

2014

ANNUAL REPORT





FinMark Trust Purpose

FinMark Trust, an independent trust based in Johannesburg, South Africa, was established in 2002, and is funded primarily by UKaid from the Department for International Development (DFID) through its Southern Africa office. FinMark Trust's purpose is 'Making financial markets work for the poor, by promoting financial inclusion and regional financial integration' as well as institutional and organisational development, in order to increase access to financial services for the un-served and under-served. FinMark Trust commissions research to identify the systemic constraints that prevent financial markets from reaching out to these consumers and by advocating for change on the basis of the research findings. FinMark Trust is driven by its purpose to start processes of change that ultimately lead to the development of inclusive financial systems that can benefit all consumers.

FinMark Trust achieves its purpose by:

- Playing a catalytic role to make financial markets accessible, sustainable and inclusive by promoting and supporting policy and institutional change across Africa;
- Providing information that encourages financial service providers to understand the potential and characteristics of new market segments;
- Promoting financial capability and consumer financial protection;
- Promoting growth and integration in the financial services sector in Southern Africa, focusing on SADC member states and contributing to the process of regional policy harmonisation, together with translating and setting best practice through evidence-based advocacy.

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Cas Coovadia is the chairman of FinMark Trust and the managing director of the Banking Association of South Africa, which is the mandated representative body of all licensed banks in South Africa, both national and international. He is also chairman of the National Business Initiative, first deputy-president of the African Union for Housing Finance and president of the International Union for Housing Finance. Cas also serves on the Council of the University of Witwatersrand.



Prega Ramsamy is the chief executive officer of FinMark Trust. Before joining FinMark Trust, Prega has held several senior positions including executive secretary of SADC, advisor to the President of Madagascar, and head of the Business for Development (B4D) Pathfinder at the Southern Africa Trust. With a strong background in regional integration and development economics, he has extensive knowledge and experience in business and development, as well as in international relations. He has provided policy and strategic advice to both the private and public sectors in the SADC region.



Ethel Matenge-Sebesho is head of New Markets for Home Loan Guarantee Company. She is involved with establishing new markets for the company in a number of African countries. Ethel has considerable experience in the banking and financial services sector at a strategic and policy level, and in several microfinance initiatives in Southern Africa. She also serves on the boards of FirstRand Limited, Momentum Investment Divisional Board, First National Bank Divisional Board and is vice chairman of Botswana Investment and Trade Centre.



Ishmael Mkhabela is a freelance community development practitioner and organiser who also serves on the boards of both public and private companies. He is the founder, and was chief executive officer of Interfaith Community Development Association, which has pioneered community organisation and conflict resolution in South Africa since 1991.



Esau Nebwe is a chartered accountant by profession and executive chairman of Ness Associates, a family consulting firm. He is a board member of the Bank of Zambia – the Central Bank of Zambia. Mr Nebwe serves on several boards, including Maamba Collieries Limited.

FinMark Trust has had a very good year. We have made significant progress in facilitating financial markets to work for the poor. This has been achieved against the background of an improved African financial inclusion landscape, with several countries undertaking structural and legal reforms supported by the work of regional organisations in harmonising legal and regulatory frameworks across countries.

As a result, there have been significant improvements in banking development as well as the emergence of non-bank finance, particularly in the form of stock markets. Stock exchanges have, despite facing challenges in terms of liquidity and depth, improved both in terms of capitalisation and trading activity. New players and new products, often enabled by new technologies, have also entered the marketplace and helped broaden access to financial services, reaching out to previously unbanked parts of the population. A much richer, more accurate and detailed set of data measuring the status of financial sector development on the continent is now available, allowing for more informed policy interventions. The impact of the work FinMark Trust does is particularly evident in South Africa. Deliberate legal, regulatory and product development efforts, largely informed by the annual FinScope surveys, have resulted in the banked population steadily increasing over the years to reach 75% in 2013, from a low 45% in 2005.

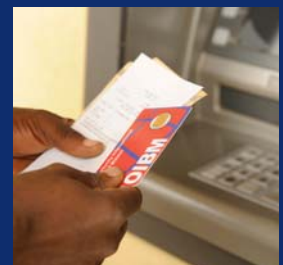
However, despite this clear progress, the full benefits of broader, deeper and cheaper finance have yet to be fully realised. Many firms, particularly SMEs, and households are still excluded from access to financial services and, where finance is available, it is mostly short-term and expensive. Weak governance and regulatory frameworks still limit the development of a dynamic and robust financial sector that is able to effectively mobilise savings, gear and provide firms and households with financial services they need to expand their activities, create jobs and reach new markets. According to the FinScope small business surveys, a large majority of the small, micro and medium enterprises in many SADC countries remain informal with no access to formal credit. Yet, they contribute significantly to employment creation, especially for the youth and women. More efforts will therefore be required to strengthen business development services that assist small firms to improve their skills to identify investment opportunities, assess their own financing needs, and present attractive business cases for the mobilisation of resources.

During the period under review, FinMark Trust has continued engaging with relevant stakeholders across countries in the SADC region to address a number of the above challenges and assist in the design of policies around financial inclusion which, from the point of view of evidenced based research, plays a significant role in sustaining employment, economic growth, and financial stability. Targeting the SADC countries for financial inclusion by FinMark Trust is by design, as it is widely recognised that economic and financial stability is not confined to national borders. Problems in one sector can result in problems in other sectors and spillovers across borders. It is for this very reason that regional financial integration will continue to be core to the work of FinMark Trust going forward. The very good working relationship between FinMark Trust and the SADC Technical Committees on regional financial integration will no doubt be of immense value in that endeavour.

As FinMark Trust gears itself for the next phase of its mission towards improving the landscape for financial inclusion in the SADC region and beyond, it is important to take stock of the body of knowledge that has been acquired through more than a decade of work in the area of making markets work for the poor and adapt it for future work around its 2015 – 2020 strategy.

The FinMark 2015 – 2020 strategy provides an avenue for more collaborative work amongst different players to extend the benefits frontier of financial inclusion and to make financial markets more accessible, sustainable and inclusive for economic growth, job creation and poverty reduction. It is my sincere hope that we will be able to mobilise the required resources from the donor community, our respective governments and the private sector to realise the noble objectives of the 2015 – 2020 strategy.

There have been strong improvements in banking development as well as the emergence of non-bank finance, particularly in the form of stock markets, which despite facing challenges in terms of liquidity and depth, have improved both in terms of capitalisation and trading activity.





On behalf of the members of the board, I would like to thank DFID, our core donor, and all the other development partners for their continued support to the work of FinMark Trust. We would not have been able to achieve so much had it not been for their commitment to support our work financially and for their guidance. It goes without saying that our success would not happen without the hard work of the staff of FinMark Trust, who have demonstrated a high level of dedication and professionalism under the able and charismatic leadership of the CEO, Dr Prega Ramsamy, who has spared no effort to build a well-motivated team. On behalf of the board, I would also like to pay tribute to them. I would also like to thank fellow trustees for their unflinching commitment and support that I have received from all of them.

In conclusion, I believe FinMark Trust will be relevant for the near future. There is still a lot of work to be done in the SADC region, the African continent and other parts of the world in the area of financial inclusion. This is an evolving issue and we will consider some of the implications and consequences of broadening access to financial services. I must also note that FinMark trust was the trailblazer in this area when we started, but there are numerous players active today. I consider this development to be a mark of success for FinMark Trust, and we look forward to collaborating with some of these organisations to offer the experience, expertise and credibility we have built over the years.

Cas Coovadia

Johannesburg

June 2014

The transformative impact of increased financial inclusion has influenced policy-makers and regulators in the financial sector to focus on strategic reforms. An increasing number of countries are introducing comprehensive measures to improve access to and use of tailored financial services so as to improve the lives of the most vulnerable such as women and youth. Within SADC, some six countries have signed the Maya Declaration and many more have initiated financial sector reforms with emphasis on financial inclusion.

It is against this positive background that FinMark Trust has continued to play a catalytic role in ensuring that access to financial markets, as an essential contributor to economic development and growth, continues to be a key priority for the SADC countries. Accordingly, FinMark Trust has developed a multi-pronged approach to address the issues of low levels of inclusion in the region and uses evidence-based research, advocacy and targeted stakeholder engagements to influence decision-making at the policy, regulatory and product development levels.

Influencing 'decision-making' is undoubtedly a long term process that requires considerable effort and patience. With more than a decade of experience of working with stakeholders on extending the benefit frontiers of financial inclusion, FinMark Trust has developed its own resilience to withstand the challenges of bureaucratic exigencies and at the same time understand the complexities of working in emerging and frontier economies. It is largely because of this in-built resilience combined with a better understanding of how different markets work that has allowed FinMark Trust to develop innovative approaches that have underpinned its success in delivering on its mandate and meeting its targets for the period under review.

The period 2013 – 2014 has had its own challenges in terms of maintaining the breadth and depth of the ongoing programme of activities and on developing new initiatives within and outside the SADC region. Existing capacity within FinMark Trust has had to be strategically used so as to meet the increasing demand for our services. The rewards in terms of new insights and new opportunities that are created through increased demand for our services have been overwhelming.

