



## Horizon 2037: Fair Finance for All

CGAP and MFC: 20 years back  
and 20 years forward . . . . . Or at  
least 8

# CGAP's scenarios planning – what lies ahead?

## SCENARIO PROCESS:

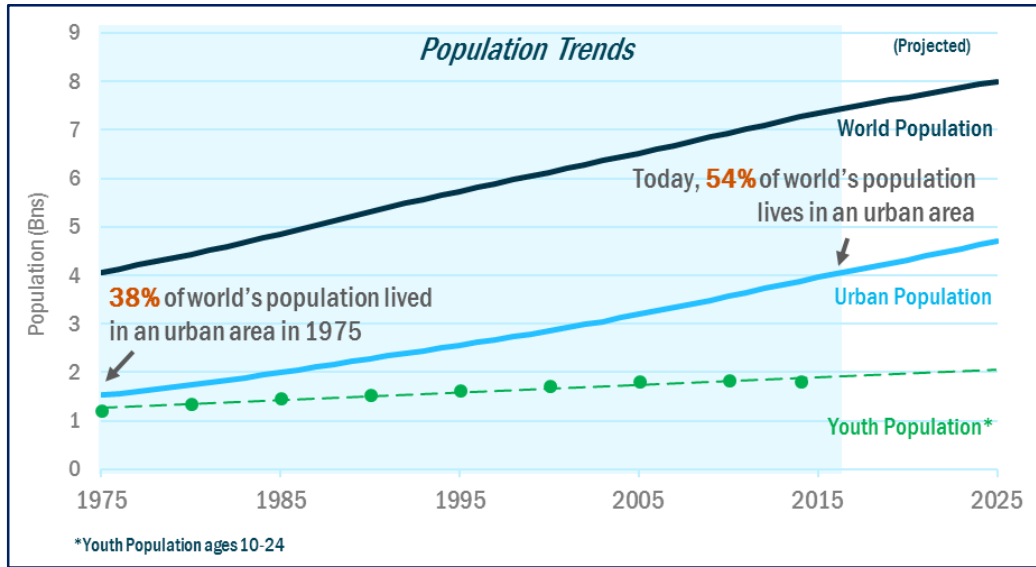
*A disciplined form of storytelling about possible futures*

1. Define the driving question
2. Understanding the current reality (base case)
3. Identifying forces at work
4. Isolating key uncertainties

**“In what ways will financial services influence inequality and economic participation for poor people by 2025**

**Translate into strategic ‘so what’?**

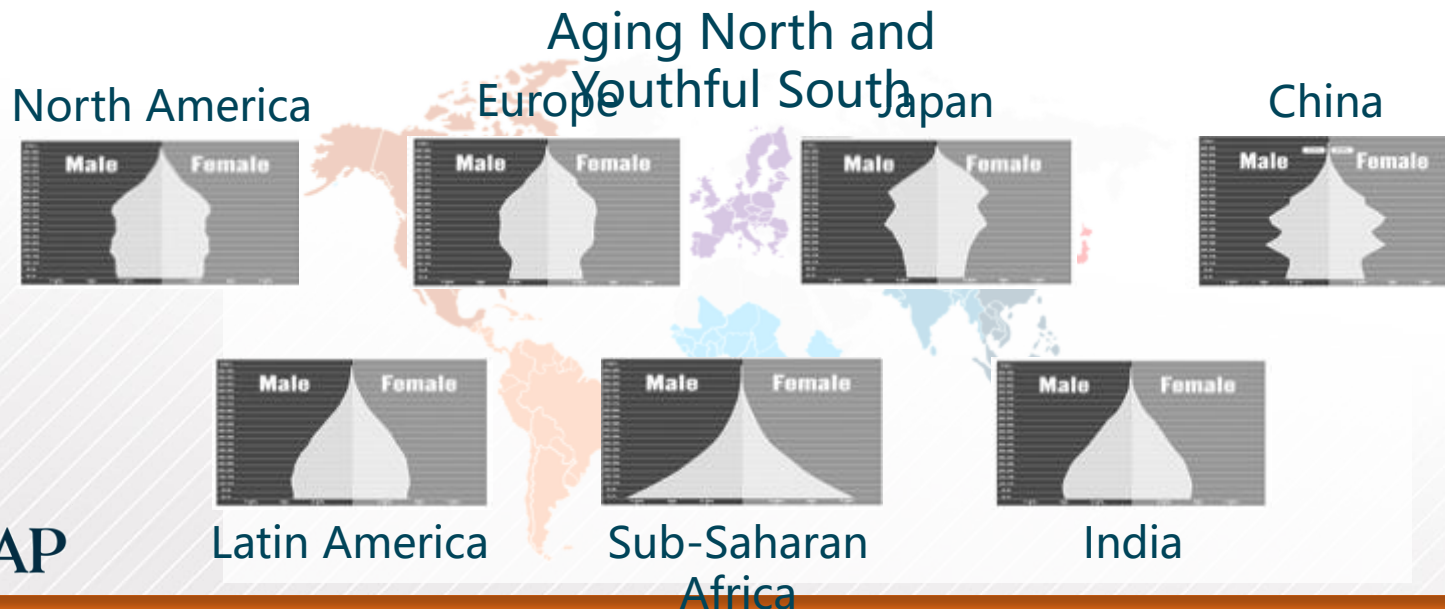
# The world's population is becoming more urban, with a youthful population in the South and an ageing population in the North



