



THE MAP EFFECT IN SADC

Regional partnership closure impact report

2012–2021





Challenging financial exclusion in the SADC region

This report tracks the UNCDF MAP financial inclusion implementation in the SADC region from 2014 until the conclusion of the programme's implementation partnership with FMT in 2021, and highlights the activities that have been instrumental in achieving the goals of the regional and national financial inclusion strategies.

The reporting focuses on Botswana, Lesotho, Eswatini, Zimbabwe, Malawi, Madagascar and Democratic Republic of Congo (DRC), which are the countries where UNCDF has continued to assist country governments on financial inclusion policy monitoring and implementation after the initial financial inclusion diagnostics. The report also includes a focus on Mozambique, where components of the MAP process were implemented. In Zambia, the MAP methodology was independently implemented by Financial Sector Deepening (FSD) Zambia.

Since its inception and piloting in 2012 in its Asia region and then its implementation in SADC from 2014, the MAP programme has evolved and strengthened its conceptual underpinnings; the seven SADC countries' active participation and contribution have been instrumental in allowing UNCDF, through this practice, to codify effective financial inclusion approaches in developing countries, especially LDCs.

In 2021, the MAP partnership with FMT for regional implementation in SADC came to an end.¹ Although MAP continues its financial inclusion work in the SADC region in a number of countries, the official termination of the implementation partnership, concluding eight years of collaborative financial inclusion implementation (2014 to 2021), provides a good opportunity for reflection on achievements.

Accordingly, this report highlights the activities that have been instrumental in attainment of the national and regional financial inclusion goals, as captured in countries' NFIS and in the mutually agreed national financial inclusion roadmaps and resulting action plans.

In addition to an inventory of tangible deliverables achieved (see Table 2), the following strong areas of emerging impact in the market development agenda can be highlighted:

TECHNICAL CAPACITY BUILT

- in data generation, collection and analysis: MAP has actively modelled consumer-focused survey design, and market data collection and analysis procedures. Through emphasising active stakeholder participation and data ownership, the programme has built country governments' capacity in crafting data strategies and collecting and analysing market data in support of national aspirations.
- in evidence-based policymaking and regulation: MAP has guided and supported stakeholders to participate in practically applying the best available current market data and data analytics to their policymaking, policy implementation and regulatory work.

EVIDENCE BASE AND MARKET DATA

Formulating financial inclusion policy and successfully implementing it requires accurate and granular population survey data, particularly on low-income segments (who comprise the majority of the population in developing countries and especially in LDCs). Yet such datasets were lacking in the SADC MAP participating countries. MAP's deployment of the FinScope nationally representative consumer livelihoods surveys in-country has provided those countries with locally generated and locally owned data for an accurate picture of their consumer markets – particularly low-income and socioeconomically vulnerable consumers – which is becoming critical in the context of 'leaving no-one behind' and solving the inequality/growth puzzle.

DATA SUPPORT TO GIVE LDCS A SEAT AT THE REGIONAL TABLE

More developed countries have solid data collection functions and sophisticated analytical capabilities, often with entire departments focused purely on collecting and analysing data. The SADC MAP participants, newly armed with their compelling livelihoods and market data and analyses, along with strengthened capacity, have been empowered to join the regional conversation on evidence-based policy; they have contributed actively to a cohesive and coherent regional structure with concomitant capabilities, particularly in working with and serving the more complex, socioeconomically vulnerable market in new ways as a regional cohort.



IN-COUNTRY POLICY COHERENCE ON FINANCIAL INCLUSION

MAP engaged with policymakers in each participating country to make evidence-based financial inclusion-related decisions situated within a coherent and larger policy framework linked to national (and regional) objectives. In the early stages of countries' participation in the MAP programme, 'financial inclusion' was understood and presented in relatively simple terms: a means of increasing access to financial services. Over time, though, and through lessons from in-country implementation, understandings evolved, with financial inclusion coming to be appreciated as a viable mechanism for supporting countries' inclusive economic growth aspirations, linking to the UN sustainable development goals (SDGs). The governments of the SADC MAP participants have demonstrated willingness to buy into this expanded conception of financial inclusion.



POLICY IMPLEMENTATION AND ACCOUNTABILITY THROUGH MEASUREMENT SUPPORT

Built into the MAP process is setting agreed targets and tracking implementation, which has significantly increased levels of transparency around countries' financial inclusion initiatives and the related impact of policy implementation.



Financial inclusion enabling regional integration

A key highlight of the MAP programme implementation is the employment of the country-level MAP diagnostics to inform the development of the SADC financial inclusion strategy, which ensures that financial inclusion is positioned as a key enabler of regional integration to improve livelihoods in SADC. The regional strategy was adopted by the ministers of finance from SADC members states in 2016 – three years after MAP's initial engagement in the region. The regional strategy was set to prioritise:

- The role of member states in the development of country-specific strategies.
- The role of development finance institutions.
- The role of MSMEs.
- The role of the agriculture sector.
- The role of banking and non-bank financial institutions.
- The role of ICT, innovation, and payment systems.
- Skills development.

Policy coherence within and between countries

The MAP in-country implementation therefore complements the SADC financial inclusion strategy implemented with the SADC Secretariat and the SADC Committee for Central Bank Governors; MAP has been central to financial inclusion policy development and implementation at the national and regional levels.



To achieve impact, MAP emphasises data and measurement support, policy advocacy, evidence-based policymaking and regulation, and capacity building of key stakeholders to support effective delivery of financial inclusion efforts in the target countries. Building effective governance and policy-coordination structures is key; to this end, the MAP programme has led to the establishment of structures endorsed by national governments to ensure the delivery of financial inclusion strategies in the region. Furthermore, implementation of the programme requires partnerships with cooperative institutions; in SADC, the collaboration with FMT (as implementation coordinator) resulted in unique and deep relationships with country governments, and the rolling out of a number of flagship projects intended to pilot and test implementation concepts with the potential to support achievement of the NFIS goals at country level.

Good regional progress achieved: reducing exclusion, increasing formal inclusion.

In 2014, when MAP initiated engagement in the region, most SADC countries had low levels of financial inclusion: of the region’s adult population in 2011, those who were formally ‘banked’ combined with those relying on other formal, non-bank financial mechanisms totalled 43% (38.1 million).

At the same time, a further 43% were financially excluded – meaning using no financial products at all, whether formal or informal, while 15% (13.3 million) relied solely on informal financial mechanisms. Accordingly, the initial MAP focus was on policies and interventions to reduce barriers to access to and usage of formal financial products and services.

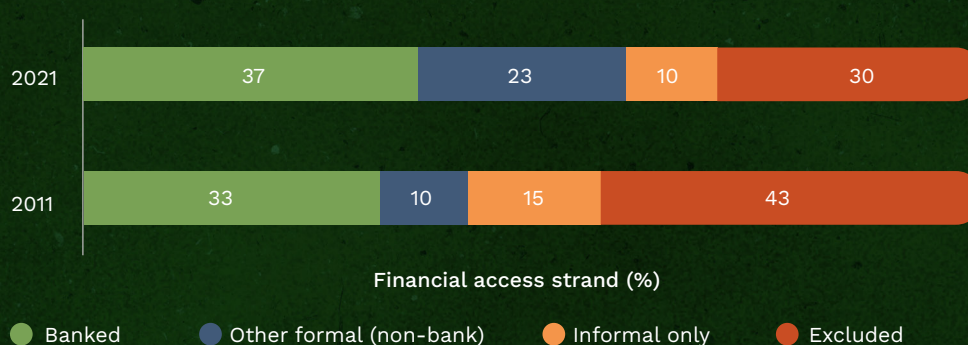






FIGURE 1
SADC region financial access strand (2011 to 2021) – percentage of adults

Source: FMT



By 2021, with the support of the MAP programme and others working on financial inclusion in the region over this period, SADC had succeeded in increasing formal financial inclusion to 60% of the adult population and reducing financial exclusion to 30% (see Figure 1). This illustrates the power and impact of implementing in-country financial inclusion strategies.

From measuring access to financial services – to tracing linkage from usage to economic development



The MAP research in the SADC region has confirmed a finding from the programme's research in other participating countries: increased levels of *uptake* of financial services do not necessarily lead to *sustained usage* of those services. In other words, access to financial services, by itself, is not sufficient to realise the levels of sustained improvement in livelihoods required. In the course of implementation, MAP also identified substantial differences, based on their level of development, in countries' ability to implement their NFIS. The MAP approach thus evolved over time, to take into account countries' differing levels of economic development and capacity, and to shift from tracking number of formal financial services used to attempting to track the linkage between formal financial services usage and economic development (through improved access to basic services and MSME development).



The MAP financial inclusion approach and process

In each participating country, MAP's aim is to improve the functioning of the country's financial sector and provision of financial services such as. payments or transactions, savings, credit and insurance.

To this end, the MAP programme works closely with the country government and appropriate stakeholders in the context of national policy and regulatory frameworks.

WHAT? THE FOLLOWING OBJECTIVES RELATED TO THE DOMESTIC FINANCING SPACE ARE THE FOCUS

- **Significantly growing the market for financial services provision** ie. better serving the financing needs of a greater proportion of the country's population.
- **Strengthening the country's financial sector** and increasing its functionality, robustness and thus sustainability.
- **Steering the market for financial services towards improved inclusivity** as a means of combatting financial, economic and social exclusion and supporting the country's inclusive economic growth aspirations.

HOW? MAP SUPPORTS THE COUNTRY'S POLICYMAKERS, REGULATORS AND OTHER APPROPRIATE STAKEHOLDERS TO

- **Constructively critique their current policy and regulations** to identify those that are inhibiting market growth.
- **Develop a strategic vision on financial inclusion**, including its relationship to the country's inclusive growth aspirations, and including too a range of viable delivery modalities.
- **Gather and use up-to-date livelihoods and market data, and policy (through M&E) to highlight investment opportunities** at a scale significant enough to be viable for financiers.

Using an inclusive growth lens, MAP has been able to cluster countries in terms of commonalities related to financial inclusion in the context of enabling more inclusive growth.



CLUSTER 1
*Very low-income,
 some inequality*
 DRC, Madagascar,
 Malawi, Mozambique



CLUSTER 2
*Low-income,
 some inequality*
 Lesotho,
 Zimbabwe



CLUSTER 5
*Low-income,
 high inequality*
 Eswatini,
 Zambia



CLUSTER 4
*Middle-income,
 high inequality*
 Botswana

FIGURE 2

SADC region country clusters, by MAP participating country

Source: Nova Economics (2019), commissioned by UNCDF

This has been useful for informing the development interventions and support provided to governments, particularly in relation to existing levels of market development and consumer sophistication. In SADC, there is a balance between countries with relatively high levels of market development and sophistication (Clusters 2 and 3) and countries with nascent levels of the same (Cluster 1), meaning that a range of market enablers are needed for charting and developing pathways to growth (see Figure 2).

In each participating country, MAP gathers accurate, nationally representative demand, supply and regulatory data via its financial inclusion diagnostic.


The focus of the diagnostic is the country's consumers – and especially low-income, socioeconomically vulnerable consumers: their household and individual income, economic activity, and financing needs, including current usage of financial services (formal and informal). In this way the diagnostic provides an accurate and detailed picture of market demand for financial services in the country. The MAP diagnostic goes beyond a focus on extending coverage of financial products, to improving welfare through offering value to consumers.

The diagnostic then serves as the basis for multi-stakeholder dialogue i.e. between government, regulators, other relevant stakeholders, and donors at country level. MAP guides the stakeholders in the development of a mutually agreed country-specific financial inclusion roadmap with financial inclusion policy target areas and recommendations, from which an action plan for implementation is derived.

The roadmap is instructive on the relevant stakeholders to drive activities, with emphasis placed on active multi-stakeholder involvement (not just senior government officials). For example, financial regulators (bank surveillance, national payment systems, credit regulators) are important for driving financial inclusion initiatives in the policy areas related to their regulatory purview, even though policymakers might be the primary holders of the roadmap.

The development of the roadmap requires the MAP implementation team to work through the governance structures set up at country level to drive implementation of financial inclusion policy action and to consolidate funding (from donors and governments) for a common objective. (Details of the stakeholder engagement approach adopted in SADC and of MAP's implementation by working through in-country governance structures are provided in a subsequent section of this report.)

The culmination of the MAP process is national policy development. Thereafter, countries take the lead on implementation, with policy accountability being enabled by the national M&E structures and process. Transparency and accountability are emphasised both through the shared objectives and metrics and through broad agreement between various government departments to provide data and track progress. (MAP also provides capacity building and training of stakeholders on M&E as requested.) This ongoing monitoring at national level of implementation of the agreed recommendations greatly increases the chances of strengthening domestic financing environments, and regional bodies with mandates for financial inclusion are also engaged to help monitor country-level progress. The outcome is a healthier, more sustainable financial ecosystem, at country level and for the region.



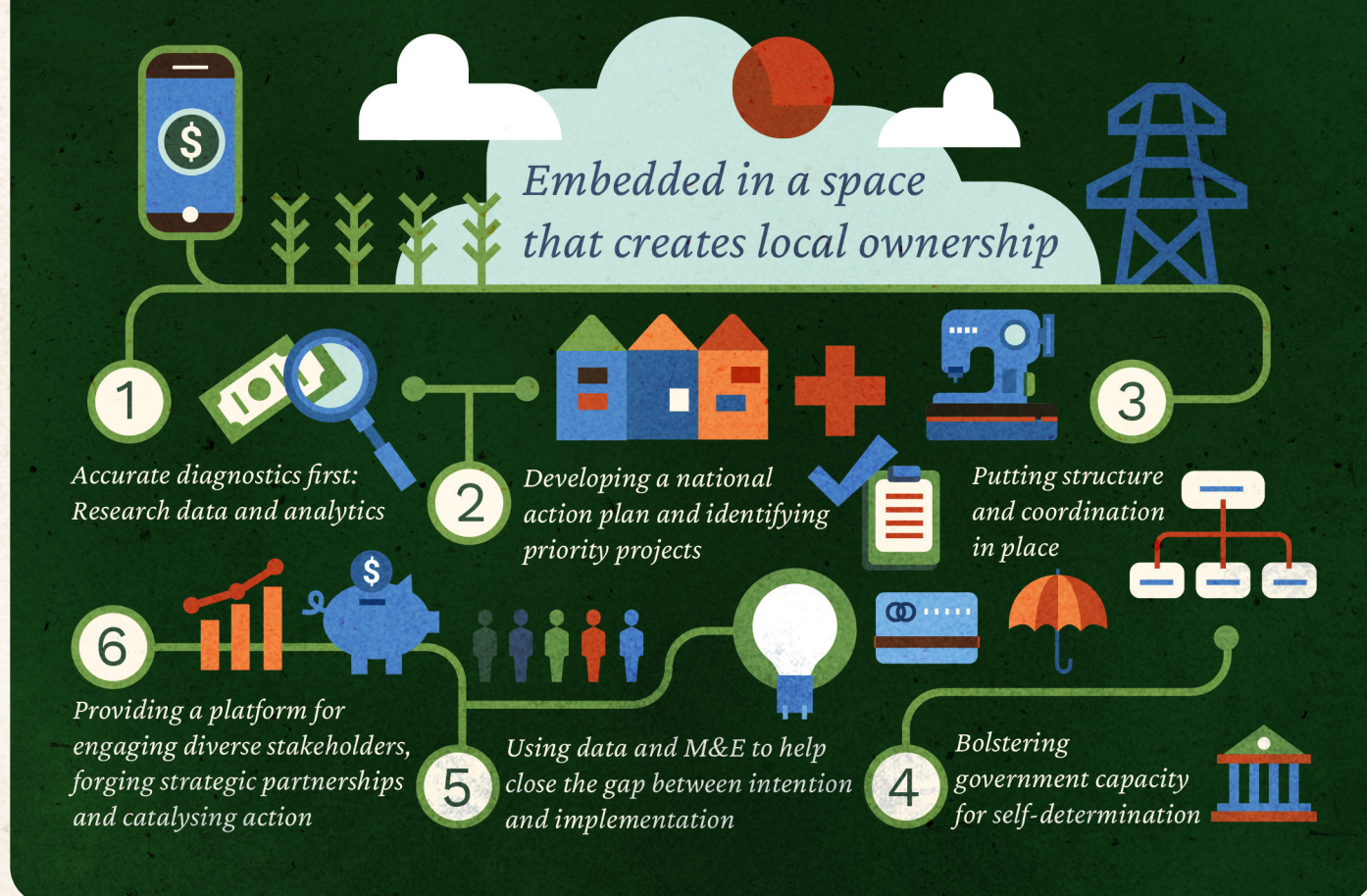
MAP also provides support to implement the MAP 'refresh' diagnostics: follow-up diagnostics that focus on assessing the level of impact achieved in terms of the policy goals set in the initial roadmap.

The refresh diagnostics make it possible to update the country's NFIS on the basis of the updated research and findings and in line with countries' evolving economic priorities and growth aspirations.

Figure 3 shows the focus areas for MAP's work in order to achieve the financial inclusion objectives in-country.

FIGURE 3

MAP's six focus areas for supporting governments to improve financial inclusion delivery



The MAP approach strongly emphasises national ownership of the evidence bases and policymaking processes:

- In the research process, close attention is paid to the local political economy and government objectives.
- The financial inclusion recommendations are wherever possible in line with national aspirations and manifestos of the government of the day, with areas for possible intervention chosen to resonate with existing government objectives (e.g. MSME development, agriculture and food security, poverty reduction, and supporting low-income households).
- Countries are supported to identify and prioritise solving their real, knotty problems (rather than attempting to apply existing theoretical solutions).
- MAP supports the establishment of a governance structure in-country to provide institutional support – during the programme period and into the future – for policy implementation.
- The last stage of the MAP process involves complete local ownership – which is effectively the transfer of the coordination and support functions – when the MAP programme exits a country.



Delivering impact

Over the course of the programme period in the region, countries demonstrated substantial progress in terms of tangible deliverables, and MAP delivered impact above this across four broad areas.

