ANNUAL REPORT TO THE SECRETARY-GENERAL SEPTEMBER 2020

UNSGSA UNITED NATIONS SECRETARY-GENERAL'S SPECIAL ADVOCATE FOR INCLUSIVE FINANCE FOR DEVELOPMENT

FINANCIAL INCLUSION

Beyond Access and Usage to Quality

TABLE OF CONTENTS

Cover photo credit: Hesham Fathy

Message from the UNSGSA

The state of the world is very different than many of us might have imagined one year ago. Few would have thought to brace themselves for the potential of a global COVID-19 pandemic. Now that the virus has spread fast and far, we must bear, and hopefully blunt, an ensuing health and economic crisis of a magnitude unforeseen.

The socio-economic impacts of the novel coronavirus swiftly placed immense pressure on our societies. Lives have been lost. Livelihoods too, some never to return. Long-term implications for global and national economies are dire. And there is still no clear sense as to when the virus will finally and fully abate.

The consequences of these impacts are as devastating as they are complex to both the formal and informal economies, particularly in developing countries. Meanwhile, some population segments are more vulnerable to the fallout from COVID-19 than others. This includes hard-to-reach groups such as women, smallholder farmers, informal workers, and micro-, small and medium-sized enterprises (MSMEs), all of which already encountered limited access to financial services and resources prior to the pandemic.

With response and recovery efforts underway, collaboration is crucial. Governments, the private sector, international organizations, NGOs and other stakeholders all have a key role. As the UNSGSA, I have been working with my Reference Group of financial inclusion advisors, as well as private sector leaders of the CEO Partnership for Economic Inclusion (CEOP), to assess, support and champion policies and initiatives to aid in this process.

In many ways, the inclusive financial agenda that my partners and I have promoted and implemented all these years is more important and obvious now than ever. Financial inclusion is essential in the fight against the virus and its socio-economic impacts.

At the beginning of the crisis, tech-enabled innovations such as mobile money and other digital financial services proved critical to support this effort–notably for those population segments most affected.

Governments worldwide utilized digital payments to deliver cash transfers, including social assistance payments, to vulnerable households and companies in a faster, safer and more affordable manner. Also, digitizing payments for healthcare workers, for example, not only can reduce payment times and contact moments, it helps ensure a stable workforce to defeat the pandemic, similar to what we witnessed during the Ebola crisis.

But digital financial services cannot provide a lifeline to those who find themselves on the wrong side of the digital divide, including many older people and less digitally literate populations. And some of the usual risks associated with technology, such as scams or cyber-fraud, might be exacerbated during crises.

It's important to use this time to learn what works and what does not, and apply those lessons to forge a more inclusive path forward and help mitigate risks along the way.

For instance, for the whole digital system to work sustainably and equitably, governments and the private sector need to put in place key digital public goods, such as connectivity, cybersecurity, data privacy, digital ID and physical infrastructure, among others. These help people enter and participate in the formal digital economy in a safe manner.

To emerge from this crisis, inclusive finance has to go beyond access and usage of financial services if we want positive outcomes in people's lives. It is therefore critical that financial inclusion and participation in the digital economy provide a vehicle that can drive jobs creation, ensure resilience, promote investments by small businesses and households, as well as allow positive education, health and empowerment outcomes.

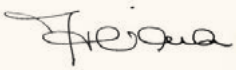
Queen Máxima is pictured on a call from the Huis ten Bosch Palace in The Hague with members from her office at the United Nations in New York to discuss various financial inclusion initiatives in this image from 2020. Photo credit: Brunopress/Frank van Beek

A focus on the viability and sustainability of MSMEs is paramount–these businesses are engines that fuel growth, propel innovation and create two-thirds of jobs worldwide. To survive and grow, MSMEs need more than access to credit. Many need financial service providers to build better tools that help improve insights and access to information, assisting them to become better businesses. This includes digital payments services like mobile wallets or risk management instruments such as insurance.

The pandemic has further heightened the importance of well-designed and delivered financial services. Doing so can enhance the economic empowerment of women, help more people build savings and avoid over-indebtedness, improve access to markets, as well as improve overall financial health and well-being–all important components of the recovery process.

Looking forward, we will all have to work harder than ever to achieve the UN Sustainable Development Goals (SDGs) by 2030. COVID-19 could knock millions of people back into poverty, undoing many of the gains we previously achieved. Affordable, effective and safe financial services that focus on quality will play a central role to combat those impacts throughout the response and recovery process.

Finally, it is important that we recognize there is an opportunity to use this crisis as a catalyst to create positive change and build the better world we all desire. To achieve this world, it is critical that we work together to guarantee our efforts are focused on reconstructing societies that are more equitable and inclusive–restoring the old status quo will not suffice.



H.M. Queen Máxima of the Netherlands
United Nations Secretary-General's Special Advocate for Inclusive Finance for Development

The Path of Financial Inclusion

Photo credit: Robin Utrecht

Financial inclusion has a critical role in the efforts to help people prepare for, respond to and recover from global health and economic crises, such as the major one we have experienced this year. The overall strategic priorities of the UNSGSA focus on this by:

- Ensuring positive development outcomes and impact;
- Reaching underserved segments; and
- Fostering responsible technology solutions.

Over the past 12 months, the UNSGSA continued to promote financial inclusion with top leaders from governments and the private sector. She supported them to act individually as well as convened them to work together toward better policies and financial services that unlock opportunities and deal with hardships. This included special emphasis on how financial services can help the world address social and economic impacts stemming from the COVID-19 situation, in line with the goals of UN Secretary-General António Guterres.

The Special Advocate placed a heightened importance on hard-to-reach groups such as women, smallholder farmers and micro-, small and medium-sized enterprises (MSMEs). These segments–already at the heart of the UNSGSA's agenda–are especially vulnerable in times of crisis and susceptible to economic shocks and hardships.

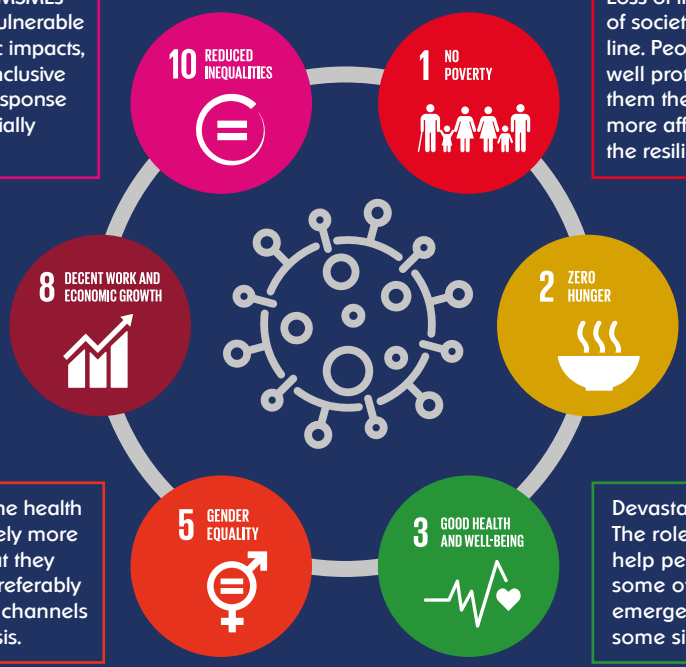
Throughout her work, the UNSGSA remained committed to increase dialogue between the private sector and policymakers, as well as forge innovative private-private partnerships such as through the CEO Partnership for Economic Inclusion (CEOP).

Financial inclusion is not just about access and usage anymore. During the year, the UNSGSA asked leaders to focus on the quality of financial services. A focus on quality means that financial services meet customers' needs, that they are safe and customer-friendly, so users can seize opportunities and build resilience. Financial products should not only be measured on whether customers use or have access to them, but more importantly on how those products assist customers to make better financial decisions and improve their financial well-being.

SDGS: COVID-19 SOCIO-ECONOMIC IMPACTS AND THE ROLE OF FINANCIAL INCLUSION

Underserved groups like women, MSMEs and smallholders are especially vulnerable to the pandemic's socio-economic impacts, which could increase inequality. Inclusive financial policies and actions in response and recovery efforts should especially focus on these segments.

Loss of income, leading vulnerable segments of society and families to fall below poverty line. People's savings should continue to be well protected now when they need to use them the most. Enabling efficient flows of more affordable remittances is essential for the resilience of migrant workers' families.



Economic activities suspended; lower income, less work time, unemployment for some occupations. Creditworthy MSMEs and households should have access to credit in these difficult times or offered a new schedule for existing credit repayment.

Food production and distribution disruptions, affecting the economic livelihoods of farmers. Smallholders need access to capital and other financial services to capitalize on agriculture innovations to help address some of these challenges.

Women also account for 70% of the health and social workforce, who are likely more exposed to COVID-19. It is key that they receive their payments on time, preferably through digital finance payments channels as demonstrated by the Ebola crisis.

Devastating effect on health outcomes. The role of health insurance is critical to help people guard against and prevent some of these negative impacts. Access to emergency credit could also be useful in some situations.

Sources: United Nations Report on Socio-Economic Impacts of COVID-19, UNDESA, World Health Organization 2020

Ensuring Positive Impact on Development

One of the highest priorities of the UNSGSA is to ensure that inclusive finance strengthens development outcomes. In both developed and developing economies, better financial products can help decrease inequality, promote economic growth, improve people's financial health, help address climate change and adaptation, as well as enhance transparency. For this reason, the Special Advocate has repeatedly stressed that financial inclusion is not an end, but rather a means to an end—and it is why inclusive finance is a major enabler for many of the UN Sustainable Development Goals (SDGs) and an important element for the 2030 Agenda.

