Making Access Possible (MAP) Lesotho

Roadmap Retreat, Maseru, Lesotho

July 9, 2014
Presentation note

• This presentation was presented to the FI Task Team on 9 July 2014 to support the development of a Roadmap on financial inclusion.

• This presentation is based on a comprehensive review of the state of financial inclusion in Lesotho as set out in the MAP Diagnostic report.

• A more detailed presentation of findings was presented on 31 March 2014 to stakeholders of the public and private sector.

• This stakeholder presentation is available on the Cenfri and FinMark websites: [www.cenfri.org](http://www.cenfri.org) and [www.finmark.org.za](http://www.finmark.org.za). (The complete MAP diagnostic report will in due course be available on these websites as well.)
MAP Lesotho: Agenda

A. MAP process and FI as policy objective

B. Consumer as a starting point

C. Key priorities
A. MAP PROCESS AND FI AS POLICY OBJECTIVE
Financial Inclusion is a key policy objective for Lesotho

Strong financial inclusion commitment by government:

- Financial inclusion and access to finance an explicit component of the National Strategic Development Plan
- Government has been actively collaborating with UNCDF and IFAD – to establish the SUFIL and RUFIP projects
- The Financial Sector Development Strategy (FSDS) has financial inclusion as a major component

Objective: reduce vulnerability and increase income in the wider economy, thereby impacting on poverty reduction, employment and growth and, ultimately, enhancing welfare.

MAP provides evidence base for government’s approach to financial inclusion primarily informed by customer needs
MAP Objective: improving welfare through financial inclusion

1. Identify different needs within the target market
2. Identify which institutions are best positioned to serve
3. Within the context of a country to meet policy needs

- Banks
- SACCOs & VSLAs
- Micro-finance institutions (MFIs)
- Insurers
- Mobile money
- Machonisas
- Burial societies
- Retailers
- Financial inclusion
- Improved welfare
- Poverty alleviation
Overview of MAP process

**Process steps**
- Inception
- Diagnostic
- Stakeholder presentation
- Roadmap
- Action plan

**Analysis and strategy**
- Context
  - Infrastructure
  - Non-financial sector context
  - Intermediation
  - Various product segments
- Supply
- Regulation
- Demand
  - FinScope
  - Qualitative demand-side research

**Data collection**
- Context
- Supply
- Regulation
- Demand
B. CONSUMER AS A STARTING POINT
Context drives FI realities

Small, poor population but strong social ties
- Approx 1 million adults
- Poverty rate over 50%
- Strong community ethic

Poor health, high mortality
- Life expectancy 49 (vs. 60 in 1990s)
- Many orphaned children

Rural population, poor physical accessibility
- Population approx 70% rural
- Only one large city
- Many rural areas inaccessible due to mountainous terrain

Small economic base, high regional integration
- Small GDP – approx $2.5 billion
- Traditional dependence upon migrant labour in SA mines
- Large textile export sector, but vulnerable
- Fast-growing mining sector, but few jobs
- Small domestic private sector
- Dependence on low-value agriculture
- High fiscal dependence on SACU receipts

Basotho abroad
- Many in SA – but numbers uncertain (estimates 135k – 430k)
- Remittances over 20% of GNP, very important to BoP and receiving HHs

Limited spending power
- Constrained productivity, esp. rural
- Physical access a problem
- Strong collective financial functioning

Imperative for FI to reduce vulnerability
Scale constrains opportunity
Collective insts a strong base

Vulnerability to fiscal shocks
- Limited formal employment opportunities, low domestic consumption
- Dual economy with well-served top-end, unserved bottom
- Need for economic diversification

FI can oil the wheels, but not main driver of development

Opportunity for leveraging investment
Remittances key enabler
Priority target markets to extend financial services

- Salaried: 159,212
- Piece jobs: 201,794
- Own business: 136,435
- Agriculture: 141,775
- Private dependents: 303,733
- Govt dependents: 89,017
- Non-res Basotho: 300,000