We have been able to more accurately measure the quality of financial services and at the same time track progress on emerging issues such as affordability, consumer protection and risk mitigation. In addition, the Making Access Possible (MAP), a diagnostic and programmatic framework developed jointly by UNCDF, FinMark Trust and Cenfri to support expanding access to financial services for individuals and micro-and small-businesses has challenged the thinking of FinMark Trust to allow for a more inclusive, harmonised and coordinated approach to supporting financial inclusion at country level.

With its focus on a number of theme areas across countries, FinMark Trust has been able to challenge the thinking of the financial sector and enable them to be more inclusive in their approach. This has been achieved through:

- the information produced by the FinScope surveys which, to a large extent, have pointed to the drivers and barriers to financial inclusion;
- a better understanding of how access to financial services is a critical enabler for job creation and equitable growth;
- the evidence-based research and advocacy thereon combined with targeted stakeholder engagements to inform and shape the debate on financial inclusion;
- innovative approaches for payments and cross-border remittances;
- exchange of best practices on the regulatory environment for enhanced private sector participation; and
- more focus on the end results of financial inclusion which helps poor households and small businesses generate income, build assets, smooth consumption, and better manage risks.



An increasing number of countries are introducing comprehensive measures to improve access to and use of tailored financial services so as to improve the lives of the most vulnerable such as women and youth.



The period 2013 –14 brings FinMark Trust closer to the end of its current five year programme which terminates at the end of March 2015. For this reason, much time was devoted to the development of the new FinMark strategy for the period 2015 – 2020. The new strategy focuses on further developing the benefit frontiers of financial inclusion and emphasises the need to move from commitment to action. During the period under review, several strategic sessions were undertaken which involved the trustees, theme coordinators and the core staff of the Trust to chart the way forward. The new strategy will focus on the region and utilise the lessons learnt from more than a decade of work in Southern Africa to frame the regional agenda which will, no doubt, have its own peculiarities, opportunities and challenges. An integrated approach across all themes will be used to assist SADC to meet its commitment in addressing the issue of poverty and inequality in a more comprehensive manner. Working closely with stakeholders from the formal financial services sector together with role players from insurance companies, mobile network operators, technology companies, agricultural suppliers as well as policymakers and regulators will allow the Trust to create an enabling environment for increased financial inclusion.

All this work would not have been possible without the financial support from UKaid from the Department from International Development (DFID) through its Southern Africa office for which we are very grateful. It is my hope that such support together with the assistance we received from our other co-operating partners will continue in the future. My special thanks to the chairperson and members of the board of trustees for their guidance and for enforcing strict standards of compliance, governance and oversight which have contributed to make FinMark Trust a credible value for money entity. Finally, my deepest gratitude goes to all the staff and theme coordinators who, with their unflinching support, commitment and long working hours, made our success possible.

Prega Ramsamy

Johannesburg

June 2014

During the past year great achievements have been made in the area of Regional Financial Integration (RFI). There is much optimism about the future of economic growth and development prospects on the African continent, including in Southern Africa although a number of challenges exist with some of the most important ones being:

- The regulatory environment needs to be harmonised so as to assist companies doing or attempting to do business across borders;
- Constantly fluctuating exchange rates and inconsistent foreign exchange regulation make cross-border investment particularly difficult for banks, insurers and investors;
- Cross-border trade where massive delays are still caused by bureaucratic processes, increasing the cost of moving goods. This is further hampered by the inadequacy of financing mechanisms, high currency conversion costs and weak regional payment systems;
- Limited technology and infrastructure although some progress has been made;
- Skills shortages and low education levels are key determinants in regional financial integration;
- A lack of political will persists among some regulators and policy makers to drive an integration agenda in the region.

SADC Protocol on Finance and Investment (FIP)

FIP remains the key instrument to facilitate regional financial integration and aims at making the SADC region an attractive destination for foreign direct investment and regional investment. In this regard efforts have been geared towards the harmonisation of tax policies, macro-economic convergence in the region, liberalisation of capital and current accounts as well as harmonisation of Central Banks' policies, amongst other issues.

During the period under review, FinMark Trust continued to support Botswana, Lesotho, Malawi, Mozambique, Namibia, Swaziland and Zimbabwe with incorporating FIP into their national strategies. Technical assistance has been provided to these countries to put in place coordinating structures and developing roadmaps for implementing FIP. To date, all these countries have developed road maps with the support and involvement of the Ministries of Finance as well as the Central Banks and other stakeholders. These have chartered a clear way forward as to the priorities of implementation according to the FIP.

During the past financial year, FinMark Trust has facilitated the FIP learning and sharing Platforms in collaboration with the Deutsche Gesellschaft für Internationale Zusammenarbeit, GmbH economic integration project in Gaborone (GIZ) and the SADC Secretariat's department of Trade Finance Industry and Investment (TIFI). The fifth Platform took place in Johannesburg and drew more than 50 stakeholders from the region. These were the coordinating structures from different countries and various FIP subcommittees as well as private sector participants. Major achievements as well as challenges were discussed and insights from various projects were gained.

SADC Credit Information Sharing Project

The past financial year also saw the launch of the SADC Credit Information Sharing Project. The steering committee comprising the South African Credit Providers Association (CPA), the SADC Committee of Central Bank Governors (CCBG) and FinMark Trust as well as GIZ met quarterly to guide and provide insight into the project. Following the scoping visits to different SADC countries, technical assistance was provided by CPA type organisations to Zimbabwe, Lesotho, Swaziland, Mozambique and Namibia. The approach is intended to focus on the information sharing arrangements between credit providers in countries and to develop regional principles for regulation of this process. The country-level work has drawn on the CPA members who are doing business in the region, to form the basis for sharing arrangements in other SADC countries. FinMark Trust has also developed a set of principles to harmonise the credit information sharing in the region and these principles have been presented to the CCBG and their structures and the formal adoption of these principles are in process.

Head:
Geoff Orpen



There is much optimism about the future of economic growth and development prospects on the African continent, including in Southern Africa although a number of challenges exist.



Payment systems and cross-border remittances

FinMark Trust assisted the SADC Payment System's subcommittee to launch the SADC Integrated Regional Electronic Settlement System (SIRESS). Following the successful implementation of this project in the CMA countries, other SADC countries such as Mauritius, Malawi and Zimbabwe have joined the system.

Payment systems training

Training was conducted for the Central Bank of Zambia in collaboration with Cenfri. The objective of the training has been to develop retail payment systems management capacity for innovation and further development of their systems. Similar training programmes were conducted successfully for the Central Banks of Malawi and Zimbabwe last year.

Cross-border remittances

The cross-border remittances pilot between South Africa and Lesotho was launched successfully in April 2014. This was made possible through FinMark's innovations with the private sector as well as the regulators in both countries. The Trust looks forward to the next phase which intends to open the cross-border corridor between South Africa and Swaziland.

Support to the Committee of Insurances, Securities and Non-bank Authorities (CISNA)

Microinsurance Forum

In collaboration with Cenfri, we conducted a study on a review of the SADC Insurance Harmonisation. This study demonstrated that the vast majority of SADC populations are excluded from insurance and therefore microinsurance can form a foundation for building retail insurance markets in the region. There is a need for the insurance markets to have access to reliable data. The study recommended developing data collection capacity-building for supervisory authorities and another project was developed to better understand what appropriate data would be needed to support the development of microinsurance in the region. The project has commenced and four countries have been selected in which the research for this study will be conducted. These are Tanzania, Swaziland, South Africa and Mozambique. It is envisaged that the results will be used for other SADC countries with similar conditions.

Microfinance project

This project aims to address the challenges of the microfinance sector through a common approach across a broad representation of the SADC countries. Consequently a detailed project scoping process identified the regulatory and policy environment of microfinance in the SADC region as an area requiring focus. Related to the policy and regulatory environment is the relatively low level of investment and funding that microfinance institutions in the region are able to attract from international microfinance investment funds. The objective of this project is twofold:

- To promote the continued development of conducive policy, regulation and government support for the microfinance sector in SADC through agreeing on and promoting relevant policy principles; and
- To develop an understanding of investor requirements and consequently building transparent information and capacity at a mezo level within SADC through collective learning.

Further to this, a study to review the policy and regulations in SADC has already commenced and three countries (Namibia, Tanzania and Zambia) have been selected for this activity.

Retail payment systems are used by consumers to transact and enable the use of other financial services. Cash is still the most widely used payments mechanism in SADC to pay for goods and services, as well as for the payment of salaries and wages. Although it is convenient and flexible, it is also prone to theft and creates substantial costs for governments and financial institutions. Cash is more difficult to intermediate which limits the extent to which capital can be accumulated and allocated for productive uses to develop economies. Identifying appropriate means to reduce the cost of consumers to transact is therefore critical in enabling access and encouraging use of payment systems by the poor.

Payments are one of the most complex areas to properly regulate and supervise, with many SADC regulators under-capacitated and without the necessary skills to establish and monitor regulatory frameworks that manage risks, while still encouraging access by reducing costs. In this regard, during the past financial year two training sessions were provided to regulators in the region, which were hosted in Malawi and Zimbabwe.

