

**Expanding the Frontiers
of Commercial Microfinance**

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Building Inclusive Financial Sectors

Why are so many bankable people unbanked?

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Building Inclusive Financial Sectors

- General trends in microfinance
- Why are so many bankable people unbanked?
- Opportunities and challenges

Trends in microfinance

- From subsidized to (semi-) commercial
- From beneficiaries to customers
- From project to institutional development
- From holistic to specialization
- From microcredit to microfinance
- From isolated to integrated into the financial sector
- From donor driven to market driven
- From scattered to joint sector development
- Commercial investors move into microfinance

The reality at present

- Of 10.000 to 15000 microfinance operations only around 200 are investable
- These 200 institutions serve around 90 percent of the active client base world wide
- The number of donor-independent microfinance institutions is growing rapidly
- Still most financial sectors exclude the vast majority of the population
- Estimates of bankable people that are unbanked range from 100 million to 2 billion



The Data Project

- Launched in October 2005 by UNCDF, IMF and World Bank
- Designed to address the issue of lack of reliable and comprehensive data on financial access by poor and low-income population
- Goal is to identify and monitor basic “headline” indicators and to compile and regularly update cross-country data
- Assessment of currently available data
- Various forms of collaboration for joint learning on measuring access to financial services



WHY ARE SO MANY BANKABLE PEOPLE UNBANKED?

Constraints and untapped opportunities in:

- The environment
- The industry (supply)
- The potential customer base (demand)

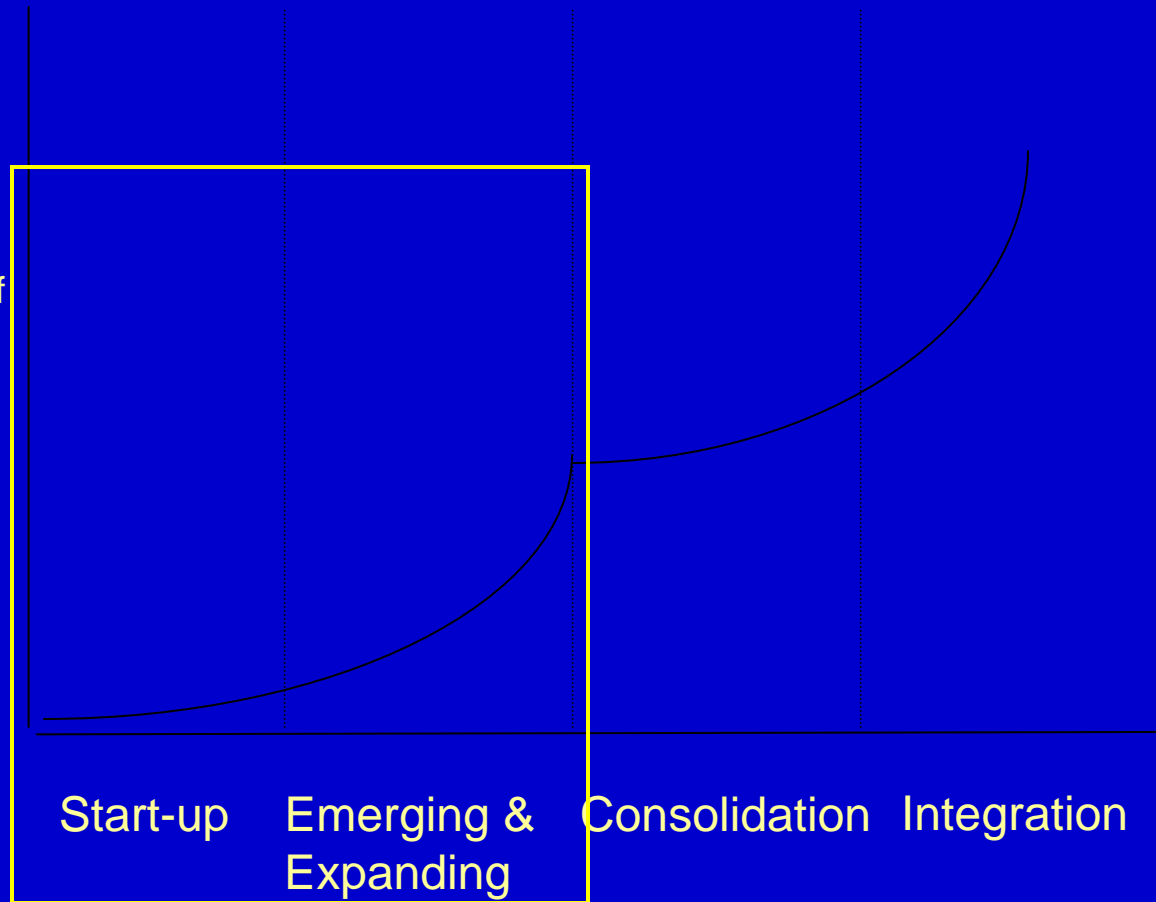
Blue Book on Building Inclusive Financial Sectors for Development

- A consultative process to address constraints and opportunities for building inclusive financial sectors, including multi-stakeholder dialogues, a web-based questionnaire, an e-conference and interviews
- Asia multi-stakeholder dialogue here this week
- Launched by UNCDF and the Financing for Development Office of UNDESA, with a steering that includes the World Bank, IMF, IFAD and ILO
- “Blue Book” will be available in fall 2005. Challenge will then be to bring dialogue to country level world-wide.