Countries' progress on tangible deliverables

In SADC, six of the seven countries where MAP has a continued presence developed an NFIS, while Mozambique and Zambia developed an NFIS too. All countries where a MAP diagnostic was developed (with the exception of DRC), created structures for implementation and started implementing the recommendations from the financial inclusion roadmap, along with implementation plans and an M&E framework to support the achievement of their respective NFIS goals (see Table 1).

TABLE 1

Implementation of NFIS and financial inclusion roadmap recommendations: progress summary, by country

	BOTSWANA	LESOTHO	ESWATINI	ZIMBABWE	MALAWI	MADAGASCAR	DRC	MOZAMBIQUE	ZAMBIA
Has NFIS document (draft or final)	✓	✓	✓	✓	✓	✓	In development	✓	✓
NFIS period or proposed period	2015–2021	2017–2021	2017–2022	2016–2020	2016–2020	2018–2022	✗	2016–2022	2017–2022
Adopted by government	✓	✓	✓	✓	✓	✓	✗	✓	✓
Structures for FI coordination and implementation	✓	✓	✓	✓	✓	✓	✗	✓	✓
Implementation of financial inclusion roadmap recommendations	Ongoing	Ongoing	Ongoing	Ongoing	✓	Ongoing	✗	Ongoing	Ongoing

Note: With the coup in Myanmar in 2021, UNCDF suspended further support to the country in the framework of the MAP programme, awaiting further developments.

EVIDENCE BASE: With the exception of Zimbabwe and Mozambique, in the countries where MAP implemented the full approach (i.e. FinScope consumer livelihoods survey, diagnostic, roadmap, action plan) the NFIS was developed either through leveraging the evidence base MAP had put together (on the basis of the accurate and granular national population survey data) or through the country stakeholders building such an evidence basis with assistance from UNCDF and FMT. (Both the NFIS action plan focus and UNCDF's broader support to these action plans are discussed in the country sections of this report.)

REFRESH DIAGNOSTICS, COUNTRY COORDINATION SUPPORT, FLAGSHIP PROJECTS: In five of the SADC countries,² MAP provided further support by implementing refresh diagnostics (with three of the five refresh diagnostics also relying on updated livelihoods datasets to inform demand-side insights), which allowed policymakers to update the indicators/metrics to be used to measure financial inclusion progress.

In addition, throughout implementation of the NFIS in each of these five countries, FMT in partnership with MAP provided country coordination support to government, as well as implementing the flagship projects (relating to NFIS activities) that were intended to demonstrate viability or proof of concept.

A BOTTOM-UP APPROACH TO REGIONAL STRENGTHENING: The MAP approach also resonated at the regional level by building on the bottom-up (i.e. country-based, multi-stakeholder) approach taken with the individual participating countries. Over the period, the programme achieved a number of tangible country- and region-level deliverables and activities that speak to the approach already outlined above; and of the nine countries in the SADC region that implemented the MAP approach, five (starting with four in 2018) also participated in the regional monitoring progress initiative facilitated by UNCDF. In addition, UNCDF provided participating countries with consultations and technical feedback on request in relation to financial inclusion as it related to prevailing economic and political realities in the SADC countries. Table 2 shows the tangible deliverables in relation to the MAP methodology at a national level across the SADC region.

TABLE 2

MAP in the SADC region (2014 to 2021): tangible deliverables

COUNTRY	BOTSWANA	LESOTHO	ESWATINI	ZIMBABWE	MALAWI	MADAGASCAR	DRC	MOZAMBIQUE
Country diagnostic conducted	1	1	1	1	1	1	1	1
Livelihoods datasets for financial inclusion provided/developed	2	1	3	1	2	1	1	2
Financial inclusion roadmap drafted	1	1	1	1	1	1	1	
Data and measurement (M&E) capacity building	1	1	1	1	1			
MAP refresh diagnostic conducted	1	1	1	1	1			
Additional thematic diagnostic/s conducted		1 clean energy	2 MSME; clean energy		2 MSME; clean energy	1 clean energy		1 clean energy
Regional M&E report and monitoring data collected	4	4	4	3	4			
Participation in MAP global and regional learning and sharing events	6	5	6	6	5	1	3	2

An expanded financial inclusion – through practice

Financial inclusion has been a priority policy objective of country governments in SADC. Each country, being at a different stage of both policy implementation and economic development, has adopted its own national approaches to financial services market evolution and formal financial inclusion to drive economic growth.

In recent years (prior to the COVID-19 pandemic) financial inclusion has been seen as a key contributor to achieving positive economic development for SADC; now it is also understood as a key policy instrument for addressing the pandemic's impact on households and businesses.

The MAP financial inclusion approach evolved over time to meet the changing priorities of participating country governments, who expressed the need to link financial inclusion policy implementation to inclusive growth in order to achieve the SDGs. Working in collaboration with developing countries, especially LDCs, and bringing the latest learnings from its technical work to the region, MAP therefore evolved its technical framework – beyond its initial (fairly limited) focus on policies that reduce barriers to low-income households' access to and usage of formal financial services, and beyond simply tracking the number of services accessed and used. Now the programme positioned financial inclusion policy implementation as an unequivocal enabler of SDG-aligned inclusive growth. In the process, the emphasis expanded to how financial services could add value to socioeconomically vulnerable households by increasing their access to 'the

four crucial needs': basic services and infrastructure, healthcare, education, and income-earning opportunities (in the form of MSME development). Clearly drawing this linkage between financial services provision and the attainment of broader inclusive growth and SDG objectives also allowed for a nuanced understanding of the importance of financial inclusion in growing the domestic finance environment.

While the linkage to inclusive growth and the SDGs was more explicitly pursued in some of the SADC countries than in others, where a second round of diagnostics occurred (i.e. MAP refresh diagnostics), those five participating countries actively sought to update the technical framework to incorporate an inclusive growth focus.

The emphasis has been on growing countries' domestic financing systems, but MAP has also emphasised that, where possible, regionally aligning such efforts makes more sense than isolated national efforts, given financial inclusion's linkage to inclusive growth and the SDGs.

Impact delivered in four broad areas

Beyond the tangible deliverables achieved (see Table 2), over the decade of operation in the SADC region MAP achieved impact in four broad areas, as discussed in greater detail below.

IMPACT


BUILT CAPACITY IN EVIDENCE-BASED POLICYMAKING AND REGULATION

National governments represent a powerful additional tool in the SDG toolbox to pool energy and effort towards attainment of the common, agreed objectives. In working to improve public sector performance and delivery, however, many governments are challenged by human resource and other capacity constraints and the pressure to simultaneously address multiple and competing agendas. In addition, financial sectors operate within dynamic socioeconomic and technological contexts, making it imperative that country governments and regional platforms have the ability to regularly revise and update their policies and market-based interventions.

MAP plays a direct role in building technical capacity in-country by providing a participatory role and data ownership for national statistics offices in the collection of data, and by organising stakeholder workshops, especially involving personnel from the central bank, the finance ministry, regulators and government departments. (Typical focus areas for technical capacity-building sessions include strategy and planning, change management, and information-sharing on specialist financial inclusion-related topics.)

MAP also relies on a national financial inclusion ‘champion’ to lead implementation and drive coordination in the form of an in-country financial inclusion unit.

In SADC, UNCDF’s research and stakeholder-based approach has strengthened regional and country-based initiatives and capacity in ensuring NFIS are implemented through a bottom-up approach, and has helped create a national focus and coordination mechanism for enabling countries to achieve their set targets. Although a coordination mechanism already existed in Eswatini, this was significantly strengthened following the MAP diagnostic process; and Botswana similarly made significant strides to internalise its financial inclusion coordination function. The other MAP countries in the region (with the exception of DRC) each set up a coordination mechanism for data collection, the diagnostic development process, and implementation of the roadmap and NFIS recommendations.



Sincere attempts were made to concurrently strengthen both the national statistics offices and each country’s finance ministry, which is responsible for financial inclusion.

However, through the process of active engagement with these government agencies, MAP learned that financial inclusion is a very small component of the national statistics office mandate and focus. Furthermore, while the FinScope survey is comprehensive and covers the livelihoods and growth portion of financial inclusion, implementing it is expensive and getting it institutionalised so that repeat surveys will be funded by government is a struggle.

At the regional level, the MAP approach focused on running regional learning and sharing events such as the Financial Inclusion Indaba (2019), held in South Africa, with stakeholders also attending the global learning event in New York (2018). The objective with the learning and sharing events is to bring together policymakers, financial sector stakeholders and development actors as mutual sounding boards, discussing opportunities and challenges that, based on their national and regional experience, need attention and action for inclusive economic growth and development. Significant engagement on data collection for monitoring progress of financial inclusion also assisted in capacity building, especially for the five SADC countries that participated in the regional monitoring progress initiative (viz. Botswana, Lesotho, Eswatini, Zimbabwe and Malawi).

BUILT CAPACITY IN DATA GENERATION, COLLECTION AND ANALYSIS, AND PROVIDED EVIDENCE BASE

While successful financial inclusion initiatives depend on evidence-based policymaking, developing countries often lack reliable data. There is typically inadequate information available in the economy as a whole. MAP countries – the LDCs in particular – actively collect population sample survey data, but this is mostly insufficient for engaging at a detailed level for specific development areas like financial inclusion, which means governments are unable to form an accurate picture of the low-income market, including levels of financial inclusion and exclusion. Where there is a dearth of robust consumer data, supply-side regulatory data (e.g. bank account statistics) is often used as a proxy, for purposes of illuminating market development and movement. Not surprisingly, though, the picture it paints is inadequate (not least because of duplication of account data).

At the regional level, too, countries are expected to set financial inclusion targets and track them on an ongoing basis. Yet the vast differences in levels of development – and available budgets – mean that without their data generation and analysis capacity being intentionally strengthened, MAP countries struggle to participate and contribute at the regional level.

Policymakers in such situations are coming up with ‘solutions’ in the absence of clear understanding or prioritising of the specific problems needing to be addressed.

But by focusing on gathering and analysing household-level livelihoods and market data (i.e. on the micro level of people’s real-economy activities), MAP offers a bridge between policymakers and the people they need to serve. The MAP version of financial inclusion is consumer-centred and livelihoods focused; the programme actively conducts nationally representative livelihoods-based market surveys and diagnostic studies, with the FinScope Consumer Survey being instrumental to this process.

While the Global Financial Inclusion Database Surveys (Findex) have been successful in providing headline numbers (e.g. account penetration) across countries, FinScope has gone far beyond that; it enables in-depth insights into the state of countries’ financial inclusion as it relates to people’s lives and livelihoods, and into the potential to grow the market for financial services. Evidence to date has shown the FinScope survey yields rich, granular data on consumers’ uptake and usage of a range of (formal and informal) financial services, per livelihoods segments (e.g. farmers, salaried workers, dependants), which can be further

disaggregated by demographic indicators such as geographic location (urban/rural), age and gender, to provide insights into investment opportunities for financially including larger sections of the population. A further benefit of the MAP methodology in terms of countries' effective policymaking and implementation is the emphasis on access to sufficiently *up-to-date* consumer data. The evidence base supplied by MAP is perceived by the participating countries as highly valuable.

Prior to the MAP programme, FinScope was already an institutionalised tool for financial inclusion, employed by those funded by the Foreign Commonwealth and Development Office (FCDO, or DFID at the time); partnering with FMT allowed MAP to tap into the existing deep institutional capacity that FinScope had built at country level. FinScope was also valuable in that it established the link with market system actors (e.g. bankers associations) and provided the private sector with a much-needed tool for engaging with issues of market share, brand awareness and access to finance.


The value-add of having locally generated and owned data is further evidenced by the fact that Botswana, Lesotho and Eswatini approved updated data collection surveys subsequent to initial MAP diagnostics and data-collection efforts. Malawi's implementation of a FinScope MSME survey after the first MAP informed the subsequent MAP MSME diagnostic. And Zimbabwe expressed interest in an updated survey (although by the end of the official review period the country had not yet secured budget for these purposes).

IMPACT

FOSTERED POLICY AND REGULATORY COHERENCE ON FINANCIAL INCLUSION

The MAP process in-country kicks off with the research efforts to gather high-quality in-country consumer data related to the market for financial services, in conjunction with building an understanding of country context: financial services-related policy and regulation, and macroeconomic, socioeconomic, infrastructure and other contextual realities. The relevant stakeholders are involved from the outset, and the resulting holistic view of the country makes it possible, through multi-stakeholder consultation, to agree on the pressing problems that are unique to that country and political economy. The data then serves as the focus for further multi-stakeholder agreement on a financial inclusion roadmap and action plan priorities.

Crucially, the agreed financial inclusion objectives are located within – i.e. aligned with – national development objectives, which link to the SDGs, which allows for strengthened and coherent implementation. The MAP emphasis on financial inclusion for inclusive growth and social and economic inclusion resonates with countries' existing aspirations and allows for country-specific problem-solving interventions to be designed.



MAP has been successful in locating financial inclusion within these larger frameworks, as evidenced by the adoption by country governments of the evolution of financial inclusion for growth and linking to SDGs in the five refresh diagnostics in SADC (viz. in Botswana, Lesotho, Eswatini, Zimbabwe and Malawi).

COORDINATION CAPACITY OFTEN LACKING. In the SADC countries, however, while MAP's work helped to identify these global drivers of key themes for growth and human development, it also highlighted that different institutions within government that are required in order to achieve these objectives lack the interconnecting mechanisms to enable effective coordination. In Cluster 1 countries, in particular – but also in some of the more developed countries – governments often lack the capacity for effective implementation coordination across government agencies, and do not have structures for coordination in place. Although the authority, interest and continuity of a focal point (or 'national champion') for financial inclusion in government is variable, whether in the finance ministry or the central bank, dynamic individuals can make a difference to maintain momentum and keep financial inclusion on the agenda. Including financial inclusion as an objective under governments' internal budgeting processes also helps in this regard.

GREATER AGILITY WILL BE DEMANDED OF REGULATORS. As financial services provision moves towards greater variety in supply as well as in consumer demand, designing regulatory structures to manage these increasingly complex and differentiated markets (including low-income and socioeconomically vulnerable consumers) is another key challenge for governments. In addition, there is the need to integrate new services and providers into the mainstream of financial policy. Through participation in the MAP programme, country governments have built their expertise and capacity in steering their regulatory regimes towards increased responsiveness and stability.

HARMONISED FINANCIAL INCLUSION IN SADC SUPPORTIVE OF REGIONAL DEVELOPMENT. Country and regional financial inclusion initiatives in SADC are supporting economic development by strengthening regulations and facilitating the seamless movement of goods, services, capital and labour (especially in the light of the objectives of the Africa Continental Free Trade Area, or AfCFTA). Financial inclusion reduces inequality, drives inclusive growth, supports MSME development and enables socioeconomic development within countries and across the region; SADC's regional financial inclusion is aligned with country objectives and is helping strengthen these initiatives and drive economic growth at a country level.

STRENGTHENED POLICY ACCOUNTABILITY

Integral to the MAP approach are the agreed strategy (roadmap and/or NFIS) and the resulting action plan, implementation of which is monitored periodically. By setting and tracking implementation targets and activities, the stakeholders have built transparency into the approach through policy accountability.

For instance, in the SADC countries Botswana, Lesotho and Eswatini, the following results were achieved against targets:

BOTSWANA: The national vision on financial inclusion includes the goal of increasing financial inclusion from 76% to 88% of the adult population between 2014 and 2021, while increasing usage of more than one type of formal financial service from 46% to 57% by 2021. By 2020, financial inclusion had increased to 85%, and 52% of adults used more than one type of formal financial service. In other words, Botswana was well on its way towards achieving its goals by 2021.

The financial services sector in 2020 was also better positioned to expand financial inclusion, especially given considerable success in terms of growth of mobile money and remittances.

LESOTHO: The NFIS includes a target of increasing access to at least one formal financial product from 61% to 85% of the adult population, and increasing the proportion with access to two or more formal products from just over 53% to 65% by 2021. This was fully achieved: by 2021, 87% of the adult population had access to at least one formal product, while 71% had access to two or more formal products. These achievements are linked to the expansion of access to remittances services, as well as improved access to financial services geographically, through mobile money and banking agents (which means less time and less cost for consumers accessing salaries and wages). There has been increasing competition between providers over time, particularly in respect of remittances, and the policy and regulatory environment has also developed over time, particularly in the area of mobile money regulations as well as with the introduction of pension fund legislation.

ESWATINI: Eswatini's targets were to increase financial inclusion from 73% to 85%, and access to two or more formal products from 43% to 75% of the adult population by 2022. By 2018 (latest available data), financial inclusion was already at 87% of the adult population, meaning Eswatini had already met its overall target; this increase was particularly driven by evolutions in mobile money services, including providers' increased reliance on agents and retailers. Subsequent to the initial MAP study, significant increases were evident in usage

– including depth of usage – of mobile money services; the options with regard to channels through which financial access is provided increased (including through partnerships with retailers); and there was increased interoperability between systems, along with innovation from traditional banks in terms of digital products and remittances.

SADC REGION: Partly due to the work done at country level to implement financial inclusion strategies, SADC developed a regional financial inclusion strategy (2016 to 2021), which was ratified by finance ministries in all member states. The strategy set a target of 75% financial inclusion (formal and informal) by 2021. Good progress was achieved by 2021 (see Figure 4), with financial inclusion having increased to 70%, and formal financial inclusion having increased from 43% in 2011 to 60%. While this increase in financial inclusion is admirable, there continue to be stark differences among countries in the region. For example, Botswana, Lesotho and Eswatini today enjoy among the highest levels of financial inclusion in the region (85%, 91% and 87%, respectively), while DRC, Malawi and Mozambique have among the lowest levels of financial inclusion (although updated data is needed for the latter two countries). Moreover, within countries, some population segments experience higher levels of financial inclusion than others do.

