Fifth SADC Financial Inclusion Forum Report

CONTENTS

LIST OF ACRONYMS

AML	Anti-money laundering
CCBG	Committee of Central Bank Governors
CDD	Customer due diligence
COSSE	Committee of SADC Stock Exchanges
CTF	Combating the financing of terrorism
ESAAMLG	Eastern and Southern Africa Anti-money Laundering Group
ESG	Environmental Social Governance
ESWADE	Eswatini Water and Agricultural Development Enterprise
FIP	Financial intelligence and processing
KYC	Know your customer
MAP	Making Access Possible
MSME	Micro, small and medium enterprise
NFIS	National Financial Inclusion Strategy
RTGS	Real time gross settlement
SAPP	Southern Africa Power Pool
SDG	Sustainable Development Goal
SDP	Supplier development programme
SIBE	Support to Improving the Investment and the Business Environment
SLB	Standard Lesotho Bank
SME	Small and medium enterprise
TCIB	Transactions cleared on an immediate basis
UNDP	United Nations Development Programme

INTRODUCTION

The annual SADC Regional Financial Inclusion Forum was last held in 2019 due to the restrictions imposed by the COVID-19 global pandemic. The SADC Secretariat, in partnership with FinMark Trust, the SADC Banking Association and UNCDF, convened of the 2022 Financial Inclusion Forum in furtherance of the aspirations of the SADC Strategy on Financial Inclusion and SME Access to Finance.

The 2022 Forum was a hybrid event with both virtual participants and a limited number of in-person attendees, held at the Holiday Inn Johannesburg Airport, Johannesburg, South Africa, from the 12th – 13th October 2022. Participants included senior-level representatives who work on financial inclusion within the Ministries of Finance, Central Banks, Non-bank Regulators and the Private Sector.

The Forum focussed on the following themes central to financial inclusion, inclusive growth, sustainable finance, and regional integration:

- SADC Strategy on Financial Inclusion and SME Access to Finance
- Digitisation and Financial Inclusion
- Sustainable Finance
- SMME Access to Finance and Improved Livelihoods
- Gender and Improved Livelihoods for Woman in the region

DAY 1

OFFICIAL WELCOME

Welcoming remarks and opening of the 2022 SADC FI Forum by Ms Maxine Hlaba

Ms Maxine Hlaba opened the 2022 SADC Financial Inclusion Forum by welcoming the in-person delegates and those joining the proceedings virtually. She added how wonderful it was to be able to convene again for this important annual gathering to further the financial inclusion agenda in the region, with the last Forum held in 2019.

With all protocols observed, Maxine continued by inviting Dr Jesimen Chipika, the Deputy Governor of the Reserve Bank of Zimbabwe, to deliver the keynote address on day 1 of the 2-day Forum.

KEYNOTE ADDRESS: The importance of financial inclusion in the region after the COVID-19 pandemic and global economic contractions due to the Ukrainian war

Dr Jesimen Chipika, Deputy Governor: Reserve Bank of Zimbabwe

Financial inclusion is a priority policy initiative across Africa and the SADC region, with the goal of achieving national development aspirations and at least 11 of the 17, 2030 United Nations Sustainable Development Goals (SDGs). Most governments across the region have now embedded financial inclusion within their national development policies.

The economic contraction due to COVID-19 and the containment measures to reduce the spread of the pandemic, now compounded by the Ukraine-Russia war, threaten to reverse the advancements in financial inclusion over the past few years. The impact of the Ukraine-Russia war on energy prices, inflation, and general economic growth has amplified the existing vulnerabilities of low-income people, amplifying the barriers to access and usage of financial services. However, SADC is at the forefront of driving financial inclusion in the region by providing support to member states in developing and executing their financial inclusion strategies, and convening regular platforms for stakeholders to share experiences, best practices, and progress on the state of financial inclusion in the region.

While the pandemic negatively impacted key objectives, the restrictions led to unprecedented gains in financial innovation and created new opportunities for the adoption of digital financial services, which are now key enablers to access and usage of financial services. There is great potential for the unbanked or underserved to enter into formal financial services through digital channels.

Micro, small and medium enterprises (MSME) in most SADC countries account for more than 50% of GDP, but the majority are not served by formal financial services. Therefore, the development and implementation of strategies that focus on inclusivity and empowerment of MSMEs are key to improved economic growth.

Women account for more than 50% of the SADC region's population, yet they are both financially excluded and underrepresented in key decision-making positions within Government and the private sector. Gender mainstreaming when designing products and policy interventions is paramount to the inclusion of women.

Digital Financial literacy is imperative to encourage the adoption of digital financial services, especially by the less educated and elderly.

As a region, we need to devise viable strategies that ensure access to and usage of quality and affordable financial services on a sustainable basis. The financial inclusion agenda goes beyond the inclusion of marginalized populations into formal financial services, it seeks to advance economic inclusion not just in the SADC region, but throughout Africa.

Dr Chipika reiterated the need to implement timely crisis resilience policy responses in the region to reduce the impact of COVID-19, the Ukraine-Russia war, and any other crises that may be on the horizon. She urged the development of regional financial infrastructure to support in-country financial initiatives as we strive to build a better life for SADC citizens. Let us move from strategy development to implementation.

The role of the SADC Secretariat in advancing financial inclusion

Mr Sadwick Mtonakutha, Director: Finance, Investment and Customs Directorate, SADC Secretariat

In recognition of the importance of financial inclusion for inclusive and sustainable economic growth, the SADC Council of Ministers agreed that a forum be established to facilitate the regular exchange of experiences and learning among all relevant stakeholders. The aims of the forum are:

- Promote financial inclusion in the SADC region for purposes of inclusive growth and poverty reduction;
- Take stock of the various policy initiatives at country-level which promote financial inclusion and impact the livelihoods of the most vulnerable sections of the population; and
- Share experiences and promote discussion among member states, public- and private-sector stakeholders.

The outcomes from each forum are presented to the Council of Ministers through the Ministers of Finance and Investment, to ensure appropriate actions and policy interventions can be implemented. At a regional level, SADC adopted the Financial Inclusion Strategy as a key aspect of its overarching industrialisation strategy and roadmap. The industrialisation strategy and road map have three binding constraints: (1) infrastructure for industrialization, (2) skills, and (3) resources. These constraints must be addressed to ensure that people are financially included. The following progress has been made despite the challenges of COVID-19:

- Around 48 million adults have been included in the formal financial system over the last decade, of which 22 million are women;
- The cost of outbound remittances from South Africa has dropped by 50%, with more than 4.4 million adults in the region benefiting from lower remittance prices;
- The introduction of a risk-based approach to anti-money laundering has led to an increase in access to formal remittances and migrant financial inclusion, especially from South Africa to the SADC region; and

- The SADC mobile money guidelines were adopted by the Committee of Central Bank Governors (CCBG) and Ministers of Finance and Investment, noting that Malawi and Lesotho are now paying interest on mobile money wallets.

