

Making Access Possible

Measuring Progress

Financial Inclusion in
selected SADC countries

2021



Unlocking
Public and Private
Finance for
the Poor

This report is the fourth in the series to evaluate progress in the implementation of MAP informed national financial inclusion strategies and was developed with significant engagement and support from the five participating SADC countries. The intention with this report is to allow for the ongoing tracking of financial inclusion progress in these participating SADC countries.

Our thanks to the efforts of the team on the ground, led by Damola Owolade, who tirelessly work on a daily basis with our government counterparts to ensure that the national roadmap and financial inclusion policy is implemented. Thanks to the Government of Lesotho, the Ministry of Finance and Central Bank and country coordinator, Palesa Mamalala Sematlane, The Eswatini Central Bank, Centre for Financial Inclusion, Ministry of Finance and country coordinator, Sabelo Mabuza, the Malawi Ministry of Finance, and the Botswana Ministry of Finance with country co-ordinator, Masedi Letsididi, Zimstat, Reserve Bank of Zimbabwe (RBZ), Bank Supervision, Zimbabwe Association of Microfinance Institutions, RBZ Foreign Exchange and National Payments Division with country co-ordinator Blessing Mautsa. Thank you as well to the numerous donors who work with us regularly at country level, to make people's lives better.

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About the cover

The cover design of this report considers the theme of the support and collaboration between the SADC countries and the UNCDF. In a time when the pandemic has

effected so many lives, working together has never been more important. The illustration is a visual representation of how support results in a flourishing society and bears the fruits

of hard work by achieving the sustainable development goals and financial inclusion. The tree represents life and hope and growth.



Making Access Possible

Making Access Possible (MAP) is a multi-country initiative to support financial inclusion through a process of evidence-based country diagnostic and stakeholder dialogue, leading to the development of national financial inclusion roadmaps that identify key drivers of financial inclusion and recommended actions.

In partnership with FinMark Trust, the UNCDF funds the MAP initiative to strengthen how finance works for poor people at the household, small enterprise, and local infrastructure levels, contributing to SDG 1 on eradicating poverty and SDG 17 on the means of implementation. Access and usage of formal financial services such as remittances services, savings, credit and insurance have been shown to have a positive impact on livelihood outcomes by reducing the cost of access to basic services, merchant payments, and government transfers.

The MAP diagnostic approach, which is a result of the programme's unique analytical framework, looks to build a picture of market demand based on household and individual income, economic activity, and current usage of financial services within a diverse array of countries and local contexts.

In this way, the MAP programme hopes to encourage providers of financial services to deliver products and services to those segments of the population that are currently underserved; and enable policymakers and regulators to understand current policies and regulations that are inhibiting market growth and to develop a strategic vision on financial inclusion and the possible delivery modalities in the SADC region.

Introduction

The 2021 SADC Measuring Progress report comes at a time when there are unneglectable changes at the global, national and household level. The Covid-19 pandemic has brought about historically unprecedented changes to not only the livelihoods of the average households in the participating countries, but also impacted on the economic growth and development of these countries as a whole, and more broadly at the global level.

These impacts has caused clear trends to emerge in terms of the financial inclusion data and indicators collected for the 2021 report, some of which is longer term and has been ongoing, but others arguably being more directly related to the impact of events over the course of 2020 and 2021.

In recognising the deep social changes that has emerged as a result of the pandemic and seeking to build back better towards a more inclusive future, the 2021 tracking report seeks to embed the critical supporting role of financial inclusion in both mitigating the impact of the pandemic, but also in recovering from it, both at a household, and at a national level. Given the need to not only mitigate the impact of the pandemic, but also pre-existing socio-economic state of broad segments of society trapped in poverty, financial inclusion – now more than ever – need to support the urgent imperative of an inclusive recovery and the approaching SDG goalposts of 2030.

In countries where a significant proportion of the population lack the means to access what MAP has come to term ‘the four crucial needs’ (basic services and infrastructure, education, healthcare, and entrepreneurship opportunities), economic growth is hampered partly because the inability to meet those needs has undermining consequences that are also communal and societal. By expanding the access of low-income individuals and households to appropriate formal financial services, particularly linked to basic services and resources, financial inclusion plays a much-needed intermediating role in the economy between microeconomic and macroeconomic actors – allowing for capital to be aggregated and mobilized, and potentially utilized to invest in better services provision.

Increasing populations’ access to resources obviously requires governments, providers, investors and donors to make additional investment in service infrastructure such as education, healthcare and basic services (including energy). But evaluating viable and sustainable business cases for leveraging existing household spend can help governments fund investment using local financial systems. In doing so, financial inclusion allows governments to co-opt households into financing services expansion and attaining SDG goals (like SDG 3 good health, SDG4 quality education, SDG 7 clean energy and SDG 8 decent work) while doing so. However, to ensure financial inclusion’s impact as a tool for economic opportunity, it has to be complimented by reforms aimed at increasing productivity, including increasing opportunities for access to education, financial services, and health services

Over the longer term, financial inclusion can play a similar role to support further growth, and by doing so, make growth more inclusive to a broader segment of the population, by democratising access to the

basic services and resources required to increase income and productivity, and by supporting attempts to increase productivity, access opportunities, and creating jobs in the economy. This implies a broader, but also more direct role in supporting improvements in household livelihoods, than the traditional route of simply ensuring efficient flows of funds in the economy to support investments that would in turn grow the economy and filter down to improved income.

Using regulatory administrative data on access to, uptake and usage of financial services, this report complements the findings from MAP Refresh reports which uses the MAP diagnostic approach in evaluating the effectiveness of the implementation of national financial inclusion strategies (NFIS) at country level to achieve desired outcomes, which aids policy making and inform adjustments required in NFIS implementation. In recognising the deep social changes that has emerged as a result of the pandemic, the 2021 tracking report also reflects on the critical supporting role of financial inclusion in seeking to build back better towards a more inclusive future, within the context of inclusive growth.

The report also comes at a key period for participating countries, as the NFIS's of three of the five countries comes to an end in 2021 (Botswana NFIS 2016 - 2021, Malawi NFIS 2016 - 2021, Lesotho NFIS 2016 - 2021), with the remaining two countries following closely ahead and behind (Zimbabwe NFIS 2016 - 2020, Eswatini NFIS 2017 - 2022). Lesotho and Botswana are also uniquely positioned, as they both conducted recent FinScope surveys (2021 & 2020), allowing for precise measurement of performance against their concluding NFIS's. An encouraging finding of the MAP refreshes was that both these countries either met, or were on track to meet their NFIS targets, although Eswatini's updated data shows the same. In addition, the regulatory data for Malawi and Zimbabwe shows that these countries are also on track to meet (or already met) their respective targets.

As all the countries' NFIS's come to end, this report aims to provide strategic direction to inform subsequent NFIS iterations, taking into account both the unprecedented shifts in national priorities due to impact of Covid-19, and the approaching SDG 2030 goals. This report and the MAP Refresh reports therefore serve to provide input into the reformulation of the NFIS in the respective participating countries – specifically analysing trends in access to financial access points, uptake and usage of regulated financial institutions.

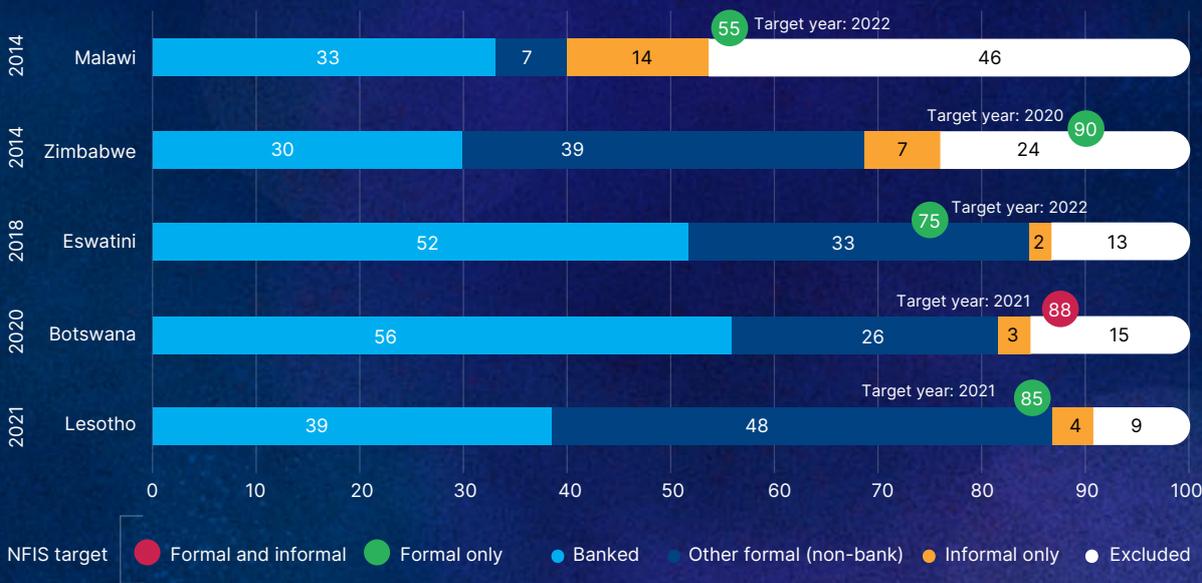


Figure 1: Financial Access Strands and NFIS targets for participating countries

Reporting on progress

The five participating countries in SADC comes from a diverse background in terms of economic development and financial inclusion levels, but all countries have shown market evolution over the four years of monitoring that presents an opportunity to draw lessons from specific challenges faced and measures pursued to increase financial inclusion.

A common thread across most countries were incentivising digital payments as a counter measure to Covid-19. In different ways, these SADC countries have something to learn from each other's experience on strategies that worked or did not work so well. The organic nature of markets and the resilience of the people who participate in them have demonstrated the multiple pathways to an inclusive future:

Increase in merchant payments on mobile money platforms in some countries demonstrate fundamental shift. In 2016, MAP published research¹ based on its diagnostics conducted in the first six MAP countries, including four SADC countries (Swaziland, Mozambique, Lesotho and Malawi), demonstrating the overwhelming use of cash for all types of payments by adults in all 6 countries. The only exception was P2P payments (remittances), which happened over a distance, as well as airtime purchases, where it was more convenient to utilise digital transfers like mobile money. However, the Monitoring Progress report clearly show that this trend has changed. In both Eswatini and Botswana, P2B payments (or merchant payments) now exceeds P2P payments and airtime purchases using mobile money. In Eswatini, P2B is 10 times more than remittances (P2P) in volumes which shows an evolution towards a well-developed digital payments ecosystem than enable access to basic services and support SMEs. However, in the other three countries, this is not yet the case, although in Lesotho, there has been a rapid rise in P2B payments using mobile money (although still at a low level overall). Given that there is therefore a correlation between the level of GDP per capita and the level of P2B payments using mobile money, this implies a pathway to market development for the adoption of mobile payments to merchants over time. This provides the potential to develop credit assessment mechanisms to serve SMEs that are key to Covid recovery strategies in countries where P2B payments have been sufficiently adopted.



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¹ UNCDF, 2016. MAP Global Insight Series, Volume 1, Note 5. Available online.

Countries incentivised digital payments to protect lives and livelihoods. With the exception of Zimbabwe, all participating countries incentivised the use of mobile money or e-wallets as a way to not only reduce the risk of Covid transmission, but to also allow people and businesses to keep transacting, thereby protecting livelihoods. Covid response protocols by financial sector regulators was expected to have an impact on the increase in usage of digital services such as POS and mobile phone-based transactions (mostly via mobile money) between 2019 and 2020 September, and it largely did. Transaction size limits were increased in Botswana, Eswatini and Lesotho while P2P transaction fees were waived in Malawi.

Digital inequalities impacted safety. An interesting implication of the finding that richer SADC countries is increasingly shifting more to P2B transactions, is that those that could afford it were able to protect themselves better – doing more transactions digitally, including to businesses, while those who could not afford this added protection, were in fact left to resort to converting their mobile money to cash. For instance, over 80% of mobile money cash-in was cashed-out in Botswana, Lesotho and Malawi with marked increases between September 2019 and September 2020 which could be indicative of the need for cash due to Covid related lockdowns. However, in Malawi and Lesotho, there has been a higher increase in cashing-out, with Malawi the highest at 99% in 2020. Preference for cash has been shown to have a strong correlation with a weak merchant payment ecosystem – where merchants find value proposition in cash over the acceptance of digital payments based on speed and the commission that can be earned.

Remittances remains the most popular use case for mobile money in Zimbabwe, Malawi and Lesotho. Unlike Botswana and Eswatini, the other three countries still use mobile money mostly for remittances (P2P) and airtime (in Lesotho). This show that policy that support digital merchant payments are required and should be a NFIS priority. Digital merchant payments provide transaction history for small business which can be utilised in seeking credit which is key in SME development. Linking to digital inequalities, where adults in higher income countries could protect themselves more through digital payments for everyday transactions, adults in lower income countries were only left with receiving remittances digitally, to supplement their incomes. However, given the global slowdown in remittances during the pandemic, even this channel of support provided by digital means were negatively impacted.

In addition to these common threads, there were some findings specific to some countries. These highlights of the 2021 report include:

Expansion of POS and shared agent network regimes provide branchless banking options for commercial banks. In Botswana and Zimbabwe, commercial banks have extended the reach of POS devices and they share agents with non-bank service providers which implies a development in the level of interoperability between bank and non-bank ecosystems which can expand access and usage of financial services. The increase in POS is expected to increase merchant payments but in Botswana, POS can be used to cash out and the current reporting templates do not distinguish between cash-out and merchant payments – which we recommend that regulators rectify.



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The increase role of ATMs in serving the unbanked (financially excluded and mobile money users). In Eswatini and Botswana, the commercial banks offer an eWallet service (cashed out at an ATM) which only requires a mobile phone number increasing the need for ATMs. In Botswana, mobile money remittances can also be cashed out at an ATM. This provides options to the unbanked to access remittances which is a major source of income in the SADC region.

The importance of mobile money in driving access and usage. Mobile money agents are the predominant financial access points in Lesotho, Eswatini and Malawi. These countries also register more volumes of remittances and payments using mobile money relative to commercial banks. This makes a case for the adoption of the SADC mobile money guidelines while considering the potential to make mobile money a store of value platform to save and invest in positioning the role of financial inclusion in meeting the SDG 2030 goals.

Banning of mobile money agents in Zimbabwe. In June 2020, Zimbabwe banned mobile money agents and introduced a mandatory national switch which will increase the role of commercial banks in processing payments and increase transparency on the National Payments System. There is anecdotal information on mobile money agents providing unauthorised FOREX transactions which raised financial integrity/FATF regulatory concerns from the RBZ.



