Standing Committee on
Sustainable Development,
Finance and Trade

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Promoting enhanced international cooperation on the SDGs, in particular on the financial inclusion of women as a driver of development

***Explanatory memorandum* submitted by the co-Rapporteurs**
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1. The Sustainable Development Goals (SDGs) of the *2030 Agenda for Sustainable Development,* adopted in September 2015, are set to guide global development. As a plan of action, 17 objectives and 169 goals have been established.

2. SDG 1 (*End poverty in all its forms everywhere*) sets a target to ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to ownership and control over land and other forms of property, inheritance and financial services, including microfinance.

3. Given that women constitute almost half of the world's population, any development endeavour, let alone the SDGs, cannot be successful without mainstreaming women into development processes. SDG 5 (*Achieve gender equality and empower all women and girls*) advocates reforms to give women equal rights to economic resources, as well as access to ownership and control over land and other forms of property, financial services and inheritance.

4. Providing a life of dignity to all is the overarching objective of the SDGs. Concerns have been expressed about rising inequality, both within and among countries. In that regard, gender inequality remains a key challenge as it is a major barrier to human development. The best way to empower women is to mainstream them into the economy and involve them in development processes.

5. Financial inclusion has become an integral part of strategies to promote inclusive growth. It has been recognized in international discourse as an essential element in reducing the gender gap, fostering economic growth, improving health and nutrition and raising the educational level of the population.

6. Gender fundamentally affects financial capabilities and knowledge about savings, since, among other things, women have fewer education and employment opportunities compared to men. In addition, women are often relegated to performing domestic chores or may lack property rights. With the SDGs in place, similar agendas of inclusive growth and tackling inequality can now be consolidated. It is therefore imperative to make financial inclusion more effective and to make formal financial services available, accessible, and affordable.

7. As stated by McKinsey Global Institute, if women played an identical role in the economy to that of men, as much as US$ 28 trillion, or 26 per cent, could be added to global annual GDP by 2025. Even if all countries only matched the rate of improvement of the fastest-improving country in their region, that could add as much as US$ 12 trillion, or 11 per cent, in annual 2025 GDP.

8. Although financial inclusion is a key link between economic opportunity and economic outcome, the World Bank estimates that more than 2.5 billion people worldwide do not have access to formal financial services. Of these, 80 per cent live on less than two dollars a day.

9. Women make up 70 per cent of the world's poor and about 40 per cent of the global workforce. This means that most of them still lack access to formal credit and savings accounts, health insurance, and childcare services.

10. Even though the overall percentage of women with access to formal financial services has increased, the gender gap in account ownership remains at seven percentage points globally. In fact, the Global Findex Database indicates that in 2014, 58 per cent of women owned an account, compared to 65 per cent of men.

11. Women are generally less likely to be employed. In addition, according to Women's World Banking, 75 per cent of working women in developing countries are employed in the informal sector. Thus, they lack controlled assets which would enable them to access formal financial services. This situation is aggravated by the fact that women may also face legal or cultural limitations that restrict their financial independence and access to land ownership or inheritance.

12. The results of the 2014 edition of the Social Institutions and Gender Index of the Organization for Economic Co-operation and Development show that two per cent of countries still have legal barriers which discriminate against women's access to formal financial services, while 40 per cent have some customary, traditional or religious discriminatory practices that hinder women's consistent access to such services.

13. Women are more likely to save informally through community-based methods, such as rotating savings or credit associations. Effectively, only 55 per cent of women report saving at a formal financial institution, compared to 58 per cent of men.

14. Women's entrepreneurship is a source of growth, prosperity and poverty reduction that should be put to better use. In its study *Strengthening Access to Finance for Women-Owned SMEs in Developing Countries*, the International Finance Corporation states that women own one out of every three small and medium enterprises (SMEs) in emerging markets, which translates to between eight million and ten million businesses. Thus, women contribute significantly to employment generation and have great economic growth potential.

15. According to the Organization for Economic Co-operation and Development, when women work, they invest 90 per cent of their earnings in their families and communities, compared to men who invest only 30 to 40 per cent of their income.

16. Access to new technologies has allowed financial institutions to reach the most marginalized populations. However, in its study *Women's financial inclusion: A driver for global growth*, Women's World Banking indicates that cultural restrictions and domestic responsibilities may prevent women from reaching branches of those institutions in nearby towns and cities. Additionally, women face a digital gap caused by their lower literacy levels, lower discretionary spending power and the higher probability of living in areas with limited telephone coverage.

17. In its study *Bridging the gender gap: Mobile access and usage in low- and middle-income countries*, the GSM Association states that, although mobile phone ownership has increased substantially in low- and middle-income countries in the past several years, there are still 1.7 billion women who do not own mobile phones. In fact, women are still 14 per cent less likely to own a mobile phone than men or 38 per cent less likely if they live in South Asia. This further restricts women's access to financial services offered through mobile technologies.

18. According to the International Telecommunication Union (the United Nations specialized agency for information and communication technologies), worldwide Internet penetration rates are higher for men than for women. Today, the global Internet user gender gap is 12 per cent. Regionally, Africa has the largest gender gap at 23 per cent and the Americas have the smallest one at two per cent.

19. The Addis Ababa Action Agenda of the Third International Conference on Financing for Development aims to mobilize and deliver the resources needed to fulfill the commitments of the 2030 Agenda. The Agenda also addresses gender equality and women’s and girl’s empowerment. Therefore, countries that commit to the Agenda undertake to consider financial inclusion as a policy objective in financial regulation, and also to adopt a gender perspective.

20. Access to formal savings mechanisms enhances the empowerment of women. It gives them greater control over household expenses, and allows them both to invest in their families and businesses, and to face unexpected situations that lead to loss of income.

21. In light of the foregoing, parliaments have an important role to play in the implementation of the 2030 Agenda, and the adoption of legal frameworks and policies aimed at increasing financial inclusion in general, the financial inclusion of women, and gender perspectives in all financial policies.