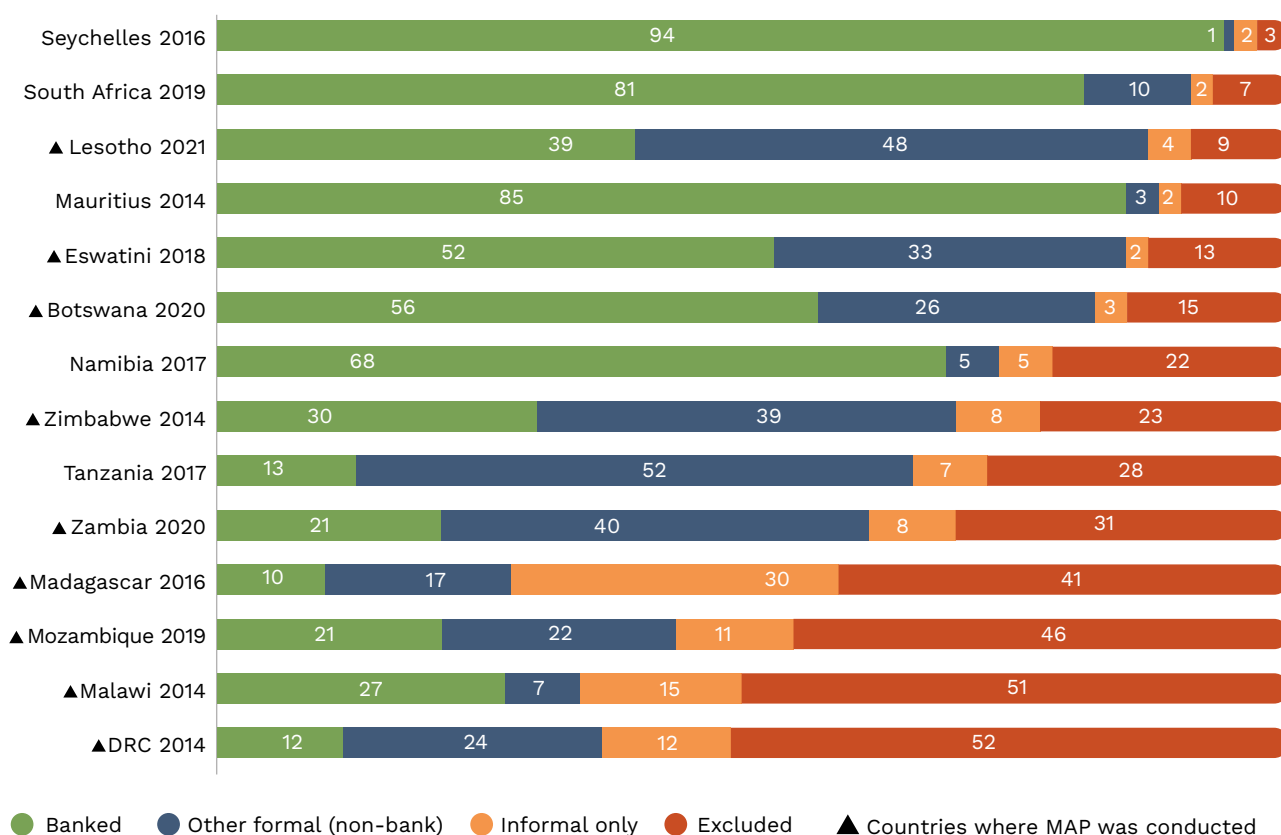


FIGURE 4
SADC region financial access strand, by country (2021), in descending order of financial inclusion

Source: FMT (2021)



Learnings from almost a decade of action

Developing domestic finance markets: from micro-finance to financial inclusion

Over the past two decades, growing out of both the success and limitations of the microfinance market, development policy has focused on improving access to financial services at scale – combining the twin objectives of development and commercial viability. Today, financial inclusion is about steering financial markets towards improved functioning and thus sustainability: capable of serving diverse segments with differentiated products, thereby meeting the needs of consumers across the income and livelihoods spectrum closer to where they are and what they actually need. At the policy level and within countries, market evolutions and structural changes have provided the impetus to create much broader domestic financing environments, involving multiple, interconnected stakeholders and enabling infrastructure for safely and efficiently serving larger portions of countries' populations (i.e. including low-income and socioeconomically vulnerable households).

Increasingly clear is that governments, as the policymakers and market arbitrators, have a critical role in developing these more inclusive financial sectors. Governments in developing countries, and especially LDCs, have come to appreciate financial inclusion as a viable mechanism for growing domestic financing by 'leaving no-one behind'.

MAP's detailed research, data and diagnostics, including in Asia and Africa over the course of the programme, have provided governments with insight into how low-income and socioeconomically vulnerable consumers 'make a plan' to access financial services to meet their economic needs; despite poverty, they spend money on crucial basic services like education, healthcare, and utilities (e.g. energy and water). While people's money thus greases the wheels of the national, regional and global financing systems, such consumers are far removed from those systems because they are likely to be operating on the economic margins and in the informal sector. Formally financially including such consumers through provision of financial services (payments/ transactions, savings, credit and insurance) is a crucial element of the domestic financing environment because it lowers consumers'

transaction costs, increases their opportunities to invest in future earning potential, saves them time, increases their levels of privacy and security with regard to finances, and boosts resilience through mitigating risks faced at a household level. Financial inclusion thus enables governments, through evidence-based policymaking, to redirect existing finance flows at household level through more formal channels, making it possible to aggregate these flows and potentially leverage them for investment purposes.

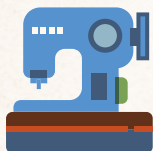
What next? Financial inclusion contributing to inclusive domestic finance markets

With financial inclusion's emphasis on the role of domestic financial systems as enablers for or lubricants of the real economy, MAP has urged governments and investors to take a long-term view in order to develop inclusive markets that can lead to growth. Going forward, UNCDF will continue to support country financial inclusion strategies in the region, but governments will increasingly take the lead to make progress on their own financial inclusion agendas and implementation. This will continue to pay dividends for countries, as they increasingly benefit from financial inclusion's 'triple impact factor' in the context of sustainable finance, namely:

- A lack of financial inclusion is a sustainability risk for a country's financial sector and the wider economy. By contrast, responsibly bringing more households into the formal financial system diversifies risks for banks and increases the depth of the financial system overall, while causing money to reticulate at the local level. Financial sector stability in turn tends to enhance the public's trust in financial systems and the use of financial services.
- Financial inclusion achieves a range of primary and secondary positive social benefits, which are often self-reinforcing and can produce environmental benefits too. (For instance, increased income-earning opportunities also mean households have more income to spend on improved – healthier – energy sources, which, in turn, tend to be better for the environment.)
- Financial inclusion positively changes the dynamics of financing in a national context, potentially making it more sustainable by empowering a new set of financing stakeholders and actors, in the process making space for new models of business and delivery.

Domestic resource mobilisation encourages and enables efficient investment in areas that promote the country's structural transformation and sustainable development, providing a viable, long-term strategy for national economic growth.

Building a healthy and flourishing domestic financing environment allows countries the policy space for more control of their development process, which in turn strengthens the implicit social contract between government and its citizens. A strong domestic finance market:



- Reduces dependence on external capital inflows and their associated conditionalities, including official development assistance, foreign borrowing, and foreign direct investment; this allows for setting growth and development priorities from the bottom up, allowing governments to respond to their own priorities.
- Increases reliance on domestic resources for public revenue generation via financing inclusive basic services and infrastructure, through an implicit contract between the state and households and the firms that generate such services (i.e. utility companies). This entails high levels of cooperation between the state and domestic entities, which strengthens the national institutional environment and improves governance.
- Enables more stable domestic resource mobilisation, reducing exposure to volatile foreign capital flows while generating employment and increasing linkage with the rest of the domestic economy, thereby increasing potential for inclusive growth.³



Evolution of stakeholder engagement approach

The development of a multi-stakeholder roadmap for financial inclusion towards an integrated financial inclusion strategy has been a feature of the MAP approach from the programme's inception; the aim is to strengthen and focus the dialogue on financial inclusion between the government, regulators, stakeholders and donors at country level.

Because the SADC financial inclusion strategy was ratified by finance ministries in the member states, financial inclusion as a policy item is (mostly) driven by the finance ministries at the regional level, although this relies significantly on collaboration with financial sector regulator/s and other ministries of interest (e.g. those focused on trade and industry, and agriculture). Furthermore, in Botswana, Lesotho, Eswatini, Zimbabwe and Malawi, financial inclusion is recognised as a pillar of national development planning.

The different SADC countries have different governance structures for financial inclusion strategy implementation. For example:

BOTSWANA: The Ministry of Finance and Economic Development (through its financial administration department) chairs the financial inclusion working group made up of representatives of policymakers, regulators and industry-based credit associations, to monitor the implementation of the NFIS.

LESOTHO: The Ministry of Finance set up a financial inclusion technical committee consisting of other government ministries (communications, agriculture, financial sector regulators, and notably, the United Nations Development Programme – UNDP). The inclusion of the UNDP shows the involvement of other donors (aside from UNCDF) at country level.

ESWATINI: The finance ministry set up the Microfinance Unit, which later became the Centre for Financial Inclusion (CFI) as the locus of policy implementation.

ZIMBABWE: The Minister of Finance and Economic Development (through the Financial Sector Policy Department) provides for the Reserve Bank of Zimbabwe (RBZ) to coordinate implementation through its Financial Inclusion Unit specifically formed within the RBZ to drive stakeholder coordination and implementation of the financial inclusion strategy.

MALAWI: The governance structure is chaired by the Ministry of Finance, Economic Planning, and Development (MoFEPD), with representation from the Reserve Bank of Malawi (RBM) and, as in Lesotho, involving other donors (e.g. the World Bank, the EU and the UNDP).

The MAP implementation team thus works through the governance structures set up at country level to drive implementation of financial inclusion policy action and to consolidate funding (from donors and governments) for a common objective. For example, the Malawi FinScope MSME 2019 survey was funded by multiple donors, including the UNDP, the World Bank, the EU and FCDO (or DFID at the time).

Both generally and per country, the MAP financial inclusion roadmap highlights the relevant stakeholders and financial regulators to drive policy implementation and activities related to their regulatory purview (e.g. bank surveillance, national payment systems, credit regulation). The MAP approach to stakeholder engagement (at country level) can be summed up as follows:

- Finance ministries are key in terms of placing financial inclusion on the national policy agenda and wielding convening power over the other key institutions.
- Financial regulator/s are key in terms of making inclusive access to financial services a priority balanced with achievement of consumer protection and financial literacy goals.
- Ministries of agriculture, energy, youth, and women are key in ensuring that target groups (women and youth) are able to access basic services (e.g. clean energy) and develop livelihoods (leveraging access to finance) in agriculture, which is the sector that employs the majority of adults in the SADC region.

In the case of most of the countries, a technical committee was formed between the finance ministry, the central bank and financial services providers, to initiate and oversee the process.

Table 3 describes the partnerships achieved and structures used in implementing the MAP approach at country level, and provides a sense of each country's unique process and multi-stakeholder configurations towards achieving its financial inclusion objectives.

CONSISTENCY HAS BEEN KEY. At the regional level, MAP has been consistent in convening focused regional learning and sharing collaboration events, as a result of its relationship with FMT, which has a long track record of working in financial inclusion in the region. The approach focused on running regional 'lessons learned' events, such as the SADC Financial Inclusion Indaba (held annually from 2015 to 2019, inclusive, in South Africa), whose objective was to bring together policymakers, financial sector stakeholders and development actors to discuss opportunities and challenges needing attention and action. The consistent, workshop approach was successful in keeping financial inclusion on the agenda, while also facilitating financial inclusion's evolution through a number of iterations to its current inclusive growth emphasis; this, in turn, necessitated updating the financial inclusion technical frameworks and methodologies. The consistent focus was furthermore important in that it allowed for national budgeting for financial inclusion.

TABLE 3

MAP implementation partnerships and structures, by SADC participating country

COUNTRY	PARTNERSHIPS	STRUCTURES UTILISED
Botswana	Government, FMT	The bankers association funded the FinScope survey. The EU was involved in funding implementation through government. Responsibility is now with the MFED Finance Administration subdivision and the financial inclusion unit.
Lesotho	Government, FMT, UNDP	Initially a task team was established. There were parallel processes with the World Bank Financial Sector Assessment Program (FSAP) and the Support to Financial Inclusion in Lesotho (SUFIL) programme (which was not formally adopted by the Ministry of Finance). The roadmap was positioned as the implementation vehicle. The MoF has responsibility for implementation.
Eswatini	Government, FMT	Initially a government task team was established. The MoF established a financial inclusion unit, which is now responsible for implementation.
Zimbabwe	Government, FMT	The Ministry of Finance and Economic Development and the central bank led the process, with task teams set up within the central bank. The project was funded by DFID through FMT. A steering committee was also set up.
Malawi	Government, FMT, UNDP	When the UNDP received an initial memo in 2013, the Government of Malawi already had a national strategy in place as well as a financial inclusion strategy. MAP was requested to focus on implementation and areas of focus to increase financial inclusion, and a steering committee was set up for the FinScope survey and MAP. Initially, there was interest from the World Bank to fund the initiative. The MoF, DFID and the central bank were the initial stakeholders. Initial coordination was carried out with Mobile Money for the Poor (MM4P), with the roadmap recommendations being validated at the 2015 MM4P Financial Inclusion Indaba, which also started the process of coordination around roadmap implementation among stakeholders. Responsibility is now with the MoF.
Madagascar	Government, UNDP	A steering committee was set up and worked with the MoF and national statistics office on the FinScope survey. The UNDP had responsibility for implementation, but from 2018 onwards programme/staff changes stalled implementation.
DRC	FMT, ACTIFF (Action, Change, and Transformation Through Inclusive Finance)	Engagement started with the MoF in 2013, but MAP was to be hosted under the central bank, which also requested a working group be formed under the management and control of the bank. There was significant disagreement between the MoF and the central bank on who owned the initiative and should host MAP, and then the country experienced an Ebola outbreak and matters stalled. Later, the MoF went ahead with MAP while the central bank implemented the World Bank Financial Inclusion Support Framework (FISF).
Mozambique	FSDM	In terms of an initial memo to government, the MoF hosted the project (2013). In discussion with DFID, it was decided the central bank should also be on board. Engagement was also conducted with FIWG (a donor working group). Early on there was alignment with MAFFIP (Financial Sector Deepening Mozambique – FSDM). Attention was paid to alignment with the work of the World Bank Financial Inclusion Framework team (2014).
Zambia	FSDZ	Financial Sector Deepening Zambia (FSDZ) requested MAP from (independent economic impact agency) Cenfri, initially to inform an FSDZ strategy; but after an FSDZ mid-term review and leadership change, government was brought on board. The diagnostic team engaged with the World Bank and with the NFIS-drafting team, and FSDZ was invited onto the drafting team as a result. The diagnostic team provided MAP inputs to the NFIS through FSDZ participation on the drafting team. A steering committee was formed with National Treasury as chair.

Source: FMT



Data and measurement innovations

The MAP programme requires a data and measurement framework to support the roadmaps and financial inclusion strategies in formulating measurable targets and means of M&E.

Through its regional partnerships, the programme has supported implementation of data initiatives in eight of the nine countries in the region, and supported five countries with national and regional measurement frameworks and reporting capacity building (see Table 2). The programme made use of the following data and measurement research designs:

- **DEMAND-SIDE SURVEYS** such as the FinScope consumer livelihoods survey (used in the first instance to analyse livelihoods-related needs, but also employed for understanding MSME and clean energy needs, respectively) – using quantitative and qualitative data collection methodologies. The demand-side surveys evolved in that:
 - Data collection shifted from face-to-face interviews to *mobile surveys* to reduce cost and time to complete.
 - The focus changed to *modularisation*. Given that priorities differ per country and are continually shifting, and given also the imperatives of producing high-quality data and containing costs, in-country measurement efforts must focus on what is important and relevant at any given point. Modularisation is helpful in this regard, as it allows for customisation; specific content (e.g. products, needs, usage) is codified into a separate survey module and included/excluded as appropriate to country priorities. The modules can be rotated over successive measurements or lengthened/reduced based on the information requirements of any engagement. The benefits include more affordable surveys and higher-quality data.
- **IN-DEPTH INTERVIEWS** with key stakeholders within the financial inclusion ecosystem: e.g. financial services providers, policymakers and regulators.
- **ADMINISTRATIVE DATA** such as supply-side and regulatory data: this complements demand-side surveys and/or acts as proxy for demand-side surveys (given the relatively high cost of implementing the latter). Administrative data offers the advantages of being fairly easily accessed and being either open-source or requiring data-sharing agreements with

data owners. Reliance in this way on administrative data has been employed in four of the SADC MAP financial inclusion M&E reports.

- **GEOSPATIAL DATA** making use of GIS location tags of financial access points to enable sophisticated data visualisation tools: this approach helps to improve precision in the financial inclusion data analyses, specifically in terms of understanding levels of access and usage. In 2017, geospatial data on financial access points was collected, analysed, visualised and hosted on the FMT data portal.

Table 4 shows the milestones in data and measurement projects through the MAP programme (up to 2019). In addition, repeat FinScope consumer data was collected in Mozambique (2019), Botswana (2020) and Lesotho (2021) – a first survey having been conducted in the latter in 2011, prior to the MAP programme and partnerships.

TABLE 4

Milestones in data projects through MAP, with costs and notes, by SADC country

Botswana

Consumer 2014

1,503

SAMPLE SIZE

USD 376,711

IMPLEMENTATION COST

FUNDED BY FMT & BAB
CO-FUNDING: BWP 500,000
FMT funding from DFID. Banking Association of Botswana contributed only 12% of the total budget. FMT local coordinator facilitated the different stakeholders.

Eswatini

Consumer 2014

3,440

SAMPLE SIZE

USD 222,166

IMPLEMENTATION COST

FUNDED BY FMT
FMT funding from DFID. FMT local coordinator facilitated the different stakeholders.

Eswatini

MSME 2017

3,024

SAMPLE SIZE

FUNDED BY CFI
CFI paid FMT only technical assistance fees and contracted the research house directly.

Eswatini

Consumer 2018

2,928

SAMPLE SIZE

FUNDED BY CFI
CFI paid FMT only technical assistance fees and contracted the national statistics office directly.

