2024

SADC Financial Inclusion Forum

9-10 October | Johannesburg

SADC Financial Inclusion Forum

Report

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Acronyms and abbreviations

ACH	Automated clearing house
AFI	Alliance for Financial Inclusion
AML	Anti-money laundering
AML/CFT	Anti-money laundering and combating the financing of terrorism
BIS	Bank for International Settlements
CCBG	Committee of Central Bank Governors
CIRT	Computer Incident Response Team
CISNA	Committee of Insurance, Securities and Non-Banking Financial Authorities
COMESA	Common Market for Eastern and Southern Africa
CMA	Common Monetary Area
CRASA	Communications Regulators' Association of Southern Africa
DFS	Digital financial services
DRC	The Democratic Republic of Congo
eKYC	Electronic know your customer
ESG	Environmental, social and governance
FARMSE	Financial Access for Rural Markets, Smallholders and Enterprise Programme
FCP	Financial Consumer Protection
FDP	Forcibly displaced person
FIC	Financial Inclusion Committee
FIP	Financial intelligence and processing
FSCA	Financial Sector Conduct Authority
FSD	Financial Sector Deepening
FSDT	Financial Sector Deepening Tanzania
ICT	Information and communication technology
IMF	International Monetary Fund
KYC	Know your customer
MCIB	Mauritius Credit Information Bureau
MFS	Mobile financial services
MOU	Memorandum of understanding
MSME	Micro, small and medium enterprise
NFIC	National Financial Inclusion Council
NFIS	National Financial Inclusion Strategy
NRA	National Regulatory Authority
NSO	National Statistics Office
PSS	Payment Systems Subcommittee
RBM	Reserve Bank of Malawi
RBZ	Reserve Bank of Zimbabwe
REPSS	Regional Payment and Settlement System
RIDMP	Regional Infrastructure Development Master Plan
RISDP	Regional Indicative Strategic Development Plan
RTGS	Real-time gross settlement

Acronyms and abbreviations

SADC	Southern African Development Community
SARB	South African Reserve Bank
SDG	Sustainable Development Goal
SIBE	Support to Improving the Investment and Business Environment
SME	Small and medium enterprise
SR-CIRT	SADC Regional Computer Incident Response Team
SUFIL	Support to Financial Inclusion in Lesotho
TCIB	Transactions cleared on an immediate basis
UNDP	United Nations Development Programme

Introduction

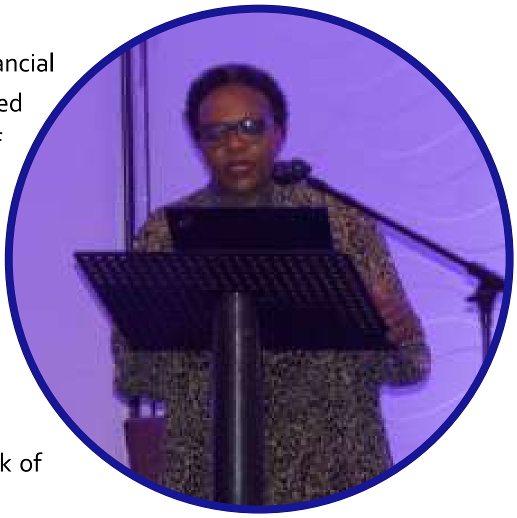
The 2024 SADC Financial Inclusion Forum convened from 9-10 October at the Southern Sun O.R. Tambo International Airport Hotel in Johannesburg, South Africa, adopting a hybrid format to accommodate both virtual participation and a limited number of in-person attendees. Organised in collaboration with the SADC Secretariat, the SADC Banking Association, and FinMark Trust, the Forum brought together senior-level representatives from ministries of finance, central banks, non-bank regulators, and the private sector across the SADC region.

The event served as a platform to discuss key ongoing financial inclusion initiatives and advance the implementation of the five-year SADC Strategy on Financial Inclusion and SME Access to Finance (2023-2028) for the region. Through plenary sessions focused on digital payments, regulatory frameworks, and technological innovation, the Forum facilitated a learning and sharing agenda to enhance financial inclusion, ultimately aiming to improve livelihoods by linking these efforts to regional investment opportunities.

Day 1

Official welcome and opening remarks

Maxine Hlaba, SADC Banking Association



Maxine welcomed both in-person and virtual delegates to the 2024 SADC Financial Inclusion Forum. In her opening remarks, she acknowledged the distinguished attendees, including the Governor of the Central Bank of Lesotho, chairpersons of the financial intelligence and processing (FIP) sub-structures, senior officials from member states, and members of the SADC Secretariat. Maxine provided a high-level overview of the agenda, expressing gratitude to the speakers, moderators, and panellists for their invaluable contributions to the event. She encouraged all participants to engage actively, fostering robust discussions on critical issues facing the region.

Maxine introduced the Honourable Dr Maluke Letete, Governor of the Central Bank of Lesotho, as the keynote speaker, who would deliver his address virtually.

Keynote address

Community digitisation to enable economic growth in SADC – The evolution of digitisation of payments in Lesotho, highlighting milestones and challenges

Dr Maluke Letete, Governor, Central Bank of Lesotho

Under the theme 'Community Digitalisation to Enable Inclusive Economic Growth in SADC', the governor highlighted Lesotho's journey towards financial inclusion, achieved largely through mobile payment platforms and a supportive policy environment.

Dr Letete emphasised the importance of digital transformation in driving financial inclusion and outlined the key enabling factors, including a robust legal and regulatory framework, supporting market infrastructure, and a commitment to strengthening credit information systems. The governor also acknowledged the emerging risks associated with digital transformation, such as cybersecurity and anti-money laundering and combating the financing of terrorism (AML/CFT) compliance. He called for collaboration among central banks and other stakeholders to address these challenges.

Key reflections on financial inclusion progress

National financial inclusion strategies: Most SADC countries are advancing through their second phase of national strategies, aimed at fostering stable and innovative systems to expand financial access. The governor thanked the European Union for providing support for the development of these strategies through the Support to Improving the Investment and Business Environment (SIBE) programme.

Achievements in Lesotho: Financial inclusion in Lesotho has seen impressive growth, with household access increasing from 12% in 2011 to 91% by 2021. The expansion of mobile money and agent banking has been pivotal, particularly in reaching underserved, remote populations. Micro, small and medium enterprise (MSME) financial inclusion rose from 65% in 2016 to 88% in 2023, indicating substantial progress towards broader financial inclusion.

Enablers of financial inclusion in Lesotho

Lesotho's success is underpinned by the following key enablers:

1. **Policy reforms**: The government implemented programmes like the Rural Financial Intermediation Programme (RUFIP) (2008-2015), complemented by the Support to Financial Inclusion in Lesotho (SUFIL) (2012-2014), particularly targeting the rural population.
2. **Financial Sector Development Strategy (2014):** Lesotho developed the strategy in 2014, bringing stakeholders together and leading to legal frameworks enabling financial access.
   Key achievements included:
   - Establishment of an electronic land register
   - Modernising the Hire Purchase Act
   - Removal of stamp duty on financial instruments
   - Convergence of mobile money and deposit-taking institutions
   - Consumer protection measures for mobile money
   - Establishment of a credit bureau.
3. **Key legal and regulatory frameworks:** Lesotho strengthened its banking sector regulation through the Financial Institutions Act of 2012 and modernised its national payments system with the Payment Systems Act of 2014 and subsequent regulations. Consumer protection was enhanced with the Financial Consumer Protection Act of 2022.
4. **Infrastructure development:** The development of a credit bureau and collateral registry significantly improved access to credit for individuals and businesses, with 242,603 recorded. The national payment switch is being implemented to facilitate interoperability between banks and mobile money operators.
5. **Stakeholder collaboration:** Effective partnerships among government departments and private stakeholders have created a more inclusive financial environment.

