

## WTO, Women's Empowerment and Financial Inclusion

Pedro Bravo\*

*Promoting financial inclusion for women is a goal supported by many multilateral organizations and policymakers globally, and the WTO is no exception. This article argues that financial inclusion is crucial to empower women economically and socially. It emphasizes historical barriers that women have faced in accessing financial services. In addition, it underlines the importance of incorporating women's financial inclusion into the World Trade Organization (WTO) and advocates for leveraging existing structures within the WTO, such as the Council for Trade in Services and the Committee on Trade in Financial Services, to advance this issue. The objective is to facilitate the exchange of experiences and best practices among Members in a structured manner, addressing the regulatory framework of financial institutions and learning from each other, rather than creating new rights or obligations or launching joint initiatives.*

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Financial inclusion refers to the accessibility and availability of essential financial services to all segments of the population, particularly those who have been traditionally underserved or excluded from the formal financial system. These services include but are not limited to banking, savings, loans, insurance, and payment systems.

The G20 definition describes financial inclusion as: 'a state in which all people who can use them have access to a suite of quality services, provided at affordable prices, in a convenient manner and with dignity to the clients'.

The Consultative Group to Assist the Poor (CGAP) defined financial inclusion as a situation in which households and business have access and can effectively use appropriate financial services. Such services must be provided responsibly and sustainably in a well-regulated environment.

The goal of financial inclusion is to ensure that individuals, regardless of their socio-economic status, have the means to access and use these financial services to improve their economic well-being and participate fully in the economy.

It involves creating an inclusive financial ecosystem that addresses barriers such as geographical constraints, lack of documentation, and social and cultural factors, enabling everyone to manage their finances, save, invest, and protect against risks.

Financial inclusion is measured in three dimensions: (1) access to financial services; (2) usage of financial services; and (3) quality of the products and the service delivery.

### I THE IMPORTANCE OF FINANCIAL INCLUSION

Financial inclusion plays a crucial role in promoting economic development for several reasons. Access to financial services empowers individuals and households to save, invest, and build assets. This, in turn, contributes to poverty reduction by providing a pathway for economic stability and growth. Furthermore, Financial inclusion enables entrepreneurs, especially in the informal sector, to access capital for starting or expanding businesses. This fosters economic activity, job creation, and overall economic development within communities.

On the other hand, when individuals and businesses have access to financial tools, they can make more informed financial decisions. This leads to increased productivity as resources are managed more efficiently, and opportunities for growth are seized. Financial inclusion ensures that all segments of the population can participate in economic activities. This inclusive growth is essential

#### Notes

\* Deputy Permanent Representative of Peru to the WTO, former chairperson of the WTO Committee on Trade in Financial Services and Minister at the Permanent Mission of Peru to United Nations and other Intergovernmental Organizations based in Geneva. The views expressed in this paper are those of the author in his personal capacity and do not represent the views of the Peruvian Government. Email: pbravo@onuperuginebra.ch.

for reducing income inequality and creating a more balanced and sustainable development trajectory.

Moreover, having access to formal financial services helps individuals and communities better cope with economic shocks, such as sudden medical expenses or natural disasters. It provides a financial cushion and a means to recover from unforeseen challenges. Financial inclusion enables families to allocate resources for education and healthcare. This, in turn, contributes to human capital development, leading to a healthier and more skilled workforce, which is essential for economic progress.

Also, financial inclusion supports infrastructure development by providing funding for projects that contribute to overall economic growth. This includes investments in transportation, energy, and communication infrastructure. For governments, financial inclusion facilitates more efficient and transparent delivery of social welfare programs and public services. It also enhances the effectiveness of monetary and fiscal policies. In essence, financial inclusion is a catalyst for sustainable economic development, creating a more inclusive and resilient economic environment.

In this context, women constitute one segment of the population that benefit significantly from financial inclusion. It empowers them economically, fostering gender equality and contributing to broader societal development. Financial inclusion facilitates integration into the broader global economy. It enables individuals and businesses to engage in international trade and access global financial markets, fostering economic interconnectedness.

## 2 HISTORICAL BARRIERS FACED BY WOMEN IN ACCESSING FINANCIAL SERVICES

Historically, women have faced various barriers that hindered their access to financial services.

Inequality is costly. The McKinsey Global Institute (2015) estimated that the global economy would be USD twenty-eight trillion higher in 2025 if the gender gap was fully closed. Organization for Economic Co-operation and Development (OECD) Economic Outlook June 2023: Investments in gender equality are an important means of boosting labor force participation, employment, and output.

Employment and wage gaps have narrowed at a relatively modest pace over the past decade and remain significant. In addition, women are over-represented in relatively low-pay activities. Also, women are less likely than men to become entrepreneurs. There is evidence that greater diversity, in terms of gender, ethnicity, and culture, can enhance firm performance. There is also a moral imperative to strive for greater financial inclusion.

An overview of some key historical challenges includes the following:

- (1) **Limited Legal Rights:** In many societies, women historically had limited legal rights, including the right to own property or enter into contracts. These

legal constraints restricted their ability to engage in formal financial transactions.

