



**BANCA DE LAS
OPORTUNIDADES**

*The Program of the Government of Colombia
to Promote Financial Inclusion*

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Karachi, May 9, 2011



What is Banca de las Oportunidades ?

It is the national policy of the government of Colombia, established in 2006, to promote financial inclusion with a special emphasis on the poorest through innovative public – private alliances and pro-market interventions to ensure a profitable and sustainable supply.

To comply with this mandate, BdO serves as:

- 1) Facilitator
- 2) Promoter of change
- 3) Leader and articulator
- 4) Capacity Builder

- ✓ **Regulatory Framework:** Create an adequate environment and promote required reforms
- ✓ **Rapprochement b/w Supply and Demand:**
- ✓ **Support to BdO's network:** Incentives (monetary and in kind) to the supply of financial services to extend their geographic outreach, develop adequate products and adopt new methodologies

Factsheet about Colombia



Concept	Number
Total Population	46 M
GDP per Capita (PPP)	US \$ 9.000
Population under poverty line	43% (19.7M)
Population under extreme poverty line	16.5% (7.6M)
Familias en Acción (CCT Program) beneficiaries	2.8 M
Population under Poverty Line including Gov. Subsidies	31%

- ✓ CCT program created in 2000
- ✓ National outreach
- ✓ 2.8 million beneficiaries
- ✓ Subsidies for nutrition and education for children under 18 years old
- ✓ Average payment of US \$70 every two months (6 payments per year)



CCT Payments: Past Cash

- ✓ From 2000 to 2008 payments were done in cash through money orders
 - Congestion and long lines
 - Insecurity
 - Displacement to nearest municipality if there was no bank presence
 - If unable to assist on payment date, beneficiary were left without money until the next cycle



CCT Payment: Present Bancarization

✓ From 2009 - 2011: Payment through Savings Accounts



Linkage b/w CCT program and savings account: Financial inclusion for the poorest of the country

Savings account as an entry gate to other financial services

CCT Payment: Present Bancarization

- ✓ 2008 request for proposals to open savings accounts and pay subsidies to 2.8 million families
 - Only Banco Agrario (public bank) responded

- ✓ **Results:**
 - 2.4 million beneficiaries banked – with a savings account and debit card for withdrawals
 - US 0.8 billion paid in 2010 through savings accounts

Banked population:

July 2006: 47%
Sept 2010: 62%

Municipalities without bank presence:

August 2006: 309
March 2011: 5

CCT Payment: Present Bancarization

Determinant factors to achieve it:

- Financial presence in all municipalities of the country: Non bank agents are essential
- Design and development of Electronic Savings Accounts (Basic accounts): No frills and full fledged account for lowest income population only
- Simplified procedure to open savings accounts: Less KYC requirements, only for accounts with low balances



CCT Payments: Future M-banking pilot

- ✓ Advances in Colombia to create adequate business climate for M-banking, with a Bank Led model
- ✓ Number of cell phones in Colombia = population
- ✓ Banks starting to implement M-banking models, both to reach the unbanked and operate savings accounts
- ✓ Opportunity to use this mechanism for CCT payments: Lower costs, more efficiency and security

CCT Payments: Future M-banking pilot

✓ Pilots:

- Banco Agrario is choosing definite platform to operate savings accounts
- To reach 30.000 beneficiaries (still unbanked) in 28 municipalities with an m-banking solution for payments

✓ Objectives:

- Test effectiveness and acceptance of new channel
- Cost reduction
- Achieve massive participation of the financial sector for CCT payments on next request for proposals - third stage in late 2011

CCT Payments: Future M-banking

✓ Results:

- 12 financial institutions participated in the call for proposals, offering mobile solutions for the pilot
- No comission paid to FI on pilot
- For municipalities where more than one institution submitted proposal, clients can choose the institution they prefer.

✓ Next Phase:

- Study the results form m-banking pilot project
- Design new call for proposals for banks to participate
- Aiming to reduce cost (with use of new technologies)



Una política para promover el
acceso a servicios financieros
buscando equidad social



Presidencia de la
República de Colombia



Ministerio de Hacienda
y Crédito Público



Ministerio de Comercio,
Industria y Turismo



THANK YOU!

Questions

✓ How much has government saved?

- Cost/ transaction with money order: \$9.270 (US \$5)
- Cost/ transaction with savings accounts (including payment tx, opening and maintainance of savings account): \$16.500 (US \$9)
 - Payment: \$9.900 (US \$5,5)
 - Bancarization: \$1.300 (US \$ 0,7)
 - Maintainance: \$4.800 (US \$ 2,6)
- Government values additional benefits of opening savings accounts to the beneficiaries
- Money saved by beneficiaries who had to go to neighbor municipality to claim the subsidy
- Next stage will be much cheaper:
 - Basic accounts
 - Technology advances: M-banking

Questions

✓ How have recipients responded?

