

There and back again

Harnessing data, developing collaborative platforms and enabling governments to deliver on the SDGs



NOTE 4, 2017

VOLUME 2

The MAP Global Insights series - Volume 2

Making Access Possible (MAP) is a multi-country initiative to support financial inclusion through a process of evidence-based analysis feeding into a financial inclusion roadmap jointly implemented by a range of local stakeholders.

MAP was initiated by the United Nations Capital Development Fund (UNCDF) and is implemented in partnership with FinMark Trust and the Centre for Financial Regulation and Inclusion (Cenfri). In each country, MAP brings together a broad range of stakeholders from within government, the private sector and the donor community to create a set of practical actions aimed at extending financial inclusion tailored to that country.

The volumes in the MAP Global Insights series consolidate and synthesise the learnings from the MAP programme across the 18 MAP countries.

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About the cover:

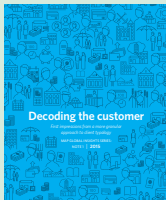
The concept behind the art direction for Volume 2 of the MAP Global Insight series is that data, when harnessed with the requisite level of skill, provides a beautifully clear lens with which to view the communities and countries with which development partners are working, and a focused picture of options for driving positive change.

High-quality data and the use of data analysis tools provide in-depth insights into consumer financial behaviour and needs, and serve as a key to unlocking government and stakeholder mobilisation around evidence-based projects to improve service delivery, thereby positively impacting the lives of the poor.

While accurate data is an effective tools for bringing about positive change, it must be skilfully gathered, interpreted, and shared. The cover is a reference to the importance of big data in helping countries achieve the SDGs, and the strength that can be achieved through sharing of that information and knowledge.

MAP GLOBAL INSIGHTS SERIES VOLUME 1

The MAP Global Insights series Volume 1 consolidates and synthesises the learnings from MAP across the six MAP pilot countries. Volume 1 was the first of the MAP Global Insights products, and comprises five thematic cross-country notes, based on the initial round of findings from the country diagnostic studies, which were conducted in Thailand, Myanmar, Swaziland, Mozambique, Lesotho and Malawi.



NOTE 1 unpacks the target market segmentation approach that is central to the MAP methodology of putting the client at the core of the analysis. Note 1 provides a window into the emerging cross-country segments, and the implications for providers, policymakers and donors in this regard.



NOTE 2 explores the shift in financial inclusion measurement away from focusing solely on access to more closely match the realities of how adults live their financial lives and explores the policy implications of moving away from a linear, one-dimensional view of financial inclusion.



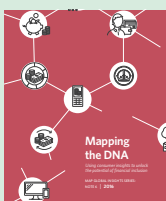
NOTE 3 looks at the nature of informal financial services. It shows that it is the local nature of these financial services, rather than their informal nature, that makes them valuable for the majority of consumers in these countries.



NOTE 4 considers the gap between ownership and usage of bank accounts. The note queries whether bank accounts are always the appropriate product for increasing customer welfare, and argues the need for a paradigm shift away from focusing on ownership to a focus on usage in the context of a wider, systems approach.



NOTE 5 focuses on cash as a payment instrument to explore the largely undiminished popularity of cash. The different payment needs of consumers are introduced, analysed and compared with regard to the use of cash versus digital instruments.



NOTE 6 draws together the findings from this Global Insights series. It shows that the MAP evidence calls for a rethink of conventional financial inclusion assumptions, based on a consumer decision-making framework that emphasises economic incentives, cost and value.

MAP GLOBAL INSIGHTS SERIES VOLUME 2



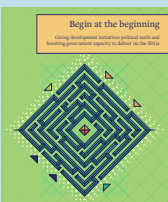
The MAP Global Insights series Volume 2 looks at the thinking, strategies and processes that have enabled national delivery in financial inclusion, and attempts to codify the operational approach taken in the 18 'MAP countries', including the 9 where the programme is working with governments to implement the national roadmap on financial inclusion. Key learnings using the country-specific consumer data drive the national implementation approach at country level.



NOTE 1: More bread on the table: The promise and the potential of financial inclusion. In a changing and uncertain global order, financial inclusion – with its close linkage to the real economy – promises to become a means of supporting growth and contributing to poverty eradication. Using detailed consumer data, this note demonstrates the potential for financial inclusion to play a stronger role in lessening vulnerability to poverty, keeping up with shifting national demographics, nurturing small business growth and addressing food security challenges, among others.



NOTE 2: Humanising data: The MAP toolbox for fine-tuning and calibrating national metrics and optimising consumer delivery. Applying the MAP data analysis tools to the extensive consumer data gathered in-country enables accurate understanding of actual consumer behaviour and needs, both country-specific and in terms of patterns identifiable across developing countries. Findings from the use of the MAP tools have challenged a few of the conventional financial inclusion assumptions, in the process contributing to the global pool of financial inclusion metrics. The tools are central to supporting government and stakeholders in evidence-based decision-making towards smart, consumer-focused solutions.



NOTE 3: 'Begin at the beginning': Giving development initiatives political teeth and boosting government capacity to deliver on the SDGs. The single greatest challenge facing development is turning research and strategies into implementable solutions: improvement initiatives that deliver a positive impact. This note unpacks how the MAP programme is working with governments and development partners to boost countries' capacity for self-determination and delivery on the national financial inclusion roadmap vision and promises, in the process accelerating inclusive growth and making progress towards the UN 2030 Agenda for Sustainable Development.



NOTE 4: There and back again: Harnessing data, developing collaborative platforms and enabling governments to deliver on the SDGs. This concluding note pulls together the power of the consumer data, its role in driving improvement interventions at country level and the importance of the MAP platform in bringing together country governments and stakeholders in evidence-based decision-making. Picking up on the key findings from the consumer data in other notes in the current volume, this note also provides insight into the systematic operational approach of the global MAP programme and reiterates the efficacy of the MAP approach in working with governments to deliver on the SDGs.

