



Ministry of Foreign Affairs



Financial infrastructure

Access to financial services

Photo Pharmaccess, Kfirin Kakebeke

Access to financial services is a prerequisite for economic development that benefits everyone. Savings, transactions (including online transfers), insurance and loans promote economic activity and self-reliance among low-income groups and small businesses. The Netherlands helps strengthen the financial sector in developing countries with a broad range of activities. Over the past three years no fewer than 700 million people have been given access to financial services.

Without a savings account or a loan it is virtually impossible for millions of SMEs or budding entrepreneurs to start or expand their business. Two billion people still have no access to the financial system. The Netherlands is working to give families and businesses in low- and middle-income countries access to financial products like current accounts, savings accounts, loans and insurance.

Legislation

Good legislation is a precondition for an effective financial system. We support developing countries, often jointly with multilateral development banks, in building their financial sector. Since 2002, for instance, we have contributed to the Financial Sector Reform and Strengthening Initiative (FIRST). Through this multi-donor programme, the World Bank and the IMF provide local authorities with technical assistance in the areas of financial legislation, rules and institutions. We are also a donor of the World Bank's Financial Inclusion Support Framework (FISF) that helps countries achieve their financial inclusion goals.

Dutch Good Growth Fund

The DGGF, an innovative revolving fund, was launched in mid-2014 in response to the growth in Dutch and local SMEs in low- and middle-income countries.

It provides local finance by, for instance, participating in the GroFin Small and Growing Businesses Fund (SGB), which in turn invests in SMEs in order to boost employment in selected African countries. Another example is DGGF's assistance to Syntech International, a Dutch company that is working with local partners to improve India's financial infrastructure by building a rural network of ATMs and support services. A flower nursery owned by a Dutch entrepreneur in Ethiopia also received support to enable it to expand, creating 75 new rural jobs.

The DGGF is an important instrument in achieving the Netherlands' aim to expand credit facilities for SMEs. The revolving fund operates in 68 developing countries and emerging markets, and within a few years commitments will add up to 700 million euros. The DGGF finances:

- Dutch SMEs wishing to invest in low- and middle-income countries
- SMEs in low- and middle-income countries wishing to invest locally
- Dutch SMEs that wish to export to low- and middle-income countries.

To qualify for financing, activities must be relevant for development. The fund focuses in particular on young female entrepreneurs, and entrepreneurs in fragile states.



Photo Logicash

Insurance

Highly changeable weather patterns create income uncertainty for smallholders in rural areas. Without insurance, they are unable to buy enough high-quality seed and chemical fertiliser. That's why we contribute to initiatives like the [World Bank's Global Index Insurance Facility](#), which supports the development and growth of local markets for weather and disaster insurance.

The Netherlands recently extended its support for the [Health Insurance Fund \(HIF\)](#) by seven years. The HIF enables hundreds of thousands of people in Africa to take out affordable health insurance and is also helping to improve the healthcare infrastructure.

Besides the HIF, other innovative financing methods have also been developed for issuing loans to private care providers (Medical Credit Fund) and improving healthcare standards (Safe Care). We also support a platform that aims to build pension systems for informal sector workers.

Credit facilities

Cuts in the internal budgets of low-income countries usually result in limited savings for a short period of time. However, there is enormous demand for long-term investment in SMEs. The Dutch Good Growth Fund (DGGF) was established in response to this. Not only does it provide investment capital, it also encourages impact investment by private parties in this market segment.

Domestic banks in low-income countries are usually small due to the small size of the local economy. The Dutch development bank FMO strengthens the capital position of financial institutions in developing countries, with the final beneficiaries being SMEs and micro-entrepreneurs.

FMO's MASSIF Fund has committed over a billion euros to financial institutions since 2006. [The Currency Exchange Fund](#)

(TCX) also helps improve development banks' access to international capital.

Consumer protection

The Netherlands also promotes corporate social responsibility in the banking sector. Transparency, consumer protection and responsible management are key elements of the inclusive finance agenda. Laws on loan registration and, for instance, collateral requirements protect both lenders and borrowers. In the absence of a satisfactory legal system – including an independent judiciary, arbitration mechanisms and adequate regulation of the capital markets – banks often do business only with their regular clients, or demand collateral with a value far exceeding the loan. A good, reliable database on outstanding loans is a requirement for expanded credit facilities. Loan registration reduces the risk of borrowers defaulting on their loan because their payment morality can be verified.

The Netherlands also aims to improve ownership rights, in particular land rights and registration of ownership by land registry agencies.

For more information on Dutch efforts to achieve sustainable, inclusive economic growth, contact:
Ministry of Foreign Affairs
Sustainable Economic Development Department
Postbus 20061
2500 EB Den Haag, The Netherlands
DDE@minbuza.nl
www.rijksoverheid.nl