



ACCESS TO FINANCE IN AFRICA

Regional Context

Africa at a glance:

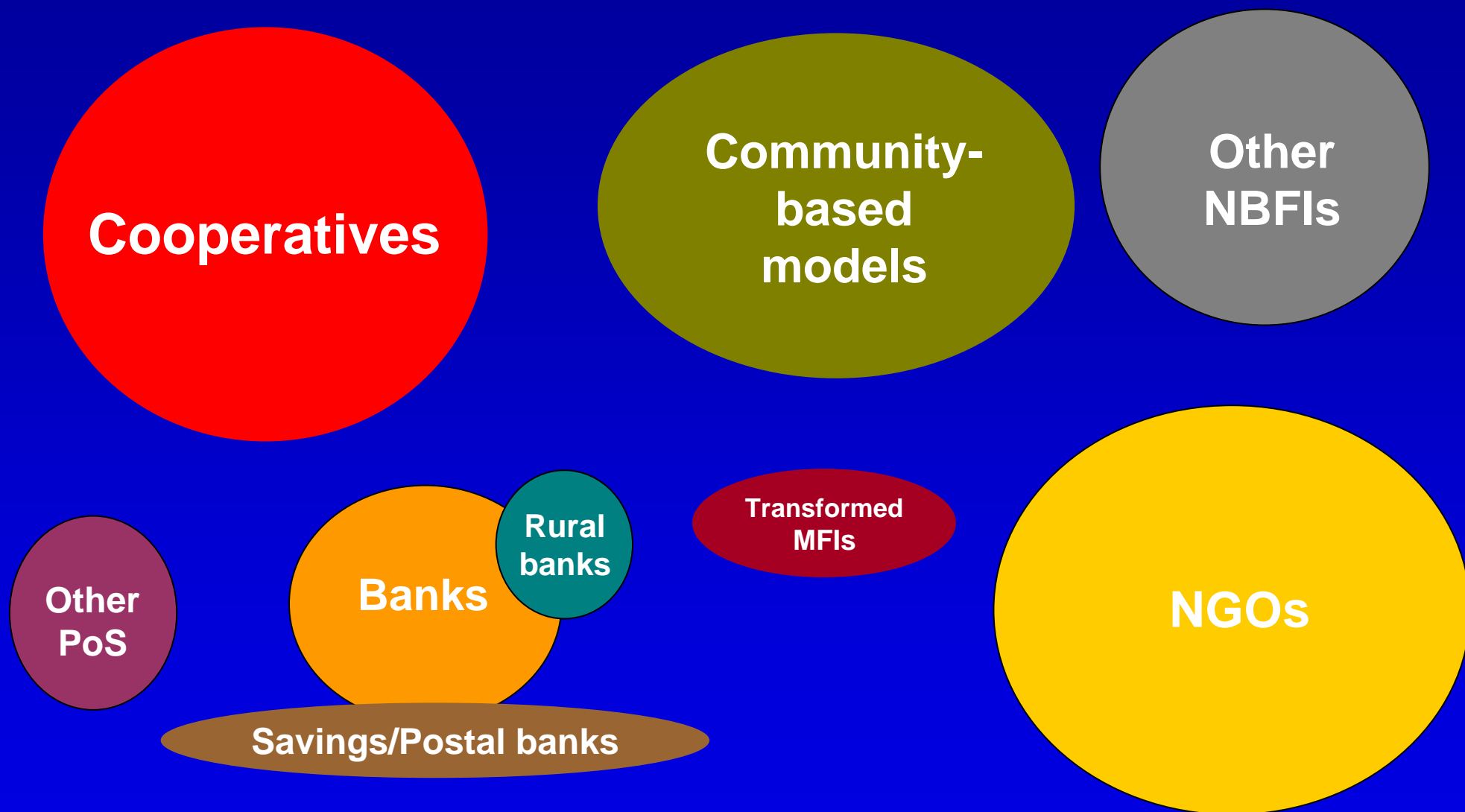
- Projected 2006 economic growth: 5.8%
- 21% of countries are categorized as middle income
- Frequent political/economic shocks; recent improvements in governance
- Doing Business: Difficult business environment



