

FINANCIAL SERVICES FOR THE POOR

STRATEGY OVERVIEW



Left: Elia Sandoval Zamora benefits from a pilot program that allows villagers to take care of simple financial transactions at their local grocery store (Puebla, Mexico, 2010). Right: Using a mobile phone to access M-PESA's mobile money service. Enabling poor people in the developing world to safely and affordably send, receive, and store money using their mobile phones has the potential to dramatically improve their lives (Kenya, Africa, 2009).

Our Goal: provide millions of poor people in the developing world with reliable access to affordable financial services to help them build better, healthier lives.

OUR MISSION

Guided by the belief that all lives have equal value, the Bill & Melinda Gates Foundation works to help all people lead healthy, productive lives. The Global Development Program supports this mission by exploring the best opportunities to help the world's poorest families lift themselves out of extreme poverty and hunger.

We focus on problems that have a major impact on people in the developing world but get too little attention and funding. Together with our partners we are making progress in many areas, including agricultural development; financial services for the poor; water, sanitation, and hygiene; emergency relief; and access to computers and the Internet.

Our financial resources, while significant, represent a very small fraction of the overall funding needed to improve the lives of people living in extreme poverty. We

therefore advocate for policies and resources to increase opportunities for people in the developing world.

THE OPPORTUNITY

Expanding global access to savings accounts and other basic financial services has the potential to help billions of poor people in the developing world lift themselves out of extreme poverty and build better lives. Emerging technologies such as mobile phones and innovations that enable banking services to be provided in post offices, neighborhood shops, and other convenient locations are creating a historic opportunity to deliver affordable, quality financial services to the doorsteps of the world's poor. In Kenya, a service called M-PESA allows nearly 12 million people to transfer money and link to bank accounts using mobile phones. In Mexico, a network of government-operated convenience stores is serving as a platform to offer banking services to the rural poor.

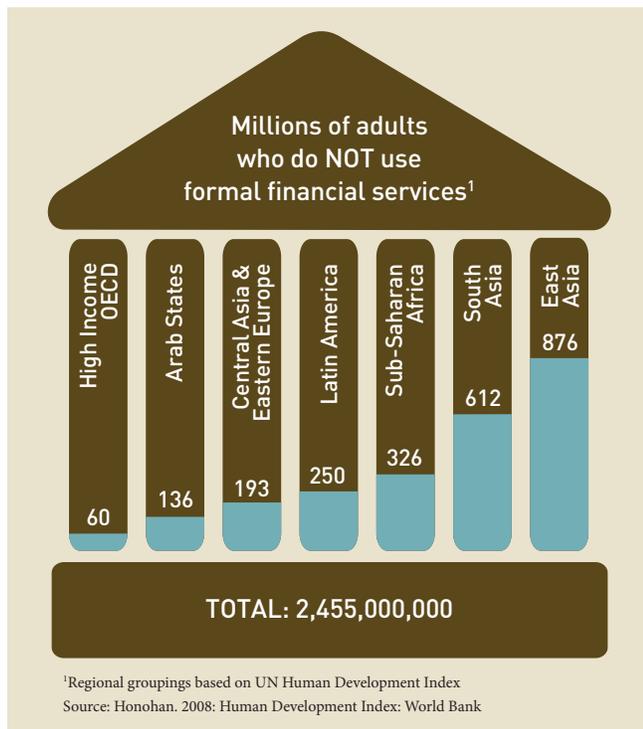
In Malawi, a bank is reaching thousands of first-time banking customers by mounting mobile banks on the back of pickup trucks.

Despite these advances in delivering financial services to the poor, or what's often called "financial inclusion," much more work needs to be done. The World Bank estimates that less than 10 percent of the 2.5 billion people living on less than \$2 per day have access to financial services of any kind.¹ Incomes of the poor are often erratic, available only when harvests go to market, goods are sold, or work can be found. Unable to have savings accounts and other basic financial tools, the poor must resort to alternatives like hiding cash under a mattress, investing in livestock, or buying jewelry, leaving them at risk of loss or theft. A small crisis, like an illness or injury, can often lead to huge financial problems because they must sell household possessions or borrow from unofficial moneylenders at high interest rates.

Addressing this need for financial services is a complex challenge. Banks have historically been ill-equipped to provide savings accounts to poor people, who generally save in small amounts, transact frequently, and maintain low balances, making it difficult for them to recoup their costs. It's also costly for poor clients, who may not be able to

Figure 1

Nearly all of the world's financially unserved adults live in Africa, Asia, and Latin America



Moving Money with Mobile Phones in Kenya

M-PESA, a for-profit business, is leading the way to convenient and affordable banking for millions.



A customer using a mobile phone for a financial transaction at one of M-PESA's 20,000 mobile money outlets (Kenya, Africa, 2009).

