

NCR AND IFC LAUNCH SOUTH AFRICA CREDIT REPORTING & FINANCIAL INCLUSION FOR UNDERSERVED MARKETS

AUGUST**IMMEDIATE RELEASE**

Johannesburg –Today, 15 August 2024, The National Credit Regulator (NCR), in partnership with the International Finance Corporation (IFC) and with the support of the Swiss State Secretariat for Economic Affairs (SECO), is proud to announce the launch of phase 2 of the South Africa Credit Reporting and Financial Inclusion program, aimed specifically at underserved markets.

The high-level conference is taking place at the Indaba hotel in Sandton and the program aims at improving the availability of credit information sharing in South Africa, particularly to promote access to finance and financial inclusion for underserved segments in the country.

In line with the NCR's mandate to ensure financial inclusion and compliance amongst its registrants, this launch will be highlighting the important role of credit reporting for financial inclusion. This pioneering initiative is designed to bridge the financial inclusion gap by providing enhanced credit reporting mechanisms tailored for the unique needs of South Africa's diverse credit market.

The program will empower traditionally underserved communities by granting them better access to credit, fostering financial stability, and supporting broader economic growth.

The launch of phase 2 of the program marks a transformative moment for South Africa's credit landscape as it signals the creation of a more inclusive financial ecosystem that serves all segments of our society.

Through the NCR's partnership with the IFC, which has received support from the SECO, the NCR aims to pave the way for greater financial inclusion and economic empowerment across the country.

Objectives of the program:

1. **Enhancing Credit Access:** The program aims to improve access to credit for individuals and small businesses that have been historically excluded from the formal financial sector due to limited or no credit history.
2. **Promoting Financial Inclusion:** By incorporating data from non-traditional sources, the program will provide a more comprehensive assessment of creditworthiness, enabling a larger segment of the population to participate in the formal credit market.
3. **Supporting Economic Growth:** The inclusion of underserved markets in the credit ecosystem is expected to stimulate entrepreneurial activity, drive economic development, and create jobs, particularly in low-income communities.
4. **Strengthening Consumer Protection:** The system will also focus on ensuring that credit is provided responsibly, with adequate protections in place to prevent over-indebtedness and other financial risks.

Significance of the Credit Reporting and Financial Inclusion Focus:

In a country like South Africa, where a significant portion of the population remains unbanked or underbanked, the launch of this program represents a critical step towards financial inclusion. The traditional credit market has often been inaccessible to those without a formal credit history, leaving millions of South Africans excluded from opportunities for financial growth and stability.

The introduction of phase 2 of this program will not only open doors to access to credit for these individuals but will also contribute to the development of a more inclusive financial system. By capturing a broader range of credit-relevant data, lenders will be able to make better informed decisions, thus reducing the risk of default and promoting a healthier credit environment.

Furthermore, this initiative aligns with South Africa's broader financial inclusion agenda and the global commitment to sustainable development. It is a significant milestone in the country's efforts to create an inclusive economy where everyone has the opportunity to thrive.

"This launch event aims to foster knowledge and awareness of the IFC-NCR partnership and provide a platform for stakeholders to come together, facilitate opportunities for collaboration, identify synergies and potential partnerships. The South Africa Credit Reporting and Financial Inclusion Programme, a collaboration between the National Credit Regulator and the International Finance Corporation, seeks to enhance financial inclusion and credit reporting" says Nthupang Magolego, Executive Senior Legal Advisor at the NCR.

"In phase one, a number of alternative data pilots were launched and successfully completed which resulted in the development of several innovative alternate data scoring solutions. A TechSprint and Showcase was held to address compliance and resilience challenges faced by smaller credit providers serving underserved segments of the credit market.

Phase 1 also included the crisis response for credit reporting following the pandemic. Additionally, the scoping for a Public Credit Register to enhance micro- and macroprudential supervision was undertaken", adds Magolego.

According to Collen Masunda, Global Specialist at the IFC, "phase two of the programme aims to build on the successes of the work done in Phase 1 to expand and scale alternative data pilots to drive credit inclusion of small businesses and marginalised segments. The programme will introduce new initiatives, including the Business Credit

and Risk Information Sharing Initiative, which is aimed at enhancing credit information sharing for small to medium business enterprises”, says Masunda.

Phase 2 will build on the momentum of phase 1 by implementing additional activities, including the Public Credit Registry, automation of the NCR, and developing several knowledge pieces on key topics such as gender access and cross-border information sharing.. Overall, phase two will focus on leveraging innovative solutions and strategic partnerships to improve access to credit and financial services for underserved segments of South Africa, promoting economic growth and development.

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ABOUT THE NATIONAL CREDIT REGULATOR

The National Credit Regulator is tasked with regulating the South African credit industry, ensuring fair practices, promoting responsible lending, and protecting consumer rights under the National Credit Act. For more information, visit www.ncr.org.

ABOUT INTERNATIONAL FINANCE CORPORATION (IFC)

The International Finance Corporation (IFC), a member of the World Bank, is the largest global development institution focused on the private sector in emerging markets. We work in more than 100 countries, using our capital, expertise, and influence to create markets and opportunities in developing countries. In fiscal

year 2023, IFC committed a record \$43.7 billion to private companies and financial institutions in developing countries, leveraging the power of the private sector to end extreme poverty and boost shared prosperity as economies grapple with the impacts of global compounding crises. For more information, visit www.ifc.org.

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