Zimbabwe

Consumer 2014

4,000

SAMPLE SIZE

USD 380,000

IMPLEMENTATION COST

FUNDED BY FMT
FMT funding from DFID. FMT local coordinator facilitated the different stakeholders..

Malawi

Consumer 2014

3,005

SAMPLE SIZE

USD 464,484

IMPLEMENTATION COST

FUNDED BY FMT
FMT funding from DFID. FMT local coordinator facilitated the different stakeholders.

Malawi

MSME 2019

2,993

SAMPLE SIZE

USD 447,660

IMPLEMENTATION COST

FUNDED BY EU, WB, DFID & UNDP
EU contracted the private research house directly.

Madagascar

Consumer 2016

5,040

SAMPLE SIZE

USD 447,660

IMPLEMENTATION COST

FUNDED BY FMT & GOVERNMENT
CO-FUNDING: USD 140,000
Main funding from FMT and a small amount in the form of government money from the Alliance for Financial Inclusion.

DRC

Consumer 2014

5,000

SAMPLE SIZE

USD 882,994

IMPLEMENTATION COST

FUNDED BY FMT
FMT funding from DFID. Fieldwork is very expensive in DRC.

Mozambique

Consumer 2014

3,905

SAMPLE SIZE

USD 775,150

IMPLEMENTATION COST

FUNDED BY FMT
CO-FUNDING: DFID MOZ
FMT funding from DFID, and DFID Mozambique paid 50%. Fieldwork is very expensive in Mozambique.

Total cost of implementation for SADC countries: USD 3,545,165

Country-level progress

The following sections trace the interplay, in the participating SADC countries, between government policy and regulation, on the one hand, and market evolution of traditional financial services, on the other.

We show, country by country, how the MAP programme has attempted to provide a way forward for financial inclusion to evolve by embedding itself more deliberately in the domestic financing agenda. In each country, on the basis of the detailed MAP diagnostics, the programme has led the appropriate stakeholders in looking at the underlying market dynamics and identifying recommendations and activities in the roadmap for the national financial inclusion policy.⁴ The country overviews show a substantial track record and longevity in terms of financial inclusion implementation, significant local ownership of the process, and continued prioritisation of financial inclusion as a policy agenda item. This is testament to the unique approach followed in SADC: a sustained local coordination presence that can engage technically with government on their needs and priorities and locate financial inclusion implementation within broader policy frameworks and priorities. For instance, FMT had in-country coordinators in Botswana, Lesotho, Eswatini, Zimbabwe and Malawi over the programme period, while UNCDF country capacity was leveraged in Madagascar and DRC.

The FMT coordinators based in-country took on a range of key responsibilities:

- Accountability to help delivery of the flagship projects that emanated from the roadmap priorities.
- Delivery of M&E data collection and reporting – to ensure the measurement and the improvement of financial inclusion at a national level.
- Donor engagement – specifically to source funding for the implementation.
- Ensuring alignment and efficiencies of the individual thematic programmes.

The presence of the country coordinators was an important operational factor that assisted with delivery. The experience clearly demonstrated that ‘boots on the ground’ through solid partnerships is a highly effective approach – both to build government capacity and to provide the technical skills to take advantage of opportunities as they arise to work with the public and private sectors. MAP has also made the most of its location in South Africa, a regional economic hub, to test concepts and leverage learnings for regional replication. For instance, MAP partnered with the UNDP South Africa on the SASSA social security project, to conduct research and analysis for the Government of South Africa that would inform proposed pilots aimed at fostering inclusive growth and challenging poverty, particularly for women and youth. The particular focus was improving the efficiency of and increasing returns derived from social grant payments. The pilot project was successfully concluded in 2020, and the project has potential for other countries, particularly within the SADC region, to learn from South Africa.

The regional monitoring progress reports (2018 to 2021) provide further insight into progress in financial inclusion and policy implementation at country level and in the region, and into evolving market dynamics and policy agendas. FMT is also assisting with the development of a revised SADC financial inclusion strategy; the proposed new measurement framework is depicted in Table 5, which shows the regional aggregate-level view of financial inclusion.

TABLE 5

Level of financial inclusion in SADC region (2021)

● Regional baseline ● Regional target (initial suggestion) ● Status (as of August 2021)

Overall indicators



REGIONAL ACCESS STRAND % financially included adults in the region

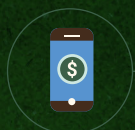
66% 75% 70%

Product indicators



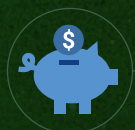
REMITTANCES % value of remittances done

68% 48% 6.4 mil to 8.0 mil
through informal channels through formal channels Increase in annual volume between 2018 and 2019



MOBILE MONEY % adults using mobile money

23% 50% 30%



SAVINGS % adults who save formally or informally

51% 60% 51%

% adults who use formal saving channels

17% 25% 20%



CREDIT % adults who have credit formally or informally

32% 40% 40%

% adults who use formal saving channels

15% 25% 22%



INSURANCE % adults insured formally or informally

27% 40% 29%

% adults who use formal insurance channels

18% 30% 19%

Product indicators



GENDER % financially included male adults

68% 75% 71%

% financially included female adults

65% 75% 69%



LOCATION % financially included rural adults

22% 35% 22%

% financially included urban adults

52% — —



YOUTH/AGE % financially included adults under 30 years

65% 75% 70%

% financially included adults over 30 years

75% 75% 70%

Policy indicators



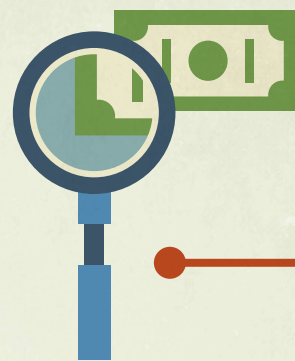
NFIS SADC countries with a strategy in place

4 countries
(plus 3 countries in the process of defining a strategy)

100%
SADC countries with a strategy in place

10 countries
have NFIS

Botswana



Financial inclusion impact on lives and livelihoods

OUR JOURNEY FROM MAP DIAGNOSTIC (2015) TO MAP REFRESH DIAGNOSTIC (2021)

Botswana formulated the following national vision for financial inclusion (2016): Improve household welfare, increase economic efficiency and support growth by reducing the percentage of adults who are excluded from 24% to 12%, and increasing those with access to more than one formal financial product from 46% to 57% by 2021.

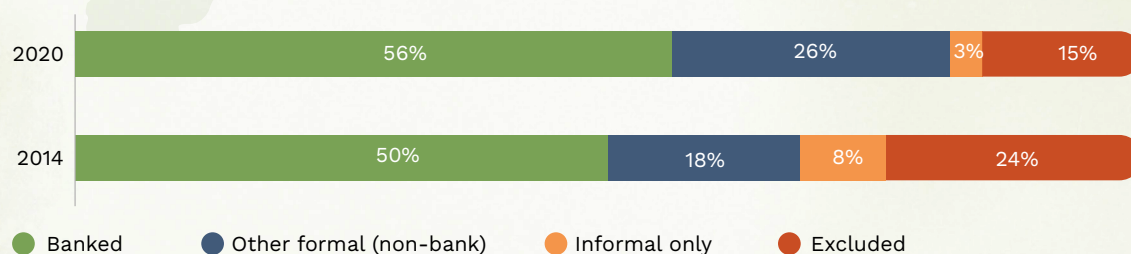


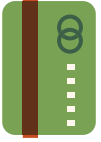
FIGURE 5

Botswana financial access strand: 2014 vs 2020

Source: FinScope 2014 & 2020

STRENGTHENING THE FINANCIAL INCLUSION ECOSYSTEM FOR THE LOW-INCOME IN BOTSWANA

- 1 Country diagnostic conducted.
- 2 Livelihoods dataset/s and/or tracker survey/s for financial inclusion provided.
- 1 Financial inclusion roadmap drafted.
- 1 Roadmap recommendations adopted/being implemented.
- ✓ Structures for national coordination and implementation in place.
- ✓ Implementation action plan.
- 1 MAP refresh diagnostic conducted.
- 1 National action plan/M&E framework and tracking.
- 4 Regional M&E tracking.
- 6 South-South collaboration: participation in MAP regional and global learning and sharing events.



The 2021 MAP refresh diagnostic for Botswana followed on from the 2015 MAP diagnostic and 2016 roadmap and action plan, and highlighted interventions that would best meet national objectives for growth and improved livelihoods. The refresh diagnostic inputs made it possible to update the country's existing financial inclusion roadmap to define, coordinate, measure and track progress on these objectives.

The 2016 roadmap adopted by the Bank of Botswana established the national vision on financial inclusion and led to the establishment of a National Financial Inclusion programme. As an indication of Botswana's commitment and buy-in to the process, the finance ministry sets aside funding annually to support the implementation of the financial inclusion strategy. The National Development Plan 2, covering the period April 2017 to March 2023, identifies the areas of intervention that are linked to the implementation of the financial inclusion strategy.

In 2021, when the UNCDF–FMT implementation partnership officially ended in the region, Botswana was continuing to make progress towards achieving its financial inclusion 2021 goals: financial exclusion had decreased from 24% (2014) to 15% (2020), while those formally included had increased from 68% to 82% over the same period. The depth of usage had increased from 46% (2014) to 52% of adults (2021) using more than one formal financial product type (i.e. payments, savings, credit and insurance).

Reflecting on progress against the 2016 MAP roadmap and the ongoing action plan helps with gauging the current situation, identifying remaining gaps and prioritising future interventions.

Botswana's financial services sector today is better positioned to expand financial inclusion, especially as there has been considerable success in implementation in terms of growth of mobile money and remittances. At the same time, there has been slower progress than hoped on meeting objectives in terms of savings, credit and insurance. Important regulatory changes have been implemented, including the regulation of mobile money through the electronic payment systems regulations, the development of a national payment system strategy (which is building towards the development of a national payment switch), and developments in regional remittances

through the regional settlement service SIRESS. Credit provision has also been improved, including through movement towards a collateral registry to allow movable assets to be registered and used as collateral for credit, and the Credit Information Sharing Bill.

Partnering to build institutional capacity

In Botswana, the National Financial Inclusion programme is supported by a range of government departments and regulators. It is situated within the Ministry of Finance and Economic Development (MFED), which is the primary ministry focused on financial markets including non-bank financial institutions. The Bank of Botswana is focused on the regulation of deposit-taking institutions, foreign exchange and money markets, while the Non-bank Financial Institutions Regulatory Authority (NBFIRA) regulates non-bank institutions, including insurance, pensions, collective investment undertakings and non-bank lenders. The Ministry of Investment, Trade and Industry focuses on two priority areas that relate to financial inclusion: credit market development, and consumer protection and financial literacy.

Enabling coherence in policy coordination and implementation

The MFED chairs the financial inclusion working group, but the group has a key stakeholder responsible for heading each of the six priority areas in the country's financial inclusion strategy. Quarterly meetings between members of the working group provide updates and feedback from the different priority components. Submissions are consolidated into biannual reports.

There are other donors involved in financial inclusion work in the country. For example, the IMF and KfW Development Bank set up a microfinance enhancement facility in 2009. Donors such as the OPEC fund for international development have supported this.

The six priority areas in the financial inclusion strategy are:

Priority 1: Payments ecosystem development – Bank of Botswana.

Priority 2: Develop low-cost accessible savings products – Botswana Savings Bank.

Priority 3: Develop accessible risk mitigation products – NBFIRA.

Priority 4: Improve credit market working – Ministry of Investment, Trade and Industry.

Priority 5: Consumer protection and financial literacy – Ministry of Investment, Trade and Industry.

Priority 6: National coordination – Finance Administration subdivision of MFED.

The working group has experienced some challenges in terms of receiving required information from market participants for some of the priority areas. For instance, given that the Botswana Savings Bank operates within the banking industry, there has been some resistance from commercial banks to sharing information they feel is strategic; thus, this priority area might be better coordinated by the Bank of Botswana (as the banking regulator) together with NBFIRA.

Similarly, there have been challenges for the Ministry of Investment, Trade and Industry with regard to receiving the required information for Priority 4, as the parties are typically commercial banks and regulated by the Bank of Botswana; given this fact, better coordination and increased Bank of Botswana involvement could be helpful.

To implement the roadmap, across the six priority areas the action plan outlined 71 activities, which Botswana continues to implement actively. Key elements of progress as well as challenges experienced are set out in Table 6. Although only 21% of activities had been fully achieved by 2021, when these were combined with those actively under way, overall progress achieved on the activities stood at 61%.

As can be seen, Botswana is making good progress in terms of national coordination, payments, savings and credit, while more needs to be done in terms of credit activities, and consumer empowerment and insurance-related activities require more attention overall.

TABLE 6
Progress on MAP diagnostic tasks, as at 2021 (Botswana)

PRIORITY	NUMBER OF ACTIVITIES	FULLY ACHIEVED	PARTIALLY ACHIEVED/IN PROGRESS	NOT ACHIEVED/UNCLEAR	PROGRESS %
Create a payments ecosystem	21	6	12	3	86%
Facilitate low-cost accessible savings products	10	1	6	3	70%
Develop accessible risk mitigation products and improve usage of existing products	10	-	2	8	20%
Improve the working of the credit market	15	-	8	7	53%
Consumer protection and financial literacy	12	5	-	7	42%
National coordination	3	3	-	-	100%
Total	71	15	28	28	61%

Source: FMT reporting to UCNDF, based on implementation reports provided by the financial inclusion task team

Flagship projects

SUPPLY DEVELOPMENT PROGRAMME (SDP): An SDP pilot was initiated in 2021 in partnership with the UNDP. The intention is to inform the development of a national SDP framework, suggest innovative financial instruments that could enable the sustainability of smallholder farmers recruited into the SDP pilot, and use the pilot findings to develop a regional SDP framework and a community of practice.

CREDIT INFORMATION SHARING: At the regional level, the project seeks to develop harmonised principles for credit information sharing based on best practices and norms. The regional project starts with the setting up of industry-based associations in selected member countries based on South Africa's credit provider association model, thereafter co-opting the remaining countries in SADC to participate and thus addressing the SADC regional credit risk. MAP coordinated the convening of the Botswana Credit Reporting Association (BODRA) to drive the implementation of the CIS Bill, which was passed in parliament in 2021.

MAP BOTSWANA REFRESH DIAGNOSTIC: In 2021, UNCDF conducted a Botswana refresh diagnostic, leveraging a new representative livelihoods survey from 2020, to provide an updated evidence base for tracking implementation and to inform the updating of the country's financial inclusion strategy and action plan.

Enabling better South–South cooperation through learning and sharing

Botswana was assisted by UNCDF to engage at regional and global workshops on financial inclusion, including the New York global (2018), and the regional learning and sharing events. The country took part in the 2019 SADC Financial Inclusion Indaba (which aimed to capacitate regulators through learning and sharing from peer countries for financial inclusion policy implementation and monitoring), and participated too in UNCDF's regional process of monitoring progress and reporting on financial inclusion, from 2018 onwards (four years), which allowed for regional comparison and engagement for the purposes of sharing learnings on financial inclusion policy implementation.

In 2019, Botswana also participated in an exchange visit to South Africa, particularly relating to the establishment of a credit information association; during that visit, the stakeholders engaged with FMT, UNCDF and the South African Credit & Risk Reporting Association (SACRRA) to learn about the functions of and requirements for setting up such an association.

Lesotho



Financial inclusion impact on lives and livelihoods OUR JOURNEY FROM MAP DIAGNOSTIC (2014) TO MAP REFRESH DIAGNOSTIC (2021)

Lesotho formulated the following national vision for financial inclusion (2017): Increase access to quality and diverse formal financial services to support economic growth and improve household welfare by increasing access to at least one formal product from 61% to 85%, and with two or more formal products from 53.2% to 65% by 2021.

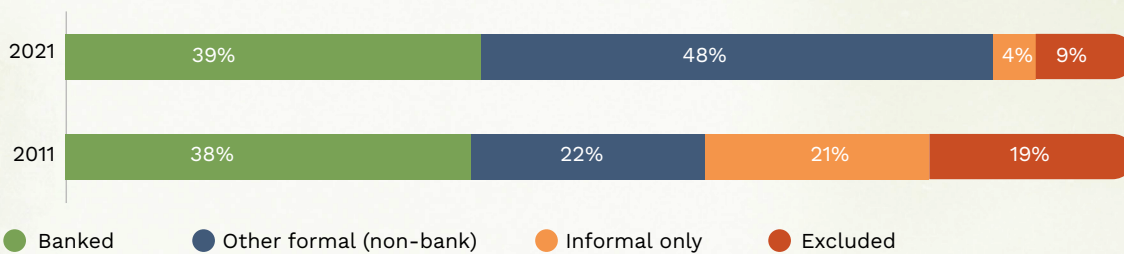


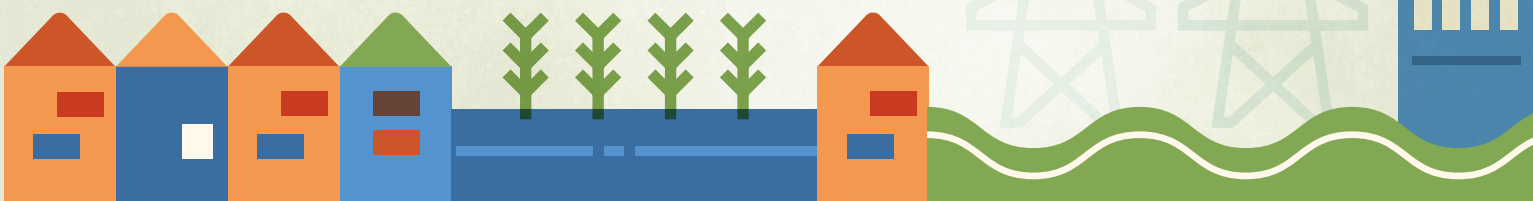
FIGURE 6

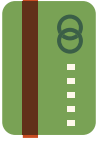
Lesotho financial access strand: 2011 vs 2021, and overall progress 2021

Source: FinScope 2011 & 2021/MAP refresh diagnostic (2021)

STRENGTHENING THE FINANCIAL INCLUSION ECOSYSTEM FOR THE LOW-INCOME IN LESOTHO

- 1 Country diagnostic conducted.
- 1 Livelihoods dataset/s and/or tracker survey/s for financial inclusion provided.
- 1 Financial inclusion roadmap drafted.
- 1 NFIS developed/adopted and/or recommendations being implemented.
- ✓ Structures for national coordination and implementation in place.
- ✓ Implementation action plan.
- 1 MAP refresh diagnostic conducted.
- ✓ National action plan/M&E framework and tracking.
- 4 Regional M&E tracking.
- 5 South-South collaboration: participation in MAP regional and global learning and sharing events.
- 1 Additional thematic diagnostic/s conducted (clean energy).