The Support to Improving the Investment and the Business Environment in the SADC Region (SIBE) Programme has also played a huge role in supporting financial inclusion. The key milestones achieved through the SIBE Programme include:

- The review of the SADC strategy on financial inclusion and small and medium enterprise (SME) access to finance for the period 2016 – 2021;
- Identification of priorities and development of timelines for harmonisation of financial inclusion;
- The development of policy frameworks and guidelines for consumer protection in line with international best practices;
- The SADC Secretariat is currently assisting member states in reviewing and developing their new financial inclusion strategies. Currently, support is being provided to Angola, Botswana, Lesotho, Eswatini, Malawi and Namibia; and
- Provision of support to member states interested in the domestication of the SADC mobile money guidelines and FinScope surveys.

Gender remains an important agenda in the SADC region. The SADC German programme through GIZ on industrialisation and women's economic empowerment is supporting progress in women's financial inclusion and has achieved the following:

- Development and implementation of a gender action plan, guidelines for SADC strategy on financial inclusion and SME access to finance;
- Development of entrepreneurial skills and financial education materials aimed at supporting women entrepreneurs; and
- Development and dissemination of a SADC women's financial inclusion toolkit aimed at financial service providers.

Financial inclusion is critical for the attainment of the United Nations SDGs. The link between financial inclusion and real economic outcomes must be made clear and emphasised. SADC member states need to prioritise SME support and consider issues related to climate change. Member states must endeavour to ensure that the SADC vision of poverty reduction is achieved through the enhancement of financial inclusion.

The role of the private sector in advancing financial inclusion

Mr Khulekani Mathe, Non-executive Director, SADC Banking Association

The SADC Banking Association represents a large part of the private sector which has an important role to play in advancing financial inclusion in the region. There are other key players such as life offices, short-term insurers, capital markets, and non-banking financial institutions that also provide a range of financial services.

In recent years, there have been significant improvements in levels of financial inclusion globally. According to the FinDex 2021 Report, account ownership grew by 50% globally, from 51% to 76% of adults between 2011 and 2021. The growth in Sub-Saharan Africa was driven largely by the adoption of mobile money. The proportion of adults making or receiving digital payments in developing countries grew from 35% in 2014 to 57% in 2021.

While progress has been made, the remaining challenges have also become pronounced. The COVID-19 pandemic and extreme weather events demonstrate how vulnerable people are to such shocks. Despite the challenges presented by COVID-19, innovation increased and banks implemented measures to limit the impact on their customers. Measures such as payment holidays and debt restructuring helped to cushion the devastating impact of the pandemic. The total value of relief given to customers by banks was in excess of R600 billion.

Working with banks, the South African government implemented a range of measures aimed at providing relief to businesses and individuals. These included government-guaranteed loans to businesses, sectoral grants to businesses that were severely affected, and increases in the value of social assistance to vulnerable people. The South African government also introduced the presidential employment stimulus program aimed at reaching over 1 million young people – the programme reached over one million young people.

In the past few years, there has been significant growth in the number of fintechs focusing on different aspects of financial services ranging from payments, cross-border remittances, and lending, particularly to small businesses. Moving money across borders in the region has become less difficult although cost remains a huge factor in some jurisdictions. Many small businesses that are unable to access can access loans from various non-bank financial providers within a shorterturn around period. These institutions have developed different and non-traditional methods of assessing creditworthiness. This shows the role of the private sector in helping solve these challenges.

Financial institutions that are more effective at addressing financial inclusion are those that fully understand the needs of those at the bottom of the pyramid segment market. Financial inclusion is far from being fully resolved, and the private sector can play a bigger role in advancing this agenda.

Review of the SADC Strategy on Financial Inclusion and SMEs' Access to Finance

Ms Nikki Kettles, Executive of Programmes, FinMark Trust

The review of the SADC Strategy on Financial Inclusion and SMEs' Access to Finance (2016 - 2021) was undertaken as part of the SIBE Programme, a four-year programme funded by the European Union. The Programme seeks to bring financial inclusion and economic inclusivity together.

The framework for review and recommendations involved the following: (1) Evaluation of the successes, failures, challenges and their causal factors on the implementation of the strategy to date, (2) Regional contextualisation in terms of economy, population and regional integration, (3) review of the SADC financial inclusion institutional mechanisms, (4) recommendations for regional integration of markets, and (5) recommendation for the harmonisation of regulations and guidelines.

The objective of the strategy is to improve access, uptake, and utilisation of quality financial services and products for consumers and SMEs for effective participation in the SADC Industrialisation Strategy and Roadmap. The strategy was successful in achieving the following:

- 70% of adults in SADC now have access to financial services, increasing from 57% in 2011;
- 30% of adults in SADC currently use mobile money services, compared to 23% in 2014;
- Implementation of a regional cross-border payments switch (the SADC real time gross settlement, 'RTGS' system);
- Guidelines and model laws have been put in place (eg mobile money, CISNA model law)

- Protocol on trade in services is now in place.

However, several key challenges still limit the advancement of financial and economic inclusivity in the region:

- Documentation or know your customer (KYC) requirements are a barrier;
- SMEs in the region remain largely informal;
- Rural mobile network connectivity is limited, which is linked to the lack of availability of electricity;
- Prices of remittances are still high (far above the United Nations SDGs target of 5%);
- Competition between banks and digital financial services providers is needed to reduce costs.

A clear understanding of the regional context is key to advancing regional integration. The region is dominated by agriculture, populations are mostly rural, unemployment rates are high (>50%), and there is a high level of migration. Progress has been made in regional integration. Intra-regional exports as a share of total exports increased from 15.2% to 19.5% between 2008 and 2018. Cross-border remittance prices reduced to an average of ±13% from 17%. Regional rules on trade in agricultural products are in place, including the implementation of regional phytosanitary standards. The protocol on trade in services can help promote rivalry. The SADC industrialisation agenda considers human and capital development, agriculture, and mobile solutions/fintechs.

The objective of the 2016 -2021 strategy was 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', focussing on (1) enhancing digital payments within and between countries, and (2) building credit markets and ensuring they can serve/support SMEs. Recommendations from the review highlight the need to revise the theory of change and the key focus to 'improve access, uptake and utilisation of quality financial services and products for consumers and SMEs through regional integration in SADC', by focussing on:

(1) Regional integration of markets in support of financial inclusion and SMEs' access to finance.

- Regional retail payments and remittances
    - CCBG Transactions Cleared on an Immediate Basis (TCIB)
    - ISO 20022
- Regional digital identities for individuals and SMEs

    - Frictionless KYC to support inclusivity
    - SME registration
- SADC protocol on trade-in-services must be implemented
    - Promotes market access and anti-corruption
    - Protocol on mutual recognition of licensed entities
- Insurance products
    - Mutual recognition e.g. transport and migrants
    - Better data for insurers to develop products
- Agriculture
    - Digitisation to resolve the price dispersion challenge
    - Data-loans-digitisation
- Energy
    - Southern Africa Power Pool (SAPP) - day ahead market
    - Committee of SADC Stock Exchanges (COSSE) and green initiatives

(2) Harmonisation of regulations and guidelines in support of financial inclusion and SMEs' access to finance.

