RESPONSIBLE FINANCE AND CONSUMER PROTECTION SEMINAR
11 May 2011

Madam Minister Mbacké, Your Excellency, Ladies and Gentlemen,

I am delighted to be here with you this morning, my third day in a terrific visit in Senegal. Responsible finance is central to my work as the UN Secretary General's Special Advocate for Inclusive Finance for Development.

We all know what finance is, but why add the word responsible?

Can we recognize "responsible" finance from any other kind of finance? Do providers behave differently when they are in the business of "responsible" finance? Do regulators take different actions or approaches? Do clients get distinct benefits?

To all these questions, I say yes, very much. At its heart, responsible finance is about finance that puts clients and their needs at the center of service delivery and regulation. It is about delivering the right product, at the right price and in the right place.

The same is true for inclusive finance for development. Financial inclusion means universal access, at a reasonable cost, to a wide range of financial services to everyone needing them, provided by a diversity of sound and sustainable institutions. It is about making more services available, and what those financial services help a household or an enterprise achieve. It is literally the roof above their head, education for children, better crops, clean water, or machines to increase production.

In Senegal, I have been heartened to see how much attention there is to savings. A safe place to save is so important. Here, and across this region, there are more microfinance clients accessing deposit accounts than taking out loans. This also means that institutions have a great responsibility. Senegal has also led the way by establishing the Observatoire de la Qualité des Services Financiers to monitor the quality of services. Clearly, clients-at-the-center is ingrained in your work.

We are here today because 80% of people in Senegal do not have access to quality savings, loans, insurance and payments. The industry must grow to meet this demand. Our job is to help it do so in a manner that keeps clients at the center, that promotes economic growth and poverty alleviation, and that avoids the kinds of crises we have seen in other countries. This, ladies and gentlemen, is responsible finance.

I would like to talk about three pillars that are the foundation of responsible finance.

The first pillar, and you will not be surprised that I put the clients first, is consumer awareness and financial capability. We know that poor people have very active financial lives. Not in spite of being poor, but precisely because they are poor. They have to plan their finances carefully to manage irregular and small flows of income. It is in everyone's interest that clients are able to understand options, make sound financial decisions, and seek recourse when treated unfairly.

I am heartened to know that the microfinance donor group in Senegal has consumer protection on its agenda, and that several partners are supporting financial capability projects. Consumer capability is best achieved when service providers, governments and client actively pursue it-through schools, technical training, marketing, regulation and much more. So, today, I would like to call on the microfinance sector to initiate a broad dialogue with diverse stakeholders, including the banking sector, to develop a national strategy for financial literacy in Senegal.

The second pillar of responsible finance is policy and regulation. Regulation should, at a minimum, consider four
goals: transparency, fair treatment, effective recourse, and strong institutions. Malaysia and Peru, for example, are two countries that have used policy effectively to build responsible financial systems. I encourage you to learn from their experiences. I also encourage all stakeholders to put effort into implementing the recent law on microfinance. This law sets a good course for strengthening the industry. The deposit guarantee mechanism is among the important measures. It protects people's savings and can make it easier for regulators to close weak and unstable institutions. Having said that, deposit guarantee should not become an excuse for risky institutional behavior. Strong internal governance is essential for responsible institutions. Consolidating the microfinance sector and integrating microfinance into the larger financial system are hereby important.

At the same time, policy frameworks must also encourage more services, innovation and entry of new providers. Branchless and mobile phone banking can greatly reduce operating costs and prices, and extend services to areas once thought unreachable. Innovations can also make the work of regulators and supervisors more complicated. It is wonderful that BCEAO is reviewing whether it has the right e-money legislation in place. This is a timely opportunity to embed even more action on responsible finance.

The third pillar of responsible finance is industry action and self-regulation. Codes of conduct and practical tools are creating new industry standards around client treatment, price transparency, over-indebtedness, recourse for illiterate clients, and more. The Smart Campaign and Principles for Investors in Inclusive Finance are two good standards. I encourage the Association Professionnelle des Systèmes Financiers Décentralisés, the bankers association, and others to work with their members to endorse and implement relevant standards. I was also encouraged to hear that 22 of Senegal's leading MFIs attended a workshop with Microfinance Transparency, and many are sharing information about their prices and fees. But more needs to be done.

Responsible finance is not only about averting problems, but also about maximizing the quality of services for clients. And I would like to stress that. As I said earlier, it is about the right product, at the right price, in the right place. Sometimes a client is best helped by a savings account rather than credit. Or a commitment savings product rather than a simple savings account. Industry should also make sure it has the information it needs to be responsible, maximize efficiency, and reduce high operating costs. To this end, I believe that a regional credit bureau for all kinds of clients and institutions is a very good idea. The credit bureau will be most effective if all financial services providers-banks, non-bank financial institutions, MFIs, cooperatives, etc. - join in.

I know that a consumer protection diagnostic is underway here in Senegal, being facilitated by CGAP and members of the Observatoire with the sponsorship of KfW and GIZ. I encourage you to use the results as a building block in your work to create a truly responsible and inclusive financial system.

Everyone represented in this room is an architect of responsible finance in Senegal. Industry, government, and consumers are collectively in charge for putting the responsible in finance! In this, I believe Senegal has a great opportunity. And that Senegal can be a showcase for other countries in the sub-region and the world. I look forward to hearing your views and wish you all success in the work ahead.

Thank you.