When it comes to offering the poor innovative ways to access financial services, mobile phones present one of the most exciting opportunities. Mobile phone coverage is expanding exponentially around the world.

M-PESA is a pioneering mobile money phone service in East Africa, launched in 2007, that allows millions of people to make financial transactions with the touch of a few buttons. Created with support from the United Kingdom's Department for International Development, this partnership between Vodafone and Safaricom has attracted nearly 12 million customers in Kenya and handles transfers of about \$400 million per month. By comparison, Kenya's existing financial institutions have about 4.5 million customers.

While it typically costs banks \$1 to \$3 for a teller to process a transaction in a bank branch, it costs M-PESA only 12 to 15 cents. That translates to lower costs for consumers, who use the service for everything from paying school fees and hospital bills to sending money to family members. M-PESA is not only making it convenient and cost-effective for Africans to make payments and transfer funds, it's also encouraging saving among users. Many people are depositing small amounts of money using this service, storing it for later use.

Building on the existing M-PESA service, Safaricom has teamed up with Equity Bank to launch M-KESHO, a mobile money platform offering clients a full range of banking services from savings accounts to loans. Account holders can conduct basic banking transactions on their mobile phones, at any of M-PESA's 20,000 retail outlets, as well as at Equity Bank's 140 branches. While M-PESA is not a foundation grantee, we are working to replicate its success in other markets around the world.

afford account fees. Many of the rural poor live too far away from a bank, and just making a trip to deposit or withdraw money can mean a day-long journey resulting in lost wages, transportation costs, and other inconveniences.

Finding solutions to these challenges will require cooperation and support from many players in the global financial system, including governments, banks, policymakers, and nonprofit organizations. All stakeholders must work together to overcome the many barriers—from out-of-date regulations and policies to a lack of awareness of new technologies—to increase financial inclusion.

Since 2006, the foundation’s Financial Services for the Poor initiative has committed more than \$500 million to explore ways to increase access to financial services. We are working with a wide range of partners—governments, traditional banks, mobile phone operators, retailers, nonprofit organizations, and neighborhood shops—to find innovative ways to connect poor people in the developing world to savings accounts and other financial products. While much more research and experimentation need to be done, we are confident that next generation banking models using these innovations will be able to reach vast numbers of people who have been excluded from existing financial systems.

INVESTMENT FOCUS

We focus our investments in three areas:

1

Savings Products

2

Delivery Channels

3

Policy

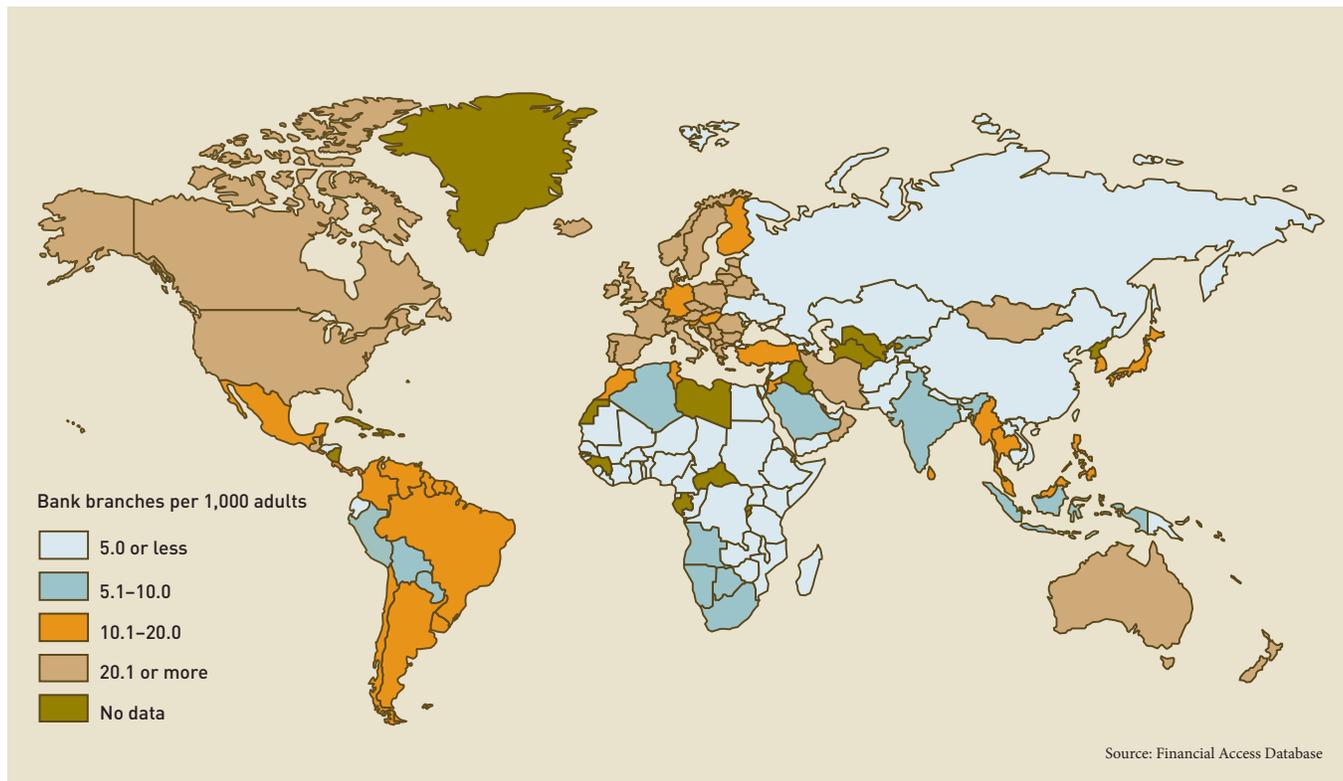
OUR STRATEGY

Our aim is to provide millions of poor people in the developing world with reliable access to affordable financial services that can help them build better, healthier lives.

Our strategy is almost exclusively focused on expanding access to safe places for poor people to save. When we started our work in 2006, we sought to increase financial inclusion through a wide array of projects, including microcredit (offering small loans to poor people), micro-insurance, and savings. But we quickly became aware that savings is the most neglected financial service and

Figure 2

Africa and South Asia have fewer than 10 bank branches per 100,000 adults.



the one that is in highest demand by poor people. In 2008, donors disbursed US\$3 billion to the microfinance sector. In 2009, amid a global financial crisis, they committed even more. In contrast, efforts to increase access to savings have been underfunded. While we acknowledge the important improvements microcredit programs have made in the lives of the poor, we believe that by increasing access to savings we can have a significant, positive impact on the lives of people living in extreme poverty.

Our decision to focus on savings was also driven by the potential of new models for delivering quality, safe, and well-regulated financial services outside the walls of traditional banks. Traditional banks often find it's not profitable to provide services to poor customers who keep low account balances. But we believe that the proliferation of "banking beyond branches"—delivering financial services through corner stores, post offices, and new mobile technologies—has created an opportunity to significantly reduce the costs of bringing financial

services to the poor. By demonstrating that these new banking models are profitable for banks and telecommunications companies as well as beneficial to the poor, we believe that they will be replicated around the world, breaking down the barriers to financial services for the world's poorest families.

AREAS OF FOCUS

We focus our grantmaking in three main areas:

1. Savings Products

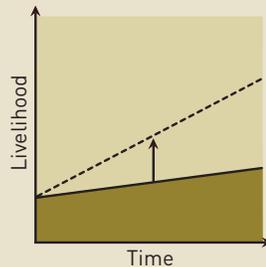
We support efforts to develop affordable and easily accessible savings products that meet the poor's needs and budgets. We are investing in the innovation, marketing, and evaluation of new savings products that are economical for both the product providers and the poor. For example, our \$9.5 million grant to Rockefeller Philanthropy Advisors, Inc., is going toward the development of "no-frills" or basic bank accounts that would have broad appeal to poor clients.

Why Save If You Are Poor?

THE CHALLENGES POOR PEOPLE FACE

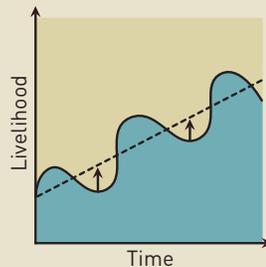
Raising Productivity

Poor people find it difficult to escape poverty because they are engaged in economic activities with little or no productivity growth.



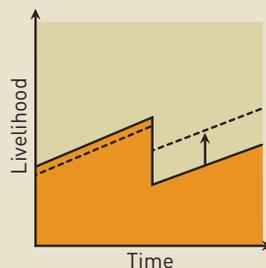
Stabilizing Daily Lives

Poor people face unpredictable daily income streams, which often translates into erratic food intake and schooling for their children.



Protecting Against Shocks

Poor people face a variety of risks—often related to health, death, or crops—that can easily overwhelm their means.



PRIMARY SAVINGS MOTIVE

By saving small amounts over time, poor people can fund lump-sum investments in their businesses, such as purchasing equipment or buying goods at wholesale prices, or search for more productive forms of employment. By self-financing these investments, they can fully capture gains from increased productivity, lower the profitability threshold on their micro-enterprises, and reduce exposure to onerous obligations in times of duress.

Using savings tools effectively allows families to smooth short-term cash flows, thus stabilizing their caloric intake and education investment. This in turn raises productivity. Relying on credit to deal with short-term liquidity requirements introduces the burden of fixed repayment schedules, which is counterproductive to increasing savings, thereby negatively impacting the nutrition, education, and general well-being of families.