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Globally, over 2,000 reforms expanding women's legal rights have been enacted since 1970. Progress has been uneven across regions and over time. Most reforms have been implemented in Workplace and Parenthood.

- (2) **Cultural Norms and Gender Roles:** Deep-rooted cultural norms and traditional gender roles often confined women to domestic responsibilities, limiting their participation in economic activities. This, in turn, restricted their access to financial resources and decision-making power.
- (3) **Lack of Education:** Limited educational opportunities for women in the past hindered their financial literacy. Without adequate education, women faced challenges in understanding and navigating the formal financial system.
- (4) **Discrimination in Employment:** Gender-based discrimination in employment and income disparities made it difficult for women to accumulate savings and assets, limiting their financial independence. Out of Forty-Eight economies in Sub-Saharan Africa, twenty-three economies do not mandate equal remuneration for work of equal value; In eighteen economies a woman cannot work in a job deemed dangerous in the same way as a man; twenty-one economies do not yet provide for at least fourteen weeks of paid leave for mothers twelve economies do not prohibit the dismissal of pregnant women.
- (5) **Limited Access to Banking Services:** Women often encountered challenges in accessing banking services due to factors such as geographical constraints, lack of documentation, and discriminatory practices within financial institutions. 101 countries still allow gender-based discrimination in access to credit. In this regard, evidence has shown that enacting and implementing laws that prohibit discrimination in access to credit create opportunities for initiatives to promote women's entrepreneurship. Legislation explicitly protecting women from discrimination in accessing credit is associated with a greater likelihood of female entrepreneurs seeking credit.

Women's access to credit and sex-disaggregated data reporting are key elements of a National Financial Inclusion Strategy. Only ten of the Forty-Four address the need to increase women's access to credit. Only thirteen of the Forty-Four call for the collection of sex disaggregated data.

- (6) **Social Stigma:** Societal expectations and stigmas associated with women engaging in financial matters created barriers. Women may have been discouraged from pursuing financial independence or seeking loans for entrepreneurial ventures.
- (7) **Unequal Inheritance Rights:** Inheritance laws that favoured male heirs over female heirs perpetuated economic inequality. Women, particularly in patriarchal societies, often had limited access to family wealth and property.
- (8) **High Collateral Requirements:** Financial institutions historically imposed high collateral requirements for loans, making it difficult for women, who often had fewer assets, to secure funding for business ventures or personal needs.
- (9) **Limited Networking Opportunities:** Women had fewer opportunities to network and access informal financial services, as these networks were often 'male-dominated'. Lack of inclusion in these networks restricted women's access to financial resources.
- (10) **Lack of Representation:** The financial industry itself historically lacked gender diversity, with a shortage of women in key decision-making roles within banks and financial institutions. This lack of representation contributed to the perpetuation of gender biases.

Recognizing and addressing these historical barriers is crucial for understanding the evolution of women's financial inclusion. Contemporary efforts aim to dismantle these barriers and create a more equitable and inclusive financial landscape for women. This is something that needs to be overcome through domestic policies and active participation of all multi-stakeholders. But international cooperation and the multilateral trade system has a significant role to play.

But there is space for hope. Economies with historically larger legal gender gaps are catching up, especially since 2000. The catch-up effect has been happening across indicators, but the pace of progress has been uneven.

### **3 INITIATIVES THAT ACCELERATE WOMEN'S EMPOWERMENT THROUGH FINANCIAL INCLUSION**

Over the last twenty years various initiatives have been implemented globally to promote financial inclusion of women.

But maybe one of the most important of all has been the rise and massification of mobile technology. Cellular phones provide women with access to information on healthcare, education, and legal rights, empowering them with knowledge that can contribute to their well-being and personal development.

Furthermore, mobile banking and mobile money services enable women, especially in remote areas, to access financial services, make transactions, and manage their finances independently. It also facilitates women's entry into entrepreneurship by providing platforms for marketing, sales, and business management. Mobile apps and social media can help women reach a broader audience for their products or services.

On the other hand, mobile apps offer educational resources and skill development tools, allowing women to enhance their knowledge and skills, bridging gaps in education and training. Mobile technology facilitates networking and connectivity, allowing women to connect with mentors, peers, and support networks, fostering collaboration and mutual empowerment.

It also enables flexible work arrangements, allowing women to work from home or engage in freelance opportunities, providing better work-life balance. For women in isolated or rural areas, mobile phones serve as a vital link to the broader community, reducing social isolation and providing a sense of connectivity.

Overall, mobile technology acts as a catalyst for women's empowerment by breaking down barriers, providing access to resources, and creating opportunities for education, entrepreneurship, and social inclusion.

In addition, the expansion of microfinance institutions has been another key development: providing small loans and financial services to entrepreneurs and small businesses, particularly women in developing countries.

Microfinance promotes financial inclusion by reaching out to women who are typically excluded from formal banking systems. This inclusion provides them with a means to save, invest, and protect themselves against financial shocks. This capital allows them to start or expand small businesses, contributing to economic empowerment. Microfinance has proven to be a powerful tool for women's empowerment by providing them with financial resources and fostering economic independence and sense of autonomy.

