

# FinMark Trust Capability Statement

2021 – Feb 2024

September 2021



**We are passionate about Africa –**  
and are a vehicle for African professionals who are excited about  
financial and economic inclusion in the SADC region.

# 1. WHO WE ARE

FinMark Trust is a non-profit trust fighting poverty and inequality in the Southern African Development Community (SADC) region by ensuring that the poor are part of the economy. We do this by securing financial sector development that supports the inclusion of all the people of SADC – specifically by promoting financial inclusion in support of inclusive economic growth. For 20 years, our work has created profound and sustainable impacts in the lives of the poor, achieved through our partnerships with regional authorities, national governments, and the private sector. Our evidence-based approach is key to identifying and addressing the systemic constraints that prevent financial markets from reaching out to unserved and underserved people.

## Examples of the impact FMT has contributed to in SADC





1. Significant impact on end beneficiaries	2. Private / public sector pro-poor pilots	3. Enabling Policy & Regulatory impact	4. Data to inform / catalyse change
 <ul style="list-style-type: none"> <li>• 48 million adults newly included in the formal financial system in the last decade, 22 million being women</li> <li>• Remittance costs drop by 50% in the last decade, with over USD 80 million in savings for remitters in the last 5 years alone</li> <li>• 4.4 million people benefit from lower remittance prices, 60% of them women</li> <li>• Formal remittance transaction volumes up by 69% in the 3 years to 2019</li> <li>• 2.8 million mobile money wallets owners in Malawi receive USD 1.6 million in interest payments in the first 18 months</li> <li>• 11 000 families in 4 countries benefit from our COVID-19 Migrant Relief Fund</li> </ul>	 <ul style="list-style-type: none"> <li>• Pilot with retailers results in a formal low cost remittance product with cost reductions of 70% on the SA – Lesotho and Eswatini corridors</li> <li>• Regulatory “sandbox” for risk-based AML / CFT on boards millions of additional low value remitters</li> <li>• 3 incubated FinTechs go on to commercially raise USD 19.3 for every dollar invested by FMT</li> </ul>	 <ul style="list-style-type: none"> <li>• FI adopted as a regional policy objective</li> <li>• SADC FI Strategy developed, National FI strategies / roadmaps in 8 countries</li> <li>• Regulatory amendments increase competition in cross border remittances, reduce costs</li> <li>• SADC Mobile Money Guidelines developed, implemented in 3 countries</li> <li>• Risk based KYC regime roll out</li> </ul>	 <ul style="list-style-type: none"> <li>• Nationally representative datasets in 14 of 16 SADC member states</li> <li>• 36 FinScopes globally, in South East Asia, Latin America and Africa</li> <li>• M&amp;E and tracking data for SADC policy makers</li> <li>• Mobile phone based emergency COVID-19 response data in 5 African countries</li> </ul>

Figure 1: FMT in 20 years – Examples of the impact in SADC we have contributed to

We have a **strong track record** in the SADC region of catalysing policy shifts, and products and services that benefit the poor. We are particularly proud of the following impacts we have made in the region, working with our partners in government and the private sector.

FMT has strongly supported SADC regional economic and financial integration, through its partnership with the SADC Secretariat and the SADC Committee of Central Bank Governors (CCBG). This includes an ongoing review of implementation progress for the regional Finance and Investment Protocol (FIP)<sup>1</sup>.

We have pioneered the collection of **supply and demand-side data** in the region, including through the FinScope survey, which globally remains the most comprehensive demand-side instrument of its kind<sup>2</sup>. Most recently, we introduced the COVID-19 Tracker that tracks the COVID-19 pandemic's impact on livelihoods.

<sup>1</sup> The SADC Protocol on Finance and Investment focuses on harmonising financial and investment policies of Member States in order to build stronger Regional Integration and encourage economic development

<sup>2</sup> FinScope Consumer Survey Review: Financial Inclusion Methodology, 2015, A FinMark Trust report prepared by Eighty20

**Implementing partner to SADC Secretariat:** FMT was appointed as the lead implementing partner for the Support to the Business and Investment Environment (SIBE) programme in 2020 on behalf of the SADC Secretariat. Over the next four years, FMT will provide technical expertise, project management oversight as well as stakeholder coordination support to the Secretariat for the implementation of the programme.

In our journey to impact the lives of the poor, we have **learned many lessons**. Financial inclusion is part of a larger development agenda that ultimately results in improved livelihoods. As such, our focus is evolving towards more direct real economy impacts. The new financial inclusion 2.0 is closely tied to the UN sustainable development goals and COVID-19 economic recovery.



