” she said at the World Bank/IMF annual meeting. “We're now looking at countries that have coordination mechanisms across ministries. Ministries of finance, telecommunications, and agriculture are working with each other and with the private sector. If we're going to reach millions, that's the only way.”

***Taking Innovation to Scale***

As financial inclusion gains momentum, scaling up promising projects represents a complex and urgent challenge. Much is understood about which financial products work. But “In order to achieve development we have to get out of the small programs and pilots where we reach only several thousand people,” the UNSGSA said at a partnership dinner at the opening session of the UN General Assembly. “If we truly want universality and sustainability, we have to scale up our efforts. And for that we need both the public and private sectors.”

Scaling up inclusive finance requires establishing sustainable business models and reaching all segments of the market. In support of this goal, the Special Advocate worked to connect global conversations and commitments to national-level discussions and action, to share lessons learned and best practices, and to facilitate country-level dialogue across sectors.

The long-term sustainability of inclusive financial services has drawn increasing attention as public and private sectors press forward to scale up pilots. Sustainability requires affordability for low-income clients and small businesses, but it also demands profitability for private-sector providers. Mobile money and agent banking networks can grow quickly if every party involved, at all levels along the chain, can make a little money on each transaction. When the underlying business model is correctly calibrated, as it is in Tanzania, Brazil, Mexico, and other countries, the survival and success of a financial product is far more certain.

Scaling up a promising pilot is not always easy. It requires an ongoing process of innovation involving adjustments large and small, from modifying a product itself to rethinking an overall business model. Issues related to cost structures, staff size, and training also arise.

Government’s role in this process comes into play at multiple stages. Its leadership is vital for laying the financial, legal, and business groundwork—establishing clear policies to encourage the private sector, investing in necessary infrastructure, and reforming regulations to promote effective roll-out of services. As projects aim for scale, government must focus on coordinating the efforts of entities ranging from finance and agriculture ministries to banks and telecommunications companies. Keeping all players engaged and forging a broader range of partnerships can make wide-scale implementation possible.

“I have observed that when leadership on financial inclusion comes right from the top, countries progress fast. This has an immediate impact on the lives and livelihoods of the poor,” the Special Advocate said at the launch of Tanzania’s national financial inclusion framework.

Throughout the year she continued to encourage governments to use of their own disbursements to support the scale-up of financial services. In Colombia, India, and beyond, countries are leveraging their social welfare transfers and other payments to assure volume for nascent electronic payment efforts. In the process, they can strengthen infrastructure, increase efficiency, accountability, and transparency, and lower costs dramatically for all involved.

In India, innovative pilots, a biometric national ID system that has drawn great interest globally, well-developed finance and technology sectors, and a committed central bank have positioned the country on the cusp of full financial inclusion. Moving government payments to electronic transfers could make a transformative difference. “Considering the numbers of beneficiaries and volumes involved, further broadening this process could give a huge boost to payment infrastructure and agent networks,” the UNSGSA pointed out in a speech to the Reserve Bank of India.

With significant investments at stake around the world as pilots are scaled up, the development of detailed data is particularly urgent. “Data is important to realize the depth of the issues. It will also help us map potential demand of any services and that will be helpful for the private sector, and of course it will help us track progress,” she emphasized. The concrete impact of data is exemplified in multiple countries, including Malaysia, where detailed demand-side data has provided policymakers with an effective diagnostic tool that helped them determine how to design an agent banking model to reach rural areas.

**[Sidebar]**

***Loans and Fishes  
Giving an enterprising******fishmonger the credit he deserves***

*How can an**entrepreneurial fishmonger with no credit history hope to obtain the money he needs to expand his small business? In Peru, an organization called the Entrepreneurial Finance Lab (EFL), a winner of the G20 SME Finance Challenge, has pioneered an innovative approach to gauging the credit-worthiness of poor businesspeople, with resultshttps://mail.google.com/mail/u/0/images/cleardot.gif that are transforming lives.*

*A Lima fish seller named Severino experienced first-hand the impact of this strategy. Severino had walked the city’s streets delivering fish for many years. The tools he needed to expand his business—a car, a bigger refrigerator—were beyond his reach because, like most low-income business owners in Peru, he had no credit history and could not qualify for a loan.*

*But then the Banco Financiero adopted EFL’s detailed assessment of an individual’s business acumen and personal habits. This time Severino qualified easily. Loan in hand, he purchased his first car, which allowed him to increase his customer base, offer a broader range of fish, and save for a better refrigerator. His enterprise is strong, his family’s prospects are stable, and his oldest child is now receiving a higher education. The growth of one small business is fueling opportunity for the future.*

***Informing and Protecting New Customers***

The expansion of financial services to the poor must go hand in hand with financial education, consumer protection, and responsible business practices.