*figures are indicative and may not correlate precisely with actual current figures
Target markets: economic realities and geography

Source: FinScope, 2011
Target markets: main needs

**Salaried workers**
- Well-served, not main FI priority
- Low-cost remittance services
- LT (educational) savings
- Utilise access to credit to borrow for businesses

160k

**Own business**
- Mostly survivalist – but some with growth potential
- Low cost transactional and remittance services
- Risk mitigation –beyond funeral ins.
- Low cost savings options
- Asset-based credit (limited)

135k

**Piece jobs**
- Cost-effective, accessible remittance services
- Need for products to store (save) irregular earnings safely.
- Insurance and savings through collective vehicles

200k

**Private dependents**
- Reasonably well served (links to salaried)
- Conduit for expat earnings
- Access to low cost, convenient remittances – domestic & cross-border
- Savings products to retain these safely

300k
Target markets: main needs

Agriculture

- Specialised agric finance for commercially-oriented farmers
- Possible crop/livestock insurance
- Need low cost savings and transactional services
- Given survivalist nature, business credit unlikely for most farmers

Non-resident Basotho

- Could be largest group – up to 400k
- Many are well paid
- Need to save and send money home – enhanced financial access in sending country
- Longer-term savings and asset accumulation towards retirement
- Funeral insurance including repatriation of body
- Insurance and endowment mechanisms to pay for premiums cross-border for dependents.

Govt dependents

- Reasonably well served through informal channels (burial, savings clubs)
- Secure savings and alternative to cash for receipt of welfare grants
Financial Inclusion - Overview

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>Urban</th>
<th>Rural</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transactions</td>
<td>42.4</td>
<td>60.1</td>
<td>34.4</td>
</tr>
<tr>
<td>Savings</td>
<td>50.0</td>
<td>59.7</td>
<td>45.6</td>
</tr>
<tr>
<td>Credit</td>
<td>38.5</td>
<td>37.2</td>
<td>39.1</td>
</tr>
<tr>
<td>Insurance</td>
<td>61.7</td>
<td>60.5</td>
<td>62.2</td>
</tr>
<tr>
<td>Remittance</td>
<td>27.4</td>
<td>41.4</td>
<td>21.1</td>
</tr>
</tbody>
</table>

- Driven by high levels of insurance coverage, and also savings
- Access to banking is low by SACU standards – at 38%
- Balanced urban – rural access in insurance and credit
- Crucial role played by informal sector in extending access to credit and insurance
- Lesotho has the highest level of financial inclusion of all the African FinScope countries
What are the main needs? Savings

Savings: use by target groups

- Savings is widespread amongst Basotho adults
- Households account for substantial portion of total deposits
- Formal savings substantially higher amongst urban dwellers
- Multiple forms of savings used
- Higher income groups save more.
- All target markets saving with both banks and through informal channels
What are the main needs? Savings

Main savings needs:

- Consumption smoothing
- Risk mitigation
- Education
- Capital accumulation
- Retirement

Savings: main drivers

Living expenses
Funeral expenses
Education or school...
Non-medical...
Medical expenses
Housing
Household assets
Retirement or old...
Business start-up or...
Bequest to family

Percentage of adults
What are the main needs? Credit

Credit: use by target groups

- Limited uptake of formal credit
- Bank credit strongly skewed towards urban inhabitants
- Most Basotho accessing credit do so through informal providers or family and friends
- Salaried employees dominate formal credit
- Farmers have the lowest credit uptake from regulated providers but highest from unregulated
- Low uptake of credit by business owners
- High uptake of unregulated credit.
- Unregulated credit uptake consistent across target markets
- Majority of Basotho borrow from family and friends
What are the main needs? Credit

Main credit needs:

- Consumption smoothing
- Educational expenses
- Risk management
- Household assets
- Servicing existing loans
- Starting or expanding a business
- Farming inputs
What are the main needs? Insurance

