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CORRESPONDENT BANKING*

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Conditional cash transfer programs (CCT programs) are an innovative strategy for reducing poverty, increasingly adopted in many developing countries. In most cases, these programs provide money to poor families conditioned to them sending their kids to school and regular health check-ups. In this measure, CCT programs address two interrelated causes of poverty: consumption levels and the lack of investment in human capital. Therefore, unlike traditional social assistance programs that focus exclusively on short-term poverty alleviation and food or income distribution, CCT programs to focus on long-term investments

in human capital, thus aiming to reduce structural poverty (Rawlings and Rubio 2003, Rawlings 2005, Sadoulet and Finan and Janvry and Vakis 2004, Bourguignon, Ferreira and Leite 2002, Handa and Davis 2006, Brito 2004).

Furthermore, as one of CCT programs main advantages is that they allow families to allocate their money according to their immediate needs, its impacts extend beyond the beneficiary family, having an impact on local shops and warehouses, as the families' spending in the local market increases. CCT programs also extends beyond the guarantee of food to the general well-being of families and communities, as they empower poor families to spend locally and invest in human capital by keep-

* The complete document is available at the Capital Project: <www.proyectocapital.org>.



ing children in school and working on illness prevention through regular visits to the local health clinics. Thus, in CCT programs, governments, providers and families are all co-responsible for service improvements in both health and education (Rawlings 2005:144).

CCT program's viability depends, among other things, in their success in reaching their beneficiaries, however this is not always an easy task due to geographical conditions and the insufficient coverage of the formal financial system. Therefore, CCT programs' success in reaching the poor is highly dependent on the efficiency and availability of information and communication technologies (ICTs) infrastructure. In Brazil's particular case, *Bolsa Família Program* (BFP) has been largely successful thanks to the implementation of an innovative ICT model, known as correspondent banking, or branchless banking.

In this paper we will take a look at the role of correspondent banking in CCT programs, its advantages and challenges. First we will quickly present the role of ICTs in Latin American CCT programs. Then we will focus more in depth—as it is our case study—on how correspondent banking works for *Bolsa Família* (BFP), the Brazilian CCT program. And, finally we will present the advantages and challenges of the correspondent banking model.

THE ROLE OF ICTs IN CCT PROGRAMS

As we have mentioned above, ICT infrastructure plays an important role in CCT programs as the payment process depends on its efficiency. CCT programs have adopted different models in Latin American countries, with

different degrees of success (Maldonado *et ál.* 2011). While some CCT programs present a limited use of ICTs by directly paying in cash, others have involved several institutions in the payment process, as well as the use of magnetic electronic cards and/or bank checking and saving accounts in order to adequately include the poor in the financial system.

For instance, in Bolivia in both CCT programs, the *Bono Madre Niño-Niña Juana Azurduy* and the *Bono Juancito Pinto* beneficiaries are paid in cash at specific bank agencies. Despite the use of bank facilities, the payment system does not require an intensive use of ICTs and there is no financial inclusion initiative incorporated in either program. Another weakness of this particular model is that beneficiaries are only able to withdraw their benefit during the bank's business hours. Other CCT programs in Latin America that pay in cash include *Red de Protección Social* in Nicaragua, *JUNTOS* in Peru, the *Asignaciones Familiares* in Uruguay, *Bono de 10.000* in Honduras, and *Red de Oportunidades* in Panama.

The *Chile Solidario* program has designed three ways of delivering the transference: through cash, checkbook via mail and a deposit in a special bank account. This account does not charge interest for the use of banking transaction services, such as withdrawals, transfers, deposits and so on. Therefore, we can see that, to some extent, this program looks to financially include the poor.

In Colombia, the *Familia en Acción* program also uses three means to carry out the benefit payment: cash, electronic card and savings account.



During its first years, the payment was made exclusively in cash, and as such, could not be considered as a financial inclusion initiative. As the program expanded, the Colombian government adopted the payment via the electronic banking card. Now beneficiaries are able to withdraw the benefit at any authorized bank agency or ATM, but they still have limited use of other banking services. In 2009, Colombia implemented the payment via bank account through the *Banco Agrario* in order to include all beneficiaries into the financial system. Despite the fact that Colombian beneficiaries have bank accounts for receiving their CCT benefit, we cannot know to what extent they use and are aware of other banking services.

