



Unlocking Public and Private
Finance for the Poor

APPENDIX TO THE MAP MTE REPORT

Country reports



inclusive microeconomics

Table of Contents

Appendix 1: Malawi	1
Abbreviations	2
Introduction and Country Context	3
1 Overview – Financial Inclusion in Malawi	3
2 MAP in Malawi	7
3 Findings and Analysis	10
3.1. MAP deliverables	10
3.2 Stakeholder engagement	12
3.3 Linkages	13
3.4 Management	14
3.5 Results	15
3.6 Influencing the Ecosystem	17
4 Overall Assessment	19
5 Recommendations	20
Annex 1: Bibliography	22
Annex 2: Key Informant Interviews (6-10 May, 2019)	23
Appendix 2: Myanmar	26
Introduction and country context	28
1 Overview - Financial Inclusion in Myanmar	28
2 MAP in Myanmar	31
3 Findings and Analysis	34
3.1 MAP deliverables	34
3.2 Stakeholder engagement	36
3.3 Linkages	37
3.4 Management	37
3.5 Results	39
3.6 Influencing the Eco-System	41
4 Overall assessment	43
5 Recommendations	44
Annex 1: Secondary material and project documents	46
Annex 2 : Key informants interviewed (30 May – 5 June 2019)	47
Annex 3: Working Groups to guide the MAP2 process	48
Annex 4: Implementation of Roadmap1	49
Appendix 3: Nepal	50
Abbreviations	51
Introduction and country context	52
1 Overview - financial inclusion in Nepal	52
2 MAP in Nepal	56
3 Findings and Analysis	58

MAP MTE country reports

3.1	MAP deliverables	58
3.2	Stakeholder engagement.....	61
3.3	Linkages	62
3.4	Management	63
3.5	Results.....	64
3.6	Influencing the eco-system.....	67
4	Overall assessment	68
5	Recommendations	69
Annex 1: Secondary material and project documents.....		72
Annex 2: Key informants interviewed (6-10 May 2019).....		73
Annex 3: Map of the provinces of Nepal		75
Appendix 4: Burkina Faso		76
Abbreviations.....		77
Introduction and country context.....		78
1	Overview – Financial Inclusion in Burkina Faso	78
2	MAP in Burkina Faso	81
3	Findings and Analysis	84
3.1.	MAP deliverables	84
3.2	Stakeholder engagement.....	85
3.3	Linkages	86
3.4	Results.....	87
3.5	Influencing the Ecosystem	88
4	Overall assessment	89
5	Recommendations	90
Annex 1: Project documents and other references		92
Annex 2: List of stakeholders interviewed (27-31 May 2019)		93
Annex 3: Members of the MAP Steering Committee		94

List of Tables

Appendix 1: Malawi	Page
Table 1 Financial sector trends, last 4 years	4
Table 2.1 MAP Process Timeline in Malawi	7
Table 2.2 Funding for MAP research and deliverables (2015-2017)	9
Table 2.3 Funding for NSFI implementation (FMT and UNCDF)	9
Table 2.4 FinScope MSME and MAP diagnostic funding – 2019	10
Table 3.1 Timeline of MAP deliverables and targets	11
Table 3.2 Roadmap recommendations – adoption and information on implementation	15
Table 3.3 FMT SADC projects linked to NSFI implementation	16
Appendix 2: Myanmar	
Table 1.1 Banking and financial institutions in Myanmar	28
Table 1.2 MFI outreach & contribution to the financial system	29
Table 2.1 MAP Process Timeline in Myanmar	32
Table 2.2 Logical framework for interventions to promote financial inclusion, Myanmar 2014	33
Table 3.1 Contributions to the MAP1 budget	38
Table 3.2 Achievements against overall objectives of the Roadmap 2014-20	40
Appendix 3: Nepal	
Table 1.1 Financial institutions in Nepal	53
Table 1.2 Trends in Major Financial Inclusion Indicators (2015-2019)	55
Table 2.1 MAP Process Timeline in Nepal	56
Table 2.2 MAP funding	58
Table 3.1 Timeline of MAP deliverables and targets	60
Table 3.2 Priorities and interventions identified by the Financial Inclusion Action Plan	65
Table 3.3 Implementation of FIAP, December 2018	65
Table 3.4 Select initiatives of meso-level institutions to support financial inclusion	66
Appendix 4: Burkina Faso	
Table 1 Financial services providers and outreach, available data 2018	80
Table 2.1 MAP Process Timeline in Burkina Faso	82
Table 2.2 Funding sources for MAP in Burkina Faso, 2016-2018	84
Table 3.1 Summary of MAP deliverables and targets	85
Table 3.2 Funding aligned with the roadmap	87

List of Figures

Appendix 1: Malawi		Page
Figure 1	Timeline of national financial sector strategies and initiatives in Malawi, 2008 onwards	5
Figure 2	Selected data points for financial inclusion in Malawi	6
Figure 3	Stakeholders involved in payments – outline of process	17
Figure 4	Average scored responses to MAP evaluation statements	19
Appendix 2: Myanmar		
Figure 1	Changes in financial inclusion in Myanmar 2013 to 2018	30
Figure 2	Financial inclusion of women	30
Figure 3	Schematic presentation of Financial Inclusion Roadmap 2019-2023	33
Figure 4	Implementation of Roadmap1	41
Figure 5	Average scored responses to MAP evaluation statements	43
Appendix 3: Nepal		
Figure 1	Selected data for financial inclusion in Nepal	54
Figure 2	Average scored responses to MAP evaluation statements	68
Appendix 4: Burkina Faso		
Figure 1	Financial Inclusion data, Burkina Faso	80
Figure 2	Average scored responses to MAP evaluation statements	89

**COUNTRY REPORT – Southern Africa Development
Community (SADC)**

MALAWI

Abbreviations

A2F	Access to Finance
ATM	Automatic Teller Machine
BTCA	Better than Cash Alliance
COMSIP	Community Savings and Investment Promotion
CTA	Country Technical Advisor
DfiD	Department for International Development
DFS	Digital Financial Services
DFSA	Digital Financial Services Association
E-KYC	Electronic Know Your Customer
EU	European Union
FI	Financial Inclusion
FIMA	Financial Inclusion in Malawi (UNCDF Programme)
FMT	Finmark Trust
FSDS	Financial Sector Development Strategy
FSP	Financial Service Providers
FSPU	Financial Sector Policy Unit
FSTAP	Financial Sector Technical Assistance Project (of the World Bank)
FSTWG	Financial Services Technical Working Group
GoM	Government of Malawi
GTI	(UNCDF) Global Thematic Initiatives
IFAD	The International Fund for Agricultural Development
LDC	Least Developed Countries
M&E	Monitoring and Evaluation
MAMN	Malawi Microfinance Network
MAP	Making Access Possible
MFI	Microfinance Institution
MGDS	Malawi Growth and Development Strategy
MM	Mobile Money
MM4P	Mobile Money for The Poor (program)
MMAAP	Mobile Money Accelerator Program (USAID)
MNO	Mobile Network Operator
MoF	Ministry of Finance, Economic Planning and Development
MSME	Micro Small and Medium Enterprise
MUSSCO	Malawi Union of Savings and Credit Cooperatives
NGO	Non-Governmental Organisation
NSFI	National Strategy for Financial Inclusion
NSO	National Statistical Office
PFSPD	Pension and Financial Sector Policy Division (MAP focal point)
RBM	Reserve Bank of Malawi
SACCO	Savings and Credit Cooperative
SADC	Southern African Development Community
SDGs	Sustainable Development Goals
UNDAF	United Nations Development Assistance Framework
UNDP	United Nation Development Program
VSLA	Village Savings and Loans Associations
WB	World Bank

Introduction and Country Context

This report draws on a desk review of MAP project documents and other secondary material for Malawi;¹ and semi-structured key informant interviews which took place in Malawi (in-person) during the week 6-10 May 2019, or otherwise by skype.²

Malawi in the Southern African Development Community (SADC) is among the world's Least Developed Countries (LDC). The population of 17.6 million is primarily (84%) rural, with a young demographic (65% less than 25 years of age).³ The poverty rate has remained at over 51% from 2010-2016, driven by weak performance of the agriculture sector, in turn subject to recurring drought and adverse weather) and limited opportunities in non-farm activities.⁴

The country attracts considerable attention and funding from bilaterals and donors, though since the 2013 Cashgate scandal⁵ funding is now mostly channelled through implementing partners rather than direct budgetary support. The UNDAF (United Nations Development Assistance Framework, Malawi, 2019-23) recognizes core development challenges in poor governance, climate change, weak economic structure, rapid population growth and negative social norms. Despite regular multi-party elections, the report notes a 'low level of trust in the government'. Indeed, the country visit for this evaluation took place in the run up to the presidential elections in May⁶, when there were prominent discussions in the media of "tax payer money going down the drain ... with abandoned and non-existent projects", "leaders talk too much but do not implement".⁷

1 Overview – Financial Inclusion in Malawi

Malawi has a range of financial service providers, formal and informal. Formal providers are regulated by the Reserve Bank of Malawi (RBM) including commercial banks, insurance companies, Microfinance Institutions (MFIs), Savings and Credit Cooperatives (SACCOs) and mobile network operators (MNO - also regulated by the Malawi Communications Regulatory Authority, MACRA) for the provision of mobile money. All these players have their own associations. Table 1 presents some available data on the trends for different providers, over the past few years, which shows: a more than doubling of bank deposits, an increase in microfinance, mainly through microcredit agencies for (urban) payroll lending; and an apparent decline in client numbers as MFIs have had to review their portfolio quality; a growth in SACCO members and a substantial emergence of mobile money accounts with two MNOs (a public company Telekom, and a private company Airtel), though less than half of these accounts are active. For sectors where this data is available, women are 35-45% of clients. We were not able to find data on rural services, but the major outreach is reported to be urban (and peri-urban), with low outreach to the rural majority. The small number of international MFIs are the exception with a focus on rural services, together with the (unregulated) Village Savings and Loans Associations (VSLAs) – also largely established by International Non-Government Organisations (Care, Plan, Oxfam, Catholic Relief Services). Under current regulation being drafted

¹ Annex 1

² Annex 2 lists the key informants who were interviewed, as well as some whom we were not successful in contacting.

³ National Statistical Office, 2018. Malawi Population and Housing Census

⁴ World Bank, 2017

⁵ Cashgate refers to the systematic looting and fraud at government ministries and the disappearance of 'at least \$30 million', which first came to light in September 2013. 'Misplaced Charity', The Economist, June 2016.

https://en.wikipedia.org/wiki/Capital_Hill_Cashgate_Scandal

⁶ From the perspective of financial inclusion and the potential for digital financial services, it is interesting to note that the previous vice president (though he ran against the president in the May elections) joined the government from being the MD of Airtel in Malawi – reflecting government interest in the private sector and the high profile of digital technology.

⁷ The Nation, 9-11 May 2019

by the RBM, VSLAs may potentially join within apex bodies, to form ‘community banks’ at district level.

Table 1: Financial sector trends, last 4 years

Types of service provider	Indicators	Dec 2014	Dec 2018	Women
Formal – regulated by RBM:				
Banks	Number of Banks	12	9	
	Total deposit amount	\$660mn	\$1.45bn	
Insurance	Companies	11	12	
Microfinance	MFIs/microcredit agencies	26	55	
	Number of clients	854,000	400,000	46%
Savings and credit cooperatives (SACCOs)	SACCOs	2015: 29	39	
	SACCO members	94,600	123,000	35%
Mobile money	MNOs	2	2	
	Registered users	263,600	5.6 mn ^a	40%
	Payments companies		2	
Informal/unregulated:				
Village Savings and Loan Associations (VSLAs)	VSLAs	37,460	65,000	
	Members	610,600	1.1m	

[Formal - RBM Financial Institutions Supervision, Annual Reports, 2014, 2018. RBM National Payment Systems 2018 Q4 report. Informal - ILO 2015. IFAD 2017]

^a 41% are active (i.e. used in previous 90 days)

The Government of Malawi states its belief that financial inclusion is an important tool that can help reduce poverty and inequality.⁸ Three key policy documents anchor financial inclusion in Malawi: the Malawi Growth and Development Strategy, the Financial Sector Development Strategy and the National Strategy for Financial inclusion (NSFI). The RBM was an early signatory to the Maya Declaration of the Alliance for Financial Inclusion (AFI), signalling government commitment to financial inclusion. Support for these policy documents has come from the World Bank which has implemented its Financial Sector Technical Assistance Project (FSTAP) from 2010, with \$28 million to assist the RBM on regulation and supervision, financial infrastructure upgrades including a national switch for payments, technical assistance for financial consumer education (regulation and programmes) and technical assistance to the MoF on interventions in the financial sector.

UNCDF’s first country programme Financial Inclusion in Malawi (FIMA) with UNDP and CORDAID ran from 2008-2012, with \$6.2 million working at macro, meso and micro levels – and linked into the first NSFI (2010-2014). The FIMA midterm evaluation in 2011 commended the effective policy dialogue with the RBM (leading to the no objection to mobile phone financial services trials) and engagement with the Bankers Association of Malawi to encourage commercial bank entry into the low income market. The evaluation report however also highlighted two major shortcomings: the lack of donor participation and co-funding of programmes across the sector, and the lack of stakeholder input to the NSFI as well as the need for more market based demand analytics and an effective forum for strategic decision making and accountability oversight.

This was the context when MAP started in 2014 along with other programme initiatives by UNCDF and other donors. These are set out chronologically in Figure 2. Other donor initiatives at the time included USAID’s Mobile Money Accelerator programme, various programmes with VSLAs and Cooperatives by Swedish Organisation Relief, CARE, GIZ and an EU project for delivery of social cash transfers through e-payments.

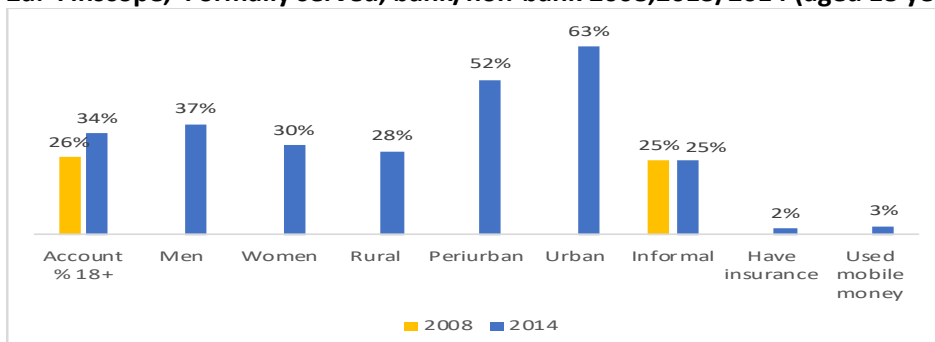
⁸ Government of Malawi, NSFI 2010, 2017

Figure 1: Timeline of national financial sector strategies and initiatives in Malawi, 2008 onwards

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Malawi Growth and Development Strategies	MGDS 1 2006-2010			MGDS 2 2011-2017							MGDS 3 2017-2022					
WB Financial Sector Technical Assistance Programme (FSTAP)			Diag- nostic 1	FSTAP 1												
										Diag- nostic 2			FSTAP 2 - till 2024			
Govt: Financial Sector Development Strategy (supported by WB, USAID and DfID)				Financial Sector Development Strategy 1							Financial Sector Development Strategy 2					
Govt: National Financial Inclusion Strategy (NFIS)				NFIS 1					NFIS 2 - launched 2017 (based on MAP roadmap)							
FINSCOPE - FMT		A2F				MSME							MSME			
UNCDF country programme		FIMA														
UNCDF MAP - Finscope								Consumer								
UNCDF - FMT - MAP								Diagnostic and Roadmap					MSME diagnostic			
Other UNCDF Global Thematic Initiatives				YouthStart												
					Microlead											
					MM4P											
									BTCA Country Diagnostic		BTCA Payment Roadmap					
Other related donor programmes					USAID Mobile Money Accelerator programme											
	Directly linked to MAP															
	FM Finscope															

[Derived from programme documents and stakeholder interviews].

Data on financial inclusion comes from Finscope (pre-MAP and MAP), and from two other sources supported by the World Bank – RBM/FSTAP Financial Literacy and Capability Survey and Findex. The three sets of data all claim to be nationally representative, although with slightly different adult age definitions – and they all show different results. Figure 1 presents data from the three surveys for what seems to be the same indicator - of being formally served or having an account, bank or non-bank, including cooperatives, MFIs and using a mobile money account/or money transfer. The Finscope data for 2014 shows 34% overall (up from 26% in 2008), with a gender gap of 7% and a very high rural-urban gap of 35%. 15% exclusively accessed informal services, a category that includes VSLAs, another 10% used informal services along with formal. Insurance was a low 2%. FSTAP data for 2013 (with a few months overlapping with Finscope) shows much lower formal access, and much higher use of informal services. Findex (with a smaller sample than the other two data sets) shows lower levels of financial inclusion in 2014, increasing in 2017 (to the Finscope 2014 levels), with the same gender gap. Comparing Findex 2014 and 2017, the age gap in accounts has reduced, as the use of mobile money has increased to 20% overall.

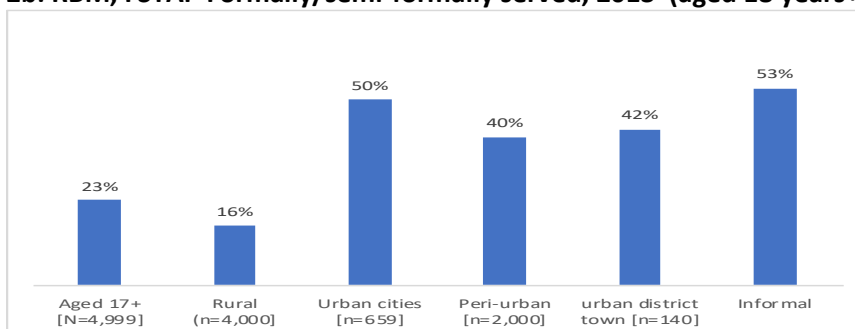
Figure 2: Selected data points for financial inclusion in Malawi**2a: Finscope, Formally served, bank/non-bank 2008,2013/2014 (aged 18 years+ or 16 years+)**

[FMT, 2008. UNCDF MAP and FMT, 2014]

Notes:

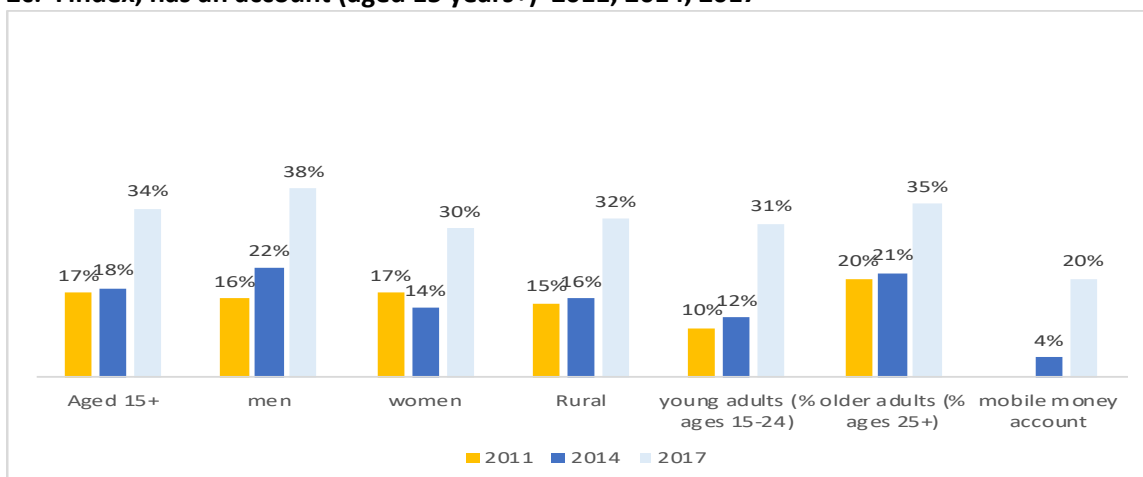
Sample in 2008 – 4,990. Sample in 2013/2014 – 3,000. Face to face interviews

For comparison between the two years, the sample is for age 18 years+. For 2014 alone, the sample is for age 16 years.

2b: RBM, FSTAP Formally/semi-formally served, 2013 (aged 18 years+)

[Reserve Bank of Malawi/FSTAP, 2014]

Baseline sample: 4,999. Face to face interviews.

2c: Index, has an account (aged 15 years+) 2011, 2014, 2017

[World Bank, Global Findex Data base]

Notes:

Samples around 1,000 each year. Face to face interviews

'Has an account' includes formal and semi-formal (i.e. bank and non-bank – cooperatives, MFIs)

2 MAP in Malawi

Malawi was an early country for MAP, predating the MAP project start date (2015), but following the deliverables and processes outlined in the Project Document: a research phase - demand survey and sector diagnostic (combining demand and supply side analysis) leading to a roadmap for government approval and implementation. FinMark Trust (FMT) was and continues to be the implementing partner of MAP, on behalf of UNCDF - both during the research phase and for implementation. FMT works with a local country coordinator who is contracted to undertake stakeholder management, donor engagement, fund raising and the implementation of funded and/or identified projects in country to support FMT's work.⁹

The MAP programme directly picks up from two key recommendations of the FIMA MTE, that highlighted the need for more market based demand analytics and having a forum for strategic decision-making and accountability oversight.

