Measuring Progress:

Financial inclusion in SADC - ***2018***

Making Access Possible

This report was produced by FinMark Trust as part of the MAP SADC programme.

Editor: Kameshnee Naidoo

Authors: Brendan Pearce (CEO, FinMark Trust and SADC Regional MAP co-ordinator) and Candice Borgstein

Acknowledgements:

Our thanks to the efforts of the team on the ground who tirelessly work on daily basis with our government counterparts to ensure that we receive the numbers. Thanks to Government of Lesotho, the Ministry of Finance and Central Bank and country coordinator, Palesa Mamalala, The Swaziland Central Bank, Micro Finance Unit Swaziland, Ministry of Finance and country coordinator, Sabelo Mabuza, the Malawi Ministry of Finance, particularly the Division and country co-ordinator, Innocent Njati and the Botswana, Ministry of Finance with country co-ordinator, Salvatore Coscioni. To the numerous donors who work with us regularly at country level, especially UNDP – who have contributed resources to the M&E in Lesotho particularly. Rohan Parakh, from the Harvard Kennedy School, worked tirelessly during his internship on the country frameworks with the country coordinators and finally Nikki Kettles for ensuring all the frameworks at country level were in place, up to date and approved.

Partnering For A Common Purpose

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.

In the SADC region, FinMark Trust is UNCDF's partner, working with national Governments to implement the roadmaps. This report was produced as part of the outputs of the implementation.

About the Cover

By collecting and accurately interpreting large amounts of relevant data we are able to piece together a clear overview of the financial inclusion landscape. It is this concept of information expanding our view and giving us a firm orientation that inspired the design to this cover. Each new layer of information builds upon the next, revealing the peaks and troughs, growth and decline of inclusion in the region.

1

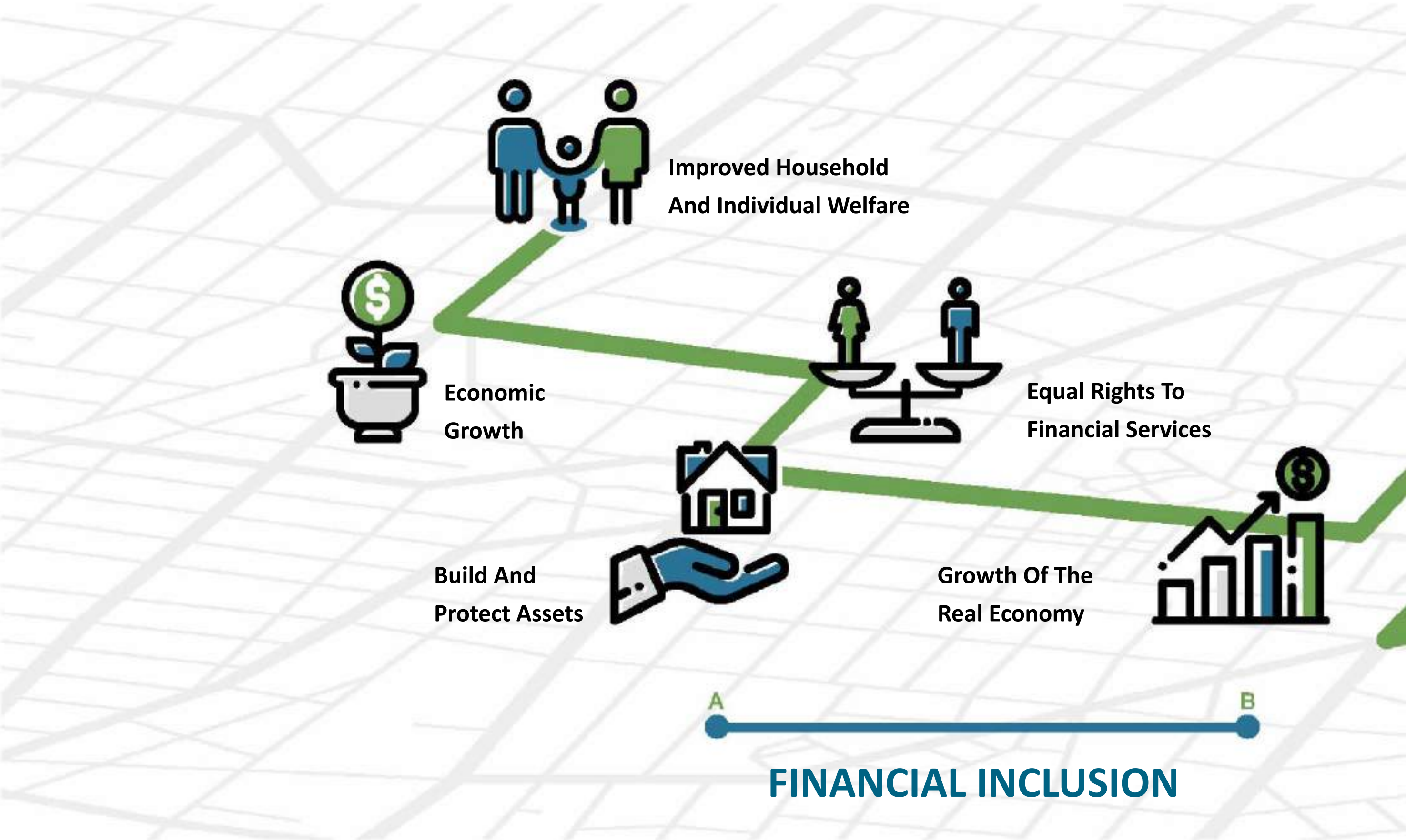
Financial inclusion as the policy instrument of choice

Increasing financial inclusion in a country comes neither solely from policy objectives nor from simply adopting and trying to implement 'best practice' reforms from elsewhere. Country governments have the crucial role of creating an enabling environment, in which a broad range of strategic partners at country level, armed with political will and with their different perspectives, operational models and expertise, can collaborate to discover the best-fit solutions to the country's most pressing problems.

The MAP approach embeds financial inclusion implementation in modest and realistic, day-to-day improvement projects, such efforts create momentum towards more ambitiously sized projects, eventually morphing into improved in-country institutions.

The National Financial Inclusion Strategy is designed to be an adaptable and evolving guide for the Nation. It is a broad roadmap that will require the ongoing development of specific goals, measures, benchmarks, and initiatives, through a continued transparent collaborative process with all stakeholders. It will continue to draw from pockets of excellence from which others can learn and which could eventually be brought to scale.

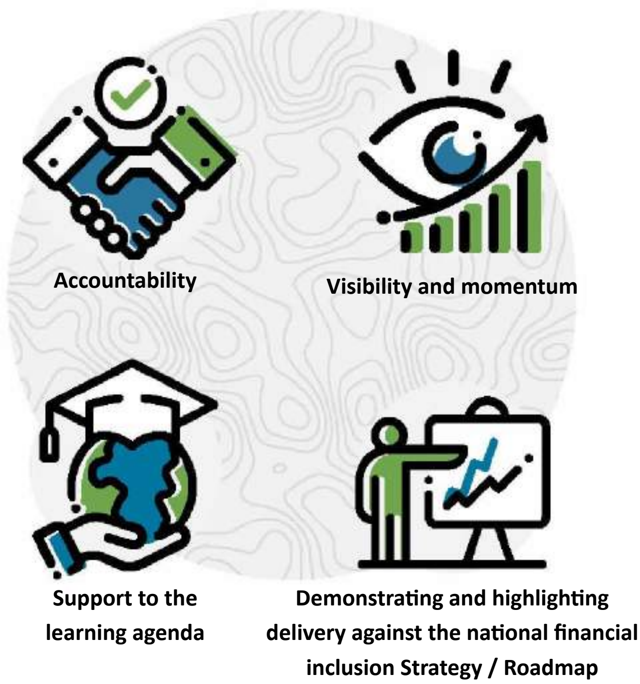
The national monitoring and evaluation frameworks sets out to measure the progress. Reaching these goals will be the product of the actions of many actors in each country. At the forefront, are the Governments who implement the strategy while organizations, donors, consumer advocates, and private sector investors will also contribute. The National strategy promotes collaboration among stakeholders in each country's financial inclusion mandate. In each country, the National Financial Inclusion Steering Committee also serves as the governing body that oversees the implementation of actions arising from the diagnostic, reporting either to the Ministry of Finance or Central Bank. The National monitoring and evaluation reports produced on an annual basis provides an ongoing opportunity to identify and learn as well as measure overall market performance in order to identify new areas of delivery. The National monitoring and evaluation reports are designed to adapt with the evolving needs of the country and its consumers. It is a broad roadmap that will require



the ongoing development of specific goals and agreed-upon metrics as a vital tool in evaluating the full range of financial inclusion efforts.

By design, this first-year monitoring and evaluation report in the selected implementation countries in the SADC region does not include all of the elements of the National Financial Inclusion Roadmaps and Strategies, in order to allow them to be developed with additional collaboration and engagement of the participating donors and agencies along with private sector consultation. The priorities and initiatives listed in this report will be refined, additional goals will be identified, and quality metrics and benchmarks will be applied to ensure accountability for performance and measure progress.

The Monitoring and Evaluation framework is an important component of the national Roadmap that allows stakeholders to measure national progress in the Roadmap context, allowing:



2

Linking national priorities to global goals

Financial inclusion is a means to an end – the end being improved household and individual welfare and a positive impact on those activities that contribute to production and economic growth. The latter in turn can have a positive impact on further financial sector development.

Access to financial services is highlighted in many of the United Nations Sustainable Development Goals (SDGs). For example, ensuring that all men and women, particularly the poor and vulnerable, have equal rights to financial services has been set as one of the targets for the goal to end poverty in all its forms. This recognises that people's financial lives are an important aspect of their broader lives. Financial services impact on people's ability to grow, smooth and protect their income, to transact, and to build and protect their assets. By improving people's financial lives, financial inclusion can contribute towards the achievement of broader public policy objectives and their livelihoods. Financial inclusion makes a strong contribution to the growth of the real economy by triggering higher productivity in agriculture and MSMEs, especially those owned and managed by women, and by mobilising household savings among smallholders and low-income families. Improved financial services and products contribute towards eliminating the 'missing middle' and thus help reduce inequality.

3

Financial Inclusion in the SADC

Despite relatively high levels of financial inclusion, mostly achieved over the last 10 years, FinScope demonstrates large numbers of people that remain excluded from financial services and a trend of more people (45%) making use of informal financial services. Formal inclusion has remained at 54% between 2015 and 2017, while those that have been banked has actually reduced. While the headline numbers show that more than half the population in SADC countries are included, the underlying data shows we still have a long way to go in formal inclusion, with figures remaining constant as people have not migrated to the formal sector.

45% making use of informal financial services.