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Botswana

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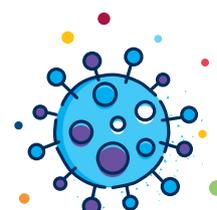
As a response to the impact on Botswana's productive capacity and correspondent impact on income for businesses and households, Botswana adopted an Economic Recovery Transformation Plan (ERTP), which not only focus on formal sectors, but acknowledges impacts on the informal sector, which is a vital part of the economy. The ERTP aims to provide solutions to enable the economic recovery of Botswana, by speeding up existing policies aimed at economic growth and transformation in order to support the continuation of economic activities and mitigate the impact on income, including addressing high unemployment.

Financial inclusion can play a strong role to support Botswana's growth and recovery objective by leveraging household spending to help government fund its development objectives, and by aggregating and mobilizing capital contributing to financial sector development and investment, thereby also contributing to SDG achievement. It is therefore of critical importance to understand how financial services provision and access has changed, and what can be done to further enhance this, in contribution to inclusive growth.

In February 2015, the Ministry of Finance and Development Planning (MEFD) of Botswana, announced the Making Access to Financial Services Possible (MAP) for Botswana. A roadmap and strategy was developed for the period 2016-2021, and the resultant Botswana Financial Inclusion Strategy Implementation Programme (2017-2021) has six overarching priorities (see below). Of the 71 policy action areas spread across the six priority areas, 15 were implemented with the majority of success occurring in the area focused on developing a payments ecosystem suitable for households and businesses.

- *Create a payments ecosystem*
- *Facilitate low accessible savings products*
- *Develop accessible risk mitigation products and improve usage of existing products*
- *Improve the working of the credit market*
- *Consumer empowerment and protection*
- *National Co-ordination*

A recently published [MAP Botswana Financial Inclusion Refresh report 2021](#) provides more in-depth insights on the progress made across the 6 priorities and policy action areas, with analytics that cover the demand, supply and regulatory factors that affect financial inclusion. In the Refresh report, key market changes is also considered to identify financial inclusion interventions that can grow the



Financial inclusion can play a strong role to support Botswana's growth and recovery objective by leveraging household spending to help government fund its development objectives.

economy and benefit society, by linking financial inclusion closer to supporting inclusive growth outcomes. To complement the MAP Botswana Financial Inclusion Report, this report assesses the financial inclusion indicators on access and usage to serve as input to update the NFIS priority areas from 2021 onwards. Some of the key events over the analytical time period (Sept 2017 – 2020) of the subsequent analyses are discussed below.

Mobile money were encouraged as a safer form of transaction to counter the impact of Covid-19. In recognition of the supporting role that financial inclusion can play in mitigating the impact of the pandemic, the Reserve Bank of Botswana implemented certain measures aimed at reducing health risks to consumers. For instance, to encourage the use of mobile money (for remittances and business payments), which is deemed a safer method of transacting during the pandemic, the single, daily, and monthly transaction limits on mobile money transactions were increased by the Reserve Bank of Botswana.

- **MAXIMUM SINGLE TRANSACTION:**

from BWP 5,000 (USD 458) to BWP 10,000 (USD 916);

- **MAXIMUM DAILY TRANSACTION:**

from BWP 10,000 (USD 916) to BWP 15,000 (USD 1,375); and

- **MAXIMUM MONTHLY AGGREGATE:**

from BWP 20,000 (USD 1,833) to BWP 30,000 (USD 2,749).

MMOs and banks were also encouraged to take actions to reduce prices and promote the use of mobile money and other digital platforms for transactions.¹ These measures are not only aimed at saving lives, but also at keeping economic activities going, which may have otherwise stalled, thereby also protecting livelihoods during the economic slowdown. In addition to these immediate measures, the financial sector landscape continue to experience significant expansion, while important regulatory changes building on the recommendations of the first MAP Diagnostic is driving further innovation and market evolution, continuing to support the goal of increasing financial inclusion:

Increase in open loop interoperability. Mobile money can be cashed-out via ATMs² and can also be accessed via Post Office branches. It is expected that usage of mobile money can result in the usage of commercial banking access points such as the ATM or banking agents such as the Post Office branches, “Botswana Savings Services”, which are accessed through Post Offices across the country. The Post Office also provides a “PosoMoney” product, introduced in 2019, which is an “innovative mobile phone based financial service offered by BotswanaPost that offers a wide range of cross-functional solutions. These include mobile money transfers, banking and payment services.” PosoMoney is

1 Bank of Botswana (2020). Media Release. Response to the impact of Covid-19 pandemic. Available [online](#)

2 Bank of Botswana (2020). Tsa Tuelano. The Botswana National Payments System Newsletter Available [online](#)

also fully interoperable, working on any phone and any provider network. The first priority of the NFIS is to create a payments ecosystem. The increase in open loop interoperability show that there are NFIS policy interventions which are demonstrably effecting an enabling digital financial services ecosystem to expand financial inclusion. The Post Office is critical to this expansion, given its extensive branch networks especially in non-urban areas.

New regulation to bring mobile money under the regulatory authority of the BoB in January 2020. This regulation aims to have mobile money operators that are telecommunication service providers separate mobile financial payment services from other offerings. The impact of this not necessarily clear but one expects that there would be an increased precision in the mobile money services data received by the BoB to ensure effective regulatory oversight especially when considering the impact of mobile money on the financial integrity of the National Payment System. The importance of commercial banks in the first priority area of the Botswana Financial Inclusion Strategy Implementation Programme (2016-2020), which explicitly point to the development of a payment system that leverages existing commercial banking infrastructure. The impact of this will be seen in the next section.

Botswana on track to meet its financial inclusion targets. In 2021, Botswana finalised a new 2020 FinScope Botswana Consumer Survey, which informed the 2021 MAP Refresh, and provides an update of the 2014 MAP Diagnostic and supporting 2014 FinScope Survey. Although access to financial services in Botswana has increased since the last MAP study in 2014, Botswana is moving towards the 2021 goal of reducing financial exclusion to 12% and increasing usage of more than one type of formal financial service to 57%. The results show that adults (18 years and older) who were financially excluded decreased from 24% in 2014 to 15% in 2020, while those who are formally included increased from 68% to 82% over the same period. This is partly due to the increase in those banked from 50% to 56%, but also a sizeable increase in people who use other formal products (but are not banked) from 18% to 26% partly driven by increases in mobile money.

The access and usage indicators provided below relies on regulatory data, and provides more granular insights into the changing landscape of financial services provision in Botswana, complimenting the demand side survey findings.



In 2021, Botswana finalised a new 2020 FinScope Botswana Consumer Survey, which informed the 2021 MAP Refresh, and provides an update of the 2014 MAP Diagnostic and supporting 2014 FinScope Survey.

Access

The adult population of Botswana increased by 12% from 1.34 million to 1.49 million between 2015 and 2020 September. As of September 2020, there were a total 5,641 financial access points (POS, ATMs, Agents, Branches, merchants and money transfer operators) in Botswana. Given data availability, the structure of access points are shown in Figure 2.

Mobile money agents who can onboard new customers are more accessible compared to branches (banks and Post Office). The proportion of adults with access to commercial bank branches increased by 5% from 10 per 100,000 adults in September 2017 to 10.5 per 100,000 adults in September 2020. From a banking perspective as the issuer, POS devices increased by 81% from 184 per 100,000 adults in September 2017 to 334 per 100,000 adults in September 2020. However, ATMs decreased by 3% from 33 per 100,000 adults in September 2017 to 32,1 per 100,000 adults in September 2020. This show that commercial banks are leveraging agents and merchants by issuing POS devices as opposed to ATMs in enabling access to facilitate transactions. However, this analysis does not distinguish between the types of agents with POS devices as mobile money agents can also be bank agents facilitating interoperability between the banking and mobile money ecosystems. The implication of this is that one cannot pronounce whether banking or non-banking access points are driving access to financial services. This would require further research and the level of uptake between banks and mobile money can provide some insights – which is discussed in the next section.

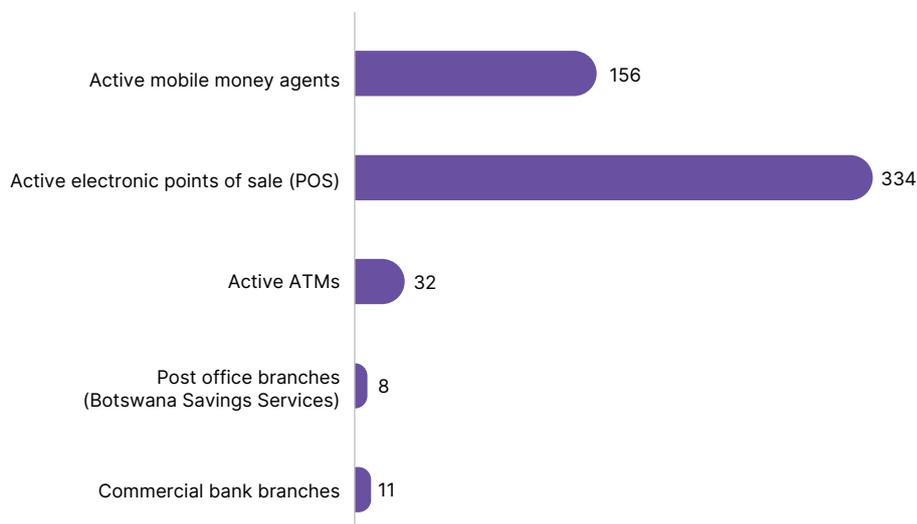


Figure 2. Financial Access Points per 100,000 adults in Botswana

Source: Bank of Botswana

Uptake

The data used in this section only reflects number of accounts as opposed to number of adults with accounts. The latter is typically assessed using demand side data and the Botswana Consumer FinScope 2020 survey show that 39.2 % of adults have both a bank account and a mobile money wallet while only 14.9% only have mobile money wallet. The survey also reveals that 84% of adults are financially included of which 56% are banked showing that there is a sizeable percentage of adults with both bank and mobile money wallets. This shows that commercial banks remain a key driver of financial inclusion. With this in mind, Figure 3 shows account ownership (as a supply side data proxy for uptake of products) of bank and mobile money accounts per 10,000 adults between 2018 and 2020 September.

Supply side data can serve as a proxy for level of uptake of banking and mobile money services. The compelling feature of Figure 3 is that bank accounts per 10,000 adults has surpassed mobile money accounts per 10,000 which confirms the FinScope findings – indicative of the level of quality of the data the BoB has provided from this report. It also makes an argument for the use of supply side data in assessing financial inclusion depending on the quality of the data. The evolution of usage of either banking or mobile money provides more insights as discussed in the next section.

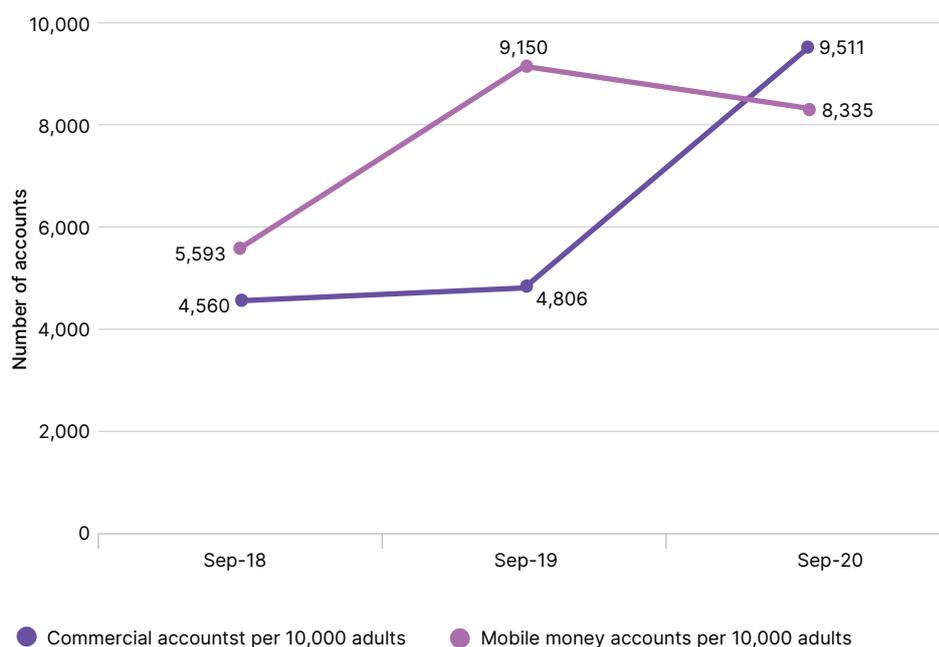


Figure 3: Account ownership per 10,000 adults in Botswana (September 2018 – 2020)

Source: Bank of Botswana



84% of adults are financially included of which 56% are banked showing that there is a sizeable percentage of adults with both bank and mobile money wallets.

Usage

The previous section show that mobile money account uptake was 8,337 per 10,000 adults as of September 2020 but the 60-day active accounts was 4,145 per 10,000 adults.

Bank enabled merchant payments through POS devices is an important feature of the payment system. Transactions made in September 2020 covering POS and mobile money-based transactions are shown in Figure 4. POS recorded the highest level of transactions. This is indicative of the role POS plays in enabling merchant payments (P2B) – that is, digital payments for basic and non-basic services.

Merchant payments are higher than remittances on mobile money platforms. Mobile money also appeared to be used mostly for P2B payments as opposed to P2P (remittances) or airtime purchases. This shows that mobile money has evolved beyond being a tool to facilitate remittances and driving the digitisation of business activities. This is an important point as it provides businesses with a transactions history which can be the basis of accessing other financial services such as credit (which is briefly discussed in the next section). The nature of the businesses that take digital payments is unclear and would require additional research. However, data on merchant payments makes the case for the need to conduct a business focused demand side survey (like a FinScope MSME survey) and more importantly, the provision of this data points with the relevant merchant codes.