Adverse shocks related to illness, death, or bad weather can have lasting effects on welfare and knock out productivity gains. Risks commonly faced by poor people are unpredictable in their timing but not in their nature or probability of occurrence. If insurance products are not available, households ought to be able to protect against such foreseeable risks by planning ahead through savings to avoid going into debt when they can least afford it.

2. Delivery Channels

We are working with partners to support the development of new, safe, and affordable systems for delivering financial services to poor people:

- **Mobile money:** We believe mobile money, as demonstrated by M-PESA, is the fastest and most cost-effective way to connect the poor to savings accounts. We aim to speed the process of creating similar mobile money services—and help ensure their success—by supporting efforts by banks, retailers, and telecommunications companies to start these services. We also use our grants and loans to subsidize the initial costs of going to scale with mobile payment systems that connect with banking services. (See “Mobilizing Haiti’s Recovery” and “Moving Money With Mobile Phones in Kenya.”)
- **Branchless banking:** We are working with banks and large retailers to deliver banking services in retail outlets, which will serve as the backbone of all new banking models that benefit the poor. By offering banking services in these conveniently located retail outlets, the poor will be able to make deposits and withdrawals easily. Our grants have helped share the risks of expanding banking services through retail outlets. We are currently working in Mexico with Diconsa, a state-owned company with 22,400 stores providing food and basic goods in rural areas, to help its vast store network reach Mexicans who have previously been excluded from the formal financial system. (See “An Opportunity to Save for Mexico’s Rural Poor.”)
- **Financial institutions serving the poor:** Microfinance institutions, credit unions, savings banks, and postal banks have long championed the poor, and we believe they will continue to have an important role to play in financial inclusion. We will support their efforts to move further down-market in anticipation of their adoption of branchless banking models. (See “Reaching the Hardest to Reach in Sub-Saharan Africa.”)

3. Policy

We provide information and guidance to bank regulators in the developing world to help them make policies that support financial services for the poor and create a safe regulatory environment for the poor to access savings. This guidance should come from a neutral party and from experience in other pioneering countries. We aim to increase the number of countries where projects are possible through policy and advocacy work that provides regulators with information, evidence, and learning opportunities to persuade them to revise rules while maintaining safety and soundness. (See “Opening the Door to Innovation Through Policy.”)



Reina Hernandez Vivanco does a cash transaction at a community-owned store managed by Diconsa (La Palma, Puebla, Mexico).

An Opportunity to Save for Mexico’s Rural Poor

An innovative foundation-funded project in Mexico is proving that you don’t need to build thousands of new bank branches to bring financial services to the rural poor. We are working with Diconsa, a state-owned company with 22,400 stores providing food and basic goods in rural areas, to help its vast store network to reach Mexicans who have previously been excluded from the formal financial system.

Although Mexico is a middle-income country, about 70 percent of Mexicans live below the national poverty line. About 30 percent of the population lives on less than \$2 per day and lacks access to financial services. Almost 60 percent of rural families receive a federal welfare payment known as Oportunidades, but they must travel three to six hours, spend money on transportation and food, and wait in lines more than 150 people deep to collect their benefits. In fact, the 3.4 million families who travel to receive their payments spend roughly \$170 million on these transaction costs each year, which equals 8.3 percent of their total benefits.¹

By allowing people to collect their payments at local stores instead of traveling to town, Diconsa is helping them save valuable time and money. Additionally, beneficiaries often use their money to purchase food and other goods at the local store, which keeps the funds in the community. Our grant has helped about 300,000 households receive their welfare payments at 2,800 Diconsa stores. Diconsa has also formed a partnership with the Mexican National Savings & Development Bank so Mexico’s rural residents can use the stores to deposit their money directly into savings accounts. If successful, this partnership will help as many as 4 million households gain access to financial services by 2012.

¹McKinsey analysis.



Student and street vendor, Ketteline Pierre, using her mobile phone as she walks through downtown Port-au-Prince. With more than one-third of Haiti's physical banking locations destroyed in the earthquake, mobile money offers victims easy access to cash assistance and provides a path to savings (Port-au-Prince, Haiti, 2010).

Mobilizing Haiti's Recovery

In a partnership with the U.S. Agency for International Development (USAID), we have created a \$10 million incentive fund to jumpstart financial services by mobile phone in Haiti and expedite the delivery of cash assistance to victims of the country's devastating earthquake by humanitarian agencies. This initiative lays the foundation for advanced banking services that could help millions of Haitians lift themselves out of extreme poverty.

Enabling Haitians to send, receive, and store money using their mobile phones has the potential to dramatically improve their lives and leapfrog more conventional banking models to safer, more affordable alternatives.

The foundation and USAID share a goal of increasing mobile money services for the poor and will work together to oversee the incentive fund. The foundation will provide the \$10 million in awards to companies that initiate mobile financial services in Haiti. USAID will offer technical and management assistance and other funding totaling approximately \$5 million through one of its projects, Haiti Integrated Finance for Value Chains and Enterprise (HIFIVE), which is already underway in Haiti to improve access to financial services for the underserved.