“Access alone does not necessarily lead to beneficial usage,” the Special Advocate said at the launch of a new financial aptitude test by the Programme for International Student Assessment (PISA). “For consumers and entrepreneurs to get the full benefit of financial products, they need to be protected and they must understand their choices and rights. They need the right skills and the financial awareness to become discerning customers, demanding greater access to ever better products that meet their needs in full.”

Without adequate financial education and protection, millions of vulnerable low-income customers and small businesses can face potentially devastating consequences such as over-indebtedness, inadequate protection from setbacks**,** and loss of income and assets. It is “essential,” the UNSGSA insisted to financial leaders at the Morningstar Investment Conference, to provide clear guidance about handling money safely and wisely, to explain the benefits and risks of different services, and to establish safeguards and transparent regulations to protect consumers. “If this gap is not dealt with,” she reiterated later at the PISA speech, “we actually run the risk of doing more harm than good.”

One of the greatest challenges lies in the wide diversity of educational needs. More than 75 percent of low-income finance customershave never received basic financial education, a disparity that is significantly higher among women than men. To reach these customers, school curricula, adult customer education, and business trainings must employ a wide range of educational approaches to accommodate differing levels of literacy and numeracy, wide geographic spread, and language differences.

In Peru, where work on a national financial inclusion strategy is well underway, the ministry of education has announced that it will incorporate financial education into school curricula. Colombia’s National Financial Education Committee embraced the Special Advocate’s suggestion to organize financial education around preparing for life events—marriage, education, raising a family—as a complement to an initiative to integrate financial education into the schools. In India, the Reserve Bank has taken the lead on the country’s financial education planning.

It will be necessary to understand which educational approaches work in different communities, and why. The baseline results from the new PISA financial aptitude test will shed substantial light on how to best proceed, but further research and future PISA assessments will be instrumental in identifying ways to help people become financially literate.

Turkey’s new financial inclusion strategy, released in June, places a strong focus on financial education not only as a complement to financial inclusion but as a driver for the uptake of services. The strategy aims to expand financial services among women, farmers, low-income populations, and others by addressing demand- or customer-side goals such as building trust in the financial system and strengthening financial education.

Building trust and establishing clear consumer protection regimes represents a vital counterpart to financial education, one that can contribute to the strength and stability of overall financial systems. Financial supervisory agencies, industry associations, and consumer organizations all need to collaborate to find country-level solutions that will improve business practices and protect consumer rights.

“Responsible finance”—including transparency, redress, clear product information, responsible practices, and a regulatory framework to support responsible institutions—“is essentially about mutual benefit. It recognizes that what is good for clients is ultimately good for the financial system provider. It means acknowledging, understanding, and acting in accordance with the interest of the *client*, the *end user,”* the Special Advocate emphasized at the Morningstar conference. “Providing financial products that add real value to customers in a transparent way and at a reasonable cost lies at the core of responsible finance.”

**[Sidebar]**

**Creating Opportunity with Peru’s UNICAs**

“Cuando uno lo tiene a la mano, lo gastas”—*When you have it in your hand, you spend it.*

*In a single sentence, a young Peruvian teacher named Beatriz laid out the power of Peru’s UNICAs—Unión de Crédito y Ahorro—small self-organized community groups whose members offer each other financial support by pooling savings and providing loans. Along with 11 other women, Beatriz saves money each month by buying interest-bearing shares in their UNICA, and she can take out short-term loans against their holdings if a promising business opportunity comes along or she needs extra cash for family expenses.*

