



CBC Digital Services Workgroup 2019-2020 PROJECT SUMMARY Digital Financial Inclusion for SMES



NAME	COMESA BUSINESS COUNCIL(CBC) SME DIGITAL FINANCIAL INCLUSION PROJECT
Summary:	<i>The goal of this project would be to support the design, development and deployment of an integrated digital financial services infrastructure that is low-cost, interoperable and fraud resistant that serves Micro Small and Medium Enterprises (MSMEs) and the customers they transact with at the bottom of the financial pyramid.</i>
Project Partners; Stakeholders/Beneficiaries;	<i>Bill and Melinda Gates Foundation, USAID, Private Sector Members of CBC, SMEs Micro-SMEs, Corporates; Banks, Telecom companies, Technology services providers, FinTechs, mobile payment systems operators, Regulators- Central Banks and ICT regulators.</i>
Period:	<i>2019- 2020</i>
Countries	<i>10 COMESA member states</i>

An inclusive digital economy needs to connect poor and newly banked households to the merchants, schools, clinics, governments, employers they interact with. This is central to building the value proposition for poor people to open and use digital accounts. This keeps digital money useful as a financial management tool in activities of daily life. Secondly, people at the bottom of the financial pyramid are often the owners of micro and small enterprises and they largely have been left out of the digital economy and operate using non-digital tools for inventory management, supplier transactions and sales to customers. Small holder farmers, one of the most fundamental micro-enterprises are often led by women who live in circumstances that implore poor livelihoods and quality of life.

Cash in and cash out (CICO) is the largest cost to both consumers and providers of digital accounts and bridging demand side consumers with supply side merchants, governments and service providers increases digital acceptance points in the economy leading to reduced costs, increases digital liquidity and provides safety and security of funds.

This investment is a first deep exploration of the requirements of SMEs for B2B and C2B payments. As such it will focus on developing a deeper understanding of the SME market segment and what a pathway to a digital infrastructure that is aligned to the interests of cross border trade and reducing regional transactions for emerging enterprises. The project is aligned to overall impact of the CBC in increasing intra- Africa trade and promoting industry towards global competitiveness.

1. INTRODUCTION

COMESA Business Council (CBC) is the recognized Business Member Organization, established as a private sector institution of COMESA. We represent the interests of businesses sectors at a regional level. The services provided go beyond advocacy, to actively promote business participation in regional integration, investment and global trade. This is done by facilitating the growth of strong business synergies, the development of business opportunities, business alliances, legislative and strategic advocacy. We provide custom tailored services that are driven by both industry and enterprise interests.

The CBC membership is composed of national private sector associations (where one national apex private sector organization acts as a National Focal Point for CBC and have voting power in the General Assembly), regional associations, corporate members, honorary members/ interest groups and emerging businesses/ SMEs. The last CBC Mid Term Strategic Plan (2011- 2015) took CBC from a consultative committee without staff to an institution with a permanent Secretariat. CBC's organizational structure comprises of a General Assembly, a Board of Directors (nine Directors selected among the presidents of the 19 National Focal Point members) and the Secretariat

Our Services

- ✓ Advocacy excellence in the region – influence decisions at the highest levels of policy decision makers in COMESA.
- ✓ Regional brand recognition as a business through CBC
- ✓ Market intelligence and analysis to inform trade, investment and joint venture decisions.
- ✓ Increased partnerships in regional and global markets.

- ✓ Business facilitation in regional and global markets through trade promotion, linkages and advisory services.

- ✓ Industry collaboration through CBC memberships for efficiency and sustainability of enterprises and associations.

Our Vision

Building Regional, Going Global.

Our Mission

To become the leading private sector organization in Africa, that promotes competitive and interconnected industries to actively participate in regional and global markets through advocacy, business facilitation and enterprise development.

As per the COMESA treaty, CBC is mandated to facilitate the development of the private sector undertakings by COMESA Members States through;

1. Creation of an Enabling Environment for the Private Sector: The Member States agree to provide an enabling environment for the private sector to take full advantage of the Common Market.