The context in which MAP has flourished

A changing world of development, technology and business

The birth in 2011/12 of UNCDF's MAP approach came amid no major global shocks. Rapid technology innovations were serving to disrupt existing ways of doing things, leading to the emergence of new business models and new market players. In development circles and in poverty alleviation work, there was a move away from microfinance towards financial inclusion, in recognition of the latter's potential for more and broader impact on the lives of the poor. Increasingly, financial inclusion was recognised as having the potential to strengthen countries' economic growth, reduce poverty and increase levels of population well-being (CFI 2013).

Moving away from microfinance. Around 2008, the emphasis had started to move away from specialised microfinance for the poor. A review at the time of a number of national microfinance policies concluded their key weaknesses stemmed from use of a top-down, donor-driven approach, which failed to reflect local realities (Duflos & Glisovic-Mézières 2008).

Increasing emphasis on financial inclusion. By 2008, the development focus had shifted to building a country's overall financial market and seeking the financial inclusion of the poor in that market (World Bank 2008). The assumption was – and remains – that competitive markets are the key means through which innovation and competition will result in falling transaction costs together with the scale and sustainability required to overcome the significant levels of exclusion that remain (Porteous 2004; Honohan & Beck 2007).

A financial inclusion milestone. The 2011 Maya Declaration was an AFI (Alliance for Financial Inclusion) initiative aimed at unlocking the economic and social potential of the world's 2 billion 'unbanked' population through increased financial inclusion. Since then, the Maya Declaration has seen growing support from developing and emerging countries' financial regulatory and policymaking institutions. Of the 57 institutions that had made commitments under the Maya Declaration by the end of September 2015, 35 had committed to formulating and implementing a national financial inclusion strategy; and of these 35 countries, 16 had already formulated one (AFI 2015).

Financial inclusion-related challenges for developing country governments

The challenge of gaping knowledge gaps. From the outset it became evident, however, that most countries' financial inclusion ambitions call for the implementation of in-country policy changes but are not supported by robust diagnostics; and even when diagnostics existed, there was often a lack of reliable data to support data-driven and evidence-based policy to meet the challenges of local realities.

The challenge of different and unconventional stakeholders. Around the same time, as microfinance institutions started to mature and broaden their remit of services beyond credit, other players, often with innovative business models, started to be recognised as playing a tangible and beneficial role in financial inclusion: mobile money players, digital financial services, micro insurance and others. This complicated the legal and regulatory environment.

The challenge of evidence-based decision-making. Technology/business innovators and the employment of new business models started making available a wealth of new, high-quality, potentially valuable customer profile data – 'potentially' valuable because harnessing it to support evidence-based decision-making would require capacity that was often lacking on the part of developing country governments.

The challenge of agile regulation. Developing country governments were increasingly under pressure to be responsive to the needs and interests not only of consumers and the public at large but also those who were innovating in business and had the potential to accelerate market development. Governments and regulators 'must continuously adapt to a new, fast-changing environment, reinventing themselves so they can truly understand what it is they are regulating. To do so, governments and regulatory agencies will need to collaborate closely with business and civil society' (Schwab 2016).

The challenge of coordinating development efforts. At the same time, increasing calls for improved collaboration and coordination of development efforts at country level put pressure on development partners too; an approach was needed that would simultaneously enable governments to deliver on their national aspirations and support donors to invest in coordinated efforts with the potential to achieve long-term and measurable impact on the country.

Time for a platform approach to financial inclusion?

The design of the MAP implementation approach was influenced by developments and disruption in the wider world of technology and business as well as the realities of a changing world where partnering and collaboration for delivery are key. MAP has drawn inspiration from the way in which technology-enabled platforms are niftily combining demand and supply – commonly referred to as the ‘on demand’ economy (Miller 2016) – while creating a common vision for delivery.

Many of these companies’ most groundbreaking innovations are not products or services; they are the platforms on which these products and services are built, and the business models that these platforms enable. What makes these models special? They allow companies to create entire ecosystems that do much of the work to grow the company and drive strategies. The platform has become the business model that is opening up entirely new paths to growth for companies. (Accenture 2016)

Seeking an effective way of helping country governments to bring together **demand** (as highlighted in the MAP in-country data) and **supply** (by the country’s financial service providers and other relevant stakeholders), and to keep up with rapid changes in society, business and technology, MAP has looked to platforms in the business and technology worlds for lessons. The concept of an inclusive platform, as found in new business models, informed UNCDF’s design of a platform for cooperative sharing of national goals and activities towards the achievement of a common goal of poverty eradication through financial inclusion (see Table 1).

MAP provides a platform for financial inclusion focus and collaboration among diverse stakeholders at national level.

Development is fundamentally a process of social transformation — markets (and their supporting institutions and organizations, e.g. firms) are social mechanisms that structure how people cooperate, governments (and their supporting

Characteristics of platforms	Key elements of MAP’s platform design
<ul style="list-style-type: none"> Valuing adaptability and an end-user focus. In the software industry, a ‘platform’ was initially understood to mean an underlying computer system – but this has evolved to mean anything that can be built upon: a framework. 	<ul style="list-style-type: none"> MAP keeps the focus firmly on the country’s consumers and priority problems, as encapsulated in the consumer data. The MAP platform provides the <i>structure</i> to guide government and stakeholder collaboration on experimental, trial-and-error initiatives to meet consumer needs. The platform provides the <i>flexibility</i> required for responding promptly to market gaps as they become evident. The dynamism of both the development context and the MAP stakeholder engagement process means that solutions often go beyond those originally envisaged.
<ul style="list-style-type: none"> Maximising the investment. Platforms allow multiple products to be built within the same technical framework. Companies invest in platforms in the hope that future products can be developed faster and more cheaply than if they were built stand-alone. 	<ul style="list-style-type: none"> A solid long-term investment in in-country presence from the MAP programme ensures oversight, guidance and coordination of the platform nationally. The MAP platform provides the required technical framework (e.g. the Steering Committee, the roadmap, the action plan) within which stakeholders can devise diverse yet complementary product/service offerings. The collaborative nature of the MAP platform offers benefits in the form of the agility and affordability of the problem-solving projects that emerge, and learnings are shared and reused. The MAP platform also helps country governments coordinate existing and new development partnership contributions, thus consolidating scarce funding.
<ul style="list-style-type: none"> Opening up entirely new paths to growth. By virtue of how they operate, platforms offer companies the benefit of creating entire ecosystems that do much of the work of growing the company and driving strategies. 	<ul style="list-style-type: none"> While the various coordinating elements of MAP (e.g. the Steering Committee, the roadmap, the action plan) offer structure, the platform – through engaging stakeholders – taps into the power of existing expertise/networks and existing pockets of energy, will and innovation in-country.