Challenges and emerging risks

While progress has been significant, certain challenges remain, including:

- **Cybersecurity and data protection:** With the rise in digital transactions, cybersecurity and data privacy require greater safeguards. The governor emphasised the importance of regional cooperation and business continuity plans to mitigate these risks.
- **AML/CFT compliance:** Dr Letete stressed the need for a balanced approach between compliance and maintaining market efficiency and financial inclusion.

Strategic recommendations

- **Enhanced collaboration:** Strengthen partnerships at both national and regional levels to support financial inclusion and facilitate cross-border trade.
- **Proportional compliance**: Adopt balanced AML/CFT measures that avoid restricting access to financial services.
- **Infrastructure investment:** Commit to ongoing infrastructure development as a crucial foundation for financial inclusion.

The Central Bank's role

The governor emphasised that central banks play a crucial role in financial inclusion, aligning with their mandate of maintaining financial stability and promoting inclusive growth. He advocated for a shift in focus from mere access to financial products toward actual usage and impact on the economy. Facilitating trade, both domestically and regionally, was highlighted as essential for achieving true financial inclusion.

Looking ahead

With high levels of access indicators already attained, Lesotho is now concentrating on driving the usage of financial products for economic transformation, promoting financial health and informed decision-making among individuals, and strengthening stakeholder engagement and coordination.

In conclusion, the governor called for a collaborative approach across the SADC region to achieve meaningful financial inclusion, specifically advocating for cross-border payment systems and financial inclusion working groups.

Presentations

ICT and digitisation of payments in SADC

George Ah-Thew, SADC Secretariat

In his presentation, George highlighted SADC's progress in information and communication technology (ICT) and digital financial services (DFS) aimed at enhancing regional financial inclusion and building a secure digital ecosystem. He outlined the observatory's key functions, emphasising the importance of collaboration between ICT and financial regulators to foster a conducive environment for the growth of DFS across the SADC region. The presentation also highlighted the need for standardised legal and regulatory frameworks, including data protection and cybersecurity, to safeguard DFS infrastructure and encourage the responsible use of technology.

Overview of key initiatives

Key initiatives include the SADC ICT Observatory, DFS regulatory guidelines, and a harmonised cybersecurity framework, each playing a critical role in aligning infrastructure with the SADC Financial Inclusion Strategy and supporting the Regional Infrastructure Development Master Plan.

SADC ICT Observatory

The SADC ICT Observatory is a flagship project under the ICT division of the SADC Infrastructure Directorate. Developed in alignment with the SADC Regional Infrastructure Development Master Plan 2012-2027 (RIDMP) and the Regional Indicative Strategic Development Plan 2020-2030 (RISDP), the project aims to establish a policy intelligence tool to support strategic planning within the ICT sector and create a state-of-the-art central database accessible to all SADC states.

- **Phase 1:** Completed in June 2017, this phase established consensus among member states on 103 indicators (81 core and 22 extended) across seven focus areas, including infrastructure, education, and ICT in business. Terms of Reference were issued to appoint national focal point persons from each country's national statistics office (NSO) and national regulatory authority (NRA) for the ICT Observatory. A memorandum of understanding (MOU) was also developed to facilitate cooperation on data collection, with nine member states currently signed. Additionally, capacity-building workshops and model demand-side survey templates have been created.
- **Phase 2:** Launched in May 2023, the SADC ICT Observatory web portal and database system enables online data entry, validation, and reporting, streamlining data submissions to various organisations. It holds data from 2021 to 2023, with 2024 data collected and awaiting validation. Six indicators from this system are now used in the SADC Balanced Scorecard System.
- **Phase 3:** Planned for 2024, this phase will include the generation of regional, country, and thematic reports, as well as an electronic version of the SADC Facts and Figures Report for the ICT sector. The speaker encouraged the audience to engage with the web portal (ictobservatory.sadc.int) and noted that digital financial service indicators are not yet part of the data collected.

SADC DFS guidelines and recommendations for ICT regulators

These guidelines and recommendations were designed to:

- Facilitate the creation of an enabling environment for DFS
- Encourage collaboration and coordination among regulators involved in the deployment and accessibility of DFS
- Emphasise the importance of MOUs between financial and national ICT regulatory authorities within member states.

The guidelines align with the SADC Strategy for Financial Inclusion and SME Access to Finance (2023-2028) and the SADC Mobile Money Guidelines. Following their recommendation and approval by ministers of finance and ICT ministries across the region, eight member states have implemented the MOU, with two others at an advanced stage of negotiation.

SADC legal and regulatory framework

The existing legal and regulatory framework comprises three SADC model laws, approved in 2012:

1. **SADC Data Protection Model Law:** Revised and approved in June 2023, this law includes guidelines and implementation schedules for member states and aligns with global standards. Currently, only 13 member states have enacted data protection laws, with all members given 24 months to adopt the revised model law.
2. **SADC e-Commerce/e-Transaction Model Law:** This model law has been transposed into the legal frameworks of all member states.
3. **SADC Cybercrime Model Law:** Revised and adopted in October 2023, this law is further supported by the African Union Convention on Cybersecurity and Personal Data Protection of 2014, which took effect on 8 June 2023. Five member states have ratified the Convention.

SADC Regional Computer Incident Response Team (SR-CIRT) framework

Operational since September 2019, the SR-CIRT framework provides a regional platform for strengthening cybersecurity readiness, protection, and incident response capabilities. Nine member states have established national computer incident response teams (CIRTs), whose heads form part of the SR-CIRT task force. These CIRTs have demonstrated effectiveness by uncovering and stopping a digital money-laundering scheme in Zambia by June 2024, highlighting the dependence of the DFS ecosystem on robust ICT infrastructure. The Communications Regulators' Association of Southern Africa (CRASA) has also launched initiatives to enhance DFS infrastructure security.

Conclusions

Limited data points (such as mobile and internet penetration) are currently available on ICT for correlation and analysis alongside other DFS data. As DFS is a new focus area for the ICT Observatory, the Financial Inclusion Committee (FIC) directorate has been tasked with identifying relevant DFS indicators.

Recommendations

- Member states that have yet to establish MOUs between their central banks and ICT NRAs should do so to incorporate the SADC DFS guidelines and recommendations for ICT regulators into their frameworks.
- Member states should adopt the revised SADC model laws and develop the necessary institutional infrastructure to enable effective implementation.
- Efforts to enhance digital skills and financial literacy among the public should be prioritised to promote DFS and foster greater financial inclusion.
- Reducing or removing taxes on the ICT sector is recommended to support a conducive environment for its growth.
- Central and reserve banks, along with the Committee of Central Bank Governors (CCBG), should promote and facilitate cross-border mobile payments and transactions.
- Central and reserve banks are encouraged to establish CIRTs within their regions and participate in national and regional cyber drills. The next cyber drill will take place in Zambia from 24 to 29 November 2024, with invitations to be issued by the FIC directorate.

Overview of the revised SADC Mobile Money Guidelines

Innocent Ephraim, Inclusive Digital Experts Africa

Innocent presented the updated SADC Mobile Money Guidelines, emphasising the focus on cross-border harmonisation, digital know your customer (KYC) processes and expanded use cases to enhance financial inclusion across the region.

To contextualise the guidelines, he highlighted the contrasting livelihoods between those residing in informal settlements, like Alexandra, and city residents in Sandton. A notable disparity is in access to economic activity and services, which is often limited in informal settlements.

These guidelines aim to bridge accessibility gaps both within and between SADC member states, addressing localised disparities in financial access and supporting seamless, secure DFS.

Key dimensions of the updated guidelines

- **Cross-border harmonisation**: The guidelines promote aligned regulatory frameworks across member states, enabling frictionless cross-border mobile money transactions.
- **Centralised KYC:** A unified digital KYC system will enhance accessibility, allowing consumers to use mobile money services across SADC under standard verification processes.
- **Expanded use cases:** Mobile money services will extend beyond peer-to-peer transactions to include savings, investments, and SME-focused services, encouraging broader economic participation in underserved areas.