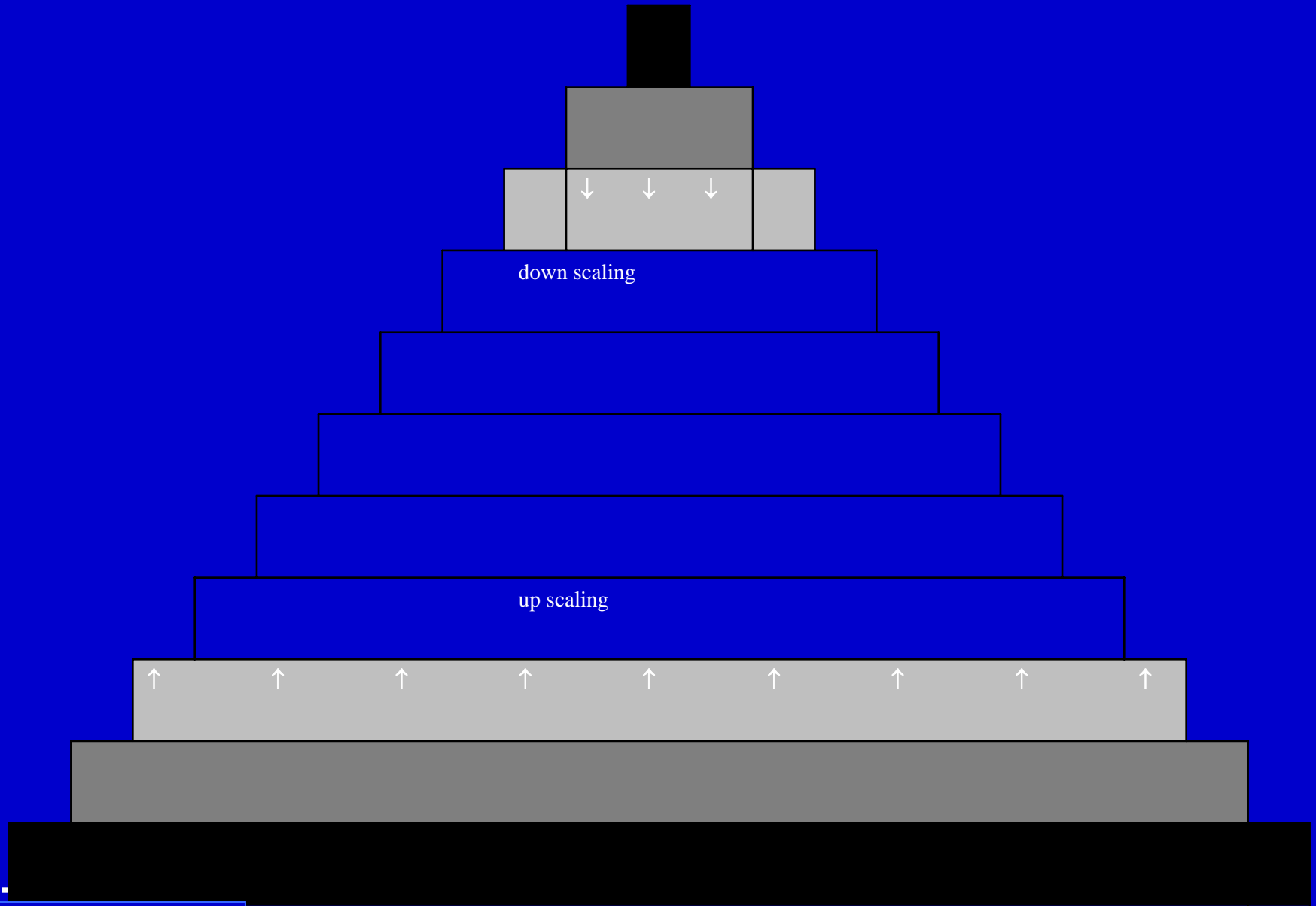
Building Inclusive Financial Sectors

Outreach
Active Portfolio of
Microfinance
Institutions and
Units



- Identify opportunities and constraints for development
- Invest in deepening the financial sector

Towards Inclusive Financial Sectors



UNITED NATIONS CAPITAL DEVELOPMENT FUND Microfinance

UNCDF Microfinance

Financial Sector Development Approach

1. Support public and private sector stakeholders to formulate and implement action plans to build inclusive financial sectors
2. Build a strong and competitive industry
3. Support development and implementation conducive policies and regulations

Opportunities and challenges

- **Opportunities:**

- MDGs,
- Economic development
- Commercial

- **Challenges:**

- To identify and address the constraints that exclude people from access to financial services
- To have public and private sector work together to build robust and competitive inclusive financial sectors



***Kofi Annan, 23 December 2003, press release
on the International Year of Microcredit***

.....The great challenge before us is to address the constraints that exclude people from full participation in the financial sector.....

“...Together, we can and must build inclusive financial sectors that help people improve their lives.”