- Beneficiaries are satisfied because of facility and convenience to claim the subsidy:
 - No lines
 - Withdraw according to their needs
 - No need to displace (incur in transportation cost) to get subsidy
 - Possibility to leave part of subsidy on the account
 - Promotion of savings culture: Transformation of informal savings into formal
 - Balance of savings accounts: \$24.000 M (US \$13.3)
- Learning process
 - Some beneficiaries forget the PIN
 - Some laminate the debit cards
 - Lost cards
 - Missinformation: Do I lose money if I don't withdraw it all?

Questions

- ✓ What incentives are offered to financial providers?
 - Commission paid per transaction US \$9
 - Adequate business and regulatory framework
 - Incentives to increase geographical outreach (to municipalities without presence) with Non bank agents
 - Support and guidance on structuring m-banking model:
 - Regulatory framework
 - Seminars and workshops with international experiences
 - Rapprochement between different stakeholders: MNO, financial institutions, commerce
 - A new market niche for financial institutions at the Base of the Pyramid

- ✓ What incentives are offered to recipients?
 - No cost for opening and administration of savings accounts
 - Training and guidance on debit card use
 - Promotion of savings culture
 - Financial education: Microfinance opportunity methodology
 - Monetary incentive: Raffle that awards effort to save, multiplying by 10 the average balance of the savings account.

Objectives

- ❑ *Transform part of informal savings into formal financial savings*
- ❑ *Increase savings and, in the long term, accumulation of liquid assets*
- ❑ *Facilitate financial transactions through secure and efficient means*

Tools

Financial Education

(Aims to change financial behavior)

Monetary Incentive to formal savings

Project Evaluation

1. Evaluation of results (savings)
2. Impact Evaluation (poverty reduction)

How do we work ?

Leader and articulator of FI stakeholders:

- Identify obstacles, promote the required reforms and implement solutions
- Facilitate dialogue and discussion among stakeholders

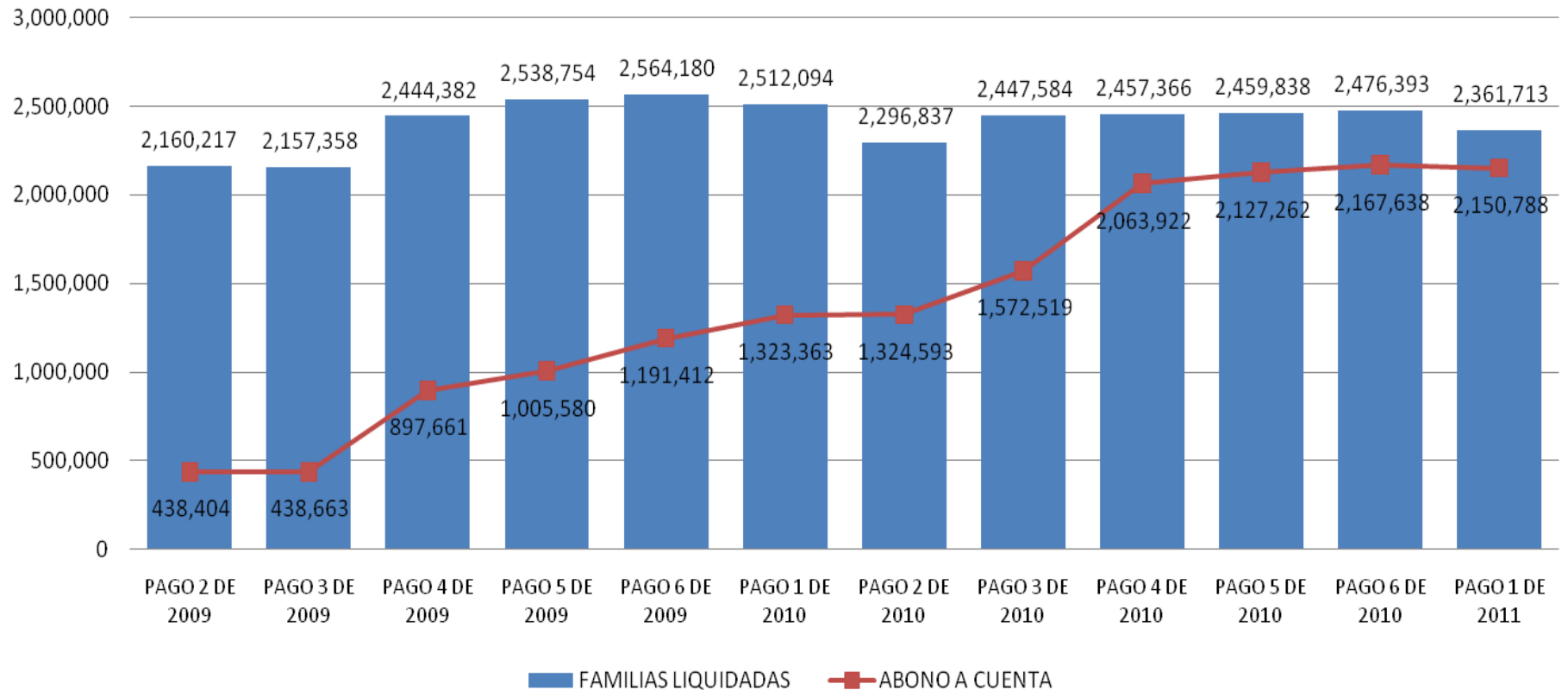
Public - Private Alliance:

- Government:
 - ✓ Provides appropriate regulatory framework
 - ✓ Offers incentives to the supply and demand of financial services
- Private operators: banks, financial companies, cooperatives and NGOs
 - ✓ Increase their institutional outreach
 - ✓ Supply adequate products and services for the population that had been unattended until now

How do we work ?

