The vast majority of “bankable” people in the world do not yet have access to financial services. In many countries, the financial sector reaches only a small fraction of the population. Indeed, various constraints hamper or block the inclusion of different population groups needing access to financial services, notably women. Access to well functioning and efficient financial services can empower individuals economically and socially, allowing them to better integrate into the country’s economic activity and actively contribute to economic growth.

An innovative consultative process, which will lead to the dissemination of a “Blue Book on Building Inclusive Financial Sectors for Development” in 2005, provides a unique opportunity to explore ways to address constraints to the expansion of access to financial services in developing and transition economies. This process results from two international initiatives:

- **Monterrey Consensus:**
  In March 2002, Heads of State and Government adopted the Monterrey Consensus at the International Conference on Financing for Development. They declared a new global commitment to collective and coherent action on the interconnected policy challenges that shape financing for development, including access to appropriate financial services for households and micro-, small and medium-sized enterprises in developing countries.

- **UN International Year of Microcredit 2005:**
  The cornerstone of the Year is the promotion of inclusive financial sectors. The Year provides an opportune platform for dialogue and action at the international and national levels to address the fundamental question of why so many bankable clients are “unbanked.”

On this basis, the United Nations Capital Development Fund and the Financing for Development Office of the UN Department of Economic and Social Affairs are leading the consultative process. These two agencies are supported by a multilateral-agency coordination group composed of the World Bank, the IMF, ILO and IFAD, as well through support from other financial sector experts.
What are the objectives of the consultative process?

The centerpiece of this exercise is to identify the constraints in the development and effective functioning of financial institutions and markets serving the wide-ranging needs of underserved households and businesses and lay out avenues of opportunity to address these constraints.

The specific objectives can be summarized as follows:

- Define, explain and promote the concept of “inclusive financial sectors”;
- Conduct a sector-wide dialogue, both broad and deep in outreach, constructed around developing a common understanding of the constraints to building inclusive financial sectors in different country situations and opportunities for critical action;
- Identify new perspectives on the most pressing issues and the most promising avenues for concrete change from the direct interactions of the various stakeholders, building on the extensive work already done on this theme;
- Develop a compelling analysis of the debate in the “Blue Book on Building Inclusive Financial Sectors for Development”, which will map out the results of the consultations, the views and visions of numerous stakeholders and avenues for change and for further exploration and dialogue;
- Present the Blue Book to the international community as a prospective tool to facilitate policy development and to stimulate concrete action at country level aimed at building more inclusive financial sectors.

How will the consultations take place?

Dialogue and debate have taken place around a set of key questions built around the following inquiry:

“How are so many bankable clients unbanked?”

The consultative process brought together national governments, central banks and other financial institution supervisory bodies, multilateral institutions, civil society, the private sector and stakeholders in the microfinance industry to address the constraints to equitable access to financial services.

This has been an open examination. The consultations offered stakeholders a platform to express concerns based on concrete experience and their own particular context and identify new possibilities for building inclusive financial sectors in the future.

The process was to be inclusive in its openness to stakeholders, yet rigorous in assuring a solid foundation by respecting all the work that already has been done, and by mobilizing the knowledge and experience of stakeholders most likely to contribute significantly to the exercise.
The consultative process was built on three planks:

1. **Multi-stakeholder Dialogues.** The Financing for Development Office and UNCDF have been working with institutions in different regions to organize multi-stakeholder dialogues, either under the umbrella of existing regional conferences or organized specifically to identify the constraints, opportunities and challenges in building inclusive financial sectors.

2. **Open Questionnaire on “Blue Book” Web Site.** All interested parties were invited to provide input to the process via the “Blue Book” web site at www.uncdf.org/bluebook. A set of questions was made available and the responses will be used as key material for the preparation of the Blue Book.

