

Financial Inclusion Action Plan (FIAP) Program

Submission to Senate Inquiry into the Sustainable Development Goals March 2018

The participants of the **Financial Inclusion Action Plan** (FIAP) Program welcome the opportunity provided by the Foreign Affairs, Defence and Trade Committee, to provide feedback on the **United Nations Sustainable Development Goals** (SDGs), as they relate to Australia.

The **FIAP** program (<http://goodshepherdmicrofinance.org.au/services/financial-inclusion-action-plans-fiap/>) led by Good Shepherd Microfinance on behalf of the Australian Government in partnership with EY and the Centre for Social Impact since 2015, is linked to Australia's **G20 Commitment** to establish a national Financial Inclusion Action Plan (<https://www.gpfi.org/publications/g20-financial-inclusion-action-plan-fiap-2017>).

Since its inception in 2015, the FIAP program has enabled 30 organisations (**FIAP Trailblazers**) from across business, government, academia and the community sector, to take action to realise **financial inclusion** and **resilience** for vulnerable groups amongst their own clients, staff, suppliers and community partners. By taking these actions, FIAP Trailblazers also contribute towards 12 of the 17 **Sustainable Development Goals** (SDGs), particularly those associated with **reducing inequalities** and enabling **inclusive economic growth**.

Research from the Centre for Social Impact (CSI) shows that more than three million adults are **financially excluded** in Australia, lacking access to safe, affordable and appropriate financial products and services when they need them¹. Many people also lack **financial resilience**, the ability to recover from adverse financial circumstances - 2.4 million adults are financially vulnerable, and only 36 percent of the population consider themselves financially secure¹.

People on **low incomes** are more likely to be financially excluded and experience lower resilience, but one in four **employees** in Australian workplaces also reports that financial stress is affecting their wellbeing and productivity. It's estimated the impact on **workplace productivity** can cost businesses an estimated \$47 billion in lost annual revenue².

The **consequences** of being financially excluded and lacking financial resilience are significant, as access to safe and affordable financial services, when combined with the resources, capability, and knowledge to use them effectively, can help individuals, their families and communities to escape poverty and hardship, and lead more fulfilling lives. Appropriate financial support enables people to overcome shocks, take advantage of opportunities, and focus more time and effort on the things that are really important to them.

Conversely, financial exclusion places people and their families at risk of financial hardship. Vulnerable to predatory lending, those excluded are more likely to experience poorer social, emotional and health outcomes, often becoming trapped in entrenched poverty. At a **macro** level, financial exclusion also increases costs for governments, businesses and the community sector, as it restricts the levels of savings and credit, in turn hindering growth in jobs, wages and overall economic activity.

Financial exclusion and lack of resilience, when combined with growing income and wealth **disparities**³ can severely compromise the ability to achieve SDGs such as reducing inequalities and promoting inclusive economic growth. This is particularly relevant to Australia as despite experiencing continued economic growth for over 26 years, this growth has not been inclusive³, and three million people now live below the poverty line⁴.

Financial Inclusion Action Plan (FIAP) Program

Submission to Senate Inquiry into the Sustainable Development Goals March 2018

The **scope** for a social innovation such as the FIAP program, to enable key players from across multiple sectors to take proactive, collaborative actions to address these 'wicked' problems, and also contribute to achieving **Sustainable Development Goals**, is therefore **significant**. We discuss this in more detail in the sections below.

Background: The Financial Inclusion Action Plan (FIAP) Program in Australia

The commitment to develop a **national** Financial Inclusion Action Plan was made by the **G20**, to mobilise global action to promote financial inclusion. Led by Good Shepherd Microfinance on behalf of the Australian Government, the Financial Inclusion Action Plan (FIAP) program in Australia adopted a 'bottom-up' approach to enable organisations from across all sectors to take direct action to improve **financial inclusion** and **resilience** for the millions of people who are facing financial difficulties.

