



# **Consultancy Service to Review Implementation of the SADC Strategy on Financial Inclusion and SMEs' Access to Finance**

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# List of acronyms and abbreviations

<b>AfDB</b>	African Development Bank
<b>AFRITAC</b>	Regional Technical Assistance Center for Southern Africa
<b>AIMS</b>	Agriculture Information Management System
<b>ARC</b>	African Risk Capacity
<b>ASEAN</b>	Association of Southeast Asian Nations
<b>CCBG</b>	SADC Committee of Central Bank Governors
<b>CESARE</b>	Cooperation for the Enhancement of SADC Regional Economic Integration
<b>CISNA</b>	SADC Committee of Insurance, Securities and Non-Banking Financial Authorities
<b>CoSSE</b>	Committee of SADC Stock Exchanges
<b>CRASA</b>	Communications Regulators' Association of Southern Africa
<b>DFI</b>	Development Finance Institution
<b>ESAAMLG</b>	Eastern and Southern African Anti-Money Laundering Group
<b>EU</b>	European Union
<b>FMT</b>	FinMark Trust
<b>FSD</b>	Financial Sector Deepening
<b>GIZ</b>	Deutsche Gesellschaft für Internationale Zusammenarbeit
<b>ID</b>	Identification document
<b>RISDP</b>	Regional Indicative Strategic Development Plan
<b>SADC</b>	Southern African Development Community
<b>SME</b>	Small and Medium Enterprise
<b>UNCDF</b>	United Nations Capital Development Fund
<b>UNODC</b>	United Nations Office for Drugs and Crime
<b>WURI</b>	West Africa Unique Identification for Regional Integration

# 1 Executive summary

The SADC Strategy on Financial Inclusion and SMEs Access to Finance has been reviewed and updated in this draft report, as follows:

*Evaluation of the successes, failures, challenges and their causal factors on the implementation of the Strategy to date:* The Strategy currently emphasizes i) digitisation based on strong payment systems and (ii) building credit markets. The main objective is to improve access, uptake and utilisation of quality financial services and products for consumers and small and medium businesses (SMEs) in the SADC region for effective participation in the SADC Industrialisation Strategy and Roadmap. There have been a number of gains in financial inclusion over the past 10 years (though it should be noted that the Strategy was implemented over the past five years). **Overall, 70% of adults in SADC now have access to financial services, increasing from 57% in 2011.** This expansion has been driven to a large extent by the expansion of access to mobile money in Member States.<sup>1</sup> Currently, 30% of adults in SADC currently use mobile money services, compared to 23% in around 2014.

While these gains are not necessarily linked to activities implemented under the Strategy, there have been a number of important SADC initiatives that have helped support financial inclusion:

- **First, an important achievement is the implementation of a regional cross-border payments switch (the SADC Real Time Gross Settlement, 'RTGS', system).** This is linked to the first element of the Strategy on building strong payment systems. Together with the introduction of a new licensing regime in South Africa for cross-border money transfer operators (authorised dealers with limited authority, or 'ADLAs') which lowered barriers to entry and increased competition, the SADC-RTGS has helped reduce cross-border remittance costs from around 20% to 13% over the past years in a number of corridors. At the same time, these costs continue to be significantly higher than the UN SDG target of 5%.
- **Second, a number of guidelines and model laws have been put in place.** For instance, SADC mobile money guidelines were developed, which included a recommendation to pay interest on mobile money balances/deposits. This has been implemented in Botswana and Malawi. In addition, CISNA has put in place model laws for pensions, collective investment schemes and central securities depositories.<sup>2</sup> Regulatory harmonisation, such as mutual recognition of insurance taken out by cross-border logistics providers, plays an important role in facilitating the regional integration of trade in goods.<sup>3</sup>
- **Third, a protocol on trade in services has been put in place.** While progress with the implementation of this protocol, introduced in 2012, has been slow, it is an important step towards increasing competition in the supply of financial services in the SADC region, thus reducing prices, expanding consumer choice and improving quality.

*Impediments to financial inclusion and SMEs access to finance in SADC:* There are a number of constraints to financial inclusion and SMEs access to finance:

1. First, large numbers of people remain excluded due to the **lack of documentation** in SADC Member States. A number of Member States need to improve their national identification system, including by providing digital access to their systems, or permitting the development of digital financial identities by financial services providers.
2. Second, **Small and Medium Enterprises (SMEs) in the region remain largely informal**, and face significant obstacles in accessing formal financial services. Similarly, there are links between SME access to finance and formal registration of SMEs, including with tax authorities.
3. Third, there remain significant infrastructure constraints, in that **rural mobile network connectivity is limited, which is linked to the lack of availability of electricity.** This to a

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<sup>1</sup> United Nations Capital Development Fund, October 2020, 'Measuring Progress: Financial Inclusion in Selected SADC Countries', available at: <https://www.uncdf.org/article/6170/measuring-progress-of-financial-inclusion-in-selected-sadc-countries>

<sup>2</sup> Interviews with the CISNA Secretariat between 7 and 16 July 2021.

<sup>3</sup> Interviews with the CISNA Secretariat between 7 and 16 July 2021.

significant degree drives the substantial differences in progress in financial inclusion between Member States. There are important links between financial inclusion and SME access to finance, electricity supply, and green financing, explained in the report.

4. Fourth, the **prices of remittances are exceedingly high**. While cross-border remittances costs have fallen in some countries, such as to 3.5% in Lesotho in 2020 for a USD 55 transfer, they can be as high as 25.6% of the remittance value in Madagascar.<sup>4</sup> Two of the largest remittance corridors in SADC, from South Africa to Malawi and Zimbabwe, have weighted prices for the same USD 55 transfer amount of 9.6% and 13.6%, respectively. These charges are substantially higher than the UN SDG target to reach a cost of 5%.
5. Fifth, there are **shifts towards data localisation that may impede the integration of SADC economies**, preventing the emergence of regional fintech innovations.<sup>5</sup> This also raises barriers to entry and expansion within Member States, a problem identified in the previous Strategy.
6. Sixth, savings and loans at banks have not grown significantly, at least over the period 2014-2018, nor was there substantial progress in respect of banking infrastructure (ATMs, branches, etc), save in a small number of member countries. There is a need to **facilitate the expansion of traditional financial services providers, such as banks, in order to bring about greater competition with digital financial services providers** (including money transfer operators and mobile money providers), thus lowering prices, expanding access and improving the quality of financial services products in SADC.

*Review of the SADC financial inclusion implementation plan and institutional mechanism in line with new developments:* The SADC financial inclusion plan and institutional mechanism considers a range of implementation areas and activities. These interventions will likely remain key themes in the updated Strategy, including in relation to regional digital financial identification, and facilitating the development of innovative new products, including by implementing guidelines to lower barriers to entry. The existing SADC implementation structure is reasonable and should remain in place for the coming years.

*Links between financial inclusion and key aspects of economic and human development:* There are also significant links between economic development, population and migration, and financial inclusion and SMEs access to finance:

1. Economy:
  - a. The agricultural sector plays an important role in many SADC economies, and this is an area of focus in this Strategy, including in the promotion of regional digital food certification, warehouse receipts and commodity exchanges.
  - b. Promoting SMEs access to green funding and the Southern African Power Pool can help improve access to electricity and the mobile network infrastructure that is dependent on this, as well as help mitigate the effects of climate change. The latter is a significant problem in Member States, and has a regional dimension, prompting regional responses.
2. Population and migration:
  - a. **SADC populations largely live in rural areas**, which creates significant problems for financial inclusion and SMEs access to finance, given that the mobile networks that facilitate digital financial services need to be built out to rural populations at higher cost.
  - b. **Employment rates in SADC Member States are typically below 50% of the working age population**. This means that social protection is an important aspect of

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<sup>4</sup> FinMark Trust, 2020, 'South Africa to rest of SADC remittance pricing', available at: [https://finmark.org.za/system/documents/files/000/000/141/original/FMT\\_SADC\\_pricing\\_report.pdf?1629367064](https://finmark.org.za/system/documents/files/000/000/141/original/FMT_SADC_pricing_report.pdf?1629367064)

<sup>5</sup> This is at least the case in Mozambique and Rwanda currently. See Cenfri, 2018, 'Regulating for responsible data innovation', available at: [https://cenfri.org/wp-content/uploads/2018/11/2018\\_10\\_30\\_regulating\\_for\\_responsible\\_data\\_web.pdf](https://cenfri.org/wp-content/uploads/2018/11/2018_10_30_regulating_for_responsible_data_web.pdf)

alleviating poverty, and financial inclusion has an important role to play in this, in respect of distributing funds efficiently and timeously to beneficiaries.

3. Regional integration:

- a. There has been considerable progress **in regional integration of trade in products** in SADC. This can be further supported by prioritising regional instant payments, regional identification documents, and insurance products that facilitate cross-border trade.
- b. There has also been some success in developing **regional rules on trade in agricultural products**, including in the implementation of regional phytosanitary standards.
- c. As mentioned above, there is a **Protocol on Trade in Services**, which is currently in the process of being implemented. This can play an important role in driving financial inclusion and SME access to finance, by promoting rivalry among regional financial services providers and expanding customer choice.
- d. There are also links between financial inclusion and the **SADC Industrialisation Agenda, which promotes financial strengthening**. There is a Protocol on Industry, which has as one of its objectives 'to facilitate the development of globally competitive SMMes'.<sup>6</sup> The SADC Regional Indicative Strategic Development Plan (RISDP, 2020-2030) and the Vision 2050 also play an important role. Specifically, these documents consider social and human capital development, the promotion of the agricultural sector and the promotion of mobile infrastructure and FinTechs. These areas all have links to financial inclusion and SMEs access to finance.

*Updates to the previous Strategy:* The question, now, is how to deepen the usage of financial inclusion and SMEs access to finance for economic development and in particular, where this report is concerned, what role SADC might play in this area in addition to Member State initiatives. In this updated Strategy, there are two key areas of focus:

1. Regional context (economy, population and regional integration)
  - a. Upgrading regional retail payments and remittances
  - b. Regional, interoperable digital financial identities for individuals and SMEs
  - c. Promoting regional trade in financial services
  - d. Insurance products to aid regional integration in SADC
  - e. Access to electricity, the Southern African power pool
  - f. Digitisation for the agricultural sector, including digital warehouse receipts, regional commodity exchanges, common digital food standards, to improve market integration
2. Harmonisation of regulations and guidelines in support of financial inclusion and SMEs access to finance
  - a. Harmonised AML / CFT / PF / KYC / CDD guidelines for individuals and SMEs
  - b. Guidelines on reducing regulatory barriers to entry, including implementing regulatory technology ('RegTech') and supervisory technology ('SupTech')
  - c. Guidelines promoting competition among financial service providers
  - d. Guidelines on consumer protection (including on data) and financial education
  - e. Harmonising taxation frameworks in support of SMEs

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<sup>6</sup> See: [https://www.sadc.int/files/5115/9232/1514/Protocol\\_on\\_Industry\\_-\\_English\\_-\\_2019.pdf](https://www.sadc.int/files/5115/9232/1514/Protocol_on_Industry_-_English_-_2019.pdf)



*Monitoring and evaluation framework:* This updated Strategy includes a monitoring and evaluation framework, emphasizing an implementation structure that includes mutual peer reviews developed by financial inclusion forum members, and has a range of quantitative demand and supply-side indicators on financial inclusion mapped to the various aspects of the updated Strategy. This Strategy has been developed with an emphasis on the regional integration agenda, leveraging SADC's strengths, and working within SADC structures under the Protocol on Finance and Investment including:

1. Committee of Central Bank Governors (CCBG),
2. Committee of Insurance, Securities, and Non-banking Financial Authorities (CISNA),
3. Committee of SADC Stock Exchanges (COSSE), and
4. Development Finance Resource Centre (DFRC).

Each of these bodies has an important role to play in the implementation of this Strategy on Financial Inclusion and SMEs Access to Finance.

## 2 Introduction and objectives of the assignment

The Southern African Development Community (SADC) prepared a Strategy on Financial Inclusion and SMEs Access to Finance in 2016, for the period 2016-2021 (referred to here as ‘the Strategy’).<sup>7</sup> The overall objective of this draft report updating the Strategy is to contribute to achieving sustainable and inclusive growth, supporting job creation and supporting the industrialisation agenda in the SADC region through enhancement of financial inclusion.<sup>8</sup> The specific objective of the present study is to undertake an assessment and take stock of results achieved and challenges encountered in the implementation of the Strategy, document the lessons learned and draw strategic recommendations to inform implementation in the remaining period as well as the Financial Inclusion Agenda Post 2021. In this report, the Strategy Implementation Plan is reviewed and updated taking into consideration new developments in the financial inclusion space, among others, access to finance by woman entrepreneurs, climate change/climate finance, financial literacy, and financial technology (FinTech).

This Strategy was updated within the context of promoting the objectives set out in the SADC Protocol on Finance and Investment, including:

- ☐ Promoting investment in the region,
- ☐ Greater cooperation among central banks in relation to payment, clearing and settlement systems,
- ☐ Cooperating in the activities of development finance institutions (DFIs) and non-banking financial institutions,
- ☐ Facilitating the development of capital markets and stock exchanges, and
- ☐ Cooperation in respect of money laundering.

It is important to consider this updated Strategy in the context of the overall objectives of SADC, which are:

***“to achieve development through economic growth and equitable and sustainable development, to be attained through increased regional integration, and built on democratic principles.”***

An important feature of this updated Strategy is an expanded understanding of financial inclusion, to consider means by which economic and human development may be improved through financial inclusion. In this regard, there are links between financial inclusion and the SADC Industrialisation Agenda, which promotes financial strengthening, among other objectives.<sup>9</sup> There is a Protocol on Industry, which has as one of its objectives ‘to facilitate the development of globally competitive SMMEs’.<sup>10</sup> The SADC Regional Indicative Strategic Development Plan (RISDP, 2020-2030) and the Vision 2050 also play an important role. The Vision 2050 and the RISDP emphasize industrial development and market integration and consider agro-processing, mineral beneficiation, and pharmaceuticals as priority sectors. In this regard, it is important to consider regional agricultural activities and links to financial inclusion, including in respect of digitisation, standard setting, and

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<sup>7</sup> See report adopted by SADC: Strategy on Financial Inclusion and SMEs Access to Finance published in 2016, available at: <https://finmark.org.za/system/documents/files/000/000/207/original/FI-strategy-SADC.pdf?1601978334>

<sup>8</sup> The development of the updated Strategy is part of a broader collaboration between SADC and the European Union (EU) on a Programme on Support to Improving the Investment and Business Environment (SIBE) in the SADC region, which aims for the following results:

- ☐ Result 1: An enabling investment policy framework across SADC Member States is supported.
- ☐ Result 2: Enhanced integration of financial markets in the SADC region is promoted.
- ☐ Result 3: Enhanced financial inclusion is supported

<sup>9</sup> See: <https://www.sadc.int/news-events/news/sadc-ministers-industrialisation-and-trade-review-progress-implementation-regional-integration-agenda/>

<sup>10</sup> See: [https://www.sadc.int/files/5115/9232/1514/Protocol\\_on\\_Industry\\_-\\_English\\_-\\_2019.pdf](https://www.sadc.int/files/5115/9232/1514/Protocol_on_Industry_-_English_-_2019.pdf)

warehouse receipts linked to commodity markets. Developing infrastructure in support of regional integration is also important, and mobile telecommunications infrastructure in particular plays a key role in financial inclusion, through digital financial services provided by financial technology ('FinTech') companies. Logistics infrastructure, including integrating customs systems, are also relevant. Finally, social and human capital development are critical, and the links between financial inclusion and access to basic services, including electricity (Section 6.5), as well as social protection, are considered in this revised Strategy (Section 6.2).

This updated Strategy emphasizes what SADC can achieve as an organisation, over and above what initiatives individual member countries can implement in respect of financial inclusion. Ten SADC Member States have national financial inclusion strategies and SME access to finance activities and more are being added through the SADC-SIBE initiative, and so it is important to identify areas where regional SADC interventions can add value. In this updated Strategy, two key focus areas have been identified:

- ☐ Regional integration of markets in support of financial inclusion and SMEs access to finance
- ☐ Harmonisation of regulations and guidelines in support of financial inclusion and SMEs access to finance

The following process was used to develop this updated Strategy (explained in the Annexures, in Section 9.1; the links between the terms of reference and this report are set out in Section 9.2):

- (i) extensive stakeholder consultations were carried out,
- (ii) the wide-ranging existing research on financial inclusion in the SADC region was reviewed,
- (iii) data from a variety of sources was analysed, and
- (iv) a thorough comment and review process was completed.

This Report is structured as follows:

First, the existing Strategy is discussed, and its success, failures and challenges, are discussed in Section 3. The regional context is described in Section 4, in order to provide the basis for linking financial inclusion to outcomes in regional economies and societies. The strategic recommendations and institutional mechanism are then considered in Section 5, and the key focus areas for this updated Strategy are then discussed in Sections 6 and 7. A monitoring and evaluation framework is discussed in Section 8.

### 3 Evaluation of the successes, failures, challenges and their causal factors on the implementation of the Strategy to date

In this section, the previous Strategy is described, and the successes, failures, challenges and their causal factors on the implementation of the Strategy to date are evaluated.

#### 3.1 The SADC Strategy on Financial Inclusion and SMEs Access to Finance

##### 3.1.1 Overall objectives and areas of intervention in the previous Strategy

The Strategy currently emphasizes i) Digitisation based on strong payment systems and (ii) building credit markets. The main objective is to improve access, uptake and utilisation of quality financial services and products for consumers and small and medium businesses (SMEs) in the SADC region for effective participation in the SADC Industrialisation Strategy and Roadmap.

The Strategy proposed the following areas of intervention that hold significant potential for impact:

- Moving beyond payments to expand access to credit will play an important role in enhancing the quality of inclusion experienced by customers in SADC.
- Limited credit information on business owners poses a major barrier for financial institutions wishing to extend financial services and products to SMEs. Interventions such as the SADC Credit Reporting Alliance Project that seek to develop harmonised principles for credit and risk information sharing will serve to support cross border data sharing thus facilitating effective risk management of both businesses and individuals across the region.
- Lastly, from a regulatory perspective, there are high barriers to entry for micro-lenders and non—bank lending institutions.