Remittances is one of the key products used by the poor to support dependents. Cross-border transfers from South Africa to other SADC countries have been identified as some of the most expensive channels globally. However, cross-border transfer corridors have been developed with Lesotho to support remittances.

Agencies are emerging as the key levers through which to offer access to payment mechanisms and to reduce the cost of distribution of access points to cash-in and cash-out transactions. Retailers are one of the most successful agents for financial institutions to partner with to enable retail payments. To this end, the Trust commissioned a study to understand why retailers are involved in financial services and another study to understand why consumers use financial services from retailers (discussed below).

Understanding retailer agency: the business case for retailers to provide financial services

A number of financial products and services are offered by or through retailers in South Africa (where retailers act as agents for the financial services providers), including transactional, savings, insurance and credit products. FinMark Trust commissioned a study to explore the motivation for retailers to provide these financial services. The ultimate aim was to understand these motivations in order to explore how this alternative distribution channel is shaping financial inclusion developments in South Africa and provide an information resource for market and regulatory players to engage on this topic.

The project identified four types of retailers: Fast Moving Consumer Goods (FMCG) retailers, cash-based clothing retailers, credit-based clothing retailers, and furniture and appliance retailers. It mapped the landscape of financial services and products offered by these retailers in South Africa, focusing on those who serve lower-income segments of the market. In addition, it explored five case studies of retailers in detail, namely Shoprite Checkers, Pick n Pay, the JD Group, PEP Stores and Edcon. These case studies were used to understand the evolution of the financial services offering and primary factors underlying the business case for retailers to provide financial services.

Financial services providers have indicated that the learnings from this study are critical to their understanding of how they should partner with retailers and how products offered through these channels should be designed. The study has been presented to individual financial services providers as part of their strategy discussions.

Understanding retailer agency: why users prefer to use financial services from retailers over financial services providers?

Following the supply-side research in the business case for retailers offering financial services above, a key question still remained: what motivates the decision by the consumer market to access financial services through this channel?

Theme coordinator:
Doubell Chamberlain



Cash is still the most widely used payments mechanism in SADC to pay for goods and services, as well as for the payment of salaries and wages.



To this end, we commissioned a study to understand the user case for financial services offered by retailers in South Africa. The study seeks to understand the nature of this demand through an exploration of why and how people use retailers to access financial services. By identifying the key factors that influence the decision to take up financial services at retailers, the study aims to position the current and potential role of retailers in servicing the financial needs of lower-income people. These concepts are explored through extensive qualitative and quantitative research across a range of retailer and product types and will be available in mid-2014.

Stakeholders have indicated that the initial insights from this study are changing how they view the consumer, and will play a substantial role in how they think about future product design and channel adoption.

Microinsurance can play a significant role to mitigate risks faced by low income consumers. FinMark Trust has played a leading role in developing and supporting microinsurance markets in the region. The Trust's experience in South Africa and SADC allowed it to make key contributions to the Application Paper of the global insurance standard setting body, the International Association of Insurance Supervisors (IAIS), in 2011. This, together with the market facilitation role FinMark played in the region, has catalysed the development of microinsurance regulation in seven SADC countries.

FinMark Trust was also asked to synthesise learnings from the global microinsurance diagnostics done by the Access to Insurance Initiative (A2ii), the implementation arm of the IAIS, to identify the regulatory and business models that emerge from microinsurance globally for the benefit of policy makers and private sector players. Related synthesis notes have been widely disseminated and are forming the foundation for the market conduct, distribution and consumer protection Issues Paper currently being developed by the IAIS.

In the SADC region, the Trust is supporting microinsurance through the establishment of the SADC MI Forum through the Committee of Insurance, Securities and Non-Banking Financial Authorities (CISNA) and country specific support for Tanzania, Swaziland and Zambia. Country support included drafting microinsurance regulatory frameworks and the development of roadmaps. In Zambia this regulation was released by the regulator in February 2014 while the Swaziland regulation is currently being finalised. In Tanzania a microinsurance coordinator has been appointed and a roadmap drafted to catalyse market development. Also, with the increased uptake of mobile insurance or **m-insurance** in the region, we commissioned studies in Zimbabwe and Tanzania to understand the current landscape of **m-insurance** and to enable regulators to develop appropriate policies to support innovation and protect consumers.

We also commissioned thematic research in South Africa around **credit life insurance** and **hospital cash plans** to better understand the drivers in these areas of insurance, to improve value to clients and shape legislation to support access. To further inform policy makers, we commissioned an update on microinsurance in South Africa to better understand the impact of the delayed writing of the 2011 policy document into regulation.

In the past financial year, we also engaged with various private sector stakeholders in the region to inform their strategies around microinsurance product development and distribution. Discussions were held with Old Mutual, Hollard, PEP, Ackermans, Mutual & Federal and Nedbank. Microinsurance training and peer learning visits sponsored by the Trust in previous years have contributed to strategies in the current year that have increased the number of lives covered by microinsurance products.

Update on microinsurance in South Africa

In South Africa, the proposal for a microinsurance regulatory framework has been on the table since 2008 when National Treasury released a Discussion Paper on the Future of Microinsurance Regulation. This was followed by the release of a Microinsurance Policy Document in 2011, which envisaged the regulatory framework to be incorporated into a forthcoming Microinsurance Act and subordinate legislation. With implementation yet to take place more than five years since the discussion paper was first published, the question arises: are the proposed elements of the regulatory framework still relevant given changes in the market and regulatory environment?

FinMark Trust embarked on research to answer this question and found that the trends witnessed in terms of insurance usage, supply-side movements and broader regulatory developments together entrench, rather than undermine, the continued relevance of the microinsurance framework even though delays in implementation may have hampered development. Broader regulatory trends which impact on compliance cost and complexity mean that a proportionate microinsurance regime is urgently needed. The research was used as a basis for engagement with National Treasury and the Financial Services Board (FSB), who then used the project's stakeholder workshop to communicate their plans for the implementation of microinsurance regulation to industry.

Theme coordinator:
Doubell Chamberlain



The Trust's experience in South Africa and SADC allowed it to make key contributions to the Application Paper of the global insurance standard setting body, the International Association of Insurance Supervisors (IAIS), in 2011.





Consumer credit insurance mystery shopping

Credit life insurance is one of the most widely available insurance products to low-income consumers world-wide and is often a low-income consumer's first encounter with insurance. In South Africa, it continues to be a contentious consumer protection topic. In 2011, the National Treasury and the FSB, with inputs from the National Credit Regulator (NCR), the Competition Commission and the Actuarial Association of South Africa, formed a task team to review the state of consumer credit in South Africa and to develop policy proposals for ensuring fair consumer outcomes. We found that although regulation requires that consumers be offered a choice of credit insurance providers, choice is overwhelmingly limited in practice; the provided consumer credit insurance offers low consumer value compared to options available in the open market; and there is limited transparency and disclosure related to pricing and other important policy details. FinMark Trust will continue to provide technical inputs to the policymakers towards the development of a regulatory framework for consumer credit insurance.

The demand for hospital cash plan insurance in South Africa

There is an ongoing debate regarding the role of health insurance products such as Hospital Cash Plans (HCPs) vis-a-vis medical schemes in South Africa. Medical schemes serve less than 20% of adults in South Africa and reach largely the upper end of the market, while, Hospital Cash Plans (HCPs) have emerged as a risk cover that helps many low income South Africans without access to medical aid to mitigate some of the income loss that results from hospitalisation. Instead of covering the cost of medical care like medical scheme insurance products, HCPs pay out a pre-defined cash amount directly to the hospitalised policy holder. Building on an earlier supply-side study, the Trust commissioned demand-side work that indicated that HCPs do not serve as a substitute for medical aid. Majority of respondents regard HCPs as a means of ensuring some income to cover priority monthly expenses such as groceries, school fees, water and electricity, in the event of hospitalisation. At the end of April 2014, National Treasury published a set of revised draft demarcation regulations that is much more facilitative than the initial proposed version. It is clear that FinMark's work has had a direct bearing on the revisions regarding HCPs.

SADC Microinsurance Forum

FinMark Trust has been a key driver of discussions and actions aimed at enhancing microinsurance policies and regulations throughout SADC. These efforts were a primary catalyst for the establishment of the SADC Microinsurance Forum which was created by FinMark Trust under the auspices of CISNA. The ultimate objective of the Forum is to harmonise regulations across SADC to enhance access to insurance for low-income individuals. The Forum is operational and has agreed on a preliminary outline for the harmonisation framework that draws heavily on principles found in the IAIS Application Paper. The Forum has initiated a review of the current methods and capacity for enhanced **data collection, management, and use** with the aim of providing better quality data in advancing the growth of SADC microinsurance markets. Ultimately, findings will be presented in a report and a regional framework for enhancing capacity will be developed. Capacity building workshops for supervisors in four selected pilot countries (Mozambique, South Africa, Swaziland, and Tanzania) will follow.