Table 2.1 sets out the different activities under MAP, starting in 2013, derived from the monthly operational reports, provided by FMT to the MAP hub.

Table 2.1: MAP Process Timeline in Malawi

Month and Year	MAP Milestones and activities
2013 May	Formerly start MAP with UNCDF, FMT, Cenfri
	Finscope feasibility mission for Finscope consumer survey
2013 June	FMT, Cenfri and UNCDF. Meetings held with Ministry of Finance, Central Bank, DFID, World Bank, UNDP. Ministry of Finance and Central Bank
2013 August	Finscope ToR completed
2013 Sep	Research house appointed - Finscope starts
2014 April	Finscope results presented to Steering committee
2014 Sep	Cenfri presents diagnostic approach to start diagnostic work in October
2015 April	Diagnostic presented to Steering Committee and other stakeholders
2015 Dec	Diagnostic synthesis note complete – incorporating comments. Roadmap nearly complete
2016 January	Ministry requests a national strategy document on financial inclusion
2016 July	Launch of financial inclusion diagnostic /roadmap
2016 Sep	Minister of Finance approves national strategy for financial inclusion
2017 Jan	M&E Templates developed and targets agreed
2017 Feb	E-Money regulations drafted, savings project on VSLA initiated
2017 July	National financial inclusion strategy formally launched
2018 February	First meeting of the Financial Sector Technical Working Group (FSTWG)
2018 April	Work plan for FSTWG submitted to members
	Funding commitments for Finscope SMME survey – (World Bank, UNDP, DFID)
2018 November	E-Money Regulations drafted by FMT vetted by the Ministry of Finance and sent to the Ministry of Justice for further refining and gazetting.
2019 January	E-Money Regulations refined
	RBM, UNDP, BAM working on E-KYC Project and reviewed as the National Registration Bureau
	Full interoperability of payment systems
2019 February	Finscope MSME activities start

[Monthly operational reports submitted by FMT to MAP programme hub]

⁹ Country coordinator TORs confirmed by FMT Head Office (HO)

MAP – research phase leading to roadmap and ‘handover’ to the Government

MAP was launched in Malawi in 2014 with a formal request by the Government of Malawi via the Financial Sector Policy Unit (FSPU) of the Ministry of Finance, Economic Planning and Development (MoF).¹⁰ FMT’s local country coordinator was responsible for engaging with the FSPU to mobilise a MAP steering committee which contributed to the design and content of the key deliverables. FMT headoffice (in Johannesburg) was responsible for the Finscope survey and the roadmap, and was supported by Cenfri consultants (headquartered in Cape Town, South Africa) for the diagnostic and synthesis report.

The deliverables followed the established pattern: engaging a local research house for Finscope data collection, and the National Statistical office to provide the sampling frame and to sign off on survey data quality, resulting in a standard set of indicators and analysis on financial service access, use and behaviour. Cenfri staff/consultants completed the diagnostic report, an FMT consultant completed the roadmap report. The FinScope survey and diagnostic report were shared with stakeholders through workshop meetings with the steering committee. The completion of the roadmap involved one-on-one consultations with different stakeholders.

Programme design anticipates approval of the roadmap by the Government. The roadmap (2015-20) was ready by end December 2015, but MoF endorsement required that the roadmap be reframed as a National Strategy for Financial Inclusion (NSFI). This too was drafted by a FMT consultant and incorporates the objectives, analysis and (most of the 89) activities set out in the roadmap. NSFI 2016-20 was formally adopted by the Government at a Financial Inclusion *Indaba* in July 2017.¹¹ The stated targets based on 2014 Finscope include: *“Increase the proportion of adults with access to at least one financial service product from a formal provider from 34% to 55% by 2020, for women from 29% to 55%, and reduce the excluded from 52% to 26%, to support growth and improve household welfare”*. Six strategic priorities were identified: 1) Expanding the reach of payments, 2) Leveraging Village Savings and Loan Associations (VSLAs) to enable savings, 3) Targeted finance for Micro Small and Medium Enterprises (MSMEs) and farmers, 4) Niche insurance opportunities to reduce vulnerability, 5) Effective consumer empowerment and education, and 6) National coordination of financial inclusion.

Funding for the deliverables (including drafting the NSFI) came largely as an allocation from DFID’s support to FMT for financial sector deepening work in the region (Southern Africa Development Community – SADC). UNCDF’s funding support to the FMT coordinator up to 2017 represented 25% of the costs (just under \$446,800). The major cost (\$275,000, 62%) was for the Finscope survey – around 75%¹² of this went to the research house for data collection.

¹⁰ This unit was set up under NSFI 1

¹¹ *Indaba* is a South African word meaning a discussion or conference. Traditionally this refers to an important conference held by the *izinDuna* (principal men) of the Zulu or Xhosa peoples of South Africa. Those present at the financial inclusion *indaba* included representatives of the government, the Governor and Deputy Governor of the RBM, development partners, CEOs and representatives of financial institutions and NGOs – who will likely have included at least some women,

¹² Provided as a general estimated by FMT team

Table 2.2: Funding for MAP research and deliverables (2015-2017)

Research activities	Donor/source	US\$
Finscope consumer survey (research house, NSO, FMT supervision)	FMT/DFID	275,000
MAP diagnostic and synthesis (Cenfri, FMT consultants)	FMT/DFID	53,571
NSFI (FMT consultant)	FMT/DFID	5,714
Coordinator fees	UNCDF	110,921
Total		334,286

[FMT HO and MAP Annual Work Plans]

Note – half of the coordinator fees during 2017 allocated under implementation and monitoring, below.

UNCDF funding to FMT for incountry coordination work is US\$250,000 for 5 countries, assuming \$50,000/country. This is allocated between countries by FMT as required.

MAP – NSFI implementation and monitoring

The roadmap and the NSFI refer to implementation, coordination and monitoring through a “continuing Steering Committee”, chaired by the FSPU director. There is no evidence for a continuing Steering Committee. It was eventually in February 2018 that the Director of Pension and Financial Sector Policy Division (PFSPD)¹³ in the MoF, set up the Financial Services Technical Working Group (FSTWG), tasked to oversee developments and initiatives in the financial sector, sector-wide, including the NSFI.¹⁴

Assistance for setting up the FSTWG was part of the activities in 2017 of the FMT country coordinator who is “embedded” in the PFSPD.¹⁵ Other activities have included followup to collect available information mainly from the RBM on financial access as part of M&E in SADC, by FMT.¹⁶ The PFSPD Director, as FSTWG chair, has in 2019 initiated a request to different financial sector stakeholders (all represented in the FSTWG) to report on progress on implementation of the NSFI. The intention is that reporting should not only be on financial inclusion access/account numbers but also on the activities, as listed in the NSFI action plan.

FMT facilitates selected projects linked to the NSFI, mostly based on its work and funding for the SADC region. Total investment for these activities in Malawi up to 2017 was just under US\$1.3mn, funded through FMT’s own resources and by Dfid. (Table 2.3).

Table 2.3: Funding for NSFI implementation (FMT and UNCDF)

Implementation support	Donor/source	US\$
Research on impact of cross border remittances in Malawi	FMT/DFID	770,000
Research on SADC remittances corridors Zambia and Malawi	FMT/DFID	396,500
Digital KYC scoping in Malawi	FMT/DFID	60,000
Liberalisation of capital and financial markets in Malawi	FMT/DFID	54,286
Mobile money guidelines capacity building support - to rewrite e-money guidelines	FMT/DFID	14,071
Dfid project on remittances#	UNCDF	12,891
Coordinator fees	UNCDF	26,188
		1,333,937

[FMT HO and MAP Annual Work Plans]

#Half of the coordinator fees in 2017 assumed allocated under implementation and monitoring. Since September 2017, FMT has allocated 20% of the coordinator fees to another project (Dfid) – also linked to the NSFI.

¹³ In 2015, the Director of Pension was appointed head of the Financial Sector Policy Unit which accordingly was renamed the Pension and Financial Sector Policy Division, effectively replacing the previous FSPU.

¹⁴ Financial Sector Technical Working Group, TORs, 20 February 2018.

¹⁵ This seems to mean that the coordinator regularly engages with and assists the PFSPD (including drafting TORs, letters, minutes etc), but does not have official space or formal recognition.

¹⁶ NSFI, 2016-20 includes M&E indicators in Annexure 2. Malawi reporting for end December 2017 is part of the publication: FMT/MAP “Measuring Progress: Financial inclusion in SADC – 2018”.

MAP – further research initiated

A refresh of the 2014 Finscope survey was intended by 2019, but the attempt by the FMT country coordinator to obtain funding for this through the PFSPD was not successful. However, the Finscope MSME and MAP diagnostic has been approved, with a total US\$542,000 mobilised from the World Bank, DfiD, EU and UNDP, all of whom have a particular interest in the small and medium enterprise sector and its potential to contribute to economic growth and employment.

The same process (as in 2014) has been followed with the PFSPD director setting up a Finscope MSME Survey and MAP Diagnostic Reference Group of stakeholders – chaired by the PFSPD director, the TORs and invitation letters being drafted by the FMT country coordinator. The reference group consists of the same members as FinScope 2014, but with the addition of representatives of Small and Medium Enterprises – the Malawi Confederation of Chambers of Commerce and Industry, the National Association of Small and Medium Enterprises and Chamber of Small and Medium Enterprises.

Table 2.4: FinScope MSME and MAP diagnostic funding – 2019

Research activities/implementation support	Donor/source	US\$
Finscope MSME survey and diagnostic (Research house, NSO, FMT)	WB/UNDP/ DfiD/EU	542,000
Coordinator fees	UNCDF	50,000
		592,000

[FMT HO and MAP Annual Work Plan]

3 Findings and Analysis

3.1. MAP deliverables

MAP – what was new? MAP design was intended to address the issues raised by the FIMA MTE, specifically the absence of market demand analytics for a country strategy. As part of MAP, Finscope 2014 was effectively a refresh of FMT’s Finscope 2008 survey, with the addition of mobile money, and repeating the steering committee approach to provide local guidance and contextualization for the survey. What was new was the Diagnostic (building on the Finscope data) and the roadmap. It was generally commented in our interviews, that the earlier FinScopes had laid the ground work for MAP, but that FinScope on its own whilst identifying the access to financial services and constraints does not provide enough momentum to guide change in FI, and thus a diagnostic is an important tool. Government ownership of the roadmap and a continuing Steering Committee was intended to ensure momentum into implementation and coordination between donors.

Whilst this approach was new for UNCDF, it reflects some elements of the WB approach which involved a supply side diagnostic followed by a strategy (the FSDS), a document launched by the MoF, followed by a funded FSTAP which included a market survey. This Household Financial Capability Survey was commissioned by the RBM and completed in 2014, overlapping a few months of Finscope data collection.¹⁷ The base line survey was developed using similar statistical techniques as FinScope, with a sample size of 4,999, compared to FinScope’s sample of 3005. This RBM//FSTAP survey has been repeated in 2018, and the results are due for release.¹⁸ In the ET’s view, with a similarly robust survey approach and the overlap of some financial access indicators, FinScope represents part-duplication of the RBM/FSTAP survey, and was an opportunity to explore synergies.

¹⁷ RBM/FSTAP, 2014. ‘Malawi baseline financial literacy and consumer protection household survey’. Conducted by Wadonda Consult Ltd.

¹⁸ The RBM/FSTAP survey comprised a listing of 250 enumeration areas, covering rural, and 3 categories of urban (urban-city, peri-urban and urban district town). FinScope drew on a listing of 503 Enumeration areas. Both surveys applied the Kish grid in sampled households to select individuals for interview.

MAP - a long drawn out process: A key comment about MAP was: “It was a long drawn out process from diagnostic to roadmap to formal government strategy.” The original target¹⁹ was to have the roadmap completed and formally adopted by the government by the end of 2015. Monthly reports and stakeholder interviews indicate that whilst the diagnostic was completed by the end of 2015, and the roadmap completed soon after in 2016, it took another 18 months to complete handover to the government, with the formal launch of another document - the NSFI. The completion of the roadmap is under the control of the programme, but handover to the country government depends on the process and timing decided by the government.

Table 3.1: Timeline of MAP deliverables and targets

Outputs	Indicators	Target vs Achievement					
		pre 2015	2015	2016	2017	2018	2019
1	MAP approved	√					
	Diagnostic completed		√				
2	Road map completed			√			
	NSFI drafted			√			
	Roadmap handover - NSFI launch				√		
	Programming progress (70%) against plan						?
					ProDoc, Table 13: Target		
					Achieved		√

[Malawi monthly MAP reports by the country coordinator and stakeholder interviews for this evaluation]

Whilst the roadmap refers to being the basis for a new policy document for the MoF and NFIS-1 (2010-2014) needed to be renewed, developing a NSFI was not part of the MAP target. For the government, it was not enough to have a roadmap document (even if this had ‘national financial inclusion strategy’ as its - rather misleading - tag line). The delay up to the formal launch of the NSFI in July 2017, meant that the launch was followed by the launch of MGDS III in August 2017 as well as the BCTA payments roadmap – which were not competing documents as such, but appear to have overshadowed MAP in terms of publicity and public attention (since it was the Minister of Finance himself who launched these documents, more prominently than the head of the PFSPD).

MAP reports - high quality but too long and detailed All stakeholders – the financial sector and the government – are unanimous in their appreciation of the quality of the evidence base provided by the FinScope survey and the comprehensive analysis and quality of the reports “in the context of many bad ones”. These are “good reference documents”. “There is deep analysis that other sectors could emulate.” This appreciation is reflected in the current round of funding to refresh Finscope MSME.

Nevertheless, the feedback on the diagnostic report (320 pages) was that it was mostly considered too long, with an “overwhelming amount of information”. Whereas, the 28 page synthesis report is a useful shortened version, and the roadmap (at 24 pages) is seen as an excellent document. And even here, there were some views that the scope was too comprehensive: “With so many recommendations/activities in the roadmap, to what extent can they all realistically be implemented?” “it was difficult to know what the priorities were – it was such a big menu”. Accordingly, a quite common suggestion was that the roadmap could be less comprehensive but capture the key issues, to inform immediate interventions and address immediate barriers, as well as highlight programme opportunities that donors have provisionally agreed to fund. At the same time, we note that the government appreciates a broader scope for an overall national strategy – and did indeed approve nearly all the very comprehensive list of activities in NFIS-2, and mostly as ‘high priority’.

¹⁹ In the ProDoc Table 13

Knowing that NFIS 1 was finishing in 2014, MAP Malawi could have planned to include NFIS2 as a deliverable from the start (of MAP) as part of the process of ensuring high level government approval and leadership in implementation. This would also have seemed a natural development following NFIS1 under UNCDF's earlier 2010-14 FIMA programme. This could have reduced the overall MAP timeline resulting in the launch being in less apparent competition with other major financial inclusion strategies (FSDS2 and MGDS III) and the BTCA Payments roadmap.

3.2 Stakeholder engagement

Government - commitment and role: FI is now a key part of national strategies, being included in MGDS²⁰ (Economic Governance) after input from FIMA²¹ as “Improved access to financial services,” and “expanding and improving financial services to Micro, Small and Medium Enterprises (MSMEs).” There was no reference to financial inclusion in MGDS1. As evidence of this change in priority, the FSPU set up under NSFI-1 as a division of the MoF had 2 extra directors installed (specifically for financial inclusion) as part of NSFI-2.

It is core to the MAP approach that the Government takes ownership and drives the process. The ET observed a clear commitment and appreciation by the FSPU team, which has had stable leadership from the start. This commitment however does not appear to be backed up with sufficient resources, or even authority. Hence the substantial delays – in launching the NSFI (with the required approvals), in setting up the FSTWG (in 2018) and putting in place effective meetings and monitoring (see below). It seems surprising in this context that the FSPU did not approve an initial proposal by FMT to raise funds (\$2mn) to assist in coordination and support for implementation of the NSFI.

Stakeholder engagement – has worked up to a point: A key part of the MAP process is the establishment of a Steering Committee intended to bring together all stakeholders in financial inclusion for effective view sharing, prioritisation of issues, approval of the action plan and ultimately to contribute to the implementation of the roadmap – and its oversight. What emerged from our discussions is that FMT's process is to establish a steering committee at the start of Finscope with members representing the range of stakeholders in the financial sector. Members meet to review the scope of the demand survey and make suggestions, and subsequently to review and approve the diagnostic and roadmap. The same process has just re-started for Finscope MSME – with the establishment of (a more correctly termed²²) reference group including the same stakeholders, adding representatives of the MSME sector. We found considerable appreciation of the consultative nature of engagement with stakeholders for Finscope MSME 2019, playing an effective role in contributing to the revision of the questionnaire so as to reflect stakeholder interest, with flexibility and responsiveness of design adapting from the 2012 focus on the informal micro sector to the current interest on small and medium enterprises.

The Roadmap document (page 22) envisaged that: *“The role of the Roadmap steering committee will be mainly to coordinate and engage stakeholders, to ensure that key areas of the roadmap are implemented, and to ensure that synergies are exploited and duplication avoided in line with the Paris Declaration for Aid Effectiveness.”* The roadmap mentions a “short term action plan” (as a risk mitigation strategy, page 24)) for the steering committee to continue to help immediate implementation, but once the roadmap was accepted the committee did not continue and there wasn't any short term action plan. It is interesting that for Finscope MSME in 2019, stakeholders preferred to be recognised as a reference group, since they did not expect to play a role in ‘steering’ the results into strategy.

²⁰ Government of Malawi, 2017. Malawi Financial Sector Development Strategy II, 2017-2021 (FSDS2)

²¹ As noted in UNCDF 2011, MTE of FIMA evaluation

²² The terminology is discussed in the next para

The FSTWG set up in 2018 by the PFSPU (which has this responsibility – previous subsection), was established as the coordinating forum for the financial sector – linked to both FSDS-2 and NSFI-2 as the official roadmaps for the entire sector. Other committees related to FI function as sub-groups of the FSTWG, including the Finscope MSME reference group. The FSTWG itself is one of four working groups under the Economic Governance Sector Working Group (EGSWG),²³ and is therefore governed by the strategy, procedures and resources of the umbrella group.

In our interviews there was mention of a number of different stakeholder groups related to FI, starting from 2013 (consumer protection), then financial literacy (2014) – both facilitated by the RBM supported by the World Bank. Subsequently, there has been a steering committee for the FSDS; the Digital financial services working group started under MM4P, now formalised as the DFSA (with UNCDF/MM4P as secretariat) and a national task force for electronic payments. With the exception of the DFSA (which continues to be facilitated by UNCDF/MM4P and members bear their own expenses), the other sub-committees for financial inclusion have probably met just once. Certainly in the case of the FSTWG – there appears to be no clear channel of coordination: “there are many financial inclusion groups, but we rarely met”. Some mentioned the issue of allowances: “all meetings have problems on allowances. When meetings are out of town this allows attendees to concentrate but then they expect allowances which is a cost.”

While the principle of the FSTWG is well regarded, there is a consensus of disappointment that there has only been one meeting – in February 2018.. The lack of regular meetings may be attributed to dependence on the EGSWG to finalize its strategy and funding plan for its sub-committees, as well as a lack of staff and resources with the PFSPU. Many of those interviewed recognise the need for closer coordination and better communication between all FI stakeholders, and, because of this, a staff representing a donor programme stated that development partners would be willing to fund meeting costs. Several respondents feel this is a missed opportunity for engagement with decision makers on practical issues affecting progress on financial inclusion in their sector.

3.3 Linkages

Missed potential for collaborations – UNDP, UNCDF and FMT: UNCDF has a country presence but lacks a clear country role apart from the separate Global Thematic Initiatives (GTIs). UNCDF is recognised as having FI technical expertise and convening power by almost all interviewees, but equally as having limited visibility (as UNCDF) in the country. For nearly everyone we interviewed, “MAP was not a UNCDF programme but rather FMT’s”.²⁴ It was also remarked by some respondents, that “UNCDF interest in MAP has fizzled out – a lack of funds equals a lack of interest in New York. BTCA is the new kid on the block and picks up resources.” At country level this has led to UNCDF being questioned why they are not helping to support implementation of the roadmap. We also note that various FMT activities and publications which are linked to MAP (e.g. they draw on FinScope surveys conducted as part of MAP, or are linked to in-country projects aligned with the MAP roadmap), but are funded via its regional activities in SADC, do not refer to MAP or to UNCDF.²⁵

²³ The other three are: Development Planning, Coordination and Review , Resource Mobilization , Public Financial Management

²⁴ The FSTWG TORs’ background section states the following: “The diagnostic stage which included the Financial Sector Assessment Programme (FSAP) supported by World Bank, FinScope Demand and Supply Surveys supported by FinMark Trust enabled government and other stakeholders to understand key issues affecting the sector.” No reference to UNCDF.

²⁵ E.g. FMT with Bankable Frontier Associates, 2018. Malawi Digital ID Feasibility Assessment. Various blogs on the FMT website: 2018 – ‘Achieving financial inclusion goals through digital ID in Malawi’. 2018 – ‘Will inclusive financing mechanisms promote more women (In Malawi)’. 2018: Presentation on Gender and Financial Inclusion in the SADC region (Including Finscope data from Asia). 2019 - ‘Top Six Insights on Gender from FinScope data across the SADC region’. 2019 Gender workshop presentations (with Financial Sector Deepening trust – Zambia, Mozambique).