The categories of interventions identified included funding, advocacy, research and development, and capacity building and technical assistance. In particular, the Strategy emphasised that:

***“SADC is currently best to focus on a) advocacy and b) research and development with potential for targeted specific interventions in funding and capacity development. In addition, a number of activities around capacity development and technical assistance lend themselves to interventions at a regional level (such as training on new developments and/ or on cross-country topics). Country-specific interventions in this category can be supported by SADC. That said, interventions on capacity development and technical assistance are best undertaken in partnership with other stakeholders as they are better positioned to effectively and efficiently deliver.”***

This remains an important area of emphasis in the updated Strategy considered here.

##### 3.1.2 Implementation plan for the previous Strategy

A summary of the SADC Financial Inclusion and SME Finance Implementation Plan, first submitted to the Ministers of Finance and Investment in July 2017, is shown on [Table 1](#). This implementation plan has key performance indicators linked to strategic objectives and outcomes linked to the Strategy, discussed in Section 3.2. There are 45 sub-activities, shown in more detail in the Annexure (Section 1.1), of which 32 (71%) are in progress or have been completed. Key among the successful projects are the Transactions Cleared on an Immediate Basis (TCIB) implemented by the CCBG and SADC Banking Association, the development of regional money guidelines (including the payment of interest on mobile money deposits), and the development of research on financial inclusion at the SADC level, such as on regional remittances and digital financial identities.

**Table 1: SADC financial inclusion and SME finance implementation plan summary**

Strategic objective / Immediate outcome	Targeted output	Main activity	Status (activities achieved or in progress)
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	An institution/ centre of excellence for financial inclusion identified, role negotiated and partnership agreed	Facilitate the identification, selection and operationalisation of a centre of excellence for financial inclusion that can partner with SADC	3/5: MoU is in place with FinMark Trust ; FI Committee governance structure; SIBE consultant working on indicators, remittances and digital identities; research has been disseminated
	Regional stakeholder platform for sharing, learning, capacity building and monitoring on financial inclusion established and operational	Coordinate establishment and operationalisation of Regional Stakeholders' Platform and theme based sub- platforms / work groups for sharing, learning, building capacity and monitoring	5/6: Financial inclusion forum established; Regional stakeholders platform launched; Task teams on theme based working groups established and working; FinMark carried out research FI issues; SADC information portal a work in progress
	SADC Strategy for Financial Inclusion and SMEs Access to Finance evaluated and disseminated	Facilitate undertaking of evaluation of SADC Strategy for Financial Inclusion and SMEs Access to Finance	2/3: Annual reviews are disseminated, and review of present strategy is part of this report
Improved capacity to support regional and national financial inclusion programmes	Key Financial Inclusion regulatory topics for regional focus identified and implementation plan developed	Facilitate identification of key Financial Inclusion regulatory topics for regional focus	3/3: There are currently projects underway under the SIBE programme on the harmonisation of regulations, assessments of the risk based approach, and convene a regulators working group
	Financial sector regulators empowered on Financial Inclusion	Facilitate management of regulatory sandbox project to support regulators with implementation Facilitate capacity building for financial sector regulators on financial inclusion	2/2: SIBE experts retained to support regulators, and to support country-level initiatives
	Enabling regulations at national and regional levels developed and operational	Facilitate development and operationalisation of enabling regulations at national and regional levels	1/3: SIBE expert to be retained to support compliance with FATF recommendations
Harmonized regulations for member exchanges	Templates for rules available to all regional exchanges to lower costs of research	Revision of regulations/ harmonization	1/1: SIBE expert assisting with research on rules and types of securities products offered in the region
Access to information on capital markets improved	Easier and cheaper access to knowledge and information	Facilitate on line meetings through web based seminars (Webinars)	0/1: Capital markets training not yet begun
Increased awareness and participation of the youth and SMMEs in capital markets promoted	Improved participation by young people and SMMEs capital markets	Online Stock Market Simulators	1/1: This will begin under the SIBE programme
Improved capacity of financial service providers (FSPs) to	Engagements with FSP's in the region on product and services innovation for financial inclusion strengthened	Create the environment for FSP's to learn, and be exposed to innovations in product and services development and delivery	3/3: FinMark carried out research on remittances, CCBG has carried out workshops and information exchanges; financial services market conduct and

Strategic objective / Immediate outcome	Targeted output	Main activity	Status (activities achieved or in progress)
develop appropriate financial services and products in the region			consumer protection guidelines work started under SIBE
	Improved access to electronic financial services through interoperability of ATMs and Points of Sale terminals	Interoperability of ATMs and POS	1/2: Member States are working on identifying physical points of presence
	Appropriate demand side data generated and accessible	Facilitate the collection, processing and analysis of appropriate demand side data (Consumers and SMME)	2/6: Demand side research being carried out by FinMark, and 2 countries will have FinScope surveys under the SIBE programme
		Facilitate the development of a disclosure index combining existence of a variety of disclosure requirements	2/2: SIBE experts providing technical support for plain language requirements, market conduct and consumer protection guidelines
Increased formal cross border retail payments	SADC cross border regional automated clearing house (RACH) for live credit push and debit pull transactions developed and functional	Facilitate development and implementation of SADC RACH	2/3: CCBG has launched real time instant payments (TCIB), and is convening regional workshops to plan and implement various payment streams
	Existence of Financial Inclusion Data indicators	Collection of FI data	1/1: FinMark Trust and CCBG collecting information on financial inclusion

Source: SADC Secretariat

A number of these implementation areas remain key themes in the updated Strategy, including in relation to regional instant payments, digital financial identification, developing guidelines to lower barriers to entry, and harmonising regional regulatory frameworks.

## 3.2 Successes, failures and challenges

### 3.2.1 Progress with financial inclusion and SMEs access to finance in SADC

There has been significant progress with financial inclusion in a number of SADC member countries over the past ten years. Overall, 70% of adults in SADC now have access to financial services, increasing from 57% in 2011 (Figure 1). This expansion has been driven to a large extent by the expansion of access to mobile money in Member States (

Table 2).<sup>11</sup> Overall, 30% of adults in SADC currently use mobile money services, compared to 23% in around 2014 (

Table 2). This masks uneven progress across Member States, however. For instance, in Zimbabwe and Lesotho the number of mobile subscriptions exceeds the population size.<sup>12</sup> Similarly, there are almost as many mobile money subscriptions as people in Botswana, Eswatini, and Malawi. At the same time, a number of countries, including the DRC, have significantly lower rates of inclusion, though there is only limited information available on the DRC (discussed in Section 3.2.2). The gender

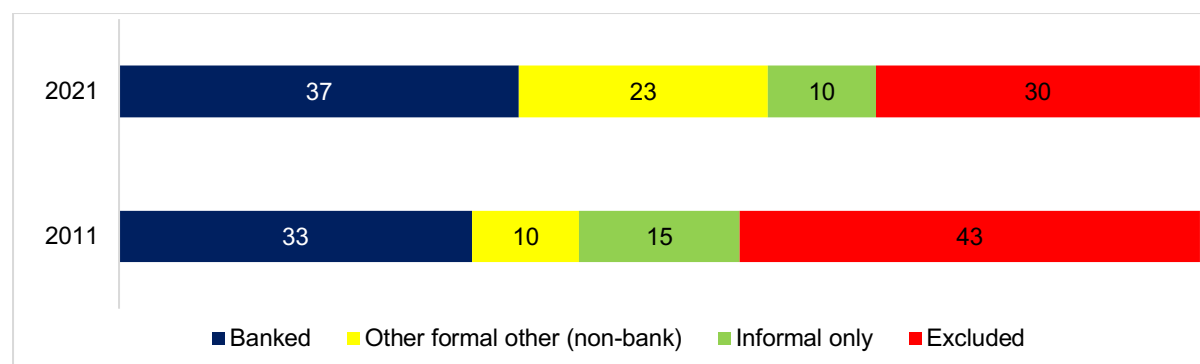
<sup>11</sup> United Nations Capital Development Fund, October 2020, 'Measuring Progress: Financial Inclusion in Selected SADC Countries', available at: <https://www.unCDF.org/article/6170/measuring-progress-of-financial-inclusion-in-selected-sadc-countries>

<sup>12</sup> Source: FinMark Trust, 2019, 'Measuring progress, financial inclusion in selected SADC countries', available at: [https://finmark.org.za/system/documents/files/000/000/266/original/Measuring\\_Progress\\_Financial\\_Inclusion\\_in\\_selected\\_SAD\\_C\\_countries\\_-\\_2019\\_Report.pdf?1603091586](https://finmark.org.za/system/documents/files/000/000/266/original/Measuring_Progress_Financial_Inclusion_in_selected_SAD_C_countries_-_2019_Report.pdf?1603091586)

gap, in respect of access to financial services, also appears to be substantially reduced overall: approximately 69% of women in SADC have access to financial services, and 71% of men do (

Table 2). Again, however, there are significant differences between Member States, discussed in Section 3.2.2.

**Figure 1: SADC Access Strand Aggregated for all countries**



Source: SADC Secretariat / FinMark Trust

While the expansion in access is largely due to the growth in digital financial services, SADC initiatives have likely played a supporting role, such as in respect of the mobile money guidelines issued in 2019<sup>13</sup>, and expanding the capacity for cross-border payments via the SADC-Real Time Gross Settlement System (RTGS).<sup>14</sup> There has also been a growing emphasis on financial inclusion within Member States, with 10 Member States now having national financial inclusion strategies. The increasing partnerships between cross-border remittances providers and mobile money providers have also expanded financial inclusion. In addition, merchant payments are growing, even if progress between Member States is uneven; for instance, in Lesotho, merchant payment and bill payment transaction volumes exceed cash out transaction volumes.<sup>15</sup>

These developments have clear links to:

1. Improving resilience among households by expanding formal remittances within and between SADC Member States,
2. Permitting the growth of small businesses through improved payments infrastructure.

**Table 2: Financial inclusion targets and current status**

Category	Indicator	Regional baseline	Regional target – first suggestion	Current status (as of August 2021)
OVERALL	Regional access strand	66% of adults in the region are financially included	75% of adults in the region are financially included	<b>70%</b> of adults in the region are financially included
PRODUCT INDICATORS	Remittances	(using SA data as proxy) 68% of the value of remittances is done through informal channels	48% of the value of remittances is done through formal channels	Annual volume between 2018 and 2019 increased from 6.4 million to <b>8.0 million</b>
	Mobile money	23% of adults use mobile money	50% of adults use mobile money	30% of adults use mobile money

<sup>13</sup> FinMark, November 2019, 'SADC Mobile Money Guidelines', <https://finmark.org.za/system/documents/files/000/000/158/original/SADC-Mobile-Money-Guidelines-2020.pdf?1597304334>

<sup>14</sup> See: <https://www.sadc.int/news-events/news/sadc-records-notable-progress-financial-markets-and-regional-integration/>

<sup>15</sup> United Nations Capital Development Fund, 2021, Lesotho MAP refresh.

Category	Indicator	Regional baseline	Regional target – first suggestion	Current status (as of August 2021)
	Savings	51% of adults save – formally or informally  17% of adults use formal saving mechanisms/ products	60% of adults save – formally or informally  25% of adults use formal saving mechanisms/ products	51% of adults save – formally or informally  20% of adults use formal saving mechanisms/ products
	Credit	32% of adults use credit/ borrow – formally or informally  15% of adults use formal credit products	40% of adults use credit/ borrow – formally or informally  25% of adults use formal credit products	40% of adults use credit/ borrow – formally or informally  22% of adults use formal credit products
	Insurance	27% of adults have insurance – formally or informally 18% of adults have formal insurance products	40% of adults have insurance 30% of adults have formal insurance products	29% of adults have insurance 19% of adults have formal insurance products
DEMO-GRAPHIC INDICATORS	Gender	68% of male adults are financially included  65% of female adults are financially included	75% of both female and male adults are financially included	71% of males are financially included  69% of females are financially included
	Location	22% of rural adults are banked (out of 55% financially included – compared to 52% of urban adults banked) – banked relevant as it shows the extension of physical infrastructure	35% of rural adults are banked	22% of rural adults are banked
	Youth/ age	65% of adults < 30 are financially included  75% of adults > 30 are financially included	A minimum of 75% of both age groups are financially included (driving a bigger emphasis on youth)	70% of both age groups are financially included (driving a bigger emphasis on youth)  70% of < 35 are financially included 72% of > 35 are financially included
POLICY INDICATORS	Financial inclusion strategy	Four countries have a strategy in place  Three countries are in the process of defining a strategy	100% of SADC countries have a strategy in place	<b>10 countries</b> have national financial inclusion strategies

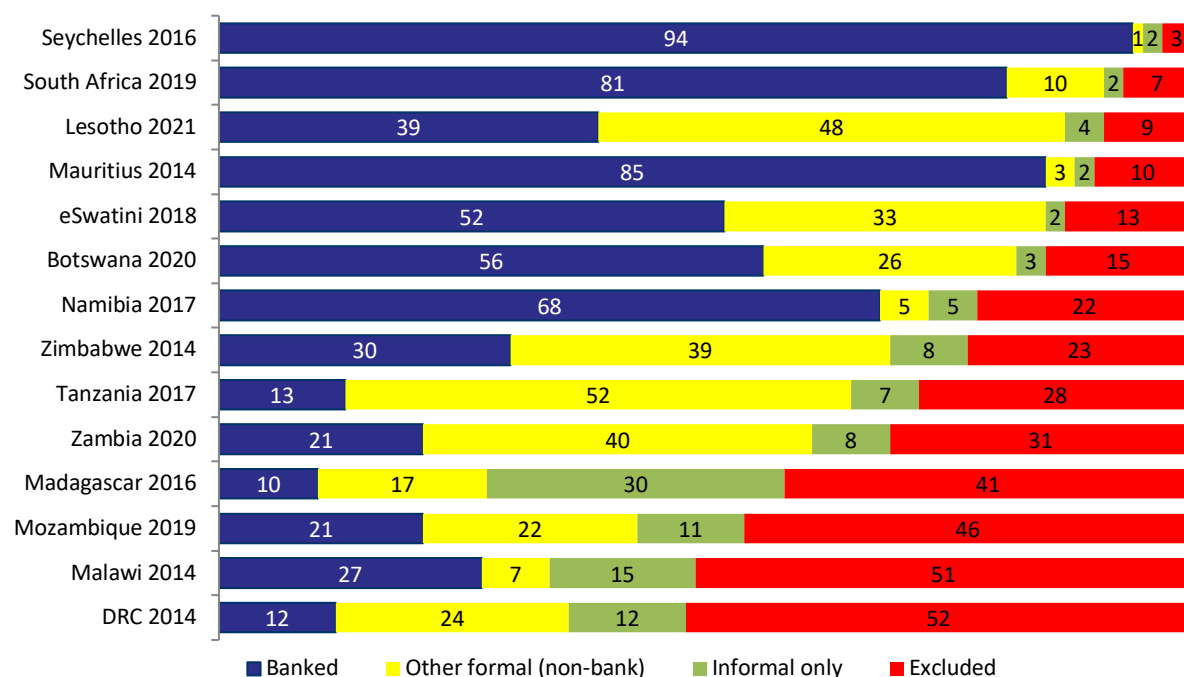
Source: SADC Secretariat

### 3.2.2 Impediments to financial inclusion and SMEs access to finance in SADC

Despite the significant progress, there is considerable variation in outcomes between SADC Member States, with financial inclusion (measured using the consumer access strand) at 85% or more in Botswana, eSwatini, Lesotho, Mauritius, Seychelles and South Africa whereas financial inclusion is less than 60% in the DRC, Madagascar, Malawi and Mozambique (Figure 2). While it is important to note that the information available for the DRC, Madagascar and Malawi is somewhat outdated, it is likely that there continue to be significant differences between Member States.



**Figure 2: Financial inclusion (Consumer Access Strand)- SADC region**



The lack of progress in many countries is driven by a number of important gaps identified by stakeholders and researchers:

1. First, large numbers of people remain excluded due to the **lack of documentation** in SADC Member States<sup>16</sup>, a number of Member States need to improve their national identification systems (Figure 3). This is discussed further in Sections 7.1 and 6.2.
2. Second, **Small and Medium Enterprises (SMEs) in the region remain largely informal**, and face significant obstacles in accessing formal financial services.<sup>17</sup> This is discussed further in Sections 7.1 and 6.2. There are links between SME access to finance and formal registration of SMEs, including with tax authorities, discussed in Section 7.5.
3. Third, there remain significant infrastructure constraints, as discussed next in Section 4.1, in that **rural mobile network connectivity is limited, which is linked to the lack of availability of electricity**.<sup>18</sup> This is an important driver of differences between Member States, since access to infrastructure varies significantly. The links between financial inclusion and SME access to finance, electricity supply, and green financing are explained in Section 6.5.
4. Fourth, the **prices of remittances are exceedingly high**. While cross-border remittances costs have fallen in some countries, such as to 3.5% in Lesotho in 2020 for a USD 55 transfer, they can be as high as 25.6% of the remittance value in Madagascar.<sup>19</sup> Two of the largest corridors in SADC, between South Africa and Malawi and Zimbabwe, have weighted prices for the same USD 55 transfer amount of 9.6% and 13.6%, respectively. These charges are substantially higher than the UN SDG target to reach a cost of 5%. These issues are considered more in Section 6.1.

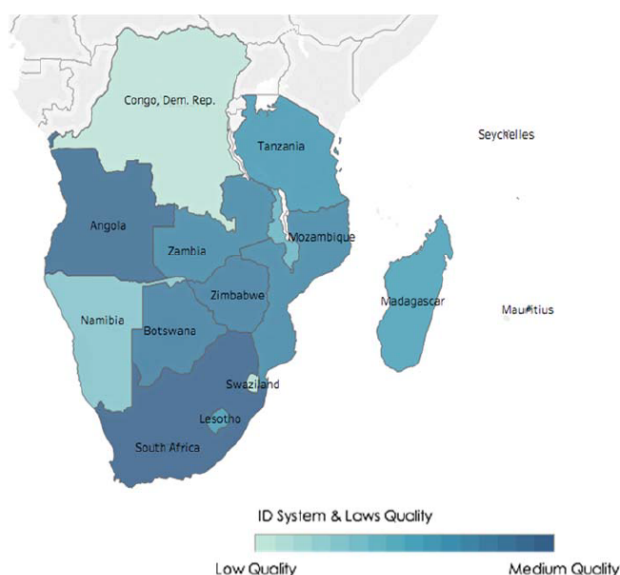
<sup>16</sup> Muronda, Farai. 2019. 'Lower documentation requirements; driving greater financial inclusion in Africa'. FinMark Trust. Available at: <https://finmark.org.za/knowledge-hub/blog/lower-documentation-requirements-driving-greater-financial-inclusion-in-africa?entity=blog&offset=4>

<sup>17</sup> See United Nations Capital Development Fund, 2020-2021, MAP Refresh reports for Lesotho, Malawi and Zimbabwe.