- Insurance the most-consumed financial product in Lesotho
- High uptake largely driven by funeral insurance
- Almost all target market segments well-served
- Mixture of both formal and informal providers
- Many adults have more than one policy and use both formal and informal providers
What are the main needs? Insurance

Insurance: main use cases

- Funeral insurance totally dominates
  - Formal
  - Burial society
  - Funeral parlour
- Some use of life, medical (aid), property and motor vehicle insurance but limited to higher income groups
What are the main needs? Insurance

Main insurance needs:

- Funeral
- Life/education
- Health
What are the main needs? Payments & Remittances

- Heavy reliance on cross border remittances as an income source
- Cross border remittances constitute a substantial portion of GDP
- More than half of adults use remittances
- Salaried workers and private dependents biggest users of remittances
- Majority of remittances sent via friends and family
What are the main needs? Remittances

Remittances: Usage

- More domestic remittances than cross-border
  - 600k adults send/receive in Lesotho
  - 253k adults send/receive cross-border
- More recipients than senders
What are the main needs? Payments

Payments: Usage

- Preference for cash amongst Lesotho adults
- Indications that many bank transaction accounts used as ‘mailbox’ accounts
- Low usage of POS devices despite roll-out
- Significant minority of Basotho bank in South Africa
- Usage of cheques declining
- Rapid growth in the uptake of e-money
- Debit cards widely used – but mainly for ATM cash withdrawals

Use of payments instruments (2013H2)
Main payments/remittance needs:

- Cross-border remittances
- Domestic remittances
- Welfare payments
- Cash withdrawals (ATMs)
- Mobile money
## Barriers to accessing formal institutions

<table>
<thead>
<tr>
<th>Payments</th>
<th>Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Proximity of branches</td>
<td>• Lack of excess income</td>
</tr>
<tr>
<td>• Expense / cost of bank accounts</td>
<td>• Perceived costs (bank fees)</td>
</tr>
<tr>
<td>• Cost of cross-border remittances</td>
<td>• Regularity and proof of income</td>
</tr>
<tr>
<td>• Awareness – mobile money</td>
<td>• Door step barrier</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Credit</th>
<th>Insurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Fear of credit</td>
<td>• Regularity of income</td>
</tr>
<tr>
<td>• Payslip or proof of income</td>
<td>• Proximity</td>
</tr>
<tr>
<td>• Unpredictable interest rates</td>
<td>• Payment of premiums</td>
</tr>
<tr>
<td>• Doorstep barriers</td>
<td>• Perceived payout problems</td>
</tr>
<tr>
<td>• Limited flexibility in repayment</td>
<td></td>
</tr>
</tbody>
</table>
C. KEY PRIORITIES
Cross-cutting drivers

- Salaried group (public and private sector) the most well of from a financial perspective, but entrepreneurship, farming also important to livelihoods.
- Strong collective functioning creates social resilience and an important tool of risk management
- Cultural factors, poor health impact financial decisions
- Large non-resident population an important demographic and economic driver
- Remittances an important economic driver – both domestic and cross-border
- Extensive regional integration impacts livelihoods and financial inclusion profile
- Fiscal vulnerability inhibits ability of government to finance new projects, programmes or institutions
High level financial sector drivers

• Collective informal or semi-formal institutions play a key role in financial inclusion
  – Function effectively and should generally be left alone
• Bank environment is being transformed
  – Rapid credit growth and decline in excess liquidity
  – Banks are beginning to compete for deposits
• Mobile money new but experiencing rapid uptake
  – Particularly relevant in a remittance economy
• Regulatory reform and modernisation taking place, but very slow
  – Leaves regulatory gaps and risks
  – Inhibits innovation that would enable institutions to improve access and provide products and services that the market seems to desire
  – Regulatory hiatus creates uncertainty
• Small financial sector limits potential for economies of scale
• In the past, the lack of a financial sector policy has meant that donor support and technical assistance for FSD has often not been well co-ordinated and utilised
# What to prioritise?