Moreover, Microfinance efforts have encouraged women to become entrepreneurs by supporting their business initiatives. This can lead to increased income, and improved living standards. In addition, by providing financial services to women in low-income communities, microfinance helps alleviate poverty. Women can use the funds for income-generating activities, breaking the cycle of poverty for themselves and their families.

Skill Development is an important element of Microfinance programs because they often incorporate training and strengthening abilities. Women borrowers

gain knowledge about financial management, business capacities, and other essential tools for sustaining and growing their enterprises.

Another characteristic of Microfinance which is more than relevant it is that also empowers women economically, enabling them to contribute to household income and decision-making. This shift in financial roles often leads to increased respect and recognition of women's contributions within their families and communities. With financial independence, women gain confidence, participate more actively in community affairs, and challenge societal norms that may have limited their roles promoting a virtuous circle.

As women become financially stable through microfinance, the positive impact extends to the wider community. Not less important is the role that Microfinance has played to reduce gender disparities by empowering women economically. This often leads to improved gender relations and increased decision-making power for women in various aspects of their lives. With increased income, women can invest in better healthcare and education for themselves and their families, contributing to improved overall well-being of their communities.

In summary, microfinance serves as a powerful tool for women's empowerment by addressing financial constraints, fostering entrepreneurship, and contributing to broader socio-economic development.

On the other hand, many countries have undertaken regulatory changes to create a more inclusive financial environment, encouraging the establishment of community banks and credit unions. Also, Governments worldwide have launched programs to promote financial inclusion, such as direct benefit transfers, subsidies, and conditional cash transfer programs.

In addition, the introduction of digital wallets and payment systems has facilitated easier and more secure transactions, especially for women, a segment of the population without underserved by traditional banks.

Collaboration between financial institutions and technology companies has led to innovative solutions, making financial services more accessible and affordable. Another element that has proven to be successful has been the development of alternative credit scoring models, leveraging non-traditional data, has allowed more people to access credit who were previously excluded due to a lack of traditional credit history.

Furthermore, grassroots efforts, including community-based financial cooperatives, have emerged to address the specific needs of women in local populations, fostering a sense of ownership and trust.

All these initiatives collectively contribute to creating a more inclusive financial landscape, ensuring that women from all socio-economic backgrounds have access to essential financial services and opportunities.

#### 4 FINANCIAL INCLUSION AND WOMEN'S EMPOWERMENT

Focusing specifically on women's financial inclusion amplifies the impact and addresses gender disparities in accessing financial services. There are several key points highlighting the importance of women's financial inclusion for economic development:

- (1) Women's financial inclusion is a key driver of empowerment and gender equality. By providing women with access to financial services, they gain control over their finances, leading to greater decision-making power within households and communities.
- (2) Enabling women to access credit and financial resources promotes entrepreneurship and economic participation. This, in turn, contributes to the growth of small and medium-sized enterprises (SMEs) and enhances overall economic productivity.
- (3) Financial inclusion supports women in allocating resources for education and healthcare for themselves and their families. This has a cascading effect on community well-being, as educated and healthy women positively impact the next generation.
- (4) Access to savings and insurance services allows women to build financial resilience. They can save for future needs, cope with unexpected expenses, and mitigate risks associated with economic uncertainties.
- (5) In many developing regions, women play a crucial role in agriculture and rural economies. Financial inclusion ensures that women in rural areas have the means to invest in farming practices, access markets, and contribute to the overall development of their communities.
- (6) Leveraging digital financial services can overcome traditional barriers faced by women, such as distance and lack of documentation. Mobile banking and digital payment systems provide convenient and accessible solutions for women in both urban and rural settings contributing to reduce the digital divide within economies.
- (7) Financial inclusion often goes hand in hand with legal and property rights. Ensuring that women have access to formal financial systems supports efforts to secure their legal rights to land and property, promoting economic security.
- (8) Social and Cultural Impact: Women's financial inclusion challenges societal norms and cultural barriers that may hinder their economic participation. It contributes to changing perceptions about women's roles in economic activities, fostering a more inclusive and equitable society. The social



and cultural impact of financial inclusion is one of the main consequences of the multiplying effect of financial inclusion.

- (9) Achieving global development goals, such as the United Nations Sustainable Development Goals (SDGs), is closely linked to women's financial inclusion. It directly contributes to goals related to poverty reduction, gender equality, and economic growth.
- (10) Governments and policymakers play a crucial role in promoting women's financial inclusion through targeted policies and initiatives. This involves creating an enabling environment, removing legal barriers, and encouraging financial institutions to adopt inclusive practices.

In summary, women's financial inclusion is not only a matter of social justice but a strategic imperative for sustainable economic development, bringing about positive ripple effects across societies and generations.

## 5 WHAT IS THE WTO DOING TO FOSTER WOMEN'S EMPOWERMENT?

Evidence shows that women face higher obstacles to trade than men, through legal prohibitions to economic participation, discrimination in the granting of finance, the persisting gender digital divide, and knowledge gaps in trade and trade rules. The urgency of the issue heightened during the COVID-19 crisis, with a WTO report confirming that women are at risk of suffering more than men from the trade disruption generated by the pandemic.

