English version of Foreword by Her Royal Highness Princess Máxima of the Netherlands, United Nations Secretary General's Special Advocate for Inclusive Finance for Development (UNSGSA), in *Las finanzas de los pobres: Cómo viven los pobres del mundo con dos dólares al día*,[1] Debate, 2011.

Marta raises her three children in a rented house on the edges of Domingo de Arenas, a small town in Puebla, Mexico. She earns a living by working as a day-laborer in local fields, reselling peanuts and seeds in a nearby market town and sometimes washing clothes for neighbors. She never knows how much she will be able to earn or when she will be paid. Marta did okay last month, but her cash was quickly whittled away by the electricity bill, doctors, and fees for her daughter's preschool. Her rent of the equivalent of 40 dollars is now overdue, and she has built up a debt of 20 dollars at the local food shop. She is hoping her son will get paid soon for his own casual labor and that he will then help pay off her debt.

Marta is poor, but not living a precarious existence. Still, she struggles to get a real leg up out of poverty, and could easily be wiped out by anything unexpected – illness or just slow work. Marta planned to buy some land to build her own home for 400 dollars. She managed to save 160 dollars a year ago while living with family. But this savings, so close at hand, proved difficult to hold onto. Her sister convinced her to lend that cash to a friend, who promptly disappeared with Marta's entire nest egg. Infuriated, Marta moved out. So now she is trying to save while paying rent. She expects it to take her two more years, and she'll have to do it on her own. There are no banks around to keep that savings safe, and local credit unions, which also take savings, have a history of collapsing. She has no collateral with which to secure a loan, and no medical insurance, even for her children. She says she will hide her cash this time, even from her closest family.

When *Portfolios of the Poor* was released in 2009, it fundamentally shifted the way we think about people like Marta. We often hear about a poor person living on two dollars per day. But that does not mean that two dollars each and every day. Rather it might mean five dollars one day, then nothing for a week. The incomes, expenses, life events, and shocks that confront the poor are irregular and unpredictable. The families in this book show us that having very little means those resources must be managed more, not less, intensively. This cost them not only time, but above all, more money.

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[1] In English, the title is "*Portfolios of the Poor: How the World's Poor Live on $2 a Day.*"

In all my talks with world leaders, governors of central banks and CEOs of banks, what most strikes them most is how much poor people pay just to have cash or savings when they need it. Not only do they pay very high interest rates to borrow, they often pay to save, bear exceptionally high indirect transaction costs and must cope with risks. In West Africa, for example, people pay susu collectors a fee to hold their money – effectively earning negative interest on their savings. Informal savings clubs too frequently collapse. Loans made to friends and family go un-repaid, and moneylenders call their debts early. Cash saved at home easily gets spent. Sending a remittance through a bus company may mean that the payment doesn't arrive. Users travel long distances, pay transportation costs, wait in lines, sit through long meetings, and take out multiple small, expensive loans to try to piece together a lump sum big enough for specific goals and investments—like Marta's land. And all this time is time away from the fields, store or day job, and lost income.

This financial juggling act enables them to make ends meet, as we learn from the households in this study. But all the fees and hidden costs add up. What if we could reduce or even remove most those costs? For a poor family, even several percent of their total income can be the difference between more schooling for the children, more nutritious food, or basic health care. Or for families even poorer than Marta, food on the table every day.

Today we have these insights thanks to the fabulous work done in this book. *Portfolios of the Poor* shows just how costly it is to live without formal financial tools—and how much more people could achieve if they had them.

Portfolios of the Poor not only shows us the complex financial demands that poor people have in order to meet their basic needs, build up lump sums and manage risks. It also obviously tells us that today, poor people must get by with only informal, costly and unreliable financial instruments that do not really fit their needs. These needs would be better met by a diversity of financial services—insurance, loans, payments and above all, savings. *Portfolios of the Poor* also tells us that these must be well-designed. For example, sometimes a commitment savings account will help a farmer save for seeds better than a regular one. Or highly liquid inexpensive savings accounts would help him manage his unstable income to meet his daily basic needs better than a traditional savings scheme.

In this way, *Portfolios of the Poor* is a call to action for both the public and private sector. It is a call to build widely accessible financial systems as critical infrastructure, just like well-developed transportation networks, something everyone relies upon and benefits from. It is call to financial inclusion—universal access, at a reasonable cost, to a range of financial services for everyone needing them, provided by a diversity of sound and sustainable institutions.

Unfortunately, we are still quite far from realizing this vision. Nearly a third of the world, some 2.7 billion people, lacks access to basic banking, not to mention proper savings accounts, loans, insurance and payment systems that bring the reliability and efficiency that enable all of us, poor and rich, to do more with the resources we already have.

These levels of exclusion do not apply only to South Africa, India, and Bangladesh, which were so thoroughly studied in this book. According to OECD statistics from 2009, 60% of Latin Americans are unbanked. Access to financial services in Latin America looks much more like developing countries than the United States, France, Sweden, Japan, or my home country, the Netherlands. On average, in Latin America, there are only 14 bank branches and 31 ATMs per 100,000 people, compared to 32 branches and 94 ATMs per 100,000 people in wealthy countries. And most of these are concentrated in cities and wealthier areas.

Latin America is also the home to trailblazing innovation. Since 1999, Brazil has built an extensive network of retail store and lottery agents who are paid commissions for conducting transactions on behalf of government and private banks. These agents offer most Brazilians local access to the national payments system as well as formal savings, credit, and investment products. Similarly, in Peru, banks have agents in all provinces, bringing banking to the doorstep of clients—at affordable prices and using commercially viable business models. In Colombia and Mexico, governments are using banking agents to deliver social transfer payments efficiently and conveniently to poor clients. And Mexican regulators just removed one of the most common barriers to access by authorizing banks to offer clients simplified accounts as part of a tiered system. This makes it easier for many poor and marginalized residents, who often do not have formal identity documents, to open and use basic payment and savings accounts. These are just a few of a growing number of Latin American success stories at building the infrastructure and products necessary to better serve a much larger share of the population.

In other parts of the world, mobile phone banking has proven to be critical innovation to deliver financial services that everyone can access and afford. It holds huge promise in reducing costs both by avoiding the expense of physical bank presence in far- away places and by drastically reducing the costs of handling cash. And most importantly, where it is already available, it has proven to be a service that is in high demand and immediate benefit by poor people, small business owners and many, many others. Growing up in Argentina, I remember being so excited to go to a bank to get my first savings account. For millions of the next generation, this could be as simple as a few taps on their telephones.

Such successes could never be achieved without understanding the needs, ability and desire of poor people to participate in the formal financial system, and what kinds of financial products would really make a difference in their lives. These are precisely the types of insights that emerge in *Portfolios of the Poor*. This book has certainly helped me to refocus general attention on poor people's financial needs, not only to affordable credit, but even more importantly to secure accessible savings and transaction accounts. These basic services are simply taken for granted in rich countries, but can make a real difference in improving the lives of the poor.

It is my hope that the Spanish translation of the book will greatly broaden the audience for this monumental work. Inspiring hopefully policy makers, practitioners, academics, social welfare actors, and the wide range of service providers in our shared effort to bring quality financial services to the poor around the world. And with that, to help people build assets, protect themselves from adversity, earn an income, and create employment so that they can build more equitable and sustainable futures.