SADC
Financial Inclusion Indaba
Report
23 and 24 July 2015
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REPORT OF THE SADC FINANCIAL INCLUSION INDABA, HELD AT THE BALALAIKA HOTEL, 20 MAUDE STREET, SANDTON ON THURSDAY, 23 JULY and FRIDAY, 24 JULY 2015 AT 09:00

DAY 1: THURSDAY, 23 JULY 2015

1. WELCOME, OBJECTIVES: Indaba Facilitator: Mr. Kennedy Khomba: Senior Advisor, Bank of Tanzania

1. The creation of inclusive financial markets that work for the poor have an important contribution to make to reduce poverty and unemployment in the SADC region and to boost inclusive economic growth. It is estimated that a significant 42 percent of the 280 million people living in the SADC region live in abject poverty and part of the process to alleviate the situation is through financial inclusion.

2. The objective of the inaugural SADC Financial Inclusion Indaba is to bring together policy makers, financial sector stakeholders and development actors to discuss opportunities and challenges that need attention and action for pro-poor growth and development.

3. The indaba was hosted jointly by the South African Department of National Treasury, SADC Secretariat, FinMark Trust and the SADC Banking Association and was sponsored by the Belgian Government. The hosting organisations have each made very specific contributions to promote financial inclusion. For instance:

3.1 The South African National Treasury has developed a policy framework towards financial sector reforms, established a financial sector to serve South Africa better, balanced financial stability and financial inclusion whilst taking into consideration the need for consumer protection.

3.2 The SADC Secretariat, the regional body which is the key structure that coordinates regional issues particularly regional integration and poverty alleviation, has prioritised financial inclusion as a key important strategic initiative for inclusive growth and industrialisation.

3.3 FinMark Trust has been providing the tools for policy makers to make informed policy decisions at national and regional levels. It is the only FSD which has a regional programme. Through its work, FinMark Trust has demonstrated that sustained and inclusive growth requires innovation and creative thinking for the development of appropriate products and services that can benefit the poor and other vulnerable groups. With its strong stakeholder engagement capacity, FinMark Trust has been able to catalyse support for placing financial inclusion as a key building block for inclusive growth.

3.4 SADC Banking Association in representing the supply side. Banking services are relevant to ensure financial inclusion is not hampered through providing a regional coordinating process and ensuring policy reform relating to the banking sector is geared on a regional level.

4. The co-hosts' contributions towards financial inclusion resonated the objectives of the indaba which were underscored by the following three main courses of action:

4.1 determine the political agenda as it relates to financial inclusion in different sectors like SMMEs, gender and the youth and how to make access to financial services to them

4.2 share experiences by networking in order to take the financial inclusion agenda forward

4.3 consider different scenarios that could pose risks to financial inclusion and to find ways to mitigate the risks.

2. **OFFICIAL WELCOME ON BEHALF OF THE HOSTS**: Dr. Themba Mhlongo: Deputy Executive Secretary, SADC

OBJECTIVE: Why is financial inclusion a RISDP priority and how does it fit in with SADC priorities?

2.1 Dr. Mhlongo officially welcomed the indaba delegates on behalf of the hosts. In his remark he traced back the development of the SADC Indicative Strategic Development Plan (RISDP) and explained why financial inclusion is a RISDP priority and how it fits in within the SADC overall agenda. He then indicated that the agenda of SADC is informed by local, regional and global trends in terms of development. This year, the millennium development goals – launched in 2000 to make global progress on poverty, education, health, hunger and the environment – expire. UN member states are finalising the sustainable development goals that will replace them. Post 2015, inclusive and sustainable growth and development will become targets of the SDGs.

2.2 The constraints that hamper development in the Region have been identified and include:

2.2.1 access to finance especially by SMMEs and smallholder farmers
2.2.2 infrastructure related challenges like electricity and water shortages
2.2.3 the lack of peace and security
2.2.4 the capacity and skills shortages in critical investment area

2.3 The SADC RISDP which is an overall policy framework is a long-term 15-year strategy that was implemented in 2005. The plan was recently reviewed after 10 years of implementation. In view of the new emerging development issues, it was decided to recalibrate it for the 2015/2020 period. It now consists of 4 pillars which are:

2.3.1 **Pillar 1: Industrial development and market integration**. The objective of this pillar is to enhance regional trade through industrialisation and market expansion. It is a long-term industrialisation strategy aligned to the AU agenda and approved by the SADC Heads of State. The vulnerable position of SMMEs and smallholder farmers that constitute 80 percent of the informal market and 80 percent of the agricultural sector respectively was recognised and will be addressed under the pillar. The priority deliverable during the 2015/20 period is the SADC regional strategy for financial inclusion which will be developed in partnership with FinMark Trust by 2016. The regional financial inclusion strategy will also be informed by the Finance and Investment Protocol developed previously to drive financial integration.

2.3.2 **Pillar 2**: Infrastructure for regional integration. The cost of the infrastructure strategy is about US 65 million.

2.3.3 **Pillar 3**: Framework for peace and security. The pillar is not cheap but without it development would not be possible.

2.3.4 **Pillar 4**: Dimensions of regional integration that includes the issues of health, education and skills.

2.4 In conclusion the Deputy Executive Secretary:

2.4.1 Expressed his gratitude to the Minister of Finance for gracing the Indaba with his presence
2.4.2 Thanked Finmark Trust, the South African Treasury and the SADC Banking Association for partnering with SADC Secretariat in the organisation of the Indaba
2.4.3 Thanked FinMark Trust for its continued support to the SADC Secretariat, especially for accepting to provide technical assistance for the development of the SADC regional financial inclusion strategy
2.4.4 Expressed his gratitude to the Belgian Government for funding the Indaba

3 KEYNOTE ADDRESS: WHY FINANCIAL INCLUSION? Mr. Nhlanhla Nene: Minister of Finance, South Africa

OBJECTIVE: Establishing the importance of financial inclusion for economic growth and poverty reduction

3.1 The Honourable Mr. Nhlanhla Nene, Minister of Finance of South Africa acclaimed the indaba as an important step for regional economic development which often begins in such forums through sharing of information, best practice and innovation on what can be done to ensure sustainable inclusive growth to benefit the people. To this end, it would be important to establish the correlation between financial inclusion and inclusive economic growth and poverty reduction. Many countries which in the recent past have introduced reforms to promote inclusive growth have witnessed an overall improvement in reducing inequality and improving the livelihoods of the poor

3.2 Economic activities in the region have diversified in the past decade attracting increased direct foreign investment in ports, energy and transportation that has ensured a robust regional growth. The expected regional growth of 5 percent over the next 3 years is exceptional and better than the average growth in the rest of the world.

3.3 However many people remain excluded from the mainstream economic activities besides the prospect of economic growth. The reasons include that improvement in an economy does not always translate adequately into sufficient opportunities for the poor and low-income households to improve their standard of living. It is important, therefore, in the pursuance of development for countries to create fully inclusive economic environments in which all people can participate and derive benefit from.

