# Trends in International Funding for Financial Inclusion

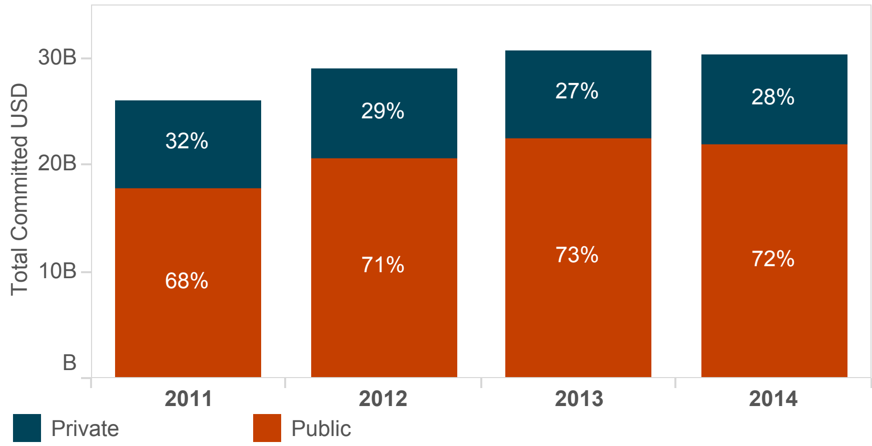
The 2015 Cross-Border Funder Survey reports commitments from the largest international funders of financial inclusion, as of 31 December 2014. CGAP has conducted the survey annually since 2008, and in partnership with MIX since 2012.

After steadily increasing in previous years, international funding of financial inclusion is estimated to have plateaued at $31 billion in 2014.

The ratio between public and private funding was largely unchanged, with public funding comprising 72 percent of global funding.

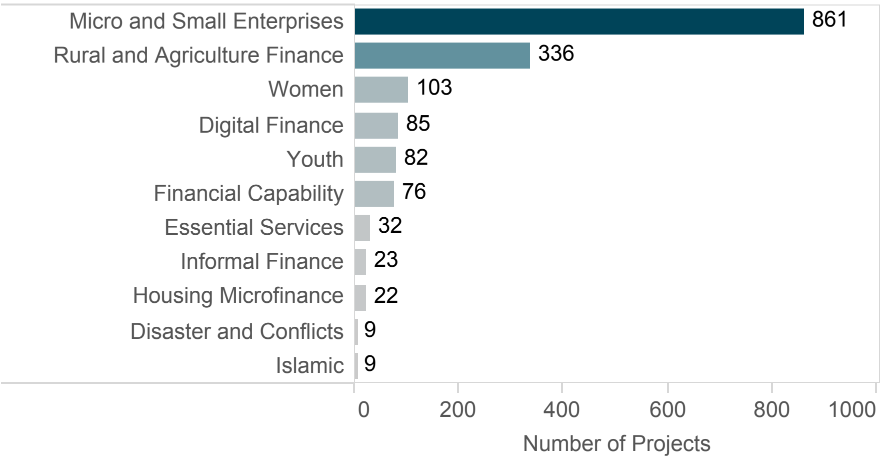
Twenty-three funders participated in the 2015 survey, accounting for 66 percent of this year's global estimate. To calculate the global estimate, we combine data from this year's sample, estimates based on the previous year's trends (which drew from 56 funders), and data from the Symbiotics Microfinance Investment Vehicles (MIV) Survey.