The response since its launch in 2015, has been overwhelming – 30 of Australia's largest organisations (Trailblazers) from across business, government, academia and the civil society, have joined to understand their impact on financial inclusion, and to take action to create positive change, enabling increasing numbers of people to improve their financial wellbeing⁵. By taking these actions, Trailblazers also contribute to longer-term **Sustainable Development Goals** (SDGs 1-10 and 16-17) which are associated with reducing inequalities and increasing inclusive growth⁶.

The **30 FIAP Trailblazers** (AGL, AnglicareSA, ANZ, Ashurst, Australian Ethical Investment, Australian Unity, Bank Australia, BaptistCare, City West Water, Commonwealth Bank, Corrs Chambers Westgarth, Energy Australia, Flight Centre Travel Group, Good Shepherd Microfinance, HESTA, Indigenous Consumer Assistance Network, MoneyBrilliant, NAB, Origin Energy, Queensland Government, Suncorp, Swinburne University, The Salvation Army, 10Thousand Girl, University of New South Wales, VicSuper, Wannon Water, Westpac, WIRE and Yarra Valley Water) yield **significant** influence, as they employ 250,000 people; service 80% of the economy, and hold 7 of the ASX Top 50 spots.

The **holistic**, system-wide change needed to increase financial inclusion and resilience in Australia will take time and long-term commitment to work collaboratively - the FIAP program is therefore designed to span a **10-year horizon**, encompassing **four** distinct phases as described in Diagram 1 below.



Diagram 1: Financial Inclusion Action Plan Program Phases, From Foundations to Actions FIAP Program Report March 2018.

The FIAP **framework** is underpinned by 4 key **action areas**, grounded in rigorous research undertaken by CSI, identifying 10 areas of strategic 'system-wide' shifts needed to enhance financial inclusion and resilience in Australia, as illustrated in Diagram 2 below. These action areas respond directly to key **triggers** of financial exclusion and low resilience, including lack of access to safe,

Financial Inclusion Action Plan (FIAP) Program

Submission to Senate Inquiry into the Sustainable Development Goals March 2018

affordable and appropriate products and services; low capability both external to participating organisations (their clients and community partners) and internal (their staff, policies and processes, and suppliers); lack of understanding of vulnerability; and fewer opportunities for economic participation and equality.

FIAP Action Areas	Products & Services	Capabilities, Attitudes & Behaviours	Understanding of culture & diversity	Economic participation and status
Identified actions to 'move the dial' for financial inclusion	<p>Improve access (availability, affordability & appropriateness) of financial products & services</p> <p>Promote savings and other supports that protect people in times of need associated with financial risk</p>	<p>Build financial literacy and capabilities among vulnerable groups</p> <p>Improve the capacity, attitude and behaviours of staff (including cultural awareness) to support those who are financially excluded and vulnerable groups</p>	<p>Improve and facilitate social, community and/or government support for vulnerable groups</p> <p>Increase understanding of vulnerable groups and engage/collaborate with other stakeholders to identify appropriate pathways of support</p> <p>Support customers and other stakeholders in times of need associated with financial risk</p>	<p>Facilitate transitions to stable housing for those who do not already have it</p> <p>Address economic participation and employment opportunities</p> <p>Increase economic resources and reduce income equality</p>
Key triggers for financial hardship	Responds to key triggers: Hardships Financial Literacy / Capability Ethnicity, Gender & Culture	Responds to key triggers: Social Isolation Financial Literacy / Capability Digital Exclusion	Responds to key triggers: Social Isolation Life Stages / Life Events Ethnicity, Gender & Culture	Responds to key triggers: Unemployment Life Stages / Life Events Hardship

Diagram 2: Financial Inclusion Action Plan Action Areas, From Foundations to Actions FIAP Program Report March 2018.

CSI's research shows that by taking action to address these key risks, FIAP Trailblazers can enable significant numbers of people to move away from financial crisis and hardship towards stability and income generation (i.e. achieve '**economic mobility**') as well as prevent them from falling into further disadvantage when faced with financial shocks (i.e. enable '**financial resilience**'). In particular, the FIAP program targets women, Aboriginal and Torres Straits Islander people, new arrivals with non-English speaking backgrounds, the young and those experiencing and/or caring for, disabilities.