The 2014 MAP diagnostic highlighted interventions that would best meet national objectives for growth and improved livelihoods, and provided a roadmap for defining, prioritising, coordinating, measuring and tracking these objectives.

The national vision on financial inclusion was established by the National Inclusive Finance Strategy (2017–2021) – called the ‘NIFS’ in Lesotho – which was adopted by the Ministry of Finance, based on the 2014 MAP diagnostic findings and the MAP financial inclusion roadmap. The national strategy includes targets to increase access to at least one formal product from 61% to 85% of the adult population, and to two or more formal products from just over 53% to 65% by 2021. In 2014, the Central Bank of Lesotho also launched the Financial Sector Development Strategy (FSDS), an overarching strategy for the financial sector, which included a chapter on financial inclusion. (The FSDS follows from the objectives set in the National Strategic Development Plan.)

Reflecting on progress against the 2014 MAP diagnostic and 2017–2021 NFIS helps with gauging the current situation, identifying remaining gaps and prioritising future interventions.

There have been considerable improvements in access to financial services in Lesotho. Overall, access to at least one formal product increased: from 61% (2011) to 87% (2021). This achievement is linked to the expansion of access to remittances, and also to financial services geographically, through mobile money and banking agents, which means less time and less cost for consumers accessing salaries and wages. In addition, consumers are now able to buy electricity and pay for water services using mobile money, which likely improves collection for these important utilities and reduces the costs of transacting for consumers. Over time, there has also been increasing competition, particularly in respect of remittances, where retailer Shoprite’s entry into this marketplace and low charges for remittance services have offered consumers significant savings; this is an initiative driven as a result of the 2014 MAP diagnostic report and roadmap.⁵


The country’s policy and regulatory environment has shown development, particularly with regard to mobile money regulations enabling mobile money and similar financial services providers,

and with the introduction of pension fund legislation. Overall, the increase in financial inclusion, increase in depth of usage of formal financial services and decrease in reliance solely on informal financial services have contributed to the resources available for financing the country's domestic development.

Partnering to build institutional capacity

At the time of the first MAP diagnostic, a task team was established to deal with the implementation of the diagnostic findings. Given that at the time there were parallel processes with the World Bank FSAP and the SUFIL programme (which was not formally adopted by the Ministry of Finance), the MAP roadmap was positioned as the implementation vehicle for financial inclusion activities, with the Ministry of Finance responsible for that implementation. The central bank also worked closely with the Ministry of Finance on implementation.

In addition, the central bank hosted the Financial Sector Development Strategy (FSDS) secretariat, which was linked to financial inclusion but concerned a broader set of interventions. This secretariat has since been dissolved because the FSDS project came to an end.



A sector-wide forum met quarterly, for the purposes of sharing information and implementing projects such as FinScope and the Scaling Inclusion through Mobile Money (SIMM) project.

Enabling coherence in policy coordination and implementation

In terms of financial inclusion governance in Lesotho, the Ministry of Finance leads a steering committee that is responsible for implementation of the financial inclusion strategy. The various divisions of the Central Bank of Lesotho, together with FMT and the UNDP, are on the financial inclusion steering committee. This committee met periodically between 2016 and 2020.

Lesotho's financial inclusion strategy seeks to achieve five broad objectives, aligned with the National Strategic Development Plan and other development programmes and policies of government:

- Increasing outreach and quality of financial services.
- Increasing financial and investment capacity.
- Creating and capacitating inclusive financial services providers.
- Ensuring an enabling regulatory environment.
- Consumer education.

TABLE 7

Progress on MAP diagnostic and NFIS objectives and activities, as at 2021 (Lesotho)

OBJECTIVE	NUMBER OF ACTIVITIES	ACHIEVED	NOT ACHIEVED	% ACHIEVED
Objective 1: Increase outreach and quality of financial services	42	30	12	71%
Objective 2: Increase financial and investment capacity	7	1	6	14%
Objective 3: Create and capacitate inclusive financial services providers	10	7	3	70%
Objective 4: Ensure an enabling regulatory environment	11	10	1	91%
Objective 5: Consumer education	5	5	0	100%
Total	75	53	22	71%

Given the successes of projects implemented to date, as well as support for individual initiatives such as FMT’s involvement in the Shoprite money transfer scheme, the existing structure for financial inclusion implementation in Lesotho can be said to be working reasonably well.

At the same time, the financial inclusion steering committee comprises staff members from the central bank and the Ministry of Finance who have other responsibilities; this has had the effect of limiting the available capacity of the implementation team and their participation in financial inclusion activities. In addition, given the new emphasis on the linkage between financial inclusion and economic and human development, it will be important to expand the steering committee and forum to additional stakeholders in the coming years.

PROGRESS AGAINST ACTIVITIES SET OUT IN THE 2014 MAP AND 2017–2021 NFIS: Based on the financial inclusion roadmap, an action plan for implementation was developed. Of approximately 75 activities set out in the NFIS and MAP reports,⁶ 53 (71%) have been completed (see Table 7). Most progress has been made in the areas of consumer education, the enabling environment, outreach and quality, and improving provider capacity, with only the area of financial and investment capacity lagging behind.

Flagship projects

As part of the FMT implementation partnership, UNCDF assisted with piloting proof-of-concept projects based on the roadmap and action plan. The most successful of these was the Shoprite SA–Lesotho cross-border remittances product, which resulted in vastly increased volumes of cross-border remittances at reduced cost to consumers and totalling ZAR 1 billion (USD 72 million)⁷ in value transmitted via this channel in under three years.

The following additional proof-of-concept pilots were conducted in Lesotho:

SUPPLY DEVELOPMENT PROGRAMME (SDP): An SDP pilot was initiated in 2021 in partnership with the Lesotho National Development Corporation (LNDC), the Ministry of Agriculture, the UNDP and Standard Bank, with the intention of informing development of a national SDP framework, suggesting innovative financial instruments that could enable the sustainability of smallholder farmers recruited into the SDP pilot, and using the pilot findings to develop a regional SDP framework and a community of practice.

FINANCIAL ACCESS POINTS MAPPING PROJECT: Completed in 2018, this programme supported the collection of geo-referenced financial access points data and the development of a GIS database. The project was implemented under the UNDP-funded Scaling Inclusion through Mobile Money (SIMM).

INNOVATION AND TECHNOLOGY: HACKATHON: The Hackathon for budding fintech enthusiasts in 2018 generated new ideas and facilitated mobile money product diversification to unlock opportunities for improved access to financial services. By June 2019, two of the seven winning teams had registered their companies and the UNDP had disbursed USD 28,000 to the winning teams, as well as capacitating the teams on software engineering principles, intellectual property, and business skills.

Engagement with industry is ongoing for assessment of their solutions and possible partnerships to test if their innovations are successful in the mass market. This initiative was implemented under the SIMM project.

MOBILE MONEY AND THE PAYMENT OF INTEREST: Payment of interest on mobile money has been approved and the first payments were made in February 2022 (i.e. subsequent to the official review period covered by this report).

LESOTHO DIGITAL FINANCIAL IDENTITY (ID): A gap analysis was completed in order to scope what would be entailed in establishing a national ID system for consumers' digital financial usage. Technical tests were done between the Ministry of Home Affairs, two banks, two insurance companies and two mobile network operators, with testing and pilot completed in June 2021.

CREDIT INFORMATION SHARING: MAP provided technical support between 2018 and 2021 to help the credit information association improve its quarterly engagements with the central bank, in the interests of facilitating quality of information sharing and oversight; the central bank was accordingly supported to present credit information-sharing indicators to the association on a quarterly basis. MAP also provided assistance in developing a memorandum of understanding between the association and the central bank; however, at the end of the official review period this remained to be signed (due to delays related to COVID-19).

MAP LESOTHO REFRESH DIAGNOSTIC: In 2021, UNCDF conducted a Lesotho refresh diagnostic, to complement a new representative livelihoods survey, in order to provide an updated evidence base for tracking implementation. The refresh diagnostic was also intended to inform the updating of the country's financial inclusion strategy and action plan; the MAP refresh report reviewed the implementation of the 2014 MAP diagnostic and the NFIS and also considered key market changes, in the process identifying financial inclusion interventions with the potential to grow the economy and benefit society.

MAP CLEAN ENERGY RESEARCH: In 2020, UNCDF, in collaboration with the UNDP, conducted a clean energy diagnostic across five SADC countries (UNCDF MAP, 2020), one of which was Lesotho, to jointly address the UNDP's Signature Solution 5,⁹ which seeks to work with countries to close the energy access gap. The diagnostic fitted into the MAP inclusive growth technical framework, with financial inclusion as a key enabler for countries' low-income population.

The intention with the diagnostic was thus to assist with de-risking the investment environment and attracting and leveraging private and public sector resources, thereby supporting countries to transition to sustainable energy systems.



Enabling better South–South cooperation through learning and sharing

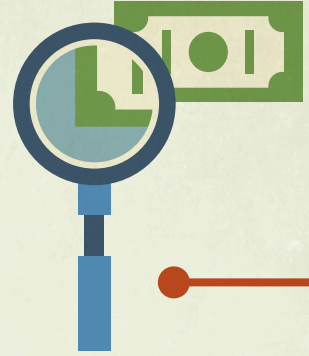
Lesotho was assisted by UNCDF to engage at regional and global workshops on financial inclusion, including the New York global (2018) and the regional learning and sharing events (the 2019 SADC Financial Inclusion Indaba). The intention was to capacitate regulators through learning and sharing from peer countries for financial inclusion policy implementation and monitoring. In 2019, Lesotho (along with Eswatini, Zimbabwe and Malawi) attended an inclusive growth working session in South Africa, hosted by UNCDF and FMT; the focus of this learning and sharing opportunity was technical capacity building on the emerging linkage between financial inclusion and inclusive growth. Lesotho also participated in UNCDF’s regional process of monitoring progress and reporting on financial inclusion, from 2018 onwards (four years); this enabled regional comparison and engagement for the purposes of sharing learnings on financial inclusion policy implementation.

Creating a future by building it from the bottom up

UNCDF is working closely with the UNDP country office, as well as the UNDP’s Africa Sustainable Finance Hub, to further support the financial inclusion agenda in Lesotho. To date this has included: joint project scoping to identify cost-sharing activities; UNCDF providing input to the Lesotho Development Finance Assessment to include financial inclusion in the Lesotho Integrated National Financing Framework; collaboration on UNCDF’s digital finance and communities project; and collaboration on the UNDP’s green value chain finance project.

In terms of country-level implementation, the UNDP plays the lead role, while UNCDF is an affiliate agency providing technical support on financial inclusion, also working in collaboration with other multilateral institutions (e.g. IFC and the World Bank) to avoid duplication.

Eswatini



Financial inclusion impact on lives and livelihoods

OUR JOURNEY FROM MAP DIAGNOSTIC (2014) TO MAP REFRESH DIAGNOSTIC (2020)

Eswatini formulated the following national vision for financial inclusion (2017): Increase the depth of Financial Inclusion, growing the percent of adults with access to two or more formal products from 43% to 75%, and reducing the excluded from 27% to 15%, by 2022 by growing mobile money and remittances, deepening bank reach, getting credit basics right, ensuring risk management products are available, and enabling alternative channels to serve the poor.

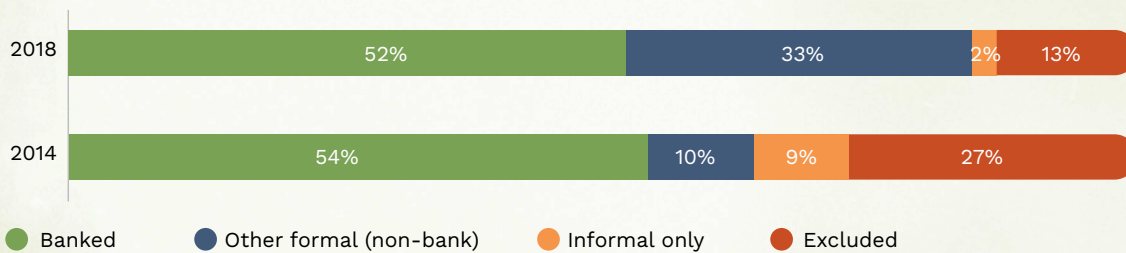


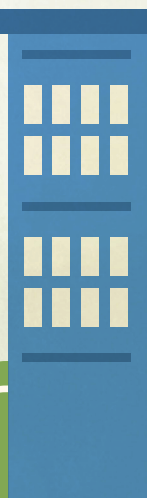
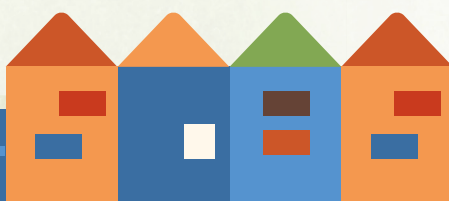
FIGURE 7

Eswatini financial access strand: 2014 vs 2018

Source: FinScope 2014 & 2018

STRENGTHENING THE FINANCIAL INCLUSION ECOSYSTEM FOR THE LOW-INCOME IN ESWATINI

- 1 Country diagnostic conducted.
- 3 Livelihoods dataset/s and/or tracker survey/s for financial inclusion provided.
- 1 Financial inclusion roadmap drafted.
- 1 NFIS developed/adopted and/or recommendations being implemented.
- ✓ Structures for national coordination and implementation in place.
- ✓ Implementation action plan.
- 1 MAP refresh diagnostic conducted.
- 1 National action plan/M&E framework and tracking.
- 4 Regional M&E tracking.
- 6 South-South collaboration: participation in MAP regional and global learning and sharing events.
- 2 Additional thematic diagnostic/s conducted (MSME; clean energy).





In 2014, UNCDF assisted what is now Eswatini (then the Kingdom of Swaziland) with the development of a MAP diagnostic study, to inform a national financial inclusion study.

The 2014 MAP diagnostic highlighted interventions that would best meet national objectives for growth and improved livelihoods, and provided a roadmap for defining, prioritising, coordinating, measuring and tracking these objectives. Subsequent to the diagnostic, UNCDF developed a financial inclusion roadmap for Eswatini, which fed into the finalised NFIS (2017–2022). The NFIS, which set the national vision for financial inclusion and was adopted by the Ministry of Finance, included targets to increase access to financial services to 85% by 2022 (i.e. reduce the excluded proportion of the adult population to 15%).

Finscope 2018 showed that 87% of adults in Eswatini were financially included, and 85% were formally financially included (52% through banks and 33% through other formal, non-bank institutions). In other words, the country had achieved its financial inclusion goals ahead of time.

Reflecting on progress against the 2014 MAP diagnostic and the ongoing NFIS 2017–2022 action plan helps with gauging the current situation, identifying remaining gaps and prioritising future interventions.


There are a number of ways in which Eswatini's financial services sector is now better positioned to expand financial inclusion, particularly by means of mobile money services and use of agents and retailers. Since the 2014 MAP study, there have been large increases in usage of mobile money services – including depth of usage. The options for channels through which financial access is provided have increased (including through provider partnerships with retailers), there is increased interoperability between systems, and we see innovation from traditional banks in terms of digital products and remittances. Nevertheless, there are a number of areas where progress has been limited, especially where regulatory approvals are concerned.

Since the 2014 MAP study, Eswatini has achieved policy development in various areas relating to financial inclusion. These include the development of a regulatory framework for formal, non-bank institutions, such as in the form of the Practice Note for Mobile Money Providers, which gave clarity on the mobile money landscape, in the process enabling growth in mobile money (as per the MAP 2014 pillar

on mobile money). Another key development was the Financial Services Regulatory Authority (FSRA) Bill, which regulates non-bank institutions. There have also been developments in legislation to improve consumer protection, including publication requirements and caps on certain charges; these include the 2016 regulations that capped penalty payments, prevented charges on deposits and required publication of fees. Ongoing regulatory developments include a SACCO Bill to regulate savings and credit cooperatives (SACCOs), as well as the Consumer Credit Amendment Bill, which ties in with the consumer protection component of MAP 2014.

Partnering to build institutional capacity

To implement the MAP programme, a financial inclusion task team was set up (2014) as a steering committee with representatives from the Ministry of Finance, the Centre for Financial Inclusion (now the CFI – previously the Microfinance Unit under the Ministry of Finance), the Central Bank of Eswatini (CBE) and the FSRA.



Subsequent to the MAP diagnostic, Eswatini strengthened its dedicated unit for financial inclusion (the CFI), to assist with financial inclusion policy implementation and monitoring.

For the most part, ownership of implementation of the financial inclusion strategy appears to sit comfortably within the unit. A technical committee, including the Ministry of Finance, the CBE, the FSRA, and various government agencies and the private sector, was set up to participate in implementation. The central bank also included financial inclusion objectives in its Strategic Vision 2016.

Enabling coherence in policy coordination and implementation

While the Ministry of Finance holds the ultimate mandate for financial inclusion, the CFI, under the Ministry of Finance, holds the mandate for financial inclusion coordination at country level, as specified in the NFIS. The latter stipulates that the CFI will work closely with the Financial Inclusion Coordination Council and the technical committee in collaboration with the Financial Sector Development Implementation Plan.

