



*Making Access Possible*  
ANNUAL REPORT

## THE MAKING ACCESS POSSIBLE PROGRAMME

*Making Access Possible (MAP) is a multi-country initiative to support financial inclusion through a process of evidence-based country diagnostic and stakeholder dialogue, leading to the development of national financial inclusion roadmaps that identify key drivers of financial inclusion and recommended action. Through its design, MAP seeks to strengthen and focus the domestic development dialogue on financial inclusion. The global project seeks to engage with various other international platforms and entities impacting on financial inclusion, using the evidence gathered at the country level.*

## PARTNERING FOR A COMMON PURPOSE

*Our thanks to the efforts of the teams on the ground who work tirelessly daily with our stakeholders from government counterparts, the private sector, NGO's and sister UN organisations to ensure that the national financial inclusion policy is implemented and inclusive financing makes a difference to people's lives.*

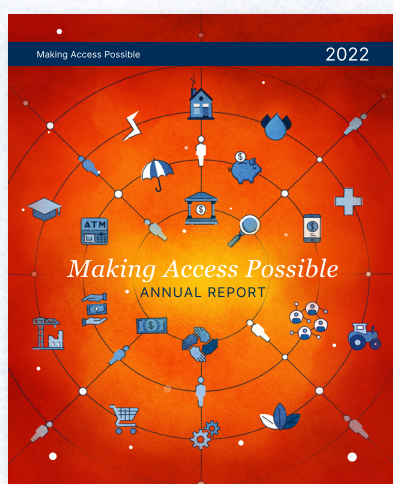
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Acknowledging the numerous donors who work with us regularly at country level and a special thank you to the Government of the Netherlands for their continued contribution and support to the MAP programme, without whom the achievements of this programme would not have been possible.

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Layout and Design: [www.hybridcreative.co.za](http://www.hybridcreative.co.za)

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## ABOUT THE COVER

The cover design illustrates the functional and technically holistic approach of the Making Access Possible initiative that links financial inclusion to inclusive growth pathways in countries. The concentric lines create a compass or globe map, enforcing the idea of inclusive focus within the context of financial inclusion, providing the directional focus towards enabling more productive domestic finance. At its core is a technical approach towards financial inclusion that is evidence-based. The positive effects ripple out to the financial sector and financial services, facilitating access to all basic needs for work and life that can enable more inclusive growth. The design shows how all levels of financial inclusion are interconnected towards pathways of better lives and livelihoods as bookended by the back cover illustration.



*The accelerating frequency,  
interconnectedness and mutually  
reinforcing nature of contemporary  
crises call for holistic responses  
and a focus on synergies and  
potential discrepancies between  
various fields of action.*

KLIEMANN, C. 2022



1

## STAYING ON COURSE

*Navigating an  
updated future for  
financial inclusion*

*Following two years of global uncertainty which marked unprecedented change, 2022 heralded long awaited negative impacts that materialised more tangibly in many aspects of society, a pre-cursor for 2023 with toughening economic times ahead?*

The year saw the beginning of the realisation that a renewed focus on dealing with the various crisis and emergencies at play was urgently required. Similarly, in the development space, there has been a realisation that a keen focus on course correcting and re-direction to stem the worst regressions from progressing was necessary. Working within this contextual reality, the MAP programme built on its tried and tested theoretical foundation for financial inclusion for inclusive growth and more deliberately focused its financial inclusion work to align even closer with the meticulously designed and painstakingly coordinated multi-stakeholder compact of the UN Sustainable Development Goals (SDGs). In times of uncertainty, a clarity of vision, and the conviction to act on it is required, and thus, to achieve the SDGs, pragmatic solutions is imperative.

Thus, in line with the brevity necessary for meeting the SDG's, MAP focussed on building and testing new robust conceptual frameworks for the next phase of financing for the low-income market - building out the technical pillars to enable financial inclusion for inclusive growth. Leveraging its extensive database, practical learnings in the field and key stakeholder relationships, the technical areas were defined to include sustainable finance and digital finance, market competition and financial sector development as a natural extension in the evolution of financial inclusion.

Notably a strong focus on domestic financing is included, given its natural linkage with financial inclusion and by extension with the explicit objective of targeting investments towards the low-income (both people and countries) in key inclusive growth areas as identified by MAP - basic services (clean energy), entrepreneurship (micro and small businesses at household level), unemployment and income inequality (vulnerability - women, youth, and refugees).



**FIGURE 1**  
MAP Technical and partnership framework



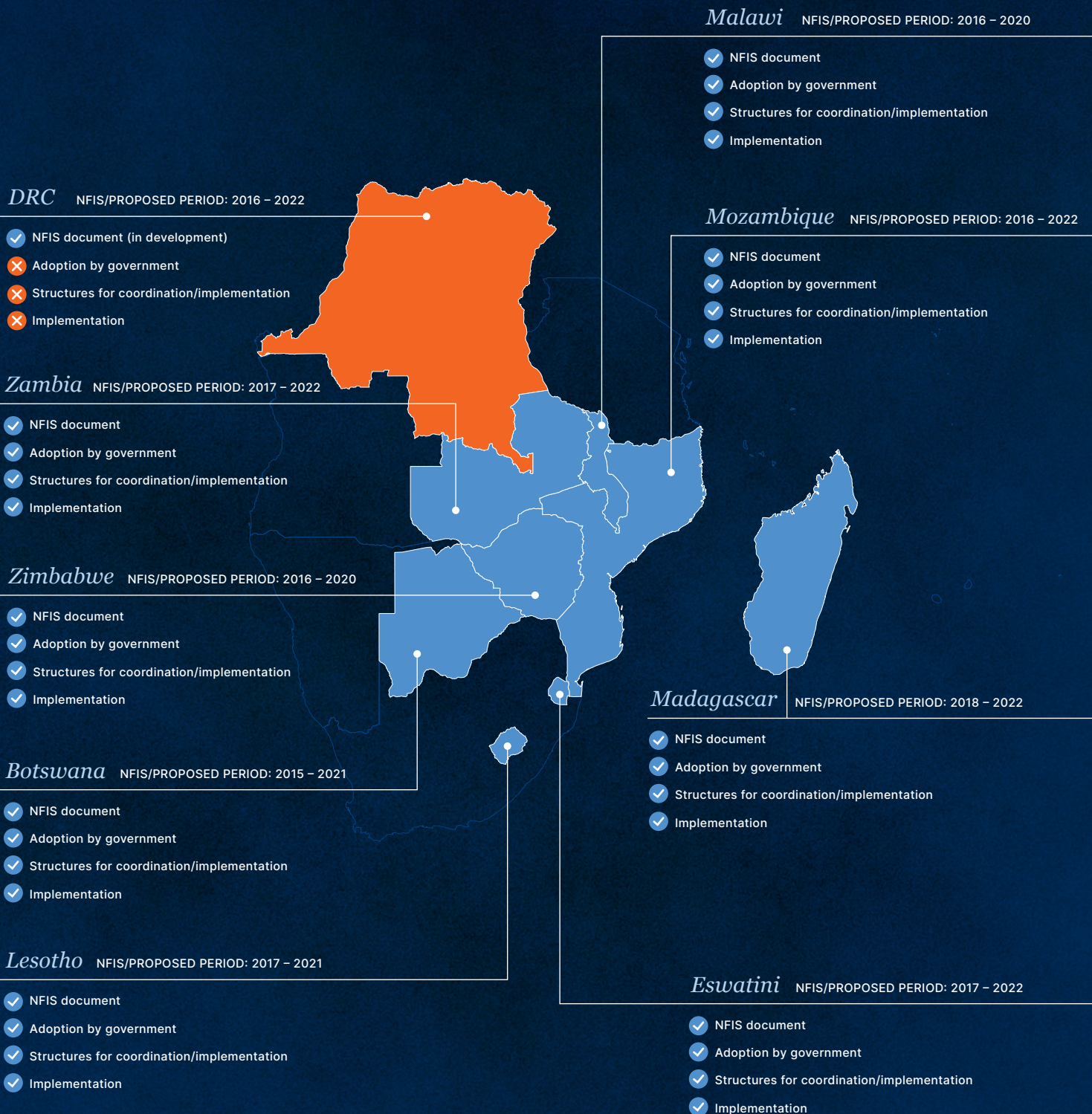
Working in concert with key partners, MAP focused on the foundations for financing using the basis of the real-economy activity to leverage the transformational potential of technology.