<table>
<thead>
<tr>
<th>Products</th>
<th>Salaried</th>
<th>Piece jobs</th>
<th>Own business</th>
<th>Agriculture</th>
<th>Private dependents</th>
<th>Govt. dependents</th>
<th>Expats</th>
<th>Est Potential clients (000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number (k)</td>
<td>169</td>
<td>200</td>
<td>140</td>
<td>140</td>
<td>300</td>
<td>90</td>
<td>300</td>
<td></td>
</tr>
<tr>
<td>Average Income</td>
<td>2.2k</td>
<td>525</td>
<td>950</td>
<td>1.4k</td>
<td>800</td>
<td>775</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Credit
- Personal loans: <100, Transaction costs
- Asset finance: <40, Access to opportunities, Allocation of capital
- SMME finance: <20, Access to opportunities, Allocation of capital
- Agricultural: <20, Access to opportunities, Allocation of capital
- Cons protection: <250, Risk mitigation, Transaction costs

### Payments
- Cross border remittances: >150, Transaction costs
- Dom. remittances: >400, Transaction costs
- Low cost transaction: >700, Transaction costs, access to services

### Savings
- Low cost savings: >700, Transaction costs and accumulation of capital
- Targeted savings: >150, Transaction costs and accumulation of capital

### Insurance
- Agriculture: <50, Risk mitigation
- Credit: <100, Risk mitigation
- Life/education: <50, Risk mitigation
- Asset: <50, Risk mitigation

## Impact

- High
- Medium
- Low
Roadmap Imperatives

• The financial access box has been ticked
  – *Access to finance in Lesotho is high, as conventionally measured*

• What does financial inclusion mean in this context?
  – *leverage or re-engineer financial services to alleviate poverty and support economic growth*

• Build on what works
  – *Don’t fix what isn’t broken*
  – *Utilise existing institutions as far as possible*
  – *Avoid creating new institutions and costs*
Lesotho Financial Sector

Formal sector at the core – informal sector provides important extension

Regulatory coverage is patchy

Largely unregulated entities

Regulated but unsupervised entities

FinCooperatives (Boliba)

Credit-only MFIs

Stokvels

VSLA/RSCG SACCOs/Boliba MFIs

Machonisa

Moneylenders

Credit

Insurance

Savings

Payments

Banks

Insurers, brokers, agents

Funeral Parlours

Burial societies

Moneylenders

MNOs

MTOs

TEBA/Ubank

Regulated entities

Informal channels

MTOs

TEBA/Ubank

MNOs

Regulated but unsupervised entities

Largely unregulated entities

Informal channels
Institutions to prioritise

Prioritize:
- Incentive to serve, but may not have ability to serve

Incentivize:
- Traditional major players are trusted but see limited opportunity downmarket

Yes
No

Incentive to go downmarket?

Extent to which consumer protection concerns arise?

# of clients

Banks
SACCOs
Retailers
MNOs

RUFIP groups
VSLAs etc

Machonisa
Boliba

Burial societies
Stokvels

Insurers
LPB

Boliba

Machonisa

Banks
SACCOs
Retailers
MNOs

RUFIP groups
VSLAs etc

Making financial markets work for the poor
Financial Inclusion Priorities

1. Directly improve household welfare through efficiency gains and risk mitigation
2. Support economic growth through targeted SMME and farm credit
3. Increase financial sector intermediation to support investment and growth

Roadmap items focus on those that are not already part of the FSDS, but which complement the FSDS
1. Directly improve household welfare through efficiency gains and risk mitigation

   a. Lowering cost of transactions and enhancing range of low cost savings options
   b. Facilitating low-cost domestic and cross-border remittances and payments
   c. Enhancing risk mitigation beyond funeral cover
1a. Lowering cost of transactions and enhancing range of low cost savings options

• Bank accounts the most widely used savings medium but:
  – Used mainly as “mailbox” accounts rather than transactions or savings tool