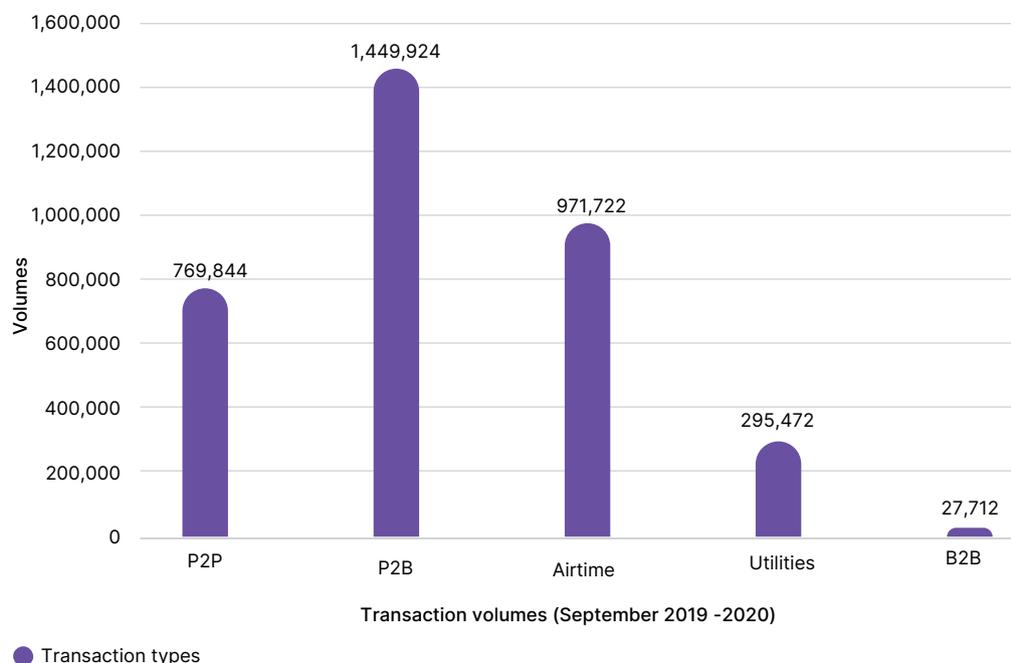


Figure 4: Transactions on POS and Mobile Money Platforms September 2019 - 2020

Source: Bank of Botswana

Relatively high level of decashing on mobile money platforms. In September 2020, cash-out volumes (805,236) was 83% of total cash-in volumes (965,408). The level of cash-out between 2019 and 2020 September was 99% in Malawi showing more preference for cash in Malawi compared to Botswana.

MFIs are more important to SMME finance than banks. In September 2020, commercial banks had provided 1,551,067 loans to SMMEs compared to 145,608 provided by commercial banks. One could infer that commercial partnerships between MFIs and mobile money operators/commercial banks can improve the risk profiling process to expand financing for SMMEs, which is critical to stimulate inclusive growth in Botswana.

In addition to Access and Usage indicators, there are also institutional or financial infrastructure considerations which impacts on the provision of financial services. The next section reviews the institutional coordination, capacity and other key developments relating to financial inclusion in Botswana.

Institutional capacity of financial inclusion

The Botswana Financial Inclusion Strategy Implementation Programme (2017-2021) is driven by the Ministry of Finance and Economic Development (MFED), and a financial inclusion working group chaired by the MFED and made up of representatives of policy makers, regulators, and associations was formed to monitor the Programme's implementation.

Launch of new NPS strategy. The reframing of the national financial inclusion strategy (i.e. developing the new NFIS) will also take the recent National Payments System Framework And Strategy Vision 2020 – 2024 into consideration. This strategy aims to achieve the broader objectives of access, safety and efficiency in the NPS.³

eKYC launched to facilitate increased access, reduce identity risk and reduce the cost of onboarding banking customers. In March 2021, eKYC was launched, driven by the Bankers Association of Botswana to ensure total fulfilment of international AML/KYC compliance requirements as prescribed by the Financial Action Task Force (FATF) and its affiliated FATF-style Regional Body, the Eastern & Southern African Anti-Money Laundering Group (ESAAMLG).⁴ The “eKYC System” works by providing commercial banks with online instant verification of identification documents against the national citizen database. This will also lend itself to the reduction of identity risk which makes it less onerous to access financial services.

Credit information sharing bill passed into Law. In June 2021, a Credit Information Sharing Bill was passed into Law. The law seeks to improve access to credit extended to small businesses and citizens through credit information sharing to reduce information asymmetries between credit providers and households or businesses that want to access credit.



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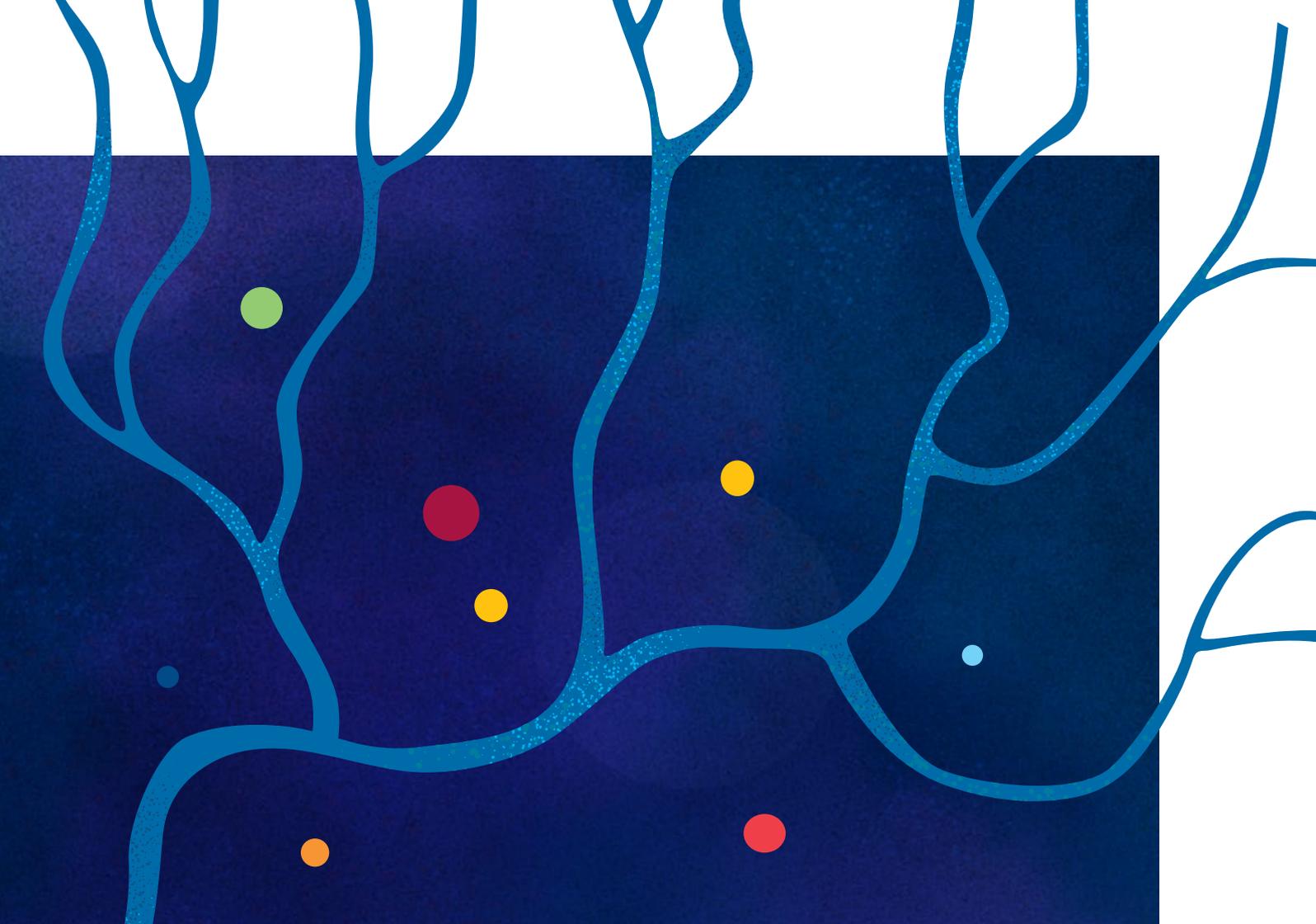
3 Bank of Botswana (2020). The National Payments System Vision and Strategy 2020 – 2024. Available [online](#)

4 Ministry of Finance and Economic Development (2021). Keynote speech by Minister of Finance on the launch of the Bankers' Association of Botswana's eKYC project. Available [online](#)

Table 1: Botswana Financial Inclusion Data

	2015	2017	2018	2019	2020
Adult population	1.34 million	1.42 million	1.44 million	1.4 million	1.49 million
Commercial bank branches per 100,000 adults		10	9.1	8.1	10.5
Post office (Botswana Savings Services) branches per 100,000					8.3
Active ATMs per 100,000 adults		33	33.6	33.3	32.1
Active electronic points of sale (POS) per 100,000 adults			184	204	334
Active Mobile Money Agents per 100,000 adults		91	76	130	155.8
Commercial bank accounts per 10,000 adults			4,560	4,806	9,511
POS transactions in volumes					2,095,864
Mobile money accounts per 10,000 adults			5,593	9,150	8,335
60-day active mobile money accounts per 10,000					4,145
P2P (volumes)					769,844
P2B (volumes)					1,449,924
Airtime (volumes)					971,722
Utilities (volumes)					295,472
Total Mobile Money Cash-in (volumes)					965,408
Total Mobile Money Cash-out (volumes)					805,236
Commercial Bank loans to SMMEs (volumes)					145,608
Microfinance loans to SMMEs (volumes)					1,551,067

Source: Bank of Botswana

A stylized map of Eswatini is shown in the upper portion of the page. The map is composed of thick, light blue lines that define the country's irregular borders and internal regional divisions. The background of the map is a dark blue gradient. Scattered across the map are several small, solid-colored circles in various colors: green, red, yellow, orange, and light blue. The overall aesthetic is modern and graphic.

Eswatini

Despite its status as a lower middle-income country, Eswatini's population remains tied to rural areas and largely dependent on agriculture. This exposes a large portion of the population to drought (linked to climate change) and the resultant effects on agriculture and food security.

Despite its status as a lower middle-income country, Eswatini's population remains tied to rural areas and largely dependent on agriculture. This exposes a large portion of the population to drought (linked to climate change) and the resultant effects on agriculture and food security.

A large portion of the population remain poor, and inequality remain high. This is more pronounced for rural areas where 70% are under the international poverty line.¹ Furthermore, unemployment is high, and particularly so for the youth, and has not changed much since 2015. As such, Eswatini was already likely still some way from achieving its SGD target's prior to the impact of the pandemic.

Nevertheless, Eswatini has responded to the impact of the pandemic by implementing a Post Covid-19 Economic Recovery Plan,² which focuses on developing a private sector led economy. The plan recognises that the pandemic is not just a health crisis, but also an economic crisis, impacting on both the economy and on livelihoods, and aims to kickstart productive economic activities and increase employment opportunities once the pandemic subsides.

Given this national objective, financial inclusion can protect lives (through safer channels of transacting) and livelihoods (by allowing transactions to continue) in the short term, while also playing a strong role in the medium and longer term to reignite economic activity and supporting productive activities to grow. To maximise its impact, it is important to understand how the financial services landscape continues to evolve, and what measures can further enhance its evolution, particularly to support inclusive growth.

In 2016, the Government of Eswatini published its National Financial Inclusion Strategy for Swaziland 2017 - 2022, based on the 2014 MAP Financial Inclusion Diagnostic recommendations and Roadmap. The Eswatini National Financial Inclusion Strategy 2017 - 2022 has five overarching priority areas that include:

- *Growth in the use of e-money to transact and save*
- *The development of formal domestic and cross-border remittance products to support vulnerable dependant groups*
- *Insurance to better manage the impact of risks*
- *Deepening bank reach to better meet needs*
- *Reducing credit costs and protecting consumers*

Among the targets set out in the NFIS is increasing financial inclusion to 75% by 2022. The Eswatini Consumer FinScope 2018 survey found that 87% of adults in Eswatini were financially included, 85% of which are formally served.



A large portion of the population remain poor, and inequality remain high. This is more pronounced for rural areas where 70% are under the international poverty line.

1 UNCDF, 2020. Eswatini Financial Inclusion refresh. Available [online](#).

2 Government of Eswatini, 2020. Post Covid-19 Kingdom of Eswatini Economic recovery Plan. Available [online](#).

As such, the financial inclusion goal has already been attained before time. Some of the milestones of the NFIS implementation include, partnerships between mobile money providers and banks to increase interoperability, including use of ATMs; commercial banks introducing e-wallets, and prepaid cards to increase reach the unbanked.

[The MAP Eswatini Financial Inclusion Refresh report](#) (2021) provide more in-depth review of the NFIS and will serve as an input into the reformulation of the NFIS in 2022. The Refresh was done as a follow up to the 2014 MAP Diagnostic, with the view to inform the development of next NFIS, and to link financial inclusion closer to supporting the real economy, inclusive growth and the achievement of the SDGs. The current Monitoring progress report aims to provide insights that can complement the findings from the MAP Refresh report to utilise financial inclusion as a policy tool in meeting the SDG 2030 goals. To contextualise the findings of this report, some of the key events for the period September 2017 – 2020 are discussed in the subsequent analyses.

[The use of e-wallets were encouraged as a safer form of transaction to counter the impact of Covid-19.](#) To mitigate the impact of the pandemic on livelihoods, as well as protect users against the risk of infection, the Reserve Bank of Eswatini implemented increases in transaction limits for the use of e-wallets, in order to encourage its use. Table 2 show the increases in transaction limits for bank and mobile money customers who are not fully KYC'd under the Customer Due Diligence regulation in Eswatini. These are likely to be mostly non-bank customers, demonstrative of an intervention designed to support low-income households that are less likely to be commercial bank customers. It is also expected that Covid related lockdowns would have an impact on household income which is likely to increase the dependency on remittances – which might have an impact on P2P transaction trends.

Table 2: Limits on transactions for 'partial' KYC customers (Bank-led E-wallet size)

BALANCE	SEND PER DAY	WITHDRAWAL PER DAY	SPEND PER DAY
<i>Previous limit prior to March 2020</i>			
SZL 4,999 (USD 327) with monthly turnover of SZL 25,000 (USD 1,637)	SZL 4,999 (USD 327)	SZL 4,000 (USD 327)	SZL 4,999 (USD 327)
<i>New limit after March 2020</i>			
SZL 15,000 (USD 982) with monthly turnover of SZL 25,000 (USD 1,637)	SZL 15,000 (USD 327)	SZL 15,000 (USD 982)	SZL 15,000 (USD 982)

Source: Central Bank of Eswatini

[Introduction of bank-led wallet products for the unbanked.](#) Commercial banks offer a wallet service that allows bank customers to send money to unbanked recipients. The remitted values can be withdrawn at ATMs, and one therefore expects this to have an impact on the level of ATM transactions.

[Agency banking using retailers to serve the domestic remittances market.](#)

The branch network of retail stores is being leveraged to provide access points for over-the-counter remittances service. One would expect a decline in the

transaction volumes through retailers (over the counter) due to the on-going Covid-19 lockdown which started in March 2020.

The next section shows the trends in financial inclusion access, uptake, usage and the institutional capacity to implement the national financial inclusion strategy. The indicators used relies on regulatory data, and provides more granular insights into the changing landscape of financial services provision in Eswatini, complimenting the FinScope 2018 demand side survey findings:

Access

The total adult population of Eswatini increased by 45% from 531,813 in September 2017 to 774,164 in September 2020. Over the same period, financial access points grew by 960% from 127.5 per 100,000 adults in September 2017 to 1,351.4 per 100,000 adults. Figure 5 shows the growth in selected access points between September 2017 and 2020.