2. Strengthening the Private Sector: The Member States shall endeavor to adopt programs to strengthen and promote the role of the private sector as an effective force for the development, progress and reconstruction of their respective economies.

3. Co-operation among Chambers of Commerce and Other Business Organizations: The Member States undertake to co-operate in promoting common measures to ensure the strengthening of linkages among chambers of commerce (COMESA Treaty Chapter 23, Article 151-153).

2. CBC DIGITAL SERVICES WORKGROUP

COMESA Business Council has been leading a work stream focused on improving the efficiency and performance of Small and Medium Enterprises (SME) and has identified digital payment systems as core to this effort. This project will support the development of requirements and creation of a plan to respond to those requirements for a business to business payments system that covers the 19 countries that comprise COMESA.

In 2016, the CBC formed the ICT Digital services Workgroup consisting of ICT Associations, companies and digital services providers from the COMESA countries. In 2016-2017 the focus was mainly on addressing ICT policy, innovation and access issues. Some of the recommendations focused on promoting financial access through flow of cross border transactions and interoperability of mobile transactions across the region. And promoting financial access to promote innovation and entrepreneurship through innovation grants and finance to start-ups. The recommendations were subsequently adopted by the COMESA Council of Ministers in 2016.

In 2017, the COMESA Business Council through the Working group convened the COMESA Connect Industry Dialogue with a focus on digital technologies and smart technologies to improve industry competitiveness. The objective was on how through technology, we can develop solutions and platforms that can propel our industry competitiveness in agriculture, manufacturing and services, develop our SMEs businesses, improve our access to services and trade.

Digital Financial inclusion, was at center stage as the necessary bedrock upon which businesses conduct their transaction and trade. Some of the key recommendations focused on the need to put in place a policy framework for Regional Payment systems for SMEs and cross border traders (women, disabled and youth) that drives the cost of transaction downwards. The policy should make considerations for remittance of regional mobile money transactions and cost-effective currency convertibility for cross border transfers. The Recommendations were subsequently presented to and adopted by the COMESA Council of Ministers in July 2018. As a result, CBC will be launching the CBC Digital Financial Inclusion Project below.

3. THE PROJECT- DIGITAL FINANCIAL INCLUSION FOR MSMES

Over 80% of the business community in COMESA is governed by Small and Medium Enterprises, of whom a large number rely on cross border trading relationship. In addition, this segment of the economy is largely informal, transacting using very inefficient and risky cash and cash-like methods. These traditional methods of trade based on hard cash exchange for goods and services can now cost effectively be migrated towards digital solutions to support efficient and lower risk payments. The exciting part of this movement is that SMEs and small-scale farmers have an opportunity to gain entry into formal and much wider markets, directly supporting the growth of unbanked informal SMEs.

It is in this light that a regional digital market for cross border financial transactions that is affordable, with minimal charges and available to the micro SMEs is very attractive and feasible as a response mechanism to the needs of this market segment. Further to this, a system such as this will strengthen volumes of cross border transactions and increase visibility of African products within regional markets. This will directly respond to the intra- trade deficit in the region.

Therefore, this project will focus on two phases-
i) the development of a business case for a

regional payment policy and framework that supports a practical solution that will digitalize SMEs through financial services; and ii) The development of the business model, governance and operational aspects of a payment scheme, and the documentation of the requirements of a payment scheme that fulfills those requirements.

It is based on the success of the above phases that the CBC will re-engage the partner on further support to embark on the piloting of the CBC payment scheme in selected countries in the region.

In the first phase, the development of the business case report and regulatory framework will be carried out through a series of stakeholder consultations, which include field work, focus group meetings and interviews will be carried out to develop the business case.

The specific objectives of the study will be on defining the requirements needed to develop a regional payment scheme that can facilitate bottom of the pyramid informal traders (cross border and domestic) to carry out affordable digital transactions that are transparent, affordable, and provide access to formal working capital.