TABLE 1: Key elements of the MAP platform in emulating a more commercial and technology-based approach

institutions, e.g. agencies) are social mechanisms. This social process of national development reliably produces higher human well-being in every dimension. However, no one can reliably and rigorously demonstrate exactly which actions best promote development (as, almost certainly they are contextual and complex) and certainly no one can reliably attribute development to specific organizations (and doing so may, in and of itself, cause less effectiveness). (Pritchett 2017)

The MAP programme delivery structure and partnership approach focus on:

- **The customer/end user.** MAP rigour in terms of consumer-centredness ensures the in-country government and stakeholder thinking and problem-solving retain the consumer perspective, solutions are pragmatic, and scalable impact is measured using data.
- **Being realistic, clear and participatory.** The tangible financial inclusion plan (the national roadmap and action plan), by virtue of being negotiated and agreed upon by government with stakeholders, is politically realistic and allocates responsibility and authority for action.
- **Foregrounding partnerships for delivery.** Government is supported to create an enabling environment for effective and sustainable multi-stakeholder partnerships, which are a prerequisite for supplementing existing government capacity and scaling up public-private and donor collaborations to deliver on the UN SDGs (Sustainable Development Goals).
- **Evolvability through sound platform architecture.** The MAP platform's combination of structure and flexibility offers variety in the present and evolvability through time, which increases the likelihood of government and stakeholders keeping up with contextual dynamics and being able to take advantage of market gaps.
- **Synergy through problem-solving collaboration.** Coordination of local expertise via the platform helps to unlock and make the most of problem-solving savvy on the part of existing and potential stakeholders.
- **An iterative approach, clear boundaries and 'freedom to fail'.** Rapid cycles of trial-and-error learning, guided by fair and clear objectives, protocols, processes and procedures, enable small,

pilot initiatives to take manageable risks and test proof of concept before they are refined further and taken to scale.

- **Accelerating innovation through valuing and reusing learning.** Learning is reused in the interests of reducing risk, costs and time; innovation is accelerated because stakeholders are supported to contribute, and to pool and build on ideas and solutions not necessarily considered at the outset.

Not just another buzzword. The MAP platform is proving its functionality and efficacy in supporting developing country governments to deliver on their financial inclusion promises through strategic partnerships around consumer-centred, real-world improvement projects.

What is MAP uncovering?

There is growing evidence from the MAP countries that inclusive financial sector development impacts economies in ways that contribute to equitable and inclusive growth. Why financial inclusion? Firstly, such development can drive growth in specific economic sectors, contributing to broader economic objectives. Secondly, financial inclusion can help secure access to services such as health and education, allowing individuals and households to invest and participate actively in human capital formation (and in the process complementing state efforts in this regard). Finally, the availability of appropriate financial services can lead to welfare improvements by enabling people to increase their income, do more with their current level of income and/or build their assets.

Generating growth and employment

Note 1 in the current volume illustrates the potential of financial inclusion to generate growth and employment by supporting the economic activity of discrete segments of the adult population:

- **Agriculture:** In most of the MAP countries, the data shows that large portions of the population are reliant on agriculture as a primary source of income or, where this is not the case, that agriculture is integrally linked to food security either as a secondary income source or through subsistence farming that provides most of the food and livelihood needs of the household. Farming is an important sector for generating jobs and growing incomes outside of the formally employed market, and financial services have an important role to play in contributing to this potential. In Myanmar,

58% of the adult population (23 million people) derive their income from agriculture. FinScope Myanmar (2013) reported that 50% of farmers rely on credit from either regulated or unregulated sources. FinScope and qualitative research in that and other MAP countries confirms that credit is used to sustain the livelihood of farmers, but also reveals that credit is not always directed towards farming activities but is often used to manage the impact of risks. This suggests that access to other types of financial services (e.g. insurance) could free up credit for productive use. By contrast, in Mozambique, very few farmers have any access to financial services – a situation that, due to structural market and contextual constraints, is unlikely to change anytime soon and serves to further entrench subsistence farming and rural poverty.

MAP Nepal (2016) found that loans are generally taken by farmers for consumption and social purposes rather than productive purposes – and that key among the ‘social purposes’ in question are weddings. While this might seem an irrational use of credit by farmers, the generous hosting of fellow community members at a wedding is an investment in social capital that is likely to pay off in subsequent times of need.

▪ **MSMEs:** Like farming, MSMEs offer great potential for employment creation and economic growth, and benefit from financial services for managing cash flows, investing in additional inventory and making payments to suppliers. Improved access to financial services can contribute to realising the growth and employment potential of MSMEs. In Thailand, for example, the more than 4 million adults that are self-employed in formal MSMEs report the highest usage of a portfolio of various financial services. This is compared to formal MSMEs in Myanmar, which are severely underserved and record incomes a third of the size of their Thailand counterparts. In Swaziland, Malawi, Mozambique and Lesotho, respectively, only a relatively small portion of MSMEs have been identified as ‘aspirational’ (i.e. having both the skills and motivation to grow), with the potential to contribute significantly to their country’s macroeconomic growth and employment. Even these aspirational entrepreneurs, however, for the most part lack access to the financial services they need to smooth income and invest in their businesses. Identifying the sub-segments of

MSMEs with the potential to grow – given appropriate supporting and enabling financial services – can contribute to national growth and job creation, while a lack of access to financial services inhibits economic growth in this segment.