3.4 The Minister referred to the RISDP and the post 2015 development agenda SDGs and their common theme of inclusive growth so that no one is left behind. A key element and constraint of the development agenda of the region is financial inclusion which is the provisioning and use of regulatory financial services by those segments of society where financial services are needed but not yet adequately provided. Appropriate access and usage of financial services by individuals, households and SMMEs can go a long way in improving welfare and financial viability of enterprises.

3.5 The 2014 global financial database shows that financial inclusion has improved and progress has from a regional point of view been made in Sub-Saharan countries seeing penetration of 34 percent in 2014 compared to 24 percent in 2011. The statistics are based on individual surveys in the region. For instance, in Malawi financial inclusion increased from 26 percent in 2008 to 34 percent in 2014 and in Tanzania financial inclusion increased from 16 percent in 2009 to 57 percent in 2014. This is quite encouraging, but the overall figure of financial exclusion remains unacceptably high.

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3.6 Many people still do not have savings accounts, nor do they receive credit from formal credit providers, they do not have insurance and rarely make or receive payments through formal institutions thereby increasing their financial vulnerability. Appropriate access to financial services could empower the lower income individuals to allow them to better participate in the economy, to actively engage in their own development and protect themselves against economic shocks.

3.7 It has become common for people in the current global society to migrate to other countries in search of a better life. South Africa for example is a destination country for many in the SADC region looking for better opportunities. It has a positive effect on the economies of both the home and host country with the host country benefiting from the productivity and the work of the migrants and the home country from the transfer of resources by the workers. For many people such money transfers represent the first engagement with the financial service industry. A study conducted in 2012 estimated the SADC remittance market at R 11.2 billion annually of which 60 percent or R 7.6 billion was through informal channels as many migrants cannot access the formal channels.

3.8 Studies show that remittances encourage financial inclusion and contribute to poverty reduction but the use of informal remittance services has the adverse implications of compromising the integrity of the formal remittance system and particularly the low income migrants using the informal means of remitting funds facing the high cost of the method and the higher risk associated with it.

3.9 There has been notable efforts to improve the situation in the region like the efforts to reduce the costs of the formal remittance services and making it more accessible but it needs to be taken further. In this context, there is a need for a policy approach that balances regulation and the risk of exclusion.

3.10 Initiatives to better financial inclusion include:

3.10.1 improving access to financial services

3.10.2 Traditional distribution channels have been unable to increase the levels of access meaning there is a need for greater use of other distribution models. The role of technology has however with few exceptions been limited. Physical infrastructure remains a challenge in providing and sustaining access to financial services in the region and many people in rural and remote areas remain unserved. Maximum use of technological enabled services could provide the best opportunities to provide a wider reach of financial services as 70 percent of adults have access to mobile phones of which only 23 percent have access to mobile money.

3.10.3 Private sector could take advantage of technology by adopting methods to leverage technology platforms and regulators should enable the environment to allow financial institutions to take advantage of technology innovation while at the same time ensuring the financial system is stable and that consumers are protected.

3.10.4 Proper risk management, support mechanisms and human interaction environments remain necessary to drive sustainability.

3.10.5 educating and protecting consumers

3.10.5.1 Financial consumer education and consumer protection play a critical role in encouraging sustainability of financial inclusion as the improved understanding of costs, benefits and risks of the financial services increases the likelihood of beneficiary use of appropriate financial services. The continued and beneficial use of financial services will also be indicative of the manner in which financial services providers interact with the users of financial services. It is therefore important that consumers be treated fairly at all stages of their relationship with financial services providers to ensure financial inclusion is optimal.

3.10.5.2 Regulators, when developing consumer protection and market conduct regulations, must aim to ensure that characteristics of products offered to low-income households and small entrepreneurs are appropriate and not exploitative.

3.10.6 collecting data

3.10.6.1 The ability, in order to measure and monitor the complete state of financial inclusion in countries, must be developed to understand people’s experiences of and their interaction with financial services.

3.10.6.2 Data relating to financial inclusion would play a crucial role to make a quantified assessment of the current state of financial inclusion. It would inform policy and market interventions and assess progress in terms of which interventions could be adjusted to obtain the desired outcomes.

3.10.6.3 Data that reflect the capacity that financial institutions has put into place or are utilising to provide financial services is also necessary to complete the picture of financial inclusion. FinMark Trust to this end has assisted to tweak the insight into people’s financial needs, their financial behaviour and how it is affected by financial services.

3.10.6.4 The most appropriate agencies to collect data are typically regulatory authorities. The regulatory agencies are therefore encouraged to start collecting data from the institutions they supervise.

3.10.7 balancing the objective of financial inclusion with other policy objectives

3.10.8 There is a view that financial inclusion efforts will negatively affect other policy objectives like financial stability, financial integrity and consumer protection. However if it is approached from a systemic perspective the opposite will be true. The approach to financial inclusion should not just be about ensuring that financial services are accessible to all but it must also balance the policy objectives to ensure responsible and sustainable advantages.

3.10.9 The policy objectives for example of:

3.10.9.1.1 owning a financial system that is safe and maintaining financial stability is key but it will limit competition and innovation in the market if it is the only objective

3.10.9.1.2 consumer protection may also be in the financial services provision and focusing only on it will be a duplication of the objective

3.10.9.1.3 promoting financial integrity alone may well lead to a high cost of financial services provisioning.

3.10.10 The balancing of the objectives must be done at policy level striving for complementary objectives instead of looking at the objectives in isolation.

3.10.11 approaching financial inclusion

3.10.12 The approach to financial inclusion must be holistic i.e. it must form part of a compendium of complementary developmental programmes of education and enabling environments and poverty eradication to make a positive change to the lives of the poor.

3.10.13 Financial inclusion should be approached being mindful of the fact that countries have different provisioning environments which requires different financial inclusion strategies and interventions.

3.10.14 The event could be a mutual forum to provide a platform to enhance the countries' respective approaches through sharing of financial inclusion experiences.

3.11 The Minister expressed the hope that:

3.11.1 countries will consider further development of financial infrastructure as the richness of a shared infrastructure will enable greater financial inclusion across the region and the affect will be enhanced where the regional infrastructure is complemented by compatible national financial infrastructure

3.11.2 endeavors will be aimed at ensuring that all people have access and use of appropriate financial services and in striving to build a better life for the people that financial inclusion is part of the reforms.

3.12 He concluded by wishing the conference well in the deliberations during the event and urged the delegates to present the outcomes to the Ministers of Finance in their respective countries with the objective of making financial inclusion an integral part of the SADC agenda.