• Cash and saving at home often used
  – Flexible, but inefficient - expensive, unsecure

• Most alternatives have drawbacks:
  – Banks expensive for small values
  – Significant eligibility & doorstep barriers to access for the poor
  – Travelling to access formal infrastructure is expensive for small values (limited branch network)

• Need for accessible, low cost savings options
### 1a1. Mobile money to transact and save

<table>
<thead>
<tr>
<th>Issues</th>
<th>Solutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Availability and liquidity of agents, particularly in rural areas</td>
<td>• Agent recruitment</td>
</tr>
<tr>
<td></td>
<td>• Rebalancing or ‘super agents’</td>
</tr>
<tr>
<td></td>
<td>• Partnerships with all the banks</td>
</tr>
<tr>
<td>Aversion to technology; not everybody has a phone</td>
<td>• Develop an ecosystem of goods and services that can be paid for with mobile money incl</td>
</tr>
<tr>
<td></td>
<td>• G2P</td>
</tr>
<tr>
<td></td>
<td>• Incentivise transacting</td>
</tr>
<tr>
<td>Cannot pay interest</td>
<td>• Allow payment of interest</td>
</tr>
</tbody>
</table>

Everyone qualifies: all you need is a mobile phone; Rapid take up
Widespread agency network – more accessible, lower transport costs
Minimal KYC (esp. for low values)
Cheaper than banks
1a2. Costs of Banking

**Issues**

- High fees and interest rate spreads
- Low deposit rates
- Banks very profitable by regional standards
- Small economy means unlikely to be many more banks
- Limited branch network means high transport costs

**Solutions**

- Competition needed to provide banks with an incentive to reduce fees and increase deposit rates
- Greater disclosure of fees; industry code of practice; benchmarking by regulator
- Better marketing of low-cost entry-level products, to change perceptions

- Competition to bring profits into line with comparator countries (although still reasonable)

- Competition from non-banks – mobile money is key

- Encourage agency banking
1a3. More efficient government payments

**Issues**

Govt. welfare payments distributed as cash
- High distribution costs
- Doesn’t encourage savings or financial intermediation

**Solutions**

Consider payment through mobile money or banking system
- Address agent liquidity issues
- Stagger payments
1b. Facilitating low-cost domestic and cross-border remittances

Around half of Basotho adults receive remittances from within the country or cross-border.

Large inflows of remittances from expats in SA (equivalent to 20%+ of GDP)

But

Only 17% remit via formal channels.

Remittances mostly through family/friends, due to:
- Cost (actual/perceived)
- Limited availability and awareness of alternatives
1b. Facilitating low-cost domestic and cross-border remittances

Alternative providers could play significant role where they have reach and trust

Retailers
- People trust retailers
- Potential Shoprite SA-Lesotho channel

Mobile Money
- Potential to extend increased rural use
- Potential for cross border

Banks can extend reach

Banks
- Potential - High bank penetration, but only 17% use formal remittances.
- Incentive for banks to capture informal cross-border flows to build deposit base

Barriers:
- Regulation
- Increased awareness and cost
1c. Enhancing risk mitigation beyond funeral cover

- Most Basotho have funeral cover
  - Mixture of formal and informal (funeral parlour / burial society) cover
  - No major gaps there, but
  - Potential to improve efficiency through reduced transactions costs
  - Low trust level of formal insurers amongst lower income groups, due to bad claims payout experiences and regulatory
  - Some consumer protection risks

- Very low level of use of other types of insurance
  - Funeral insurance prevents debts but does not help build assets
  - Some use of SA insurers

- Industry increasingly competitive, but small size will limit competition and economies of scale, and lead to high cost base/fees
1c. Potential Insurance Developments