*After some initial support from government-sponsored advisors, Beatriz and the other members of her UNICA now work together to run their fund. Collectively they decide on deposit and loan rates, make decisions about lending, set repayment terms, and determine the annual distributions for members. It’s an education in financial planning and management that can have as much impact as the economic gains. One woman brought her four-month-old daughter into the UNICA, she explained, so that she can grow up learning the discipline of saving. In another UNICA a father brought in his teenage son so that he could learn about the shared business established by the UNICA’s members.*

*In operation in Peru since 2006, UNICAs have been responsible for more than 90,000 loans and have served more than 12,000 families who would otherwise have limited access to financial services. The government is now connecting the UNICAs and their members to bank accounts and to the wider formal financial system, another step towards the goal of widespread financial inclusion.*

**Section 4: THE ROAD AHEAD**

Over the last five years, global and national leaders have reached a broad consensus on the value and significance of financial inclusion. Agreement is now largely in place that the provision of financial services to the poor is a global economic and development priority, one that can contribute significantly to alleviating poverty, strengthening economies, empowering women, and improving food security. As the global economy emerges from a painful period of financial crisis, inclusive financial systems are a rising priority.

The next step is far more complex: making financial inclusion a reality in a manner that produces measurable and sustainable improvements in lives and livelihoods. A number of countries have begun this process, many have established formal plans, while others require significant assistance from the global community.

“Human progress is neither automatic nor inevitable,” said Martin Luther King. As the financial inclusion movement continues to build momentum, it is clear that little can be left to chance. The UNSGSA will continue to work closely with global and national stakeholders and partners on all levels to support this process.

**Making scale a priority**

The greatest challenge facing supporters of financial inclusion is reaching scale quickly and sustainably. This coming year the Special Advocate will stress the importance of public-private collaborationand will encourage further development of regulatory and business environments necessary for private-sector investment in proven models and new technologies. As countries look to better understand which pilots can scale up cost-effectively, sustainability demands a clear business case.

The release of the next round of Global Findex data in 2015 will reveal much about the last three years of progress, which issues are emerging, and what gaps remain. This new data, more than any other factor, will shape planning and action in the near future.As financial inclusion expands, concrete figures will also be needed to inform the expansion of financial education and consumer protection. The Special Advocate will encourage the vigorous development of these key elements to ensure that the rapid growth in financial services does not place the most vulnerable at increased risk.

**Developing country-specific solutions**

Deepening financial inclusion and achieving scale stands or falls with individual countries. This coming year the UNSGSA will continue to prioritize work with the country-level political, financial, and private-sector leaders who are on the front lines of change, including in India and China. Bringing affordable financial services to the poor in urban and especially rural areas requires rigorous planning and clear, ambitious, but attainable targets, a complex process that will be supported through information-sharing, consultation, and advocacy. In all contexts, the importance of national solutions to national challenges will be paramount.

It will also be necessary to delve more deeply into how to expand financial inclusion in countries where efforts are still in the early stages or the challenges are particularly daunting. These countries—including those trapped in deep poverty, facing natural disaster, or recovering from conflict situations—are the hardest environments in which to introduce inclusive finance but their needs are the greatest. Significant gaps exist in the understanding of which strategies and tools can be effective in these widely varying contexts. Stepped up efforts in this arena will require a more systematic approach to building on existing knowledge, practice, andempirical evidence.

**Ensuring global support**

Global backing for financial inclusion is a vital counterpart to country-level efforts, and the coming year will involve efforts on many fronts to heighten that support.

In 2015, the UN will announce a new set of development goals, which hold immense promise for the next 15 years of global and country-level work. In order to move this Post-2015 development agenda forward, financial inclusion needs to be implemented as widely as possible and as soon as possible. The Special Advocate will work vigorously with the Group of Friends of Financial Inclusion and other UN partners to ensure that financial inclusion is reflected adequately in the Post-2015 agenda, not as a goal itself but as an exceptionally powerful tool to reach many of the most important goals under discussion. Such an outcome would provide the global political support necessary to achieve an ambitious target of universal financial inclusion by 2030.

To reach this level will require specific targets and strong commitments, supported by unprecedented cooperation in the financial, political, and development arenas. This coming year the Special Advocate will work with the changing presidencies of the G20 and will join forces with other global partners to align efforts at this critical juncture. In all her work she will collaborate even more closely with members of her advisory Reference Group: the Alliance for Financial Inclusion, the Better Than Cash Alliance, the Bill & Melinda Gates Foundation, the Consultative Group to Assist the Poor, the International Finance Corporation, the UN Capital Development Fund, the UN Department of Economic and Social Affairs, the UN Development Programme, and the World Bank.

