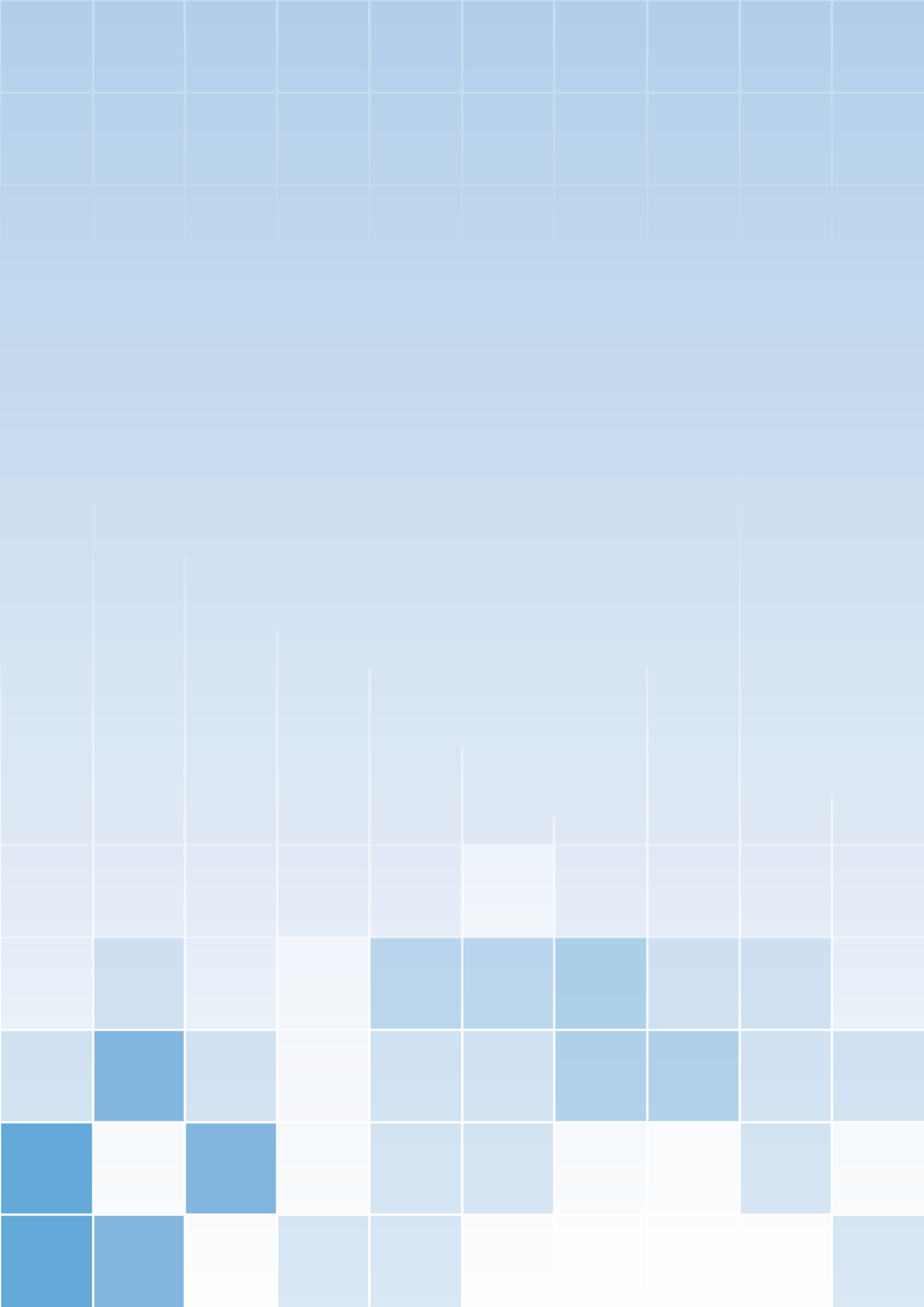




# **United Nations Secretary-General's Special Advocate for Inclusive Finance for Development**

**Annual Report to the Secretary-General**

September 2010



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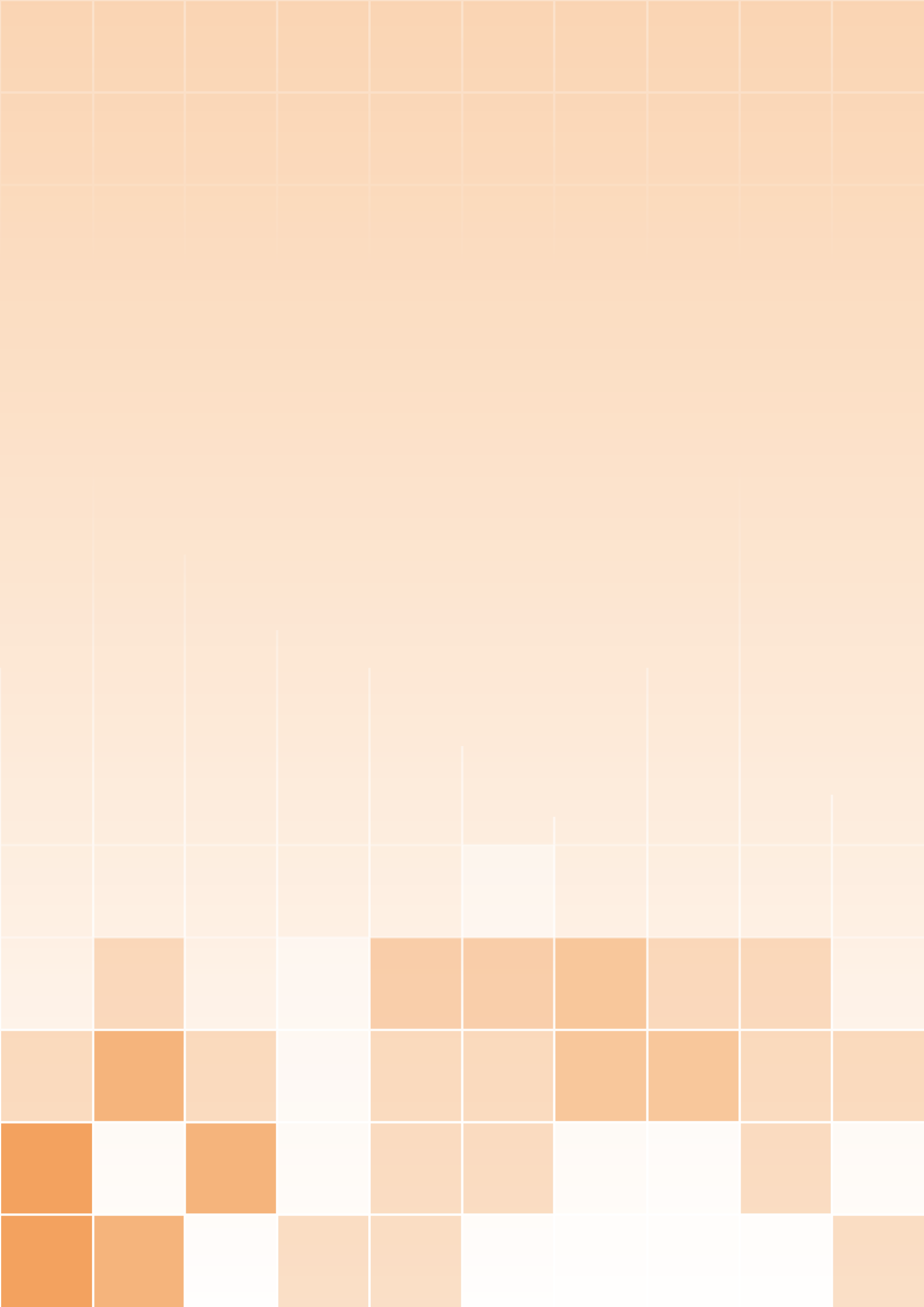
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# Executive Summary

**S**IMPLY PUT, financial inclusion is universal access, at a reasonable cost, to a wide range of financial services, provided by a variety of sound and sustainable institutions. Greater financial inclusion gives people more power over their lives. It is a means to an end – to help reduce poverty and meet other social and economic development objectives.

As the United Nations Secretary-General's Special Advocate for Inclusive Finance for Development (UNSGSA), HRH Princess Máxima of the Netherlands is well positioned to advocate for greater financial inclusion among policymakers and regulators, and to raise awareness of the issues and opportunities among financial service providers and other potential collaborators, including the public at large. Over the course of her long engagement in the area of financial inclusion, HRH Princess Máxima has identified several themes, which form the core of her advocacy work. These include access to a range of financial services, starting with savings; a continuum of inclusion, from individuals to SMEs; responsible finance, with protected clients empowered to make sound choices; the mutually reinforcing relationship between financial integrity and financial inclusion; and the importance of data for decision-making. These key themes have guided the UNSGSA's work globally and in specific countries and fora, and form the organizing basis for this first report.

Financial inclusion is distinguishable from microcredit in that it recognizes that people and businesses require a range of financial services – savings, payments, insurance, as well as credit – to meet their needs. As UNSGSA, HRH Princess Máxima regards savings as the single most important financial service for the unbanked. In the face of those who would debunk microcredit as a silver bullet, the UNSGSA is challenging the discourse to consider the merits of broader financial inclusion as an important tool for global development.

Recognizing that some institutions may be better than others at providing particular services or reaching particular markets, the UNSGSA suggests that regulations focus on products and services rather than on types of institution. Financial service providers must be able to operate

on a sustainable basis – that is, they must be able to cover the costs of serving their clients. In order to expand access to a wider array of services for underserved populations, these financial service providers have relied on institutional and product innovations to bring down costs. Institutional innovations include partnerships between mobile telephone companies and banks, or post offices and banks, for example, that make use of technology or existing infrastructure. Product innovations have been primarily focused on delivery mechanisms that extend outreach while reducing transaction costs. Examples of these innovations include various forms of branchless banking, in the form of agent banking and use of mobile phones.

Financial inclusion seeks to eliminate the silos between individuals and businesses and between microfinance and SME finance. It recognizes that, like the poor, many SMEs – including those which have grown from microenterprises – are excluded from financial services. A continuum of inclusion is critical for individuals and businesses to not merely survive, but thrive. The UNSGSA has increased awareness of this missing middle, attracting significant attention to SME finance. The continuum can be looked at in geographic terms as well: rural dwellers and businesses tend to be more excluded than their urban counterparts from access to finance. Identifying appropriate products for agriculture and agribusiness is essential to promoting rural and farm-based growth and more broadly reducing rural poverty and improving food security.

The global financial crisis has made policymakers and others acutely aware that inclusive finance must also be responsible finance. Clients must be protected from potential abuses through a combination of self-regulation and appropriate consumer protection laws. These should be complemented by an enhanced capability among clients to make sound choices. Governments, financial service providers, industry associations, and other stakeholders all can contribute to a transparent, fair and client-oriented system. The UNSGSA has been an active and passionate voice on these issues, and her calls for client protection, client empowerment and fair pricing have resonated with governments and other stakeholders.

One of her messages to global leaders is that financial integrity and financial inclusion are mutually reinforcing. She has asserted that making the formal financial system more inclusive not only benefits people and businesses, but also allows national and international financial systems to better monitor the movement and sources of money by reducing the anonymity of informal transactions.

HRH Princess Máxima has long asserted that timely, reliable, and disaggregated data are essential for designing appropriate financial services and products, investing soundly, and devising effective regulation and policy. It is also essential for tracking impact and progress. This is particularly true in the area of SME finance, for which data tends to be scarcer than for microfinance.