<sup>18</sup> Input received at the Financial Inclusion Sub-committee meeting held on 23 July 2021.

<sup>19</sup> FinMark Trust, 2020, 'South Africa to rest of SADC remittance pricing', available at: [https://finmark.org.za/system/documents/files/000/000/141/original/FMT\\_SADC\\_pricing\\_report.pdf?1629367064](https://finmark.org.za/system/documents/files/000/000/141/original/FMT_SADC_pricing_report.pdf?1629367064)

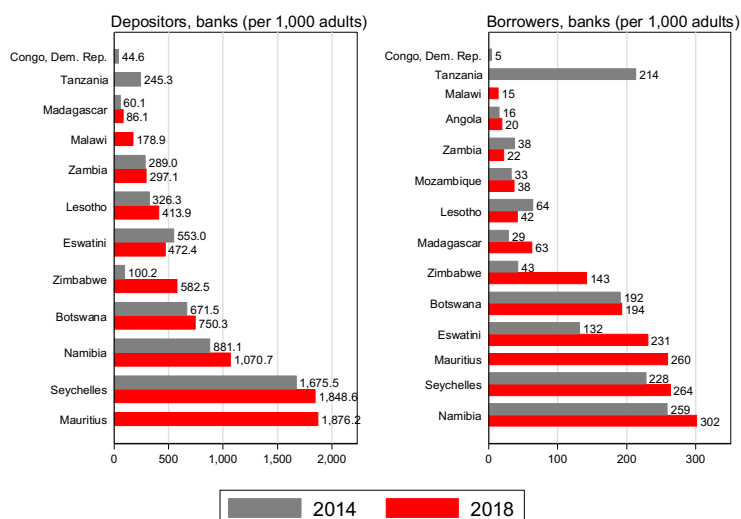
**Figure 3: State of national identification in SADC**



Source: FinMark Trust, 2018, 'Landscaping a digital financial identity for SADC', available at: <https://bfa.global.com/wp-content/uploads/2018/02/FMT-Digital-ID-landscape-report-1.pdf>

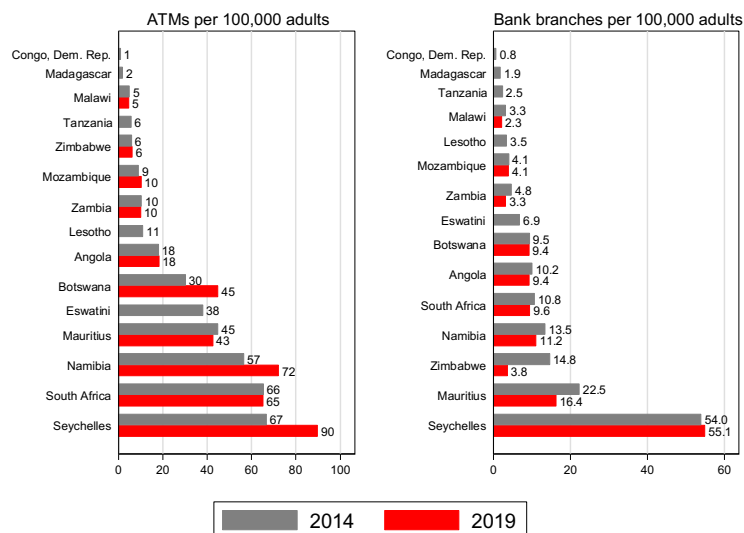
5. Fifth, there are **shifts towards data localisation that may impede the integration of SADC economies**, preventing the emergence of regional fintech innovations.<sup>20</sup> Cybersecurity may also be a significant constraint on financial inclusion in the coming years. This also raises barriers to entry and expansion within Member States, a problem identified in the previous Strategy. This is discussed more in section 7.2 and 7.4.
6. Sixth, savings and loans at banks (Figure 4), have not grown significantly, at least over the period 2014-2018, nor was there substantial progress in respect of banking infrastructure, save in a small number of member countries (Figure 5). In addition, prices for a variety of services, including for bank accounts and for insurance, are high in many Member States. There is a need to **facilitate the expansion of traditional financial services providers, such as banks, in order to bring about greater competition with digital financial services providers** (including money transfer operators and mobile money providers), thus lowering prices, expanding access and improving the quality of financial services products in SADC. This is considered in Section 7.3.

**Figure 4: Depositors and borrowers, banks (per 1,000 adults) – 2014-2018**



<sup>20</sup> This is at least the case in Mozambique and Rwanda currently. See Cenfri, 2018, 'Regulating for responsible data innovation', available at: [https://cenfri.org/wp-content/uploads/2018/11/2018\\_10\\_30\\_regulating\\_for\\_responsible\\_data\\_web.pdf](https://cenfri.org/wp-content/uploads/2018/11/2018_10_30_regulating_for_responsible_data_web.pdf)

**Figure 5: ATMs and bank branches (per 100,000 adults) – 2014-2019**



Source: World Bank, World Development Indicators, available at: <https://databank.worldbank.org/source/world-development-indicators>

The question, now, is how to deepen the usage of financial inclusion and SME access to finance for economic development and in particular, where this report is concerned, what role SADC might play in this area. This is the subject of the remainder of this report.

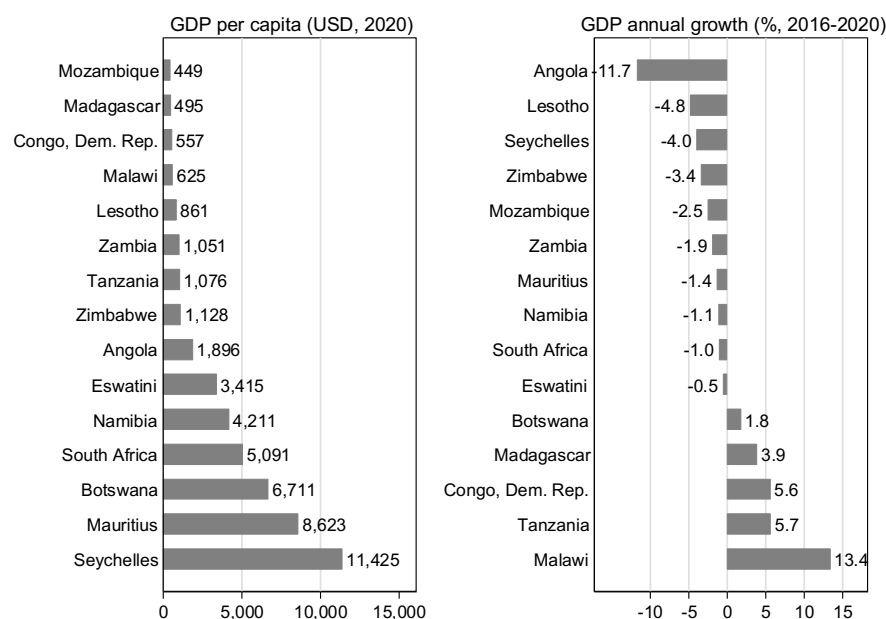
## 4 Regional context (economy, population and regional integration)

The key emphasis in the current generation of financial inclusion strategies is considering means by which financial inclusion can be used to support economic and human development.<sup>21</sup> Thus, the overall objective of the Strategy is to contribute to achieving sustainable and inclusive growth, supporting job creation and supporting the industrialisation agenda in the SADC region through enhancement of financial inclusion. Therefore, in order to assess the current Strategy and prepare an updated version, it is important to consider the economy, population and extent of regional integration, all of which impact on the economic and human development aspects of the Strategy. Each of these areas are discussed in turn next.

### 4.1 Links between economic development and financial inclusion and SMEs access to finance in SADC

SADC Member States differ significantly in terms of their GDP per capita and economic growth. For instance, GDP per capita varies from USD 449 in Mozambique in 2020, to USD 11,425 in Seychelles (Figure 6). Certain countries are catching up, while others are falling behind. Malawi, one of the lowest income countries in SADC, has had the fastest growth rate over the past five years, of more than 13% per year. Similarly, the DRC, Madagascar and Tanzania have grown quickly over the past five years.

**Figure 6: GDP per capita and GDP growth, SADC region (2020)**



Source: World Bank, World Development Indicators, available at: <https://databank.worldbank.org/source/world-development-indicators>

Key economic sectors in SADC are natural resources, including agriculture and mining (accounting for 25% of GDP), while manufacturing accounts for only around 13% of regional GDP.<sup>22</sup> **Given the**

<sup>21</sup> See, for instance, how the Making Access Possible diagnostic approach, proposed by the United Nations Capital Development Fund, links to UN Sustainable Development Goals, here: <https://www.uncdf.org/map/homepage>

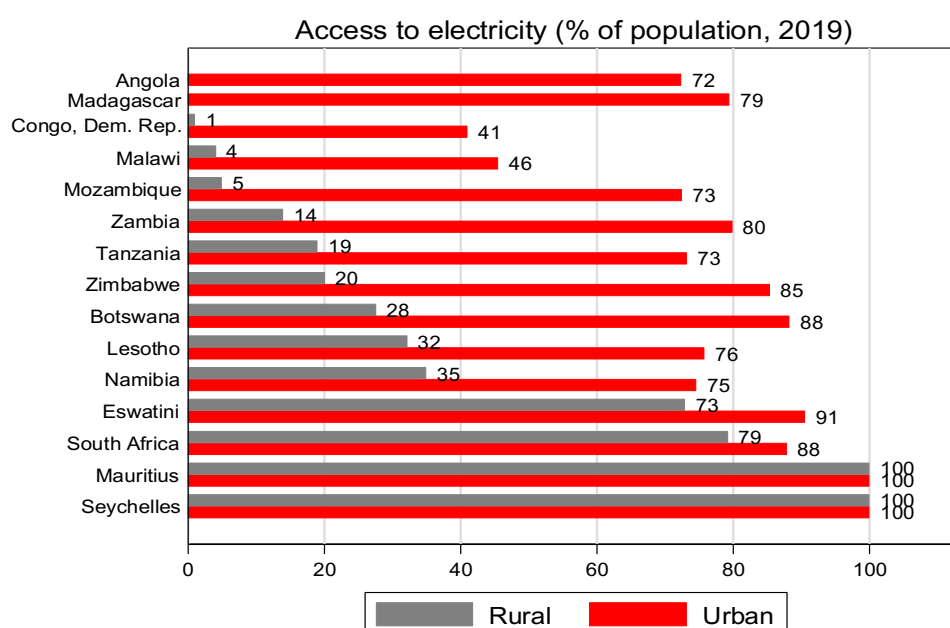
<sup>22</sup> SADC Regional Indicative Strategic Development Plan (RISDP), 2020-2030.

**important role that the agricultural sector plays in many SADC economies, this is an area of focus in Strategy** and is discussed in more detail in Section 6.6.

It is also important to take into account regional mobile network infrastructure when considering financial inclusion and SMEs access to finance. SADC mobile penetration overall is approximately 77%, and average mobile network population coverage is 88%.<sup>23</sup> This suggests that mobile networks are widely available in SADC countries, and coverage is substantial. Nonetheless, there are gaps in coverage in certain countries, particularly those with large, sparsely populated rural areas, mobile networks are well placed to facilitate access to financial services.

Remaining gaps in rural mobile network coverage are also linked to limited access to electricity supply in many SADC countries, particularly in rural areas (Figure 7).<sup>24</sup> There are ways in which financial inclusion and SMEs access to finance, and markets for electricity, are linked, through for example, pay as you use solar, and more inclusive markets for buying and selling electricity. Increasing generation from renewable sources can also help mitigate **climate change, which is a significant problem in Member States, and has a regional dimension**. For example, Cyclone Idai caused considerable damage to Malawi, Mozambique and Zimbabwe, prompting a regional response.<sup>25</sup> This is discussed in more detail in Section 6.5.

**Figure 7: Access to electricity in SADC countries, 2019**



Source: World Bank, World Development Indicators, available at: <https://databank.worldbank.org/source/world-development-indicators>

## 4.2 Links between population and migration, and financial inclusion and SMEs access to finance in SADC

The populations of many SADC countries are often young, and largely rural. There are particularly young populations in Angola, the DRC, Mozambique, Tanzania and Zambia, where 44% or more of the population is less than 15 years old (Figure 8). The SACU Member States have slightly lower proportions of young people in their populations. Populations are also largely rural, with two thirds or more of the populations of Zimbabwe, Lesotho, Eswatini and Malawi living in rural areas, for example.

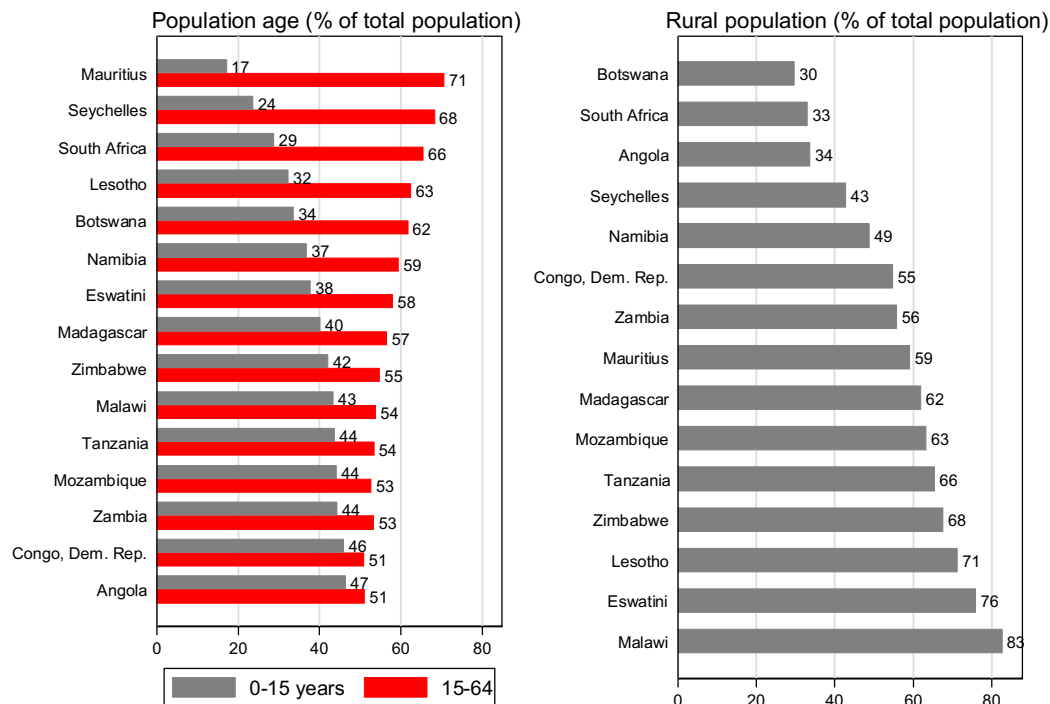
<sup>23</sup> Source: SADC Secretariat interview on 28 July 2021.

<sup>24</sup> Hounghonon, G. V., Le Quentrec, E., & Rubrichi, S. (2021). Access to electricity and digital inclusion: evidence from mobile call detail records. *Humanities and Social Sciences Communications*, 8(1), 1-11.

<sup>25</sup> See: <https://www.sadc.int/news-events/news/statement-sadc-chairperson-his-excellency-dr-hage-g-geingob-effects-cyclone-idai-sadc-region/>

This creates significant problems for financial inclusion and SMEs access to finance, given that mobile networks need to be built out to rural populations at higher cost. At the same time, the trend is towards greater urbanisation over time.

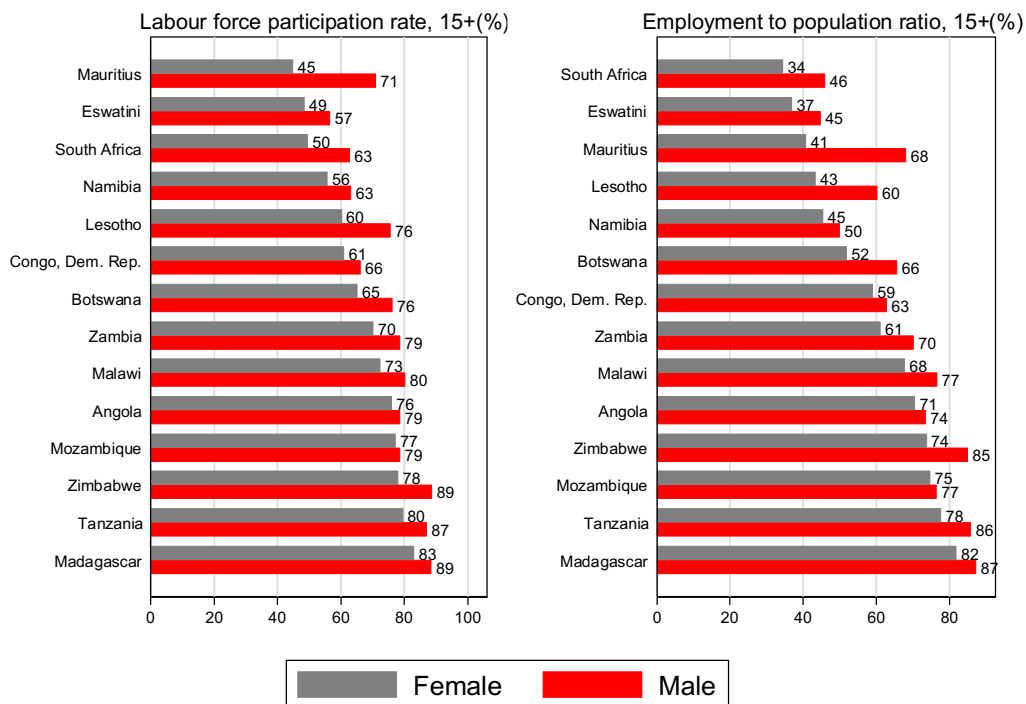
**Figure 8: SADC population, age and rural (2019)**



Source: World Bank, World Development Indicators, available at: <https://databank.worldbank.org/source/world-development-indicators>

Employment and labour force participation rates are also typically low in many SADC countries. Labour force participation rates are often less than 60% in the SACU countries and Mauritius, for example, where employment rates as a proportion of the working age population are often less than 50% (Figure 9). **This means that social protection is an important aspect of alleviating poverty, and financial inclusion has an important role to play in this**, where the payments of social grants are concerned for example. This emphasizes the need to improve access to documentation in SADC Member States, including to verify beneficiaries of social protection. This is discussed more in Section 6.2.