Redistributing wealth and reducing vulnerability

Given that they function to redistribute wealth from higher- to lower-income regions, remittances are emerging as a key source of income for equitable growth across the MAP countries.

Cross-border and internal migration alike are largely driven by the opportunity for increased income. Such income can then either be repatriated or redistributed to more impoverished areas of the country (as the case may be):

- In Lesotho, 14% of the adult population live abroad, mostly in South Africa, and their remittances home contribute 22.6% of GNP (MAP Lesotho 2014).
- In Thailand, a little over 11% of the adult population (5.7 million people) derive their main source of income from internal remittances, with more than two-thirds of those people living in the impoverished rural north and northeast regions (FinScope Thailand 2013).

Remittances reduce vulnerability. Remittances are a means of creating a ladder out of vulnerability. The MAP research in southern African has found remittances to be a key source of income for a large target market segment of dependants, and an important consumption injection in local communities:

- In Swaziland, more than 10% of adults depend on others for their main source of income and a further 6% receive income from others as a secondary income source. Many of these adults receive their income via remittances (MAP Swaziland 2014).

Building human capital

Access to financial services provides the tools for low-income households to invest in human capital development. By empowering consumers and reducing vulnerability, financial inclusion can allow even poor households to take a long-term view of investment in their own education and health, which in turn raises levels of skills and productivity. (This is different from more familiar forms of poverty alleviation and social protection measures such as cash transfers, commodity subsidies or

even traditional forms of microcredit that focus on ensuring households move above the national poverty line by boosting their consumption power.)

- In Myanmar, where there is no form of public or private health insurance, 13% of adults report using credit and 11% report using savings in the event of a medical emergency (MAP Myanmar 2014).
- In Swaziland and Lesotho, 16% and 14%, respectively, report using savings to cover medical expenses (FinScope Swaziland 2014; MAP Lesotho 2014).
- Even in Thailand, where 66% of the adult population report using the Universal Coverage Scheme (known locally as the '30-baht scheme'), 28% of adults still indicate that they save for future medical expenses (FinScope Thailand 2013).

The use of savings and credit for education is equally pronounced. Even where education is provided by the state, adults use financial services to cover additional school expenses such as uniforms or transport, or to complement free education:

- In Lesotho and Swaziland, where the level of education is strongly correlated with employment and income, 23% and 27% of adults, respectively, report using credit to fund education expenses.
- Primary education is free in Swaziland and tertiary education is heavily subsidised. Thus people prioritise investing in their children's secondary education as a springboard to tertiary education and, with that, a better chance of economic success.

The examples cited here suggest that, given the opportunity, households will use financial services to improve their health and educate their children, thereby contributing through their individual efforts to national human capital-building efforts.

Improving welfare

Financial services enable risk management and mitigation. By enabling poor households and those who are just above the poverty threshold to manage various risks that could lead to financial shocks for the household, financial services can help such households find a pathway out of vulnerability, thereby enhancing welfare. Credit, savings, insurance and remittance payments can fulfil this role. However, in almost all of the MAP countries, the bulk of the population still remains without access to key financial services. This leaves households vulnerable

to risk and forces many to rely on alternative coping mechanisms, such as selling their assets or forgoing work, which undermines their welfare:

- In Myanmar, formal and informal insurance together reach only 7% of the adult population. Most adults rely on savings or credit to mitigate risk. However, those that cannot rely on these financial services report either selling assets or doing nothing. Of the 22% of adults that reported having experienced harvest failure (MAP Myanmar 2014), more than half had used savings or borrowed money, while nearly a quarter could do nothing.
- Even in Thailand - the MAP country with the highest level of financial access - savings and credit are the preferred methods when responding to a risk event; of those who experienced the loss of income of a main income earner (either through changes in that person's employment circumstances, or death), 36% reported using savings to cope with the financial impact and 28% reported borrowing money, while a mere 9% reported claiming from insurance (FinScope Thailand 2013).

Financial services improve individuals' efficiency and provide tools to accumulate wealth. Apart from reducing vulnerability, financial services can enhance welfare by allowing people to more efficiently transact and to grow their income and assets. In Mozambique (MAP Mozambique 2015) and Myanmar (MAP Myanmar 2014), outside of the formally employed, individuals primarily save with informal mechanisms or at home. Saving at home creates challenges for consumers in terms of growing their incomes, however, as it does not instil the discipline needed, and also leaves them vulnerable to theft.

The link between financial inclusion and broader development. The MAP data demonstrates that even poor consumers are capable of making rational financial decisions and handling their day-to-day financial lives. Short-term constraints arising from lack of income security and sustainability inevitably inhibit their ability to take a long-term view of their lives. Access to appropriate and effective financial products that can enable such consumers to better manage risk will boost their chances of long-term planning and resilience. The evidence is increasingly supporting the link between financial inclusion and the attainment of broader development goals. Financial inclusion has a direct impact on health, education, gender equality and food security. It also has an indirect role in achieving broader goals such as inequality and growth (CGAP 2017).

Platform + data + tools to make an impact

Combining the huge volume of in-country data, on the one hand, with the stakeholder engagement process, on the other, to come up with implementation that delivers impact is always a challenge. To this end, MAP has developed a set of data-centric tools that are used to drive detailed discussions with

government and stakeholders within the context of consumer behaviour and needs. This evidence-based approach is central to supporting government and stakeholders to narrow the focus down to the priority interventions – those that are simultaneously most viable and most likely to achieve improvement.