Since MAP's implementation started, the financial inclusion landscape has evolved substantially. Now that financial inclusion policies are largely in place (see pages 7-9), for the next phase of the financial inclusion evolution, there is a focus on growing the domestic finance agenda and enabling investments to stimulate growth in the real economy for local communities.

# SADC Implementation and coordination of NFIS policies

8 NFIS POLICIES 8 COUNTRIES WITH STRUCTURES FOR COORDINATION/IMPLEMENTATION

5 COUNTRIES PARTICIPATING IN REGIONAL M&E (MAP COUNTRIES) 8 COUNTRIES WITH IMPLEMENTATION ONGOING



## WAEMU Implementation and coordination of NFIS policies

4 NFIS POLICIES (2 ADOPTED)

6 COUNTRIES WITH STRUCTURES FOR COORDINATION/IMPLEMENTATION (3 MAP COUNTRIES)

5 COUNTRIES PARTICIPATING IN REGIONAL M&E (BCEAO)

8 COUNTRIES WITH IMPLEMENTATION ONGOING (2 MAP COUNTRIES)

### Mali NFIS/PROPOSED PERIOD: 2021 – 2025

- ✓ NFIS document
- ✓ Adoption by government (In progress)
- ✓ Structures for coordination/implementation
- ✓ Implementation

### Burkina Faso NFIS/PROPOSED PERIOD: 2019 – 2023

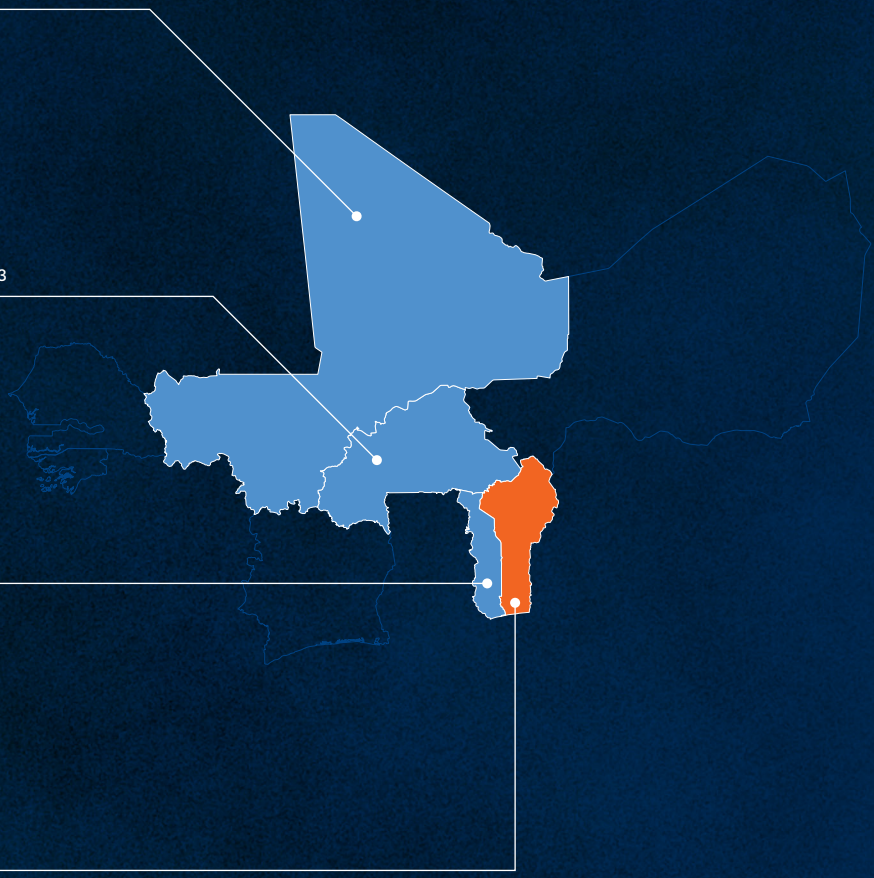
- ✓ NFIS document
- ✓ Adoption by government
- ✓ Structures for coordination/implementation
- ✓ Implementation

### Togo NFIS/PROPOSED PERIOD: 2021 – 2025

- ✓ NFIS document
- ✓ Adoption by government
- ✓ Structures for coordination/implementation
- ✓ Implementation

### Benin NFIS/PROPOSED PERIOD: NONE

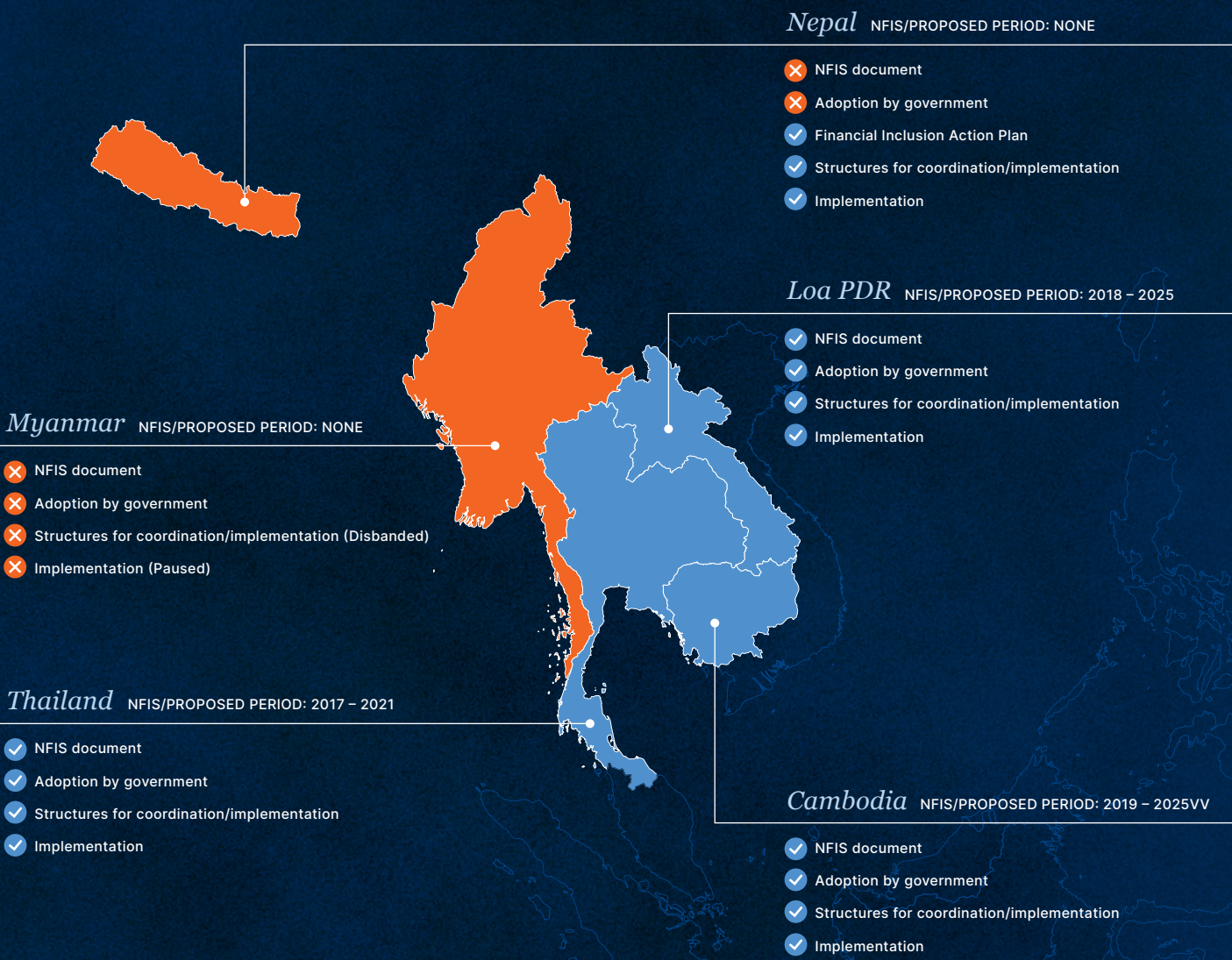
- ✓ NFIS document (Draft)
- ✗ Adoption by government
- ✗ Structures for coordination/implementation
- ✗ Implementation