## Global Commitments to Financial Inclusion




**Sources**: 2012-2015 CGAP Cross-Border Funder Survey, 2012-2015 Symbiotics MIV Survey

## Project Themes



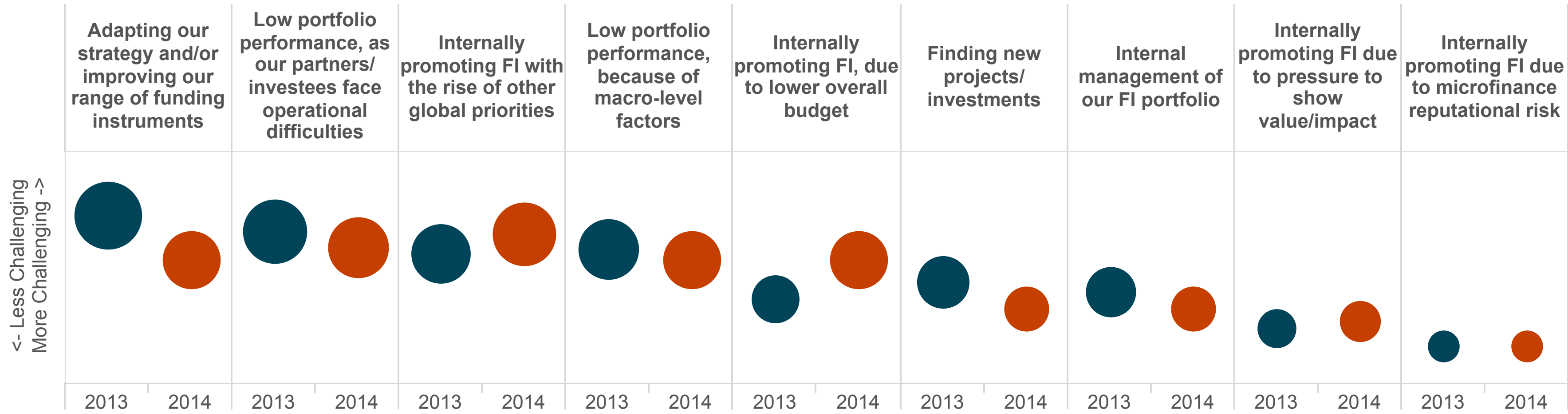

**Source**: 2015 CGAP Cross-Border Funder Survey, N=23 funders

In the prior two surveys, covering data from 2012 and 2013, funders consistently ranked "adapting our strategy" as one of their most pressing challenges. This year, funders highlighted that other global priorities (such as climate change, migration, and currency instability) made it harder to promote financial inclusion within their own organizations.

In addition to the challenge of internal promotion of financial inclusion, public funders cited lower overall budgets and low portfolio performance due to operational difficulties facing their partners/investees.

In 2014, funders focused primarily on micro and small enterprise projects, rural and agriculture finance and financial capability.

## Internal Challenges for Funders in 2014




**Source**: 2015 CGAP Cross-Border Funder Survey, N=19 Funders

# Funding Purpose

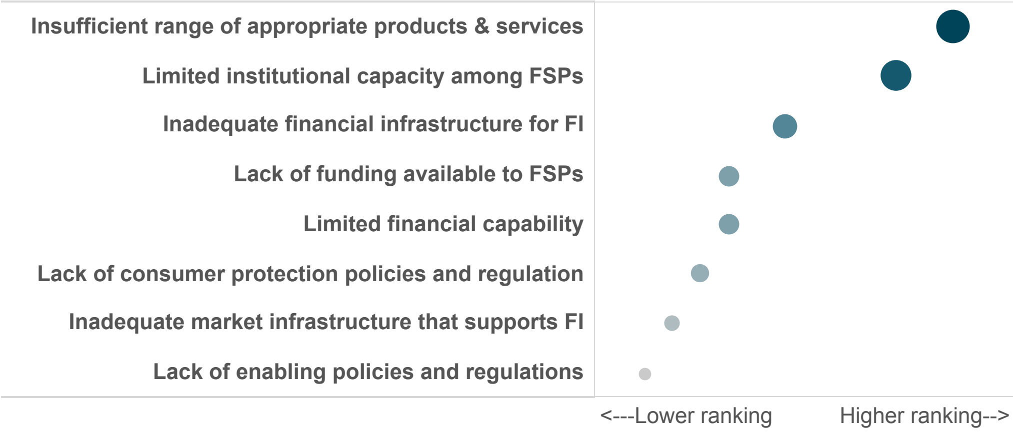
products and the limited institutional capacity of FSPs, which they identified as key barriers to financial inclusion.

The majority of funding (about 80 percent of total commitments) is therefore allocated to the retail sector either directly or indirectly in the form of financing and capacity building. While financing is usually on-lent to clients typically in the form of credit products, the capacity building portion targets the improvement of operations and the management and governance of FSPs.