Access is dominated by mobile money agents. Mobile money agents have the most access points compared bank-led access points. POS devices has the highest growth rate between September 2017 (47.8 per 100,000 adults) and 2020 (417.1 per 100,000) growing by 773% compared to the growth in mobile money agents from 180 per 100,000 adults in September 2017 to 872.3 per 100,000 adults in September 2020. Branches and ATMs both decreased slightly. The introduction of Automated Deposit Terminals (ADTs) aims to increase the scope for digitization of cash. Overall, mobile money appeared to be driving increase in access to meet national financial inclusion goals.

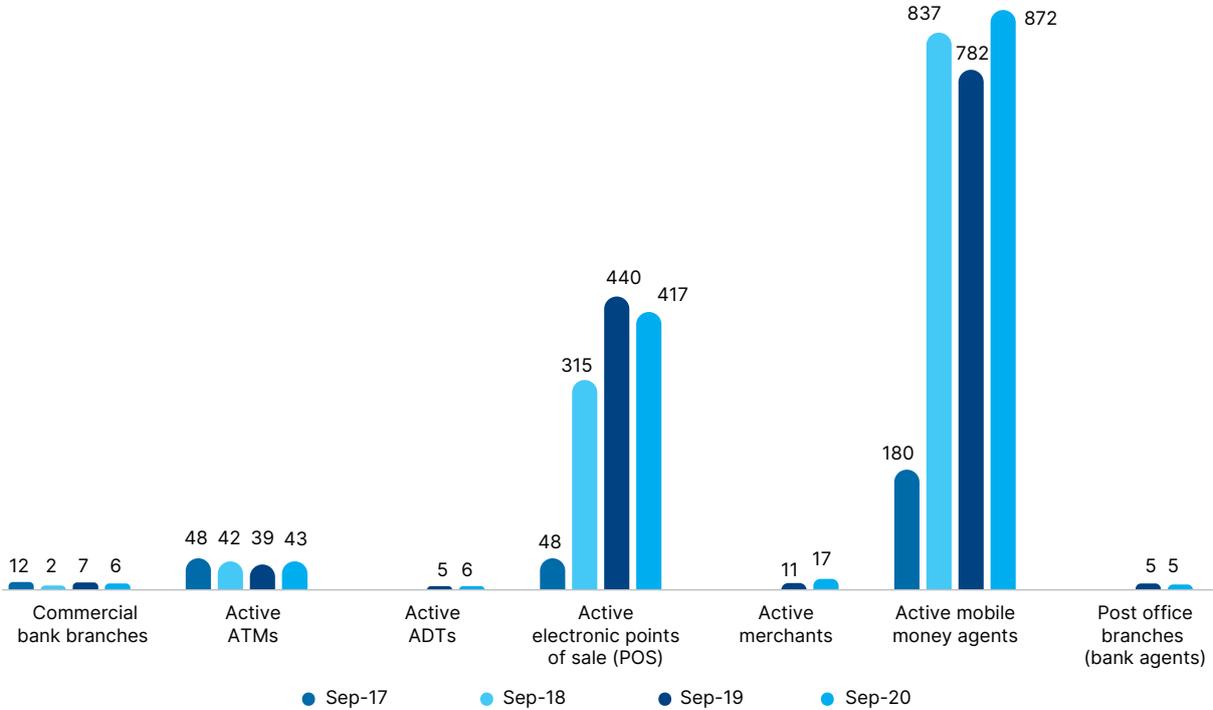


Figure 5: Financial Access Points per 100,000 adults in Eswatini (September 2017 – 2020)
 Source: Central Bank of Eswatini

Uptake

From the Eswatini FinScope Consumer 2018 survey, 52% of adults are banked while 67% of adults have mobile money accounts. However, the banked population actually declined slightly from 2014 (54%), while the use of other formal products (which includes mobile money) has steadily increased since 2011, and growing by 76% between 2014 and 2018³. The drastic increase in mobile money corresponds with the supply side findings below, with mobile money accounts exceeding the number of bank accounts since 2019:

There are more mobile money accounts compared to commercial bank accounts.

From the number of accounts data as shown in Figure 6, mobile money accounts per 10,000 adults took off in 2018 and remained higher than commercial bank accounts in 2019 and 2020 maintaining a higher growth rate between 2017 and 2020 at 21% compared to 14% for commercial bank accounts per 10,000 adults.



52% of adults are banked while 67% of adults have mobile money accounts.

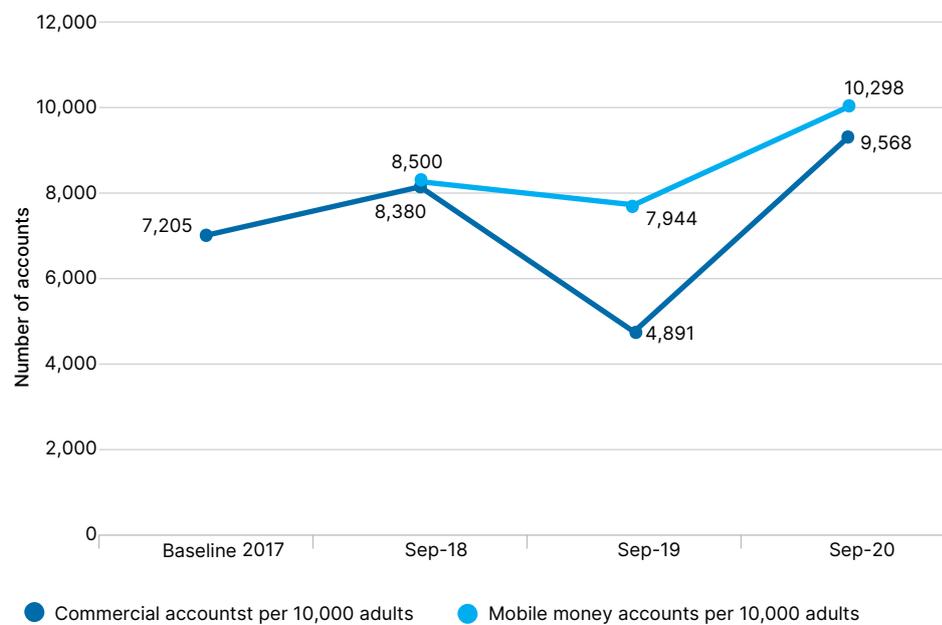


Figure 6: Account ownership per 10,000 adults in Eswatini (September 2017 – 2020)

Source: Central Bank of Eswatini

3 UNCDF, 2020. Eswatini Financial Inclusion Refresh. Available [online](#).

Usage

Limited data does not allow for much comparison between bank and mobile money platforms. For instance, P2P transactions data within the banking ecosystem is not available outside of what one can infer from the usage of POS devices which are issued to merchants/retailers that accept digital payments for their products and services. However, there are some market features than one can still discern from the available data.

Mobile money enabled P2B is higher compared to POS transactions. Figure 7 show that there are more P2B mobile money enabled transactions compared to those that are POS enabled. Transaction volumes for mobile money continue to grow in Eswatini, with P2B transactions remaining the largest in volume, followed by P2P transactions.

Business 2 Person transactions emerges. However, a new trend emerging is that B2P transactions through mobile money (e.g. paying salaries) is rapidly rising, growing from 235,287 to 1,490,527 between September 2019 and 2020. Although this remains the smallest volume of transactions through mobile money, this show the evolution of the digital financial services system and the use/ acceptance of mobile money by businesses as opposed to mobile money being seen as a service to meet personal/household financial needs.

Increase in mobile money cash-out. The proportion of cash-in that was cashed-out increased by 1% from 68% in September 2019 to 69% in September 2020. This level of decashing is lower than the 83% observed in Botswana.



Transaction volumes for mobile money continue to grow in Eswatini, with P2B transactions remaining the largest in volume, followed by P2P transactions.

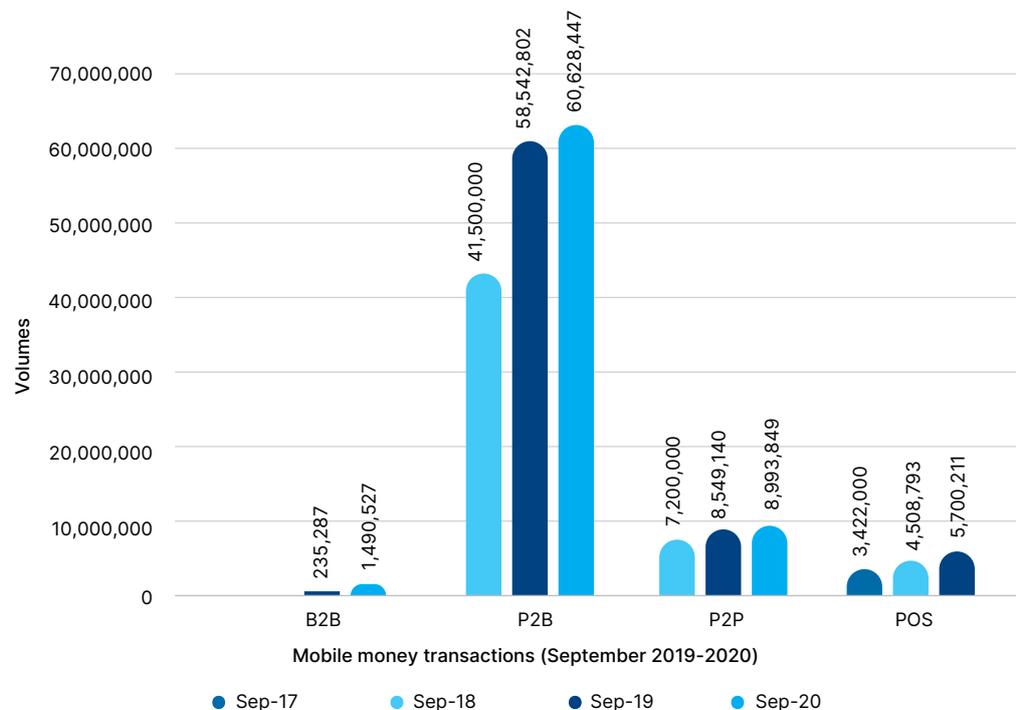


Figure 7: Transaction volumes in Eswatini (September 2017 – 2020)

Source: Central Bank of Eswatini

Institutional capacity of financial inclusion

To coordinate and monitor the implementation of the NFIS, a Financial Inclusion Task Team was set up as a steering committee with representatives from the Ministry of Finance, the Centre for Financial Inclusion (CFI – which was preceded by the Financial Inclusion Coordination Agency and the Micro Finance Unit), the Central Bank of Eswatini (CBE) and the Financial Services Regulatory Authority (FSRA).

The Centre of Financial inclusion continues to be the dedicated unit that coordinates the implementation of the national financial inclusion strategy. A unit is in place which has a dedicated financial inclusion agenda. This unit is semi-autonomous from the Ministry of Finance with a dedicated budget.

Table 3: Eswatini Financial Inclusion Data

	2017	2018	2019	2020
Adult population	531,813	676,185	723,518	774,164
Commercial bank branches per 100,000 adults	12.4	12.3	6.5	6.1
Active ATMs per 100,000 adults	48	42.3	38.8	42.6
Active ADTs per 100,000 adults			5.1	5.6
Active electronic points of sale (POS) per 100,000 adults	47.8	315	440.3	417.1
Active merchants per 100,000 adults			11.1	16.8
Active Mobile Money Agents per 100,000 adults	180	837	782.4	872.3
Commercial bank accounts per 10,000 adults	7,265	8,380	4,891	9,568
POS transactions (volumes)	3,422,000	4,508,793	5,700,221	
Mobile money accounts per 10,000 adults		8,500	7,944	10,298
60-day active mobile money accounts per 10,000			5,397	6,290
P2P volumes		7,200,000	8,549,140	8,993,849
P2B volumes		41,500,000	58,542,802	60,628,447
B2P			235,287	1,490,527
Total Mobile Money Cash-in			11,623,402	12,424,613
Total Mobile Money Cash-out			7,875,025	8,631,571

Source: Central Bank of Eswatini



Malawi

Malawi is a low-income country, with the lowest GDP per capita among SADC countries, and an economic growth rate that was not high enough to raise average GDP per capita significantly in the coming years, even prior to the pandemic, given its high population growth rate.

The economy remain heavily dependent on agriculture, and the majority of the population resides in rural areas, where households remain characterised by high levels of poverty. Given its rural nature, employment in Malawi remain largely informal, and most jobs are in agriculture.

Given this broader context, Malawi has been weakly equipped to deal with the economic fallout from the Covid-19 pandemic, and the resultant disruptions in trade, investment, and remittance flows, with the Country having had no economic recovery plan from the pandemic as of September 2021. Given the absence of a longer term economic recovery strategy, financial inclusion can play a pivotal role in protecting livelihoods at the household level, while mobilising capital for investment required to fuel economic recovery over the medium and longer term. To do so, it is important to understand how financial services provision is evolving, and what measures can further enhance and support the expansion of access, while also supporting livelihoods and inclusive growth.

In 2016, the Government of Malawi, assisted by UNCDF, set out a vision for financial inclusion in the Malawi National Strategy for Financial Inclusion (2016 -2020). Informed by the 2015 MAP Diagnostic findings and Roadmap, the NSFI had five priority areas:

- *Expansion of the reach of payments*
- *Leveraging of Village Savings and Loan Association (VSLAs) to enable savings*
- *Targeted financing for MSMEs and farmers*
- *Niche insurance opportunities to reduce vulnerabilities*
- *Effective consumer empowerment and education*

Among the targets set out in the NSFI is increasing financial inclusion to 55% by 2022 (from 34% in 2014). Given the lack of an updated representative demand side survey since 2014, this report will provide some insights on progress made in relation to the expansion of access to bank and non-bank access points, uptake of and usage of bank and non-bank accounts, drawing on regulatory data.

The [MAP Malawi Financial Inclusion Refresh 2021](#) report goes into depth on the progress made across the five areas and should be reviewed for further insights. The Refresh report is also aimed at informing the revised NSFI, which is currently under review in reframing its priority areas and for which the MAP Refresh report would serve as an input in this process. Of the 93 activities identified in the first MAP and the NFIS, only 20 have clearly been completed. This MAP Refresh report increases the focus on inclusive growth (especially through SMEs and agriculture), access to basic services (energy, health and education), and



Malawi has been weakly equipped to deal with the economic fallout from the Covid-19 pandemic, and the resultant disruptions in trade, investment, and remittance flows, with the Country having had no economic recovery plan from the pandemic as of September 2021.

improving household resilience, as well as gender equality. Increased reliance on technological innovation and digital financial services will help to improve the scale and efficiency of financial inclusion interventions. To contextualise the findings of this report, some of the key events for the period September 2017 – 2020 are discussed in the subsequent analyses.

Shift to digital transactions encouraged as measure to counter Covid-19.

Similar to other SADC countries, the Reserve Bank of Malawi put measures in place to reduce cash transactions, to limit the transmission of Covid-19 through the handling of cash. To do so, the Reserve Bank of Malawi announced that there will be a 40% reduction in fees and charges related to internet banking, mobile payments and any other related services, except for POS and visa and master card related payments, in order to encourage usage of electronic payment transactions. Furthermore, the daily transaction and account balance limits on non-bank mobile money services was increased.¹ The MNOs also instituted the following actions.

