



WSBI • SPECIAL ISSUE • ESBG
The global voice of savings and retail banking



NEWS & VIEWS

Working with savings banks to double the number of savings accounts for the poor

I am proud to announce a new programme that aims to double within five years the number of convenient, safe, affordable and accessible savings accounts held by poor people in developing countries. Ultimately, this will help millions of poor people increase their financial security and dramatically improve their lives. The programme, which WSBI will implement with participation from our members, supports the crucial role that savings banks play in providing accessible financial services worldwide. Beginning with an initial call for proposals in January 2009 this programme will last for three years, and was made possible with funding from the Bill & Melinda Gates Foundation.



Chris De Noose
Managing Director

Through our efforts, a series of individual, innovative projects will be sought out and established to increase poor peoples' access to savings accounts. Savings accounts are crucial to help the poor get out of poverty. Setting aside small sums in a safe place allows people to guard against risks like illness or crop failure, build assets, and provide opportunities to the next generation. In addition, access to financial services is now recognised as a key condition for helping to break the chain of poverty and in supporting developing countries to achieve greater economic growth.

WSBI studies recognize the potential of working through savings banks to increase access to financial services. Three quarters of the estimated 1.4 billion accessible (low cost/low average balance) accounts in developing and transition economies are managed by savings banks. These studies confirmed that our member banks are already large providers of financial services to all socio-economic segments, even the very poor.

The idea behind this programme is to capitalise on the very important work that WSBI members already achieve and give them the means to further develop their outreach and offer savings services to yet more un-banked or under-banked individuals. Solutions generated through the programme will be tailored specifically for each region,



The savings and socially committed retail banks WSBI represents are major players when it comes to accessible financial services

taking into account their distinct challenges. For instance, we may help a small bank in Africa to acquire a vehicle allowing them to reach remote rural villages and collect savings. Or, a programme may support a larger bank in Latin America by training the staff on how to better serve the poor population with savings products that meet their specific needs. In all cases, it is our hope that this programme will deliver concrete results well beyond its three-year implementation phase and bring us closer to the vision of doubling the number of sustainable and suitable savings accounts operated by poor people by 2014.

For WSBI and its members, this is a unique opportunity to impact the greater good. Harnessing our collective strengths, we have the ability to test what academic research has shown: The savings and socially committed retail banks WSBI represents are major players when it comes to accessible financial services. By achieving this programme's goal, we will undoubtedly demonstrate our essential role in guaranteeing financial access for poor people.

I encourage all of our members to make the most of this new programme opportunity and start thinking of proposals to help reach this important goal. Together we will achieve our vision of success and benefit the people who need it most!

Chris De Noose
WSBI-ESBG Managing Director

The background

The priority for WSBI is to promote both access to finance and encourage the key contributions that savings banks and socially committed retail banks make towards maintaining and expanding access to financial services worldwide. With this comprehensive focus WSBI is a key interlocutor of private and public international organisations that work on the issue of inclusive finance.

The Bill & Melinda Gates Foundation is funding a three-year programme, beginning in 2009, aimed at expanding the availability of appropriate savings services for poor people in the developing world.



WSBI will work towards doubling within 5 years the number of savings accounts in the hands of poor people



Through this programme WSBI plans to identify and fund five to seven projects at savings banks in developing countries aimed at increasing the availability of appropriate savings services for poor people. These projects will have to be viable and act as models for other savings and socially committed retail banks.

WSBI aims to build on these projects to reach the ultimate goal of doubling within five years the number of savings accounts that are in the hands of poor people. These savings accounts will have to be demonstrably appropriate, convenient and adapted to poor people's needs, while being safe, trustworthy and accessible. Furthermore, the ongoing provision of these accounts should be commercially sustainable without continued support.



// Access to financial services empowers people to benefit more fully from their economic activities and opportunities

// This programme is an opportunity to coordinate and increase the impact of our members' efforts.



Why is this an important programme ?

To understand its true value, this programme should be looked at in the wider context of growing international attention and efforts related to the issue of access to finance. It is now widely accepted that increased access to finance tends to be associated with better economic growth and more even income distribution, leading ultimately to greater social cohesion and poverty reduction.