The NFIS also prescribes that the central bank and the FSRA each promote financial inclusion within its specific mandate. The NFIS sets out to achieve five broad objectives:

ENSURE REGULATION AND LICENSING: Promote regulation that is conducive to encouraging financial inclusion in the sector.

PROMOTE AFFORDABLE PRODUCT PRICING: Facilitate the development of mechanisms to recapitalise solvent microfinance providers to enable provision of responsive and affordable financial products through incentives and mandates.

REPORTING AND INFORMATION MANAGEMENT: Keep and maintain a database on all industry service providers, monitor all financial inclusion activities and disseminate information. Promote a platform for service providers to network, exchange views and share experiences.

PROMOTING GENDER EQUALITY: Ensure equal access and participation of all groups in financial inclusion activities in the country.

FINANCIAL CAPABILITY AND CONSUMER PROTECTION: Educate consumers and train providers, and ensure that the necessary evaluation and monitoring is undertaken.

In addition to prioritising establishing the coordination agency for financial inclusion, the NFIS proposes supporting the five immediate and urgent priorities under the financial inclusion roadmap:

- Growth in e-money (mobile money) to transact and save.
- Low-cost remittances to support vulnerable dependants.
- Expand insurance to better manage impact of risks.
- Deepen bank reach to better meet needs.
- Reduce credit costs, expand productive credit usage, and protect consumers.

There has been considerable progress on the recommendations set out in the 2014 MAP diagnostic. Overall, success in meeting the targets was predominantly from the growth in the use of mobile money to transact and save, as well as from remittances.

There have also been notable successes in the development of formal remittance products and some banking products. However, there has been slower progress on meeting the objectives relating to deepening bank reach, and expanding insurance and credit. Key highlights in terms of progress and challenges are listed in Table 8.



TABLE 8

Progress on MAP diagnostic and NFIS goals, as at 2021 (Eswatini)

MAP (NFIS) GOAL	PROGRESS HIGHLIGHTS AND CHALLENGES
Growth in e-money/mobile money to transact and save	<ul style="list-style-type: none"> • Significant growth in use of mobile money. • Linked partnerships between mobile money providers and banks to increase interoperability, including use of ATMs. • Use of bulk disbursements by mobile money for grants, relief and other group payments. • Provision of credit and funeral insurance through mobile money. • Mobile money remains costly. • Competition between mobile money providers is limited, with one large operator and one much smaller entrant.
Develop formal domestic and cross-border remittance products to support vulnerable dependent groups	<ul style="list-style-type: none"> • Big improvement in remittance using formal mechanisms: 70% remitting through e-wallet or formal channels – up from 12% in 2014. • Offerings by retailers at cost-effective price points for remittances. • Application by retailer for cross-border offering. • Cost still considered high, particularly for cross-border transactions.
Expand insurance to better manage impact of risks	<ul style="list-style-type: none"> • Still very limited use of insurance for costly events (3%). • Mostly funeral insurance available to lower-income market.
Deepen bank reach to better meet needs	<ul style="list-style-type: none"> • Introduction of e-wallets, prepaid cards to increase reach. • Interoperability between mobile money and some banks. • Some agency banking e.g. through post office. • e-Wallets are still linked to bank accounts.
Reduce credit costs, expand productive credit usage, and protect consumers	<ul style="list-style-type: none"> • Financial consumer protection rules and Guidelines on Banking Practice 2018 have been developed to protect customers.

Flagship projects

In Eswatini, UNCDF has assisted with piloting proof-of-concept projects based on the MAP financial inclusion roadmap and action plan:

SUPPLY DEVELOPMENT PROGRAMME (SDP): An SDP pilot was initiated in 2021 in partnership with the Eswatini Water and Agriculture Enterprise (ESWADE) and the UNDP, with the intention of informing development of a national SDP framework, suggesting innovative financial instruments that could enable the sustainability of smallholder farmers recruited into the SDP pilot, and using the pilot findings to develop a regional SDP framework and a community of practice.

INNOVATION AND FINTECH: The central bank, the FSRA, the University of Eswatini, and the Centre for Financial Services hosted the first Hackathon for Eswatini. The Innovation Hackathon aimed to catalyse the design of innovative and data-driven technological solutions that promote use of and access to financial services, targeted at the base of the economic pyramid and rural populations. The Hackathon provided a platform to engage young fintech enthusiasts to develop innovative technology-based solutions to challenges and bottlenecks within the financial services sector.

REMITTANCES: The retailer cross-border remittance product with Shoprite has been implemented in Eswatini. Eight Shoprite stores in Eswatini are already enabling consumers to receive remittances from South Africa.

CREDIT INFORMATION SHARING: The MAP programme accompanied and facilitated a knowledge exchange and learning session between the FSRA and the Central Bank of Namibia in 2018, focusing on the setting up of a credit information-sharing regulatory unit. Subsequently, FSRA implemented amendments to the Consumer Credit Act, which was hitherto seen as an impediment to credit information sharing. Among the amendments is making credit information sharing mandatory. Further support for credit information sharing in Eswatini was provided by a study trip to South Africa to research options for the formulation and layout of the credit data, an area that is crucial to information sharing. The FSRA further implemented (2020 and 2021) a regulatory unit modelled on the successful Namibian model.

MAP MSME RESEARCH: In 2018, a MAP MSME diagnostic was conducted, leveraging a 2017 financial inclusion livelihoods survey specifically for MSMEs, which focused on linking financial inclusion to the real economy and seeking opportunities to support the economy and create jobs.

The MSME diagnostic in Eswatini provided critical information to facilitate designing interventions by government and donor partners that will have a significant impact on the MSME sector and major target market segments.

The *Eswatini State of Financial Inclusion Report 2019*, published by the Government of Eswatini through the CFI, provided further benchmarks and indicators on financial inclusion.

MAP ESWATINI REFRESH DIAGNOSTIC: In 2020, UNCDF conducted an Eswatini refresh diagnostic, leveraging a new representative livelihoods survey from 2018. The refresh diagnostic provided an updated evidence base for tracking implementation, and informed development of an updated financial inclusion strategy and action plan.

MAP CLEAN ENERGY RESEARCH: In 2020, UNCDF, in collaboration with the UNDP, conducted a clean energy diagnostic across five SADC countries, one of which was Eswatini, to jointly address the UNDP's Signature Solution 5, which seeks to work with countries to close the energy access gap. The diagnostic fitted into the MAP inclusive growth technical framework, with financial inclusion as a key enabler for countries' low-income population.

The intention with the diagnostic was thus to assist with de-risking the investment environment and attracting and leveraging private and public sector resources, thereby supporting countries to transition to sustainable energy systems.


Enabling better South–South cooperation through learning and sharing

Eswatini was assisted by UNCDF to engage at regional and global workshops on financial inclusion, including the New York global (2018) and the regional learning and sharing events (the 2019 SADC Financial Inclusion Indaba) aimed at capacitating regulators through learning and sharing from peer countries for financial inclusion policy implementation and monitoring. In 2019, Eswatini (along with Lesotho, Zimbabwe and Malawi) attended an inclusive growth working session in South Africa, hosted by UNCDF and FMT; the focus of this learning and sharing opportunity was technical capacity building on the emerging linkage between financial inclusion and inclusive growth. Eswatini also participated in UNCDF's regional process of monitoring progress and reporting on financial inclusion, from 2018 onwards (four years), which allowed for regional comparison and engagement for the purposes of sharing learnings on financial inclusion policy implementation.

In 2019, the FSRA requested UNCDF to facilitate an exchange visit with the Central Bank of Namibia, which has successfully implemented a credit information-sharing unit, to learn about the development and implementation of the unit, with the intention of implementing a similar facility in Eswatini. The FSRA funded the exchange visit, and UNCDF provided technical support and facilitated the meeting to ensure all components required by the FSRA were covered.

Creating a future by building it from the bottom up

For the future, it is important that a wider network of appropriate stakeholders in Eswatini be involved in financial inclusion. This includes improving integration between financial inclusion initiatives and aspects of the real economy; for example, it will make sense for the CFI to liaise in areas such as energy (e.g. where there are prepaid off-grid solutions), agriculture (e.g. integrating financial inclusion projects with groups of farmers with value chain integration and extension services) and manufacturing (e.g. integrating financial inclusion with MSMEs that are feeding into industrial development strategies).

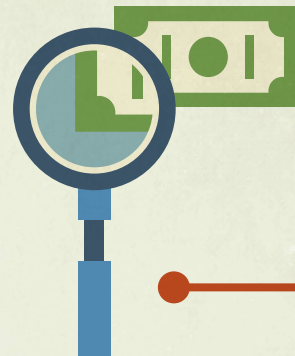


It will also be important for financial inclusion to be included as a component of domestic financing in the Development Finance Assessment – for integration in the Eswatini Integrated National Financing Framework.

UNCDF is working closely with the UNDP country office in Eswatini (private sector strategy), as well as the UNDP's Africa Sustainable Finance Hub (SDG investor maps) to further support the financial inclusion agenda in Eswatini. To date, this has included joint project scoping to identify cost-sharing activities, and collaboration on UNCDF's digital finance and communities project. UNCDF is also in discussions to pilot the MAP inclusive growth framework for financial inclusion under basic services, working with private company Africa Minigrids Program (AMP) Clean Energy and with ESERA (the Eswatini Energy Regulatory Authority) for clean energy.

In terms of country-level implementation, the UNDP will play the lead role, while UNCDF is an affiliate agency providing technical support on financial inclusion, also working in collaboration with other multilateral institutions (e.g. IFC and the World Bank) to avoid duplication.

Zimbabwe



Financial inclusion impact on lives and livelihoods

OUR JOURNEY FROM MAP DIAGNOSTIC (2015) TO MAP REFRESH DIAGNOSTIC (2020)

Zimbabwe formulated the following national vision for financial inclusion (2016): To have an inclusive financial system that is responsive to the needs of all Zimbabweans by increasing the overall level of access to affordable and appropriate formal financial services within the country from 69% in 2014 to at least 90% by 2020 and the proportion of banked adults from 30% in 2014 to at least 60% by 2020.

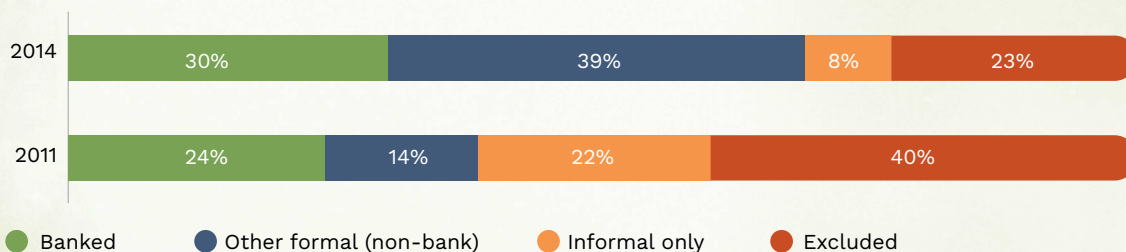


FIGURE 8

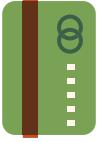
Zimbabwe financial access strand: 2011 vs 2014

Note: Findex indicated that formal account ownership in Zimbabwe almost doubled in the period between 2014 and 2021. However, it is difficult to contextualise financial inclusion for growth with Findex and MAP is thus exploring alternative data collection with development partners.

Source: FinScope 2014

STRENGTHENING THE FINANCIAL INCLUSION ECOSYSTEM FOR THE LOW-INCOME IN ZIMBABWE

- 1 Country diagnostic conducted.
- 1 Livelihoods dataset/s and/or tracker survey/s for financial inclusion provided.
- 1 Financial inclusion roadmap drafted.
- 1 NFIS developed/adopted and/or recommendations being implemented.
- ✓ Structures for national coordination and implementation in place.
- ✓ Implementation action plan.
- 1 MAP refresh diagnostic conducted.
- 1 National action plan/M&E framework and tracking.
- 3 Regional M&E tracking.
- 6 South-South collaboration: participation in MAP regional and global learning and sharing events.



In 2015, the Government of Zimbabwe, through the Ministry of Finance and Economic Development and with the assistance of UNCDF, launched the MAP programme in Zimbabwe.

The 2015 MAP diagnostic highlighted interventions that would best meet national objectives for growth and improved livelihoods, and provided a roadmap for defining, prioritising, coordinating, measuring and tracking these objectives. Based on the MAP diagnostic, the national vision for financial inclusion was established in the form of the 2016–2020 NFIS adopted by the Reserve Bank of Zimbabwe (RBZ); and on the basis of this, the World Bank developed a roadmap for implementation in 2016.

Zimbabwe's NFIS includes targets of increasing the overall level of access to affordable and appropriate formal financial services within the country from 69% in 2014 to at least 90% by 2020 and the proportion of banked adults from 30% in 2014 to at least 60% by 2020. By 2020, these targets had largely been achieved.

Reflecting on progress against the 2015 MAP diagnostic and the ongoing 2016–2020 NFIS action plan helps with gauging the current situation, identifying remaining gaps and prioritising future interventions.

There are a number of ways in which Zimbabwe's financial services sector is now much better positioned to expand financial inclusion, particularly by means of low-cost, branchless banking and mobile money services. The 2014 FinScope Consumer Survey revealed that at the time only 30% of Zimbabwe's adult population made use of banking services; the NFIS sought to double this figure.⁹ While there is no more recent FinScope consumer data for Zimbabwe, the World Bank's Findex survey shows that access to financial services has expanded rapidly in Zimbabwe since 2014. Between 2014 and 2021, when the Findex surveys were carried out, access to bank accounts and formal financial services increased from 32% to 60%. While the Findex data is not directly comparable to FinScope, increases in financial inclusion have clearly been significant.

At the same time, there are a number of areas of limited progress, especially where regulatory approvals are concerned. The policy and regulatory environment in Zimbabwe is changing, and a range of laws and policies have been introduced to support the economy. The key economic planning documents are the Transitional Stabilisation Programme (2018) and the National Development Strategy 1 (2021–2025), issued by the Ministry of Finance and Economic Development.

Partnering to build institutional capacity

The RBZ is primarily responsible for financial inclusion and has implemented several reforms in this area. During implementation of the MAP diagnostics, steering committees were established to oversee and inform the outputs. Furthermore, a financial inclusion committee was established to coordinate and monitor implementation of the NFIS, and continues to hold regular meetings to monitor the achievement of action items.

Enabling coherence in policy coordination and implementation

The NFIS establishes formal structures for the implementation of the financial inclusion initiatives, and these structures facilitate and coordinate communication, implementation and M&E. The NFIS also identifies the key stakeholders in the financial inclusion agenda, and outlines the roles and responsibilities of identified stakeholders, as a means of entrenching accountability in implementation. The RBZ – Bank Supervision department is identified as the key stakeholder and given the mandate to act as the NFIS secretariat, responsible for spearheading the implementation of the NFIS. The RBZ is also tasked with data collection and monitoring implementation and progress on financial inclusion targets.

The NFIS has four main pillars: financial innovation, financial capability, financial consumer protection and microfinance.

The NFIS considered a range of targets to measure progress (96 in total), measuring usage (74), access (5), quality (6) and impact (11) dimensions.

Flagship projects

In Zimbabwe, between 2016 and 2020 UNCDF assisted with piloting proof-of-concept projects based on the financial inclusion roadmap:

INTEROPERABILITY: In 2020, RBZ passed a law directing all mobile money companies to interoperate and to use ZimSwitch as the national payment switch.

STAKEHOLDER ENGAGEMENT: The programme successfully implemented the Zimbabwe Financial Inclusion Forum 2019 to engender local stakeholder ownership of the NFIS.

CREDIT INFORMATION SHARING: The intervention aimed to remove constraints associated with the collection of credit information data and promote sharing of credit information. The RBZ has control of and responsibility for the credit information-sharing environment through its Credit Registry, but the project uncovered a lack of understanding (between the Credit Registry and credit industry players) of respective roles. In 2018, the RBZ and the credit association participated in a technical capacity-building exchange visit to South Africa, with the aim of leveraging local learnings to facilitate a shared understanding of roles. The upshot was a stronger relationship between the RBZ and Zimbabwe's credit industry association, with the South African expertise also supporting the Zimbabwean government by engaging industry on the data formats (formulation and layout of the data) to use for credit information sharing.

PAYMENT OF INTEREST ON MOBILE MONEY: The RBZ has yet to approve the payment of interest on mobile money wallet balances.

MAP ZIMBABWE REFRESH DIAGNOSTIC: In 2020, UNCDF undertook a Zimbabwe refresh diagnostic, to provide an updated evidence base for tracking implementation and to inform development of an updated financial inclusion strategy and action plan for Zimbabwe. This happened to coincide with an evaluation by the RBZ of NFIS implementation. An important finding of the MAP refresh diagnostic is that the governance structure for financial inclusion in Zimbabwe needs adapting so that financial inclusion policymakers and stakeholders are engaging actively with real-economy and social reform imperatives and processes. This is also important in terms of Zimbabwe's Vision 2030, Transitional Stabilisation Programme 2018 (TSP), and National Development Strategy 1 (NDS1) (2021–2025). It will be important to consult with financial inclusion stakeholders and assess how they can support these wider interventions in relation to market-oriented reforms (particularly as reflected in the initiatives set out in the TSP).

The TSP is endorsed by the President of Zimbabwe and envisages a multi-stakeholder approach. An important custodian of the TSP and NDS1 is the National Treasury, which prepares reports on progress. Given that Treasury is (like the RBZ) a key implementing agent of financial inclusion strategies, for the sake of policy coherence and integration it will be important for Treasury to consider the financial inclusion linkage in its work on the TSP and NDS1.

Creating a future by building it from the bottom up

It might also be important for the key implementing agents to consider working with the Zimbabwe Energy Regulatory Authority and the Infrastructure Development Bank of Zimbabwe to implement reforms concerning the funding and roll-out of small-scale renewable energy projects, including pay-as-you-go solar.

