



The Role of Financial Services in a Knowledge Based African Economy

Oluwatoyin Sanni – Group CEO

Background

- In today's world where the production of goods and services are based on **knowledge-intensive** activities that contribute to an accelerated rate of economic growth on the back of technological advancements, the protection of intellectual property is an imperative.
- Clearly, the rules and practices that previously determined success in the economy need rewriting as knowledge resources such as trade secrets, expertise, artistic inventions and productions are often more valuable than visible assets.
- Intellectual property, an extremely powerful tool for economic development and wealth creation is yet to be deployed to optimum effect in our developing economies across Africa.
- Africa suffers in terms of unmet growth expectations due to inadequate support for, recognition of and valuation of intellectual Property, a key asset class for SMEs.

- The legal framework for IP protection is poorly developed in many of our countries. Where the laws are well developed, enforcement level is low.
- There is pervasive ignorance of the value of intellectual property and of the sanctity of intellectual property rights. There is room for an innovative approach to drive awareness.
- The deficiencies in IP laws, enforcement and public compliance create a barrier to the extension of financial support to the industry.
- Our financial services industry has experienced and also stimulated significant growth in recent years by leveraging technology to serve the growing middle class and significant SME industry in more innovative ways.
- However, our financial systems are yet to rise to the challenge of properly evaluating intellectual property for the purpose of providing the much needed financial support for the development and preservation of intellectual property.

Technology Driven Innovations in Financial Services

- The contribution of technology-fuelled innovation to the African financial services landscape is demonstrated by the growth in E-Commerce solutions such as innovative payment solutions for Intra-Africa trade and Mobile Money.
- Such solutions are of critical value to Africa's growing middleclass (for retail banking) and multitude of SMEs (trade finance) which alone contribute more than 45% to employment and 35% to the GDP of the continent.
- The phenomenal penetration of Mobile Money in parts of Africa (close to 70% in Kenya) reveals the significant growth opportunity for other countries, especially for previously unbanked zones. Mobile banking has so far expanded to 16% of Sub-Saharan Africa.
- Deploying such technology, Africa can gradually address one of the key challenges it faces, that is, access to finance for its teeming population of farmers and SMEs.

Intellectual Property in our Financial Markets

- Opportunities exist to deploy technology to IP as many African financial systems do not have models for valuation and financing of creative works like films, books, drama and music productions, so an industry like Nollywood, 3rd largest global film industry is starved of funds and forced to rely on private finance, handouts and donations mostly from the informal sector.
- Unlike other fledgling industries, our creative industries do not enjoy pioneer status exemptions from certain taxes on revenues. This does not support investment in technology required for distribution and copyright protection.
- Due to weak enforcement mechanism for violations of intellectual property rights, our banks do not feel they can **bank** on the cash flows from these investments as a source of repayment of facilities granted.
- Based on all the above Intellectual Property assets are not accepted by many financial institutions as collateral for facilities. As such there is very little financing available to IP from either the money or capital markets.

- To successfully capture the value that IP holds, the African financial industry must adopt a more robust approach to the Asset class.
- Technology will be critical to preventing & tracking violations to property rights.
- Funding such technology is an area of opportunity for the financial services industry which also needs to:-
 - Educate its Analysts, Risk Managers and Reviewing Officers on Intellectual property assets.
 - Deploy innovative technology to aid valuation and Risk Management of IP investments.
 - Support initiatives targeted at reforming our laws and judicial systems in aid of IP.
 - Include IP assets which have been duly patented in their lists of acceptable collateral for loan facilities.
 - Create new products, ideas and processes to accommodate the IP system.

As African nations continue to strengthen their Intellectual Property protection laws, financial firms must begin to treat IP as an essential component of their business strategy. Whilst progress has been made with respect to stronger copyright protection and trademarks. However, more needs to be done regarding patent protection and development.

The information security gaps which exist create both a threat and an opportunity for technological development and for financing of such products. There are huge opportunities for growth acceleration if the necessary technology is deployed to support the growth of Intellectual Property with the backing of the financial services industry.

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