UNDP is mentioned in the ProDoc as having a potential coordinating role. However, in Malawi there was apparently no effective communication between local staff of UNCDF, FMT and UNDP on expectations around NSFI implementation and the roles for each.

Even within UNCDF – there appears to be an absence of systematic coordination between the GTIs and MAP. This is surprising given the potential links with UNCDF’s Youthstart and Microlead GTIs (as noted in the roadmap) and both MM4P and BTCA fitting with priority 1 of the NSFI.²⁶ Stakeholders commented on the “fly-in-fly-out consultants (for other GTIs)” with UNCDF being seen as having “a scattered approach rather than a unified country vision.”

UNCDF has visibility through its current GTI – MM4P. The UNCDF country technical advisor (CTA) is currently funded under MM4P and is actively engaged in coordination for MM4P (facilitating the regular meetings of the Digital Financial Services Association (DFSA – a working group now registered as an association). Whilst FMT and UNCDF each attend the same stakeholder meetings, there seems to have occurred a near breakdown in communication to the extent that there is no clear collaboration, and even a sense of competition (considering FMT’s work on the mobile money guidelines). Both ‘sides’ admit: “at times we collaborate; at other times we compete.” “The relationship is opaque.” “We felt bypassed when they went directly to a key donor of ours.”

Whilst the ProDoc sets out the responsibilities of UNCDF (through FIPA, the hub, and the country representative (CTA) with FMT as the lead on all components, including programming (i.e. implementation after the roadmap),²⁷ there has been an apparent absence of collaboration between FMT in country and UNCDF’s other programmes (GTIs). It is likely that more concerted engagement by different levels of staff within UNCDF (FIPA management, MAP hub and GTI representatives) – and indeed by UNDP as was envisaged in the ProDoc – could have supported coordination for stronger, aligned, implementation. MAP (after the roadmap) had limited implementation budget and staffing.²⁸ FMT and MAP Malawi did not get specific support from UNDP Malawi or UNCDF New York by which to maximise the UN brand or to escalate to get buy-in from the GoM.

3.4 Management

M&E of NSFI implementation – very limited

The roadmap expects the ‘steering committee’ to be responsible for M&E of implementation, whilst the government supports the need for M&E – including “having the annual Financial Inclusion Forum as a possible coordination mechanism/event to allow stakeholders to update each other on their respective roles in FI”.²⁹ Not that the annual financial inclusion forums have happened. The M&E framework (included as an Annexure to the NSFI) focuses more on access and outreach indicators (several being difficult to measure), less on tracking the specific interventions which are expected to lead to the results.³⁰

²⁶ In particular, with MM4P, it was reported to the ET both that MM4P declined to collaborate with MAP within the region, and that MAP declined to collaborate with MM4P.

²⁷ Table 7: RACI Matrix for FinMark Trust led countries. RACI – Responsibility, Accountability, Consult, Inform

²⁸ In 2018 the FMT said that they proposed a 5 year \$2m budget to be provided by donors to support implementation of the NSFI. While approved by the MoF, it was not signed off by the Principal Secretary to the Treasury and so FMT could not approach donors for funding.

²⁹ This was part of the MoF/PFSPD feedback to the draft NSFI.

³⁰ NSFI 2016-2020 Annexure 2 The FSDS 2017-2021 does a better job of framing outputs and outcomes linked to specific interventions along with the data sources.

Since 2017, FMT has been collecting data to publish a regional SADC ‘Measuring Progress’ report linked to the SADC regional strategy for FI. Two reports have been published under MAP³¹, covering 4 countries in 2018, 5 countries in 2019 (out of a total 9 MAP related countries in the region). As part of this, for Malawi, the country coordinator has collected data, mainly from the RBM. This covered aspects of access (access points/100,000 population - bank branches, ATMs, agents, POS – rural and urban), active mobile money accounts and costs (of mobile money transactions, including domestic and cross-border remittances). In Malawi – and the other countries covered in the report – it is noted that: reporting depends on data readily available with the Reserve Bank. “Some data was not available due to the way information is consolidated. Major items missing include percentage of adults accessing at least one or two formal financial services, number of entry level accounts, access to insurance services, as well as the number of informal savings and lending groups..” and, noted in the 2019 report, whether access points are active. Not noted in the report is that access and usage by gender is also a gap. And the reports do not include any monitoring of MAP/NSFI implementation.

With the translation of the roadmap into the NSFI, the PFSPD seems to accept its responsibility for coordinating M&E through the FSTWG. This year, the PFSPD has sent out a request to all FI stakeholders to report on their progress on NFIS implementation activities.³²

Otherwise, FMT operational reporting continues through a monthly excel sheet submitted to the MAP hub. This has focused on completion of the MAP deliverables, and since the launch of the NSFI provides a brief sketch of FMT activities on implementation projects.

3.5 Results

A first step in tracking the results of MAP is to look at implementation of the roadmap recommendations. As discussed, there is limited information on implementation. From comparison of documents and key informant interviews, we can state that out of the 89 activities recommended in the roadmap, only three were dropped in the NSFI. Most (77) are maintained as high priority, short-term. Out of these, for the half for which there is some information, there is mostly some work under way, 11 tasks have been completed, as shown in the table. (Another 3 of the medium priority tasks are also under way). This represents 45% programming implementation (which may increase once more information is becomes available) compared to the ProDoc target of 70%.

Table 3.2: Roadmap recommendations – adoption and information on implementation

MAP Roadmap	NSFI - priority/roadmap		Out of NSFI high priority (77):				
	High	Medium	No information	Completed	Action under way	Under discussion	No action
89	77	9	36	11	21	6	3
	87%	10%	47%	14%	27%	8%	4%

[MAP Roadmap, NSFI-2, other secondary information, key informant interviews, review by the FMT country coordinator]
Note The format behind this tabulation has been shared with the MAP team as a means of monitoring roadmap implementation]

To what extent have the actions taken or planned been influenced by the NSFI? Evidence from different sources – interviews with government and other stakeholders involved, and tracking the sequence of initiatives – suggests that several activities were already on track at the time of drafting the roadmap/NSFI.

³¹ FMT, 2018 and 2019. “Measuring Progress: Financial Inclusion in SADC”

³² Reports were to be submitted to the PFSPD by end June 2019. They were not available at the time of completing this country report.

Some of the NSFI action plan activities overlap with the World Bank supported FSTAP 1 (2010–2018) and the FSDS -2 (2017-2021).³³ For which the World Bank completed its own diagnostic apparently without reference to MAP – or indeed vice versa. Some activities were already underway at the time the roadmap and NSFI were being drafted; they were activities being taken anyway (without MAP) but are reflected (correctly) as priorities within the NSFI. For example: the National Switch – making ATM/POS and MNOs interoperable, (under FSTAP/FSDS), the BTCA payments roadmap – which drew the government’s attention to the potential to digitize government payments. Developments around payments have been a strong feature of FI in Malawi over the last 5 years, in which FMT has played an important regional role under the auspices of the SADC Committee of Central Bank Governors, with regional work on the mobile money guidelines and supporting this at country level. Nevertheless, it was reiterated by the RBM and MoF, that the FSDS, FSTAP and BTCA Roadmap were their guiding documents rather than MAP, albeit within the context of the SADC implementation plan approved by SADC CCBG and supported by FMT.

Other work in progress by the time of the roadmap/NSFI included financial literacy in schools/financial education (WB and RBM), the Credit Bureau Act of 2016 and setting up a collateral registry system.

Since the launch of the NSFI, FMT has undertaken a number of projects in Malawi and several of these have been linked to and drawn on its role and activities within the SADC region. An early project was the feasibility study for a financial services ombudsman, started in 2016. Other projects relate to the mobile money guidelines which FMT developed for SADC in November 2016, approved by the Committee of Central Bank Governors (CCBG) and recognised across the region. Immediately after the 2017 launch of the Malawi NSFI FMT presented the guidelines to the DFSA. The projects are an example of work in process with different stakeholders as summarised in Table 5. Even with backing at the regional level, in-country processes take time to set up and to obtain agreement.

Table 3.3: FMT SADC projects linked to NSFI implementation

FMT/SADC Scope of Work	Malawi Implementation
Consumer protection. Provide alternative dispute resolution	<ul style="list-style-type: none"> ➤ Feasibility study completed 2016. RBM sponsored process for a financial services ombudsman for which WB approved FSTAP funding. • Draft legislation ready but not yet finalized as unclear of jurisdiction – under RBM or the Competition and Fair Trading Commission.
Increase savings , particularly of rural people, by introducing payment of interest on MM accounts.	<ul style="list-style-type: none"> ➤ Draft regulation with the Ministry of Justice since July 2018. RBM deadline was set for 1st Sep 2018, law hoped for by June 2019. • Some disagreement on this by MNOs/DFSA (who would prefer money on the MM trust account to be used as CSR funds)
E-KYC. FMT conducted a workshop in January 2018 in South Africa.	<ul style="list-style-type: none"> ➤ After the workshop Bankers Association of Malawi (BAM) took up the issue with RBM. Banks will fund teller equipment. • RBM needs funding for back office hardware. • FMT workshop (separate from DFSA) • National ID pilot run by UNDP, needs to be tested for transfer into E-KYC
Merchant Mobile Money to increase business and customer use of DFS	<ul style="list-style-type: none"> ➤ Full interoperability of systems in place ➤ 2019 RBM directive that retailers who have an annual MK 10 million turnover have to adopt a POS or MM channel to accept payments. (assists tax raising and convenience for customers). This is now part of process to get a business license issued by the Ministry of Trade (MoT).

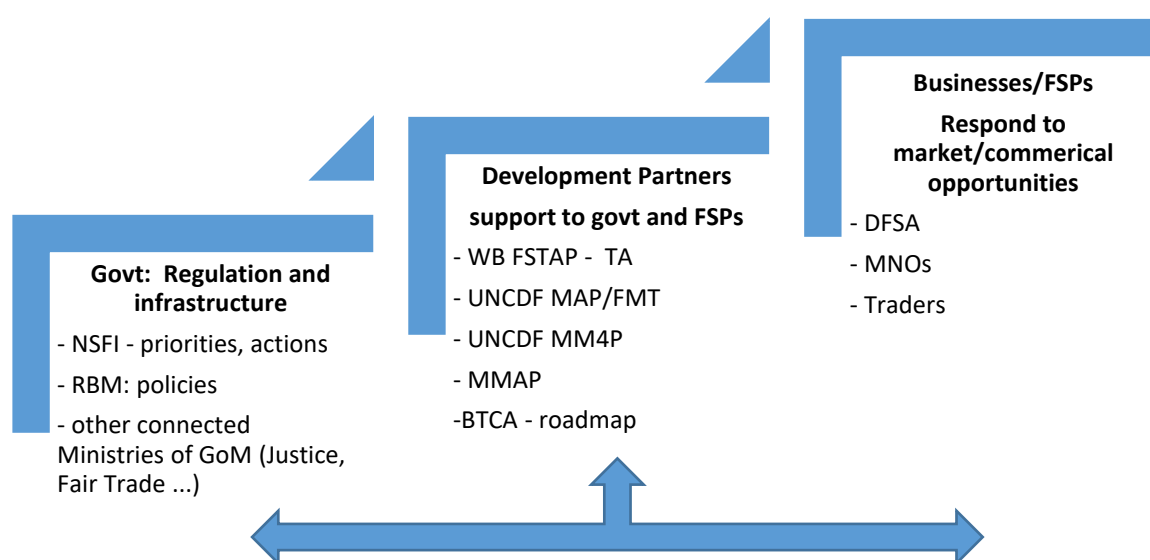
³³ FSDS-2 covers not only enabling infrastructure under the Financial inclusion pillar, but also insurance, microfinance sector and financial cooperatives, payment systems and mobile banking under the Developing and Deepening Financial System pillar, and the financial literacy and customer protection pillar.

FMT/SADC Scope of Work	Malawi Implementation
	<ul style="list-style-type: none"> As follow on to the mobile money guidelines, FMT is following up with RBM to establish free transfers between systems, and with operators to see if they can reduce the fee

[Key informant interviews, MAP monthly reports]

Other projects have also been attempted by FMT since 2018, but are still to gain traction: low value cross border remittances from South Africa into Malawi, training in credit appraisal for MFIs. Activities around payments provide a useful example to illustrate the roles of different stakeholders who contribute to progress as shown in Figure 2. Multiple players are involved at different levels.

Figure 3: Stakeholders involved in payments – outline of process



With multiple players involved, attribution of results is practically impossible. Indeed, one respondent illustrated the perception of complexity by asking about the payments implementation: “Is it FMT, MAP, SADC, MM4P, WB or RBM who should receive the kudos for progress?”. Contribution analysis – drawing on stakeholder feedback, timeline evidence and secondary documentation – suggests that whilst all have played a role, the main drivers in this case are seen to be WB, RBM and the MNOs. The role of MAP has been to provide a reference (in the NSFI) whilst FMT has drawn on its work in SADC to contribute to policy making and to engage with service providers, and continues to do so.

Under other priorities, some activities have started or are under discussion, but there appears to be limited activity under the other priorities of insurance, vsas - savings or targeted finance for MSMEs and farmers. IFAD’s programme – Financial Access for Rural markets, Smallholders and Enterprise (FARMSE) – was ready for approval end 2017, with a strong focus on rural finance including support to existing VSLAs as Community Based Financial Organisations, and a budget of over \$50million. Again, while fitting with the NSFI priorities, the IFAD programme seems to have been developed without any reference to the national strategy.

3.6 Influencing the Ecosystem

In our discussions, the PFSPD director appreciated MAP efforts and deliverables (FinScope, the diagnostic, roadmap - and NSFI) and stakeholder participation around the process. The Government has launched and endorsed the NSFI based on the roadmap, and appears committed to the priorities

and actions set out. The PFSPD (expanded this year to a team of 5 with 2 new deputy directors – previously in Economic Affairs) has bought into the process – and re-initiated it in 2018 for Finscope MSME and MAP diagnostic. The PFSPD has some convening power, however, it is not clear whether the MoF uses the NSIF as a reference for approvals of proposals or to initiate action, nor indeed whether it has sufficient authority (with limited resources) to play an authoritative coordinating role.

The government regards stakeholder structures established during the diagnostic phase (both MAP and FSDS) as temporary.³⁴ As such there was no ‘financial inclusion steering committee’ that continues to “steer” implementation and alignment of activities after the launch of the strategy. The PFSPD established a (new) FSTWG in 2018 with a broad financial sector mandate, including to oversee M&E of the NSIF. At the time of the MTE visit, the PFSPD was awaiting M&E reports from different actors in the financial sector. If what is reported serves to identify current gaps in NSFI implementation, this may help to bring attention to the NSFI action plan as a more dynamic document to shape future interventions.

Activities of the RBM appear (from stakeholder discussions) to have been more directly influenced by FSDS and FSTAP which started earlier than MAP, and with the World Bank providing funding, TA, and working directly and regularly with the divisions concerned (payments, consumer protection). Accordingly, on digital payments, there have been a number of strong infrastructural developments which are seen as the priority, providing the basis (“the rails”) for later development of products and services with significant outreach.

Bilaterals and donors who had been involved in consultations around the MAP diagnostic and roadmap, appreciated the quality of reporting and said they agreed with the priorities – which at the same time reflected some of the ongoing programmes. Indeed the World Bank was conducting their diagnostics and developing their own financial sector programmes without apparent reference to MAP or the NSFI. Donors have their own funds and focus and may not see the need to be coordinated. Thus, IFAD consultants – coming in to develop the \$50 million+ FARMSE programme - apparently did not engage at all.³⁵ Following the NSFI launch, some mentioned that their consultants were able to use it to identify quick wins for intervention (but did not specify what). Nevertheless, in the absence of coordination and tracking what was happening, one donor commented: *“No one plays an effective role of coordinating, so we [ourselves] mapped what other donors, implementing partners and government are doing.”*

The National Statistical Office (NSO) has been involved in technical aspects (providing the sampling, quality of data collection) of the Finscope surveys – starting in 2008. One (unplanned) outcome linked to this is that since 2011, some questions relating to financial inclusion have been included in national household surveys. Indeed, the NSO say they have the experience and capacity to conduct finscope surveys by themselves (with some technical assistance as required). This would fit within their wider mandate to report on the country’s Sustainable Development Goals (SDGs). Nevertheless, for Finscope, they recognise that other stakeholders may have more confidence in a non-government entity doing this. So for Finscope MSME currently underway, the NSO role continues to be to support the technical quality.

Donor coordination is clear going forward, with funding for Finscope MSME (a refresh of 2012) and a MAP diagnostic being provided by four different agencies, through the World Bank. This time

³⁴ FSTWG TORs, 2018: “Throughout the diagnostic stage and the strategy formulation stage some form of coordination was visible although most structures and committees were temporary in nature. A typical example of such structures were committees which were active during formulation of the FSDS and NSFI which were chaired and supported by the Ministry of Finance (MoF) and Reserve Bank of Malawi (RBM) respectively.”

³⁵ A meeting with UNDP was described as ‘no more than a courtesy call’

around there seems to be more clarity (not a ‘steering committee’ but a ‘reference group’ – set up by the PFSPD) and more flexibility and engagement on the survey design. The diagnostic is expected to identify issues and priorities – and is expected to provide an effective reference to guide future initiatives in the sector. However, the extent of coordination – and monitoring – will depend on the capacity, engagement and authority of the PFSPD.

4 Overall Assessment

In assessing the **role and effectiveness of MAP for financial inclusion**, the key questions appear to be at levels both of the approach as well as acceptance and implementation of FI priorities. In other words,

- has the MAP approach demonstrated a process that stakeholders (including the Government) actively engage with and seek to continue?
- has the MAP output (roadmap/NSFI) provided a relevant framework/reference that actually serves to guide government priorities, assist donor alignment and coordination, and facilitate private sector investment and development?

The answer in Malawi to both questions is yes, but only to a certain extent. This is reflected in the scoring of MAP - by stakeholders we interviewed – on a set of programme related statements. Although the number of respondents is relatively low (10), the average scores (on a scale of 0-3) shown in Figure 3, serve to quantify the assessment on a number of key aspects.

Figure 4: Average scored responses to MAP evaluation statements

Scale: 0-3: 0 = “don’t know / can’t say”; 1 = “not much / a little”; 2 = “yes, somewhat”; 3 = “yes, fully / a lot”



[10 respondents]

To summarise for the MAP programme in Malawi –

The main strengths are:

- ✓ Strong evidence base, with high quality recognised by all stakeholders. clear appreciation and utility of demand side data which continues – with the funding and launch of FinScope MSME 2019 and MAP Diagnostic;

- ✓ Stakeholder consultations – effective and appreciated during the research phase up to completion of the roadmap, well appreciated already in adjusting the content of Finscope MSME;
- ✓ Ownership and appreciation of NSFI as the MAP output - by the PFSPD of MoF.
- ✓ In country implementation of projects within NSFI by FMT including funding support as part of its regional role supporting financial inclusion in SADC.

Issues lie in:

- Lack of engagement with World Bank, the diagnostic process for FSDS and the financial capability survey conducted under FSTAP.
- Design not actioned in practice – “steering committee” was not a steering committee to take things forward, as envisaged in the ProDoc. Stakeholder engagement not continued as planned after the roadmap – for coordination around NSFI implementation.
- Unrealistic to expect that a roadmap by itself would trigger government approval for policy and lead directly to guiding implementation of the recommendations.
- Lengthy reports, with a long drawn out process: in an age of data analytics and a rapidly changing market, the protocol of a costly stand-alone market survey and diagnostic every 5 years, may not be the most relevant approach. Though donor alignment to fund the Finscope MSME and diagnostic suggests that a focused/sectoral approach may have more traction to coordinate stakeholders.
- Bilaterals/donors do not seem to have been engaged systematically enough from the start of MAP as a basis for linking in to their strategies. (WB, DFID, IFAD conducted their own diagnostics without any reference to NSFI as their guiding document).
- There is an apparent conundrum in assuming overall responsibility by the government, which ideally it should have, as set out in the ProDoc design, but even with a designated government division there appears to be limited initiative, authority – and of course resources.
- Weak M&E – lack of attention to monitoring NSFI implementation activities.
- To the extent that the NSFI has been implemented, (which is unclear given the lack of M&E/operationalising reports) contribution analysis (triangulation of MAP reports, stakeholder feedback and time-line of different programmes, indicates that MAP – or the NSFI – has not been a key driver, although the NSFI does provide a reference and benchmark, and some activities by FMT linked to MAP (and SADC) have been important in supporting digital payments for financial inclusion.
- Lack of funds underly many of the issues – ‘money talks’: where FMT had money (from regional SADC funding) it was able to engage for change. Bilaterals and donors have the resources to pursue their own programmes. UNCDF’s MM4P as well as BTCA were able to mobilise substantial funds for in-country activities.
- The absence of UN branding and synergies - UNDP vis-a-vis UNCDF, UNCDF programmes and MAP vis-a-vis FMT - have affected UNCDF and MAP reputation in the country, and if in place could have better supported MAP rollout.