<table>
<thead>
<tr>
<th>Area</th>
<th>Issues</th>
</tr>
</thead>
</table>
| Life assurance / savings         | • Helps to build assets / savings (e.g. for education)  
                                  | • Bundle with funeral products to increase uptake                                                                                   |
| Health insurance (beyond medical aid) | • Unexpected medical expenditures are a problem and a reason for saving  
                                          | • Main reliance on public health sector  
                                          | • Market / viability needs to be tested                                                                                              |
| Crop / livestock insurance       | • Interest from farmers, who are exposed to risk of loss  
                                  | • Market / viability needs to be tested  
                                  | • High monitoring costs (moral hazard risks, quantifying losses)                                                                      |
| Microinsurance                   | • Use innovative delivery channels for low value premium payments (e.g. MM)                                                        |
2. Targeted SMME and farm credit

- Only a small proportion of SMMEs and farmers have growth potential – most are survivalist or subsistence
  - Relatively high average income for farmers shows some are doing well
- But SMMES and farmers with potential need to be identified
  - Lack of market information – on current usage and needs, and potential borrowers with good prospects
- Even survivalist/subsistence producers paly an important role in household livelihoods
  - But unlikely to be transformed by credit or be a viable credit risk
  - Need an integrated financial services approach, not just credit
2. SMME Credit

**Survivalist SMMEs:** ~ 120,000 adults
- Most SMMEs are survivalist businesses that employ the owner
- Started with owner capital/ family and friends contribution
- Business and personal needs blurred

**Aspirational SMMEs**
~15,000 – ltd opportunity
- Most SMMEs won’t get there

**Need products to help maintain incomes:**
- Savings to build up owner capital to start business & save between irregular flows
- Convenient and affordable transactional services
- Insurance to protect against shocks
- Some trade credit, but less significant
- Consumer protection need

- Expand access to consumer products
- Broader development strategy: education, health, infrastructure to develop

**Link BEDCO, banks & CGS**

**Civil servants & Expats increasing role**
2. Targeted credit to SMMEs and Farmers

### Area

- **Leverage the private sector**
- **Targeted market research**
- **Tailored product design**
- **Leverage existing channels**

### Issues

- Utilise the private sector rather than subsidised government credit
  - Identify viable sub-sets of productive credit clients on a sectoral basis
- Identify financing realities and needs of viable SMMEs and farmers
  - Identify value chain participants & other networks with potential to reach them
- Products to meet specific needs of clients
  - Repayment holidays
  - Flexible repayment terms for farmers
- E.g. industry/sectoral associations
  - Farmers associations
3. Increase financial sector intermediation to support investment and growth

- Deposit mobilisation environment is changing
  - Banks traditionally had excess deposits, no need to compete to attract
  - With credit growth, now approaching fully lent
  - Need to bring in more deposits to support intermediation and lending
  - Low income / new depositors becoming more attractive to banks

- How to mobilise?
  - Development of products and services suitable for low income and entry level consumers
Financial Inclusion Priorities

3. Increase financial sector intermediation to support investment and growth
   a. Leveraging inward investments by migrant workers
   b. Supporting deposit mobilisation
   c. Selective institutional reforms
Leveraging inward investments by migrant workers

Objectives
• Utilise financial capacity of migrant workers in Lesotho
• Strengthen financial links between migrant workers in SA and home settlements / families in Lesotho

Main challenges
• Lack of formal financial linking mechanisms since decline of migrant mineworkers (no comparable replacement to TEBA deferred pay/remittance channel)
• Informal status of many migrant workers in SA
• Lack of low cost cross-border remittance channels

Potential actions to realise opportunity
• Design and marketing of cross-border products, e.g. where investment is made in Lesotho but loans are repaid in SA
• Utilise cross-border channels such as TEBA to distribute loans
• Enhance low cost cross-border remittance channels
3. Increase financial sector intermediation to support investment and growth