During crises such as the coronavirus pandemic, for example, people's savings should continue to be well protected when they need to use them the most. Creditworthy MSMEs and households should still be able to access affordable credit in difficult times. And enabling efficient flows of affordable remittances can be essential for the resilience of migrant workers' families.

Technology is enabling substantial financial inclusion progress on the path for development. According to a 2020 IMF report, "Finance and Inequality," financial technology (fintech) advances are promoting financial inclusion, "allowing an increasing number of low-income households and small businesses to participate productively in the formal economy and escape the poverty trap."

A woman in a market receives a payment via contactless transfer of funds from a customer using their mobile phones in this stock image. Photo credit: Shutterstock

Enhancing Customer-Centric Digital Finance Policies

The UNSGSA has encouraged customer-centric digital finance regulations and policies to increase financial inclusion so that customers experience a better financial journey.

This includes a priority to bridge the gender gap. For example, during a visit to Pakistan in November 2019, Prime Minister Imran Khan and the UNSGSA launched the Ehsaas Financial Inclusion Strategy with its key focus on increasing account ownership for women with "one woman, one bank account" (see pg. 23). In recent months, this has been successfully rolled out to over half of their seven million female beneficiaries.

And, during a visit to Indonesia in March 2020, she advocated for Bank Indonesia (BI) and Otoritas Jasa Keuangan (OJK), the financial services authority, to develop policies and regulations around financial services providers' collection and usage of data to align them with privacy and protection principles, while also supporting inclusive finance.

Developing Key Public Goods for Inclusive Fintech

New technologies can present new risks, including cyberattacks, privacy breaches, dominating super platforms, and exclusion due to algorithms. To mitigate new risks from technology-enabled financial inclusion, the UNSGSA has encouraged the development of public goods. Key public goods—or the "key pre-requisites" as the Special Advocate has referred to them—are essential for the underserved to safely join and participate in the formal digital financial and economic system. They consist of connectivity, cybersecurity, data privacy, digital and financial literacy, digital ID, fair competition, interoperability and physical infrastructure.

"We have to remain committed to allowing these

innovations to happen while at the same time addressing these new risks. Dialogue between regulators and innovators and creating public goods to address these new risks is essential. Financial literacy and consumer protection will be key to protect the less empowered from fraud and over-indebtedness in the new digital credit world," said the UNSGSA during her opening remarks at the Financial Inclusion for Development: Building on 10 Years of Progress Event at the 2019 UN General Assembly.

Encouraging Digital Identity

Robust foundational identification (ID) systems are an incredibly important tool for people to open a formal account and to facilitate economic inclusion. Additionally, they are one of the most important digital public goods as they enable customer due diligence compliance for account openings (remotely or in-person), and help customers undertake safe and secure digital transactions.

For instance, India's universal digital ID, called Aadhaar, reduced the cost of customer verification from US$15.00 to US$0.50 per customer. The foundational digital ID system facilitated the opening of more than 390 million new bank accounts at public sector, regional rural and private banks since its launch in 2014 under the government's Pradhan Mantri Jan Dhan Yojana (PMJDY) financial inclusion program.

Digital IDs also play a crucial role in the identification of recipients and the swift roll-out of government-to-person (G2P) subsidies. They help beneficiaries receive digital payments more straightforwardly–something that can reduce fraud in social programs, lower costs and enhance support to the people who need it most.

In addition, the critical role of digital has become even more relevant in the context of government responses to the COVID-19 crisis. Many governments have taken measures to improve social payments during the crisis, as highlighted in the UNSGSA's message on pp. 2-3.

In April 2020, the Special Advocate held a videoconference call with financial inclusion advisors from her Reference Group about how to best collaborate and support response and recovery efforts to COVID-19.

Promoting Financial Well-Being and Health

For financial inclusion to be meaningful, the UNSGSA has advocated that success not only be measured by access and usage, but also by the positive outcomes it brings to customers. Recent developments, from over-indebtedness in developed markets to the financial and economic stress caused by the COVID-19 global pandemic, underline the importance of financial well-being and resilience of societies–beyond only possessing and using an account.

Queen Máxima encouraged leaders in financial health in developed countries to connect with those driving financial inclusion in emerging markets. The aim is for them to exchange insights on innovative and responsible practices to build financial systems that people need to be financially resilient and healthy. For individuals and households, financial well-being contributes to enhanced physical and mental health, better education and income opportunities.

Reaching the Underserved

The UNSGSA continues to prioritize promoting inclusive financial policies and practices for underserved segments, especially women, smallholder farmers and MSMEs, to improve their economic and social development opportunities. Further, as outlined in a March 2020 UN report "Shared Responsibility, Global Solidarity," these populations are some of the most vulnerable to the socio-economic impacts of COVID-19, and require additional focus in response and recovery efforts.

The opportunity around technology-enabled solutions has been a cross-cutting theme of the Special Advocate to help reach the underserved. This is due to its strong potential to make financial inclusion a reality for these groups–digital finance can be cheaper, faster and more customer centric. For example, during crises such as the coronavirus pandemic, it is important to ensure that affected populations receive government social assistance payments, salaries and remittances from family and friends on time. In this context, it is key to safely utilize available digital payments channels to deliver financial support to people who rely upon government cash transfers.

The UNSGSA participated in the UN VIP Instagram studio featuring portraits of those working to promote a more sustainable future for people and the planet at the 2019 UN General Assembly. Photo credit: Christophe Wu

Throughout the year, the UNSGSA encouraged the public and private sectors to find ways to reach underserved segments, particularly with customer-centric digital solutions, emphasizing that the financial well-being and health of these groups are critical to achieve development impact.

Women's financial inclusion and economic empowerment

Governments and the private sector have made great progress in expanding financial inclusion in recent years. However, 1.7 billion people globally remain unbanked, with a 9% account ownership gap that persists between men and women in developing economies.

There are many, often complex, reasons why women have less access to financial services. Cultural and social barriers can restrict their financial and economic independence. Women are more likely to lack formal identification required to open accounts or lack collateral to secure loans. And too often financial products do not meet their needs.

"Let us also not forget that women-owned businesses are even more underserved than male-owned businesses. Understanding their specific needs and challenges will be key to serve them properly and help them grow," said the UNSGSA during her opening remarks at the 5th Global SME Finance Forum in October 2019 in Amsterdam.

The Special Advocate highlighted the critical role of technology to promote women's inclusive finance in her remarks at the launch of the Ehsaas Financial Inclusion Strategy during her country visit to Pakistan in November 2019: "We need to work even further on issues of connectivity, product design and awareness. Today, 33% of women have a mobile phone compared to 73% for

men (Global Findex[1] 2017). And, 45% of women who do not own a mobile phone reported that they were not permitted to own one by family members (Fifth Annual FII Tracker Survey, Intermedia 2018). So, if we want to include women in the financial system, we have to connect them."

The financial inclusion and economic empowerment of women could make a significant development impact. There is also emerging evidence that financial inclusion for women can reduce economic inequality, according to the IMF. The economic empowerment of women could be a game-changer for families, children's education and overall well-being—and it's a critical component of efforts to meet the UN SDGs.

Gathering gender-disaggregated data for policymaking

Gender-disaggregated data to learn about who uses financial services and how they use them, along with what women need and prefer from financial products, provides vital information. But it is important for policymakers to understand how to use this data properly to design and evaluate policies to increase financial inclusion for women. Under the supervision of the UNSGSA, in collaboration with the IMF, a policy note for policymakers was developed to examine specific policies and programs based on gender-disaggregated data. It summarized recent research from 11 countries and included key factors for good data collection and recommendations for policymakers (see pg. 10).

"Fostering financial inclusion for women can promote national economies, reduce income inequalities, and help countries reach the SDGs. To close the gender gap in financial inclusion, we need policies based on evidence and data on women's financial inclusion," wrote the Special Advocate in a 2020 summary report on gender-disaggregated data.

The UNSGSA has also collaborated with former IMF Managing Director Christine Lagarde to encourage more countries to report on gender-disaggregated data. The number of countries reporting data disaggregated by gender in IMF's Financial Access Survey increased from 35 in 2018 to 47 in 2019.

Ms. Tizita Tona, a former accounting student, owns a coffee shop in Addis Ababa and earns extra money as an agent for a mobile money service called HelloCash. She also promotes other products, such as the e-commerce platform HelloMarket. Photo credit: Marianne Wiltjer

Supporting women's economic empowerment in Africa

Supporting African countries has become a key priority for the Special Advocate over the last year. In December 2019, Queen Máxima met with French Finance Minister Bruno Le Maire in Paris to discuss how to strengthen the economic position of women in Africa. Specifically, the UNSGSA explored how the G7 under the French presidency could contribute—a follow-up to their conversation on this issue on the margins of 74th UN General Assembly in September 2019 in New York.

The UNSGSA committed, among other things, to support the implementation of the G7 Partnership for Women's Digital Financial Inclusion in Africa launched by the French government and Melinda Gates in 2019. This initiative provides support in areas such as improving ID systems and regulations for enabling digital financial inclusion.

1 The Global Findex database is the world's most comprehensive data set on how adults save, borrow, make payments and manage risk.

New Publication

Collecting and Using Gender-Disaggregated Data for Financial Policymaking

A persistent obstacle to full financial inclusion is a 9% account ownership gap between men and women in developing economies. A policy note for policymakers, published in June 2020 by the Office of the UNSGSA in collaboration with the IMF, presents research findings on how collecting and using gender-disaggregated data could help close this gap.

