

FACTSHEET FINANCIAL SECTOR DEVELOPMENT

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Schweizerische Eidgenossenschaft
Confédération suisse
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Swiss Agency for Development
and Cooperation SDC



Postal worker collects savings on a market

E-Savings.Club SA

Stable, efficient financial systems are an elementary aspect of any national economy. Providing improved access to financial services to low-income households, smallholder farmers and small enterprises can boost their involvement in economic life and reduce their vulnerability significantly.

Challenges

- › An estimated 2 billion working-age adults globally do not have a formal deposit account. At present, low-income sections of the population in many developing countries are largely excluded from the formal financial sector. This is particularly true for rural regions, where more than 90% of the population often has no access to adequate financial services.
- › There is a lack of sales and service offices in the formal financial sector, and the existing service offer is often not geared to the specific needs of low-income households, smallholder farmers and small enterprises.
- › Typical reasons for this deficiency are high transaction costs due to low population density in the rural areas, deficient infrastructure (roads, telecommunications) and high production and price risks in the agricultural sector.
- › Women, in particular, are at risk of being excluded from the financial system - in developing countries, only 37% of women have accounts, compared to 46% of men.

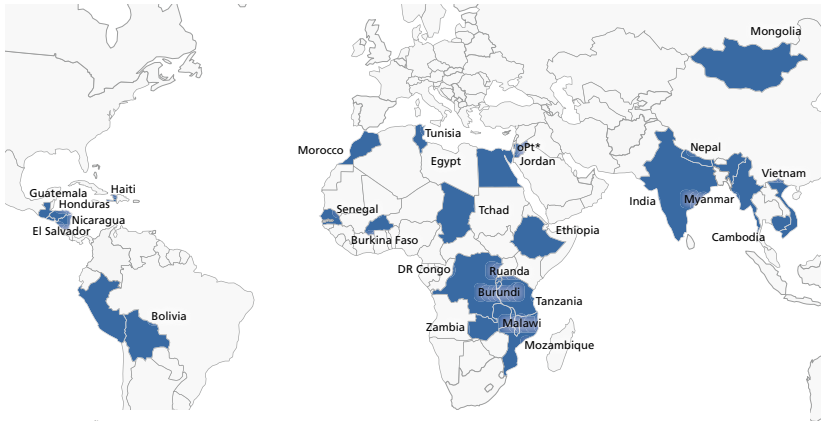
Thematic priorities

The SDC has been engaged in financial sector development as an **important poverty alleviation strategy** for over 40 years, focusing on promoting access for low-income households (notably low-income women), smallholder farmers, and small businesses to a wide range of client-oriented financial services that are offered responsibly and sustainably. It has always stressed the importance of savings mobilisation as the first step of **financial inclusion for low-income people**. The SDC is increasingly focusing on developing agricultural and catastrophe insurance markets as the last frontier of financial inclusion in partnership with global re-insurers.

A well-functioning financial sector is of paramount importance to a country's economic development. It offers the opportunity to **mobilise savings for use in productive investments** that create income and employment. Providing private households and farmers, as well as businesses, with **access to adequate financing and saving services, access to payment transaction systems, and credit and insurance services** is essential in order to reduce income risks, achieve a more effective cushion against economic and market fluctuations and save for larger investments such as children's education or the setting up of a business. Insurance against crop and property losses caused by natural hazards is particularly crucial in reducing the risks incurred by small farmers. It serves to increase productivity, thus setting the ground for strengthening food security. An **efficient and responsibly managed financial sector**, accessible to all segments of the population, contributes to the reduction of poverty.

The SDC is pushing for a demand-based financial sector that serves the different needs of its target groups through broad and extensive access to capital and financial services. **Closing the gender gap** is an important goal on the international financial inclusion agenda.

SDC Financial sector development projects



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Partners

In order to reach the objectives of financial inclusion and financial sector development, the SDC partners with a broad alliance of experienced actors from both the public and private sector, from Switzerland as well as from its partner countries. Main partners include:

- › local microfinance and commercial banks, credit and savings cooperatives, national and international insurance and reinsurance companies;
- › financial institution associations, farmer associations, non-profit organisations;
- › ministries and financial market supervisory authorities of partner countries;
- › the Swiss financial sector
- › international impact investors,
- › international centres of expertise and networks such as the Consultative Group to Assist the Poor (CGAP) and the Social Performance Task Force (SPTF).

Project examples



Banco Popular Honduras

Partnership with the Swiss financial sector

The Swiss Capacity Building Facility (SCBF), based in Fribourg, is a public-private development partnership set up in 2011 between Swiss financial sector companies and the SDC. It aims to help financial institutions (local insurers, micro-finance institutions and banks, commercial and postal banks, savings and loans cooperatives) of SDC partner countries widen their field of action to include people with low incomes, smallholder farmers and small businesses, with a particular focus on women. Thanks to this partnership, no fewer than 1.45 million low-income households are expected to benefit from adequate financial services by 2018.

Expenditure

The SDC is investing around CHF 60 million per year in financial sector development with a special focus on the financial inclusion of the most vulnerable.



SDC

Strengthening the farming sector in Haiti through financial services

The SDC is co-funding a national programme to encourage financial institutions to increase the volume of loans to the farming sector, in particular smallholder farmers, thanks to innovative systems of group loans and mobile banking technologies. It also aims to help build up a national agricultural insurance programme which will limit climate-related risks confronting smallholder farmers and help them increase the productivity of their land and improve their quality of life. To date almost 120,000 smallholder farmers have been able to improve their livelihoods.



Fundación PROFIN

Improved access to useful financial services at fair prices in Bolivia

With SDC support thousands of farmers and small entrepreneurs in rural areas of Bolivia have been able to gain access to savings accounts, micro-insurance schemes, micro leasing facilities and loans. The strengthening of the financial sector in Bolivia has resulted in more savings and loans cooperatives and institutions opening branches in rural areas, and support for product innovation has led to the development of useful financial products at fair prices. This has enabled, for example, farmers to increase their production and to protect their investments through insurance schemes. SDC experience in this field has also been put to use in the creation of a national agricultural insurance scheme.

Imprint

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