Expanding financial inclusion involves a mix of the old and the new. It turns out that savings, one of the most basic of financial services, is also one of the most critical to reducing vulnerability, stabilizing consumption, and building a base for investment and growth. Successes need to be replicated and innovations explored. The value of protecting vulnerable clients from abuse while ensuring access to full and transparent information, though not a new objective, has been underscored by recent events in the global financial markets. New partnerships among financial institutions, and between financial and non-financial institutions, are creating opportunities for specialization while delivering highly valued services. Technological breakthroughs, such as mobile banking and e-money, are collapsing geographic and other barriers at breathtaking speed.

## I. The Challenge and the Opportunity

Some 2.7 billion adults around the world lack access to financial services.<sup>1</sup> This hampers their ability to protect themselves in times of crisis, to pursue new opportunities, and to build for the future. Financial exclusion disproportionately affects poor people, especially those living in Africa, Asia, Latin America and the Middle East.

It does not have to be this way. Financial exclusion poses a set of challenges to which we already know many of the solutions. Some of those solutions – mobile and agent banking – are new. Others – appropriate policies for providing small-scale savings products – are known, but need to be more widely adopted. But all are within our grasp.

Financial inclusion is about the right kinds of policies and regulations, the right kinds of partnerships and technologies. It is about sharing more widely what we already know, and testing more broadly new and emerging models. Financial inclusion is not, fundamentally, a question of more money.

And the payoff is tremendous. Financial inclusion helps people build better lives and bigger businesses. Poor people, especially poor women, can insulate their families from setbacks. Entrepreneurs can start businesses; small businesses can grow into larger ones; farmers can wait to sell their crops at optimal prices. Entire economies can grow more quickly – and in ways more favorable to poor people<sup>2</sup>. The link to the Millennium Development Goals, especially those dealing with poverty reduction, education and women's empowerment, is self-evident.

Indeed, the potential of greater financial inclusion is gaining recognition. The 'miracle of microcredit' – and its limitations – led policymakers first to a broader focus on 'microfinance', and now to the more holistic concept of 'inclusive finance'. The concept implies universal access, at a reasonable cost, to a wide range of financial services, provided by a variety of sound and sustainable institutions. The range of financial services goes beyond loans to include savings, payment services, insurance and other services.

Yet even the broader concept of 'inclusive finance' must not be considered a 'silver bullet.' Access to financial services enables people to buy and invest in the things that really make a difference in their lives. With access to financial services, people can buy food, pay doctors' bills, send their kids to school, and expand their businesses. Such services are particularly important to poor people whose incomes tend to be not only low, but also irregular and unreliable, varying from day to day and from season to season. The numerous informal financial arrangements most readily available to them can cost as much as 20 percent of their yearly cash flow.<sup>3</sup> Having access to a variety of appropriate and affordable financial services through formal channels can help the poor reduce their financial as well as opportunity costs. While financial services alone cannot bring people out of poverty, financial inclusion can make a big difference in their lives, and can contribute to poverty reduction and other social and economic development objectives.

<sup>1</sup> CGAP/The World Bank, *Financial Access 2009: Measuring Access to Financial Services around the World*. Washington, D.C.: CGAP/The World Bank, 2009.

<sup>2</sup> Demirgüç-Kunt, Asli, Beck, Thorsten, and Honohan, Patrick, *Finance for All: Policies and Pitfalls in Expanding Access*. Washington, D.C.: The World Bank, 2008.

<sup>3</sup> Collins, Daryl, Morduch, Jonathan, Rutherford, Stuart, Ruthven, Orlanda, *Portfolios of the Poor: How the World's Poor Live on \$2 a Day*. Princeton University Press: Princeton, NJ: 2009.

As a development issue, inclusive finance is as much about enterprise finance as it is about individual finance. Both businesses and people need access to loans, savings, insurance, payment services, pension plans, and remittance facilities – all of which can help to generate income, build assets, manage cash flow, invest in opportunities and protect against unexpected setbacks. Nor is financial inclusion just about poor people: in many developing economies, access to formal financial services is limited to 20 to 50 percent of the population, implying considerable unmet demand.<sup>4</sup>

This unmet demand is partly responsible for the growing momentum toward financial inclusion. But it is also due to tremendous innovations in products and service delivery over the past few years, which have placed financial services within sustainable reach of growing ranks of the unbanked. Countries such as India, Kenya, Mexico and many others have made financial inclusion a national policy priority. At the global level, the recent financial crisis and concerns over growth and job creation has led the G20 to focus on financial inclusion.

Similarly, ongoing concerns about food security have highlighted the need for targeted financial services in developing countries and rural areas for farmers, businesses, and households. This momentum must be seized where it exists, and used to stimulate service and policy innovations where they are lacking. Proven successes must be promoted and scaled up wherever possible, so as to replicate them in a sustainable manner. The emphasis on savings is a prime example of an approach that may not seem new or innovative, but in fact may be the single most useful service for the un- and underserved.

Much remains to be done, not least because the field of financial inclusion has evolved so rapidly, even as popular misconceptions such as “poor people cannot save” or “SME finance is different from microfinance” persist. Furthermore, as has been made patently clear by the recent financial crisis, consumer protection must be a priority, particularly in developing economies in which the asymmetries of information are amplified. Greater focus is needed on the underlying causes of financial exclusion, and greater efforts are required to promote and adopt policies and innovations to increase financial inclusion. The time is now.

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<sup>4</sup> Access through Innovation Sub-Group of the G20 Financial Inclusion Experts Group. “Innovative Financial Inclusion: Principles and Report on Innovative Financial Inclusion.” May 2010.

## II. The Strategy for Influence: United Nations Secretary-General’s Special Advocate for Inclusive Finance for Development (UNSGSA)

Recognizing both the potential of financial inclusion and the extent of the work yet to be done, UN Secretary-General Ban Ki-moon created the role of Special Advocate for Inclusive Finance for Development (UNSGSA). In September 2009, he designated HRH Princess Máxima of the Netherlands for this role, based on her significant experience in banking and emerging markets as well as her demonstrated commitment to financial inclusion. An economist and investment banker by training, HRH Princess Máxima had played a role in the UN International Year of Microcredit in 2005. She also had served on the subsequent UN Advisors Group on Inclusive Financial Sectors from 2006 to 2008, and was a member of the Group’s Executive Committee and chair of its Working Group on Advocacy.

With an initial mandate of two years, the UNSGSA was asked to pursue global and country-level outreach on the importance of inclusive finance for development. The overall premise is that advocacy at the most senior levels of government, public and private institutions, and international fora will heighten awareness of the issue of financial inclusion, deepen appreciation of key drivers and generate insights on successful experiences, all of which help to form the groundwork for strategic action.



UN News Center

Secretary-General Ban Ki-moon designates Her Royal Highness Princess Máxima of the Netherlands as United Nations Secretary-General’s Special Advocate for Inclusive Finance for Development on 22 September 2009.



Working in partnership with governments, multilateral agencies, civil society groups and others, the UNSGSA helps to advance financial inclusion. She advocates for setting appropriate policies and regulations, exploring new delivery mechanisms and innovations, and securing the data needed to make sound decisions on policies or products. She calls attention to key issues, advocates for sound policy and practice, and connects practitioners to collaborate or exchange ideas. This she does in close collaboration with a wide range of stakeholders.

The UNSGSA has focused on issues and initiatives that offer the greatest potential for broadening and deepening financial inclusion, and on which her input could make the most difference. The key themes for her first year have been:

- Access to a range of financial services, starting with savings;
- A continuum of inclusion, from individuals to SMEs;
- Responsible finance, with protected clients empowered to make sound choices;
- The mutually reinforcing relationship between financial integrity and financial inclusion; and
- The importance of data for decision-making.

### III. UNSGSA's Activities in 2009–2010

Since she was appointed UNSGSA in September 2009, HRH Princess Máxima has undertaken a range of activities at the country and global levels. (See Annex B for list of selected activities.)

On a country level, HRH Princess Máxima engages with key stakeholders on the issues most relevant to the expansion of financial access in each country context. During a visit to Liberia in June 2010, for example, she met with the President as well as with a range of pivotal figures, including central bank, Ministry of Finance and other government officials, representatives of UN agencies and bilateral missions, donors, private banks and microfinance institutions (MFIs), and other private businesses. Visits to Rwanda and Tanzania in April 2010 included a similar breadth of consultations. Country outreach also includes focused activities, including speaking at major national fora, such as the Microfinance India Summit. In this first year, country outreach included India, Liberia, Mexico, Russia, Rwanda and Tanzania.

Country visits are preceded by substantive consultations and followed by continued engagement and follow-up with key in-country players. Those players operate to raise awareness, elevate issues, increase political space for action, and draw more stakeholders to the table. President Ellen

Johnson Sirleaf of Liberia acknowledged, for example, that “the visit [of HRH Princess Máxima] provides a momentum to further focus” and noted that “the little things can make a big difference”. An example of such momentum transforming into action occurred in July 2010, when Russian President Dmitry Medvedev signed a federal microfinance law. The Russian Microfinance Center and the Consultative Group to Assist the Poor (CGAP) credit the UNSGSA’s sustained collaboration and meetings with senior government officials in 2007 and 2009 with ensuring that sound analysis and recommendations were heard at the highest levels. The enacted law may well serve as a good model for neighboring CIS countries.

As UNSGSA, HRH Princess Máxima plays a catalytic role by sharing experiences from other countries and connecting people and institutions to learn from each other.

Country-level engagement also allows the UNSGSA to highlight the potential of financial inclusion to support development priorities. While in Tanzania, the UNSGSA presented the first official health insurance cards to three entrepreneurs as part of a new health insurance initiative. HRH Princess Máxima appealed to financial services providers to expand health insurance services for entrepreneurs and poor people, reminding them that although frequently there is a focus on loans that actually “other services like health insurance services are more important for poor people.” She said the power of microfinance was not just microcredit, but the whole range of financial services which could help people to manage their risks and have a better chance of fulfilling their potential.<sup>5</sup>

On a global level, HRH Princess Máxima has spoken at fora such as the United Nations, the Clinton Global Initiative, the Korea-World Bank High-Level Conference on Post-Crisis Growth and Development, and the Africa-Middle East Microcredit Summit, where she delivers key messages to large and diverse audiences. She engaged in extensive G20 consultations to make financial inclusion a key component of global financial recovery. She met with senior leaders of several developed countries, including Germany, Korea and the United States, with officials of multinational institutions including the IMF and the World Bank, and with senior finance ministry officials. She also engaged in more focused and technical fora, such as the Financial Action Task Force (FATF)<sup>6</sup>, and served as the Honorary Chair of the G20 SME Finance Data Working Group.

<sup>5</sup> The Citizen. April 9, 2010. Dar es Salaam.

<sup>6</sup> The Financial Action Task Force (FATF) is an inter-governmental body whose purpose is the development and promotion of national and international policies to combat money laundering and terrorist financing.





Photo: Maaike Danz | Credit: PharmAccess

*The Strategis Health Insurance Fund (SCHIP) launched by Her Royal Highness Princess Máxima in Dar es Salaam, Tanzania on April 8, 2010 will initially benefit 6,000 micro and small entrepreneurs by offering affordable health insurance along with microfinance loans. The fund also provides loans to nearby health clinics to expand in order to meet the increased patient demand.*

One particularly effective form of advocacy is in sharing experiences with stakeholders around the world. In so doing, HRH Princess Máxima often engages with financial institutions and policymakers in technical consultations on service delivery and on regulatory and policy considerations, which can greatly affect pilot services and products. The UNSGSA can bring together policymakers from different countries on a range of issues including successful project piloting and designing regulation in proportion to risk. She also encourages regulators to focus on the service, rather than on the institutional type, to help markets work better and to foster financial inclusion.

Finally, the UNSGSA also sees her role as informing the general public on the benefits of financial inclusion, not only for the underserved, but – through more robust economic activity – for all.