5 Recommendations

Managing the key MAP deliverables: look at ways to streamline the costs particularly of the demand side survey. Mobilising donor funding – as is now happening with Finscope MSME and MAP diagnostic 2019 – is better strategically than providing all the funding up front. There may be scope to engage with/link into NSO facilities and existing national surveys (beyond technical oversight).

Consider separate focused diagnostic reports (on key segments or priority areas) and merging the overall diagnostic into the roadmap/action plan. When a country already has an FSDS and a NSFI,

or is looking to renew either document, think from the start about how to link into these, build synergies and avoid duplication.

Systematic engagement with global players and development partners There needs to be a strong effort to engage with development partners working on similar issues from the start of the process in terms both of consultation and funding. Given the importance of the World Bank's FSTAP in Malawi, and the financial capability survey being implemented around the same time as the FinScope survey, structured engagement between MAP and the WB needs to be undertaken systematically as part of the MAP process (probably by UNCDF as a global player, rather than by FMT) – as indeed was intended as part of the ProDoc design.

Clarity/realism – on what happens after the roadmap: Building on some points made in the ProDoc (page 49), there needs to be a systematic design for the post roadmap phase which takes into account resources for effective coordination (relevant skills as well as funding) and thinks through the type of support needed by the focal point (and who provides this) to be able to carry out its role effectively. There needs to be clearer thinking around what MAP can do to support roadmap implementation, including systematic communication and coordination with other stakeholders, and how to draw on in-country UNCDF resources for this.

Processes for stakeholder coordination: Linked to the previous point, opportunities for broad-based stakeholder consultation are important and the government needs more technical support specifically on this aspect, if it is to be able to drive an effective and efficient process. The two-tier structure seems appropriate with the FSTWG overall (meeting every 6 months) and working groups representing different communities of practice (meeting more frequently as is useful to members).

M&E of NSFI implementation: pay more attention both to having a practical framework for M&E and to putting in place the systems needed to report and with what frequency. The framework should include the process outputs (implementation of the various activities under the action plan – which has not yet been captured). Outcomes – in terms of access points, take up and usage of services – are a different level of reporting that are likely to require technical assistance (as noted in the FMT M&E reports).

While this has started (to a degree) with the RBM's quarterly transaction report (developed with support by MM4P) which covers some details of digital channel usage and outreach (mobile money, agent, mobile banking, POS) it does not include all the NFIS activities, and needs to be developed further to capture granulated geographical outreach and disaggregation by women/men.

UNCDF role and branding: Whilst having FMT as implementing partner is a reasonable strategic choice – with FMT substantially contributing on both funding and technical inputs, linked to its facilitating role in the SADC region - UNCDF needs to restore and maintain its role as brand lead to drive the previous recommendations. This should include both a) better communication and engagement across its own programmes, and b) engaging more effectively with UNDP as a potential key player in the country for the NSFI. Both these aspects were envisaged in the ProDoc design and are issues for HQ/FIPA as much as for the programme hub.

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Annex 2: Key Informant Interviews (6-10 May, 2019)

Stakeholder category	ORGANISATION	Designation	Name	Role/relationship
UN	UNDP	Private Sector Development Specialist	Ms Cinzia Tecce	UNDP is represented in the Financial Inclusion Steering Committee currently working under the Financial Sector Technical working Group. UNDP has co-funded previous FinScope Surveys and is co-funding the current FinScope Survey
	UNCDF	Country Technical Advisor/Country Manager	Fletcher Chilumpha	UNCDF is represented in the Financial Inclusion Steering Committee; a key stakeholder on digitisation efforts through UNCDF's MM4P programme
MAP partner	FMT	Country Coordinator	Innocent Njati Banda	MAP Coordinator: engagement and involvement of various stakeholders
	(in Johannesburg)	CEO	Brendan Pearce	Oversight and technical support
	(in Johannesburg)	Head SADC FI programme	Nikki Kettle	Oversight and technical support
	Consultant to FMT		Dr Anthony Githiari	Carried out the drafting of the roadmap and the NFIS
Country Governments - policy makers/regulator	Ministry of Finance, Economic Development and Planning	Director, Pension and Financial Sector Policy Division.	Mr Ambrose Mzoma, Mr Felix Nkhoma.	The Ministry of Finance are the custodians of all financial inclusion endeavours in the country and currently chair the Financial Sector Technical Working Group and the FinScope Survey Committee
		Economist	Mr Felix Nkhoma.	
	Central Bank	Mr Fraser Mdawazika	Director, National Payments System	Oversee Financial Inclusion activities from the Central Bank point of view. The Reserve Bank of Malawi has been the key driver of infrastructure and other developments aimed at increasing financial inclusion
Govt. statistics	Office of National Statistics, Zomba	Deputy Commissioner	Mr Jameson Ndawala. (by skype)	The National Statistics Office supports FinScope Survey through overseeing data collections and data processing procedures to ensure that the results obtained are valid and nationally representative

Bilaterals/donors working actively in financial inclusion in the country	DFID	Private Sector Development Adviser	Aysha Johnson - now in Somalia - interview by skype	Donor Agency supporting development of private sector and funding FinScope. DFID is represented in the Financial Inclusion Steering Committee currently working under the Financial Sector Technical working Group. DFID has co-funded previous FinScope Surveys and is funding the current Supply Side Diagnostic
	EU	Programme Manager, Sustainable Agriculture (EU)	Joost (Joseph) Bakkeren	Donor Agency supporting development of private sector and funding FinScope: EU is represented in the Financial Inclusion Steering Committee currently working under the Financial Sector Technical working Group. EU has co-funded previous FinScope Surveys and is co-funding the current FinScope Survey
	World Bank	Private Sector Development Specialist	Efrem Chilima	The World Bank is represented in the Financial Inclusion Steering Committee currently working under the Financial Sector Technical working Group. The World Bank has co-funded previous FinScope Surveys and is co-funding the current FinScope Survey.

Networks for FI/meso level - all members of Financial Inclusion Steering Committee	Malawi Microfinance Network	Executive Director	Duncan Phulusa	MAMN is the main contact point for engaging microfinance institutions in financial inclusion efforts.
	Digital Financial Services Association	Chairman	Charles Kamoto	Chairman of an association of financial services providers and promoters that focuses on increasing digitisation of payments etc. The association acts as a link between service providers and facilitators such as FMT as well as government and its institutions all of which are members of the association.
	COMSIP	Manager	Mr Kelvin Misika	Cooperative union that promotes group savings, investments, loans and business development in agribusiness.
	MUSSCO	Acting Chief Executive	Mr Fumbani Nyangulu	Cooperative Union that promotes group savings, investments, loans and business development.

	USAID, Feed the Future, Agriculture Diversification Activity	Gender Finance Specialist	Mrs Chikumbutso Mtemwa	Agriculture Diversification Activity is a USAID funded project that supports the development of agribusinesses through, training and provision of financial support directly or through other institutions
	AGRA	Program Officer	Mrs Sophie Chitedze	Donor supported institution involved in the development of agribusinesses
	Malawi Confederation of Chambers of Commerce	Officer	Hope Chavula	Association for private enterprises
	Small and Medium Enterprises Chamber	Chairman	James Chiutsi	Association for small and medium private enterprises
	National Association of Small and Medium Enterprises	International Trade Officer	Nyuma Kalua	Association for small and medium private enterprises
Microlevel	Microloan Foundation	Operations Manager	Joseph Kaipa	Donor supported Agency that provides loan facilities to women owned small enterprises

Stakeholders we were not successful in meeting or interviewing by skype

Govt	Central Bank	Mrs Madalitso Chamba	Principal Examiner, Regulation and Consumer Protection	The Reserve Bank of Malawi has been the key driver for consumer protection
Meso	Insurance Association	Chairman	Mr Donbell Mandala	The Financial inclusion committee works through the Insurance Association to advocate for increased access to insurance
	Bankers Association of Malawi	Chief Executive Officer	Violette Santhe	The Bankers Association is the main contact point for engaging banks in financial inclusion efforts.
	Care	Manager	Mr Geoffrey Kumwenda	An NGO working with VSLAs and is part of the Financial Sector Technical Working Group

COUNTRY REPORT – SE ASIA

MYANMAR

Abbreviations

AWP	Annual Work Plan (of UNCDF MAP)
BFI	Banks and financial institutions
CBM	Central Bank of Myanmar (the country's central bank) – regulator of banks and finance companies as well as digital finance but not of microfinance institutions
DoC	Department of Cooperatives, Ministry of Agriculture, Government of Myanmar
DGRV	Deutsche Genossenschafts- und Raiffeisenverband e.V.
FI	Financial Inclusion
FIAP	Financial Inclusion Action Plan
FRD	Financial Regulatory Department of the Ministry of Planning & Finance – the microfinance regulator
FSDS	Financial Sector Development Strategy
FY	Financial Year (in Myanmar this runs from 1 April to 31 March of the following year)
GoM	Government of Myanmar
IMSC	Inter-Ministerial Steering Committee
MAP	Making Access Possible
MEB	Myanmar Economic Bank
MM4P	Mobile Money for Poor
MMFA	Myanmar MicroFinance Association
MMK	Myanmar Kyat (local currency)
MoALI	Ministry of Agriculture, Livestock and Irrigation
MoF	Ministry of Finance
PPP	Purchasing power parity
SACCOS	Savings & Credit Cooperatives

Introduction and country context

This country report draws on a desk review of MAP project documents and other secondary material (**Annex 1**) and key informant interviews which took place in Myanmar (in-person) during the period of 30-31 May and 3-5 June 2019, by skype and by e-mail. **Annex 2** lists the key informants who were interviewed.

Myanmar is a Southeast Asian country with a population of 54 million with nearly 48% below the age of 24 years. In spite of an essentially rural population (70%),³⁶ the contribution of agriculture to its GDP has been reducing rapidly in recent years from 57.2% in 2000 to 24.8% in 2017.³⁷ During this period, the service sector contribution to GDP has increased to reach nearly 40%. The country is administratively divided into 7 states, 7 regions (previously divisions) and 5 self-administered zones plus the Union Territory of Nay Pyi Taw (the country's capital) and one self-administered division.

With a GDP per capita of US\$ 1,326 (\$6,662 at PPP) in 2018,³⁸ and 26% of the population below the poverty line, the need for greater financial inclusion – including by leveraging technology – is widely felt in Myanmar. Currently, only 48% adults have an account with a financial institution and 94% of adults do not have any insurance.³⁹ Meanwhile, only about half the population is counted as financially literate. Not surprisingly, the effect of digital finance in the cash-heavy economy is low, despite high mobile phone ownership of 93%. However, the encouraging mobile penetration also speaks to the potential for financial deepening and broadening, leveraging fin-tech solutions, even though internet penetration is currently pegged only at 25%. While traditional gender disparities in terms of bank account ownership, access, literacy and agency do not easily fit into the Myanmar context, women are less likely to use a mobile phone, revealing a digital divide.

1 Overview - Financial Inclusion in Myanmar

The liberalisation of the Myanmar economy, starting in 2011, led to the rapid growth of the financial sector in the country. According to data pieced together from various sources the financial sector has grown at over 50% per annum during the period 2013-2017. As **Table 1** shows, while the number of domestic licensed banking institutions has not increased significantly, foreign banks have shown an increasing interest in the country and the number of non-bank finance company licences has also grown. From a financial inclusion perspective, most notable is the number of MFIs operating in the

Table 1.1: Banking and financial institutions in Myanmar

Institutional types	2013	2015	2017	2019
State-run banks	4	4	4	4
Semi-government banks	10	12	10	11
Private banks	11	11	14	16
Foreign banks with local branches in Myanmar	0	9	13	13
Finance companies (licensed)	4	10	23	28
MFIs (licensed)	160	256	173*	182
Payments Service Providers (PSPs)	0	2	3	4

* reduced by de-licensing of cooperatives in 2016

[Central Bank of Myanmar + Financial Regulatory Division, Ministry of Planning & Finance]

country which increased dramatically after the enactment of the Microfinance Law in November 2011. The number of 160 licensed MFIs in December 2013 compares with just 8 operating entities in November 2011. This figure increased to 256 in 2015 but was then scaled back as over 70 financial cooperatives were delicensed during 2016 and returned to the

³⁶ Population was 51.5 million in 2014 according to the Myanmar Population and Housing Census. The estimate of 54 million is the current estimate by the World Population Review (www.worldpopulationreview.com).

³⁷ *World Bank forecasts for Myanmar, June 2018 (p. 151)*. World Bank.

³⁸ <https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?locations=MM>

³⁹ UNCDF/FMT 2018. MAP Refresh Myanmar Diagnostic 2018.

regulatory ambit of the Department of Cooperatives, Ministry of Agriculture as part of an agreement between the Government of Myanmar and the Export Import Bank of China to support the growth of cooperatives in the country. There are reported to be over 30,000 primary cooperatives with assets of the order of \$450 million.⁴⁰

With growing concern from 2016 about the potential overlapping of MFI operations in some of the more densely populated parts of Myanmar, there has been a slowdown in the issuance of MFI licences, with the current level (mid-2019) of 182 licenses issued now regarded by the regulator, the Financial Regulatory Department of the Ministry of Planning & Finance, as sufficient for the time being and unlikely to be increased significantly. Some 30 of the current 182 licences are held by MFIs with foreign investors, such as ACLEDA & Sathapana (of Cambodia), BRAC & ASA (Bangladesh), Dawn (ACCION International), CARD (Philippines), LOLC (Sri Lanka) and Vision Fund International, with international experience of microfinance operations. The largest of the MFIs – PGMF, Vision Fund Myanmar, Sathapana and Dawn – all have over 100,000 to 200,000 borrowers with PGMF serving over one million.

The key factor here is that MFIs in Myanmar tend to be run in a relatively conventional mode offering standard microfinance services – group loans with one-year tenures, monthly instalments and compulsory or voluntary instalment-based savings products. While a number are now introducing larger individual loans for SMEs, this initiative is still relatively recent with much to be learnt about product design and credit appraisal.

Table 1.2 presents the overall outreach and contribution of the microfinance sector to the financial system. Over the past 6 years the overall loans outstanding from MFIs have grown by nearly 50% per annum with a significant acceleration to 69% per annum over the past two years. Deposits have also grown rapidly at 49% per annum during 2015 to 2017. The contribution of the microfinance sector to the financial system has increased from outstanding loans that were less than 2% of the total at the end of 2012 to over 4.5% in by end-September 2018 (latest information available at the time of writing, July 2019). The number of borrowers served by the MFI sector has grown to around 4 million today. This is certainly one indicator of growing financial inclusion in Myanmar albeit (as pointed out earlier) based on a relatively conventional model. More exciting, from this perspective, is the establishment of 4 digital payment service providers (Wave Money, OK\$, M-Pitesan and, most recently, Mytel) in recent years.

Table 1.2: MFI outreach & contribution to the financial system

Institution Date	MFI Borrowers, million	MFI Outstanding loans, \$ mn	MFI Deposits, \$ mn	MFIs as % of financial system	
				Deposits	Loans outstanding
Dec-12	0.60	93	40	0.55%	1.9%
Dec -15	1.68	192	44		
Dec-17	3.09	576	101	0.36% (Sep-17)	3.1% (Sep-17)
Sep -18	3.99	818	132	0.42% (Sep-18)	4.6% (Sep-18)
Growth, p.a.					
2012-18	41%	46%	20%		
2015-18 (Sep)	37%	69%	49%		

[Central Bank of Myanmar, 2019. Quarterly Financial Statistics Bulletin, 2018 Vol III. Data for 2012 estimated from CGAP/IFC, 2013. Microfinance in Myanmar: Sector Assessment for microfinance and for banks from GiZ, 2013. Myanmar's Financial Sector: A challenging environment for banks.]

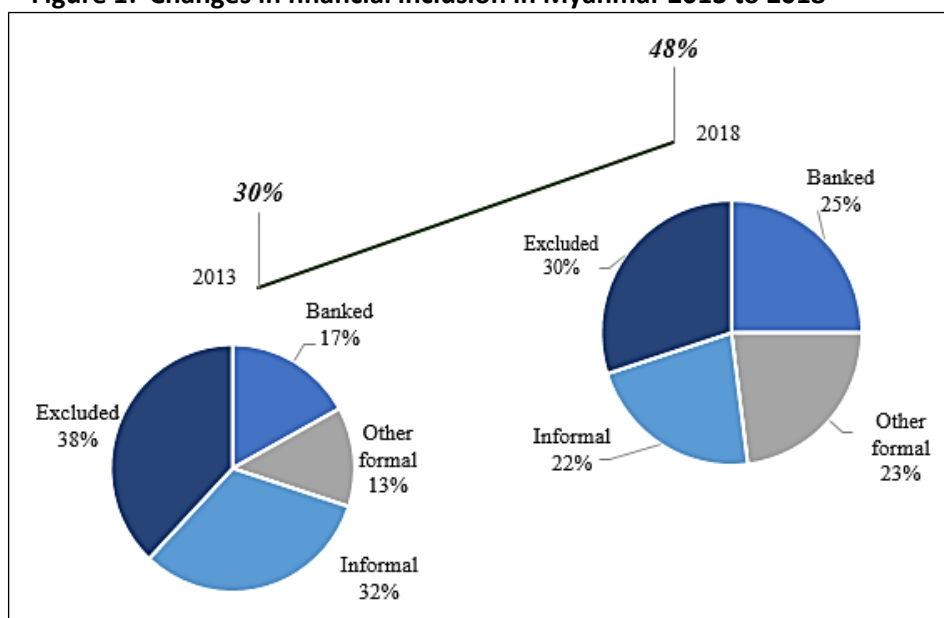
Estimating demand for financial inclusion has the substantial challenge of establishing the veracity of survey responses. There are two datasets currently available for the demand side of financial inclusion in Myanmar. These are the World Bank's triennial Findex survey (most recently in 2017)

⁴⁰ Based on discussion with the Deputy Director General, Department of Cooperatives, Ministry of Agriculture, Government of Myanmar on 4 June 2019.

and the FinMark Trust's FinScope survey coordinated by UNCDF in 2013 and repeated in 2017. With funding from LIFT in 2013 and the DaNa facility/ DFID in 2018. The two data sets show somewhat different results. For Myanmar, Findex 2017 found just 26% of persons (also 26% women) age 15+ reporting having an account (by themselves or together with someone else) at a bank or another type of financial institution or personally using a mobile money service in the past 12 months. For Findex 2014, these numbers were 23% of all persons age 15+ as account holders/users (17% women). By contrast Finscope in 2013 showed 30% of adults (just 20% women) were included in formal financial services, using both bank and other formal non-bank products or services, this figure increased to 48% (49% women) in 2018 (see **Figure 1**). The two surveys use different definitions of inclusion. If Findex 2017 data is converted to match the Finscope definition of financial inclusion, given that account holdings for persons age 15+ has risen from 23% in 2014 to 26% in 2017 (and women's account holding from 17% to 26% over the same period), according to Findex, it is likely that the Findex 2017 data is more or less compatible with Finscope showing the number of banked persons at 25% in 2018.

The high and growing level of microfinance activity in Myanmar is manifest in these numbers with the fully excluded section of the population (as measured by Finscope) declining from 38% in 2013 to 30%.

Figure 1: Changes in financial inclusion in Myanmar 2013 to 2018

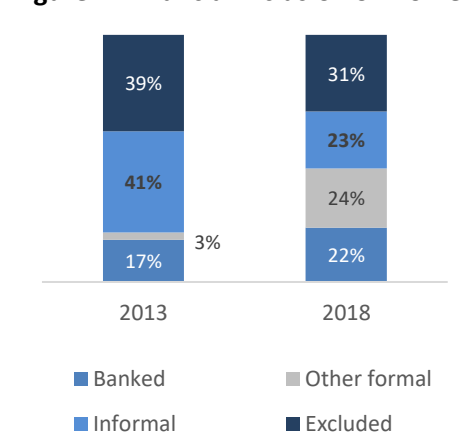


The impact of the increase in financial inclusion is even more pronounced for women with inclusion increasing from 20% in 2013 to 49% (slightly higher than men) in 2018 as depicted in **Figure 2**. Here, the increased contribution of the non-bank formal sector is inevitable

given the conventional, women-focussed lending model adopted by nearly all the MFIs in Myanmar. The relatively small increase of the banks' share in women's inclusion is similarly an indication of the continuation of their conventional model based on brick and mortar branches that raise access issues due to their physical distance from most villages (for rural branches) and their emphasis on form filling and collateralised lending (in all areas).

The contribution of the banking sector to financial inclusion in rural areas is largely attributable to the extensive outreach of the Myanmar Agriculture Development Bank (MADB) which lends to farmers

Figure 2: Financial inclusion of women



based mainly on land ownership that is predominantly male. Loans by MADB to the agricultural sector amounted to MMK 1.65 trillion (\$1.22 billion), nearly 59% of the entire loan portfolio of MMK2.82 trillion (\$2.09 billion) of the state-owned banks in September 2018.⁴¹

Other notable features from the Finscope data are:

- Formal sector deposit services have grown relatively slowly from just 7% coverage in 2013 to 12% in 2018; MFIs are constrained in their offer of such services by strict prudential norms reinforced by a high floor on the interest rate they must pay.
- Formal insurance coverage has increased from 7% to 16% as the number of insurance companies operating in the country has increased; the sector consists of the state-owned Myanma Insurance accounting for (45% of gross written premiums), 12 private insurers of whom 9 offer general as well as life insurance and 26 foreign insurance companies with representative offices in Myanmar.⁴²
- Formal sector remittance or mobile money services are now (2018) used by 17% of the population compared to 10% in 2013.