Actions to create employment pathways for vulnerable groups; close the gender gap in economic participation, pay and superannuation; promote access to affordable credit, insurance and housing can enable economic mobility. Implementing hardship programs; encouraging the use of low-cost credit; and improving the availability of appropriate supports such as emergency relief, mental health, social housing, can enable financial resilience. Designing and offering appropriate products and services, and building financial capability, assist in both economic mobility and promoting resilience.

The **benefits** of greater inclusion including improved capabilities for individuals and households, also translate into increased capacity to generate income, build assets, and achieve better health and social outcomes. At the broader economic level, growing inclusion is associated with improved employment, education and health, and lower crime rates, all of which drive an improvement in GDP. Inclusion may also relieve pressure on government spending on areas such as welfare, health and criminal justice.

Economic modelling shows that over a 10-year horizon, the FIAP program can generate additional **GDP** of \$2.9b, **Household Wealth** of \$11.8b, and achieve **Government Savings** of \$583.3m p.a.⁶

Financial Inclusion Action Plan (FIAP) Program

Submission to Senate Inquiry into the Sustainable Development Goals March 2018

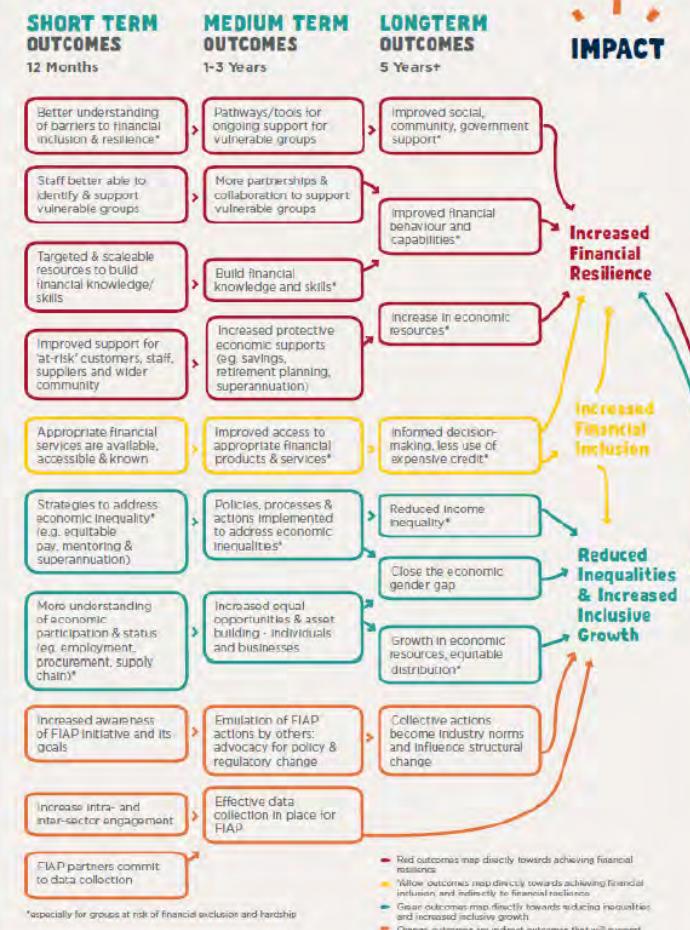
The FIAP Theory of Change and Pathways to Sustainable Development Goals

A key step in developing the FIAP program has been to clearly articulate a **Theory of Change** as illustrated below, that links organisational inputs and activities with outputs and outcomes expected over the short, medium and longer-term, at multiple levels including micro-level outcomes for individuals and families; meso-level outcomes for organisations and local communities; and macro-level outcomes for the wider population, society and economy.

This Theory of Change posits that organisational actions to address the 4 FIAP **Action Areas** will have **multiple impacts** including increased financial inclusion and resilience for individuals, families and workplaces. These actions, when emulated by other organisations across broader industry and sectors, will lead to longer-term **system-wide** change across Australia, including more social, community and government support for vulnerable groups; improved capability and behaviour; and increased equality in access to economic resources. These changes will also contribute to 12 **Sustainable Development Goals**, as illustrated in Diagram 3 below. We discuss these links further in the following sections.