4 PANEL DISCUSSION: LOCATING FINANCIAL INCLUSION IN GLOBAL AND AFRICAN DEVELOPMENT AGENDAS, UNDERSTANDING THE STATE OF PLAY IN SADC AND AN OVERVIEW OF FINANCIAL INCLUSION INITIATIVES AND OPPORTUNITIES: Moderator: Mark Napier, Director, Financial Sector Deepening, Africa

The Moderator, Mr. Mark Napier by way of introduction explained the role of FSD Africa in promoting financial inclusion. He emphasised the need for skills development to deal with the various facets of financial inclusion. He then outlined the objective of the panel discussion and requested each panelist to provide their inputs

4.1 TRENDS IN GLOBAL FINANCIAL INCLUSION: Mr. Norbert Mumba, Deputy Executive Director, Alliance for Financial Inclusion

1. <u>Background</u>

AFI is a global policy-driving network of 126 policy makers from 24 countries representing 85 percent of the world’s unbanked population. Policy makers have developed policies within their national jurisdiction that relate to access and financial inclusion but the focus in future will be about sustaining financial inclusion with a focus on capacity building and providing technical assistance to ensure responsible, quality inclusiveness.

2. Scope of Work

Sub-Saharan Africa that includes the SADC region has been key in terms of the number of policies that have been developed of which 70 percent related to digital financial services in respect of delivering on technology and delivering services to the poor.

3. Findings

The global trends that were shared from a member perspective reflected that members:

3.1 who collected core set indicators i.e. data indicators of levels of inclusiveness within their national jurisdiction tends to outperform the countries that do not collect data therefore making data collection a priority

3.2 with national demand side surveys perform at slightly higher levels of financial inclusion than the countries that have not undertaken the surveys

3.3 with agent banking services for example where stores in the village become points of service have substantially higher levels of financial inclusion than those who have not introduced the services

3.4 who allow remote account opening through for example mobile devices have substantially higher levels of financial inclusion than those who insist on individuals coming to the branch with supporting documentation. It does however involve a risk factor

3.5 with consumer education and protection policies in place saw higher growth of financial inclusion that reflects on the issue of responsible inclusiveness

3.6 who don't have national identification systems affected the levels of inclusion adversely albeit slightly

3.7 who have established a taskforce for financial inclusion and who have kept the public informed have also seen higher levels of financial inclusion.

4. Assumptions and Recommendations

4.1 Financial inclusion can be driven through smart policies

4.2 Technology must be enhanced to deliver in the rural areas

4.3 The data showed a reduction in inclusiveness but what is important is that the agenda has remained intact

4.4 Gaps include that regarding gender in respect of which a strategy must be developed to address it

4.5 The level of financial inclusion is driven by the private sector but there is a need for regulators and policy makers i.e. the public sector to coordinate the private sector for sustained inclusion. The public/private dialogue has been established to this end where the private sector interacts with the public sector on what works and identifying constraints that results in financial inclusion failing.

5. The SADC countries are all members of AFI meaning that SADC can leverage off the information.

4.2 FINANCIAL INCLUSION TRENDS, CHALLENGES AND OPPORTUNITIES IN THE SADC REGION: Dr. Prega Ramsamy: CEO FinMark Trust

1. On the basis of experience gained since 2002, FinMark Trust has embarked on a new 2015-2020 strategy anchored on the following:

1.1 Regional financial integration

1.2 Regional Financial inclusion

1.3 Global thought leadership.

Harmonisation of policies and regulatory framework provide a great opportunity for the consolidation of the SADC region into a wider economic space with better cross-border financial services. FinMark Trust continues to provide evidence-based research and stakeholder engagement to facilitate regional financial integration and inclusion. The situation in individual SADC countries is quite uneven in terms of financial inclusion as indicated in the Country Comparison Access Strand just released by FinMark Trust. For instance the banked population ranges from 85% in Mauritius to 12% in the DRC. The highest level of excluded population (60%) is in Mozambique followed by DRC with an excluded adult population of 52%. In Zimbabwe only 30% of the population are banked, but the financially included population is 77% indicating that 47% of the population have access to formal non-bank and informal financial services.

2. In the SADC region as a whole 34% of the adults representing 41.9 million people are excluded from financial services. Out of the 66% (83.5 million individuals) of the financially included, only 36% (45.7

million) adults are banked, while 18% (22.7 million) adults use formal non-bank financial services and 12% (14.4 million) adults use only informal financial services.

Out of the 51% of the SADC adult population which save, only 11% save with banks. The rest either save at home (17%) or through other non-bank formal (6%) or informally (17%). Very few people have access to formal and informal credit with 68% of adults not borrowing at all. This is quite alarming as lack of credit facilities seriously hamper growth and the development of small businesses and small holder farming. The situation is the same for insurance with 73% of the population not insured. The lack of safety net poses quite a risk for the poor as they are likely to fall back or remain in the poverty trap, especially during emergencies or crop failures.

Remittances play an important role to maintain livelihood. According to a study by FinMark Trust
The 3.1 million migrant workers in South Africa remit R 11 billion annually to their home countries. Some R 7.5 billion is remitted informally for various reasons. Those who remit informally often quote the high cost of remittance via the formal sector as the most constraining factor followed by the documentary evidence required by the banks which often are not available. With regard to cost, it was pointed out that since 2012, the cost of remittances from South Africa has been reduced considerably but still remains quite high compared to formal non-bank remittance channel through outlets such as Shoprite which FinMark Trust has facilitated. The cost for sending up to R5000 to Lesotho through Shoprite is only R9.99 compared to an average of R200 by the banks.

It is important in going forward to understand the reasons behind the uptake and usage of financial services and how to improve access, especially in the rural areas. It is only on the basis of such understanding that corrective measures can be taken. Institutions like FinMark Trust can play a critical role in providing the necessary information to improve the understanding of policy makers, regulators and financial service providers on the financial market.

4.3 CURRENT FINANCIAL INCLUSION INITIATIVES AND APPROACHES IN SADC, MAKING ACCESS POSSIBLE (MAP): Mr Doubell Chamberlain: Managing Director, Centre for Financial Regulation and Inclusion

1. <u>Background</u>

Cenfri is a non-profit think tank which supports financial sector development and financial inclusion through facilitating better regulation and market provision of financial services. It does this by conducting research, providing advice and developing capacity building programmes for regulators, market players, and other parties operating in the low-income market. It acts as theme co-ordinator for FMT in payments and micro-insurance. Cenfri is also involved in Making Access Possible (MAP) as part of a partnership with the UNCDF and FMT. MAP was designed to take a client-centric view to understand and drive financial inclusion at a country-level, and ultimately to inform regional and global debates. The demand-side methodology of MAP provides a granular view of financial services usage, using qualitative and quantitative approaches that segment the population into discreet target markets, and thus allowing for a more nuanced understanding of needs and behaviours.

2. Observations

2.1 Observation 1: The opening observation in terms of the financial inclusion debate was that the real economic issues and financial sector development must be included in the discussion in order to address it more holistically. Financial inclusion for a large part has dealt with the retail financial services component but aspects like capital markets that play a fundamental role in the real economic growth must also be considered. The assumption so far has been that financial services can make a difference to SMMEs or agriculture but it was found that the link is not that clear and that it has not worked that well. The strands that have shown that financial inclusion is maturing need to be investigated.

2.2 Observation 2: The inclusion debate is still too focused on access to bank accounts. It is misleading in that it does not reflect on the contributions of the other products that promote inclusion or on the needs of the underlying sectors. A combination of the formal and informal financial services as depicted by the FinScope surveys show a more even picture and identify that there are other players in the market and other needs that are being addressed.