**Figure 9: Employment and labour force participation rates by gender in SADC countries, 2019 (ILO estimates)**



Source: World Bank, World Development Indicators, available at: <https://databank.worldbank.org/source/world-development-indicators>. Note that the labour force participation rates are modelled International Labour Organisation estimates, intended to deal with inconsistencies with international comparisons. See: <https://ilostat.ilo.org/resources/concepts-and-definitions/description-labour-force-participation-rate/>

### 4.3 The impact of the Covid-19 pandemic

The SADC region experienced a significant reduction in GDP between 2019 and 2020 as a result of the Covid-19 pandemic, of approximately 6%.<sup>26</sup> There was a substantial impact on manufacturing outside of the food and pharmaceutical sectors, due to lockdowns introduced by many governments in the region. There were also significant disruptions to global supply chains, and in particular in the supply of goods from China, which further impacted on manufacturing in the SADC region. There was an even larger impact on the tourism sector, with bookings down by three-quarters in South Africa and Zimbabwe by late 2020, for example. While there was a partial rebound in the economy later in 2020, including as a result of higher metals prices, the decline in the tourism sector has not abated.

A further impact has been on remittances in the region, and in particular from South Africa to Eswatini, Lesotho, Malawi and Mozambique, which support approximately 6m people in the latter countries. Remittance values dropped significantly between March and April 2020, for example, from R763.5m to R390.8m.<sup>27</sup> While remittances have increased again to some extent, there are many migrants who are still unable to remit.

This means that the reforms needed to promote financial inclusion need to be implemented with greater urgency. This includes expanding access to digital technologies, including mobile money, and increasing the availability of network infrastructure to support this (discussed in Section 6.5).<sup>28</sup> In

<sup>26</sup> Makgetla, N. (2021). *The COVID-19 pandemic and the economy in Southern Africa*. Helsinki: UNU-WIDER.

<sup>27</sup> Candice Borgstein, 28 September 2021, 'SADC Covid-19 Migrant Relief Fund', FinMark Trust, available at: <https://finmark.org.za/knowledge-hub/articles/sadc-covid-19-migrant-relief-fund?entity=blog>

<sup>28</sup> Nafula Machasio, Immaculate, October, 2020, 'Covid-19 And Digital Financial Inclusion In Africa How to leverage digital technologies during the pandemic'. Africa Knowledge In Time Policy Brief, Office of the Chief Economist, Africa Region, World Bank, available at:

addition, electronic know-your client (e-KYC) processes need to be implemented (discussed in Section 6.2). Furthermore, government social cash transfers to mitigate the impact of Covid-19 can be implemented by digital means. Finally, the high costs of remittances are an urgent problem that needs to be addressed (explained in Section 6.1).

#### 4.4 Links between regional integration, and financial inclusion and SMEs access to finance in SADC

Regional integration plays an important role in financial inclusion for a number of reasons, including:

- Reducing the costs of cross-border remittances and payments,
- Improving financial aspects of cross-border trade such as trade finance and insurance for traded goods and logistics providers, and
- Leveraging SADC's scale in respect of initiatives that may not have sufficient scale within each member country, such as digital identities.

**There has been considerable progress in regional trade in SADC.** For instance, 13 of the 16 SADC members countries have joined the SADC Free Trade Area (FTA) since it was launched in August 2008: Botswana, Eswatini, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Tanzania, Zambia and Zimbabwe.<sup>29</sup> Angola has recently submitted an offer to join the FTA, though the DRC and Comoros have yet to join. In 2019, intra-SADC trade accounted for a substantial 23% of total world trade from SADC countries, and this has been increasing over time. This has likely been a result of the significant reductions in tariffs on intra-SADC trade. For instance, imports into SACU countries (Botswana, Eswatini, Lesotho, Namibia, and South Africa) are duty free, save for sugar, second-hand clothes, original vehicle component parts, and wheat flour.<sup>30</sup> There is a link between financial inclusion and SMEs access to finance and regional trade in a number of areas, including in respect of expanded digital instant payments (Section 6.1), a regional digital financial identification system (Section 6.2), and insurance products to aid regional integration (Section 6.4).

**The agriculture sector plays an important role in many SADC economies,** as explained above in Section 4.1. In this regard, the SADC Regional Comprehensive Africa Agriculture Development Programme (CAADP) Compact was approved in 2014, along with the regional agricultural improvement plan (RAIP) and the Regional Food and Nutrition Security Strategy.<sup>31</sup> There are 84 crop varieties registered in the SADC Harmonised Seed Regulatory System. There are also regional sanitary and phytosanitary guidelines. These SADC initiatives need to be implemented, supported and expanded. In addition, a regional warehouse receipt and commodity exchange might be considered, explained more in Section 6.6.

SADC Member States are also participating in the Common Market for East and Southern Africa (COMESA), East African Community (EAC), Tripartite Free Trade Area (TFTA) and African Continental Free Trade Area (AfCFTA). Regional trade integration is therefore a priority issue for SADC Member States.

Furthermore, **the SADC Protocol on Trade in Services** has also been ratified by 7 Member States, and 11 Member States overall have made offers, including in respect of financial services, which is a priority sector.<sup>32</sup> While the implementation of this protocol is not as advanced as the SADC Free Trade Area, there is progress, and this is an important aspect of this Strategy, discussed further in Section 6.3.

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<https://openknowledge.worldbank.org/bitstream/handle/10986/34637/COVID-19-and-Digital-Financial-Inclusion-in-Africa-How-to-Leverage-Digital-Technologies-During-the-Pandemic.pdf?sequence=1&isAllowed=y>

<sup>29</sup> See: <https://www.tralac.org/blog/article/15016-intra-sadc-fta-trade-and-sadc-fta-trade-with-the-rest-of-africa-2019.html>

<sup>30</sup> See: <https://www.tralac.org/resources/infographic/15181-south-africa-intra-africa-trade-and-tariff-profile.html>

<sup>31</sup> See: RISDP, 2020-2030, cited above.

<sup>32</sup> See: <https://www.sadc.int/news-events/news/get-know-more-about-sadc-protocol-trade-services/>



# 5 Review of the SADC Financial Inclusion Institutional Mechanism in line with new developments, strategic recommendations and way forward

## 5.1 Strategic recommendations and way forward

Strategic recommendations and the way forward for informing the development of the Financial Inclusion Agenda Post 2021, considering the SADC Vision 2050 and RISDP 2020-2030, are considered here. These recommendations take into account the review of the previous Strategy in Section 3, and the regional context explained in Section 4.

### 5.1.1 Revised strategic objectives

The present updated Strategy considers a theory of change that explicitly links financial inclusion to regional integration: *'to improve access, uptake and utilization of quality financial services and products for consumers and small and medium businesses through regional integration in SADC'*. The two key focus areas that to be carried out in order to achieve this theory of change, explained in Sections 6 and 7, are:

1. Regional integration of markets in support of financial inclusion and SMEs access to finance; and
2. Harmonisation of regulations and guidelines in support of financial inclusion and SMEs access to finance.

The revised theory of change is connected with the overarching objective in the previous Strategy,<sup>33</sup> *'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'*.<sup>34</sup> However, the two key focus areas in this revised Strategy have a different emphasis to those in the previous Strategy, which were to:<sup>35</sup>

- Enhancing digital payments within and between countries; and
- Building credit markets and ensuring they can serve / support SMEs.

This is because there is a change in emphasis in the present Strategy to focus on SADC's successes and primary mandate, which lie in regional integration, even though digital payments (particularly during the recovery from the Covid-19 pandemic) and SMEs access to credit remain important features of the Strategy.

A number of problems with financial inclusion and SMEs access to finance in SADC have been identified in Section 3.2.2, which can be summarised as follows:

1. Financial exclusion remains due to the lack of documentation in the region.
2. Small and Medium Enterprises (SMEs) in the region remain largely informal.
3. Rural mobile network connectivity and electricity networks are limited.
4. The prices of remittances are exceedingly high.

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<sup>33</sup> Comment from SADC Secretariat received during the data collection process on 19 October 2021 and on 9 November 2021.

<sup>34</sup> SADC Secretariat, 15 July 2018, 'Implementation plan and indicative coordination costs for the SADC Strategy for Financial Inclusion and SMEs Access to Finance'.

<sup>35</sup> SADC Strategy for Financial Inclusion and SMEs Access to Finance.

5. Shifts towards data localisation that may impede regional integration.
6. There is limited competition between financial services providers resulting in high prices, limited choice and limited quality, linked to a lack of implementation of regional trade in financial services.

These areas of concern suggest the remedies proposed in Sections 6 and 7, which have regional integration as their underlying theme.

#### 5.1.2 Current initiatives and links to this updated Strategy

There are a range of ongoing initiatives within SADC structures, and in particular by the Committee of Central Bank Governors ('CCBG'), that are linked to financial inclusion and SME Access to Finance. These ongoing initiatives are linked to this updated Strategy as follows:

- ☐ Enabling regulations at national and regional levels developed and operational (linked to Section 7).
- ☐ Harmonized regulations for member stock exchanges (linked to Section 7 and Section 5).
- ☐ Facilitate the collection, processing and analysis of appropriate demand side data (Consumers and SMME), and Existence of Financial Inclusion Data indicators, discussed below in Section 8.1.
- ☐ Facilitate the development of a disclosure index combining existence of a variety of disclosure requirements (Section 7.4).
- ☐ Engagements with FSP's in the region on product and services innovation for financial inclusion strengthened (Section 7.3).
- ☐ SADC cross-border regional automated clearing house (RACH) for live credit push and debit pull transactions developed and functional, and improved access to electronic financial services through interoperability of ATMs and Points of Sale terminals (linked to Section 6.1).
- ☐ Improved participation by young people and SMMEs capital markets, discussed in Sections 6.5 and 6.6.
- ☐ Coordinate establishment and operationalisation of Regional Stakeholders' Platform and theme based sub- platforms/work groups for sharing, learning, building capacity and monitoring, discussed in Section 5.2.
- ☐ This updated Strategy, therefore, is in many ways not new but rather a continuation of the previous Strategy. The initiatives for the coming years are explained in Sections 5 and 7.

Resources will be needed for the implementation of this Strategy, and a follow-up task to this study is to develop detailed budgets and plan the resources needed for the various activities proposed here. There are existing sources of funds. For instance, there is a Regional Development Fund planned for the SADC region, and there is also funding from the European Union to bring about the domestication of financial inclusion strategies in Member States, including through the SADC-SIBE programme.<sup>36</sup> The latter for instance is already funding an initiative on harmonisation of rules and guidelines (set out in Section 7), and the CCBG is already working on various aspects of regional integration (set out in Section 6). Discussions may be needed regarding funding for the SAPP and expanding access to it by SMEs, including through green financing<sup>37</sup>, as well as on the implementation of digitisation for the agricultural sector. An important aspect of funding the implementation of the initiatives proposed in this Strategy is Member State governments prioritising the activities proposed here, and allocating internal resources to work on these initiatives.

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<sup>36</sup> Financial inclusion sub-committee meeting on 21 September 2021.

<sup>37</sup> The World Bank, has funded SAPP initiatives in the past: <https://www.sadc.int/news-events/news/sadc-sapp-arep-holds-workshop-iron-out-challenges-energy-infrastructure-projects/>; In addition, bilateral donors have done the same: [http://www.sapp.co.zw/sites/default/files/30955\\_Sapp%20Annual%20Report%202018.pdf](http://www.sapp.co.zw/sites/default/files/30955_Sapp%20Annual%20Report%202018.pdf)

### 5.1.3 Matrix of links between financial inclusion and other SADC initiatives

As described above, there are a range of links between financial inclusion and other SADC initiatives, and a matrix of these relationships is shown on Figure 10.<sup>38</sup>

**Figure 10: Matrix of links between financial inclusion and other SADC initiatives**

Updated financial inclusion and SMEs access to finance theme	Links to other SADC initiatives	Strategy on Financial Inclusion and SMEs Access to Finance
Harmonisation of regulations and guidelines in support of financial inclusion and SMEs access to finance	Trade in Services Protocol	Guidelines promoting competition among financial service providers
Regional integration of markets in support of financial inclusion and SMEs access to finance	Energy	Access to electricity, the Southern African power pool, and green finance for SMEs
	Agriculture	Digitisation for the agricultural sector, including digital warehouse receipts, regional commodity exchanges, common digital food standards, to improve market integration
	Transport	Regional, interoperable digital financial identities for individuals and SMEs Insurance products to aid regional integration in SADC

## 5.2 Institutional mechanism

The governance structure and institutional mechanism for dealing with financial inclusion matters in SADC is shown on below. At the centre is the financial inclusion forum, where Member States, the private sector, regional and other organisations interface to share best practice, report on progress, etc. The SADC Secretariat is a key participant in this forum, which includes representatives from the SADC Development Finance Institutions (DFIs) Network, CoSSE and CISNA. These latter bodies report to Committee of Ministers of Finance and Investment through the Senior Treasury Officials. Private sector stakeholders also work with Senior Treasury Officials, and the latter, together with the CCBG, report in turn to the Ministers of Finance and Investment.

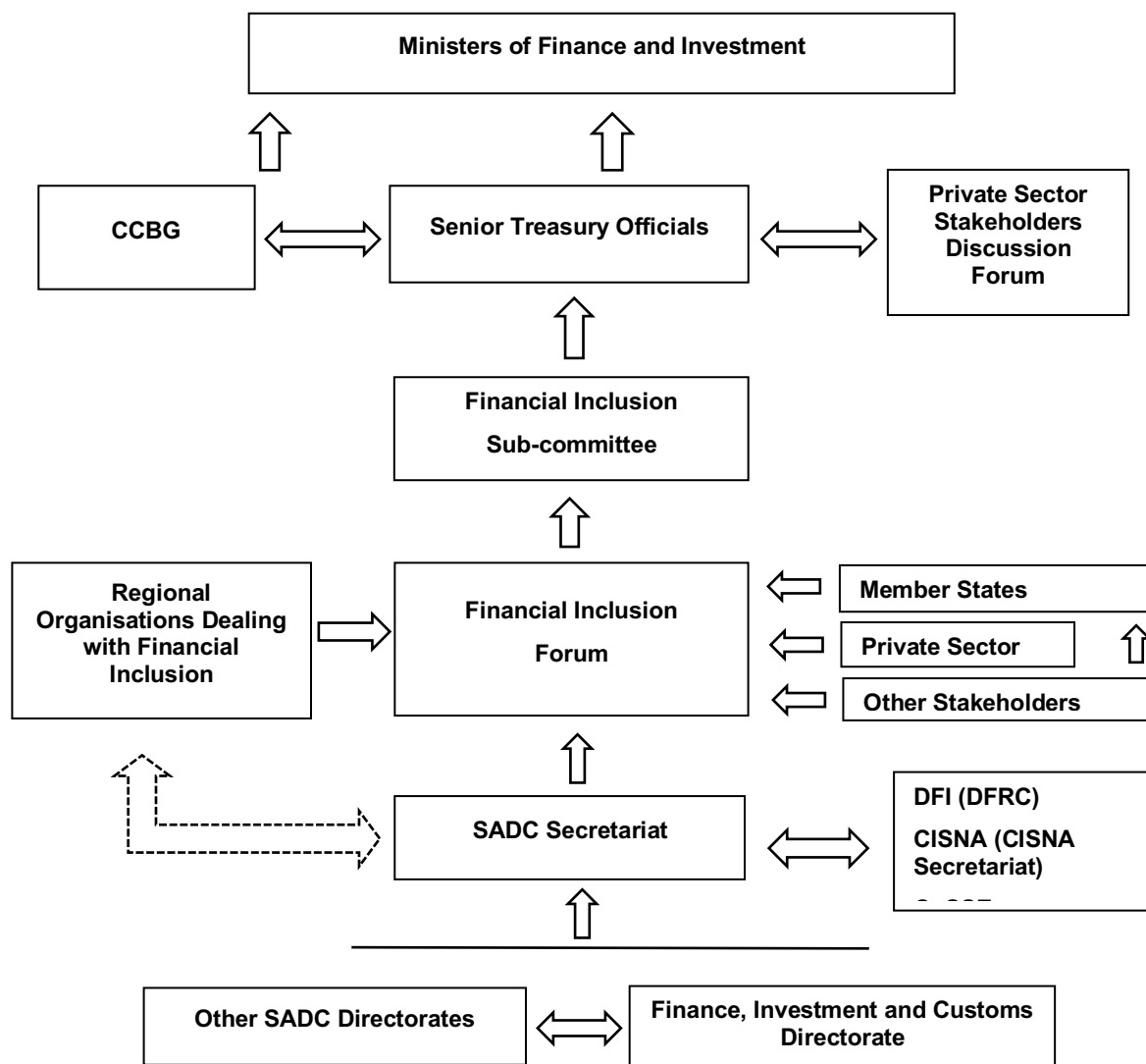
Above the forum is the Financial Inclusion Sub Committee which reports directly into Senior Treasury Officials, and is composed of Secretariat officials, and senior officials from each Member State tasked with dealing with financial inclusion matters. The SADC Financial Inclusion Subcommittee comprises several task teams:<sup>39</sup>

- ☐ Task team no 1 is responsible for the review and updating of the Strategy, the main subject of the present report.
- ☐ Task team number 2 will consider consumer protection and financial education. In this regard, regional consumer protection guidelines are being developed, and terms of reference have been prepared for this purpose.
- ☐ Task team number 3 will assess financial inclusion data and indicators. This task team has not yet met and will use the financial inclusion data and indicators considered in the updated Strategy presented below in Section 8.
- ☐ Task team number 4 is responsible for promoting access to innovative financial services and products.

<sup>38</sup> Comment received at the SADC financial inclusion and SME access to finance committee meeting on 23 July 2021.

<sup>39</sup> Source: discussion with SADC Secretariat, during August 2021.