Figure 2: Financial Inclusion 2.0 Context

**Women** have traditionally enjoyed a high priority in FMT programmes, but this has been further heightened by COVID-19. This is due to research that shows that COVID-19 has disproportionately affected women.<sup>3</sup> Women-led enterprises have similarly borne a heavier burden than other MSMEs. Especially affected are Informal Cross Border Traders who are 70% women and typically are not included in government mitigation plans.

## 2. OUR CAPABILITIES

Through our unique approach, we bring real change and benefits to people in SADC. This approach includes our considerable experience and capacity to "pilot" and implement new ideas in the market. For example, our hugely successful remittances product in the Lesotho / eSwatini / SA remittance corridor, ongoing digital financial identity pilots, and risk-based approaches with financial sector players to assess their clients for AML/CFT threats. By providing the evidence base to identify the need and blockages and our technical skills in various areas, we can help market players formulate suitable products or processes. We test these in the real live market in partnership and then allow the private sector to roll them out at market scale in a sustainable way.

We are passionate about Africa and are proudly a vehicle for African professionals who are as excited about financial and economic inclusion in the SADC region. Our staff, therefore, reflects a diverse range of Africans who have deep-rooted ambitions and commitment to ensure a financially inclusive region.

<sup>3</sup> UN Secretary-General Policy Brief: The Impact of COVID-19 on Women, 9 APRIL 2020

### Promoting innovation:

We have successfully commercialised multiple pilot products and processes, while FinTech companies we have incubated have raised 19.3 dollars for every 1 dollar we invested.

### Creating sustainable solutions:

The private sector solutions that have been launched with FMT support currently operate independently and have remained commercially viable for over 5 years – generating significant revenue for the FSPs, whilst bringing costs down for consumers and increasing accessibility, particularly for rural populations.

FMT supports the SADC Committee of Central Bank Governors in strategic areas, providing thought leadership on critical issues. Our work includes supporting SADC in achieving G20 cross-border remittance targets on price, speed, transparency, and access. We also support CCBG in payments, monitoring financial inclusion targets, and developing and implementing regulations such as the mobile money guidelines and digital KYC for the region.

Our strategic capabilities include the following:

- Deep local presence and reach in the SADC region built over the last 20 years ensures our work is responsive to local needs, ready access to stakeholders and policymakers across the region, and physical presence at SADC Secretariat. Also, an ongoing long-term technical support partnership with the SADC Committee of Central Bank Governors (CCBG), 6 country offices within SADC, and ongoing programme activities in multiple SADC countries.
- Deep relationships across the public and private sector, including existing convening and engagement platforms such as the annual regional financial inclusion forum.
- Capacity to implement big/ substantial regional projects, backed up by a strong programme, data, and operational capacity.
- Trusted technical and implementation partner for the SADC Secretariat, CCBG and other SADC substructures and subcommittees, the National Treasury of South Africa, the South African Social Security Agency, and multiple Ministries of Finance and Central Banks across the region.
- An unrelenting focus on the poor, especially poor women and youth, whom our programmes disproportionately benefit.

### 3. FINANCIAL INCLUSION 2.0 AND COVID RECOVERY IN SADC

SADC is a Regional Economic Community that comprises 16 Member States<sup>4</sup>. Poverty remains one of the most significant challenges in the region, with approximately half of the population living on less than **\$1 a day**. The financial sector is relatively underdeveloped, resulting in limited access to finance, especially for MSMEs, and one of the lowest national savings rates on the continent. There is an urgent need to develop long-term, local currency finance for investment alternatives, including green finance. The region is highly susceptible to the impacts of climate change and is among the most affected regions globally. It has high youth unemployment and poor access to basic services (health, energy, and education).

The region is undergoing significant challenges due to COVID-19 which hit when the SADC economy had not fully recovered from the previous financial crises and recent climatic shocks. Governments have had limited fiscal headroom, so budget deficits have widened while debt rose sharply in 2020.<sup>5</sup> SADC has ranked regional investment and financial sector integration as high priorities in the recovery process. The SADC Secretariat recently appointed FMT to implement the Support to Improving Investment and Business Environment (SIBE) programme. The SIBE programme includes a raft of measures to boost trade, investment, and access to finance for SMEs. Our COVID-19 recovery

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With FMT support, financial inclusion has become a regional policy objective, with the SADC FI Strategy adopted in 2016, and National FI strategies and roadmaps developed in 8 countries.