In the short term, mobile money services have the potential to accelerate Haiti's recovery. The destruction of more

than one-third of the country's bank branches, ATMs, and money transfer stations in the earthquake has meant that cash shortages for Haitians have been severe. Mobile money services will help families and friends, humanitarian agencies, charities and donors get billions of aid money and remittances into the hands of Haitians.

Much of the short-term relief will be distributed through cash-for-work programs, such as those run by USAID in Port-au-Prince and throughout Haiti. These programs give Haitians the opportunity to earn a livelihood while providing critical services. Workers remove rubble from key thoroughfares, paving the way for displaced individuals to return to their homes. They also execute rain and hurricane season mitigation measures to protect those displaced by the earthquake from life-threatening floods, landslides, and severe storms. This program puts money in the pockets of Haitians and encourages commerce to resume. United Nations agencies and humanitarian organizations are now making these payments by cash but are eager to switch to speedier and more cost-effective mobile money payments.

In the long term, mobile money could help millions of Haitians improve their lives through easy access to savings accounts and other financial services.

GRANT HIGHLIGHTS:

PRODUCT		
GRANTEE	PURPOSE	GRANT AMOUNT (U.S.)
1. World Savings Bank Institute	to work with member banks to double the number of poor people reached with usable savings accounts and other financial services	\$20 million
2. MFI Savings Initiative (ACCION, FINCA, Grameen Foundation, Shorebank International, Women's World Banking, World Vision)	to help six of the world's leading microfinance institutions (MFIs) provide the poor with safe, affordable places to save their money	\$38 million
3. Rockefeller Philanthropy Advisors	to encourage use of savings accounts by identifying opportunities for banks to link their savings accounts to poor peoples' remittances, government payments and other basic transactional accounts	\$9.5 million

DELIVERY		
GRANTEE	PURPOSE	GRANT AMOUNT (U.S.)
1. Diconsa	to improve access to affordable financial services in Mexico's poorest, most isolated communities	\$4.5 million
2. ProCredit	to increase the access of microentrepreneurs, small businesses and low income groups to responsible banking services in Africa, especially savings accounts	\$20 million
3. Oxfam America, Saving for Change, Mali	to support the Expanding Saving for Change Project: a collaboration between Oxfam American and Freedom from Hunger	\$11.7 million
4. GSMA Foundation	to support the Mobile Money for the Unbanked (MMU) initiative in providing poor households with basic mobile money accounts along with formal savings, credit, and insurance services	\$12.4 million
5. Haiti Mobile Money	to create an incentive fund to enable financial services by mobile phone in Haiti that will support economic recovery and development	\$14.7 million
6. Opportunity International	to create or expand commercial banks in Africa that use new ways to deliver financial services to the poor and rural areas including agricultural communities	\$5.4 million

POLICY		
GRANTEE	PURPOSE	GRANT AMOUNT (U.S.)
1. GTZ - AFI	to create a global financial policy network that will increase access to financial services for people in the developing world	\$35 million
2. CGAP I	to find and promote new technologies that will allow the microfinance industry to reach new customers and efficiently deliver services	\$23.8 million

MEASURING OUR PROGRESS

By 2017, we aim to help 50 million people in the developing world gain access to financial services by creating viable new banking models for the poor.

While this represents just a fraction of the more than 2 billion people who are currently without bank accounts, we believe that if these models prove to be profitable for banks and affordable to the poor, market forces will expand these services rapidly, reaching millions more customers over the next 10 to 15 years.

In the short term, working with our partners, we aim to:

- Research the critical elements that have increased the use, demand, and balance of savings accounts by poor people and have led to successful launches of mobile and branchless banking models.
- Deploy mobile money efforts in at least two countries that replicate the success of M-PESA, the mobile money service in Kenya.
- Deploy branchless banking platforms in at least two countries and show that this model is replicable on a large scale.
- Demonstrate a savings model that reduces costs for financial institutions and is affordable for poor customers
- Improve the regulatory environment to support new banking models for the poor in at least six developing countries.