**Figure 11: Governance Structure –institutional Mechanism for Dealing with Financial Inclusion Matters in SADC**



Source: SADC Secretariat

The structure was approved by the Ministers of Finance and Investment in July 2018, and the Financial Inclusion Subcommittee Terms of Reference was approved at their meeting in July 2019. The inaugural meeting of the Financial Inclusion Subcommittee was in March 2021. This SADC structure and set of task teams are relatively newly established, and need to be given an opportunity to be implemented. Additional task teams may be needed, perhaps along the two key lines of the updated Strategy, on:

- Regional integration of markets in support of financial inclusion and SMEs access to finance
- Harmonisation of regulations and guidelines in support of financial inclusion and SMEs access to finance

A critical feature of this revised Strategy is the mutual evaluations carried out through the financial inclusion forum in respect of the implementation of the harmonised rules and guidelines suggested in Section 7. This is discussed in Section 8.2, as part of the discussion on the monitoring and evaluation framework.

## 6 Regional integration of markets in support of financial inclusion and SMEs access to finance

As explained above, this revised Strategy emphasizes regional integration, since this is a core SADC strength, and is SADC's primary mandate. In this regard, the SADC Free Trade Area (FTA) is a significant success story. SADC has among the lowest intra-regional tariffs of any of the regional economic communities (RECs) that make up the African Continental Free Trade Agreement (AfCFTA).<sup>40</sup> SADC implemented the FTA with a target to reduce tariffs on 85% of goods to zero by 2008. Thus far, 13 SADC Member States are part of the FTA.<sup>41</sup> To work around the problem of multiple membership across the three RECs, SADC, along with the East African Community (EAC) and the Common Market for Eastern and Southern Africa (COMESA), established the Tripartite Free Trade Area. This may be an important feature of the AfCFTA as regional integration in Africa progresses.

Under this Updated Strategy six interventions are proposed to be implemented under the broader mandate of regional integration, namely (i) Upgrading regional retail payments and remittances; (ii) Regional, interoperable digital financial identities for individuals and SMEs; (iii) Promoting regional trade in financial services; (iv) Insurance products to aid regional integration in SADC; (v) Access to electricity, the Southern African power pool, and green finance for SMEs; and (vi) Digitisation for the agricultural sector, including digital warehouse receipts, regional commodity exchanges, common digital food standards, to improve market integration.

### 6.1 Upgrading regional retail payments and remittances platforms

The SADC-Real Time Gross Settlement (RTGS) system, supported by the SADC Payment System Oversight Committee of the Committee of Central Bank Governors (CCBG) of SADC, and the SADC Banking Association, is an important area of success in SADC, with significant volumes and values being transacted on a monthly basis. There are four challenges with cross-border transactions: (1) cost, (2) speed, (3) access, and (4) transparency (tracking, disclosure at the time of transaction, etc).<sup>42</sup> In this respect, and in relation to financial inclusion, the CCBG Transactions Cleared on an Immediate Basis (TCIB) initiative, is an important development<sup>43</sup>, as is the implementation of the ISO 20022 messaging standard.<sup>44</sup> There is ongoing work by the CCBG and the SADC Banking Association to carry out these initiatives. For instance, the SADC Bankers Association has assisted in onboarding approximately 70 banks into the SADC-RTGS.<sup>45</sup> The TCIB went live in July 2021, with banks in Zimbabwe and Namibia participating initially.<sup>46</sup> There are also initiatives under the SIBE programme to progress this area of work. These interventions will assist with the integration of retail payments, not only in respect of electronic fund transfers between banks, but also considering payment card switches that are regionally interoperable, and also incorporating cross-border mobile money and money transfer operators.<sup>47</sup>

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<sup>40</sup> See: Abrego, M. L., de Zamaroczy, M. M., Gursay, T., Nicholls, G. P., Perez-Saiz, H., & Rosas, J. N. (2020). *The African Continental Free Trade Area: Potential Economic Impact and Challenges*. International Monetary Fund.

<sup>41</sup> See: <https://www.sadc.int/about-sadc/integration-milestones/free-trade-area/>

<sup>42</sup> Interview with SADC CCBG Chairperson Tim Masela by Allison Balloy from SADC: <https://youtu.be/-RVVVh5BG8k>

<sup>43</sup> See: <https://vodacom.com/news-article.php?articleID=7547&fbclid=IwAR1qKHnufdMtlHPti5thVOpI5azFhP9wOEBN-gwJ2ouK8CN3dQi6OsCPotM>

<sup>44</sup> See, for example: <https://www.sadcbankers.org/subcommittees/PaySystem/SADC-RTGS%20Participants/Operational%20Notices/2020/019-2020%20SADC-RTGS%20Update%20on%20Renewal%20Project.pdf>

<sup>45</sup> Interview with SADC Banking Association, on 23 July 2021.

<sup>46</sup> Input received at SADC financial inclusion committee meeting held on 21 September 2021.

<sup>47</sup> Interview with SADC-SIBE, on 24 August 2021.

These activities will be an important component of the Strategy in the coming years, and already form part of the SADC Committee of Central Bank Governors (CCBG) focus areas for the 2021-2023 CCBG Strategy. In particular, there is an initiative to:

***“Identify and promote the development of innovative financial services and products that facilitate access to the domestic and regional payment services to promote FI.”***

This strategic initiative is a key aspect of this updated Strategy.

## 6.2 Regional, interoperable digital financial identities for individuals and SMEs

Digital identification documents are a critical feature of access to a range of public and private services.<sup>48</sup> There is an important link between digital identities and financial inclusion. For example, many old-age pension recipients walk a long way to collect their cash transfer from the established pay points using physical identification documents, and many governments are trying to address this through mobile payments.<sup>49</sup> Once established, digital financial identities could be leveraged in order to ensure all social protection payments meet their intended recipients in a timely and efficient manner. This can result in administrative cost savings of 20-30%.<sup>50</sup>

A further example where digital innovation in identification may expand financial inclusion is by means of reducing credit risk. In this regard, recent economic research considers how the use of fingerprints could affect farmers' behaviour in relation to credit.<sup>51</sup> The research showed that the introduction of fingerprints increased the repayment rates as farmers wanted to maintain the possibility of future credits. Results indicated that fingerprinted borrowers had lower outstanding balances, higher fractions paid, and were more likely to fully pay on time.

It may be possible for SADC institutions to develop regional financial identification documents, building off the Transport Registers, Information Platform and System (TRIPS), for example.<sup>52</sup> This system was first started in SADC in 2011 to develop a common format for a driver's licence in SADC, and now includes the Tripartite Regional Economic Communities (COMESA, EAC and SADC). This work is now an ongoing project being carried out by the CCBG and FinMark Trust.

Develop a regional digital financial identity would:<sup>53</sup>

- ☐ Expand possibilities for digital financial services and e-commerce in the region;
- ☐ Enable regional payments; and
- ☐ Increase information on individuals and businesses for tax and know-your-customer purposes.

In this regard, it is important to note that supporting the development of interoperable digital identities is consistent with the SADC Committee of Central Bank Governors (CCBG) strategic initiative / objective to 'Harmonise AML/CFT policies to address digitised payment products and services based on new and disruptive technologies in collaboration with other relevant authorities'.

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<sup>48</sup> See, in this regard: <https://researchictafrica.net/2021/06/21/why-digital-id-matters/>

<sup>49</sup> See: <http://nac.org.ls/wp-content/uploads/2020/09/Lesotho-HIV-and-social-protection-assessment-report-2019.pdf>

<sup>50</sup> Demircuc-Kunt, Asli, Leora Klapper, and Dorothe Singer. 2017. *Financial Inclusion and Inclusive Growth: A Review of Recent Empirical Evidence*. World Bank Policy Research Working Paper 8040. Washington, DC: World Bank. See:

<http://documents.worldbank.org/curated/en/403611493134249446/pdf/WPS8040.pdf>

<sup>51</sup> While the introduction of fingerprinting was found to not have an effect on the rate of loan approval or actual take-ups of loans, where fingerprints were taken, the riskiest borrowers' repayment rates improved dramatically due to voluntarily choosing smaller loan amounts (or not taking out a loan at all), as well as devoting more of the loan to agricultural inputs and thus, the crops (paprika in this case) used for repayments to ensure future access to credits. Borrowers with the highest probability of crop success took out higher loans but never diverted inputs. See: Gine, X., J. Goldberg & D. Yang. 2012. *Credit Market Consequences of Improved Personal Identification: Field Experimental Evidence from Malawi*. *American Economic Review* 102(6): 2923 – 2954.

<sup>52</sup> FinMark Trust, 2018, 'Landscaping a digital financial identity for SADC', available at: <https://bfaglobal.com/wp-content/uploads/2018/02/FMT-Digital-ID-landscape-report-1.pdf>

<sup>53</sup> See: <https://cenfri.org/articles/why-its-time-for-africa-to-adopt-a-regional-digital-financial-identity/>



Examples of regional digital identity projects that might be relevant for the SADC region include:<sup>54</sup>

- WURI programme in West Africa: which aims to have an interoperable digital ID system serving 100m people there.<sup>55</sup>
- East African Regional Identification Project: Funded by the World Bank, this is intended to facilitate the free movement of people, this involves mutual recognition of identity documents based on protocols, upgrade of border posts and interoperability of national ID authorities.
- SWIFT KYC registry: SWIFT, the messaging system that is widely used for cross-border financial transactions, allows its members to submit questionnaires on counterparties. This information can then be accessed by SWIFT members (mainly banks). This can help especially businesses trade across borders.

There are also a variety of national digital financial identity schemes.<sup>56</sup>

While many of these identification systems have been developed with national contextual considerations in mind, they nonetheless show that the technology, systems and processes are viable. Similar systems might be put in place at the regional SADC level, similar to that being developed by the East African Regional Identification Project and in West Africa in respect of WURI. This is also linked to digital biometric identities discussed below in Section 7.1, and can only be possible if it is possible to share data between SADC countries, as discussed in Section 6.2.<sup>57</sup>

It is important to note that regional digital identities ought to be considered not only for individuals but also for SMEs, including through Legal Entity Identifiers (LEIs).<sup>58</sup> An important aspect of the conduct of retail business is obtaining the formal permits to do so. For instance, in order to study the impact of the formal registration of predominantly retail businesses in Blantyre (70% of the sample were involved in retail), four follow-up surveys were conducted of firms who benefited from formalisation interventions in 2012.<sup>59</sup> The last follow-up survey was conducted in 2015. The businesses were treated in three ways in 2012: (i) assistance with registering the business, (ii) assistance with business and tax registration, (iii) costless business registration together with a banking information session and offer to open a business bank account. The researchers found that 75% of businesses received registration certificates. However, the treatment did not result in an expanded tax base nor improved trust in state institutions. While registration of the business had no impact on business outcomes, the banking information session was associated with a 20% increase in sales and a 15%

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<sup>54</sup> See: <https://bfaqlobal.com/wp-content/uploads/2018/02/FMT-Digital-ID-landscape-report-1.pdf>

<sup>55</sup> See: <https://www.worldbank.org/en/news/press-release/2020/10/26/mission-billion-challenge-wuri-west-africa-prize-awards-innovations-in-cross-border-social-protection-for-the-informal-sector>

<sup>56</sup> Examples include:

*BNV in Nigeria, which enables biometric verification of digital identities issued by banks. This protects customers from unauthorised access to their bank accounts and identity theft.* See: <https://nibss-plc.com.ng/services/bvn>

*BankID in Norway, which was initially offered by banks but later used widely for transactions, including for public digital services and a number enterprises.* See: <https://www.bankid.no/en/private/about-us/>

*Mobile connect, implemented by 70 mobile operators around the world. This allows for authentication using PIN or fingerprint, authorisations via mobile phone, identity information that can be shared or confirmed, and also permits attributes such as device and network information for ID verification purposes.* See: <https://www.gsma.com/identity/mobile-connect>

*eEstonia, issued by the state, can be used to open bank accounts in Estonia, and enables remote authentication. It also enables access to health insurance and is used for travel within the European Union.* See: <https://e-estonia.com/solutions/e-identity/id-card/>

*Aadhar in India, is an identification document offered by the Unique Identification Authority of India (UIDAI), and includes biometric information such as iris scans and fingerprints. This can be linked to a mobile number to enable financial transactions, and can be used for e-KYC purposes.* See: <https://economictimes.indiatimes.com/wealth/personal-finance-news/aadhaar-everything-you-need-to-know-about-it/articleshow/60173210.cms?from=mdr>

*GlobalID in the US, smartphone app that provides a portable digital identity. This enables users to upload and have verified a range of information, including Covid-19 vaccination cards. Enterprises can then verify customer information, and verification providers can integrate with the platform.* See: <https://www.global.id/about/who-we-are/>

<sup>57</sup> These links were contributed during a discussion with SADC-SIBE.

<sup>58</sup> Comments received from SADC-SIBE on 8 October 2021.

<sup>59</sup> Campos, F., Goldstein, M., & McKenzie, D. (2015). Short-term impacts of formalization assistance and a bank information session on business registration and access to finance in Malawi. The World Bank.

increase in profits for the SMEs. The reason for the increases were more access to formal financial services.

Thus, there may be an opportunity for banks and other FIs to offer free registration services for businesses applying for a formal bank account, including by introducing a common digital registration framework. This may also have other benefits, including wholesale and retail traders becoming bank agents, since bank agents typically must be registered businesses.

### 6.3 Promoting regional trade in financial services

There is a Protocol on Trade in Services in SADC, including an imperative to promote competition.<sup>60</sup> There is also an annex concerning trade in financial services.<sup>61</sup> Improving competition between financial services providers within the SADC region through greater trade in services has the potential to expand financial inclusion and SMEs access to finance. This is because allowing for greater trade in services and competition between insurers, banks, and non-bank financial services providers in the SADC region would help to reduce the prices of financial services and expand the variety of offerings to consumers. The Protocol on Trade in Services contains a range of provisions promoting market access between SADC members and limiting anti-competitive practices, such as limitations on the number of licensees and exclusive arrangements with financial service providers. The protocol also calls for mutual recognition of licensed entities and effective and transparent regulation. In addition, the protocol sets out that assistance must be provided to least developed countries.

The implementation of the protocol on trade in services should be prioritised as part of this Strategy, so as to promote the competitive supply of financial services in member countries. At the same time, market access should be prioritised for least developed countries (LDCs) and countries whose markets for financial services markets are less developed, and assistance should be provided to them to develop domestic financial service providers.<sup>62</sup> Such assistance might take the form of ensuring that barriers to entry are as low as possible, and that funding is provided for financial service providers headquartered in LDCs in general, and particularly for FinTech SMEs.

It is important that, as part of the implementation of the trade in services protocol, ancillary rules and regulations are considered. For instance, the ability for firms to be able to use customer data to develop innovative products and services across borders is a crucial factor for the success of regional financial innovation, as discussed in Section 7.4.

In this respect, the SADC Committee of Central Bank Governors (CCBG) Banking Supervision Subcommittee is undertaking an initiative to promote cross-border cooperation, which aims to: *'Develop a regional framework for cross-border supervision and consolidated supervision consistent with SADC Banking Model Law'*. This is linked in part to the common digital standards for regulators and the submissions of information digitally, documented in Section 7.2. This CCBG initiative will help to integrate markets for financial services in SADC, and its implementation needs to be carefully monitored, as part of the evaluation mechanism discussed in Section 8.2.

### 6.4 Insurance products to aid regional integration in SADC

There is a range of means by which insurance services might facilitate regional integration in SADC:

1. Transportation: As mentioned above, an important area of success in recent years has been the mutual recognition of insurance policies taken out by transporters in the SADC region.<sup>63</sup> There may be a range of other similar risks that might be insured on a regional basis, such as on loss of goods transported, risks associated with storage, accidents, and theft.<sup>64</sup> Such mutual recognition of policies can help SMEs, including the transporters themselves, to benefit from lower costs, better quality and greater choice in insurance, and grow their businesses.

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<sup>60</sup> See: [https://www.sadc.int/files/7313/6439/6118/Protocol\\_on\\_Trade\\_in\\_Services\\_-\\_2012\\_-\\_English.pdf](https://www.sadc.int/files/7313/6439/6118/Protocol_on_Trade_in_Services_-_2012_-_English.pdf)

<sup>61</sup> See: [https://tis.sadc.int/files/8615/4089/1672/Annex\\_5\\_Financial\\_Services\\_\\_\\_Adopted\\_by\\_CMT\\_2018\\_EN.pdf](https://tis.sadc.int/files/8615/4089/1672/Annex_5_Financial_Services___Adopted_by_CMT_2018_EN.pdf)

<sup>62</sup> Interview with CISNA representatives in the week beginning 5 July 2021.

<sup>63</sup> Interview with CISNA Secretariat in the week beginning 5 July 2021.

<sup>64</sup> Interview with SADC-SIBE, on 24 August 2021.



2. Migration: There are also risks associated with cross-border migration that could be better mitigated through regional mutual recognition of insurance policies and providers. The extensive cross-border migration between SADC countries is explained above in Section 4.2. For example, a medical aid policy in Namibia is not recognised by authorities in South Africa as providing healthcare coverage required in terms of local regulations.<sup>65</sup> This complicates, and makes more expensive, cross-border migration for study purposes, for example. This also impedes trade in services, contrary to the objectives of the Trade in Services Protocol, discussed above in Section 6.3, and limits financial inclusion by preventing the expansion of domestic insurers which would otherwise allow them to build economies of scale and offer products at lower costs. Further mutual recognition of insurance products and harmonised laws may be needed to develop such regional cover.

There may be a range of other risks that mutual recognition of insurance providers in the region might help mitigate. It is therefore important to re-emphasize the need to implement the regional Trade in Services Protocol, explained above in Section 6.3.

## 6.5 Access to electricity, the Southern African power pool, and green finance for SMEs

Access to electricity more broadly unlocks access to other basic services. Access to electricity unlocks access to basic services like information and communication technology (ICT) services, education, and healthcare services. Without electricity, it is difficult to expand these services into rural areas. Electricity, together with these additional services, in turn unlocks access to opportunities. For instance, SMEs are more likely to succeed with a reliable electricity supply and can also develop to supply services to not only the electricity sector but the range of other sectors that need a reliable electricity supply. Overall, the energy-poverty nexus has a major impact on social development, particularly to vulnerable groups such as women and youth who depend upon biomass energy sources which are particularly vulnerable to climate change. Energy is a critical input for agriculture, food processing, water piping and irrigation, and for individual businesses / micro-enterprises. Moreover, because energy is a factor for other sectors, it also implicitly affects access to mobile phone services and financial inclusion, education, and health.<sup>66</sup> Developing electricity supply therefore assists a whole range of new productive activities to grow.