However, trade can foster women's economic empowerment. The development and implementation of gender-responsive trade policies can advance gender equality, including through WTO agreements crafted with gender considerations in mind.

Trade policies supporting women's economic empowerment cover financial and non-financial incentives, government procurement and capacity building as well. The disproportionate impact of the pandemic on women entrepreneurs and workers has led to calls for increased initiatives at local, national and regional levels.

Over two-thirds of the WTO membership has been focusing on gender issues in the WTO for the last five years. On 23 September 2020, WTO Members established the Informal Working Group on Trade and Gender, which marked the ultimate phase of the initiative kickstarted in 2017 on the margins of the eleventh Ministerial Conference (MC11) by 118 WTO members and observers. The Informal Working Group is currently co-chaired by Cabo Verde, El Salvador, and the United Kingdom and its work is based on four pillars: (1) reviewing analytical work, (2) experience sharing, (3) considering the concept of and scope for a 'gender lens' to be

applied to the work of the WTO and (4) contributing to the Aid for Trade work program. Participation in this Informal Working Group is open to all WTO members.

At the Twelfth Ministerial Conference (MC12) in June 2022, ministers recognized multilaterally the links between women's economic empowerment and economic growth, noting the work of the WTO on this issue. In addition, the three co-chairs of the Informal Working Group issued a statement highlighting the achievements of WTO members' joint work and reaffirming their commitment to advancing gender equality in trade.

Since 2016, the WTO Secretariat has been working to incorporate gender issues into its work based on the 2017–2020 Action Plan on Trade and Gender and subsequent 2021–2026 plan. This work is conducted by the WTO Trade and Gender Unit whose objectives are to facilitate members' work, to conduct and drive research globally through the WTO Gender Research Hub, to support the reform of Aid for Trade, to train government officials and women entrepreneurs, and to raise awareness on trade and gender issues.

On 28 July 2022, the WTO launched a database on gender equality provisions in regional trade agreements (RTAs). This new policy tool complements the ongoing work of the Informal Working Group on Trade and Gender on issues related to data collection, one of the priorities identified within the Group.

The database maps more than 300 gender provisions included in more than 100 RTAs, representing almost a third of RTAs currently in force and notified to the WTO by members. The provisions identify the type of gender issue being addressed, the implementation instruments, and the enforcement mechanism.

Regarding one of the main pillars of WTO, the negotiation of new rules we can mention that in December 2021, a group of WTO members adopted a declaration to announce the successful conclusion of the negotiations on services domestic regulation (document WT/L/1129). In the declaration, participants committed to take the necessary steps to give legal effect to the negotiated outcome by the end of 2022. All WTO members are invited to join the declaration. A total of seventy governments, including one least developed economy, are part of the outcome on services domestic regulation. They represent 92.5% of global services trade.

The disciplines contained in the Reference Paper on Services Domestic Regulation apply to measures relating to licensing requirements and procedures, qualification requirements and procedures, and technical standards affecting trade in services. The focus of the disciplines lies on measures that are closely linked to the process of authorization to supply a service. They seek to ensure that existing market access and national treatment commitments are not nullified by opaque and complex authorization procedures. They aim to facilitate trade in services.

This outcome on services domestic regulation brings long standing work on good regulatory practice for

services within the ambit of the WTO. Since services represent the fastest growing sector of today's global economy, a set of disciplines that facilitates services trade and economic development through more transparent and predictable regulatory frameworks can be beneficial to all WTO members and can particularly benefit small businesses and women entrepreneurs.

This last mention is a pioneer development for the multilateral trading system because, for the first time, a WTO negotiated text contains a provision that specially refers to non-discrimination between men and women in authorization procedures for service suppliers. The objective of this discipline is to support women's economic empowerment and boost their participation in services trade.

This historic advance should be well underlined as it paves the way to future developments in WTO rules with a gender approach. We must recognize that domestic regulation is part of a joint initiative that goes along the plurilateral pathway and not the multilateral one which involves the 164 WTO Members.

For the time being, some key trade actors like India and to a lesser extent South Africa and Indonesia have shown strong reservations to bringing this gender approach to legal commercial texts. In some cases, formal oppositions have been raised halting the entry into force of this new rules. However, intense negotiations and going on and a negotiated solution might be reached before the next WTO Ministerial Conference in Abu Dhabi. But however, it is a way forward and a building stone for future developments in other WTO formal Committees.

On the political side, it is important to make reference to the WTO Ministerial Declaration (contained in document WT/MIN(22)/24) that was approved by consensus on 17 June 2022. In that document, the Ministers recognized women's economic empowerment and the contribution of Micro, Small and Medium enterprises (MSMEs) to inclusive and sustainable economic growth. In addition, they acknowledged their different context, challenges and capabilities in countries at different stages of development, and took note of the WTO, UNCTAD and the International Trade Centre (ITC) work on these issues.

