



World Savings Banks Institute (WSBI)
European Savings Banks Group (ESBG)



Remittances and Microfinance

International Forum on Remittances 2005

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Agenda



- Introducing WSBI
- Remittances and microfinance workplans
- Remittances and microfinance: commonalities
- The case for partnerships



WSBI Membership



Europe:
37 Members from
29 countries

Asia-Pacific:
20 Members from
17 countries

Americas:
16 Members from
11 countries

Africa:
30 Members from
28 countries

103 Members from 85 Countries



WSBI Membership



Key Figures (1 January 2003)

Total Assets:	7,585 billion EUR
Non-Banker Deposits:	4,751 billion EUR
Non-Banker Loans:	4,057 billion EUR
Branches:	192,172
Staff:	2,326,127
Institutions represented:	1,107



The WSBI action plan in remittances and microfinance



- Contributing to formulation and implementation of policy: overseeing market structure evolution and monitoring performance, enhancing the legal and regulatory framework, setting standards and defining infrastructure, encouraging and facilitating
- Motivating players: working closely with Members to identify and qualify opportunities, creating partnerships, setting best practice
- Delivering the value: establishing a SLA framework as the benchmark, facilitating redress and dispute resolution, developing a toolkit for Members



Looking at remittances from the receiving country's perspective



What is expected, required:

- Arrangements with remitting institutions in sender countries
- Transfer speed and certainty
- Lower fees and charges
- Access to national payment system(s)
- Effective arrangements for wide distribution capability
- Availability of savings and other asset building products
- Good information technology platform



Are such requirements wholly different from microfinance's?



Challenges for microfinance:

- Improve efficiency and institutional capability
- Reach rural and other remote areas
- Build domestic financial markets
- Reach out to the very poor with grants rather than credits
- Implement effective, up-to-date technology to lower costs



Probable evolution of market structure



Differences between remittances and microfinance?

- Continuous phenomenon
- Continuous shift from informal to formal, professional
- (Some) consolidation whilst enhancing the competitive environment
- Greater segmentation of targets by commercial and « social » players, and type of products
- Greater depth of domestic markets (resources, expertise,...)



Evolution of product approach



Remittances and microfinance are mass-market, consumer products. They must be:

- Easy and inexpensive to distribute
- On generic platforms, yet tailorable: « mass customization »
- Easy to understand
- Inexpensive to support
- Reliable, trusted, with an « after-sales » guarantee
- Economies of scale and economies of scope



A one-way path only?



The logical path from remittances to microfinance:

- Start remitting
- Remit regularly
- Beneficiary opens account
- Beneficiary begins saving
- Beneficiary identifies project, seeks financing...

Or couldn't it be the reverse: identify project, establish and execute migration plan....



A constant balancing of objectives



Constantly reconciling:

- Social vision
- Commitment
- Sustainability

With

- Efficiency
- Returns
- Accountability

imperatives



Role of the public sector



Differences between remittances and microfinance?

- Acting as a catalyst
- Establishing and maintaining the appropriate legislative and regulatory framework
- Setting policy and priorities
- Overseeing



Opportunities for partnership



- With Authorities:
 - Market research including segmentation
 - Formulation of policy recommendations to increase effectiveness of remittances, including leveraging
 - Identification of key players and potential contributors, pilot projects, programme management
 - Country-balance of payments implications and opportunities



Opportunities for partnership



- On the Originating side:
 - Market research, service and segmentation proposal, channel implications, business case
 - Product specification and requirements, deployment plan and support (front and back office)
 - Setting up of support and call centers
 - Assistance to staff training (including cross selling opportunities)
 - Balance sheet implications and opportunities



Opportunities for partnership



■ On the Receiving side:

- Formulation of recommendations regarding channel maximisation implications
- Evaluation of product portfolio, formulation of recommendations to maximise customer retention and remittance leverage effect
- Product specification and deployment plan and support (front and back office)
- Assistance to staff training regarding cross selling requirements
- Balance sheet implications and opportunities



Yet maintaining a realistic approach



Neither remittances nor microfinance can be:

- A cure to all development issues
- An alibi for discontinuing development aid
- A remedy to migration induced problems
- A justification for unfettered globalization