

# **UNIVERSAL FINANCIAL ACCESS (UFA) BY 2020**

Finance & Markets Global Practice

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## The 2020 Goal

October 2013: World Bank Group (WBG) President Jim Kim set forth goal achieving **Universal Financial Access (UFA) by 2020**:

**“By 2020, adults globally have access to an account or electronic instrument to store money, send and receive payments as the basic building block to manage their financial lives”**

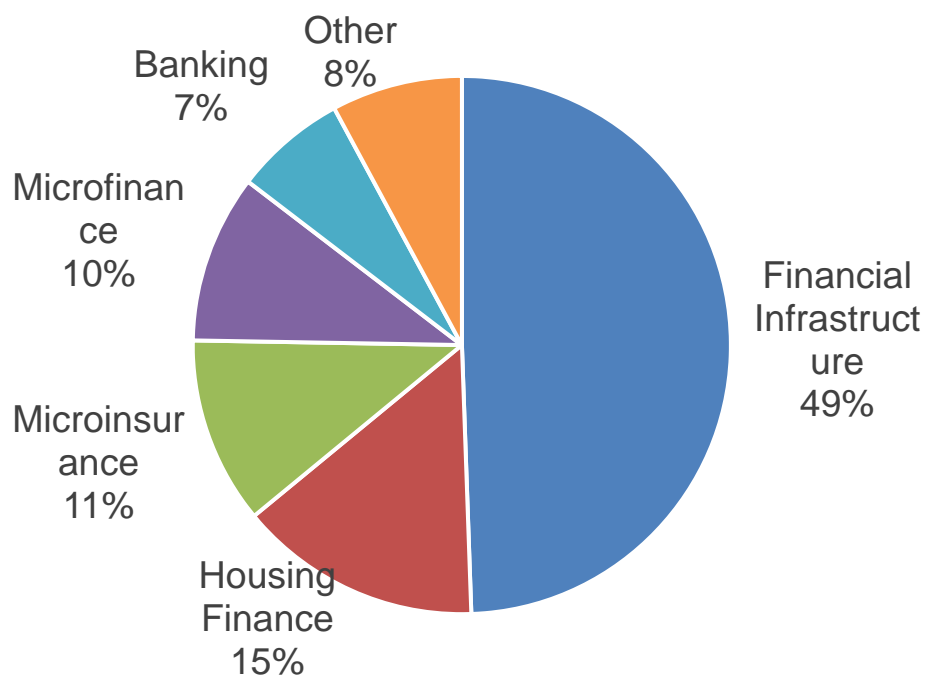
- The net number of financially excluded dropped from 2.5 to 2 billion since 2011 (Findex 2014)
- WBG scaled up investment, financial, advisory, knowledge, and convening resources, including through increased engagement with key partners.
- **FIRST Initiative.** Critical mechanism for providing technical and knowledge support and for leveraging WBG staff, financial resources, as well as our global presence and capacity

# FIRST's Role in Financial Inclusion (Catalytic Funding)

Since 2007, FIRST approved 89 projects worth US\$ 18 million to support Financial Inclusion (20% of FIRST's total commitments).



Region	Number	US\$ million
AFR	33	6.8
EAP	14	3.0
ECA	10	2.0
LAC	13	2.0
MNA	10	2.0
SAR	8	1.8
Global	1	0.4
<b>Total</b>	<b>89</b>	<b>18.0</b>