2 MAP in Myanmar

The MAP process was undertaken in Myanmar as the outcome of the acceptance by the government of an offer by UNCDF. This acceptance in 2013 was triggered by the common realization amongst stakeholders that there was a lack of reliable data in the financial inclusion ecosystem. The first round of MAP (MAP1) was funded by LIFT – a consortium of 12 international donor governments, the European Union and a private Japanese corporation. Based on a demand to take cognizance of the rapid changes taking place in Myanmar, a refresh process for MAP was undertaken in 2018, funded by DFID directly and, indirectly, through the DFID-funded DaNa facility managed by an international consultancy firm. The Roadmap emerging from MAP2 has been endorsed but not yet approved by the Government of Myanmar.

The timeline for the MAP 1 process in Myanmar as provided by the local team of UNCDF managing MAP is presented in **Table 2.1**. Myanmar country studies – demand side and supply side – were undertaken by the South African pioneers of the country diagnostic process, Finmark Trust (supported by a local research firm, Myanmar Survey Research Company for the field survey) and Cenfri respectively. The Diagnostic Study that combines the demand and supply side information to indicate mismatches in the financial inclusion ecosystem was produced by Cenfri and the Roadmap for MAP1 by Anthony Githiari, as consultant to UNCDF, with substantial experience of working on Financial Inclusion Roadmaps. For MAP2 a similar process was followed except that Cenfri had pulled out and a Nepali consultant team, BEED Consultants, with experience of undertaking the MAP Diagnostic work in Nepal was engaged for the Diagnostic; the Roadmap for MAP2 was developed by the same consultant as for MAP1.

FRD – the Financial Regulatory Department of the Ministry of Planning and Finance – the microfinance, insurance and pensions regulator is primarily responsible for financial inclusion policy and implementation of related support activities in Myanmar. It started implementing the Roadmap under the aegis of an Inter-Ministerial Steering Committee (IMSC) in June 2015. In order to bring greater focus and to lead and support the implementation of various aspects of Roadmap1, the IMSC established three working groups covering – the banking sector (Bank Working Group), microfinance, insurance, cooperatives and other non-bank financial institutions (Non-bank Working Group) and the policy framework (Policy Working Group). Respondents to this evaluation on behalf

⁴¹ Central Bank of Myanmar, 2019. Quarterly Financial Statistics Bulletin, 2018 Vol III.

⁴² Myanmar Times, 12 April 2018. "Myanmar insurance industry poised for reform: awaits liberalisation" <https://www.mmmtimes.com/news/myanmar-insurance-industry-poised-reform-awaits-liberalisation.html>

of the government (FRD), admitted that progress was slow, estimating that “less than 40%”⁴³ of the actions identified were under way 3 years into the implementation of the 5-year roadmap, i.e. by the time the refresh (or MAP2 process) was undertaken.

Table 2.1: MAP Process Timeline in Myanmar

	Deliverables	2013	2014	2015	2016	2017	2018	2019
MAP 1	MAP approved, January 2013	✓						
	Finscope completed	✓						
	Diagnostic completed		✓					
	Roadmap 2014-20 draft completed; National Workshop, May 2014		✓					
	Roadmap 2014-20 approved (February) and launched by Government, April 2015			✓				
	IMSC established, June 2015			✓				
	3 Working Groups constituted, January-February				✓			
	IMSC revised, October				✓			
MAP 2 = refresh	Refresh approved					✓		
	Finscope refresh, January-April 2018						✓	
	Supply side study & regulatory review, March to May 2018						✓	
	Stakeholder meetings, June & August 2018						✓	
	Diagnostic completed						✓	
	Stakeholder consultations for Roadmap draft, February-March 2019							✓
	Roadmap approved and launched by Govt							Expected
	Refresh complete - roadmap updated				ProDoc target			

The achievements and continuing challenges of financial inclusion in Myanmar are summarised in the key findings of the review of the MAP process of 2017. Based on this, the national financial inclusion Roadmap has also been refreshed by the Finmark Trust team with the support of consultants and UNCDF. The results of that process have modified the original logical framework (presented in **Table 2.2**) for activities to be undertaken for the promotion of financial inclusion in Myanmar. The interventions proposed by the new Financial Inclusion Roadmap 2019-2023 are presented in **Figure 3** (below the table). The original logframe was the basis for UNCDF initiatives in Myanmar since 2013 and formed the underpinning for the Myanmar government’s financial inclusion initiatives undertaken at least partly in discussion with UNCDF. Until the proposed MAP Refresh Roadmap is approved this framework remains the guideline for supporting financial inclusion in Myanmar. However, the proposed Roadmap for 2019-2023 has now been widely discussed in stakeholder consultations held in February-March 2019 and was endorsed by the Inter-Ministerial Steering Committee (IMSC) of GoM on 20 June 2019. It is expected to be formally approved over the next couple of months (after adjustments based on IMSC comments). While the

⁴³ A more detailed estimate and analysis is given below (Figure 4)

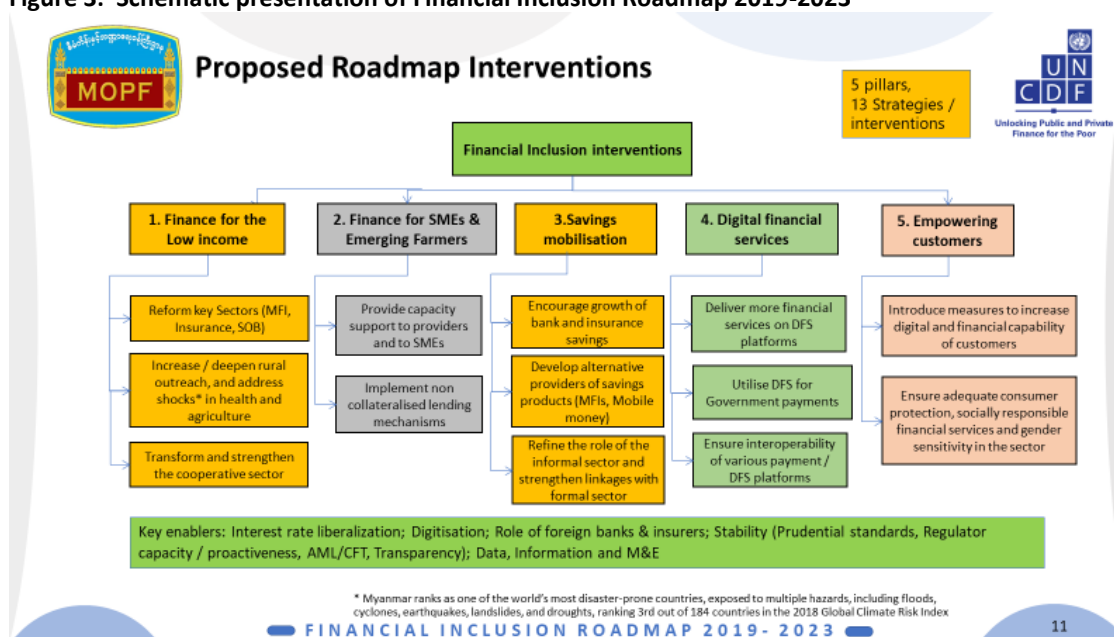
refresh process is now close to completion, as the table shows it is well behind the Refresh target indicated in the Prodoc for 2016.

Table 2.2: Logical framework for interventions to promote financial inclusion, Myanmar 2014

Goal	Increase extent and quality of financial inclusion in Myanmar				
Outcomes	Outcome 1: Strengthened financial sector to support financial inclusion		Outcome 2 Better financial inclusion for priority segments		
Outputs	Critical institutions created or strengthened	Market barriers addressed across products	Improved access in agriculture, livestock and fisheries	Increased access for MSME	Better access for low income households
Activities	Regulatory & structural environment	Increase credit supply	MADB reach, quality, diversity	Existing ministry interventions	Enable actors in low income space
	Enable commercial banks	Mobilise savings	Other providers in agriculture	Asset finance expansion	Broader support for low income households
	Enable MFIs & cooperatives	Introduce e-payments	Value chain interventions	Variety of providers for MSMEs	
	Reform and strengthen SFIs	Catalyse insurance			
	Consumer credit bureau	Expand distribution			
		Improve product design			
		Financial education			

[LIFT/UNCDF, 2014. Myanmar Financial Inclusion Roadmap for 2014-2020]

Figure 3: Schematic presentation of Financial Inclusion Roadmap 2019-2023



[MoPF/UNCDF, 2019. Myanmar Financial Inclusion Roadmap 2019-2023, presentation for discussion at the IMSC meeting on 20 June 2019]

3 Findings and Analysis

3.1 MAP deliverables

A useful process

The Myanmar Financial Inclusion Roadmaps have emerged from the Financial Inclusion Country Studies and Diagnostics developed from the demand and supply side studies of the financial inclusion eco-system. MAP1 provided the evidence base to facilitate the efforts of development partners to support progress towards financial inclusion in Myanmar. The Roadmap1 document seeks to minimize, if not eliminate, the waste of resources on duplication of existing projects while leveraging expertise. The plan has provided an important basis to help guide future initiatives by development partners.

Before MAP, government policy was increasingly oriented to financial inclusion particularly microfinance but, in the absence of data, most of the actions were based on assumptions. MAP documents have greatly improved the knowledge base for financial inclusion policy making in the country and data collected by these studies is used extensively by donor organisations as well as the commercial sector including MFIs and banks. However, the fast evolving mobile money sector feels that it has not been well served by this information due to delays in releasing the results. In an industry growing at 20% per month, delays of 3-6 months in providing information undermine the utility of the exercise. The Myanmar UNCDF team, counters that these delays do not exceed 3 months but the impression of the mobile money sector, as communicated to the evaluation team, remains.

...somewhat rigidly applied...

MAP was applied as advised by UNCDF MAP management in South Africa and there were no specific adaptations for Myanmar. FMT/Cenfri undertook MAP1 directly in 2013 as one of the first such exercises in Asia and there was no one at the time with the conceptual knowledge and understanding of the differences between Africa and Southeast/South Asia to engage with them on suitable adaptations. By the time MAP2 was undertaken, Cenfri had dropped out and the combination of FMT and the MAP management team of UNCDF (based in South Africa) decided to opt for the relatively inexpensive option available from Nepal for undertaking the supply side work and development of the diagnostic report. A number of stakeholders from Myanmar – both donor organisations and the local UNCDF team – have reported this as being a case of “low cost resulting in low value for money”.

...but providing well produced if long, wordy documents requiring stakeholders to hunt for information relevant to their work as well as to determine specific implications applicable to them

Stakeholders in Myanmar generally agree that the country study (diagnostic report combining the results of the demand and supply side studies) and roadmap are useful documents providing a considerable amount of data where none was available before. The number of stakeholders who have actually taken the trouble to read these documents through, however is limited by the length of these documents (221 page Myanmar Country Diagnostic Report + 39 page Financial Inclusion Roadmap) where specific items of data are difficult to locate. Conclusions and actions are stated in general terms in the diagnostic document leaving individual stakeholders to draw their own conclusions from the points made; though the 2014 roadmap is more specific. The MAP Refresh Myanmar Diagnostic, 2018 is not so long but still 113 pages though it is better organised than the original country diagnostic report. [The 2018 Roadmap is not available in the public domain until it has been approved].

As in the case of Nepal, the documents are comprehensive in their coverage but have lost some efficacy in terms of accessibility to users. Thus, for instance even the basic information on financial inclusion sought by interested readers from the 12-page Finscope Survey 2013 summary document is only available from page 6 after much information on demographics, social infrastructure access, livelihoods and living standards profiles; all useful information, no doubt, but not the central purpose of the exercise.

The process took an extended period of time...

It took over 2 years to complete the MAP process from approval of the MAP process by the President of the Union of Myanmar in January 2013 to launch of the Roadmap 2014-20 in April 2015. Indeed, the IMSC⁴⁴ expected to guide implementation of the Roadmap was not established until June 2015 (and the Working Groups were only constituted in January-February 2016). Facilitation of the process was by the UNCDF Myanmar team. However, the consequence of this time lag followed by further delays in implementation is that the MAP data was already out of date by the time implementation got under way in mid-2016 and needed to be refreshed. The latter possibility and the funding arrangements for the refresh process also took time and it was only in early 2018 that the refresh process was launched.

Issues/challenges

- The methodology for the demand side study as determined by FMT, the technical guide for this exercise, was rigid and not open to contextualization.
- The treatment of survey respondents as individuals rather than representatives of households seems inappropriate in an Asian context where the head of household (male or female) is likely to be the one responsible for financial decisions on behalf of the family; as a result the household may not seek another deposit or loan account with an MFI or bank after the first account has been opened. Similarly, a low income household may keep its mobile phone access to a single device/connection in order to limit the cost incurred on mobile phone services; further, remittances made by a Myanmar worker in Thailand or Korea – or from lower to upper Myanmar – may be addressed to a single member of the family but intended to provide for the needs of a whole family consisting of his/her parents, adult (but dependent) siblings as well as children. In each case the classification of the individual as the single financially included person does not seem an adequate reflection of the real effect of financial services.
- The selection and central role of the supply side consultants for MAP2, BEED, has been questioned in Myanmar in the context both of their lack of previous knowledge of the country and their limited understanding of financial inclusion. This was sub-optimal relative to the deep knowledge of local conditions and financial inclusion necessary for MAP. The consultant team is also reported to have lacked a sufficiently analytical approach. According to UNCDF Myanmar, FMT did not provide the level of support it should have to the apparently low cost regional alternative deployed for this work. For this reason, the UNCDF local team had to use a consultant with knowledge of financial inclusion in Myanmar to support the development of the MAP refresh diagnostic report to a reasonable standard of quality.

⁴⁴ Chaired by the Deputy Minister, Ministry of Planning and Finance

3.2 Stakeholder engagement

For MAP1, the degree of stakeholder engagement does not appear to have been substantial. Individual consultations were held in developing the supply side report, diagnostic and roadmap and a stakeholder workshop was organised in May 2014 before the finalisation of the roadmap. Nevertheless, stakeholders have expressed concerns about the appropriateness of the roadmap to the Myanmar context. Later, IMSC and three related Working Groups were supposed to guide the implementation of the Roadmap but, as indicated above, engagement was weak and implementation (discussed in **Section 3.5** below) appears limited. The key members participating in the IMSC are shown in the box (next page).

Key members participating in the IMSC	
Government and donors <ul style="list-style-type: none"> Ministry of Planning & Finance (MoPF) Financial Regulatory Department of MoPF Central Bank of Myanmar, the central bank Department of Cooperatives, Ministry of Agriculture Central Statistical Organisation Development Banks – public sector <ul style="list-style-type: none"> Myanmar Agriculture Development Bank Myanmar Economic Bank 	Donors <ul style="list-style-type: none"> LIFT DFID USAID Private sector <ul style="list-style-type: none"> Myanmar Microfinance Association Project Management <ul style="list-style-type: none"> UNCDF Country Representative

Lessons have been learned from MAP1, however, and there is general appreciation amongst stakeholders in Myanmar of the degree of engagement with them at various stages of the MAP2 process, particularly the development and finalization of the Roadmap. Importantly, the process of planning the rollout of MAP2 is now in progress even before its approval. This has resulted in the decision to constitute 5 working groups with well formulated compositions and defined objectives and priority areas (see **Annex 3**). The working groups are tasked to

- 1 Develop and implement annual work plans
- 2 Engage stakeholders involved in implementation within their relevant priority areas
- 3 Cooperate with private sector and development partners on implementation
- 4 Engage regulators and departments to ensure key bottlenecks in financial inclusion are addressed

Based on this structure, FRD believes that it will be well placed to ensure the implementation of MAP2.

The issues arising in stakeholder engagement are

- Though a substantial proportion of inclusive finance assets (estimated at 35%)⁴⁵ are under more than 20,000 financial cooperatives, the Department of Cooperatives is regarded as a peripheral player in the development of the financial system. As a result, both its participation and its contribution in stakeholder engagement under MAP is limited. The extent to which it will be able to generate the resources necessary to provide TA and more sophisticated MIS and accounting systems to improve the functioning of cooperatives as well as improve their supervision remains a question. Stakeholder interviews suggest that

⁴⁵ Estimated by this MAP Evaluation Team from information in CBM, Quarterly Statistics, 2018 and information provided by the Department of Cooperatives during interactions with them.

there is an under-current of mutual blame between the financial and cooperative wings of the government about who is responsible for the lack of engagement with the financial cooperatives in this discussion.

- The issue of low level engagement by the IMSC and working groups in the implementation of MAP1 is high on the agenda and the lessons learned from that experience have been mentioned above. Whether or not it will work to have a set of subject-specific working groups in the next round of MAP depends on the effectiveness of meetings – regular meetings, well thought out agendas and focused follow up of agreed actions after each meeting. The results remain to be seen.

3.3 Linkages

- The Financial Sector Development Strategy, 2015-2020 (FSDS) and the MAP Roadmaps provide guidelines for policy and actions by the Myanmar financial sector to serve the objective of inclusive growth and development of the country. While FSDS sets out the current status of various segments of the financial sector and highlights the issues and challenges in the process, MAP Roadmaps outline the actions necessary to achieve the objective to “increase formal Financial Inclusion in Myanmar from **48% in 2018 to 60% by 2023**, and (increase) adults with more than one product category **from 17% to 25%**, with a full range of affordable, quality and effective financial services” which comply with internationally recognised standards of responsible finance.⁴⁶
- The current FSDS is designed to act as a roadmap for the development of Myanmar’s overall financial system over the 2015-2020 period and to provide a framework to support coordination and cooperation amongst the government, financial regulators, private sector and development partners seeking to promote financial sector development in Myanmar. In preparing the FSDS, the current strengths and weaknesses of the Myanmar financial sector have been analyzed to take into account likely changes in the internal and external environment over the 5 year period covered by the FSDS. The concern here is that there does not seem to be much interaction or coordination between the World Bank team based in Myanmar – responsible for FSDS – and the UNCDF team in Myanmar coordinating MAP. A key concern is that opportunities for achieving synergy particularly in the field of digital financial services (DFS) are being lost as there is a grey area vis-à-vis DFS in the responsibilities of the central bank which implements FSDS and FRD which is responsible for MAP.

3.4 Management

As indicated above, the MAP process is managed by the UNCDF local team led by the UNCDF Country Representative in Myanmar under the aegis of the IMSC and supported by donor partners (particularly the DaNa Facility as the intermediary agency between DFID and MAP stakeholders) as well as consultants identified for specific tasks. Some issues arising in the management of the MAP process in Myanmar are

MAP & Stakeholders

- As indicated above, institutional structures like the IMSC and Working Groups, the participating institutions do not always nominate representatives who could participate in meetings on a regular basis. Participants nominated to attend on behalf of various institutional members are often sent on an ad hoc basis. This has, so far, been caused partly by meetings being organized on a sporadic basis rather than at regular intervals.

⁴⁶ MAP refresh Roadmap objective, MoPF presentation for IMSC discussion on 20 June 2019.

- Some of the persons occupying key positions in the government and central bank have no prior experience in financial inclusion and cannot, therefore, make a practical contribution to the MAP project. In order to mitigate this problem the UNCDF team and/or DaNa Facility need to update stakeholders continually to enable follow-up action on the project as agreed at IMSC and Working Group meetings.
- Also, the UNCDF local team needs to have the skills and understanding to deal with multiple stakeholders and ensure widespread engagement. Specific interest, knowledge and understanding of financial inclusion issues by the UNCDF local team is essential for this purpose.

Donor Partners

- LIFT for MAP1 and DFID (both directly and via the DaNa Facility) for MAP2 are the two donor agencies most engaged with the MAP process. Both made substantial financial contributions to enable MAP to be rolled out in Myanmar.
- Details of expenditure on MAP1 based on the Annual Work Plans (AWP) of UNCDF are set out in **Table 3.1**. This indicates an expenditure of over \$732,000 on the research activities alone (to undertake the Finscope Survey and enable research and production of the synthesis and diagnostic reports). Indications are that MAP2 expenses will have been only marginally lower by the time the process is completed (with government approval). This is much higher than the amounts indicated in the Africa country reports. The reason for such high expenditure in Myanmar over two rounds of MAP is unclear since it is not really explained by issues of large sample size and difficult terrain: the sample size in Myanmar (5,100 for the MAP1 demand side study and 5,500 for MAP2) is larger than that for Malawi (3,000) but not Burkina Faso (5,000). This high expenditure in an Asian country is particularly difficult to understand since Asia is generally a much lower cost environment than Africa (for technical services of this type).

Table 3.1 Contributions to the MAP1 budget

MAP activities	Year	MAP Programme Budget	Co-Funding	Co-Funding source	Total per year
Diagnostics	2015	207,455	450,000	LIFT Myanmar	657,455
Roadmap/Action	2016		35,000	UNCDF	
Plan devt	2017	37,500	37,500	EFA Myanmar	35,000
Diagnostics					75,000
		244,955	522,500		767,455

- Coordination with other Donor agencies is quite limited in Myanmar and takes place mainly through the annual meetings of COFTAM (Coordination of Financial Sector Technical Assistance to Myanmar) which provides a networking opportunity for donors to share and discuss planned initiatives. COFTAM produces a detailed matrix of what each of the financial sector donors is doing. This is a relatively informal exchange; while useful, it was described by one key stakeholder as “not transformative”. Roadmap donor coordination meetings were held during MAP1, led by FRD but these were not mentioned by any of the respondents interviewed.⁴⁷

⁴⁷ This raises issues of efficacy, but to be fair, could also be due to short institutional memories resulting from staff changes over the duration of MAP1.

