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## ***UN MDG Hearings with civil society and the private sector***

***New York, 13/15 June 2010***

### ***WSBI contribution on Thematic session 4***

***From voice to policy: 1660 days left***

#### **About WSBI (World Savings Banks Institute)**

WSBI is the global voice of savings and retail banking and brings together 110 savings and socially committed retail banks and/or their national associations from 92 countries.

Members share a strong focus on retail customers, SMEs and local authorities as primary target markets. They are decentralized organizations that enable them to provide regional outreach, and they adopt a socially responsible approach to business and to society in general.

WSBI represents the interests of its member banks with national, regional and international financial institutions and stakeholders, on a broad range of bank related issues. It also provides technical assistance and training services, facilitates their international cooperation across borders, and helps the development of their market positions. One of its top policy priorities is to enlarge the access to financial services for the widest part of the population and for entrepreneurs, worldwide.

#### **Access to financial services as an accelerator to meet the MDGs**

In a context where accelerators and/or more innovative and effective methods seem to be needed to meet the MDGs targets, WSBI believes that the recognition of the importance of access to financial services as an integral part of the MDGs would be a key step to mobilize further national governments and stakeholders involved.

Accessible, affordable, secure and adapted financial services are indeed of the utmost importance for a smoothly functioning economy and for the well-being of a society. As such, access to financial services is vital in improving the quality of life of the world's poor. This includes also providing the relevant financial access to microenterprises, which are driving forces for self sufficiency and economic development, especially in developing countries.

Consider the first MDG aimed at eradicating extreme poverty and hunger. For a farmer, access to formal savings account can help ensure the availability of necessary resources even when crops are not in season. An interest-bearing savings account is more profitable and less risky than hiding money in the mattress or investing it in livestock that may die. For a family living in an urban slum, access to micro-insurance can ensure that a damaged or destroyed home may be rebuilt without plunging the family further into poverty. And making remittance services less costly and more accessible to poor recipients dramatically increases resources available for education and health care.



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These are just a few critical examples of how access to financial services functions as an instrumental “accelerator” for reaching the MDGs.

### **Underlying the importance of savings**

During the past decade, there has been increasing attention paid to providing access to microcredit in developing countries to help reach development goals. But there seems to be a welcome shift lately, with a number of stakeholders and policy-makers “rediscovering” the benefits and the crucial role of savings, as a core basic banking service. This is undoubtedly connected to the crisis context that we are going through, and the value of building a safety net to be used in case of extreme need. It is also linked to the recent expansion of microcredit, and the evidence that to reach its full effectiveness, microcredit has to be accompanied by microsaving, as a key enabler to finance productive activities.

In any case, it strengthens the growing consensus according to which financial access should not be looked at from a purely credit perspective. Poor people in the developing world – just like wealthier people in developed countries – need access to an entire range of affordable financial services. This includes access to savings accounts, payment services, the ability to send and receive money cheaply through remittances, and insurance.

### **Best practices and successful innovative experiences, based on partnerships**

- In a growing number of countries, banks and other commercial financial service providers are finding new ways to deliver financial services to unbanked people. One of the most innovative and fast-spreading initiative is the branchless banking approach. Rather than using bank branches and their own field officers, banks offer services through postal and retail outlets, including grocery stores, seed and fertilizer retailers, gas stations, among others. For poor people, accessing banking services through retail agents may be far more convenient and efficient than going to a bank branch. For many poor customers, it will be the first time they have access to any formal financial services—and formal services are usually significantly safer and cheaper than informal alternatives.

For example, in Brazil, customers of Caixa Econômica Federal, a state-owned bank, can open and deposit money in a current account, make person-to-person transfers, and get loans—all using simple bankcards and card readers at over 18,000 lottery outlets, supermarkets, pharmacies etc. The partnership between this government-led institution and proximity retail shops and outlets, privately-owned and often micro or small enterprises, provides access to basic financial services and products, in all 5000 districts of Brazil, including in the most remote and often poorest areas.

- Example of a joint effort between government agencies, private community-owned stores, a public sector bank, a private technology provider, and a private foundation to build a platform to provide access to government benefits and financial services for the hardest to reach of Mexico’s rural poor:

Oportunidades is a Mexican public social programme through which 5 million families benefit from social payments, on the condition that they send their children to school and make regular health clinic visits. The government faced a significant challenge in getting the benefits into the hands of those who needed them. Much of the target population was so geographically remote that people had to travel long distances just to collect a benefit, incurring additional expenses and opportunity costs.



The retail supplier Diconsa, with its network of over 22,000 private, community-owned stores, joined with Oportunidades to address these problems. The core idea was to use the Diconsa stores as conduits for government benefits and access points for financial services. These stores are often the only commercial outlets accessible to Mexicans in the most hard-to-reach rural towns. Between March and May 2009, the expanded partnership scaled up the program to include 35,000 more Oportunidades beneficiaries and nearly 170,000 beneficiaries in total.

The new plan has also involved a public bank, Bansefi. Beneficiaries received payment cards backed by Bansefi savings accounts. It is planned that the number of Oportunidades beneficiaries with a savings account in a formal institution will increase from 2% to 42% in 2010 (2.5 million accounts). In addition to making the collection of benefits more convenient, safe and reliable, this arrangement also provides the basis for a broader range of financial services.

### **Action-oriented recommendations for further progress**

The international community should support the development of inclusive financial sectors, through a number of policy actions:

- Recognising the importance of the diversity of financial services providers with different business models, scopes and sizes, and different client groups. This approach should help take into account the peculiarities of reaching out to underserved communities. Besides, in the current context, the coexistence of different banking structures has proved a key element to contain the extension of the financial crisis;
- Underlining the importance of financial literacy efforts, especially for children and the young population, and consider introducing financial education as part of schools curricula;
- Defining supportive frameworks to encourage the opportunities that technology solutions, such as mobile phone banking and more broadly branchless banking, bring to expand access to finance;
- Developing enabling and proportionate regulatory and supervisory frameworks conducive to financial inclusion, ie with the right balance between the risk to mitigate and the implementation costs;
- Ensuring an appropriate level of consumer protection, as a core element to build long-term relationships, based on trust and confidence.

Governments and International Financial Institutions should also look at how to build up the relevant national retail banking infrastructure to mobilize domestic savings efficiently with a view to finance development and reduce their dependence on foreign capital. It should become a priority on the development agenda. This would involve creating the conditions for the development of robust and efficient locally-based banking institutions, adapted and convenient products, stable and competitive markets, as well as a supportive environment to turn savings into productive investments.