MAP TOOL 1: Conducting consumer needs analysis

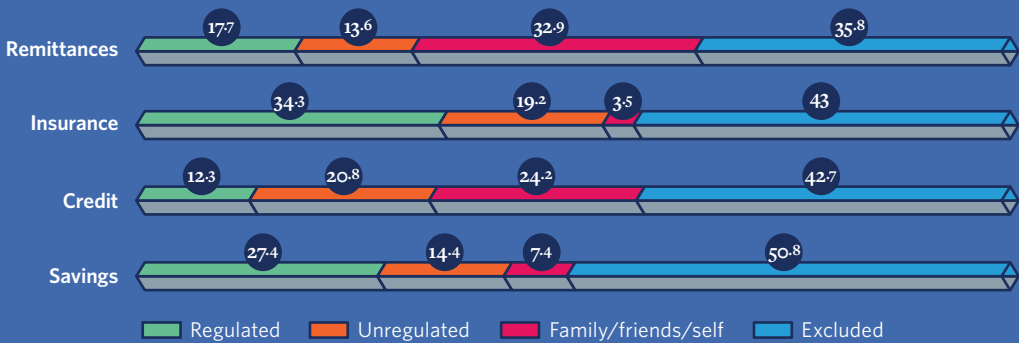


FIGURE: Access strands for private dependants (Lesotho) | Source: FinScope Lesotho 2011.



MAP TOOL 4: Identifying and removing barriers between providers and consumers

	Banks	Informal	Mobile money
Asset accumulation		✓ ✓ ✓	
Remote cross-border transfer of value	✓		✓ ✓ ✓
Remote domestic transfer of value		✓	✓ ✓ ✓
Farming inputs		✓	✓ ✓
Enterprise finance	✓	✓	
Education		✓ ✓ ✓	✓ ✓
Local payments		✓ ✓ ✓	✓ ✓ ✓
Bill payments	✓	✓	✓
Risk mitigation		✓ ✓ ✓	✓ ✓
Consumption smoothing		✓ ✓ ✓	✓ ✓ ✓
Encashment	✓ ✓		

✓ LOW USAGE

✓ ✓ AVERAGE USAGE

✓ ✓ ✓ HIGH USAGE

FIGURE: Providers, the services they supply, and consumer usage (Zimbabwe) | Source: MAP Zimbabwe 2014.



MAP TOOL 2:
**Identifying consumer
 decision-making drivers**

How providers and customers decide on financial services

REMOTE PROVIDERS	CUSTOMERS	LOCAL PROVIDERS
<p>Eligibility Restricted through the need for documentation (e.g. ID, proof of regular income), predetermined exclusion criteria (in the case of insurance policies), or failure to meet a predetermined credit score (including lack of/ inadequate collateral).</p>	<p>Proximity and convenience How close/convenient the service is in terms of access:</p> <ul style="list-style-type: none"> Physical access Avoidance of bureaucracy and delays in processing a request for the service due to a lack of proof of identity, lack of proof of regular income or lack of sufficient collateral. 	<p>Eligibility Fewer restrictions: the client is usually known, has some kind of track record/credibility or is recommended by a known individual.</p>
<p>Size of risk Predetermined policies and scoring mechanisms.</p>	<p>Other perceived value of the service and the provider</p> <ul style="list-style-type: none"> Flexibility of the service (including in the event of repayment needing to be renegotiated at some future point). Ability of the provider to handle small-value transactions. Simple pricing and repayments structures. Social capital to be gained (e.g. from membership of a successful savings group). Ease of recourse based on knowledge of the provider. Trust in the provider to have the customer's interests at heart. 	<p>Size of risk Determined on an individual basis, usually based on first-hand knowledge of the customer or referral by another known individual.</p>
<p>Terms Usually clearly stipulated and relatively inflexible.</p>		<p>Terms Usually flexible (or there is a willingness to renegotiate in difficult personal circumstances).</p>
<p>Complaints settlement A specific department separate from the rest of the institution and governed by strict protocols.</p>		<p>Complaints settlement Personal, accessible and immediate.</p>

TABLE: Main components of financial service decision-making: providers vs customers.



MAP TOOL 5:
**Measuring usage rather
 than access/ownership**

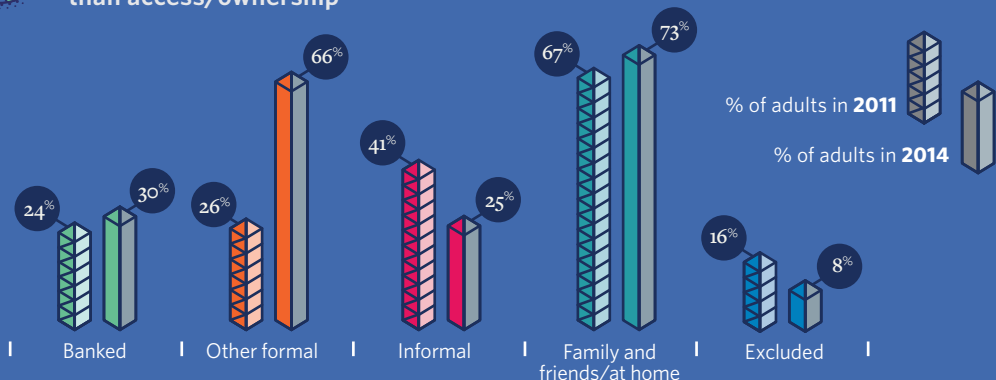


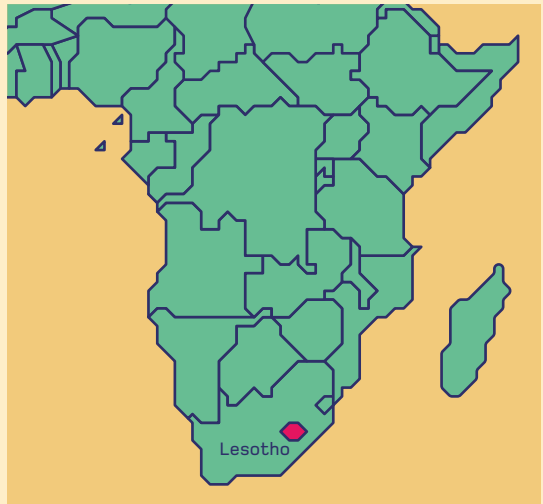
FIGURE: Consumer behaviour: comparison of financial service actual usage – 2011 vs 2014 (Zimbabwe) | Source: FinScope Zimbabwe 2011, 2014.

