

# KEYNOTE ADDRESS BY THE HONOURABLE MINISTER OF FINANCE AT THE FINANCIAL INCLUSION DAY



**NOVEMBER 29, 2018**

It is indeed a great honour for me to have this opportunity to officiate the launching of this important initiative, the Financial Inclusion Day, on the theme “Broadening the horizons for all”, which is the first one of its kind in this country. We gather here today to reflect on the progress we are making as a country in the financial inclusion space, but we cannot get it right of course if we cannot involve other partners who may be ahead of us in this journey. I am quite pleased that some key role-players in the financial inclusion space at the international and regional level have accepted our invitation and will be addressing us today.

Before I deal directly with today’s business, allow me, ladies and gentlemen, to briefly reflect on the national strategic policy position of the Government of Lesotho on financial inclusion. The government is supportive of this initiative as it is one of the means through which poverty can be alleviated. It has also been anchored in the last National Strategic Development Plan (NSDP), and remains even in NSDP 2. The inclusion of the financial sector in the NSDP marked an important step in developing an overarching framework for financial sector development, now more specifically addressed in the Financial Sector Development Strategy (FSDS) which was adopted in 2013. The FSDS aims

to effect the NSDP aspirations regarding financial sector development, and gives a high priority to financial inclusion in line with the policy priorities of the government. The FSDS includes action items to be implemented over a five-year period covering the six strategic objectives of the NSDP. Under Financial Inclusion, there are action items relating to financial literacy; SMME financial inclusion; legal reforms; increasing commercial bank participation; microfinance institutions; Rural Savings and Credit Groups (RSCGs) and village savings and loan associations (VSLAs); savings and credit cooperatives (SACCOs); housing finance; agricultural finance; mobile money/e-money; micro-insurance; and credit information. It also addresses consumer protection; insurance; cross-border competition; and pensions. It therefore pleases me that most of these areas form the agenda of this meeting.

Since we don’t exist in a vacuum as a county, we always have to draw lessons from those around us, in the region and far afield. Taking a glance at the regional level, the Southern African Development Community (SADC), Financial Inclusion Strategy recognises that financial inclusion can play a catalytic and supportive role in industrialisation. This is a core SADC objective, which also talks directly to us as the country. In this area, the strategy proposes that the region must address

important areas such as domestic resource mobilisation e.g. through cross-border fund transfers, agricultural production and agro-processing, strengthening of SMMEs, and leveraging the symbiotic relationship between financial inclusion and ICT. This regional blueprint further emphasises the growth of payments and digital financial services, orienting credit markets towards SMMEs and smallholder farmers, and also helping to standardise key data to facilitate cross-border comparison and measuring regional progress. I would like to also get feedback on this regarding our stand as the country.

Globally, during 2015, the Sustainable Development Goals (SDGs) were adopted by the United Nations. By addressing key themes such as poverty alleviation, inclusive growth, reducing inequality, gender and youth empowerment and others, the National Inclusive Finance Strategy also seeks to support the Lesotho government in achieving the SDGs.

Coming home, a look at the take-up levels of financial services and products paints another interesting picture. Lesotho's financial inclusion levels are comparatively high. Just picking on the banking penetration for instance, Lesotho reached 41% in 2016. This compares with 47% for the Republic of South Africa (2012), 22% for Malawi, 14% for Zimbabwe and 9% for Mozambique (all in 2012).

On the other hand, inclusion levels for formal credit and insurance products are very low, recorded at 5% and 2% respectively. This picture indicates very little hope for this sector to enhance creativity and improve the productivity. It further limits the potential of the sector to have the desired impact on employment as well as to encourage transition from the informal sector to the formal sector.

Also, one cannot ignore the variety of interventions currently being implemented in the country, with the help of our development partners. Without them, the country would have not made the strides that have been made, nor lessons that will be shared today. It is also quite exciting to note that the sector continues to witness new entrants in the market. It is not long ago when the Mobile Network Operators introduced mobile money in the country. Since then, the financial landscape has continued to change, and I highly applaud them for that. I would like to invite all financial technology players to innovate and develop even further so that inclusive, affordable and accessible financial products and services can be offered to Basotho. What needs to be emphasised though, is that these developments seriously challenge the sector players to collaborate more for a much improved impact.

On the digital payments and mobile financial services, we are very excited about strides made in the implementation of the Lesotho SIMM Project and potential benefits that our people stand to benefit from the innovative and ground breaking

approaches contained in the Platform Action Plan. Through this project, we seek to catalyse inclusive and pro-poor growth by scaling up formal and semiformal financial services for low-income and rural population in Lesotho through mobile money. We are convinced that mobile money can be used as a channel to offer innovative and low-cost credit, savings and insurance products and significantly reduce the costs of transferring money compared to traditional forms of money transfer. We are considering findings and recommendations of the studies and pilot projects from this initiative to shape further interventions. The UNDP, Fin Mark Trust and Central Bank have teamed up with the Ministry of Finance in leading this initiative.

The impressive work done by the World Bank also, cannot be overlooked, through its support to the Central Bank with regard to the review and development of all critical laws and regulations passed by parliament in the past few years. This has levelled a playing field for industry. I know that there are still gaps, but progress is noticeable. A significant number of Basotho population working outside the country have been served with a variety of cross border payments to send money home. The Shoprite money transfers and partnerships that our MNOs entered into with other cross border payment players have made a big difference.

Allow me, Ladies and gentlemen, to also thank the Ministry of Finance and the Central Bank of Lesotho for leading the current efforts that seek to strengthen the collaboration between all critical role players in providing the financial services, including the Banks, the Mobile Network Operators, Micro-finance Institutions, NGOs, partner ministries and our development partners. Please continue to work together for the benefit of the people we serve. We are not there yet, so more needs to be done. For instance, on the mobile money side, interoperability is still very limited. The collaboration on financial education through the National Financial Education Steering Committee is impressive, let us learn from the Non-governmental organisation about how to track impact of our education activities. We need to be able to look back and see impact on the real economy and welfare of the nation.

With those few words, I wish you productive deliberations!!!

**I Thank You!**  
**KHOTSO. PULA. NALA.**