The world's total population is expected to reach 8 billion people by 2025

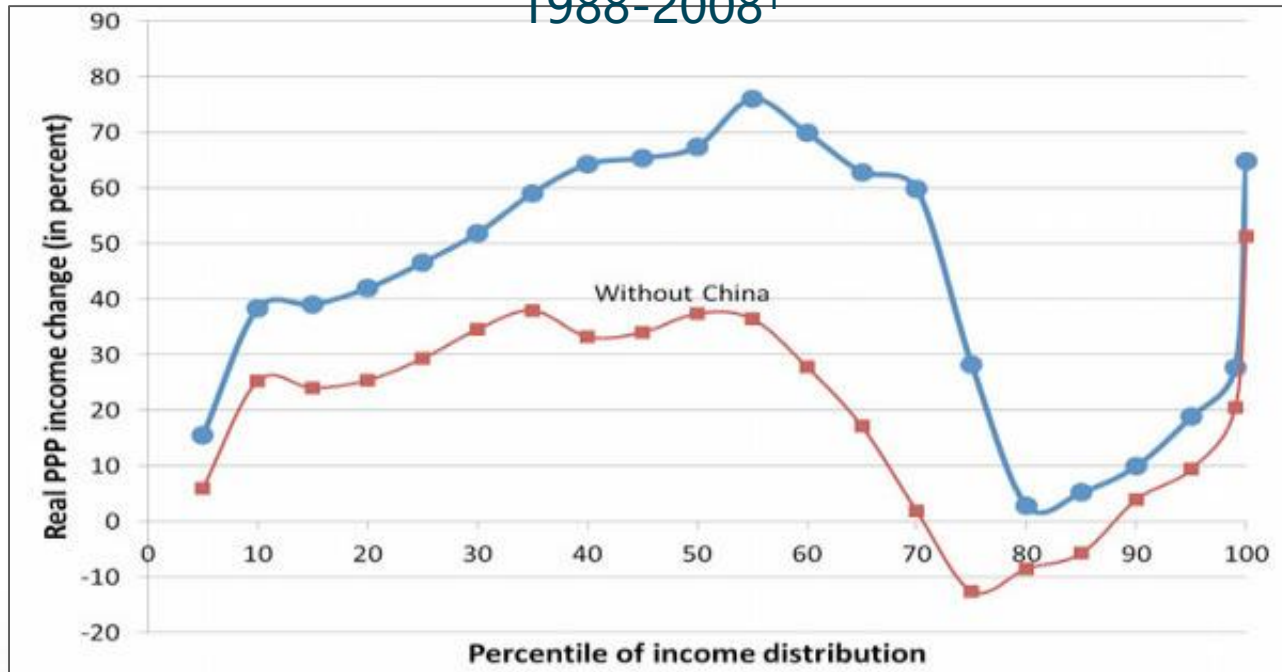


Over half of the world's population lives in cities



# While progress has been made in other measures, rising inequality has become a new challenge

Real Income Gains (in \$PPP) at Different Percentile of Global Income Distribution, 1988-2008<sup>1</sup>