Data Use for Policymaking

Seven of 11* countries studied in the policy note have developed specific policies and programs based on gender-disaggregated data. For example:

Bangladesh Using supply-side data, the central bank issued regulations instructing banks and non-bank financial institutions to provide collateral-free loans to women entrepreneurs, as well as a dedicated desk at bank branches to serve them.

Chile The state-owned commercial bank, BancoEstado, set up a program to provide women entrepreneurs with access to business capital and education, based on insights from supply-side disaggregated data.

Mexico The pension regulator developed programs to increase women's retirement savings, after discovering a gap between men's and women's rates of savings through disaggregated data.

Nigeria The government used demand-side gender-disaggregated data to develop programs to increase agriculture finance. It also launched a collateral registry to facilitate the use of movable assets as collateral for MSME and consumer credit.

Uganda Used both supply-side and demand-side gender-disaggregated data to inform its 2017 national financial inclusion strategy (NFIS), which targets women as a priority.

Which factors are key to good data collection?

Identification: Utilize national ID systems to disaggregate data by gender.

Indicators: Provide clear definitions and track gender-disaggregated data for financial inclusion of households and MSMEs.

Technology: Use electronic tools to support data collection and analysis.

Find full policy note at *www.unsgsa.org.*

**Bangladesh, Chile, Costa Rica, Egypt, Ghana, India, Malaysia, Mexico, Nigeria, Peru and Uganda.*

MSMEs

MSMEs fuel growth, innovation and job creation. According to the SME Finance Forum's 2019 annual report, MSMEs account for 90% of business worldwide, half of global GDP and two-thirds of jobs worldwide. Yet, they remain underserved with 131 million formal MSMEs in developing nations having unmet financing needs and an unmet demand for credit estimated at $4.5 trillion. Further, women-owned businesses account for 23% of MSMEs and 32% of the financing gap.

The UNSGSA has highlighted that to survive and grow, MSMEs have complex needs that go beyond credit. New solutions that could better match the supply from financial service providers (FSPs) with the demand from MSMEs, and make them a good business, include market access for MSMEs (online marketplaces), modern business management tools (sales data analytics, online financial planning platforms), digital payments tools (mobile wallets), and risk management tools (insurance).

For example, in Kenya, Mastercard, Unilever and AXA–members of the CEOP–have partnered to bundle insurance into a digital payment and credit solution for small retailers in the country. The initiative, called Jaza Duka Protect, aims to provide personal and property protection for the retailers and their families, while providing needed working capital and enhancing repayment behavior.

"We have evidence that when financial institutions understand the key needs of MSMEs and can offer them effective solutions, in addition to credit, they help them thrive. Here, technology and fintech can present great opportunities," said the UNSGSA at the 5th Global SME Finance Forum.

MSMEs NEED FINANCING

MSMEs, especially those owned by women, do not have the financial tools they need to grow.

Worldwide, small businesses make up:

90% of businesses

50% GDP

66% of jobs

But they lack financing:

Number of formal MSMEs in developing nations that need financing **131** million

This unmet demand for credit is estimated at **$4.5** trillion

Bank lending in low- and middle-income countries (LMICs) is only **6%** of GDP

Women-owned businesses make up:

23% of MSMEs

32% of the financing gap

Sources: SME Finance Forum Annual Report 2019; IMF Financial Access Survey (FAS) 2019

Farmers

Farmers around the world are counted upon to supply an increasing variety of food products to the world's expanding middle class. In addition to ongoing challenges of climate change, this must be achieved while addressing the global COVID-19 crisis.

The pandemic has created short- and long-term issues, including disrupted food systems and supply chains, affecting the economic livelihoods of farmers. According to the UN's International Fund for Agricultural Development (IFAD), approximately 63% of the world's poorest people work in agriculture, the large majority on small farms. This reality means the world must do all it can to support them, so they can still feed their families and earn an income, particularly the smallholders in developing countries who produce much of the food the world consumes.

Innovations in agriculture–irrigation advances, new types of seeds and fertilizer, and digital technology capable of providing up-to-the-minute information on growing conditions–can help address some smallholders' challenges, the Special Advocate highlighted at a speech at the launch of IDH, The Sustainable Trade Initiative's Farmfit Fund during the 2020 World Economic Forum in Davos.

To realize the promise of these innovations, farmers need access to capital and other financial services. Yet, smallholders in developing countries continue to be underserved financially due to a myriad of challenges, including irregular cashflows, lack of credit history, financial or digital illiteracy, and their rural location. Traditionally, some financial providers have deemed these rural farmers too hard to reach.

FINANCIAL SERVICES TRANSFORM FARMERS' LIVES

FARMERS NEED:

- Agricultural credit
- Access to savings
- Insurance
- Payments and remittances

TO HELP THEM:

- Save for the future
- Send children to school
- Pay bills
- Manage everyday expenses

Source: Sowing the Seeds of Smallholder Innovation, IDH/CGAP/Office of the UNSGSA

Last year, the UNSGSA convened a working group, co-led by CGAP and IDH, to explore how to best close the finance gap for smallholders. This group of experts from agribusinesses, financial institutions and agricultural finance examined how to use non-financial channels to deliver financial services. They identified some promising partnerships between different players from the agriculture, finance, tech, telco and public sectors that could provide useful lessons on a new way of doing business that will benefit both farmers and companies' bottom lines.

"Technology is offering exciting new ways to leverage the same channels and actors that power our food supply chains to deliver financial services. We are seeing the growth of cross-industry partnerships powered by digital data, which is allowing a wide range of new and traditional finance providers to join forces with agribusinesses and other companies that work in rural areas to provide credit and other services to farmers," wrote the Special Advocate, in the foreword of a 2020 report co-published by the Office of the UNSGSA, IDH and CGAP.

The report, "Sowing the Seeds of Smallholder Innovation," creates a set of recommendations for the private and public sectors to close the agricultural finance gap. It aims to provide useful lessons to spur new investments in agriculture as well as increase financial inclusion.

Responsible Tech Solutions

There are currently 1.7 billion adults still unbanked worldwide (Findex 2017). Additionally, many people are underserved–who do have access, but often only to financial products that do not meet their needs. Technology-enabled innovations for financial inclusion represent the best opportunity to improve this situation. As these fintech products continue to reach more people, particularly underserved segments, it is important to ensure that they are useful to customers and improve their financial health and well-being.

Throughout the year, the UNSGSA advocated for critical infrastructure and policies to help fintech innovations responsibly enable positive outcomes for people's financial lives.

Mr. Sumon Mohosin Hossen is a general store owner in Bangladesh and agent for iPay/PriyoBank. Customers can buy groceries and open a bank account at his shop for basic services like cash in and cash out, money transfers and paying bills, helping him increase revenue by about 25%. Photo credit: Robin Utrecht

Mitigating Tech Risks

Technology can offer incredible new opportunities to find inclusive finance solutions. However, regulatory tools are often unable to evolve with the rapid pace of innovations and new risks, including cyberattacks, breaches in privacy, dominating super platforms and discriminatory algorithms.

During her keynote speech at the 2019 Singapore Fintech Festival (SFF) last November, the UNSGSA discussed how algorithms can create increased exclusion. This includes instances of gender biases, such as ones that provide lower limits on credit cards to women than men–even when women have better credit scores. The Special Advocate also highlighted shortcomings of an American fintech's strategy to use customers' punctuation and spelling in credit scoring models as a proxy for quality of education. "Spelling mistakes are not necessarily an indication of someone's ability to pay their bills," she said.

Queen Máxima also pointed out the risk around the rapid expansion of digital credit to the underserved, noting it could result in over-indebtedness and further exclusion due to low credit scores. "From the third of

Kenyans that have recently used digital credit providers, about half of these have been late in repaying their loans. Subsequently more than 400,000 borrowers have been reported to the Kenyan credit reference bureau for late repayments on outstanding loans of less than US$2."

Building the necessary regulatory tools can be difficult in some countries. In developing and emerging markets, there is often a lack of resources and staff with the skills to understand the rapid development of fintech.

To help address this, the Special Advocate continued to share early lessons learned on regulatory sandboxes, innovation offices and regtech to help regulators enable inclusive fintech. These lessons were published in a 2019 report by the UNSGSA's Fintech Working Group in collaboration with Cambridge University and the Monetary Authority of Singapore (MAS).