- Anti-money laundering (AML)/combating the financing of terrorism (CTF)/KYC/customer due diligence (CDD): Need for appropriateness and proportionality on how people are on-boarded
    - Financial intelligence and processing (FIP) articles
    - Regional financial identities
- Guidelines on reducing regulatory barriers for financial service providers – Open up to fintechs
    - Regulatory and supervisory technology guidelines
    - Process for reducing delays in regulatory changed
- Financial education and consumer protection
    - Digital financial literacy
    - Regional frameworks
- Guidelines promoting competition between financial service providers
    - A proportionate level playing field
    - Agent exclusivity
    - Credit bureaus
- Guidelines for regulatory innovation and harmonised taxation supporting SMEs

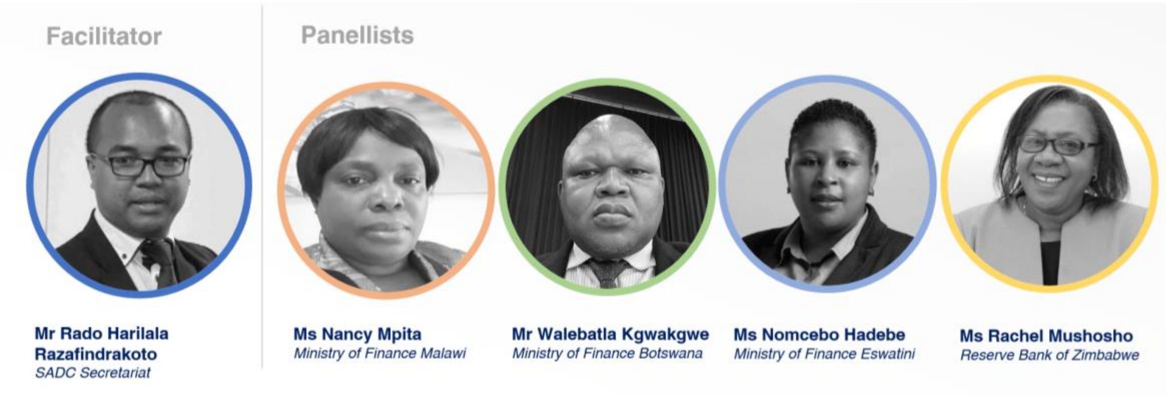
- Innovations for capital raising
- Regtech and Spartech to monitor flows

These key focus areas will be central to the revision of the SADC Strategy on Financial Inclusion and SMEs' Access to Finance, and appropriate monitoring and evaluation frameworks and systems will be incorporated to track implementation and progress in the region.

PANEL DISCUSSIONS

Country-level Case Studies on National Financial Inclusion Strategy Implementation

Facilitated by Mr Rado H. Razafindrakoto, Programme Officer Financial Sector, SADC Secretariat



Each panellist presented key insights regarding the implementation of their national financial inclusion strategies, considering the successes, challenges and drivers of financial inclusion in their respective countries.

Malawi

The key drivers of financial inclusion in Malawi are mobile money and financial education. To date, Malawi has implemented 2 National Financial Inclusion Strategies; NFIS I (2010 -2014) and NFIS II (2016 -2020), and the development of NFIS III (2022 – 2026) is underway. NFIS II prioritised the following key areas; (1) expanding the reach of digital payments, (2) expanding savings and investment opportunities, (3) expanding finance for MSMEs and agriculture, (4) exploiting niche insurance opportunities, (5) consumer empowerment, (6) education, and (7) enhancing national coordination.

The NFIS II (2016 -2020) strategy was successful in achieving:

- Access to at least one formal financial service increased from 34% to 46% in 2018 but below the target of 55% by end of 2020;
- Access by women to at least one formal product increased from 29% to 36%;
- Financial exclusion was reduced from 51 to 22%;
- Financial literacy index increased from 3.6 to 3.9 in 2018; and

- The number of access points increased and the number of 30-day active users of DFS increased. The national switch and payment systems act 2016, the issuance of subsidiary legislation such as e-money regulations, plus interoperability directives, had been instrumental in raising these figures.

The key challenges to advancing financial inclusion in Malawi include: (1) Prevalence of poverty, the majority of the population have little or nothing for savings and present a risk to lenders, (2) informality with unregistered businesses and no proper financial management skills and are unable to attract financing, (3) limited usage of digital financial services, (4) low insurance access, (5) limited financial capacities especially for non-deposit taking MFIs, (6) coordinating meetings for strategy implementation, (7) a lack of pre-implementation stakeholder commitment, and (8) unavailability of data from sub-sectors.

The development of the new NFIS is closely linked to national development goals and aims to create inclusive financial systems that support the creation of wealth and self-reliance. Successful implementation is reliant on improving agricultural productivity as well as boosting SMEs through increased access to affordable quality financial services.

Botswana

The National Financial Inclusion Roadmap and Strategy was developed using key insights from FinScope and Making Access Possible research to gauge the level of financial inclusion. The priority areas are; (1) developing the payment ecosystem, (2) facilitating low-cost accessible savings products, (3) developing accessible risk mitigation products, (4) improving the working of the credit market, and (5) consumer protection. Through the strategy, Botswana was able to achieve the following advances towards financial inclusivity:

- Growth in e-money and remittances;
- Expansion of targeted savings products;
- Improved accessibility of insurance products;
- Expanded payment options; and
- Better disclosure of products/services terms and conditions.

Despite the progress highlighted above, there are still several challenges and barriers to be overcome. These include:

- Lack of flexibility in product design;

- Interoperability with MNO is limited;
- The uptake of low-cost savings products is relatively low due to a preference for informal savings as compared to formal products;
- Bank charges and usage fees are still relatively high, especially regarding mobile banking and money transfers;
- Financial literacy is still a huge underlying factor;
- KYC requirements are restrictive;
- The insurance sector is dominated by burial cover with a low uptake of other kinds of insurance products;
- Banks still prefer to extend credit to those in employment;
- Micro-lending sector is still limited and focuses on the employed;
- Structural factors impact credit provision and include compressed interest margins thus reducing appetite by banks to extend credit to consumers;
- Credit applications are characterised by many documentary requirements; and
- Bank charges are still high.

Eswatini

The Centre for Financial Inclusion is the agency responsible for the implementation of financial inclusion initiatives in Eswatini. Data from FinScope surveys and Making Access Possible (MAP) diagnostics, amongst others, have been crucial in the identification of areas of intervention and the tracking of financial inclusion indices.

The Eswatini NFIS (2017 – 2022) was aligned with the national development goals and accounts for 7 of 11 of the United Nations SDGs. Key areas of priority in Eswatini consist of: (1) mobile money, (2) remittances, (3) bank and formal financial services reach, (4) risk mitigation, and (5) access to credit. More recently, additional focus has been placed on forcibly displaced persons, consumer credit regulation, review of credit guarantees, financial literacy, and frameworks for credit information sharing.

The following challenges still need to be overcome to continue to advance financial and economic inclusivity in Eswatini:

- Lack of government commitment;
- Need for tailor-made products (e.g., agriculture);
- No clear monitoring and evaluation frameworks;

- Pensioners and widows continued to be overlooked;
- Climate challenges are not addressed;
- The informality of SMEs; and
- Mobilisation of both human resources and capital.