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<sup>4</sup> Angola, Botswana, Comoros, Democratic Republic of Congo, Eswatini, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Tanzania, Zambia, and Zimbabwe

<sup>5</sup> SADC Regional Response to COVID-19 Pandemic, Bulletin 14, [https://www.sadc.int/files/7016/0499/7092/BULLETIN\\_14-SADC\\_Response\\_to\\_COVID19\\_-ENGLISH.pdf](https://www.sadc.int/files/7016/0499/7092/BULLETIN_14-SADC_Response_to_COVID19_-ENGLISH.pdf)



efforts will prioritise women and youth, green finance, and resilience to future pandemics through digital platforms and more inclusive growth.



Figure 3: SADC Challenges

## 4. OUR FOCUS AREAS

FMT leverages regional and country stakeholders in catalysing and embedding change, focusing on regional approaches and joint convening. This leverage allows us to take advantage of economies of scale, complemented by implementation in selected countries. South Africa is leveraged as a multiplier in the region.

Through this approach, our current work spans six focus areas impacting several SDGs, especially Goals 1, 5, 8, and 10.

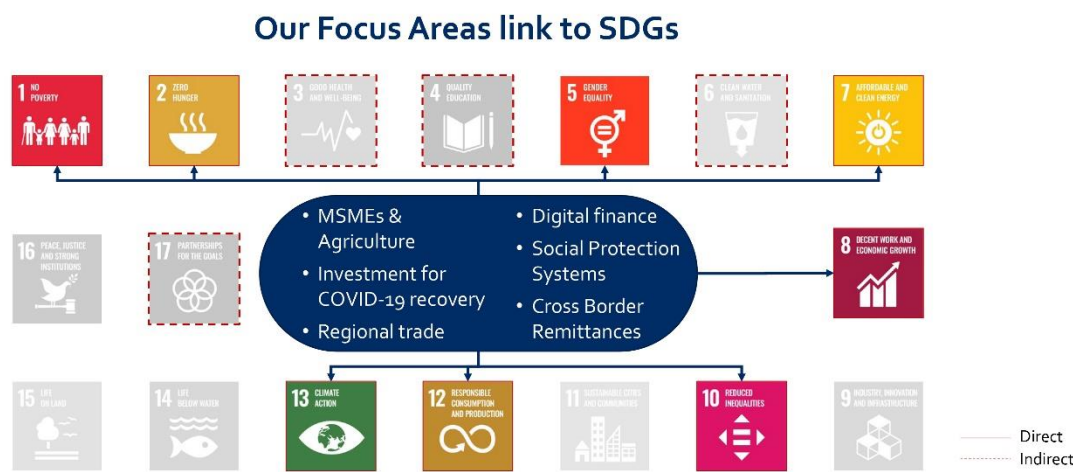


Figure 4: FMT Focus Areas linked to SDGs

**i. Catalytic interventions in MSME and agriculture** to create jobs especially for women and youth:

Our SADC Supplier Development programme is the primary framework to engage and support MSMEs and small farmers. The programme includes more significant regional players working with us to help these local players in the context of key value chains. Our programme focuses on expanding access to markets for small farmers and enterprises to create inclusive growth and employment opportunities, especially for women and youth. We also engage with off-takers and FSPs to increase access to finance, leverage technology platforms and fintech solutions to expand finance and market linkages, provide data, and support stakeholders to surface and implement new ideas through the FMT innovation programme.

We prioritise digital platforms for MSMEs and farmers. Examples include new credit information platforms that leverage alternative pieces of information and a platform that enables MSMEs that have only used face-to-face channels to enter the digital marketplace.



Figure 5: Our focus on MSMEs and Agriculture

**ii. Investment for a greener, inclusive COVID-19 recovery**

The region has had limited access to finance for investment, trade, and working capital, and innovation is needed to support firms to access the products and services they need to grow. In 2021 FMT launched the SIBE programme, a SADC regional programme supporting the regional structures and member states to improve the policy and investment climate and enhance financial sector integration for sustainable and inclusive growth and job creation. The program's objective is to develop the region into a SADC investment zone, promoting intra-regional investment and Foreign Direct Investment (FDI), particularly for SMEs.

Through the SIBE programme, we will be supporting investment for a greener build back after COVID-19 by encouraging the growth of green finance for MSMEs and attracting new social investment capital geared towards environmental impacts.

### iii. Enabling regional trade through informal and small cross border traders, especially women.

Trade is a significant lever to drive job growth in the region. FMT supports this area directly through the regional financial integration work. We have also expanded our existing work on cross-border remittances to support informal cross-border traders (ICBTs), most of whom are women, as a new category of beneficiaries, exploring digital platforms and financial services to best support them.

Trading and e-commerce platforms for low-value traders allow access to new markets, finance and information, and open up new forms of funding from buyers on the platforms.