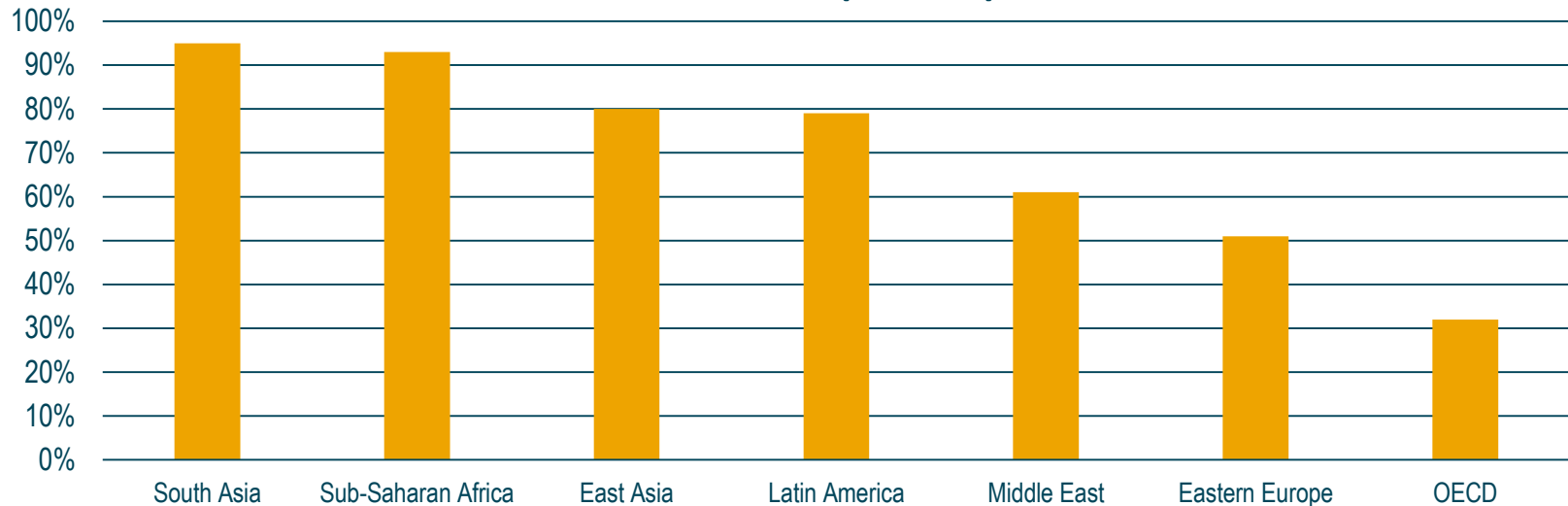


Bronko Milanovic's Elephant Chart summarizes the disparity in income growth and rising inequality:

- Poorest 10% have gained little
- Lower 10% to 70% percentile of incomes have gained significantly, mainly driven by China & India
- Developed country middle classes have stagnated
- Global elite have made significant gains

# Informal labor represents the majority of employment in developing countries

## Informal Labor as Percent of Labor Force ( 2014)



Source: WIEGO

### Trends

- The informal economy has increased in most regions over the past two decades, including developed regions
- Women are more likely to be employed in informal labor than men
- New evidence shows that informal economy correlates positively with growth, offsetting previous research that showed it was detrimental to growth



Yet, informal labor leaves many workers without social protection or job security posing challenges to combatting inequality and poverty