Formal inclusion remained at 54% between 2015 and 2017

45 MILLION

Excluded From Financial Services

2015

66%

FINANCIALLY INCLUDED

FORMALLY SERVED	54%
BANKED	36%
OTHER FORMAL (NON BANK)	42%
INFORMAL MECHANISM	39%
EXCLUDED	34%

2017

67%

FINANCIALLY INCLUDED

FORMALLY SERVED	55%
BANKED	35%
OTHER FORMAL (NON BANK)	44%
INFORMAL MECHANISM	43%
EXCLUDED	33%

ACCESS STRAND 2015

36% | 18% | 12% | 34%

ACCESS STRAND 2017

35% | 19% | 13% | 33%

BANKED · OTHER FORMAL (NON BANK) · INFORMAL ONLY · EXCLUDED

Regional financial inclusion Strategy

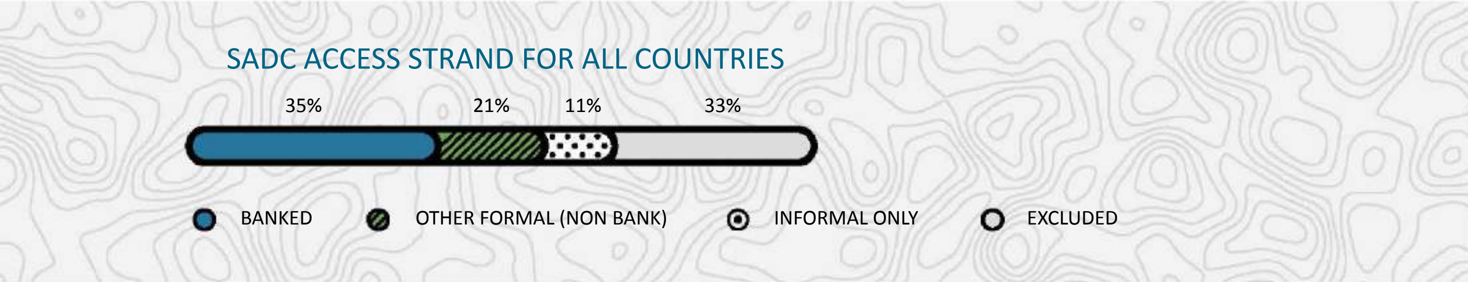
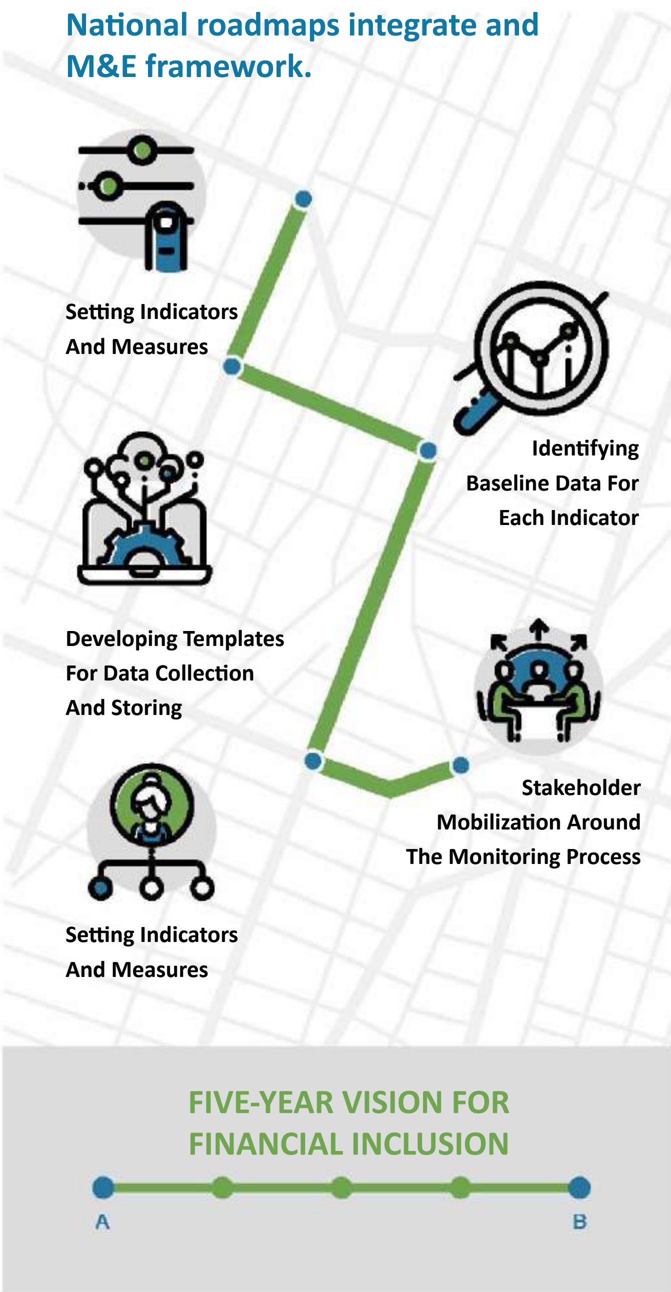


Figure 1: FinScope, 2017.

In August 2016, the SADC Council of Ministers approved a SADC Financial Inclusion Strategy which focusses on a number of key interventions to address the barriers to financial inclusion to allow the 45 million excluded adult population in the region to have access to affordable and quality financial services. These interventions aim to grow the payments and digital financial services; and orienting credit markets towards MSMEs and smallholder finance as a means to further financial inclusion. The regional financial inclusion strategy emphasises the role that national governments must play in order to help meet the regional aspirations. Country-level implementation within the regional SADC MAP programme is playing a crucial role in achieving success at regional level. The process at country level was stakeholder driven and started with the development of a five-year vision for financial inclusion contained in the national roadmap. The monitoring and evaluation framework was developed for implementation at two levels:

- ***Regional level:*** common indicators across the countries were developed and tracked together with other regional financial inclusion data available;

- ***National level:*** indicators were developed to track national FI progress as well as market level changes as identified in the country roadmaps.



Regional financial inclusion measurement framework

The framework includes a core set of Financial Inclusion indicators that capture the state of financial inclusion across the SADC region. This allows a quick assessment of progress, and enable region-wide diagnosis, targets and policy recommendations.

These core indicators address basic access and usage dimensions of financial inclusion consumers, while other quality and market specific indicators will differ to reflect more accurately unique local conditions and are reflected in the country specific indicators

An access point is defined as any physical entity where an individual can perform cash-in and cash-out transactions with a regulated financial institution, e.g. bank branches, ATMs, agents and POS devices. An adult is, as per the FinScope definition, anyone aged 18 years or older.

Usage dimension

Usage refers to the depth or extent of financial services and product use. Determining usage requires data on regularity, frequency and duration of use of products and services over time.

Setting the regional indicators

For the SADC region, the following were suggested as the core set of indicators to be adopted in each country.

Access dimension:

Access refers to the ability to use the services and products offered by formal financial institutions. Data on access will be obtained from information provided by financial institutions, and will include:

- Number of access points per 10,000 adults (bank branches, ATM's, agents, POS devices)

- Percentage of administrative units with at least one access point;

- Percentage of total population living in administrative units with at least one access point, or alternatively, % of people within [5] km of a cash-in/ cash-out point

The proposed indicators for usage will include:

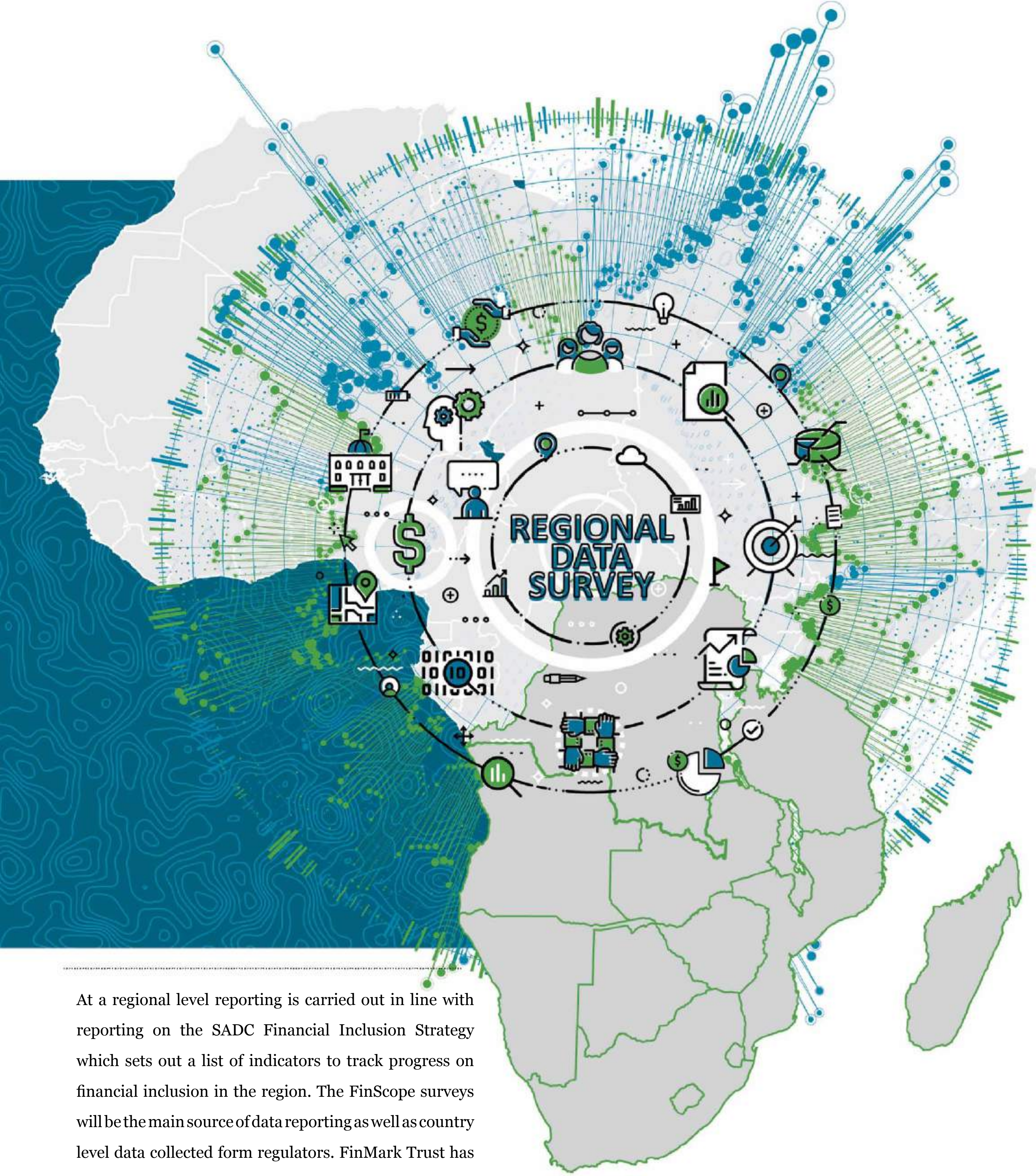
Percentage of adults with at least one type of regulated deposit account.

Percentage of adults with at least one type of regulated credit account.

Percentage of adults using a formal product at least [twice] a month.

Average balance held in [consumer entry level savings] account.

The data for usage indicators will be collected through the FinScope survey, or where reliably available, from supply side data.



At a regional level reporting is carried out in line with reporting on the SADC Financial Inclusion Strategy which sets out a list of indicators to track progress on financial inclusion in the region. The FinScope surveys will be the main source of data reporting as well as country level data collected form regulators. FinMark Trust has been delegated the responsibility for implementing the regional strategy by the SADC Secretariat and is responsible for collating and reporting against the regional monitoring and evaluation indicators. The number of countries included in the report will increase as the regional programme develops.

4

National financial inclusion strategy and measurement frameworks

The MAP national roadmaps and financial inclusion strategies lays out a plausible vision for the enhancement of financial inclusion in the respective countries. By setting clear goals and targets combined with the support of coordination among public and private sector stakeholders, it is able to provide an organizing framework for financial inclusion policies and regulations to be implemented while also cementing the efforts taken by Government and donors to enhance access to financial services. With increasing focus on financial inclusion, it becomes critical to have a mechanism that provides ongoing feedback to the Government and all stakeholders to get a sense of progress being made in this area.

The national roadmaps and its subsequent implementation in country is aimed at ensuring the existence of an inclusive financial sector that broadens access to and use of financial services by all with the view of engendering social and economic development. It also defines the parameters for ongoing measurement and evaluation of the impact of specific actions and monitoring of progress over the roadmap period.

This report includes data collected from the following four countries; Lesotho, Swaziland, Botswana and Malawi. Other country frameworks are still being developed and will be included in the 2018 report.