In developing economies, the existence of a diversified financial

system that serves the general population as well as higher income groups is now widely accepted as a key pre-requisite for the alleviation of poverty, social and economic progress, and sustainable development.

For individuals, having access to financial services means being able to place funds safely, invest them productively, or use them when and where they are needed. Access to financial services empowers people to benefit fully from their economic activities

and opportunities. It helps them manage risks, build financial security and – in many cases – break the chains of poverty. It is also clear that a lack of access to financial services often results in social exclusion and can lock whole families into a multi-generational cycle of poverty that can be very difficult to break.

Unfortunately, poor people all over the world still lack sufficient access to proper financial services.

Why the focus on savings accounts?

The projects that WSBI will support will focus on accelerating the process of building access to finance through improved opportunities to save.

This focus on savings is an innovative aspect of the programme. The international development community has concentrated its attention almost entirely on the provision of credit. Access to savings services, which is a fundamental building block in expanding access to finance, has been largely ignored.

This is not for lack of evidence of

the importance of savings¹. In fact, evidence from across the world shows that poor people save substantial amounts of money relative to their small and irregular income. Some of the most famous microfinance banks have more savers than borrowers.

But poor people mostly use informal savings schemes. These frequently expose them to high costs and unnecessary risks and render their asset accumulation fragile. Poor people are more likely to enter into a formal banking relationship when they have

improved access to trustworthy financial institutions that offer convenient savings products.

Savings banks have long used savings initiatives as the basis for wider improvements in access to financial services of interest to the poor. Many initiatives are spontaneously taken by individual savings banks and models of improved access are already shared between WSBI members. This programme is an opportunity to coordinate and increase the impact of our efforts.

¹Vogel, Robert C. "Savings Mobilization: The Forgotten Half of Rural Finance," in Dale W Adams, D. H. Graham, and J. D. Von Pischke, eds., *Undermining Rural Development with Cheap Credit*, Westview Press, 1984.

The sustainability and scalability of the programme

This programme aims to improve the poor's accessibility to the savings bank, as well as generate and share knowledge. Having a regional balance across the developing world is important to build this knowledge and the breadth of WSBI's membership makes this a real possibility.

What main lessons can we expect to draw from this programme?

- The expansion of savings services can deliver meaningful improvements in access to finance, in its broadest sense, amongst poor communities
- Formal retail banking structures can deliver significant incremental growth in the number of poor people with access to finance
- Improved savings services targeted at

the poor are financially viable and justify continued expansion on a purely commercial and strategic basis.

The programme foresees that after a call for proposals, a series of projects at five to seven savings banks will be implemented. However, this should not be the limit of its impact. All the evidence gathered as part of the programme is confidently expected to stimulate the development of future international programmes of a similar nature.

During the three-year duration, it is hoped that, an additional three to five savings banks in developing countries will follow a similar approach via further round(s) of calls for proposals. A further indica-

tor of success for the programme will be the stimulation of spontaneous initiatives among other savings banks that use knowledge generated by the programme to improve access to savings by the poor but do not need explicit financial support from the programme or follow-on.

Furthermore, WSBI intends to spread the lessons learnt beyond its membership to support wider efforts to increase the number of savings accounts held by poor people worldwide. This will not be the first time that WSBI has helped build knowledge on the issue of access to finance, and we hope the additional lessons learned during this programme will help us realize our five-year goal.

Why are WSBI and its members particularly well-placed to take up this challenge

The challenge for savings banks in less-developed countries is to expand market penetration among low income customers in a financially viable manner. This means providing savings accounts that will probably only ever have low average balances and are still affordable and convenient

Meeting the challenge of doubling the number of savings accounts for the poor in these countries will mean working with a range of savings banks operating in a variety of circumstances, which WSBI is well-positioned to do. Some of the larger savings banks in larger countries should be able to deliver significant numbers (measured in millions) of demonstrably appropriate savings accounts delivered into the hands of the poor. By contrast,

smaller savings banks, where absolute numbers might only be measured in hundreds of thousands, should have scope to double or even triple penetration among the poor.

WSBI's organisational strengths

As one of the largest international banking associations and the only global representative of savings and retail banking, WSBI is particularly well placed to achieve these goals.