Fostering Inclusive Fintech

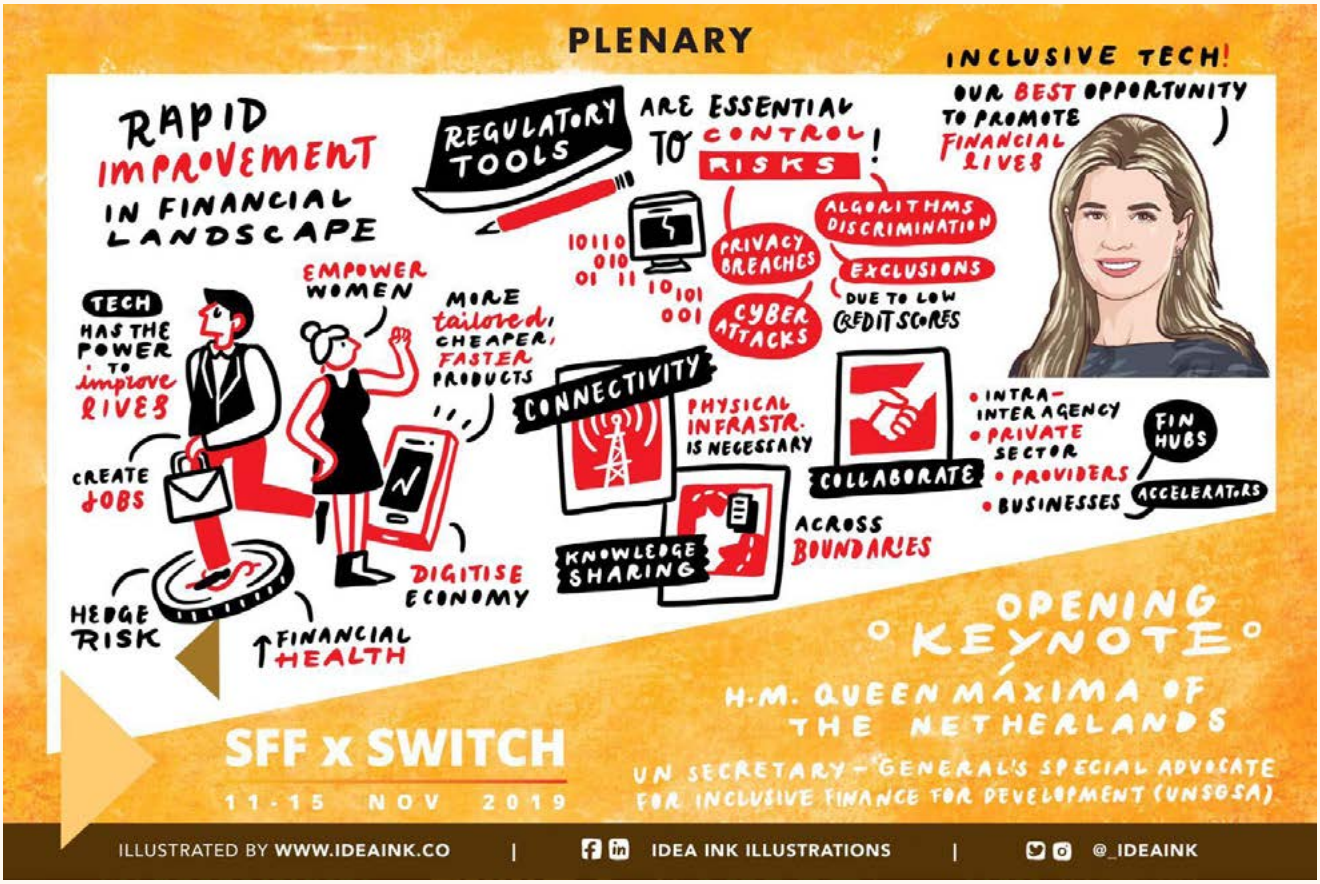
Although an improved regulatory environment is crucial to foster inclusive fintech, the private sector is also critical to develop customer-centric approaches and products that enhance the financial health of users. This is a key step beyond simply creating access or usage.

"Providers and investors can also create industry standards to make their practices more inclusive and safer. Fintech associations can lead by providing a collective voice to regulators on policy changes to encourage innovation. Large companies can also support the emergence of new solutions and start-ups, by establishing fintech hubs, accelerators, and anchoring industry sandboxes," said the UNSGSA at the SFF.

This is why on country visits to Bangladesh and Pakistan in 2019, the UNSGSA advocated and helped initiate

EARLY LESSONS ON REGULATORY INNOVATIONS TO ENABLE INCLUSIVE FINTECH

Source: Early Lessons on Regulatory Innovations to Enable Inclusive Fintech, UNSGSA FinTech Working Group and CCAF, 2019



A graphic illustration created by an artist during the UNSGSA's keynote address at the 2019 Singapore Fintech Festival (SFF) touches on the main themes of Her Majesty's speech last November. Credit: Singapore Fintech Festival

the establishment of fintech associations. Additionally, during the visit to Pakistan, she advocated for and continues to support the State Bank of Pakistan's (SBP) efforts to establish a fintech innovation office.

Generally, there are necessary policies and pieces of infrastructure that need to exist for fintech to flourish–these are the key public goods that Queen Máxima has advocated be put in place. For example, connectivity, physical infrastructure and digital identification are important for access. Fair competition and interoperable payment systems enable markets to function better for customers. And data privacy, cybersecurity, consumer protection, and digital and financial literacy are needed to protect the financial system and users.

"To deal with all of this, we need to share knowledge among different countries," the Special Advocate highlighted at the SFF. "We can learn from Mexico, which has established an interoperable payments system, or from Peru with its digital ID system. Organizations, such as the BIS, Gates Foundation, MAS, and the World Bank Group, can facilitate knowledge sharing on global public goods among central banks."

Supporting the Work of Standard-Setting Bodies (SSBs)

It has been demonstrated that the work of standard-setting bodies (SSBs) can have a positive impact on people's financial lives. As a result, the Special Advocate continued to engage with and support the work of the global financial SSBs to ensure financial inclusion is considered in their work.

For example, the "Enhanced Cooperation Arrangements among the Bank of International Settlements (BIS), SSBs and the Financial Inclusion Community" was agreed upon in 2019. It provides a platform for sustained and focused discussion on issues relevant to the work of SSBs and financial inclusion.

The November 2019 meeting served as a follow-up to the high-level meeting with the Special Advocate at BIS six months earlier where SSBs shared and discussed with participants notes on market structure, and on data analytics. Additionally the Financial Stability Board (FSB) and the Committee on Payments and Market Infrastructures (CPMI) agreed to further examine these topics. FSB will potentially organize a workshop on data analytics, while CPMI intends to develop a report on market structure.

Additionally, the World Bank Group and the Bill & Melinda Gates Foundation agreed to map key SSBs standards to identify where their application creates barriers to inclusive finance. A group of experts is being identified to examine two key sets of standards. This includes the Financial Action Task Force's (FATF) 40 Recommendations and Basel Committee on Banking Supervision's (BCBS) Basel III Standards.

Promoting Interoperability

Interoperability enables different payments systems and approved FSPs—banks and non-banks—to interact and communicate so that they can conduct, clear and settle payments between customers who use different FSPs. Promoting interoperability can help increase financial inclusion.

For instance, an interoperable payments system that includes non-banks, such as mobile money operators, payments banks or other fintech companies, can expand the reach of retail payments instruments for the underserved. Non-banks are increasingly offering digital financial services that allow customers to send and receive payments faster and more affordably.

Interoperability consists of three key elements: Governance and operating rules of a retail payments system; business agreements and incentives among participants between retail payments systems; technical integration and compatibility.

The UNSGSA has highlighted that governments can support interoperability through:

1. Ensuring interoperability is technologically possible.
2. Strategically partnering with financial institutions, retail networks and mobile network operators (MNOs).
3. Addressing potential risks, including legal, operational and financial, to enhance consumer protection.

In Pakistan, the UNSGSA actively advocated for a pro-poor interoperable micropayments gateway during a country visit in November 2019. "For innovation to thrive and support financial inclusion, we really need the appropriate rules and infrastructure to make markets work better for all customers. Key among this is creating an interoperable retail payments platform. Such a platform is essential for all customers to be able to transact with each other—whether they use the same provider or not," said the UNSGSA during her remarks at the signing of the memorandum of understanding between the State Bank of Pakistan (SBP) and Karandazz to establish a micropayment gateway.

As a result, it has become a national priority for the government, and its development is strongly supported by Prime Minister Imran Khan and SBP Governor Reza Baqir (see pg. 22). Looking ahead, the Special Advocate stated: "It is encouraging that...all providers and government entities will be required to join. The next steps in designing the appropriate governance structure, scheme rules, initial use cases, and pricing will be critical for the platforms to succeed and to have impact."

MOBILE OWNERSHIP AND WOMEN'S FINANCIAL INCLUSION

According to the 2017 Findex, women in LMICs were 33% less likely than men to own a mobile money account. Trends in mobile ownership reveal some of the reasons for this gap, as well as opportunities for closing it.

CHALLENGES

Women in LMICs are:

8% less likely than men to own a mobile phone

20% less likely to use the interent on a mobile

20% less likely to own a smartphone

↓ **165** million fewer women than men own a mobile in these countries

↓ **300** million fewer women than men use mobile internet

393 million women are unconnected to mobile internet

OPPORTUNITIES

In South Asia, home to the largest mobile internet gender gap

the gap decreased from **67%** to **51%** between 2017 and 2019

Despite the ongoing gap in smartphone ownership, it is narrowing

↑ **78** million women gained access in 2019

1.2 billion women in LMICs owned a smartphone in 2019

55% compared with 44% in 2017

Sources: GSMA Connected Women, The Mobile Gender Gap Report 2020; Global Findex 2017

CEO PARTNERSHIP FOR ECONOMIC INCLUSION

The UNSGSA meets with members of the CEOP in January 2020 during the WEF in Davos. Photo credit: HubCulture

Since the UNSGSA convened the CEOP at the World Economic Forum in January 2018, this group of private sector leaders has pioneered a variety of collaborative, cross-industry initiatives to boost financial inclusion and tap new markets. In January 2020, the leaders gathered once again in Davos to discuss their progress as well as their vision ahead for the CEOP.

At the meeting, members discussed strategies for scaling up CEOP initiatives and demonstrating their impact to the private sector. This included increasing the awareness of private sector leaders on financial inclusion business opportunities in focus countries, such as Indonesia and Pakistan. Reaching scale with solutions that work well for the companies and the customers will be the priority for 2020 and 2021. This will help give the work greater visibility and encourage other companies to launch similar partnerships.

To achieve greater scale, members agreed to focus their resources on initiatives with high potential to increase financial inclusion, which could also include building upon each company's existing products and solutions. In addition, they acknowledged the need to develop measurable indicators to assess the success of initiatives.

