CGAP ANNUAL MEETING

15 May 2013

Good morning. Welcome to the Netherlands. I tend to excuse myself for the Dutch weather. But you have probably been inside in this meeting for the past two days.

And this great work is needed. The annual meeting of CGAP here in Amsterdam and its new strategy come at a pivotal moment. Financial inclusion has made a sky-rocketing journey. As little as five years ago, most people would say to me why savings, SME finance, financial education or basic insurance. People were geared mostly to microcredit.

The situation is very different today. You are of course familiar with the exciting innovations that have lowered costs dramatically and increased access points. And you are aware of the progress in mapping the landscape of financial inclusion through supply and demand data, something I am very proud of. As Financial Access 2012 tells us, accounts per 1,000 adults rose rather steadily between 2004 and 2011. I would also like to point out how much global support is expanding. This is evidenced in work and commitments of the G20, the United Nations, and in principles and guidance of global financial standards, among others. And what about the strategies being prepared by many countries to achieve their own national financial inclusion? These are bold and ambitious and are centered in south-south learning. The difference this has made to lives and livelihoods is real.

CGAP, the partners here and your collective networks have been really instrumental to this remarkable transformation. I would like to congratulate you for this. I would also like to thank you for all the learning you have shared with me and the fantastic collaboration these past years. It has really been tremendous—rewarding and inspiring.

But our work is far from done. Billions of people and hundreds of millions of enterprises are still excluded from the financial system. Too often, where they do have access, the services do not meet their needs. How do we change this, to make faster progress and to make real difference? I hereby urge you, as leaders of the financial inclusion community, to focus on two priorities.

The first priority is getting to scale. Thanks to pilot projects and good studies, we are learning more about products that cater to clients' needs and in which cases they have a good developmental effect. We are also learning more about cost-effective delivery channels that are convenient for clients. This knowledge has not yet consistently translated into widespread replication or scale. Why is this?

Where we see scale, a product is really meeting a clear demand. We also see both profitability for providers and affordability for clients. The one without the other two is not sufficient. Perhaps M-Pesa is the most vivid example of this. In other instances, profitability and affordability are persistent challenges, even though technology has driven down costs. This is the case for example for savings accounts and SME finance. As it is for microinsurance, which requires scale not only for cost-effectiveness but also to offset risks - something that is very essential in insurance. So, scale - therefore sustainability - will be critical if we want to change the lives of millions and also be here in the long term.

Getting to scale will also require much greater engagement of the private sector. This may be a chicken and egg kind of dilemma. Is it because there is little scale that the private sector is not engaged? Or, because the private sector is not engaged is there really no scale? What are the reasons or the unknown barriers?

So, I urge you as a community to focus on scale and sustainability in your initiatives. And even where you cannot get there, please document why not and please do engage with us and inform us widely.

The second priority is creating impact. After all, I am the Special Advocate for Inclusive Finance for Development. As we think about this, I would like to point out that demand is not the same as impact. Something that is highly demanded, does not necessarily have a high developmental impact. We see this for example in loans that are spent on consumer goods. When designed in the right way, inclusive financial systems accelerate progress towards all kinds of development priorities and meet household and enterprise demands.

A focus on rural areas is especially important for development. As you know, 70% of global poverty is rural. Smallholder farmers are the largest group of working poor. And they are mostly excluded from the financial system. Helping these people produce and earn more is essential to their welfare and their own food security. It will also help to meet growing global demand for food. So, I am really glad that CGAP is focusing on smallholder farmers and households in its new strategy. Access to finance combined with access to markets and technical advice along the entire value chain will create thriving sectors and strong regional development. The challenges of rural poverty, however, are multi-faceted. It is also about creating jobs for youth, transportation to markets, reducing post-harvest losses, environmental sustainability, and much more. So, the solutions must also be multi-faceted. This means that finance is not just an issue for the Minister of Agriculture, Minister of Finance or a bank alone, but requires coordination and partnership. A tangible example comes from Nigeria. I was very pleased to be present at the launch of Nigeria's National Financial Inclusion Strategy last October. The Central Bank realized - and I think this is very interesting—that food security and price volatility could affect its ability to maintain financial system stability. It thus brought financial services for agriculture and rural areas into its planning process for the strategy. Holistic solutions like these and integrated, collaborative approaches like the Graduation from Extreme Poverty program have been very successful in creating impact.

In all these efforts, the role of women deserves much more attention. Women deliver the highest return for social and development investment. We know that children benefit most when a mother earns more. She gives them a better home, provides better nutritious foods and sends them to school. Among poor, subsistence farmers, women do most of the agricultural work. But they have much less access to markets, land rights, extension services, information and financial services. I think you all probably know this, but if these female farmers had the same access as men, their production could easily increase by 20 to 30%. In the countryside of Tanzania and Rwanda, and in cities in Brazil, Egypt and Liberia, I've met hardworking and entrepreneurial women who just want a safe and private place to save and guard their money. They want better ways to make sure they and their children can get health care and medicine in cases of emergencies. And of course they also need the micro and the larger commercial loans to grow their businesses.

In other words, we desperately need financial products in combination with programs that are specifically designed for women in both urban and rural areas.

As we make progress in these areas, it will also be important to show how financial inclusion helps lives, livelihoods and welfare. This means more in-depth, disaggregated data and evidence that looks at end-outcomes like poverty, health, and food security.

Demonstrating progress at the country level will be critical. And to this end, I would like to challenge you today to deliver on the two priorities I discussed. First, getting to scale and reach sustainability. Second, achieving meaningful impact on development outcomes through a focus on financial services in rural areas and for women. Doing this successfully will require that you bring other stakeholders and sectors to the table—within your own organizations, globally and at the country level. This of course means the private sector.

I know you will have discussions on frontier topics later this afternoon. As you do that, ask yourselves, are we providing the right information that policy makers and regulators need? I talk to Finance Ministers and Central Bank Governors regularly. They ask themselves, do I have the data and information to make an informed decision? Think about the private sector and CEOs. They ask themselves, I need to invest for five years, but I still don't see the business case. We talk about potential often. But are we assessing really all the risks? In the end, the policy makers probably have to render a decision on the risks, not the potential. And, are we identifying the complementarity between financial inclusion and financial stability? I think we need to be even stronger on this point.

I also see that you will be discussing maximizing influence with global bodies. Do not forget about the United Nations and post-2015 development process. Think how financial inclusion can facilitate global development goals. After all, the UN is the most inclusive of all bodies. I am happy that IFAD and UNCDF are here. I recently visited Rome to talk with the UN agencies there about financial inclusion, food security and rural development.

There are many organizations that could use your knowledge and tools to do their jobs better. Let us not work in isolation but be at their service.

Thank you.