Each country developed 24 indicators and targets that fall into the following 11 broader categories:

Consumer Protection

Implementation

Informal Financial Services

Promote Savings

Increase Productive Formal Credit

Risk Mitigation beyond Funeral

Access

Appropriateness/ Affordability

Usage of Transactional Accounts

Alternate Channels/ Transformation

Payments and Remittances

National vision for the sector has been identified as part of the National roadmap - this being a top level policy goal towards which supportive intervention logic are organized and monitored. The top level goal based on FinScope metrics, and as such is only measured and updated every 3 – 4 years. The 2018 and 2019 reports will begin to report on this top level indicator in some of the countries where a MAP refresh process is undertaken.

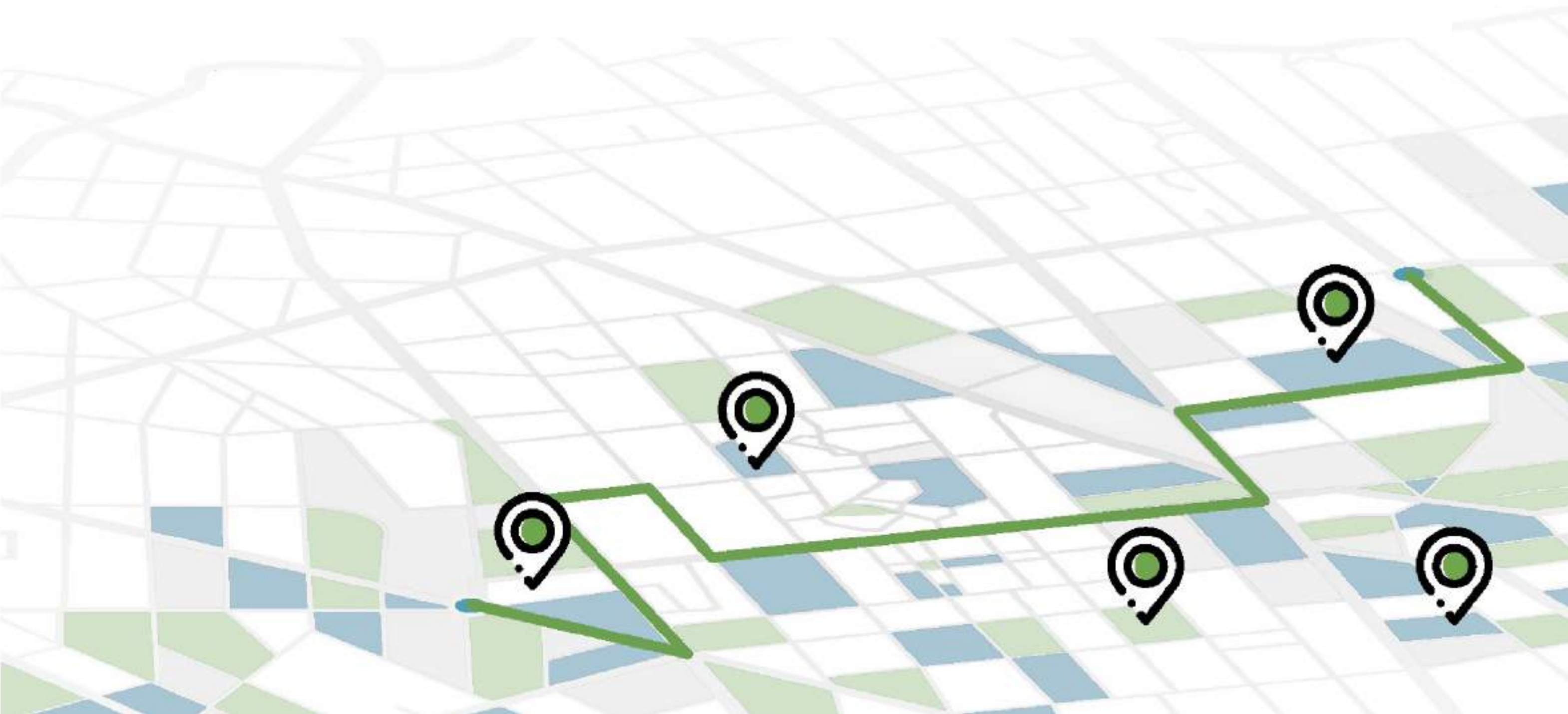
This report only focuses on Access, Transactional Accounts and Usage, Appropriateness/Affordability, Payments and Remittances. Data for other areas such as risk have not yet been collected. The implementation indicator will also be discussed as well as an internal programme targets to generate local funding for country implementation. These indicators measure the progress made in financial inclusion at national level.

Please note that the time frames for each country are different from each other based on national priorities and cycles in their policy framework.

As this process is new for all countries we expected a number of challenges with availability of data as some of this data has never been collected by regulators. Central banks, for example, collect mostly prudential data which is useful but not sufficient for all FI indicators. They also do not generally disaggregate the data to enable a gender breakdown. Efforts are underway to ensure that the capacity of regulators to collect relevant FI data is developed as part of the MAP programme. This programme will ensure that better quality data is available to report against key indicators as well as reduce the length, scope and cost of future FinScope surveys in the SADC region. Although these data gaps exist, we were able to start the process of populating the indicator templates. The current report has already had an important impact by allowing national stakeholders to have a strategic conversation based on the trends emerging from the data collected to date. This joint learning is key to sustaining the interest, commitment and momentum for financial inclusion from local stakeholders at country level.

Table 2: Working definition of indicators

Indicator	Working definition	Approach
Access indicators	Touch points or physical locations where people access financial services or products - includes bank branches, ATMs, Point of Sale Devices (POS) and mobile money agents.	The current approach is to combine the different access points rather than to report against each. We have also generally avoided reporting on each administrative area per country as this is a very complex exercise and is not appropriate at this time. Reporting is on rural and urban access.
Transactional Accounts and Usage	This indicator measures: 1. The number of Transactional (Bank Accounts) Mobile Money Wallets owned by the adult population per country and 2. The usage of the accounts, ie number of monthly transactions performed.	The number of ATM cash withdrawals as a percentage of account transactions is used to indicate the level of usage. There is currently a lack of usage data collected by previous FinScopes but this is being addressed. For mobile money, the active customer base is measured on a 90 and/or 30 day basis.*
Appropriateness / Affordability	Measures the availability and cost of entry level financial products.	This has proved to be a complex exercise because comparisons between products and their pricing is not always possible because of the differences in functionality. There is ongoing work in this area, including a central pricing database for entry level products that is collected within the global hub, benchmarking global pricing within MAP countries.
Payments and Remittances	This indicator measures the cost of domestic and cross border remittance products as well as inter-operability of mobile money transactions. A mobile money wallet refers to payment services operated under financial regulation and performed from or via a mobile device.	These indicators are chosen because remittances are an important source of income for poor consumers and inter-operability enhances access, convenience and cost.



5

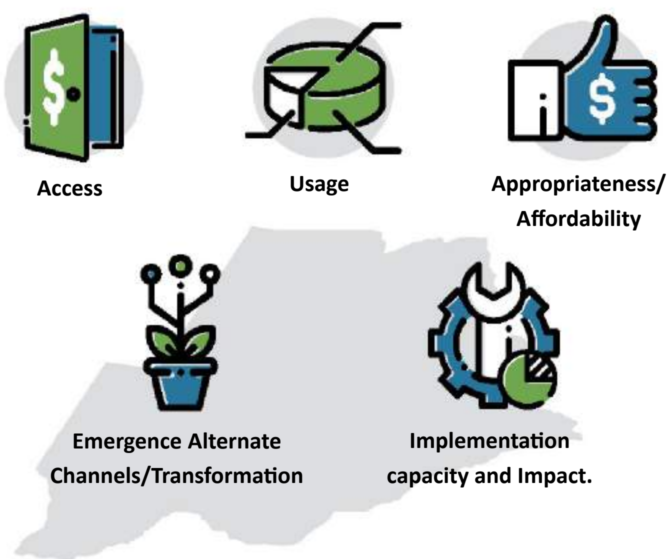
National monitoring and evaluation approach

All countries participating in the monitoring and evaluation reporting framework have adopted the same management systems and approaches, and similar approaches to data within their countries. Following the adoption of the roadmap, detailed engagements with stakeholders were undertaken to review local relevance of each of the proposed indicators, resulting in a finalised indicator set that was adopted. The indicator set developed includes the baseline, as well as annual targets to the end of the roadmap period.

A key issue arising is that while the baseline has been obtained from a number of sources including from regulators and industry to a large extent the available data still relies on the 2011 FinScope data and the 2014 MAP research. Thus, there is need for an ongoing process to further update the data, using other available sources (e.g. FinScope MSME survey), targeted financial service provider engagement, and regulator capacity building to collect relevant and up to date data that enables more frequent regular monitoring by the Steering Committee.

The initially proposed monitoring and evaluation indicator set for each country reflected the National financial inclusion roadmap priorities as follows:

National Indicators:



These broad national level indicators where then matched against the roadmap priorities to determine financial inclusion national indicators that speak to national priorities to enable measurability and progress towards the national vision.

Roles and responsibilities:

To ensure an efficient and effective monitoring and evaluation system, the following roles and responsibilities have been allocated:

The Financial Inclusion (MAP) Steering Committee under the leadership of the Ministry of Finance), is responsible for the implementation of the national monitoring and evaluation framework, providing oversight, co-ordination and ensuring the appropriate reporting.

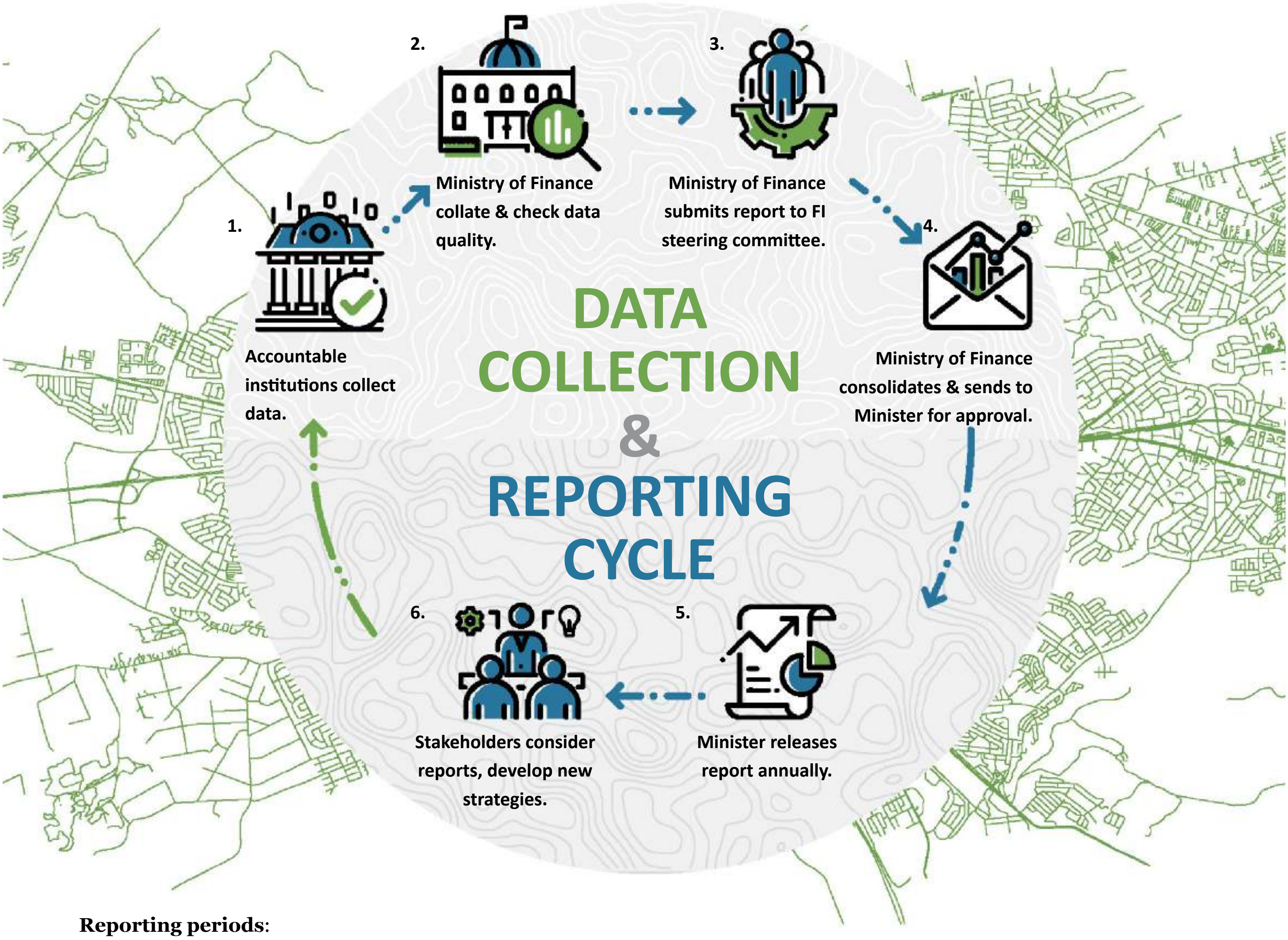
The Financial Inclusion unit (FIU) (in countries where they exist) in the Ministry of Finance will be responsible for collecting and collating the data from the various regulators, consolidating the data and producing the quarterly and annual reports.