As in prior years, funders also committed 2 percent of their financial inclusion portfolios for projects aiming to enhance the financial capability of poor clients. The majority of funding for this purpose (about 60 percent) is channeled through governments.

Another 4 percent of global funding for financial inclusion was allocated for improving market infrastructure and the policy environment.

## Barrier Ranking in 2014

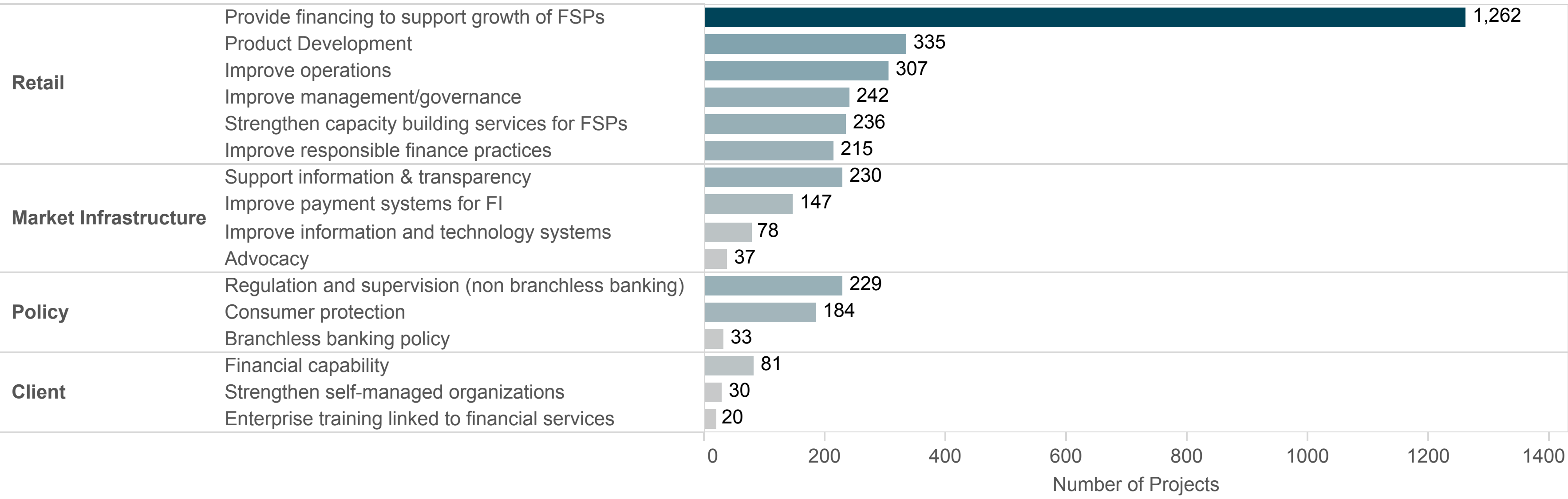



**Source**: 2015 CGAP Cross-Border Funder Survey, N=19 Funders.

## Commitments by Purpose in 2014


**Source**: 2015 CGAP Cross-Border Funder Survey, N=23 Funders.

## Number of Projects by Level of Intervention in 2014




**Source:** 2015 CGAP Cross Border Funder Survey on Financial Inclusion, N= 23 Funders

# Instruments and Recipients

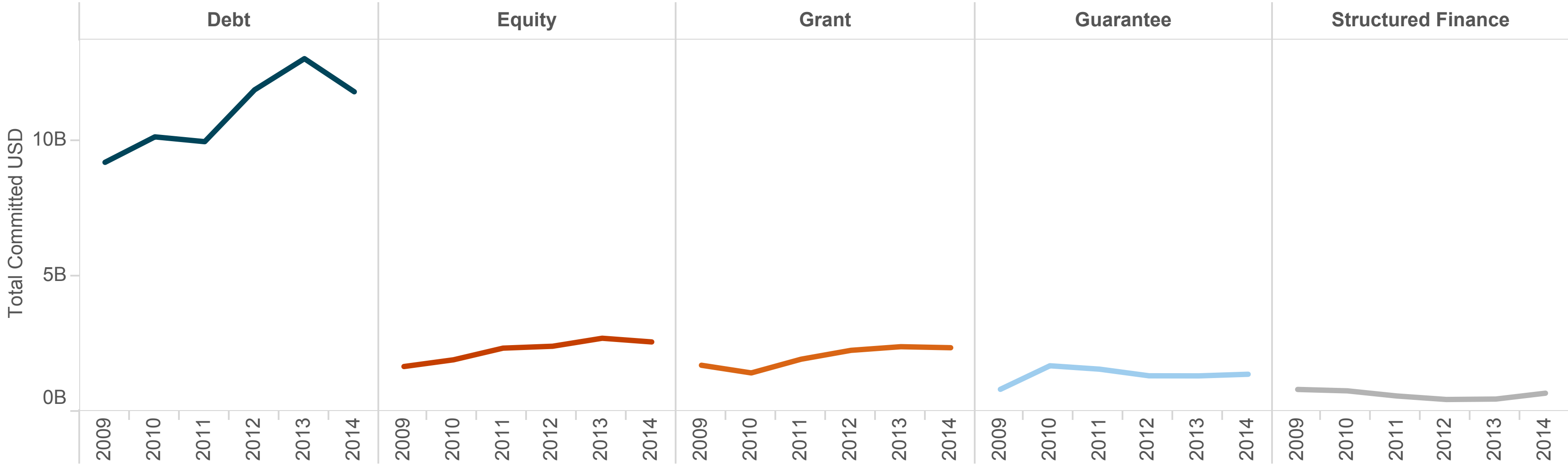
Despite its 9 percent decline in real terms in 2014, debt continues to dwarf the other financing instruments used by funders in the sample, reflecting the funders' focus on FSP financing. The weakened euro accounts for two-thirds of the decrease, and the closure of several large projects explains the rest.