2.3 Observation 3: Progress in financial inclusion could be overstated because the take up percentage against the usage percentage is misleading. The dormancy rate of bank accounts is as high as 30 percent and that of mobile money high at up to 70 percent or alternatively the usage is low.

2.4 This could be the result of a variety of factors such as individuals do not find value in the use of accounts or mobile money or the payment system does not support the type of use that is in demand

2.5 Observation 4: The business model to make the payment infrastructure work is not incentivised by current regulation. The balance between cost and value needs to be reconsidered to address on the one hand the person forced to receive his salary through a bank account being worse off than the other not having a banking account and on the other hand making cash free or the cost so low that the banking sector lose revenue. The unintended consequence could be limiting financial inclusion. The ultimate propositions must make sense from a client and business model perspective as cheap does not necessarily mean value.

2.6 Observation 5: Informality has persisted despite the growth in formal financial services and in some ways the growth of the informal sector counteracts the growth in the formal sector. The assumption is that financial services do not address the core needs. Informality and localised financial services like village level savings associations set the threshold for formal financial services in Malawi. The interesting observation is that informality may not be as informal as it seems like the dual regulatory framework that exists in Mozambique. The formal regulatory framework applies to financial services like the banks and the additional system which is also codified applies to the informal sector like the micro- lenders that are taken to task in the courts.

4.4 DISCUSSION:

1. Question 1: The real question is around coordinating mechanisms like steering groups or facilitating agents that are required to initiate the change process. It appears to be about localised financial markets meaning that the push will have to happen at that level. How can it be done?

1.1 AFI

Financial inclusion should start from inclusive growth. National strategies must be inclusive of all stakeholders and brought into the national framework and the financial inclusion agendas should be driven from within the national frameworks. The respective national protocols for financial inclusion must be considered for a regional perspective to address areas where there is no deliberate financial inclusion through identifying the issues that must be addressed like peer lending and driving costs down whilst allowing private sector to respond to it and still be competitive.

1.2 CENFRI

Leadership and local ownership is required to effectively create coordination and some financial inclusion policies are not sufficiently locally orientated i.e. that they make sense in the local environment and gaps often exist between the policies of government and the banks. Having a financial inclusion policy does not mean a policy maker was involved as policy makers are often missing in the SADC context leaving central banks to lead because they have the capacity to do even though they don't have the mandate to reconcile the various objectives and to facilitate it.

1.3 FinMark Trust

A mix of a top down and bottom up approaches should be adopted in determining what drives national financial inclusion strategies in the SADC region. This approach is more inclusive and allows end users to engage meaningfully with policy makers and financial service providers for a more comprehensive national policy framework.

1.4 Facilitator: Political leadership is also critical in the light of the reference that has been made to equitable societies and inclusive growth that adds a political flavour to the discussion.

1.5 Audience

1.5.1 SADC Banking Association: Commitment by the regulators i.e. political commitment is important and should cascade down. The question is, however, whether it would be seen as a barrier or as being fully committed to the issue.

Response: The political commitment is present as SADC Heads of State and Governments are explicit that the RISDP should include a component of financial inclusion. The real challenge is the turnaround rather than lack of commitment and how to coordinate efforts among the key stakeholders like the Central Banks, Ministries of Finance and regulators for non-bank financial institutions.

1.5.2 Better than Cash Alliance: Coordination is not possible unless the vision is clear. If the aim is for inclusive and equitable growth then the vision is for an inclusive digital financial ecosystem. It would be a lot easier to collaborate and coordinate.

1.5.3 Banking association of Malawi: The question of coordination relate to the regulators of insurance, pension, banking, consumer protection and other areas. A taskforce must be established to look at the long-term strategy of the SADC agenda on financial inclusion. However, it would be important to have the TORs for this task force and how it will be funded and managed.

2. Question 2: What are the regulatory constraints for financial inclusion in the SADC region?

AFI:

People use a bank account and other formal products and the informal service. It is evident that multiple service products are being used and that the informal sector coexist alongside the formal sector.

3. Question 3: What is the impact of the twin peaks regulation in SADC?

CENFRI:

There are two underlying issues which relate to the beginning of the reorganisation of the financial sector i.e. that it is not just about market conduct and credentials but also about new players like retailers, telecoms and insurance. The regulations will have to be reformulated but the regulators and the policy makers have competing objectives that are not aligned. Complex regulatory frameworks are being created but then everything is exempted to make it work for the bulk of the economy. It should be about taking ownership and calibrating it to the domestic priorities. It is at the heart of coordinating and reconciling objectives with a limited capacity.

4. Question: SADC Secretariat: Of the 41.9 million people that do not have access, how many are women and how is it addressed? How many women have access to credit? Women are most disadvantaged because they face the most constraints.

Response: The problem is persistent but through the G2P grant payments, women are receiving grants through bank accounts which is the start of a process to provide access to women. A gender conference is taking place where a draft policy is being tabled to close the gender gap. The levels of inclusiveness have escalated with more women coming into the financial system but the gap between men and women remains the same.

5. Concluding Remarks: What are the top 2 constraints or issues that the panelist wants to see significant progress on that would achieve a transformative effect in terms of building financial inclusion?

5.1 The conflict between policies and financial inclusion must be addressed.

5.2 Digital financial services will drive financial inclusion but consumer empowerment hold the key to it.

5.3 Cash must precede digital as digital will be achieved through cash and it must be solved logistically.

5.4 The regulatory environments must be calibrated on a developing country evidence basis.

5.5 National Identification

5.6 Data collection

6. OPPORTUNITIES FOR FINANCIAL INCLUSION: (Opportunities to increase financial inclusion, blockages and trends in the key aspects/sectors of financial inclusion): Feedback from the Panel Discussion

6.1 Payments/digital finance/savings: Facilitator: Mia Thom: Engagement Manager (Cenfri):

1. It emanated from the workshop that proximity to clients is a challenge at the lower end of the market and that it is expensive for clients to reach any kind of financial services.

2. The cost of accounts from both a client and provider perspective was discussed with specific reference to:

   2.1 increasing the amount of savings from both a business and client perspective. Savings, particularly formal savings could be better accessed if a payment eco system is in place otherwise it would be too expensive

   2.2 banks that were making a loss of up to US 2.79 per account. A business model must be developed to make it viable for the private sector to be interested in the space.

3. The focus was also on access and usage and accordingly how channel and product development could facilitate it.

   3.1 Channel development implied consideration of bank and mobile agents. The key points were that:

      3.1.1 agents do play a key role but that they would have to be managed. Their role would be important in driving usage, face-to-face interaction with customers unfamiliar with the formal financial services to become comfortable with it, educating customers and encouraging them to make the best use of the product by demonstrating the benefits and the value proposition of the product. It is not just account origination and a servicing role

      3.1.2 mobile would play a role to facilitate access but that it should be noted that up to 33 percent of accounts in the mobile space is inactive of which the banks carry the cost. It was recommended that research be increased in this regard to include the usage of accounts i.e. not just opening savings accounts but also about saving and the number of transactions to drive revenue from a business case perspective.