System architecture and payment infrastructure

Mobile money systems are integrated with traditional banking, with all funds secured in bank trust accounts and linked to real-time payment systems. This structure enables rapid, reliable cross-border payments, which is critical for a connected regional economy. Innocent outlined a three-layer payment infrastructure vital for inclusivity: the KYC layer (ensuring unique customer identification as part of the centralised and secure system), the payments layer (enabling seamless affordable, quick transactions and interoperability), and the data layer (enabling consented, secure data sharing from users, products and services).

Regional infrastructure for SADC

The guidelines propose a regionally integrated mobile money system, aiming to make cross-border transactions as smooth as domestic ones. This setup is expected to facilitate economic activities and boost trade across SADC by enabling secure, digital fulfilment of cross-border transactions.

Key success factors for implementation

- **Digitised KYC:** A unified digital KYC system across SADC would simplify user access while ensuring regulatory compliance.
- **Regulatory collaboration:** Close cooperation between telecom and financial regulators will reduce barriers to innovation.
- **Transparent licensing:** Clear licensing processes will encourage investment from fintech firms.
- **Oversight and training:** Enhanced supervisory frameworks and cross-border training will support consumer protection and system reliability.

Conclusion

The revised guidelines emphasise the importance of mobile money in achieving regional financial inclusion, and working towards an inclusive, secure and accessible digital finance ecosystem within SADC. Innocent highlighted that true financial inclusion must uplift every individual, using underserved areas as a reminder of the journey towards achieving equitable growth across the SADC region.

Panel Discussions

Promoting financial inclusion and implementation of FATF Standards

Moderator: Kennedy Komba, Bank of Tanzania
Panellists: Andy Songolani Haboko (National Financial Intelligence Unit DRC) and Aurélio Matavele Júnior (Financial Intelligence Office Mozambique)

Moderated by Kennedy, the panel explored financial inclusion in the context of AML/CFT standards with Aurélio Matavele Júnior from Mozambique and Andy Songolani Haboko from the Democratic Republic of Congo (DRC). He invited insights into balancing financial inclusion goals with FATF compliance, focusing on AML/CFT integration, particularly for SADC countries on the FATF greylist. With around 30% of SADC member states currently greylisted, compliance with FATF Standards is essential to fostering both financial inclusion and secure financial systems.

Impact on financial inclusion

The panel discussed the often-complex relationship between AML/CFT compliance and financial inclusion, emphasising the importance of a balanced approach to facilitate access to financial services while meeting FATF Standards.

Key country progress and insights

- **Mozambique:** Aurélio presented Mozambique's achievements in reducing FATF observations through the Proportionate Account Opening Law, contributing to enhanced financial inclusion. He shared Mozambique's progress through recent legislative reforms, including a 2022 law that simplifies account-opening procedures with a proportionate approach. This reform has enhanced digital access to financial services, reducing Mozambique's FATF observations from 21 to 3, bringing the country closer to exiting the greylist and expanding financial inclusion.
- **DRC:** Andy highlighted the DRC's AML/CFT advancements and ongoing challenges, particularly due to the country's fragile infrastructure and displacement issues. He discussed the DRC's progress on 24 FATF recommendations, including the creation of a national identification authority and the enactment of an AML/CFT law. Despite the challenges the country faces, these measures aim to improve the DRC's financial inclusion rate, currently at 10%.

Key themes and takeaways

- **Proportional AML/CFT approach:** Both Mozambique and the DRC highlighted the importance of proportionate AML/CFT measures, aligning with FATF's 2013 guidance on balancing risk management with inclusive financial access.
- **Legislative reforms and digital access:** Simplified account opening and digital channels emerged as crucial steps in both improving financial access and meeting FATF Standards.
- **Commitment to financial inclusion amid challenges:** Despite logistical and social challenges, Mozambique and the DRC demonstrated a strong commitment to advancing financial inclusion through legislative efforts.

The panel highlighted the critical role of these reforms in meeting SADC's financial inclusion objectives and fostering a secure, inclusive financial environment across the region.

The impact of FATF reforms on financial inclusion

- **Mozambique:** Banking services expanded by 50%, supported by a policy of at least one bank per district, increasing rural transactions by 8%.

Achieving regional compliance

- **DRC:** Five reports have been submitted, with a FATF delegation visit scheduled for May 2025.
- **Mozambique:** Five progress reports have been filed, with aims to address remaining recommendations by 2025.

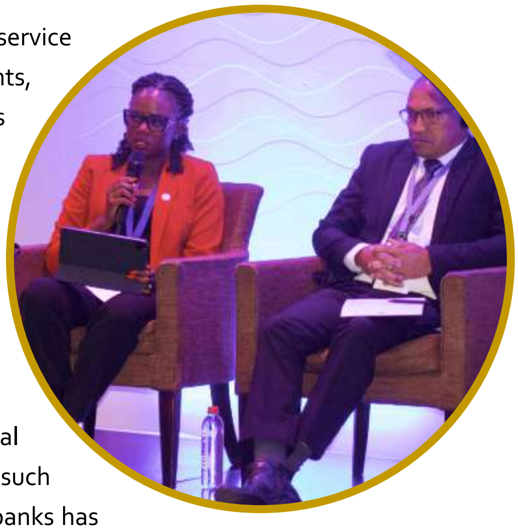
Follow-up actions: In response to questions about FATF Recommendations 15 and 16, it was agreed that the SADC Secretariat would engage with member states for updates on the implementation of these standards.

Role of non-banks in the digitisation of remittances in SADC

Moderator: Grace Berejena, CISNA Capital Markets Sub-Committee

Panellists: Onalethata Motswagole (Orange Money Botswana), Andry Randriamanamihaja (Fintech Association Madagascar), Eugene Chaduka (EcoCash Zimbabwe) and Thokozani Sande (Airtel Malawi)

Moderated by Grace, the panel explored the contributions of non-bank financial service providers in digitising remittances across the SADC, focusing on regulatory advancements, cross-border collaboration, and the impact on financial inclusion with representatives from Botswana, Malawi, Madagascar and Zimbabwe who highlighted recent developments, challenges and success stories.



Key points of discussion

1. **Onalethata Motswagole:** Since regulatory changes in 2020, non-banks like Orange Botswana have enhanced their role in remittance services, notably through partnerships, such as with EcoCash Zimbabwe, enabling faster service provision. Although Botswana's regulations currently limit mobile financial services (MFS) from taking deposits, ongoing regulatory reviews aim to address such constraints. Despite challenges with wallet interoperability, collaboration with banks has enabled Orange Botswana to offer microloans and other financial products, promoting inclusion.
2. **Thokozani Sande:** In her points of discussion, Thokozani shared how KYC regulations allow refugees and foreign nationals to use mobile money, which has significantly increased financial inclusion, now at 69%. Airtel Malawi's strong relationship with the Reserve Bank facilitates innovations such as cross-border and domestic transactions, supporting SMEs with instant payments for goods and services. However, the high cost of cross-border transactions due to unharmonised KYC standards remains a concern.

3. **Andry Randriamanamihaja:** Fintechs in Madagascar are supporting the financial ecosystem by managing cash points for wallet withdrawals and facilitating domestic remittances. Recent international funding has bolstered mobile money regulation, enabling new services like cards that improve security in public services and enhance revenue collection. Integration with global platforms like PayPal and Amex now allows small merchants to receive international payments, expanding market access.
4. **Eugene Chaduka:** In his discussion, Eugene shared that EcoCash has made notable strides in providing convenient remittance services, particularly for Zimbabweans abroad, who constitute 30% of the population. The regulatory environment, while supportive of digital remittance security, imposes high operational costs due to rigorous scrutiny, especially for cross-border transactions. Financial inclusion has grown from 15% in 2011 to 82%, demonstrating the impact of digital remittances and fintech innovation.