Like Chile and Colombia, the *Oportunidades* program in Mexico has adopted the three forms of payment (cash, electronic card and bank account). In order to reach distant rural areas, the Mexican program was the first to “replicate” the correspondent banking model designed in Brazil. Since 2008, beneficiaries can withdraw their benefits at DICONSA, a state-owned company under the Social Development Department. Unlike Brazil, Mexico ICTs have not extended banking services to local shops yet.

THE CASE OF *BOLSA FAMÍLIA* IN BRAZIL

Bolsa Família is the CCT Brazilian program for social protection, and it focuses on three integrated fronts:

1. Cash transfer that promotes immediate poverty alleviation
2. Conditionalties that guarantee access to basic social rights, such as education, health and social assistance
3. Complementary programs that enhance skills and abilities of the poor, such as *Plano Setorial de Qualificação Profissional* or “*Próximo Passo*”, *Programa Acreditar* and *Programa Brasil Alfabetizado*¹.

As previously mentioned, CCT programs are highly dependent on ICT infrastructure to be efficiently operated and managed. In BPF ICTs play a key role in: a) family registration, b) the beneficiaries’ data storage and maintenance, c) payment logistics and d) production of program monitoring and evaluation reports.

The registration process is done locally, close to where the BFP families live, and it is managed at a municipal level. It does not involve financial transfers, nor is it time sensitive; it demands relatively low computing power which can be made available at a low cost. Usually in this process, PCs are enough to ensure an operative infrastructure, since the data will be entered into the system by people in the field, in a local agency. The potential use of hand held devices as ICT instruments would mean a significant improvement in the registration

1. *Plano Setorial de Qualificação Profissional* or “*Próximo Passo*” is a partnership between the Ministry of Social Development and Hunger and the Ministry of Labor that offer professional training to BFP beneficiaries in sectors that lack skilled professionals, such as building and tourism. *Programa Acreditar* is a partnership between the Ministry of Social Development and Hunger and the largest Brazilian engineering and construction company, Odebrecht, to hire BFP’s trained beneficiaries. *Programa Brasil Alfabetizado* is a partnership between the Ministry of Social Development and Hunger and the Ministry of Education that provides literacy courses to BFP beneficiaries.

process, but in any case, during this phase, the focus needs to be on well trained human resources.

Storing and processing data from families as well as producing control reports can demand high computing capacity, but they are usually performed in a centralized way so it can be done where the central government already has good computing power installed. Once municipal governments have locally collected the data, they send it to a centralized account platform, which can be accessed and handled by government officials and technicians to generate all sort of analysis for monitoring and evaluating the CCT program.

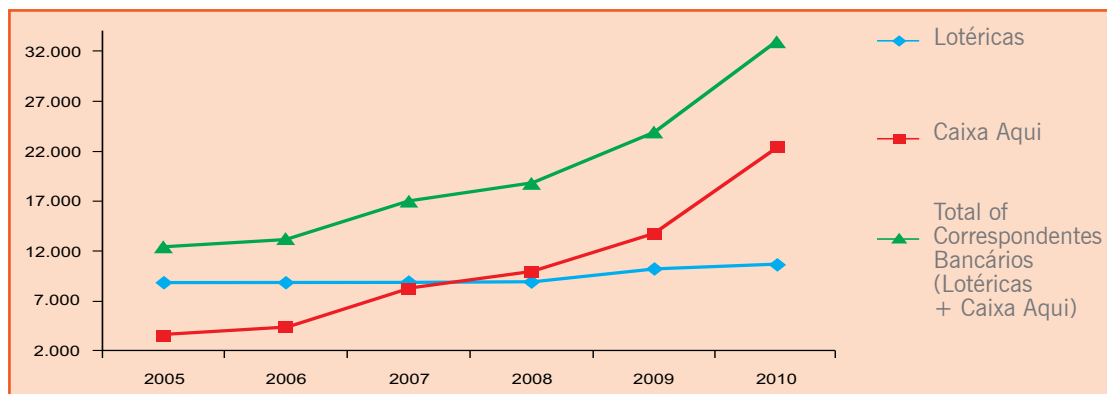
In terms of the ICT infrastructure, the most complex operation needed to operate a CCT program is payment logistics. This process demands highly integrated, secure and time sensitive systems for paying the benefits locally, close to where beneficiary families live. Since the effect of such programs are directly—and highly—dependent on the capacity of making the payment in attendance points as close to the beneficiary families as possible,