Zimbabwe

The key pillars of the Zimbabwe NFIS I (2016 – 2022) were consumer protection, microfinancing, financial literacy, and financial innovations, focussing specifically on SMEs, small-holder farmers, youth, women, and people with disabilities. Ensuring that targeted segments benefit from an inclusive financial sector called for collaborative interventions at the macro, meso, micro and client levels. Key lessons learnt through implementation were; (1) a harmonised approach among all stakeholders is critical to the pursuit of the goals and objectives of a NFIS, (2) Robust monitoring and evaluation frameworks are important, (3) There is a need for sufficiently disaggregated data, and (4) an NFIS communication strategy is key to facilitate the dissemination of information on national financial inclusion activities.

Several challenges were experienced in implementing the NFIS I:

- Absence of national financial inclusion coordination or governance structure at the national level;
- Lack of clearly defined expected outcome;
- Centralisation of the financial inclusion activities;
- Inadequate resources to fully implement financial initiatives;
- High level of informality among small businesses due to perceived high costs of regulation;
- High costs of delivering financial services and products;
- Unstable macroeconomic environment;
- Inadequate capacitation of lending institutions in the area of SME financing;
- General low confidence in the banking system and insurance sector due to historical legacy issues;
- Monitoring and evaluation challenges; and
- Lack of financial inclusion data on informal sources of finance notably SACCOs and ROSCAs.

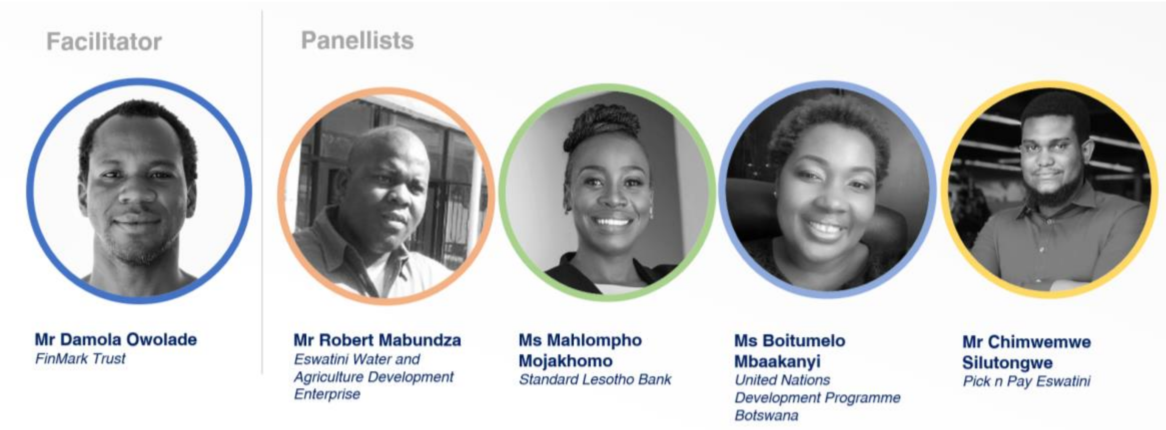
With these challenges in mind, the NFIS II (2022 – 2026) aims to empower all of Zimbabwe towards building resilient and sustainable livelihoods through access and usage of appropriate, affordable, sustainable formal financial services in line with the national development aspirations. While the target groups remain unchanged, the key pillars of the new strategy consist of:

- Financial innovation: Promote the creation of new innovative financial assets & new ways of using existing financial assets to expand access and usage of financial services;
- Consumer protection and financial capability: Promote safety and protection of consumers of financial services through high-quality financial knowledge and skills necessary to make informed financial decisions;
- Microfinancing, MSME and entrepreneurship development: Promote entrepreneurial ventures, economic growth and development at the community level, through microfinancing and capacity building; and
- Devolution: To grow the local domestic product at the community level, which will feed into the national GDP, through the transformation of the provinces and districts into economic hubs.

The successful implementation of the NFIS II (2022 – 2026) requires alignment to specific national development strategies of the country, as well as coordination, collaboration, and ownership by all stakeholders.

Supporting MSMEs Through Inclusive Finance to Generate Economic Growth

Facilitated by Mr Damola Owolade, FinMark Trust Head of SADC Financial Inclusion Programmes



SMEs are key to the developmental trajectory of countries in the SADC region. The agricultural, wholesale, retail, and manufacturing sectors are critical to the livelihoods of people in the region. Access to markets and access to financial services are key to the functioning of MSMEs. The key challenge to overcome is to ensure that SMEs are included in the formal economy are quality standards. Dealing with the issue of quality standards would ensure that the produce from SMEs reach the standards that enable them to put their products onto the shelves of retail stores.

Question to Mr Robert Mabundza - What is the mandate of the Eswatini Water and Agricultural Development Enterprise (ESWADE) to ensure that MSMEs are financially included?

ESWADE seeks to develop small-holder farmers using water as a catalyst. ESWADE is interested in understanding the following key barriers to access to finance and financial inclusion more broadly:

- Land issues (title deeds);
- How to manage farmer enterprises as businesses;
- The size of the farmer enterprises (most farmers operate on land that is less than a hector which does not entice investors); and
- Climate change (farmers are facing insurance challenges due to the impact of climate change on the produce turn-around time).

ESWADE tries to mitigate the challenges above by providing business development training, coaching and mentorship of the farmers. Most farmers rely on support grants which make them reluctant to apply for private support packages. It is important to engage all key stakeholders to bridge the gap between farmers' access to markets and access to financial products.

Question to Ms Boitumelo Mbaakanyi - What are some of the national efforts to increase the impact of the supplier development programme (SDP) in Botswana?

The United Nations Development Programme (UNDP) assists the government in reducing poverty through the SDP. The Programme lobbies buyers, suppliers and local consultants to assist in facilitating access to markets, increasing business knowledge (education and entrepreneurship education), convening townhall workshops to address issues such as a lack of digital innovation and contract management skills, and designing access to finance solutions. The UNDP also offers technical support in partnership with the Botswana Ministry of Finance and the Botswana Chamber of Mines.

Question for Ms Mahlompho Mojakhomo - Risk assessment requires transactional history and a digital footprint. Is the Standard Lesotho Bank (SLB) thinking about low-cost payment packages?

SLB first took interest in MSMEs after the FinScope MSME that was conducted in 2016. These findings aligned with the challenges faced by SLB. MSMEs lack knowledge on how to access formal financial products, they also lack human capital and resourcing. SLB implemented a skills development programme to assist with marketing, human capital and financial education. The following are the main challenges related to access to finance:

- Only 15% of MSMEs are registered. This is a KYC challenge and identifying the clients is the key issue. Identifying MSMEs is important because a majority of the farmers are excluded for tax reasons;
- Issues relating to pricing. The once-off fee structure is challenging from an interest rate perspective. This solution needs to cater to the farmers' ability to repay in a reasonable arrangement; and
- Introducing digitization to rural farmers has been a challenge, the solution has been to include cash-based farmers in the digital space.

Question to Mr Chimwembe Silotongwe - What is the model that PicknPay uses in eSwatini to ensure that small-holder farmers have access to markets?