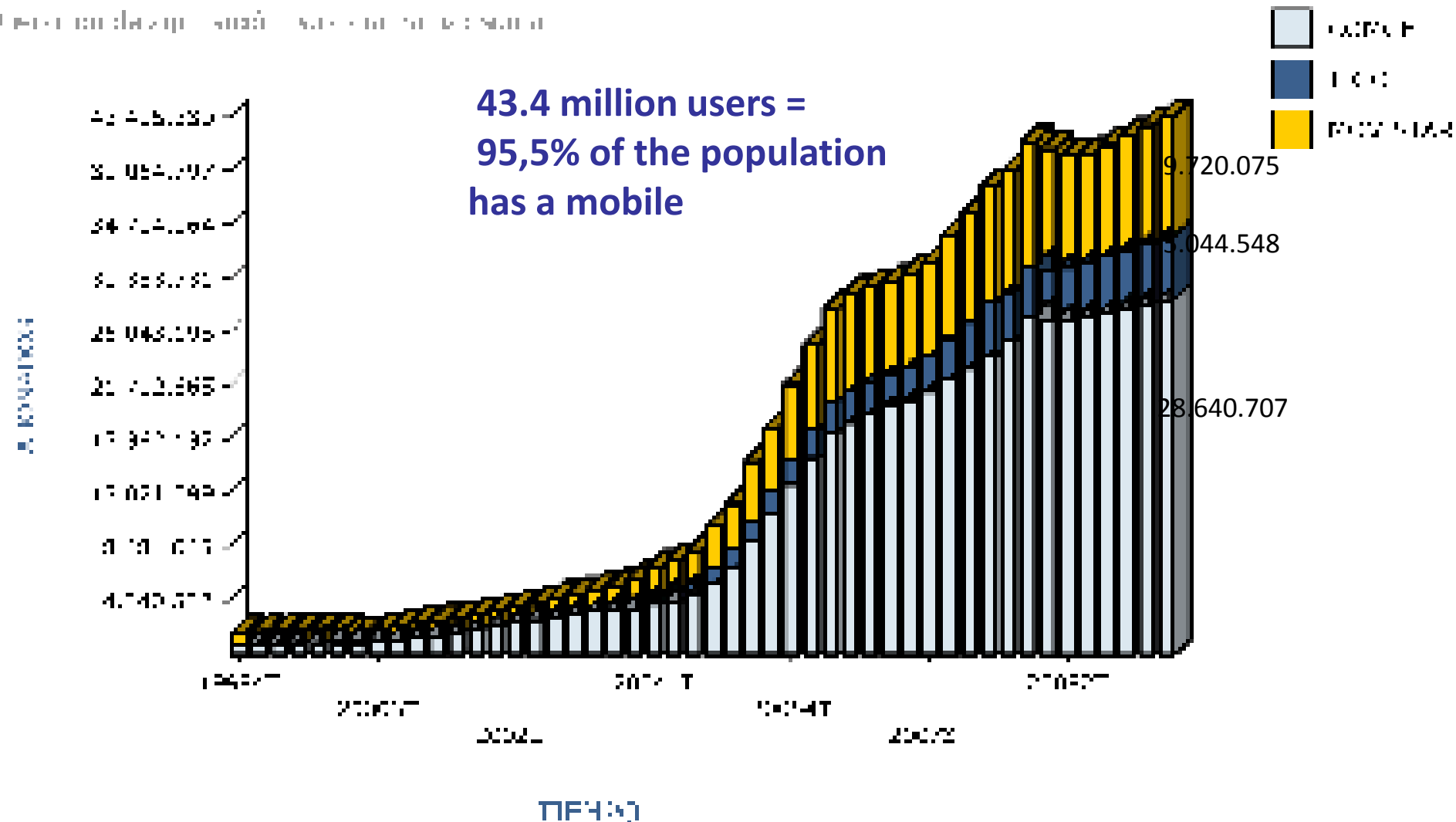
- ✓ Promote reforms to the regulatory framework to ensure an adequate business climate
- ✓ Propiciate projects that facilitate rapprochement between institutions and clients.
- ✓ Give incentives that stimulate institutions to extend outreach , develop adequate products and adopt new methodologies
- ✓ Coordinate and potentiate the efforts of existent financial intermediaries to generate a more inclusive system, **that is profitable and sustainable**, assuring access to the unbanked population

Evolución de pagos mediante abono a cuenta



Access to Mobile phones in Colombia

Unidad de Medida: millones de usuarios



* Sistema Unificado del Sector de Telecomunicaciones - SIUST, 3er trimestre 2010