To support capital flows in the region, FMT in 2013 supported the development of the regional high-value settlement (SADC RTGS) platform and is now extending this work under the SIBE programme towards low-value transactions and multiple currencies. We are also working closely with the SADC Secretariat to ensure that the African Continental Free Trade Area initiative includes the poor in the region by enabling low-value traders, especially women, to be part of the continental initiative.

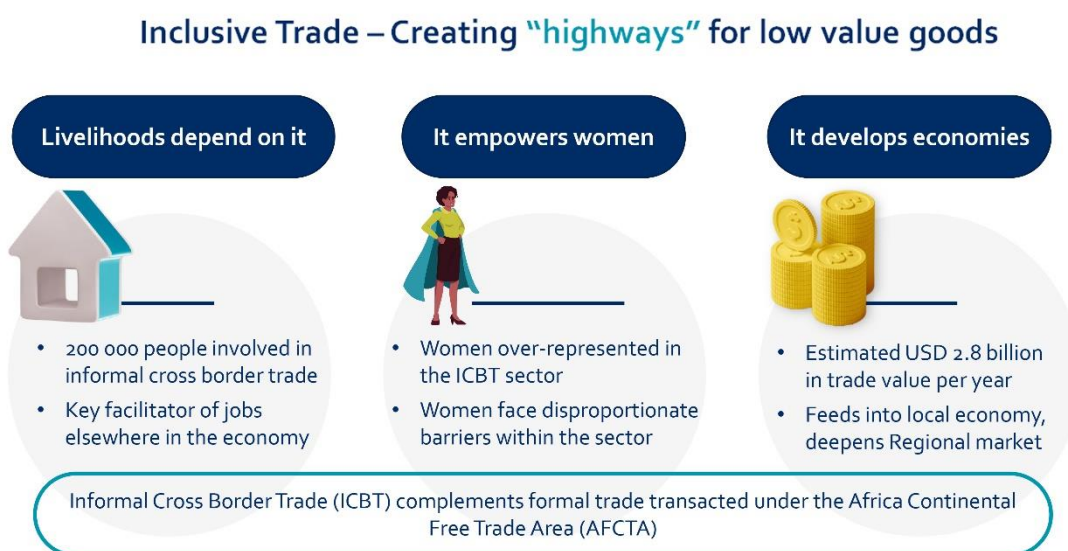


Figure 6: Informal Cross Border Trade as an important pathway to trade inclusivity

### iv. Inclusive Digital finance to promote inclusivity for informal and low-income workers and consumers and to stimulate local economic development.

Inclusive digital finance can improve resilience and economic growth through better access to basic and financial services, as digital mechanisms reduce cost and improve scale and convenience. FMT supports regional and selected country regulators to implement a supportive regulatory environment. This support is provided through policy harmonisation, including the SADC mobile money guidelines and appropriate consumer protection standards.

At the local level, we are running community digitisation projects to support local economic development. We work with local communities and service providers to digitise basic and financial services that support those communities.

SADC Regional mobile money guidelines (developed with FMT support) were adopted in 2016 to support regional integration, standardisation, and best practices. An estimated 2.8 million mobile money wallet owners in Malawi have received USD 1.6 million in interest payments on their wallets as a result.

Informal and low-income workers outside of the social nets are often left out of the economy. As the economy moves towards digital payment mechanisms, FMT provides workers the opportunity to maintain or increase their informal earnings, such as cash tips, and formalise their participation in the economy.