At both the country and global levels, the UNSGSA has pursued a range of key themes, each addressed below.

### a) Access to a Range of Services, Starting with Savings

Recognizing that everyone, including businesses, need a range of financial services – savings and credit, insurance,

payments, remittances and more – the UNSGSA has been an early and sustained advocate for safe ways to save. Savings products and services for poor people have been neglected to the severe detriment of individuals and communities.

Until recently, savings accounts for poor households were hard to come by. They were considered too expensive for banks to provide, and too costly and inconvenient for poor households. Recent innovations, many of which leverage technology and innovative partnerships, are changing this by drastically cutting costs for both provider and client.

Innovations such as banking beyond traditional branches are making small savings products and services accessible where poor people live and work. Many of these innovations are coming from developing countries, including Brazil (agent banking) and Kenya (mobile banking), in response to national needs. Technology-enabled and sustainable approaches are particularly powerful in overcoming some of the challenges faced in rural areas, where distances are great, roads poor, and bank branches few. In Liberia, for example, there is vast potential for harnessing technology to effect salary payments and other government-to-people transactions for the most isolated.

The UNSGSA has made ongoing appeals to help shift the global agenda. At the Africa-Middle East Regional

Microcredit Summit in Kenya in April 2010, she commended the microfinance community for the incredible progress achieved in providing loans to poor communities around the world. She posited that the success of microcredit has also confirmed the need for diverse financial services – and for these services to be provided responsibly. Accordingly, she called on the Summit to rename itself ‘Inclusive Finance Summit’ to reflect both the progress made so far and the challenges ahead.



Photo: Bill McCarthy

*Her Royal Highness Princess Máxima visits a farmer in northern Rwanda who invested in a biogas digester. The biogas generated by the digester from manure is used for cooking of meals and for lighting by households which do not have access to the electricity grid, as well as producing higher value fertilizer that increases crop yields. Farmers have access to biogas loans with the Banque Populaire du Rwanda through a cooperative credit program. The program is intended to reach 5,500 in the next year.*

## b) Continuum of Inclusion from Individuals to SMEs

Financial inclusion is as much about finance for small and medium enterprises (SMEs) as for individuals. Studies confirm that access to finance – credit lines, payment systems, insurance, pensions, long-term capital loans and more – is the second greatest need, after a market, for enterprises to survive and thrive. This matters to poverty alleviation and economic growth: as the G20 acknowledged, SMEs are the single largest contributor to job creation. In developing countries formal SMEs employ around 45 percent of the formal labor force – if the informal sector were to be included it would be even higher. Yet only 18 percent of SMEs in low-income countries have access to formal financial services.<sup>7</sup>

If significant progress is to be made on inclusion, there needs to be access to finance across the entire value

chain. As the UNSGSA put it to global investors and small entrepreneurs of the Business in Development Network conference in The Hague in June 2010:

“In reality, the borders between micro and small enterprises are very blurry... Not every entrepreneur starts by being a mid-sized company; [many start] as a micro-business. And finding finance at these initial stages can be very hard. Moreover, the success of an SME is linked to larger and smaller businesses around it. All of these suppliers and clients need financial services to thrive. By creating silos, with microfinance here, and enterprise finance there, we will not effectively focus on the needs of the enterprises. We need to speak a common language that connects finance throughout the entire value chain.”

Indeed, the finance challenges of SMEs and microenterprises are not that different. Both types of enterprise are subject to the same macroeconomic factors, interest rate levels, stability of foreign exchange rates, regulatory obstacles, and formalization requirements. Moreover, all businesses, whether micro, small or medium, are affected by infrastructural conditions such as the efficiency of the payment system and strength of the legal system. Addressing these challenges will bring benefits, regardless of enterprise size.

The separation of businesses into *micro* or *small* and its limitations is illustrated by an example from Liberia. Here, HRH Princess Máxima met a woman who started her business by borrowing less than USD 100 from a microfinance institution. With that she bought one container of palm oil, which she resold. Today, this woman exports to the US, employs 13 people and has an outstanding loan of USD 12,000, which is the maximum she can get from a microfinance institution. But she needs more. She would like to export a container to the US, but banks will not loan her the necessary capital, as she owns no land for collateral. Meanwhile, she has USD 4,000 in savings, a good history of loan repayments, and a warehouse of palm oil, any of which should be sufficient to secure a larger loan if the right mechanisms and services existed.

This story is just one example of how silos between microfinance and SME finance constrain potential and growth. Individuals and firms of all sizes are essential to a robust market. Appropriate financial products such as warehouse receipts, receipt discounting, and leasing need to be available at all stages of growth, and across the value chain. These services must be provided within a robust financial infrastructure that includes efficient payment systems, inclusive credit bureaus, commercial courts and more.

The UNSGSA also highlights the need for rural finance. Throughout Africa, for example, about two-thirds of

<sup>7</sup> G20 SME Finance Interim Report. May 21, 2010.

the population live in rural areas and yet only one in five households has access to financial services. Challenges specific to rural finance include the quality of physical infrastructure, the availability of skilled human resources, and the need to contextualize risk mitigation tools and products for financing agriculture. In many developing countries, rural finance is essential for developing sound agricultural and other value chains, as well as for promoting food security and economic growth. This requires financial products that are tailored to specific rural and agriculture needs and crops, and available in the right seasons and locations. Collaboration is essential among central banks, finance and agricultural ministries, seed and fertilizer providers, crop purchasers and many others in addition to commercial banks, rural banks, cooperatives and other providers of rural finance to understand and develop strategies and products.

Against this backdrop, HRH Princess Máxima brought together a cross-section of stakeholders in Liberia, Rwanda and Tanzania – central banks, private banks, donors, mobile phone companies, venture capitalists, NGOs and MFIs, beer distillers and manufacturers, ministries of agriculture and of finance, and others – to discuss challenges and opportunities to address specific needs. Participants shared experiences and generated ideas for partnerships as well as for regulation, programs and policy.

A notable outcome of these activities was the strong sentiment that greater coordination and consultation is needed among the diverse stakeholders in a given country. This matches the UNSGSA's observation that strong national ownership, leadership and coordination among diverse stakeholders is an essential ingredient in capturing the benefits of innovation and progress toward a fully inclusive financial system.

### c) Responsible Finance: Protected Clients

For the UNSGSA, inclusive finance must be responsible finance.

Part of responsible finance is providing products that meet clients' needs. For instance, a loan may not be the most suitable product for a client who does not have the cash flow to service the debt. Responsible finance ensures that clients receive products and services that are appropriately tailored to their needs and resources, thereby reducing the risk to the provider. It is when finance is provided responsibly, that the customer can reap the full benefits of financial inclusion.

Fair or responsible pricing is another component of responsible finance. Although the debate continues on what constitutes these standards, there is strong sentiment



Credit: Jenece Primus | Credit: Citigroup

*HRH Princess Máxima accepts coconut savings bank from young girl at global ChildFinance meeting held in Zandvoort, The Netherlands on June 7, 2010. Princess Máxima called for countries around the world to launch child finance weeks, as The Netherlands has done.*

that the price should be affordable to the client and sustainable (cover costs and a mark up) for the provider.

The UNSGSA came together with other stakeholders at the Responsible Finance Forum in Berlin organized by BMZ<sup>8</sup>, IFC<sup>9</sup>, and CGAP in January 2010 to discuss how to promote responsible finance. They identified three pillars of responsible finance: consumer protection regulation; industry self-regulation initiatives; and financial capability. The first pillar focuses on the role of governments in setting legal and regulatory frameworks that protect consumers and in establishing mechanisms to enforce those standards. The second addresses industry self-regulation initiatives by actors in the financial industry, such as investors, financial services providers, and industry associations. The third deals with the capacity of consumers to make

<sup>8</sup> BMZ is the German Federal Ministry of Economic Cooperation and Development.

<sup>9</sup> The IFC is the International Finance Corporation, part of the World Bank Group.





Martijn Barth, Dutch National Bank

*Mr. Luis Urrutia Corral, President FATF – XXII, Her Royal Highness Princess Máxima of the Netherlands, Mr. Paul Vlaanderen, President of FATF – XXI, and Mr. Ernst Hirsch Balin, Minister of Justice of the Netherlands at the plenary session of the FATF on 23 June 2010. In her remarks, the UNSGSA examined the ways in which financial inclusion and financial integrity are mutually reinforcing and complementary.*

good choices and to adopt positive behaviors that enable them to benefit from the availability of financial services.

During the last year, HRH Princess Máxima has supported all three pillars. In India, Liberia, Mexico, Russia, Rwanda and Tanzania, as well as in other bilateral discussions, she discussed balanced regulatory frameworks that promote innovation and access while also protecting consumers. She highlighted policies to increase transparency and establish independent credit bureaus and similar mechanisms, which benefit consumers, strengthen systems and drive down costs.

At the global level, in December 2009 the UNSGSA's advocacy for fair pricing resulted in the inclusion of responsible pricing as one of the core principles of the global industry-led self-regulatory Smart Campaign for consumer protection in microfinance. Her reinforcement of such industry initiatives and her ability to bridge them has helped raise the visibility and the legitimacy of the issue of consumer protection.

HRH Princess Máxima is a vocal proponent of enhancing financial capability, particularly through financial education. At the International Child Finance Expert's meeting in June 2010, for example, she called on all countries to establish a child and youth financial week, such as already has been adopted in The Netherlands, to help youngsters acquire financial knowledge and skills, as well as sound saving and budgeting habits. She firmly believes that those who are equipped with the knowledge and skills to make sound choices about financial services are both better clients and better-off.

## d) Financial Integrity and Financial Inclusion

Throughout her first year as UNSGSA, HRH Princess Máxima has consistently encouraged policymakers, service providers and others to shed a commonly-held belief that the integrity of the financial system is compromised by greater financial inclusion. Outreach and agreement on this point resulted in collaboration with the US Treasury, Dutch Ministry of Finance, Mexican Ministry of Finance, members of the G20 and FATF, among others, and helped to build consensus and space for continued advocacy and policy initiatives.

In early June, G20 finance ministers and central bank governors called on international standard-setting bodies to consider how to further contribute to fostering financial inclusion, in accordance with their respective mandates. The FATF, the international standard-setting body committed to preventing money laundering and terrorist financing, put financial inclusion on its agenda. The incoming FATF President from Mexico committed to make financial inclusion a presidential priority, with a focus on expanding options for those currently operating in the informal economy.

Speaking at the FATF plenary meeting on June 23, 2010, HRH Princess Máxima called attention to the mutually reinforcing relationship between financial integrity and financial inclusion:

“Bringing people and businesses into the formal financial system helps communities thrive. It helps regulators and supervisors monitor and trace the movement and sources of money. It helps law enforcement by diminishing the anonymity of informal transactions. In short, financial inclusion contributes to financial integrity.”

Regulations to guard against money laundering and the use of finance for terrorism are regularly presumed to be barriers to access, especially for poorer and more marginalized clients in developing countries who may not have formal identity documents. Therefore, throughout the year, the UNSGSA further encouraged the FATF, its Presidents and representatives, and its associate regional bodies to deepen and expand their work on financial inclusion. In his Chairman's Summary to the meeting, the FATF Chairman committed FATF, with input from the World Bank, to undertake a global inventory of innovative approaches to risk-based implementation of AML/CFT (anti-money laundering/combating the financing of terrorism) measures as a starting point for discussion on best practices for compliance with FATF standards.

## e) Data for Decision-making

HRH Princess Máxima has long called attention to the importance of timely, reliable, and disaggregated data in creating appropriate financial services and products, promoting investment, and devising effective regulation and policy. Monitoring social impact and progress is also essential.