The group discussed the need to expand their partnerships in Africa and Latin America, given the size of the underserved segments and limited number of initiatives in those regions. In all regions, they will place a high priority on reaching MSMEs and farmers.

Several CEOs discussed their efforts to improve their own employees' financial health, as part of their commitment to financial inclusion. Some members have agreed to explore collaboration in developing tools and insights from these efforts in the form of a working group.

COVID-19

In June, the Special Advocate met virtually with the leaders of the CEOP to discuss members' various response efforts to COVID-19. The group also explored potential ways to collaborate to enhance the economic resilience of low-income customers and small businesses in navigating the pandemic, especially through economic inclusion.

CEOP members are working together in areas such as bundling telemedicine with digital financial services, and fast and targeted credit delivery for micro and small businesses. Additionally, they are exchanging knowledge on customer insights regarding consumer behavior during the time of the pandemic as well as best practices such as contactless digital financial services.

Spotlight on CEOP Initiatives

Collaboration and Technology Make Cross-Border Remittances Easier in Pakistan

In many developing countries, funds sent home from individuals working overseas represent a major source of income for families and a sizable portion of the economy. In 2017, these remittances totaled $613 billion–four times more than total official development assistance worldwide (World Bank, 2019). However, it is apparent this source of income will be strained as a result of the economic crisis induced by the COVID-19 pandemic and shutdown. The World Bank has projected an approximately 20% decline in global remittances in 2020, representing the sharpest drop in recent history.

Even before the impacts of the new coronavirus, sending money across borders could be costly and time-consuming, due to the number of financial institutions involved in each transaction, delays caused by limited banking hours and multiple time zones, and regulatory and security challenges. Two CEOP member companies helped pioneer a solution in Pakistan in 2019–one that is proving helpful in the time of COVID-19.

Telenor Microfinance Bank, in partnership with Valyou of Malaysia, introduced the country's first blockchain-based cross-border remittance service, powered by industry-leading blockchain technology developed by Alipay, the open digital lifestyle platform operated by Ant Financial Services Group. This technology allows the service to provide secure, encrypted, and efficient transfers. Payments can be made in real time at any hour of the day, and both senders and recipients can track them. In addition, this service is cheaper than many of its competitors–making it an easy choice for migrants and their families.

AXA and Bharti Airtel Provide Life Insurance with the Touch of a Button

What if you could protect your family just by topping up your mobile phone credits? This simple idea is the premise behind an innovative new partnership between the global insurance company AXA and the telecommunications giant Bharti Airtel. This collaboration, which grew out of the CEOP, allows low-income customers to enroll in an insurance plan by signing up for an affordable monthly mobile recharge.

Clients purchase a scratch card for 179 rupees (US$2.50) covering mobile phone and data service as well as the premiums on a monthly 200,000 rupee (US$3,000) life insurance policy. This groundbreaking program has the potential to provide greater financial security to millions in India, where insurance penetration is currently in the single digits. The insurance policy is fully digital, saving customers the hassle of paperwork, middlemen or medical tests. For AXA and Airtel, the initiative opens up an enormous new customer base, enhances customer loyalty, and paves the way for them to offer additional products and services to clients who sign up for this package. According to the companies, it has currently reached a scale that covers over 200,000 people per month with an aim to scale to more than one million in the near future.

Client Story

CEOP INITIATIVE BRINGING DIGITAL PAYMENTS TO PAKISTANI MERCHANTS HELPS BOOST BUSINESS

Mr. Ishtiaq Khan, an Islamabad merchant and entrepreneur, is accustomed to change. In a span of four years, he moved from being a French fries salesman in a street stall to owning a convenience store. In July 2019, however, his business was dramatically improved due to a CEOP initiative that introduced digital financial services to him, along with other MSMEs in Pakistan.

The initiative springs from a partnership between CEOP member companies PepsiCo and Telenor Microfinance Bank (jointly owned by Telenor Group and Ant Financial). It offers merchants a method to pay their PepsiCo distributors digitally through Telenor Microfinance Bank's mobile banking platform Easypaisa.

PepsiCo, the largest fast-moving consumer goods company in Pakistan, reaches over 200,000 retail shops throughout the country via more than 200 distributors. For merchants like Mr. Khan, the digital platform is faster and safer to use than cash. It has also allowed him to enter the formal digital financial system by using his Easypaisa account to pay bills and top up his mobile credit.

This collaboration between the two companies is one of more than a dozen such partnerships being piloted worldwide as part of the CEOP, which was launched in 2018 by UNSGSA Queen Máxima to encourage global companies to help foster financial inclusion while tapping new markets where there is a strong business case.

During the Special Advocate's visit to Pakistan in November 2019, Mr. Khan told her that using Easypaisa to pay his distributor has helped him manage his business better. He and other participants are also building a digital credit history, which will enable them to qualify for loans from Easypaisa—a service the company plans to roll out in the near future. These loans will allow merchants like Mr. Khan to purchase more inventory and expand their businesses. Many merchants in the PepsiCo network have also decided to become Easypaisa agents. This offers them a chance to earn additional income and introduce mobile banking to their customers, broadening the reach of digital financial services and increasing financial inclusion. Mr. Shazad Shoukat, another Islamabad shopkeeper, told the UNSGSA that in his first month as an agent, he facilitated PKR 225,000 (approximately US$1,400) in transactions, earning him income from commissions—considered a good start. He noted this helps him save more for the future.

The UNSGSA speaks with Mr. Ishtiaq Khan in Pakistan in 2019. Photo credit: Robin Utrecht

Additionally, the UNSGSA met with executives from Easypaisa and PepsiCo who expressed enthusiasm about the early successes of the partnership and its potential to bring even more Pakistani small business owners and their clients into the formal financial system, while helping them increase their customer base. (Telenor Microfinance Bank also developed a similar partnership with Unilever in Pakistan).

PAKISTAN

The Special Advocate, along with her partners, conducted a country visit to Pakistan in November 2019 to support the country's ongoing work to increase financial inclusion. The UNSGSA previously visited the country in 2016, shortly after Pakistan launched its first national financial inclusion strategy (NFIS).

Pakistan's NFIS aimed to scale up access to formal financial services in a country where only 13% of the population was financially included, according to the 2014 Global Findex. It helped enable a modest increase to 21% (Findex 2017). However, women continue to trail men in terms of access, creating an 18% gender gap–35% of men own an account, compared to only 7% of women.

Tech-Enabled Solutions: An Opportunity to Boost Financial Inclusion for Pakistanis

Technology will play a vital role in Pakistan's efforts to increase financial inclusion, especially to close the gender gap and reach underserved segments. To further support these efforts and offer input, the Special Advocate met with leaders from the public, private and development sectors. This included Prime Minister Imran Khan, State Bank of Pakistan (SBP) Governor Reza Baqir and Advisor to the Prime Minister on Finance Abdul Hafeez Shaikh.

The UNSGSA also spoke at the launch of the Ehsaas Financial Inclusion Strategy, part of the country's broader Ehsaas poverty alleviation program. Further, she delivered a speech at a ceremony to establish a micropayments gateway.

To follow up on her visit to Pakistan, the UNSGSA held a videoconference call in March 2020 with key stakeholders in Pakistan to further support and offer advice on the country's key priorities for financial inclusion. It included Governor Baqir, the Special Assistant to the Prime Minister on Poverty Alleviation and Social Protection Dr. Sania Nishtar and the Advisor to the Prime Minister on Digital Pakistan Ms. Tania Aidrus. Representatives from the UNSGSA's partners also participated. A second videoconference is scheduled to be held later in 2020 as well.

The UNSGSA met with Prime Minister Imran Khan and a group of his advisors to discuss key financial inclusion priorities for Pakistan. Photo credit: Robin Utrecht

UNSGSA Queen Máxima's Five Key Priorities for Pakistan

1. Promote digitization of financial services and government payments.

Pakistan's pro-poor micropayments gateway can help customers more easily make small transactions for a low price without interacting with multiple providers. In the long term, it could increase competition between providers, lower costs, enable infrastructure sharing, as well as increase value for customers.

The UNSGSA recommended that the Prime Minister's Economic Team of Advisors set targets to digitize government payments and receipts. This could potentially bring millions of people into the formal financial system. Since the Special Advocate's visit, it was agreed that government bulk payments would be the first use case for the new micropayments gateway. Additionally, the delivery of the micropayments gateway has become a national priority for Prime Minister Khan and Governor Baqir.

The Special Advocate is pictured with State Bank of Pakistan (SBP) Governor Reza Baqir during her November 2019 visit to the country. Photo credit: Robin Utrecht

2. Expand the focus on women's financial inclusion.

SBP has announced a renewed focus on women's financial inclusion and drafted a policy to reduce the gender gap, which has been shared with development partners. Pakistan aims to introduce the new policy in 2020 with input from the Special Advocate and her partners.

The UNSGSA congratulated the SBP for collecting gender disaggregated data on branchless bank account activation. This can help policymakers and providers understand women's usage of such products. Also, she advised SBP to collect and publish additional gender-disaggregated data to provide a broader picture of women's financial inclusion, which the Central Bank will undertake.

Queen Máxima also met with public sector leaders, including Prime Minister Khan and Dr. Nishtar, to listen to updates on the role of women's inclusion in the Ehsaas Financial Inclusion Strategy. This included a "one woman, one bank account" approach designed to increase account ownership for rural women. Since then, under Ehsaas, the Benazir Income Support Program (BISP), the largest government program to assist the rural poor, has started to work to digitize payments for its eight million beneficiaries–a group that includes seven million women–which have already been rolled out to approximately half of the participants.

