

Programme for Sustainable Economic Development (PSED) in Ghana

Financial Systems Development (FSD)

The challenge

Adequate access to financial services is a prerequisite for sustainable economic development and inclusive growth. In Ghana, however, large parts of the population including MSMEs remain excluded from financial services, such as savings, loans and insurance. This often results in MSMEs lack of necessary factors that ensures long-term operation. Additionally, non-compliance to regulatory requirements by financial institutions is a core problem that affects the stability of the sector.

Objective

The Financial Systems Development (FSD) component of the Programme for Sustainable Economic Development (PSED) aims at increasing the use of innovative and demand-led financial services for MSMEs.

Our approach

In an interlinked process, we support the development of the microfinance and insurance sectors in Ghana. Following a multi-stakeholder approach, the programme works closely with the Ministry of Finance (MoF) and the respective supervisory and regulatory bodies - the Bank of Ghana (BoG) and the National Insurance Commission (NIC) - to develop an enabling environment for these two sectors. Our approach is focused on support in four main fields of activity:

Regulation and Supervision: The two regulatory bodies (BoG, NIC) are currently utilising GIZ's advisory services to develop enhanced regulatory and supervisory framework for the traditional and digital financial services. Furthermore, both the NIC and BoG are being advised on processes, tools and components for monitoring the financial and insurance markets.

Consumer Protection and Financial Education: FSD is promoting consumer protection and financial literacy among the population. In line with this, the activities of the Insurance Awareness Coordinators Group (IACG), an industry group that

focuses on promoting insurance awareness and financial education, are being strengthened. FSD also supports the BoG in developing consumer protection directives for the banking and microfinance sectors.

Project name	Sustainable Economic Development in Ghana (PSED)
Component	Financial Systems Development (FSD)
Commissioned by	German Federal Ministry for Economic Cooperation and Development (BMZ)
Project region	Ghana (country-wide)
Lead executing agencies	Ghana Ministry of Finance (MoF), Bank of Ghana (BoG), National Insurance Commission (NIC)
Duration	09.2019 - 10.2022

Product and Service Development: The project supports Microfinance Institutions (MFIs) and Insurance providers to expand and improve their product and service portfolio to serve the needs of MSMEs. This involves activities to facilitate market research and the development of innovative and needs-based products and solutions to increase outreach. The use of digital channels in this area is strongly being advocated for.

Technical and Capacity Development: To facilitate access to training opportunities and address technical priority issues in the financial sector, the programme supports capacity building initiatives for practitioners within insurance and microfinance associations as well as microfinance institutions and other intermediaries to make knowledge available to the industry. The programme also works closely with these microfinance associations to provide trainings to their members. In addition to this, financial service providers and insurance companies are also by extension trained, with the project's support, on fulfilling the regulatory requirements and on improving compliance. FSD also provides advice and training on strengthening financial and insurance expertise and bankability for MSMEs



L.: Executives of the IACG, NIC and G/A market association after stakeholder dialogue on the 'Get Insured Campaign'

R: Executives of the Ghana Cooperative Susu Collectors Association in a session to develop 5-year strategic plan



L: Staff of insurance brokerage firms participating in an anti-money laundering workshop

R: Staff of Microcredit Institutions at a business management training session

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Achievements

The FSD component, mainly intervening at the macro and meso level of the Financial system, has widespread impacts. Despite the instability in Ghana's financial sector and its effect on downsizing the number of MFIs, access to basic financial services has in general improved.

Sound Supervisory and Regulatory Framework Developments within the Microfinance and Insurance Industries:

Through the project's support, the NIC has developed a new legal and regulatory framework for the insurance industry which is largely compliant with the International Standards and has received presidential assent. Within the microfinance sector, FSD has supported the BoG in developing microfinance business rules and risk management guidelines to help guide the operation of MFIs and increase stability and consumer confidence in the sector. FSD has also supported the development of two consumer protection guidelines in the area of credit product transparency and complaint resolution mechanisms to help protect consumer interest in the banking sector.

Enhanced capacities amongst the Regulatory and Supervisory Bodies:

Through the project's support, the Insurance Supervisor (NIC) has built its capacity to modify the supervisory software VIZOR to meet constant changes in the structure of prudential returns. To improve supervision of the microfinance sector, the project has supported the BoG with an Off-Site Electronic Surveillance System (OOESS) for the off-site examination of MFIs. Furthermore, it is continuously building the supervisory capacities of the Tier 4 Microfinance Associations to enable them fulfil the supervisory mandate assigned to them by BoG.

Enhanced Capacities Amongst Microfinance and Insurance Practitioners:

The project is supporting Microfinance Associations to establish appropriate managerial structures to be able to

monitor their members and provide them with the needed support for efficient operations. Within the insurance industry, insurance practitioners have received industry-wide trainings to increase innovation, market penetration and compliance with regulations. Amongst others, the project has supported the successful launch of a nationwide re-training program for insurance agents aimed at deepening insurance awareness and penetration by upgrading agents' skill set and knowledge. The project has also supported trainings in the area of credit and liquidity management, group lending techniques, stress testing, international financial reporting standards among others to build and strengthen the microfinance institutions. The project has also conducted training on the various Acts and guidelines such as the Banks and specialised Deposit taking Institutions Act 2016, Act 930, BoG Corporate Governance Directives among others.

Expansion of Product and Service Portfolio Through Innovative Delivery Channels:

The project has partnered with Microfinance and Insurance providers to develop products for the MSME sector. Additionally, the project has supported insurers to build the requisite skills to develop annuities products for retirees.

Increasing knowledge and Enhancing Trust in Microfinance and Insurance Sectors:

The project has supported the Insurance Awareness Coordinators Group (IACG) in the coordination and implementation of awareness creation and education measures within the insurance industry. So far, IACG has conducted outreaches within universities, churches and rural communities. Furthermore, FSD has supported the insurance industry in implementing a nation-wide radio sensitization campaign to raise awareness for consumer protection in insurance. The microfinance sector has also been supported to conduct education in issues of savings, consumer rights and responsibilities.

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