3.5 Results

The overall goal of the first Roadmap, 2014-20 has been to *“increase Financial Inclusion in Myanmar from 30% to 40%*, (access to) more than one product from 6% to 15%, with full range of affordable, quality, effective and responsible financial services by getting all stakeholders to work together in an integrated manner”* (page 11 of the Roadmap document). The Roadmap proposed that the goal of financial inclusion in Myanmar would “be best assured by pursuing two main Outcomes:

- *Strengthening the financial sector* so that it is able to better support financial inclusion, building and where necessary creating institutions critical to financial inclusion, and addressing market barriers across product categories to grow formal intermediation.
- *Ensuring financial inclusion in three priority segments* which have been chosen in line with government policy and objectives (Figure 4) i.e. agriculture, fisheries and livestock (the backbone of the economy today), micro, small and medium enterprises (a key driver of growth and jobs in the coming years), and the low income (critical for addressing poverty alleviation and social stability).”

There were some achievements resulting from private sector initiative but also continuing challenges in the application of the roadmap...

The achievements and continuing challenges of financial inclusion in Myanmar are summarised in the key findings of the MAP Refresh process of 2017 and reinforced by the research undertaken by M-CRIL for the Global Microscope 2018 as follows⁴⁸

- A further 6.4 million adults had access to formal financial access in 2018 (from 30% in 2013 to 48% in 2018). Largely driven by increased Micro Finance Institutions (MFI) and Cooperative expansion, significantly more adults used formal services for borrowing, payments and savings in 2018.
- While there was evidence of lower poverty symptoms from 2013, nearly half of adults experienced difficulties in keeping up with financial commitments. A large segment of adults (83%) did not plan for their expenditure. This was linked to a large proportion of the population (66%) earning a low (under \$75 a month) and irregular income thereby contributing to budgeting and cash flow challenges to service expenses.
- Broad formal finance access shifts from 2013 were highlighted by an increase in bank depositors and payment transactions.
- Low, but meaningful, adult uptake (2% registered) on mobile money with rising potential to expand financial services to rural, remote, and disparate households. This uptake was hampered by both the lack of interoperability in the banking and money transfer system and the inability of the large low income segment of the population to use smartphones fully on account of the lack of both basic and digital literacy. The physical infrastructure necessary to enable interoperability was an area of concern, a matter that is currently being addressed by an inter-ministerial group led by the Central Bank of Myanmar but it is a work in progress and will take at least another 2-3 years to become really useful.
- Although half of the adult population in 2018 and 2013 used informal financial services, fewer adults were dependent *solely* on informal financial services to cover sudden household and livelihood financial shortfalls in 2018. “Informal service only” access fell by 30% from 10 million 2013 to about 7 million adults in 2018, respectively.
- The uptake, particularly in rural areas, of formal services outside of banking system was mainly driven by the conventional credit and savings services offered by MFIs and cooperatives showing a substantial increase in this category of formal financial products.

⁴⁸ <http://www.danafacility.co/new-financial-sector-research-finds-strong-growth-in-myanmar-financial-inclusion/>

- Formal financial services were mainly used for livelihood investments, education and living expenses. Informal financial services were primarily applied toward living expenses, coping strategies for unforeseen events (e.g. health issues) education and livelihood investments. Money lenders maintained a leading position among informal financial service providers.
- Financial services (both formal and informal) were most commonly applied for consumption smoothing (living expenses), medical expenses, education and business investment.

These changes taking place in FI in Myanmar were attributable to the general momentum towards financial inclusion stimulated both by the government's growing interest in it and by international trends to private sector engagement in financial inclusion. MAP strengthened and provided an empirical basis for the actions taken but stakeholders generally agreed that progress was slow as evidenced by the UNCDF country team analysis, and FRD's own estimates.

...but limited specific and direct action emerging from the Roadmap 2014-20

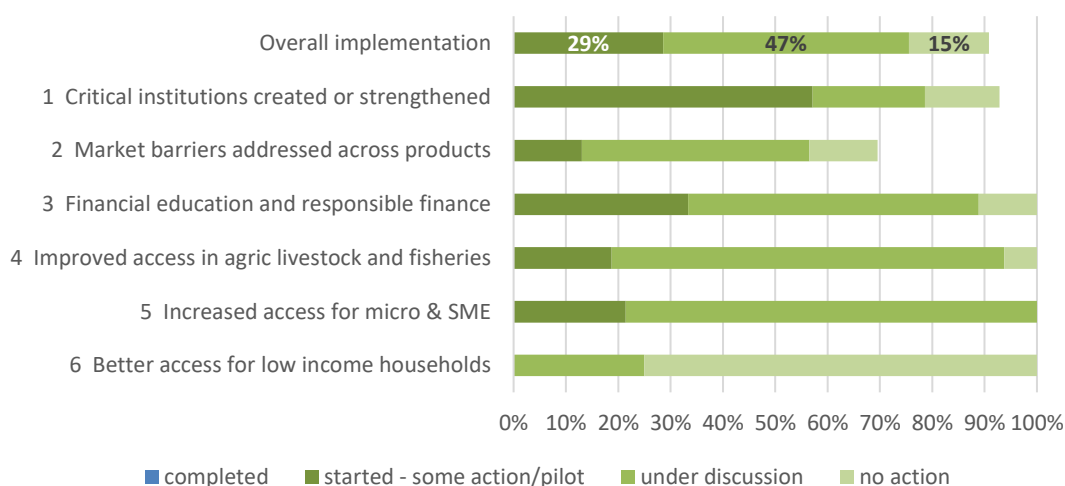
The presentation on the draft of the second Financial Inclusion Roadmap 2019-23 begins with a review of the achievements in Financial Inclusion in Myanmar up to 2018 against the overall objectives of the first Roadmap. The table of achievements emerging from this review is presented as **Table 3.2**. This apparent success in achieving the overall objectives of MAP1 needs, however, to be tempered by the realisation, by FRD amongst others, that no more than 40% of the actions of Roadmap1 were, in fact, being implemented.

Table 3.2: Achievements against overall objectives of the Roadmap 2014-20

	Objective	Baseline 2014	Target 2020	Actual 2018
Sector level objectives	Increase access from 30% in 2014 to 40% by 2020	30%	40%	48%
	Adults with more than one product from 6% to 15%,	6%	15%	17%
Segmental objectives	Increased financial access to farmers	43%	51%	52%
	Increased financial access to MSME	30%	40%	50%
	Increased financial access to low income households	15%	28%	38%

[MoPF/UNCDF, 2019. Myanmar Financial Inclusion Roadmap, 2019-2023, draft]

In the absence of a staffed secretariat, a functioning project management team or effective working groups there is not a strong implementation of a monitoring and evaluation system for the priorities and interventions identified by the Roadmap. Attempts at such monitoring have come as part of the research during the MAP Refresh process and a more detailed exercise to monitor progress on Roadmap 1 was conducted by the Myanmar country team of UNCDF in response to a specific request by this MAP Mid-term Evaluation Team for the purpose of this evaluation. The review is summarised in **Figure 4**, with more details in Annex 4.

Figure 4: Implementation of Roadmap1

[Collated and summarized from a detailed activity-wise spreadsheet provided by UNCDF Myanmar office]

As the figure shows, by mid-2019, **29% of the 98 actions planned were started with some action or pilots undertaken**, 47% were under discussion and there was no consideration at all of 15% of the planned actions (there was no information on the remaining 9% of actions). The “outcome” with the most satisfactory progress is the first one for the “creation or strengthening of critical institutions” related to policy, enabling commercial banks and MFIs and the establishment of a consumer credit bureau (but no progress on cooperatives and not much on strengthening the state financial institutions). Performance was particularly limited on direct access for low income households and in removing market barriers (especially catalyzing insurance, expanding distribution and improving product design).

3.6 Influencing the Eco-System

Direct action from FRD or the Central Bank of Myanmar or other government agencies stimulated by the MAP process has been limited almost exclusively to the policy domain. The IMSC and the Working Groups under MAP1, were a broad collection of government stakeholders and donor agencies as well as a few non-government representatives like the Myanmar Microfinance Association and some private financial service providers. With flux in the leadership of FRD – the main executing agency for Roadmap implementation – during 2015-18, both the Steering Committee and Technical Working Groups met somewhat irregularly (no more than 2 a year when the original plan was to have quarterly meetings) and were hampered by the ad hoc nomination of persons to attend meetings rather than each agency making a focused contribution to the discussions and consequent follow up. FRD as the execution agency, pleads a lack of both financial and technical resources to translate the Roadmap into action projects in an effective manner.

...though the policy changes both enabled and stimulated actions by the private sector resulting in the achievements described above

As a result, the major developments taking place in Myanmar emanate from the private sector – banks, MFIs and digital financial service providers – in response to policy changes prompted by the general momentum towards financial inclusion stimulated by the growing commitment of the government in keeping up with trends in international development. MAP certainly strengthened and provided an empirical basis for the policy changes taking place. On the other hand, the lack of engagement of the government in direct action to implement the roadmap is epitomized in the lack of engagement of the IMSC and in the low engagement of the Working Groups.

The key issues here are that

- Emerging from MAP1, FRD did not take much initiative to follow-up on the Roadmap and data which could be used to feed into practical actions to promote financial inclusion. Despite having the benefit of a UNCDF consultant based in the FRD office for a while in 2015-16 and access to the expertise of other consultants provided by ADB, IFC and LIFT, FRD continues to plead the lack of technical resources to design action projects. Since UNCDF Myanmar does not have funds to facilitate implementation, it does not have the leverage necessary to stimulate such action.
- Digital Financial Services (DFS) can be an enabler of financial inclusion as it by-passes the challenges of establishing brick and mortar branches of financial institutions in remote locations with limited physical infrastructure and where bank staff are unwilling to work and where MFIs also face infrastructure challenges. However, stakeholder interviews indicate that DFS also suffers from significant limitations in contributing to financial inclusion; these limitations include the lack of basic digital literacy and of the understanding by users of the functionality of smartphones for activities other than basic calls and entertainment applications. The public in many parts of Asia (including Myanmar) is yet to understand and appreciate the financial security and privacy features of mobile banking. This results in a lack of trust in the digital finance environment amongst low income families that still needs to be addressed.

4 Overall assessment

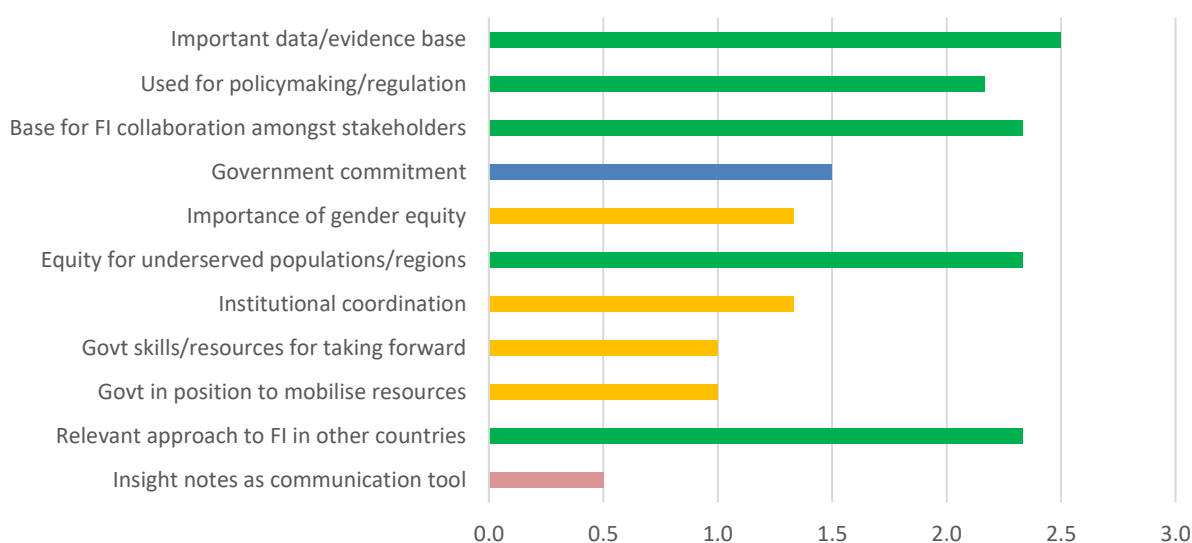
In assessing the **role and effectiveness of MAP for financial inclusion**, the key questions relate both to the approach and acceptance/implementation of FI priorities. In other words,

- c) has the MAP approach demonstrated a process that stakeholders (including the Government) actively engage with and seek to continue?
- d) has the MAP output (Roadmap) provided a relevant framework/reference that actually serves to guide government priorities, assist donor alignment and coordination, and facilitate private sector investment and development?

The answer in Myanmar to both questions is yes, but only to some extent. This is reflected in the scoring of MAP - by stakeholders we interviewed – on a set of programme related statements. Although the number of respondents is relatively low (6), the average scores (on a scale of 0-3), shown in **Figure 5** below serve to quantify the assessment on a number of key aspects.

Figure 5: Average scored responses to MAP evaluation statements

Scale: 0-3: 0 = “don’t know / can’t say”; 1 = “not much / a little”; 2 = “yes, somewhat”; 3 = “yes, fully / a lot”



[9 respondents]

Main strengths

- ✓ Provides an evidence base where earlier there was none, with acceptable quality recognised by all stakeholders. There is a clear appreciation of the utility of demand side data and of the update that has taken place as part of the refresh process
- ✓ Stakeholder consultations – effective and appreciated particularly as part of the recent discussions for Roadmap2
- ✓ The data emerging from the process has proved extremely useful in policy making. This is particularly so since there is no single agency in Myanmar capable of producing the comprehensive information on financial inclusion collated and made available by the research for the MAP diagnostic.
- ✓ MAP strengthened and provided an empirical basis for the actions taken for financial inclusion in the country.

Issues lie in

- The IMSC not being as engaged as necessary to ensure widespread ownership and follow up action. There is no clear indication that donors have supported follow up actions based

on Roadmap1 apart perhaps from some of the work sponsored by the DFID-funded DaNa Facility.

- Turning a plan acknowledged as appropriate for promoting financial inclusion into action projects. The FRD's approach is to suggest that donor agencies such as IFC, ADB and bilateral agencies interested in making a contribution should take the initiative in designing and implementing projects emerging from the new Roadmap likely to be approved in the next few weeks. As in Nepal, there is a sense of waiting for things to happen against the backdrop of a perception that the government lacks the resources to convert intentions into action.
- Lengthy reports, with a long drawn out process: in an age of data analytics and a rapidly changing market, a time period of 2 years for MAP1 between the launch of the process and forming implementation support mechanisms like the IMSC means that the data is already regarded as old and some respondents question its validity for informing new actions. The refresh of 2018 may serve a more useful purpose in this context since it is to be launched concurrently with better thought out implementation support structures – IMSC and 5 subject-specific working groups – than for MAP1.
- There is an apparent conundrum in FRD having overall responsibility; the institution appears to have limited initiative, authority and resources against a backdrop of frequent transfers at its seniormost level and some ambiguity of responsibility specifically for DFS between it and the central bank.
- Weak M&E with attention to monitoring action under the Roadmap limited to a review as part of MAP Refresh and UNCDF's review of implementation upon request by this Evaluation Team. By now, actions have been initiated in less than 30% of the activities listed in the Roadmap though around 50% of other activities are currently under discussion.
- Lack of funds underly many of the issues - bilaterals and donors have resources to pursue their own programmes but they do not have sufficient ownership of the Roadmap to follow its lead; UNCDF does not have the funds to support and stimulate direct action by the government.

5 Recommendations

MAP refresh technology challenges, communication and implementation

Myanmar is the only country to have undergone a MAP Refresh so far. A number of lessons have been learned and been taken into account in the new exercise. First, a new and separate emphasis on DFS represents acknowledgment of the evolving technological paradigm in financial inclusion. Second, it is apparent that the ad hoc nature of the functioning of implementation support structures like IMSC and working groups has been fully recognised and that an improved mechanism is being put in place. If the new structures work well it will increase both the dynamism of the approach for designing and undertaking pilot as well as action projects. Regular meetings, ongoing membership by (the same!) representative of each member organisation and monitoring of follow up actions based on working group meetings will improve communication about priorities and programmes as well as resource allocation (by avoiding overlaps amongst donors). However, there is the need for...

Management support to FRD/CBM in organising and managing meetings of the IMSC

MAP can learn from the FSDS experience in multiple countries by

- Setting quantitative targets and deadlines on which financial sub-sectors issue quarterly reports on progress and challenges faced. Such targets are easier to measure, track and report.
- Creating a system of facilitation of IMSC and Working Group meetings by a programme office run by a dedicated team that is able to ensure that meetings are scheduled, well organized and have task-oriented agendas as well as subsequent follow up of agreed actions. This is a key difference between MAP and FSDS; the latter is able to convert ownership of the strategy

document into action while MAP is unable to contribute as the Myanmar UNCDF team has many responsibilities and inadequate staff resources to focus exclusively on supporting this particular programme.

- Finally, regular senior level briefings of the Deputy Minister of MoPF (who chairs the IMSC) about the progress of implementation could serve to ensure buy-in and action at the seniormost levels. MAP does not have any such arrangement and currently has to rely on the infrequent meetings of the IMSC to get management attention.

Review of the expense on the roll out of the MAP Refresh process in Myanmar

The discussion in **Section 3.4** (above) shows that the cost of MAP Refresh in Myanmar was only marginally less than MAP1. For both rounds the cost was around 1.5 times the cost of MAP in African countries.⁴⁹ Yet Asia, particularly countries like Myanmar and Nepal represent a relatively low cost environment for economic research and technical services so the expenses incurred could be expected to be lower than in Africa. While it could be argued that MAP1 was unique and had not been undertaken earlier, there is no reason why MAP2 would have needed the same level of resources devoted to it. A review of expenses in light of this experience would have the utility of economizing on the resources needed for both fresh MAP programmes in other countries and for any further refresh exercises that may be undertaken there.

The role of the UNCDF Country Office in managing the MAP process also needs to be considered; is it just a coordinating agency as it has been so far or should it, as the local arm of UNCDF, play a more active role not only in commissioning the MAP exercise but also in supporting implementation after the roadmap (under the aegis of FRD) in order to help optimize outcomes? The latter seems more appropriate if more obvious results are to be achieved but would need additional resources.

Finally, there is the need for

A proper engagement of the financial cooperatives in Myanmar in the MAP process as an integral part of the financial inclusion framework of the country. With around 20,000 financial cooperatives and possibly in excess of one million members, there needs to be a substantial improvement both in the systems for managing cooperative portfolios and for a **supervision mechanism for such cooperatives** given that they manage 35% of FI assets. Currently, the Department of Cooperatives has neither the financial capability nor the technical resources to bring about the changes necessary to transform financial cooperatives into professionally functioning inclusive finance institutions.