*In the long run, individuals are only better off if society as a whole is better off – not only for the immediate future but in the sense of leaving something worthwhile for future generations, ‘without compromising our environment or placing unfair burdens on societies.*

# ASEAN Implementation and coordination of NFIS policies

- 3 NFIS POLICIES
- 5 COUNTRIES WITH STRUCTURES FOR COORDINATION/IMPLEMENTATION (MYANMAR DISBANDED)
- 9 COUNTRIES PARTICIPATING IN REGIONAL M&E (MAP COUNTRIES)
- 5 COUNTRIES WITH IMPLEMENTATION ONGOING (MYANMAR PAUSED)



*A new kind of globalisation is urgently needed—one that brings billions more people to sup at its table, rather than just the elite few, and ensures future environmental abundance.*

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# 2

## NEW TECHNICAL FRAMEWORKS

*MAP's strong technical  
frameworks drive real impact  
and results to advance  
financing for the low-income*

# A strong focus on sustainable finance

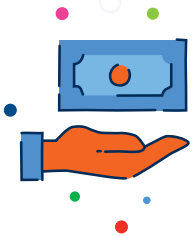
## BUILDING THE LINKAGES BETWEEN SUSTAINABLE FINANCE AND FINANCIAL INCLUSION

*MAP defined linkages between financial inclusion and sustainable finance, with a strong focus on ESG principles (private sector), sustainable finance (Government & policy) and contribution to the SDGs.*

### WHAT IT'S ABOUT

Sustainable finance and financial inclusion are two key levers that can contribute towards both social and environmental objectives. Current contributions are uncoordinated, and are not deliberately complimentary, thus missing a big opportunity for transformational change. Environmental initiatives continue to dominate the sustainability agenda, focusing on planet-related SDGs. Financial Inclusion, on the other hand, has generally focused on achieving better social outcomes.

Leveraging the natural synergies between these two areas can result in a more cohesive and inclusive approach to people and planet. Integrating financial inclusion into long-term sustainable finance frameworks becomes imperative for governments and financial institutions –for their own survival, as well as their intent to contribute to the SDGs. Furthermore, by linking ESG to a strongly entwined national and global policy framework, a more robust space is created in which business and Government can come together in respectively growing their markets and embrace the values of the citizenry.



### PRACTICAL APPLICATION AND PARTNERS

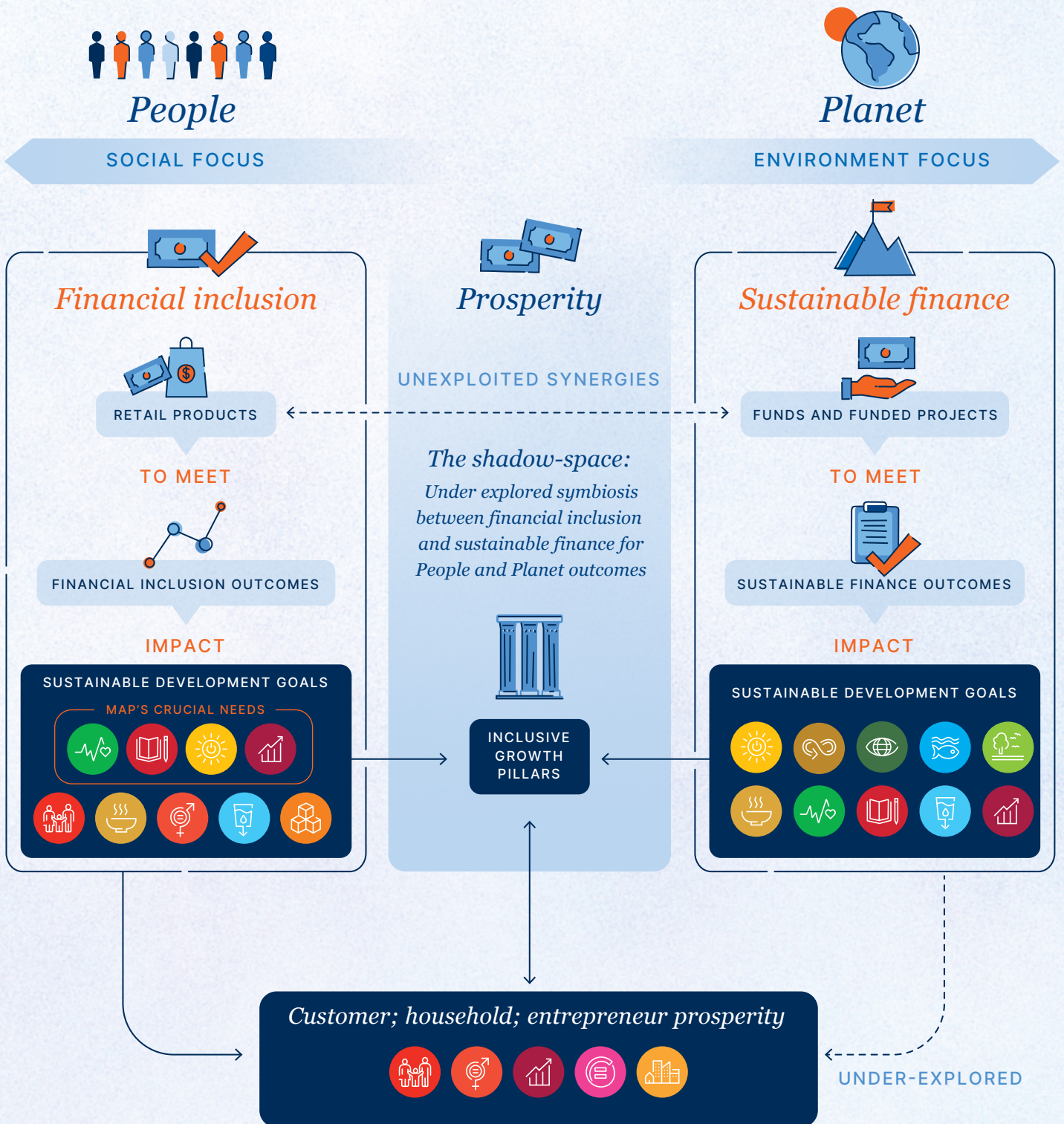
By engaging IFC and the Sustainable Banking and Finance Network (SBFN) to leverage insights for practical application, a second phase will be initiated in 2023 to apply the research in up to 6 countries in SADC and West Africa. Current partners for phase 2 include IFC, SADC Bankers Association, Governments of Eswatini and Lesotho.

*“My mother and I are in the same business, she introduced me to the business. I have never travelled to buy stock. Whenever she travels, I give her money to buy the bale for me.”*

CROSS BORDER CLOTHES TRADER, FEMALE. MASERU, LESOTHO. 2022.

