

FSDA'S CREDIT MARKET DEVELOPMENT PROGRAMME THE PROGRAMME IN BRIEF

FSD Africa launched a new Credit Market Development Programme (CMDP) in July 2016. The Programme, which will run for three years, aims to support the development of credit markets across sub-Saharan Africa that are efficient, inclusive and maintain high standards of market conduct in order to expand quality access to retail and SME consumers. The development of effective credit markets will, in turn, contribute to financial sector development, economic growth and job creation.

The rate of credit market growth depends on a number of factors. At a country level, credit markets are often undermined by weak regulatory frameworks, low levels of enforcement and insufficient market infrastructure. Such weaknesses breed predatory lending practices and increasing levels of debt stress which, if left unattended, result in increased risk to consumers. In creating an effective legal and institutional framework that supports robust market growth, it is necessary to strike a realistic balance between increased and more inclusive credit supply on the one hand and effective oversight over market conduct and consumer protection on the other.

The absence of reliable and consistent data and analysis covering all types of credit supply is a common weakness across most countries in Africa. Amongst other things, the dearth of such information negatively impacts on policy formulation and regulation and undermines the capacity of private credit institutions to develop expansion strategies and manage risk. It also undermines the ability of investors to make credit investment decisions and limits the capacity of development agencies to design and support effective market development strategies.

At the same time, credit markets in many African countries are expanding rapidly. The statistical weaknesses create significant risk of over-indebtedness cycles and institutional failure which may cause damage to consumers and destabilise financial markets, as has happened in countries in Latin America, Asia and central Europe.

The CMDP seeks to address these weaknesses by focusing on:

- Improving the collection and dissemination of credit market statistics across all segments of the credit market within SSA countries, as well as across borders;
- Improving specialised credit market research and knowledge sharing between policy makers, credit providers and investors in different countries; and
- Supporting specific market development projects at a regional basis, and in specific countries.

The following table summarises the Programme's different components:

COMPONENTS OF THE CREDIT MARKET DEVELOPMENT PROGRAMME	
A. Credit Market Report	<i>Regular annual reports with comparative credit market statistics and analysis across a broad range of African countries</i>
B. Credit Market Diagnostic Tool	<i>A standardised diagnostic report applied in different countries to provide comparative statistics on the size and profile of the credit market as well as key features of credit market infrastructure</i>
C. Market Monitoring Programme	<i>Support to selected central banks to implement intensive market monitoring programmes for the collection of regular statistics across all credit providers and credit products in order to support both market monitoring and risk based bank supervision</i>

D. Series of special credit market research reports	<i>Focused research reports on cross-country comparative credit market themes. Include transfer of knowledge on African success stories to a regional audience</i>
E. Capacity building, training and knowledge transfer	<i>A range of knowledge sharing interventions, focusing on specific credit market themes to facilitate both regional information sharing, peer learning and transfer of specialised skills</i>
F. Credit innovation through a regional innovation fund	<i>A regional innovation fund to allocate funding to credit institutions for research, product development and implementation around priority themes</i>
G. Support to regional bodies	<i>Support to regional regulatory and policy bodies to introduce credit market development as an area of focus</i>
H. Implementation support for specific interventions	<i>Support to interventions to address identified areas of weakness in response to requests from specific countries</i>

About FSDA

FSDA is a non-profit company, funded by the UK's Department for International Development and promotes financial sector development across sub-Saharan Africa. FSD Africa sees itself as a catalyst for change, working with partners to build financial markets that are robust, efficient and, above all, inclusive. It uses funding, research and technical expertise to identify market failures and strengthen the capacity of its partners to improve access to financial services and drive economic growth. It believes strong and responsive financial markets will be central to Africa's emerging growth story and the prosperity of its people.

The CMDP will seek to establish partnerships with donor organisations, multi-national development agencies and standard setting bodies so that the Programme's outputs war benefit to domestic and international institutions working to support financial sector development.

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