**Input for the Elements Paper on Financing for Development**

Office of the UN Secretary-General’s Special Advocate for Financial Health (UNSGSA),   
Her Majesty Queen Máxima of the Netherlands

Since the Addis Ababa Action Agenda in 2015, substantial progress has been made in advancing financial inclusion, defined as access and usage of formal financial services by individuals and businesses that meet financial and economic needs. Today, about three-quarters of people worldwide have an account at a financial institution or through a mobile money provider. This represents a 50 percent increase in account ownership in the past ten years[[1]](#footnote-2).

While acknowledging the progress that has been made, it is crucial to recognize that access and usage of financial services alone does not necessarily result in positive financial health for individuals. Financial health is the extent to which an individual can effectively manage their day-to-day finances, respond to financial shocks, meet long-term goals, and pursue opportunities for a better life.[[2]](#footnote-3) Large shares of the world’s population struggle financially, and financial health deficits negatively affect productivity and even physical health. In a World Bank survey conducted across 150 countries, when asked if they could gather a moderate lump sum in an emergency (equivalent to 1/20th of Gross National Income), an average of 41% of respondents globally reported that they could not.[[3]](#footnote-4)

In multiple countries, large gains in financial access have been insufficient to weather economic shocks (e.g., COVID-19, inflation, severe climate events) that have contributed to a deterioration in financial health. Products that can help people build financial resilience and invest in their future, such as savings and insurance, have yet to gain meaningful traction. While access to credit has significantly contributed to raising income through self-employment and supports asset ownership, there is evidence that certain credit products may have detrimental effects. These risks have grown with the rise in digital credit, which sometimes offers fewer guardrails to ensure that credit is delivered responsibly and does not result in undue debt burdens.

Recognizing this, in September 2024, the UN Secretary-General António Guterres appointed Her Majesty Queen Máxima as the UN Secretary-General’s Special Advocate for Financial Health (UNSGSA). This new position is an evolution of her work as the UN Secretary-General’s Special Advocate for Inclusive Finance for Development, a role she held for 15 years.

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| **Financial health is about moving beyond basic access and usage towards a state where individuals possess financial tools to manage day-to-day finances, absorb and recover from financial shocks, invest in finance future goals, and possess confidence in their financial lives[[4]](#footnote-5)**.  **The elements that shape a person’s financial health:** |

Policymakers and financial services providers around the world are increasingly using the concept of financial health to focus attention on how financial services can contribute to positive development outcomes for individuals, households, and societies. Financial health can be a lens for designing financial policies, as well as policies related to social protection and employment, and in all these areas, it can also serve as a tool for evaluating progress. The concept can be useful for examining a person’s ability to reach long-term goals and a society’s ability to achieve outcomes such as the UN’s Sustainable Development Goals (SDGs). Financial health supports making informed financial choices that help manage risks, handle financial setbacks, and invest in themselves and their families, offering a potential path to break the cycle of poverty.

Though financing the SDGs is crucial at macro and institutional levels, it's equally important for individuals to be in a financial state that empowers them to contribute to achieving the 2030 Agenda. Financial health is intrinsically linked to several SDGs, as it plays a critical role in achieving broader socio-economic objectives. For example, financially healthy consumers are more likely to afford quality education for themselves and their children, leading to long-term societal benefits (SDG 4 – Quality Education). Enhancing financial health can also empower women and girls by providing them with the resources and opportunities to achieve financial independence and equality (SDG 5 – Gender Equality). Thus, fostering financial health can be particularly important as we approach the mid-point of the 2030 Agenda and calibrate efforts towards the achievement of the Pact for the Future.

By prioritizing financial health, we recognize that systemic factors, such as regulatory frameworks, industry practices, and the availability of innovative, inclusive, and transparent financial solutions, play a crucial role in shaping individuals' financial outcomes. It emphasizes the need for financial institutions, policymakers, and regulators to actively contribute to creating an environment that fosters financial well-being. There is a need to develop and offer new products and services and/or scale existing ones in a sustainable way that works for the betterment, especially of low-income consumers as well as providers. Engagement with a broad range of stakeholders, including governments, multilateral institutions, development organizations, private sector banks, insurers, lenders, and investors, is crucial to drive this change. A focus on financial health can be a source of economic competitiveness for financial institutions, including by developing more loyal customers with greater abilities to use a diverse set of financial products (credit, savings, insurance). As countries continue to expand financial access and service usage, it is essential that the concept of financial health is integrated into efforts to deepen the positive impact of the financial sector.

Some key priorities in particular include:

* **Make financial health a core purpose of financial sector policy, so that the wellbeing of consumers is always considered**. In national financial inclusion strategies, an explicit recognition of financial health as a goal serves as a reminder that the purpose of inclusion is to improve lives. Governments can set a financial health agenda focused on positive outcomes for individuals, households, and micro-entrepreneurs. Further, recognition of the relationship between financial health and broader policies, such as employment, social protection and health care, suggests a need to collaborate across government.
* **Use financial health as a lens for financial sector oversight,** especially for consumer protection and financial education. In their financial inclusion and consumer protection policies, financial authorities can ensure that the financial services people use are conducive to good financial health.
* **Measure financial health,** establishing tools and a robust ecosystem to assess and track the financial health of adults within and across different countries. This effort is crucial for defining and monitoring progress in improving financial health globally. Financial health measurement can yield early warnings and associated risks on issues such as the inadequacy of social protection or the build-up of household debt, and it can confirm the results of policy decisions.
* **Foster a financial health ecosystem with engagement by the private sector and others**. Improving financial health at scale requires actions by many organizations. There is a need to engage with financial service providers, investors, and clients to advocate for and implement necessary changes that support financial health agendas. This involves ensuring that financial health is integrated into business strategies within the private sector. It focuses on improving products, policies, services, and delivery channels to enhance the financial health of all people, especially the most vulnerable.
* **Pursue a financial health research agenda**. Financial health is a new area of study, and research is needed to illuminate the policies and services that can best contribute to improving it. The focus is on collecting evidence that highlights the connections between financial health and the SDGs, economic resilience, financial stability, and mental health, among other relevant factors. This research will help build a comprehensive understanding of financial health and provide actionable insights for shaping policy and driving meaningful improvements.

1. World Bank. Global Findex 2021. [↑](#footnote-ref-2)
2. Source: Office of the United Nations Secretary-General's Special Advocate for Financial Health. “Financial Health: An Introduction for Financial Sector Policymakers.” Sept 2021. Available [**here**](https://www.unsgsa.org/publications/financial-health-introduction-financial-sector-policymakers)**.** [↑](#footnote-ref-3)
3. Ibid [↑](#footnote-ref-4)
4. UNSGSA Financial Health Working Group 2021. Members include the Aspen Institute, BFA Global, Centre for Financial Regulation and Inclusion (CENFRI), Commonwealth Bank of Africa, Consultative Group to Assist the Poor (CGAP), Development Bank of Latin America (CAF), Financial Health Network (FHN), ING, Mastercard Center for Inclusive Growth, Office of the UNSGSA, UN Capital Development Fund (UNCDF) and the World Bank.

   [↑](#footnote-ref-5)