the correspondent banking model is crucial for BFP's success.

Since bank branches and ATMs are usually located quite far from where most CCT program beneficiaries live, the *Caixa Economica Federal* (CEF), a Brazilian state-owned bank, has extended the payment process of the BFP to the correspondent banking system, which includes local shops and lotteries. These alternative payment channels have considerably decreased the logistical costs of the benefit payment process making the program much cheaper for the State. The correspondent banking model has also contributed to undermine clientele and vote buying behavior at the local level by monitoring the benefit distribution through a centralized computer system.

In the graph below we can see the expansion of CEF's corresponding banking network, which has increased from 12.500 correspondents in 2005 to 33.000 in 2010. It also demonstrates that since 2006 *Caixa Aqui* (local CEF attendance points) have had a greater increase than the CEF *Lotéricas* (lotteries). Currently, the BFP is the largest CCT program in

Graph 1: Expansion of CEF's Correspondent Banking Network



Source: Caixa Economica Federal Annual Report



the world and benefits 13 million families, out of which 7.8 million receive the payment of their benefit via correspondent banking networks, 2.8 million via the simplified bank account model, and 1.5 million via bank branches (MDS 2011; Banco Central 2010: 20).

The Brazilian case of branchless banking or correspondent banking is an interesting model of CCT payment process. As stated by the Brazilian Central Bank, 80% of all Federal Government social benefits are delivered through a network of correspondents, serving as many as 40 million Brazilians, most of whom have little or no access to formal financial services (Feltrin *et ál.* 2009). The bank also indicates that the benefits from correspondents extend beyond the low-income population who receive direct financial support from the government. Retailers hired as correspondents also benefit from increasing sales, improving thereby the quality of life in the often remote and poor localities where they operate, generating employment and income opportunities within the local communities.

HOW DOES IT WORK?

The logistics for issuing CCT programs' payment implies a process involving the planning, implementation and control of flows required to trigger the payment network as allowing the withdrawal of the benefit by beneficiary families, as well as cash management. There are two main processes related to the payment logistic: the delivery of the payment authorization and the payment itself. In the case of CCT programs based on payments through electronic cards, such as BFP, payment authorization is mostly

done by delivering an electronic card to the beneficiary families. This process is complete when the payment, usually in cash, is withdrawn by the beneficiary.

The authorization process begins with the request and issuance of a card through a card provider, over the base of the data of the registered families. Once printed with the beneficiaries personalized information of the beneficiaries, cards are distributed to the families by postal service. Along with their cards, beneficiaries receive letters explaining how to enable the card, as well as other relevant information about the program. Recipients must sign terms of liability and activate the card password at the financial agent that will be responsible for delivering their payments. We must note here that alternative ways of locating beneficiaries are essential to overcome the difficulties in delivering cards, as many may not have an official postal address.

To complete the logistical process, beneficiaries must receive their payment easily and at a minimum cost of displacement. Payment infrastructure managed by financial institutions should be considered as the primary channel for CCT delivery, due to their scale and security capabilities; also, for ensuring efficiency of the payment process. Since bank branches and ATMs are usually located quite far from where most CCT beneficiaries live, alternative payment channels must be considered for lowering the payment process' transaction costs.

The correspondent banking payment process comprises three stages: account platform, network integration, and delivery points. In most cases, a bank is responsible for the account platform, however Brazilian regulation allows any supervised financial institution (e.g., credit unions and some microfinance institutions) to operate as an account platform. *Bolsa Família* is delivered exclusively by CEF, the state-owned financial institution responsible for delivering all sorts of social benefits, including pensions and unemployment aid.