Commitments in equity and grants, the second and third largest instruments, are each one-fifth the amount of commitments in debt. Funders channel equity primarily to microfinance investment intermediaries (MIIs); grants mostly target recipients in the "other" category, which includes service providers and market facilitators.

About one-third of the active projects in 2014 contain a grant component (763 projects). These projects often focus on micro and small enterprises (121 projects), rural and agriculture finance (112 projects), and digital finance (60 projects).

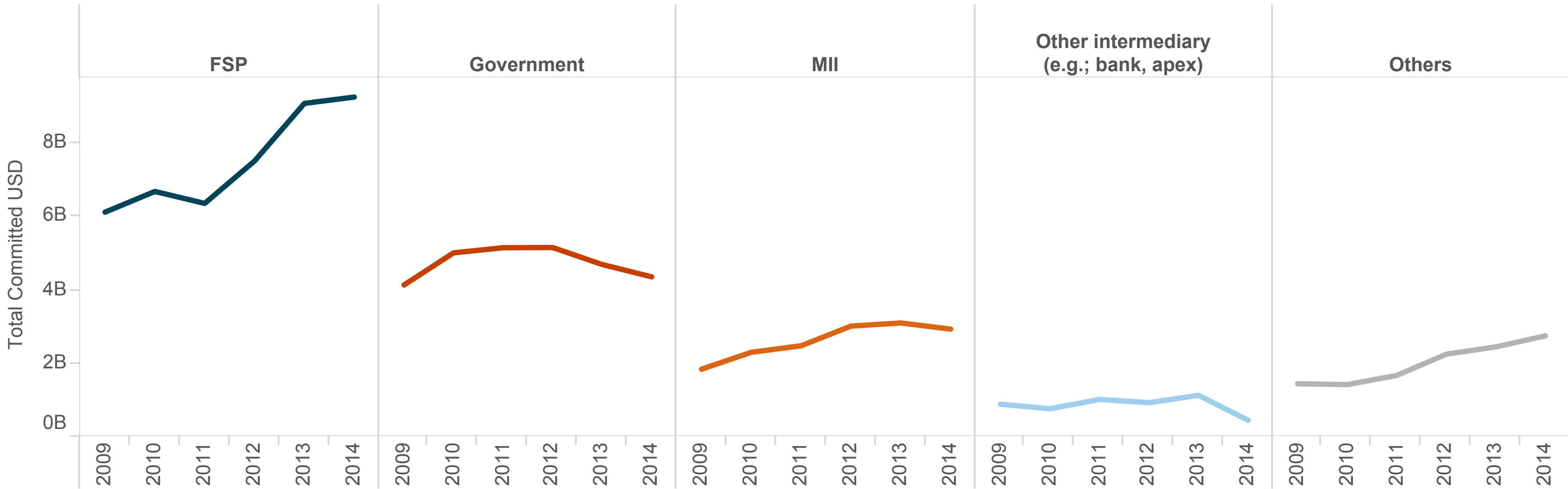
About 15 percent of grant funding is allocated directly to FSPs, and the rest goes to government, service providers, and market facilitators, who use the funds to improve operations (199 projects), support management and governance (141 projects), and strengthen capacity-building services for FSPs (130 projects).