To address the significant gaps in financial access, supply and use of data in and across many countries, the UNSGSA encouraged the World Bank Group to conduct a survey of regulators in 139 countries on financial access. The CGAP Financial Access Survey assembled a dataset of measures of the breadth of usage of financial products, measured the pervasiveness of physical access points such as bank branches and ATMs, and collected information on policies and practices in each country affecting financial inclusion. Regulators and donors acknowledged a clear link between better data availability, understanding of financial access policies, and improved development impact metrics.

Drawing on this survey, the UNSGSA together with the Managing Director of the IMF and the Dutch Minister for Development Cooperation launched a Financial Access Survey in October 2009 at the margins of the World Bank/IMF Annual Meetings. The first survey results, with geographic and demographic data, were posted on the IMF website in June 2010, and more comprehensive coverage and data consistency is expected over time. Consultations continue at the highest levels on improving data gathering, dissemination and use.

Drawing on her experience on data collection for micro-finance, the UNSGSA turned her attention to data for SME finance, where it is particularly lacking. Data on what is available from and supplied by financial institutions, as well as on the demand and use by clients, are both needed to understand how to increase access in particular contexts. As Honorary Chair, the UNSGSA helped to shape the mandate and agenda of the new G20 SME Finance Data Working Group, and assembled leading global data-gathering organizations to work together on filling the gap. The G20 SME Finance Data Working Group will propose specific actions for consideration by the G20 as part of a larger action plan on financial inclusion.

In the words of the UNSGSA, “better data is needed. Good data will improve our understanding of which firms have access to what services, and where barriers lie. Put simply, good data will help us to design more effective policy responses.”<sup>10</sup> By highlighting this issue in her speaking

engagements and in meetings, she has helped to elevate the importance of data both at national and global levels for SMEs and across the spectrum.

## IV. The Forward Agenda

The coming year will be pivotal for promoting understanding and making progress on inclusive finance. Building awareness and learning from innovations in product design, service delivery, policy and regulation must continue. More data is needed to enable the decisions and investments that will shape the future of financial inclusion. Further engagement and collaboration is needed among a broad array of stakeholders to build on current achievements and to accelerate expansion. Accordingly, the UNSGSA will continue to focus on raising awareness and working with policymakers, decision-takers, financial service providers and investors to reach consensus on the essentials of financial inclusion and to push the agenda forward.

To achieve this, the UNSGSA will continue to engage concurrently at the country and global levels. At the country level, the UNSGSA intends to engage in bilateral work in up to five countries to promote financial inclusion, with an emphasis on the particular opportunities and gaps in each country. Her role as UNSGSA will enable her to share experiences and lessons from other countries, and to make connections to enable governments to advance their financial inclusion agenda. At the global level, the UNSGSA will work with a range of key institutions and groupings, including inter-governmental agencies and working groups, inclusive finance investors, and others on the strategies and specific actions for moving forward. New and more comprehensive partnerships will permit the UNSGSA to expand and deepen her work.

The key themes established during this first year – access to a range of services starting with savings, a continuum of inclusion from individuals to SMEs, rural finance, client protection, compatibility of financial integrity and financial inclusion, and data for decision-making – will continue to drive the advocacy work. Additionally, as a global advocate, the UNSGSA will build on the momentum following events such as the November 2010 G20 Summit in Korea, at the FATF and among the range of parties championing the agenda on responsible finance. The UNSGSA will advocate for the most effective policies and regulations, and promote partnerships that can build on the lessons learned and take the successes in financial inclusion to scale.

<sup>10</sup> HRH Princess Máxima, keynote speech at the BiD Network Conference on SMEs in The Hague, 2 June 2010.

## V. Advisory and Administrative Arrangements

The UNSGSA is supported and advised by a Reference Group, which helps her to develop strategies and plans, and to shape particular advocacy messages. Members of the Reference Group facilitate follow up and implementation of specific UNSGSA recommendations through their own activities and networks. Current members of the Reference Group include the Consultative Group to Assist the Poor<sup>11</sup>, the Alliance for Financial Inclusion<sup>12</sup>, the Bill & Melinda Gates Foundation<sup>13</sup>, the UN Department of Economic and Social Affairs<sup>14</sup>, and the UN Capital Development Fund (UNCDF)<sup>15</sup>. Meetings of the Reference Group are chaired by the Executive Secretary of UNCDF.

Beyond the Reference Group, the UNSGSA has consulted widely on many of her activities over the past year, including with the United Nations, World Bank, IMF, IFC, G20, FATF, national governments, private financial institutions, and civil society organizations. The UNSGSA is grateful to

the members of the Reference Group, and to the wider group of partners for their invaluable contributions, which have helped to make her efforts more effective.

Within the UN system, UNCDF houses an office that provides direct support to the UNSGSA and coordinates the wider Reference Group. The office, which has received financial support from the Bill & Melinda Gates Foundation, works closely with HRH Princess Máxima's personal staff to coordinate the wide and rapidly growing range of UNSGSA activities.

<sup>11</sup> The Consultative Group to Assist the Poor (CGAP) is an independent policy and research center dedicated to advancing financial access for the world's poor, supported by over 30 development agencies and private foundations and housed at the World Bank.

<sup>12</sup> The Alliance for Financial Inclusion (AFI) is a global network of financial inclusion policy makers in developing countries (currently members are from 57 countries) that aims to provide central banks and other policy making bodies with tools and resources to share their knowledge and develop and improve proven financial inclusion policies.

<sup>13</sup> Guided by the belief that every life has equal value, the Bill & Melinda Gates Foundation works to help all people lead healthy, productive lives. In developing countries, it focuses on improving people's health and giving them the chance to lift themselves out of hunger and extreme poverty. In the United States, it seeks to ensure that all people – especially those with the fewest resources – have access to the opportunities they need to succeed in school and life.

<sup>14</sup> The United Nations Department of Economic and Social Affairs (UNDESA) provides the substantive support to intergovernmental processes on development issues in the General Assembly and in the Economic and Social Council, its functional commissions and expert bodies. It engages with a variety of stakeholders around the world, including non-governmental organizations, civil society, the private sector, research and academic organizations and intergovernmental organizations, as well as within the United Nations system.

<sup>15</sup> The United Nations Capital Development Fund (UNCDF) is the UN's capital investment agency for the world's 49 least developed countries. It creates new opportunities for poor people and their communities by increasing access to microfinance and investment capital. UNCDF programs help to empower women, and are designed to catalyze larger capital flows from the private sector, national governments and development partners for maximum impact toward the Millennium Development Goals.



*Repayment collection in Liberia illustrates the costs and risks of exclusively using cash for transactions.*

Aminta Tirana



## ANNEX A:

# Terms of Reference for the Designation of Her Royal Highness Princess Máxima of the Netherlands as the Secretary-General's Special Advocate for Inclusive Finance for Development

1. The following Terms of Reference apply to the designation of Her Royal Highness Princess Máxima of the Netherlands (Princess), as the Secretary-General's Special Advocate for Inclusive Finance for Development.

### Role

2. At the invitation of and in consultation and coordination with the Secretary-General or his designees, the Secretary-General's Special Advocate for Inclusive Finance for Development may, as appropriate:

- a) inform and advocate before Governments, legislators, regulators and international institutions for purposes of promoting inclusive finance for development;
- b) identify emerging issues and evolving policy options in promoting inclusive finance in a range of countries, with regard to facilitating the achievement of development goals, particularly the Millennium Development Goals (MDGs);
- c) contribute to the preparation, follow-up and implementation of outcomes of United Nations Conferences, including the Doha Declaration and the Outcome of the Conference on the World Financial and Economic Crisis, with regard to inclusive finance for development;
- d) contribute to raising the awareness of multilateral intergovernmental organizations, Governments, parliamentary institutions, civil society, private sector and mass media on the importance of developing inclusive finance for poverty reduction, equalizing opportunity and achievement of development goals, particularly the MDGs; and
- e) carry out such other activities as may be necessary and appropriate in connection with any of the foregoing.

3. As the Secretary-General's Special Advocate for Inclusive Finance for Development, the Princess shall act in her own capacity and not as an official of the United

Nations. The Princess and the Secretary-General or his designees shall cooperate to ensure that activities carried out by the Princess in her role as the Secretary-General's Special Advocate for Inclusive Finance for Development are consistent with the aims, activities and policies of the United Nations.

### Activities

4. In coordination with the Secretary-General or his designees, the Secretary-General's Special Advocate for Inclusive Finance for Development may engage in such activities as are necessary and appropriate for the carrying out of her role as the Secretary-General's Special Advocate for Inclusive Finance for Development, including, *inter alia*:

- a) initiating and maintaining dialogue with policy-makers and financial regulators in a selected number of countries on core issues in developing inclusive financial sectors, policy options and possibilities for follow-up and implementation;
- b) delivering presentations at selected national, regional and international meetings on inclusive finance for development and on financial regulation;
- c) contributing to the intergovernmental processes of the United Nations on the issue of inclusive finance, as requested, such as, follow-up to the Doha Review Conference on Financing for Development and to the World Financial and Economic Crisis and its Impact on Development;
- d) participation in media outreach appropriate to fulfilling the role of the Secretary-General's Special Advocate for Inclusive Finance for Development; and
- e) engaging in such other activities as may be necessary and appropriate in connection with any of the foregoing.



## Coordination and Guidance

5. The Secretary-General or his designees will ensure that the special skills and talents of the Secretary-General's Special Advocate for Inclusive Finance for Development are well utilized for the carrying out of her role and her activities pursuant to these terms of reference. The Secretary-General or his designees and the Secretary-General's Special Advocate for Inclusive Finance for Development will regularly coordinate on their activities and in the implementation of the role and the activities of the Secretary-General's Special Advocate for Inclusive Finance for Development pursuant to these terms of reference. The Secretary-General or his designees and the Secretary-General's Special Advocate for Inclusive Finance for Development shall establish focal points for the facilitation of timely and effective communication between them on all matters pertaining to the implementation of the role and the activities of the Secretary-General's Special Advocate for Inclusive Finance for Development pursuant to these terms of reference.

6. The Secretary-General's Special Advocate for Inclusive Finance for Development will collaborate with the Secretary-General or his designees on the establishment and coordination of a reference group consisting of principal co-operating partners at international level, including, but not limited to: the Consultative Group of Assistance to the Poor (CGAP), the United Nations Capital Development Fund (UNCDF), the United Nations Department of Economic and Social Affairs (UNDESA), the Bill and Melinda Gates Foundation (BMGF), and the Alliance for Financial Inclusion (AFI). In coordination with the Secretary-General or his designees, such reference group will provide inputs and comments on the strategies and plans of the Secretary-General's Special Advocate for Inclusive Finance for Development, periodically discuss progress and strategy for advocacy activities in connection therewith, and offer recommendations on coordination with work of the United Nations on achievement of the MDGs and the implementation of the Organization's global development agenda.

7. In coordination with the Secretary-General or his designees, the Secretary-General's Special Advocate for Inclusive Finance for Development will develop a strategy for advocacy, containing a dynamic list of priority countries for advocacy activities and the advocacy tools to be used. Such strategy and associated plans will be presented to the reference group for input and will be updated as appropriate. Such identification of priority countries will take into consideration, *inter alia*, the needs and circumstances of such countries, particularly those that are lagging in progress in achieving international development goals; the nature and scope of national challenges and possible solutions; the availability of proper support,

cooperation and follow-up on the ground; the added value and convening power of the Secretary-General's Special Advocate for Inclusive Finance for Development in the country or region; the receptiveness of the targeted authorities; and the need for flexibility due to political or other circumstances.

8. In coordination with the Secretary-General or his designees, the Secretary-General's Special Advocate for Inclusive Finance for Development will engage with other major international leaders in Inclusive Finance in carrying out her role and her activities pursuant to these terms of reference.