This recognition and acknowledgement are clearly not enough to move forward. But it is a small building block for like-minded WTO Members to continue pursuing some kind of simple straight forward mandate based in the current organization's framework and legal architecture. And a key component of that mandate might be related to the promotion of women empowerment through financial inclusion.

## **6 HOW CAN THE WTO FOSTER FINANCIAL INCLUSION?**

First, the WTO can encourage its Members to develop and adopt gender-inclusive services trade policies. This involves

considering the impact of trade agreements on women and ensuring that these agreements promote gender equality, women's economic empowerment, and financial inclusion.

In addition, the WTO can support capacity-building initiatives focused on enhancing the skills and knowledge of women entrepreneurs in areas related to international trade of services. This can include training programs, workshops, and educational resources to help women navigate the complexities of global trade.

As part of its agenda, the multilateral trade organization can use its platform to advocate for policies that promote women's financial inclusion at the national and international levels. This includes supporting initiatives that address legal and regulatory barriers hindering women's access to financial services.

Another issue which has been identified as a key issue for better advising Members on policy measures to promote financial inclusion is Data Collection and Research. To facilitate the collection of gender-disaggregated data on trade and financial inclusion. This information is crucial for understanding the specific challenges faced by women in the context of international trade and financial services, helping to shape evidence-based policies.

Advocate for policies that promote technologies that can play a crucial role in overcoming traditional barriers faced by women. This includes supporting the development of digital infrastructure and ensuring that women have equal access to digital financial services.

The WTO subsidiary committees can collaborate with other international organizations, such as the International Monetary Fund (IMF), World Bank, and United Nations, to create a coordinated and comprehensive approach to women's financial inclusion. This can involve joint initiatives, research efforts, and policy advocacy.

The WTO could also promote the incorporation of gender perspectives in trade negotiations with a view to strengthen financial inclusion. This involves considering the differential impact of policies on men and women and incorporating measures to address gender disparities.

It can also establish mechanisms for monitoring and reporting on progress in women's financial inclusion within the context of international trade. Regular assessments can help track the effectiveness of policies and identify areas for improvement. The trade policy review mechanism within the WTO should include a specific segment to evaluate this progress.

I believe that by actively addressing these aspects, the WTO can contribute significantly to advancing women's financial inclusion on a global scale.

## **7 THE ROLE OF THE GATS AND THE COMMITTEE ON TRADE IN FINANCIAL SERVICES**

During a Thematic Seminar on Trade in Services and Financial Inclusion, organized by the WTO Committee

on Trade in Financial Services (CTFS) on 14 June 2023, experts underlined that Financial inclusion is a 'multi-dimensional phenomenon' that involves, in the first place, 'access' meaning the availability of formal, regulated, financial services (including geographical proximity); 'use' referring to actual consumption of financial services; and 'quality' alluding to the need to have financial services tailored to clients' needs and situations.

Based on this definition, trade in financial services contributes to 'access' and 'quality' expanding service offering, adopting financial services, and expanding geographical reach.

The WTO legal framework covering these issues is the General Agreement on Trade in Services, also known as (GATS). Within this context, we find the two main modes of supply regulated: Cross-border supply (e.g., payments, money transmission, trade finance) and Commercial Presence (e.g., Monetary Financial Institutions, Mobile Money Operators, digital banks, credit bureaus).

Thanks to technology, new business models and forms of supply have emerged as we can witness looking at Mobile Money Operators (MMOs) and digital/virtual banks. However, those new business models and forms of supply cannot flourish if they are not underpinned by innovative regulatory frameworks.

Regulatory frameworks need to be adapted to exploit full potential for financial inclusion. And there is a WTO formal Committee that deals with these issues of regulations: the Committee on Trade and Financial Services.

The CTFS out discussions on matters relating to trade in financial services and may formulate proposals or recommendations for consideration by the Council on Trade in Services. It is responsible for the continuous review and surveillance of the application of the GATS with respect to this sector and serves as a forum for technical discussions and examination of regulatory developments affecting financial services trade.

Many obstacles stand in the way of financial inclusion. Those obstacles include from demand-side factors (e.g., lack of income, distrust of formal financial institutions), to supply-side factors (e.g., unviable business models, inadequate product offering, inefficient and underdeveloped delivery networks), to weak institutional frameworks, to geographical constraints, to inadequate financial regulation and subsequent legal uncertainty. Moreover, they are also likely to vary greatly in intensity and importance from country to country.

While regulatory changes are often needed to promote financial inclusion, progress in improving financial inclusion must be compatible with the achievement of the traditional objectives of financial regulation and supervision, namely, safeguarding the integrity and stability of the financial system, and protecting financial service consumers. To achieve these objectives, governments must ensure appropriate prudential regulation and supervision of all financial services and service suppliers, together with strong consumer protection, anti-discrimination legislation,

contract enforcement, protection of property rights, and even financial education programs.