There is an opportunity to expand electricity supply by leveraging a further area of strength within SADC, in the Southern African power pool (SAPP) inter-utility Memorandum of Understanding, signed in 1994.<sup>67</sup> This was followed by the Protocol on Energy in the SADC region.<sup>68</sup> The SAPP (interconnections are described on Figure 12) includes a number of markets, the day ahead market (DAM) being the largest. The SAPP is currently relatively thinly traded, with only 120 gigawatt-hours (GWh) exchanged on the SAPP markets on a monthly basis.<sup>69</sup> The Regional Infrastructure Development Master Plan (RIDMP) for energy considers the role of renewable energy growing as a share of electricity production in SADC, to 33% by 2022 and 37% by 2027. The RIDMP highlights the importance of 'soft' infrastructure in expanding renewable energy, including strategies, policies and institutions capable of delivering this.<sup>70</sup> The substantial reductions in renewable energy prices since the RIDMP was developed in the mid-2010s means that there is likely a much larger role for renewable energy, including from smaller-scale independent power producers. There may be important links between the development of SMEs, SMEs access to finance and participation in markets such as the SAPP.

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<sup>65</sup> Interview with CISNA in the week beginning 5 July 2021.

<sup>66</sup> Lesotho National Strategic Development Plan 2018/19 – 2021/22

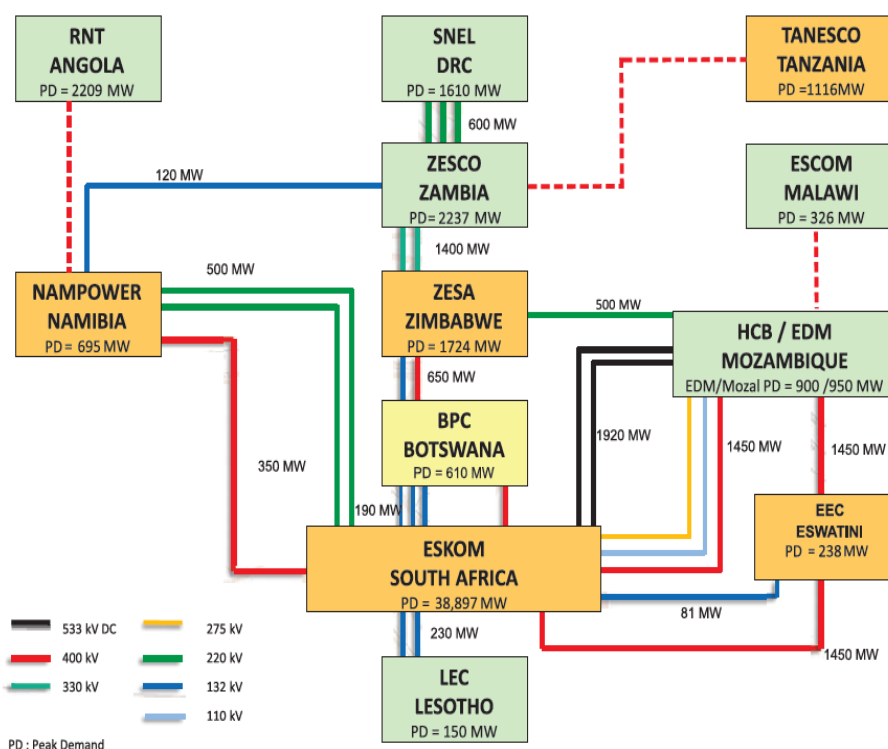
<sup>67</sup> See: <https://www.sadc.int/files/3013/5333/7979/MOU- Southern African Power Pool Inter-Utility1994.pdf.pdf>

<sup>68</sup> See: <https://www.sadc.int/files/3913/5292/8363/Protocol on Energy1996.pdf>

<sup>69</sup> This is less than 1% of power generated in Southern Africa. See: [http://www.sappmarket.com/Content/reports/DAM\\_MonthlyPerformanceReport\\_Latest.pdf](http://www.sappmarket.com/Content/reports/DAM_MonthlyPerformanceReport_Latest.pdf)

<sup>70</sup> See: <https://www.sadc.int/themes/infrastructure/en/hydropower/>

**Figure 12: SADC peak electricity demand and interconnector transfer limits**



Source: Southern African Power Pool, <http://www.sapp.co.zw/>

## 6.6 Digitisation for the agricultural sector, including digital warehouse receipts, regional commodity exchanges, common digital food standards, to improve market integration

Various studies show that digitalisation has an important role to play in improving outcomes in the agricultural sector. For instance, information and communication technologies can play a positive role in informing farmers and buyers on what crops to produce and what markets to sell into or buy from by reducing informational asymmetries (i.e. making information available to all market participants) and reducing search costs (the costs involved in visiting different regions to find market information, such as on prices). For example, Aker (2010) shows that the introduction of mobile phones in Niger resulted in a reduction in food price dispersion (or variation between food prices) of between 10 and 16% between 2001 and 2006.<sup>71</sup> This effect is stronger where higher transport costs increase the costs of gathering information on which market to sell into or buy from in the absence of real-time digital information (since the alternative would be physical travel with resultant costs). Jensen (2007) similarly found substantial reductions in price dispersion as a result of increased mobile coverage in markets for fish in the state of Kerala in India.<sup>72</sup> The study showed that both producers and consumers benefit from greater mobile coverage, particularly for fresh produce such as fish. Making mobile technology available more widely assists particularly producers of fresh products. In this regard, device ownership is an important barrier to accessing the internet.<sup>73</sup>

Price dispersion is a significant problem among SADC Member States. The market inefficiencies arising from such dramatic price dispersions, such as soybeans selling for less than USD 400 per

<sup>71</sup> Aker, J. C. (2010). Information from markets near and far: Mobile phones and agricultural markets in Niger. *American Economic Journal: Applied Economics*, 2(3), 46-59.

<sup>72</sup> Jensen, R. (2007). The digital divide: Information (technology), market performance, and welfare in the South Indian fisheries sector. *The quarterly journal of economics*, 122(3), 879-924.

<sup>73</sup> See, for example, Hauge, J. A. and J. E. Prieger (2010). "Demand-side programs to stimulate adoption of broadband: What works?" In: *Review of Network Economics* 9.3. See also: [https://researchictafrica.net/wp/wp-content/uploads/2018/10/after-access-south-africa-state-of-ict-2017-south-africa-report\\_04.pdf](https://researchictafrica.net/wp/wp-content/uploads/2018/10/after-access-south-africa-state-of-ict-2017-south-africa-report_04.pdf)

tonne in Lusaka and for almost USD 1000 per tonne in Dar Es Salaam in May/June 2021, are self-evident.<sup>74</sup> In order to remedy price dispersion in the agricultural sector, there may be a range of opportunities to support the development of commodity markets, including as digital marketplaces are introduced.<sup>75</sup> These could be linked to a number of digital innovations used by farmers in African countries.<sup>76</sup> For instance, innovative asset-backed finance that provides farming inputs rather than cash appear to be having an impact, and this success may be replicated by other FSPs.<sup>77</sup> There is an ongoing Committee of SADC Stock Exchanges (CoSSE) initiative to develop integrated commodity-related financial products. A feasibility study was proposed to develop a regional commodities exchange, including on the legal, technical, institutional, financial and technological dimensions of an exchange.<sup>78</sup> There is also a stock exchange interconnectivity project<sup>79</sup>, which may be funded by the African Development Bank.<sup>80</sup> It would be helpful to also study the effectiveness of derivatives markets in the region, including their impact on SMEs, in order to assess whether it is possible to develop a regional derivatives market for better regional risk mitigation.<sup>81</sup>

The SADC Committee of Central Bank Governors (CCBG) is also involved with the development of regional capital markets. For instance, the CCBG will undertake the following strategic initiatives to promote financial market integration:

- *'Develop a SADC Financial Markets Development Index (with OMFIF) to measure progress of financial market development in SADC;*
- *Enhance financial cross-border investment through capital markets among SADC countries; and*
- *Broadening financial instruments available in financial markets'.*

These strategic initiatives will help to monitor the progress of the implementation of regional financial markets, including a future regional commodities exchange. It would also be useful, as the CCBG is carrying out these initiatives, to also consider analysis of derivatives, as mentioned above. Derivatives are an integral part of smoothing price fluctuations in commodities markets, and help mitigate the risks faced by producers and buyers.

These initiatives have an important link to financial inclusion, in that they may empower small-scale farmers to use, for instance, digital warehouse receipts to apply for financing, or to trade on commodities futures exchanges. This has been implemented in East Africa, for instance, where a regional commodity exchange (East Africa Exchange<sup>82</sup>) has been developed, and this may be considered for the SADC region.<sup>83</sup>

It is likely in the coming years that SADC will expand access to trade in foodstuffs, including as a result of the role of regional supermarket chains<sup>84</sup> but also as a consequence of having ratified the

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<sup>74</sup> Source: Centre for Competition, Regulation and Economic Development (University of Johannesburg) Market Price observatory, available at: <https://www.competition.org.za/marketobservatory>

<sup>75</sup> *Disruptive technologies in agricultural value chains Insights from East Africa*, prepared by: Aarti Krishnan, Karishma Banga and Maximiliano Mendez-Parra, dated: March 2020.

<sup>76</sup> Annan, K., Conway, S. G., & Dryden, S. (2016). *African Farmers in the Digital Age. Foreign Affairs, Special Issue (February)*. Retrieved from [https://files.foreignaffairs.com/pdf/sponsoredanthology/2016/african\\_farmers\\_in\\_the\\_digital\\_age\\_final.pdf](https://files.foreignaffairs.com/pdf/sponsoredanthology/2016/african_farmers_in_the_digital_age_final.pdf).

<sup>77</sup> For example, in nearby Malawi, the One Acre Fund launched its asset-based financing solution in 2017. This service lends agricultural inputs to farmers and allows repayments on any schedule selected by the farmer, provided that the loan is repaid by harvest time. The One Acre Fund estimates that its services have resulted in double the yields of participants: <https://oneacrefund.org/impact/country-detail/>

<sup>78</sup> Comment from SADC Secretariat, received during the data collection process on 19 October 2021.

<sup>79</sup> See: [https://cosse.site.files.wordpress.com/2016/12/cosse-interconnectivity-presentation160618\\_sadc\\_draft3.pdf](https://cosse.site.files.wordpress.com/2016/12/cosse-interconnectivity-presentation160618_sadc_draft3.pdf)

<sup>80</sup> Comment from SADC Secretariat, received during the data collection process on 19 October 2021.

<sup>81</sup> Comment from SADC Secretariat, received during the data collection process on 19 October 2021.

<sup>82</sup> See: <https://eax.rw/>

<sup>83</sup> Information on EAX provided during interview with SADC-SIBE on 24 August 2021.

<sup>84</sup> Das Nair, R., Chisoro, S., & Ziba, F. (2018). *The implications for suppliers of the spread of supermarkets in southern Africa. Development Southern Africa*, 35(3), 334-350.

African Continental Free Trade Agreement (AfCFTA).<sup>85</sup> An important constraint on the implementing of AfCFTA is non-tariff barriers, including standards such as phytosanitary standards.<sup>86</sup> This will create greater opportunities for expanding regional value chains between wholesale, retail and food producers. One aspect of this is meeting phytosanitary standards, including those imposed by supermarkets.<sup>87</sup> Digital certification for products may help facilitate the procurement and logistics aspects of the wholesale and retail sector in SADC, in order to facilitate the development of a regional commodities exchange, as discussed above. The example of the Provenance app in the UK, for instance, linking the fishing industry in South-East Asia with UK supermarket chains, is useful in this regard.<sup>88</sup> There may be opportunities to introduce or support the expansion of the application of food standards. In general, the formalisation of the agricultural sector is an important objective in the coming years, and there may be opportunities for banks, MFIs, and digital financial service providers to help register agricultural enterprises, including with tax authorities. This is also discussed in relation to SMEs in Section 6.2.

In addition, agriculture insurance policies may be improved through better data in the region. As explained in Section In a number of SADC Member States, there is limited data on rainfall patterns, for example, which prevents the emergence of crop insurance. It is therefore critical that better data on crop estimates, rainfall etc. are collected, possibly supplemented by the analysis of satellite image data, in order to provide a better understanding of risks and inform the development of relevant insurance products. Technology for providing more nuanced insurance products is evolving, and it may be possible for example to further innovate using satellite image data for vegetation. SADC may play a role in this regard by leveraging its economies of scale in research, by providing for instance better agricultural data across the region.

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<sup>85</sup> See: <https://au.int/sites/default/files/treaties/36437-sl-AGREEMENT%20ESTABLISHING%20THE%20AFRICAN%20CONTINENTAL%20FREE%20TRADE%20AREA%20%282%29.pdf>

<sup>86</sup> See: <https://www.sadc.int/themes/economic-development/trade/sanitary-phyto-sanitary-measures/>

<sup>87</sup> das Nair, R., & Landani, N. (2020). *Making agricultural value chains more inclusive through technology and innovation* (No. wp-2020-38). World Institute for Development Economic Research (UNU-WIDER).

<sup>88</sup> das Nair, & Landani (2020), cited above.

## 7 Harmonisation of regulations and guidelines in support of financial inclusion and SMEs access to finance

This updated Strategy emphasizes regional integration as a means of achieving greater financial inclusion and SME access to finance. In order to achieve this, a range of laws and regulations across the region need to be harmonised, and regional guidelines need to be developed. Furthermore, while individual member countries may not have the resources to research and develop approaches to various aspects of financial inclusion and SMEs access to finance, SADC as a region has the capability and resources to achieve this. SADC already has a range of initiatives on harmonisation that impact on financial inclusion, and these need to be further developed and built on:

1. For instance, SADC has issued mobile money guidelines, so as to give regional support for important initiatives.<sup>89</sup>
2. There is also a SADC Central Model Bank Law and a SADC Payment Systems Model Law.<sup>90</sup>
3. SADC also has a peer review mechanism for macroeconomic convergence.<sup>91</sup>

In this Section 7, five key areas are shortlisted for further harmonisation in the next few years: (i) Harmonised AML / CFT / PF / KYC / CDD guidelines for individuals and SMEs, (ii) Guidelines on reducing regulatory barriers to entry, including implementing regulatory technology ('RegTech') and supervisory technology ('SupTech'), (iii) Guidelines promoting competition among financial service providers, (iv) Guidelines on consumer protection (including on data) and financial education, and (v) Harmonising taxation frameworks in support of SMEs.

In addition, there is an ongoing need to assess, via peer review through the SADC financial inclusion forum, the extent to which SADC guidelines and protocols are being implemented in Member States. This latter aspect is considered in Section 8.2.

### 7.1 Harmonised AML / CFT / PF / KYC / CDD guidelines for individuals and SMEs

SADC can play a key role as an implementing agent for Eastern and Southern African Anti-Money Laundering Group (ESAAMLG) programmes, which is one of two bodies in Africa charged with implementing the Financial Action Task Force (FATF) recommendations. In particular, SADC may have the opportunity to leverage its substantial collective economic and population strengths to lend its support to ESAAMLG collective negotiations with the FATF regarding issues such as know-your-client (KYC) rules and approaches to the implementation of risk-based anti-money laundering (AML) / counter financing of terrorism (CFT) and proliferation finance (PF) rules. It is also important to recognise that SADC Member States need to implement FATF and ESAAMLG rules, and SADC may play a role in assisting Member States to do so.

This area has an important link to financial inclusion in respect of the implementation of the FATF's risk-based approach. For example, ESAAMLG has highlighted that instead of implementing the risk-based approach, correspondent banks 'de-risk' their businesses by terminating banking relationships with entire countries or groups of customers.<sup>92</sup> Instead of managing risks, correspondent banks avoid them. For example, in the most recent period, the number of correspondent banking relationship terminations and restrictions increased by 68%. This then results in financial institutions in the region

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<sup>89</sup> See: <https://finmark.org.za/system/documents/files/000/000/158/original/SADC-Mobile-Money-Guidelines-2020.pdf?1597304334>

<sup>90</sup> See: [https://www.sadcbankers.org/Lists/News%20and%20Publications/Attachments/118/Model\\_Law/English2009\\_SADC%20Central%20Bank%20Model%20Law.pdf](https://www.sadcbankers.org/Lists/News%20and%20Publications/Attachments/118/Model_Law/English2009_SADC%20Central%20Bank%20Model%20Law.pdf)

<sup>91</sup> See, for example: [https://www.sadc.int/files/2015/9498/2057/Peer\\_Review\\_Panel\\_Communique\\_2020-English.pdf](https://www.sadc.int/files/2015/9498/2057/Peer_Review_Panel_Communique_2020-English.pdf)

<sup>92</sup> ESAAMLG Working Group On Risk, Compliance And Financial Inclusion (WG-RCFI), April 2021, 'Follow up report to assess the continued existence and impact of de-risking in the ESAAMLG region', available at: [https://www.esaamlg.org/reports/De-risking\\_FUR\\_April2021.pdf](https://www.esaamlg.org/reports/De-risking_FUR_April2021.pdf)

terminating the services they provide to customers. ESAAMLG has documented that this has resulted in a reduction of remittances to the region by around 10% in recent years. Any support that SADC could offer in supporting Member States and financial institutions to implement the FATF risk based approach would therefore be helpful.

The promotion of harmonised AML / CFT / PF / KYC / CDD guidelines is also consistent with the SADC Committee of Central Bank Governors ('CCBG') strategic objective to 'Enhance effective implementation of internationally accepted standards like the Financial Action Task Force (FATF) against money laundering and the financing of terrorism'.<sup>93</sup>

A further initiative in this area is the development of regional, interoperable, digital financial identities, discussed above in Section 6.2. It is important to note that biometrics might be used to replace proof of address in SADC countries, as biometric identification is more widespread in SADC Member States, while proof of address is not.

Financial service providers therefore might consider means of ensuring that borrower identities are verified by means of biometric information (such as a voice imprint or fingerprints) when a loan is made, in order to increase loan repayments and reduce risks for lenders (and therefore interest rates). Results are suggestive of credit market efficiency, while a cost-benefit analysis suggests the worthiness of implementing the fingerprinting or other biometric system.<sup>94</sup> It is therefore important to consider biometric identification in the coming years within SADC, as part of developing a common approach to AML / CFT / PF / KYC / CDD guidelines.