CCT delivery points are often retailers hired to deliver financial services as correspondents for the account platform institutions. In 2010, from the almost 150 thousand retail outlets operating as correspondents in Brazil, CEF is responsible for approximately 33 thousand attendance points. Nine thousand of these are lotteries and the remaining are small grocery stores, supermarkets, drugstores, and other retail businesses. Other important networks of correspondents in Brazil are led by *Banco do Brasil*, with around 20 thousand points, and BRADESCO Bank, with another 33 thousand points. From January 2012, six thousand post office branches from the Brazilian Postal Company (ECT – Empresa Brasileira de Correios e Telégrafos), operating as correspondents under the *Banco Postal* brand, will change their bank partnership from BRADESCO to *Banco do Brasil*.

Correspondent banking connects the account platform to retail outlets. The network integration in a correspondent network can be managed by the bank itself, as is the case of CEF, or through a retail chain, as is the case of Banco

Postal. Alternatively, a network can be managed by a third party, such as *Cielo*, a company responsible for processing a credit and debit cards network. In addition to providing telecommunication connections and technical maintenance and operational support, the network integration process includes business activities such as selecting, recruiting and training retail outlet representatives.

The technology used at retail outlets varies from basic POS and PCs connected to specific terminals, depending on the services provided. Connections can be made through the communication infrastructure available, such as, phone landlines, GRPS (data transmission on cell phone lines), the Internet, a satellite or any other type of connection. At the account platform, high computer power is needed, since both security and data processing in great volumes of transactions are performed.

We must note that the correspondent banking process presented here is a Brazilian model; however there are other alternatives for performing the same service by combining the three mentioned elements in different ways. One possibility could be setting up a payment infrastructure over the base of a mobile operator that controls the account platform and the network integration. Even a government institution could manage the account platform in partnership with an independent network integrator.

ICT IMPACTS

The municipalities of Alto Paraíso, Colinas do Sul and Pirenópolis, located in the state of



Goiás, are good examples for illustrating CEF's correspondent banking use of ICTs as an important tool to promote the BFP's effectiveness in reaching the poor. Both Alto Paraíso and Pirenópolis are well-known tourist cities close to the Chapada dos Veadeiros National Park. As a result, these cities have more banks than of Colinas do Sul.

CEF's correspondent banking covers the three cities; however it plays a different role in each. In Colinas do Sul, for instance, branchless banking plays a crucial role as there is no other financial institution in the municipality. In this case, the correspondent assists not only BFP beneficiaries, but also provides a range of banking services at the local level for all citizens.

In Alto Paraíso and Pirenópolis, correspondents mainly address the needs of BFP beneficiaries and pensioners, while other financial institutions are responsible for providing banking transaction services. Although downtown Alto Paraíso has at least four financial institutions, correspondent banking does not cover the city's nearest village, São Jorge. Public transport from São Jorge to Alto Paraíso city center is quite expensive, approximately R\$20 (equivalent to US\$12) for a return ticket, which represents a significant amount of the total monthly BFP benefit received per family. Unlike Alto Paraíso, Pirenópolis has already solved this difficulty as its nearest village, Jaranópolis, now has a correspondent banking provider.

In all three municipalities, most BFP beneficiaries were not financially included in the banking system, in other words, they have neither opened a bank account, nor have they ever requested a loan or overdraft. Correspondent bank owners have not offered additional financial services to BFP beneficiaries as they believed BFP would not result in financial gains for the bank. Consequently, most beneficiaries were not made aware of the advantages of opening a bank account. Therefore, CEF should provide better training for correspondent bank owners, and create incentives for them to open new accounts. On the other hand, CEF should also promote a scheme of at distance financial education program, targeting correspondent bankers as well as BFP beneficiaries in order to ensure a broader financial inclusion.

WHY HAS THE CORRESPONDENT BANKING MODEL WORKED IN BRAZIL?