Financial Inclusion Action Plans (FIAPs) Contribute to 12 SDGs

Theory of Change



Financial Inclusion Action Plan (FIAP) Program

Submission to Senate Inquiry into the Sustainable Development Goals March 2018

The FIAP program envisages that **actions** taken by FIAP participants trace a pathway to the longer-term **change** needed to achieve the **Sustainable Development Goals**, as briefly discussed below:

Sustainable Development Goal	How can FIAPs contribute to achieving this goal?
Goal 1: End Poverty in all its forms everywhere.	Promoting savings enables families to escape poverty by helping them to absorb financial shocks, smooth consumption, accumulate assets and invest in better health and education.
Goal 2: End hunger; achieve food security and improved nutrition; promote sustainable agriculture.	Farmers with better access to finance and higher financial capability can produce better harvests, and are able to be more resilient to external shocks.
Goal 3: Ensure health and wellbeing for everyone at all ages, including access to safe, affordable and effective health care.	Access to finance enables people to better manage medical costs, and rebound from health crises. Low financial capability is linked with high stress, which compromises mental health.
Goal 4: Ensure inclusive and equitable access to (and completion of) quality education.	Promoting savings can help families to plan for and better manage education expenses, building human capital which in turn fuels economic growth.
Goal 5: Achieve gender equality; empower women and girls to reach their full potential.	Access to financial services can help women to assert greater economic power, and have greater control over their finances, such as prioritising household spend on necessities.
Goal 6: Ensure access to drinking water, sanitation and hygiene; improve the quality and sustainability of water resources.	FIAP participants from the water and energy sector can ensure access to clean and affordable drinking water, and sustainable energy.
Goal 7: Ensure access to affordable, reliable, sustainable and modern energy for all.	They can also ensure users are better supported and treated fairly, when faced with financial hardship.
Goal 8: Ensure economic security through equity in economic growth, employment and access to financial services	Access to safe, affordable and appropriate financial products and services, and capability-building can enable individuals/families to escape poverty. Entrepreneurs are able to create jobs through establishing micro-to-small businesses. Income inequalities are reduced and sustainable inclusive economic growth.
Goal 9: Develop and ensure access to quality, reliable, inclusive, sustainable and resilient infrastructure via innovation.	FIAP's approach to enable sector-led action and find innovative ways to promote financial inclusion and resilience, will create a more inclusive, equitable, resilient and sustainable Australia.
Goal 10: Reduce inequalities, within and between countries.	FIAP lessons can also be shared with others across the Indo-Pacific region via the G20/GPFI network.
Goal 16: Promote peaceful and inclusive societies, based on respect for human rights, rule of law, good governance and accountable institutions.	Actions to address income and other economic inequalities will reduce instability in social, political and economic domains, and fuel economic growth. FIAP participants promote good governance and accountability through their actions and ongoing evaluation, quality assurance and reporting.
Goal 17: Strengthen and revitalise the global partnership for sustainable development.	FIAPs enable collaboration and collective actions across multiple sectors, facilitating 'system-wide' change, including increasing financial inclusion and resilience across Australia.

In addition to the FIAP Theory of Change, the FIAP program partners are also developing a robust **evidence-base** through rigorous evaluation (CSI) and quality assurance (EY) processes.