Key themes and takeaways

- **Regulatory support and central bank involvement:** Panellists highlighted the vital role of central banks in promoting financial inclusion by enabling non-bank providers to innovate within the regulated financial system.
- **Interoperability and partnership:** While interoperability challenges persist, partnerships with banks allow non-banks to complement traditional financial services, especially in offering micro-loans and extending access to underserved groups.
- **Cross-border transactions and regional harmonisation needs:** Panellists highlighted the need for a harmonised regional regulatory framework to reduce costs and enhance the security of cross-border transactions.
- **Balancing financial inclusion and consumer protection:** Ensuring consumer protection without suppressing innovation was highlighted as a priority. Handling big data, customer identification, and transaction monitoring remain areas that require careful regulatory balance.

Q&A highlights

Role of banks: Banks initially viewed non-bank providers as competitors but now recognise them as complementary, with partnerships enhancing financial access. For instance, Orange Botswana collaborates with banks to facilitate transactions between mobile wallets and bank accounts, therefore expanding service options for consumers.

The panel reaffirmed the essential role of non-banks in driving financial inclusion through digital remittance services, with a call for continuous regulatory improvements to support secure, affordable, and accessible digital transactions across the SADC region.

Question from the floor: *What role do banks play in bridging the gaps? Do they view non-bank financial service providers as competitors or supporters?*

Responses: Mr Motswagole explained that while some banks may see their role as competitive, more banks tend to view it as complementary to their services, achieved through partnerships. For instance, Orange does not hold a microloan license, so it partners with banks to facilitate transfers between mobile wallets and bank accounts.

Eugene added that when EcoCash launched in 2011, financial inclusion in Zimbabwe stood at 15%. Today, it has reached 82%, demonstrating that fintech thrives on integration and collaboration. Initially, banks were defensive but have since become collaborators, working to include those who were previously excluded.

Presentations

SADC CCBG Payments Subcommittee strategic focus areas

Mavis Matlhwana, CCBG Payment Sub-Committee Project Office

Mavis presented on the SADC CCBG and its Payment Systems Subcommittee's (PSS) pivotal role in fostering financial inclusion and regional integration. Their work aligns with the SADC Finance Investment Protocol's Annex 6, which mandates cooperation on payment systems to enhance regional financial and economic development.

Focus areas of the PSS

The PSS concentrates on three core areas:

- **Fostering financial integrity:** Strengthening AML/CFT compliance to maintain secure financial systems while balancing access to financial services.
- **Enhancing financial inclusion:** Implementing projects that expand access to financial services, such as regional electronic know your customer (eKYC) initiatives, a monitoring and evaluation platform, and cross-border remittance improvements.
- **Enabling innovation in payments:** Advancing payment system interoperability, consumer education, and developing frameworks to support market conduct, including plans for a regional innovation hub with the Bank for International Settlements (BIS).

Achievements in regional payment systems

Mavis introduced the work of the PSS, noting its significant contributions, including:

- **Regional real-time gross settlement (SADC-RTGS) system:** Launched in 2013, RTGS has streamlined high-value payments across SADC. The recent ISO20022 messaging standards upgrade, led by the SADC Secretariat and the South African Reserve Bank (SARB), positions the system ahead of the 2025 global standard deadline.
- **Transactions Cleared on an Immediate Basis (TCIB):** This system enables instant cross-border retail payments, promoting financial inclusion and supporting regional trade.

Strategic focus areas for 2023–2026

The PSS strategy remains focused on three key pillars:

- **Financial integrity:** Reinforcing AML/CFT compliance to balance financial safety with accessibility.
- **Financial inclusion:** Expanding accessible payment systems, addressing KYC challenges, and easing cross-border remittance processes.
- **Innovation in financial services:** Supporting the development of products tailored to regional needs.

Key initiatives and pilot projects

- **eKYC pilot:** Tested between Lesotho and South Africa, this pilot aims to establish a regional KYC registry to streamline access and reduce exclusion.
- **Monitoring and evaluation platform:** Tracks financial inclusion indicators across member states, helping to shape policy and enhance outcomes.
- **Non-bank participation:** New guidelines enable non-banks to participate in RTGS and TCIB, with regulatory alignment being the next goal.
- **Balancing safety and access:** Efforts continue to harmonise AML/CFT compliance with financial access, a challenge highlighted by the International Monetary Fund (IMF) and World Bank's assessment of the South Africa-Zimbabwe remittance corridor, where high remittance costs were tied to sanctions screening.

- **Harmonisation of AML/CFT protocols:** Ongoing standardisation efforts aim to ensure secure, accessible financial services across SADC.
- **Cross-border remittances:** This project, in partnership with FinMark Trust, the IMF, and the World Bank, targets cost reductions and improved efficiency in remittance channels.
- **Interoperability:** Efforts are underway to ensure seamless interaction between payment systems, expanding access across various ATMs and platforms.
- **Consumer education and trust:** Due to fraud concerns, consumer trust in digital payments remains low. SADC is developing consumer education frameworks and conducting research (e.g. FinScope) to bolster confidence.
- **Regional innovation hub:** Planned with BIS and other global partners, the hub aims to support innovation in payment systems across the region.

Reflections on financial inclusion and conclusion

Mavis highlighted the importance of financial and social inclusion in SADC's payment systems. The PSS is committed to fostering a secure, transparent, and accessible payments ecosystem that not only supports economic integration but also enhances consumer choice across the region.

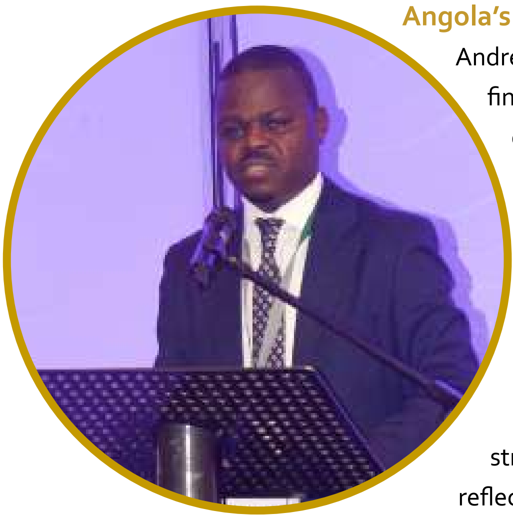
SADC Financial Inclusion and SME Access to Finance 2023-2028 implementation by Member States

Presentations: Chiluba Minona (Ministry of Finance and National Planning – Zambia), Andre Songue (National Bank of Angola), Jose Li Yun Fong (Bank of Mauritius), and Farai Mpofu (Securities and Exchange Commission of Zimbabwe)

The session featured presentations from four SADC member states—Zambia, Angola, Mauritius, and Zimbabwe—highlighting their progress in implementing the SADC Financial Inclusion Strategy and localising its goals within their national contexts.

Zambia's progress and challenges

Chiluba Minona from the Ministry of Finance and National Planning outlined Zambia's developments under the National Financial Inclusion Strategy (NFIS) I (2017–2022). The strategy aimed to enhance financial inclusion through accessible and affordable financial products. Notable achievements included an increase in overall financial inclusion from 59.3% in 2015 to 69.4% in 2020, with mobile money identified as a significant driver. However, challenges such as low financial literacy, rural-urban disparities, and gender gaps were highlighted, underscoring the need for targeted interventions. The NFIS II (2024–2028) aims to boost financial inclusion to 85%, focusing on eight thematic areas, including MSMEs, rural and agricultural financing, environmental, social and governance (ESG), DFS, and enhanced consumer protection. Key recommendations include increasing FinScope surveys and peer assessments across SADC.