## 7.2 Guidelines on reducing regulatory barriers to entry, including implementing regulatory technology ('RegTech') and supervisory technology ('SupTech')

An important constraint identified in the 2016-2021 Strategy on Financial Inclusion and SMEs Access to Finance was regulatory barriers to entry for market participants. Regulators within SADC Member States play an important role in protecting depositors, and ensuring that consumers are well-served. However, there are often significant delays in regulatory approval processes, particularly for new products and agents. These delays raise costs of serving low-income consumers, and are therefore an impediment to financial inclusion. There are also barriers for microlenders and non-bank lending institutions that need to be addressed.<sup>95</sup> For instance, regulators change rules regarding lending criteria regularly which substantially affect lender business models. It may be helpful therefore for SADC to issue relevant harmonised guidelines, for example on the time required for regulators to approve new products and agents, and how to clearly set out the processes involved.

In addition, an important aspect of this Strategy is to promote competition in markets for digital financial services, including by means of promoting new entrants as explained in Section 7.3, and regional integration by means of trade in services, as discussed in Section 6.2. This can be greatly facilitated by implementing regional guidelines on regulatory technology, such as on common reporting requirements, to enable regional economies of scale for new entrants.<sup>96</sup> This means that regulator systems need to be digitised so as to improve their ability to manage risk, replacing ineffective paper based systems with real time systems. This can also help with better AML/CFT/PF interventions, which can in turn help reduce illicit financial flows and tax avoidance/evasion. Furthermore, current regulatory sandbox initiatives in the region should be supported, and regional guidelines on this should be considered, so as to support innovative FinTech companies.<sup>97</sup>

Linked to the regulatory technology concept is regulatory supervisory technology, including to ensure that standards for regulatory submissions are harmonised across the SADC region. This can also help with the monitoring of regional data, including for prudential regulatory purposes (managing risks

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<sup>93</sup> Focus areas for the 2021-2023 CCBG Strategy.

<sup>94</sup> Calculated portrayed a benefit-cost ratio of 2.34.

<sup>95</sup> Input received at the financial inclusion committee meeting held on 21 September 2021.

<sup>96</sup> Interview with SADC-SIBE, on 11 October 2021.

<sup>97</sup> Comment received from SADC-SIBE, 8 October 2021. See also: <https://cenfri.org/publications/regulating-for-innovation/>



in the financial system), as well as in respect of monitoring the progress of areas such as financial inclusion.

### 7.3 Guidelines promoting competition among financial service providers

A critical aspect of financial inclusion over the past years has been the permissive environment offered to the mobile network operators to offer mobile money, and for digital financial service providers to offer cross-border payments. It is important to leverage these successes to ensure that even greater competition is brought about in the SADC region between these various providers. For instance, while the developed world is seeing interest rates at 40-50-year lows, we are not experiencing this in many SADC countries, where interest rates remain high.<sup>98</sup> One important means of ensuring that interest rates are low is by ensuring that competition between financial services providers is brought about in SADC Member State.

Greater competition can be facilitated by developing regional guidelines that will create a level playing field between mobile money (and other digital financial service provider), banks and money transfer operators in the SADC region. An important feature of such a level playing field is a set of common rules for various transaction types, regardless of the type of financial service licence. A further feature of this is interoperability among the various providers. These competition guidelines may be similar to those issued by the Communications Regulatory Authorities of Southern Africa (CRASA) for example.<sup>99</sup>

There are a range of competition concerns in respect of financial service providers that have an impact on financial inclusion and SMEs access to finance. For instance:

- Agent exclusivity may be a concern in certain countries, and SADC guidelines are needed in this area. For example, in Kenya and Uganda, regulators prohibited exclusive relationships between agents and financial service providers so as to promote competition, including the expansion of rival financial service providers, and consumer choice.<sup>100</sup> This expands financial inclusion by promoting lower prices and better quality of services.
- Credit bureaus are needed in the SADC region, and in certain countries only one or two credit bureaus compete. It may be useful for SADC to issue regional guidelines on how banks and other institutions are required to provide positive and negative repayment information to private credit registries, and the ways in which this information is provided might be standardised. It may also be necessary to improve the capacity of credit bureaus in the region.<sup>101</sup> This needs to be linked to regional guidelines on consumer protection, including in relation to the sharing of private information, discussed below in Section 7.4.
- In addition, data protection rules that prevent access to customer information from outside of a country can harm competition and innovation.<sup>102</sup> Regional financial technology players, for example, need to be able to access data in order to expand their services. A balance needs to be struck between protecting customer information and promoting innovation.

It is important in this regard to note that the SADC Committee of Central Bank Governors (CCBG) has developed a SADC Payment Systems Model Law and a SADC Central Bank Model Law, which will help to harmonise approaches to regulation, and will hopefully aid in lowering barriers to entry and fostering competition between financial service providers in the region. Greater competition will help reduce prices, improve quality and expand consumer choice, all of which supports the expansion of financial inclusion and SMEs access to finance. These benefits can only be realised, however, if the model laws are implemented. It is therefore critical that implementation be monitored through the financial inclusion forum, as explained in Section 8.2.

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<sup>98</sup> Input received at the financial inclusion committee meeting held on 21 September 2021.

<sup>99</sup> See: <https://www.crasa.org/crasa-publications-details/id/249/competition-assessment-framework-for-ict-sector-edition-2019/>

<sup>100</sup> See, for example, CGAP, 2016, 'Agents for Everyone: Removing Agent Exclusivity in Kenya & Uganda', available at: <https://www.cgap.org/blog/agents-everyone-removing-agent-exclusivity-kenya-uganda>

<sup>101</sup> Comment from received from SADC Secretariat during the data collection process on Tuesday 19 October 2021.

<sup>102</sup> See Cenfri, 2018, 'Regulating for responsible data innovation', available at: [https://cenfri.org/wp-content/uploads/2018/11/2018\\_10\\_30\\_regulating\\_for\\_responsible\\_data\\_web.pdf](https://cenfri.org/wp-content/uploads/2018/11/2018_10_30_regulating_for_responsible_data_web.pdf)

The CCBG also has a range of specific initiatives that can also help promote competition:

- The CCBG has a project to assist with the implementation of ISO20022 standards in SADC. This might be linked to open banking interventions, including Application Programming Interfaces (APIs) for banking and MNO information on customers (taking into consideration customer consent). Again, guidelines in this area are needed.
- The CCBG also has a strategic objective to *‘Enhance the SADC payments system platform to include non-bank financial institutions on the current platform’* as part of the second Strategic Focus Area (‘SFA2’): To enhance financial inclusion. This too has the potential to expand the competitive environment in the financial services sector in SADC.
- In addition, the CCBG has a strategic initiative / objective to *‘Draft payment system related rules and regulations sufficiently capable of guaranteeing both innovation and financial integrity.’* This is part of Strategic Focus Area 1: To foster financial integrity, and relates to ensuring that payments systems benefit from innovation, including by fostering competition.
- There is also a cross-cutting area in the CCBG strategy to leverage Fintech innovation, which includes the following strategic objectives:
  - *‘Identify initiatives that could contribute to the development of new technology in the digital payments space and consider the implications of these trends for the SADC region;*
  - *Identify the role of central banks in the development and support of the digital economy;*
  - *Propose ways on how central banks should adapt their systems to embrace new financial technologies and how central banks reposition themselves in the context of the Fourth Industrial Revolution’.* This area includes outputs such as: *‘A framework on how to assess fintech developments (Initiative 2)’* and *‘Established arrangements for central banks to address developments relating to digital currencies’.*

It is important that when these initiatives are implemented, they consider competition issues, including reducing barriers to entry and being open to non-bank participation and innovation. Again, it is important monitor progress with implementation through the financial inclusion forum, as discussed in Section 8.2.

## 7.4 Guidelines on consumer protection (including on data) and financial education

A range of SADC countries have included financial education and consumer protection as part of their national financial inclusion strategies. There may be means by which best practices might be shared, or common resources such as learning materials and curricula, might be developed. For instance, a savers programme has been developed in South Africa<sup>103</sup>, and the SADC Banking Association might be supported to further develop this programme.<sup>104</sup> This can be undertaken in cooperation with curricula development centres.<sup>105</sup>

It may also be possible to develop regional guidelines on consumer protection, covering banking, insurance, capital markets, and microfinance.<sup>106</sup> In this regard, it is especially important to consider

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<sup>103</sup> See: <https://starsaver.co.za/learners-1/>

<sup>104</sup> Interview with SADC Bankers Association, on 23 July 2021.

<sup>105</sup> Interview with SADC-SIBE on 24 August 2021.

<sup>106</sup> Input received at the financial inclusion committee meeting held on 21 September 2021.



rules for the disclosure of terms and conditions for financial products. The existing plan to prepare an index on customer disclosure is an important step in this direction.

It would also be helpful for SADC to issue data protection guidelines for the financial services sector<sup>107</sup> which:<sup>108</sup>

1. Balance the protection of consumers with the need for access to data for financial innovation;
2. Recognise that financial services regulators do not have sole responsibility for data protection in a society but nonetheless can assist to achieve this goal.

These harmonised data protection rules will help to facilitate regional integration in the financial services sector (discussed below in Section 6.2) and also relate to regional interoperable financial identities (Section 6.2).

## 7.5 Harmonising taxation frameworks in support of SMEs

There are at least two links between regional taxation harmonisation and financial inclusion: (i) in relation to registration of SMEs and SME access to finance, and (ii) concerning the implementation of RegTech and SupTech to permit greater cross-border tax system monitoring, and at the same time assisting with improved AML/CFT compliance, which can be an important barrier to financial inclusion (Section 7.1).

A component of the SIBE programme is to improve the taxation regime in SADC countries, and there is an opportunity to harmonise the tax treatment of SMEs in SADC.<sup>109</sup> This includes applying the SADC tax expenditure model to (i) consider harmonising tax incentives, and (ii) evaluate double-taxation avoidance agreements. In particular, it may be worth harmonising the treatment of value added tax (VAT) rates, which vary across Member States, from 14% in the case of Botswana for example, to 17% in Angola.<sup>110</sup> This may help improve certainty for SMEs trading across borders within SADC. There is also a consultation on double-taxation avoidance agreements. This is also linked to how Annex 3 of the SADC Protocol on Finance and Investment, on cooperation in taxation and related matters, can be implemented.<sup>111</sup>

These initiatives might be leveraged during the course of the coming years in order to harmonise taxation of SMEs, including as regards simplified income and payroll taxes, and delayed value added tax payments. It is also important to consider common standards for digital identities for SMEs, including business tax numbers being issued together with company registration documents, perhaps facilitated by financial institutions (discussed in Section 6.2). There may also be means by which government procurement might be leveraged to encourage the formal registration of SMEs. For example, SADC Member State governments may be encouraged to assist SME vendors providing services to governments to register with company registrars and tax authorities.<sup>112</sup>

There is also a link between the harmonisation of the tax system across SADC countries and regulation technology ('RegTech') and supervisory technology ('SupTech'), discussed in Section 7.3, and a regional data protection framework, discussed in Section 7.4.<sup>113</sup> This is because RegTech and SupTech can be used to monitor cross-border financial flows, thus aiding not only in reducing AML/CFT risks but also enabling the monitoring of tax avoidance and tax evasion.

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<sup>107</sup> Interview with SADC-SIBE on 11 October 2021.

<sup>108</sup> See Cenfri, 2018, 'Regulating for responsible data innovation', available at: <https://cenfri.org/publications/regulating-for-responsible-data-innovation/>

<sup>109</sup> Input received at SADC Financial Inclusion Subcommittee meeting, held on 21 September 2021.

<sup>110</sup> Comment received SADC Secretariat during the data collection process on 19 October 2021.

<sup>111</sup> Input received at the financial inclusion committee meeting held on 21 September 2021.

<sup>112</sup> Interview with SADC-SIBE on 24 August 2021.

<sup>113</sup> Interview with SADC-SIBE on 11 October 2021.

## 8 Monitoring and evaluation framework

A monitoring and evaluation framework is needed for this revised Strategy. This includes Key Performance Indicators against best practices and considering new developments in the financial inclusion space are considered in this section.

The key performance indicators presented here take into account information that is already collected or is readily available, so as not to impose a further burden on Member States. The implementation of the plan is emphasized here. The key performance indicators fall into two categories: quantitative indicators based on data, and qualitative mutual evaluations, discussed in turn next.

### 8.1 Quantitative indicators

There are three categories of quantitative indicators that can be considered for the SADC Strategy on Financial Inclusion and SMEs Access to Finance:

1. The first relates to supply-side indicators, largely already monitored by the SADC Committee of Central Bank Governors ('CCBG'). The CCBG, as part of its Strategic Focus Area two (SFA2) to enhance financial inclusion, plans to collect a range of largely supply-side data.
2. The second concerns demand-side indicators, which take into account FinScope survey data, for instance, and are currently provided by FinMark Trust. There is a concern that waiting for demand-side survey data can result in delays, and so it may be more helpful to focus on more readily available supply side data.<sup>114</sup>
3. The third concerns additional indicators emanating from this updated Strategy.

It is also possible to link these various indicators with the Alliance for Financial Inclusion ('AFI') indicators.<sup>115</sup> This is a valuable resource, and is planned to contain information not only on supply and demand side indicators but also on the quality of usage.<sup>116</sup> The indicators, together with their links to AFI indicators and to this Strategy, are shown on Table 3. While data are not always available for all of the various indicators, even best estimates of these metrics provide useful information, and these should be retained for the present Strategy.

**Table 3: Key performance indicators**

Indicator	Current (August 2021*)	AFI indicator	Links to sections of this Strategy
Demand side indicators (current indicators)			
Percentage of adults in the region that are financially included	70%		7.1 Harmonised AML / CFT / PF / KYC / CDD guidelines for individuals and SMEs, 7.2 Guidelines on reducing regulatory barriers to entry, including implementing regulatory technology ('RegTech') and supervisory technology ('SupTech'), 7.3 Guidelines promoting competition among financial service providers, 7.4 Guidelines on consumer protection (including on data) and financial education, 6.2 Upgrading regional retail payments and remittances, 6.4 Insurance products to aid regional integration in SADC
Percentage of male adults who are financially included	71%	Similar: Core 2.1B	
Percentage of female adults who are financially included	69%	Similar: Core 2.1A	
Percentage of adults < 35 who are financially included	70%		
Percentage of adults > 35 who are financially included	72%		
(using SA data as proxy) Percentage of the value of remittances that is done through informal channels	Annual volume between 2018 and 2019		6.1 Upgrading regional retail payments and remittances platforms

<sup>114</sup> Input received at the financial inclusion committee meeting held on 21 September 2021.

<sup>115</sup> Further possible sources of information including the World Bank Findex (<https://globalfindex.worldbank.org/>) and the IMF Financial Access Survey data (<https://data.imf.org/?sk=E5DCAB7E-A5CA-4892-A6EA-598B5463A34C>).

<sup>116</sup> Interview SADC-SIBE, 11 October 2021.

Indicator	Current (August 2021*)	AFI indicator	Links to sections of this Strategy
	increased from 6.4 million to 8.0 million		
Percentage of adults that use mobile money	30%	MFS 6.0	6.1 Upgrading regional retail payments and remittances platforms 7.1 Harmonised AML / CFT / PF / KYC / CDD guidelines for individuals and SMEs, 6.5 Access to electricity, the Southern African power pool, and green finance for SMEs
Percentage of adults who save – formally or informally	51%		6.2 Regional, interoperable digital financial identities, 7.1 Harmonised AML / CFT / PF / KYC / CDD guidelines for individuals and SMEs
Percentage of adults use formal saving mechanisms/ products	20%	Similar: Core 2.1	6.2 Regional, interoperable digital financial identities, 7.1 Harmonised AML / CFT / PF / KYC / CDD guidelines for individuals and SMEs
Percentage of adults use credit/ borrow – formally or informally	40%		7.1 Harmonised AML / CFT / PF / KYC / CDD guidelines for individuals and SMEs
Percentage of adults use formal credit products	22%	Similar: Core 2.2	
Percentage of adults that have insurance – formally or informally	29%		7.1 Harmonised AML / CFT / PF / KYC / CDD guidelines for individuals and SMEs
Percentage of adults that have formal insurance products	18%		
Percentage of rural adults that are banked	22%		7.1 Harmonised AML / CFT / PF / KYC / CDD guidelines for individuals and SMEs, 7.2 Guidelines on reducing regulatory barriers to entry, including implementing regulatory technology ('RegTech') and supervisory technology ('SupTech'), 7.3 Guidelines promoting competition among financial service providers
Percentage of urban adults that are banked	52%*		
Number of countries that have financial inclusion plans	10		All
Committee of Central Bank Governors access indicators (clarifications in italics)			
Total number of banks			7.2 Guidelines on reducing regulatory barriers to entry, including implementing regulatory technology ('RegTech') and supervisory technology ('SupTech'), 7.3 Guidelines promoting competition among financial service providers
Total number of branches			
Number of rural branches			
Total number of access points (POS) per 10,000 adults at a national level		Core 1.1	
Total number of branches per 10,000 adults at a national level		Core 1.1a	
Total number of ATMs per 10,000 adults at a national level		Core 1.1b	
Total number of agents per 10,000 adults at a national level		Core 1.1c	
Percentage of administrative units with at least one access point		Core 1.2	
Percentage of total population living in administrative units with at least one access point		Core 1.3	
Interoperability of ATMs (Takes the value 1 if MOST or ALL ATM networks are			