FIGURE 2

Sustainable finance and financial inclusion linking to environmental and social goals



# Building the real-economy from the ground up

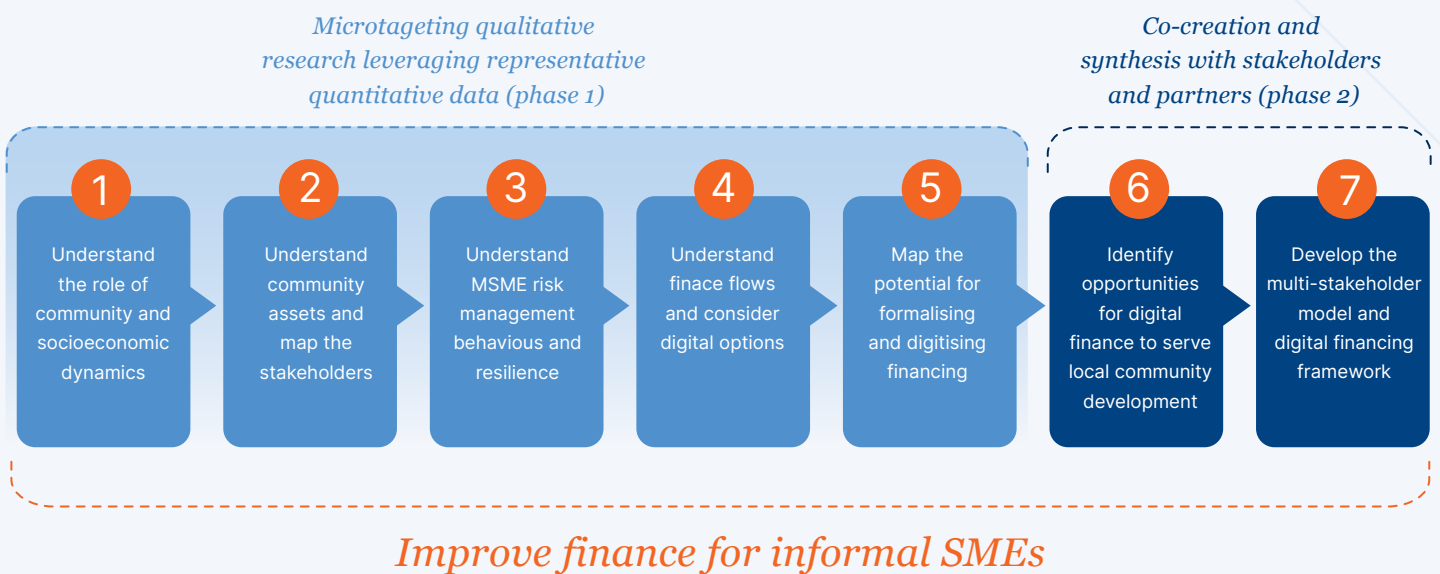
EXTENDING FINANCE TO HOUSEHOLDS AND BUSINESSES AT COMMUNITY LEVEL, LEVERAGING TECHNOLOGY

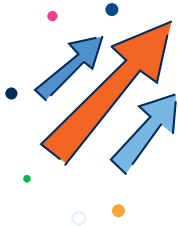
*MAP has defined the technical parameters for the critical supporting role that digital finance can play in the informal economy. In consultation with the UNDP country offices in Lesotho and Eswatini (Inclusive growth and livelihoods - UNDP Strategic Framework, Signature Solution 1), a digital financing framework was developed to cooperate more deliberately on development work that can enable private sector financing for the low-income.*

## WHAT IT'S ABOUT

The financial sector, as the leading decision maker on the allocation of financing, is a powerful enabler of or obstacle to inclusive economic growth. It faces an enduring challenge: coming to grips with the socioeconomic complexities of working in low-income markets that don't match current business models.

**FIGURE 3**  
Phases and main objectives of the digital finance research





The research posited, however, that it is possible for the financial sector to use this challenge as a resource in extending the current boundaries in market formalisation, finding that the solutions are embedded in the myriad intersections of private and public sector financing, technology, and communities – and particularly in the areas of MSMEs’ and smallholder farmers.

The necessary breakthrough in the ability of MSMEs to contribute to growth is only likely to be achieved through formal financing’s close engagement with local realities to identify opportunities with communities on the ground.

Thus, the research identified practical opportunities to move the needle on access to and usage of digital financial services – for MSMEs and smallholder farmers – taking into consideration the significant progress made in both countries in increasing access to formal financial services. With large increases in mobile money/e-money services usage – including increased depth of usage (use of multiple products or services) – options with regard to channels for providing financial access have increased. MAP’s digital financing framework seeks to strengthen de facto communities of practice among financing partners, boosting current individual efforts – each with its existing objectives, budgets and programmes of action – to achieve success at greater scale.

#### PRACTICAL APPLICATION AND PARTNERS

MAP is engaging with UNDP country offices to feed this work into implementation projects e.g. through the green value chains project in Lesotho. Discussions are underway to use this research as the foundation for a revolving fund in Lesotho. Discussions on digital finance capability in the region have progressed with Standard Bank in preparation for increased collaboration among six SADC countries and with other development financial institutions.

*“I had seven children, so I was able to pay school fees for all of them after I harvested and sold my produce well. During a certain year, one of my children had to go to the university and she wasn’t awarded the government scholarship, so I used the money I get from farming to pay her fees.”*

FARMER, FEMALE. ESWATINI. 2022.

## A focus on domestic finance

UNDERSTANDING HOW PRICE AFFECTS PRODUCT TAKE-UP AMONG THE LOW-INCOME AND SHAPES DOMESTIC FINANCE MARKETS:

*Building on MAP's continuing collection of bank pricing data (from 2017 to 2022, now covering 35 countries across MAP's three regions), MAP commissioned research to examine appropriate methods for evaluating when the domestic financial sector is effectively competitive in supporting financial inclusion for growth, leveraging the database and MAP's inclusive growth framework.*

Most LDC's are price-takers in financial markets and thus understanding the global political economy lens and broader market factors that could influence competition and pricing was key to inform the development of enabling functioning market ecosystems to better serve the low-income.

### WHAT IT'S ABOUT

Financial service industries play a crucial role in national economic development. Financial service outputs feed into other industries, and thus economies with highly priced and inefficient financial sectors will find their competitiveness affected as well. At a household level, people use financial services to meet their basic needs, but the financial services and mechanisms they use depend, among others, on the affordability of those services in relation to alternative mechanisms at their disposal. Market competition, as well as the ability of financial service providers and the financial system to cater to multiple layers of the market, has contributed to expanding services, lowering prices, and stimulating innovation, thereby extending financial products to the low-income market.