Collaboration with UNDP and other programmes that support farmers and other value chains is crucial to ensuring access to markets for SMEs. However, the biggest challenge is that farmers have limited land which restricts their ability to produce quantities that are sufficient to supply buyers. Business development is the key to SMEs accessing markets given that most farmers do not understand issues of costing (e.g. transports, returns and other hidden costs). Another barrier is the lack of quality standards that will satisfy the needs of customers as these are the groups that buyers such as PicknPay are concerned about. Compliance with quality standards will lead SMEs to obtain better access to markets and access to finance.

Sustainable finance and its importance to the Sustainable Development Goals

Mr Aiden Choles, Director DBK Advisory

Understanding the linkages between financial inclusion, sustainable finances and SDGs is key to improving the livelihoods of those at the bottom of the financial pyramid in the SADC region. Financial inclusion contributes to equitable and inclusive growth. Sustainable finance is broad and all-encompassing, seeking to make an impact on both social and environmental outcomes. Combining sustainable finance and financial inclusion in an integrated and complementary model allows for greater overall impact. At a macro level, sustainable finance acts by directing targeted investment flows into the overall economy. The link between the financial sector (macro) and genuine economic activity (micro) is financial inclusion.

So how do we ensure sustainable finance has an impact on those at the bottom of the pyramid? Integrating financial inclusion into long-term sustainable finance frameworks is imperative for financial institutions to address the needs of underserved populations, which helps solve a variety of social issues in low-income countries.

Sustainable finance has strong links to environmental principles, whilst financial inclusion links strongly to social principles. Integrating environmental and social outcomes simultaneously allows for enhanced impact in both these areas. While financial inclusion looks at products and services that meet financial outcomes that support the SDGs, sustainable finance looks at the funds and capital projects that get deployed in communities and households to address negative environmental impacts.

How sustainable finance can directly contribute towards these environmental and social outcomes at the household-level is poorly understood. The Environmental Social Governance (ESG) measurement and sustainability reporting framework provides a method to report meaningfully on relevant sustainable finance activities impacting at the household level. The household should be treated as the focal point for understanding how financial inclusion and sustainable finance are linked, and new data frameworks need to fully encompass household metrics for a truer reflection of society's achievements.

COMMISSION SESSIONS

Commission 1: Digitalisation of payments with a focus on domestic and cross-border payments and remittances, and Transactions Cleared on an Immediate Basis

Moderated by Mr Damola Owolade, FinMark Trust, Head of SADC Financial Inclusion Programmes

The objectives of this commission were to unpack digitalisation as part of the SADC Financial Inclusion Strategy and SMEs Access to Finance and to better understand the country-level experiences to identify goals that cut across the SADC region. The commission was an opportunity to share ideas around digitalisation across the region to help develop solutions that are relevant to each country.

Market actors, businesses, and government are the three anchors of digitalisation. In this session, the channels and institutions used to enhance digitalisation across the region were discussed. The use of mobile money to drive government-to-person payments was also considered.

The key drivers of digitalisation in different countries include:

- Social grants and protection payments that encourage digital cards, mobile and electronic money options;
- Government-to-person transfers, such as public servant salaries;
- Household payments such as water and electricity bills for electronic payments;
- A national switch/payment system;
- Mobile network operator payments transfer partnerships;
- Fintech innovations for micro-traders and potentially cross-border trade;
- Cross-border payment platforms;
- Digital identity and e-KYC, which is still under development; and
- The political will, ideally driven by presidential mandate, to implement programmes and strategies.

The key challenges to digitalisation discussed were:

- Commercial banking monopolies and regulations that hinder the development of e-money;
- Lack of connectivity due to limited data infrastructure or energy constraints;
- Limited interoperability between MNOs and commercial banks;
- The cost of card transactions for merchants;
- Consumer behaviours that favour the use of cash for example using accounts as 'postboxes' for cash that is simply withdrawn for use;
- Cross-border exchange, currency and withholding tax controls are a limitation for cross-border traders;
- Overall financial inclusion is still a barrier in some markets, such as the Democratic Republic of Congo. For the DRC links across and between regions are also still limited;
- Lack of financial education or literacy.

SADC Banking Association on TCIB

TCIB is a payment rail for low-value cross-border payments that went live last year. BankservAfrica is the appointed scheme manager for TCIB and TCIB seeks to make it easier for people to conduct cross-border payments, especially the unbanked and underbanked. Participants include banks and non-banks, they need to join as a participant in high-value payments first, before joining the TCIB rail. Participants hold a Concurrent Batch Processing Line pre-funded account at the SADC-RTGS platform.

Bank KYC is very rigid so this excludes seasonal workers and workers with fluctuating incomes who cannot open a bank account. TCIB is a solution to bridge the gap between the unbanked and the banked. The onboarding of participants can take between 8 weeks to 3 months and processes, that can take some time, are necessary for entities to comply and participate within TCIB.

Regional Digital Identity – perspective from the SADC Secretariat

Countries need to work together and agree on a harmonised way of improving regional digital KYC. The SADC Secretariat has dedicated annexes that deal with exchange control policies and the CCBG implemented the RTGS system. SADC Secretariat informed that work in underway on the development of the SADC Digital Transformation Strategy. The financial sector is leading in terms of digitalisation in the SADC region. SIBE is supporting some workstreams on bringing awareness to TCIB.

Commission feedback

Digitisation around cross-border payments and digital payment channels is a key milestone for the SADC region. Cross-cutting challenges include:

- Merchant payments not wanting to pay commission so they prefer cash over digital channels;
- There is a lack of digital financial literacy across the region;
- There is a lack of infrastructure to enable the digitalisation of payments (e.g. transport and energy);
- Many countries in the SADC region still have paper-based payment systems which inhibit the optimisation of digital payment channels; and
- Regional integration is challenging due to the difficulties with the harmonisation of the KYC policies across countries in the SADC region.

Commission recommendations

Seychelles, which has demonstrated greater development than some other markets, has a digital identity system in place and needs to build on this to increase digital payments. Learnings from Seychelles can be leveraged by other countries.

The SADC Secretariat needs to continue with its work on obtaining advocacy on the TCIB scheme.

In terms of KYC implementation, there needs to be a reduction in the need for in-person onboarding and cash-based economies need to be addressed.

Commission 2: Improved livelihoods with a focus on MSME Finance, MSME formalisation, and supply development programming

Moderated by Mrs Palesa Sematlane, FinMark Trust Lesotho Coordinator

The objective of this commission was to gain a better understanding of why the MSME sector is important in terms of its contribution towards improving livelihoods, GDP and job creation.

The commission acknowledged the many interventions aimed at supporting MSMEs despite the many barriers that continue to prevent them from reaching their full potential. The session attempted to unpack the challenges, share lessons learned, and identify opportunities.

Commission feedback

The group identified challenges faced by MSMEs, shared lessons and made recommendations in certain areas:

1) Lack of access to finance which is exacerbated by MSME informality is preventing entrepreneurs from accessing formal services, risky market (non-performing loans), high cost of borrowing and inadequate collateral.