Given BPF's experience with correspondent banking, we could certainly wonder why this model has not been widely replicated in other countries yet, especially when considering that correspondent banking is internationally acknowledged as a cost-effective channel that may rapidly include CCT beneficiaries into the financial system.

We must note that the Brazilian branchless banking model remains unique in terms of scale and quality, due to the large network integration between those involved in the process and the development of the Brazilian banking technology. The growth of the correspondent banking model, however, has taken

several years and has relied on the following drivers:

- * Central Bank's pro-activeness to amend the regulatory framework in order to promote financial inclusion.
- * The banks' willingness to use a cheaper channel for collecting bill payments.
- * The integration of interbank processes through the "boleto"².
- * CCT programs designed to be delivered in the city where the beneficiary lives.
- * The Brazilian banking technology which has promoted a wide spread system of banking services providers.

In 1973, the Central Bank took the first step in the deregulation process by enacting Resolution 220, under which commercial banks were enabled to hire non-banking entities to provide transaction services, such as bill payments. As most Brazilian banks were classified as multiple banks at the time, the resolution remained restricted until the Central Bank enacted other resolutions that allowed multiple banks and the *Caixa Economica Federal* to hire non-financial entities and also expand the range of banking services provided by third parties.


When CCT programs came to the government agenda in the beginning of 2000, an important issue regarding their design was the man-

2. "Boleto" is a kind of payment model whereby the total sum can be divided into monthly payments that are pre-issued and printed and can be paid at a bank or any correspondent banking agency. This form of payment is popular in Brazil among those who do not have access to checks or credit cards.

datory delivery of the benefit at the beneficiaries' location. Having the monopoly over the delivery of the CCT, CEF rapidly expanded its banking services to approximately 9.000 lotteries connected to its technological platform. Like so, it became possible for CEF to provide financial services to several municipalities that did not have any bank services points. Nevertheless, some municipalities were too small and remote for installing lottery shops, therefore, CEF decided to set up service points within local supermarkets, groceries stores, pharmacies, among other.

We can observe that the correspondent banking model's success is largely a consequence of the Central Bank's pro-activeness in amending the regulatory framework, as well as the CEF's willingness to operate in new markets for guaranteeing the payment of government benefits, especially that of CCT program benefit payments, but not excluding other government benefits, such as pensions, unemployment aid, and so on.

Another factor that contributed to the correspondent banking model success in Brazil was the standardization in 1980 of bill payments through a single instrument called "boleto" (Fonseca *et ál.* 2010), which allows clients to pay utilities bills issued by any bank at any banks. It integrated the interbank process; facilitating the implementation of correspondent banking. In addition, "boletos" do not involve a huge investment in technology as payment receipts can be made either by old mechanical authentication machines or PCs. The fact that every bill can be paid at any



bank has led to an intense traffic of costumers at regular agencies in the beginning of every month. Subsequently, the correspondent banking works as compensatory system, which helps alleviate payday traffic in banking agencies by facilitating the access of banking services not only for those who live in remote areas, but also for those located in large urban centers.

Another innovative experience related to correspondent banking is the one pointed out by Jayo and Diniz (2009). During the 1990s, given the Northeast region scarce bank coverage, utility companies in partnership with a leading drugstore chain designed a payment system that allowed the population to pay their utility bills (water supply, electricity and telephone) at the local drugstore. This business model represents a significant cost-effective solution for all stakeholders. Utility companies benefit from a more stable cash flow as more people pay their bills on time. The population benefits from a more affordable and convenient payment system. And, the retail store quickly raises its revenue by charging a small fee per paid bill, as well as from an increase in customer traffic. As this model does not imply much investment in terms of technology, its replication was viable when banks decided to include retail shops as an alternative channel for banking services. Since most banks were overwhelmed with bill payment collection of non-clients, this model was quickly adopted by most of the main retail banks, and it became soon regulated by the Central Bank un-

der the same correspondent banking regulation.

It is worth mentioning the Brazilian banking technology was a catalyst for the development of corresponding banking. Due to the significant investment made in information technologies, the Brazilian banking industry now has one of the most advanced banking technologies in the world providing conditions to the advent and growth of a correspondent banking system, as a low cost channel for the delivery banking services.