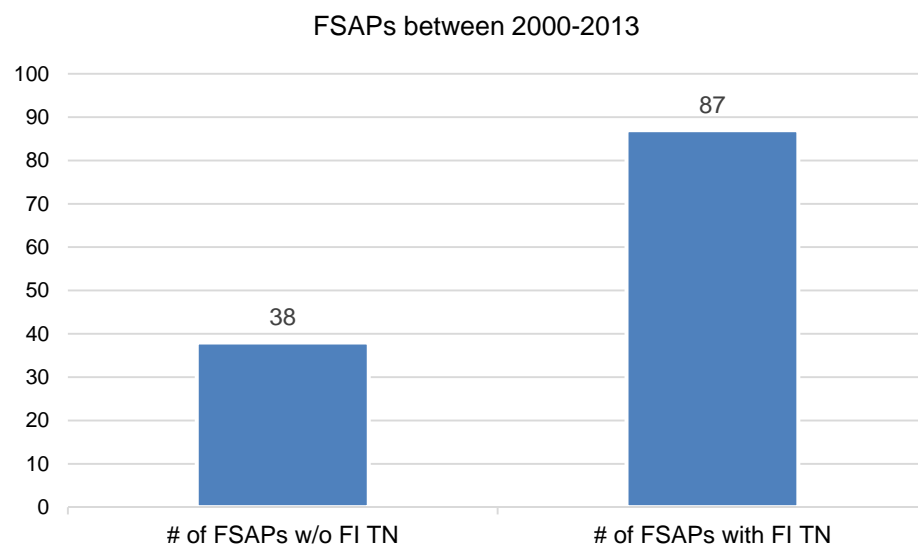


Half of projects in Financial Infrastructure (Credit Reporting, Collateral Registry, Payment Systems)

# FIRST and FSAPs as Enabler of UFA/FI

FIRST Initiative set up in part to support implementation of Financial Sector Assessment Programs (FSAP) recommendations. FSAPs conducted in more than 125 countries.

- **70% of the countries with FSAPs** during 2000-2013 (192 FSAPs) had at least one additional technical note **covering specific aspects of financial inclusion.**
- Common themes: microfinance, housing finance, SME finance, financial cooperatives, and financial infrastructure.



