PARTNERSHIPS TO ACHIEVE FINANCIAL INCLUSION FOR DEVELOPMENT
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I am very glad to be here and to speak with you about partnerships for financial inclusion. I commend the great efforts that the Panel is doing to bring new life to development. The issue is very much how, not only what. Financial inclusion was not explicitly mentioned in the MDGs. A cross-cutting issue, it is a means to an end, not an end in itself. It helps all people participate in the economic development of a country.

People refer to financial inclusion in many ways. I define financial inclusion as universal access, at a reasonable cost, to a wide range of financial services, provided by a diversity of responsible and sustainable institutions. It is not only microcredit, but also savings, insurance, remittances, payments, SME finance.

You may perhaps be wondering, are these really so important? Without financial services poor people juggle many informal financial products. Being poor does not mean $2 a day, every day. But often $10 one day and nothing the next. Bridging this income for expenditures can get very complicated, and can translate into an annual cost of 20% of yearly cash. What about protection and resilience? We know that 100m people fall into poverty because of doctor's bills. Savings and credit boost individual incomes and also smooth consumption.

About remittances, did you know this year remittances will be an estimated $450 billion? The cost is about 7.5%. The World Bank says 9% even -- actually equal the GDP of Kenya. Right now, poor families spend 80% on food. So imagine if we bring the cost of remittances down. That is money going right into development countries, helping poor families manage the costs of food, saving, and investing into productive assets.

Payments might seem inconsequential to us in this room, but these are extremely important. In Brazil, the costs of the Bolsa Familia cash transfers went down from 14.7% to 2.4% after the establishment of bank correspondents. This is huge, especially considering all the social protection Brazil was doing. India and Mexico have had similar experiences. And Nigeria spends $1 billion per year managing cash. That's how important payment systems are.

Finally, SME credit. Without investments, there is no growth of enterprises and therefore no job creation. Take the agriculture sector. In order to have more production to feed nine billion people in 2050, FAO calculates that we need an $83 billion additional in investment each year. If we recognize that farmers themselves already invest three times as much as government, donors and all other public sources, then we realize how important it is to provide them with all the finance they need.

So, the need is quite evident. But still, 2.5 billion adults have no access to formal financial services. 200 million SMEs in emerging markets lack adequate financing. Luckily, not only the UN Secretary-General took notice of this, but also the G20. The G20 recognized that growth was not trickling down. So, in 2009 in Pittsburgh, G20 Leaders first mentioned financial inclusion in the G20. In November 2010, the Leaders created the Global Partnership for Financial Inclusion. I have the pleasure of being its Honorary Patron. This partnership gathers country representatives and global implementing partners. This coordination has really helped to focus on what is needed in terms of action, policies and best practices.

Last year at the G20 Summit in Los Cabos, 17 countries committed to bring 711 million people into the financial system. They committed to create national strategies. They also committed to partnerships. Specifically, to create national coordination bodies. I really believe strongly in this. In my country visits, I have learned that even if you have a strong champion, the champion cannot do it alone, in a timely manner and in a way that really has development impact.

Who is in this national partnership? From government, it is the usual suspects: central banks, ministries of finance, insurance and communications authorities, ministry of cooperatives. But it is also ministries of health,
agriculture, social affairs, gender. From the private sector, obviously the banks are included, and also communications and mobile phone companies. It also makes sense to include big companies that source a lot locally or have wide distribution networks. And of course, NGOs and civil society should be part of partnership and coordination.

These national partnership and coordination bodies have several functions. They are the implementation bodies. They set the ambition and national targets according to local priorities. They coordinate efforts, including on policies, like credit bureaus and financial education. And they think about scaling. For example, mobile banking does not happen overnight. M-Pesa in Kenya went very well, partly because Safaricom had a big portion of the market. In other countries, it is not that easy. So, in the beginning, do you have high prices to cover low volumes? Or low costs and try to build up volume? Governments can commit to mobile banking and electronic payments to create high volumes and low costs, which is how poor people can really have access.

What are criteria of success? Leadership from the very top. This political support is extremely important. Action has to be based on good data to define policies, track progress and adjust course as needed. A good example is South Africa. Private banks opened up no frill accounts under a special charter agreement driven by the government. In the short term, they did very well. There was a big jump in accounts in four years. But after that, accounts were closed, levels dropped and many accounts sat dormant. The banks could not charge for the accounts. So they were loosing money on these accounts and did little to promote them.

This leads to another factor of success. There has to be something in it for everybody. The mandate of central banks is not financial inclusion normally. It is stability. Mobile banking and the potential of having to supervise telecommunications companies is a challenge for them. At the same time, central banks know that when only 20% of the population is included, monetary policy tools are ineffective. They also realize that an exclusive financial sector is, in the long run, very unstable. So they do take notice. For ministries of finance, lowering costs of payments is attractive, and bringing more people and enterprises into the system expands the tax base. For banks, some of course are really committed to working down market. For others, the competition from issues like mobile banking makes them wake up. For mobile phone companies, this is another revenue stream. Health insurance for individuals is important to ministries of health, which also give loans to health clinics.

Let us not forget that when we increase financial inclusion, we unleash domestic savings, which can go back to the people and local businesses and economies.

We are therefore talking about three levels of partnership:

1. International partnerships to share knowledge, facilitate south-south learning, and support data collection. The Global Findex is a great example of this, released last year by the World Bank with funds from the Bill & Melinda Gates Foundation. The IMF has also been doing great data work on supply of financial services. International partnerships are also important for capacity building. The World Bank is setting up a support mechanism to help engaged countries. Also the UN, including the Rome Based Agencies, the Gates Foundation and other partners on pilot projects. We need to know what works and what doesn't. It is not only the know how. It is the show how.
2. National partnerships to implement, coordinate, set targets, build coherency among policies and invest.
3. Local partnerships to make it happen.

Here, we are talking about financing a cassava value chain through a bank loan guaranteed by the Ministry of Agriculture and Central Bank, as in Nigeria. Or investing in climate smart agriculture with NGOs. The most important issues here are sustainability and scalability.

I think we are very well underway to an aspirational global goal for financial inclusion, with a target of 90% for usage of financial services by 2030. This is based on national targets that some countries have set already. Nigeria has a target of 70% by 2020. Tanzania, 50% in 2015 from a very low level. And Rwanda, 80% by 2017 from 21%. So, I think 90% is realistic.
I would like to advocate for some additional indicators as well. Quality is very important. We don't want to have another credit crisis like we saw in parts of India. Also, SME credit. This is job creation. And, importantly, indicators for the development impact, such as savings and insurance to measure resilience. Loans to women and youth.

Rural finance: 70% of the poor live in rural areas. And for food security. As I said before, a lot of investment needs to be done.

I wish you all success in your continued work and preparation of the report to the Secretary-General.

Thank you.