

# FINANCIAL INCLUSION IN SADC

**Ezulwini Swaziland – 7 December, 2017**



# Introduction

- **Financial inclusion or inclusive financing is the delivery of appropriate safe, accessible and quality financial services at affordable costs to sections of disadvantaged and low-income segments of society, in contrast to financial exclusion where those services are not available or affordable”**
- **Across the African continent, there is a huge political momentum around the issue of financial inclusion as governments have realized the pivotal role that financial inclusion can play in combating poverty and contributing to inclusive economic growth**
- **Many countries have now developed their national financial inclusion strategies and spearhead key programs and initiatives to improve financial markets. The success of these would depend on coordinated actions among stakeholders at national level across sectors (financial/banking and social welfare/development/education);**



# Introduction Cont

- Financial inclusion strives to accomplish three interlinked goals:
  - IMPROVE LIVELIHOODS
  - DRIVE ECONOMIC GROWTH
  - DRIVE INDUSTRIALISATION



# The SADC Financial Inclusion Strategy and SME Access to Finance

- Strategy was approved by Ministers of Finance in July 2016
- The Strategy recognizes:
  - the role of Member States in the development of country specific Strategies
  - The role of Development Finance Institutions
  - The role of SMEs
  - The role of Agricultural Sector
  - The role of banking and non- banking financial institutions
  - The role of ICT, Innovation, payment systems
  - Skills development



The SADC financial inclusion strategy complements and strengthens country strategies via integration and support

### **Country Strategies:**

- Driven by country context and targets
- Owned by individual countries

### **Regional Strategy:**

- Focuses on supporting country strategy development and implementation
- Driving and enabling regional financial integration
- Agreed upon by SADC
- Implemented by mix of regional institutions, individual countries and supporting development partners



# WHY IS FINANCIAL INCLUSION IMPORTANT FOR SADC

Financial inclusion can play a catalytic and supportive role in industrialisation by addressing the following:

- **Domestic resource mobilisation:** Enabling the transfer of cross-border funds, increasing the tax base, and augmenting the deposit base for the financing of low income groups and enterprises are three tangible and impactful regional actions SADC should undertake to mobilise domestic resources for industrialisation
- **Agricultural production and agro-processing:** Agriculture stakeholders tend to be underserved by financial institutions which limits their ability to grow and prosper. The extension of financial products and services to the agricultural sector can improve production and enable value addition processes
- **Strengthening small and medium scale enterprises:** Despite the significant role SMEs play across SADCs economy, they struggle to obtain funding from traditional sources of finance
- **Information and Communications Technology (ICT):** There is a symbiotic relationship between financial inclusion and the sophistication of a country's ICT sector.
- **Skills development:** By addressing the cost-prohibitive nature of education over distance and time, financial inclusion can increase access to education and thus develop the broader skills of the region



# Financial Inclusion Implementation plan

## **STRATEGIC OBJECTIVE:**

- To improve access, uptake and utilization of quality financial services and products for consumers and small and medium businesses in the SADC region for effective participation in the SADC Industrialisation Strategy and Roadmap



# Financial Inclusion Implementation plan

- **Key Performance Indicators (KPIs):**
- No. of female and male adults financially included
- No. of small and medium businesses financially included
- No. of adults using mobile money
- No. of SADC Member States having a financial inclusion strategy in place
- % of value of cross border remittances done through formal channels
- % of adults and small and medium businesses using formal saving products
- % of adults and small and medium businesses using formal credit products





# Key Performance Indicators for improved capacity to support regional and national financial inclusion programs (Outcome 1)

- Existence of a functional regional institution/centre for financial inclusion with proven record
- Level of engagement of regional stakeholders in Financial Inclusion discussions



# Targeted Output for Outcome 1

- Centre of excellence/institution identified
- Regional Stakeholder platform
- SADC Strategy for FI and SME access to finance evaluated and disseminated



# Key Performance Indicators for improved policy and regulatory environment (Outcome 2)

- No. and types of regulations/policies
- No of Member States that have adopted FI Strategies