M-insurance in Zimbabwe and Tanzania

Mobile technology offers an opportunity to cover large numbers of low income people but it can pose greater risk when such schemes fail. For example, EcoLife in Zimbabwe managed to cover 20% of the adult population in seven months. When the partnership failed, 1.2 million people lost their coverage. Therefore, appropriate policies are needed to encourage innovation while protecting consumers. FinMark Trust commissioned a study to assess the Zimbabwean example and provide learnings and guidance for regulators and policy makers to effectively address the risks inherent in m-insurance while still supporting access through this convenient cost-effective channel. A further case study of Tanzania has been drafted to shape the country learnings from Zimbabwe into policies that can be more broadly applied to the region.

Consumer financial empowerment is an important element of the financial inclusion agenda. As countries increase access to financial services, the focus has shifted to increasing usage of financial products to benefit the poor. Consumers who are knowledgeable, empowered and protected will make better decisions about their finances and use of financial products and services. In addition, it is important to better understand mechanisms that poor people favour to improve their financial wellbeing. Financial capability of consumers therefore becomes an important consideration for improved financial inclusion and access to appropriate products and services can result in deepened financial inclusion.

In order to better understand various elements driving improved financial capability and to improve levels of financial inclusion, FinMark Trust undertook a number of studies. The purpose of these studies is to better understand consumer behaviour and to identify actions that can be taken by policy makers, the private sector and civil society to improve financial capability of its consumers.

Savings are increasingly recognised as a major component of the poor's livelihood strategies, allowing them to respond to emergencies, smooth consumption and build necessary lump sums. It is a key driver to improving livelihoods and can positively impact the economic wellbeing of households. Savings are now a key priority for a number of financial inclusion platforms and programmes, from the Alliance for Financial Inclusion (AFI) to the G20 Principles for Innovative Financial Inclusion.

Understanding the savings landscape provides key insights into how poor people save, what the barriers to savings are, and opportunities for innovation in the savings product arena and policy decisions that affect savings rates in a country. To this end, a savings study was undertaken in Lesotho, Malawi and South Africa in the past financial year. The purpose of the study is to comprehensively document the savings landscape in all three countries to better understand the challenges and opportunities in promoting savings among low income individuals. The study examines global literature on low income savings and a synthesis of the main cross-cutting findings from the three countries. It also contains in-depth analysis of the low income savings landscape in each country and provides recommendations for policy makers and the private sector to support improved savings rates.

In Lesotho the savings study has been aligned to the Making Access Possible (MAP) process and will be used to develop the roadmap as defined within this process.

Further to this, FinMark Trust conducted research to better understand the role and use of co-operative financial institutions (CFIs) as viable alternatives to the commercial banking sector for accessing financial services for lower income individuals in South Africa, Malawi and Swaziland, as well as best practices in the sector. The project scope covered: (a) legislation and regulatory environment; (b) supply-side environment; (c) demand-side research; (d) best practices and technology innovation; and (e) a recommended strategy for FinMark Trust to engage in CFI related matters. The study provides key insights into how the CFI sector can be improved.

Although the impact from stakeholder meetings is often not directly tangible, this remains one of the Trust's highest impact areas of involvement. Our work is based on using the opportunity to shape strategic decisions, support product development and impact on policy thinking and movements to promote financial inclusion. Following FinMark's engagement with stakeholders in a number of countries on the value and importance of financial education (FE) to improve financial capability of consumers and the studies on financial education conducted in the past year, the organisation is well placed to provide strategic and technical assistance to countries that have a desire to implement FE programmes.

In 2013 the Trust was approached by Support to Financial Inclusion in Lesotho (SUFIL) (a joint project between the Government of Lesotho represented by the Ministry of Finance, the Central Bank of Lesotho, the United Nations Development Programme (UNDP) and the United Nations Capital Development Fund (UNCDF)) – to assist stakeholders in Lesotho in the development of an implementation plan for financial education.

Theme coordinator:
Dhashni Naidoo



Savings are increasingly recognised as a major component of the poor's livelihood strategies, allowing them to respond to emergencies, smooth consumption and build necessary lump sums.





A Financial Education Implementation Plan was developed by FinMark Trust in early 2014 following extensive engagement with key stakeholders in Lesotho and analysis of current activities in the country. A key success of this project was the convening of a workshop with stakeholders from government departments including the Ministry of Finance, Ministry of Education, Central Bank of Lesotho, private sector financial services providers, including banks, mobile operators, microfinance institutions, and participants from civil society. The purpose of the multi-stakeholder workshop was to discuss the implementation plan and more importantly to gain support from key stakeholders. This resulted in the establishment of a steering committee consisting of multi-sectoral representation to drive the implementation of Financial Education. Further engagement will be held within the country to ensure that key activities identified in the plan are implemented. We will continue to provide technical and strategic support to ensure the successful and effective implementation of this plan.

Measuring financial capability is important to understand the impact that FE programmes have on consumers. A survey of financial capability can provide useful diagnostic data, enabling policymakers to identify key areas requiring intervention both on the demand- and supply-side. Policy makers can use data from financial capability surveys to identify groups with the greatest needs and subsequently build their education initiatives with specific target groups in mind. Data generated by a survey can also help them to develop more appropriate propositions across various dimensions such as product structure, communication and marketing messages, as well as servicing models, for example, a survey might gather data necessary to inform the focus of financial education interventions and provide valuable information for private sector providers who offer financial products and services. In addition, by repeating surveys periodically, authorities can assess the impact of these programmes on financial capability levels over time.

Financial education (FE) contributes to improved financial capability of consumers. To this end, research was conducted in 2013 to understand how financial capability can be measured. The study aimed to evaluate the current FE curriculum used by SaveAct – a savings-led savings and credit model operating in rural and peri-urban communities in KwaZulu-Natal and the Eastern Cape in South Africa. The purpose of the study was to identify areas for improvement and adapting the programme to be more effective and to develop financial capability indicators to be included in FinScope surveys going forward.

As population and life expectancy increase, the demand for food has created a renewed interest in agricultural financing with more emphasis on food safety, traceability, quality standards with longer shelf life and agricultural value chains. This evolution has prompted FinMark Trust to design a long term programme on rural and agricultural finance with the objective of accelerating financial inclusion among smallholder farmers and in low-income rural communities with the following phases:

Phase one (2011 – 2012): During this period, evaluative studies of the status of agricultural and rural finance in six countries were completed for Botswana, Malawi, Mozambique, South Africa, Zambia and Zimbabwe. An assessment of the impact of SaveAct's informal savings and credit groups on economic development in low-income rural communities in South Africa, in particular on smallholder farming was also undertaken. The key findings of the former study include the following:

- public policy on agrifinance is generally poorly coordinated and often inimical to private sector participation;
- banks mostly have a poor understanding of small-scale farming, are reluctant to provide credit and are unaware of successful approaches that are being used elsewhere to lend sustainably;
- the demand for credit is constrained by a range of factors, many non-financial.

Recommendations for public policy and private sector practice were made to address each of the challenges identified. The assessment of the impact of SaveAct's informal savings and credit groups on rural economic development in South Africa provided insight into the role played by informal financial institutions in serving rural and agricultural communities. The study revealed the positive role played by the groups and by state social security payments in meeting households' consumption needs and promoting investment.

Phase two (2012 – 2013): Twelve sets of case studies were conducted of innovations and best practices in Africa, Asia and Latin America that address common agricultural and rural finance challenges in Southern Africa. In each instance consideration was given to what would be needed to apply a similar approach with success in the region.

Phase three (2013 – 2014): During this period, the completed six country studies culminated in workshops which were held in the respective six countries in order to disseminate the findings of Phases 1 and 2 and to consult key internal stakeholders on how best to take advantage of the findings. This period also saw the establishment of the Agricultural Development Finance Forum of South Africa (ADeFFSA) to promote the acceleration of agricultural and rural financial inclusion in South Africa.

The consultations during the above workshops pointed towards the need for an increasing focus on the supportive enabling environment for the participation of the small farmers in food security as well as their role in the agricultural value chain. Our country-specific research indicates that for a long time the economic potential of agriculture remained unutilised because of:-

- the uncertainty around land ownership and land tenure;
- the lack of pre- and post-harvest financing;
- the reluctance of financial institutions to finance rural farmers, citing high transaction costs and risks related to agriculture such as crop failure, diseases and market fluctuations as a justification; and
- the lack of trust between the small and the commercial farmers that otherwise would have allowed an agricultural value chain with the small farmers participating actively at the beginning of the chain and benefitting from a solid institutional infrastructure that includes several players who can effectively support the small farmers.

To address the above constraints, FinMark Trust has engaged with several regional players who are also heavily involved in agricultural development to have a co-ordinated and harmonised approach to the sector.

Theme coordinator:
Geoff Orpen



**Going forward
FinMark Trust will
focus on three key
activities:
advocacy and
facilitation;
capacity building;
and research.**



The way forward – 2014 and beyond

In order to achieve the programme's objectives, going forward FinMark Trust will focus on three key activities: advocacy and facilitation; capacity building; and research.