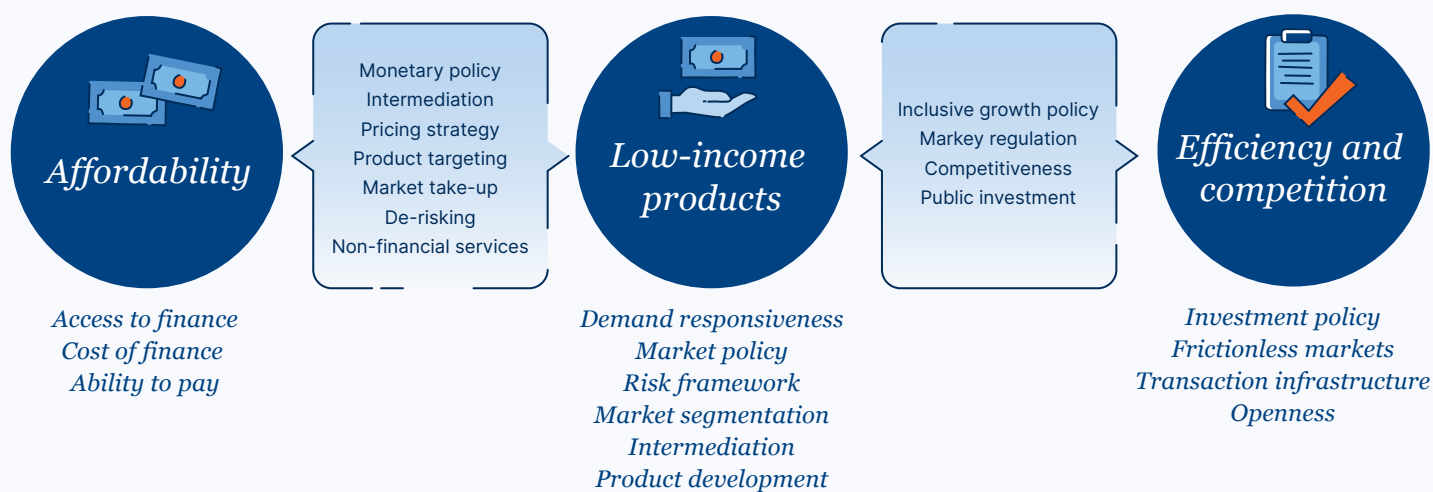


*“I needed to raise money for the 10% matching grant required to qualify for a grant from SADP. My family contributed money and loaned me M 30,000, enabling me to get the grant. It has been over a year, and I am still repaying the loan. I do not have to add interest, and I can miss payments when business is slow.”*

HONEY PRODUCER. MOHALES HOEK, LESOTHO. 2022.

FIGURE 4

Affordability, product, efficiency and competition factors driving low-income products



By extension, this further ensures access to financial services that can contribute to more inclusive growth. In many LDC countries, conventional markets are often far from competitive, and demonstrate a high degree of inefficiency. By examining appropriate methods for evaluating whether the financial sector is effectively competitive in supporting financial inclusion for growth, as well as assessing how varying pricing strategies affect consumer take-up and value, financial sectors can be engaged to serve low-income segments better, which in turn can unlock increased domestic finance mobilisation towards financing national development goals.

**PRACTICAL APPLICATION AND PARTNERS**

This work will feed into ongoing engagements with IMF and other financial institutions to inform understanding of the enabling environment in new diagnostics (like Mali) as well as further developing the role of financial inclusion within the domestic finance pillars in the Integrated National Financing Frameworks.

# MAP financial inclusion and vulnerability framework

*MAP data identified vulnerability through women, youth and refugees in the existing diagnostics and identified a gap in solutions to address access to finance for the vulnerable at country level.*

## WHAT IT'S ABOUT

Existing frameworks for vulnerability are often not directly developed to identify vulnerability itself, neither are they developed specifically as a mechanism to address SDG objectives. Through an analysis of the SDG goals and targets as it relates to vulnerabilities and the intersection of where financial inclusion can assist in alleviating this, MAP developed a vulnerability framework that helps to identify implied vulnerable groups that are aligned with the SDG objectives. The framework combines various existing perspectives and analytical tools into a unified framework for vulnerability, and can be applied using MAP's livelihoods data as part of its evidence based approach.

## PRACTICAL APPLICATION AND PARTNERS

Building on the 2021 engagements with UNHCR, MAP partnered in 2022 to develop a financial inclusion diagnostic methodology focusing on refugees and internally displaced persons in Mozambique, financed by UNHCR with technical input from MAP. A scoping study will initiate in Q1 2023. Further application and framework testing in collaboration with the World Bank Poverty and Inequality unit and UNDP in Mali is under discussion, pending data finalization from the National Statistics Office and the World Bank.

### Poverty defined by poverty lines, income levels

#### *Vulnerability factors that impacts on wealth/income*

##### **Access to basic services:**

Healthcare, education, energy, water, sanitation/hygiene, transport and telecoms

##### **Economic and livelihood vulnerabilities:**

Unemployment, lack of access to opportunities, decent, or formal & stable work etc.

##### **Asset ownership and legal documentation for ownership of assets**

#### *Vulnerability related to cashflow*

##### **Cashflow management:**

ability to meet ongoing and unexpected expenses and plan for goals.

##### **Access to financial services**

##### **Access to social protection or a safety net**

##### **Risk exposure:**

Climate vulnerability, health risks and traditional risk exposure, experience and mitigation, access to social protection

#### *Vulnerability related to the consequences of low-income*

##### **Affordability of basic services:**

Including healthcare, education, energy, water and sanitation, transport, telecoms

##### **Affordability of financial services and remittances**

##### **Other: Hunger, housing quality and ownership, household density**

## The role of inclusive financing, to address inequality

*It is important to recognise the contribution of  
development to broader societal development.*

MAP is engaging with Boston University's Global Development Policy Center (GDP Center), to further the financing agenda and to ensure that there is a significant contribution to the broader academic field of economic inclusion and inclusive growth, leveraging the data, findings and conceptual thinking of the MAP work.

This builds on the already established research and thinking in both the academic sphere and the real-world experience of MAP on financial inclusion.

Practical application and partners: The GDP Center at Boston University is establishing an economic inclusion project within the Inclusive Growth Centre to stimulate new thinking within a community of scholars, students, firms, and other practitioners jointly exploring how to go beyond the 'business as usual' approach to economic inclusion, using new breakthroughs in engineering economics as the basis to drive new thinking for economic inclusion.

Adapted effectively, scholars and practitioners could use insights from this field to create contracts, regulatory frameworks, and other mechanisms which build contracting economic systems between policymakers, firms and underserved rural and frontier communities in developing regions.

*“First, when I started I was selling perfumes... then went on to sell stockings and socks. Progressed until I bought one bale of steel wool and continued until where I am now. So my dreams entail being able to own a shop.”*

CROSS BORDER STEEL WOOL TRADER, FEMALE. MASERU, LESOTHO. 2022.

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3

IT'S ALL ABOUT  
THE MONEY

*Laying the  
ground for  
investments*

*Investors play a pivotal role in shaping society, now arguably more than ever. By investing capital and resources in businesses likely to bring significant, sustainable economic gains to low-income communities, investors can positively impact those communities, in the process helping to determine how not just the current generation, but also future generations will live.*

Such a metamorphosis is only likely to happen if there is a radical shift in perception by the private sector to view the SDGs, with their coherent value system, as an unprecedented economic opportunity, rather than a burden and constraint to growth. Taking this responsibility for more inclusive growth and job creation seriously will involve a combination of new financial models and investors who recognise both the risk of social and environmental externalities affecting asset values, and the fact that higher, long-term returns will be generated by strong environmental and social performance.

The newly launched MAP Investment Series, leverages the insights generated through its data and diagnostics, to support the understanding of the potential and need for investment – for MSMEs and clean energy. These toolkits are part of the larger body of work on financial inclusion towards inclusive growth and sustainable finance, aimed specifically at the development finance and financing community in an attempt to bring these closer for new low-income markets.

#### **MSME INVESTOR TOOLKIT**

The UNCDF MAP Investor Series, Note 1 – SME Investor Toolkit provides insights into trends in low-income, emerging markets. It considers what it would take for SMEs to start firing on all cylinders and fulfil their potential as the engines of economic growth they are commonly assumed to be. The note emphasises identifying common ground and mutually beneficial opportunities for investors, policymakers and entrepreneurs to work together to shape a better society.

One thing that is certain in the post-COVID world is that multi-partnering will be key and between diverse players. In addition to those of government, business, financial backers and entrepreneurs, there will need to be contributions from the likes of conservationists, scientists, urban and rural planners, NGOs, consumers, producers, and grassroots, indigenous and civil society organisations.