Financial inclusion initiatives may also benefit from a well-designed trade policy in services. Various types of services and service suppliers operating through different business models are needed to bring financial services to poor and low-income populations and regions. Trade in services may therefore significantly contribute to furthering financial inclusion. Financial policymakers and regulators may not think specifically of 'trade' when designing and implementing financial inclusion initiatives and policies. However, insofar as foreign service suppliers participate in these market segments, and the supply of various services through any mode of supply is affected, financial inclusion-related regulations become also trade policy. Just as fulfilling the goal of financial inclusion requires moving on multiple fronts, so too, reaping the potential benefits of trade in services to financial inclusion requires a holistic approach to trade policy in this area.

While no panacea for financial exclusion, trade policy in services can significantly complement, and contribute to, financial inclusion initiatives. Trade policy in services is about reducing barriers to entry and competition, ensuring a level playing field among market participants, guaranteeing transparency of regulations and policies, and fostering diversity of products and services. Competition matters for financial inclusion, especially in developing countries, because a market open to fair competition leads to a greater variety of products and services, higher efficiencies, and lower costs, which ultimately means potential consumers currently on the side-lines will be more easily included.

Trade policy in services can contribute to financial inclusion in at least three ways. First, it can help ensure that a full range of institutional options is available to a large spectrum of service suppliers who are important for the development of an inclusive finance market. Provided regulation is neutral with regard to the development of the different business models and leaves the actual choice to the service suppliers involved the prevalence of one model over another would certainly depend on specific country-circumstances and customer needs. Typical models include the following:

- Traditional full-service banks, which offer a range of financial services, such as deposit and savings accounts and loans (some of which can be offered digitally).
- Branchless banking or agency banking, whereby commercial banks are allowed to contract third parties (usually other service suppliers) to act as agents on behalf of the bank (e.g., supermarkets, grocery stores, gasoline stations, and lottery outlets) and offer basic financial services.
- Specialized payment banks, which differ from traditional full-service banks in that they have a much more limited business scope.

- Digital service suppliers (DSPs), including telecommunications service suppliers, and other non-bank DSPs, such as money transfer operators, payment card companies, on-line payment platforms and aggregators.

These financial institutions share some common characteristics. (1) there are restrictions on digital bank's physical presence. For example, the opening of branches is generally not allowed; (2) fundamental bank regulatory requirements do apply, as for other banks (e.g., prudential requirements); (3) there is a special focus on financial inclusion as regulators expect new entrants to target unserved and underserved customer segments, including micro, small and medium enterprises, and women; and, (4) there are certain levels of relaxation of ownership and controlling requirements. For example, ownership restrictions, including investment/ownership by non-financial companies, are usually lifted.

Trade policy in services can also support the introduction of new products and technologies. New financial services and products, as well as novel distribution channels, have emerged over the last years. These have the potential to contribute enormously to the three key elements of financial inclusion: access, use and quality. These new technologies can be especially useful for low-income populations in developing countries because they offer a chance to leapfrog outdated financial systems and obtain the financial services they need. The latter include not only lending, but also other banking services (such as deposit-taking), as well as payment and money transmission services, and savings and insurance products.

However, the development of the different models described above is sometimes hampered by outdated regulatory frameworks that rely on the supply of banking and other financial services exclusively by full-service banks. Trade policy could contribute to the availability of financial services by ensuring that, provided all companies involved in the supply of financial services to low-income persons – banks, MMOs, and others – are subject to regulation aimed at protecting consumers and safeguarding financial stability and integrity, no unnecessary barriers to entry and competition are applied. Functional regulation (i.e., identical rules applicable to functionally identical services, regardless of the institutional form of the provider), together with product regulation restricted to the fulfilment of consumer protection and financial stability objectives, have been advocated to promote the expansion of products available to low-income segments of the market.

Finally, trade policy in services can contribute to the well-functioning of inclusive finance markets, by supporting the development of the financial infrastructure. Indeed, trade policy can help in various ways, by eliminating restrictions preventing nonbanks from accessing the national payment system, by allowing the entry and

operation of digital payments platforms, by ensuring the interoperability of different payments systems and networks, and by fostering the development of regulatory frameworks for the expansion of credit bureaus and collateral registries.

## 8 THE CASE OF CANADA

One of the few countries that has successfully developed an active strategy for women financial inclusion but also included the gender equality perspective in the budgeting process is Canada.

Canada has implemented different Domestic Initiatives such as increased competition through open banking has the potential to enhance consumer access to financial services, and reduce costs; expansion of electronic payment options will improve accessibility to financial services for remote communities, supported by Canada's Connectivity Strategy to connect every Canadian household to highspeed Internet and to improve cellular access; Financial literacy programs promote financial inclusion by providing knowledge and skills to make informed financial decisions; and, support the economic empowerment of women through the Women Entrepreneurship Fund to close the gap between women and men in terms of access to capital, business management tools and support networks.

Other examples of Initiatives under Canada's Feminist Foreign Policy include applying gender mainstreaming in the design and implementation of inclusive finance policies; promoting equitable access to financial services, with a focus on reducing the barriers that limit their participation in the financial system; supporting financial inclusion in partner countries by working with governments and local organizations to promote the participation, empowerment and skills-building of women in the financial sector.