Platform + data + tools to make an impact

Demonstrating development impact in the form of positive changes in the lives of poor people remains at the heart of the MAP programme. By harnessing the in-country data, the use of the MAP diagnostic tools, the stakeholder engagement and the resulting national financial inclusion roadmap to *implementation*, MAP has been able to set up pilot initiatives and channel investments into the development of innovative customer-service models. The coordinated and collaborative effort on a national platform in each case serves to anchor the MAP approach in-country, building technical capacity and increasing the likelihood that the innovations identified can be taken to scale and will continue delivering benefits into the future, even as market conditions and consumer needs evolve.

Examples of priority projects for responding to market gaps and delivering real-world improvements

Despite being a small programme, MAP is proving able to facilitate projects that, while modest in size, are demonstrating big potential for addressing real-world problems and improving consumer well-being.



Shoprite Checkers Lesotho cross-border money project – identifying the problem/s and prioritising the intervention based on highest potential impact

MAP's work in Lesotho exemplifies the progress to be made by engaging with the problems that are encountered in-country and trying to solve them, rather than importing readymade development solutions. A politically informed approach, iterative testing of hypotheses, and refining of the intervention make for a process that, while messier-looking than one might want, is effective, including in terms of cost. Making progress on addressing specific issues can add up to a large impact in terms of demonstrating what is possible and what can be taken to scale to significantly improve the lives of consumers.

Country background: Lesotho

While Lesotho shares many of the characteristics of the other southern African countries, it also has many distinctive features that have important implications for extending financial inclusion. It is a small country physically, demographically and economically (population 2 million). The country's mostly mountainous terrain hampers transport and road communications, with many people living in areas considered 'remote' due to inaccessibility. About half the population live in absolute poverty, and FinScope Lesotho (2011) shows that 60% of the adult population earn less than M500 (US\$60.60) per month. The population is largely rural. There is a large migrant community: Basotho migrant workers are a vital support for domestic livelihoods and 14% of the adult population live abroad, mostly in South Africa (MAP Lesotho 2014). There is a need for affordable, convenient, safe and reliable formal remittance services cross-border, given that up to now migrants have mostly used informal means of transporting cash back home.

The needs and the challenges? Choosing strategically from among a range of problems so as to achieve real impact within budgetary and capacity constraints

Despite the fact that there were numerous potential problems on which the Lesotho government and the MAP team might focus and that the country already had a financial inclusion roadmap highlighting priority areas, this did not immediately point to a particular problem to solve. The trick, given a very limited budget and existing government capacity, was to identify a problem that was not only a priority for consumers and government alike, but was at once small enough and specific enough to allow for a workable and affordable intervention and 'big' enough to mean potentially positively impacting the well-being of many.

As a preliminary step to get clarity, the MAP research identified seven target market segments with the potential to make an impact based on their relative size: salaried; piece jobs; own business; agriculture; private dependants; government dependants; and non-resident Basotho (i.e. residing legally as migrants in South Africa). For each of these segments, the main financial service/product needs as indicated by the MAP research were identified (see Table 2).

Using potential impact as the criterion, the team then shortlisted possible priority problems on which to focus (see Table 3).

One of the challenges for the MAP team was to identify a real consumer problem and solution that would mesh with the national financial inclusion roadmap and on which government could demonstrate delivery on the policy framework. A further consideration was identifying a problem around which local stakeholders could mobilise and which they could own, thus increasing the chances of long-term sustainability of the solution.

The stakeholder engagement was led by Lesotho's finance ministry and the country's central bank, which used the MAP platform to bring together, among others: the South African Reserve Bank, Capital Bank in South Africa, and a range of private-sector players, including large retailers Shoprite Lesotho and Shoprite South Africa, respectively.

During the stakeholder engagement, these retailers and a South African bank indicated interest in

solving the same dilemma: helping their customers – unbanked Basotho migrant workers resorting to informal, high-cost and high-risk channels – to remit their money across the border from South Africa to Lesotho. Given the existing consumer need, the high levels of interest on the part of the providers and the regulator alike in solving this knotty problem, and the existence of an already established and approved system and service, it made sense to take the project further. Thus, the pilot for the Shoprite Checkers Lesotho cross-border money project was born.

The initial concept was to develop a small, pilot project with limited geographic area to test cross-border sending of small amounts of money, which the recipient could then cash out at a supermarket. Keeping the initial project focus narrow, setting modest initial expected outputs and allowing 'space to fail' allowed the project team to proceed unhindered. In the process, the team was able to identify the regulatory hurdles, practical customer realities and business operational challenges and to develop a tangible go-to-market plan.

The impact? Taking the pilot to scale, and reusing the learnings across the region and in other countries

The money transfer service has been approved by the South African Reserve Bank (SARB); any money transfer can be made at any Shoprite store in South Africa to be received at any Shoprite store in Lesotho. Each transfer costs the sender a fixed amount of M9.99 (US\$0.73) while the person receiving the money pays no charge and is required to present a valid identity document (ID card, passport or voter's card). There is a daily limit of M5,000 (US\$366) to be sent and received and a monthly limit of M25,000 (US\$1,830).

The success of the pilot project has led to efforts to scale up the initiative further, to national roll-out.

In addition, the MAP team proved that the methodology is sound and that the learnings from this project could be reused, given that the findings potentially relate to and impact on at least three other countries in the region. MAP then commissioned research to identify the other corridors out of South Africa, which enabled the team on the ground to identify other potential partners to conceptualise a similar project for each of those countries.