## Trends in Commitments by Instrument




**Source:** 2008-2015 CGAP Cross-Border Funder Survey on Financial Inclusion, Trendable Set N=21 funders

## Trends in Commitments by Recipient Type




**Source:** 2008-2015 CGAP Cross-Border Funder Survey on Financial Inclusion, Trendable Set N=21 funders

# Regional Trends

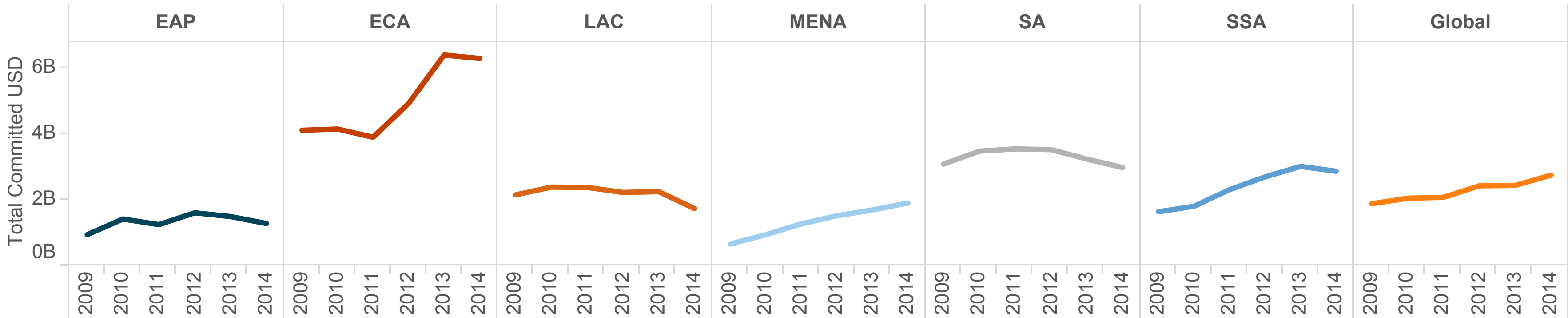
Eastern Europe and Central Asia (ECA) continue to receive the bulk of funding in terms of volume (31 percent of 2014 commitments), but sub-Saharan Africa (SSA) has the largest number of projects (553 projects).

The exchange rate fluctuations and closure of several large projects to local intermediaries resulted in a decline of funding for ECA, South Asia (SA), and Latin America and the Caribbean (LAC). However, in contrast with LAC where financial inclusion efforts have matured enough to rely extensively on local funding, the number of projects in ECA and SA is still growing, even as funding volume falls.

India, Egypt, Turkey, Indonesia and Pakistan are the top 5 most funded countries, together constituting 25% of international funding in 2014.

About a third of overall funding is allocated to regional and global projects.