3. Promote ID as a public good.

One of the most important public goods to facilitate financial inclusion is a digital identity system. The UNSGSA encouraged the Chair of the National Database and

Registration Authority (NADRA) to make the database function as a public good. Specifically, this allows service providers easier, affordable and safe access to digital customer data to facilitate account opening. In December 2019, NADRA agreed to lower fees for Electronic Money Institutions (EMIs) to match ones charged to banks for customer due-diligence checks.

She also urged SBP and Digital Pakistan to help reform the ID system. The development of critical public goods infrastructure is a key goal of Digital Pakistan. Further, SBP is now exploring how to best lower ID costs as a service for FSPs.

4. Support the establishment of regulatory innovation offices as well as an industry-led innovation association.

The UNSGSA encouraged regulators to establish an innovation office to serve as a one-stop shop for different agencies connected with regulating financial services. The office could enable regulators to learn about new technologies, opportunities and risks. Further, it could:

- Promote coordination among different departments;
- Provide decisions on regulatory approvals and licensing for new products;
- Answer queries from innovators; and
- Set pricing and eligibility criteria.

The UNSGSA offered to connect Pakistani officials with regulators in other countries who have established innovation offices. The Special Advocate also led a roundtable on fintech for regulators and fintech leaders. As a result, fintech innovators committed to establish an industry association to help prioritize common industry challenges. Since the Special Advocate's visit, SBP set up a subcommittee to form an innovation office, to be hosted at the Central Bank inside the Governor's office.

5. Support the launch of Digital Pakistan.

The Special Advocate supported the launch of Digital Pakistan and the appointment of an Advisor to the Prime Minister on Digital Pakistan to oversee efforts to increase digital financial inclusion and public goods infrastructure. Following the country visit, the UNSGSA has facilitated introductions for the Special Advisor with development partners to explore partnerships and funding for Digital Pakistan's identified initiatives.

Digital Pakistan Identified Initiatives

- High-speed internet access for at least 90% of the population;
- Digital infrastructure to pave the way for a digital economy;
- Accessible, efficient and transparent government with key services digitized;
- Digital literacy and training; and
- Innovation and entrepreneurship, including an enabling environment for the growth of a tech ecosystem.

UNSGSA Pakistan Country Visit Partners
Bill & Melinda Gates Foundation, Better than Cash Alliance (BTCA), Consultative Group to Assist the Poor (CGAP), World Bank Group

Client Story

FOR PAKISTANI MERCHANTS, DIGITAL SUPPLY CHAIN PAYMENTS PROVIDE A LIFELINE

For Muhammad Abid Islam, a shopkeeper in Lahore, getting back on his feet after a major business loss was initially a challenge. To make more money, he needed to purchase more products to sell at his New Waseem General Store, where he is now the sole proprietor. But he could not do so without getting a loan—a process that can often be difficult for small business owners.

His supplier, Unilever, offered a novel solution that has not only allowed Mr. Abid Islam to rebuild his business, but also makes the supply chain more efficient. Through an innovative private-private partnership with Finja, a financial services platform, Unilever is giving its merchants a way to pay distributors directly from SimSim mobile wallets. This branchless banking solution is offered in partnership with Finca Microfinance Bank.

The mobile wallet provides an additional benefit for merchants like Mr. Abid Islam—a digital footprint that helps them build a credit history. Mr. Abid Islam was able to use this digital record to obtain Unilever products on credit and increase his sales.

During the UNSGSA's visit, he shared with her that obtaining credit has helped solidify his finances, enabling him to pay for his son's education. He now aims to increase his loan amount to invest even more in his business by expanding the range of products he can offer.

The benefits of this initiative extend beyond the walls of Mr. Abid Islam's small shop. For Unilever, digital payments make it faster and safer to distribute goods without worrying about collecting payments in cash. For Finja, engaging with Unilever's merchants allows them to cultivate a large new customer base. It's an everyone-wins solution—and a potential model for other companies looking to reach new customers in the developing world.

Muhammad Abid Islam, a shopkeeper in Pakistan, utilized a mobile wallet to help him run his business better. Photo credit: Marianne Wiltjer

Client Story

MOBILE WALLETS EMPOWER BEAUTICIANS AT STARTUP IN PAKISTAN

Safia Javed, a beautician in Lahore, is proud to be the breadwinner for her husband and three sons. But until recently, she was not always in control of her earnings, which she brought home in cash from the salon where she worked.

Ms. Javed, who is 48 and has supported her family since her husband experienced renal failure several years ago, told the UNSGSA during a November 2019 visit that similar to other women in Pakistan, male relatives would sometimes take control of her cash savings. However, she was excited to share with the Special Advocate that a job change and an innovative digital financial tool gave her more control over her financial future.

Ms. Javed now works for a startup beauty service called Ghar Par. The company, which enables its customers to connect with and order at-home services such as facials or manicures from vetted, well-trained beauticians on its app, partnered with financial services platform Finja to utilize its SimSim mobile wallet for payments.

Ghar Par requires all its beauticians to download the mobile wallet and provides digital and financial literacy trainings to them—most of whom come from low-income backgrounds with limited education.

Some customers pay for the services digitally through a SimSim QR code. Others still give beauticians cash, which is then deposited at the nearest UBL Omni agent by the beauticians in their own SimSim wallet before the payment is sent to Ghar Par.

With their earnings being received on the mobile wallet, the beauticians have more privacy and control over their money. Ms. Javed told the Special Advocate that SimSim has allowed her to keep her money safe and secure.

It has also helped save her expenses since she no longer needs to pay for an auto rickshaw (approximately 200 Pakistani rupees or USD $1.30)

The UNSGSA is pictured speaking with Safia Javed during a visit to Pakistan in 2019. Photo credit: Marianne Wiltjer

to ride to Ghar Par's headquarters to deposit in-person the money she collected from clients each day that she worked. Not having to deal with this cash has meant that she can now double the number of clients she sees in a day, thus doubling her income.

Further, Ms. Javed said she has been able to increase her earnings because the app helps connect her to more clients, usually upmarket, compared to the traditional salon in her neighborhood.

Now, Ms. Javed uses the mobile wallet for top-ups and bill payments. She has also been able to afford to put her sons back in school and purchased a house with her savings. She said her goal is to be able to save enough over the next few years to pay for the weddings of her children, and eventually she would like to become a trainer at Ghar Par's headquarters.

Ms. Javed has become a highly respected member of her family and community. She now makes many of the household decisions and people frequently come to visit her to ask her for advice.

INDONESIA

In March 2020, the UNSGSA held meetings in Jakarta with leaders from the public and private sectors to discuss Indonesia's progress toward full financial inclusion. She has visited the country three times before, in 2012, 2016 and 2018, and provided guidance as it has developed and implemented its national financial inclusion strategy (NFIS) and started to roll out digital financial services (DFS) at scale.

The Government of Indonesia has made substantial progress to increase accounts ownership through digitizing government-to-person payments. While still concentrated in urban areas, Indonesia has also seen sizeable progress in digital payments uptake, driven by innovative providers such as Gojek, Grab, Dana and LinkAja.

Public Sector

The UNSGSA met with Coordinating Minister for Economic Affairs Mr. Airlangga Hartarto, Minister of Home Affairs Mr. Tito Karnavian, Bank Indonesia (BI) Deputy Governor Mr. Dodi Budi Waluyo and Otoritas Jasa Keuangan (OJK) Vice Chairman Ms. Nurhaida. The leaders shared with the Special Advocate that the government is ramping up its digital payments ecosystem, while ensuring a sustainable business case. One planned initiative aims to make sure all students enrolled in school have a digital account by 2022.

BI and OJK are looking into ways to expand agent banking to rural areas. Additionally, OJK, BI and the Ministry of Home Affairs are exploring and piloting approaches around electronic know-your-customer (e-KYC) verification for both banks and non-banks, making it easier for people to get approved quickly for all types of accounts and loans.

The UNSGSA reaffirmed that she and her partners will support Indonesia's efforts to expand agent networks and the broader DFS ecosystem in rural areas. She also noted the importance of maintaining competition in the market to avoid monopoly and drive customer centricity. Finally, she advised leaders to consider setting up a joint BI-OJK innovation office that can streamline processes for financial services providers while allowing the two financial services authorities to learn from each other.

The UNSGSA held meetings with various leaders to hear updates on Indonesia's financial inclusion progress during a visit to the country in March 2020. Photo credit: Robin Utrecht

Private Sector

During her visit, the UNSGSA also met with national and regional CEOs who are part of the CEOP. They discussed several promising initiatives that emerged from a CEOP Advisors Workshop held several days earlier in Jakarta. One example is a potential partnership to extend DFS to women by enabling midwives to become branchless banking and insurance agents. Given that there are about 800,000 midwives in Indonesia, each of whom serves 40–50 women per year, this initiative holds great potential to expand women's digital financial inclusion.

UNSGSA Indonesia Country Visit Partners
Better than Cash Alliance (BTCA), Consultative Group to Assist the Poor (CGAP), Bill & Melinda Gates Foundation, World Bank Group

Financial Inclusion for Development: Building on 10 Years of Progress

Photo credit: Cynthia Van Elk

United Nations General Assembly Special Event

The importance of financial inclusion to the international sustainable development agenda was on full display during the 74th United Nations General Assembly (UNGA) in New York in September 2019. Approximately 500 high-level attendees convened for a special event, Financial Inclusion for Development: Building on 10 Years of Progress, to celebrate the success in inclusive finance over the last decade and recognize its importance to the 2030 Agenda.