Advocacy and facilitation

Planning is underway for the completion of the dissemination and consultation processes which began in Phase 3 by convening a regional workshop, including all SADC countries, in collaboration with the Directorate: Food, Agriculture and Natural Resources (FANR), SADC Secretariat. The Trust will also articulate its programme with the implementation of SADC's Regional Agricultural Policy (RAP), as part of the African Union's Comprehensive African Agriculture Development Programme (CAADP). On-going work will continue with in-country stakeholders to build structures and processes to increase agricultural/rural financial inclusion, possibly through broadening ADeFFSA into a regional network. Further to this, FinMark Trust will facilitate the implementation of initiatives to extend the inclusion of smallholders in agricultural value chain finance (arising out of value chain research). The Trust will also facilitate the implementation of initiatives by informal financial institutions/ NGOs to increase the access of smallholders entering commercial markets to finance.

Capacity building

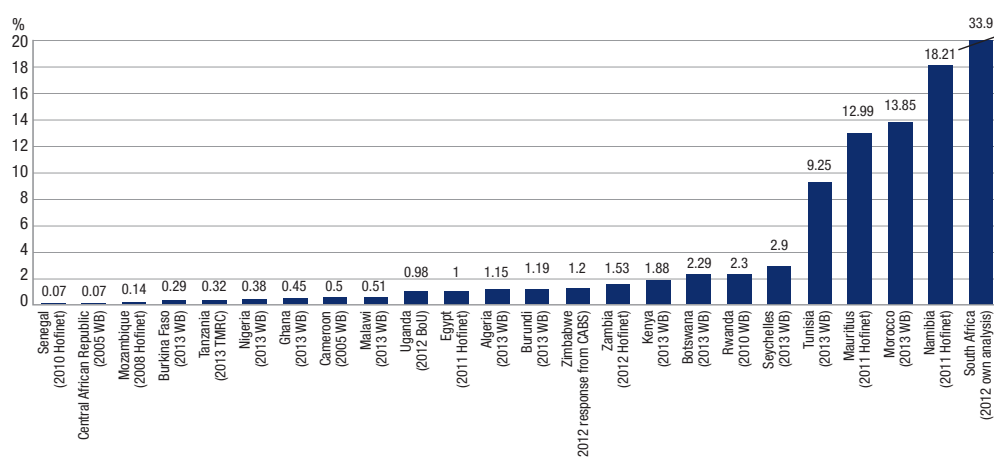
In collaboration with Continuing Education at the University of Pretoria and the University's Department of Agricultural Economics, Extension and Rural Development, FinMark Trust will be sponsoring the establishment of the Certificate Programme in Agricultural and Rural Finance at the University of Pretoria in September 2014. The objective of the intensive two-week course is to provide a deeper understanding to senior and middle management in the private and public sectors in the region of what is needed to reach out to smallholder families and to serve them sustainably with an appropriate range of financial products and services. It is geared specifically to provide strategic guidance for the development of agricultural finance units serving smallholders. Participants in 2014 will be drawn from the six Southern African countries in which 'status quo' studies were undertaken. From 2015, it is envisaged that the course will be operated on a self-sustaining basis, possibly jointly with the World Bank.

Research

FinMark Trust intends conducting studies of existing value chains and value chain finance involving smallholder farmers in two (or possibly three) Southern African countries and an evaluation of the potential for the development of new and/or more inclusive agricultural value chains (in the same countries). A need has also been identified for the study of the impact of informal financial institutions/NGOs on rural economic development, especially farming, in Southern Africa (building on the research on SaveAct) and an evaluation of the potential and strategy for broadening/ deepening impact, especially for smallholders entering commercial markets. If external funding is forthcoming, it is also possible that status quo assessments of SADC countries for which studies have not so far been conducted will be undertaken.

Africa's mortgage markets are small by international comparisons, but they are growing steadily, and increasingly receiving investor and policy attention. For the second year in a row, Kenya's Central Bank now explicitly reports on the performance of the country's mortgage market in its annual report, and conducts a mortgage lender's survey annually to support its analysis. In that country, the mortgage market has grown by 35.2% in the past year, comprising a total of 19 700 mortgages by the end of 2012. The Bank of Tanzania has this year produced a similar report, which shows that by the end of December 2013, nineteen lenders were offering mortgage products in that country. Still, Tanzania's mortgage sector comprises only 2 784 mortgage loans in total. South Africa and Namibia remain the market leaders for sub-Saharan Africa.

Mortgages as a percent of GDP



Source: World Bank data from Simon Walley; email correspondence from country-level practitioners; Holinet; own analysis

This activity is not even touching the tip of the iceberg however. Even in developed mortgage markets in Africa, it is not uncommon for moderate and high-income households to buy their housing with cash, or to build their homes incrementally, on a cashflow basis. The World Bank estimates that if mortgages were accessed by just 3% of Africa's population, this could contribute as much as US\$300 billion to the growth of African economies. It is for this reason that a number of governments are giving explicit attention to the growth of their mortgage markets.

And yet, even if the goals of annually doubling mortgage markets were realised, and if every single person across Africa who could afford a mortgage would actually access one, only a fraction of the population's housing needs would be served. The vast majority of households, even in urban areas across Africa, cannot afford to buy even the cheapest, newly built house by a private developer.

In August of 2013, FinMark Trust surveyed housing practitioners from a range of countries on the costs of the cheapest newly built house by a private developer, and its size. This is the third time such data has been collected. In the SADC region, prices reported range from about US\$12 000 in Zimbabwe, to US\$24 480 in South Africa, US\$28 000 in Namibia, and \$60 000 in Malawi. At \$68 363, an entry-level house available in Zambia was among the most expensive found in 2013.

This must be a clarion call to the housing sector – by focusing on the delivery and financing of mortgageable housing, they are missing the bulk of the market. The opportunity lies further down the income pyramid, where the bulk of the population lives. In this market, different approaches to housing construction and housing financing need to be developed and promoted, so that the market really works for the poor and the capacities they have.

In this regard, FinMark Trust's housing finance work is directed at the realisation of an enabled, affordable housing finance system in countries across the SADC region, where governments,

Theme coordinator:
Kecia Rust



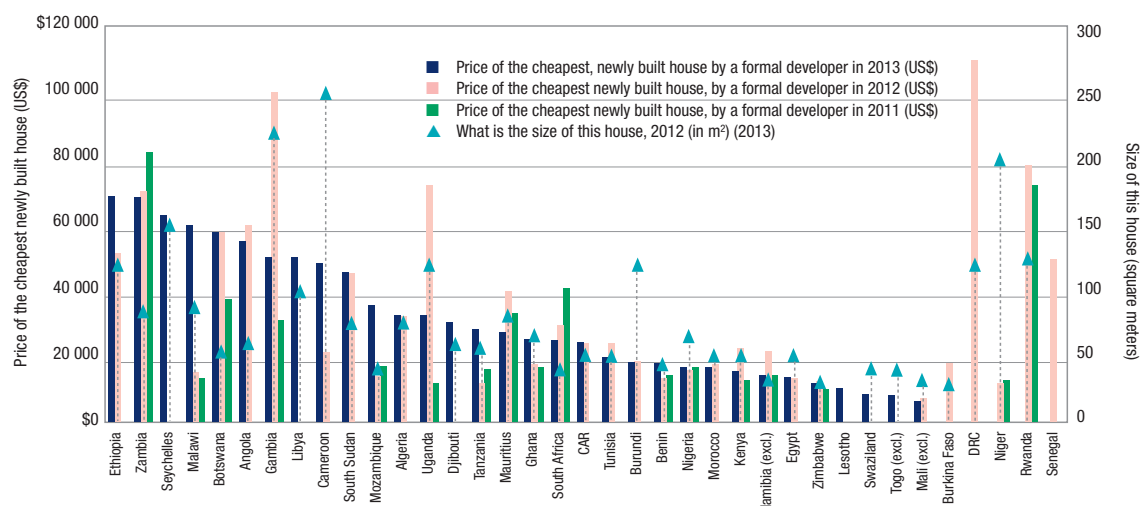
The vast majority of households, even in urban areas across Africa, cannot afford to buy even the cheapest, newly built house by a private developer.



business and practitioners work together to provide a wide range of housing options accessible to all. As evidence of this, our goal is to see an increase of investment in affordable housing and housing finance throughout the SADC region. Over the past year, we have promoted opportunities in the housing microfinance sector, through our work and coordination of the African Housing Microfinance Initiative (AHMFI). The 6th African Microfinance Conference, held in August included a very well-attended session on how microlenders might get into the housing microfinance business. This has led to a partnership with Microfinance South Africa (MFSa) to promote developmental lending among its members.

An important milestone has been the launch of Citymark, a web-based dynamic dashboard to deliver local housing market intelligence in South Africa. The dashboard merges and geocodes deeds registry and census data, and hosts key indicators in a cutting edge business intelligence platform that explores housing market performance and identifies affordable housing investment opportunities at the local level across the major municipalities in South Africa. The dashboard was implemented in August 2013, and in September was named as one of the top 40 tech start-ups in Africa by VC4Africa, an organisation that promotes capital funding for African tech innovation. As part of that program, Citymark was presented at the DemoAfrica conference in Nairobi to a large audience of media and investors, resulting in widespread media coverage. Additionally, Citymark has been presented to the South African Department of Human Settlements, the National Treasury, the Housing Development Agency, the cities of Johannesburg and Cape Town, the Western Cape province, NURCHA, CSIR, the Gauteng Partnership Fund, and many private companies including developers, lenders and investors.