## Trends in Commitments by Region

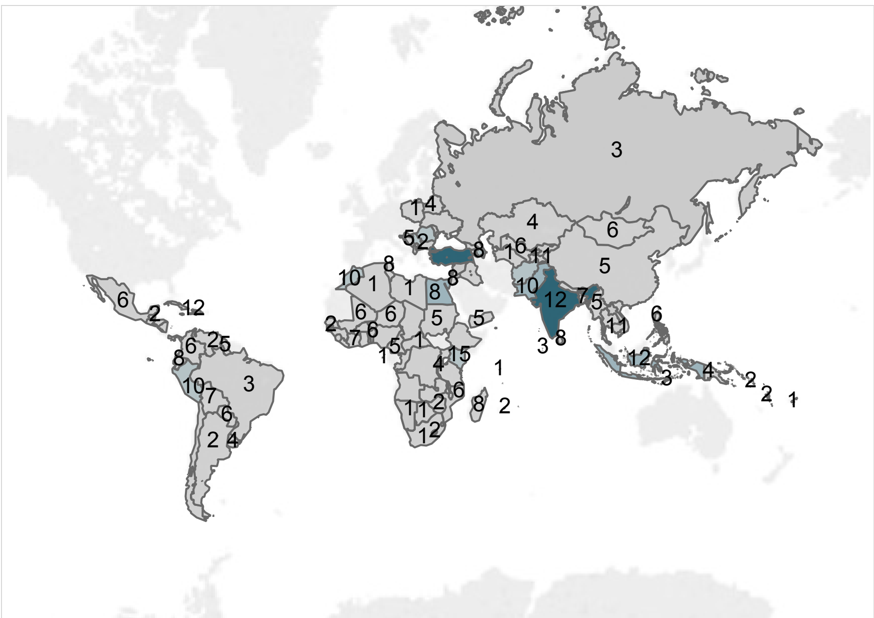



**Source:** 2008-2015 CGAP Cross-Border Funder Survey on Financial Inclusion, Trendable Set N=21 funders

**Select Region** All

**Click on a country to see the active funders and the number of active projects.**
Country-level data comes from only the 23 funders who participated in the 2015 Survey.

## Commitments and Number of Active Funders by Country



## Number of Projects per Funder

| Funder Name | |
|---|---|
| AECID | 89 |
| AFD Proparco | 167 |
| AsDB | 46 |
| DCA USAID | 95 |
| DFAT | 23 |
| DFID | 16 |
| EBRD | 304 |
| EC | 167 |
| EIB | 84 |
| FMO | 112 |
| Gates Foundation | 85 |
| GIZ | 24 |
| IFAD | 146 |
| IFC | 320 |
| IsDB | 12 |