These and other global organizations, national governments, NGOs, and private sector partners will all have a role to play in the shaping the future, guided by a commitment to international cooperation, an entrepreneurial approach to innovation, rigorous regard for hard data, and a broad recognition that financial inclusion can be a potent tool for improving the lives of those in poverty and building a better future.

## **Annex: Overview of UNSGSA Activities 2013–2014**

A selection of UNSGSA activities and speeches are summarized below. Full texts of speeches and other information are available at [www.unsgsa.org](http://www.unsgsa.org).

**COUNTRY VISITS**

**Ethiopia country visit, 9-11 December 2013**

The UNSGSA promoted access to basic financial services with UN food security and agriculture agencies—the International Fund for Agricultural Development (IFAD), the World Food Programme (WFP), and the Food and Agriculture Organization (FAO). She met with Prime Minister Hailemariam Desalegn, ministers of finance and agriculture, the deputy governor of the National Bank, and representatives of the African Union, the UN Economic Commission for Africa, development partners, civil society groups, and farmers’ cooperatives. She also discussed agriculture-based growth in rural areas with private-sector leaders. During a visit to the town of Hawassa, she discussed livelihoods and money management with small farmers and others.

**Tanzania country visit, 11–13 December 2013**

Visiting Tanzania for the second occassion as UNSGSA—this time on a special mission with UN partners (*see Ethiopia visit above*)—the Special Advocate congratulated leaders for the country’s rapid progress on financial inclusion. She met with President Jakaya Kikwete, ministers of finance and agriculture, and the governor of the Bank of Tanzania, and delivered the keynote address at the launch of the National Financial Inclusion Framework (*speech summary below*). She also met with smallholder farmers in the Dodoma region, private-sector leaders, and other stakeholders.

**Tanzania, speech, “A Better Life for Every Tanzanian: Accelerating Development and Growth Through Financial Inclusion,” at the launch of the National Financial Inclusion Framework**

**Dar es Salaam, Tanzania, 13 December 2013**

The UNSGSA recognized the importance of governmental leadership for linking Tanzania’s economic development goals and applauded its rapid progress expanding access to formal financial services. The new national financial inclusion framework will involve all stakeholders in its first phase, with a focus on tackling barriers of high costs, far distances, and asymmetries of information. She encouraged redoubled efforts to find innovative ways to help smallholder farmers, who are responsible for the bulk of Tanzania’s food production and GDP.

**Colombia country visit, 3–5 March 2014**

The UNSGSA delivered the keynote address at launch of the roadmap for Colombia’s national financial inclusion strategy. She called for reinvigorated action in conversations with President Juan Manuel Santos and First Lady María Clemencia Rodríquez, as well as with private-sector actors and technical experts. During meetings with ministers of finance, agriculture and rural development, and educations he advocated including financial education in the national curriculum and expanding consumer protection. In meetings with rural women and local finance organizations in Santander State, she highlighted the importance of reaching agricultural communities.

### Colombia, speech at the launch of the Roadmap for a National Financial Inclusion Strategy Bogotá, Colombia, 5 March 2014 Colombia’s progress over the decade has been significant: today, financial institutions are present in 99 percent of municipalities and the number of loan accounts has doubled. Still, the UNSGSA noted, more must be done to include all, especially the poorest and those in rural and crisis-affected areas, in accordance with its new financial inclusion plan. Financial education, responsible practices, and product information are important elements in building a stable, inclusive financial system. *(Speech presented in Spanish*)

### Peru country visit, 5–7 March 2014 The UNSGSA discussed the coordination and implementation of a national financial inclusion strategy and gained greater insight into the financial needs of Peruvians as well as the challenges faced by clients and providers. She met with President Ollanta Humala and First Lady Nadine Heredia, the governor of Peru’s Central Bank, ministers of finance and of development and social inclusion, superintendent of banking insurance and private pension fund administrators, as well as with private-sector representatives and international partners. A site visit on the outskirts of Lima provided an opportunity for informal conversations with clients and beneficiaries.

