Executive Summary

International funders committed US$47 billion in 2018 for financial inclusion—signaling that financial inclusion plays a vital role as an enabler of many Sustainable Development Goals (SDGs). A third of international funders responding to the CGAP Funder Survey have been purposefully aligning their financial inclusion efforts to the achievement of the SDGs. Many international funders also are committing to help close the SDG funding gap, but it is important that their financial inclusion efforts should crowd in private capital where it is needed. However, funders’ large focus on financing the growth of financial services providers (FSPs)—an area that has also attracted private investors—raises questions on the efficiency of their efforts in closing the financial inclusion gap.

Funding from multilateral agencies, development finance institutions, and foundations shows fast growth, whereas funding from bilateral agencies and private investors seems to stagnate.

International funding increased by 12 percent in 2018 from the prior year to an estimated $47 billion, a trend that has been consistent over the past five years (Figure 1). For the second year in a row, public funders drive the growth in commitments—reaching $34 billion in 2018. This year, multilateral agencies significantly increased their contributions. Their commitments grew from $5 billion in 2017 to $7 billion in 2018, based on the 23 funders surveyed (a growth of 40 percent) and represent 25 percent of the overall

1 Public funders include development finance institutions and bilateral and multilateral agencies.
reported commitments. Development finance institutions (DFIs) continued to increase their commitments, but exchange rate fluctuations between the U.S. dollar and the Euro decreased their nominal growth by 6 percentage points. The picture is different for bilateral agencies. Their commitments stagnated in 2018 following the prior year’s decline. Only one out of the six bilateral agencies surveyed has increased its financial inclusion commitments since 2016. The stagnation is generally in line with reported Overseas Development Assistance declining trends (a 2.7 percent decline from 2017 to 2018), where the majority of bilateral funding continues to be on the decline for the second year in a row.\(^3\)

Commitments from private funders have continued to grow in 2018 but at a much slower pace to reach $13 billion.\(^4\) Foundations drove the growth in commitments with a 15 percent increase year over year, despite representing only 8 percent of the private funding for financial inclusion. In contrast, microfinance investment vehicles (MIVs), which channel most of the private funding, exhibited more modest growth in total assets (2.2 percent). Private funding to MIVs slowed between 2017 and 2018 (Symbiotics 2019).

**Emerging evidence suggests that funders seek to support Decent Work and Economic Growth (SDG 8) and Poverty Reduction (SDG 1) through their financial inclusion efforts.**

Financial inclusion is increasingly recognized as an enabler of many of the SDGs, particularly seven out of the 17 SDGs: \(^5\)

- SDG 1—No Poverty
- SDG 2—Zero Hunger
- SDG 3—Good Health and Well-Being
- SDG 5—Gender Equality
- SDG 8—Decent Work and Economic Growth
- SDG 9—Industry, Innovation and Infrastructure
- SDG 10—Reduced Inequalities

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2 The CGAP Cross-Border Funder Survey, implemented in partnership with MIX, is conducted annually and alternates between surveying a full set of 54 and a subset of 23 of the largest funders worldwide. In 2018, CGAP collected data from the 23 largest funders, who account for 83 percent of the commitments from the survey’s full set of 54 funders and 60 percent of the global estimated commitments. When the smaller set is surveyed, as was the case in 2018, the growth in total funding is estimated by adjusting the survey results for the full set of funders and total assets of MIVs, minus funding MIVs receive from international funders to avoid double counting. Thus the percentage change in total funding compares the 2018 global estimate with the larger survey results in 2017. All other data are based on the survey of 23 funders. For further details, refer to the survey methodology at [https://www.cgap.org/sites/default/files/datasets/2020_01_2018_CGAP_Funder_Survey_Methodology.pdf](https://www.cgap.org/sites/default/files/datasets/2020_01_2018_CGAP_Funder_Survey_Methodology.pdf).