CHALLENGES

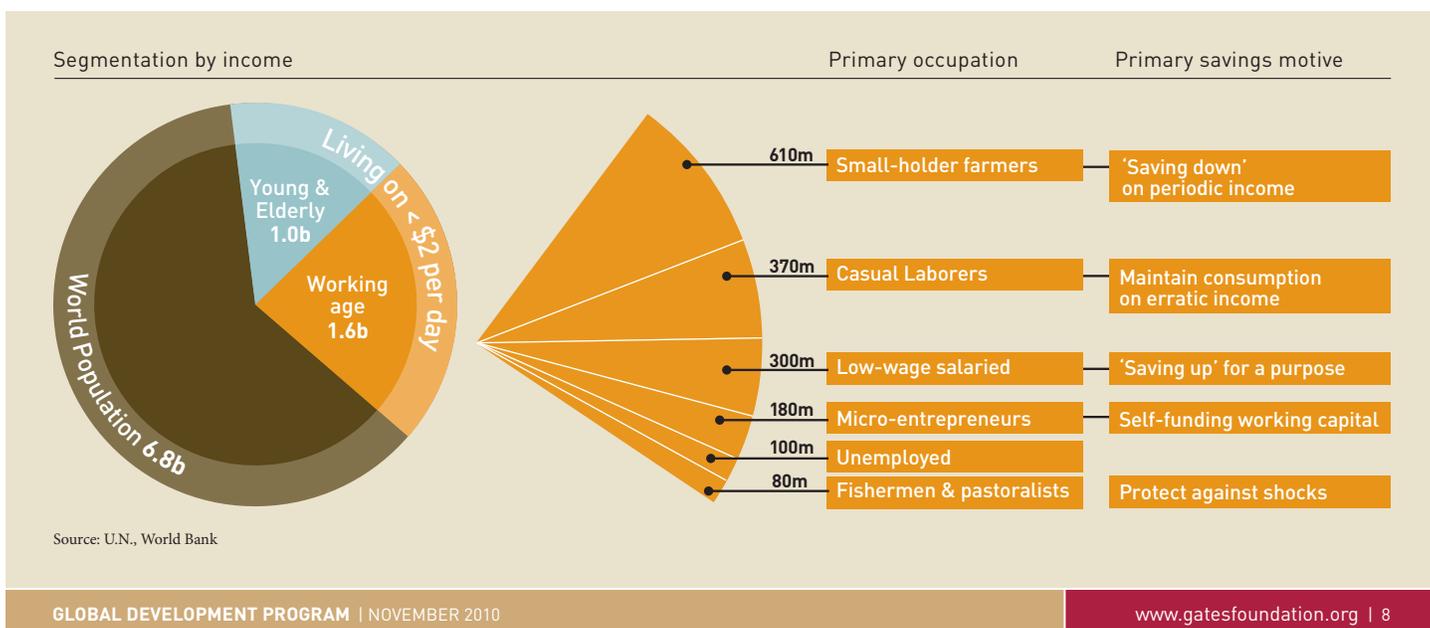
The biggest challenge we face in our efforts to expand access to financial services is economic: How can our work help drive down the costs of providing savings accounts to poor people so they are both profitable for banks and telecommunications companies and affordable for the poor? Mobile money and branchless banking are both economies-of-scale businesses that require large upfront investments and millions of customers before they can become economically viable. Very few of the institutions that could make progress in expanding financial services are likely to have the needs of the poor at the forefront of their business plans. Instead, they are looking to the market to prove that providing these services can make them money. We are working to overcome these challenges by offering incentives and support to encourage banks and other institutions to work together to move down-market and create new savings products designed for the needs of poor people.

WHAT WE'RE LEARNING

Both anecdotal evidence and existing research show that safe, affordable places to save make a real difference in the lives of the poor. We know that safe places to save stem losses of money and time associated with informal savings methods. Several studies have shown that access to formal savings accounts can lead to female empowerment, changes in behavior that affect health and nutrition, better housing, and other important benefits. For example, a study in Kenya showed that farmers who had access to formal savings at the time of harvest were more likely to invest in new fertilizer, which is critical to increasing their crop yields and annual income.

Figure 3

Primary source of income and savings motives of the world's poor



Still, rigorous impact analysis in this sector is scarce. An important part of our work will be to support and share research about the impact of savings and other financial services on the poor, so that we and others can support efforts with the greatest potential for benefit.

Since the start of our work in 2006, we continue to be encouraged about the need for savings and possible solutions. We have learned that the demand for access to savings accounts is higher than for loans among the world's poor. We've also discovered that what might have been considered major obstacles to these new banking models, such as technology phobias, illiteracy, and lack of paper receipts, have not caused any significant problems for clients.

FREQUENTLY ASKED QUESTIONS

Q: Why is the foundation tackling financial services for the poor?

A: Only an estimated 10 percent of the 2.5 billion people who live on less than \$2 a day have access to the basic financial tools that help people manage life's risks and take advantage of life's opportunities. For the vast majority of the world's poor, this lack of financial services is yet another obstacle to meeting day-to-day needs and overcoming the vicious cycle of poverty.

Microfinance—formal financial services tailored to the needs of the poor—has proven highly effective in helping poor people meet basic needs, weather unexpected events, and increase their financial security. For example, setting aside small sums in a safe place can help poor people build assets, guard against risks like illness and crop failure, and invest in educational and other opportunities for the next generation.

Over the past few decades, there has been inspiring progress in microfinance, particularly in the field of microcredit.

However, demand still far outstrips supply, and those who do have access are often limited to credit products. We believe that poor people need a range of financial services and that meeting this need sustainably will require additional efforts and new models and approaches.