Financial Inclusion Action Plan (FIAP) Program

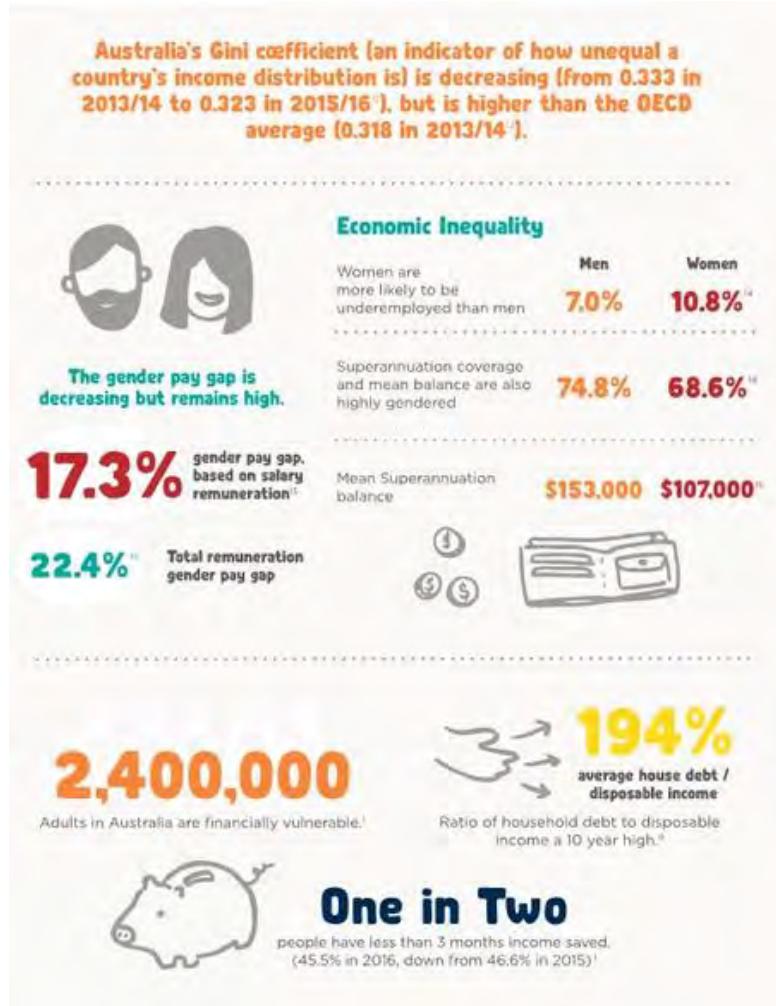
Submission to Senate Inquiry into the Sustainable Development Goals March 2018

The FIAP Evaluation and Quality Assurance undertaken as at the completion of Phase One (March 2018) have captured a comprehensive **baseline** from which to measure ongoing progress, and to further test and refine the Theory of Change. The FIAP Evaluation includes a comprehensive **Indicator Bank** which will progressively allow the program to track metrics at individual/household (micro), organisational/sector (meso) and population (macro) levels, over future phases of the program⁶.

CSI notes that whilst the FIAP program aims to contribute to long-term changes in macro (population-level) outcomes for Australia, such as the Gini co-efficient and other determinants of economic growth and overall population-level inequalities, it is not possible to directly attribute these to FIAP actions. Instead CSI will track changes at a Trailblazer level, based on organisational activities across intended target groups, by monitoring changes for these groups over time (Good Shepherd Microfinance 2016).

Measuring Outcomes: Preliminary results from FIAP Evaluation and Quality Assurance

The FIAP Evaluation encompasses **Impact** and **Process** evaluation, to measure progress against the intended short, medium, long term outcomes and impact of the FIAP program, as well as understand what is working, for whom and why. This includes **baselining**⁶ the current state of financial inclusion and resilience, inequalities and inclusive growth in Australia, summarised in the **infographic** below:



Financial Inclusion Action Plan (FIAP) Program

Submission to Senate Inquiry into the Sustainable Development Goals March 2018

The results of a 12-month **evaluation⁶** of the FIAP program over the period November 2016-17 show early positive outcomes that future phases can build upon, and opportunities for improvement. In particular, the program has achieved the following:

1. Early positive outcomes provide building blocks for the future:

FIAP actions are addressing the needs of people identified as financially excluded or vulnerable, including women, Aboriginal and Torres Strait Islander people, people on low incomes or in financial hardship, people with a disability, and people experiencing domestic or family violence. Actions are also aligned with strategies which will 'shift the dial' on financial inclusion and resilience, including:

- Improving access to financial products and services
- Supporting customers in times of need
- Improving staff capacity and ability to support financially excluded and vulnerable groups
- Building the financial knowledge, skills and capabilities of vulnerable groups

2. The FIAP profile and pipeline is building:

- 12 Trailblazers launched Foundation FIAPs in 2016, 18 in 2017, and a waiting list of 13 'friends of FIAP' have expressed interest in joining.
- Newer Trailblazers are more likely to find out about the FIAP program through word of mouth and referrals from other Trailblazers, rather than the Partnership group.
- 72 percent of Trailblazers report increased awareness and understanding of financial inclusion and resilience within their organisations.
- The FIAP webpage has had 6,196 views, including 4,695 unique page views and an average visit length of 2 minutes and 56 seconds.