- Completely remove user fees and charges on person to person transfers on the same network
- Reduce user fees and charges on person to person transfers across networks from a minimum of K120 to K20 through Natswitch²

More granular insights into the changing landscape of financial services provision in Malawi is provided below, through a more in depth look at key access and usage indicators, which relies on regulatory data submissions.



The Reserve Bank of Malawi announced that there will be a 40% reduction in fees and charges related to internet banking, mobile payments and any other related services, except for POS and visa and master card related payments.

1 Reserve Bank of Malawi (2020). Press Release. Measure to mitigate the impact of Covid-19 from the banking industry in Malawi. Available [online](#)

2 IMF (2020). Tracker for Covid-19 Responses to Facilitate Financial Access. Available [online](#)

Access

The adult population of Malawi remains unchanged between 2017 and 2020 September at 8.7 million. Over the same period, the total number of access points increased by 185% from 378 per 100,000 adults in September 2018 to 1,076 per 100,000 adults in September 2020. Figure 8 shows that the increase in total access points per 100,000 adults is driven by the expansion in mobile money agent networks which increased by 368% from 186 per 100,000 adults in September 2017 to 871 per 100,000 adults in September 2020. POS devices also increased at a lower growth rate of 77% from 18.6 in September 2017 to 33 per 100,000 adults in September 2020.

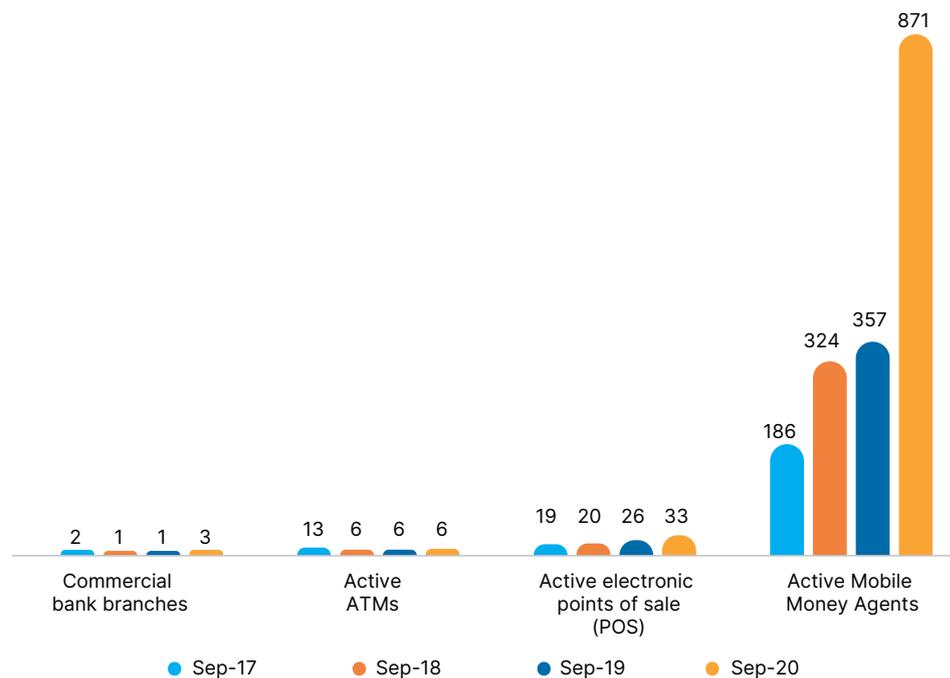


Figure 8: Access points per 100,000 adults in Malawi

Source: Reserve Bank of Malawi

Uptake

Malawi had its last FinScope Consumer survey in 2014. According to the World Bank Findex, the proportion of adults that have an account at a financial institution (at a bank, MFI or SACCO) increased from 18% in 2014 to approximately 24% in 2017; and the proportion that have any financial services account (at a financial institution, or a mobile money account) increased significantly – from 21% to 37%.³ Figure 9 confirms the disparity between uptake of bank accounts relative to mobile money accounts.

3 UNCDF 2020. Malawi Financial Inclusion refresh. Available online

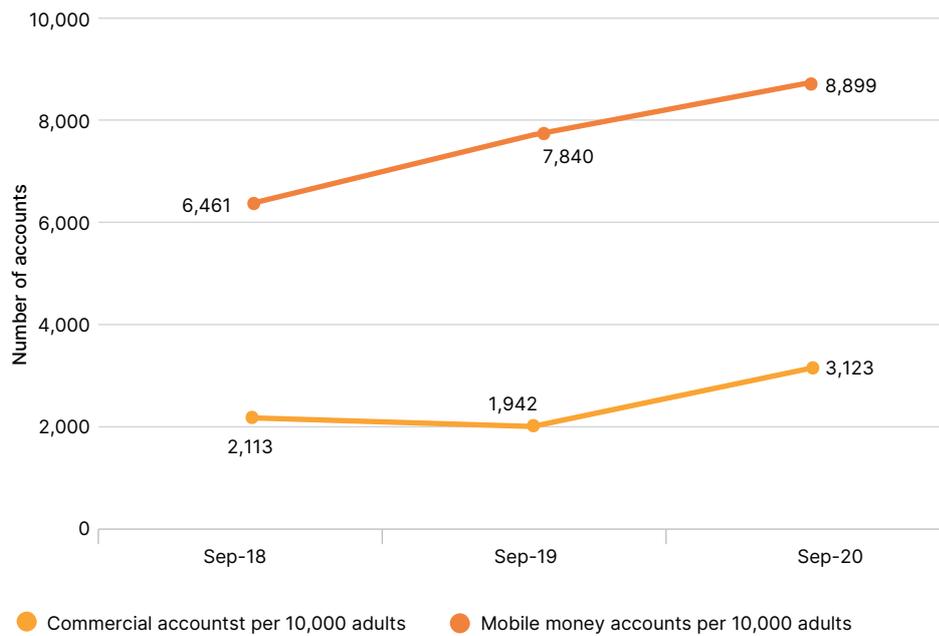


Figure 9: Accounts ownership per 10,000 adults in Malawi (September 2018 – 2020)

Source: Reserve Bank of Malawi

Mobile money is driving uptake of accounts. Account ownership is driven by mobile money accounts but the uptake in bank accounts per 10,000 grew quicker at 48% between September 2018 to September 2020 compared to mobile money accounts that grew by 38% over the same period. In September 2020, mobile money accounts per 10,000 was 8,898.5 compared to bank accounts per 10,000 at 3,122.7. With the Covid related interventions to encourage use of digital financial services, it is expected that mobile money usage would be impacted, and this is discussed in the next section.

Usage

Figure 10 show the trends in usage of bank and non-bank payment services. It is important to note that Malawi has a National Switch (Natswitch) that facilitates interoperability of retail payments transactions across different platforms.

Increased level of interoperability. Natswitch currently clears ATM, POS and mobile money transactions. Some of the banks also have products that allows a bank account holder to send money to an unbanked recipient as long as the recipient has a mobile phone number.⁴ This means that the combined effect of the level of interoperability enabled by Natswitch would make ATM transactions quite high. According to the RBMs National Payment System (NPS) Report - Second Quarter 2021, total transaction volumes through Natswitch between October and December 2020 was 2.2 million with mobile money transactions making up the majority of transactions at 1.1 million followed by ATM transactions at 0.79 million and lastly POS transactions at 0.27 million.



The uptake in bank accounts per 10,000 grew by 48% between September 2018 to September 2020 compared to mobile money accounts that grew by 38% over the same period.

4 Standard Bank Malawi, 2021. Accessed [online](#)

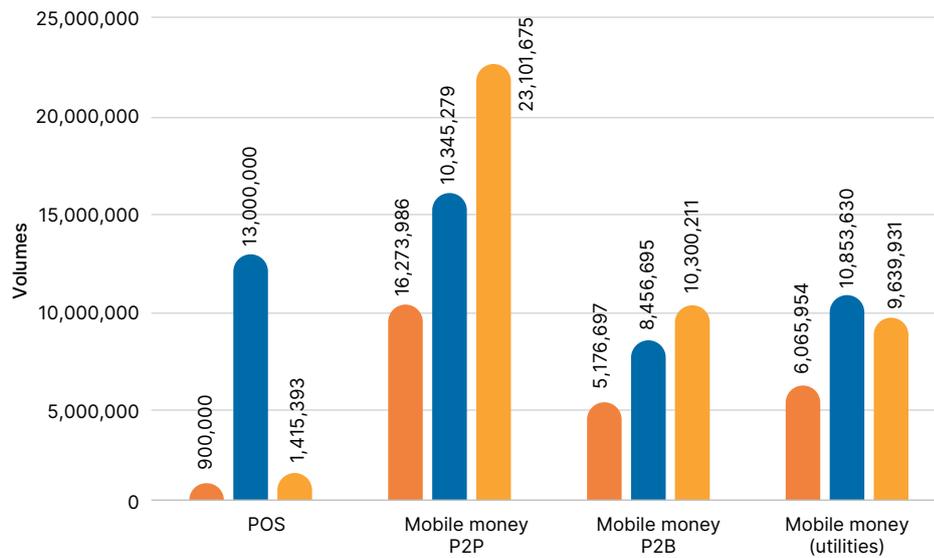


Figure 10: Transaction volumes in Malawi (September 2018 – 2020)

Source: Reserve Bank of Malawi

Remittances P2P is driving usage of mobile money. P2P remains the most popular mobile money transaction followed by P2B then utility payments as of September 2020. P2P at 23.1 million transactions is more than P2B and utilities payments combined. P2P also registered the highest growth rate (123%) between September 2018 and 2020.

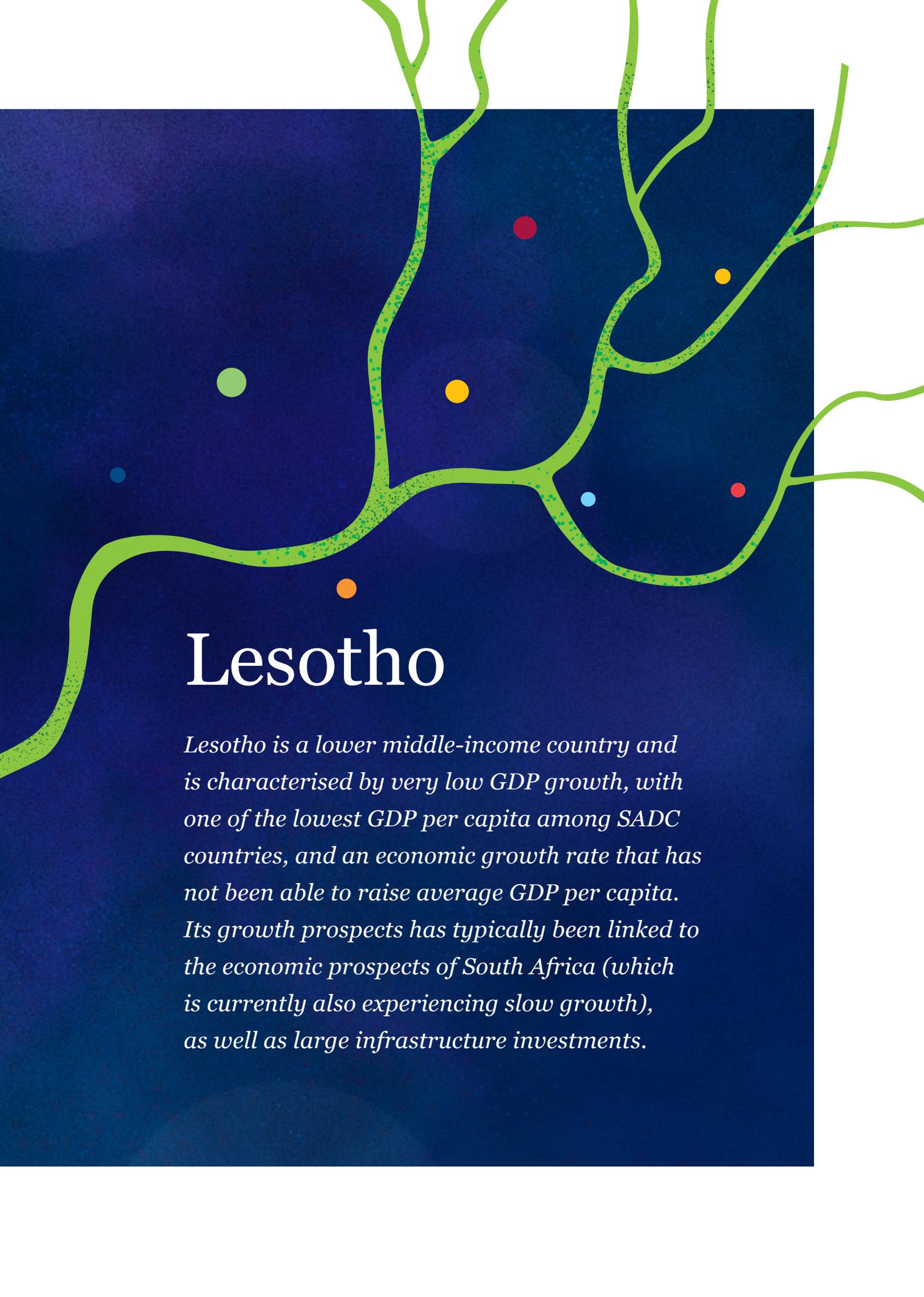
Mobile money cash-out is increasing indicative of the need for cash and an untapped merchant payments market. The percentage of mobile money cash-out increased from 85% in September 2018 to 99% in September 2020. This covers the Covid lockdown period and show a preference for cash by recipients of mobile money. This could be due to less people holding cash in mobile accounts, due to limited opportunities to make digital payments when purchasing goods and services which might be mostly pronounced in the rural areas.

Institutional capacity of financial inclusion

A governance structure was set up to coordinate financial inclusion, and included the Ministry of Finance, Economic Planning, and Development (MoFEPD), the Reserve Bank of Malawi (RBM), the World Bank and other donors undertaking projects in this area. The MoFEPD is responsible for the coordination of the financial inclusion strategy and has a dedicated unit with a staff of 5.

