

FIRST Technical Assistance to Malawi

MacDonald Mwale

Rabat, Morocco

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Introduction

- FIRST provided timely intervention – financial sector reform program in 2004.
- First TA dealt with RBM capacity & structures to regulate NBFI, Recommended RBM restructuring – establishment of Supervision of Non-Bank Financial Institution (SNBFI) Department.
- Second TA from FIRST aimed at strengthening the regulatory framework for supervising non-bank financial institutions. Government undertook a deliberate policy drive to develop a vibrant non-bank financial sector.
- FIRST has been instrumental in strengthening the regulatory and supervisory regime.

Presentation Outline

- Malawi Financial System Architecture
- FIRST Funded Projects
- Challenges and Deliverables of FIRST
- FIRST – Catalysing Further Reforms?
- Conclusion

The Malawi Financial System

- Consists of a wide spectrum of market players: 12 Commercial banks, Insurance Companies, Capital Market players – the Stock Exchange, Microfinance entities, Pension funds, Discount houses, Credit Cooperatives, Finance and Leasing Companies, Development Financial Institutions and Medical Aid Schemes.
- Micro-finance industry is still relatively underdeveloped.
- Supervision of the entire financial sector is under one roof using several legislations

FIRST Funded Projects

- Financial Sector Regulatory Reforms 2004 – 2006
 - Assessed the state of non-bank regulation in Malawi in 2004.
 - The financial sector was relatively underdeveloped and bank centric with very low penetration of non-bank financial products.
 - Recommended measures to deepen and broaden the non-bank subsector, specifically developed new laws for previously unregulated sectors – new laws drafted
 - Drafted amendments to the Banking, Insurance, and Securities laws etc to ensure consistence with changes made in RBM Act. Emphasised on need to find ways of increasing financial products diversity

FIRST Funded Projects

- FSDS (2010 – 2015)
 - FIRST supported the development of a 5-year Development Strategy - completed in March 2010
 - Aimed at building a FS that supports inclusive and sustainable growth
 - Achieved by aligning the FS with the Real Economy
 - Financial Inclusion at the core of the Strategy
 - Resulting in the design of the US\$28.2 million World Bank Funded FSTAP

Other FIRST funded projects

- Capacity Building for NBFIs Supervision and Development
- Financial Crisis Preparedness Framework
- Enhancement of Central Bank Book Entry System and
- Developing Country Action Plan for ROSC Accounting and Auditing.

Challenges of FIRST

- Prolonged procurement logistics: TA was scheduled to commence during first quarter of 2007 but was delayed until September 2007.
- Long bureaucratic confirmation process from World Bank;
- A technical expert opted to operate from South Africa – affecting output due to limited interaction;
- Project stalled before conclusion on account of World Bank's financial year coming to an end by June 2010.

Deliverables of FIRST

- Major outputs included
 - Drafting of directives and operational manuals;
 - Training workshops and on-site inspections;
 - Consultative discussions with industry executives, auditors, owners and other stakeholders;
 - Refinement of legal bills and on-the-job training to staff members.

FIRST – Catalysing Further Reforms?

- It has to be YES. FIRST laid the foundation for the transformation of financial sector supervision. Led to the development of the Financial Sector Development Strategy (FSDS).
- Prior to FIRST reforms, supervision focused on banks only
- FSDS laid out a road map for further deepening of the financial sector and increasing access to finance. The blue print document providing strategic direction in developing the financial sector.
- Build a FS which supports inclusive access to financial services to spur sustainable growth.

Financial Sector Technical Assistance Project – FSTAP

- 5-year (2011 – 2016) World Bank funded Project – US\$28.2 million
- Project Development Objective (PDO) – increase access to finance for the unbanked but bankable population. From 19% in 2008.
- 4 implementing components (1) Financial sector regulation and supervision; (2) Financial infrastructure; (3) Consumer Protection and Financial Literacy; (4) Ministry of Finance – financial sector policy unit capacity building.

Conclusion

- Baseline survey and FINSCOPE Study (2013), access to finance increased to 32%.
- Talk to develop another development strategy.
- FIRST came first to Malawi and the sponsored reforms laid the foundation of all transformations taking place.
- New areas requiring TA are emerging. TA should not only go towards enhancing capacity of regulatory organisations, but also that of financial service providers.

Conclusion

Thank you!!