### Peru, speech, “*El crecimiento del espíritu empresarial en Perú a través de la inclusión y la educación financier,*” at Women Entrepreneurs, Inclusion, and the Future conference Lima, Peru, 7 March 2014 Noting that Peruvian women are renowned for their entrepreneurial spirit and that small businesses play a large role in Peru’s economy, the UNSGSA underscored the importance of financial services for these enterprises. The country’s training programs demonstrate what can be achieved when women are given opportunity, financial services, and support. She commended Peru’s regulatory framework and encouraged extending access to rural areas and low-income populations. Preparing a national strategy will help consolidate progress and unite government and the private sector around a shared vision for all Peruvians. (*Speech presented in Spanish*)

**India country visit, 30 June–2 July 2014**

The UNSGSA met with the newly appointed minister of finance, the governor and leaders of the Reserve Bank of India (*speech summary below*), non-bank financial services providers, members of the Indian Banks Association, and other stakeholders. She commended the important work India has done and encouraged going “the last mile” to reach those in remote areas. She also emphasized the importance of financial literacy. The UNSGSA visited the Sarvajal Water ATM project, where she spoke informally with clients.

**India, speech to the Reserve Bank of India**

**Mumbai, India, 2 July 2014**

Addressing the Bank’s governor and board, the UNSGSA noted that India has all elements in place to achieve full financial inclusion. Significant potential lies with pilots that are moving government social and welfare payments from cash to electronic means. She emphasized the importance of designing products that address client needs, and noted that government policies can support private-sector providers in this process. Multi-faceted financial education will also be necessary to strengthen client safety and build demand.

**COUNTRY ENGAGEMENT**

**Meetings at the World Bank Group/International Monetary Fund Annual Meeting**

**Washington, D.C., USA, 10–12 October 2013**

The UNSGSA held meetings and discussions on progress and new opportunities relating to financial inclusion with central bank and finance leaders from the governments of Australia, Brazil, China, Colombia, Ethiopia, India, Mexico, the Netherlands, Nigeria, Paraguay, South Africa, Sweden, Tanzania, Turkey, and the U.S. She also encouraged countries that have not yet done so to set ambitious national goals on financial inclusion as part of a wider national financial inclusion strategy.

**Meetings at the Nuclear Security Summit**

**The Hague, the Netherlands, 24–25 March 2014**

On the margins of the Nuclear Security Summit, the UNSGSA met with heads of state and senior national leaders from Australia, Brazil, India, Indonesia, Malaysia, Nigeria, the Philippines, Turkey, and Vietnam. Discussions centered on each country’s progress, challenges, and opportunities related to financial inclusion.

**POST-2015 DEVELOPMENT AGENDA**

**Meetings at the United Nations**

**New York, USA, September 2013, October 2013, February 2014, June 2014**

During the opening of the 68th session of the General Assembly in September, the UNSGSA met with leaders from the UN, heads of state and other government leaders, the private sector, and civil society to advocate that financial inclusion be adequately represented in the Post-2015 development agenda. In Octobershe met and addressed ambassadors of the Group of 77 and China, heads of mission from the European Union, and other country representatives. In February she met with the UNDP Administrator and the Special Representative on Food Security and Nutrition, and in June she met with UNDP and the Secretary-General’s Special Advisor on Post-2015 Development Planning.

**Co-chair, Second UN Inter-Agency Meeting on Inclusive Finance for Development**

**New York, USA, 23 September 2013**

The UNSGSA and UNDP Administrator Helen Clark co-convened a meeting to identify opportunities and strengthen UN collaboration on the cross-cutting issue of financial inclusion. Leaders from 21 UN agencies, funds and programs were in attendance. (*Speech summary below*)

**Speech, Second UN Inter-Agency Meeting on Inclusive Finance for Development**

**New York, USA, 23 September 2013**

The UNSGSA highlighted how the UN is well-positioned to advance holistic approaches that involve more and diverse partners and utilize tailored financial services to accelerate progress toward development ends including food security, health, education, resilience, poverty alleviation and women’s empowerment.