<table>
<thead>
<tr>
<th>Area</th>
<th>Issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reducing costs</td>
<td>• As in (1) above, reduce banking costs and use opportunities offered by mobile money</td>
</tr>
<tr>
<td>Incentivising higher account balances</td>
<td>• Pressures to mobilise deposits -&gt; higher interest rates -&gt; will encourage higher balances</td>
</tr>
<tr>
<td>Facilitating access to savings accounts by revisiting eligibility requirements</td>
<td>• Introduced tiered KYC for banks (as with mobile money)</td>
</tr>
<tr>
<td></td>
<td>• Revise proof of income requirements</td>
</tr>
<tr>
<td></td>
<td>• Partner with MNOs to use MM accounts as entry route to bank accounts</td>
</tr>
<tr>
<td>Targeting groups</td>
<td>• Accounts tailored to groups to mobilise savings/burial society balances</td>
</tr>
</tbody>
</table>
3c. Selective institutional reforms: LPB & Boliba

**Lesotho PostBank (LPB)**
- Large customer base – important for savings mobilisation
- Very small role in credit
- Non-integrated payments system (ATMs, POS)
- Unprofitable and dependent upon subsidies
- Weak governance and direction

**Solutions**
- Reform governance and clarify mandate
- Develop viable business plan
- Upgrade and modernise payments system
- Move to branchless platform
- Consider alliance with MNO

**Boliba S&C**
- Important customer base in urban low income populations
- Deep governance problems
- Suspected fraud
- Weak supervision
- May be technically insolvent
- Depositors funds at risk

**Solutions**
- Transfer supervision from DoC to CBL (as per FIA)
- Forensic audit
- Governance reform
- May need to recapitalise
4. Cross cutting regulatory priorities

• Address regulatory reform backlog
  – Pass legislation; finalise and gazette regulations
    • Insurance Act/Micro-insurance regulations
    • FIA/various regulations, e.g. agency banking
    • Payments Systems Act/various regulations
  – Repeal Money Lenders Act

• Regulatory reform to promote innovation:
  – Risk-based harmonisation of regulations regarding banks and mobile money
    • Tiered KYC for banks (as with mobile money)
    • Allow mobile money accounts to pay interest
4. Cross cutting regulatory priorities

- **Consumer empowerment**
  - E.g. fees disclosure

- **Regional co-ordination**
  - Liaise with SARB with respect to cross-border remittances & payments

- **Information to understand FI**
  - product based, customer numbers, transaction levels, transaction costs, claims ratios
Priorities and policy objective

Direct
- Transaction costs
- Risk mitigation
- Deposit mobilisation

Indirect
- Accumulation and allocation of capital
- Access to services and opportunities
- Gov’t Revenue

Financial sector development
- Financial inclusion

Improved welfare

Employment, SMME, education, health, food security
## Actions with cross-cutting impacts

<table>
<thead>
<tr>
<th>Action</th>
<th>Impact on</th>
</tr>
</thead>
</table>
| Facilitate Mobile Money                                                | • Reduced cost of transactions and enhanced range of low-cost savings options  
• Facilitates low cost remittance payments both domestic and cross-border  
• Supports inward investments by migrant workers  
• Can support risk mitigation and credit provision by providing a low cost payments channel |
| Reduce bank costs and eligibility constraints                          | • Reduced cost of transactions and enhanced range of low-cost savings options  
• Facilitates low cost remittance payments  
• Can support risk mitigation and credit provision by providing a low cost payments channel  
• Supports inward investments by migrant workers  
• Supports deposit mobilisation |
| Facilitate retailer money transfers                                    | • Facilitates low cost remittance payments  
• Supports inward investments by migrant workers |
| Develop regulations regarding agency                                   | • Reduced cost of transactions and enhanced range of low-cost savings options  
• Facilitates low cost remittance payments  
• Reduced cost of transactions and enhanced range of low-cost savings options  
• Facilitates low cost remittance payments  
• Facilitate enhanced risk mitigation |
| Encourage credit provision to farmers and SMMEs through research, using existing networks | • Impacts on livelihoods and growth  
• Can support risk mitigation |
| Development and marketing of migrant target products                   | • Supports inward investments by migrant workers |
Thank You!

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