*Use of “financial inclusion” as a term increased over 10 times between 2000-2006 and 2007-2013 FSAPs.*

# FSAPs as Enabler of UFA/FI

## Focus of FSAPs also shifted:

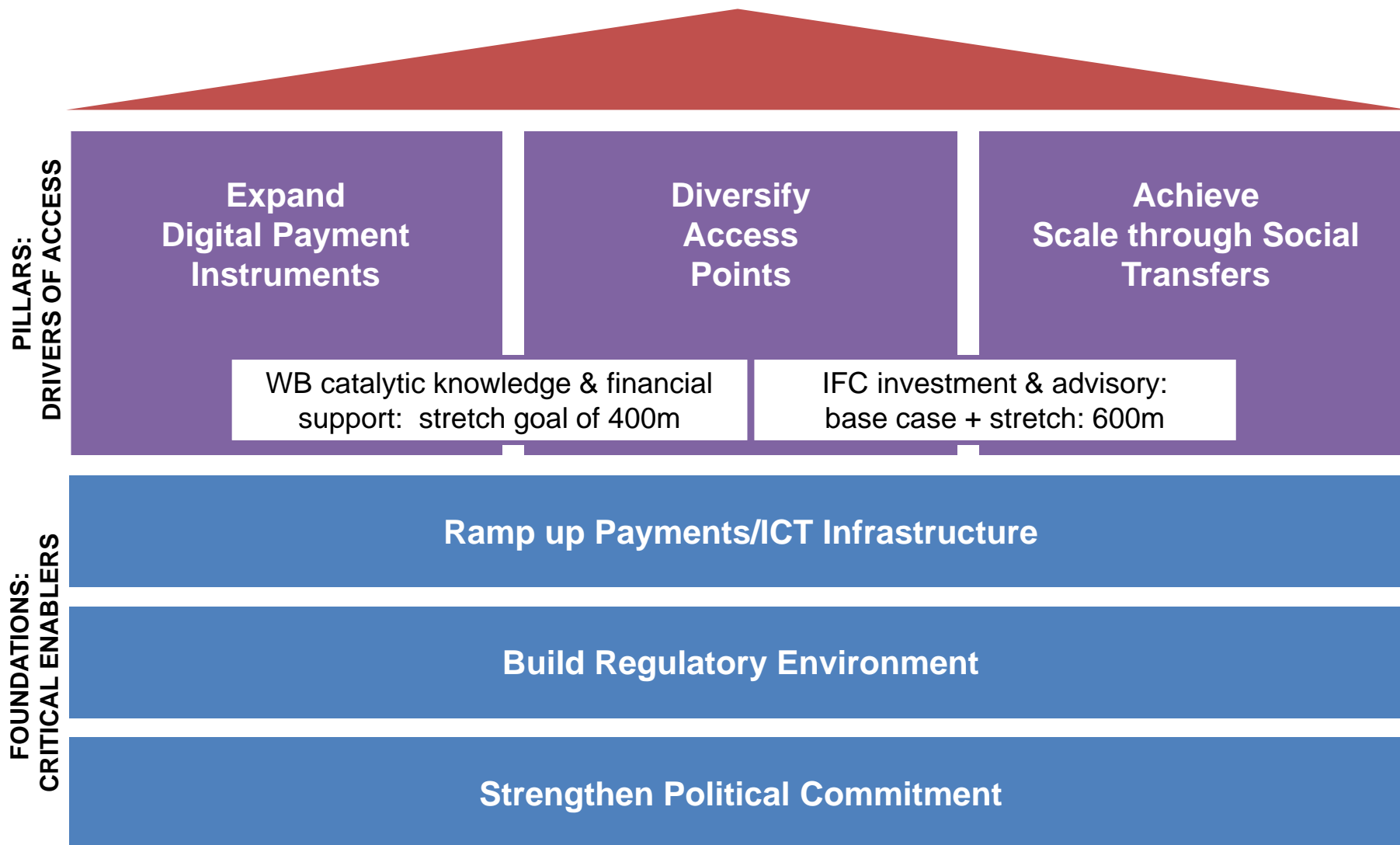
- FSAPs conducted between 2000-2006:  
Focused on foundations of stable financial systems with emphasis on sound fundamentals, structural adjustments, and resilience to external shocks.
- FSAP Updates conducted between 2007-2013:  
Broadened to cover deepening financial systems and improving financial access and outreach.