Citymark has engaged three key partners from different sectors highlighting the range of uses offered by the dashboard. Basil Read Developments has incorporated the results of our work into its five-year business planning process. We were also invited as a keynote speaker to the groundbreaking launch of Savanna City, currently the largest housing development in the country, and have renewed our partnership in 2014. Our partnership with the South African Cities Network has produced affordable housing market reports for nine of the top metros in South Africa. Several private consulting firms have engaged the dashboard for use in their own analyses with their respective clients. The ongoing goal of the Citymark tool is engage governments, the private sector and support services such as trade associations and consultancies, reflecting the wide range of interests required to effectively expand affordable housing opportunities. By working effectively across a wide group of organisations and missions, Citymark provides and promotes a common understanding of market potential and opportunities so that these partners might be able to work together and have a greater impact than before.



The financial inclusion space is increasingly becoming competitive, both for funding as well as ownership of competitive niches. It is therefore not surprising that this has led to an increase in the number of players and initiatives in this space, thereby making more information available resulting in closer cooperation among the different stakeholders.

FinMark Trust has continued to stimulate evidence-based dialogue on financial inclusion by expanding the information available on financial services in sub-Saharan Africa and beyond through its FinScope surveys. In order to meaningfully contribute and deepen this financial inclusion agenda, FinScope processes are benchmarked and quality-controlled, and a variety of robust analytical techniques are used to convert data into knowledge.

The FinScope footprint

To date FinScope surveys have been conducted in 18 countries. In Africa, FinScope Consumer surveys have been completed in Botswana, Ghana, Kenya, Lesotho, Malawi, Mozambique, Namibia, Nigeria, Rwanda, South Africa, Swaziland, Tanzania, Uganda, Zambia and Zimbabwe. Outside Africa, FinScope surveys have been implemented in Pakistan and Thailand (the first Making Access Possible (MAP) country to be completed) with Myanmar (second MAP country) which was also completed. FinScope MSME surveys have been implemented in Malawi, Mozambique, South Africa, Tanzania, Zambia and Zimbabwe.

FinScope surveys conducted or underway

During the period under review, three FinScope consumer surveys were launched in South Africa, Thailand and Myanmar. In South Africa, the 2013 results revealed a significant increase in financial inclusion with 30.7 million (financial inclusion of 84%, i.e. 75% banked, 4% other formal and 5% informally served) using financial products and services (both formal and informal) to manage their financial lives, compared to the 2012 results of 28.9 million people (financial inclusion of 81%, i.e. 67% banked, 6% other formal and 8% informally served). The results also indicated an increase in the number of people showing more signs of over-indebtedness. Those who show signs of over-indebtedness are more likely to have borrowed from multiple sources, including banks (e.g. unsecured loans), other formal financial institutions (e.g. retailers), informal mechanisms (e.g. mashonisais), as well as family and friends.

Financial inclusion is high in Thailand at 97% (74% banked and 23% other formal) mainly due to the high level of bank savings books/accounts and the insurance schemes offered by the Government, particularly health insurance. Only 2% of the population in Thailand is informally served while only 1% of the population is financially excluded. Financial inclusion is limited in Myanmar with only 30% of the adult population formally served, i.e. have/use commercial bank products and/or other formal non-bank products/services. About 31% of the population is informally served while 39% is totally excluded.

The Zimbabwe FinScope MSME survey results were also launched in the past financial year, with a lot of enthusiasm shown about the results since the launch. The MSME sector plays an important role in addressing unemployment in Zimbabwe with a total of 5.7 million people working in the sector. The sector contributes greatly to poverty alleviation and given the crucial role that MSMEs play in the economy, there is a need for strategies to create an enabling environment for the support, upward mobility and growth of these businesses to mature into sophisticated formalised enterprises.

The study showed that 57% business owners are financially included (i.e. 14% banked, 4% other formal and 39% informally served). This effectively means that only 14% of MSME owners are banked, that is, use a formal financial product offered by a commercial bank, while 86% are not banked. Those that are financially excluded comprise 43% of business owners (1.2 million) – they do not use any financial products or services (neither formal nor informal) to manage their business finances. In total, only 15% of business owners borrow. It is important to note that of those that borrow, 51% borrow from friends and family, 15% from commercial banks, 11% from microfinance related institutions, while 6% borrow from informal sources such as money lenders. The survey also identified a number of challenges which need to be addressed.

Head:

Kingstone Mutsonziwa



FinMark Trust has continued to stimulate evidence-based dialogue on financial inclusion by expanding the information available on financial services in sub-Saharan Africa and beyond through its FinScope surveys.



Further to this, a number of FinScope surveys were initiated during the period under review which are in different phases of implementation. Surveys are being implemented in the Democratic Republic of Congo, Mauritius, Mozambique, Swaziland, Malawi, Zimbabwe and India. In addition, a cross-country comparison of FinScope Consumer survey data was commissioned for the analysis of 10 countries in the SADC region where FinScope surveys have been implemented. The results of this study will be finalised soon.

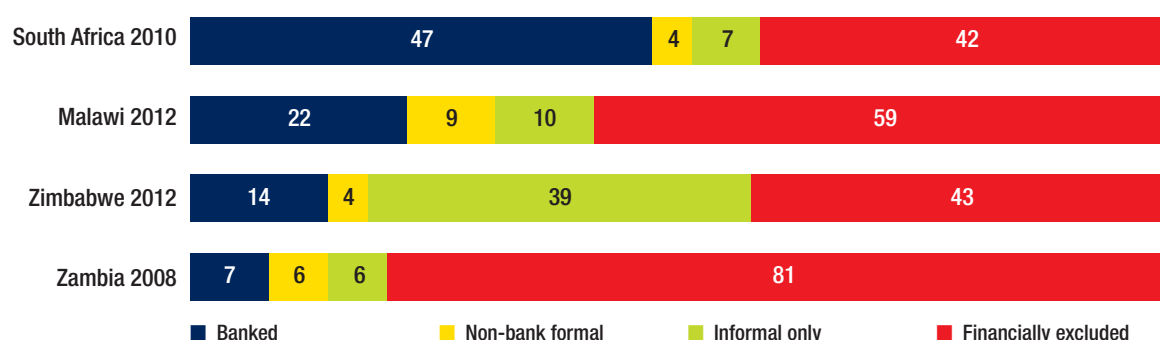
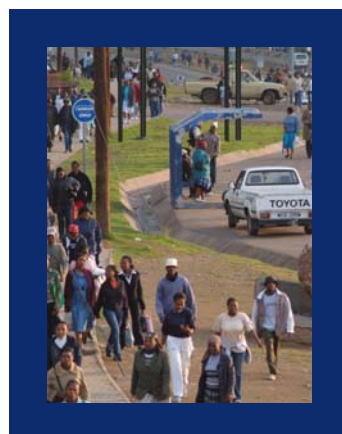
Financial inclusion where FinScope Consumer surveys have been implemented

FinScope surveys have been implemented in SADC, non-SADC African countries and Asia. The surveys have indicated a high level of financial exclusion in most of the countries where they have been implemented. Although different stakeholders are working together for the common purpose of enhancing financial inclusion, there is still a lot of work to be done. FinScope data has shown that there are still significant gender differences in terms of the levels of financial inclusion as well as the drivers of and barriers to financial inclusion. It is noteworthy that policy makers and private institutions are working towards inclusion of the poor by designing products that are suitable to different segments of the population.

A number of countries have been looking at strategies to promote financial inclusion using innovative ways. One of the key developments over the last few years has been mobile money. The South African National Treasury uses the FinScope data for supporting, monitoring and evaluating financial sector development. Selected examples of other initiatives that have contributed to the financial inclusion agenda include the low-income savings innovation by Bank Windhoek, Makwacha card by FMB in Malawi, and the South African Social Security Agency (SASSA) card in South Africa. FinScope will continue to use appropriate analytic lenses to understand key themes including credit (especially issues of over-indebtedness), mobile money, informal financial mechanisms and issues around Financial Capability (FinCap) among other things.

FinScope MSME surveys and the Malawi case study using gender and rural lenses for analysis

The FinScope MSME surveys are important not only for providing a comprehensive picture of financial inclusion among MSME owners, but also for measuring the size and scope of the sector. Although the data has shown that financial inclusion among MSME owners remains low, this highly depends on the proportion of individual entrepreneurs and survivalist businesses which are hugely informal in the respective countries.



During the period under review FinMark Trust finalised two World Bank papers looking at gender-specific aspects, as well as financial inclusion among MSME owners residing in rural areas in Malawi. The papers (Gender and rural reports) assessed the profile of women in the Malawian MSME sector and their use of financial products and also explored rural development within the context of entrepreneurial or MSME activities in the process of improving the quality of life and economic well-being of people living in relatively isolated and sparsely populated areas. The data indicated that businesswomen in Malawi contribute significantly to their own livelihoods and well-being, and that of their households and communities. The survey showed that the majority of women owning businesses are individual entrepreneurs. Women in small businesses in Malawi have low levels of education, which potentially affects their ability to start, operate, and grow their business. Female entrepreneurs have limited business and managerial experience prior to start-up. A key finding in the rural analysis is that the rural regions of Malawi are not only involved in agricultural activities, but are also involved in a wide range of other sector activities such as wholesale and retail. Education, entrepreneurship attitude and physical infrastructure all play an important role in developing rural regions.