#### **CLEAN ENERGY INVESTOR TOOLKIT**

The UNCDF MAP Investor Series, Note 2 – Clean Energy Investor Toolkit provides insights into the realities of energy and clean energy demand matched to supply infrastructure in low-income, emerging markets. It considers the investment case for expanding energy inclusion where clean energy could fulfil its potential as a transformative mechanism: improving livelihoods (especially



of low-income households and MSMEs) and increasing access to opportunities in support of inclusive economic growth, while combatting climate change. The findings presented are drawn from MAP's 2020 five-country study in SADC, which provides insight into the potential for accelerating uptake of cleaner, off-grid energy solutions, in contribution to the SDGs and particularly SDG 7: Affordable and clean energy, to ensure access to affordable, reliable, sustainable and modern energy for all by 2030.

Energy stakeholders such as country governments; policymakers, energy suppliers; entrepreneurs; financial services providers; and would-be investors, are provided with both the business case and the infrastructure investment requirements for expanding energy inclusion.

### **INTEGRATING FINANCIAL INCLUSION INTO THE INTEGRATED NATIONAL FINANCING FRAMEWORKS (INFFS)**

To ensure both delivery and focus on the G20 roadmap on sustainable finance and increase the viability of the domestic finance environment, MAP developed a guidance note for countries that wish to integrate financial inclusion in their INFFs. This will ensure that the domestic finance agenda has a more considered and coherent technical framework for building on inclusive growth while also creating a pathway for the low-income via financial inclusion to be included in the financing environment.

The guidance note outlines the pathways through which financial inclusion contribute to a more favourable domestic financial environment by reducing dependence on external capital inflows, increasing reliance on domestic resources for public revenue generation through financing inclusive basic services, and more stable domestic resources. Financial inclusion's role in promoting economic activity at the grass roots level and better leveraging remittance flows also supports these outcomes. Embedding financial inclusion within the INFFs can ensure a more impactful role in contributing to domestic finance flows (see page 28 in the next section for details).

## Partnerships to increase financing for the low-income and ensure policy implementation

*MAP has found that the necessary market pre-conditions to ensure readiness for more commercial financing that matches the criteria and terms of the private sector, is missing in LDCs.*

Thus, MAP is engaging with a number of private sector partners, to ensure these are identified and in place for low-income markets to move towards sustainability and commercialisation. These partners will be critical to pilot and proof of concept projects on the ground to ensure that these work with the multi-stakeholder framework models of the real world. Standard Bank, which operates in 18 countries, is the most notable, but there are a number of engagements across the different countries to bring this to fruition. Furthermore, MAP progressed in building the partnership basis to identify national and UN agencies that could accelerate implementation of financial inclusion, working in collaboration with Government and other stakeholders:

### UNDP LESOTHO

A concept note and budget has been developed to identify activities that can jointly support and amplify financial inclusion activities in country, cost effectively and efficiently. Based on this, the Digital Finance Assessment linked to real economy at community level has been identified as a key activity to inform the Government of Lesotho's green value chain project in collaboration with UNDP, and in particular will inform training provided to farmers to access finance through digital channels, thus growing the agricultural sector through financial inclusion.

### UNDP ESWATINI

Activities to support financial inclusion in Eswatini have been jointly developed with the Government of Eswatini and UNDP country office. Based on this, the DFS assessment linked to real economy at community level has been identified as a key activity to inform UNDP's work in Eswatini linked to informal traders, youth and farmers to catalyse increased financing.

*“I grew up in a farming household and learned to farm. After completing college, I could not find a job, so I started farming. I had knowledge that was given to me by my family, so it was easy to start.”*

VEGETABLE FARMER. MOHALES HOEK, LESOTHO. 2022



### UNDP MALI

MAP partnered with UNDP Mali, the National Statistics Office (INSTAT) and the World Bank on financial inclusion to undertake data collection and a diagnostic that will inform an evidence-based NFIS for Mali. Working within the context of the “The United Nations-World Bank Group Strategic Partnership Framework For The 2030 Agenda” (18 May 2018), this unique new operational partnership developed a new methodology for financial inclusion data collection (embedding a module in an existing quarterly survey), as well as supporting UNDP’s Insurance and Risk Finance Facility (IRFF) focus areas (insurance, social protection and disaster risk financing). UNDP IRFF will apply the learnings from Mali in a number of countries in the region. Furthermore, MAP’s new vulnerability framework will be tested with the World Bank Group’s data team from the Poverty and Inequality unit within a crisis context.

### UNHCR MOZAMBIQUE

MAP partnered with UNHCR to provide technical guidance on a study to assess the economic and financial inclusion context of forced displacement in Mozambique, to identify potential opportunities for refugees, asylum seekers, internally displaced persons (IDPs), and vulnerable host community members to access affordable financial services. This work leverages MAP’s technical frameworks and expertise in financial inclusion, while allowing opportunities to apply MAP’s new vulnerability framework in a refugee context. Potential further application in other UNHCR countries are also being explored.

## Workshops and multi-stakeholder forums in 2022

*To support partnership development, collaboration and joint initiatives to unlock financing, MAP has increased stakeholder engagements through multi-stakeholder forums in various contexts, to validate research and identify partners for the next steps in country level implementation.*

### THE SADC FINANCIAL INCLUSION FORUM

MAP co-hosted with the SADC secretariat, SADC Bankers Association and FinMark Trust (FMT) to share learnings on financial inclusion policy implementation and determine financing and stakeholder mechanisms on financial inclusion for growth within national and regional institutional structures and especially within the context of the INFFs. The forum also sought to pilot the new sustainable finance and financial inclusion frameworks within the context of private sector ESG metrics. Participants included senior-level representatives who work on financial inclusion within the Ministries of Finance, Central Banks, Non-bank Regulators and the Private Sector.

### SUSTAINABLE FINANCE ONLINE EVENT

To validate and strengthen the research on sustainable finance and financial inclusion, MAP hosted an online sensitisation event with a small group of key stakeholders. Participants included the IFC, IMF, World Bank, FMO, UNDP and key financial service providers. The engagement garnered valuable feedback, and also informed stakeholder engagement for Phase 2 (to be initiated in 2023).

*“We change our money from Maloti to rands in the shops nearby. We know each other, so they do not charge us. If they do not have enough rands, we go to the Chinese shops, and they charge us one rand for every thousand rands changed.”*

CROSS BORDER STEEL WOOL TRADER, FEMALE. MASERU, LESOTHO. 2022.

### DIGITAL FINANCE VALIDATION FORUMS (LESOTHO & ESWATINI)

To validate the two new digital finance diagnostics with a firm view on the informal economy, MAP hosted two online events with key stakeholders from the respective countries, to present the research, validate the new framework and receive feedback on its validity and potential application. These engagements were strategically focused on potential digital financing implementation, and therefore involved a small pool of participants from UNDP, Government and Standard Bank. In addition, a separate one-on-one workshop was held with the Centre for Financial Inclusion (CFI), which is an independent arm of the Ministry of Finance in Eswatini, responsible for the implementation of the NFIS. The basis for the meeting was the digital finance framework, but broader collaboration was explored that will feed into implementation in 2023, including Eswatini's participation in the sustainable finance pilots.

### WEST AFRICA M&E CONSULTATION AND ONLINE EVENT

The validation of the West Africa Scoping report involved extensive engagement with key government stakeholders from each Member State during 2022, which started to highlight the key country counterparts within each Member State, and pointed to demand from country level for specific assistance for data, research and implementation. Based on this engagement, MAP, in close coordination with BCEAO and the UNCDF regional office in Dakar, proposed to host a stakeholder meeting in Senegal, to obtain Governments buy-in to undertake a guidance note for a financial inclusion M&E framework in the region, similar to the monitoring progress reports previously conducted for ASEAN and SADC. BCEAO buy in, and affirmation from its Senior Management, represented a major advantage and significant opportunity for the financial inclusion M&E framework in the region. The proposed workshop also sought to further establish partnerships for data collection in West Africa for BCEAO, based on the very successful pilot with the World Bank in Mali and Nepal. However, due to internal operational complexities at UNCDF, the workshop had to be cancelled.