Q: Why has the foundation chosen to focus on savings?

A: We believe that poor people need access to a range of financial services. We have chosen to focus on savings because of the need, challenge, and opportunity for impact. The need to store and access money is universal. Savings products are highly demanded by the world's poor—no matter where they live or how they earn their living. Setting aside small sums in a safe place allows poor people to guard



A mother and child visit a mobile money vehicle in Michinji village, about 120km west of the capital Lilongwe (Malawi, Africa, 2008).

Reaching the Hardest to Reach in Sub-Saharan Africa

Opportunity International is bringing a full range of financial services to rural areas in Sub-Saharan Africa—where the poor have been particularly hard to reach—including savings products and agricultural loans to smallholder farmers. It seeks to serve the very poorest and most vulnerable through the use of advanced technology, cutting-edge commercial practices, and international expertise.

In 2005, we made grants to Opportunity International to support its banks in Malawi and Mozambique. Later grants expanded support to partners in Ghana, Uganda, Rwanda, Kenya, Tanzania, and Democratic Republic of Congo. Through these grants, we are testing whether financial services may be delivered to poor people, even in rural areas, in commercially viable ways. Opportunity International Bank of Malawi (OIBM) has had rapid growth in deposits and has extended into rural areas. In addition to rolling out alternative delivery mechanisms, such as mobile trucks and kiosks, OIBM has been working on developing “branchless banking” channels through retail shops and mobile phone banking.

against risks, build assets, and provide opportunities for the next generation.

Still, savings has received little attention and resources, and the vast majority of the world's poor must resort to risky, expensive, and inefficient ways of saving. We believe that safe places to save could eventually provide hundreds of millions of people with an important tool for getting and staying out of poverty.

We recognize the important work that others have done in bringing a range of services to the poor.



Ra Kumari, a beneficiary of Basix financial services, conducts a transaction at her laundry shop in Seemapuri slum (New Delhi, India, 2007).

Q: Are you saying microcredit doesn't work?

A: No. We're saying it does work. Microcredit organizations have made great progress over the last several decades. In fact, one reason we feel confident about our focus on savings is because of the momentum of the microcredit movement and the foundation it has built.

Q: What is the role of financial regulations?

A: We believe a strong regulatory environment that promotes investment and innovation while protecting consumers is possible—and critical—to expanding the poor's access to financial services. If regulations are not kept up to date, countries will miss out on investments and promising opportunities in this sector. We are investing in research on policy issues, collaboration with international and national policymakers, and sharing of lessons learned to help identify the best ways to foster environments where financial services are both broadly accessible and safe. Policymakers from countries that have adopted new policies, such as the Philippines and Kenya, provide a wealth of experience for the rest of the world.

Q: Why is the foundation supporting a market-driven approach? Won't that just help businesses profit from poor people, using models developed by the nonprofit world?

A: Our goal is to help poor people in the developing world gain access to financial services. Increased access will help more of the poor retain more of their income and better manage risks and take advantage of life's opportunities. Currently, billions of people don't have access to these services.

We believe that commercial viability and private capital are keys to meeting the enormous need quickly, at scale, and sustainably. We believe that competition can also help lower costs and increase the value of financial services for the poor. We also believe that a variety of models are needed to meet the needs of the poor. For example, traditional, nonprofit models play a critical role in providing financial services to the poorest of the poor and those in very remote areas.

Q: What makes savings so new? Microfinance and other institutions have been working to offer savings for years.

A: Many organizations, including credit unions and informal voluntary savings groups, have worked hard to provide ways for the poor to save safely. But the demand for formal savings accounts among the poor still far exceeds the supply. To date, it has simply been too expensive to provide savings accounts for the poor on a large scale, because of challenges like the high transaction costs associated with small deposits and the expense of setting up bricks-and-mortar branches in places the poor can easily reach. We believe that innovations like branchless banking and mobile money are providing ways to bring savings to the doorsteps of the poor quickly, at low cost, and at very wide scale.

Q: Can the foundation really bring about the kind of change in markets necessary to meet your goals?

A: Not on our own. We recognize that philanthropy has a limited role, but we believe that we can help bring about this kind of change by working closely with a wide range of partners. When governments, the private sector, and the development community come together to develop innovative ways to expand financial services to the poor, everyone will benefit.

Q: Will mobile money really reach the poor?

A: Many people living on less than \$2 per day already have access to a mobile phone and mobile phone coverage continues to expand around the world. The ability of

mobile money services to reach the poor is already being demonstrated by M-PESA in Kenya, where 70 percent of all households use the service. According to recent research, the M-PESA is now reaching more than half of all of Kenya's poor and rural households. (See "Moving Money with Mobile Phones in Kenya" on page 2.)