*Treatment of financial inclusion in FSAPs broadly consistent with evolving scope and priorities of policymakers and regulators, and the expansion in financial inclusion in many of the FSAP countries and in line with the global financial inclusion agenda.*

- WBG preparing Guidance Note on FI in FSAPs in coordination with IMF

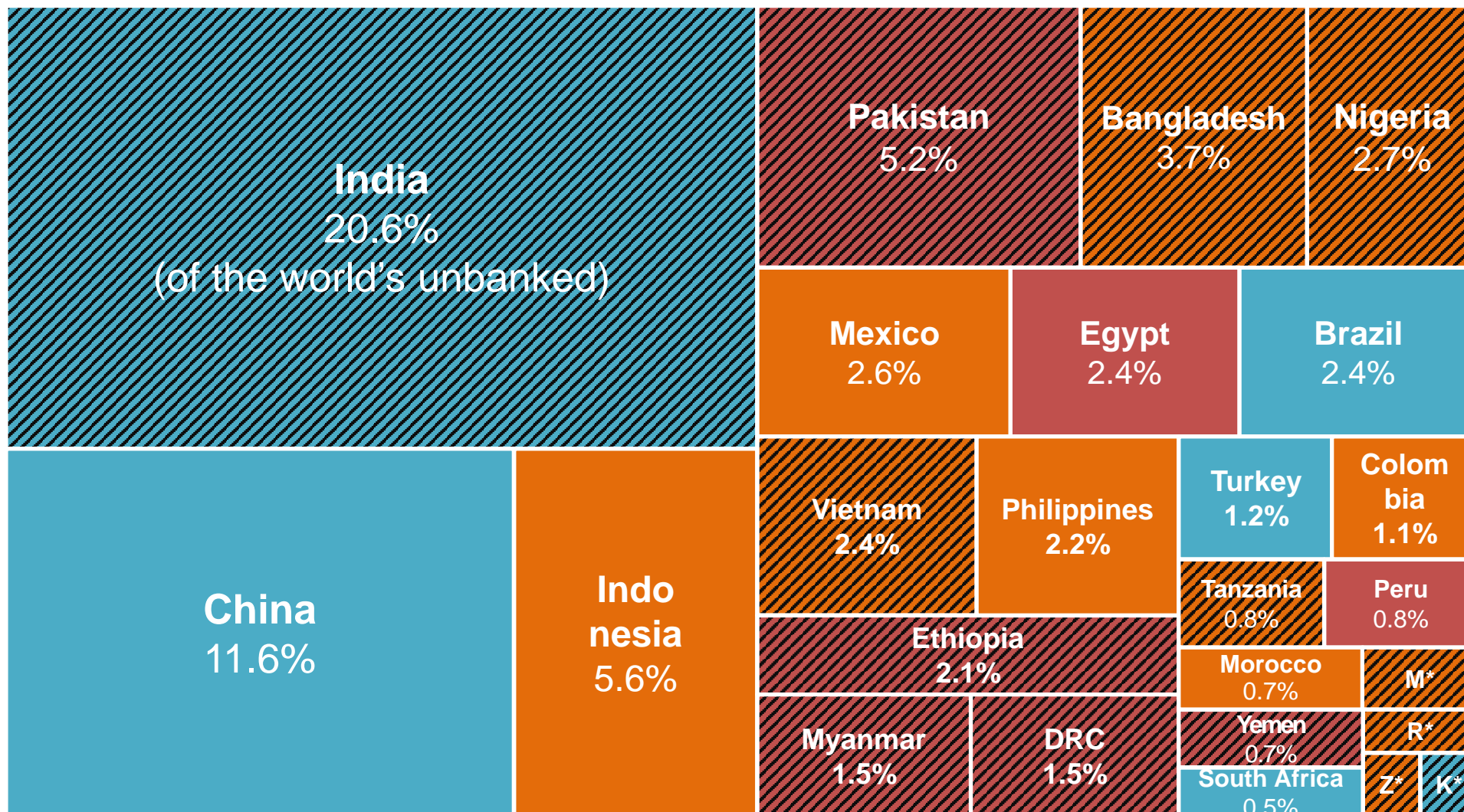
# Action Framework for Universal Financial Access