Indicator	Current (August 2021*)	AFI indicator	Links to sections of this Strategy
interconnected and 0 if they are NOT interconnected.)			
Interoperability of POS terminals (Takes the value 1 if MOST or ALL POS terminals are interconnected and 0 if they are NOT interconnected)			
Number of no frill accounts in "000s" (basic savings account)			
Number of e-money accounts for mobile payments		Core 1.1c	
Committee of Central Bank Governors quality indicators			
Average cost of credit transfers			6.3 Promoting regional trade in financial services 7.3 Guidelines promoting competition among financial service providers
Average cost of maintaining a basic current account (annual fees)			
Average cost of opening a basic current account		Similar: Qual 1.1	
Existence of formal internal dispute resolution mechanism in banks and non-banks			7.4 Guidelines on consumer protection (including on data) and financial education
Existence of formal external dispute resolution mechanism (e.g supervisory agency, financial ombudsman etc)			
Committee of Central Bank Governors usage indicators			
Percentage of adults with at least one type of regulated deposit account			6.2 Regional, interoperable digital financial identities, 7.1 Harmonised AML / CFT / PF / KYC / CDD guidelines for individuals and SMEs, 7.2 Guidelines on reducing regulatory barriers to entry, including implementing regulatory technology ('RegTech') and supervisory technology ('SupTech'), 7.3 Guidelines promoting competition among financial service providers, 7.4 Guidelines on consumer protection (including on data) and financial education, 6.4 Insurance products to aid regional integration in SADC
Number of deposit accounts per 1,000 adults			
Percentage of adults with at least one type of regulated credit account		Core 2.2	
Number of loan accounts per 1,000 adults		Similar: Core 2.2x	
% of SMEs with a deposit account at a formal financial institution			
% of SMEs with an outstanding loan or line of credit			
Number of SMEs with an outstanding loan			
Percentage of adults with at least one type of regulated deposit account		Core 2.1	
Number of deposit accounts per 1,000 adults		Similar: Core 2.1x	
Additional indicators for this updated Strategy			
Number of people and SMEs with digital financial identities			6.2 Regional, interoperable digital financial identities
Insurance products to aid regional integration			6.4 Insurance products to aid regional integration in SADC
Volume and value of trades through regional commodity exchanges			6.6 Digitisation for the agricultural sector, including digital warehouse receipts, regional commodity exchanges, common digital food standards, to improve market integration

\* Indicates regional baseline rather than current value

## 8.2 Mutual evaluations through financial inclusion forum

In addition to the structure described in Section 5.1, the financial inclusion forum, established in 2015, is needed to implement the harmonised rules and laws set out in this updated Strategy<sup>117</sup>, summarised in Section 8.2. This is important, so as to assess how aligned laws and regulations are in Member States.<sup>118</sup> There are a range of guidelines proposed in the sections that follow that may be used by SADC Member States to enhance financial inclusion, and there is a current SADC-SIBE project on harmonising regulations for financial inclusion.<sup>119</sup> The implementation of these guidelines, together with progress on the implementation of model laws, can be reviewed using a peer review structure within the financial inclusion forum. This approach might be modelled on the ESAAMLG peer reviews in SADC Member States<sup>120</sup>, and on the SADC Macroeconomic Peer Review Panel.<sup>121</sup>

In addition to the key performance indicators mentioned above, important indicators of progress are the extent of SADC Member States implementation of regional guidelines, model laws and protocols discussed in this Strategy by SADC Member States.<sup>122</sup> Such progress can be assessed by mutual evaluations through the financial inclusion forum structure in the following areas:

- ☐ Develop Harmonised AML / CFT / PF / KYC / CDD guidelines for individuals and SMEs (discussed in Section 7.1).
- ☐ Develop Guidelines on reducing regulatory barriers to entry, including implementing regulatory technology ('RegTech') and supervisory technology ('SupTech'), explain in Section 7.2 above.
- ☐ Develop Guidelines promoting competition among financial service providers, considered in Section 7.3.
- ☐ Develop Guidelines on consumer protection (including on data) and financial education (see Section 7.4).
- ☐ Working towards Harmonising taxation frameworks in support of SMEs (Section 7.5).
- ☐ Number of trade in services offers implemented, working closely with counterparts in the SADC trade administration. This is discussed more in Section 6.3.
- ☐ Implementation of greater regional access to SAPP for SMEs – again, working closely with the SAPP organisation. This is explained in Section 6.5.
- ☐ Implementation of harmonised digital food standard certificates, in collaboration with the SADC Directorate: Food, Agriculture and Natural Resources. This is discussed in Section 6.6.

The financial inclusion forum structure can also be used as a platform to share learnings and best practices in the implementation of these areas.<sup>123</sup> It can be noted that the CCBG plans to develop a dashboard to monitor elements for SADC FI framework of relevance to central banks and develop an implementation framework to address these elements. In addition, the CCBG has a strategic initiative to Monitor Implementation of Model Laws. This may play an important role in the qualitative assessments proposed in this report. In addition, a further component of the SADC-SIBE project is considering how to harmonise frameworks across SADC members states where financial inclusion and SME access to finance is concerned. This will be an important first step in developing the harmonisation and integration aspects of this Strategy.

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<sup>117</sup> Comments received from SADC Secretariat during the data collection process, on 19 October 2021.

<sup>118</sup> Input received at SADC financial inclusion and SME access to finance committee meeting on 21 September 2021.

<sup>119</sup> Comments received from SADC-SIBE during the data collection process on 8 October 2021.

<sup>120</sup> See: <https://www.esaamlg.org/reports/Updated%20Procedures%20for%20the%20ESAAMLG%202nd%20Round%20of%20AML%20CFT%20MEsv2.pdf>

<sup>121</sup> See: <https://www.sadc.int/news-events/news/sadc-convened-seventh-meeting-macroeconomic-peer-review-panel-review-progress-towards-achievement-agreed-macroeconomic-convergence/>

<sup>122</sup> Comment received from SADC Secretariat, during the data collection process on 19 October 2021.

<sup>123</sup> Comments received from SADC Secretariat, during the data collection process on 19 October 2021.

## 9 Annexures

### 9.1 The methodology and process used

The details of the approach followed are as follows:

1. Consultations with key stakeholder groups, including:
  - a. SADC Secretariat:
    - i. Mario Lironel, SPO Finance and Investment (FIC) – SIBE Task Manager
    - ii. Rado Razafindrakoto, PO Financial Sector (FIC)
    - iii. Hamilton Thomas, PO Capital Markets (FIC)
    - iv. Thembekile Langa, Finance Expert
    - v. Mapolao Mokoena, Director Infrastructure (D-Infrastructure) & SPO ICT
  - b. CoSSE
    - i. Thapelo Tsheole, Chairperson (Chief Executive Officer at Botswana Stock Exchange)
  - c. CCBG
    - i. Mogale Phakedi (Senior Economic Policy Analyst at South African Reserve Bank)
    - ii. Jason Milton (Economist at South African Reserve Bank)
  - d. SADC Banking Association
    - i. Maxine Hlaba (Executive Secretariat)
  - e. CISNA
    - i. Brinda Harjan (CISNA Secretariat)
    - ii. Grace Mohamed (General Manager: Insurance & Medical Aid Funds (Executive Member, NAMFISA)
  - f. African Development Bank
    - i. Lufeyo Banda (Transport Sector Expert at Infrastructure Consortium for Africa)
  - g. UNCDF
    - i. Kameshnee Naidoo (MAP Global Programme Advisor)
    - ii. Christiaan Loots (MAP: Programme Specialist at UNCDF)
  - h. SADC-DFRC
    - i. Lila Mannathoko (Senior SME Officer)
    - ii. Stuart Kufeni (CEO, SADC-DFRC)
  - i. FinMark Trust
    - i. Damola Owolade (Head: SADC Financial Inclusion Programme)
  - j. CENFRI
    - i. Mia Thom (Technical Director at Cenfri, and SADC-SIBE Short Term Expert)
  - k. African Development Bank
    - i. Lufeyo Banda (Transport Sector Expert at Infrastructure Consortium for Africa)

2. A variety of reports linked to financial inclusion in SADC were also considered, including (a full bibliography is provided in Section 9.1 in the Annexures to this Report):
  - a. SADC Strategy on Financial Inclusion and SMEs Access to Finance,
  - b. 'Making Access Possible' refresh programme funded by the UNCDF and carried out over the past years in Botswana, Eswatini, Lesotho, Malawi and Zimbabwe.<sup>124</sup>
3. Datasets were also analysed from a variety of sources, including:
  - a. Financial inclusion indicators developed by FinMark Trust, and
  - b. World Development Indicators provided by the World Bank.
4. Comments on draft reports and documents have been received from a range of stakeholders, including from:
  - a. Mike Nyamazana, SADC-SIBE key expert
  - b. Rado Razafindrakoto, PO Financial Sector (FIC), SADC Secretariat
  - c. Hamilton Thomas, PO Capital Markets (FIC) , SADC Secretariat
  - d. Thembekile Langa, Finance Expert, SADC Secretariat
  - e. Mia Thom, Technical Director at Cenfri, and SADC-SIBE Short Term Expert
  - f. Mogale Phakedi (Senior Economic Policy Analyst at South African Reserve Bank)
  - g. Anthony Gitiari (SADC-SIBE)

## 9.2 Links between the terms of reference and the structure of this report

The links between the terms of reference for this report, and the structure of this report, are as follows:

**Table 4: Links between the terms of reference and the structure of this report**

Terms of reference	Section in this report
Undertake an evaluation of the successes, failures, challenges and their causal factors on the implementation of the Strategy to date	Section 3, Evaluation of the successes, failures, challenges and their causal factors on the implementation of the Strategy to date
Review the performance of the financial inclusion initiatives in the region against the approved Implementation Plan for the Strategy for Financial Inclusion and SME Access to Finance and benchmark with similar regional economic communities in Africa or/and emerging markets such as the Association of Southeast Asian Nations, (ASEAN)	Section 3.1.2: Implementation plan; Section 9.4: List of activities completed against implementation plan for 2016-2021
Review and provide updates on the Strategy for Financial Inclusion and SME Access to Finance Implementation Plan (including budget) taking into consideration new developments in the financial inclusion space, among others, access to finance by woman entrepreneurs, climate change/climate finance, financial literacy, financial technology (FinTech)	Sections 6, 7, and 8
Undertake consultations across all sectors in order to have an all inclusive strategy, including organisations that deal with anti-money laundering in order to ensure the integrity of the financial sector, e.g. the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG)	Section 9.1: The methodology and process used
Review and suggest key Performance Indicators against best practices and considering new developments in the financial inclusion space	Section 8: Monitoring and evaluation framework

<sup>124</sup> See: <https://www.uncdf.org/article/6571/zimbabwe-financial-inclusion-refresh>



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## 9.4 List of activities completed against implementation plan for 2016-2021

The list of activities completed against the implementation plan for 2016-2021 are as follows:

No	Immediate Outcome	Targeted Output	Main Activity	Sub Activity	Progress
1	Improved capacity to support regional and national financial inclusion programmes KPIs: - Existence of a functional regional institution / centre for financial inclusion - Existence of a functional liaison/collaboration with institutions that are leaders in Financial Inclusion	An institution/ centre of excellence for financial inclusion identified, role negotiated and partnership agreed	Facilitate the identification, selection and operationalisation of a centre of excellence for financial inclusion that can partner with SADC	Identify Financial Inclusion Institutions in the SADC region with track record of working with SADC Member States	No - focus has been national FI centres etc
2				Appoint a regional centre of excellence	Not approved for funding
3				Finalise modalities for the coordination and implementation of the SADC Financial Inclusion Strategy	Yes - MoU with FinMark Trust FI committee Governance structure
4				Prioritise and commission research on financial inclusion	Started with SIBE (2019) - indicators, remittances, digital identities
5				Disseminate findings of research undertaken on financial inclusion	Yes
6	- Existence of a framework for a regional digital financial identification - Existence of a forum for Stakeholder engagement in financial inclusion, discussions and sharing of best practices, including monitoring progress. - Research papers, case studies and presentations on selected thematic topics on financial inclusion	Regional stakeholder platform for sharing, learning, capacity building and monitoring on financial inclusion established and operational	Coordinate establishment and operationalisation of Regional Stakeholders' Platform and theme based sub-platforms/work groups for sharing, learning, building capacity and monitoring	Establish annual Regional Stakeholders' Platform and theme based sub-platforms/work groups for sharing, learning, building capacity and monitoring	Financial inclusion forum established
7				Launch the Regional Stakeholders' Platform for sharing, learning, building capacity and monitoring	Launched in 2015
8				Develop a programme, including logistics, for successful stakeholder engagements in theme-based Working Groups, including digital finance and payment innovations, credit markets and information sharing, SMME finance, and Consumer Empowerment	Task teams established
9				Convene and facilitate Working Groups meetings with emphasis on development of focused programmes for on-going implementation	Task team work commenced recently
10				Produce and circulate analytical reports on topical financial inclusion issues	FinMark research mentioned above, and FI forum themes

No	Immediate Outcome	Targeted Output	Main Activity	Sub Activity	Progress
11		SADC Strategy for Financial Inclusion and SMEs Access to Finance evaluated and disseminated	Facilitate undertaking of evaluation of SADC Strategy for Financial Inclusion and SMEs Access to Finance	Develop SADC information portal where Member States can access financial inclusion data, information, tools, guidelines on various FI topics	Work in progress, some information on FinMark Trust website
12				Compile and disseminate annual reviews on the implementation of the Strategy	Yes - progress reports to ministers of finance and investment
13				Undertake an internal mid-term review of the implementation of the Strategy	No
14				Undertake an end-term review of the implementation of the Strategy	Current project
15	<p>Improved policy and regulatory environment for financial inclusion in the region</p> <p>KPIs:</p> <ul style="list-style-type: none"> <li>- (No. and type)</li> <li>Existence of harmonised regulations/ policies on financial inclusion [especially those relating to credit markets for smme's, payment/digital financial service, consumer protection, savings]</li> <li>- No of Member States that have adopted financial inclusion strategies</li> <li>- Trading on stock exchange for SMMEs</li> <li>- Availability of Trading data [type; frequency...]</li> </ul>	Key Financial Inclusion regulatory topics for regional focus identified and implementation plan developed	Facilitate identification of Key Financial Inclusion regulatory topics for regional focus	Undertake scoping study to identify priorities and time table for regulations to be harmonised and capacity built including a focus on AML/CFT regulation, Mobile money regulations, tiered banking regulations, digital identity for financial inclusion	SIBE
16				Undertake Assessments using a Risk Based Approach (RBA) to supervise FI products and to respond to clients' relative risks, products and services.	SIBE: Two activities being launched: (i) assessment of FATF frameworks, (ii) capacity building on RBA
17				Convene regulators Work Group to agree on the areas, priorities and modalities for intervening, including regulatory sandboxing	Yes, work in progress
18		Financial sector regulators empowered on Financial Inclusion	Facilitate management of regulatory sandbox project to support regulators with implementation	Source experts in Member States to support regulators on Financial Inclusion regulation development	Progress under the SIBE programme
19				Support regulators to establish country level initiatives and innovations, including sandboxing	Mobile money guidelines implemented; WIP under SIBE
20			Facilitate capacity building for financial sector regulators on financial inclusion	Conduct training on financial inclusion at national level	No
21				Arrange on-going capacity building workshops on key regulatory aspects	No
22				Support Member States with compliance to FI related FATF recommendations	STE under SIBE will commence work shortly
23		Enabling regulations at national and	Facilitate development and	Provide technical assistance at regional and national levels to enable changes	SIBE programme

No	Immediate Outcome	Targeted Output	Main Activity	Sub Activity	Progress
24		regional levels developed and operational	operationalisation of enabling regulations at national and regional levels	Undertake Country Financial Inclusion diagnostics focusing on demand, supply side and regulatory environment	Individual countries being supported via SIBE
25				Conduct training on new regulations/approaches	No
26	Harmonized regulations for member exchanges	Templates for rules available to all regional exchanges to lower costs of research	Revision of regulations/ harmonization	Undertake a Study on trading rules and types of products (securities) available in the region in order to understand each market stage of development.	STE under SIBE is working on this
27	Access to information on capital markets improved	Easier and cheaper access to knowledge and information	Facilitate on line meetings through web based seminars (Webinars)	Host webinars regularly to educate market operators and investors about capital markets	No
28	Increased awareness and participation of the youth and SMMEs in capital markets promoted	Improved participation by young people and SMMEs capital markets	Online Stock Market Simulators	Capacity building for the youth and SMMEs	To start under SIBE
29		Engagements with FSP's in the region on product and services innovation for financial inclusion strengthened	Create the environment for FSP's to learn, and be exposed to innovations in product and services development and delivery	Undertake a scoping study to identify innovations in digital payments and other financial services which are relevant to SADC Member States	Finmark remittances report
30				Coordinate workshops and information exchanges, including study tours to share innovations	Carried out via CCBG
31				Initiate innovation funding to encourage innovations by FSP's in consumer and SMME financing	Financial services market conduct and consumer protection guidelines starting under SIBE
32		Improved access to electronic financial services through interoperability of ATMs and Points of Sale terminals	Interoperability of ATMs and POS	Undertake scoping study to identify physical points of service (available number of ATMs) and products	Individual MS are carrying this out
33				Identify number of e-money accounts for mobile payments	No
34		Appropriate demand side data generated and accessible	Facilitate the collection, processing and	Undertake demand side research, including Finscope (consumer and SMME) and other qualitative research.	Finmark is carrying out research, including under SIBE

No	Immediate Outcome	Targeted Output	Main Activity	Sub Activity	Progress
35			analysis of appropriate demand side data (Consumers and SMME)	Conduct Finscopes surveys 2 per year x 4 years	SIBE: 2 countries will have Finscope surveys
36				Conduct a series of workshops and engagements with FSPs to understand and engage with data requirements	No
37				Provide technical support at national level to better use demand side data for better product development	No
38				Run data hacks in SADC to encourage innovation in the use of data and technology	No
39				Conduct Study to determine the % number of SMEs required to provide collateral on their last bank loan in order to determine the tightness of credit conditions	No
40			Facilitate the development of a disclosure index combining existence of a variety of disclosure requirements	Provide technical support for plain language requirement e.g. understandable and prohibition of hidden clauses. Ensure local language requirement; Provide prescribed standardized disclosure format; recourse rights and processes; and guidelines for cost determination to ensure inclusivity (basic costs plus commission rates, fees, insurance	SIBE STE will begin work on this shortly
41				Develop market conduct and consumer protection guidelines	
42	Increased formal cross border retail payments  KPIs: - % formal cross border remittances - No. of cross border remittance innovations - No. of cross border remittance products	SADC cross border regional automated clearing house (RACH) for live credit push and debit pull transactions developed and functional	Facilitate development and implementation of SADC RACH	Coordinate harmonization of regulations to enable smooth transacting, particularly in AML/CFT, BOP reporting and consumer protection	No
43				Coordinate the development of a business case for institutions to use RACH	CCBG retail payments unit launched real time instant payments
44				Convene regional workshops to plan and implement various payment streams	CCBG is working on this
45		Existence of Financial Inclusion Data indicators	Collection of FI data	Identification of key FI indicators	FinMark has been collecting information on this