3.2 Product development implied considering that the clients in the lower space are not the same as the clients at the top end of the market, how the people differ and how to manage their needs. Some of the products that have been developed relate to the need to manage oneself to prevent spending ones savings whilst another product was for leveraging informal groups and acknowledging that in some sectors the formal sector is going to struggle to deliver what the informal sector is delivering. It is about the sense of community and the sense of responsibility towards fellow informal group members to continue contributing.

4. A strategy of creating awareness to encourage saving was discussed through:

4.1 sms communications by asking the question of whether the individual was saving in order to instill the idea

4.2 education via a wide range of approaches to educate people to realise the benefit of saving, manage the difficulties in respect thereof and on the options

5. It was agreed that regulations must be balanced particular in respect of:

5.1 the KYC requirements that are onerous as some countries do not have a population register, national identity or formal addresses. It must be managed to facilitate access to financial services

5.2 achieving a level playing field for both mobile and bank provision of savings and payment products to ensure the consumer is ultimately protected and that the system functions as best as it could

5.3 the question of consumer recourse like consumer protection, consumer education and financial literacy

6. It was agreed that trust remains a critical component to consider to ensure the client ultimately benefits from the products as much as it is critical to ensure that the business model makes the proposition viable for providers.

6.2 Building responsible credit markets

1. It was not possible to formulate a definition of a responsible credit market but it was agreed that building responsible credit markets had to be a joint effort between private sector, the regulators and the key players in the market as it would ultimately lead to a financial stable credit market. The question was however how to deliver the credit markets and whether regulation precedes the market

or whether the players in the market drag the market i.e. do the regulators or the market take the lead.

2. It was not only creating markets that was considered but also the unintended consequences:

   2.1 for consumers entering the market. Credit markets that are sustainable and socially beneficial to all the players in the market must be built. Consumer protection and managing risk go hand in hand meaning that the players must be aligned. It calls for better regulation

   2.2 from a demand point of view in terms of the credit products that are available in the market and whether the products are appropriate for the market. It was found that the credit products in each country differ from the other for example in Mozambique where the larger population are self-employed and would therefore use credit for building small businesses as opposed to for consumption purposes.

3. The issues that were considered critical to address included:

   3.1 KYC regulation

   3.2 credit providers understanding the risk of the credit market i.e. how to identify, assess and mitigate risk and make good credit decisions. For this purpose as much information as possible was needed that could be achieved by building an open data environment and sharing the data in the region. Some countries work on a voluntary basis whilst others work on a basis whereby it is compulsory to share data. The critical question was in respect of who could access the database and the purpose for which the information could be used. It was found in the absence of regulation the element of trust was important.

4. The opportunities identified:

   4.1 from the borrowers point of view were that borrowers have access to financial services and can use the credit portfolio as a tool to negotiate prices or to get a better rate

   4.2 for the drivers of credit was the return on investment.

5. On the question of establishing credit bureaus and whether it should be privately owned, publicly owned or a hybrid, it was suggested that since there are private credit bureaus in all the countries, it would be appropriate to have an association to regulate credit in the region setting out standards of credit reporting similar to the SADC Banking Association.

6.3 Managing risk: Regulating for Inclusive Insurance Markets (including microinsurance)

1. The discussion focused on the regulatory aspects of the insurance market products with a focus on distribution with inputs from the private providers and regulatory representatives. Two broad questions were posed being what a well-functioning insurance market looks like and how it typically evolves. The purpose was to assess the level of development to determine how to take the next step i.e. how to grow the insurance market from where it is currently.

2. To this end it had to be decided what is required in terms of product evolution and distribution models with the focus on distribution as a key enabler and what is involved from the regulator to enable the process.

3. The observations included the following:

   3.1.1 SADC is constrained in terms of insurance market development with half of the market at a 3 to 4 percent penetration level in terms of formal insurance

   3.1.2 those that are moving to a more mature state of market development are still only at 15 to 20 percent penetration that is largely driven by a demand for funeral insurance followed by compulsory insurance like third party and vehicle insurance.

3.2 The models facilitating current developments were identified as:

   3.2.1 particularly funeral insurance

   3.2.2 the nature of the product that results from the specific drivers of demand for the product

   3.2.3 development of insurance awareness of demand that is linked to the conversation around the funeral insurance and in parallel a demonstration of the value of insurance to the consumer market as well as the second channel of development of a sustainable insurance business model.

3.3 The other part of the discussion related to distribution and accordingly looking at the:

   3.3.1 traditional model of insurance distribution which is directly in the hands of the insurer making direct input into promotion but often at a high cost and in respect of areas that are not necessarily able to reach the mass market

3.3.2 partnership aggregator based model using aggregators however it does not make sense for insurance market development. Products are largely simple like funeral insurance. Insurance market development maturing from a simple product to a wide portfolio of products is based on a pull in demand from the client base as well as looking at the perfect product in the space.

3.4 The question that followed was whether it meant becoming directly involved or whether the more traditional model of direct insurance and direct insurance company involvement would apply. It was found upon looking at traditional models and how they function that the cost basis would be high and even higher where agents are required to provide advice on the product as they would need a certain minimum qualification in order to do it and at a higher salary to give the service. The net effect is an expensive model. A cost-sharing model could be considered through partnering with a broader provider and training its own agents and ensuring compliance. This model makes more sense than collaborating in an aggregator model and provides the opportunity of going into the direct space driving forward further product development and new customer acquisition.

3.5 The regulatory side and looking at what new insurance regulation was needed to facilitate innovation as opposed to matching innovation to suit current legislation was considered. It involved looking at the complexity for the regulator having to service something that is new and innovative and having to retrofit it into the current regime for example the banks and deciding whether they are agents or brokers, how to facilitate them acting as an agent or bringing in a third party broker to link the relationship.

3.6 The main considerations therefore were:

3.6.1 compliance vs cost effectiveness i.e. the agent facilitating advice at a higher cost vs the agent that is able to sell, the regulatory requirements attached to influencing clients to buy vs marketing sales where there is not as much influence and the risk associated to marketing as it could end up in giving advice

3.6.2 the regulatory burden in respect of innovations whilst ensuring the market is running effectively.

DAY 2: FRIDAY, 24 JULY 2015

1. RECAP OF DAY ONE

The key outcomes from the discussions on 23 July 2015 include:

1. SADC's programme to assist countries to implement financial inclusion in 2016

2. the message by the Minister that the outcomes of the meeting must find its way to the Council of Ministers of SADC and that the Ministers must use it to enhance the political programme and political will relating to financial inclusion

3. market development which is key for enhanced financial inclusion. The challenge is about the skills and capacity required for market development

4. the words that must be taken forward for the next 5 years being:

   4.1 balancing policies and the financial inclusion agenda

   4.2 digital financial services that will be a driver for financial inclusion over the next 5 years

   4.3 consumer protection that is key to build confidence

   4.4 cash light programmes, initiatives, research and data

   4.5 KYC i.e. national identification facilitation.

5. KYC was raised as an issue for the supply side because every time a client requires a new service they require KYC. It was proposed that a centralised database for a one stop KYC that is accepted in the industry be considered. National ID could assist towards achieving it

6. creating a policy, legal and regulatory environment that is financially inclusive that cuts across the sectors is key

7. the credit referencing related issue in terms of which a specific SADC credit reference application was proposed to create a standard to extend across the region

8. countries and research institutions must develop financial inclusion data as it is key to drive evidence based policies

9. different countries sharing experiences as it is a key factor to drive financial inclusion.