Segment	Estimated Size	Identified Needs
Salaried workers 	160,000	<ul style="list-style-type: none"> Well served, not main financial inclusion priority Low-cost remittance services Long-term (educational) savings Utilise access to credit to borrow for businesses
Piece job workers 	200,000	<ul style="list-style-type: none"> Cost-effective, accessible remittance services Need for products to store (save) irregular earnings safely Insurance and savings through collective vehicles
Own business 	135,000	<ul style="list-style-type: none"> Mostly survivalist – but some with growth potential Low-cost transactional and remittance services Risk mitigation – beyond funeral insurance Low-cost savings options Asset-based credit (limited)
Agriculture 	140,000	<ul style="list-style-type: none"> Specialised agricultural finance for commercially oriented farmers Possible crop/livestock insurance Need low-cost savings and transactional services Given survivalist nature, business credit unlikely for most farmers
Private dependants 	300,000	<ul style="list-style-type: none"> Reasonably well served (links to salaried) Conduit for expatriates' earnings Access to low-cost, convenient remittances – domestic and cross-border Savings products to store the remittances
Migrants 	300,000	<ul style="list-style-type: none"> Largest segment, well paid Need to save and send money home i.e. enhanced access in sending country Longer-term savings and asset accumulation towards retirement Funeral insurance including repatriation of body Insurance and endowment mechanisms to pay for premiums cross-border for dependants
Government dependants 	190,000	<ul style="list-style-type: none"> Reasonably well served through informal channels (burial, savings clubs) Secure savings and alternative to cash for receipt of welfare grants

TABLE 2: Financial service/product needs by target market segment: Lesotho
Source: FinScope Lesotho 2011.

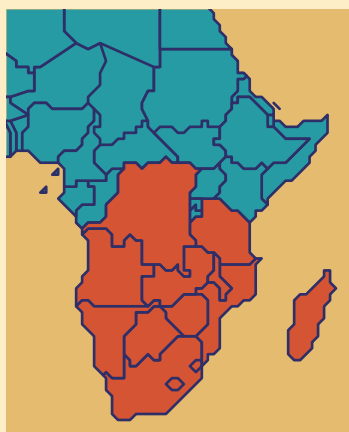
Shortlisted Priority	Potential Impact
1. Lowering cost of transactions and enhancing range of low-cost savings options 2. Facilitating low-cost domestic and cross-border remittances and payments 3. Enhancing risk mitigation beyond funeral cover	Directly improve household welfare through efficiency gains and risk mitigation.
4. Targeted MSME and farm credit	Support economic growth.
5. Leveraging inward investments by migrant workers	Increase financial sector intermediation to support investment and growth.
6. Selective institutional reform	

TABLE 3: Shortlisted priorities for financial inclusion: Lesotho
Source: FinScope Lesotho 2011.

Codifying an operational framework. The rapid cycles of learning, failing, further learning and adapting adopted by the MAP team in the Lesotho project have enabled the team to codify a methodology and operational and management framework that can be applied with the necessary adaptations to other, similar situations and countries. For a global organisation such as UNCDF, and a relatively modestly sized programme such as MAP, such codifying is valuable in terms of making the most of available donor dollars to manage the achievement of development objectives – national

and programme – and support country governments to focus on-the-ground resources on delivery.

Evidence of adaptation to context is vital. Sub-national variance, local (formal and informal) institutions, the strength of networks, power relationships and more must be taken into account. Interestingly, in the design of the credit data-sharing project, it became very clear that credit markets are at different stages of development and needed very different approaches. Additionally, different cultural contexts require a different implementation approach.



SADC region - the need for adaptability, patience, and customisation to specific country conditions

MAP's research and subsequent initiatives focusing on gathering reliable credit market data in SADC (Southern African Development Community) countries demonstrates the need for differentiated approaches for different local and cultural realities. While learnings from one project and country can be reused in other settings, customisation to the unique challenges of the country setting are necessary.

The needs and the challenges? Local relevance and buy-in to achieve real impact

High levels of consumer indebtedness and dependence

on informal borrowing are common across the MAP countries in the SADC region. At the same time, the informal nature of the borrowing means that governments and providers struggle to obtain reliable, accurate information on credit users' behaviour and needs. In particular, while credit bureaus exist in most countries, they do not always function adequately and their data is patchy, given that they do not deal with or capture information related to small-value borrowing (the norm among low-income consumers). Thus, a key problem for regulators, banks and microfinance institutions (MFIs) providing credit has been how to create a centralised and systematic way to collect data on borrowing that would allow the market for credit to be strengthened.

South Africa has developed a credit information-sharing project, led by the MFIs and subsequently taken up also by large commercial banks, that is successfully sharing customer data. While South Africa is not a MAP country, following the success of the project in South Africa the MAP teams working in other SADC countries considered the South African project worth extending to the SADC countries, where the data demonstrated similar concerns.

The impact? Customising the project per country calls for patience and skill

Despite being initiated in eight countries since 2015, the projects are not yet fully functioning. Each country is negotiating its own terms, and each project requires customising to country conditions and constraints. Some of the projects are nationally owned while others are predominantly private sector led.

In the DRC, for instance, a centrally managed credit bureau collects banking data through the national reserve bank, although this does not include data on low-value borrowing by smaller customers. In that country, an alternative to the original MFI-led emphasis is needed for project implementation and sharing of data. The project is being re-conceptualised in discussion with the DRC Ministry of Finance, the central bank and the large players in the market across the financial sector, with the key elements of data-sharing remaining at the core.

Once functioning, all of the projects will have contributed to strengthening the country's credit market, closing the gap between providers and consumers and providing consumers with more appropriate and accurately targeted services.

Learning what works

Change is never easy. It is useful to bear this in mind when designing and implementing improvement initiatives. As Note 3 of the current volume discusses, it helps, rather than identifying and trying to apply a 'best practice' reform that looks good on paper, to adopt a best-fit, problem-driven approach, taking as a starting point real, messy problems that governments, providers and consumers experience and engaging with those problems to seek improvements.