⁴⁹ From analysis of AWP budgets for the global programme, done for the main evaluation report

Annex 1: Secondary material and project documents

MAP publications and documents

- Cenfri/FMT/UNCDF, 2014. Myanmar: Demand, Supply, Policy & Regulation – Country Diagnostic Report 2014
- Cenfri/FMT/UNCDF, 2015. Myanmar: Financial Inclusion Roadmap 2014-2020
- Finmark Trust/UNCDF, 2018. MAP Refresh Myanmar Diagnostic 2018
- FRD/UNCDF, 2019. Financial Inclusion Working Group Evolution Plan, presentation for IMSC discussion, 20 June 2019
- MoPF/UNCDF, 2019. Myanmar Financial Inclusion Roadmap, 2019-2023, presentation for IMSC discussion, 20 June 2019
- UNCDF/FMT, 2014. Finscope Myanmar 2014, highlights

Other references

- Central Bank of Myanmar, 2019. Quarterly Financial Statistics Bulletin, 2018 Vol III.
- CGAP/IFC, 2013. Microfinance in Myanmar: Sector Assessment
- GiZ, 2013. Myanmar's Financial Sector: A challenging environment for banks.
- Myanmar Times, 12 April 2018. "Myanmar insurance industry poised for reform: awaits liberalisation" <https://www.mmmtimes.com/news/myanmar-insurance-industry-poised-reform-awaits-liberalisation.html>

Annex 2 : Key informants interviewed (30 May – 5 June 2019)

Stakeholder category	ORGANISATION	Designation	Name
UN	UNDP		
	UNCDF	Country Coordinator, Financial Inclusion National Officer	Paul Luchtenburg, William Naing
Technical consultants	UNCDF / DaNa	Consultant	Neal Youngquist (by skype)
	FMT	Consultant - Roadmap Expert	Anthony Githiari (by skype)
		MAP Diagnostic Consultant	Keith Jefferis (by skype)
Country Governments - policy makers/regulator	Financial Regulatory Department (FRD)	Director General, Deputy Director General, Director,	U Zaw Naing, U Tun Zaw, U Thant Zin,
	Dept of Cooperatives, Ministry of Agriculture, Livelihoods & Irrigation	Deputy Director General,	U Thaung Naing,
	Myanma Insurance	Managing Director,	Daw Sandar Oo,
Bilaterals/donors/programmes working actively in financial inclusion in the country	World Bank	FSDS - lead	Smita Wagh
	DFID	Programme Manager/Economist,	Tom Coward
	DaNa Facility	Senior Technical Adviser,	Peter Brimble
	USAID/Nathan Associates	Team Leader, Private Sector Development Activity (PSDA)	Mary Miller
	Livelihoods and Food Security Trust Fund (LIFT)	Programme Specialist	Curtis Slover
	IFC	Country Officer, Lead, FIG Advisory Services	Daw Khin Thida Maw, Vanessa Vizcarra,
	GIZ	Program Manager, SME-Finance and Capacity Development	Andreas Ruepp
	DGRV	Project Director	Marc-Andre Zach
Networks for FI/meso level - SC members	Myanmar Microfinance Association	Chairman	U Minn Aung
Micro level	Yoma Bank	CEO	Hal Boshier
	Wave Money	CEO	Brad Jones

Annex 3: Working Groups to guide the MAP2 process

Working group title	Composition	Objectives & priority areas
1 Low income	FRD, MEB, MADB, MOALI / Coops, MMFA, DRD, DaNa, LIFT, UNCDF, World Bank	Objective: Increase access to finance for low income populations and survivalist /micro enterprises Priority areas: <ul style="list-style-type: none"> • Reform of key sectors (microfinance, insurance and SOBs) • Increase rural outreach – quality and depth • Transform and strengthen the cooperative Sector
2 SME	MoI, FRD, MBA, UMCCI, MADB, MI, MEB, DaNa, GIZ, IFC, JICA	Objective: Support the development of policies and instruments to promote access to finance for SMEs in Myanmar Priority areas: <ul style="list-style-type: none"> • Capacity support to providers and to SMEs • Development and uptake of non-collateral lending mechanisms
3 Savings	FRD, CBM, MOALI / Coops, MEB, MBA, MI, MIA, MMFA, UNCDF, GIZ, World Bank	Objective: Savings mobilisation and awareness, especially for low income and youth Priority areas: <ul style="list-style-type: none"> • Encourage growth of bank and insurance savings • Develop alternative providers of savings products (MFIs, Mobile money) • Refine the role of the informal sector and strengthen linkages with formal sector
4 DFS	FRD, CBM, MNOs / Fintech, DPs, FSPs	Objective: Platform for aligning stakeholder activities and encouraging collaboration between public and private players in accelerating the development of the DFS ecosystem in Myanmar for financial inclusion Priority areas: <ul style="list-style-type: none"> • Delivery of financial services on DFS • Use of DFS for government payments • Interoperability of platforms
5 Financial Literacy and Customer Protection	FRD, CBM, Ministry of Education, Ministry of Information, MNOs / Fintech, UMCCI, MBA, MIA, MMFA, ADB, DaNa, LIFT, UNCDF, World Bank	Objective: Financial literacy and adequate protection of customers Priority areas: <ul style="list-style-type: none"> • Measures to increase digital and financial capability of customers • Adequate consumer protection, socially responsible financial services and gender sensitivity in the sector • National financial literacy strategy

Annex 4: Implementation of Roadmap1

Outputs/activities	completed	started - some action/pilot	under discussion	no action	Number of actions covered	Number of actions suggested
1 Critical institutions created or strengthened						
Regulatory & structural environment		4	2		6	6
Enable commercial banks		2			2	3
Enable MFIs and Cooperatives		7	2	2	11	12
Reform and strengthen SFIs - MEB & MFTB		1		2	3	3
Consumer credit bureau		2	2		4	4
Output 1 – total	0 0%	16 57%	6 21%	4 14%	26 93%	28 100%
2 Market barriers addressed across products						
Expand credit		2	2		4	4
Mobilise savings		1	1		2	4
Introduce e-payments			1		1	5
Catalyse insurance			3	1	4	4
Expand distribution			2	1	3	4
Improve product design			1	1	2	2
Output 2 – total	0 0%	3 13%	10 43%	3 13%	16 70%	23 100%
3 Financial education and responsible finance						
Infrastructure for basic financial literacy		3	1		4	4
Responsible finance			4	1	5	5
Output 3 – total	0 0%	3 33%	5 56%	1 11%	9 100%	9 100%
4 Improved access in agric livestock and fisheries						
MADB reach, quality, diversity		1	7		8	8
Enable all providers in agriculture		2	2	1	5	5
Value chain interventions			3		3	3
Output 4 – total	0 0%	3 19%	12 75%	1 6%	16 100%	16 100%
5 Increased access for micro & SME						
Support Ministry of Industry, Coops & SME initiatives		1	5		6	6
Asset finance expansion		2	2		4	4
Increase variety of providers			4		4	4
Output 5 – total	0 0%	3 21%	11 79%	0 0%	14 100%	14 100%
6 Better access for low income households						
Enable actors in low income segment			2	2	4	4
Broader support for low income segment				4	4	4
Output 6 – total	0 0%	0 0%	2 25%	6 75%	8 100%	8 100%

COUNTRY REPORT

NEPAL

Abbreviations

AWP	Annual Work Plan (of UNCDF MAP)
BFI	Banks and financial institutions
CSB	Central Statistical Bureau (Nepal's national statistical organisation)
FI	Financial Inclusion
FIAP	Financial Inclusion Action Plan
FSDS	Financial Sector Development Strategy
FY	Financial Year (in Nepal this runs from 16 July to 15 July of the following calendar year)
IDA	Interdisciplinary Analysts (local research house for FinScope)
MAP	Making Access Possible
MM4P	Mobile Money for Poor
MoF	Ministry of Finance
NBA	Nepal Bankers Association
NMBA	Nepal Microfinance Bankers Association
NEFSCUN	Nepal Federation of Savings and Credit Cooperative Unions
NPR	Nepal Rupees
NRB	Nepal Rastra Bank (the country's central bank)
PPP	Purchasing power parity
SACCOS	Savings & Credit Cooperatives
SDG	Sustainable Development Goals

Introduction and country context

This county report draws on a desk review of MAP project documents and other secondary material (**Annex 1**) and key informant interviews which took place in Kathmandu (in-person) during the week of 6-10 May 2019, by skype and by e-mail. **Annex 2** lists the key informants who were interviewed.

Nepal is a South Asian country with a population of 26.25 million⁵⁰ with nearly 55% below the age of 24 years. In spite of an essentially rural population (83%), the contribution of agriculture to its GDP has been reducing over the years, from 38% in FY 1998-99 to 28.2% in FY 2017-18.⁵¹ During this period, the service sector contribution to GDP has increased to reach nearly 58%. The country is divided into three ecological zones running roughly east-west: the high mountains (of the Himalayas, mainly bordering Tibet), the middle hills and the plains region (known as *terai*, bordering India).

Nature related challenges like the devastating earthquake of 2015 (in the hill region of central Nepal) and floods of August 2017 (in the eastern *terai*) has been one of the primary reasons for Nepal's inability to achieve a consistent growth rate. Its GDP per capita is estimated at \$960 in nominal terms in 2018 and \$3,090 at PPP.⁵² Using the national poverty line, poverty incidence has been falling at an accelerated pace from 41.8% to 30.9% between 1996 and 2004 and further to 25.2% of the overall population by 2011. This remarkable decline occurred in the backdrop of a significant increase in the national poverty line from NPR 7,696 per capita per year in 2004 to NPR 19,261 per capita per year in 2011 to account for a higher quality consumption pattern.⁵³ Despite the decline in the overall poverty level, poverty in rural areas was substantially higher than in urban Nepal with rural poverty at 27.4% and urban poverty at 16.4%, even though rural poverty is reported to be declining at a faster pace than in urban areas.⁵⁴ In 2018, the Ministry of Finance Economic Survey estimated the population below the poverty line at 18.7% overall but did not provide an urban-rural disaggregation.

Remittances from Nepali workers abroad are the second largest source of income after agriculture. Given that the remittances – particularly by migrants with low skills – improve the welfare and quality of life of their recipient households, it is clear that this impact can be reinforced through access to financial services. If access to deposit, credit and insurance as well as remittance services could be assured it would facilitate recipient households in enhancing their options to build the assets necessary to increase incomes and reduce poverty. A facilitating feature here can be mobile phone penetration; with subscriptions per 100 people at about 123,⁵⁵ there is a good base for planning initiatives for the provision of mobile-based financial services.

1 Overview - financial inclusion in Nepal

Nepal has undertaken a series of measures for graduating from the status of a least developed country to that of a developing country by 2022 and for attaining the UN Sustainable Development Goals (SDGs) to become a middle-income country by 2030.⁵⁶ With a proven potential to address the inclusive development objectives, financial inclusion has emerged as an established enabler for

⁵⁰ National Population and Housing Census, Government of Nepal, 2011

⁵¹ ADB Macroeconomic Update Nepal, April 2019

⁵² World Bank database, July 2019

⁵³ ADB Country Partnership Strategy: Nepal, 2013–2017

⁵⁴ Central Bureau of Statistics, 2011. Nepal Living Standards Survey 2010-11.

⁵⁵ World Bank, 2016, 2017

⁵⁶ The graduation from a least developed country status by 2022 has been highlighted in the country's Thirteenth Plan which emphasizes on developing a sound banking and financial system to attain the Plan's priority sector objectives.

Nepal to achieve its growth aspirations. To this end, the government and central bank have encouraged and incentivised the development of a sound financial and banking system.

The regulatory framework for the financial system classifies financial institutions into four classes, namely commercial banks (Class A), development banks (Class B), finance companies (Class C) and microfinance institutions (Class D). In addition, financial cooperatives⁵⁷ are key players in the financial sector and are almost exclusively overseen by a separate government department. The

Table 1.1: Financial institutions in Nepal

Class	Types of institution	Number of	
		Institutions	Branches
A	Commercial banks	28	3,305
B	Development banks	33	1,196
C	Financial companies	24	200
D	Microfinance institutions	82	3,354
	Financial cooperatives*	~25,000	

* predominantly with a single branch

[Compiled from Nepal Rastra Bank website www.nrb.org.np + data from NEFSCUN, March 2019]

number of institutions of each type is set out in **Table 1.1** along with the number of branches as of mid-March 2019. The population per branch of a financial institution was 3,625 at mid-March 2019.⁵⁸ Despite the rise in the number of BFIs and their branches, the financial institutions are still primarily scattered around urban and semi-urban areas where geographical access is relatively easy.

According to the latest NRB data, out of 753 local bodies established under the federal system, commercial banks are operating in 736 as of April end 2019 though the distribution of branches is quite skewed with most branches concentrated in Province 3 – which includes the economically pre-eminent Kathmandu valley – followed by Provinces 5, 1, 4 (Gandaki), 2 and 7 (Sudur Paschim).⁵⁹ Province 6 (Karnali – mountains and hills of the mid-west) has the lowest number of BFI branches. **Annex 3** provides the location of each of the provinces of Nepal under the 2018 reorganisation of the country into a federal system of government. Despite continuous efforts by the NRB to increase the outreach of financial services in remote areas, progress is quite slow with respect to branch expansion in the least accessible areas 4% per annum in Karnali province and 7% per annum in Sudur Paschim province.⁶⁰

According to the late-2014 survey of financial inclusion commissioned by UNCDF using the FinScope methodology (**Figure 1a**), 40% of adults are formally banked, while 21% use only informal channels and 18% remain financially excluded.⁶¹ There are also a number of other sources that have computed financial inclusion indicators for Nepal. According to World Bank (2015),⁶² 25.3% of adults in Nepal held an account at a formal financial institution in 2011. However, the 2014 data of the well-known Findex of the World Bank suggests that 33.8% of adults (age of 15+) had bank accounts in Nepal in 2014, 6.7% had debit cards, and the ATM was the principal mode of withdrawal for 13.9% of adults (**Figure 1b**).⁶³

⁵⁷ There are 14 financial cooperatives regulated by NRB and remaining cooperatives (over 35,000 in number) are regulated by Department of Cooperative (DOC). In all, there are over 25,000 financial cooperatives that mobilize savings and extend credit services.

⁵⁸ This excludes the financial intermediary NGOs and cooperatives. The data was drawn from Banks and Financial Institutions Regulation Department (Poush (mid January) 2019).

⁵⁹ Data relates to the branches of A, B and C class financial institutions.

⁶⁰ NRB Monthly statistics of Banks and Financial Institutions, Poush 2075 (Mid March 2019).

⁶¹ Conducted in late 2014, the survey was based on 4,014 samples of the adult population in Nepal, aged 18 years and above, across 70 districts covering the Terai, hills and mountain. The survey was done based on globally recognized FinScope methodology. The survey was the findings of UNCDF's Making Access Possible (MAP) programme in Nepal.

⁶² World Bank. 2015. "Global Financial Development Report 2015/16: Long-term Finance. Washington, D. C.: World Bank.

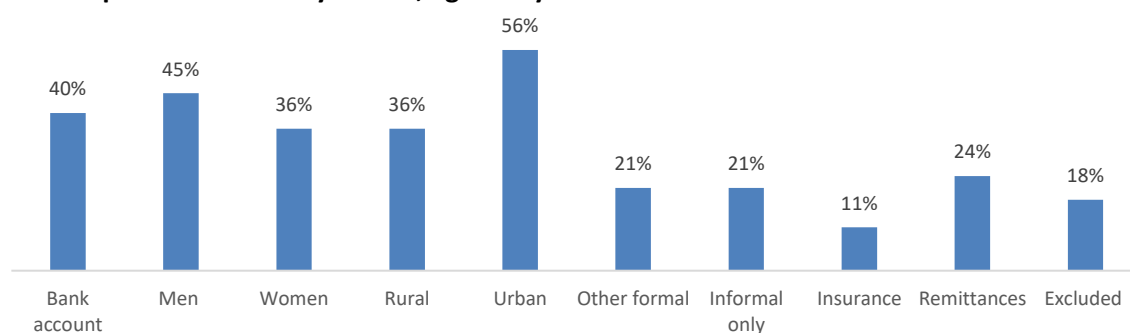
⁶³ Demirciguc-Kunt, Asli, Lora Klapper, Dorothe Singer, and Peter Van Oudheusden. 2015. "The Global Findex Database 2014: Measuring Financial Inclusion Around the World" Policy Research Working Paper , WPS7255, World Bank.

The World Economic Forum's Global Competitiveness Report (2016) ranked Nepal 65 out of 138 economies in terms of ease of borrowing and 84 with respect to the affordability of financial services.⁶⁴

Though there are clearly some differences between the various sources of information with respect to indicators of financial inclusion, the underlying theme is that large parts of Nepal are still excluded from the formal financial sector. The services of a majority of banks and financial institutions (BFIs) are clustered around accessible urban and semi-urban areas while rural areas and some provinces face substantial challenges of access. As formal financial services in Nepal have not been very successful in reaching the poor, marginalized and deprived segments of the population, the overriding issue in financial inclusion is how to enable outreach to this segment of the population.

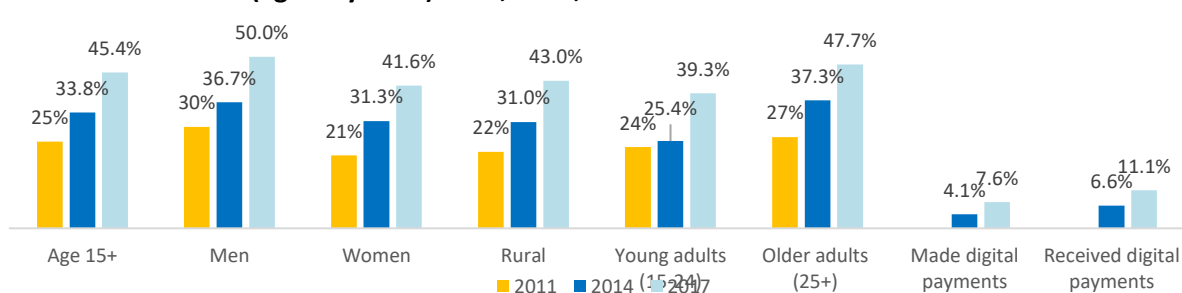
Figure 1: Selected data for financial inclusion in Nepal

1a: Finscope 2014 – formally served, aged 18 years+



[MAP FinScope Consumer Survey, 2014]

1b: Index – accounts (age 15 years+) 2011, 2014, 2017



[World Bank: Findex Global data base]

The Strategic Plan (2017-2021) of the Nepal Rastra Bank (NRB) addresses the issue of financial sector stability as one of its seven strategic pillars; the plan identifies enhancing financial inclusion as a strategic priority under financial sector stability. Similarly, the Monetary Policy, 2018/19 of the Nepal Rastra Bank is focussed on enhancing financial literacy as well as access to finance.⁶⁵ The Banks and Financial Institutions Act, 2006 which governs all activities of banks and financial institutions in Nepal, provides direction on advancing financial inclusion. The Deprived Sector lending policy of the NRB has made it compulsory for financial institutions of Classes A, B and C⁶⁶ to allocate 5% of their loan portfolio to the microfinance sector, thereby facilitating credit access for the underserved, low income population.

⁶⁴ World Economic Forum. 2016. The Global Competitive Report 2016-17. Geneva: World Economic Forum

⁶⁵ Nepal Rastra Bank. 2018. Monetary Policy 2018/19. Kathmandu, Nepal.

⁶⁶ See Table 1 for the categories

Further, NRB in coordination with the Government of Nepal is actively engaged in formulating financial inclusion initiatives including

- diversification of service delivery methodologies
- liberal licensing policy for microfinance institutions
- requirement for BFIs to allocate a proportion of their credit for productive sector investments
- direct financial support to BFIs to operate branch offices in areas with very few banking units
- special refinancing facilities to BFIs to extend loans to agriculture and small business-based income generating activities in the poorer areas of the country
- special refinance facility to cottage and small industries
- directives on consumer protection
- branchless banking
- mobile banking services
- easier licensing of MFIs with head office and working areas located in the districts with low access to financial services
- creating a separate Client Protection Fund contributed by all BFIs (1% of annual net profit and 25% of the dividends if the dividend distribution exceeds 20% of a BFI's profits)
- campaign for ensuring that each household has at least one bank account.

Table 1.2 provides an indication of the relatively mixed experience with the growth of financial inclusion indicators in Nepal based on the data of the central bank. While the number of bank branches has grown fast in recent years greatly reducing the population per branch office, other indicators such as customers of branchless banking touchpoints have not grown so fast.

Table 1.2: Trends in Major Financial Inclusion Indicators (2015-2019)

No.	Major Financial Indicators	Unit	As of Mid July		Mid-March 2019
			2015	2018	
1	Total Deposit / GDP	%	83	94	103
2	Total Credit / GDP	%	64	81	92
3	Total Non-Performing Loans/ GDP	%	3	2	2
4	Core Capital / Risk Weighted Assets	%	11	14	13
5	Total Capital / Risk Weighted Assets	%	13	15	14
6	Bank branches	No	3,838	6,650	8,055
7	Branchless banking touchpoints	No	-	1,285	1,345
8	Clients of branchless banking touchpoints	No	-	130,660	111,670
9	Mobile banking customers	Mn	-	5.09	6.39
10	Internet banking customers	No	-	834,302	856,695
11	ATMs	No	1,721	2,791	3,049
12	Debit cards	Mn	4.53	5.54	5.96
13	Credit cards	No	43,895	104,721	100,527
14	Prepaid cards	No	-	96,816	64,484
15	Deposit accounts	Mn	14.93	23.54	25.66
16	Loan accounts	Mn	1.03	1.30	1.36
17	Average interest on deposits	%	4	6	7
18	Average interest on loans	%	10	12	12
19	Population per branch office	No	7,206	4,334	3,626

[NRB, Monthly Statistics on Bank and Financial Institutions, Various Issues]

Initiatives for financial inclusion in Nepal are taken both by the NRB through its regulatory and supervision mechanism and by the Ministry of Finance via monetary and fiscal policy mechanisms. The Ministry of Finance is currently reinforced in its efforts for the development of the financial sector by the Financial Sector Development Strategy (FSDS), a programme of the World Bank with implementation support of a secretariat contracted to an international management services firm. The FSDS covers a five year period, 2016-17 to 2020-21, that overlaps with that of the Financial Inclusion Action Plan (FIAP) developed under MAP for a much longer period, 2017-2030. This comparative performance of this parallel and overlapping programme alongside the MAP development process is discussed in the following sections covering the implementation of the FIAP emerging from the MAP roadmap.

2 MAP in Nepal

The MAP process was undertaken in Nepal as the outcome of the acceptance by the government of an offer by UNCDF. This acceptance in 2013 was triggered by the common realization amongst stakeholders that there was a lack of reliable data in the financial inclusion ecosystem. At that time, NRB was considering the commissioning of an A2F survey; the MAP demand side study thus substituted for the proposed NRB A2F survey.

The timeline for the MAP process in Nepal as provided by the local team of UNCDF managing MAP is presented in **Table 2**.