3. Cross-Sectoral Collaboration is increasing

Increasing Trailblazer collaboration and facilitating collective action is a critical component of the FIAP program. Interviews with Trailblazers indicated a strong desire to collaborate and learn from others, demonstrating that the FIAP program is more than the sum of its parts. 76 percent of survey respondents said they had engaged with other Trailblazers beyond the formal mechanisms the FIAP program facilitates (e.g. Community of Practices and working groups).

Meanwhile, the results of a quality assurance review of the 240+ actions committed by the first 12 Trailblazers in late 2016, shows that 72 percent of these actions have already been completed, with a further 21 percent underway. Several improvement opportunities were also identified, which will be incorporated into the FIAP program in preparation for the rollout of the next phase (Critical Mass).

Responses to Senate Inquiry into the United Nations Sustainable Development Goals (SDGs)

Based on our experience with the FIAP program as briefly described above, we provide the following responses to questions raised in the Terms of Reference for this Inquiry:

Financial Inclusion Action Plan (FIAP) Program

Submission to Senate Inquiry into the Sustainable Development Goals March 2018

What is the understanding and awareness of the SDG across the wider Australian community?

The **understanding** and **awareness** of the United Nations Sustainable Development Goals (SDGs) in the wider Australian community appears to be limited, and varies across groups. Organisations which have mature financial and non-financial reporting systems in place, including the Global Reporting Initiative (GRI) and Sustainability Reporting, are more likely to be aware of the SDGs. Yet their understanding of how their organisational actions contribute to various SDGs is limited.

Programs such as the **FIAP** offer considerable scope for organisations to gain a **deeper** and **more nuanced** understanding of how their everyday actions can **contribute** to the SDGs. Yet there are limited opportunities for the FIAP program to share the learnings with others, whether in Australia or in the international arena. There also appear to be multiple organisations involved with different aspects of the SDGs, which makes it difficult to pinpoint whom to engage with.

The Voluntary National Review (VNR) and bi-annual conferences such as the Australian SDGs Summit have offered valuable opportunities to develop a network of like-minded organisations who are working towards similar goals. Good Shepherd Microfinance, on behalf of the FIAP program, recommends that the Australian Government consider convening more regular **networking** opportunities for those involved in taking action to achieve the SDGs, so that they can share learnings, reduce duplication and waste, report on progress and develop resources to engage others on this journey.

The FIAP program hosts quarterly **Community of Practice** sessions for FIAP participants to network, share learnings, develop new partnerships and approaches to working together, which FIAP evaluation reveals, is the most popular benefit identified by all members. We would be interested in exploring opportunities to **coordinate** regular similar networking sessions for other like-minded organisations who are engaged in activities which contribute to the Sustainable Development Goals.

What are the potential costs, benefits and opportunities for Australia, in the domestic implementation of the SDG?

The potential opportunity for individuals/families (micro-level), organisations/sectors (meso-level) and the economy as a whole (population-level) to **benefit** from taking action to achieve the SDGs is real, and significant. As economic modelling undertaken by the FIAP program has demonstrated, actions to improve financial inclusion and resilience, if sustained over a 10-year horizon, can contribute to **GDP** uplift of \$2.9b, \$11.8b growth in **Household Wealth**, and **Government Savings** of \$583.3m p.a. Given the catalytic yet modest investment involved in FIAPs Phase One, the returns are significant.

Other research shows that **young** people in Australia are unemployed at **twice** the national rate – this puts them at greater risk of experiencing poverty. If their un/under-employment was brought in line with national averages, economic modelling suggests this would add an extra 125 million hours of work a year or an extra **\$11.3 billion** in GDP. No doubt efforts to articulate the benefits from other actions involved in achieving the SDGs will also reveal substantial gains.