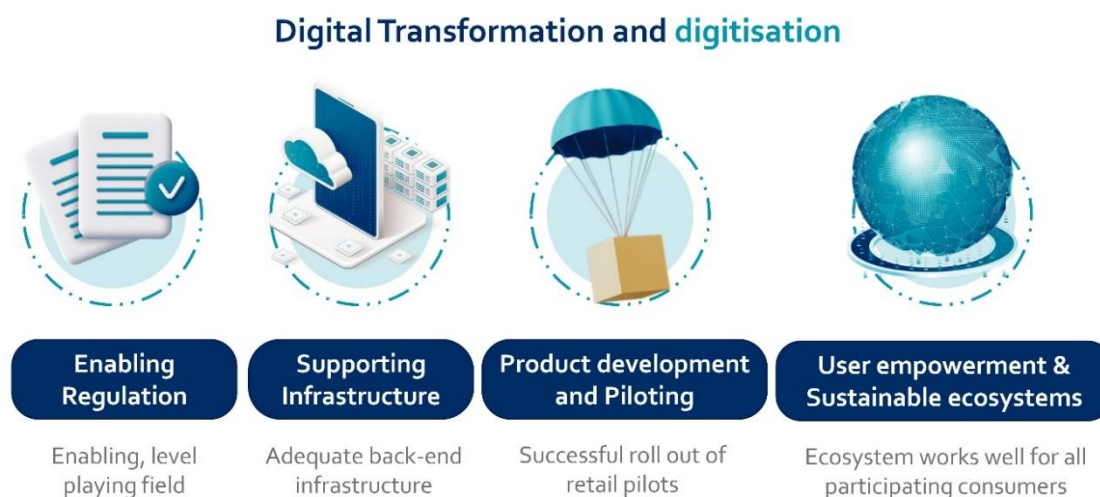


Figure 7: Our Scope of interventions under Inclusive Digital Finance

#### v. Strengthening Social Protection Systems

In partnership with the South African Social Security Agency (SASSA), FMT has recently implemented a project to improve access to and usage of social grants. This project focuses on vulnerable groups and women in South Africa, one of the largest social welfare transfer systems among developing countries. Building on this activity, FMT is now further looking to improve the efficiency of the grant payment systems in the region, empower grant recipients by establishing pathways out of poverty, and improve recipient financial literacy and capability.

We are supporting the long-term digitisation of the broader social protection payments eco-systems, capitalising on the opportunity to support real economic growth through this digitisation.

#### vi. Cross border remittances to benefit low-value remitters and women beneficiaries

FMT's work in cross-border remittances has been ground-breaking. We continue to address additional corridors and develop new products to lower costs towards the G20 target of 5% of remitted value. Reducing the cost of cross-border remittances will increase incomes, especially of poor women.

The cross-border work has encouraged a move towards a risk-based AML/CFT regime, opening space for innovation on how providers may reduce customer documentation requirements while still meeting the Financial Action Task Force (FATF) requirements. Currently, we are exploring remote onboarding through platforms like Facebook within the FATF rules.

Amendments to Authorised Dealer Licencing (ADLA) regulations in SA enabled unprecedented competition in the cross-border remittance market, while a less stringent, risk based KYC regime enabled millions of low value remitters to access the formal cross border remittances



We have also rolled out the digital financial identity project to ensure that regulations further support the digitisation and onboarding of low-value and undocumented customers. We envision a SADC digital financial passport supported by suitable standards and guidelines.

## 5. DATA & ANALYTICS

FMT has always prioritised data and analytics in the region, having pioneered the FinScope survey methodology in the early 2000s. New methods, data, and tools are constantly being evaluated and developed. FMT has recently developed a cost-effective mixed-mode mobile data collection methodology to track financial inclusion indicators. This data collection methodology has proven highly relevant during the COVID-19 pandemic.

Our deep data capacity includes supply and demand-side data collection using multiple tools and methodologies, data analytics, and the development of insights and evidence base to drive impactful and targeted market initiatives.

FMT data portals help stakeholders make informed data-driven decisions using simple-to-understand interfaces. Our data analytics and M&E allow for showcasing of FMT's work and impact.

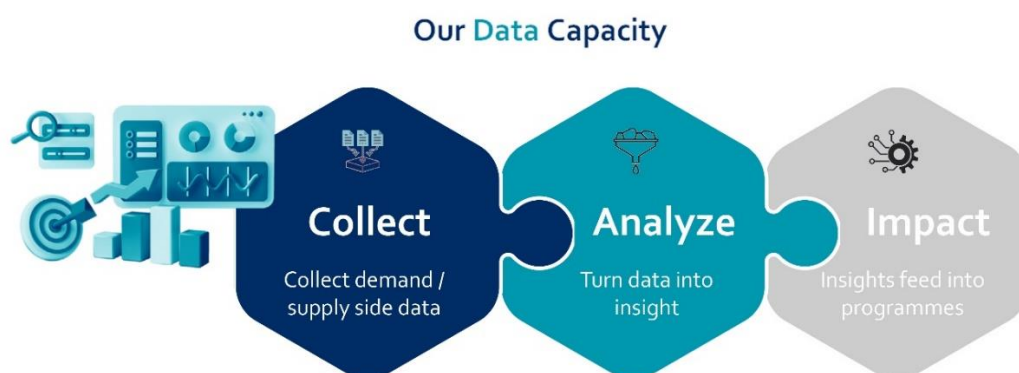


Figure 8: FMT Data Capacity

## 6. OUR CURRENT PARTNERS

Our current funding partners include the Bill & Melinda Gates Foundation, Swiss Aid, UK Aid, UNCDF, UNDP, the World Bank Group, and the EU via SADC.



## 7. CONTACT US

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(approx. 5-10 mins to browse)



Read more about our impacts  
in our Impact Statement

(approx. 2-3 mins reading time)