3. **Direct Interaction with Stakeholder Groups.** To support further the principle of a broad and deep range of contributions to the process, a representative set of stakeholders were invited to contribute on the basis of a comprehensive interview and questionnaire. In some cases, working with network organizations has allowed even more extensive participation.

In addition, in the context of the development of the Blue Book, UNCDF is leveraging its sector-wide approach by featuring the building of inclusive financial sectors in selected pilot countries, thereby supporting the adoption of concrete measures. These case studies for the Blue Book will have a direct relation to the on-going UNCDF work program.

The Global Meeting on Building Inclusive Financial Sectors for Development is being held in early May 2005, with the participation of Member States and other interested stakeholders. This will be the culmination of the consultation process. A two-week E-Conference in preparation for the Global Meeting was organized for end-March/early April 2005 in cooperation with the World Bank Institute.

The time frame for the consultations is from October 2004 to May 2005. Direct interaction with stakeholder groups has been on-going throughout this period. Key dates in the process are given in Annex 1.

**What is the “Blue Book”?**

Based on the global multi-stakeholder consultations, the “Blue Book” will be the synthesis of the wide range of inputs during the consultative process, giving room for the diverging perspectives from stakeholders, to maximize their ownership of the process and product.

The Blue Book will not be a negotiated “consensus” document, but rather seek to be a compelling analysis capturing the experiences of constituencies worldwide in the effort to develop inclusive financial sectors. It is aimed to be a reference point for governments to collectively discuss strategies, and share and improve best practice in building inclusive financial sectors.

A team led by UNCDF and the Financing for Development Office will draft the “Blue Book”, which will be reviewed by the multilateral agency group and other leaders among stakeholders, after which it will be made available to the General Assembly for consideration by Member States. It will be broadly
disseminated as a collaborative effort between UNCDF and the Financing for Development Office of UN DESA.

The “Blue Book” is not intended to be a static publication, but rather the foundation for countries in setting the stage over the coming years to better assure the sustainability and availability of a range of specific financial services, to meet the demand of people who need them most. It is expected that countries will capitalize on this opportunity to build consensus on a shared vision through discussion of experiences and concerns identified in the Blue Book, and develop national policies, strategies and concrete options for building inclusive financial sectors.

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ANNEX 1

BLUE BOOK ON BUILDING INCLUSIVE FINANCIAL SECTORS FOR DEVELOPMENT

Key Dates

October 2004:
- Multi-stakeholder Dialogue on Middle East/North Africa, in association with Microcredit Summit Regional Meeting in Amman (October 12)

November 2004:
- Panel as part of the Launch of International Year of Microcredit, United Nations (November 18)

December 2004
- Africa Multi-stakeholder Dialogue, in collaboration with African Microfinance Network (AFMIN), Bamako (December 7-8)

February 2005
- Launch of Internet-based survey on website of UNCDF (week of February 7, to March 31)
- In-depth structured interviews begin with leading figures in inclusive finance (through March)

March 2005
- Multi-stakeholder Dialogue on Asia and Pacific, Manila, in collaboration with the Asian Development Bank (March 16, as part of “Microfinance Week”)
- E-Conference, in collaboration with World Bank Institute (March 28 – April 13)

April 2005
- Latin American Multi-stakeholder Dialogue, in collaboration with World Savings Bank Institute and Microcredit Summit Regional Meeting (week of April 18)

May 2005
- Final Multi-stakeholder Dialogue on Building Inclusive Financial Sectors, Geneva, hosted by ILO, to review draft findings/issues/observations for inclusion in Blue Book (May 4 – 5)

June 2005
- Interim report on Multi-stakeholder Dialogues on Building Inclusive Financial Sectors at High-Level Dialogue on Financing for Development, UN General Assembly (June 27-28)

October 2005
- Final report on Multi-stakeholder Dialogues on Building Inclusive Financial Sectors, as part of Secretary-General’s report to the General Assembly on Financing for Development
November 2005
- Official launch of Blue Book at UN Forum on the International Year of Microcredit (November 8)