The overall policy context for enabling inclusive finance

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WSBI

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The World Savings Banks Institute (WSBI)

- International retail banking association
- Bringing together individual banks and national banking associations, from «developing» countries and «mature» markets
- 111 members in 90 countries
- Sister organisation: European Savings Banks Group (ESBG) (25 members in 25 countries)
- Advocacy, Consultancy and Training, Business Cooperation services
WSBI Membership

Europe:
36 Members from 30 countries

Americas:
16 Members from 13 countries

Asia-Pacific:
22 Members from 16 countries

Africa:
37 Members from 31 countries

(As of June 2010)

Savings and socially committed retail banks, which fulfill the 3Rs criteria: Retail, Regional and Responsible
WSBI and inclusive finance

- Of the 1.4 billion accounts existing at institutions within developing economies with an explicit mission to foster access, 1.1 billion are provided by savings banks.

- Accessibility, proximity, adapted products and services, social commitment, and long-term trust are the key success factors.

- « Doubling the number of savings accounts » project, with the support of the Bill and Melinda Gates Foundation (Burkina Faso, El Salvador, Indonesia, Kenya, Lesotho, Morocco, South Africa, Tanzania, Uganda, Vietnam)
**WSBI and microfinance**

- An extensive definition of microfinance
  - Includes microcredit but also microsavings, microinsurance, micro-payments and low value remittances services
  - Involves both:
    - *ad hoc* microfinance vehicles and programmes offered by member banks, eg. *BancoEstado MicroEmpresa Chile*
    - small scale services provided as part of the regular banking offer, eg. *deposit balance <15 USD for 3/4 accounts at Tanzania Postal Bank*
Inclusive finance and microfinance

- **Inclusive finance/Access to finance/Financial access/Bancarisation**
  
  = provision of access to a wide range of convenient and affordable financial services to all categories of the population, including the low-income and most vulnerable

- **Microfinance** is one of the tools to achieve inclusive finance

  + Financial education, SME financing, Consumer protection, Technology and innovation etc
Political momentum around the issue of inclusive finance

- «Mutually reinforcing objectives of financial stability, financial integrity, financial inclusion and consumer protection» G20, Toronto and Seoul 2010 Summits
- On the agenda of banking/financial standard-setters and policy bodies, not only development agencies
- Move from an awareness-raising to a solution development stage
Microfinance as part of a broader inclusive finance agenda

- Inclusive finance strategy to be defined at national government level, incl.:
  - Impact on sustainable economic growth and poverty reduction
  - Proportionate rules and regulations to reach underserved groups
  - Pluralism of the banking system for the provision of broad and deep access for all
  - Encouraging access to formal financial services
  - Diversification of distribution channels to fill the accessibility gap and enlarge the outreach
  - Incentives for the mobilisation of (small) savings
Microfinance as part of a broader inclusive finance agenda

- Proportionate rules to take into account the specificities of reaching out to the underserved groups:
  - Regulatory framework with the right balance between the risks to mitigate and the implementation costs
  - Appropriate supervisory capacities

- Examples:
  - FATF Guidance on AML/CFT Standards and financial inclusion
  - Basel Committee on Banking Supervision Guidance for microfinance activities
Microfinance as part of a broader inclusive finance agenda

- Diversification of distribution channels to fill the accessibility gap, through partnerships:
  - Banks/MFIs: downscaling for banks/deposit facilities for MFIs + link to the formal sector
  - Financial services providers/non bank players e.g. mobile phone operators, retail outlets (pharmacies, petrol stations, lottery kiosks etc) - «branchless banking», banking beyond branches»
- Enhanced accessibility and proximity for financial services providers/extension of product offer for non bank retailers
Microfinance as part of a broader inclusive finance agenda

- Enabling the setting-up of deposit-taking institutions, provided that the relevant prudential requirements are defined:
  - Protection of depositors’ money
  - Long-term trust in the formal banking system
  - Level playing field between all financial services providers (“Same business, same risks, same rules”)
  - Focus on the microfinance services, regardless of the type of institutions involved
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