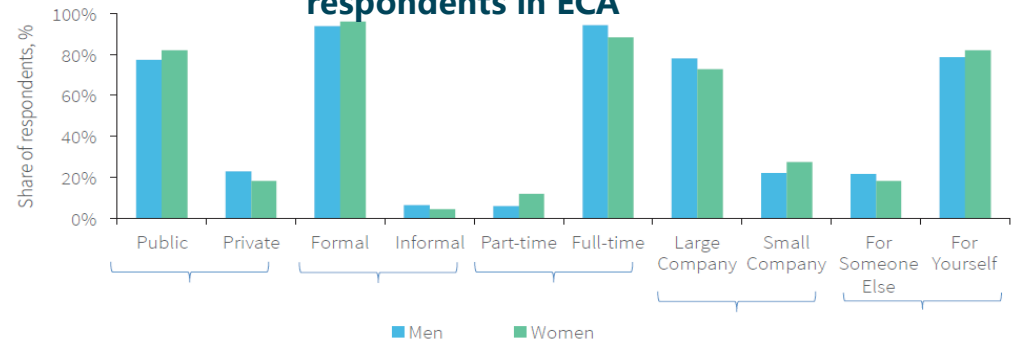
# Nature of work: The nature of work will change



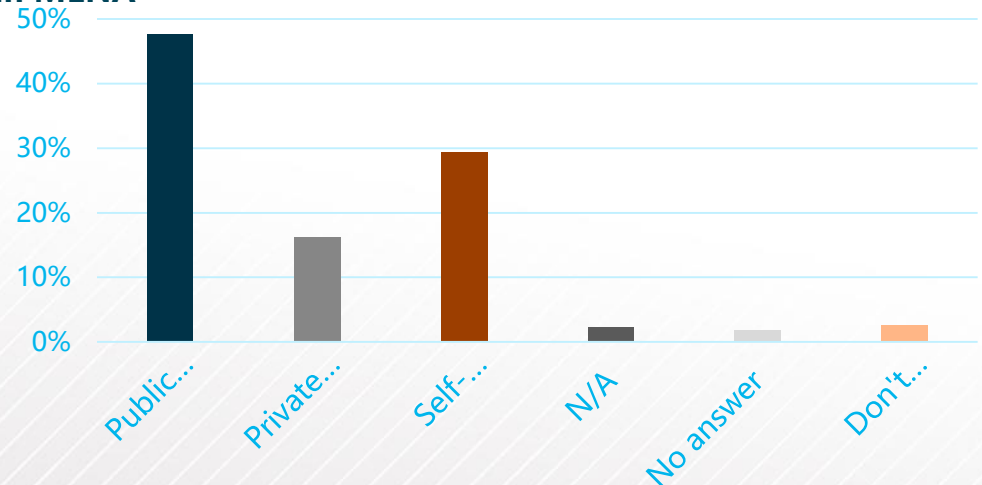
**The Jobs of the Future Will Be What Robots Can't Do**



Preferred job among sets of alternatives, adults, by sex, % of respondents in ECA



Preferred job among sets of alternatives, % of respondents in MENA



Sources: World Bank, *Voices of Europe and Central Asia: New Insights on Shared Prosperity and Jobs*, 2016; *World Values Survey Wave 6, 2010-2014*



# Forces shaping the driving question

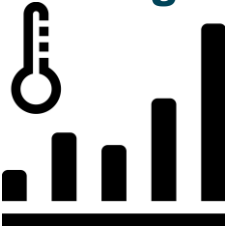
## Globalization



## Digital Technologies



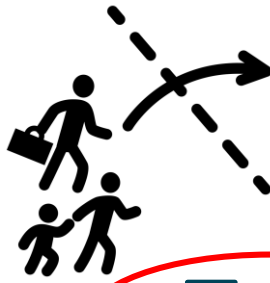
## Climate Change



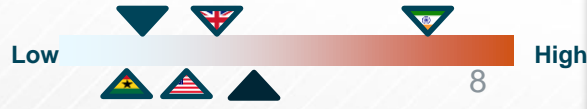
## Conflict



## Migration



## Changing Nature of Work





Financial services as an enabler will continue to be central to

- Improve people's well-being
- Better support livelihoods
- Adapt to changes and build resilience

Diversification of providers will change the financial services ecosystem

Broad use of data will enable transformative solutions for poor people, but also create risks

Risk of growing the digital divide

Role of government will remain critical