The relevant regulators will collect the relevant data from their regulated entities and report this to the Ministry of Finance.

Reporting cycle, responsible institution and periods

The following reporting cycle is generally followed in each country:

Figure 1 The reporting cycle



Reporting periods:

- Quarterly

Reporting takes place quarterly from accountable institutions to the financial inclusion unit and discussed at the level of the MAP Steering committee to track progress, decide on interventions required and assess the quality of data being reported.

- Annually

An annual financial inclusion report will be produced by the financial inclusion unit and discussed at a national stakeholder convening to discuss progress, changes in strategy and general state of strategy implementation.

6

MEASURING STAKEHOLDER COMMITMENT

Although the monitoring and evaluation framework measures primarily the achievements against financial inclusion indicators, it also attempts to measure local stakeholder commitment to the implementation of the roadmap. In this regard, the contribution made by government and local donors is reported. Although no specific targets were set for the period, the following table sets out the achievements during the last financial year:

Table 6: MAP achievements during the last financial year

Country	Project / Program	Funders	Value US$
Lesotho	FI Unit within the Ministry of Finance	Ministry of Finance	120 000
	SIMM Project – Mobile Money Eco System	UNDP I2i	700 000 20 000
Botswana	FI Unit within MFED Development of the Credit Information Act	Ministry of Finance	150 000 180 000
	Other FI	Ministry of Finance	90 000
Swaziland	FinScope SMME	Centre for Financial Inclusion	282 000
	Stakeholder Workshops and Meetings	Centre for Financial Inclusion	1 000
	SMME 360 – Diagnostic for SMME's	MFU	21 000
Malawi	FI Unit within the Ministry of Finance		100 000
	Financial Inclusion Ombudsman Law	Ministry of Finance	30 000
	Financial Inclusion Consumer Protection Law		40 000
Total: Government			474 000
Total Donor:			700 000
Overall Total:			**1 194 000**

7

Conclusion

Global indicators:

The MAP programme monitoring and evaluation framework has been developed in the context of global efforts to improve the measurement of financial inclusion interventions at national level. Of most relevance is the G20 set of indicators developed under the leadership of the Global Partnership for Financial inclusion (GPFI), and preceding it the AFI Core Set of Financial Inclusion Indicators released in 2011 by AFI's Financial Inclusion Data Working Group (FIDWG). At the time of developing the MAP monitoring and evaluation framework these sets were in their nascent stage, and only addressed basic access and usage indicators – the basic set was extended in 2013 and renamed the G20 Financial Inclusion Indicators. Thus there has been a parallel development path for the two frameworks at a global level.

MAP National Monitoring and Evaluation Framework:

The initial MAP framework built on and improved on the basic access and usage dimensions of the core set at the time proposed globally, however, due to the nature of practical implementation on the ground, the significant data challenges that exist at country level and ensure linkages with the roadmap and national priorities, it also introduced other areas of measurement including:.

Further access and usage dimensions,

Roadmap implementation progress and proxies for quality

Government capacity to implement the required projects.

As each national monitoring and evaluation framework is built for purpose at country level, taking into consideration specific national objectives and the roadmap context into consideration, the MAP monitoring and evaluation framework has proven more relevant to the needs of local government stakeholders, being able to better mirror the local needs and priorities. It is also owned at country level by the National Steering committee by the Ministry of Finance, with technical assistance and coordination provided by MAP. New metrics like the funding provided by Government for financial inclusion and the implementation of their roadmaps, have introduced a sense of accountability and measurability of the country's own commitment to financial inclusion as an enabler of poverty alleviation.

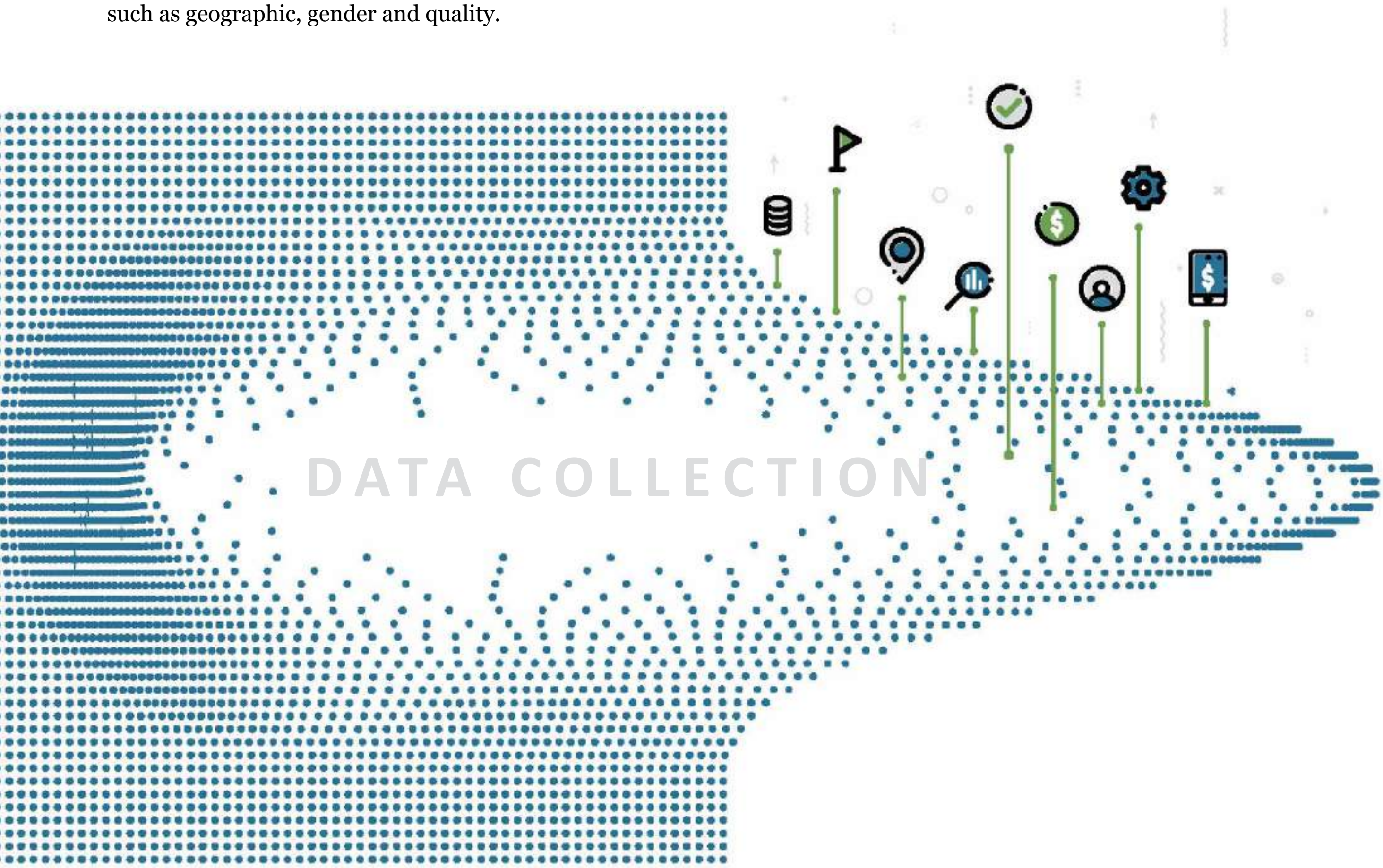
Progress towards national goals:

Given the high levels of overall market growth and investments in mobile money as a product and mobile network infrastructure, these are starting to come through in the national figures. More complex areas of financial inclusion, like thematic focus on agriculture, MSME and youth remain elusive. Specific product based priorities like savings, credit and insurance are difficult to shift market movement. The data that is available shows some progress in financial inclusion metrics since the MAP process was initiated in each country, and the results show that there has been improvement in roll out of access infrastructure and usage of transactional accounts. Mixed progress has been reported with regard to cost of mobile money and remittance services.

Data capacity building:

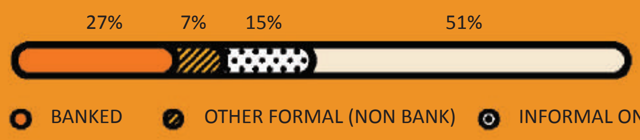
Overall significant data gaps in each country were noted which makes reporting against targets and indicators difficult. It has also become clearer that nationally representative demand-side surveys are useful in collective in-depth consumer data and allows for granular detail around interventions. It is impractical and unaffordable for an annual measurement framework. Using the MAP platform, FinMark Trust is working with the relevant government agencies, and the country coordinators to ensure that these gaps are closed over the next 12 – 18 months, focusing particularly on creating a robust and enabling supply-side data environment, noting that some may require regulatory interventions and structure reporting framework changes in content to Government from market players.

In addition to allowing the assessment of progress the programme has been very successful in sensitizing regulators to the need to enhance capacity and range of their data collection mechanisms, but perhaps more importantly the quality and relevance of their data. This most notably includes elements such as geographic, gender and quality.