The complementary power of qualitative research alongside the South African FinScope survey

During the year under review, the qualitative research component in South Africa was enhanced. The research involved immersions, in-depth face-to-face interviews, and mini-focus groups. The key objective of this qualitative component was to complement and enrich the demand-side survey results from FinScope South Africa, by understanding consumers' and suppliers' needs, motivations, and underlying financial behaviour – 'the hidden voice'. The research was conducted in urban, peri-urban and rural settings in three provinces – North West (Brits), Gauteng (Orange Farm), and Limpopo (Thohoyandou and Muyexe).

The combination of deep qualitative research with a solid quantitative foundation is critical to create rich data which can be used to unlock the 'hidden' and untold stories.



The research, which generated a wealth of data, focused on consumers' and suppliers' insights across a number of themes; savings definitions and behaviour, debt traps and revolving credit, stokvel and burial society usage, in-depth barriers to formal insurance uptake, SASSA card users skipping behaviour, and understanding the excluded population.

The combination of deep qualitative research with a solid quantitative foundation is critical to create rich data which can be used to unlock the 'hidden' and untold stories, such as the following:

"I owe {retail providers} from way back – you know when you start working; they persuade you into opening accounts. I made an arrangement with {one} to pay R200 a month but every month after they take the money, I go to the bank and reverse it because I need it. Yes, {a bank} and {a mobile provider} both gave me loans even though I was blacklisted. Yes, I pay back a 'mashonisa R1500 with interest and the next day mashonisa gives me R1000 - it has even become a norm that when I went the last time I told him just take the R500 because we both know I am going to take the R1000 back. I should just give him interest." (Brits, North West Province)

"I am in a bad trap...even if I go to another bank they won't give the money." (Thohoyandu, Limpopo Province)

"No one wants to be debt-obliged, it's just that we are now living in tough times, whether we like it or not." (Orange Farm, Gauteng Province)

'Mashonisa' is a Zulu word for 'one who buries you under'. The mashonisa is a loan shark.

Participation in workshops and FinScope related requests

The demand for FinScope surveys and its work continues to increase regionally and globally. During the past financial year, the Information and Research team attended and participated in a number of conferences and workshops. These contribute to networking and sharing of the current work as well as engaging with trends around the globe. In South Africa, the team presented and participated in a number of workshops that shape the thinking around the various stakeholders in government and private sector. FinMark Trust also continues to receive information requests from across the spectrum of users of financial inclusion data such as researchers wanting to pursue academic qualifications and other stakeholders such as the private sector, NGOs as well as government representatives who are policy makers. FinMark Trust endeavors to continue to avail and share this 'gold mine' for the benefit of the globe on issues around financial inclusion.

Globally financial inclusion is a key focus for policy makers and regulators given the increasing evidence of its role in promoting economic growth and reducing poverty and inequality. The Maya Declaration, the G20 and its Global Partnership for Financial Inclusion and the Alliance for Financial Inclusion all recognise the importance of financial inclusion strategies in promoting financial stability and mitigating systemic risk which can enhance resilience and stability of the real economy.

FinMark Trust continues to support the development of policies and regulations that support the financial inclusion agenda in SADC. Policy and regulation is pervasive and at the forefront across all theme areas of FinMark Trust. It is a core function of what we do in the effort to create financial markets that work for the poor.

In addition to embedding policy and regulatory work across the themes, FinMark also conducts stand-alone research on issues that impact the financial inclusion agenda. One specific piece of research undertaken during the period under review is an 'Investigation of the Scope for the Harmonisation of Legislation and Regulation on Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT) in various Southern African Development Community (SADC) Countries'. During the research a review of existing AML laws was undertaken to investigate the extent to which the AML/CFT regulations of the SADC countries could be harmonised and calibrated in order to increase financial integration and access to financial services within the region. The study took into account the Financial Action Task Force (FATF) Standards, the Eastern and Southern Africa 'Anti-Money' Laundering Group (ESAAMLG) reports and research, the FATF guidance note on financial inclusion as well as the FATF recommendations regarding risk-based regulation. Given the magnitude of the research and the need for stakeholder engagement and national consultations, it is expected that the study will be finalised in 2014 with some specific recommendations that can be taken on board by SADC on the harmonisation of legislation on AML/CFT.

Another study undertaken is on the legal and regulatory framework for payments in the SADC countries. As the SADC region moves towards deeper integration, there is a need for institutional and infrastructural support to backstop the accompanying enhanced economic and financial activities within a harmonised legal and regulatory framework. The study which covers all the SADC countries, aims at establishing the institutional and organisational structures for the establishment of an integrated payments market. Its findings have been presented to the CCBG payments system sub-committee and further work towards the development of a model law will be undertaken to facilitate the establishment of the integrated payments market in SADC.

In addition to specific studies, FinMark Trust has also contributed to key policy discussions in a number of SADC countries. In Lesotho, we have been actively involved in the development of the national strategy for financial inclusion in collaboration with the Ministry of Finance and Central Bank of Lesotho.

In Swaziland, following the development of the Consumer Credit Bill in 2012, we continue to provide technical support to the Ministry of Finance and Financial Services Regulatory Authority for the development of an appropriate legal framework to support consumer protection and financial inclusion.

In South Africa, the work undertaken on Consumer Credit Insurance (CCI) and the support provided in the finalisation of the National Treasury/Financial Services Board discussion paper have contributed to the finalisation of the discussions on the CCI market at the National Treasury and the design of an appropriate regulatory framework to ensure that the lower income groups are not marginalised and are afforded adequate protection. In addition, the Cooperatives Bank Development Agency (CBDA) in South Africa has worked closely with FinMark Trust to better understand Cooperative Financial Institutions in order to inform policy decisions.

Head:
Dhashni Naidoo



Policy and regulation is pervasive and at the forefront across all theme areas of FinMark Trust. It is a core function of what we do in the effort to create financial markets that work for the poor.

Document	Author	Date
FinMark News	FinMark Trust	April 2013
Opportunities for private sector investment in social housing in South Africa	Ros Gordon and Kecia Rust, FinMark Trust	May 2013
Scoping study – overview of the housing finance sector in Zambia	Russell Drummond, Knight Frank Zambia Ltd; Bezant Chongo, PlaNet Finance; Patience Mususa, Peoples Process on Housing and Poverty in Zambia; FinMark Trust	May 2013
FinMark News	FinMark Trust	May 2013
Report: Developing a financial education strategy for peri-urban and rural savings groups	Genesis Analytics (Pty) Ltd; FinMark Trust	June 2013
Brochure: FinScope MSME Zimbabwe 2012	FinMark Trust	June 2013
Media release: FinScope MSME Zimbabwe 2012	FinMark Trust	June 2013
Fact sheet: Developing a financial education strategy for peri-urban and rural savings groups	Genesis Analytics (Pty) Ltd; FinMark Trust	June 2013
Unabridged financial education toolkit	Genesis Analytics (Pty) Ltd; FinMark Trust	June 2013
Abridged financial education toolkit	Genesis Analytics (Pty) Ltd; FinMark Trust	June 2013
FinMark News	FinMark Trust	June 2013
Report: Status of agricultural and rural finance in South Africa	Mike de Klerk, FinMark Trust; Frances Fraser and Ken Fullerton	July 2013
Report: Status of agricultural and rural finance in Zambia	Mike de Klerk, FinMark Trust; Frances Fraser and Ken Fullerton. Co-authored by Melanie Newman and Lemmy Manje	July 2013
FinMark News	FinMark Trust	July 2013
FinMark Trust annual report 2013	FinMark Trust	August 2013
FinMark News	FinMark Trust	August 2013
Report: The emergence of entry-level bank branches in South Africa	Redflank Consulting; FinMark Trust	August 2013
Booklet: FinScope Thailand 2013	FinMark Trust; UNCDF	September 2013
FinMark News	FinMark Trust	September 2013
Housing finance in Africa Yearbook – 4th edition	Kecia Rust, FinMark Trust (editor)	September 2013
Scoping study – overview of the housing finance sector in Zambia	Genesis Analytics, Cenfri, FinMark Trust	September 2013
FinMark News	FinMark Trust	October 2013