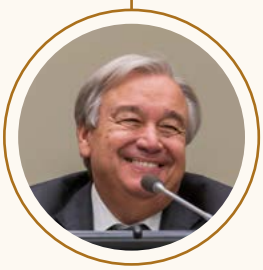
The special event was co-hosted by Indonesia, Peru and Tanzania, all co-chairs of the UN Group of Friends of Financial Inclusion. It coincided with the 10th anniversary since Queen Máxima accepted the role of the UNSGSA. The Special Advocate and Secretary-General Mr. António Guterres each highlighted how financial inclusion, particularly digital finance, can help achieve the UN SDGs. They also discussed how to best overcome hurdles to full financial inclusion. A select group of public and private sector leaders also spoke.

In her remarks, the UNSGSA noted that financial inclusion is a tool to give people a better future. To achieve this, the Special Advocate said that governments are essential to change policies, regulations and investments to allow this. Queen Máxima also stated that private sector leaders have realized that financial inclusion is not only the right thing to do but the smart thing to do—and that they'll be the ones to provide scale. Finally, the UNSGSA reiterated the opportunity of technology-enabled innovations to reach underserved segments more affordably, quickly and conveniently.

Additionally, there was a question and answer session that enabled the Special Advocate to share her insights on key financial inclusion issues with some of her partners in the audience.

> **Financial inclusion is not an end in itself** but it is a means to increase family income, improve nutrition, increase access to health, improve education, and empower, especially women. Basically, it is about including people in the economy ... And technology presents our best chance to reach them—by scaling quickly, reaching them affordably, and reaching them with better products. H.M. Queen Máxima, UNSGSA

YouTube | **Watch online**



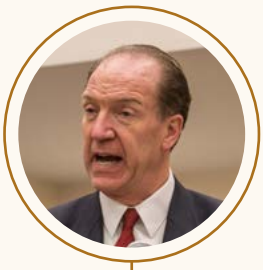
"On behalf of the United Nations as a whole I wanted to thank you (Queen Máxima) very much and to say how proud I am that you have accepted to go on and remain my Special Advocate.

Secretary-General Mr. António Guterres

YouTube | Watch online

"You've been an early supporter of better data on financial inclusion, which is so important for making progress with programs ... and you are a leading champion of the Global Findex Database.

President of the World Bank Group Mr. David Malpass



YouTube | Watch online

"Our country, with 260 million people, is a firm believer in the (importance of the) digital economy.

Republic of Indonesia Minister of Communication and IT H.E. Mr. Rudiantara

YouTube | Watch online

"I would like to thank those who are making a valuable contribution today, and especially to you Queen Máxima for your dedication and devotion in ensuring financial inclusion is part of our agenda.

United Republic of Tanzania Minister of Foreign Affairs H.E. Palamagamba Kabudi

YouTube | Watch online

> If we want to create an equitable and just society, we need to empower everyone and bring them digital financial services.

Co-Chair of the Bill & Melinda Gates Foundation Ms. Melinda Gates

YouTube | **Watch online**

> I think we should all be rightfully proud of all the accomplishments that we've made in the last 10 years. You can look at almost any metric and it has improved dramatically. But I don't think we should underestimate how far we still have to go—really the work has just begun.

President and CEO of PayPal Mr. Dan Schulman

YouTube | **Watch online**

> Sustainable growth in this space will require the private sector's capital, ingenuity and technology, in addition to the governments setting the right guiderails, rules and methods and regulations.

Then-President and CEO of Mastercard Mr. Ajay Banga

YouTube | **Watch online**

Media

Video Interviews

As the Special Advocate, Queen Máxima regularly participates in a range of broadcast, print and radio interviews throughout the year to help promote and raise awareness on inclusive finance for development. Many video interviews over the years are available at the UNSGSA's official YouTube channel: www.youtube.com/c/unsgsa.

BLOOMBERG TV

Coinciding with the UN General Assembly, the UNSGSA highlighted global efforts to promote financial inclusion and the important role technology plays in helping to reach the unbanked, in an interview with Bloomberg's David Westin from the Bloomberg Global Business Forum 2019 on "Balance of Power" on 25 September in New York.

THE BANKER

In an exclusive interview in The Hague, the UNSGSA spoke with The Banker's Silvia Pavoni ahead of the 2020 World Economic Forum about the importance of better understanding financial exclusion, the need for better products, and how cross-sector business partnerships can help reach the 1.7 billion adults in the world who remain unbanked.

The Road Ahead

Young money changer on bank of Senegal River, the border between Senegal and Mauritania. Photo credit: Scott Wallace/World Bank

In many ways, the world has yet to fully grasp the breadth and scale of the damage inflicted by the health and economic crisis caused by COVID-19. This is, in part, because though gains have been made to combat the virus, it continues to proliferate in many places and remains a threat to resurface even in areas where it currently appears under control. Yet, as we mount our response and begin the road toward recovery, it is evident that the pandemic has brought the importance of financial inclusion for development into sharp relief.

Among other problems, the crisis has provoked liquidity issues that threaten to crumple micro- and small businesses. Unemployment continues to soar as some estimates warn that 60 million people could fall into extreme poverty–disproportionately affecting poorer countries. Financial services providers (FSPs) find themselves at risk, too.

To help guarantee the sustainability of individuals and economies during this period of upheaval, as well as prevent a massive increase in poverty, those in the financial inclusion sphere need to work to safeguard the broad range of institutions we helped cultivate to promote inclusive finance in the first place.

This includes insurance companies, traditional specialized banks, regulated microfinance providers, mobile network operators (MNOs) and fintech companies, all of which have emerged in the previous decades. It also encompasses new actors who can reach the last mile, now key partners for FSPs, such as consumer goods companies. Together these entities help form a rich ecosystem essential to respond to people's financial needs.

Agent networks in particular demand our attention. They often operate on the front lines and are the first to reach MSMEs and low-income customers, notably the rural. Microfinance providers, which serve 140 million low-income customers comprised of mostly women and those in rural areas, similarly require support to survive this crisis and become more digital in the process.

It will also be crucial to heighten our focus on consumer protection. Technology-enabled innovations offer the most potential to provide solutions to financial exclusion, especially the underserved. But solutions from tech have always been accompanied by new risks to be mitigated–vulnerabilities that could be exacerbated due to the impacts of COVID-19.

Collaboration will be critical on this front. It is why it remains key to continue to bridge the fintech world with standard-setting bodies and regulators to help reduce risks for customers and the financial system.

It is also time all of us step up our joint agenda to improve the outcomes of financial services in people's lives. At the heart of the financial inclusion effort is the desire to provide financial services that create a positive impact for development and cause no harm. Improving the quality of financial services and the financial health of customers is essential as we rebuild our "next normal."

Additionally, we should continue to develop the foundation of the digital public goods, as digitization is essential for both customers and institutions. The crisis has cast a light upon how incredibly vital it is for societies to have these in place.

Countries with governments and a private sector that invested in them to help enable people safely enter and participate in the formal economy had a stronger structure to deal with and respond to COVID-19's fallout. An important lesson of this crisis could to be to advance more rapidly on digital finance in countries searching for ways to protect against potential future pandemics and other threats.

As we press ahead and continue to navigate the socio-economic impacts of the coronavirus, we need to strive to use this crisis as a chance to accelerate financial inclusion progress to help drive development–our reality reimagined and reconstructed better than before, for everyone.

To accomplish all of this we need smart policies. We need international development agencies to support the public sector as well as to help preserve the aforementioned ecosystem of institutions. And we need the private sector to be fully mobilized to promote inclusive finance where there is a strong business case.

Annexes

Photo credit: Cynthia Van Elk

About the UNSGSA

Appointed in 2009 by the former UN Secretary-General Ban Ki-moon as the UN Secretary-General's Special Advocate for Inclusive Finance for Development (UNSGSA), Her Majesty Queen Máxima of the Netherlands is a leading global voice advancing universal access to affordable, effective and safe financial services. She emphasizes that financial inclusion accelerates progress toward numerous development and economic goals such as poverty alleviation, job creation, food security, gender equality and equitable growth.

Collaborating closely with global and national partners, she raises awareness, encourages leadership, works to break down barriers and supports action to expand financial inclusion. She draws on her first-hand experiences gained through country visits and conversations with low-income families, small business owners, government and private sector leaders and others to identify which financial services and policies can really make a difference for lives, livelihoods and communities.

Queen Máxima regularly consults with and convenes stakeholders from diverse sectors–linking government leaders, finance authorities, mobile phone companies, agriculture experts, fintech companies, development partners and others–helping people and institutions learn from each other and form new collaborations. Within the UN system, she engages with programs to share best practices about how financial inclusion complements and advances their missions. As Honorary Patron of the G20 Global Partnership for Financial Inclusion since 2011, she works to advance the G20 Financial Inclusion Action Plan. She also serves as a Global Agenda Trustee for the World Economic Forum's Global Challenge Initiative on the Future of the Global Financial System.

Advisory and Administrative Arrangements

The UNSGSA works in partnership and with wide consultation among many stakeholders advancing financial inclusion–and those affected by it. She collaborates closely with an advisory Reference Group of leading international organizations in financial inclusion to share expertise and suggest strategic opportunities she can advance through advocacy and partnerships.