9. The Key Messages of the United Nations Advisors Group (UNAG) on Inclusive Financial Sectors, as presented to the Secretary-General in 2008, will serve as the policy guidelines for the Princess in the carrying out of her role and her activities pursuant to these terms of reference.<sup>16</sup> In carrying out her role and activities pursuant to these terms of reference and in coordination with the Secretary-General or his designees, the Secretary-General's Special Advocate for Inclusive Finance for Development may take into account, when appropriate, salient points and recommendations made by international experts, international organizations, regulators and policy makers, as well as the impact of the financial crisis on inclusive finance as well as core issues in social performance and inclusive finance.

## Reporting

10. The Secretary-General's Special Advocate for Inclusive Finance for Development will prepare an annual report on her activities and progress. The reports will be presented to the reference group and to the Secretary-General or his designees.

## Conditions of Service

11. In performing her role and carrying out her activities pursuant to these terms of reference, the Secretary-General's Special Advocate for Inclusive Finance for Development shall:

- a) receive a symbolic compensation of one dollar (US \$1.00) per annum;

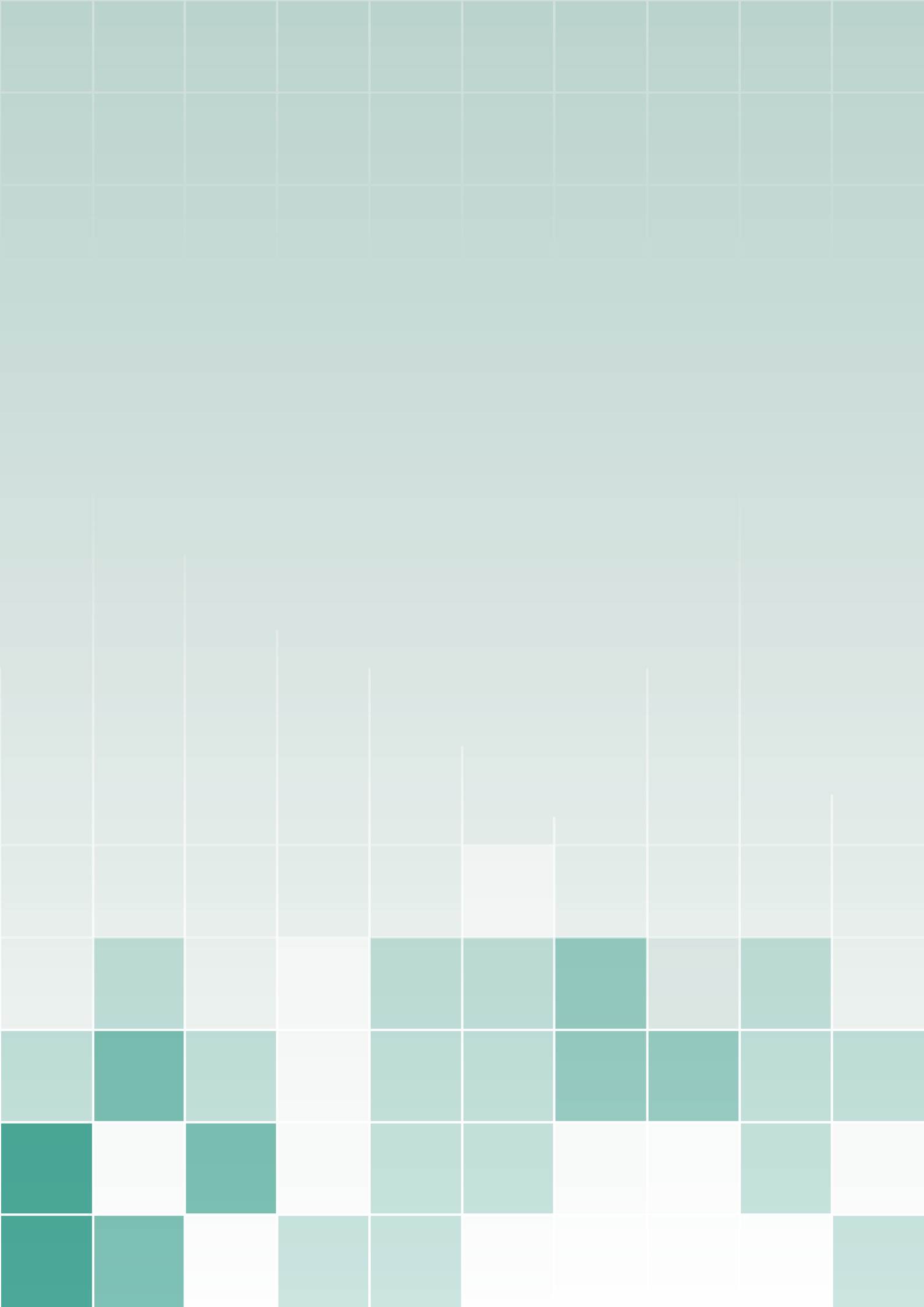
<sup>16</sup> It is acknowledged that the Final Statement of the 2005 International Year of Microcredit and the 'Blue Book' on *Building Inclusive Financial Sectors for Development* review and the summary of the Asia Regional Forum and other United Nations Advisors Group Regional Forums formed, among others, the basis for these Key Messages.

- b) coordinate with the Secretary-General or his designees when and if engaged in travel for purposes of carrying out her functions as the Secretary-General's Special Advocate for Inclusive Finance for Development;
- c) be considered to be travelling on the official business of the United Nations, when and if engaged in such travel for purposes of carrying out her functions as the Secretary-General's Special Advocate for Inclusive Finance for Development;
- d) in the event of death, injury or illness attributable to the performance of activities in accordance with these terms of reference, be entitled, in her person or in the person of her dependents, as appropriate, to compensation payable in accordance with the provisions of the Secretary-General's bulletin, ST/SGB/103/Rev.1, as the sole compensation payable by the United Nations in respect of any such death, injury or illness;
- e) when performing activities in accordance with these terms of reference and as necessary and appropriate within the sole determination of the Secretary-General or his designees, be considered to be an Expert on Mission for the United Nations within the meaning of Article VI, Section 22 of the Convention on the Privileges and Immunities of the United Nations, adopted by the General Assembly on 13 February 1946;
- f) be entirely and fully responsible for arranging, at her sole expense, such life, health and other forms of insurance as may be necessary and appropriate in connection with the performance of any activities pursuant to these terms of reference; and
- g) not be eligible for or entitled to any benefits or entitlements applicable to officials or staff of the United Nations, other than those that are specifically enumerated in these terms of reference.

## Commencement, Term and Termination

12. Upon the issuance by the Secretary-General of a letter of designation as his Special Advocate for Inclusive Finance for Development, the Secretary-General's Special Advocate for Inclusive Finance for Development shall carry her role and activities pursuant to these terms of reference for a two (2)-year period, unless terminated sooner in accordance with these terms of reference. The term of designation may be extended for such additional period or periods as the Secretary-General and the Secretary-General's Special Advocate for Inclusive Finance for Development may agree, and any such extension shall be effected by a further letter of designation by the Secretary-General.

13. The designation of the Secretary-General's Special Advocate for Inclusive Finance for Development shall expire upon the completion of the period of the designation as the Secretary-General's Special Advocate for Inclusive Finance for Development or may be terminated by mutual agreement or whenever the Secretary-General, in his sole consideration, determines that the termination of the designation is in the interests of the United Nations.