*“I was trying to .. determine if I can join this business. I asked myself what would happen if this business deteriorates or you find that the market no longer exists. And the answer to that question was, what makes the market is the people, the everyday people, so they would always need food, people will forever need food, without food there'd be no people.”*

FRUIT TRADER, MALE. MANZINI, ESWATINI. 2022.

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# 4

## POSITIONING FINANCING FOR THE LOW-INCOME

*Development finance  
architecture through  
multi-partner engagement,  
regional protocols and  
implementation collaboration*

*The MAP programme is a complex inter-related mix of technical innovation, iterative operational testing for successful proof of concept and multi-partner implementation to leverage learnings that partners can take forward to scale.*

As the programme narrowed its focus on financial inclusion to work more closely with countries towards financing the low-income for inclusive growth, the strategic nature of natural neighbouring partners and regional cohorts became increasingly important to create the enabling pre-conditions for market-based financing to reach the low-income market at a public sector level.

Taking into consideration the findings of the mid-term review (to strengthen implementation post NFIS development) and deeply engaging with MAP's extensive livelihoods database, the programme was able to reflect on market evolution in its two key regions, SADC and ASEAN and thus respond to the new needs of Government policy (sustainable and inclusive finance roadmaps) and inform engagements with the private sector, particularly domestic investors. This aligns with the next phase of the financial inclusion evolution, increasing the focus on growing the domestic finance agenda and enabling investments to stimulate growth in the real economy for local communities.

More than 80 countries globally (36 of which are in Africa) are using INFFs to put in place robust, holistic strategies for financing sustainable development given the central role that financing plays in realising the SDGs. Led by Ministries of Finance and Planning, they are being used to better understand the scale and types of investments needed (including domestic finance) to realise sustainable development aspirations, to identify the key opportunities to unlock resources and impact, and to drive forward policy changes that can mobilise and align both public and private financing with the SDGs.

*“If it was possible to transfer money from M-Pesa to the bank, we would continue using it to receive payments. Right now, it is just inconvenient for us.”*

LOCAL FRUIT AND VEGETABLE SUPERMARKET. MOHALES HOEK, LESOTHO. 2022.

*Financial Inclusion can be seen as contributing to a more favourable domestic financial environment by reducing dependence on external capital inflows, increasing reliance on domestic resources for public revenue generation through financing inclusive basic services, and more stable domestic resources. However, financial inclusion can play a far more impactful role in contributing to domestic finance flows.*

A renewed focus on a longer-term strategy to increase financial inclusion could assist in unlocking additional sources of domestic financing, or grow the pool of domestic finance available:

- Financial inclusion can play a key role in domestic markets, by utilizing the finance flows at a household level that are expended in cash – which MAP finds to still be the majority of household payments, bringing these flows into the formal financial sector.
- This household expenditure is often directed to the informal sector – where micro and small enterprises operate outside of the formal economy, and tax is not generated. Small and medium-sized businesses are mostly excluded from formal borrowing, despite increasingly having an account at a financial service provider. Financial inclusion of these informal enterprises – again the majority in the markets MAP operates in, brings this economic activity into formal reticulation within the financial system.
- Households mostly spend money on basic services like education, access to water and energy and healthcare, also hidden in the cash economy/informal sector. By formalising these payment flows, and directing them through more formal channels, financial inclusion allows for the aggregation of money flows that are already spent on basic household needs which aligns with government development objectives, and these flows can therefore potentially be leveraged for investment requirements that allows countries to meet these household needs.

In addition, financial inclusion plays a direct role in promoting economic activity at the grass roots level, that potentially can support both economic growth, as well as inclusive growth objectives, by unlocking productive potential of MSMEs. Access to finance remains one of the major challenges in promoting private economic initiative in MAP countries, despite Government initiatives such as credit guarantee schemes. In fact, MAP has found that there is little use of formal finance to start or scale business – an essential engine of real economic growth.

LDCs and low-income countries are also often heavily reliant on remittance flows to supplement household income, but this can have profound impact on national income and economic activity. Financial inclusion has played a central role in unlocking and formalising these flows by reducing the cost and decreasing the time of traditional remittance payments, which often also flowed through informal channels and in cash. Digital financial services in particular offer tremendous opportunity to facilitate remittance flows more easily, and to allow for the creation of digital footprints that can be leveraged by households to access additional financial services.

# Reflecting on the learnings and expanding on the updated operational and implementation approach for MAP

## NEW INROADS IN THE WEST AFRICA REGION

*The following engagements and activities in West Africa were conducted in 2023, in addition to the Monitoring Progress in financial inclusion stakeholder activity as discussed.*

### WEST AFRICA SCOPING AND PARTNER IDENTIFICATION REPORT

MAP conducted a scoping exercise on the status of NFIS development and implementation specifically in eight West African Economic and Monetary Union (WAEMU) countries, managed by a single Reserve Bank (BCEAO), which was concluded at the end of 2021. The scoping study was done to guide technical interventions and baseline financial inclusion policy and status in the region and informed further extensive engagement on financial inclusion in 2022 with key stakeholders in each country as well as BCEAO, to validate the findings of the report, and to confirm the need for a combined national and regional focus on monitoring progress on financial inclusion. The research identified a desperate need for an evidence base – especially in non-MAP countries. Thus, NFIS implementation tracking and M&E accountability in most or all of the countries reviewed would not be possible given the lack of data. Furthermore, current regional and country level governance and coordination structures, which would normally be leveraged to provide the basis for financial inclusion collaboration and implementation is sub-optimal for market-level progress and these can be strengthened from the ground up.

## *Building the evidence base for policy and market decision making*

### MALI MAP DIAGNOSTIC AND FINANCIAL INCLUSION SURVEY

MAP has engaged with the Government of Mali and received a request to undertake the National Financial Inclusion Diagnostic that will determine the levels of financial inclusion in the country and identify potential pathways for growth. UNDP is collaborating with the MAP programme within the context of Signature Solution 1 in the UNDP Strategic Framework 2022-2025.

Furthermore, MAP is also collaborating with the World Bank on the financial inclusion data, working with INSTAT in the implementation of the Mali quarterly households survey. The survey is a standard quarterly survey implemented in partnership with the World Bank.



Furthermore, the World Bank and INSTAT has agreed to include a financial inclusion module that would allow for topline indicators on financial inclusion as per MAP's livelihoods data framework, in collaboration with the World Bank's Inequality and Poverty unit, which provided technical oversight. This resulted in significant cost savings for MAP in implementing the data collection required for the diagnostic process. The survey is currently being finalised, with results expected in January 2023.

The results will be leveraged in the upcoming supply side diagnostic, which will be initiated in Q1 2023, to be concluded by Q3 2023. The diagnostic will incorporate components of the UNDP IRFF programme, leveraging the MAP diagnostic's insurance component, while reflecting on aspects of social security and disaster risk finance.