With 109 members in 92 countries WSBI has vast experience in working closely with international financial institutions

and donor agencies, and of facilitating the provision of access to financial sectors worldwide, in both the developing and developed world.

Through its Training & Consultancy Department, WSBI has more than 15 years of expertise in delivering technical assistance projects and training. This work is, not only with savings banks, but also to other parties involved in the market for retail financial services and funded by a mix of multilateral and bilateral donors. WSBI has implemented more than 50 contracts, in 70 countries, which have varied in size (up to \$12.5 million), length (up to four years) and complexity. In addition, more than 150 training courses have been delivered direct to WSBI member banks in developing countries.

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WSBI members: key players of inclusive finance

But above all WSBI can count on its members, whom have long put **retail** banking at the heart of their activities. These members typically have a very strong **regional** presence throughout the countries where they operate (191,000 branches and outlets globally). They are also all characterised by a longstanding **responsible** attitude both in their own business practices and towards all their stakeholders.

These three defining elements make them key players when it comes to the provision of financial services to large numbers of households and small businesses.





What academic research has shown

Since 2004, WSBI has commissioned and published three ground-breaking papers on access to finance, which provide the intellectual background and framework for the planned programme.

These studies showed:

- Of the estimated 1.4 billion accessible accounts existing at institutions across developing economies of the world with an explicit mission to foster access, some 1.1 billion are provided by savings banks
- The profitability of savings banks is not undermined by a broad outreach. Savings banks are truly double bottom-line institutions, generating returns to society as a whole by fostering access while still remaining commercially viable.
- With the right product range and distribution strategy, savings banks can reach into the poorest households and can do this across a mix of urban and rural environments, going across age and gender.

These studies were the first ones to look at the issue of access to finance in all its dimensions, and they increased the knowledge and understanding of some of the challenges encountered when working to increase access to finance among the poor.

The aim of the programme presented here is to use the insights gained from the last four years of research to develop practical models for improving outreach, so as to accelerate progress towards greater access to finance.



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What does WSBI expect from its members?

WSBI has designed a three-year programme to increase the number of convenient, safe, affordable and accessible savings accounts held by poor people in developing countries. The program will include:

- 1 Launching a call for proposals from WSBI's member banks in developing countries
- 2 Facilitating preparation of proposals from the broadest range of those members
- 3 Screening proposals and shortlisting those most likely to deliver the programme goals in a viable way
- 4 Developing an accessibility audit methodology² specifically tailored to retail savings banks
- 5 Mobilising and briefing project teams to support selected banks
- 6 Confirming proposed strategies at the project inception stage, refining these as required, confirming numerical targets for improved access and preparing work plans
- 7 Implementing refined strategies at participating banks with support from project teams
- 8 Measuring outcomes
- 9 Impressing on WSBI membership the need for pro-poor access
- 10 Continuous review of project outputs for lessons to share with WSBI members
- 11 Preparing a best practice manual
- 12 Using market survey results to research impact of improved access to savings by the poor



A **Programme Steering Committee** will be formed, chaired by **Per-Göran Nyberg**, former Chairman of the Board of Swedbank and long associated with WSBI. The committee will include **Chris De Noose**, WSBI-ESBG Managing Director, the Programme Technical Adviser, **Stephen Peachey**, Associate Consultant at Oxford Policy Management and a specialist in Financial Sector Policy, plus a non-voting representative of the Bill & Melinda Gates Foundation. The committee will lead the programme and keep it focused on the goal of dramatically increasing the number of usable savings accounts in the hands of the poor.

A **Programme Management Office** that will include the Programme Director, **Ian Radcliffe**, Director of WSBI

Training & Consultancy and **Anne-Françoise Lefèvre**, Head of WSBI Institutional Relations will manage and monitor process against the plan.

Ian Radcliffe and Anne-Françoise Lefèvre will also take part in the **selection panel** together with three external consultants. The process for selecting participating banks will be transparent and the methodology used will be clearly outlined in the briefing packs which will be sent to WSBI members with the call for proposals.

After projects are selected, **Project Teams** will be established drawn from WSBI's database of experts. These will help participating banks carry out their projects. Finally, an external evaluator of the programme will also be appointed.

