



Responsible and Sustainable Banking

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Outline

- Introduction (About ACODE & Context)
 - Defining Responsible & Sustainable Banking
 - Key Considerations (Experience from other countries)
 - The Role of CSOs
 - A few suggestions
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Introduction

- ACODE is an independent public policy research and advocacy think tank based in Uganda working in East and Southern Africa. ACODE has for the last four consecutive years been ranked as the best think tank in Uganda and one of the top think tanks in the world by the [Global Go To Think Tank Index](#).
 - Growth (and development) in Africa (Uganda inclusive) has slowed down over the past three years.
 - Financial institutions have a major role to play in boosting Sustainable development (*meeting the needs of current generations without compromising the needs of future generations*)
 - This role however has to be undertaken in a very inclusive and sustainable way.
 - As research has emphasised; “Sound, inclusive and sustainable financial markets are essential to building shared prosperity and ending poverty”.
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Defining R&S Banking

- According to the IFC, “*Sustainable and responsible banking is about balancing financial, social and environmental issues, to ensure the success of the company as well as the sustainable livelihoods of the communities*”.
 - It involves;
 - *Integrating social and environmental criteria into lending decisions,*
 - *ensuring good governance,*
 - *Building more inclusive lending (Supporting SMEs and the poor)*
 - *Protecting the environment*
 - *Being transparent, and acting with integrity.*
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Defining R&S Banking

- The most obvious Responsible and Sustainable banking principle is your corporate social responsibility strategies/activities.
 - These however are adhoc in nature. R&S Banking ought to transcend corporate social responsibility such as the **adherence to the Financial Consumer Protection Guidelines.**
 - A couple of questions to ponder;
 - *Do financial institutions have a mandate beyond credit creation?*
 - *Is R&S banking mutually exclusive to credit creation?*
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Key Considerations

(Including African Experience)

- **State of Financial Markets:** “Financial markets that are efficient, well-regulated and transparent play a critical role in fostering growth by helping mobilize capital and channeling resources into productive investments”...IFC
 - *Being Financially sound is a pre-requisite for R&S Banking*
 - *Capital markets are a strong indicator of the state of financial markets. Only 5 of the 24 commercial banks in Uganda are listed among the companies on the USE*
 - Despite being the biggest players in the financial markets across Africa, Banks have a limited involvement in the continent’s capital markets – limiting their role in financial markets development
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List of Companies on Uganda's Security Exchange

COUNTER	ISIN	FULLNAME
BATU	UG0000000022	British American Tobacco Uganda
BOBU	UG0000000055	Bank of Baroda Uganda
DFCU	UG0000000147	Development Finance Company of Uganda Ltd
EABL	KE0009081092	East African Breweries Limited
JHL	KE0000000273	Jubilee Holdings Limited
KA	KE0009081084	Kenya Airways
NVL	UG0000000162	New Vision Printing and Publishing Company Ltd
SBU	UG0000000386	Stanbic Bank Uganda
UCL	UG0000000014	Uganda Clays Limited
EBL	KE0000000554	Equity Bank Limited
KCB	KE0000000315	KCB Group
NIC	UG0000000758	National Insurance Corporation
NMG	KE0000000380	Nation Media Group
CENT	KE0000000265	Centum Investment Company Ltd
USE LCI	UG0000000881	USE LOCAL COMPANY INDEX
UMEM	UG0000001145	UMEME LIMITED
UCHM	KE0000000489	UCHUMI

- **Reporting and Transparency:** According to the IFC, there has been a growing call for increased transparency on sustainability issues of companies – to enhance accountability
 - The JSE has been praised for incorporating mandatory ESG reporting requirements for all listed companies (on comply or explain basis). In Nigeria, the NSE has indicated commitment towards adopting the same.
 - *“For banks, having more disclosure on the potential social and environmental issues of companies they lend to and do business with helps them to better manage risk”...IFC*
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- **Access to credit (especially for SMEs):** SMEs account for 90% of businesses in Africa.
 - Among the challenges that SMEs face, access to credit is arguably the greatest - particularly bank financing. They are too big for micro-finance products but without collateral, they are not positioned to compete for bank products.
 - These being under-banked represent a growth potentials both for the banks and the economy. **This will take a great deal of innovation!!**
 - **Additional considerations such as climate change and poverty.**
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Role of CSOs

- **These are unchartered waters!!!** Purely based on Potential.
 - **Research:** There is a limited amount of research on the financial sector despite it's apparent link to economic growth
 - **Policy advocacy** along lines of R&S banking
 - **Impact Evaluation of financial products.** Potential to evaluate agency banking as it is rolled out
 - Bridging the gap between banks and communities
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A few Suggestions!!

- Credit creation and R&S Banking are mutually reinforcing
- Good governance and regulation are essential!!
- Potential for more bank – CSO Collaboration (beyond us banking with you)
 - Impact Evaluations for financial products is a real opportunity
- **Some additional reading:**

<https://www.ifc.org/wps/wcm/connect/a38d2c8043fe9ffc8f87bf869243d457/Sustainable+and+Responsible+Banking.pdf?MOD=AJPERES>