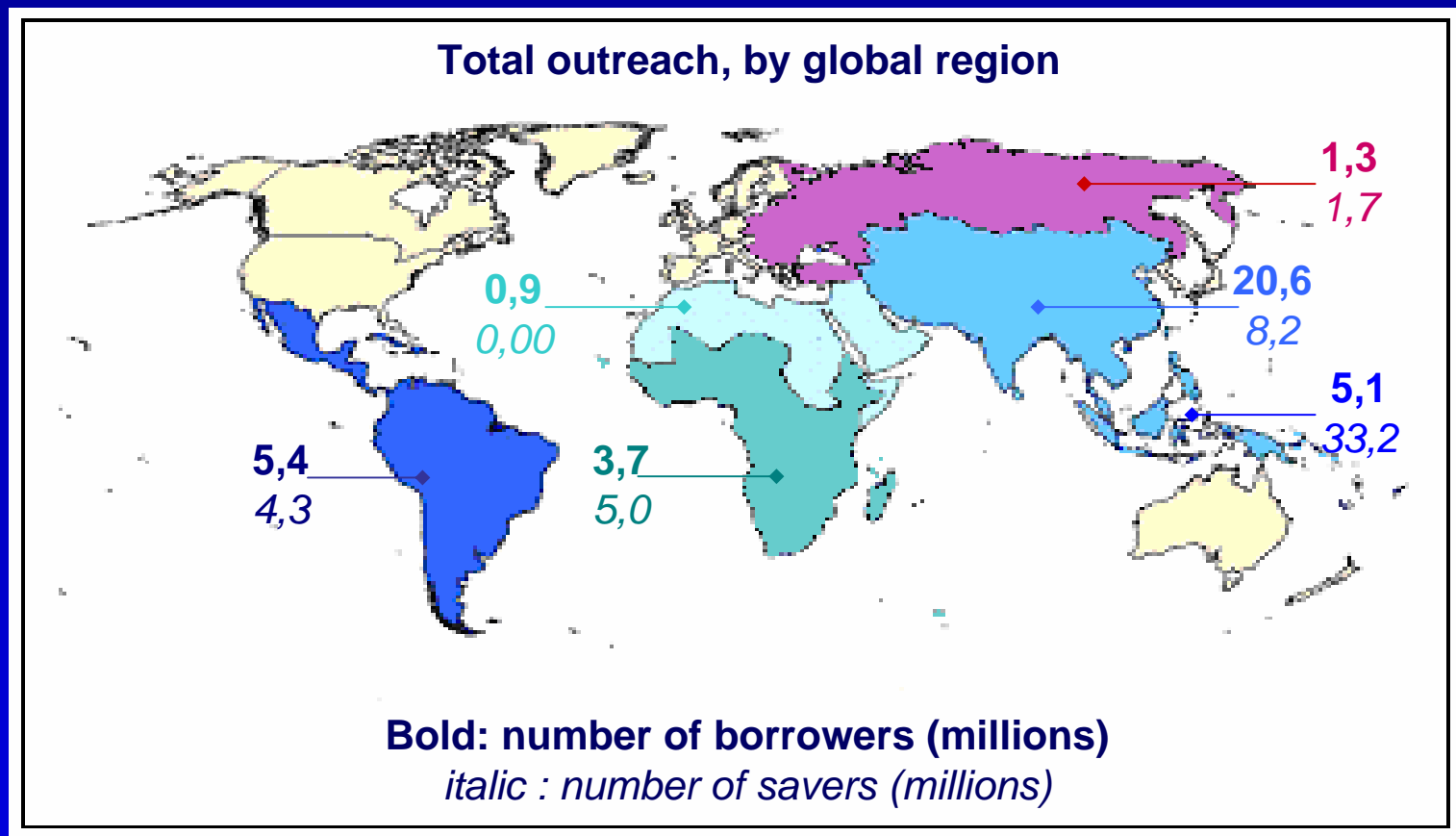
Financial access:

- Only 1 in 5 households have access to finance
- Low levels of private credit: 18% of GDP
- Small national banking sectors

Diversity = Strength



African MFIs: Strong Outreach



Source: MIX Market

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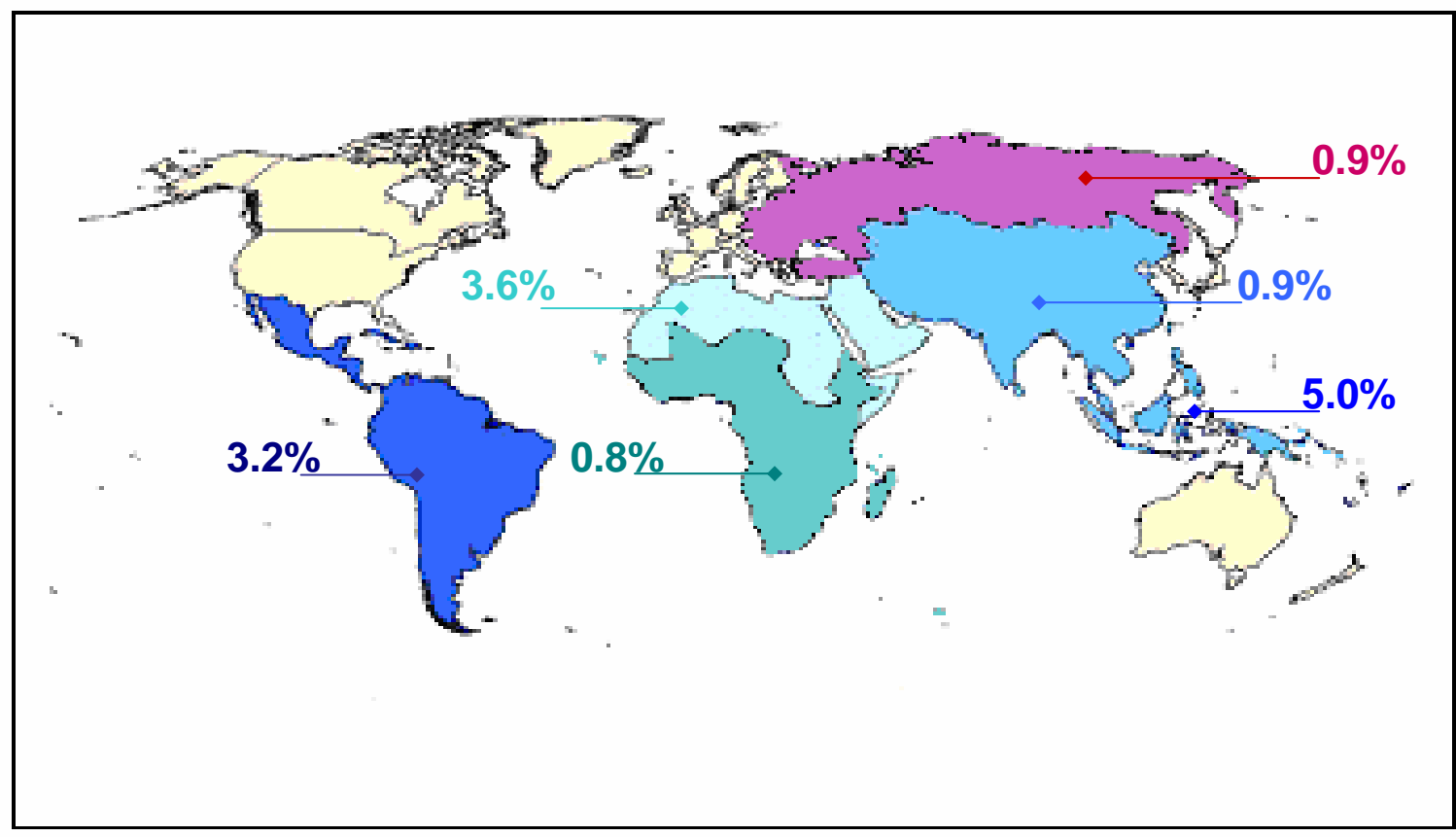
Depth of Outreach: Mixed story

