

Leveraging philanthropy to improve financial inclusion

December 2014



Making Access Possible



Authors: Emilie Romon

Partnering For A Common Purpose

In preparation for the 2015 Global Forum on Development, which will focus on how access to financing can contribute to inclusive social and economic development, the [OECD Development Centre](#), [United Nations Capital Development Fund \(UNCDF\)](#) and the [Better than Cash Alliance](#) have developed a series of articles exploring the key issues and dimensions of financial inclusion. Today's post by Emilie Romon of the [OECD Global Network of Foundations Working for Development \(netFWD\)](#) provides an overview the important role taken on by philanthropic foundations to improve financial inclusion.



Leveraging philanthropy to improve financial inclusion

Take a family foundation based in Canada, a semi-public foundation established in the United Arab Emirates (UAE) and a corporate foundation from one of the world's leading banks: What do they have in common? At first sight, not much beyond the fact that they're all charitable organisations. But a closer look tells us that they all dedicate time and resources to the same cause: financial inclusion.

There is growing evidence that financial sector development contributes to a reduction in poverty and inequality. It offers the opportunity to address inequality through interventions that ensure that economic growth translates into poverty reduction and employment, alleviating worries that economic integration and liberalisation of financial markets will lead to narrow impervious corridors of spectacular growth surrounded by a hinterland of poverty. By empowering poor households to take a long term view of education and health, financial inclusion complements government policy, and also helps reap the demographic dividend by ensuring healthier and educated young people raise productivity and attract further investments in the real economy.

Many foundations work to support those living in developing countries who do not have access to formal financial services like loans, insurance, savings accounts, etc. They may also lack the skills needed to manage their financial assets in a sustainable way. Through financial inclusion, these foundations empower individuals to lift themselves out of poverty, enhance their livelihoods and avoid excessive indebtedness.

Why do foundations get involved? Firstly, foundations are generally more willing to take risks and have more flexible means of operation than traditional aid agencies. They have also taken the lead in innovation, for example by inventing and making new digital payment systems accessible to the poor. An [OECD study on venture philanthropy](#) paints a generally positive picture of the approaches used by foundations.

The [Lundin Foundation](#) works with farmers and small enterprises in Sub-Saharan Africa to enhance employment opportunities and bring their products to market. Because farmers often do not have access to formal financial services — which constrains their ability to scale up — the foundation makes financial services accessible to these farmers. Lundin recently invested in Agriculture and Climate Risk Enterprise, Ltd. (ACRE), which provides affordable insurance to farmers against climate risk, and sponsored the development of West Africa's first dedicated Agribusiness SME Venture Capital Fund.

In the UAE, where 70% of Emiratis under the age of 30 are indebted, rising depression amongst youth is often attributed to financial stress. Increasing divorce rates in the country

have also been linked to excessive debt. Faced with a problem of such magnitude and because no nationwide initiative was addressing the issue, the [Emirates Foundation for Youth Development](#) decided to make financial inclusion and literacy one of their six core programmes. Through the [Esref Sah](#) (“Spend true”) programme, the foundation raises awareness among the Emirati youth on the importance of managing their assets and provides capacity building training on it. In 2014, the Emirates Foundation has engaged 2 434 youth and parents through a series of workshops across the country.

Similarly, the [Citi Foundation](#) follows a ‘more than philanthropy’ approach, by giving not only money to their grantees, but also coaching and training in order to reinforce their capabilities. In addition to financial literacy programmes delivered around the globe, the foundation seeks to strengthen microfinance institutions (MFIs) that offer small loans to low-income individuals, by helping them build their institutional and management capacity.

While these programmes gain considerable momentum, a larger range of development actors are also coming together to leverage their comparative advantages in support of financial inclusion. The [Better Than Cash Alliance](#) is a unique UN-based Alliance that is funded by three major foundations ([Bill and Melinda Gates Foundation](#), [Ford Foundation](#) and the [Omidyar Network](#)), three financial institutions ([Citi](#), [MasterCard](#) and [Visa](#)) and one bilateral donor ([USAID](#)).

Housed at the United Nations Capital Development Fund, the Better Than Cash Alliance provides expertise in the transition to digital payments to achieve the goals of empowering people and growing emerging economies. In addition to raising awareness of the benefits of replacing physical cash with electronic payments, the Alliance facilitates the transition for governments, the development community and the private sector. While physical cash payments are more effective than distributing in-kind goods, there is a growing body of evidence that digitizing payments can create lasting benefits for people, communities and economies, because they are a more cost-effective, efficient, transparent and safer means of disbursing and collecting payment.

The support from the three foundations to the Better Than Cash Alliance and their commitment to work with governments, private sector and development partners is deeply rooted in their own vision for increased financial inclusion in developing countries. Bill Gates, the co-chair of the Bill and Melinda Gates Foundation, predicts that payment “transactions will be digital, universal, and almost free”.

Increasing financial inclusion at a national level is a complex task and requires a number of actors, in order to ensure that the vast range of products, services, policies and regulations as well as infrastructure upgrades are met. This will require both technical skill, significant human capital to ensure the change happens and deep financial resources. Thus, a

multitude of players will be required for multi-dimensional sectoral change at country level and there is no doubt that foundations have a role to play in increasing financial inclusion globally.

Box 1: The Post-2015 development agenda: Sustainable Development Goals

The United Nations is in the process of defining a post-2015 development agenda. This agenda will be launched during a summit in September 2015, which is the target date for realising the Millennium Development Goals (MDGs). The SDGs are intended to build upon the MDGs and converge with the post-2015 development agenda. They were selected through a consultative process by an open working group with representative from 70 countries.

Several MDG targets have been met including poverty reduction, access to improved drinking water, gender parity in primary education and political participation of women. Some are on track to being met such as fighting malaria and tuberculosis. However, despite these achievements, large disparities remain between and within countries. This has prompted a shift in emphasis towards sustainable and equitable growth. The proposed SDGs focus on reducing poverty and inequality; improving global health; ensuring inclusive and equitable education; achieving gender equality and empowering women; ensuring access to sustainable water, sanitation and energy; promoting inclusive growth; and protecting the environment.

Source: UN Sustainable Development Knowledge Platform: <https://sustainabledevelopment.un.org/>