2. UNDERSTANDING THE CHALLENGES REGULATORS, PRIVATE SECTOR AND CONSUMER PROTECTION PLAYS IN DRIVING FINANCIAL INCLUSION

2.1 The role and challenges of the policy maker/regulator in promoting financial inclusion

1. The point of departure was the link between what is generally regarded as financial sector policy being stability, integrity, micro protection and inclusion. The components impact on each other and therefore in the formulation of a policy and policy interventions the links need to be predetermined as far as possible and the effects monitored once implementation has taken place.

2. Aligned to that is the proportionality of regulation. The concept that exactly the same set of regulations can apply across various market segments and that it would lead to optimal outcomes does not work. The guideline to get the balance between the 4 pillars right is to have appropriate proportionality of regulation interacting with the market as well as the legal structure.

3. Various countries have a number of regulators in the financial services field and taking financial inclusion forward in a sustainable way would require constant dialogue between the regulators.

4. Reference has been made to the concept of the financial ecosystem which means that policy makers or regulators need to look at all the elements in the ecosystem, the services that are offered and consumed, the physical and legal environment and take everything into account before formulating a policy intervention so that the intervention have the desired outreach.

5. Mention was made of the multiple stakeholder forum where all the major stakeholders could on a regular basis discuss taking financial inclusion forward so that it has the optimal societal impact and make a difference in the quality of the lives of people.

6. Financial services policies need to be informed by data. The assessment must be as strong and as quantitative as possible of what the current situation is to determine the interventions that are required, what the policies are lacking or identifying policy interventions that did not have the desired effect. It can and should be used to get the right trade-offs for the various policy imperatives.

7. The legal environment i.e. the laws and regulations constructed to guide the provision of financial services needs to be flexible and needs to be done in a modern way so that it does not preclude the introduction of new services, new service providers and new classes of service providers. It should be allowed to happen and once the impact on the market has been observed the interventions can be

developed instead of predetermining the way it should happen as it will stifle innovation.

8. Monitoring the impact of new or changed policies after implementation is critically important as some adjustments may be required that can only be informed by what the impact has been.

9. Reference was made to the 3 dimensions of assessing financial inclusion being access, usage and quality of service provisioning. It was proposed that the impact on the lives of people and the socio economic environment be added in future.

2.2 Role of and opportunities for the private sector in financial inclusion

1. The problem in respect of developing the private sector in the SADC region is that of over compliance posing a risk of exclusion because of the risk averse nature of many financial service providers. It is a regional problem not just South Africa.

2. The action to address it is that there must be a clear message that financial inclusion is a priority and that it is about delivery of a banking service not just one product and about how it can be delivered to those that are currently still excluded.

3. Opportunities to increase financial inclusion are huge. The providers in the region that can collaborate to increase financial inclusion and innovate must therefore be supported. Regulators and private sector i.e. all private sector providers need to interact through a process of regular and transparent exchange of ideas to address the unintended consequences of regulation and to conduct economic and social regulatory impact assessments to ensure the ISIP balance is achieved i.e. integrity, stability, inclusion and protection.

4. The challenges raised included those relating to:

    4.1 Inter-operability: There is a need for it and it is a business opportunity for a private sector perspective like the ATMs that are business friendly

    4.2 Understanding how expensive cash is. The cost of cash need to be calculated for politicians to understand what it costs to distribute cash and for the consumers to allow government programmes a choice in different financial service providers i.e. not just cash or a specific option of financial service providers so that individual consumers can make their own choices under different government programmes

    4.3 No Standard ID: It is not financial service providers' business to find out peoples' identities. Government must develop a single source ID database that all financial service providers can access.

2.3 Consumer empowerment and financial education

1. A different approach was adopted in that it was decided to locate the consumer at the heart of the conversation and what needs to be done to empower and protect consumers as they are being brought further into the formal financial sector.

2. The question was posed up front regarding who must take the lead of consumer empowerment and the response was that government regulation need to champion consumer empowerment but that it should be a collaborative approach to ensure stakeholders buy in. The overwhelming view was that government should be responsible for leading the conversation to introduce appropriate regulation and legislation in conjunction and in consultation with all the stakeholders that will be affected.

3. The long time it took to develop a policy and regulations interface was raised as a concern as the pace at which legislation is introduced is not keeping up with the rate of inclusion i.e. countries adopting financial sector deepening and financial inclusion strategies. It was proposed in order to address it that guidelines and rules in the absence of regulations be developed that the regulator can introduce whilst the appropriate legislation is awaited.

4. The limited resources available in the countries were discussed and how a collaborative approach to a resourcing strategy would be dependent on identifying the resources available in the respective countries. A minimum standard could be applied but it would need to be cognisant with what a country is able to do from an implementation, supervision and recourse perspective.

5. There is opportunity to demonstrate to various financial service providers, policy makers and regulators across the region the benefits of implementing appropriate consumer protection mechanisms on how to conduct business in a way that is responsible. Consumer empowerment or protection regulations should not just be about compliance with the law i.e. there is a broader business strategy and strategic objective for conducting business in a particular way in inclusive markets. The focus could be on financial education projects and how the projects can potentially be leveraged to transform consumers' lives.

6. It was agreed that the next steps for the region include:

   6.1 elevating consumer empowerment in the financial inclusion discussion. As countries adopt national strategies and national frameworks the consumer empowerment must be elevated within the frameworks so that it is not a parallel discussion or emerging after the fact

   6.2 doing more to identify the gaps and the weaknesses of consumer empowerment that relate to the unintended consequences of financial inclusion

6.3 in the absence of laws and regulations as a result of the slow implementation pace, that guidelines be considered to encourage responsible financial behaviour

6.4 simplifying the way business is done by formal institutions by providing guidelines on how to do business with consumers and on how to speak to them in a way they will understand

6.5 financial education across the region i.e. starting to establish standards or guidelines based on best practice and guidelines to drive the quality of financial education in the region.