The **cost** of taking action to achieve the SDGs is however, also real – the FIAP evaluation finds that the first 12 Trailblazers have invested significant time, effort and resources in actioning the commitments made in their Foundation FIAPs. Others involved in implementing actions which contribute to the SDGs will we assume, similarly be able to estimate the cost of undertaking these actions.

Financial Inclusion Action Plan (FIAP) Program

Submission to Senate Inquiry into the Sustainable Development Goals March 2018

However, our experience suggests that a substantial **cost saving** can be achieved for Australia as a whole, by reducing duplication and waste, and sharing learnings amongst those who are working to achieve the SDGs. If these organisations were able to **collaborate** and share learnings as well as challenges with one another, they would be able to not just **avoid** costs, but also grow **awareness** of how others can contribute to the SDGs, and encourage them to join their cause.

We therefore recommend the Government considers establishing new opportunities for more regular **networking** amongst organisations focused on achieving the SDGs in Australia. As mentioned, the FIAP program would be keen to consider ways in which we could assist in coordinating such an effort.

What governance structures and accountability measures are required at the national, state and local levels of government to ensure an integrated approach to implementing the SDG, that is both meaningful and achieves real outcomes?

The FIAP program ensures good governance and accountability for all participants in several ways:

1. A robust **governance structure** has been established - a **Partnership Group** is responsible for making all program-related decisions, supported by an expert **Advisory Group**, comprising experienced professionals from across the various sectors represented by the FIAP program.
2. An independent **Program Reviewer** has been appointed, to ensure that governance and risk, particularly any perceived and/or real conflicts of interest, are being appropriately managed.
3. FIAP participants make **public** commitments to take action to realise greater financial inclusion and resilience within their own sphere of influence.
4. They also participate in robust program **Evaluation** and **Quality Assurance** processes, and outcomes are regularly **reported**.
5. The program is also generating a robust **evidence-base** on what works and why, and what the impact is, in the short, medium and longer term.

This **comprehensive** framework ensures that FIAP participants across multiple sectors (the business, government, academia and civil society) are supported to take meaningful **action** to achieve real **outcomes**, which are also measured and evaluated on an ongoing basis. This ensures accountability at all levels. The FIAP **framework** of good governance and clear accountability is replicable and scalable, and we would be interested in considering ways in which we can extend our learnings to span local, state and national action to achieve the SDGs in Australia.

How can performance against the SDG be monitored and communicated in a way that engages government, businesses and the public, and allows effective review of Australia's performance by civil society;

As described above, the FIAP program has incorporated rigorous **Evaluation** and **Quality Assurance** processes into the program design, which are undertaken by independent expert partners. FIAP participants from across all sectors i.e. business, government, academia and the civil society, participate in these processes, with outcomes **reported** at regular intervals.

The FIAP Secretariat maintains close **relationships** with key domestic and global stakeholders including policy-makers, thought-leaders and decision-takers, to keep abreast of new developments and share learnings including contributing to academic and non-academic debate by publishing papers,

Financial Inclusion Action Plan (FIAP) Program

Submission to Senate Inquiry into the Sustainable Development Goals March 2018

presenting at public conferences and forums etc. Quarterly **Community of Practice** sessions also allow FIAP participants to network with their peers – this has led to new and innovative partnerships, and fostered collective action across sectors, breaking down silos.

The FIAP program recommends that a similar **multi-pronged** approach to monitor and regularly communicate performance offers the best opportunity to engage all sectors in achieving the SDGs. We would welcome further opportunities to better collaborate with the Australian Government and other key stakeholders, to share our learnings on all of these matters.

This submission has been prepared by the **Financial Inclusion Action Plan (FIAP) Secretariat** on behalf of the FIAP Program. Please forward any queries or requests for further information to:

Email: fiap@gsmicrofinance.org.au

Phone: 03 9495 9602 (Dr. Vinita Godinho - General Manager Advisory, Good Shepherd Microfinance)

Financial Inclusion Action Plan (FIAP) Program

Submission to Senate Inquiry into the Sustainable Development Goals March 2018

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