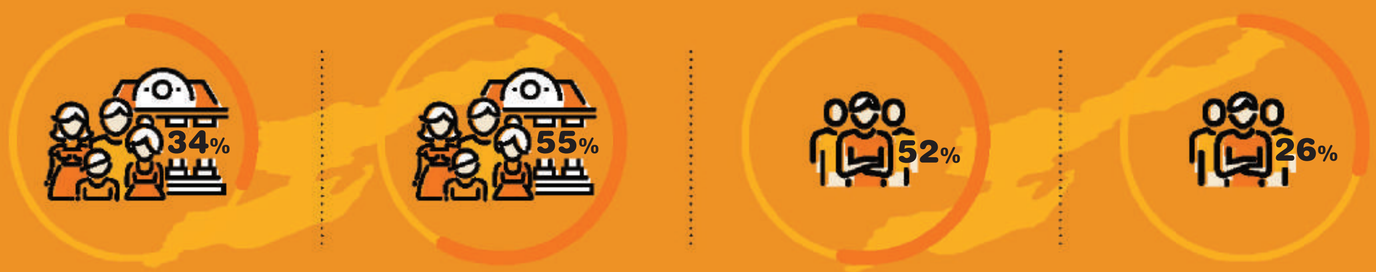
Malawi

ACCESS STRAND 2015

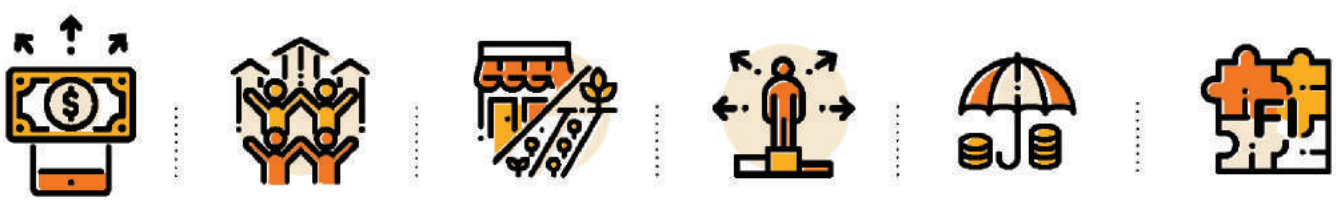


The Malawi Financial Inclusion Roadmap 2015 – 2020[1] focuses on "creating a pervasive infrastructure through partnerships to enhance the quality and depth of financial inclusion in Malawi, laying out a vision for the enhancement of financial inclusion in Malawi, in order to support national objectives through employment creation, human capital development and improved household welfare. The roadmap vision and priority areas are as follows:

Financial Inclusion in Malawi ***Financially Excluded in Malawi***



Increase Financial Inclusion in Malawi from 34% (2014 FinScope)[2] to 55% by 2020, and reduce the excluded from 52% to 26%, in order to support growth and improve household welfare, through:



- Expanding the reach of digital payments
- Expanding Savings and investment opportunities, especially through Savings Groups
- Finance for MSME and agriculture
- Consumer empowerment and education
- Niche insurance opportunities to reduce vulnerability
- National coordination of financial inclusion

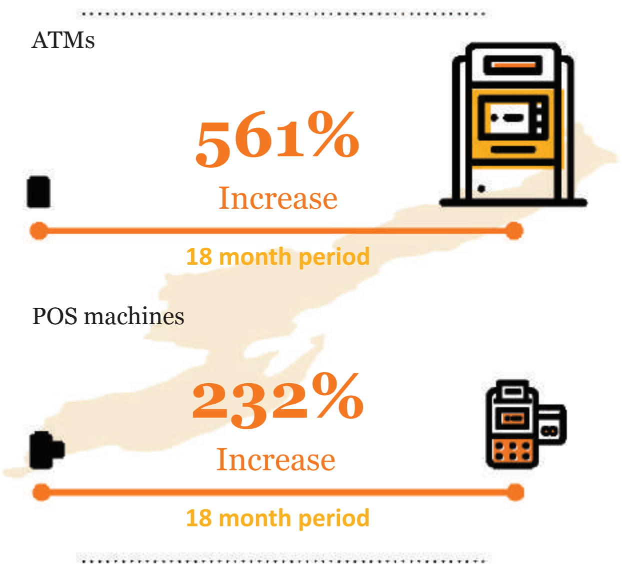
Malawi monitoring and evaluation report

Access Indicators			
Indicator	**Baseline 2015**	**Target 2017**	**Actual March 17**
1. Number of access points per 100,000 adults (>18 years) by type and by rural / urban	Bank Branches: Total 0.61	0.76	2.44
	Urban: 0.93 / Rural: 0.29	1.2 /0.36	3.88 / 1
	Banking Agents: 0.65	0.92	3.47
	Urban: 0.58 Rural: 0.71	0.88 / 0.96	3.61 / 3.33
	ATM - Total: 2.34	2.96	13.13
	Urban: 3.79 Rural: 0.885	4.70 / 1.23	20.32 / 5.94
	POS Total: 7.94	6.17	18.46
	Urban: 9.61 Rural: 6.26	11.59 / 0.76	33.86 / 3.05
	Agent Total: 3.76	4	185.77
	Urban / Rural: 6.69 / 2.89	8.0 / 4.0	614 /24
Transactional Accounts and usage			
6. Adults with Mobile Money Accounts and 90 day active:			
% with Mobile Money accounts	8.40%	10%	42.80%
% of adults with 90 Day active mobile money accounts	4.24%	4.40%	14.93%
Appropriateness and affordability			
8. Cost (direct and indirect) of entry level transactional account	17%	12%	Not collected
9. Cost of mobile money transactions (%) MNO to Person	Free	Free	Free
Person to Person	Not available	0.25%	0.42%
Encashment (average)	5%	2.00%	3.43%
Merchant Payments	Free	Free	Free
Payment for utilities	Not available	0.25%	0.04%
9b. Average Total Cost of Cash Transfers		3.00%	5.53%
Payments and Remittances			
12. Average cost of low value domestic remittance (aggregate cost to sender and recipient) for up to Mk50,000 (USD68.12)	Mobile Money - MK500 5% Zoona - Mk500	Not set	4.40%
13. Average cost of low value cross border remittance	10%	Not set	10%
14. Strategy to leverage inward remittances for investment	No strategy in place	The Reserve Bank of Malawi being engaged on Cross border remittances	

Source: Figures have been obtained from Reserve Bank of Malawi (RBM), RBM-Pensions and Insurance Department, Malawi Communications Regulatory Authority, Malawi Microfinance Network (MAMN), Malawi Union of Savings and Credit(MUSCCO), MoFEPD, Ministry of Trade, FinScope survey, 2016-2017

Access Indicators

Access in Malawi has improved positively across all points of physical access. The greatest percentage increase in an 18-month period – in ATM's at 561%, seems high. While this may be due to initial ratio's using different parameters, it is worth noting that a number of banks installed stand-alone ATMs at new sites including mini shopping malls and fuel (service) stations during the 18-month period. A significant number of the ATMs were installed only in urban and semi-urban areas, rural still remains a challenge.



The increase in POS machines – at 232% - is reflective of the hitherto low adoptions of POS machines-for payments as well as increased effort by banks to scale up digital payments. In the recent past, POS machines for banks only served clients for that specific bank except where cards for customers of other banks were Visa enabled. However, the launch of the National Switch in 2015 meant that all POS machines now accept cards for all banks. Thus that each shop or service provider only needs a single POS to serve all customers, irrespective of the bank where their account is held. The integration brought about by the National Switch is expected to reduce the speed of installation of new POS machines by retail outlets because they don't need to have POS machines for all the banks as was the case in the past and increase customer convenience. Going forward focus will have to be on volumes and values of transactions going through POS machines rather than on the number of POS machines deployed to measure usage. This expansion of POS devices bodes well for poor peoples' access to financial services. Although the next challenge is to ensure that the devices are able to take deposits and provide cash out facilities. Otherwise the poor will not benefit because they do not use debit or credit cards.

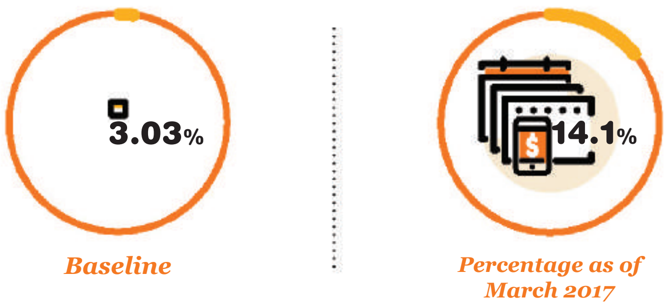
Transactional Accounts and Usage

There has been an increase in Mobile Money Accounts (42% of the adult population, March 2017) which has exceeded the baseline of 7% of adults. Since the target set for March 2017 is well above the 2017 target of 10%, there is a need to revise the target for subsequent periods upwards.

Number of adults with Mobile Money Accounts

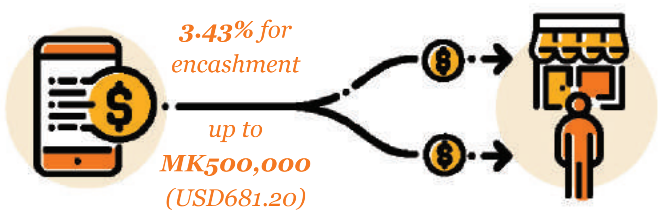
The 90-day usage figure for Mobile Money Accounts at 14.1% as of March 2017 also reflects a significant increase from the baseline of 3.03% and is well above the target for 2017 set initially. Given the significant market increase in mobile money accounts, there is a need to raise the target for subsequent periods.

90-day usage for Mobile Money Accounts



Appropriateness and Affordability

In Malawi, the cost of mobile money transactions depends on the nature of the transaction. This ranges from free for transfers from the mobile network operators to persons and merchant payments to an average of 3.43% for encashment of amounts up to MK500,000 (USD681.20). The free transactions for merchant payments is generally supportive of the uptake of mobile payment by individuals and retailers as it obviates the need for encashment and incurring the associated costs.



Payments and Remittances

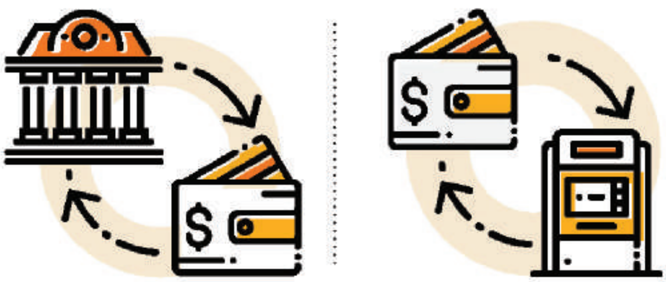
In Malawi, the average cost of low value domestic remittances (up to MK50,000/USD68.12) through mobile money remains largely unchanged at 4.6% as at March 2017 from the baseline of 5%. While the cost of over the counter remittances such as Zoona averaged 5.53%, which is again considered low.

Percentage as of March 2017

Baseline

Zoona

The Malawi Central Bank is supporting a programme – the local payments switch (National Switch) – which is endeavouring to ensure that all mobile money is linked into the switch and therefore supports inter-operability. The interoperability is currently from Bank to Wallet, and vice versa, and from Wallet to ATM which are based on bilateral arrangements between each bank and the MNOs but once the National Switch finalises integration of all service provider's payments will be made from one service provider to another including mobile network operator to mobile network operator through the National Switch.



The desired interoperability is currently from Bank to Wallet, and vice versa, and from Wallet to ATM.

Achievements and Challenges

The data used to populate the framework was sourced from readily available records mainly from the Reserve Bank of Malawi. There is, however, some data which was not available due to the way information is consolidated by the Reserve Bank of Malawi on financial services clients. Major items missing include the percentage of adults accessing at least one or two formal financial service, number of entry level accounts, access to insurance services, as well as a number of informal savings and lending groups. Going forward, there is need to explore ways of consolidating key data to enhance the monitoring and evaluation of the reach of formal and informal financial services.

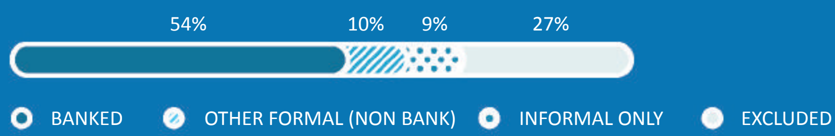
Despite gaps in the data, this report demonstrates that Malawi is on its way to achieving its national vision of "creating a pervasive infrastructure through partnerships to enhance the quality and depth of financial inclusion in Malawi". It's number one priority of expanding the reach of digital payments has indeed grown in the period – both from an infrastructure perspective and the knock-on effect of lowering market costs – hopefully extending to consumers. However, significant work is still required for priority number two – savings and investments, both from a data collection perspective as well as activity on the ground to gain critical mass in this area. Finance in specialised focus areas remain difficult both from a measurement perspective as well as an investment perspective. Consumer movements in terms of usage and access to financial services will be measured by a FinScope survey, planned for 2019. National coordination remains on track with the combined support to the Ministry of Finance from FinMark Trust and UNCDF. There is now a specialised division that is responsible for finance inclusion – following many years of work for this specialised focus.

1 Malawi National Strategy for Financial Inclusion, 2015–2020, "Creating a pervasive infrastructure through partnerships to enhance the quality and depth of financial inclusion in Malawi." Map,uncdf.org

2 It should be noted that the baseline includes direct bank access (18%), indirect bank access (9%), and other formal (7%). Inclusion of indirect access implies that the stakeholders believe these accounts offer significant value to the users. VSLAs have been classified as informal which may change if they are more closely regulated in the future.