- Countries such as Tanzania have worked closely with banks to ensure that they develop some financial products that are suitable for MSMEs;
- The establishment of ministries dedicated to MSME support has yielded positive results in advocating for diversified finance options;
- Countries might benefit from developing/building a sustainable microfinance sector. They play a role in bridging the gaps that are not addressed by the banking sector;
- Concerns regarding the high cost of accessing finance from microlenders can be addressed by ensuring that the sector is regulated;
- In addition to access to finance, countries such as Malawi have been working on the inclusion of MSMEs through the provision of insurance services and encouraging them to make pension contributions so that they have some benefits when they retire.

2) Access to markets is limited due to a lack of production skills, ability to meet quality standards, quantities, etc.

- Small enterprises cannot compete with larger companies. This might also need to be regulated to protect small enterprises from unfair competition;
- Government regulation on who supplies what, where, and in what quantities may give priority to local producers. If they can't meet the demand then you can source outside the region. These protective laws need to be applied carefully to ensure sustainability;
- Consider subsidies for small businesses so they can invest and grow their businesses and compete.

3) Business development support was highlighted as the biggest challenge in most countries

- Investing in mentorship projects is needed as is the establishment of business development centres; and
- We cannot support MSMEs if we do not understand their challenges. Diagnostic studies are important.

4) The regulatory environment, government policies and laws can be limiting:

- It is recognised that not all member states have the capacity to draft and implement laws aimed at regulating the microfinance sector. CISNA is supporting member states with the design of a model law. They have already started the process of consulting stakeholders. By 2023 there will be a model law on microfinance;
- The model laws that CISNA is developing for regulating MFIs and capital markets will be of benefit to member states;
- Localising production standards is key because adherence to global standards can be expensive. The Central marketing board in Mauritius is playing a huge role in regulating the issue of standards and ensuring local producers are protected;
- Countries such as Lesotho apply a risk-based approach where they first assess risk and depending on the exposure, apply the appropriate level of regulation so that those MSMEs that are less risky are not made to carry an unnecessary burden;
- What works in some countries is that the central bank does not try to manage everything, they delegate responsibilities to the relevant ministries.

5) Sustainability/maintaining and supporting the business continuously over time

- Botswana is embarking on a project that seeks to identify where MSMEs are, what they do, the support they require, etc. This will allow them to provide more sustainable, tailor-made solutions to MSME problems.

6) Lack of skills:

- Financial literacy: hindering access to financial products and services and developing business plans/proposals; and
- Entrepreneurship skills: Technical skills, leadership and business management skills, and creative thinking.

Commission recommendations

1) Access to finance: Design innovative finance mechanisms that start to move away from traditional finance mechanisms. These may include:

- Grant funding offered at 0% interest;
- Projects aimed at funding production inputs and infrastructure costs;
- Opportunities exist in developing and supporting village banks /savings groups/stokvels;
- These structures may be used to offer credit to businesses;
- Use of collateral registries – motivating movable assets as recognised to alleviate issues of risks and higher interest rates charged to MSMEs;
- Matching grants aimed at providing a facility for MSMEs where they can be supported by funding 50% of their tech requirements;
- Countries might benefit from developing a sustainable microfinance sector;
- The provision of insurance services and also encouraging pension contributions.

2) Access to markets: Establishment of dedicated marketing boards to focus on issues of lack of access to market and finance

- Embarking on projects that seek to identify where MSMEs are, what they do, the support they require, etc. This would allow them to provide tailor-made solutions to MSME problems. It is important to profile individual MSMEs to appreciate their peculiar issues;
- Government to regulate who supplies what, where, and in what quantities.

3) Business development support

- Consider initiatives aimed at building business development centres which will serve various MSME needs i.e., create one-stop shop centres where MSMEs may be assisted with developing business plans, accounting services, etc.

4) The regulatory environment

- Central banks cannot be expected to regulate all the players in the finance sector. Regulation for sectors such as MFIs and other emerging players should be delegated to the relevant ministries or other bodies;
- Localise production standards, adherence to global standards can be expensive;
- The role of the central bank and that of ministries must be clearly defined to fast-track the design and implementation of various regulatory frameworks.

5) Sustainability

- It is important to profile individual MSMEs to appreciate their peculiar issues; and
- It was also highlighted that MSMEs cannot be supported correctly if their challenges are not understood. Therefore, diagnostic studies are important.

6) Lack of skills

- Invest in mentorship projects and establish business development centres.

Commission 3: Gender with a focus on financial inclusion for women – challenges and opportunities

Moderated by Mr Blessing Mautsa, FinMark Trust Zimbabwe Coordinator

The objectives of this commission were to highlight the challenges in women's financial inclusion and the opportunities available. The session also aimed at discussing how challenges encountered can be mitigated and how to leverage the opportunities available to deepen financial inclusion amongst women.

The session began with an overview of the current reality of women's financial inclusion. Globally, women have fewer economic opportunities and are more likely to work in informal employment or undervalued jobs. In some instances, COVID-19 worsened the status quo which caused job losses hitting women the hardest and further widening the gender gap.

FinScope data analysis shows high levels of exclusion for women in SADC with a recorded 35% of women excluded, compared with 30% for men. FinScope in the SADC countries revealed that Malawi had the biggest gender gap in bank account usage at 19%, while the gap in access to bank accounts is 8%.

Commercial banks often focus on men and formal businesses, neglecting women, who make up a large and growing segment of the informal economy.

Women have less access to technology. Women often lack collateral or have insufficient business formality or income levels to meet loan and credit requirements.

Social norms constrain women's demand for financial services. Women are often not able to make financial decisions based on their own will.

There is a need for collective efforts and strategic partnerships to expand opportunities for women and inclusive recovery and reconstruction programmes that counter the adverse effects of the COVID-19 pandemic.

Commission feedback

1) Women as a key focus in National Financial Inclusion Strategies

- Three countries namely Malawi, Zimbabwe and Tanzania reported that gender with a focus on financial inclusion for women was a key focus of their national financial inclusion strategies; and
- Tanzania uses a financial inclusion framework focused on women while Malawi is developing a gender-inclusive roadmap.

2) Key constraints

The constraints facing women are similar across the member states with different magnitudes across countries, ranging from:

- Women make up a significant portion of informal businesses, mainly micro and small businesses;
- Social norms are unfavourable for women's economic empowerment;
- Financial illiteracy is lower for women with limited awareness of financial products and services;
- Women have lower access to finance and lack collateral; and
- Women have lower access to technology.

3) Expected outcomes of the implementation of NFIS with a focus on financial inclusion for women

- Economic empowerment leading to women getting involved in more economic activities;
- Improvement of livelihoods;
- Women contributing more to GDP; and
- Women's positive economic transformation.

Commission recommendations

Strategies in gender and financial inclusion should be aligned with national strategies.

1) Strategy focus 1: Education

Educating women leads to empowerment beyond financial inclusion. For greater impact in the development and implementation of financial education:

- Be creative to make it easy for the illiterate to comprehend eg use pictures and voice; and
- Introduce financial education in the secondary school curriculum (case of Malawi).

2) Strategy focus 2: Technology

- Mobile phones have been identified as a need and an asset in deepening financial access;
- Policies should encourage women to access basic phones and technology;
- Reduction in cost of data; and
- Data-free incentives.

3) Strategy focus 3: Financial products

- Introduce microfinance and financial services customised to women.