Opening the Door to Innovation Through Policy

There are a number of promising solutions to the problem of providing financial services to the poor—from allowing customers to withdraw money at their local post office to facilitating money transfers from their cell phones. Many of these solutions have emerged from developing countries. But the regulatory policies of many nations haven't caught up with these technological innovations. In their efforts to maintain a safe and sound financial system, many countries have not yet had the opportunity to learn about innovations, understand them, and create effective policies to support them.

In 2008, the foundation made a \$35 million grant to the German Development Cooperation (GTZ) to establish the Alliance for Financial Inclusion (AFI), a new global policy facility comprised of members from more than 50 countries, to help address this knowledge gap. AFI is giving developing countries a platform to share, adapt, and implement policies that will expand access to safe, convenient, and affordable financial services for the poor.

While some of the best innovations have originated in countries such as Brazil, Kenya, and the Philippines, they have not been widely replicated in other developing countries because policymakers lack the resources to study, test, and pilot them. AFI is helping policymakers in these nations by supporting the design and implementation of policy solutions and by facilitating the exchange of research and knowledge through seminars, conferences, site visits, Web-based tools, and more.

AFI and the Central Bank of Kenya co-hosted the first AFI Global Policy Forum in September 2009 in Nairobi. Ninety-two financial regulators and supervisors, including 16 central bank governors and deputy governors, from 40 developing countries attended. The forum hosted interactive sessions where regulators shared lessons and answered questions on how to mitigate the regulatory risks posed by new financial service delivery models, such as mobile and branchless banking. Since the launch event, we have seen strong evidence that AFI is fostering the peer-to-peer linkages among policymakers originally envisioned by this project.

TO LEARN MORE:

About the Global Development Program:

www.gatesfoundation.org/global-development

About Financial Services for the Poor:

www.gatesfoundation.org/financialservicesforthepeer

About Alliance for Financial Inclusion:

AFI is a knowledge network of central banks and other financial regulatory bodies in developing countries. Via the AFI network, developing country policymakers share their knowledge and experience with financial inclusion policies that are proven to work.

<http://afi-global.net>

About Consultative Group to Assist the Poor:

CGAP is an independent policy and research center dedicated to advancing financial access for the world's poor. It is supported by more than 30 development agencies and private foundations that share a common mission to alleviate poverty. Housed at the World Bank, CGAP provides market intelligence, promotes standards, develops innovative solutions, and offers advisory services to governments, microfinance providers, donors, and investors.

www.cgap.org/p/site/c/tech

About GSMA:

GSMA represents the interests of the worldwide mobile communications industry. Spanning 219 countries, the GSMA unites nearly 800 of the world's mobile operators, as well as more than 200 companies in the broader mobile ecosystem, including handset makers, software companies, equipment providers, Internet companies, and media and entertainment organizations. The GSMA is focused on innovating, incubating and creating new opportunities for its membership, all with the end goal of driving the growth of the mobile communications industry.

www.gsmworld.com/our-work/mobile_planet/mobile_money_for_the_unbanked/index.htm

About World Savings Banks Institute:

WSBI is the global representative of savings and retail banking, representing savings and socially committed retail banks or associations in 92 countries. WSBI works closely with international financial institutions and represents its members' interests at an international level.

www.wsbi.org/template/content.aspx?id=3958

About Microinsurance Innovation Facility:

Housed at the International Labour Organization's Social Finance Programme, the Microinsurance Innovation Facility seeks to increase the availability of quality insurance for the developing world's low-income families to

help them guard against risk and overcome poverty.
www.ilo.org/public/english/employment/mifacility

About Opportunity International:

Opportunity International provides small business loans, savings, insurance, and training to more than 2 million people working their way out of poverty in the developing world. Clients in more than 20 countries use these financial services to start or expand a business, provide for their families, create jobs for their neighbors, and build a safety net for the future.

www.opportunity.org/our-work/savings

About Oxfam:

Through its Saving for Change program, Oxfam helps poor people in Mali, Senegal, El Salvador, and Cambodia improve their livelihoods and build a better future by increasing their access to financial services.

www.oxfamamerica.org/issues/community-finance

REFERENCES

1. World Bank, CGAP, Financial Access 2009, pg. 23.

Guided by the belief that every life has equal value, the Bill & Melinda Gates Foundation works to help all people lead healthy, productive lives. In developing countries, it focuses on improving people's health and giving them the chance to lift themselves out of hunger and extreme poverty. In the United States, it seeks to ensure that all people—especially those with the fewest resources—have access to the opportunities they need to succeed in school and life. Based in Seattle, Washington, the foundation is led by CEO Jeff Raikes and Co-chair William H. Gates Sr., under the direction of Bill and Melinda Gates and Warren Buffett.

For additional information on the Bill & Melinda Gates Foundation, please visit our website: www.gatesfoundation.org.

© 2010 Bill & Melinda Gates Foundation. All Rights Reserved. Bill & Melinda Gates Foundation is a registered trademark in the United States and other countries.