## Targeted Output for Outcome 2

- Key Financial Inclusion regulatory topics for regional focus
- Financial sector regulators empowered on FI
- Enabling regulations at national and regional levels developed and operational



# Key Performance Indicators for financial service providers (FSPs) (Outcome 3)

- No of FSPs providing suitable products and services for the poor
- No of new innovations developed and implemented
- No of households using new products



## Targeted output for outcome 3

- Engagements with FSPs in the region on products and services and FI innovation strengthened
- Appropriate demand side data generated and accessible



# Key performance indicators for increased formal cross border retail payments for Outcome 4

- Percentage of formal cross border remittances
- No of cross border remittance innovations and products



## Targeted Output for Outcome 4

- SADC cross border regional automated clearing house (RACH)
- Financial Inclusion Data
- Financial Inclusion indicators





# Indicative Budget

- Indicative budget for outcome 1 US\$2,655,000
- Indicative budget for outcome 2 US \$1,500,000
- Indicative budget for outcome 3 US \$4,050,000
- Indicative budget for outcome 4 US \$ 200,000
  
- Total indicative Budget US\$8,325,000



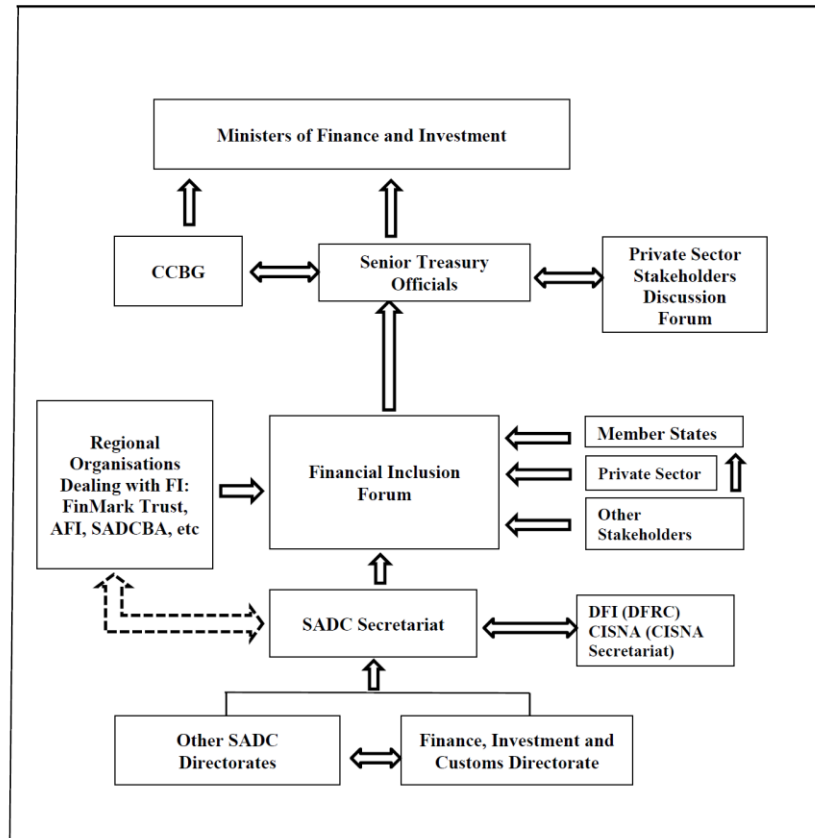
# INSTITUTIONAL MECHANISM FOR DEALING WITH FINANCIAL INCLUSION MATTERS IN SADC

- Context
- The Mechanism
- Governance structure
- Functional clarity
- Ministers of Finance
- Central bank governors
- Development finance institutions Network
- Financial Inclusion Forum
- Regional organisations dealing with FI
- Role of MS
- All stakeholders
- SADC Secretariat



# Continued

Figure 1: Governance Structure - Institutional Mechanism for Dealing with Financial Inclusion Matters in SADC



# The role of DFIs