4) Strategy focus 4: Access to finance and credit

- Establish collateral registries to allow women who do not have assets to borrow using their chattels;
- Relax rules on business formalisation;
- Governance: Having ministries that look into women's affairs and are responsible for SMEs would make it easier to manage women's access to finance (eg case of Zimbabwe and Tanzania);
- Community microlenders to be registered under local government and the central bank. Over-supervision remains with the central bank (case of Tanzania);
- Encourage women to join village loans and savings associations (VSLAs). The linkage of VSLAs to formal financial institutions should not be rushed; and
- Favourable microfinance policies.

5) Strategy focus 5: Social and cultural norms

- Align gender inclusion to the overall country's long-term goals;

- Cultural barriers – education and developing women's involvement, for example, a case where recruitment of women agents made women comfortable accessing mobile money services; and
- Empowering women to take up leadership positions.

Commission 4: Sustainable finance and its importance to the Sustainable Development Goals

Moderated by Mr Aiden Choles, Director DBK Advisory

The objective of the commission was to provide insights into how sustainable finance can better aid the achievements of the SDGs, leveraging financial inclusion and gauge countries' openness to receiving assistance in the development of sustainable finance frameworks, incorporating financial inclusion as a key component. Countries represented at the session included Eswatini, Namibia, Seychelles and Zimbabwe along with FinMark Trust and UNCDF representatives.

Countries were keen to understand what sustainable finance was, linkages with financial inclusion, and if there was a linkage with Inclusive Green Finance.

Seychelles indicated that some work had commenced, and that Seychelles are actually piloting many initiatives relating to sustainable finance, but that these are not yet consolidated at the level of development of a sustainable framework. Eswatini indicated an interest in sustainable finance framework assistance too as this would aid in drawing connections between the Inclusive Green Agenda and sustainable finance.

Given the interest of participants in the concept of sustainable finance itself, the commission spent time providing a basic overview of sustainable finance and its relation to financial inclusion.

Sustainable finance was defined as an initiative that is gaining in momentum, and that links strongly to environmental principles whilst financial inclusion also links to social principles. Sustainable finance's focus is more on macro level financial flows and investment, whereas financial inclusion focusses on household or retail level access and usage of financial services. By integrating financial inclusion within sustainable finance frameworks and initiatives, environmental and social outcomes can be better addressed simultaneously, allowing for enhanced impact in both areas. UNCDF has conducted research previously to identify the process whereby of financial inclusion and financial products and services are used by households and businesses to meet real economic needs which the SDGs also seeks to achieve (for instance, access to energy, education, healthcare and opportunities). In this way, financial inclusion, by facilitating and unlocking access to these basic services, support the social focus and objectives of the SDGs strongly, whilst the sustainable finance focus more on the funds and capital projects that get deployed in communities and households to reduce and address environmental impact.

What is under-explored is how sustainable finance can contribute more directly towards environmental and social outcomes at a household level, as opposed to indirect contribution through the investments that are facilitated by sustainable finance. To catalyse private sector participation, an ESG measurement and sustainability reporting framework to report meaningfully on activities are proposed and integrate financial inclusion better within sustainable finance initiatives and frameworks. The household should be treated as the focal point for understanding how financial inclusion and sustainable finance are linked and new data frameworks need to fully encompass household metrics for a truer reflection of the macro and micro level impact of the financial sectors role in society, in relation to the SDGs.

Commission feedback

There were five broad take aways from the discussion:

1. Given that attendees came from a financial inclusion background, most interest in - and discussion during the commission focused on the concept of sustainable finance.
2. Although some countries noted country level efforts relating to sustainable finance, it was clear that no participating countries had an encompassing sustainable finance framework at policy level. In the same way that financial inclusion historically benefited from having an encompassing policy mechanism (the national financial inclusion strategy or NFIS), countries could therefore benefit from implementing sustainable finance frameworks.
3. It was also clear that existing initiatives related to sustainable finance (for instance green bonds) did not include financial inclusion as a component, confirming UNCDF's research findings that sustainable finance in general does not include financial inclusion as a key component, despite the UNCDF research indicating that sustainable finance could benefit by including a financial inclusion focus.
4. The commission also discussed coordination of sustainable finance efforts at country level, once implemented, and how consideration should be given to leveraging existing structures for financial inclusion coordination, or at least to allow the two sets of

coordination mechanisms to speak to each other, to better leverage synergies between the two areas.

5. UNCDF explained its interest to assist countries who are thinking about implementing sustainable finance initiatives or a sustainable finance framework, by providing existing tools (for instance from SBFN) to develop their sustainable finance frameworks, or to help countries think through embedding financial inclusion in their sustainable finance frameworks and initiatives. At a private sector level, UNCDF is also interested in piloting the incorporation of financial inclusion in ESG frameworks and the sustainability reporting of financial service providers.

For most participating countries, sustainable finance was a new concept, which they were aware of, but not yet clearly understood. Financial inclusion is not a direct goal of the SDGs, but it is clearly acknowledged to play a facilitating role in reaching many of the SDGs, especially the SDGs focusing on social outcomes. To align with the SDGs, financial inclusion therefore needs to improve people's lives, while ensuring the environment is protected. As such, financial inclusion needs to expand its goals to go broader than access and usage of financial services in and of itself, to facilitate access to real economic services that speak to the needs of households and businesses. Linked to this, sustainable finance recognises that the money flowing through the financial sector – beyond the products and services used by households and enterprises, need to contribute to the alleviation of both social and environmental issues. By combining these two approaches, social and environmental issues can be better addressed leveraging both top down and bottom-up tools. It is important that policy makers consider this thoroughly, given the approaching deadline for the SDGs (2030), and the recent environmental and social setbacks experienced across many countries. Unless we change the financial sector and regulators to increasingly focus on sustainability, people in SADC countries will be left behind.

Commission recommendations

Countries and the private sector include an array of initiatives under the label of sustainable finance, for instance green bonds and inclusive green finance to name two. Sustainable finance frameworks are an attempt to bring these various individual initiatives together under one overarching policy framework, in the same way that the NFIS does this for financial inclusion, thereby allowing for enhanced coordination and impact.

Existing work being conducted by countries using for instance green bonds and inclusive green finance programmes can therefore be optimised if they develop a sustainable finance framework.

Countries can further benefit by incorporating financial inclusion into their sustainable finance frameworks, to enhance its impact on social issues, alongside the environmental focus of sustainable finance.

The UNCDF can provide countries with the tools to develop a greater policy focus on sustainable finance, and to incorporate financial inclusion as a key component of sustainable finance frameworks. UNCDF also developed examples of how ESG metrics can be adjusted for greater private sector reporting of financial inclusion as part of sustainable finance. Eswatini and Seychelles indicated an interest in this collaboration.

DAY 2

KEYNOTE ADDRESS: The Role of Inclusive Growth for Financial Inclusion and the Need for Multi-stakeholder Partnerships

Dr Kameshnee Naidoo, Global Programme Advisor Financial Inclusion UNCDF

Social issues like poverty, gender inequality, unemployment and a lack of service delivery are among the social and economic challenges that the SDGs strive to address. We are seeing concerning signals on the ground of a world uncomfortable with itself - increasing vulnerable households giving rise to civil unrest in the form of mass protests and political instability in many of our countries. Over 60% of MAP countries experienced either political or social upheaval last year (2021) raising red flags that point to a lack of trust in the ability of institutions – both public and private - to solve complex social and economic issues. Poverty, unemployment, and gender inequality, as well as a lack of service delivery, crime, and social unrest, are among the socioeconomic challenges that the SDGs strive to address in order to leave no one behind.