WBG commits to enable 1 billion unbanked individuals to be reached with transaction accounts by 2020



# 25 UFA Countries

To reach target, identified 25 UFA focus countries that together represent over 70 percent of the world's unbanked adult population. (2014 Findex)

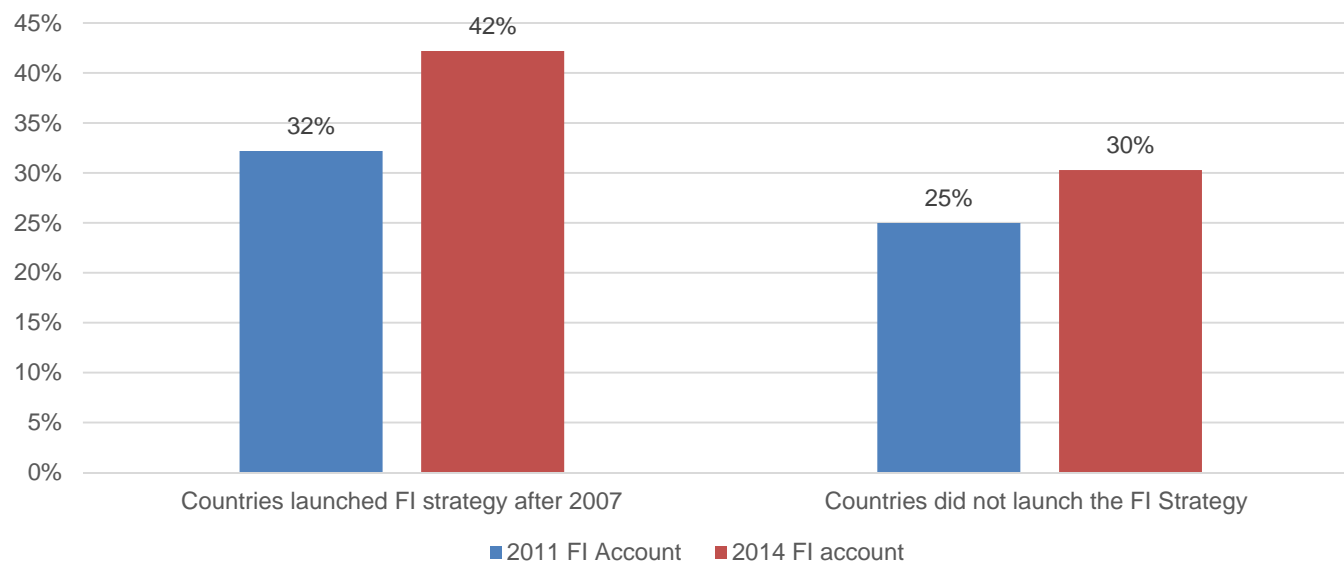


% Access: ● 0% - 25% ● 26% - 50% ● 51% - 100%

\*M: Mozambique 0.3%; K: Kenya 0.3%; Z: Zambia 0.2%; R: Rwanda 0.2%

## WBG's Contribution to Reaching UFA goal

- Tailored financial services, advisory and analytics and convening services
- Globally & in the 25 priority countries
- WBG supporting countries to develop and implement National Financial Inclusion Strategies (NFIS)
- Data confirms will reach the 2020 goal at the country level (FINDEX 2014)



\*4 countries (Ethiopia, Morocco, Mozambique, Myanmar) out of 14 countries which did not launch a Strategy did not have the Findex data, therefore not included in the calculations.



## Strong Contribution to Poverty Alleviation and Greater Income Equality

- **Kenya:** 38-56% increase in productive investment and 37% higher personal expenditures resulting from access to basic savings accounts
- **India:** Branch expansion into rural unbanked locations significantly reduced rural poverty, linked to increased savings and credit (1977-1990 Harvard study)
- **Mexico:** Increase in average income by 7% and employment by 1.4% as a result of bank access points opened in retail stores
  
- **Helps manage income shocks:** M-PESA users experienced no reduction in household consumption, compared to a 7-10% reduction for non M-PESA users
- **Improves food security:** Higher diet diversity and daily food expenditures for women/households with mobile money/basic savings accounts (Niger data)
- **More efficient and better targeted social transfers to the poor:** 47% less bribe payments (India), 82% lower cost in the administration (Brazil)
- **Improves access to services:** 'pay as you go' solutions (e.g. for solar energy), or by households being able to tap remittances or savings to meet expenditures.

# Success Stories Supported by WBG

## VIETNAM

- Implementation of the RTGS systems **reduced settlement time from 4-7 days to real time or within the day.**
- Improved efficiency of payment transactions and predictability of cash flows
- Reduction in settlement time has resulted in total savings of **1.22% of GDP on an annual basis\***

## INDIA

- \$93 million Bandhan investment approved to scale up outreach to MSMEs
- Over 22 million unique customers expected by FY2020
- Promoting balanced growth of microfinance by increasing access to savings services for low income households and enabling access to wider range of financial products

## MEXICO

- Strengthening the cooperative sector and development of Government payments and remittances platform
- Reforms resulted in **savings of around USD 32 million per year** to recipients due to lower indirect costs

## BRAZIL

- *Bolsa Familia* program delivers cash transfers to 12.4 million recipients through electronic benefit cards issued
- Since 2003, program helped **lower administrative costs from 14.7% to 2.6%** of the value of the grants disbursed

# Success Stories Supported by WBG

## INDONESIA

- **World Bank Financial Inclusion Support Framework (FISF):** US\$6.2 million technical and knowledge support country program, including new Gates-funded Digital Payments Program
- **Development Policy Loan:** US\$500 million loan and related policy dialogue have led to critical reforms for UFA
- **BTPN:** US\$75 million IFC loan and additional mobilization. Expected to open 5 million new deposit accounts - first formal bank accounts for productive poor customers.