Table 4: Malawi Financial Inclusion Data

	2017	2018	2019	2020
Adult population	8,700,000	8,675,215	9,059,897	8,700,000
Commercial bank branches per 100,000 adults	2.4	0.9	1.2	2.5
Active ATMs per 100,000 adults				
Active ATMs per 100,000 adults	13.1	5.5	5.5	6.0
Active electronic points of sale (POS) per 100,000 adults	18.6	20.1	26	33
Active Mobile Money Agents per 100,000 adults	186	324	357	871
Commercial bank accounts per 10,000 adults		2,113	1,942	3,123
POS transactions		900,000	1,300,000	1,415,393
Mobile money accounts per 10,000 adults		6,461	7,840	8,899
60 day active mobile money accounts per 10,000				5,523
P2P volumes		10,345,279	16,273,986	23,101,675
P2B volumes		5,176,697	8,456,695	10,300,211
Utilities volumes		6,065,954	10,853,630	9,639,931
Total Mobile Money Cash-in volumes		36,975,006	55,456,036	58,908,261
Total Mobile Money Cash-out volumes		31,317,391	51,138,185	58,139,417
Mobile money accounts per 10,000 adults volumes		6,461	7,840	8,899



Lesotho

Lesotho is a lower middle-income country and is characterised by very low GDP growth, with one of the lowest GDP per capita among SADC countries, and an economic growth rate that has not been able to raise average GDP per capita. Its growth prospects has typically been linked to the economic prospects of South Africa (which is currently also experiencing slow growth), as well as large infrastructure investments.

Lesotho has a relatively large diaspora living outside Lesotho (especially in South Africa), which results in large remittances flows back to Lesotho, which households, and the economy to some extent, rely on to make ends meet. Although the population is more urbanised than most SDAC countries, a large proportion of the population remain in rural areas.¹ Despite Lesotho being a middle-income country, there are high levels of poverty and inequality (including gender and rural-urban inequalities) that remain.

Although the incidence of Covid-19 has been very low in the landlocked, mountainous country, the economic impact has been far worse, as Lesotho followed the lockdown approach applied in South Africa to a large extent. Financial inclusion can therefore support the protection of livelihoods in Lesotho, and support economic recovery by leveraging household spending to aggregate and mobilize capital to help government fund its development objectives and infrastructure plans, and by contributing to the achievement of SDG outcomes like poverty reduction, education, access to energy and supporting entrepreneurship. For this reason, it is critical to understand how financial services provision and access has changed, and what can be done to further enhance this, in contribution to inclusive growth.

The National Inclusive Finance Strategy ('NIFS', 2017-2021) set out a vision for financial inclusion in Lesotho, developed in collaboration between the Government of Lesotho and the MAP programme, and informed by the 2014 MAP diagnostic report for Lesotho. The Lesotho NIFS has the following priority areas.

- *Increase outreach and quality of financial services*
- *Increase financial and investment capacity*
- *Create and capacitate inclusive financial service providers*
- *Ensure an enabling environment*
- *Consumer education*

Out of approximately 75 activities set out in the NIFS, 53 have been completed according to the yet to be published Lesotho MAP Financial Inclusion Refresh 2021 report providing more depth on the progress made across the five areas. The MAP Refresh report reviews the implementation of the 2014 MAP diagnostic and 2017 NIFS and consider key market changes to identify financial inclusion interventions that can grow the economy and benefit society, with a view to inform the development of the new NIFS post 2021.

1 UNCDF, 2021. Lesotho Financial Inclusion refresh. Available [online](#).



Although the incidence of Covid-19 has been very low in the landlocked, mountainous country, the economic impact has been far worse, as Lesotho followed the lockdown approach applied in South Africa to a large extent.

This current Monitoring Progress report utilises data on financial access points, accounts ownership and usage of accounts to assess increase in outreach of financial services. As the NIFS 2017 -2021 is coming to end, a new strategy/road map will be developed which will be informed in part by this report, in addition to the recently completed MAP Financial Inclusion Refresh report. To contextualise the findings of this report, some of the key events over the period September 2017 – 2020 are discussed.

The use of mobile money and other digital channels were encouraged as a safer form of transaction as a response to Covid-19. To mitigate the impact of the pandemic on livelihoods, as well as protect users against the risk of infection, the Covid prevention protocol involved the Central Bank of Lesotho effecting the following interventions to encourage the use of digital financial services. These interventions should have an impact on the usage of mobile money for business payments and household transfers:

- The central bank negotiated with mobile network operators to remove fees for transactions below LSL 50.
- The central bank authorized mobile money issuers to increase transaction limits (to encourage usage of mobile money for payments and remittances) for duly identified and verified mobile money customers.
 - Daily and monthly limits of customers with partial KYC increased to LSL 10,000 and LSL 20,000 respectively.
 - Daily and monthly limits of customers with full KYC increased to LSL 17,500 and LSL 30,000 respectively.²

Mobile money identified as a key driver of usage of the payments system.

The CBL Financial Stability Report 2020 singles out mobile money as a driver of expansion of financial inclusion, citing that “the mobile money business has grown tremendously since 2012 and has bridged the financial inclusion gap. However, growth rates have fallen significantly.” The CBL is of the view that mobile money has entered a mature stage and growth rates in uptake are expected to taper off in the future. The next sections explore this development further.

Lesotho met and exceeded its NIFS target for financial inclusion.

Lesotho is in a uniquely placed among the five countries in that it conducted a new FinScope survey the same year that its NIFS was set to conclude. It therefore is the only country that can provide time-relevant data to measure performance against its NIFS targets, both being for 2021. The 2021 FinScope found that Lesotho met and exceeded both its target for the level of formal financial inclusion, as well as for the depth of financial inclusion (the proportion of adults with access to more than one type of formal financial service). For formal financial inclusion, Lesotho achieved a level of 87% by 2021, against a target of 85%, and for the depth of inclusion, Lesotho achieved 71% against a target of 65%. Both of these achievements sets Lesotho up as one of the best performing



For formal financial inclusion, Lesotho achieved a level of 87% by 2021, against a target of 85%, and for the depth of inclusion, Lesotho achieved 71% against a target of 65%.

² Central Bank of Lesotho (2020). Press Release. Available [online](#)

countries for financial inclusion in SADC, with 91% of adults now using formal or informal financial services. This impressive performance was largely driven by other formal (non-bank) products/services, and in particular, the use of mobile money which contributed significantly to increasing financial inclusion in Lesotho.

The access and usage indicators provided below relies on regulatory data, and provides more granular insights into the changing landscape of financial services provision in Lesotho, complimenting the demand side survey findings:

Access

Total access points per 100,000 adults increased by 87% from 464.1 per 100,000 in September 2017 to 869.3 per 100,000 adults in September 2020.

Expansion of mobile money agents. The increase in total access points was driven by active mobile money agents expansion which leaped from 315.5 per 100,000 adults in September 2017 to 626.4 per 100,000 adults in September 2020.

Limited and reducing role of bank branches and ATMs. As observed in Figure 11, bank branches and ATMs have limited outreach compared to mobile money agents. Bank branches per 100,000 adults reduced by 8% while ATMs per 100,000 adults reduced by 5% between September 2017 and 2020. However, bank agents seem to be positioned to increase the competitiveness of commercial banks in expanding access increasing by 44% from 15.7 per 100,000 adults in September 2018 to 22.6 per 100,000 adults in September 2020.

Declining outreach of MFI branches. MFI branches per 100,000 adults reduced by 65% between September 2017 and September 2020. This could be due to the

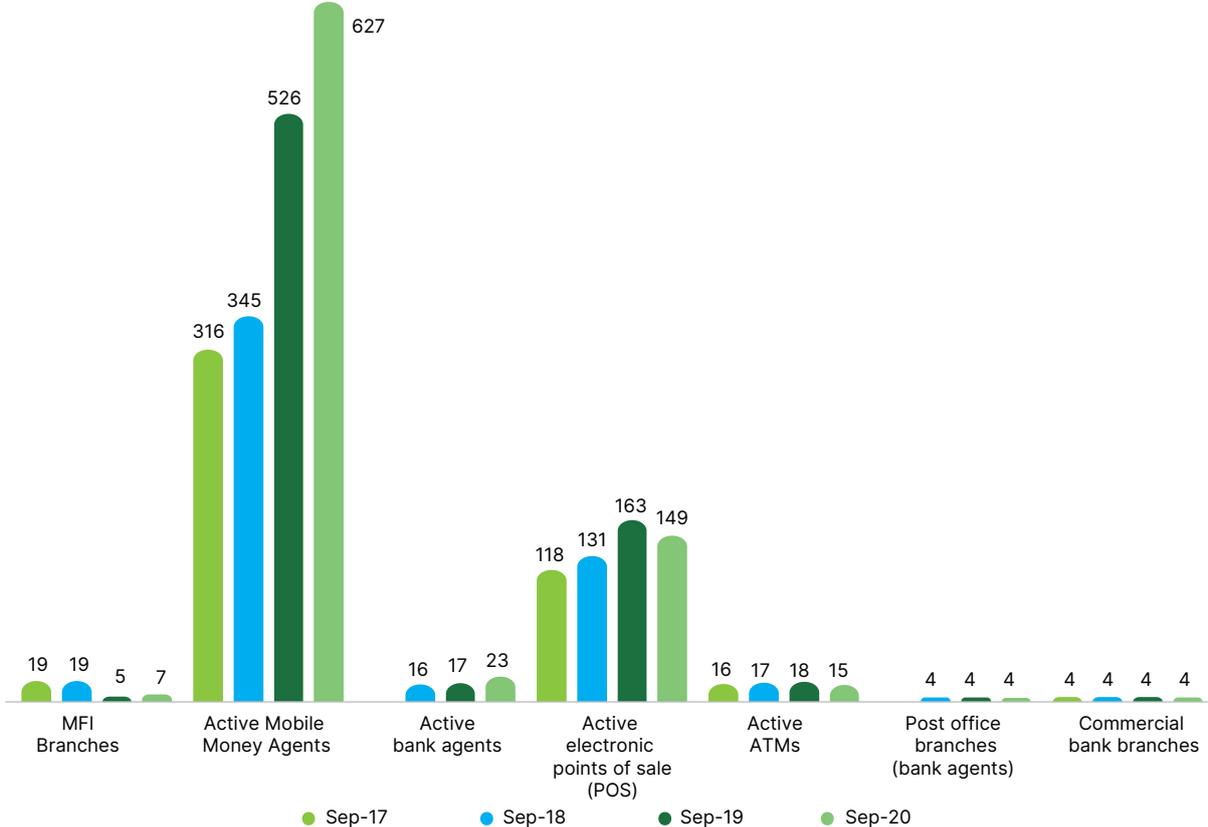


Figure 11: Access points per 100,000 adults in Lesotho (September 2017 – 2020)

Source: Central Bank of Lesotho

Money Lenders Act being repealed with the Micro Finance Regulations. This will have negative implications for the role of non-bank credit providers in meeting the needs of households and SMEs, and already comes out of the FinScope data, with non-bank credit showing a substantial decline between 2011 and 2021.

Uptake

The recent Lesotho FinScope Consumer 2021 survey found that the percentage of banked adults (out of total adults) increased from 38% in 2011 to 39% in 2021. However, as of June 2021, 66% of adults reported to have a mobile money account (there was no mobile money in 2011 for comparison). It seems Lesotho essentially has two separate systems for different clients with banking serving the more affluent while mobile money (with its extensive access points) serving lower income customers.

It is recommended that the NPS scales up policy implementation that can improve the level of interoperability. This is even more telling in Figure 12 as mobile money per 10,000 adults in September 2020 was 16,194.6 compared to 141.8 for bank accounts per 10,000 adults, the latter also recording a decrease (by 19%) in growth rates between September 2017 and September 2020. This corresponds with the FinScope data, which shows that bank penetration essentially stagnated over the last 10 years, while mobile money exploded and now serve a majority of adults.



The percentage of banked adults increased from 38% in 2011 to 39% in 2021. However, as of June 2021, 66% of adults reported to have a mobile money account.

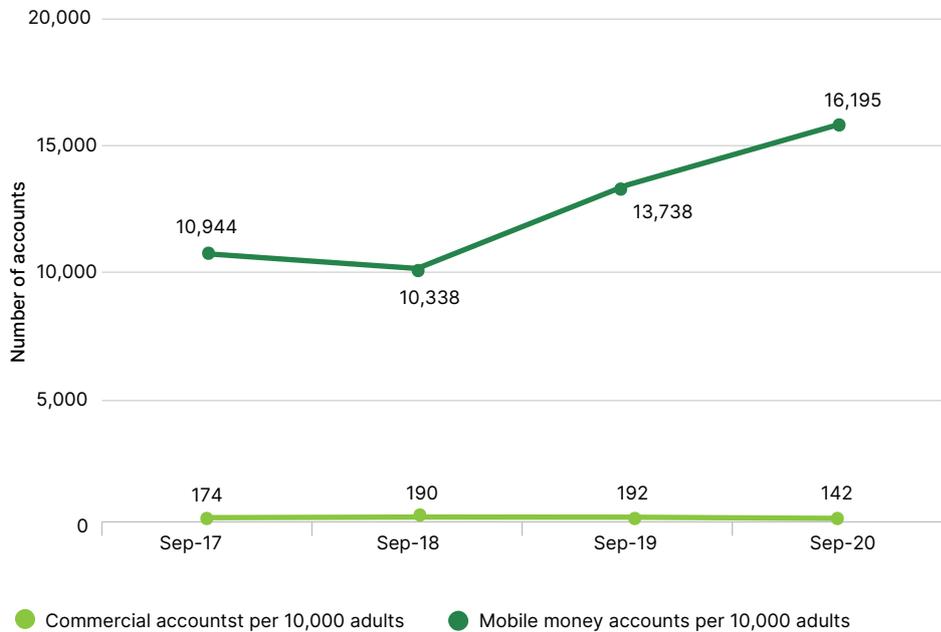


Figure 12: Account ownership per 10,000 adults in Lesotho (September 2017 – 2020)
 Source: Central Bank of Lesotho

Usage

Increase in 90-day active mobile money accounts per 10,000. 90-day active mobile money accounts per 10,000 adults increased from 4,487.2 in September 2017 to 6,960.4 per 10,000 adults in September 2020. This increase in the usage of mobile money demonstrates greater reliance on mobile money during Covid to prevent transmission due to cash handling, showing that the measures put in place by the Central Bank has been effective, but is also part of a longer term trend since 2017 of increasing mobile money usage in Lesotho.

Mobile money has had a limited impact on merchant payments. Compared to Eswatini, mobile money in Lesotho has had very little impact in enabling P2B payments as observed in Figure 13. Airtime purchases make up the largest component of usage followed by P2P (remittances) which is indicative of a less mature mobile money market compared to Eswatini.

Mobile money enabled P2B had the highest growth rate over the observed period, but remains low. Nevertheless, merchant payments via mobile money surpassed that of POS devices in September 2020 with 865,074 transactions compared to 799,887 for POS devices. It should also be noted that mobile money enabled P2B had the highest growth rate between September 2017 and September 2018 growing by 798% while POS transactions increased by 100%.

Increase in mobile money decashing countered impact of incentives to use mobile money. Only 70% of cash-in was cashed-out in September 2017 compared to 89% in September 2020. This could be due to the impact of Covid which could have necessitated the need to hold cash given low levels of mobile money enabled P2B – showing the potential for policies that can incentivise SMEs to accept mobile money payments. Ironically, this would also have directly countered the measures put in place by the Central Bank to incentivise the use of digital channels, meaning a greater switch could have been achieved if not for this increase in decashing.