Canada is committed to the advancement of an inclusive approach to financial services trade, which seeks to ensure that the benefits and opportunities resulting from trade are more widely shared, including among under-represented groups. In this regard, the Government of Canada is engaged in identifying opportunities to pursue new gender-responsive and inclusive trade provisions across its trade negotiations, including for the financial sector. This aligns with Canada's Feminist International Assistance Policy, which seeks to promote gender equality and the empowerment of women across all policies and programs, including trade.

Trade liberalization can also change the quality, geographical coverage, and cost of financial services, as well as the access of different populations to them. To support the benefits that these changes could have on the opportunities for unbanked, women and indigenous persons,

Canada seeks to ensure that financial services trade commitments help address the constraints faced by these individuals in accessing finance.



In recognition of the gender gap that exists in senior management positions, Canada seeks a commitment that contemplates measures requiring the representation of women in senior management positions and on the boards of financial institutions. This permissive commitment states that each Party could require the representation of women on the boards of financial institutions. It aligns with Canada's effort to build a representative workforce, as women still occupy only 20% of the seats on financial services board of directors in Canada and even smaller percentage of chair positions.

When negotiating the financial services chapter in Free Trade Agreements, Canada has introduced a clause basically stating that 'A Party may require financial institutions operating within their territory, or subject to their jurisdiction, to nominate women to senior management positions or to boards of directors.' Another model provision states that If a Party adopts or maintains measures relating to the authorization for the supply of a service, the Member shall ensure that such measures do not discriminate between men and women.

In recognition of barriers women could face when participating in international trade or investment activities in the financial sector, Canada seeks to ensure that authorization requirements and procedures for the supply of financial services do not discriminate against natural persons based on gender. The commitment states that, where a Party adopts or maintains measures relating to the authorization to supply a service, it shall ensure that such measures do not discriminate between men and women.

## 9 APPLYING A GENDER LENS TO DIGITAL REMITTANCES

Digital remittances can form a gateway to better financial health and inclusion for migrants and their families. Yet one key factor influencing remittance behaviour is often overlooked: gender. Recent demand side research by the United Nations Capital Development Fund (UNCDF) revealed clear patterns in access, usage and resilience for migrant women and women recipients.

UNCDF conducted roughly 3,000 phone surveys, 100 interviews and four focus group discussions with remittance sending and receiving customers of six remittance service providers: BRAC Bank in Bangladesh, Wigzell Money in Senegal, RAKBANK in the United Arab Emirates, IME Pay in Nepal, Lion Bank in Ethiopia and Sentbe in South Korea. Our top three takeaways were the following:

- (1) Age and education are the primary factors determining a woman's choice of remittance channel. Among women who use digital channels to send or receive remittances, 89% of migrant women and 57% of women recipients have at least a secondary education, compared to only 28% of women who receive

remittances via cash channels. Younger women are also more likely to adopt digital channels: 71% of women who use digital channels to send or receive remittances were under thirty-five years old, compared to 56% of female cash customers in the same age group.

While women face many barriers when accessing digital remittances – including adverse social norms, inefficient customer service and inadequate consumer protection policies – the preference for digital remittance channels by younger and more highly educated women may offer some insights into why these services have yet to reach the majority of women at the last mile.

- (2) Digital remittances could play a role in unlocking broader financial inclusion for women. 41% of female digital remittance senders and 38% of female digital remittance recipients said their use of other financial services increased after using digital remittances. This compared to 21% of female cash recipients.

For digital remittance senders, the most widely used financial services are savings accounts, credit cards, mobile wallets and bank/microfinance loans. For digital remittance recipients, the most widely used financial services are savings accounts, mobile wallets and current accounts.

Digital remittances could therefore serve as a potential onramp to using a broader suite of financial services, including resilience-building financial services such as savings, credit, insurance and pensions.

- (3) Digital remittance users reported overall higher levels of financial health compared to cash users. Financial health focuses on four key aspects of one's financial life: security, resilience, control and freedom. Our study found that digital remittance users generally reported higher levels of financial security, control and resilience than cash users, but similar levels of financial freedom.

It is important to note that these findings do not indicate that digital remittances are the cause of improved financial health, but they are associated with it, as are many other factors such as education, income and employment levels.

**Security:** Women who use digital remittances indicate feeling more financially secure compared to cash users: 75% of migrant women using digital channels report having money left over at the end of the month after paying for living expenses. Among female recipients, 65% of digital users have surplus funds, compared to 54% of those who receive cash.

**Resilience:** While the channel used did not make a big difference for female remittance users' ability to come up with emergency funds, more women using digital remittances felt their resilience improved since they started using digital remittance services. 62% of migrant

women and 57% of female recipients who use digital remittances said they were better able to weather a financial emergency, compared to 49% of cash receivers. These statistics suggest linking remittances to other financial services like savings accounts can give women a safe and convenient way to save for emergencies. Twitter logo

Control: 72% of women receiving remittances in cash said that they worry about covering basic living expenses, compared to only 51% of migrant women and 52% of recipient women who use digital channels.