Swaziland

ACCESS STRAND 2015



Financial Inclusion in Swaziland

2011 Percentage ***2022 Goal***

The Kingdom of Swaziland (Swaziland) Financial Inclusion Roadmap 2014-2020[1] which seeks to increased access, and diversification of providers, products and services through financial inclusion lays out a vision for the enhancement of financial inclusion in Swaziland.

Increase financial inclusion[2] from 50% in 2011 (FinScope) to 75% in 2022 by growing mobile money and remittances, deepening bank reach, getting credit basics right, ensuring risk management products are available, and enabling alternative channels to serve the poor by:

- Growth in e-money to transact and save
- The development of formal domestic and cross border remittance products to support vulnerable dependent groups
- Expand insurance to better manage impact of risks
- Deepening bank reach to better meet needs
- Reducing credit costs and protecting consumers.

1 MAP Swaziland, National Financial Inclusion Roadmap, "Financial inclusion through increased access, and diversification of providers, products and services" 2014-2020

Swaziland monitoring and evaluation report

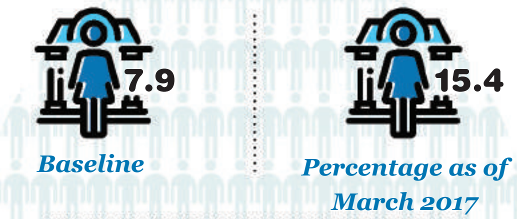
Access Indicators			
Swaziland indicators	Baseline 2014	Target 2018	Actual June 2017
1. Number of access points per 100,000 adults (>18 years old), by type and by rural / urban	Bank Branches: Total 7.9	18.00	15.40
	Urban: 6.4 / Rural: 1.5	Not set	12.4 / 3
	Post office / Agencies: Total 19.2	23	19.20
	Urban: 15.4 / Rural: 3.8	Not set	15.4 / 3.8
	ATM - Total: 43.3	60.00	50.00
	Urban: 32.5 / Rural: 10.8	Not set	36.10 / 14.00
	POS- Total : 253.8	500.00	564.00
	Urban: 228.4 / Rural: 6.26	Not set	508.00 / 56.00
	Mobile Money Agents Total 97.7	484.4	484.4
	Urban 58.6 / Rural 39.1	Not set	290.6 / 193.8
Transactional Accounts and usage			
5. Bank Account: ATM withdrawals as percentage of account transactions	83%	63%	68%
6. Percentage of adults with of Mobile Money active account	48	80	79
Appropriateness and affordability			
7. Numbers of entry level transactional accounts	3 (Primarily this is the basic savings accounts with no minimum balances, no charges on withdrawals for two withdrawals a month)	5	4
8. Cost of entry level transactional account	E59.20	E35	E38
9. Cost of mobile money transactions (based on maximum of E4,000)	Send: E 8 Receive: E 24	Encashment will hopefully reduce by E5 each year until there are no costs associated with receiving money	Send: E 11 Receive: E20
Payments and Remittances			
11. Average cost as a % of low value remittance (<E1000) - domestic	5%	4.00%	5.00%
12. Average cost as a % of low value remittance (<E1000) - cross border Swaziland - South Africa	Not set	8.00%	8.50%
13. Average cost as a % of low value remittance (<E1000) - cross border South Africa - Swaziland	Not set	4.50%	6%

Source: Figures have been obtained from the Swaziland Central Bank, Micro Finance Unit Swaziland, Ministry of Finance, FinScope survey, 2016-2017

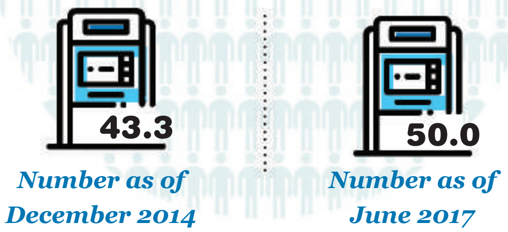
Access Indicators

Access in Swaziland shows a more dramatic picture with the number of commercial bank branches having grown from a baseline position of 7.9 in 2014 to twice that amount of 15.4 in June 2017. This growth has largely been driven by banks competing for market share and the targeting of specific growth points within the market. Notably this growth is only in urban areas indicating banks are still reluctant to go downstream to rural areas. The number of ATMs has increased from 43.3 in December 2014 to 50.0 serving 100,000 people in June 2017. This growth is due to the Swaziland Building Society which is modernising operations and building a large network of ATMs across the country.

Number of commercial bank branches

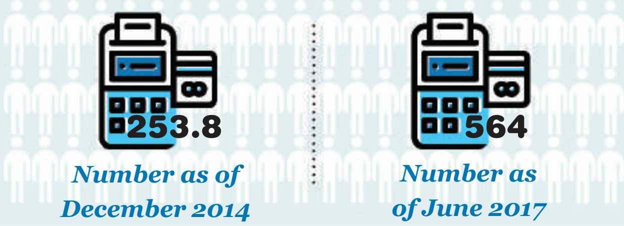


Number of ATMs per 100.000 people

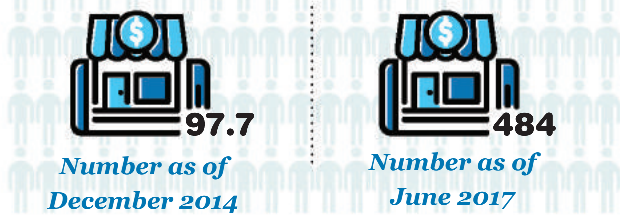


Moreover, POS shows a substantial increase rising from a baseline of 253.8 to 564 per 100,000 users in June 2017, as a result of the number of bank cards issued. POS represent the highest potential for FI but are crippled by their lack of having a cash out facility. This cash out facility could possibly represent the largest opportunity for inclusion. The increase in mobile money reach has resulted in an increase in the number of mobile money agents from 97.7 to 484 per 100,000 people in June 2017. This growth is largely driven by the number of mobile money transactions which have continued to rise during the same reporting period.

Number of POS machines per 100.000 people



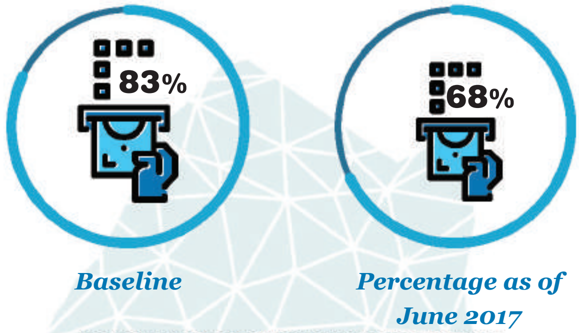
Number of mobile money agents per 100.000 people



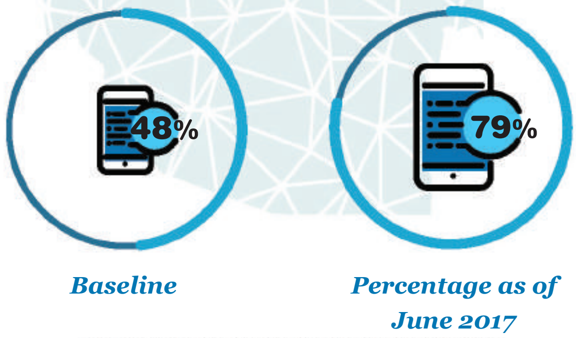
Transactional Accounts and Usage

ATM withdrawals as a percentage of account transactions has reduced to 68% from a baseline of 83%. The percentage of adults with Mobile Money active accounts has increased from a baseline of 48% to 79%. The rather high percentage for usage is largely attributable to the recent increase of consumers who are on the platform which has about 400,000 accounts and appeals to those who find the banking platform rather expensive for low value payments.

ATM withdrawals



The percentage of adults with Mobile Money active accounts



Appropriateness / Affordability

The cost of low value accounts and withdrawals of Mobile Money has reduced since the baselines in 2014. This a positive result for banking and mobile money.

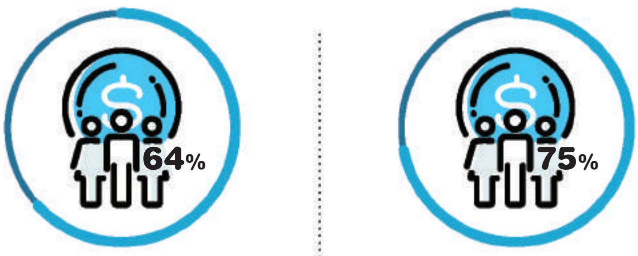
Payments and Remittances

In Swaziland, the costs associated with using bank remittance channels for E1, 000 domestically over the last few years have remained almost unchanged at 5% (E50). Remittances though mobile money on the other hand has reduced to E18. This is a significant reduction and bodes well for financial inclusion of the poor in Swaziland. Attention needs to shift to the availability of cash or the cash ecosystem to reduce the reliance on cash itself.

Achievements and Challenges

A FinScope survey was conducted in 2014, and the level of formal access had by then reached 64%, indicating significant and adequate progress towards the 2022 target of 75% inclusion. Strides in e-money as well as alternative channels like mobile have also increased, thus demonstrating positive movements towards national goals. The focussed areas around insurance for risk management, and reducing credit costs and protecting consumers remain a challenge. Two key projects under implementation, namely the cross-border remittance project between South Africa and Swaziland as well as the credit-information sharing project will be key in making an impact on the numbers for the national priorities.

Level of formal access



2014 Percentage ***2022 Target***

Gaps in the data and data collection

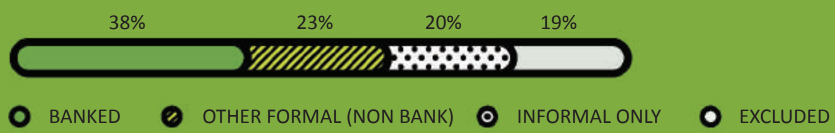
Financial inclusion data tracking is fairly new in Swaziland. Data collection for banking performance has primarily been within the purview of the Central Bank of Swaziland which collects prudential data. The data collection instrument for financial inclusion has recently been developed by the Ministry of Finance (Microfinance unit) and this is likely to close some of the gaps in the data and enable a more regular reporting framework for financial inclusion and national policy objectives. While mobile money data has been collected for a while now, there has been very little analysis of the data by the regulator, hence the provision of such data has been sporadically provided.

The absence of a central agency has been the biggest obstacle for data collection in Swaziland. The Centre for Financial Inclusion has recently been established and amongst its mandate will be to collect all financial inclusion data. With this development and the proper training of personnel within the Centre, we remain optimistic that data gaps will be minimized.

2 Financial inclusion here is in accordance with the G-20 definition and means effective access to formal credit, savings (defined to include current accounts), payments, and insurance services from formal institutions. “Effective access” means convenient and responsible service delivery, at a cost affordable to the customer and sustainable for the provider (GPFI 2011)

Lesotho

ACCESS STRAND 2015



The Lesotho Financial Inclusion Roadmap[1] lays out a plausible vision for the enhancement of financial inclusion from 2014-2020 by “improving household welfare and national growth through an enhanced quality and depth of financial”. It is envisaged that the proposed interventions will result in an increase in depth and quality of financial inclusion in Lesotho, and a sustainable financial sector able to increase citizen welfare, create economic growth, and hence meet national goals.