It is important to note that although correspondent banking can be seen as an interesting model to financially include the poor and rapidly reach conditional cash transfer beneficiaries, the government and the banking industry must work side by side with the population if they want to successfully replicate this model in other countries. The Brazilian case shows that correspondent banking has been able to expand throughout the nation as all stakeholders have worked together designing a model to suit everyone's needs.

Banks played an important role as during the 1980s and 1990s they created the standards for bill payments. This eventually allowed them to implement the "*boletos*" system and motivate non-clients to use the correspondent network for collecting the payments through this system. On the other hand, the government believed in the importance of designing CCT programs in which the benefit was to be delivered as close to the beneficiaries' homes as possible; and this was made

possible because CEF has the monopoly over the CCT delivery, control over the lottery network and capillarity through the correspondent banking model. The Central Bank led the deregulation process, while the banking industry facilitated the creation of an integrated network through the development of its own technological platform.

BOTTLENECKS OF THE CORRESPONDENT BANKING NETWORK

In spite of the advantages presented here, there are also some issues that to be addressed in order for improving and making the correspondent banking model more effective. On the supply side, main bottleneck relates to the costs of implementing payment networks efficient enough to cover remote and/or very poor areas, usually underserved by telecommunications infrastructure and which present little commercial interest for most traditional financial institutions. Efforts made by banks to expand their client base in many developing markets have helped build new channels, such as the correspondent banking model, for attending prospective clients in underserved areas through the development of low cost infrastructure. And, since the benefits for the banks were also tangible, investing in such infrastructure was quickly paid off.

While this new infrastructure may not be sufficient to provide 100 percent coverage of CCT program benefit payments, BFP has attained an effectiveness of 95 percent in delivering its payments to the poorest beneficiaries (Brandão 2009). Even if this percentage can be considered high in terms of efficiency, it

also means that the remaining 5 percent, the poorest, are the ones not receiving the CCT and for whom it would have a significant impact, especially regarding socioeconomic inclusion and general well-being. This coverage deficiency could be minimized by breaking CEF monopoly, so that other banks could take part in the CCT payment network.

From the over 5.500 municipalities in Brazil, around 250 have some kind of regular interruption in the continuous operation of CCT benefit payment channels. In most of the cases this happens because of correspondents that remain inactive for more than two days. There are also cases when retail stores operating as correspondents break the rules established in their contract with CEF (Brandão 2009). Liquidity mismanagement in a correspondent outlet can also cause lack of cash availability to issue payments, reducing the efficiency of the entire process.

On the demand side, the main problems revolve around the withdrawal of the benefit. In many cases it is too expensive for the beneficiaries to travel to the nearest retailer to withdraw their CCT. It also means waiting in line for a long time, which implies time and therefore money loss. From a technological perspective, the inexperience of card holders in dealing with electronic magnetic cards, passwords and self-service machines, such as electronic terminals, also represent a significant impact on the efficiency of the payment process.

LESSONS

As we have seen the Brazilian experience with the correspondent banking network model for delivering BFP's CCT can allow us to draw valuable lessons regarding the implications of implementing a correspondent banking network for delivering CCTs. Below we present the advantages and disadvantages of this model.

Advantages

Transparency, accountability, and better monitoring conditions

The correspondent banking system supports transparency in the measure that CEF has to generate a monthly payroll for the Central Bank so that it may issue a bank order and transfer the money to the BFP account. Through this system, MDS can monitor constantly the balance of the BFP account.

Correspondent's network decreases BFP implementation costs

The correspondent model has made BFP's expansion more viable by reducing implementation costs. The ICT-based model of branchless banking generates efficiency by saving on infrastructure and human resources. This model is also scalable and can integrate capabilities for delivering new financial services according to emerging local demands.

Stimulation of local economies through local consumption

The BFP payment via the correspondent model stimulates local economy in the short term as it increases spending and consumption in local

shops and warehouses. Research carried out in regions where the correspondent banking model brought the first local access to financial services emphasize relevant economic impacts due to the increase in local consumption.