Angola's financial inclusion landscape

Andre Songue, Principal Assistant at the National Bank of Angola, discussed the country's financial inclusion progress, which is currently at a diagnostic stage as it works towards developing its NFIS. Led by the Ministry of Finance and supported by the Bank of Angola, the initiative prioritises financial literacy, engaging multiple government entities to support education efforts. The FinScope survey has played a key role, offering insights that inform the strategy's focus areas. The Ministry of Finance plans to launch the NFIS by 2025, incorporating the latest findings into a comprehensive framework to expand financial inclusion across Angola. Additionally, the Ministry of Education has introduced a protocol to integrate financial education into the national curriculum, reinforcing financial literacy as a key priority. Angola's payments strategy also aims to streamline transactions, ensuring immediate interbank payment reflections, including within the informal sector.

Mauritius's key achievements

Jose Li, Assistant Director of IT and Business Continuity at the Bank of Mauritius, presented the country's achievements in the payments sector since the introduction of the RTGS system in 2000. The national payment switch and cheque truncation system have significantly reduced transaction clearing time from five days to one, while the Mauritius Credit Information Bureau (MCIB) has improved credit data accessibility and reduced non-performing loans. Key enablers of these achievements include collaboration between the government, central bank, and telecom companies. Mauritius is also integrated into SADC's RTGS system and Common Market for Eastern and Southern Africa's (COMESA) Regional Payment and Settlement System (REPSS), which strengthens regional trade. Plans include the implementation of an eKYC system to streamline KYC compliance, enhancing access to finance and improving creditworthiness evaluation.

Zimbabwe's focus on capital markets

Farai Mpofu, Director of Investor Education at the Securities and Exchange Commission of Zimbabwe addressed the vital role of capital markets in driving financial inclusion, particularly in sectors supporting economic value chains, like agriculture. She highlighted challenges in financial literacy and the low levels of public awareness about capital markets' contributions to local economies, exemplified by industries such as bean production. Farai underscored the importance of educating the public on these markets to enhance participation and support economic growth. Her presentation included recent initiatives aimed at automating processes within capital markets to improve access for SMEs, enabling greater inclusivity in Zimbabwe's financial sector.

Due to time constraints, the video showcasing Zimbabwe's efforts to provide financial services to marginalised groups - specifically featuring Braille reading technology- could not be displayed.

Watch the video here

Open Discussions

An interactive discussion continued, addressing topics such as strategies for improving financial literacy, leveraging merchant payment data for credit scoring, and experiences in collaborating with traditional banks. The discussion highlighted the collective commitment of SADC member states to enhance financial inclusion and address the unique challenges faced within their national contexts.

Regional efforts on greylisting removal

Efforts are underway within the region to assist member states in moving off the greylist. They focus on establishing a standardised, formal process that supports lagging member states to align more closely with others. This approach aims to enhance interoperability and drive regional integration. The CCBG has indicated that progress is in its early stages, with realistic targets set. Specifically, the regional support framework seeks to increase the proportion of member states removed from the greylist.

A central repository and a peer review mechanism for member states are being developed to support countries that are falling behind. A proposed platform for discussions on peer review and greylisting will assist in identifying specific gaps in compliance.

Financial education strategies in South Africa

Question by Thando Mlanjana from National Treasury, South Africa: *Highlighted the need for financial education alongside surveys, to improve understanding of concepts like inflation. He also queried Botswana's plans for using informal sector data to enhance access to finance.*

Responses: Farai agreed on educational integration within surveys, and Chiluba proposed embedding financial literacy into curricula for youth, complemented by digital tools for adults. Further strategies include national outreach programmes and digital literacy initiatives, as part of their NFIS (2024-2028).

National financial education initiatives across SADC member states

- **Zambia:** Collaborative efforts with key government departments and financial sector organisations, including the FSD Network, are supporting financial education initiatives. The Central Bank, ministries of education, and various stakeholders are leading efforts to integrate financial literacy into the national education system.
- **Malawi**: The Financial Access for Rural Markets, Smallholders and Enterprise Programme (FARMSE) is promoting financial education for excluded rural populations via a USSD platform accessible on feature phones. Supplementary outreach efforts include radio, television programming, and educational materials translated into local languages.
- **Tanzania:** Financial education initiatives target both in-school and out-of-school populations. In collaboration with the Ministry of Education, the curriculum has been revised from primary through to college levels. The National Financial Inclusion Council (NFIC) has issued guidelines that require certification for financial educators and established a monitoring plan. The Central Bank of Tanzania, in partnership with national universities, offers a two-week certification course for financial educators.
- **Zimbabwe:** Financial education initiatives are integrated into the school curriculum in collaboration with the Ministry of Primary and Secondary Education. The Reserve Bank of Zimbabwe (RBZ) is also focused on financial education outreach in rural and marginalised areas. Additionally, the RBZ is in the process of developing a comprehensive financial education framework.

Recommendations for financial education and inclusion

- **On cross-border payments:** There are growing concerns regarding the costs, speed, and transparency of cross-border payments within the common monetary area (CMA). The Financial Sector Conduct Authority (FSCA) and the SARB are actively engaging with local banks to address these issues.
- **Peer-to-peer learning:** The SADC Secretariat's Financial Inclusion (FI) Subcommittee, which includes member state ministries of finance, economic development, and investment promotion, is implementing peer-to-peer learning. It was proposed that field visit programmes could further enhance learning outcomes.
- **Employer-led financial literacy:** Encouraging employers to provide financial literacy programmes for employees could further enhance financial capability in the workforce.

Financial literacy and market dynamics:

Insights by Grace: Emphasised the need for knowledge, attitude, and practice alignment in financial literacy, with sector-specific focus to enhance local capital market participation, reduce dependency on foreign funds, and promote instruments like gender and social bonds for long-term investment.

Impact of cross-border payment restrictions:

Concern from a participant: Questioned the effects of recent CMA restrictions on low-value transactions, weighing AML compliance against transaction ease.

Response by Mavis: Detailed how reclassifying CMA transactions as cross-border could impact customer experience and assured that the FSCA is addressing transparency concerns regarding pricing changes.

Peer-to-peer learning platform for financial inclusion:

Comment by Mario: Proposed enhancing the existing SADC Financial Inclusion Subcommittee with field visits to share practical investment experiences among member states.

Infrastructure sharing and regulatory challenges:

Question to EcoCash: *Asked about infrastructure-sharing experiences and the transition from telecom to financial regulation.*

Response: EcoCash clarified that infrastructure sharing with banks was managed by Econet, while their regulatory oversight shifted from telecom to the Central Bank as they evolved as a financial services provider.

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Day 2

Opening Remarks

Rado Razafindrakoto of the SADC Secretariat welcomed participants, provided an overview of the agenda, and opened the floor for follow-up questions related to the previous day's discussions.

A query raised by Wilson Moleni: *Asked about the impact of the 2020 phase-out of mobile money agents on Zimbabwe's ecosystem, including challenges and potential opportunities, as well as recent reports on reinstating small agents.*

EcoCash's response: Agents were phased out due to fraudulent activities, resulting in a shift to bank-based funding. While this reduced operating costs, it also led to lower platform activity, a 50% decrease in system capacity, and a negative economic impact due to undeclared cash sales. Reinstatement of agents has been cautiously managed, with approvals restricted to formal traders (e.g. supermarkets) to improve risk management.

RBZ input: Agreed with EcoCash, confirming the phase-out was due to market misconduct.
Maxine encouraged further reflection and questions from the previous day's discussions, before introducing Nomcebo Hadebe from the Alliance for Financial Inclusion (AFI) for the next presentation.

Presentations

The role of donors in financial inclusion

Nomcebo Hadebe, Alliance for Financial Inclusion

Introduction to AFI's role

AFI is a network of member institutions dedicated to empowering policymakers to enhance access to financial services for underserved populations. Comprising 20 member institutions from 15 SADC countries and a total of 90 institutions across Africa, AFI plays a pivotal role in advancing financial inclusion, rather than functioning as a donor organisation.

Importance of donor contributions

While AFI does not provide donor funding, it recognises the crucial role that donor contributions play in facilitating financial inclusion initiatives, particularly in supporting the formulation and implementation of effective policies. The establishment of an aid data portal helps align donor funds with the needs of member institutions, ensuring that resources are directed where they are most needed.