**Speech, “Post-2015: A New Global Partnership,” at Unilever event**

**New York, USA, 23 September 2013**

Inclusive finance is a means to achieve urgent development goals like food security and environmental sustainability, the UNSGSA said. The private sector—multinationals as well as small businesses—along with knowledge institutions will be important partners to achieve these outcomes and to reach scale and sustainability. She called attention to issues affecting both supply and demand as well as products that meet client demands and have development impact.

**Speech at the UN Special Event for the Millennium Development Goals**

**New York, USA, 25 September 2013**

The UNSGSA noted that the process of defining the Post-2015 agenda means not only deciding which goals are important but figuring out how to reach them. This is where financial inclusion comes in. Financial services are a means to prosperity, resilience, ending hunger, and other urgent development goals. It cuts across sectors and is essential infrastructure in every country. As such, it should be recognized as a priority element in the post-2015 development agenda. She urged participants to embrace a goal of universal access by 2030.

**Meetings with the Group of Friends of Financial Inclusion**

**New York, USA, February 2014, June 2014**

In February, the UNSGSA attended the inaugural meeting of the Group of Friends of Financial Inclusion, an informal group that gathers a wide range of UN member states at different stages of financial inclusion to exchange information and experiences, and promote financial inclusion at the UN, especially in the Post-2015 development agenda. The UNSGSA’s visit to New York in June was a further opportunity to meet with the Group of Friends of Financial Inclusion to discuss progress and opportunities.

**Meeting with UN Chief Executives Board  
Rome, Italy, 8 May 2014**The UNSGSA addressed the chief executives of UN entities at their biannual meeting, chaired by Secretary-General Ban Ki-moon. Speaking during a session on financing for sustainable development, she highlighted the importance of financial inclusion as a means of raising domestic resources necessary for any country to achieve its development goals.

**CHALLENGES AND OPPORTUNITIES**

**Speech, “Advancing Inclusive Finance and Development Through Digital Services and Partnership,” at the Better Than Cash Alliance event, Partnerships for Digital Financial Inclusion   
New York, USA, 24 September 2013**

Digital technology will play an important role in accelerating the drive toward universal access to financial services. The UNSGSA encouraged government, industry, and development leaders to set their ambitions high, deepen partnerships, and expand coordination to ensure that electronic payments become a gateway to extending insurance, savings, credit, and other important goals. Meeting the needs of poor households and small enterprises through better product design will have the greatest impact in terms of reducing the costs and risks of cash.

**Panel discussion, “Igniting Innovation in Financial Access: Public and Private Approaches for Greater Access by 2020,” at the World Bank/International Monetary Fund Annual Meeting**

**Washington, D.C., 11 October 2013**

In a dialogue with World Bank Group President Dr. Jim Kim, the UNSGSA welcomed the Bank’s newly announced target of universal access to financial services by 2020. This is now within reach, she said, especially if more private sector partnerships can be forged to encourage scalable digital solutions. Inclusive finance can accelerate progress toward economic growth and poverty alleviation. Partners should invest in the “global goods” needed by all countries to enable their inclusive finance ambitions, including better data and knowledge of best practices.

**Speech at the Reaching the Poorest Global Learning event, CGAP-Ford Foundation Graduation Program**

**Paris, France, prerecorded video, 21 February 2014**

The UNSGSA highlighted the importance of a holistic approach in helping the world’s poorest move out and stay out of poverty.  Integrating best practices in social protection, livelihood promotion, and financial inclusion has proven to be transformative. Savings can be a powerful buffer against life’s shocks and a conduit for opportunities. More data is necessary to stimulate savings and understand its impact on social development. Taking pilot programs to scale is crucial but often requires new business models, better infrastructure, and expanded staff.  Stakeholders from different sectors should work in partnership to reinforce country-level commitments and to set bold targets.

**Speech at the German Media Award ceremony**

**Baden-Baden, Germany, 21 March 2014**

Is it possible to break the vicious cycle of poverty and lack of opportunity? The UNSGSA answered this question at a ceremony honoring her work to advance financial inclusion. While noting that financial inclusion still has a long way to go around the world, she stressed that it will be vital for economic growth, job creation, and social empowerment, particularly for women. Expanding financial access must be accompanied by careful regulations and financial education, but the potential impact on individuals and entrepreneurs can be transformative.