## ANNEX B:

# Selected Activities of the UNSGSA for Inclusive Finance for Development, September 2009–August 2010

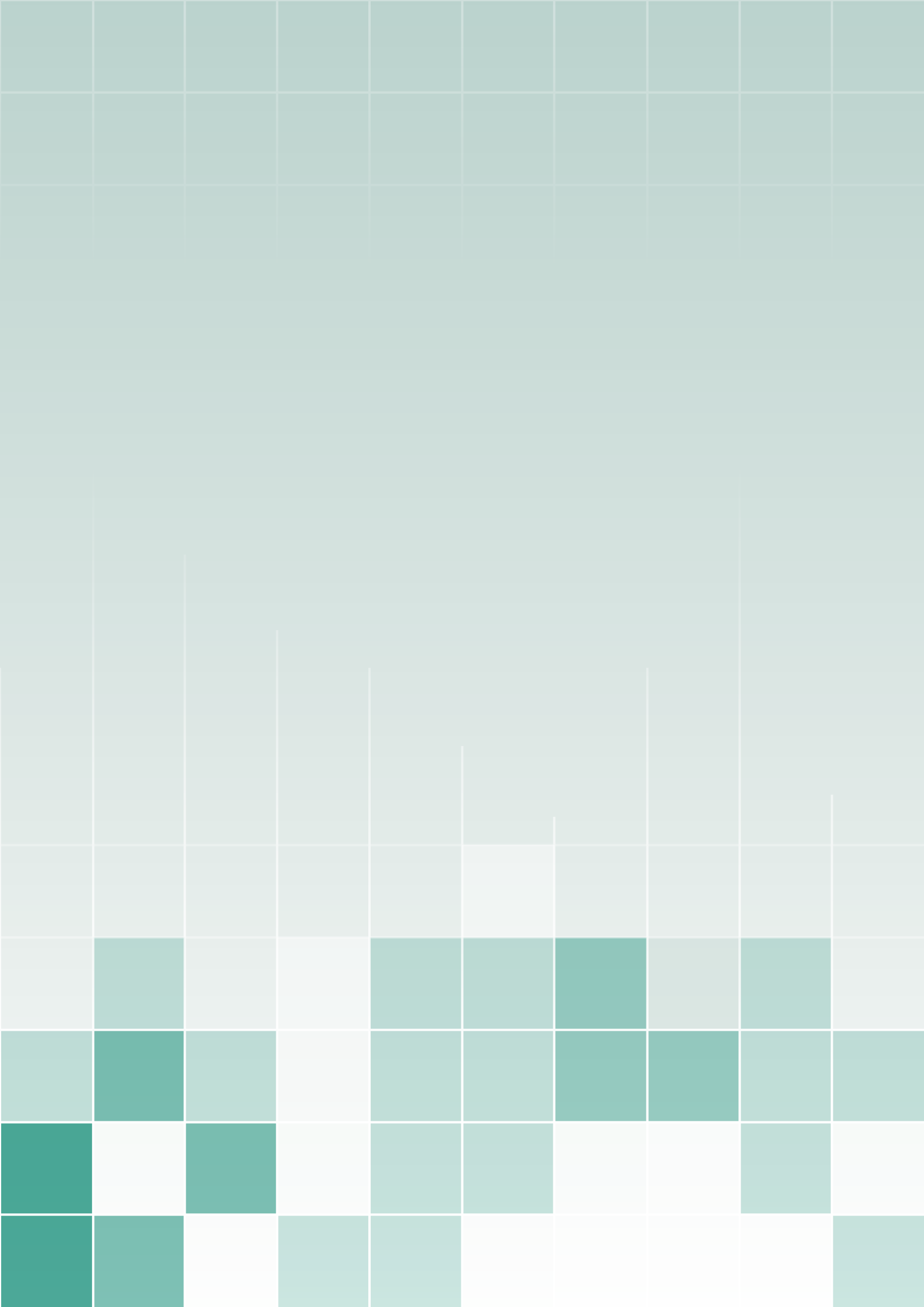
### 2009

21 September New York, NY, USA	<b>Secretary-General Ban Ki-moon designated HRH Princess Máxima as the UN Secretary-General's Special Advocate (UNSGSA) for Inclusive Finance for Development.</b>
22 September New York, NY, USA	Inaugural meeting of the <b>UNSGSA Reference Group</b> .
22 September New York, NY, USA	<b>Keynote address, Clinton Global Initiative Finance Dinner</b> UNSGSA noted innovations to achieve financial inclusion, development and empowerment in Africa, Asia and the Middle East. Audience included CEOs, current and former heads of state, philanthropists, leaders of NGOs, and prominent media figures.
5–6 October Istanbul, Turkey	<b>Speech, IMF Access to Finance Project Launch at IMF/WB Annual Meetings</b> With IMF Managing Director and Minister of Development Cooperation for the Netherlands in the margins of the WB/IMF Annual Meetings. UNSGSA highlighted importance of high quality, comparable data to identify knowledge gaps and policy priorities, monitor effectiveness of policies, and provide research platform. <b>Bilateral consultations.</b> The UNSGSA held over 20 bilateral consultations with representatives of governments of Bolivia, Colombia, Egypt, India, Ireland, Mexico, Nigeria, Russia, Rwanda, Turkey and Vietnam, as well as representatives of the WB, IFC, African Development Bank, Center for Global Development.
26 October New Delhi, India	<b>Speech, Microfinance Summit India inaugural session</b> In addition to speech, the UNSGSA met with government representatives including the Minister of Finance on ways to increase access to finance, and a proposed Microfinance Act. She held meetings with financial service providers (Myrada and Ujivan), a rating agency (M-CRIL), and Micro Insurance Academy.
3–6 November Mexico City, Mexico	<b>Bilateral discussion, President of the National Banking and Securities Commission, Secretary of Finance and Public Credit</b> The UNSGSA discussed inclusive finance, particularly consumer protection, on the side of a Dutch state visit to Mexico.
17 November Moscow, Russia	<b>Speech, Russian Microfinance Center Conference opening ceremony</b> The UNSGSA consulted with the Deputy Minister of Finance, National Banking Council, and Russian Microfinance Council and held a separate set of consultations with the Central Bank.
2 December Brussels, Belgium	<b>Invited guest, SMART Campaign Steering Committee meeting</b> The UNSGSA's intervention regarding responsible pricing was instrumental to its inclusion in the client protection principles.

## 2010

8 January New York, NY, USA	<b>Second quarterly meeting of the UNSGSA Reference Group.</b>
18 January The Hague, The Netherlands	<b>Bilateral meetings, State Secretary of Finance and Dutch President of FATF</b> The UNSGSA highlighted the complementarity of financial inclusion with financial integrity.
25 January The Hague, The Netherlands	<b>Speech, Radio Netherlands Worldwide Conference ‘Microfinance – Who Profits?’</b> The UNSGSA emphasized that growth is critical to development, and that a strong and inclusive financial sector promotes growth and reduces income inequalities. She stressed that pricing as well as product suitability and quality must be addressed.
28 January Berlin, Germany	<b>Keynote address, Responsible Finance Forum</b> The UNSGSA focused on inclusive finance and the relevance of SME financing. She held bilateral meetings with high-level officials from Australia and Germany, including German Parliamentary Secretary to the Federal Minister for Economic Cooperation and Development, on coordinating promotion of responsible finance.
8 February Frankfurt, Germany	<b>Keynote address, SME Finance DFI Working Group meeting.</b> The UNSGSA highlighted the lack of data and knowledge repository on SMEs to compare with CGAP on microfinance. She cited the need for language that unites micro and SME finance in a continuum, emphasizing that there should be no silos.
24 March New York, NY, USA	<b>Panelist, Fourth High-Level Dialogue on Financing for Development at United Nations</b> The UNSGSA emphasized that the right policies and practices can break the vicious circle. She asserted that innovative public-private risk-sharing partnerships can significantly expand access to financial services, and underscored the importance of good data.
25 March New York, NY, USA	<b>Panel presentation, Columbia University Earth Institute, State of the Planet 2010 conference</b> At a global conference that brought together some of the world’s most influential and innovative thinkers and leaders in a wide range of fields live via multiple event sites and via webcast, the UNSGSA noted that each MDG is connected to inclusive finance, and that expanding access could help improve results on multiple development goals.
25 March Washington, DC, USA	<b>Outreach to high-level officials of the US Government and IFC.</b> The UNSGSA discussed issues of financial inclusion and financial integrity, G20 activities and opportunities to collaborate on outreach and awareness-raising. Also met with Manager of Access to Finance Advisory at IFC.
26 March New York, NY, USA	<b>Third quarterly meeting of the UNSGSA Reference Group.</b>
5–6 April Kigali, Rwanda	<b>Country Visit, Rwanda</b> The UNSGSA held consultations with Minister of Finance and Economic Planning and Governor of the National Bank of Rwanda. She gave speech at AMIR (Association of Microfinance Institutions in Rwanda) regarding the leadership role of AMIR and that of agents, banks and MFIs to extend financial access. She led multi-stakeholder dinner focused on extending access, financing the value chain, and building enterprises. The UNSGSA made field visits to microfinance clients, including one investing in a biogas digester as well as banks and MFIs.

7 April Nairobi, Kenya	<b>Keynote address, Africa-Middle East Regional Microcredit Summit</b> The UNSGSA focused on expanding concept of 'microcredit' to inclusive financial services with a wider range of services and of clients, including SMES. She met with Equity Bank and Safaricom.
8–9 April Dar es Salaam, Tanzania	<b>Country Visit, Tanzania</b> The UNSGSA met with Central Bank Governor, Minister of Finance and Economic Affairs, amongst others, and industry figures about financial inclusion The UNSGSA launched a health insurance initiative. She led multi-stakeholder dinner to facilitate dialogue across sectors and institutions.
20 April The Hague, The Netherlands	<b>Speech, 40th anniversary of FMO, the Dutch Development Finance Company, 'Be Social, Make Profit: Financing the Future of Developing Economies'</b> The UNSGSA noted that catalyzing capital was needed to better meet demand.
25 May The Hague, The Netherlands	<b>Honorary Chair, first meeting of the G20 SME Finance Data Working Group</b> The UNSGSA delivered opening and closing remarks; facilitated preparation of an action plan to fill gaps in supply, demand and impact data on SME finance.
1 June Washington DC, USA	Fourth quarterly meeting of the <b>UNSGSA Reference Group</b> .
31 May & 1 June Washington DC, USA	<b>Series of meetings with high-level officials from the US Government and IFC.</b> The UNSGSA held meetings with USG officials, including US Treasury and Department of State. She also met with IMF Managing Director.
2 June Amsterdam, The Netherlands	<b>Keynote address, Business in Development Network Conference, 'Growing SMEs: It's Time to Invest'</b> The UNSGSA highlighted the need to connect those providing financial services with those who most need it. Acknowledged in particular the role of non-financial services.
4 June Busan, Korea	<b>Chair, Session on Inclusive Finance, Korea-World Bank High-Level Conference on Post-Crisis Growth and Development</b> The UNSGSA participated in concluding roundtable on key issues for G20 outcome document. She held bilateral meetings with Korean government and some other G20 officials.
7 June Zandvoort, The Netherlands	<b>Keynote address, Child Finance Expert Meeting</b> The UNSGSA highlighted importance of financial capability for children and youth, and need to start with savings.
23 June Amsterdam, The Netherlands	<b>Keynote address, at opening of FATF Summit</b> The UNSGSA underscored the compatibility of financial inclusion and financial integrity. She held bilateral meetings with outgoing and incoming Presidents of FATF from The Netherlands and Mexico, respectively.
28–30 June Monrovia, Liberia	<b>Country visit, Liberia</b> The UNSGSA traveled to Liberia for wide-ranging consultations with the President, senior government officials, banks, civil society and donors on creating an inclusive financial sector following years of conflict. The UNSGSA addressed themes including regulatory framework, building capacity, promoting market leaders, and leapfrogging financial infrastructure through innovation and technology. She visited MFI (LEAP) and clients.





## ANNEX C:

# Speeches by Her Royal Highness Princess Máxima of the Netherlands as UNSGSA, September 2009–August 2010

### **22/09/09 Clinton Global Initiative Finance Dinner, New York, USA**

In her maiden speech as the UNSGSA, HRH Princess Máxima described the evolution in thinking from ‘micro-credit’ to ‘microfinance’ to ‘inclusive finance’ and advocated for a range of financial services, starting with savings, targeting poor people. She called for unduly restrictive rules and regulations that bar access to be removed, processes to be streamlined and tax structures re-examined, supported by pro-growth legal instruments and greater investment in financial infrastructure. She highlighted promising examples of ‘integrated microfinance’, such as linking microfinance to other in-demand products such as mobile phones, as well as to solar energy, irrigation systems, cooking stoves, and more.

### **5/10/09 Access to Finance Project Launch, World Bank/IMF Annual Meetings, Istanbul, Turkey**

At the launch of the IMF commitment to collecting a new set of financial indicators worldwide through the Access to Finance Project, the UNSGSA discussed how inclusive finance can be achieved through the collaboration of a wide range of stakeholders on national strategies. To develop those strategies, high-quality, comparative data on access to financial services is needed to identify knowledge gaps and policy priorities, monitor the effectiveness of policies over time, and better understand the impact of financial access.

### **26/10/09 Microfinance India Summit, New Delhi, India**

The UNSGSA commended India for making a priority of inclusion and for swiftly expanding outreach to borrowers through self-help groups as well as integrating microfinance with other, non-financial services, such as water and sanitation. The UNSGSA underscored the impor-

tance of deposit services and of experimenting with micro-insurance beyond life insurance services, to health and asset insurance. She noted that establishing client protection norms was important for bringing real benefits to underserved people.

### **17/11/09 Annual Conference of the Russian Microfinance Center, Moscow, Russia**

Referring to the progress made in the two years since her previous visit, the UNSGSA noted that though many Russians have access to basic financial services, only 20 percent have bank deposits. She emphasized the value of savings in protecting against risks and building assets, and of enabling legal frameworks in managing savings and broadening access. She noted the power of technology to overcome geographic distances, historically a barrier to accessing deposit services, and praised Russia’s advances in technological innovation. She stressed the importance of consumer protection to ensure that clients benefit from these innovations.

### **25/01/10 Conference ‘Microfinance – Who Profits?’, organized by Radio Netherlands Worldwide, at the Peace Palace, The Hague, The Netherlands**

The UNSGSA stated that economic growth is critical to development and that a strong and inclusive financial sector promotes growth and reduces income inequalities. She observed that the issue of pricing deserves more attention. While efficiency gains driven by economies of scale and innovations have pushed down interest rates, she noted that in some markets the operating yields had been increasing and in other markets institutions continued to pass on their own inefficiencies to clients in the form of high interest rates. She acknowledged the importance of product suitability and quality and of responsible service delivery, all of which play a crucial role in helping poor families manage their lives and strengthen resilience.

### **8/02/10 SME Finance DFI Working Group Meeting, Frankfurt, Germany**

The UNSGSA called for a common language between microfinance and SME finance to reduce barriers and to streamline financial access for entrepreneurs. She urged greater attention to value chain financing, and asserted that data collection – particularly at the SME level – must be improved to help governments to better orient policies and institutions toward financial inclusion.

### **24/03/10 Fourth High-Level Dialogue of the UN General Assembly on Financing for Development, New York, USA**

The UNSGSA stressed the importance of heeding the voices of the unbanked and the underbanked in understanding the challenges and limitations they face. She called for innovative public-private risk-sharing partnerships that can significantly expand access for individuals and businesses needing financial services.

### **25/03/10 State of the Planet 2010 Conference, New York, USA**

Each MDG is connected in one way or another to inclusive finance, asserted the UNSGSA. Finance is a means to an end; having access to suitable and timely finance can help people achieve their own objectives. She noted that good finance programs can supplement scarce donor resources and even have a multiplier effect on those resources. Results can be further enhanced by forging partnerships between financial services and non-financial services, such as water and sanitation.