Key focus areas and services

AFI has facilitated over 1,130 policy and regulatory changes, benefiting approximately 850 million people globally. Its key focus areas include:

- **DFS:** Recognised as a primary driver of financial inclusion in Africa, DFS requires robust infrastructure and innovative solutions.
- **Consumer empowerment and market conduct:** Ensuring fair and transparent financial services while addressing issues such as exorbitant fees and promoting consumer protection measures.

- **Inclusive green finance:** Integrating policies to support vulnerable populations affected by climate change, promoting sustainability and resilience.

AFI offers 12 key services, including working groups on various thematic areas, the development of knowledge products, peer reviews, and capacity building tailored to member countries' contexts.

Collaboration and advocacy

AFI engages in public-private dialogue platforms and collaborates with standard-setting bodies to ensure that financial inclusion remains a priority, particularly in light of the FATF's recommendations. Annual assessments are conducted to ensure the ongoing relevance and effectiveness of financial inclusion initiatives.

Priority areas for future work

- **DFS:** Focus on enhancing infrastructure and fostering innovative solutions to increase access, including within the fintech sector.
- **Youth financial inclusion:** Developing policies to engage young people economically and improve their financial literacy.
- **Gender-inclusive finance:** Bridging gender disparities in financial access and promoting tailored initiatives to support women's financial inclusion.
- **Support for forcibly displaced persons (FDPs):** Recognising the unique vulnerabilities of FDPs and the need for bespoke financial solutions to address their circumstances.

These align closely with AFI's overarching policy priorities in the SADC region, which include DFS (particularly fintech), consumer empowerment and market conduct, inclusive green finance, and strategies for comprehensive financial inclusion. Core themes across these priorities include FDP support, gender-inclusive finance, youth-inclusive finance, and integrating sustainable, green finance practices to foster resilience among the financially underserved.

Conclusion

Donor funding is pivotal for enhancing financial inclusion in Africa, and AFI encourages ongoing dialogue and collaboration among stakeholders to create a more inclusive financial landscape. The commitment to focus on the quality of financial services and the integration of green finance remains central to AFI's agenda. Continuous dialogue and exchange of ideas will strengthen financial inclusion strategies across the continent.

Innovations in the SADC Regional Payment System

Ruhling Herbst, BankservAfrica

Ruhling started his presentation with an overview of BankservAfrica, a licensed regional clearing and settlement operator that historically served as the automated clearing house (ACH) for South Africa. It is now expanding its role within the SADC region to enhance financial inclusion through initiatives like the TCIB system. Operational for 18 months, TCIB is designed to advance financial inclusion and has played a significant role in improving the regional financial ecosystem. Reports indicate that 77% of the adult population in SADC is financially included, a notable increase from 57% in 2011. However, consumer experiences reveal mixed feedback, particularly concerning service costs and accessibility.

Identified challenges

Despite progress, several challenges persist in enhancing financial inclusion:

- High service costs remain a significant barrier.
- The substantial informal sector undermines reported financial inclusion statistics.
- Underdeveloped mobile money and e-commerce sectors have not reached their full potential compared to other regions.
- Regulatory fragmentation – varying levels of regulatory maturity across SADC countries hinder competition and access for new entrants.

Addressing service gaps and building consumer trust

It is essential to question whether existing financial solutions are fit for purpose, affordable, and capable of addressing market fragmentation. A lack of trust in DFS is a major barrier to adoption, highlighting the need for increased consumer awareness and education to overcome misconceptions.

The need for coordination

Better coordination across initiatives is necessary to simplify the financial landscape and prevent fragmentation of efforts aimed at promoting financial inclusion. The TCIB platform enhances interoperability among financial service providers, fostering a stable and secure ecosystem while promoting competition, all under the oversight of regulatory bodies to ensure compliance.

Progress and strategic partnerships

In its first 18 months, TCIB has onboarded over 50 members from 11 countries, with projected significant growth in transaction volumes. Collaborative efforts with entities in Zambia and Zimbabwe aim to align national and regional objectives, thereby improving the overall efficacy of the payment system.

Acknowledging cash and the importance of interoperability

Despite advancements in digital finance, cash remains a preferred payment method in many areas, necessitating recognition of its entrenched role in promoting digital solutions. Broad-based interoperability, both nationally and regionally, is crucial for fostering financial inclusion and requires a re-evaluation of regulatory and private sector approaches.

Prioritising digital literacy and realistic approaches

Enhancing digital literacy is vital to empower communities to understand and effectively utilise new financial systems. Additionally, there is a need for realistic strategies that focus on tangible outcomes, alongside coordinated efforts among stakeholders to realise financial inclusion goals.

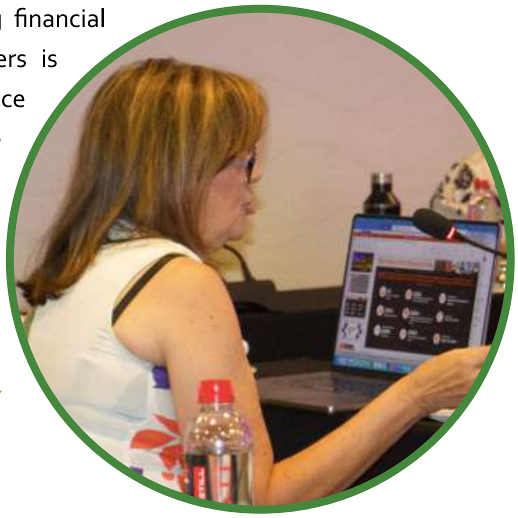
Outcomes and key takeaways

The discussions led to several key outcomes:

- Recognition of the need for comprehensive strategies to enhance financial inclusion in the SADC region.
- Emphasis on the importance of interoperability and digital literacy in fostering a more inclusive financial ecosystem.
- Commitment to ongoing dialogue and collaboration among stakeholders to address gaps and challenges within the payment system landscape.
- Acknowledgment of the role of regulatory frameworks and partnerships in facilitating seamless cross-border financial transactions.

Conclusion

Interoperability between national and regional infrastructures is vital for scaling financial inclusion. Effective collaboration between public and private sector stakeholders is essential to address regulatory challenges and foster innovation. Financial service providers must also reassess their business models to contribute meaningfully to the broader financial inclusion agenda and embrace interoperability.



Questions and responses

Nikki Kettles from Mukuru raised a question about the separation of remittances from normal cross-border payments and addressing issues surrounding cybersecurity and data protection regulations in centralised transaction processing.

Response: The SADC region uses an open and flexible centralised model for cross-border payments, established through the TCIB. This model allows for broad-based interoperability and the evolution of payment structures. A scheme has been implemented to ensure collaboration and facilitate public-private dialogues. While regional-level logical constraints could be addressed, they are currently managed on a jurisdictional basis. Efforts should focus on establishing bilateral closed-loop arrangements to drive efficient commercial benefits.

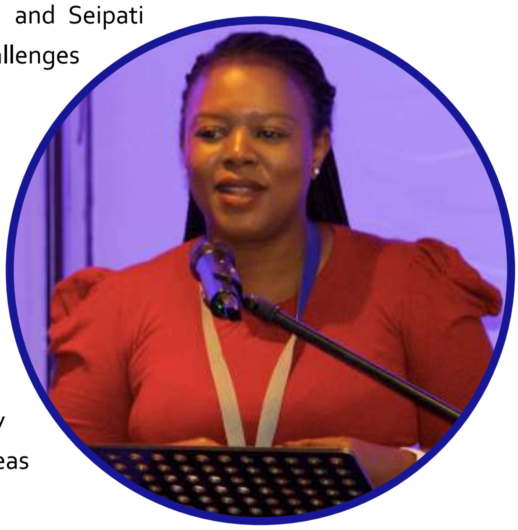
Panel Discussion

Conversation on community digitisation in the SADC: A South African case study

Moderator: Lesego Mashigo, FinMark Trust

Panellists: Seipati Nekhondela (National Treasury of South Africa) and Grenard Yotamu (Reserve Bank of Malawi)

Moderated by Lesego Mashigo, the panel discussion featured Grenard Yotamu and Seipati Nekhondela in a conversation centred on community digitisation, focusing on the challenges and opportunities in enhancing financial access and usage.