Enabling better South–South cooperation through learning and sharing

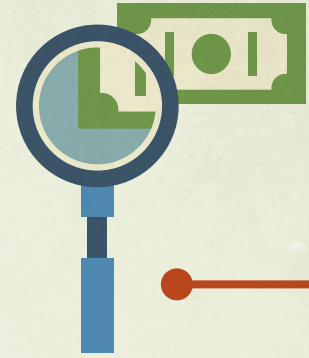
Zimbabwe was assisted by UNCDF to engage at regional and global workshops on financial inclusion, including the New York global (2018) and the regional learning and sharing events (the 2019 SADC Financial Inclusion Indaba) aimed at capacitating regulators through learning and sharing from peer countries for financial inclusion policy implementation and monitoring. In 2019, Zimbabwe (along with Lesotho, Eswatini and Malawi) attended an inclusive growth working session in South Africa, hosted by UNCDF and FMT; the focus of this learning and sharing opportunity was technical capacity building on the emerging linkage between financial inclusion and inclusive growth.

Zimbabwe also participated in UNCDF's regional process of monitoring progress and reporting on financial inclusion, from 2019 onwards (three years), which allowed for regional comparison and engagement for the purposes of sharing learnings on financial inclusion policy implementation.

The 2018 Zimbabwe exchange visit to South Africa relating to the establishment of a credit information association entailed engagement with FMT, UNCDF and the South African Credit & Risk Reporting Association (SACRRA) to learn about the functions of and requirements for setting up such an association.



Malawi



Financial inclusion impact on lives and livelihoods

OUR JOURNEY FROM MAP DIAGNOSTIC (2015) TO MAP REFRESH DIAGNOSTIC (2020)

Malawi formulated the following national vision for financial inclusion (2017): *Creating a pervasive infrastructure through partnerships to enhance the quality and depth of financial inclusion in Malawi, laying out a vision for the enhancement of financial inclusion in Malawi, in order to support national objectives through employment creation, human capital development and improved household welfare.*

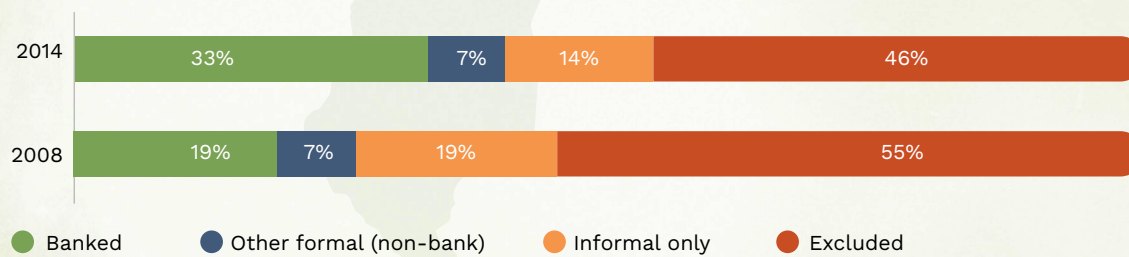


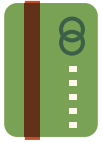
FIGURE 9
Malawi financial access strand: 2008 vs 2014

Note: FinIndex indicated that formal account ownership in Malawi more than doubled in the period between 2014 and 2021. However, it is difficult to contextualise financial inclusion for growth with FinIndex and MAP is thus exploring alternative data collection with development partners.

Source: FinScope 2014

STRENGTHENING THE FINANCIAL INCLUSION ECOSYSTEM FOR THE LOW-INCOME IN MALAWI

- 1 Country diagnostic conducted.
- 2 Livelihoods dataset/s and/or tracker survey/s for financial inclusion provided.
- 1 Financial inclusion roadmap drafted.
- 1 NFIS developed/adopted and/or recommendations being implemented.
- ✓ Structures for national coordination and implementation in place.
- ✓ Implementation action plan.
- 1 MAP refresh diagnostic conducted.
- 1 National action plan/M&E framework and tracking.
- 4 Regional M&E tracking.
- 5 South-South collaboration: participation in MAP regional and global learning and sharing events.
- 2 Additional thematic diagnostic/s conducted (MSME; clean energy).




In 2014, the Government of Malawi invited UNCDF to conduct a MAP diagnostic study in Malawi, and this was concluded in 2015.

The 2015 MAP diagnostic highlighted interventions that would best meet national objectives for growth and improved livelihoods, and provided a roadmap for defining, prioritising, coordinating, measuring and tracking these objectives. A representative financial inclusion livelihoods survey had been conducted in 2014, to inform the MAP diagnostic; and on the basis of the diagnostic, UNCDF developed a financial inclusion roadmap (2015) to inform the development of the 2016–2020 NFIS (called the National Strategy for Financial Inclusion – ‘NSFI’ – in Malawi), which was launched in July 2017. The national strategy aimed to increase the percentage of Malawi’s adult population that is banked from 33% in 2014 to 55% by 2020.

Reflecting on progress against the 2015 MAP diagnostic and the 2016–2020 NFIS action plan helps with gauging the current situation, identifying remaining gaps and prioritising future interventions.

There are a number of ways in which Malawi’s financial services sector is now much better positioned to expand financial inclusion, particularly by means of low-cost, branchless banking and mobile money services. As a result, there has been progress in market penetration with regard to financial services provision. According to the World Bank Findex, the proportion of adults that have an account at a formal financial institution increased from 18% in 2014 to approximately 43% in 2020. Although this data is not directly comparable to FinScope, the indication is that formal financial inclusion doubled over this period, which would imply that Malawi reached its NFIS target. Additional data points support this finding. According to the Reserve Bank of Malawi (RBM), in terms of access to at least one financial product from a formal provider: by 2018, 45% of adult males had access – up from 34% in 2015; while in the same year 36% of females had access – up from 29% in 2015.¹⁰ More recently (2019), the RBM reported that the proportion of adults with a mobile money account in Malawi had increased to 57.6%.¹¹

However, there are indications that actual usage of financial services, and in particular of mobile money, is much lower than the figures reported for uptake. Given factors such as high bank and mobile money charges as well as a small banking infrastructure footprint and slow roll-out of agency banking, the country also does not seem to be on track to achieve the SDG of universal access by 2030.



Malawi has experienced extensive policy reform subsequent to the 2015 MAP. The policy and regulatory situation in the country is in flux, and a range of laws and policies have been introduced to expand access to and usage of financial services. A raft of mobile money and payment system reforms have resulted in a significant expansion in mobile financial services following the initial MAP and NFIS.

Partnering to build institutional capacity

Most of the MAP roadmap proposals were adopted in the 2016–2020 NFIS, and Malawi developed an action plan based on this national strategy. The activities under the action plan are coordinated and championed by the National Payments System (NPS) department of the RBM, and supported by the telecommunication sector regulator (MACRA), in order to ensure that the necessary infrastructure and product enhancements are made by the sector players (e.g. banks, mobile network operators, retailers and others). The NFIS made recommendations on national coordination of financial inclusion, which resulted in a greater emphasis on financial inclusion within the Ministry of Finance, Economic Planning, and Development (MoFEPD), as the Financial Sector Policy Unit (FSPU) was merged with the Pension Division in 2016 to become the Pension and Financial Sector Policy Division (PFSPD), with dedicated staff for financial inclusion.¹² Nevertheless, this has not achieved the level of coordination envisaged by the 2015 MAP diagnostic, as meetings of the financial sector working group have been intermittent.

Enabling coherence in policy coordination and implementation

A dedicated financial inclusion governance structure was set up to coordinate financial inclusion, and included the MoFEPD, the RBM, and the World Bank and other donors undertaking projects in this area. The NFIS action plan outlines 24 actions under 5 objectives, which are further grouped into micro, meso and macro levels. Furthermore, the action plan allocates primary and secondary responsibility for implementation of each action. The five objectives are:

- Enhancing bank reach.
- Mobile money business model.
- Alternative channels (post office, retail chains, petrol stations).
- National switch usage (Meso).
- Enabling regulation (Macro).

There has been considerable progress on the recommendations set out in the 2015 MAP diagnostic (summarised in Table 9).

TABLE 9

Roadmap priorities and implementation areas: MAP 2015 and NFIS (Malawi)

PRIORITIES	ROADMAP AREAS FOR IMPLEMENTATION
Expanding the reach of payments	Develop the payment ecosystem; incentivise investment in distribution infrastructure through appropriate interchange fee or tax incentives; develop partnerships to improve distribution; develop mobile money and other agency models; and finalise NPS legislation, including interoperability.
Leveraging VSLAs to enable savings	Facilitate the establishment of new village savings and loan associations (VSLAs); support existing VSLAs; and explore partnerships between VSLAs and formal providers.
Targeted finance for MSMEs and farmers	Reduce the cost of credit over the longer term; support microfinance institutions (MFIs) as primary providers of MSME and agricultural finance; improve credit information through credit reference bureaus; develop skills for MSMEs and farmers; and develop the supporting environment for MSMEs and farmers.
Niche insurance opportunities to reduce vulnerabilities	Develop health finance and microinsurance frameworks; explore partnerships to extend distribution; and innovate product design, including payments.
Effective consumer empowerment and education	Improve coordination of existing programmes; refine the effectiveness of programmes; and leverage gateway products (e.g. remittances and VSLAs) for education.

Despite shortcomings, the 2015 MAP diagnostic and 2016–2020 NFIS resulted in numerous new policies, highlights from the outcomes of which were set out in the February 2020 progress report on the implementation of the NFIS, prepared by the MoFEPD. The 24 actions include 93 activities identified in the first MAP and the NFIS; of these, only 20 had clearly been completed by 2020. In some instances, there has been progress but the desired outcome has not been completely realised. Therefore, clearly a number of areas remain with only limited progress, and these relate especially to activities where regulatory approvals are concerned. Approximately 30 of the activities not completed were identified to be important (and still relevant) and retained as priorities for the 2020 MAP refresh diagnostic (see below).

Flagship projects

Over the programme period (2014 to 2020), UNCDF assisted Malawi with piloting proof-of-concept projects based on the financial inclusion roadmap and action plan:

INTEREST ON MOBILE MONEY: Probably the most successful of these proof-of-concept projects has been the payment of interest on mobile money, which has benefited over 2.4 million savers. The RBM mandated the payment of interest on mobile money wallets through mobile money operators in 2019; in 2020, Malawi paid out a total of about USD 1.6 million to about 2.4 million beneficiaries.

MALAWI DIGITAL FINANCIAL ID PILOT: In 2018, an assessment was conducted to determine whether a digital financial ID could advance domestic financial inclusion and, if so, to recommend ways to achieve

this and steps for implementing a pilot. Due to both COVID-19 and the resignation of the FMT country coordinator in Malawi, however, piloting financial uses for a Malawi national ID system stalled.

MAP MSME DIAGNOSTIC: In 2019, MAP implemented an MSME diagnostic, in addition to a financial inclusion livelihoods survey specifically for MSMEs, which focused on linking financial inclusion to the real economy and seeking opportunities to support the economy and create jobs. The MSME diagnostic in Malawi provided critical information to facilitate designing interventions by government and donor partners that will have a significant impact on the MSME sector and major target market segments.

MAP MALAWI REFRESH DIAGNOSTIC: In 2020, UNCDF undertook a Malawi refresh diagnostic, to provide an updated evidence base for tracking implementation and to inform development of an updated financial inclusion strategy and action plan for Malawi.

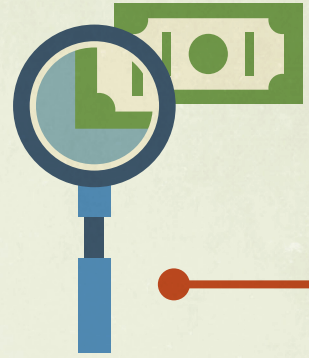
MAP CLEAN ENERGY DIAGNOSTIC: In 2020, UNCDF, in collaboration with the UNDP, conducted a clean energy diagnostic across five SADC countries, one of which was Malawi, to jointly address the UNDP's Signature Solution 5, which seeks to work with countries to close the energy access gap. The diagnostic fitted into the MAP inclusive growth technical framework, with financial inclusion as a key enabler for countries' low-income population. The intention with the diagnostic was thus to assist with de-risking the investment environment and attracting and leveraging private and public sector resources, thereby supporting countries to transition to sustainable energy systems.

Enabling better South–South cooperation through learning and sharing

Malawi was assisted by UNCDF to engage at regional and global workshops on financial inclusion, including the New York global (2018) and the regional learning and sharing events (the 2019 SADC Financial Inclusion Indaba) aimed at capacitating regulators through learning and sharing from peer countries for financial inclusion policy implementation and monitoring. In 2019, Malawi (along with Lesotho, Eswatini and Zimbabwe) attended an inclusive growth working session in South Africa, hosted by UNCDF and FMT; the focus of this learning and sharing opportunity was technical capacity building on the emerging linkage between financial inclusion and inclusive growth.

Malawi also participated in UNCDF's regional process of monitoring progress and reporting on financial inclusion, from 2018 onwards (four years), allowing for regional comparison and engagement for the purposes of sharing learnings on financial inclusion policy implementation.

Madagascar



Financial inclusion impact on lives and livelihoods

OUR JOURNEY FROM MAP DIAGNOSTIC (2016) TO CLEAN ENERGY DIAGNOSTIC (2020)

Madagascar formulated the following national vision for financial inclusion (2018): Improve access to financial services for the Malagasy population by increasing the number of adults with access to formal financial services from 29% in 2016 to 45% by 2022.

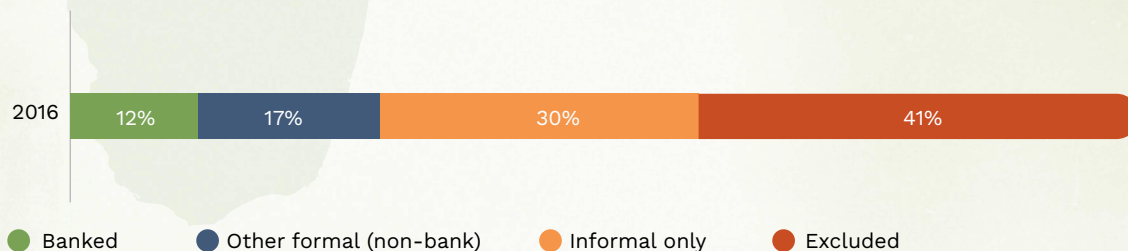


FIGURE 10

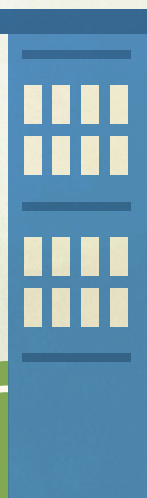
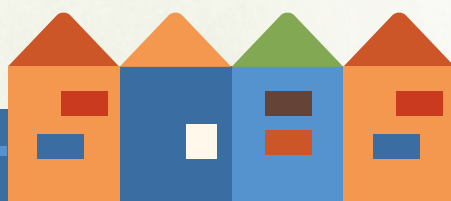
Madagascar financial access strand: 2016

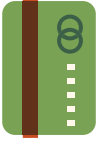
Note: Given the lack of up-to-date livelihoods data, it is difficult to contextualise financial inclusion for growth in Madagascar.

Source: FinScope 2016

STRENGTHENING THE FINANCIAL INCLUSION ECOSYSTEM FOR THE LOW-INCOME IN MADAGASCAR

- 1 Country diagnostic conducted.
- 1 Livelihoods dataset/s and/or tracker survey/s for financial inclusion provided.
- 1 Financial inclusion roadmap drafted.
- 1 NFIS developed/adopted and/or recommendations being implemented.
- ✓ Structures for national coordination and implementation in place (CNFI).
- ✓ Implementation action plan.
- ✓ National action plan/M&E framework and tracking.
- 1 South-South collaboration: participation in MAP regional and global learning and sharing events.
- 1 Additional thematic diagnostic/s conducted (clean energy).





UNCDF assisted the Government of Madagascar with developing the evidence base to create a national financial inclusion policy and with setting up implementation structures for this purpose.

A nationally representative financial inclusion livelihoods survey was conducted in 2016, while the 2017 MAP diagnostic and roadmap on financial inclusion aimed at informing a national financial inclusion policy.

The 2017 MAP diagnostic highlighted interventions that would best meet national objectives for growth and improved livelihoods, and provided a roadmap for defining, prioritising, coordinating, measuring and tracking these objectives. The national vision on financial inclusion was established by the 2018–2022 NFIS, which was based on the 2017 MAP diagnostic findings and the MAP financial inclusion roadmap and was adopted by the Minister of Finance and Budget. The NFIS includes the target of increasing access to formal financial services from 29% in 2016 to 45% by 2022.

Reflecting on progress against the 2017 MAP diagnostic and the ongoing 2018–2022 NFIS action plan helps with gauging the current situation, identifying remaining gaps and prioritising future interventions.

Partnering to build institutional capacity

The development of the NFIS entailed a collaboration between the Government of Madagascar, UNCDF, the UNDP, and several other development partners. The Minister of Finance and Budget, the Central Bank of Madagascar,¹³ and the General Secretariat of the government agency Commission for the Supervision of Banking and Finance (CSBF),¹⁴ in particular, played a central role in leading the development on behalf of government. With the support of the MAP programme, the NFIS was rolled out under the guidance of the MAP steering committee chaired by the Treasury department of the Ministry of Finance and Budget.

Enabling coherence in policy coordination and implementation

The CNFI (from the French for ‘National Coordination for Financial Inclusion’)¹⁵ was established prior to the MAP diagnostic process and is responsible for implementing government policy for the development and promotion of inclusive finance. The CNFI was, therefore, mandated to act as a coordinating entity between the different categories of stakeholders involved in implementing the NFIS 2018–2022. In order to facilitate this, institutional repositioning of the CNFI was undertaken, which transformed the CNFI into a department within the Ministry of Finance and Budget/Directorate: General Treasury. In addition, institutional capacity building was provided in technical, financial and HR-related areas.

The CNFI ensures the coordination, monitoring and evaluation of the NFIS and provides secretariat services for three implementation structures created for the NFIS: the steering committee, working groups and the investment committee.