Region	Average loan balance per borrower (USD)	Average loan balance per borrower / GNI per capita
Africa	487	131%
Asia	275	39%
ECA	1,840	158%
LAC	885	52%
MENA	493	28%

Source: MIX Market

African MFIs: Lowest profitability

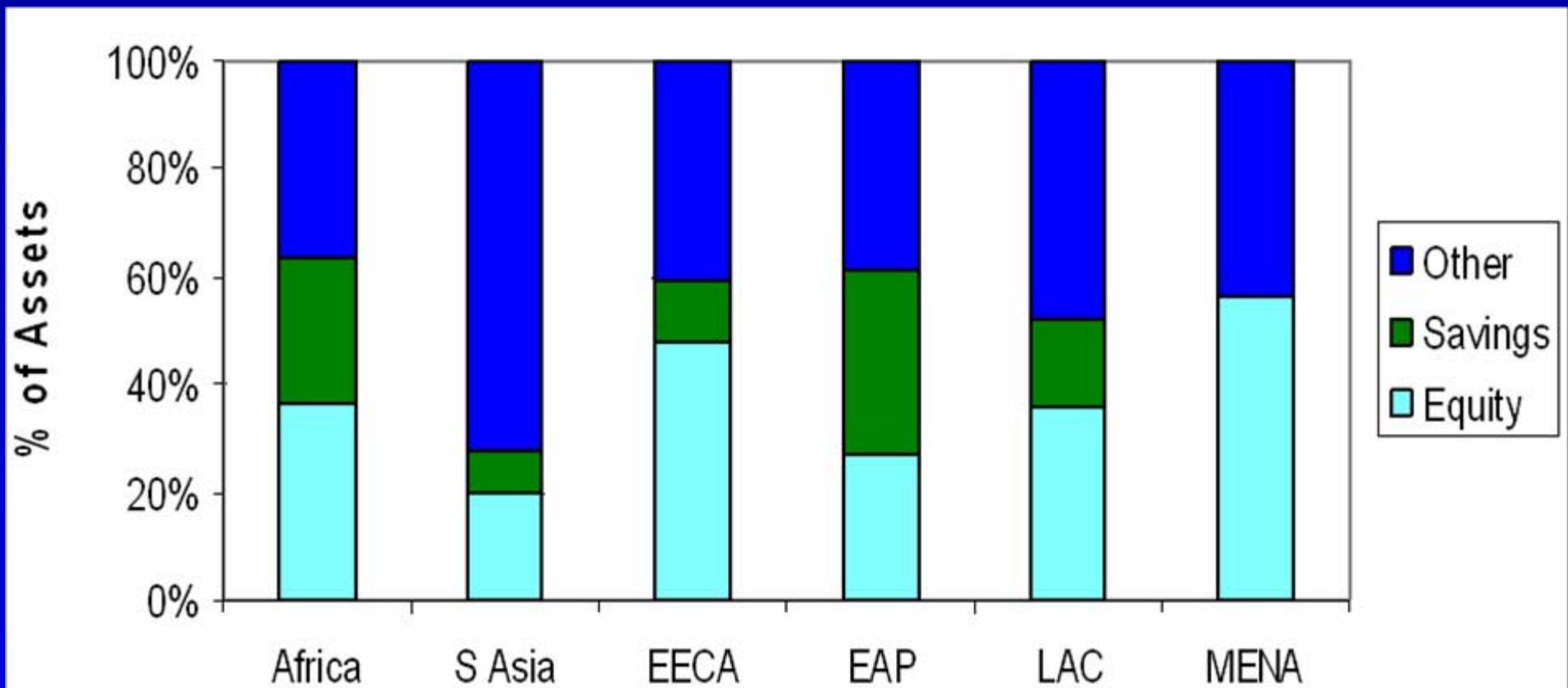
MFIs in Africa report ROA of 0.8%



Source: MIX Market

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African MFIs: Balanced Funding Structure