**Meetings with UN food security and agriculture agencies**

**Rome, Italy, May 2014**

Continuing her collaboration with the UN’s Rome-based food and agriculture agencies (*see Ethiopia and Tanzania trips, above*), the UNSGSA met with leaders and technical experts from IFAD, WFP, and FAO to discuss follow-up on their joint visits to Ethiopia and Tanzania. They also addressed advancing financial services for smallholder farmers and enterprises, explored new opportunities for collaboration, and reviewed joint advocacy efforts relating to the Post-2015 deliberations.

**Speech at the SME Working Group meeting of the Development Finance Institutions**

**The Hague, the Netherlands, 5 May 2014**

The UNSGSA emphasized that small and medium-sized enterprises (SMEs) are a big part of financial inclusion and called for a sustained focus on scale, formality, financial capability, and data on SMEs. Taking proven solutions to scale is a priority, but scale introduces significant challenges. She emphasized the role development finance institutions can play in connecting the private sector with under-served clients, and encouraged greater action to bring SMEs into the formal economy. She also underscored the importance of access to finance and business skills, especially for women.

**Speech at the release of the first financial literacy results from the Programme for International Student Assessment (PISA), Organisation for Economic Co-operation and Development (OECD) event  
Paris, France, 9 July 2014**As access to financial services has increased in recent years, countries face challenges in improving financial literacy. There is a pressing need for research to provide solid evidence of what works best and what leads to wise financial behavior. Data from the first round will show gaps, allow for the creation of appropriate responses, and hopefully provide the same spark for innovation in financial education that has been driving the provision of financial services.

**RESPONSIBLE FINANCE, INTEGRITY, AND STABILITY**

**Speech, “Public-Private Partnership to Strengthen Financial Inclusion and Financial Integrity,” at the**

**G8 Public-Private Sector Dialog on Anti-Money Laundering and Combatting the Financing of Terrorism  
Swakopmund, Namibia, prerecorded video, 6 September 2013**

Global standard setters are moving toward a concept of risk-based regulations that can open doors for regulators and service providers to explore new ways to reach the unbanked. The challenge now is for more countries to apply this idea to their own settings. The UNSGSA pointed to opportunities for public-private partnerships to strengthen the synergies between financial integrity, stability, and inclusion.

**Speech at the Alliance for Financial Inclusion Global Policy Forum  
Kuala Lumpur, Malaysia, 11 September 2013**

Despite expanded commitments to financial inclusion, one-third of the world’s population and hundreds of millions of small businesses remain without access to formal financial services. The UNSGSA urged national regulators to implement global financial risk-based standards more widely and reminded participants that inclusive financial systems are a means to reaching much larger goals. Challenging countries to aim high as they set national targets, she urged participants to help shape an inspiring vision for inclusive finance in the post-2015 development agenda, calling for universal access by 2030.

**Speech at the 4th annual Morningstar Investment Conference  
Amsterdam, the Netherlands, 27 March 2014**

A stable financial sector is an inclusive financial sector, the UNSGSA underlined. While bringing individuals and businesses into the financial system is key, doing so while guarding against the risks this entails is essential. Responsible finance is a means of doing so. This is not only a developing country consideration but applies equally to the European context. The UNSGSA stressed the positive role investors can play in furthering responsible finance through their investments.

**Speech, “Inclusive Financial Systems as Part of the ‘New Normal’,” World Bank/International Monetary Fund Dutch Constituency Group meeting  
The Hague, the Netherlands, 31 May 2014**  
While efforts to advance financial inclusion are making a real difference, the UNSGSA called for greater action. She underscored the importance of supporting the development of financial infrastructure and the private sector, and encouraged partners to create an attractive business case and replicate effective approaches.  She also encouraged the development of data and called for greater focus on financial education.

**Speech at the Innovation in Oversight conference, Netherlands Authority for Consumers and Markets**

**The Hague, the Netherlands, 20 June 2014**

In her opening speech at an international meeting of regulators, the Special Advocate discussed thedilemma of building equitable development, safeguarding stability, and strengthening consumer protection without getting in the way of innovation. She praised central bankers and others who are enabling the provision of financial services to those who need them most, citing regulators in Africa whose innovative attitudes have made it possible for mobile phone companies to provide financial services to those without access to banks. But regulatory change must be matched with consumer empowerment, protection, and capability.