Fewer possibilities for political use and fraud

The electronic BFP card used by beneficiaries reduces vote buying behavior at a local level. CEF is the only institution with control over the distribution channel of the CCT benefit. In addition, compliance with the BFP conditions is controlled by public servants, such as teachers and doctors in partnership with municipal government representatives, making it harder to fraud the system.

Integration of CCT beneficiaries to the traditional financial system

Since the correspondent model is operated by many players from the traditional financial system, its use as a channel for CCT benefit delivery is an important incentive for connecting such programs with the governments' financial inclusion goals. This connection relies on the banking institutions'—and other financial institutions involved—interest to develop better relationships and collect and use data produced at the correspondent level in order to encourage potential new clients among groups of beneficiaries.

Disadvantages

CCT payments made through an exclusive network

In the Brazilian case, as CEF is a state bank and has been historically responsible for deliver-

ing all kind of government benefits, it was a natural choice to make it the exclusive partner for managing the payment logistics for CCT programs. However, since the correspondent network is not exclusive to CEF, and many other financial institutions can operate a similar infrastructure, it could be an interesting initiative for the government to analyze both the pros and cons of such exclusivity. Competition and bidding to manage the service over a determined period could attract the interest of other financial institutions, creating stimulus to improve the whole process, increase its efficiency, and stimulate the financial inclusion of beneficiaries, goals that could be established by contract between the federal government and the banking institution.

Long-term economic development

BFP benefit payment via the correspondent model stimulates local economies in the short term, but it is not yet clear if it will promote economic development in the long run. In order to promote social and economic development, BFP beneficiaries must be completely included into the formal financial system, being able to access all banking services, such as overdraft, microcredit and insurance. In addition, if the BFP benefit is used as a collateral guarantee to expand access to credit, these resources could be invested in local productive chains ensuring a more sustainable economic development.

Poor management capabilities of retailers operating as correspondents

A significant part of the problems related to the difficulty of delivering CCT benefit pay-

ments through correspondents are due to the inefficient management capabilities of small retailers. Common problems, such as the shortage of cash and correspondent operation mismanagement, directly affect the CCT beneficiaries' access to their payments. Training and management support made available to small retailers could minimize such problems and guarantee higher level of efficiency.

Financial education and enforcement on consumer protection

The same way CCT beneficiary families should have incentives to be financially included; they should also have access to financial education. Financial products are abstract and not always easily understood by recent financially included, making them highly vulnerable. Problems related to over indebtedness and the misuse of electronic cards have been reported in areas where CCT benefits are delivered.

Poor infrastructure in remote areas

Infrastructure problems such as intermittent communication and electricity power instability significantly affect CCT payments in the most remote areas. Alternative sources of power and communication should be considered for areas with such vulnerability to ensure higher levels of CCT program delivery.

Further investigation

Focusing on the issues listed above could on the one hand improve the correspondent banking model, and on the other, make a more viable alternative for CCT programs. While many are matter of government policy;

they also require the involvement of financial institutions and civil society organizations. Researchers in areas such as social sciences, information sciences, business administration, and many others have the opportunity to make relevant contributions for improving CCT programs payment logistics, investigating social and economic impacts, the use and implementation of ICTs, business models, financial behavior and many other issues related to this very important instrument for fighting poverty.

Finally, below we present a list of concerns that we believe should be addressed:

On the supply side

- * Role of regulators in the dissemination of electronic payment methods.
- * Incentives and obstacles faced by financial institutions in exploring low income markets.
- * Technology infrastructure improvements in the correspondent banking model needed in order to guarantee payment efficiency.
- * Develop mobile payment clearing process models.
- * Investigate innovative business models and network integration organization alternatives.

On the demand side

- * Adoption of electronic payment methods by the low income population.
- * Financial education models that can be implemented and replicated.

- * Development financial services more suitable for the poor.
- * Impacts on local economy due to the expansion on financial services.
- * Creation of incentives for low income population to fully use bank accounts and formal banking services.●

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