**Total Committed USD**

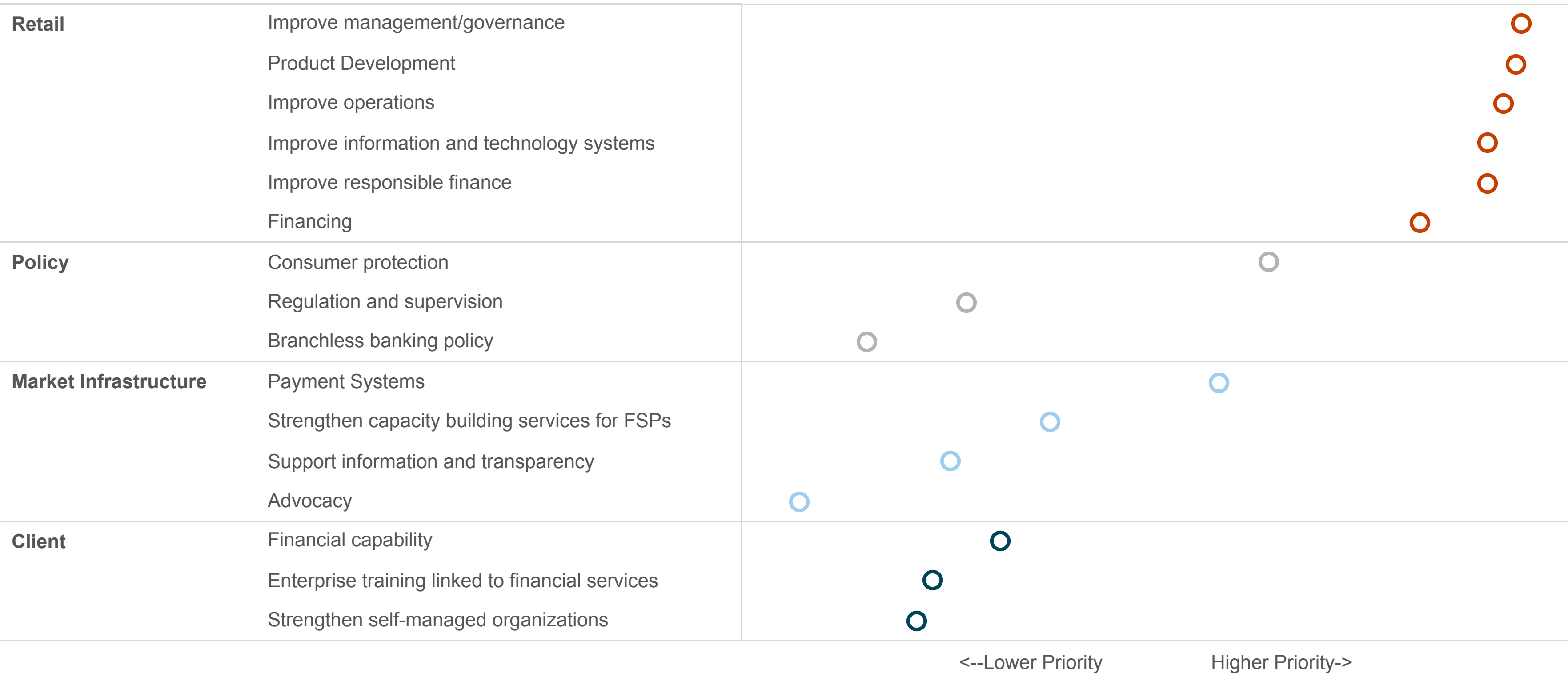
100,000,000 — 2,000,000,000

# Looking Ahead

Despite the slowed growth in funding volume, the majority of the funders reported that they expect their commitments to increase or remain at current levels going forward. In addition to continuing their focus on the retail level, funders also plan to work on payment systems and consumer protection.

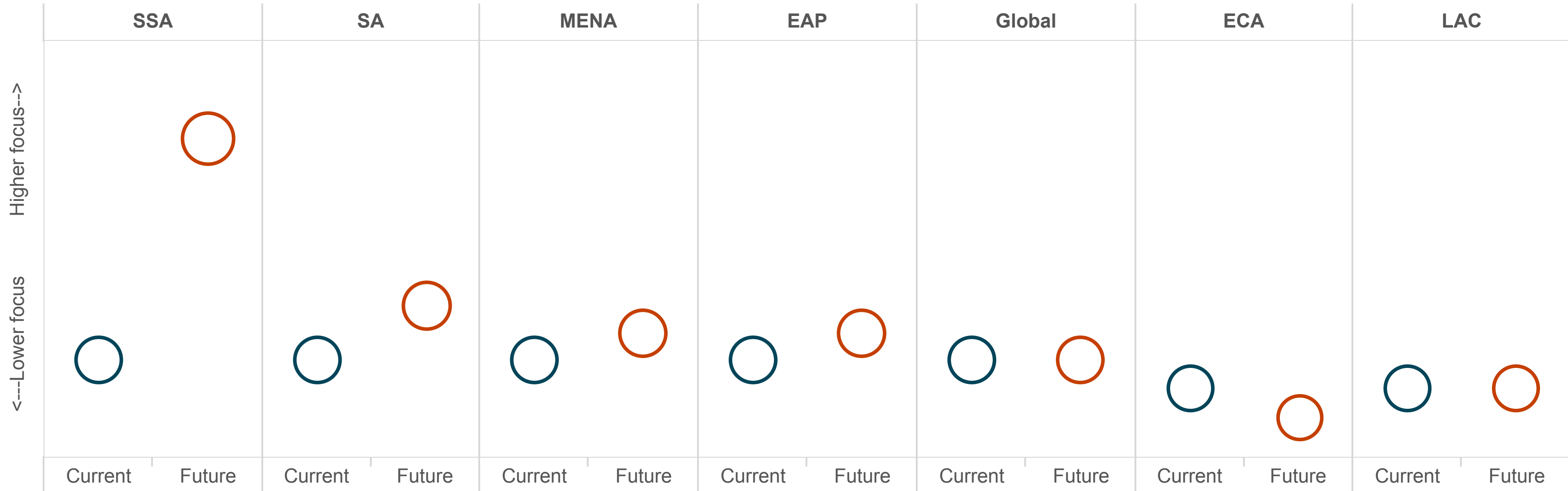
In terms of regional strategy, funders said that over the next three years they will increase investments in SSA, where they aim primarily to build the retail sector's capacity and expand the range of products and services.