It is important to remain optimistic that change is possible despite seemingly intractable challenges, and agile enough to adapt the improvement effort as necessary. Patience is needed for experimenting with new ideas: on a scale large enough to be meaningful, and yet modest enough to avoid unnecessary exposure to risk, should the experiment need tweaking or prove non-viable.

Change initiatives need to allow and facilitate learning (often through failure) – while not using 'failure' as an excuse for non-delivery. And it is crucial that those trying to bring about reform stop accepting the notion of 'reforms as signals' and focus rather on pursuing improvement initiatives as 'real solutions to the problems [governments] face' (Andrews 2013).

Helping developing country governments to spearhead and achieve real change in the marketplace requires hard work, using processes and systems that make it possible to harness the collective experience and knowledge of many local stakeholders, such as development partners and private-sector players. MAP has been successful in harnessing this knowledge at the research stage, and has begun to show results in deploying a similarly stakeholder-intensive implementation process.

The MAP implementation learnings have highlighted that the following are necessary for change:

- **Ongoing innovation:** The deployment of new products, services and channels in-country requires a high level of innovation in the marketplace by private- and public-sector players, potentially supported by development partners. The MAP process is proving effective in highlighting the areas where such innovations

are needed on a national scale and giving the necessary profile and priority to such activities.

- **Balancing risks and gains for private-sector stakeholders:** The MAP platform for stakeholder engagement is modelled on platforms in the business and technology worlds. Yet peer-to-peer sharing among stakeholders in the 'sharing economy' of open-source software development, for instance, lacks the element of competition and is more collegial than is naturally the case with private-sector players on the MAP platform. A key and ongoing challenge for MAP is thus to develop sufficient levels of trust among the private-sector stakeholders, and to argue the business case convincingly for their 'giving away' some of their intellectual property – in the interests of innovating in the market, in the process improving both customer service and general business prospects.
- **Researching and implementing across boundaries:** While MAP has been effective in researching and implementing at national level, new areas have emerged that have a strong cross-border element, most notably remittances but also cross-cutting areas such as AML/CFT approaches. Regional MAP implementing partners – such as FinMark Trust, as well as UNCDF regional hubs in Asia and West Africa – create strong local links and implementing capacity on the ground. This regional angle has been helpful in addressing such opportunities. There is a need, however, to increase the level of primary research in certain areas: for example, linking diaspora population behaviour with that of the local population (through remittance dependence) and into the national MAP process.
- **Putting the customer first:** MAP has been very effective in putting the customer first, through the research methodology that is built around consumers. It is important to continue to strengthen this focus, despite the sometimes high cost of carrying out the nationally representative consumer surveys. Development partner and private-sector player pooling of resources eases the burden of these high costs – but it is also necessary to consider innovative methodologies that might achieve lower costs per survey.
- **Prioritising market development, sustainability:** The MAP methodology is built around the principles of market development. However, the reality of many developing economies is that

the state, and subsidies from the state or from development partners, continues to play a significant role in promoting financial inclusion. Defining timelines to the easing of such state interventions may be necessary, balancing the market development approach with the much-needed short-to-medium-term relief among many communities. MAP will, however, continue to highlight, for government and development partners, instances where such interventions are having market consequences, including consumer over-indebtedness, disincentives for new investments in viable segments and unsustainable practices.

• **Emphasising national ownership of successes:**

As with any development initiative, it is important for the country government and local stakeholders in the MAP process to own the successes that result from the supported initiatives. While success is achieved by getting many disparate stakeholders to work together, each doing their part, on the whole the MAP process will continue to highlight broader successes – most notably, the improvements in financial inclusion as a result of the *combined* efforts of stakeholders. At a national level, the participating governments are able to monitor and celebrate their success through the national M&E framework linked to the national financial inclusion strategy or roadmap.

• **Identifying political will/attention and building capacity:**

The role of adequate capacity among governments and stakeholders and the right level of political will and attention cannot be over-emphasised. For the government to drive a credible change process, it is essential that it be adequately capacitated, both internally and through partnerships with programmes like MAP that can be called upon as required to help the government do its work more effectively.

While the primary objective of MAP in each country is to create a platform to realise national financial inclusion aspirations, trends are clearly emerging across the 18 MAP countries with regard to key functional areas where governments would do well to focus attention and capacity; among the focus areas with particular potential for achieving financial inclusion impact are remittances, digitised payments and mobile money, savings mobilisation, micro-insurance, financial literacy, MSMEs, agriculture, gender and M&E.

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Notes:

About UNCDF

UNCDF is the UN's capital investment agency for the world's 47 least developed countries (LDCs). With its capital mandate and instruments, UNCDF offers 'last mile' finance models that unlock public and private resources, especially at the domestic level, to reduce poverty and support local economic development. This last mile is where available resources for development are scarcest; where market failures are most pronounced; and where benefits from national growth tend to leave people excluded.

UNCDF's financing models work through two channels: savings-led financial inclusion that expands the opportunities for individuals, households, and small businesses to participate in the local economy, providing them with the tools they need to climb out of poverty and manage their financial lives; and by showing how localised investments – through fiscal decentralisation, innovative municipal finance, and structured project

finance – can drive public and private funding that underpins local economic expansion and sustainable development. UNCDF financing models are applied in thematic areas where addressing barriers to finance at the local level can have a transformational effect for poor and excluded people and communities.

By strengthening how finance works for poor people at the household, small enterprise, and local infrastructure levels, UNCDF contributes to SDG 1 on eradicating poverty with a focus on reaching the last mile and addressing exclusion and inequalities of access. At the same time, UNCDF deploys its capital finance mandate in line with SDG 17 on the means of implementation, to unlock public and private finance for the poor at the local level. By identifying those market segments where innovative financing models can have transformational impact in helping to reach the last mile, UNCDF contributes to a number of different SDGs and currently to 28 of 169 targets.




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