3. PLENARY REPORTS AND DISCUSSION: Understanding the opportunities for financial service providers, constraints and requirements to drive financial inclusion

The connection between the breakaway discussions related to the:

1. issues raised in respect of the discussions between the private sector and regulatory policyholders and the wider implications. It is lacking but the point of an understanding of the different worlds regarding what the other one is doing and that it doesn't have to be adversarial if it is towards the same goal was put across

2. inclusion as a fundamental way to transform a society to operate better and have a greater chance to economic development. It could change to the quality of lives of people in society

3. consumer empowerment that is in everyone's best interest irrespective it being government, private sector or civil society as there is a common purpose. It shouldn't necessarily be about regulation or compliance with the act but is should be about driving a particular agenda to protect and empower consumers

4. conversation about coordination and the apparent lack thereof and that all must come together to drive the common purpose. The individual activities must still continue but collaboration and how to talk to each other and make sure information is shared is required to ensure there is a spirit of coordination and collaboration

5. stakeholders have a role to play in respect of the future of inclusion

6. connection between the private sector, policy makers and consumer protectors and that it is dialogue. Regulators must try to understand the value proposition from the private sector and private sector needs to appreciate the four key policy objectives that the regulator is striving for.

4. PANEL DISCUSSION: Moderator: Mr Roelof Goosen, SA National Treasury

OBJECTIVE: What do we need in the SADC region to drive financial inclusion in member states? Panellists**:** Ms Thembi Langa : SADC Secretariat ; Dr. Prega Ramsamy: CEO: FinMark Trust; Mr. Cas Coovadia: Managing Director, Banking Association South Africa

1. The focus must be on how to take financial inclusion forward, the form that it must take and what the objectives are. There is an absolute need for development in the SADC Region to change the lives of people living in the Region. A number of initiatives have been identified like how financial inclusion can be achieved, areas where it has already been implemented, improvement of regional cooperation and ensuring regional integration is taking place on a number of levels. It would assist with creating an environment in which growth can occur and where the region can use its own resources to be relevant and attract other appropriate resources.

2. Financial inclusion, if done in a responsible and sustainable way, is a key element of the developmental agenda. It requires cooperation and alignment of a number of other initiatives. SADC is well placed to take this alignment forward and incorporate financial inclusion.

3. Question 1: National objectives and national policies that are required and the realities of each country is based on the assumption that there is not a national or regional blue print that can be followed but is there a sense that there are common issues in the region and if so, what are they?

    3.1 SADC Secretariat: The common issues include that SADC is committed to financial integration and therefore the common value relate to a deeper financial integration.

    3.2 FinMark Trust: The question in many countries is if the development is inclusive, who has been responsible to drive the financial inclusion strategy and has implementation been inclusive. The problem of linking information, monitoring and reporting on financial inclusion as well as those relating to inefficiencies in communicating the policies need to be addressed.

    3.3 Banking Association South Africa: There are a number of common issues like the political and economic imperative to integrate that which has taken the debate forward and issues like unemployment that has had an adverse impact on inclusion. It should be considered whether some of the regulations across the region could be harmonised because there are common themes in respect of what must be considered for financial inclusion and common principles that could be applied in respect of empowerment and what the critical education points are.

    3.4 Conclusion: The reality is that there is a lot to be shared as well as what must still be developed that would be common to the region.

4. Question 2: What has to be in place to facilitate the provision of financial services like the credit, payment and the legal infrastructure? Financial infrastructure is important in terms of efficiency, enabling access and the enabling of additional financial service providers. The question that follows is whether there a need for a regional approach to infrastructure and aligned to that whether there is a need for a regional infrastructure.

4.1 FinMark Trust: There is a need for a common approach to the regional financial infrastructure, but it would be important to build the national Infrastructure first and to make sure it works domestically. A forum will need to be established to set a uniform set of standards because if the standards are not the same it would be problematic for example in the use of MNO's and how inter-operability of the different service providers is addressed. The infrastructure must therefore be national but within a regional approach i.e. the principles and scope must be agreed upon so that the sharing of the infrastructure on a regional basis is possible.

4.2 Banking Association South Africa: Broadband for example should be collaborated so that there is sufficient broadband to enable the inter-operability and to enable inter-operability there must be national operability.

4.3 SADC Secretariat: The regional infrastructure like the payment system is critical. The RISDP is a policy document setting out the strategic direction of SADC with protocols that strive to make it possible the one being the protocol for finance and investment in terms from where the interconnectivity of national stock exchanges at a regional level emanated. The RISDP also foresaw financial inclusion and the direction the payment system took being the trade of multiple currencies in a single currency at some point in the future. The overall regional goal is poverty alleviation which cannot be attained without the national agendas spilling over to the other countries in the region.

5. Question 3: What role does credit infrastructure play?

FinMark Trust: Infrastructure must be looked at it in its totality and credit infrastructure is an important component of that infrastructure. It goes beyond just providing credit in a small way but also linking to the stock exchanges. Infrastructure build has already commenced in the region like Standard Bank introducing a number of branches. Other methods of creating credit facility include the banking medium and through funding the building of houses and selling it. The liquidity in the region must be used to promote growth.

6. Question 4: Is a regional approach needed to enable inclusive economic growth and poverty alleviation through financial inclusion and if so what form should the approach take, and in what form i.e. through agreed principles or the sharing of a structure to be utilised by countries in different ways

to take it forward?

6.1 Banking Association South Africa: A regional approach is needed. The lack of economic growth and skills and poverty form part of a range of issues that is stopping the region from optimally performing to achieve the economic growth critical for financial inclusion. If a regional approach must be developed towards financial inclusion then engagement to develop regional approaches to address poverty alleviation must take place. It is proposed that:

6.1.1 organisations like FinMark Trust and others collaborate to interact with donors to advise on from a financial inclusion point of view what it is that makes sense

6.1.2 resources be used more effectively and efficiently to avoid reinvention of the wheel i.e. duplication

6.1.3 good practices be utilised and that the approach towards relationships with other countries be coordinated. There must be a regional approach based on for example the trade relations with China. Financial inclusion must be looked at in the context of the broader debate regarding broader issues

6.1.4 intelligent debates needed on how to integrate which will only happen if national policies and national discussions take place and are encouraged. Uniformity about how to integrate can be discussed on the back of that

6.1.5 interaction takes place with politicians to determine how the regions should be structured for example based on trade and development.

6.2 SADC Secretariat: The RISDP already foresees the role of financial inclusion in respect of the SMMEs meaning there is a need for a regional approach to financial inclusion. Initiatives currently undertaken with the assistance of FinMark Trust include the working group for micro insurance and microfinance that is looking into financial inclusion which is a regional strategy. The role of donors is an important part in the conversation as the point of achieving the objective with own resources has not been attained.

6.3 FinMark Trust: The regional approach is unquestionable since SADC became a community setting protocols. It is needed because it provides predictability and a sense of security for investors that together with the rules and regulations allow them to see how investment in a particular country will perform as it is not facing any barriers. The size of the market of 280 million people is an attractive market for investors.

7. Question 5: Would a permanent platform i.e. a structure be needed that is specific to financial

inclusion? If a financial inclusion specific platform is required what should the objective of such a platform be? What would the role of organisations like FinMark that has a role to play in the financial implication and assessment in the region be on the platform? Are there other regional platforms in Africa and elsewhere that lessons can be learnt from?

7.1 SADC Secretariat: The role of FinMark Trust is crucial in helping the Secretariat to implement its financial inclusion agenda. The strategy will not unfold on its own as it needs manpower and resources. The role of other partners like donors is important and there is a need for them. Financial inclusion is not confined to the financial sector only as it also touches on other sectors like banking, regulation and agriculture i.e. it is multi sectoral. There is a need for a centre to coordinate and pull in those that are lagging behind and to assist member states to start at national level and then graduate to regional level.