Increase access to quality and diverse formal financial services to support economic growth and improve household welfare by[2]:

- Increasing outreach and quality of financial services
- Increasing financial and investment capacity
- Creating and capacitating inclusive financial service providers
- Ensuring and enabling regulatory environment
- Customer empowerment

1 MAP Lesotho, Financial Inclusion roadmap, “Household welfare and national growth through an enhanced quality and depth of financial inclusion” 2014-2020. Map.uncdf.org

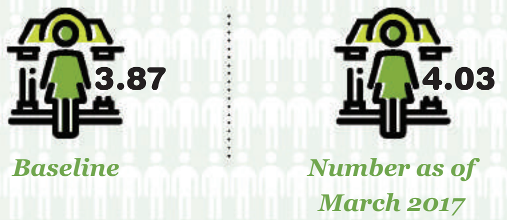
Lesotho monitoring and evaluation report

Lesotho indicators	Baseline (2016)	Target 2017	Actual September 2017
Access Indicators			
1. Number of access points per 100,000 adults	Bank Branches: Total: 3.87	None	4.03
	ATM - Total: 15	None	15.38
	POS - Total: 103	150	112.51
	Mobile Money Agents: Total: 177	250	258
Transactional Accounts and usage			
5. Money Accounts: 30, and (90 day active)	30 day active: 31.4%	30 day: 35%	30 day: 30%
	90 day active : 40.53%	90 day:45%	90 day:41%
Appropriateness and affordability			
6. Number of entry level transactional accounts	4	6	The actual baseline, including large financial Cooperatives is 8. The decision is that usage must be tracked, instead of increasing number of accounts in the market.
7. Number of entry level transactional account	Monthly fee M7.00 - M50 Deposit M14.45 - M26.50 Bank / withdrawal M27.65 - M45 ATM / withdrawal M5.00 - M10.7	Target has not been set.	It's a very complicated task to compute an industry average. The target will not make sense in an environment where pricing is not regulated.
8. Cost of mobile money transactions	Transfers: M8.44 Cash Out: M6.28	Transactions: M8.00 Cash Out: M6.00	Transfers: M8.45 Cash Out: M5.06
Payments and Remittances			
11. Average cost of low value cross border remittance for a transfer of R850,00	M8.44	M7.50	M8.45
12. Interoperability: Bank 2 wallet / wallet to wallet. Wallet cash out at atm.	Agent interoperability is in place	Bank to wallet	Bank to wallet is still with one bank and one MNO. Negotiations with other banks are at varying stages. One more bank may implement with one MNO by October 2017.
13. Strategy to leverage inward remittances for investment	No strategy in place	No strategy in place	The FI Steering Committee has decided that this activity be implemented by LNDC not the Ministry of Home Affairs. The actual commitment by LNDC has not been confirmed.

Source: Figures have been obtained from the Central Bank of Lesotho, Government of Lesotho, the Ministry of Finance, FinScope Survey and other institutions, 2016-2017

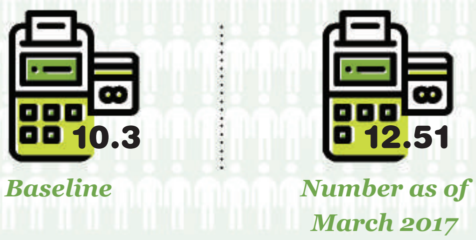
Lesotho chose not to focus on increasing the number of bank branches as it is an expensive way of getting financial services to the people. Individual banks have, however, increased the number of branches from 45 to 50 by March 2017, showing an improvement from the baseline of 3.87 people per 100,000 branches to 4.03 people per 100,000 branches. The number of ATMs has improved slightly from 15 to 15.38 serving 100,000 people at national level. The target for POS was set at 150 per 100,000 users, but in March 2017 this has only increased from 10.3 to 12.51 per 100,000 users. There has been an impressive outreach by Mobile Money Operators who are on track to exceed the annual target set by the FIS, from 177 per 100,000 to 258 per 100,000 in June 2017. These Mobile Money Agents figures which will hopefully exceed the annual targets by a good margin go a long way to improving FI figures in Lesotho substantially.

Number of bank branches per 100,000 people

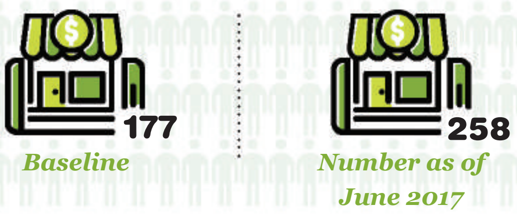


Number of ATM's per 100,000 people

Number of POS machines per 100,000 people



Number of mobile money operators per 100,000 people



Transactional Accounts and Usage

There is some improvement in people using their mobile wallets at least once in 1 or 3 months; 30-day usage has regressed from a baseline of 31.4% to 30% during the first half of 2017. The 90-day active has not improved much from a baseline of 40.53% to just 41% in the same period.

30-day usage for Mobile Money Accounts

90-day usage for Mobile Money Accounts

Appropriateness/Affordability

Baseline costs for a transfer and cash out are M8.44 and M6.28 respectively. These two represent average charges for the two mobile network operators. Through this indicator, the price of transfers and cash out are being tracked. Progress is that industry average price of local transfers has gone up by 1% while that of cash out has been reduced from M6.28 to an average of M5.06.

Payments and Remittances

The baseline figure for the average cost of low value cross border remittances remains unchanged at M8.44. In regard to Interoperability: Bank to wallet and wallet to wallet currently sits with one bank and one MNO who are enabled to do bank to wallet transfers. There is no strategy in place to leverage inward remittances for investment in Lesotho.

Achievements and Challenges

Lesotho has had significant improvement in increasing the outreach and quality of financial services, largely through strategic partnerships and projects focusing in this area. UNDP's SIMM project in collaboration with FinMark Trust has enabled further reach and agents into rural areas. By creating the necessary enabling policy and regulatory environment to pilot new initiatives, enabled both increase in financial and investment capacity and incentives with the financial service providers to invest and innovate for low income customers.

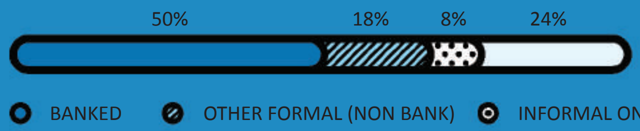
Gaps in the data and data collection

Collection and submission of data to track financial inclusion indicators is a relatively new phenomenon in Lesotho. Consequently, challenges were expected with availability of data since most of it had never been collected by regulators before. The Central bank for example collects mostly prudential data which is useful but not sufficient for all FI indicators. Further, the collected data has generally not been disaggregated to enable gender, districts and other breakdowns.

2 The Stakeholders in Lesotho opted for a non-quantitative vision, owing to the already high levels of inclusion at the time of the MAP diagnostic. A follow up FinScope survey has not yet been conducted but is planned for 2018/19.

Botswana

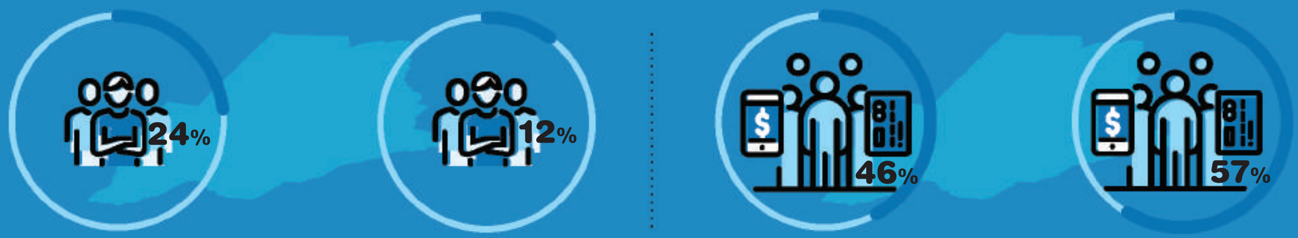
ACCESS STRAND 2015



The Botswana Financial Inclusion Roadmap[1] 2015 – 2020 lays out the national priorities for the enhancement of financial inclusion in Botswana, in order to help improve citizen's welfare and support national objectives by "Deepening access, extending financial services to the farthest corners of Botswana"

Financially Excluded in Botswana

People with access to more than one formal financial product



2014 Percentage ***2022 Goal*** ***2014 Percentage*** ***2022 Goal***

Improve household welfare, increase economic efficiency and support growth by reducing the percentage of adults who are excluded from 24% to 12%, and increasing those with access to more than one formal financial product from 46% to 57% by 2021[2] by:

- Extending financial inclusion to lower income households and target groups that are currently less well served
- Enhancing financial sector infrastructure, encouraging competition, improving regulation and reducing risks
- Facilitating well targeted credit to productive enterprises and for investment in assets

---

1 Botswana Financial Inclusion Roadmap, "Deepening access, extending financial services to the farthest corners of Botswana", 2014-2020. Map.uncdf.org

2 Baseline is from 2014 Finscope. The first target is equal to 50% reduction in the exclusion from 24% to 12%, and the second target reflects a similar reduction in the number of thinly served customers (i.e. only one product category) from 22% to 11%

Botswana monitoring and evaluation report

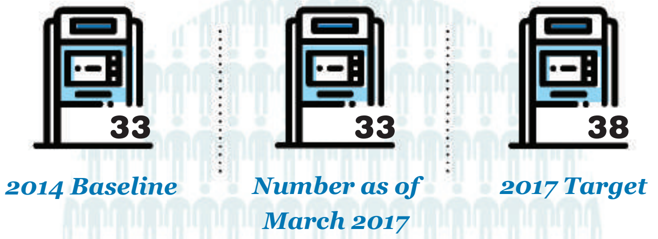
Access Indicators			
Botswana indicator	**Baseline 2014**	**Target 2017**	**September 2017**
1. Number of access points per 100,000 adults (>18 years old), by type and by rural / urban	Bank Branches: 9	10	10
	ATM: 33	38	33
	Mobile money agents: 31	75	91
	Total: 83	93	134
Transactional Accounts and usage			
5. Bank Account: ATM withdrawals as percentage of account transactions	85%	80%	83%
6. Numbers of Mobile Money Accounts: 30, and 90 day active	283,044*	254,749	293,077
		274,251	380,644
Appropriateness and affordability			
7. Numbers of entry level transactional accounts	Not set	Not set	Not collected
9. Cost of mobile money transactions	MNO - 18 P	13 P	13 P
Payments and Remittances			
12. Average cost of low value domestic remittance (100Pula=10US$)	MNO - 18	13	11
	Post Office	28,40	28,40
13. Average cost of low value cross border remittance (100 Pula)	Banks - 0,25% Post Office 28.20	25 Pula 28.20 P	25 Pula 28.20
	MTO - 40 Pula	40P Zim 20	40P Zim 20
14. Interoperability: Bank to wallet - Wallet to wallet - Wallet cash out at atm.	Interoperability not in place	New regulation drafted	New regulation drafted Central Bank authorized Barclays Bank to accept mobile money deposits
15. Strategy to leverage inward remittances for investment	No strategy developed	No strategy developed	No strategy developed
*The baseline was not split when it was initially set up.			

Source: Figures have been obtained from the Bank of Botswana, Central Reserve Bank of Botswana, NBFIRA, MFED Insurance subdivision, BOCRA, Orange, Bemobile, Mascom, FinScope Survey and other institutions, 2016-2017

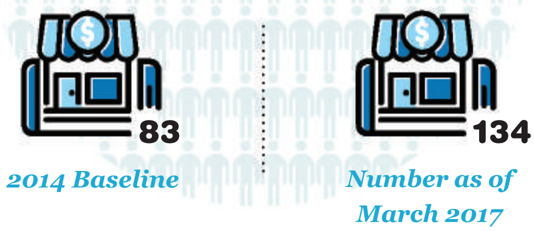
Access Indicators

The number of bank branches met the target set for 2017 of 10, but this was only a slight increase on the baseline figure of 9 set in 2014. The number of ATMs, whilst remaining at the baseline of 33 set in 2014, did not meet the target of 38. Mobile money agents increased dramatically from the baseline figure of 83 and exceeded the target reaching a figure of 134.