The NFIS is made up of three strategic axes (built around the five pillars identified in the financial inclusion roadmap), with objectives attached to each strategic axis:

AXIS 1: FINANCIAL EDUCATION AND CONSUMER PROTECTION

Objective 1: Improving the financial education of all categories of the population for better financial inclusion.

Objective 2: Information and communication campaign to promote financial inclusion.

Objective 3: Protection of consumers of financial services to establish a climate of trust between the population and providers.

AXIS 2: ACCESS AND USE OF FINANCIAL SERVICES

Objective 1: Mobilisation of savings to cope with shocks and build up productive capital.

Objective 2: Development of niche insurance opportunities for resilience.

Objective 3: Payment optimisation for resilience and commerce.

Objective 4: Targeted credit provision to expand economic opportunities.

AXIS 3: STRENGTHENING OF POLICIES, LEGAL AND REGULATORY AND INSTITUTIONAL FRAMEWORK

Objective 1: Establish an environment conducive to financial inclusion and productivity.

Objective 2: Strengthening the institutional capacity of the CNFI and CSBF.

Objective 3: Building trust between financial services providers and the justice system.

A number of external factors have complicated the MAP efforts in Madagascar, although UNCDF has continued to engage with country stakeholders and other potential partners to strategise a way forward.



SUPPLY VALUE CHAINS FOR VANILLA PRODUCTION. For instance, the MAP diagnostic highlighted the importance of vanilla as a crop supporting livelihoods and impacting households. MAP accordingly made suggestions regarding developing supply value chains in the vanilla production sector, incorporating financial inclusion intervention strategies to: ensure sustainable vanilla-farming practices, enhance resilience to climatic changes, protect biodiversity, and improve livelihoods and quality of life for vanilla farmers. In 2019, UNCDF shared a concept note with the Ministry of Finance, Rabobank and UNFPA (to ensure a focus on women) to develop a pilot, in collaboration with large private sector purchasers of vanilla for production. Various large private sector off-takers were approached (including Unilever); however, for a range of reasons, the project never took off.

DEVELOPING CAPACITY IN DATA MANAGEMENT. NFIS monitoring and evaluation requires a data management framework, which in turn requires ongoing support; the intention was to run a workshop to support key stakeholders in generating the relevant data in the required measurement domains. The objective was to work with the country teams to explore existing data deficits to be addressed, but COVID-19 halted plans to hold a physical workshop, typically conducted over a two-day period. Nevertheless, the core template used for the MAP M&E report was translated into French and shared with the Ministry of Finance and Budget for review.

REPORTING FOR REGULATORY AND SUPERVISORY OBJECTIVES. Madagascar is also developing a web portal using regulatory technology (RegTech) to facilitate reporting for regulatory and supervisory objectives. The data points that overlap between the web portal list of indicators and those in the MAP M&E template have been identified and the data is being collated.

MAP CLEAN ENERGY DIAGNOSTIC. In 2020, UNCDF, in collaboration with the UNDP, conducted a clean energy diagnostic across five SADC countries, one of which was Madagascar, to jointly address the UNDP's Signature Solution 5, which seeks to work with countries to close the energy access gap.

The diagnostic fitted into the MAP inclusive growth technical framework, with financial inclusion as a key enabler for countries' low-income population.

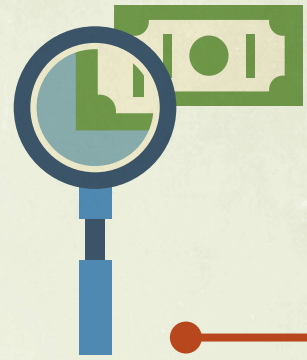
The intention with the diagnostic was thus to assist with de-risking the investment environment and attracting and leveraging private and public sector resources, thereby supporting countries to transition to sustainable energy systems.

Enabling better South–South cooperation through learning and sharing

Madagascar was assisted by UNCDF to engage with regional peers at the global workshop on financial inclusion in New York (2018), the aim of which was to capacitate regulators through learning and sharing from peer countries for financial inclusion policy implementation and monitoring. Prior to COVID-19, there was also engagement with Madagascar to arrange data capacity-building workshops with the aim of empowering the country to participate in regional M&E, but this plan was postponed due to pandemic-related restrictions.



Democratic Republic of Congo



Financial inclusion impact on lives and livelihoods

OUR JOURNEY THUS FAR

DRC formulated the following national vision for financial inclusion (2017):
Improve household welfare, increase economic efficiency and support growth by increasing the percentage of adults with access to at least one formal financial service from 32% (FinScope 2014) to 46%, and increasing those with access to more than one formal financial product from 5% to 10% by 2021.

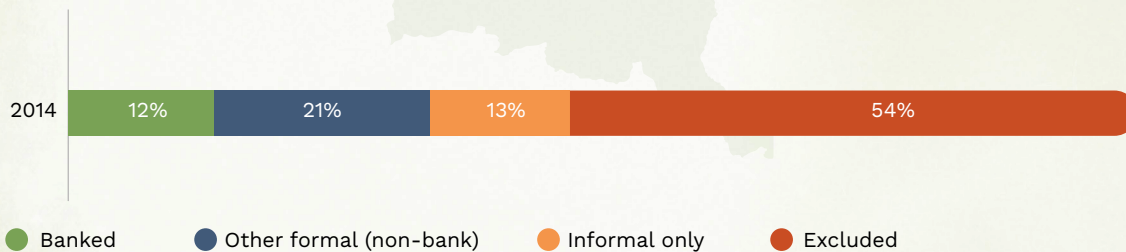


FIGURE 11

DRC financial access strand: 2014

Note: Given the lack of up-to-date livelihoods data, it is difficult to contextualise financial inclusion for growth in DRC.

Source: FinScope 2014

STRENGTHENING THE FINANCIAL INCLUSION ECOSYSTEM FOR THE LOW-INCOME IN DRC

- 1 Country diagnostic conducted.
- 1 Livelihoods dataset/s and/or tracker survey/s for financial inclusion provided.
- 1 Financial inclusion roadmap drafted.
- 3 South-South collaboration: participation in MAP regional and global learning and sharing events.





UNCDF assisted the Government of DRC with developing the evidence base to create a national financial inclusion policy, with the implementation of a 2014 nationally representative livelihoods survey and corresponding analytics, a 2016 MAP diagnostic on financial inclusion, and a 2017 roadmap on financial inclusion aimed at informing a national financial inclusion policy.

The recommendations of the diagnostic and roadmap were adopted by government in 2017. The MAP roadmap includes a national vision and targets for financial inclusion.

Partnering to build institutional capacity

Subsequent to the roadmap finalisation, the DRC Ministry of Finance hosted two stakeholder workshops, aimed at reconfirming the National Strategy. It was agreed that a plan for implementation of the strategy and mobilisation of funds to support this would be drafted early in 2020. Validation of the draft NFIS document was postponed, however, as meetings by the key stakeholders were not possible because of COVID-19 quarantine measures. Nevertheless, the Ministry of Finance did indicate willingness to continue with this process once the situation allowed. Following UNCDF's research, the central bank issued the Consumer Protection Regulation in 2019 and also reviewed and made changes to the licensing requirements for MFIs.

Enabling coherence in policy coordination and implementation

Following the MAP diagnostic and roadmap, UNCDF finalised its funding partnership with the Government of Sweden for a focused country-based programme that would allow for facilitation and coordination (in collaboration with a national steering committee) of the roadmap. On the basis of this agreement, UNCDF implemented the PASMIF¹⁶ (microfinance sector) programme from 2018 to 2020.

Following its adoption by government in 2017, the MAP DRC national roadmap was rolled out under the guidance of the MAP coordinating committee co-chaired by the Ministry of Finance and the central bank. At a capacity-building workshop, 'Communication leadership and development' (hosted by the UNDP), the roadmap was also distributed to journalists (national and local radios, TV channels, newspapers).

The MAP roadmap suggests six priority areas for financial inclusion in DRC:

Priority Area 1: Extend payment system footprint and use.

Priority Area 2: Leverage remittances to attract and share resources.

Priority Area 3: Build trust in saving.

Priority Area 4: Unlock intermediation for investment.

Priority Area 5: Improve risk management options.

Priority Area 6: Build institutions and frameworks for an enabling environment.

It has been difficult to gain traction in DRC due to the local political climate; however, the focus following the national financial inclusion roadmap was in the following areas:


CROSS-BORDER REMITTANCES: In 2017, a market scoping exercise was undertaken to the source countries to establish the values of remittances into DRC. The results were released in 2018, with the finding that the largest values of remittances remain in the region, coming from neighbouring countries, with most sending happening from Angola into DRC. This supported a more general regional finding: that the poorest refugees stay close to home in bordering countries and continue to support those at home.

Based on this research, a new retailer cross-border product was planned in DRC with retailer Shoprite, given both the success of this offering between South Africa and Lesotho and the low uptake of formal remittances in DRC (at lower than 20%).

CREDIT INFORMATION SHARING: A methodology for credit information sharing has been provided to the country's central bank and there has been iterative engagement on capacity building with the bank.

ATTEMPTING TO EVOLVE MICROFINANCE TO FINANCIAL INCLUSION – BUILDING A PRODUCT SET FROM THE BASE UP: In a public-private partnership with non-profit microfinance organisation FINCA (DRC's leading microfinance provider) and Rabobank, UNCDF aimed to identify, conceptualise and design a portfolio of innovative services to meet the financing needs of DRC's underserved rural population – those influenced, directly and indirectly, by agricultural activities. The rationale behind the project was that sustainably growing the nascent agriculture sector, on which a large proportion of the population depends for subsistence, would improve the livelihoods of the rural poor; and that one way to do so would be to broaden access to financial products that genuinely meet the priorities and needs of these hard-to-serve clients. The project emphasised

the need for financial viability and scalability in the financial services to be innovated, and employed a qualitative research approach to uncover deep insights about rural communities that could inspire product innovation and drive suitable commercial strategies. The project sought to build the case for the viability of serving a segment in the financial sector traditionally considered non-viable. To do so, the project identified key target market segments within agricultural and rural contexts and innovated relevant products. Rabobank's participation was to develop a sustainable business plan taking into consideration the market potential, while FINCA DRC was identified as the financial partner for this project due to its willingness and readiness to adopt the product set developed during the project and pilot it with the target market to determine commercial viability; furthermore, FINCA's agent network and development pipeline of digital financial services represent a compelling opportunity to reach the rural unbanked.



The insights from this project shed light on the difficulty of extending financial services to the low-income within the existing business models of microfinance actors.

MONITORING PROGRESS: Some progress was also made on M&E reporting during the period of engagement. Agreement was reached with the central bank to provide training on M&E data collection and reporting. Although the training was delayed due to COVID-19, the central bank reiterated interest in organising a webinar on data collection and roadmap M&E. The core template used for the MAP M&E report was already translated into French in preparation for the data management framework workshop with stakeholders, and was shared with the central bank as the data aggregator. The training and engagement around M&E was planned to continue in 2021, with the intention of including DRC in the SADC 2021 M&E report.

Enabling better South–South cooperation through learning and sharing

DRC was assisted by UNCDF to engage at regional and global workshops on financial inclusion, including the 2017 capacity-building workshop in South Africa, the New York global learning and sharing event (2018), and the 2019 SADC Financial Inclusion Indaba, aimed at capacitating regulators through learning and sharing from peer countries for financial inclusion policy implementation and monitoring.

Mozambique



Financial inclusion impact on lives and livelihoods

OUR JOURNEY THUS FAR

Mozambique formulated the following national vision for financial inclusion (2016): Help to build an inclusive and comprehensive financial system through knowledge, access and use on a continuous basis of adequate financial products and services that can contribute to improve the welfare and quality of life of the population and towards the country's economic development, by supporting the operations of the business sector, including smallholders and MSMEs.

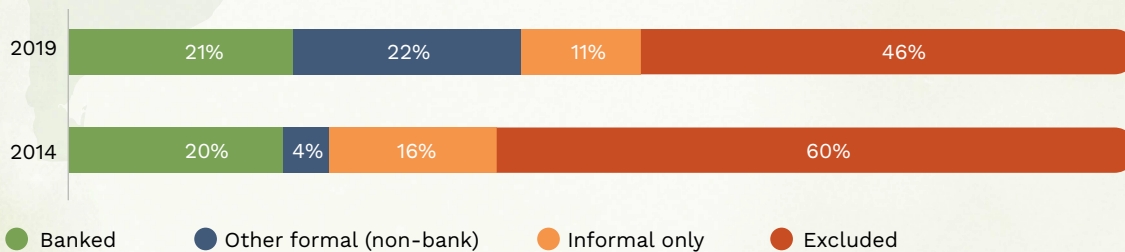


FIGURE 12

Mozambique financial access strand: 2014 vs 2019

Source: FinScope 2014 & 2019

BUILDING THE FINANCIAL INCLUSION ECOSYSTEM FOR THE LOW-INCOME IN MOZAMBIQUE

- 1 Country diagnostic conducted.
- 1 Livelihoods dataset/s and/or tracker survey/s for financial inclusion provided.
- 1 NFIS developed/adopted and/or recommendations being implemented (WB).
- ✓ Structures for national coordination and implementation in place.
- ✓ Implementation action plan.
- 1 National action plan/M&E framework and tracking.
- 2 South-South collaboration: participation in MAP regional and global learning and sharing events.
- 1 Additional thematic diagnostic/s conducted (clean energy).



UNCDF assisted the Government of Mozambique with developing the evidence base to create a national financial inclusion policy and with setting up implementation structures for this purpose. The 2015 MAP diagnostic on financial inclusion (which leveraged a 2014 representative financial inclusion livelihoods survey) was implemented with the intention of informing a national financial inclusion policy.

Based on this contribution from UNCDF, the Mozambican government, with the assistance of the World Bank and FSD (Financial Sector Deepening) Mozambique, developed an NFIS for the period 2016 to 2022. The NFIS includes targets of increasing access to formal financial services to 40% by 2018, and to 60% by 2022. With FinScope reporting 43% formal financial access by 2019, the country could be said to be on track in terms of achieving its targets.

Enabling coherence in policy coordination and implementation

The NFIS sets out detailed structures for coordination of its implementation activities, starting with the steering committee for the financial sector development strategy, which is chaired by the Minister of Economy and Finance. Under this overarching structure are a national financial inclusion committee (chaired by the Bank of Mozambique), two internal committees, a technical implementation unit, and three working groups. Implementation of the NFIS is structured under three pillars:

Pillar 1: Access and use of financial services. Ensure the availability, proximity and effective use of the adequate range of financial services by businesses and individuals in rural and urban areas.

Pillar 2: Strengthening of financial infrastructures. Strengthen the security and efficiency of the national payment system, the financial information infrastructure and the execution of securities.

Pillar 3: Consumer protection and financial education. Ensure that financial consumers are informed, knowledgeable and protected.

In addition, the NFIS specifies necessary conditions for fulfilling its objectives, including: inter-institutional coordination, an adequate legal environment, basic infrastructure, a conducive macroeconomic environment, and financial sector commitment.

Given the strong local support provided to government by FSD Mozambique, the MAP programme does not contribute directly to coordination on financial inclusion policy implementation in Mozambique. However, at the regional level, the programme does support Mozambique with research from time to time to strengthen the evidence base for policy decision making.

MAP CLEAN ENERGY DIAGNOSTIC: In 2020, UNCDF, in collaboration with the UNDP, conducted a clean energy diagnostic across five SADC countries, one of which was Mozambique, to jointly address the UNDP's Signature Solution 5, which seeks to work with countries to close the energy access gap. The diagnostic fitted into the MAP inclusive growth technical framework, with financial inclusion as a key enabler for countries' low-income population. The intention with the diagnostic was thus to assist with de-risking the investment environment and attracting and leveraging private and public sector resources, thereby supporting countries to transition to sustainable energy systems.

With the support of UNCDF, Mozambique also participated in two regional events (both held in South Africa): the 2018 SADC financial inclusion data workshop, in which representatives from the national statistics offices of seven SADC countries participated; and the 2019 Financial Inclusion Indaba, aimed at capacitating regulators through learning and sharing from peer countries for financial inclusion policy implementation and monitoring.



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Endnotes

- 1 This decision was based on management response recommendations following the MAP mid-term review. Going forward, UNCDF and FMT will collaborate selectively on specific activities.
- 2 Botswana, Lesotho, Eswatini, Zimbabwe and Malawi.
- 3 Often, foreign capital flows are heavily concentrated geographically and focused on specific sectors (e.g. investment in extractive minerals). While highly capital-intensive, these investments do not generate broad employment and have little linkage with the rest of the domestic economy, thus providing limited potential for inclusive growth.
- 4 Note that further detail, if desired, is available in the MAP country diagnostic refresh reports, which compare the original financial inclusion diagnostic and datasets developed for each of five countries (Botswana, Lesotho, Eswatini, Zimbabwe and Malawi) with the follow-up inclusive growth refresh diagnostics and data. The regional monitoring progress reports provide further insight into progress in financial inclusion and policy implementation at country level and in the region and their evolving market dynamics and policy agendas.
- 5 Shoprite charges approximately M 25 per money transfer for cross-border remittances, whereas other cross-border remittance providers charge up to 10% of the value of transfers.
- 6 Activities in the MAP report not included in the NFIS but nonetheless completed over the five-year period were included in the 75 total activities. There were six activities suggested in the MAP report but not included in the NFIS and not completed.
- 7 This was calculated using the average rate for 2021, which was 13.85.
- 8 Signature Solution 5 focuses on increasing energy access, promoting renewable energy and enhancing energy efficiency in a manner that is inclusive and responsive to the needs of different sectors of the population, in line with the aspirations of SDG 7.
- 9 RBZ (2016).
- 10 RBM (2018).
- 11 RBM (2019).
- 12 In addition, the MoFEPD PFSPD has chaired the access to finance, input and information technical working group under the trade and industry sector working group.
- 13 In Madagascar: *BankyFoiben'iMadagasikara*
- 14 In Madagascar: *Commission de Supervision Bancaire et Financière*
- 15 *Coordination Nationale de la Finance Inclusive*
- 16 From *Programme d'Appui au Secteur de la Microfinance* (Microfinance sector programme)



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