Financial inclusion is a critical enabler in enhancing the quality of life of households and individuals, especially low-income households. The goal is to increase economic and social inclusion through improving access to appropriate financial services that fully meet consumers' financial needs and their activity in the real economy and to raise the productive capacity of MSMEs.

MAP's version of financial inclusion puts livelihoods at the centre, recognising that having bank accounts aren't enough by itself. The new MAP refreshers have been deliberate in positioning financial inclusion as a critical enabler of inclusive growth. The aim is to tackle the interdependent relationships between economic exclusion and poverty, environmental degradation, vulnerability, gender inequality and social exclusion. MAP links financial inclusion and the SDGs in tangible ways to align these with the objectives of inclusive growth.

Financial inclusion, with its strong emphasis on households and the real economy, acts at the micro level as an enabler of economic and social inclusion, while sustainable finance acts at the macro level – through directing targeted investment flows into the overall economy. Financial inclusion is the link between the financial sector at the macro-level and genuine, real-economy activity at the micro-level on the ground. Let me put this a bit differently and make it tangible, if financial inclusion is the arteries, and finance the blood that flows through them, then increased financial inclusion means improved delivery of vital life blood to the healthy body that is society and communities.

Financial inclusion is a mechanism that the financial sector uses to engage, interact and transact with low-income households in a bid to include them in the financial system. In financial inclusion's simplest and most limited form, the emphasis is on increasing access, however, MAP has actively identified opportunities for financial services providers and products to meet consumers closer to where they are, rather than requiring them to conform to existing offerings, and join the dots between economic and social exclusion and financial exclusion through its financial inclusion for inclusive growth model.

Financial inclusion is a critical enabler in enhancing the quality of life of households and individuals, especially the low-income, as well as raising the productive capacity of micro, small and medium enterprises (MSMEs). The goal of financial inclusion is – through improving access to appropriate financial services that fully meet consumers' financial needs – to increase economic and social inclusion by supporting people's needs and activities in the real economy. In this way, financial inclusion increases people's ability to obtain and sustain opportunities and helps to improve livelihoods.

Financing with its ability to increase resilience, facilitate savings and enable credit has a key role to play. By encouraging more inclusive finance, with a strong emphasis on sustainable finance options to reach the low-income market via financial inclusion creates the bridge for increased opportunities to a dynamic and flourishing domestic finance environment that can play its part in reducing societal inequality.

Our work on financial inclusion is increasingly beginning to demonstrate its potential to more systematically and cohesively bring together the boundaries of PEOPLE and PLANET, working hand in hand with the public and private sector so that both may take its place in contributing, towards the achievement of the SDG's.

The world we want is not going to happen organically, it needs to be underpinned by sound public policies, adequate and responsive private sector investments and development interventions that can create the enabling conditions that can drive capital to flow where it is needed to guarantee an inclusive future driven by growth for all.

Mutual evaluations to combat money laundering and the financing of terrorism

Mr Bhushan Jomadhar: Financial Expert, Eastern and Southern Africa Anti-money Laundering Group (ESAAMLG) Secretariat

Mutual evaluation involves trained assessors coming from a range of ESAAMLG member countries, for example, the last evaluation in Namibia was carried out by Kenya, South Africa, Uganda, Zambia and Zimbabwe. The review is carried out by experts from legal, law enforcement and financial background.

Evaluations are two-tiered, focusing on technical compliance and effectiveness. Technical compliance is whether the jurisdiction has the necessary laws, regulations and other enforceable means which are in force and effect at the time of evaluation. Effectiveness is whether the laws and regulations are working and whether there is proof that frameworks are resulting in desired outcomes.

Findings from completed evaluations suggest several barriers to effective assessment. These include the lack of statistics for proper assessment. These statistics need to be measured and captured as the lack of relevant indicators affects risk assessments which can get distorted due to data gaps.

There is also a lack of domestic cooperation, for example, law enforcement agencies may investigate criminal aspects of financial investigations separately from anti-corruption agencies prosecuting separately leading to gaps in information that could provide greater success in combating these financial crimes.

Most jurisdictions have strong prudential frameworks for licensing purposes, but risk-based supervision has been implemented to a very limited extent. The obligations of financial and non-financial institutions are not well understood. This could be caused by a lack of guidance from supervisors or a lack of resources.

Financial intelligence units that should receive and disseminate suspicious transactions are often operating largely as admin agencies. Meaning financial investigations are not always carried out properly due to a lack of capacity for financial investigations.

Where assets have been confiscated, the mechanisms to manage such assets are lacking. Terrorism financing is also not well understood. Jurisdictions focus on the act of terrorism rather than the financing of terrorism itself.

These gaps are a concern to ESAAMLG and most countries where evaluations have been completed are now being put under the international co-operation review group programme where they need to report frequently and are under enhanced scrutiny by the Financial Action Task Force.

SADC Financial Inclusion Way Forward

Mr Sadwick Mtonakutha, Director: Finance, Investment and Customs Directorate, SADC Secretariat

Most member states have developed or are developing their second or third National Financial Inclusion Strategies and SADC is finalising the successor to the SADC Financial Inclusion Strategy. As SADC we need to allow the holistic analysis of issues to inform policy.

There are instruments available at a regional and country level which include a simplified trade regime to cater for informal cross-border traders and a framework under the CCBG for payments. These policies and strategies should speak to each other.

We need to focus on the implementation of policies and strategies and to focus on the outcome or impact even in data collection for analysis.

As a way forward for SADC, the deliberations of this forum were fruitful and the information gathered so far will be embedded in the successor programme of the SADC Financial Inclusion Strategy and SMEs Access to Finance.

Closing Remarks

Mr Brendan Pearce, Chief Executive Officer, FinMark Trust

When the SADC Financial Inclusion Forum began in 2015, financial inclusion was not the same priority in the region that it is today. The discussions then were focused on access to bank accounts and basic financial concepts. Some seven years ago we were not talking about farmers and supplier development.

In 2015, fewer countries had financial inclusion strategies and today we can see that there is a marked improvement in the region as financial inclusion is now a regional policy objective and we have regional financial inclusion strategies. The experiences of implementing programmes and learning from these are happening.

The second panel discussion showed how we have transitioned from basic financial inclusion focused on account ownership to how financial inclusion is impacting people's jobs, lives, economic growth, and livelihoods. Financial inclusion started with micro-credit, the next iteration included other people's financial needs, and we are now transitioning to financial inclusion 2.0 focusing on how financial access improves lives.

The next iterations of financial inclusion strategies at the regional and country levels need to reflect the shift towards financial inclusion 2.0. We need to focus on how we impact people's lives and the economy.

This shift in focus means that both local and regional partnerships become important to address the different challenges we face by putting our resources and energy together for greater impact.

Fifth SADC Financial Inclusion Forum Report

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