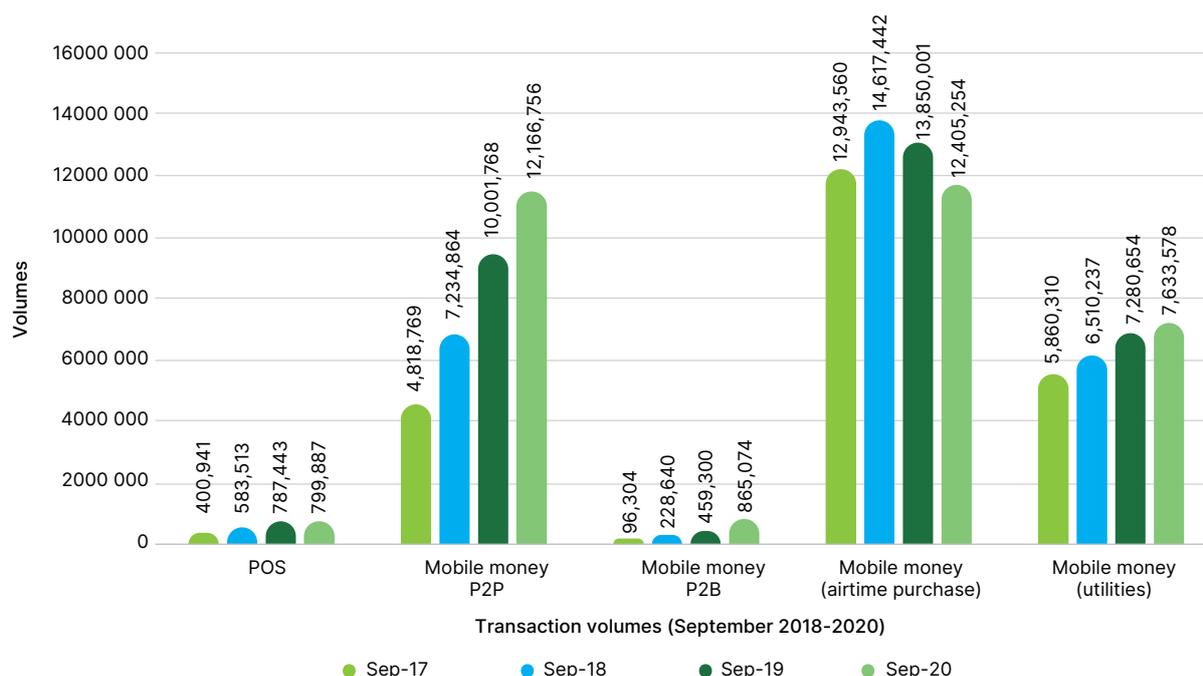


Figure 13: Transaction volumes in Lesotho (September 2018 – 2020)

Source: Central Bank of Lesotho

Institutional capacity of financial inclusion

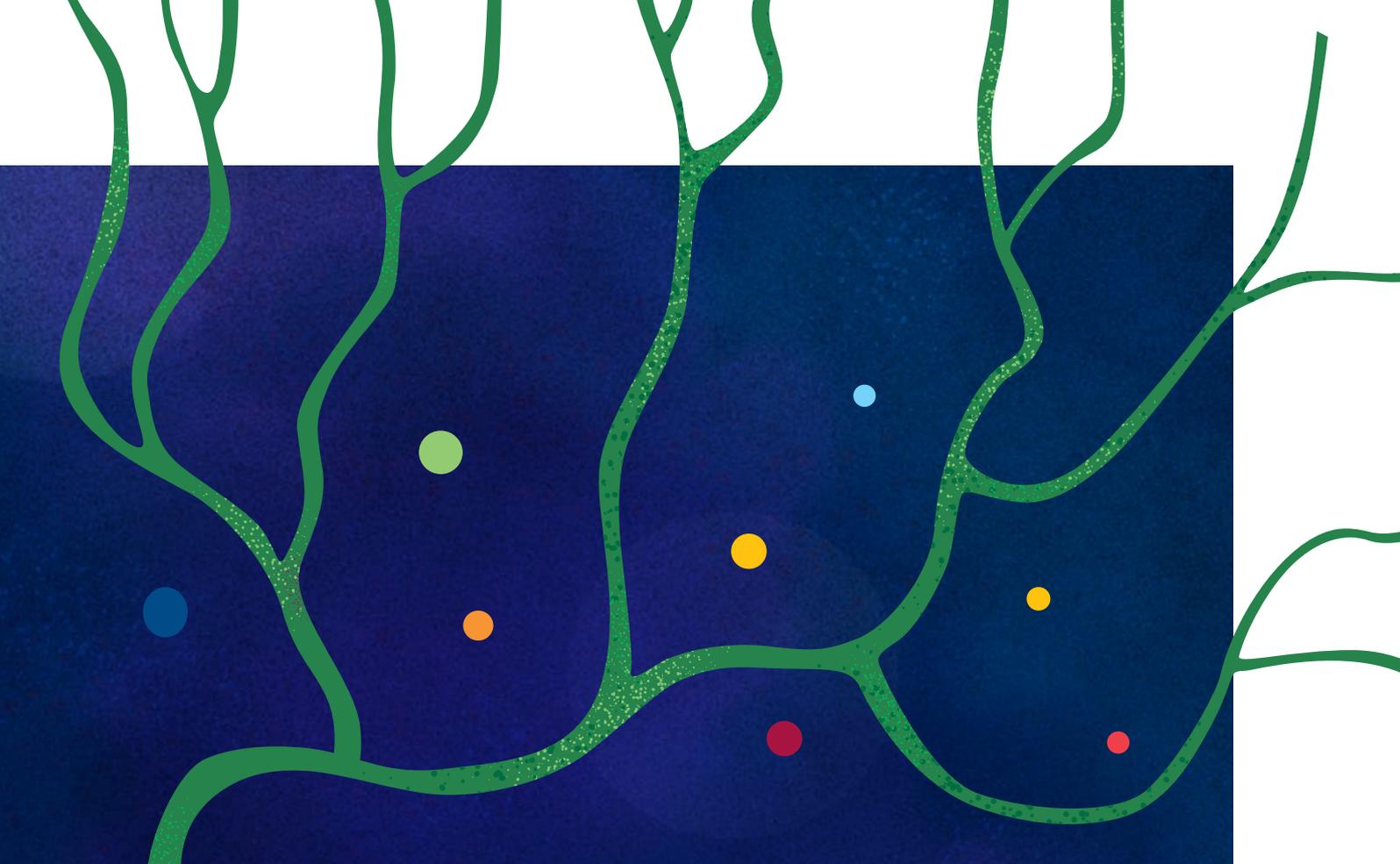
The Ministry of Finance chairs the governance structure set up to implement the financial inclusion strategy in Lesotho. The Financial Affairs Unit within the Private Sector Development (PSD) of the MoF is the dedicated unit leading the coordination of financial inclusion strategy implementation.

A key development in the enabling environment is the completion of a pilot that aims to leverage the national ID system in the identity verification of users of financial services. This pilot is currently being extended to cover regional KYC use cases which would be one of the first of such in the SADC region.

Table 5: Lesotho Financial Inclusion Data

	2017	2018	2019	2020
Adult population	1,184,626,	1,183,590	1,107,125	1,314,902
Commercial bank branches per 100,000 adults	4.2	4.2	4.4	3.9
Post office (bank agents) branches per 100,000		3.9	4.2	3.5
Active ATMs per 100,000 adults	16.1	17.2	18.1	15.4
Active electronic points of sale (POS) per 100,000 adults	117.9	130.6	162.9	148.7
Active Mobile Money Agents per 100,000 adults	315.5	345.1	526.4	626.4
MFI Branches per 100,000 adults	18.7	18.7	4.7	6.5
Commercial bank accounts per 10,000 adults	174.2	189.6	191.1	141.8
POS transactions in volumes	400,941	583,513	787,443	799,887
Mobile money accounts per 10,000 adults	10,944	10,338	13,738	16,195
90-day active mobile money accounts per 10,000	4,487	5,593	7,843	6,960
P2P volumes	4,818,769	7,234,864	10,001,768	12,166,756
P2B volumes	96,304	228,640	459,300	865,074
Airtime volumes	12,943,560	14,617,442	13,850,001	12,405,254
Utilities	5,860,310	6,510,237	7,280,654	7,633,578
Total Mobile Money Cash-in	8,242,011	10,540,731	12,799,067	13,962,880
Total Mobile Money Cash-out	5,752,690	8,088,315	10,892,030	12,466,942

Source: Central Bank of Lesotho



Zimbabwe

Zimbabwe is a low-income country, with one of the lowest GDPs per capita among SADC countries, and an economic growth rate which is not high enough to raise average GDP per capita significantly. Zimbabwe has experienced several challenges since June 2020, due to unfavourable external factors not limited to the pandemic (including hyperinflation and related food and fuel shortages), but Covid-19, similar to other SADC countries, arguably had a bigger economic impact on the country compared to its impact on public health.

With a large diaspora population residing outside of Zimbabwe, remittances to Zimbabwe accounted for more than 10% of GDP prior to the pandemic, and this flow of remittances would therefore also have been impacted during the pandemic.

Zimbabwe has an extremely youthful population, with 43% of the population under the age of 15, and the population relies on agriculture to sustain livelihoods to a high degree. Unemployment increased to 17% in 2019, but it is estimated that only 32% of the workforce is formally employed, with household workers and informal employees making up the remainder. In addition, underemployment is a significant problem. Given these macro conditions, poverty is still a substantial issue in Zimbabwe, as many as 37% of adults in urban areas, and 86% in rural areas (where the majority of the population resides) live below the total consumption poverty line. Given this situation, financial inclusion is of the utmost importance in Zimbabwe, as a mechanism to facilitate households to meet their basic needs, like getting food, but also access to education, healthcare, energy (or other basic services), and to access opportunities (like entrepreneurship). However, by expanding access to financial services, financial inclusion can also assist the country to mobilise capital for investment required to fuel economic recovery over the medium and longer term. To do so, it is important to understand how financial services provision is evolving, and what measures can further enhance and support the expansion of access, while also supporting livelihoods and inclusive growth.

In 2016, the Government of Zimbabwe, assisted by the World Bank, set out a vision for financial inclusion in the Zimbabwe National Financial Inclusion Strategy (NFIS) (2016-2020). Informed by the 2016 MAP Diagnostic findings, the NFIS has the following pillars:

- *Financial innovation to improve access to financial services by leveraging on advancements in information technology and developing suitable financial products for varied financial customers*
- *Financial literacy to address financial literacy deficiencies in the country, through implementation of programs that will enable consumers to acquire knowledge, skills, attitude and behaviour to be aware of financial opportunities, make informed choices in line with their circumstances and take effective action to improve their welfare*
- *Consumer protection to promote consumer confidence in the financial system through product pricing transparency, limiting exploitation of consumers by service providers and building and strengthening trust and confidence in the formal financial services sector, particularly among the low-income households*
- *Microfinance to expand the provision of financial services to low-income households and micro, small and medium enterprises (bottom of the pyramid) which are affected by comparatively higher levels of financial exclusion*



Zimbabwe has an extremely youthful population, with 43% of the population under the age of 15, and the population relies on agriculture to sustain livelihoods to a high degree.

Progress made was assessed in the 2020 mid-year national budget and economic review, and shows significant strides made with increasing the number of accounts for each of the key target groups (MSMEs, women, youth, rural population) and overall, with the number of bank accounts growing overall from 1.5 million in 2016 to 8.5 million in 2020 (there are 8 million working-age people in Zimbabwe), including 5.2 million low-cost accounts in 2020. However, this figure does not provide the proportion of adults that have access to bank accounts, given that there is duplication for people who have more than one bank account.

The [MAP Zimbabwe Financial Inclusion Refresh 2020](#) report also provide an update on the NFIS implementation, finding that MAP and NFIS goals have largely been achieved, and should be reviewed for a more comprehensive review of the financial inclusion strategy review. The MAP refresh aimed to consider gaps which may still exist, and how best to prioritise future interventions, with the intention of informing the revised NFIS post 2020. Given the approaching goalposts of the SDGs (2030), the refresh also took a more deliberate line at linking financial inclusion to inclusive growth and the achievement of the SDGs.

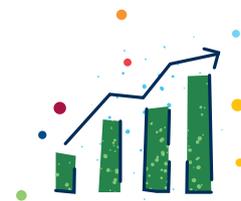
This report uses data on financial access points, accounts ownership and usage of accounts to assess increase in access to financial services. To contextualise the findings of this report, some of the key events over the period of analyses (September 2017 – 2020) are discussed.

[Suspension of Monetary Transactions on Phone Based Mobile Money Platforms.](#)

The most notable event in Zimbabwe was the suspension of Monetary Transactions on Mobile Based Money Platforms (One Money, MyCash, Ecocash and Telecash) though a RBZ issued statement in June 2020. Unlike other SADC countries, interventions in this space was not related to Covid-19, and in reality went counter to measures implemented by other countries. Financial integrity concerns were cited as reason for the issuing of the statement. The implication of the RBZ issued statement include:

- All mobile money agents are suspended from facilitating mobile financial transactions.
- All merchant transactions suspended except for receiving payments for goods and services as well as payment of utilities (water, power and airtime), which have been limited up to ZW\$5000 per day for the convenience of the transacting public.
- All mobile money liquidations should be done through the banking system.
- All bulk payer transactions suspended.

It is expected that this policy position will have an impact on usage of mobile money relative to cash – especially for population segments that are unbanked (they will need to find banked customers to facilitate transfers into their mobile money wallets), relying solely on the mobile money platform to store, make and receive payments. This also reflects a policy position to re-position the banking system as the main financial intermediary as it has lagged mobile money since the latter was introduced in 2011. The subsequent analyses provide more insights on the role of mobile money and banks in supporting the expansion of financial



Progress made was assessed in the 2020 mid-year national budget and economic review, and shows significant strides made with increasing the number of accounts for each of the key target groups.

services in Zimbabwe, while providing more granular insights into the changing landscape of financial services provision in Zimbabwe more broadly as well, through a more in depth look at key access and usage indicators, which relies on regulatory data submissions:

Access

The total adult population in Zimbabwe increased by 9% from 8.1 million in September 2016 to 8.9 million in September 2020. Total financial access points per 100,000 adults increased by 162% from 918 per 100,000 adults in September 2016 to 2,403 per 100,000 adults in September 2020 – as shown in Figure 14.

POS devices is the dominant access point. POS devices overtook mobile money agents as the highest number of access points per 100,000 adults from 2018 and this trend is maintained as of September 2020. In 2018, the Reserve Bank engaged all service providers and merchants through the Retailers Association of Zimbabwe to ensure the deployment of POS machines in remote areas as well as minimize duplication within the city retailers and merchants.¹ The introduction of mobile POS (m-POS) in 2019 aims to increase the number of payments services which are processed via the banking sector. mPOS are specifically targeted at informal and small businesses to conduct banking transactions.