## RWANDA

- Rapid strides toward modern payments system that supports growing economy and more inclusive financial system.
- Though still low, cashless **retail transactions per capita have grown from 0.2 in 2009 to 2.5 in 2012.**
- **Remittance costs dropped by 7 percentage points from 19% in 2010 to 12% in 2014** also due to improved payment systems infrastructure

# Lessons in Tackling Financial Exclusion

Countries need to first strengthen their foundations across the three key building blocks



Broad set of payment services



Access points



High-volume government programs



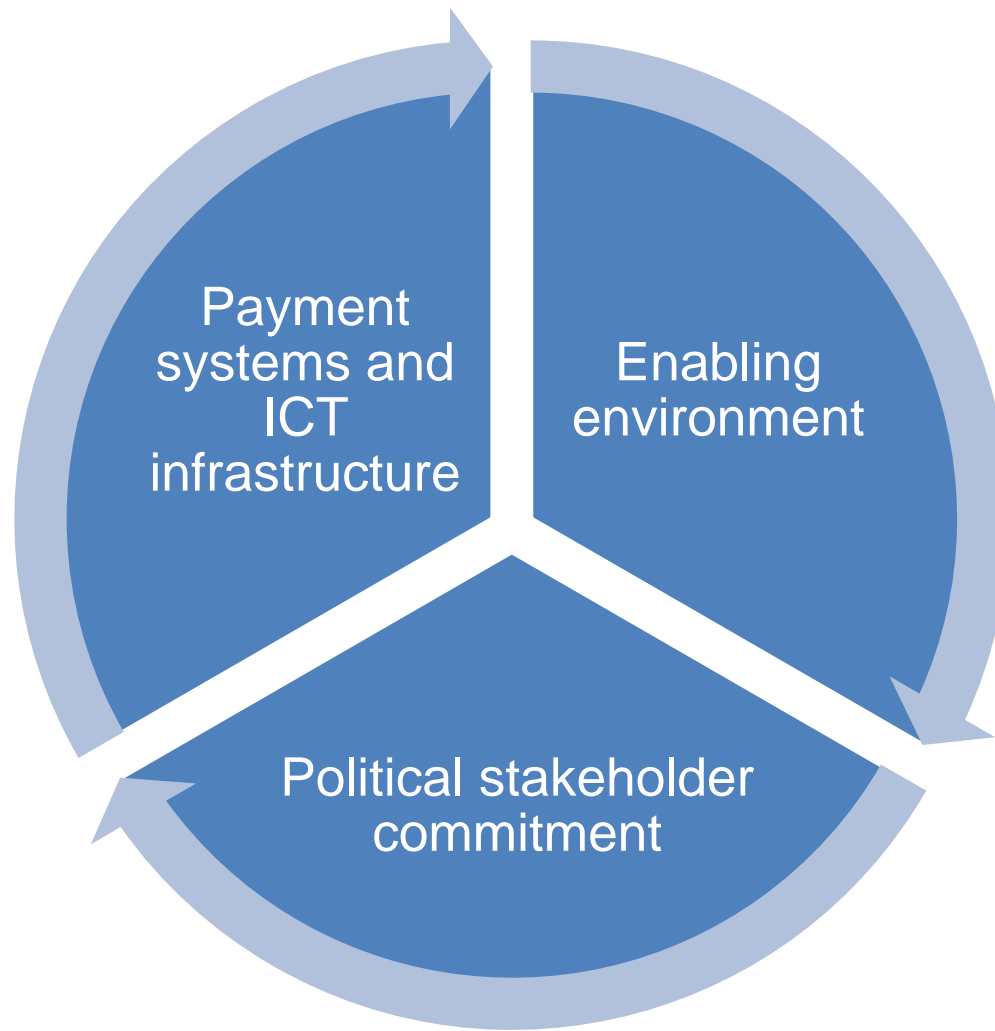
Responsible finance

Public Sector: enabling legal framework/infrastructure, transactions volume

Private Sector: innovation, investment, financial service delivery

# Lessons in Tackling Financial Exclusion

Catalysts of financial access



# Private Sector Commitments

During 2015 IMF-WBG Spring Meetings, private-sector leaders from around the world came forward with a [committed set of actions](#) to reach a specific number of people by year 2020.

- **Visa:** electronic payment accounts to another 500 million underserved people by end of 2020.
- **MasterCard:** reach 500 million people currently considered to be excluded from the financial mainstream.
- **Equity Bank:** reach 50 million clients in Africa by 2020.
- **Microfinance CEO Working Group:** open a total of 70 million new accounts around the world by 2020.
- **World Council of Credit Unions:** extend credit union services to more than 260 million by 2020.