

Gates Foundation and USAID Announce Innovative Fund to Incentivize Mobile Money Services in Haiti

Access to financial services by mobile phone can dramatically improve the lives of Haitians as country rebuilds from devastating earthquake

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Seattle/Washington, D.C. - The Bill & Melinda Gates Foundation and the U.S. Agency for International Development (USAID) today announced 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. Often called "mobile money," these services reduce the risks and costs of financial transactions, help increase savings, and generate employment. They also help connect people to difficult-to-access vital services like banking, insurance, and utilities.

"Out of the ruins of Haiti's tragic earthquake, there is an unprecedented opportunity to improve the lives of millions of Haitians and unlock the country's economic potential through mobile money," said Mark Suzman, acting president of the Global Development Program at the Bill & Melinda Gates Foundation. "Making financial services widely available to the poorest families in the developing world can help break the cycle of poverty by giving them a safe place to save, guard against risks, build assets, and provide opportunities for the next generation."

"This partnership provides a unique opportunity to put much-needed cash in the hands of Haitians as they continue to advance on the long road to recovery," said USAID Administrator Dr. Rajiv Shah. "Before the earthquake, fewer than 10 percent of Haitians had ever used a commercial bank. A mobile money system can restore and remake banking in Haiti and serve as an engine of inclusive growth."

Shah noted that in other countries' experience with mobile banking, users start keeping money on hand in their mobile "wallets" for emergencies, setting up a pattern of savings that leads to other benefits. "Encouraging savings and increasing access to credit through these mobile services will help Haitian families improve their financial stability and look toward a better future," said Shah.

The fund will offer cash awards to companies that initiate mobile financial services in Haiti. The first company to launch a mobile money service that meets certain criteria in the next six months

will receive \$2.5 million. The second operator to launch and reach these benchmarks within 12 months will receive \$1.5 million. Another \$6 million will be awarded as the first 5 million transactions take place, divided accordingly between those operators that contributed to the total number of transactions.

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 \$10 million in awards plus additional funds for related activities. 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), 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 in Port-au-Prince and throughout Haiti by USAID. These programs provide Haitians with an opportunity to earn a livelihood while providing critical services. Workers remove rubble from key thoroughfares that pave 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. One example of this is in Kenya, where mobile money is already having a dramatic impact. Just three years after its launch, Kenya's M-PESA mobile money service now has more than 9 million users (40 percent of all adult Kenyans), who pay for everything from taxi fares to school fees via mobile phone. The transactions are much safer than carrying cash, and rural households using M-PESA saw their incomes increase by 5 to 30 percent, according to early results of a recent study by the University of Edinburgh. Just last month, M-PESA customers were given the option to link their mobile phones to bank accounts, further increasing their opportunity to overcome poverty.

More than 90 percent of the world's poor don't have access to safe, affordable savings accounts and resort to risky, expensive, and inefficient ways to save because of the high costs of traditional banking services. The costs of physical bank buildings with dedicated bank tellers are significant, especially when serving poor clients with small deposits.

Since 2006, the foundation's Financial Services for the Poor initiative has committed nearly \$500 million to explore ways to increase access to financial services. A National Bureau of Economic Research report suggests that poor households with access to savings accounts are more likely to

invest in education, increase productivity and income, and reduce vulnerability to illness and other unexpected events. The foundation works with a wide range of public and private partners to harness technologies and innovation to bring basic financial tools - particularly savings accounts - to the doorsteps of the poor in the developing world.

Separately, the foundation has awarded \$2 million to help with relief efforts in Haiti, including shelter, food, water, sanitation, health, and other needs.

The day after Haiti's catastrophic January 12 earthquake, President Obama asked USAID Administrator Rajiv Shah to lead a "swift, coordinated, and aggressive" response. In the days and weeks that followed, USAID leveraged the talents and resources throughout the federal government in a synchronized effort to support the efforts of the government of Haiti, the United Nations, and the international community. As part of this effort, USAID supported U.S. search and rescue teams that pulled 132 people from the rubble, the largest-ever urban food distribution through the World Food Program for more than 3.5 million people, and the vaccination of more than 1 million people.

Today, this work continues in myriad projects, including USAID cash-for-work programs that employ approximately 24,000 people every day, ongoing efforts to construct shelter and mitigate the effects of the rain and hurricane season, and the US government's significant support of the Interim Haiti Reconstruction Commission and the multi-donor trust fund.