## Areas of Focus for the Next Three Years




**Source:** 2015 CGAP Cross-Border Funder Survey on Financial Inclusion, N=19 Funders

## Regional Focus Shifts




**Source:** 2015 CGAP Cross-Border Funder Survey on Financial Inclusion, N=19 funders

# Methodology

The graphics are based on data from the CGAP Cross-Border Funder Surveys conducted in partnership with MIX.

· In 2015, CGAP used data from 23 international funders which represented 76% of the global estimate.

· The global estimate of commitments to financial inclusion is calculated on data from this sample and publicly available data from Symbiotics MIV Surveys (www.syminvest.com).

· Other trend data are available annually on a subset of 21 funders.

| Funder type | Funder Subtype | Funder names |
|---|---|---|
| **Donor** | Bilateral Agencies | DFAT (ex-AusAid), DFID, GIZ, USAID |
| | Foundations | Bill & Melinda Gates Foundation, The MasterCard Foundation |
| | Multilateral Agencies | AfDB, AsDB, European Commission, IFAD, ISDB, UNCDF, World Bank |
| **Investor** | DFI | AECID, AFD Proparco, DCA USAID, EBRD, EIB, FMO, IFC, KfW, MIF IADB, OPIC |

· Apart from the funding volume, the analytical framework also **captures qualitative information at the project level** to allow more granular analysis and better understand the funding purpose which cannot be easily deduced from data on commitments. The framework has been organized into two main categories: **(1) barriers/challenges to financial inclusion and (2) their corresponding solutions.** Within each grouping of solutions, there is a comprehensive, but not mutually exclusive, set of detailed solutions. Funders identified which of these detailed solutions the reported projects aim to address. One project may have multiple detailed solutions listed as its purpose. The number of projects pursuing a given solution is used as a proxy to gauge the relative importance of each solution for the funders, since survey respondents are not always able to provide disaggregated project commitments for each purpose.

· This year, the survey included a new field designed to better capture a project's area of focus and the linkages between financial inclusion and other development priorities. Funders may tag a project with one more themes that their project supports. Even though we were not able to tag 100% of projects, the themes provided us with interesting information. Below you can find a list of the themes and definitions.

| Theme | Definition |
|---|---|
| **Digital Finance** | Encouraging the delivery of financial services through technological platforms, including mobile money and branchless banking. |
| **Disasters and Conflicts** | Supporting stability-building efforts in post-conflict or post-disaster contexts through financial inclusion. |
| **Essential Services** | Expanding access to essential services for the poor in energy, water, education, and health through financial inclusion. |
| **Financial Capability** | Supporting consumers so that they develop knowledge, skills, attitudes and ultimately behaviors to make sound financial decisions and appropriate use of financial services. |
| **Housing Microfinance** | Expanding access to housing for the poor through financial inclusion. |
| **Informal Finance** | Supporting products and services delivered outside of the formal, regulated financial sector. |
| **Islamic Microfinance** | Increasing financial inclusion of poor Muslim populations through products and services that adhere to certain Islamic principles. |
| **Micro and Small Enterprises** | Encouraging and supporting the financial inclusion of micro and small enterprises (MSEs). |
| **Responsible Finance** | Promoting and developing regulations and business standards to ensure that financial services are transparent, fair, safe, and likely to generate benefits for poor clients. |
| **Rural and Agriculture Finance** | Encouraging and supporting the financial inclusion of smallholders and agricultural MSEs. |
| **Women** | Encouraging and supporting the financial inclusion of women. |
| **Youth** | Encouraging and supporting the financial inclusion of young people. |

Data visualization created by Edlira Dashi and Eda Dokle with Matthew Soursourian