### **5/04/10 Association of Microfinance Institutions in Rwanda (AMIR), Kigali, Rwanda**

The UNSGSA praised the leadership of AMIR in bringing together diverse partners, helping donors to coordinate and direct resources, building capacity of member institutions, and offering input into the regulatory policies of the sector. She recognized the value of financial services that help boost agricultural production and address the needs of rural areas.

### **7/04/10 Africa-Middle East Regional Microcredit Summit, Nairobi, Kenya**

While acknowledging the progress achieved since the global summit in Halifax, the UNSGSA issued three challenges to participants: to reach the very poor, particularly those in rural areas, through partnerships and cost-saving new service delivery technologies; to expand financial services to include savings, insurance, payment services, and remittance facilities, and to widen the client base from micro to SMEs; and to better protect clients. She noted that

inclusive finance is a means to an end, not an end in itself, and that it can be an enabler of development. Bringing the unbanked into the financial system can help strengthen governance, while empowering people to invest productively and make better technology choices can contribute to greater environmental sustainability.

### **20/04/10 FMO's 40th Anniversary Conference, 'Be Social, Make Profit: Financing the Future of Developing Economies', The Hague, The Netherlands**

The UNSGSA asserted that poor people are entitled to a wide range of efficiently delivered financial services. She noted that finance programs can extend beyond scarce donor resources and produce a multiplier effect, while formalizing good practices and promoting environmental sustainability. She cited the Massif local currency fund of FMO as an example of a public-private partnership that provides finance to local financial institutions that would otherwise be too risky for banks alone. She highlighted the challenges of testing innovative partnerships, of generating data adequate for analysis, and of scaling up successful pilots with appropriate profit margins and consumer protections.

### **25/05/10 Opening Remarks at G20 SME Finance Data Working Group, The Hague, The Netherlands**

The UNSGSA reminded the group of their task to prepare recommendations for the G20 on comprehensive data collection methodologies. She noted that high-quality, comparative data on access to financial services can distill who has access to which services and pinpoint barriers. Such data can reveal gaps in knowledge and policy priorities, and help in monitoring effectiveness and the impact of policies over time. She asserted that more information was needed on the links between SMEs and poverty alleviation; that government and the private sector needed clearer information to address the constraints of SMEs; and that ancillary services, such as technical advice, were needed to support the provision of finance.

### **25/05/10 Closing Remarks at G20 SME Finance Data Working Group, The Hague, The Netherlands**

The UNSGSA outlined an action plan to analyze data and identify remaining gaps. While commending data collection efforts on the supply side, geared toward improving efficiencies in regulatory and policy-making bodies, she recommended integrating demand side surveys examining formal and informal-sector activity. She pointed to the longer-term goal of highlighting SME contributions to job creation, economic development, equitable growth, and poverty alleviation. She called for greater focus on the impact of public and private interventions on financial

structures such as credit bureaus and payment systems, as well as of non-financial interventions such as capacity building and marketing infrastructure. She advocated for more precise data, harmonized definitions, and wider dissemination of information.

### **02/06/10 Business in Development Network Conference, 'Growing SMEs: It's Time to Invest', Amsterdam, The Netherlands**

The UNSGSA acknowledged that the BiD Network provides a marketplace for business financing and investment opportunities. This highlighted the financing gap around the world – particularly for SMEs, which need long-term capital, not just initial loans, as well as a full range of financial services. She acknowledged the dearth of information and high transaction costs facing banks and investors. Non-financial services, such as coaching and technical assistance, can contribute to the development of sustainable SMEs. She asserted that financial services must be embedded in local institutions, be available across the whole value chain, and remain sustainable for providers and clients. She noted the importance of the right policies and financial infrastructure, supported by better data.

### **04/06/10 Session on Inclusive Finance, Korea-World Bank High-Level Conference on Post-Crisis Growth and Development, Busan, South Korea**

The UNSGSA commended the G20 for its leadership and attention to inclusive finance. She noted that exclusion makes it difficult for poor people to manage risks, build assets, manage cash-flow, and pursue opportunities. She pointed to a critical financial gap in SMEs, with only 18 percent of small enterprises in low-income countries using formal finance. Commitment to financial inclusion is crucial for alleviating the adverse impact on households, businesses and economies around the world, and innovations can help reduce delivery costs. She urged international leaders not to silo microfinance and SME finance, and to recognize the roles of a wide range of stakeholders.

### **07/06/10 International ChildFinance Experts' Meeting, Zandvoort, The Netherlands**

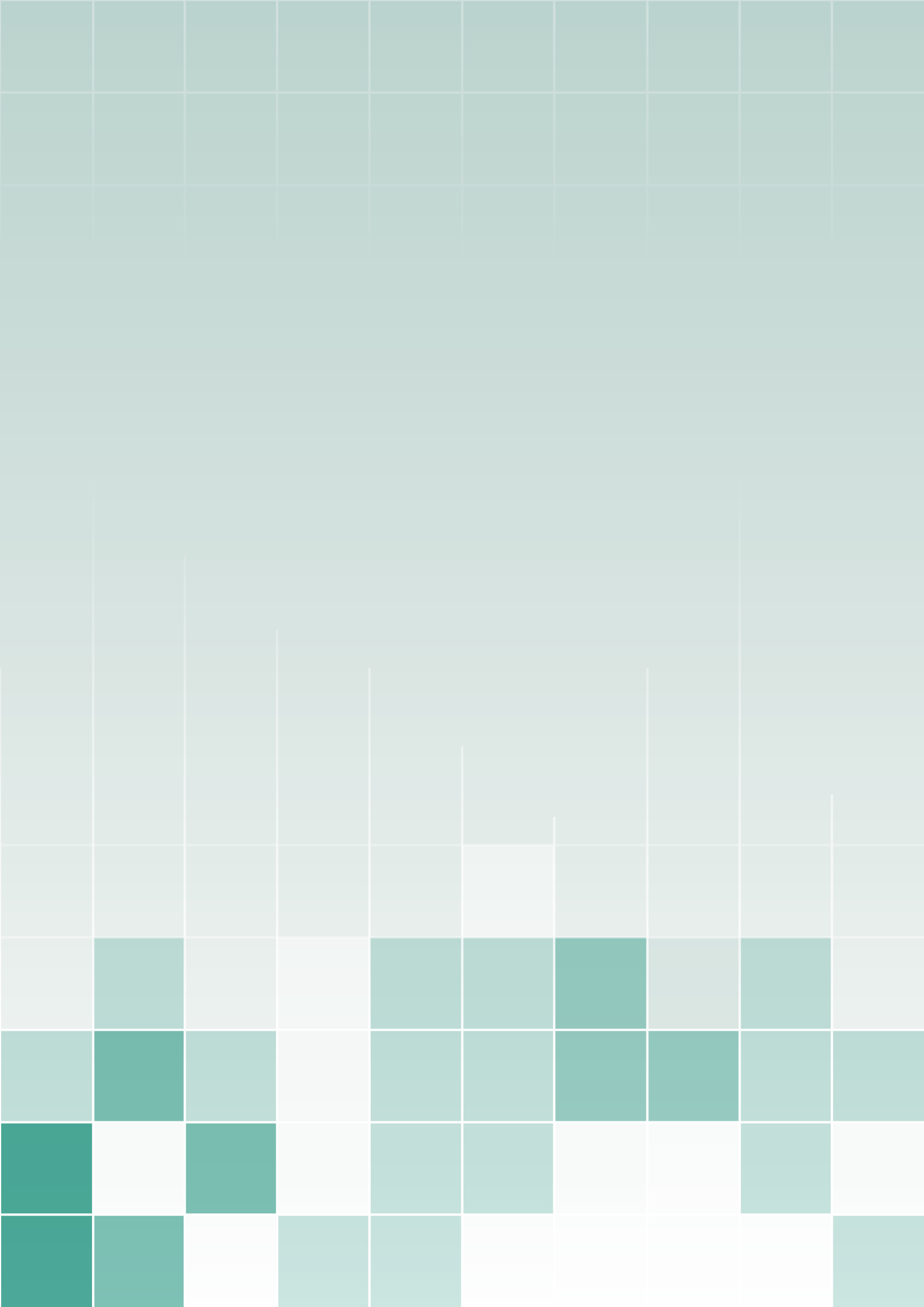
The UNSGSA reminded participants that financial capability is a critical issue, particularly for children and youth. Financial literacy is fundamental, and can be complemented by sound habits, such as savings, budgeting, and being cost-conscious. The UNSGSA noted the Dutch initiative of CentiQ, Wiser in Money Matters that seek creative responses to youth needs, including financial education. She called for a movement by and for children and youth, beginning with a Child and Youth Financial Week in every country, mirroring the initiative in The Netherlands.

### **23/06/10 Plenary of the Financial Action Task Force, Amsterdam, The Netherlands**

The UNSGSA observed that financial inclusion is a topic closely linked to the FATF mandate, and that its focus on improved transparency and risk management complements efforts to combat money laundering and financing terrorism. She observed that bringing people and businesses into the formal financial system helps communities thrive and creates a conducive environment for financial services. Among the challenges she highlighted are the scarcity of formal identification among many poor, rural and marginalized people; the flexibility of implementing FATF standards; and the effectiveness of regulations governing new methods of financial service delivery. She commended FATF for moving in the right direction, praising its efforts to apply new approaches to regulation and supervision. She asked FATF to establish a global inventory of innovative approaches to risk-based implementation.

### **29/06/10 Reception offered by Her Excellency President Ellen Johnson Sirleaf, Monrovia, Liberia**

The UNSGSA noted the fundamental importance of a well-developed, inclusive financial sector. She observed that SMEs are critical to employment creation and should not be considered in a silo apart from microfinance. Further, she called for collaboration across public and private dimensions and across ministries in order to deliver the right products at the right price in the right place to more people. She encouraged attention to savings, broadening access to finance across the value chain, and supporting banking innovations that advance development and financial infrastructure.



## ANNEX D:

# About the United Nations Secretary-General's Special Advocate for Inclusive Finance for Development, Her Royal Highness Princess Máxima of the Netherlands



**HER ROYAL HIGHNESS PRINCESS MÁXIMA** is an active global voice on the importance of inclusive finance for reducing poverty and achieving development goals. Appointed in 2009 by UN Secretary-General Ban Ki-moon as his Special Advocate for Inclusive Finance for Development, Princess Máxima works with government leaders, financial regulators and supervisors, intergovernmental organizations, parliaments, civil society, the private sector and the media to raise awareness and foster action.

As Special Advocate, Princess Máxima plays a leading role in promoting best practices and policies that increase access to finance, advance consumer protection and enhance financial literacy. The Princess advocates access for both individuals and small and medium enterprises (SMEs), often the engines of growth in local and national economies. She addresses these issues during her visits to countries and in international fora such as the UN, the IMF, the World Bank, the G20 and FATF.

Princess Máxima encourages universal access, at a reasonable cost, to a wide range of financial services, provided by a diversity of sound and sustainable institutions. Such financial services include savings accounts, loans, insurance, payment services, pension plans, and remittance facilities that can help people generate income, build assets, manage cash flow, invest in opportunities and strengthen resilience to setbacks. Access to savings is especially important. As Special Advocate and Honorary Chair of the G20 SME Finance Data Working Group, the Princess emphasizes the need to collect high-quality data that will shed light on the use of financial services by individuals, households and SMEs.

Princess Máxima also underscores the need for a common language and approach to micro and SME finance, rather than addressing these in separate silos. Financing the entire value chain creates a continuum of access that can help to reduce poverty and generate jobs. She champions innovations in products, service delivery and partnerships that aim to bring financial services to communities once thought unreachable – including many of the world's rural poor, who account for over 70 percent of global poverty. Strong banking institutions, coupled with new technologies like smart cards, ATMs and mobile phones, hold great promise of expanding financial access by dramatically reducing costs for providers and clients alike.