7.2 Banking Association South Africa: there should be a clear understanding on the status of financial inclusion in the region. On the basis of this understanding, it must then be clarified what it is that needs be coordinated and why there is a need for the structure. The move should be away from the reaction that financial inclusion is happening across the region and that a separate co-ordinating structure is needed. A session should be convened that FinMark could facilitate to identify the work that is being done, the impact of the work, identifying gaps and looking whether the work that is being done can be advanced through an existing regional structure or a new one. Caution should be excercised on having too many overlapping structures. It would be important, however, not to lose the momentum created by the indaba and the present structure could well be maintained in the interim.

7.3 FinMark Trust: The question that should be asked is whether in the absence of the structure it would be possible to capitalise on the momentum created by the Indaba and move forward its recommendations. In the interim, FMT will continue to assist in identifying the work to be done and how best to proceed.

5. PLENARY WRAP-UP OF THE SESSION WITH WAY FORWARD BY FACILITATOR

1. <u>Summary</u>

1.2 A regional approach is recommended. It is already in place largely within the framework of the existing SADC protocols.

1.3 The focus must be on financial inclusion with a regional approach that needs to be informed by what happens at national level. It must go beyond just a set of principles and it has to enable the countries to move forward.

1.4 The discussion regarding financial infrastructure identified the need for strengthening and developing of national infrastructure but within the regional framework.

1.5 There is already a regional approach towards economic growth and poverty alleviation. However, there are specific issues to be addressed from a financial inclusion perspective.

1.6 If the regional approach is required and adopted, it needs to be decided whether a specific platform is required to take forward the issues discussed. It would be important to agree on the role and format the structure should take i.e. a permanent structure, a virtual structure or a gathering like the present. The suggestion is that a session among the role players be convened facilitated by FinMark Trust to agree on the desirability of the platform, its objectives and the issues to be addressed. It can then be decided whether it should be a separately staffed structure or whether it can fit into the existing SADC platforms.

2. Comments

2.1 On the whole, the delegates agreed with the comments of the panelists that the needs should drive the demand for a regional structure. It is private sector that will ultimately deliver on financial inclusion and, in this regard, it would require the enabling environment to operate and a regional public/private sector platform would be useful in assessing the situation and making appropriate recommendations for improvement. Factors to consider include the population as some countries are small and a virtual platform would be more economical. A number of countries must support the platform idea for it to be meaningful, especially for the private sector.

2.2 The countries will have to start engaging each other in respect of their economic regimes like cash transfers, cross border cash transfers, exchange control and how funds will move freely between the countries in order to facilitate cross-border payments and investments.

2.3 Financial inclusion must, in addition to including the parts of the community that have been excluded, also address the needs of those already included which may not be met by the financial services they are engaged with. The approach cannot be fragmented. There should be a forum where the bankers association, insurance industry and capital markets can deliberate to come up with laws to ensure financial inclusion is inclusive of all the financial services offered.

2.4 The financial inclusion discussion needs to be elevated to government level as the public/ private dialogue needs to be taken forward whilst other issues like capacity building could be talked about at local level. The involvement of a standards generating body like AFI needs to be considered albeit in a revised form.

2.5 It was agreed to convene an initial discussion, assessing the status of the debate and the progress made. The discussion in itself must consider wider engagement with other stakeholders. The regional engagement should, however, be within the SADC membership and structures with a wider stakeholder engagement. The role of AFI and FinMark

6. CLOSING REMARKS: Mr Mpho Vumbukani Chairperson: SADC Banking Association, Standard Lesotho Bank

1. There are parallel opportunities that lie ahead across the sector for the private sector, policy makers and the institutions playing a catalytic role like FinMark Trust to drive the agenda forward. The

1.1 Minister of Finance indicated that financial inclusion is key towards inclusive economic growth to eliminate poverty. Appropriate access to financial services can empower individuals specially those at the lower end

1.2 Deputy Secretary of SADC referred to the financial inclusion strategy in the region and highlighted the point that FinMark Trust is well placed to assist in driving the agenda for financial inclusion for the region

1.3 Presenters highlighted issues such as the importance of knowledge sharing and the importance of an inclusive approach for growth and development. Take home activities should be how to drive the peer-to-peer learnings, share knowledge, ensure best practices are followed and the recommendations of the indaba be implemented.

2. Global trends were identified and useful lessons are emerging mainly driven by the innovation from private sector like digital solutions. The challenge is therefore to embrace development and ensure that at policy level, the regulators prepare an environment that is conducive for innovations.

3. Other things that were discussed included:

building proper financial inclusion ecosystems on the basis of collaboration among various players. It is therefore key that in the design of policy frameworks on financial inclusion issues like financial stability, financial literacy and consumer protection are addressed

the issue of data collection, capturing, use and measurement thereof were identified as key in designing proper policies and regulations and to monitor progress of the financial inclusion agenda

4. It is clear from the financial sector strategies that the issue of financial inclusion has been taken into consideration. The next phase is to move on to implementation. The SADC Banking Association to this end has started in the payments space with SIRESS to prepare the ground for the regional payments integration. The infrastructure that is being implemented is for the region and is based on common standards.

5. The SADC Banking Association is committed to financial inclusion as one of the strategic issues that will make a difference in the region. Policies and regulations are important as they provide guideposts to both the public and private sectors and the required operational framework for the provision of financial services on a competitive basis.

6. The presenters provided valuable insights on the way forward in terms of national and regional focus on financial inclusion. What remains is to move from commitment to action.

7. General consensus was reached on the importance of the public/private dialogue, not to talk at cross-purposes and to trust each other so that private sector players and regulators together can design what is practical for the countries and the region.

8. He commended everyone for making the conference possible and wished all the delegates a safe journey home.

SADC
Financial Inclusion Indaba
Report
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ACRONYMS

Acronym	Meaning
AFI	Alliance For Financial Inclusion
ATM	Automatic Teller Machine
AU	African Union
CENFRI	Centre for Financial Regulation and Inclusion
CEO	Chief Executive Officer
DRC	Democratic Republic of the Congo
EU	European Union
FI	Financial Inclusion
FICA	Financial Intelligence Centre Act
FSD	Financial Sector Deepening
FMT	FinMark Trust
GAFIS	Gateway Financial Innovations for Savings
ICT	Information and Communications Technology
KYC	Know Your Client
MAP	Making Access Possible
MNO	Mobile Network Operator
NDP	National Development Plan
RISDP	Regional Indicative Strategic Development Plan
SADC	Southern African Development Community
SDGs	Sustainable Development Goals
SIRESS	SADC Integrated Regional Settlement System
SLA	Service Level Agreement
SMME	Small, Medium and Micro Enterprises
UNCDF	United Nations Capital Development Fund

DATE

23 and 24 July 2015

CHAIRPERSON: SADC FINANCIAL INCLUSION INDABA