Financial access and usage

Globally, account ownership has risen to 76%, with developing countries at 71%. However, effective usage of these accounts is critical for true financial prosperity. In South Africa, over 90% of adults have access to financial services, yet many do not engage fully with these offerings. For example, while 60% of adults have access to formal credit, issues of over-indebtedness persist. In Malawi, the 2023 FinScope survey reveals that 88% of the population has access to financial services, primarily driven by mobile money. Nonetheless, challenges remain, particularly in rural areas where cash transactions dominate.

Challenges of digital adoption

Both countries face significant barriers to digital adoption. In Malawi, low literacy levels hinder the uptake of DFS, with fraud becoming an increasing concern. Initiatives for SIM card registration and digital literacy campaigns are underway to combat these issues. Conversely, in South Africa, despite high bank account penetration, low levels of digital literacy limit the uptake of mobile payments. Additionally, the 'mailbox effect' is prevalent, where funds are often withdrawn immediately upon deposit due to low merchant acceptance of digital payments.

Cost issues

Cost remains a significant barrier in both nations, particularly in rural communities where cash transactions are perceived as cheaper. In Malawi, there are ongoing discussions about awareness campaigns and potential tax waivers for devices to encourage digital payments. High transaction fees and merchant surcharges discourage the use of digital payments, making it essential to explore pricing models that promote affordability.

Collaborative efforts

The discussion emphasised the necessity for collaboration among stakeholders, including service providers, government agencies, and regulators, to foster innovation and raise awareness about the benefits of digital payments. Grenard underscored the importance of role models within communities to promote the adoption of digital services, while Seipati highlighted the need for a tailored approach that addresses specific community needs in the digital payments roadmap.

Key challenges identified

Several key challenges to community digitisation were noted:

- **Cost:** High transaction fees and merchant surcharges deter the use of digital payments.
- **Digital literacy:** Limited awareness and understanding of DFS hinder adoption, necessitating targeted financial education initiatives.
- **Security concerns:** Fraud and data privacy issues remain significant barriers, highlighting the need for robust security measures.
- **Interoperability:** Closed-loop systems and a lack of interoperability limit the convenience and functionality of digital payments.

Proposed solutions

The panel proposed various strategies to address these challenges:

- **Consumer-centric solutions:** Develop technology-driven solutions tailored to specific community needs and contexts.
- **Addressing cost barriers:** Explore pricing models that enhance affordability for consumers and merchants.
- **Enhancing digital literacy:** Implement comprehensive financial education programmes targeting specific demographics to bridge digital literacy gaps.
- **Strengthening security measures:** Establish robust cybersecurity frameworks to combat fraud and build consumer trust in digital platforms.
- **Promoting interoperability:** Foster interoperability between different payment systems and financial service providers to enhance user convenience.
- **Regulatory frameworks:** Develop supportive and adaptable regulatory frameworks that encourage innovation while ensuring consumer protection and market stability.

Conclusion

The discussions highlighted the critical need for integrating financial education, consumer protection, and stakeholder collaboration to foster effective community digitisation in the SADC region. Both panellists agreed that understanding local pain points and promoting financial literacy are vital for the success of DFS. The commitment to increasing digital finance for everyone and developing technology tailored for bottom-of-pyramid users was underscored as a path forward for achieving broad financial inclusion.

Presentation

SADC Regional Market Conduct and Financial Consumer Protection Guidelines

Christine Hougaard, Cenfri

Christine opened her presentation by discussing the financial consumer protection guidelines established in the SADC region at the end of 2021, in line with international best practices, particularly the G20 principles. Following consultations with member states, these guidelines were adopted by the SADC ministers of finance in July 2022, with a subsequent request for a study on their implementation. In 2024, the ministries of finance sought the development of a monitoring and evaluation tool to track the guidelines' implementation across the region.

The framework for the SADC Financial Consumer Protection (FCP) guidelines focuses on both supply-side and demand-side elements of consumer protection.

Supply-side elements

- **Responsible conduct:** Ensuring financial service providers act in the best interest of consumers.
- **Consumer asset protection:** Safeguarding consumer assets and ensuring the soundness of providers.
- **Privacy and data protection:** Vital in the digital financial landscape.
- **Cybersecurity:** Addressing threats such as fraud.
- **Competitive financial sector:** Promoting innovation and formalisation to build consumer trust.

Demand-side elements

- **Access to information:** Providing clear information for informed decision-making.
- **Financial education:** Equipping consumers with the necessary knowledge to engage effectively in financial markets.
- **Dispute resolution:** Establishing mechanisms for consumer recourse against financial service providers.
- **Governance:** Effective financial consumer protection relies on comprehensive legislative frameworks and robust oversight to ensure fair outcomes for consumers. The FCP Guidelines consist of 11 principles, each with basic requirements and long-term objectives tailored to individual country contexts.

To assess the implementation status, a survey was conducted for member states to self-evaluate their alignment with the guidelines. The survey results revealed an average score of 1.9, indicating good progress, although further improvement is necessary.

Key findings include

- Strong market conduct mandates among bank regulators, though some non-bank regulators lack clarity.
- Positive trends towards establishing dedicated market conduct units, particularly in banking.
- Most member states track consumer complaints but using alternative data sources for consumer experience requires improvement.
- While many have cybersecurity frameworks, few apply them specifically to the financial sector, highlighting a need for better coordination.

In conclusion, while significant progress has been made in establishing consumer protection frameworks, enhanced coordination among regulatory authorities and improved monitoring are essential for effective oversight. A dashboard tool has been developed for member states to monitor progress, and Christine encouraged ongoing vigilance to address the challenges in the journey towards improved financial consumer protection.

Questions from the floor

Dr Thabang Chiloane from the Banking Association of South Africa raised a query regarding cybersecurity. He noted that many significant cyberattacks typically do not occur within the country of the targeted institutions. He cited a notable cyber incident involving local banks from the previous year, which raised concerns about regional cybersecurity measures.

The question raised was, *"How can the region collectively enhance its cybersecurity posture to protect itself from such external threats?"* He wanted to understand the collaborative steps that could be taken across member states to bolster cybersecurity in the financial sector.

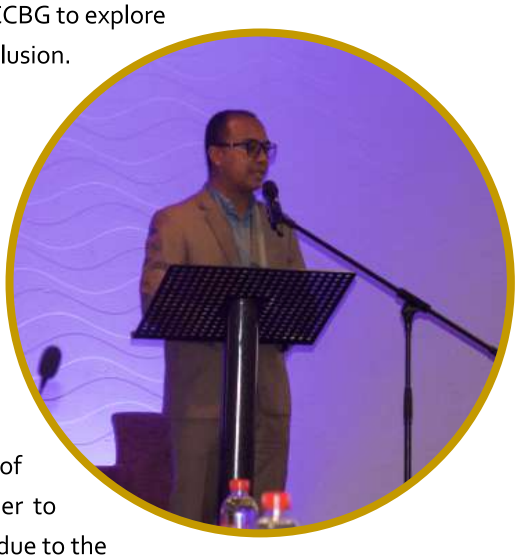
Response: Rado addressed concerns, reiterating that a collaborative approach is essential for enhancing regional cybersecurity. He referred to previous presentations on SADC ICT infrastructure, noting existing frameworks and mechanisms aimed at preventing cyber incidents. Rado mentioned the Central Bank Governance Committee's dedicated ICT Subcommittee, which focuses on enhancing collaboration among central banks to address these challenges. He emphasised the necessity for the region to have adequate tools and mechanisms in place to prevent cybersecurity incidents.

