



FINMARK NEWS

Issue 57 August 2007

www.finmarktrust.org.za

Measuring rain to insure crops

South African smallholders farmers, like other farmers in Africa, face high risks. During times of drought crops wither and die. Too much rain and a season's harvest can be wiped out. There is interest in finding appropriate insurance to protect emerging farmers, but the risk for insurers is also high, and most of the products have been too expensive and not successful. Over the past few years, however, an innovative new tool known as weather index insurance has been developed. This provides farmers with cover based on weather events, rather than on crop losses.

Weather index insurance attached to input finance has proved popular in Malawi where two financial institutions are providing loans to farmers to purchase high yielding seed and other chemicals. In times of drought, the farmers' debt to the financier is paid off. As most farmers have little or no collateral, the insurance policy acts as collateral to the bank.

To find out more about weather index insurance, and the possibilities in South Africa, see *Weather Index Insurance – The Case for South Africa* <http://www.finmarktrust.org.za/documents/2007/JULY/Weatherinsurance.pdf>

Microinsurance business plan

Micro Insurance Agency (MIA) is a subsidiary of the microfinance organisation Opportunity International. It has subsidiaries in Ghana, Uganda and the Philippines, but serves people in 10 countries, and operates in four other African countries: Malawi, Mozambique, Zambia and Zimbabwe. FinMark Trust funded an initial market survey and the development of a business plan for a MIA in South Africa. The results of this survey are now available. See *Developing a business case for a microinsurance intermediary in South Africa*.

http://www.finmarktrust.org.za/documents/2007/July/MI_intermediary.pdf



Mobile banking: Two new studies look at the importance of the regulatory environment for encouraging the growth of the industry (see below)

Securing services for millions

Pilot programmes in Africa, such as the M-Pesa m-banking product in Kenya, which was adding customers at the rate of 1 000 a day only nine weeks after its launch, have highlighted the potential for mobile phones to deliver basic financial services. However, a policy report, drafted by Vodafone in partnership with Nokia and Nokia Siemens Networks, says a new regulatory framework is needed to encourage mobile phone banking and transform access to financial services.

For a copy see *The Transformational Potential of M-Transactions*, http://www.nokia.com/NOKIA_COM_1/Corporate_Responsibility/Sidebars_new_concept/Transformational_Potential_of_M-Transactions/VOD833_Policy_Paper_Series.pdf

A regulator's perspective

This policy paper from The State Bank of Pakistan reviews a number of mobile and branchless banking models and then looks at the regulatory issues and the kind of changes to regulations needed to implement branchless and mobile banking as a way to extend financial services. See *Policy Paper on Regulatory Framework for Mobile Banking in Pakistan*.

http://www.sbp.org.pk/bprd/2007/Policy_Paper_RF_Mobile_Banking_07-Jun-07.pdf

For the latest research and news of upcoming events, visit our website www.finmarktrust.org.za

Moving money around

Between 2000 and 2005 remittances into sub-Saharan Africa increased by more than 55%. Moving money around remains expensive and the effect this can have on providing financial services is explored in the International Monetary Fund report *Impact of Remittances on Poverty and Financial Development in Sub-Saharan*. See <http://www.imf.org/external/pubs/ft/wp/2007/wp0738.pdf>

Mining the data

FinScope Africa surveys have been completed or are being conducted in 11 African countries. At the last FinMark Forum, FinMark Trust CEO Mark Napier highlighted some of the differences and similarities between some of the countries. See http://www.finmarktrust.org.za/forums/Presentations/powerpointfiles/2007/FPres_FSAfrica.pdf.

To tap into the wealth of information FinScope Africa is uncovering about consumers' use of and attitude towards financial services, formal and informal, go to <http://www.finscopeafrica.com>

Next FinMark Forum

By March this year, South African banks had granted mortgages worth R20.57-billion, pension-backed loans of almost R3.5-billion, and unsecured home loans of just under R1.5-billion to families earning between R1 600 and R8 600 a month. Together with other products, this means the banks are slightly ahead of their promise to originate R42-billion housing finance for the Financial Sector Charter target market by the end of 2008.

To find out more, join us on August 29 for a presentation by Illana Melzer of Eighty20 Consulting on *Charting the housing finance access frontier: mortgages, pension-backed, and unsecured housing loans*.

Time: 17:30–18:45 (drinks afterwards)

Temporary Venue: Old Mutual

Square, Isibaya Building,
93 Grayston Drive, Sandton

RSVP: Tamara at 011 315 9197 or tamarab@finmark.org.za

File ref: 6191