¹ WSBI Perspectives 49, *Access to Finance – What does it mean and how do savings banks foster access*, January 2006

WSBI Perspectives 52, *Savings Banks and the Double Bottom Line – A profitable and accessible model of finance*, September 2006

WSBI Perspectives 56, *Who are the Clients of Savings Banks – A poverty assessment of the clients reached by savings banks in India, Mexico, Tanzania and Thailand*, August 2008

² A methodology that will enable savings banks to assess and quantify the market potential for access to finance amongst poor segments in their region

What does WSBI expect from its members?

A formal call for proposals will be sent by WSBI to its members the end of January 2009, and WSBI will facilitate the preparation of proposals from the broadest range of its members. Briefing material accompanying the call for proposals will explain the detailed requirements of the programme. This will be followed by a briefing workshop open to potential participants that will be designed to help focus proposals in a way that increases their chance of selection whatever the country and institutional circumstances faced by a participating savings bank. In this way, it is hoped that a truly level playing field can be created between large and small members, between different types of savings bank and between savings banks from a variety of developing countries.

WSBI has no fixed expectations regarding the nature of the projects that will be considered: Any proposal that has a real potential to deliver the programme goal will be considered in a fair and objective manner. However, past research supported by WSBI suggests the following ideas of improving access for the poor may be worth considering:

- Launching or redesigning existing savings services to make sure they better meet the needs of the poor (as identified by market research) in an affordable and commercially viable way
- Developing new or improved delivery channels that offer convenient and appropriate access to the poor
- Training front and back office personnel to deliver savings services to the poor
- Implementing new or improved IT & MIS systems and/or re-engineered business processes that support more efficient delivery of the savings services to the poor
- Executing marketing communications programmes to raise awareness of services for the poor
- Introducing appropriate service standards and customer account information to foster positive customer relationships with the poor



“ This is an important opportunity to enhance inclusive financial services worldwide.



An important dimension of the programme is that there are no fixed prior expectations regarding the nature of the projects that will be considered for support



What does this programme mean for WSBI and its members in particular?

This is an important opportunity to enhance inclusive financial services worldwide. This programme is designed to act as a catalyst to help savings banks in countries where challenges are the greatest and resources the scarcest to capitalise on their current efforts and develop their outreach amongst the poorest part of the population.

We count on our members to take advantage of this programme and prove to our partners and international stakeholders that the savings and socially committed retail banks WSBI represents are what they say they are: key players with the potential to expand the availability of savings accounts and other financial services for poor people in the world in a dramatic and sustainable way.



Need more information on the programme?

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About the Bill & Melinda Gates Foundation

The Bill & Melinda Gates Foundation is working with a wide range of public and private partners to help make microfinance—particularly savings accounts—widely accessible to poor people throughout the developing world. The foundation funds innovative ways to lower the costs, increase the value, and expand the availability of financial services that reach the poor so they can build household financial security. By harnessing new technology and innovation, and by helping bring effective approaches to scale, the foundation hopes to help billions of people in the developing world gain access to safe, affordable financial services.

WSBI - ESBG The global voice of savings and retail banking

WSBI (World Savings Banks Institute) is one of the largest international banking associations and the only global representative of savings and retail banking. Founded in 1924, it represents savings and retail banks and associations thereof in 92 countries of the world (Asia-Pacific, the Americas, Africa and Europe – via ESBG, the European Savings Banks Group). It works closely with international financial institutions and donor agencies and promotes access to financial services worldwide – be it in developing or developed regions. At the start of 2006, assets of member banks amounted to more than €8,081 billion, with operations through more than 209,000 branches and outlets.

ESBG (European Savings Banks Group) is an international banking association that represents one of the largest European

retail banking networks, comprising about one third of the retail banking market in Europe, with total assets of € 5,215 billion (1 January 2006). It represents the interests of its members vis-à-vis the EU Institutions and generates, facilitates and manages high quality cross-border banking projects.

WSBI and ESBG members are typically savings and retail banks or associations thereof. They are often organised in decentralised networks and offer their services throughout their region. WSBI and ESBG member banks have reinvested responsibly in their region for many decades and are one distinct benchmark for corporate social responsibility activities throughout Europe and the world.

IMPRESSUM

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