Freedom: For both digital and cash remittances, a similar share of users believed that remittances improved their financial lives by helping them to meet their financial goals and pursue opportunities. 81% of female digital remittance senders, 85% of female digital remittance recipients and 83% of female cash recipients, all held this view. Remittances are broadly seen as a critical income source for both senders and receivers, regardless of transmission channel.

Summing up, the research by the UNCDF makes a strong case for applying a gender lens when designing digital remittance services. For example, since most women using digital remittance services are younger and more educated, remittance service providers should ensure that their services account for users' literacy levels and consider integrating digital and financial literacy trainings into their product offerings.

Linking digital remittance services to other financial services that women want and need, particularly savings, could also bring about broader financial inclusion for women. And there is an opportunity to delve deeper into understanding exactly how and why digital remittances can contribute to improving women's financial health.

## 10 CONCLUSION

First, financial inclusion has featured prominently in the policy makers' agenda for the financial sector, at both the national and international levels since the turn of the century. In that regard the respective work programs of the Bank of International Settlements (BIS), the OECD and the World Bank, each focusing on different mandates and aspects of the financial inclusion agenda. We have only skimmed the surface of international initiatives. There is a variety of issues that need to be addressed to promote financial inclusion. Even digital crypto currencies are being discussed in this context.

Second, financial inclusion is a multidimensional issue, where supply, demand and affordability/quality factors interact. Financial inclusion depends not only on expanding the supply of financial services but also on working on the demand, through financial literacy and consumer protection initiatives. The OECD has advanced an interesting work on financial literacy and consumer protection.

Third, experts agree that addressing a multidimensional issue like this one requires multidimensional objectives and policies. Promoting financial inclusion requires working on five fronts simultaneously: promoting the development of financial competences in the population, developing various delivery channels, efficiently assessing the needs of the population, improving infrastructure, and fostering coordination between the public sector, private institutions, and the civil society.

Fourth, Financial inclusion has made enormous progress in the last decade. However, a lot remains to be done. In that regard, greater equality has tangible benefits, notable expanded workforce, higher wages, entrepreneurship, and economy strengthening. However, as shown by recent data on women and the law collected by the World Bank, globally (albeit with regional differences) women still enjoy just a share of legal rights afforded to men. Laws and regulatory frameworks that prohibit discrimination in access to credit, for example, helps promote women's entrepreneurship. Gender equality is key for boosting financial inclusion.

Fifth, Following the example of policies developed by Canada to promote gender equality and women economic empowerment, we can identify in practical terms some good practices, Women's economic empowerment and financial inclusion requires moving on different fronts. A clear question emerged: how should trade agreements evolve to accelerate gender parity and boost women's participation in trade and finance. We saw in that regard the initiatives taken by Canada to address gender-related issues in trade negotiations covering financial services trade – initiatives that provide for non-discrimination on gender grounds but also seek to ensure or that allow parties to promote women's participation in financial institutions boards of directors.

Sixth, trade in financial services, both on a cross-border basis and through commercial presence, can play an important role in the promotion of access to financial services. But foreign participation is not a silver bullet. Traditional banks, due to their business models and regulatory requirements, may not cater enough for the underserved. Therefore, other types of institutions are needed, and therefore regulatory requirements need to be adapted with that objective in mind. There are examples of trade in financial services at play – for example, commercial microfinance institutions, mobile money operators, digital or virtual banks, and even transnational credit bureaus. But above all, we need innovative services and products, such as Central Bank digital currencies, may also be leveraged to promote financial inclusion, as explained by the BIS.

Seventh, regulation matters in many other ways: by allowing new business models to flourish or by supporting the development of a financial inclusive financial sector. But the impact of regulation on the implementation of financial inclusion also needs to be addressed.

Eight, we should underline a final point on technology. Technology has become crucial to promote and achieve

financial inclusion. India, the Philippines and Thailand each on their respective experiences have leveraged technology for financial inclusion. Technology is disruptive and requires the adaptation of regulatory frameworks, whether regarding new financial services and institution types, or with regards to payments infrastructures, just to name a few examples.

And tenth, WTO Members should continue discussing these issues. We have broad and meaningful overview of the main issues involved in financial inclusion and access to financial services and allowed us to better understand how international trade in financial services contributes to accessibility in financial services and the potential it offers. We also need a better understanding of how trade policy in financial services may further contribute to financial inclusion of underserved groups and women's empowerment.

But above all, it is of the utmost importance to create a 'momentum' in the already complex WTO negotiations, to explore a simple but clear political mandate from

Ministers to promote women's empowerment through financial inclusion.

This should be done in a coordinated manner and based on the technical work within the framework of the CTFS. The reason for this is that precisely that regular and formal WTO body deals with regulatory issues, exchange of information and identification of best practices.

It should be crystal clear that we are not seeking to create new or more rights or obligations or give raise to a new joint initiative.

Part of that work could be shared and coordinated with the Informal Groups of Small and Medium Enterprises and the Informal Group on Trade and Gender.

The Trade Policy Review mechanism (TPR) should also include within their agenda when examining the trade policies of each Member, a detailed and structured evaluation on how a WTO Member is doing in regards to financial inclusion and women's empowerment.

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