The expected outputs in phase one are as follows;

- The development of the business case for COMESA,
- A draft regional policy and implementation framework for the public-private sector to adopt on the regulation and governance on the common payment services system for SMEs
- Validation and adoption of the business case report and the proposed policy through a public- private stakeholder dialogue
- Adoption at the COMESA Policy Organs level of the CBC Common payment scheme for MSMEs Regulation Policy

In the second phase, development of the business model, the expected outputs are as follows;

- An operational model that showcases the instrument, governance structure, stakeholder involvement, structure of a steering committee and the use of the adopted policy to strengthen shared regulatory responsibility for the designed instrument. The tool should be approved by the steering committee which would consist of government and private sector stakeholders.
- Pilot countries for initial implementation selected;
- Training programs for MSMEs, Digital Financial services providers carried out.

The overall expected results and impact of the project is;

- A harmonized common payment policy for MSMEs Africa, with a specific focus on the COMESA region.
- Establishment of a business model for a common payment scheme for MSMEs, that goes beyond facilitating affordable, and real time transactions for MSMEs to include strengthening the visibility and promotion of products and services for this market segment within the COMESA region.

Overall Impact of the project;

- Increased intra- regional trade through the formalization of MSMEs in particular cross border traders, Small scale farmers, women entrepreneurs into digital financial services.

The target market for the program are as follows; Beneficiaries

- MSMEs that grow and produce products and services which include high percentages of women and youth.
- Current informal cross border traders who serve producer MSMEs - Cross border traders Associations
- Consumers who transact with MSMEs and traders to purchase food, goods and services for daily living.

Drivers;

- Digital Financial Services (banks, non-bank providers, telecommunication companies)
- Payment systems operators/ associations

Governance;

- Bank regulators
- ICT regulators

The research and requirements gathering will be carried out through stakeholder engagement and consultation, field works and multi- stakeholder and focused stakeholder dialogues.

Secondly the project will develop a business model, with activities that address the capacities needed from an administrative, technical/operations and governance requirements on the creation of the digital financial payments system for MSMEs. This will include digital skills capacity, financial literacy and awareness programs and advocacy engagements with complimentary partners of the project on the implementation mechanism of the project. It is based on the ownership of this model that we shall pilot its implementation in the region.

This project will cover the 10 COMESA member states

The countries considered are trading partners along the transport corridors. They are; Malawi, Zambia, Mauritius, Kenya, Uganda, Rwanda, Ethiopia, Djibouti, Egypt, Tanzania

4. STAKEHOLDER OVERSIGHT COMMITTEE

Purpose;

The Steering Committee (SC) is the oversight body of the project. The SC is usually made up of high-level stakeholders and/or experts who influence decisions and provide guidance on key issues such as policies and objectives, budgetary control, marketing strategy, and resource allocation.

SC members should include individuals from the private and public sectors.

The SC will be made up of twelve (12) committee members from the following industries;

- Two telecom companies
- Two banks

- One regulator
- One Central Bank
- Two technology services companies
- Two SME companies
- Two Companies in agro-industry/manufacturing

It is advisable that the private sector stakeholders are members of the CBC.

Role and responsibilities

The following are roles and responsibilities of the SC:

- Provide an advisory role towards the project's work plan and achievement of outcomes
- support oversight to ensure that the project objectives are achieved
- Address any issue that has major implications for the project beneficiaries
- Review the progress of the field works;
 - Appreciate direct project activities
 - Recognize outside influences impacting project
 - Assist with:
 - Maintaining the overall objective of the project
 - Maintaining project scope
 - Issue identification and mitigation
 - Adding insight into issue prioritization and resolution

a) Role of individual Steering Committee members

The role of the individual member of the Steering Committee includes:

- Appreciate the significance of the project for some or all major stakeholders and represent their interests
- Be genuinely interested in the initiative and the outcomes being pursued in the project
- Be an advocate for the project's outcomes
- Have a broad understanding of project management issues and the approach being adopted
- Be committed to, and actively involved in pursuing the project's outcomes
- As a CBC member, have the opportunity to pioneer the business model in your country upon stage completion.

To be part of this initiative or for more information, kindly refer to the COMESA Business Council Secretariat at comesabusinesscouncil@comesa.int.