Source: MIX Market

Efficient payment system: Backbone of financial sector

Currently:

- Cash dominates payments
- Transfers can take up to 45 days
- Banks dominate national payment systems



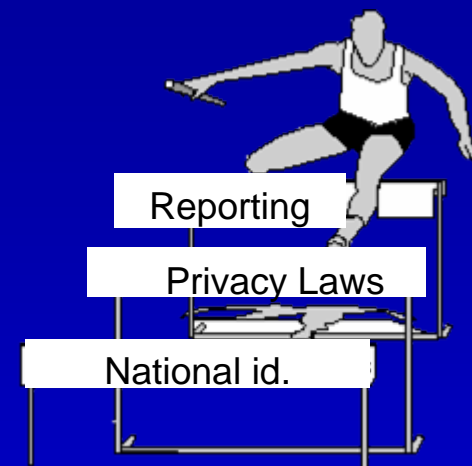
Progress:

- 16 countries have RTGS; 17 moving towards
- Countries broadening access to systems
- Increasing regional payments integration

Credit bureaus are a must...but the least developed in Africa

Currently:

- Uneven national ID systems
- Lack of appropriate privacy laws
- Weak reporting capacity of MFIs
- 20 public mainstream credit registries;
6 private registries



Progress:

- MFI credit registries proposed in 6 countries

Financial transparency promotes sound institutions

Currently:

- Critical shortage of accountants
- Lack of national accounting bodies & qualification opportunities
- Limited enforcement of financial standards
- Low number of MFI ratings

Progress:

- Regional accounting bodies driving harmonization
- Growing recognition of importance and IFRS standards
- MF networks and Central Banks playing a greater role



Challenging Policy Environment

Regulation and Supervision:

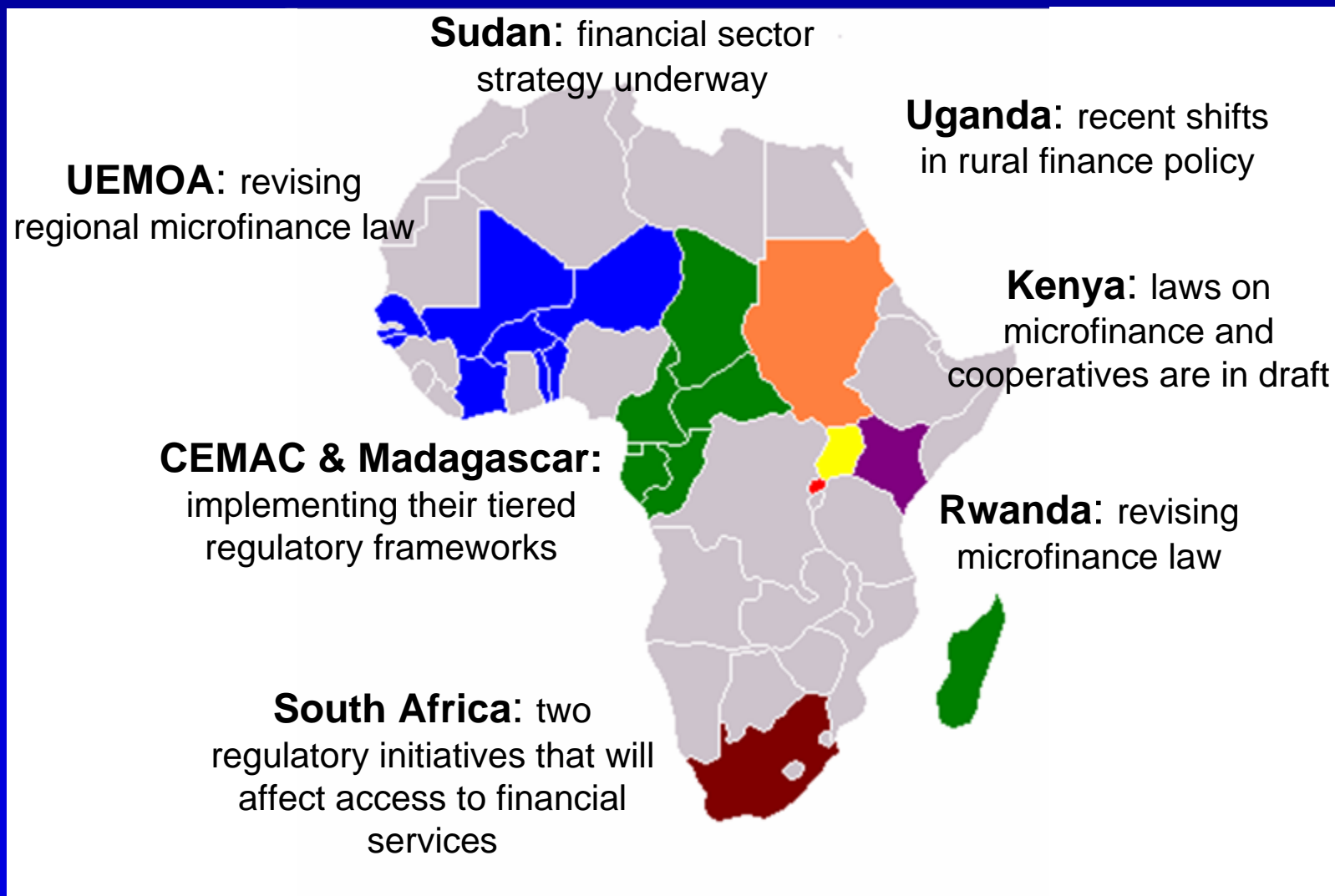
- Diverse legal traditions
- Changing realities
- Mix of national and regional jurisdictions

Challenges:

- Prevalence of decentralized MFIs (cooperatives, community-based models)
- Weak supervisory capacity
- MFI transformations, downscaling banks, and new models



Policy: Many Changes Underway



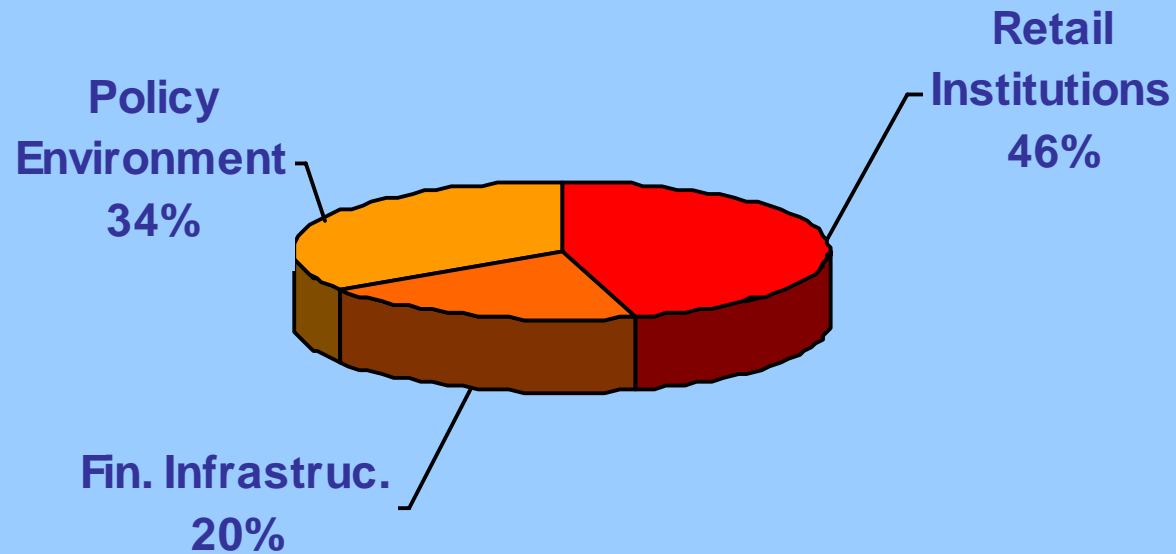
Challenges in Broader Policy Environment