## NEW PARTNERSHIPS IN THE SADC REGION

### *Focus on policy implementation, measurement and monitoring*

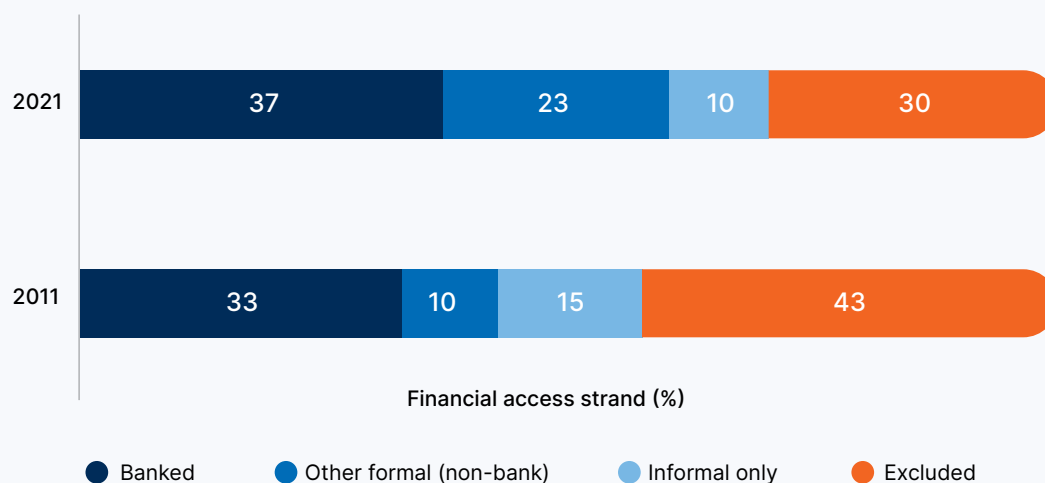
#### A NEW DIRECTION FOR SADC – LEARNING FROM THE PARTNERSHIP LESSONS WITH THE IMPACT REPORT

In 2021, the MAP programme officially ended its partnership with FMT for regional implementation in SADC, based on management response recommendations following the MAP mid-term review. This concludes almost a decade of collaborative implementation (2014 to 2021). Although the MAP programme independently continues strongly in Southern Africa, it provided a good opportunity for reflection on programme achievements and thus a report reflecting on activities and impact over this period was developed. The report highlights activities that have been instrumental in reaching the regional and national NFIS goals, and in the mutually agreed national financial inclusion roadmaps and resulting action plans.

Focusing on the seven countries where UNCDF has continued to assist country governments on financial inclusion policy monitoring and implementation after the initial diagnostics, as well as Mozambique and Zambia, where components of the MAP process were implemented by MAP or independently, the report found that eight of these countries developed an NFIS. In addition, all countries where a MAP diagnostic was developed, with the exception of the 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 pursuit of reaching their respective NFIS goals.

FIGURE 5

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



Source: FMT

### GOOD PROGRESS ACHIEVED

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%. At the same time, 43% of the adult population in the region were financially excluded – meaning using no financial products at all, whether formal or informal. A further 15% (13.3 million) of adults relied solely on informal financial mechanisms. This meant interventions were needed to increase access to and uptake of formal financial products and services; accordingly, the initial MAP focus was on policies to reduce barriers to access and usage.

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 5). This illustrates the power and impact of implementing in-country financial inclusion strategies. Further, SADC contributed strongly to MAP's evolution and strengthened its conceptual underpinnings: the SADC countries' active participation and contribution have been instrumental in allowing UNCDF, through this practice, to codify effective financial inclusion approaches in developing countries and LDCs.

*“When I want to borrow E 100,000 to buy a vehicle, they tell me I need to have E 70,000 in my account. That doesn’t make sense. If I had E 70,000 sitting in my account, I wouldn’t need to borrow!”*

FRUIT TRADER FROM MANZINI, MALE. ESWATINI.

### *Deepening regional stakeholder engagement*

SADC Financial Inclusion Forum: A regional financial inclusion forum was held in October 2022, to share learnings on financial inclusion policy implementation and determine financing and stakeholder mechanisms on financial inclusion for growth within national and regional institutional structures and especially within the context of the INFFs. The forum was a hybrid event with both virtual participants (57) and in-person attendees (55), which included senior-level representatives who work on financial inclusion within the Ministries of Finance, Central Banks, non-bank regulators and the private sector.

Co-hosted with the SADC secretariat, SADC Bankers Association and FMT, the forum focussed on the following themes central to financial inclusion, inclusive growth, sustainable finance, and regional integration:

- SADC strategy on financial inclusion and SME access to finance
- Digitisation and financial inclusion
- Sustainable finance
- SMME access to finance and improved livelihoods
- Gender and improved livelihoods for woman in the region

The forum was leveraged to pilot MAP’s new sustainable finance and financial inclusion frameworks within the context of private sector ESG metrics. Most SADC Governments have already approved sustainable finance activities in parallel with financial inclusion strategies and the engagement will seeks to bring together these policy pillars to unlock increased financing to the low-income by the private sector. Of note is that Eswatini indicated an interest in sustainable finance framework assistance as this would aid in drawing connections between the Inclusive Green Agenda and sustainable finance. Furthermore, the other thematic areas discussed, highlighted increasing relevance for the MAP technical work and will be considered for inclusion in subsequent workshops going forward.



## Wrap up and closure of the Asia region

*Further work conducted in the Asia region for 2022 was limited to wrapping up projects that started prior to closure. This also highlights the importance of allowing sufficient time for programme closure to not overtly disrupt ongoing government activities.*

This included finalisation of the outputs for the Laos and Cambodia refreshes, the data analysis for the Nepal refresh (data collection delayed due to Covid), and the development of an impact report to reflect on the programme period in Asia up to closure:

### CAMBODIA REFRESH AND MOBILE SURVEY

The MAP Cambodia refresh and market tracker survey was conducted in 2021, and the Bank of Cambodia signed off on both outputs in 2022, after an online internal stakeholder presentation with the Bank of Cambodia. Subsequently, UNCDF was invited to present the results at the Cambodia Bankers Association's annual bank conference (August 2022), within the context of increasing domestic finance, under the ambit of sustainable finance. NBC also requested assistance on a self-funded publication of the tracker survey results, which UNCDF provided.

### LAOS PDR REFRESH AND MOBILE SURVEY

To compliment the 2021 Laos Diagnostic refresh, UNCDF completed a mobile tracker survey in 2022 (delayed due to Covid). The results have been sensitised with Bank of Laos and have been approved, following which the results was presented at a launch event hosted by Bank of Laos (August 2022).

### NEPAL FINANCIAL INCLUSION DATA SURVEY ANALYSIS

To complement the 2021 MAP Diagnostic Refresh, UNCDF finalised analytics in 2022, based on the World Bank's household and enterprise livelihood survey, following numerous Covid-related delays in field. The data analysis was used by UNCDF Nepal and the IFC to develop a joint report to update findings of the MAP refresh, and to inform an updated financial inclusion Action Plan for Nepal.





## ASEAN IMPACT REPORT

In October 2021, the MAP programme officially closed in its Asia region (ASEAN and Nepal), concluding almost a decade of financial inclusion work over the period 2012 to 2021. Although the MAP programme continues its financial inclusion work strongly in West and Southern Africa, it provided a good opportunity for reflection on the programme achievements, especially in terms of market improvement. An impact report was developed to reflect on activities and impact, and will be used to inform ongoing implementation in the West Africa and SADC regions.

The report tracks the UNCDF MAP financial inclusion implementation in the ASEAN region (focusing on the four ASEAN countries of Thailand, Myanmar, Lao People's Democratic Republic (PDR) and Cambodia, and a fifth country, Nepal) from 2012 until the programme's official closure in the region, and highlights the activities that have been instrumental in attainment of the national and regional financial inclusion goals, as captured in national financial inclusion strategies and in the agreed national financial inclusion roadmaps and resulting action plans.

While great strides against financial exclusion have been made in most ASEAN countries (excluding Singapore and Brunei Darussalam – which already have high levels of inclusion, and the Philippines), the biggest reductions have been seen in the MAP participating countries, along with Indonesia and Vietnam. The average level of financial exclusion in ASEAN reached a low of 29% in 2021; thus succeeding in reaching its 2025 financial inclusion target four years ahead of schedule. Similarly, in Nepal, formal financial inclusion increased from 61% in 2014 to 90% in 2022, meaning the country succeeded in reaching – in fact, surpassed – its target of 75% by 2022.