In all this, Princess Máxima believes that financial inclusion is a means to an end, rather than an end in itself. Financial services can have powerful impact when they are combined with access to basic needs and services such as shelter, medicine, food, and education. Credit and savings, for example, can help poor people obtain water purifiers, improved cooking stoves, solar panels, safer housing, and connections to water systems. Insurance can help with both preventive and emergency health care. The money and time thus saved can be used to generate income, go to school and pursue other life goals. Princess Máxima and her husband, His Royal Highness the Prince of Orange, heir to the Dutch throne and Chair of the UNSG's Advisory Board on Water and Sanitation (UNSGAB), collaborate on this integrated approach.

## Main Partners and Secretariat

An international reference group of five principal partners supports the Special Advocate in her work: the Consultative Group to Assist the Poor (CGAP); the United Nations Capital Development Fund (UNCDF); the United Nations Department of Economic and Social Affairs (UNDESA); the Bill & Melinda Gates Foundation; and the Alliance for Financial Inclusion (AFI). Princess Máxima and the members of the reference group work closely with many national and global partners.

A small secretariat at UNCDF works closely with the secretariat of the Princess to coordinate her UN activities in the field of inclusive finance.

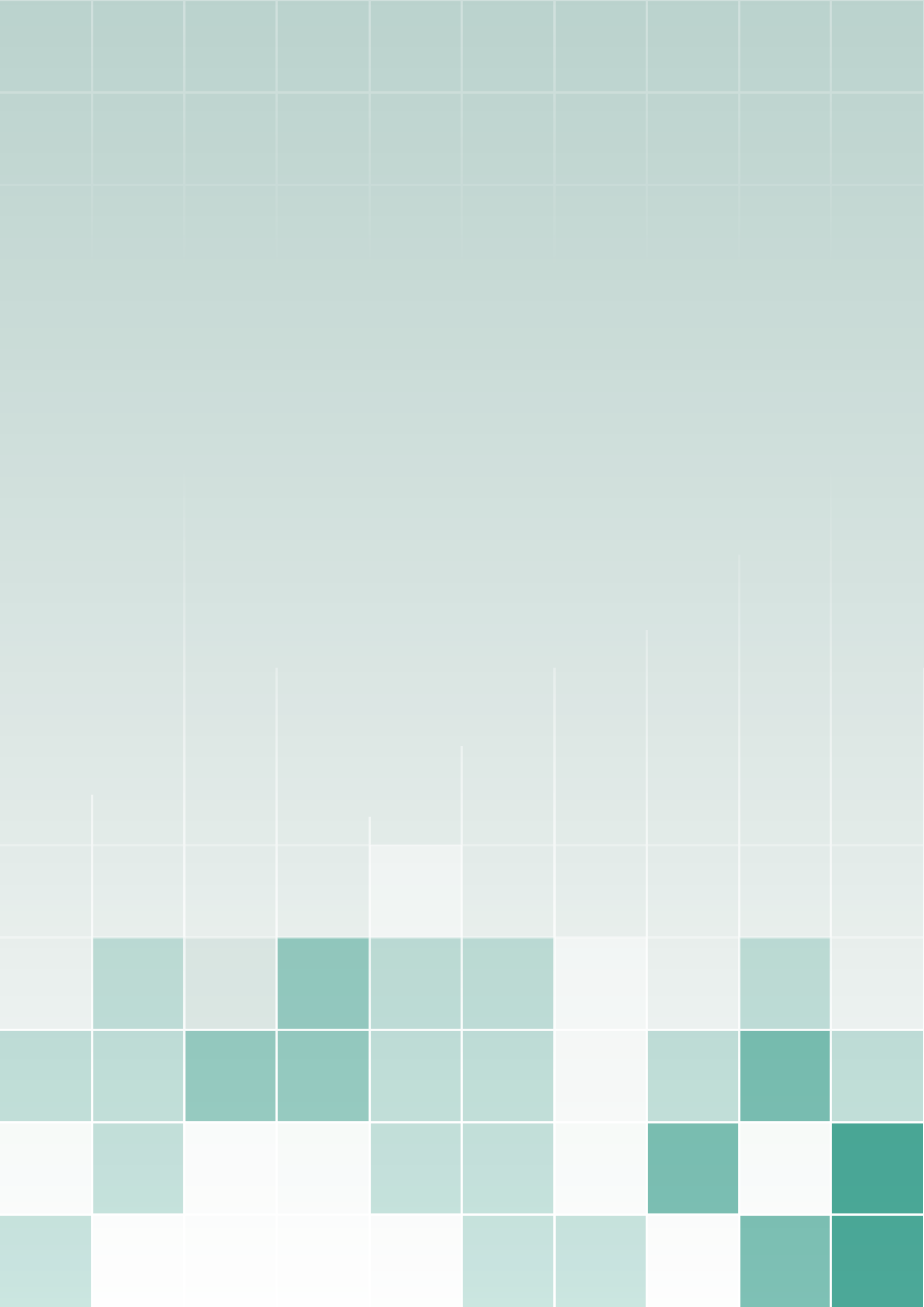
## Financial Inclusion in the Netherlands

Princess Máxima also raises awareness of the importance of inclusive finance in her own country. The Princess has served on the Dutch Council on Microfinance since 2006 to support entrepreneurship in the Netherlands. She encourages expanded coaching support for new entrepreneurs as well as credit facilities, which are the mainstays of microfinance in the Netherlands.

Since 2008, Princess Máxima has engaged in advocacy for financial education in the Netherlands, most notably for children and youth. The Princess became Honorary Chair in 2010 of 'CentiQ, Wiser in Money Matters', a national partnership of banks, schools, government, consumers' organizations and research institutions.

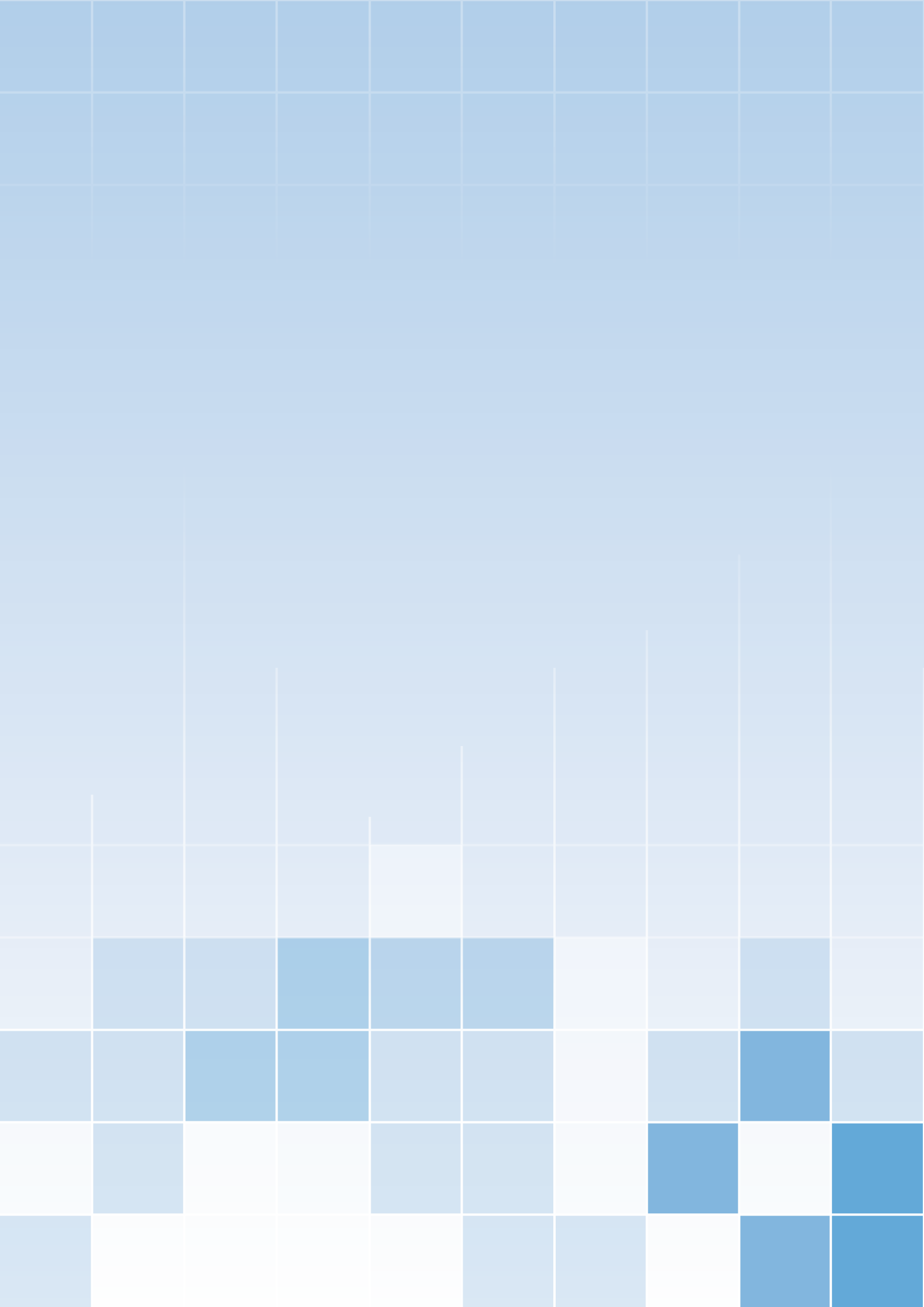
## Prior UN experience

Drawing on her professional experience in banking and emerging markets, Princess Máxima served as a member of the UN Advisors Group to the 2005 International Year of Microcredit. She traveled widely to observe microcredit programs in action. From 2006 to 2009, the Princess served on the UN Advisors Group on Inclusive Financial Sectors, which sought to address the broader agenda of financial inclusion. She was a member of the Group's Executive Committee and chaired its Working Group on Advocacy. In 2008, the Princess presented UN Secretary-General Ban Ki-moon with the Group's recommendations. Its key messages were designed to serve as guidelines for legislators, supervisory bodies, development partners and the private sector (see [www.UNAdvisorsGroup.org](http://www.UNAdvisorsGroup.org)). Important themes included the need to encourage people to save, to strengthen systems of lending, to simplify financial transactions, and to educate consumers about and protect them against financial risks.









Some 2.7 billion adults around the world lack access to financial services. This hampers their ability to protect themselves in times of crisis, to pursue new opportunities, and to build for the future. As a means to an end, financial inclusion can enable people to improve their lives and grow their businesses. It can help reduce poverty and meet other social and economic development objectives. Financial inclusion is universal access, at a reasonable cost, to a wide range of financial services, provided by a variety of sound and sustainable institutions.

In September 2009, UN Secretary-General Ban Ki-moon designated HRH Princess Máxima of the Netherlands to the newly created role of Special Advocate for Inclusive Finance for Development (UNSGSA). As UNSGSA, HRH Princess Máxima advocates for greater financial inclusion among policymakers and regulators and raises awareness of the issues and opportunities among financial service providers and other potential collaborators, including the public at large. The themes which form the core of her advocacy work include access to a range of financial services, starting with savings; a continuum of inclusion, from individuals to SMEs; responsible finance, with protected clients empowered to make sound choices; the mutually reinforcing relationship between financial integrity and financial inclusion; and the importance of data for decision-making.

UNCDF, the UN's capital investment agency for the world's 49 least developed countries, houses the UNSGSA's office and coordinates the wider UNSGSA reference group.



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