Interoperability and remittances

Nikki Kettles from Mukuru raised two questions about interoperability and remittances. She stressed the importance of interoperability in reducing costs and increasing access to financial services. Nikki pointed out the challenges posed by fintechs that have established their own business models, making integration difficult.

She also questioned the separation of remittances from regular cross-border payments, arguing that most transactions are instantaneous and should be treated as such. She highlighted issues regarding data protection regulations that hinder transaction processing across borders. Nikki suggested the need for a re-evaluation of these processes to facilitate easier access for customers.

Response: Damola Owolade from FinMark Trust addressed concerns regarding the application of data privacy laws and their impact on financial inclusion. He shared that AIS had convened discussions with the CCBG to explore these issues further, aiming to strike a balance between data privacy and financial inclusion.



Further contributions

Rado acknowledged the complexities surrounding the established centralised model for facilitating cross-border payments. He highlighted the need for flexibility to foster interoperability and accommodate varying market practices and stressed that the scheme should act as a collaborative platform for different financial service providers to work together without disrupting existing business models.

Merchant Payment Regulations

Brenda Manza, from the Central Bank of Zambia, raised concerns about the lack of a SADC pricing model for merchant transactions, which she believed was a barrier to increased usage of DFS. She noted that merchants often promote cash transactions due to the costs associated with digital payments.

General discussion

In response to Brenda, it was suggested that this could be an opportunity to investigate merchant payment regulations across different member states. There was a call for countries to reflect on their existing regulations and the potential for developing specific guidelines to support merchant payments.

Final remarks

The discussion concluded with a call for ongoing dialogue among regulators, stakeholders, and financial service providers to address the challenges posed by cybersecurity, interoperability, and regulatory frameworks. Participants were encouraged to continue sharing their experiences and best practices to enhance financial inclusion across the region.

Panel Discussion

Sustainable finance in financial inclusion

Moderator: Moortaza Jiwanji, United Nations Development Programme (UNDP)

Panellists: Florence Mohasoa (Ministry of Finance Lesotho), Sizakele Dlamini (Centre for Financial Inclusion Eswatini), Eric Massinda (FSD Tanzania), Judith Aguga (UNDP)

Moortaza Jiwanji from the UNDP opened the panel by emphasising financial inclusion as a fundamental component of broader development objectives. He underscored the role of financial inclusion in driving economic growth and achieving the Sustainable Development Goals (SDGs) while highlighting the critical contribution of SMEs to job creation and GDP across Africa. He also acknowledged the significant challenges SMEs face in accessing finance.

Key themes addressed

- **Financing instruments and solutions**: Various financing options were explored, focusing on credit guarantees and concessional financing to improve SME access.
- **Policy, regulatory, and enabling environment:** The need for strong policy and regulatory frameworks was highlighted, along with the importance of international development partnerships to support financial inclusion.
- **Capacity building:** Emphasis was placed on the importance of capacity building among SMEs and stakeholders within the financial ecosystem.

Panellist contributions

- **Florence Mohasoa:** Spoke on the National Strategic Development Plan, which aims to enhance the business registration environment and promote inclusive growth, especially for SMEs. She highlighted initiatives to incubate and accelerate productivity, particularly within the agricultural sector.
- **Sizakele Dlamini:** Addressed ongoing access issues for SMEs in Eswatini and described government efforts to introduce financing schemes and loan guarantees for the agricultural sector. She discussed the 'Fin Club' project, which aids farmers in accessing markets and finance, and plans to develop a microfinance sector.
- **Eric Massinda:** Provided insights into the financing landscape for MSMEs in Tanzania, describing the sources of financing and challenges, such as the exclusion of unregistered micro-enterprises. He also noted the Financial Sector Deepening Trust's (FSDT) role in supporting MSMEs through grants, capacity building, and technological advancements.
- **Judith Aguga:** Highlighted innovative financial models being developed to enhance finance accessibility, advocating for digitalisation, insurance products, and active engagement with MSMEs to understand their specific needs better.

Focus and key points of the discussion

The panel explored the intersection of sustainable finance and financial inclusion, concentrating on the challenges and opportunities associated with financing SMEs in the SADC region. The discussion highlighted the essential role of SMEs in economic growth, job creation, and poverty reduction, emphasising their contribution to GDP and employment across the continent.

Challenges in accessing finance: Despite their significance, SMEs encounter considerable barriers to finance, including limited access to venture capital and traditional bank loans, high interest rates and prohibitive borrowing costs, and insufficient access to financial data and alternative financing mechanisms.

The panel discussed UNDP's support for governments and SMEs through initiatives such as:

- **Integrated national financing frameworks**: Assisting governments in aligning national development planning with financing strategies, prioritising financial inclusion.
- **SDG investor maps:** Identifying investment opportunities that contribute to SDGs while offering financial returns.

Country experiences

Panellists shared insights from Lesotho, Eswatini, and Tanzania on addressing SME financing challenges:

- **Lesotho:** Focused on shifting from a consumer-based to a producer and export-oriented SME sector, promoting formalisation, and supporting agricultural value chains.
- **Eswatini:** Discussed challenges with government financing schemes and commercial bank lending, underscoring the need for a robust microfinance sector and tailored financial products.
- **Tanzania:** Shared experiences of an evolving financing landscape with contributions from traditional financial institutions, development partners, and blended financing programmes, targeting both formal and informal SMEs.

Recommendations for sustainable SME financing

The panel proposed several recommendations to improve SME financing sustainably:

- **Holistic approach:** Address the entire SME value chain, from production to market access, and provide tailored support services.
- **Strengthening partnerships:** Foster collaboration among governments, financial institutions, development partners, and the private sector.
- **Innovative financing instruments:** Explore alternative financing models, such as credit guarantees, diaspora bonds, and impact investing.
- **Capacity building:** Enhance financial literacy, business management skills, and risk management capabilities among SMEs.
- **Leveraging technology:** Use digital platforms for financial services, data analysis, and market information dissemination.
- **Favourable policy environment:** Develop enabling regulatory frameworks that encourage responsible lending, protect consumer rights, and promote financial sector innovation.

Closing thoughts

The panellists concluded by urging stakeholders to go beyond merely providing financial products, focusing instead on understanding the unique needs of SMEs and designing solutions accordingly. This approach includes empowering SMEs, promoting financial literacy, and fostering an ecosystem that supports sustainable growth and development across the SADC region.

Closing Remarks

Mario Lironel, SADC Secretariat

Mario expressed his gratitude to all partners, delegates, and guests for attending the 2024 SADC Financial Inclusion annual forum. He noted that the forum was established by the SADC council to facilitate regular exchanges of experiences and insights among stakeholders. Mario highlighted that the forum has created opportunities to promote financial inclusion within the SADC region and implement various policy initiatives at the country level.

He thanked the partners and participants for their dedication in successfully driving the 2023–2028 SADC strategy on financial inclusion, mentioning that the forum's outcomes would be presented to the Minister of Finance and Investment. Key milestones achieved with the support of the SIBE programme, funded by the European Union, were highlighted. These included the endorsement of a five-year strategy for SADC Financial Inclusion and SME Access to Finance by the Council of Ministers in August 2023, assistance to member states in developing their financial inclusion strategies, preparations for the launch of the SADC Financial Inclusion portal, and the creation of a dashboard to track progress on the implementation of market conduct guidelines for financial consumer protection. Additionally, the reviewed SADC Mobile Money Guidelines received approval from the CCBG, along with eight model laws concerning microfinance institutions, insurance and medical schemes, financial intermediation, and listing requirements. Member states are expected to align their domestic laws with the minimum standards set out in these model laws.

Mario extended the SADC Secretariat's appreciation to the European Union for their support through the SIBE programme, to FinMark Trust for their resources, and all staff and participants involved. He wished everyone well and officially declared the 2024 SADC Financial Inclusion forum closed.

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