Reference Group members include:

Alliance for Financial Inclusion (AFI)
Better Than Cash Alliance (BTCA)
Bill & Melinda Gates Foundation
Consultative Group to Assist the Poor (CGAP)
International Finance Corporation (IFC)
International Monetary Fund (IMF)
Flourish Ventures
UN Capital Development Fund (UNCDF)
UN Development Programme (UNDP)
UN Department of Economic and Social Affairs (UNDESA)
The World Bank

Members of the Reference Group and many other partners play an important role in converting advocacy into action. The UNSGSA also consults widely with UN country teams, standard-setting bodies, financial institutions, companies, donors, civil society organizations and UN member states in the Group of Friends of Financial Inclusion. The Office of the UNSGSA works closely with the UNSGSA and her secretariat in the Netherlands to coordinate and advance her UN and G20 activities. The Office is housed at UNDP at the Bureau of External Relations and Advocacy in New York. It is funded by the Bill & Melinda Gates Foundation.

UNSGSA Working Groups

A wide range of organizations provide invaluable research and guidance to the UNSGSA on her strategic areas of advocacy.

- **Development Impact Working Group**: BTCA, CGAP, World Bank
- **Fintech Working Group**: AFI, Ant Financial, Bangko Sentral ng Pilipinas, Bankable Frontier Associates (BFA), Bill & Melinda Gates Foundation, BTCA, CGAP, Flourish Ventures, IFC, McKinsey & Co., Monetary Authority of Singapore, De Nederlandsche Bank, Reserve Bank of India, World Bank
- **Gender Working Group**: CGAP, Global Banking Alliance for Women, IFC, UNCDF, Women's World Banking, World Bank
- **Agriculture Finance Working Group**: CGAP, Danone, Ecom, Export Trading Group (ETG), the Global System for Mobile Communications Association (GSMA), Sustainable Trade Initiative (IDH), Mastercard

Financial Inclusion and Entrepreneurship in the Netherlands

Queen Máxima champions financial inclusion, entrepreneurship, and financial literacy and education, including for children and youth, in her home country of the Netherlands. In doing so she conveys best practices and insights from Dutch and international experiences. She is a member of the Dutch Committee for Entrepreneurship and Honorary Chair of the Money Wise Platform, a national partnership that promotes financial literacy.

More information

UNSGSA: www.unsgsa.org – G20 GPFI: www.gpfi.org – Royal House of the Netherlands: www.koninklijkhuis.nl

UNSGSA Activities 2019–2020

September 2019

Meetings
New York, USA
23–26 September 2019

Photo credit: Robin Utrecht

United Nations General Assembly

The UNSGSA participated in a high-level side event, Financial Inclusion for Development: Building on 10 Years of Progress, where she delivered opening remarks (see below) alongside UN Secretary-General António Guterres. The special event was co-hosted by Indonesia, Peru and Tanzania, all co-chairs of the UN Group of Friends of Financial Inclusion. Other speakers included President of the World Bank Group Mr. David Malpass; Republic of Indonesia Minister of Communication and IT H.E. Mr. Rudiantara; United Republic of Tanzania Minister of Foreign Affairs H.E. Palamagamba Kabudi; Co-Chair of the Bill & Melinda Gates Foundation Ms. Melinda Gates; President and CEO of PayPal Mr. Dan Schulman; and President and CEO of Mastercard Mr. Ajay Banga. Mr. Tilman Ehrbeck, Managing Partner at Flourish Ventures and Chair of the UNSGSA Reference Group, was the master of ceremonies.

The UNSGSA also met with members of the CEO Partnership for Economic Inclusion and attended two events as part of the Bloomberg Global Business Forum. She held bilateral meetings with UN Secretary-General António Guterres, as well as leaders from France, Bangladesh, Singapore, Indonesia and India.

Interviews, New York, USA
25 September 2019

Bloomberg News

In separate interviews with Bloomberg TV and Bloomberg Radio, the Special Advocate emphasized the role that technology has played in expanding financial inclusion in recent years.

Speech, New York, USA
25 September 2019

"The Power of Financial Inclusion for Development"
Opening Remarks at the Financial Inclusion for Development: Building on 10 Years of Progress Event at the 74th Session of the United Nations General Assembly

"Financial inclusion is not an end in itself, but it is a means to increase family income, improve nutrition, increase access to health, improve education and empower, especially women. It allows affordable energy, as well as water and sanitation, and it creates jobs."

October 2019

Speech
Amsterdam, Netherlands
7 October 2019

Photo credit: SME Finance Forum

"Closing the MSME Finance Gap"
Opening Remarks at the 5th Global SME Finance Forum

"We have evidence that when financial institutions understand the key needs of MSMEs and can offer them effective solutions, in addition to credit, they help them thrive. Here, technology and fintech can present great opportunities."

Meetings
Amsterdam, Netherlands
7 October 2019

5th Global SME Finance Forum
In addition to delivering opening remarks at the event, the UNSGSA participated in two side meetings: Emerging Fintech Innovations in MSME Finance, and Digital Data Footprint and Analytics for Financial Inclusion in Southeast Asia.

November 2019

Speech
13 November 2019

"Inclusive Fintech: Our Best Opportunity to Improve Financial Lives"
Keynote address at the Singapore Fintech Festival
"I call on each of you to consider the large impact that you can have on financial inclusion. You can co-create products, standards, regulatory tools and public goods so that fintech can seize its potential to spur inclusion and improve people's lives. Remember that 1.7 billion adults lack access, but there are many more for whom we can improve financial health so that they can build their resilience."

Meetings
13 November 2019


Photo credit: Singapore Fintech Festival

Singapore Fintech Festival
The Special Advocate met with various public-sector leaders, including officials from Singapore, India, Kenya, Pakistan, Cambodia, Nepal and the Philippines. She also met with CEOs of various fintech companies and co-hosted a roundtable meeting with the Bank for International Settlements (BIS) and the World Bank on the impact of technology on financial inclusion and financial stability.

Pakistan Country Visit
25–27 November 2019


Photo credit: Robin Utrecht

The UNSGSA met with leaders including Prime Minister Imran Khan, President Arif Alvi, Minister of Foreign Affairs Mahkdoom Shah Mahmood Qureshi, State Bank of Pakistan Governor Reza Baqir and others. She held roundtables on fintech and the private sector, and met with development partners. She attended the launch of Kifalat, the financial inclusion strategy that is part of Ehsaas, the country's poverty reduction program, where she delivered remarks (see below). She also spoke at the launch of Pakistan's micropayments gateway (see below).

During her time in Pakistan, the Special Advocate conducted four field visits. In Islamabad, she met with small merchants participating in a pilot project being implemented by Telenor and PepsiCo to facilitate cashless payments to distributors, as well as with officials from both companies. In Lahore, she met customers and employees of three innovative tech solutions that are facilitating financial inclusion. These included Bykea, a mobile app that connects motorbike drivers with clients and facilitates the use of digital financial services; Finja, a mobile payments platform that is partnering with the consumer goods company Unilever to provide credit and cashless payments to merchants; and Tez, a fintech company that makes nano-loans via a mobile app.

UNSGSA partners: Bill & Melinda Gates Foundation, BTCA, CGAP, World Bank Group

Speech
Islamabad, Pakistan
26 November 2019

Remarks at the Launch of Pakistan's Micropayments Gateway
"Financial inclusion is pivotal for the development of Pakistan: for its economy to grow, to create opportunities for its people and to build more resilience."

Speech
Islamabad, Pakistan
26 November 2019

Remarks at the Launch of the Ehsaas Financial Inclusion Strategy for the Benazir Income Support Program
"...the overall advances in financial inclusion have left women behind–today, 35% of men have accounts, compared to just 7% of women. So the need for this strategy is evident. But more than a strategy, the need for its implementation is paramount."

December 2019

Meetings Paris, France
6 December 2019

The UNSGSA met with French Minister of Finance Bruno Le Maire to discuss women's economic empowerment.

January 2020

Meetings
Davos, Switzerland
20–23 January 2020

World Economic Forum
The UNSGSA held bilateral meetings with numerous private, public and development sector leaders. She attended the TIME 100 dinner, and participated in roundtables and meetings covering a wide range of topics including MSME finance, smallholder finance, foreign policy and financial and monetary systems stewardship. She also convened a meeting of the CEOP to discuss progress to date and future plans.

March 2020

Meetings
Jakarta, Indonesia
9 March 2020

The UNSGSA met with representatives of the Indonesian government and with national and regional CEOs to discuss the country's progress toward providing broad access to financial services. She also met with national and regional CEOs who are members of the CEOP.

Videoconference
19 March 2020

The Special Advocate spoke with various leaders from Pakistan to follow up on some of the plans they had discussed during her visit. Attendees included State Bank of Pakistan Governor Reza Baqir, Special Assistant to the Prime Minister on Poverty Alleviation and Social Protection Dr. Sania Nishtar and Advisor to the Prime Minister on Digital Pakistan Ms. Tania Aidrus.

April 2020

Videoconference
30 April 2020

The UNSGSA spoke with members of her Reference Group of financial inclusion advisors to listen to updates and discuss how to best collaborate and support their future response and recovery efforts to the global COVID-19 crisis.

June 2020

Videoconference
3 June 2020

The UNSGSA held a virtual meeting with members of the CEOP to discuss how the COVID-19 pandemic is impacting their businesses and to learn about some of the companies' promising solutions. They also talked about how, in the context of the pandemic, CEOP member companies can help enhance the economic resilience of lower-income and small-business customers, as well as their own employees.

Report design: Maja Bialon

UNSGSA

UNITED NATIONS SECRETARY-GENERAL'S
SPECIAL ADVOCATE FOR INCLUSIVE FINANCE FOR DEVELOPMENT

One UN Plaza, 23rd Floor
New York, NY USA 10017
Tel: +1 (212) 906-5316
info@unsgsa.org
www.unsgsa.org
@UNSGSA
linkedin.com/company/unsgsa
youtube.com/c/unsgsa