Number of ATM's per 100,000 people



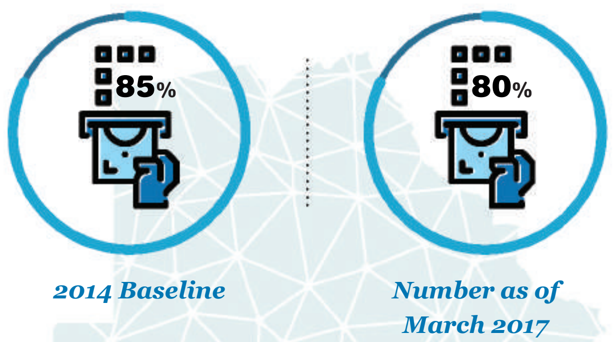
Number of mobile money agents per 100,000 people



Transactional Accounts and Usage

The baseline for ATM withdrawals was set at 85% in 2014 and this was targeted to reduce to 80% in 2017.

Number of mobile money agents per 100,000 people



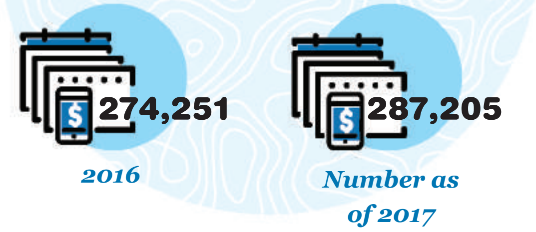
Number of mobile money accounts

Mobile Money Accounts have boomed from March 2014 283,044 accounts to 673,741 in March 2017, an increase of 138%.

Botswana operators started to collect data on 30-90 day active accounts only in 2016. In 2016, the number of 30 day active accounts was 271,498, the number of 90 day active mobile money accounts was 287,205. In 2017 both 30 and 90 days active mobile money accounts improved. In Botswana, the baseline for ATM withdrawals was set at 85% in 2014 and this was targeted to reduce to 80% in 2017. The target for Mobile Money Accounts usage shows a regression from 283,044 to 254,749 for a 30-day period. The target for a 90-day period does not show a much improved figure of 274,251.

Number of 30 day active accounts

Number of 90 day active accounts



Appropriateness / Affordability

Two mobile network operators, Mascom and Orange, have introduced mobile money (orange money and myzaka). Orange is the most innovative and bigger mobile money operator covering almost 90% of the market. Both operators for transactions of 100Pula (10US$), charge 11P. The cost will be borne by the sender (5 Pula) and by the receiver (6 Pula). The transaction cost will increase with the amount sent, but the increased cost will be totally borne by the receiver. The maximum amount that can be sent is 3995 Pula at the cost of 104 Pula (5 Pula sender fee and 99 Pula withdrawals fee). For amounts above 100 Pula, Mascom has higher cost (+10%) than orange. Orange has introduced a card Visa accredited that allows to cash money up the 3995 Pula at a fixed cost of 6 Pula, so transacting money with orange card will cost 11Pula for any amount.

Botswana Post has a money transfer service with only sending fees and withdrawals free. The cost for low value transactions (100-300Pula) is 28.20 Pula, not competitive with MNO fees.

Payments and Remittances

The competition in the Botswana remittance market has increased over the last three years. They range from mobile wallet products, over the counter products (OTC) to the traditional money transfer agencies such as Moneygram and Western Union.

The average cost of mobile money has decreased from P18 to P11 whereas MoneyGram and Western Union charge a fee of P40 to transfer 100 Pula. Western union has a special fare for Zimbabwe (20 Pula) at price point of 100 Pula. Mukuru which is a OTC product charges 10% of the amount transferred. Botswana Post has activated a special channel for Lesotho, Malawi, RSA, Swaziland, and Zimbabwe and applies the same fees as Western Union.

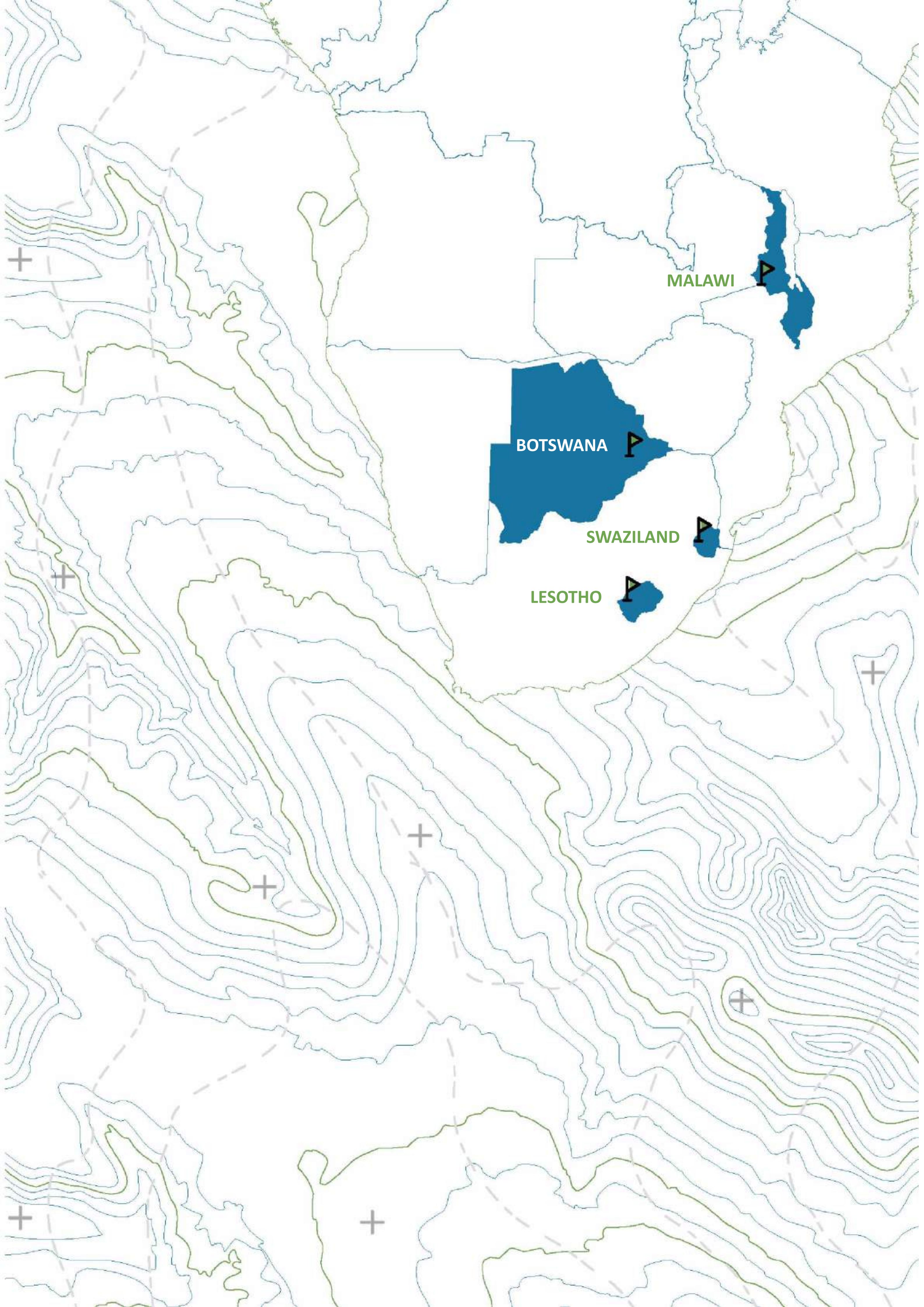
The cost of cross border remittances for MTOs has remained high at P40 although mobile money and OTC transactions are cheaper. There is scope to further reduce the cost of remittances in Botswana.

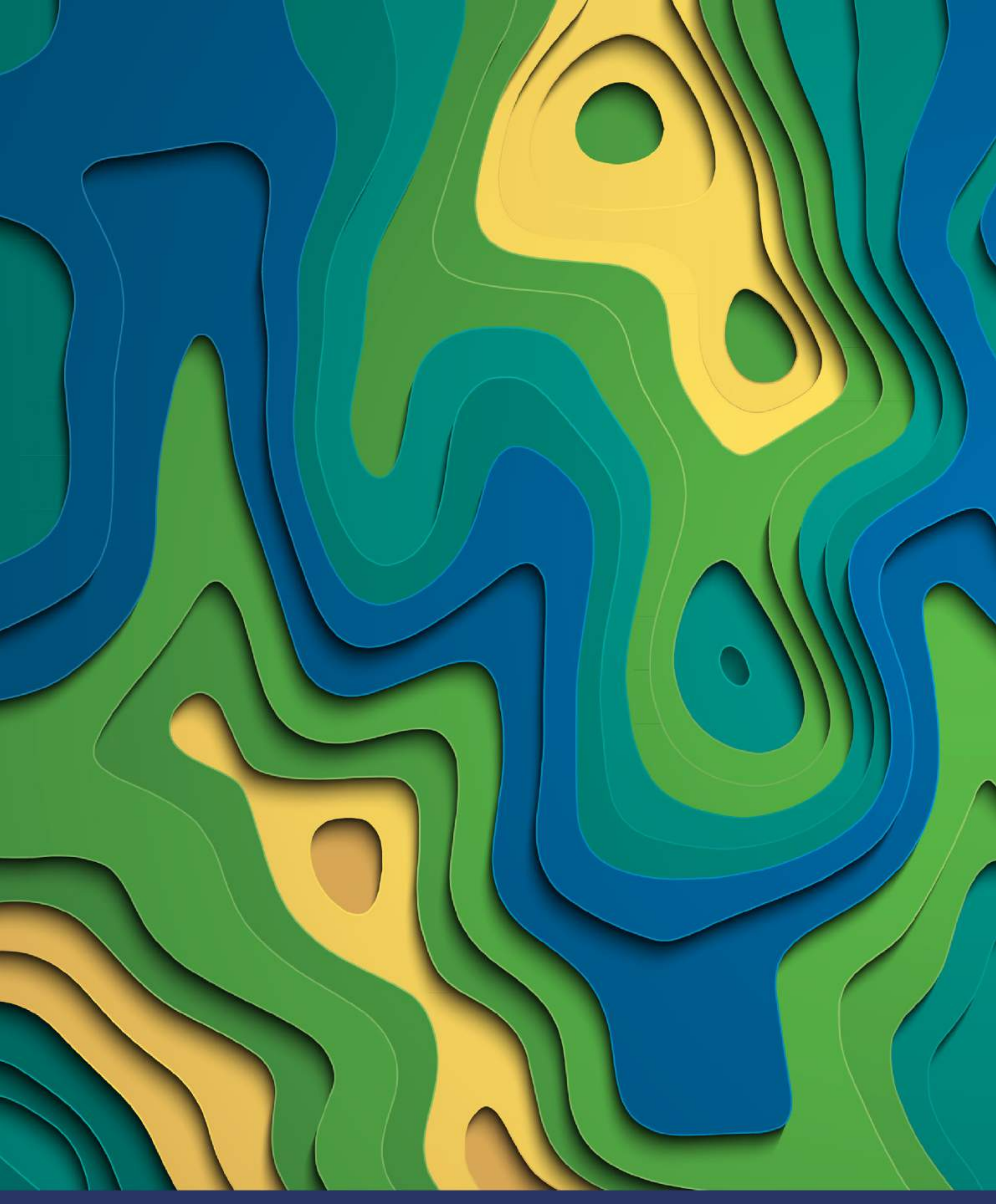
Achievements and challenges

Significant improvements in enhancing financial sector infrastructure, using new technologies is on its way to its national goal targets. This has also encouraged competition with the entry of new products and market competitors, including state provision of services like the Post Office and cross border remittances within neighbouring SADC countries.

Gaps in the data and data collection

Some results from the Bank of Botswana are outstanding, making an analysis of results difficult. There are also data that the Bank of Botswana does not collect, such as percentage of adults (18+) with access to at least one formal product (total, women) and percentage of adults (18+) with two or more products.


MALAWI
BOTSWANA
SWAZILAND
LESOTHO



FMT
FINMARK TRUST
Making financial markets work for the poor

UN CDF MAP