Total financial access points per 100,000 adults increased by 162% from 918 per 100,000 adults in September 2016 to 2,403 per 100,000 adults in September 2020.

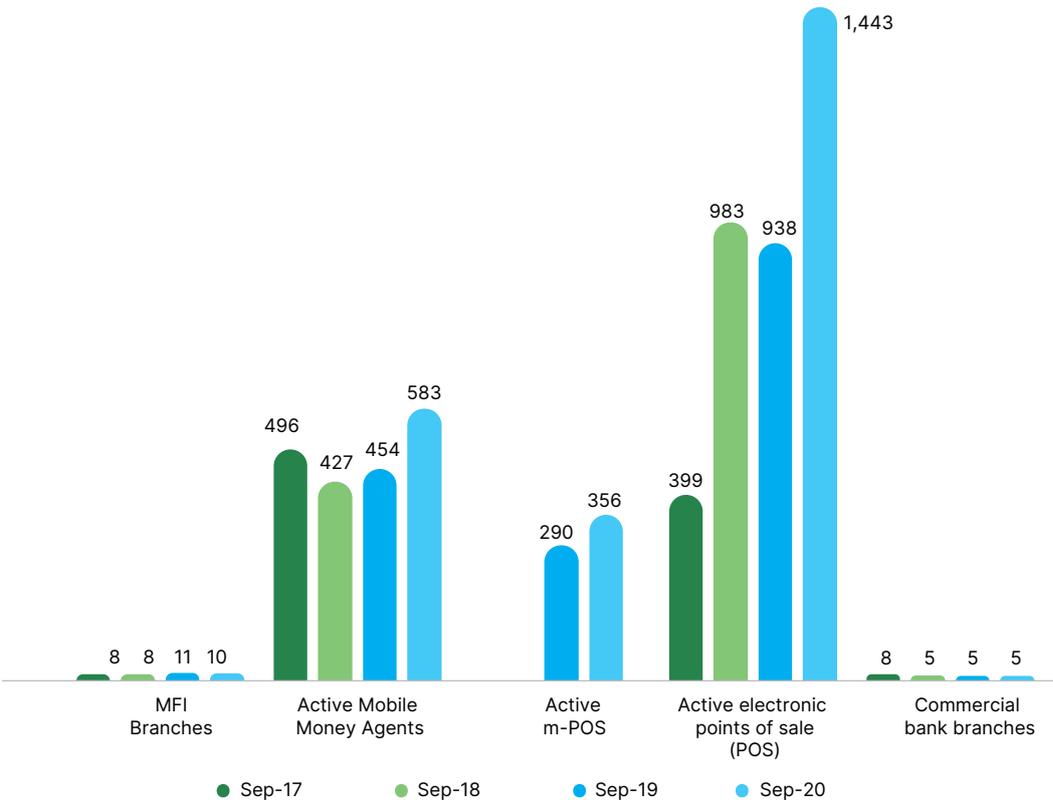


Figure 14: Access points per 100,000 adults in Zimbabwe (September 2016 – 2020)
Source: Reserve Bank of Zimbabwe

1 Reserve Bank of Zimbabwe (2017). Zimbabwe National Financial Inclusion Strategy 2016-2020. Available [online](#)

Uptake

The ownership of mobile money accounts remains higher than that of bank accounts per 10,000 adults as illustrated in Figure 15. However, bank accounts per 10,000 adults increased by 432% between September 2017 and September 2020 compared to a growth rate of 61% in mobile money accounts per 10,000 adults over the same period – reflecting the active policy position to increase the influence of commercial banks in driving the NFIS in Zimbabwe. As of September 2020, basic no frills/low cost accounts per 10,000 adults was 5,655.1. These are accounts opened with reduced KYC requirements. One can open this account with just a copy of ID without any monthly fees. These accounts are meant to appeal to mobile money users in providing a cash-in platform given the banning of mobile money agents.

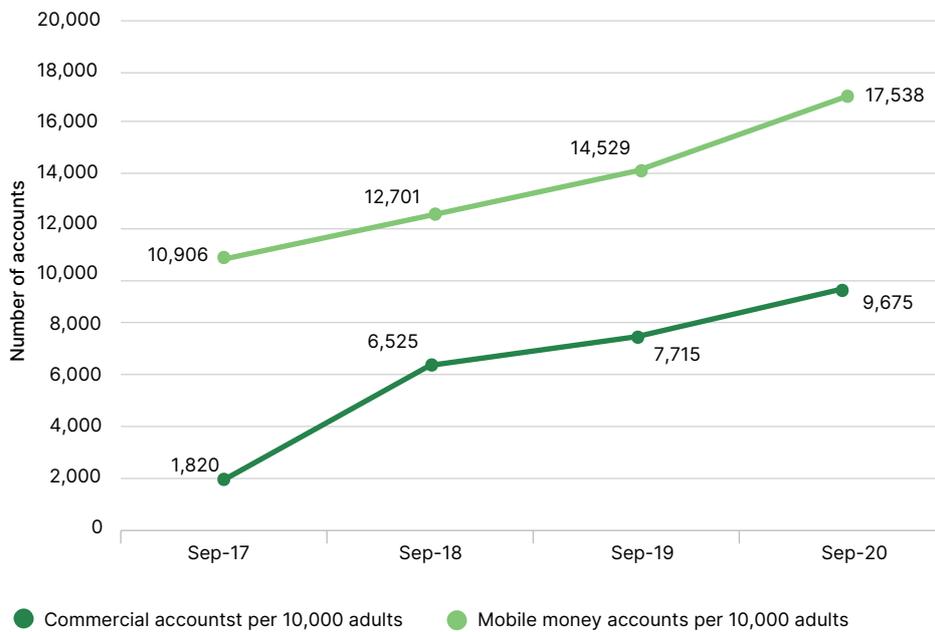


Figure 15: Account ownership per 10,000 adults in Zimbabwe (September 2017 – 2020)

Source: Reserve Bank of Zimbabwe

Usage

National switch introduced to increase interoperability between banks and mobile money operators. The Banking (Money Transmission, Mobile Banking and Mobile Money Interoperability) Regulations Statutory Instrument 80 of 2020 was gazetted in March 2020. To support its implementation, the RBZ “designated Zimswitch Technologies (Private) Limited (Zimswitch) as a national payment switch, and directed all payment service providers, including mobile payment operators, to be connected thereto by 30 September 2020.”² The Switch and a shared agent regime is expected to enable an open-loop interoperable payments ecosystem to ensure mobile money users are not excluded from using the national payments system.

Mobile money merchant payments dominate POS. Despite the banning of cash-in and cash-out at mobile money agents in 2020, merchant payments through mobile money continued to increase from 2019 to 2020, and remains much higher than POS transactions by September 2020 (see Figure 16). Merchant payments (P2B) was the second highest mobile money use case in September 2020 – registering more volumes than airtime (1.7 billion transactions versus 884 million).

Remittances are the most popular mobile money transaction. Remittances (P2P) remain the most used mobile money services which could reflect a high dependency ratio which was over 80% in 2020 according to the World Bank.³



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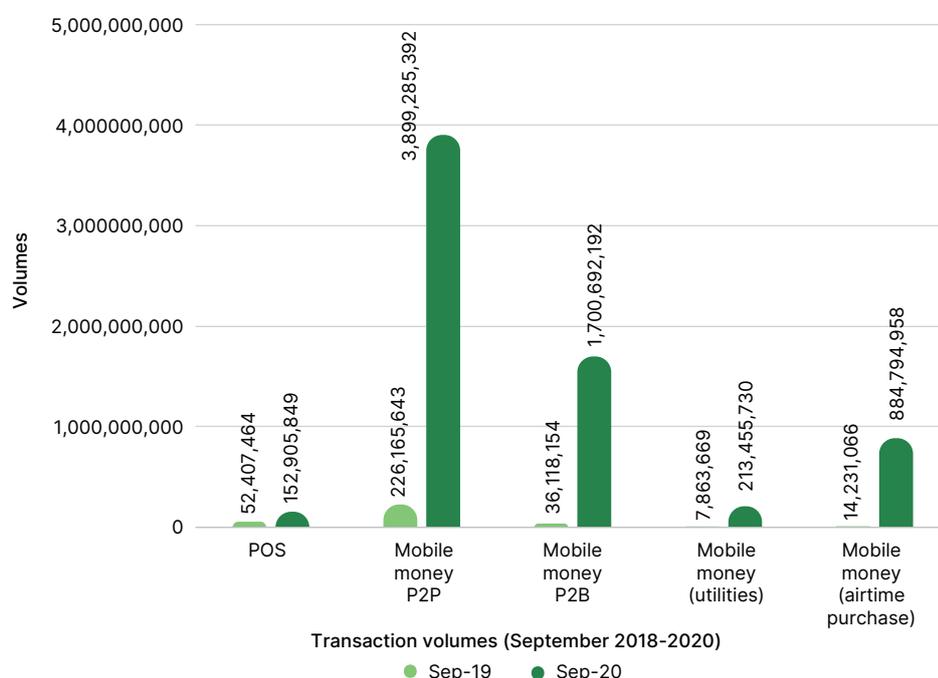


Figure 16: Transaction volumes in Zimbabwe (September 2019 – 2020)

Source: Reserve Bank of Zimbabwe

² Reserve Bank of Zimbabwe (2017). Zimbabwe National Financial Inclusion Strategy 2016-2020. Available [online](#)

³ World Bank, 2021. Accessed [online](#).

Institutional capacity of financial inclusion

The RBZ chairs the governance structure in the implementation of the NFIS 2016 – 2020 which has come to end. There is dedicated unit for NFIS implementation with the RBZ with 6 staff members.

Table 6: Zimbabwe Financial Inclusion Data

	BASELINE 2016	SEP-18	SEP-19	SEP-20
Adult population	8,186,523	8,907,363	8,909,487	8,929,987
Commercial bank branches per 100,000 adults	8.1	5.3	4.8	4.6
Active electronic points of sale (POS) per 100,000 adults	398.6	983.0	938.0	1 443.4
Active m-POS per 100,000 adults			290	356.2
Active Mobile Money Agents per 100,000 adults	495.8	427.0	454.0	583.0
MFI branches per 100,000 adults	8.0	8.4	11.3	10.3
Commercial bank accounts per 10,000 adults	1,820	6,525	7,715	9,675
POS transactions volumes		14.7 million	52.4 million	152.9 million
Mobile money P2P volumes		69.5 million	226.2 million	3.9 billion
Mobile money P2B volumes		37.3 million	36.1 million	1.7 billion
Mobile money – utilities volumes			7.8 million	213.4 million
Mobile money - airtime purchase volumes			14.2 million	884.7 million
Total Mobile Money Cash-in volumes		63.9 million	784,442	2.4 million
Total Mobile Money Cash-out volumes		15.7 million	81.6 million	-

Data Quality Considerations



Regulatory data used as a proxy for demand side data, but not directly comparable.

The data used in this report is limited to administrative data that financial service providers submit to the financial sector regulator focused on financial inclusion access, uptake, and usage within the commercial banking and mobile money ecosystems. The data on uptake reflects the number of accounts as opposed to the actual number of adults with accounts. Therefore, it is not comparable to a demand side survey (such as FinScope, FinDex, FinAccess), which is able to provide a cross section of information on access, usage and quality by unique users (adults) or disaggregated segments of unique consumers, as the supply side data may contain some duplication (people who have more than one account for instance will be counted twice).



Regulatory data is credible in assessing movements in financial inclusion indicators.

In the absence of more expensive demand side surveys, administrative data collected by financial sector regulators can provide insights which could inform financial inclusion policy making, even though it is not directly comparable to demand side surveys. For instance, changes in the absolute level of account ownership and access infrastructure is still useful to inform changes in policy. However, it is recommended that financial inclusion demand side surveys are implemented periodically to provide insights on the profile, behaviour and attitude of users of financial services – which this report does not cover, while demand side data can also estimate the actual level of unique users of specific products, as well as usage of multiple products by specific segments of the population.



Regulatory data improving as a proxy for financial inclusion.

Essentially, this report will not provide the complete details of the actual level of uptake of financial products and services by adults. However, the breadth of indicators and level of completeness using the data approach in this report continues to improve. In the absence of more frequent demand side surveys, regulatory data can be further improved to enhance its value as a proxy data source. For instance, in some ASEAN countries, like Singapore, Malaysia, and Thailand, regulatory data is used to approximate nationally representative demand side data, which was achieved by the cleaning of regulatory data to better identify and remove duplication of multiple accounts for individuals. However, although the elimination of duplications in the data is possible, this requires regulatory implementation which largely does not yet exist.



• *Data availability and capacity building required.*

Developing this report is an iterative process subject to alignment with regulatory data templates (availability of specific indicators) and the training of stakeholders that are responsible for providing data. The data presented is also subject to availability. For instance, affordability is not included in the measurement areas of this report due to lack of comparable data (across the selected countries). The indicators provided may therefore vary from year to year, based on data availability and other issues. Some of the outright gaps in this report are described below.



• *Lack of geographical disaggregated data on financial access points.*

Geographical disaggregation by urban and rural area continues to be a challenge to compile. This makes it difficult to report on the advances made in scaling up access to financial services in rural areas, which usually have more financially excluded populations.



• *Account ownership will include double counting.*

As explained, the nature of data used in this report makes it susceptible to double-counting. For instance, the percentage of registered users of mobile money is more than the actual adult population in some jurisdictions. This issue is applicable to registered bank accounts as well as mobile money accounts, as owners of multiple accounts are regarded as multiple persons. An additional implication of this is that the total level of financial inclusion in a population cannot be estimated, as there will also be duplication between different product categories (for instance, bank accounts, insurance policies, mobile money etc.).



• *No gender disaggregated data.*

Gender disaggregation of registered customers of financial service providers varies across countries given the different levels of reporting required by financial service providers and between financial regulators in different countries, and this is reflected in the country reports. Unlike demand side data, where gender disaggregation is built into the data collection, gender disaggregation for regulators has to be retrofitted to existing regulatory templates, and requires all financial service providers to also adapt their internal reporting systems to allow for this. For this reason, we have found it difficult to get countries to produce gender disaggregated regulatory data, given that countries prioritise this based on their own priorities and constraints (i.e. this is a decentralised constraint driven by national priorities rather than a centralised one that donors can easily fix).



• *Comparability between years.*

In some cases, the 2017 indicator is based on a total (active and dormant) while the data in 2019 reflects 'active' access points which compromises the quality of a comparison.



• *Limitations due to mobility of access points.*

Point of Sale (POS) devices are mobile or movable making it impossible to know if a device is at the merchant location where it was registered. Merchants can have multiple POS devices making a metric that assesses the proportion of POS devices per proportion of target population less likely to provide meaningful insight on how widespread these devices are.



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