- Continued targeted lending
 - Links between rural development and financial sector strategies?
 - Direct government lending, often subsidized
- Need for greater transparency on pricing and consumer protection



Funder programs in all 47 countries

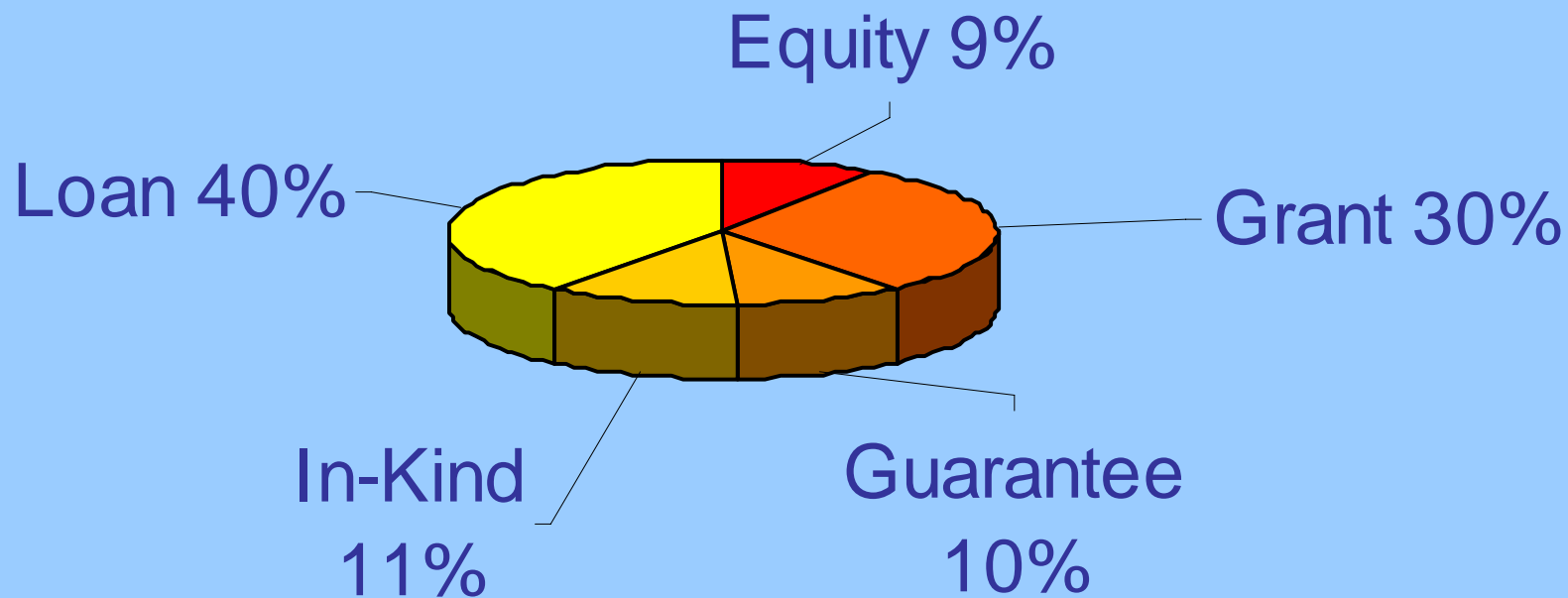
Funding for Activity Levels



Source: CGAP, 2006

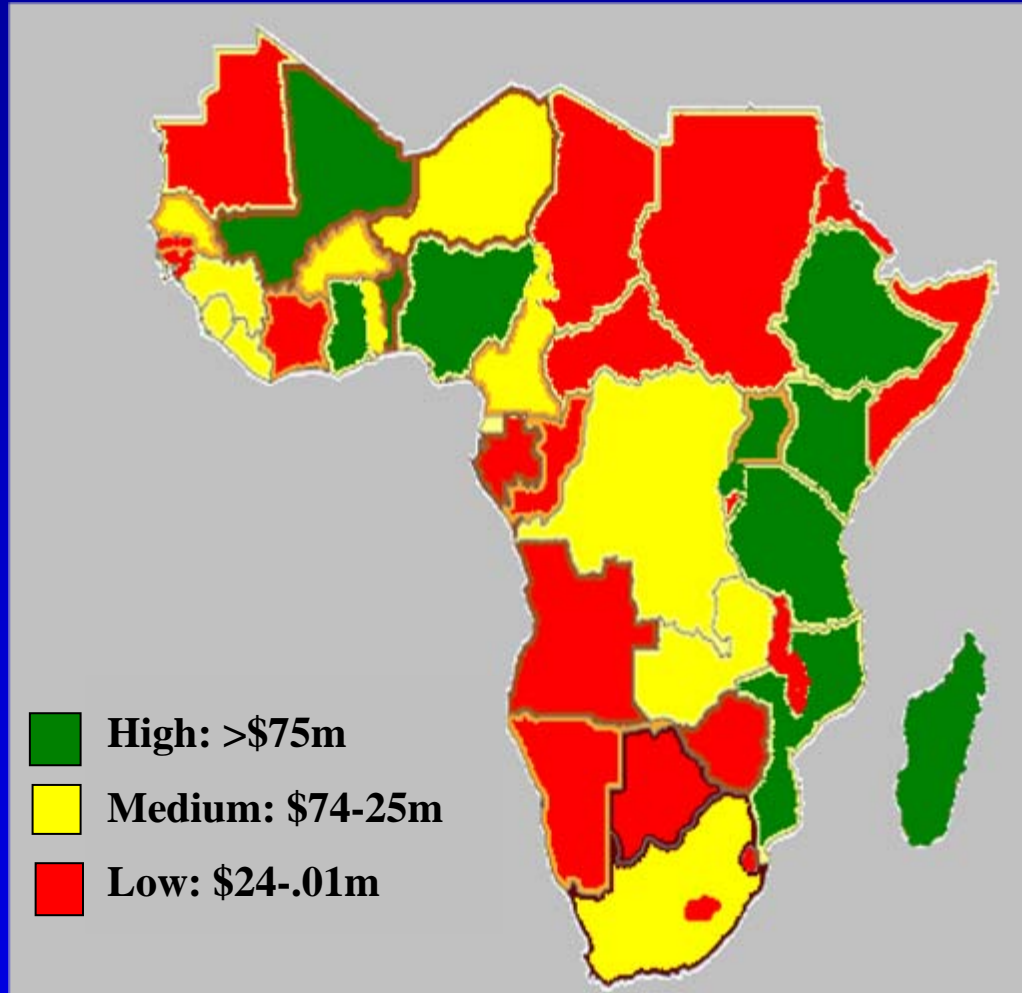
Access to Finance in Africa: Over \$2.5 billion in funding

Funding Instruments



Source: CGAP, 2006

Funding: Geographically Concentrated



- Six most heavily funded countries account for > 40% of total committed funding
- The 20 least-funded countries account for < 2% of total committed funding

Source: CGAP, 2006

Deepening CGAP System Work in Africa

- Aid Effectiveness:

- Field-based funder meetings: communication and coordination
- On-going survey of funders

- Policy Environment:

- Demand-based policy advice to Governments
- Central Africa Policy Forum in April 2007

- Financial Infrastructure:

- Ongoing capacity building and transparency programs with networks, training programs, and MFIs
- Audit seminars
- Survey of financial infrastructure and lessons learned





Thank you !



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