Document	Author	Date
Report: A demand-side perspective on hospital cash plans in South Africa	The corporate research consultancy (cape) cc , Cenfri, FinMark Trust	October 2013
Report: Review of the history and legislative landscape of the South African market for Hospital Cash Plan Insurance	Lighthouse Actuarial Consulting, Cenfri, FinMark Trust	October 2013
Focus notes: Review of the history and legislative landscape of the South African market for Hospital Cash Plan Insurance	Lighthouse Actuarial Consulting, Cenfri, FinMark Trust	October 2013
Report: Regulating for inclusive insurance markets in SADC	Doubell Chamberlain, Hennie Bester, Bhairav Raja, Christiaan Loots, Chris Endres, Jeremy Gray, Catherine Denoon-Stevens, Cenfri; FinMark Trust	November 2013
Microinsurance development Zambia annual report 2012	Juliet Munro, FinMark Trust	November 2013
Brochure: FinScope MSME Zimbabwe 2012	FinMark Trust	November 2013
Report: FinScope MSME survey Zimbabwe 2012	FinMark Trust	November 2013
Brochure: FinScope South Africa 2013	FinMark Trust	November 2013
Media release: FinScope South Africa 2013	FinMark Trust	November 2013
FinMark News	FinMark Trust	November 2013
Case study: Mortgaging the Future? Pension-secured housing loans	Linda Sing, for FinMark Trust	January 2014
FinMark News	FinMark Trust	February 2014
Report: Challenges and opportunities in promoting savings among low income individuals in Lesotho, Malawi and South Africa	Oxford Policy Management Limited; Kadale Consultants Ltd; FinMark Trust	February 2014
Focus notes: Challenges and opportunities in promoting savings among low income individuals in Lesotho, Malawi and South Africa	Oxford Policy Management Limited; Kadale Consultants Ltd; FinMark Trust	February 2014
Media release: Challenges and opportunities in promoting savings among low income individuals in Lesotho, Malawi and South Africa	Oxford Policy Management Limited; Kadale Consultants Ltd; FinMark Trust	February 2014
Booklet: FinScope South Africa 2013	FinMark Trust	March 2014
Report: Legal expenses insurance	Eighty20 Consulting	March 2014
Report: Regulating m-insurance in Zimbabwe: managing risk while facilitating innovation	Jeremy Leach, Bankable Frontiers Associates (BFA); Sandisiwe Ncube, Cenfri; FinMark Trust	March 2014

These are available on the FinMark Trust website: www.finmarktrust.org.za

Topic	Event	Presenter	Date
Opportunities for private sector investment in social housing in South Africa	Nedbank media roundtable	Kecia Rust, FinMark Trust	April 2013
Housing affordability in Africa	African urban infrastructure summit	Kecia Rust, FinMark Trust	April 2013
A review of legal expense insurance in South Africa	FinMark Forum	Illana Melzer, Eighty20 consulting and Jeremy Leach, Cenfri	May 2013
Mapping of alternative distribution channels for financial services in SADC countries	Launch presentation of report on mapping of alternative distribution channels for financial services in SADC countries	Redflank and Bhairav Rajah, Cenfri	May 2013
Extending the reach of housing finance in Africa	Housing finance seminar, Lusaka, Zambia	Kecia Rust, FinMark Trust	May 2013
Scoping study – overview of the housing finance sector in Zambia	Housing finance seminar, Lusaka, Zambia	Russell Drummond, Knight Frank Zambia Ltd; Bezant Chongo, PlaNet Finance; Patience Mususa, Peoples Process on Housing and Poverty in Zambia	May 2013
Implementing effective financial education programmes – learning's from a rural and peri-urban case study	FinMark Forum	Genesis Analytics	June 2013
Creating economic opportunities with housing in South Africa: policy options for maximising housing asset performance	Centre for Development Enterprise roundtable discussion	Kecia Rust, FinMark Trust	June 2013
Unlocking access to innovative financing models in Africa	Totally Concrete Expo 2013, Preconference seminar: Finance and development opportunities for construction in real estate	Kecia Rust, FinMark Trust	June 2013
Serving the unserved	25th Midi de la microfinance conference held on 27th June 2013 – Left out from financial services in Africa: How to reach the unbanked?	Prega Ramsamy, FinMark Trust	June 2013
Building financial capability embedded financial education	Financial inclusion learning and sharing platform – Savings groups: What are they and how could they link to banks?	Kim Dancey, FinMark Trust	July 2013
Overview of FinScope surveys	Roundtable on microfinance, Tunisia	Prega Ramsamy, FinMark Trust	September 2013
Regional approach to market data analysis	CGAP meeting on demand data and financial inclusion strategies, Tunisia	Prega Ramsamy, FinMark Trust	September 2013
The emergence of entry-level bank branches in South Africa	FinMark Forum	Genesis Analytics and Mia Thom, Cenfri	September 2013
Housing investors dashboard: Capturing the right data, identifying the gaps	African Union for Housing Finance 29th annual conference: Mobilising capital for housing finance, Mauritius.	Kecia Rust, FinMark Trust	September 2013
Affordable housing in South Africa: How is the market doing?	International housing solutions industry conference	Kecia Rust and Adelaide Steedley, FinMark Trust	September 2013
Overview of housing finance approaches and related issues in an African context	Housing finance programme for sub-Saharan Africa, University of Cape Town Graduate School of Business	Kecia Rust, FinMark Trust	October 2013
Introducing CityMark	DemoAfrica Conference, Nairobi, Kenya	Adelaide Steedley, Miriam Maina, FinMark Trust	October 2013

Topic	Event	Presenter	Date
Zimbabwe country report presentation on the state of agricultural and rural financial services in southern Africa	Workshop on the state of agricultural and rural financial services in Zimbabwe	Mike de Klerk, FinMark Trust	October 2013
Overview of Zambia's microinsurance landscape: Where are we in the product evolution?	Microinsurance innovations seminar, Lusaka, Zambia	Lemmy Manje, ILO; FinMark Trust	November 2013
Product evolution: innovation in microinsurance	Microinsurance innovations seminar, Lusaka, Zambia	Catherine Denoon Stevens, Cenfri	November 2013
Delivering insurance through mobile platforms	Microinsurance innovations seminar, Lusaka, Zambia	UAP Insurance, Kenya	November 2013
Rising to the challenge of global development initiatives: case study weather index pilot in Mozambique	Microinsurance innovations seminar, Lusaka, Zambia	Israel Muchena, Hollard Mozambique	November 2013
Innovations in health microinsurance – how a challenging product is reaching millions	Microinsurance innovations seminar, Lusaka, Zambia	Cenfri	November 2013
Microfinance for housing: a developmental lending opportunity	MFSA strategic session and board meeting	Kecia Rust, FinMark Trust	November 2013
Malawi country report presentation on the state of agricultural and rural financial services in southern Africa	Workshop on the state of agricultural and rural financial services in Malawi	Mike de Klerk, FinMark Trust	November 2013
Mozambique country report presentation on the state of agricultural and rural financial services in southern Africa	Workshop on the state of agricultural and rural financial services in Mozambique	Mike de Klerk, FinMark Trust	November 2013
Botswana country report presentation on the state of agricultural and rural financial services in southern Africa	Workshop on the state of agricultural and rural financial services in Botswana	Mike de Klerk, FinMark Trust	November 2013
Zambia country report presentation on the state of agricultural and rural financial services in southern Africa	Workshop on the state of agricultural and rural financial services in Zambia	Juliet Munro, FinMark Trust	December 2013
Facilitation and moderation of session on vocational training and capacity building	European Union workshop on strengthening the role of the private sector in development	Prega Ramsamy, FinMark Trust	February 2014
Credit and borrowing – a demand-side perspective	2nd annual debt collection conference, Johannesburg, South Africa	Sabine Strassburg, FinMark Trust	February 2014
Why consumer financial education matters? Getting the balance right	Next generation payments Southern Africa conference, Johannesburg, South Africa	Dhashni Naidoo, FinMark Trust	March 2014
Microfinance for housing – a developmental lending opportunity	MFSA roadshow, Midrand, South Africa	Kecia Rust, FinMark Trust	March 2014
Understanding the challenges and opportunities in promoting savings among low income individuals in Lesotho, Malawi and South Africa	Lesotho report-back workshop	Mike de Klerk, FinMark Trust	March 2014

These are available on the FinMark Trust website: www.finmarktrust.org.za

Project	Co-funder
CityMark	SA Cities Network
Savings study in SA, Lesotho and Malawi	United Nations Capital Development Fund (UNCDF) and Ministry of Finance in Lesotho
Access to Insurance Initiative (A2ii)	Deutsche Gesellschaft für Internationale Zusammenarbeit, GmbH (GIZ)
FinScope SA	Absa, First National Bank, Liberty Life, Metropolitan, National Treasury, Nedbank, Old Mutual, Standard Bank SA
Housing microfinance	Rooftops Canada, Habitat for Humanity International
Housing Finance Yearbook 2013	Home Finance Guarantors Africa Reinsurance, International Housing Solutions (Pty) Ltd, FNB Housing Finance, Shelter Afrique, International Finance Corporation, Old Mutual Investment Group SA (Pty) Ltd, HFC Bank (Ghana) Limited, National Housing Corporation Tanzania, Lendcor,
Study into role of housing in seven economies	Rooftops Canada
Credit information sharing project and microfinance project	GIZ
Zambia insurance	International Labour Organisation (ILO)
Technical support to FinScope Uganda	Economic Policy Research Centre in Uganda
FinScope Zimbabwe MSME	The World Bank
FinScope Mauritius	Ministry of Finance and Economic Development, Mauritius
MAP pilot in Myanmar	UNCDF

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