4 Private funders include foundations, private donors, and individual and institutional investors.

In this context, international funders are aligning their financial inclusion efforts to achieving the SDGs: seven out of 23 funders surveyed this year reported that they have already started explicitly mapping their financial inclusion efforts against these specific goals. Twenty-four percent of the projects approved since the adoption of the SDGs in 2015 (339 out of 1400 projects approved from 2015 onwards) have been tagged by funders with at least one SDG. Projects are most commonly tagged to Goal 8—Decent Work and Economic Growth (161 projects) and Goal 1—No Poverty (127 projects) (see Figure 2). Financial inclusion projects also are mapped to other goals including Goal 2—Zero Hunger (74 projects), Goal 5—Gender Equality (62 projects), and Goal 9—Industry, Innovation, and Infrastructure (60 projects). These goals have financial inclusion targets embedded in them—a reflection of emerging evidence that financial inclusion has a role in achieving these goals (El-Zoghbi, Holle, and Soursourian 2019; Klapper, El-Zoghbi, and Hess 2016). To this end, funders should increase and improve the mapping of financial inclusion projects to the SDGs to help reveal more evidence on the impact of financial inclusion for the 2030 agenda and the alignment of these priorities.

**FIGURE 2. Number of projects by SDG, 2018**

Source: CGAP Funder Survey 2018, N=23 funders.
Half of donor funding for financial inclusion goes to countries with low and medium levels of account penetration.

Overall, funders allocated over half of their funding (51 percent of commitments) to countries with low and medium levels of account penetration, which is typically used as a proxy for measuring the level of financial inclusion in a country. More specifically, compared with other funder types, bilaterals have a greater focus on countries with low levels of financial inclusion: 40 percent of their commitments go to support such countries. Multilateral agencies’ country allocation is more diversified than that of other funder segments. Still, 46 percent of their funding goes to countries with medium levels of financial inclusion. DFIs focus on countries with higher financial inclusion levels, and foundations work extensively on multicountry projects, which makes it hard to determine whether they focus on countries with higher or lower levels of financial inclusion (Figure 3). These differences reflect funders’ country priorities, their comparative advantage, and country and recipient capacity to absorb funding.

6 The level of account penetration is considered low for countries with 0–33 percent account ownership, medium for 33–66 percent, and high for countries with more than 66 percent.

**FIGURE 3. Funding composition, by account penetration and funder type, 2018**

<table>
<thead>
<tr>
<th>Level of Account Ownership (% of population 15+)</th>
<th>Multilateral agencies</th>
<th>Bilateral agencies</th>
<th>DFIs</th>
<th>Foundations &amp; Other Donors and Investors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low (0–33%)</td>
<td>23%</td>
<td>40%</td>
<td>14%</td>
<td>4%</td>
</tr>
<tr>
<td>Medium (33–66%)</td>
<td>46%</td>
<td>22%</td>
<td>30%</td>
<td>30%</td>
</tr>
<tr>
<td>High (66–100%)</td>
<td>20%</td>
<td></td>
<td>30%</td>
<td>15%</td>
</tr>
<tr>
<td>Multicountry</td>
<td>12%</td>
<td></td>
<td>26%</td>
<td>50%</td>
</tr>
</tbody>
</table>

Source: Global Findex 2018; CGAP Funder Survey 2018, N=23 funders.
Regardless of countries’ levels of financial inclusion, funders tend to use the same funding approach throughout.

Despite allocating most of their funding to countries with lower and medium levels of financial inclusion, funders do not differentiate the purpose of their funding: 74 percent of funding goes to finance the growth of FSPs. At first glance this large share of financing makes one wonder why all funders focus on the same purpose. However, the data show that they largely complement each other’s efforts by focusing on different sets of countries when funding FSPs (see Figure 4). It is unclear whether international funders are still competing with MIVs in these countries.

In countries with lower levels of financial inclusion where the regulatory environment is often a salient barrier, funding may be put to better use by supporting the development of an enabling environment. As countries make strides with their financial inclusion levels, infrastructure, such as interoperable payment systems and credit bureaus, will be key to enhancing the financial markets. Funders should do more to diversify their interventions to keep up with country progress.

The 2018 CGAP Funder Survey Data Snapshot provides more details that can address the following questions:

- How much international funding is going to support financial inclusion?
- What do funders fund? (themes, funding purpose)
- Who do they fund? (recipients)
- How do they fund? (funding instruments)
- Where do they fund? (geographic allocation of funding)

### FIGURE 4. Share of FSP financing, by funder type, 2018

Source: CGAP Funder Survey 2018, N=23 funders.
References