Output 1 – Diagnostics and Roadmap, Evidence base for Financial Inclusion

A proposal for MAP was sent by UNCDF to DFID for funding in September 2013 and approved in November. Meanwhile meetings were held with the Government to obtain buy-in for MAP. In May 2014, UNCDF shared 2 separate letters with NRB, one for MM4P and another for MAP for formal clearance by MoF. There was a request from MoF to indicate the amount to be spent locally for MAP. The Finmark Trust (FMT) provided a breakdown on international versus local costs for the demand side study (FinScope). In August 2014, MAP was formally approved by the Ministry of Finance and NRB. A MAP stakeholder meeting and FinScope kick-off meeting were held on 29 September 2014 with UNCDF and the FinScope team. Letters were sent to NRB and Ministry of Planning requesting their participation in MAP. This shows the initial alignment of government agencies with the MAP process.

Table 2.1: MAP Process Timeline in Nepal

Month and Year	Key Milestones
September 2013	A proposal for MAP sent by UNCDF to DFID for funding
November 2013	DFID approval of UNCDF proposal on MAP process
November 2013 – August 2014	Meetings held with the Government to obtain buy-in for MAP
May 2014	UNCDF shared 2 separate letters with NRB, one for MM4P and another one for MAP for clearance from MoF. Revised as a single letter by local office for one point clearance
	<ul style="list-style-type: none"> Establishment of the Steering Committee (NRB as Chair and members represented from MOF, CBS, NRB, DFID, Danida, UNCDF and one independent member as an Expert)^a
	<ul style="list-style-type: none"> Technical Working Group was also established comprising of NRB, Central Bureau of Statistics, Interdisciplinary Analysts (IDA) as local research house, FMT and UNCDF^a
August 2014	Official Clearance received from MoF and NRB to roll out MAP (and MM4P)
	FMT procured IDA as the local research house with support from UNCDF
29 September 2014	MAP stakeholder and FinScope kick-off meeting

Month and Year	Key Milestones
10 December 2014	Initiation of the Demand Side Survey (by IDA)
August 2015	Validation of Demand Side Survey
August 2015	Procurement of Beed as National Partner for Supply side
July 2016	Completion of the Roadmap
	Launch of the Supply Side and Regulation study
July 2016 contd.	Nepal Financial Inclusion Country Report - Demand, Supply, Policy and Regulation Financial Inclusion Roadmap 2017 – 2022
	A Pre-and Post-Earthquake Demand Side Situation Analysis in affected districts was carried out and published
August 2016	Approval of Nepal Country Study and Roadmap by Steering Committee
November 2016	Beed completes Nepal Financial Inclusion Action Plan (2017-2030)
December 2017	On 26 th Approval of Nepal Financial Inclusion Action Plan by NRB Board
	And formation of High Level Committee for the Implementation of the Nepal Financial Inclusion Action Plan by NRB Board chaired by the Senior Deputy Governor of NRB
April 2018	First meeting of High Level Committee for the Implementation of the Nepal Financial Inclusion Action Plan
August 2018	Sharing meeting of Nepal Financial Inclusion Action Plan among key stakeholders particularly donor partners
December 2018	Phase-out of UNCDF support for the MAP process

[UNCDF, Nepal MAP team, Monthly operating reports]

Nepal country studies – demand side and supply side – were undertaken by two different firms of consultants sourced locally. The demand side study was undertaken by Interdisciplinary Analysts sourced and guided by the Finmark Trust. On the supply side, sourcing was by UNCDF but guidance of the work of BEED consultants was undertaken by CENFRI, South Africa. As part of their work, BEED produced the MAP country study (diagnostic report) for Nepal combining the findings of the demand and supply side studies. Emerging from this, BEED also prepared the roadmap that was approved by the MAP Steering Committee (SC) led by the Director, Microfinance Promotion and Supervision Department of NRB in August 2016.

Output 2 – implementation of action plan for financial inclusion

The roadmap was followed by the development of a Financial Inclusion Action Plan (FIAP) – also by BEED – in consultation with a range of financial inclusion stakeholders, especially NRB and the Ministry of Finance. FIAP was developed by the supply side local consultants with UNCDF support, but the most challenging part of the MAP process was the handover to the Government (under Output 2) that required another 16 months until December 2017 to get agreement amongst stakeholders and formal acceptance by the NRB Board.⁶⁷ Although the UNCDF MAP team's main responsibility was up to completion of the roadmap, there was nevertheless a continuing facilitation role in the process for sign off and implementation, guided by the continuing MAP Steering Committee.

NRB started implementing FIAP under the aegis of a High Level Committee for the Implementation of the FIAP chaired by the Senior Deputy Governor of NRB along with the Deputy Governor. Under the UNNATI A2F project, UNCDF supported the High Level Committee in disseminating FIAP among key stakeholders and in identifying 6 priority actions⁶⁸ for immediate implementation as well as the

⁶⁷ A key concern here was the inclusion of financial cooperatives as part of the financial system – discussed further below.

⁶⁸ These actions were: use of multiple delivery channels for financial literacy campaigns, accelerate the implementation of Secured Transaction Registry, develop and promote value chain financing, streamlining processes for effective operation of credit guarantee schemes, expanding the coverage of the credit information bureau to MFIs and encourage MFIs to adopt best practices in compliance and transparency.

development of an M&E framework. This support (under UNNATI A2F) ended in December 2018. In the interim, a sharing meeting of the High Level Committee for the Nepal Financial Inclusion Action Plan was held on 22 August 2018. At this meeting the committee asked development partners to support it in the implementation of the Action Plan. The need for coordination and leveraging synergies between the FIAP and FSDS was apparent and the Government asked both UNCDF and the DFID-funded FSDS to work in close coordination. However, UNCDF does not appear to have provided the funds for further support in this process.

MAP funding

Details of expenses incurred are set out in **Table 2.2**, based on MAP Annual Work Plans (AWP). This indicates an expenditure of \$573,000 on Output 1 (covering the FinScope survey, diagnostic and roadmap reports) of which 59% was contributed by development partners – DFID and DANIDA. Under Output 2, UNCDF funded the development of the Financial Inclusion Action Plan by the local consultants (BEED), and a significant contribution by DFID and DANIDA.

Table 2.2 MAP funding

Map activities	Years	MAP Programme Budget, USD	Co-Funding, USD	Co-Funding source	Total, USD
Output1: Diagnostics & Roadmap – evidence base for FI	2015	235,000	338,588	DANIDA/DFID	573,588
Output2: Process in place for development & implementation of national roadmap/action plan	2016/2018	35,000	220,000	DFID	430,947
			175,947	DANIDA Country Program	
Total		270,000	734,535		1,004,535

[MAP Annual Work Plans]

DFID and DANIDA were the two donor agencies most engaged with the MAP process in Nepal. Both made substantial financial contributions. According to ET interviews with their local staff in Kathmandu, DFID contributed £680,562 (US\$986,800 at average 2015 exchange rate of £1=\$1.45) and DANIDA contributed \$500,000 from its country programme. The additional amount means total co-funding of \$1.4 million (double the amount in the AWP⁶⁹). Based on discussions and information from the Annual Work Plans it seems both DFID and DANIDA funding was used for Output 1 during 2015 and later for Output 2, in DFID's case directly and in DANIDA's case through the ongoing, UNCDF implemented UNNATI programme. It is apparent that a substantial amount of the total \$1.8 million co-funding was implemented on projects as part of Output 2, which the AWP has not captured.

3 Findings and Analysis

3.1 MAP deliverables

A useful process...

The Nepal Financial Inclusion Action Plan (FIAP) was developed from the Financial Inclusion Country Study and Roadmap, drawing on the MAP demand and supply side studies of financial inclusion ecosystem. The FIAP has provided a platform to coordinate the efforts of development partners to obtain synergy and facilitate positive growth of financial inclusion in Nepal. The FIAP document seeks to minimize, if not eliminate, the waste of resources on duplication of existing projects while

⁶⁹ The Programme hub comments that local office data would be correct as spending was done directly from the local office.

leveraging expertise. The plan is seen by stakeholders to have provided an important basis to help guide future initiatives by development partners.

Before MAP, government policy was veering increasingly to financial inclusion but data was scarce and any actions were based mostly on assumptions. National surveys – the Annual Household Survey (2016) conducted by CBS, and the fifth Household Budget Survey 2014/15, conducted by the NRB – did not include any questions on financial access. MAP documents have greatly improved the knowledge base for financial inclusion policy making in the country. Data collected by these studies (especially the findings of the demand side (Finscope) study) are regularly quoted by the Finance Minister as well as by the Governor, NRB respectively in their national fiscal policy (budget) and monetary policy statements.

...building local technical understanding of MAP approach.

MAP was applied as advised by UNCDF MAP Hub in South Africa based on the programme strategy and approach set out in the MAP ProDoc and there were no specific adaptations for Nepal. MAP was influenced by cross country learning integrated through exposure visits of technical committee members and the supply side consultants at the commencement of the MAP process. These included responsible persons at the NRB, the Central Bureau of Statistics and the study lead of the BEED Consultants team working on the diagnostic report. Efforts spent on orienting these stakeholders on MAP, its process, its data requirements and on enabling them to learn about the MAP experience of other countries, in the initial days of MAP in Nepal, is reported to have been invaluable in building understanding of and familiarity with the MAP initiative and its potential contribution to financial inclusion.

FinScope sample expanded, and survey extended to redo earthquake affected districts, but questionnaire and analysis rigidly applied.

On the request of the Central Bureau of Statistics, the sample size of the FinScope survey was increased.⁷⁰ And following the earthquake disaster in April 2015, after the field work had started, a repeat survey survey (of 700 respondents) was carried out in the earthquake affected areas to update the conditions. However, local stakeholders commented that Finmark Trust insisted on retaining the survey instrument without modification. The demand side questionnaire designed by FMT was very complex and simplification by the local consultant IDA was “discouraged”. In addition, the survey had to use a paper based survey protocol though the local survey team would have preferred a computer assisted (CAPI) protocol for easier management of data. The questionnaire was also complex and paper based while a computer-aided solution was disallowed by the technical team despite the experience with such protocols of IDA, the local consultant, that undertook the survey. This could have both improved traceability as well as reduced the time and effort involved in data transcription and compilation.⁷¹

The treatment of survey respondents as individuals rather than representatives of households seems inappropriate in a Nepali context where the head of household is likely to be the one responsible for financial decisions on behalf of the family; as a result the household may not seek another bank account, for instance, after opening one for the head of the household if there are issues of physical access for the household to brick and mortar branches. Similarly, a low income household may keep its mobile phone access to a single device/connection in order to limit the cost incurred on mobile phone services; further, remittances made by a Nepali worker in Dubai or India

⁷⁰ The initial proposal was to cover 2,500 respondents but the Central Bureau of Statistics felt this was too small a number given the diversity of ecological zones and varying levels of physical access to infrastructure in different parts of Nepal. As a result the number of respondents for the Finscope Survey was increased to 3,500 with final coverage of over 4,000.

⁷¹ Clearly, the paper-based survey was agreed to in the various meetings, but IDA reports that FMT over-rode their suggestions in this matter. Having a paper-based survey was criticized in several of our interviews.

or Korea may be addressed to a single member of the family but intended to provide for the needs of a whole family consisting of his/her parents, adult (but dependent) siblings as well as children. In each case the classification of the individual as the single financially included person does not seem an adequate reflection of the real effect of financial services.⁷²

In terms of the analysis, the market segments applied were not seen to be specifically relevant for Nepal. The ET also notes that there was no separate analysis of the earthquake affected areas.

MAP documents seen to be well produced but too long, requiring stakeholders to hunt for information relevant to their work as well as to determine specific implications applicable to them

Stakeholders in Nepal generally agree that the country study (diagnostic report combining the results of the demand and supply side studies) and roadmap are useful documents providing a considerable amount of data where none was available before. The number of stakeholders who have actually taken the trouble to read these documents through, however is limited by the length of these documents (172 page Country Report + 28 page Roadmap in condensed print formats). Specific items of data are difficult to locate. Conclusions and actions are stated in general terms in these documents leaving individual stakeholders to draw their own conclusions from the points made. The documents are comprehensive in their coverage but have thus lost some efficacy in terms of accessibility to users. For instance, even basic information on financial inclusion sought by interested readers from the Finscope Survey Highlights document is only available from page 16 onwards after much more general information (on demographics, social infrastructure access, livelihoods and living standards profiles). This is all useful general information, no doubt, but much of it covered by existing national surveys, and not the central focus of the exercise.

The selection and central role of the supply side consultants, BEED, was questioned during some of our interviews, in the context of their lack of previous knowledge and understanding of financial inclusion.

Table 3.1: Timeline of MAP deliverables and targets

Out-puts	Milestones	2014	2015	2016	2017	2018	2019
1	MAP approved	√					
	Demand side survey completed		√				
	Diagnostic completed			√			
2	Roadmap completed			√			
	Roadmap officially adopted/Action plan sign off by government				√		
	New roadmap supported, at least 3 donors						
	50% of roadmap funding raised						
	Programming progress, 70% against plan						
	Programming self-sustaining						
Key			Prodoc Table 13, target			√	Actual

[MAP Programme Document, Table 13, MAP country team and monthly reports]

The time lag after the roadmap was partly on account of the time it took to enable the Steering Committee to understand the MAP process and was complicated by confusion (at the NRB) about how MAP would fit with the Financial Sector Development Strategy (FSDS) process of the World Bank and whether the two could run in parallel. Notwithstanding this, as discussed above, the delay in Government sign-off did not mean that the FIAP was not referenced for policy formulation, with the priorities discussed among NRB and DPs in several forums.

⁷² This too was an observation made by IDA.

The consequence of this time lag was that –the MAP FinScope data was already seen as out of date even before implementation of the FIAP had officially started. Thus, at the sharing meeting of the Nepal Financial Inclusion Action Plan in August 2018, the government indicated that the MAP data was old, and that a refresh was required. There is also a need to show the links between financial inclusion parameters and the SDGs to influence people at the policy level.

3.2 Stakeholder engagement

There is general appreciation amongst stakeholders in Nepal of the degree of engagement with them at various stages of the process from the start of the MAP process up to the Action Planning stage. There was a broad-based Steering Committee established at the initiative of the Nepal Rastra Bank – the focal point for MAP – to manage the process of development of the roadmap including representatives from across the financial sector covering

Government <ul style="list-style-type: none"> Ministry of Finance Nepal Rastra Bank, the central bank National Planning Commission Central Bureau of Statistics Donors (in financial inclusion) <ul style="list-style-type: none"> DFID DANIDA 	Private sector associations <ul style="list-style-type: none"> Nepal Bankers Association Nepal Microfinance Bankers Association Project Management <ul style="list-style-type: none"> UNCDF MAP Project Manager
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The issues arising in stakeholder engagement were mainly reported during the implementation phase (after completion of the roadmap)

- While feedback from stakeholders indicates a high level of appreciation of engagement with them in the design and development of the roadmap the actual organization of Steering Committee meetings was somewhat weak reflecting gaps and transitions in the leadership of the NRB's Microfinance Promotion and Supervision Department
- From the government of Nepal, it was the MoF and NRB that were engaged with MAP, together with the CBS; there was less engagement by the National Planning Commission which was reported not to be very supportive of MAP, with perhaps a lack of understanding of financial inclusion. The current 5 year plan does not refer to MAP data or the FIAP.
- Exclusion of cooperatives: Though 25% of inclusive finance assets are under the financial cooperatives according to NRB,⁷³ the NRB Act does not cover cooperatives. As a result, NRB declined to take any responsibility for actions to promote inclusion through financial cooperatives since jurisdiction for such cooperatives is placed with the Cooperative Department by the recent legislation on cooperatives. The Nepal Federation of Savings and Credit Cooperative Unions (NEFSCUN) was consulted during the process with the Chairman, NEFSCUN being part of the Project Executive Board of the UNNATI A2F programme but actions to support cooperatives were eventually excluded from the FIAP. Dropping the reference to cooperatives from the MAP Roadmap & Action Plan by NRB results in a less comprehensive coverage of financial inclusion.
- Ineffective for the microfinance sub-sector: MAP has not really helped the microfinance sub-sector even though the association was part of the Steering Committee & various stakeholder meetings. The thrust of the FIAP is on engaging the banking sector with financial inclusion rather than enabling MFIs to expand and diversify their services.

⁷³ Information provided by NEFSCUN, the federation of cooperative unions.

- Endorsement of the process and later the action plan by NRB took up a lot of time as the central bank was busy with other initiatives including the DFID-funded FSDS programme. NRB sign-off of the Financial Inclusion Action Plan (FIAP) came only after a lot of meetings since the central bank was also tasked with the FI pillar of the FSDS strategy. There appears to have been some confusion about how to combine the two tasks until eventual realization that there was no conflict between the two documents and, therefore, there was no need to be concerned about which actions would be attributable to which programme.
- The NRB high level committee for implementation of FIAP led by the two NRB deputy governors meets sparingly. The result is that there has not been much emphasis on action taken as a result of the FIAP. This is partly the result of NRB being mainly a regulatory body rather than a promotion/action driven one. Despite having a department titled Microfinance Promotion and Supervision the NRB lacks the technical expertise for FIAP implementation. The Microfinance Department is reported to have a relatively high turnover of directors and staff due to frequent transfers and retirements of senior officers.

3.3 Linkages

The Financial Sector Development Strategy, 2017-2022 (FSDS) and the Nepal Financial Inclusion Action Plan, 2017-2030 (FIAP) are the two major documents to support access to finance for micro, small and medium enterprises in Nepal. These provide guidelines for policy and actions by the Nepali financial sector to serve the objective of pro-poor, inclusive growth and development of the country. The FSDS developed by the World Bank is designed to act as a roadmap for the development of Nepal's overall financial system over the 2017-2022 period and to provide a framework to support coordination and cooperation amongst the government, financial regulators, private sector and development partners seeking to promote financial sector development in Nepal. In preparing the FSDS, the current strengths and weaknesses of the Nepali financial sector were analyzed by the World Bank team to take into account likely changes in the internal and external environment over the next 5 years. While FSDS sets out the current status of various segments of the financial sector and highlights the issues and challenges in the process, FIAP outlines the actions necessary to achieve the objective of expanding the frontier of access to finance and to enable outreach to all households by 2030; it is thereby linked to FSDS.

- At the same time as MAP, UNCDF established the Mobile Money for the Poor (MM4P) programme of UNCDF in Nepal in 2013 as an enabler for Digital Financial Inclusion. The MM4P programme had a relatively small budget with the bulk of funding provided by USAID and additional funding by the MetLife Foundation. In addition, the programme was able to leverage the funding of the existing UNNATI-Access to Finance (A2F) programme of UNCDF in Nepal for some of its early programming. MM4P also provided technical assistance to UNCDF's UNNATI Challenge Fund partners receiving awards from the Fund. This allowed MM4P to combine TA from its own budget with larger grant funding from UNNATI to support DFS development. Nevertheless, as with MAP, the lack of sufficient funding has impeded MM4P from moving beyond a few pilot programmes. Further, there are both regulatory limitations (transaction limits) and environmental challenges (data network, power, digital and financial literacy) that limit the contribution of DFS to financial inclusion in Nepal.

In spite of overlapping timeframes and UNCDF as the common umbrella organization, there was no systematic dialogue between MM4P and MAP to understand the market context and MM4P obtained its information mostly from programmes in other countries. At the initiation of the MAP process, digital financial services were seen as a marginal activity in Nepal and, perhaps because of this, its potential importance for the future of financial inclusion in Nepal was not fully appreciated by the MAP team and its related service providers. In the absence of a clear

inter-programme communication structure, this limited the interaction between MAP and MM4P. There was, nevertheless, a consultation meeting with stakeholders on DFS in which both were involved and the MM4P representative in Nepal was at least partially engaged in the overall MAP process.

It was only when the MAP Roadmap was under preparation that the external consultant, BEED approached MM4P for a technical understanding of topics such as payment service providers. The MAP objectives of understanding the financial inclusion ecosystem were not adequately integrated with understanding the potential for DFS. Since the publication of the MAP demand and supply side analyses, however, the MAP team has been asked to provide similar disaggregated data on Digital Financial Services (DFS).

- In September 2018, the Governor of the Nepal Rastra Bank launched the Nepal Access to Finance portal: www.emap.nrb.org.np, (developed with technical support of MM4P and financial support of UNNATI A2F) which was designed to collect, collate and provide information on key financial inclusion indicators input directly by all regulated BFIs in the country. This portal, established with UNCDF support, is starting to function but has many software and other glitches at present. Its placement at the NRB is also in question since the central bank is a regulator and there is no one to take ownership of what is essentially an information and development support facility. Initial challenges include data consistency between portal data and physically reported data by NRB licensees as well as concern around the security of data uploaded by those licensees to the portal.

Despite some limitations, MAP has given UNCDF a chance, for the first time, to engage at the level of national policy making and has increased its organizational learning. Earlier UNCDF was only involved in one-off implementation programmes such as MM4P and UNNATI A2F that undertake specific actions rather than make an over-arching attempt to influence the financial ecosystem. Thus, MAP has positively influenced the brand of UNCDF in Nepal. Some observers argue that this is the only visible work that UNCDF has done in the Nepal financial sector. Other initiatives of UNCDF were not fully integrated and internalized amongst sector stakeholders. Documents produced under the MAP process are quite visible and regarded as high quality. UNCDF work on MM4P and the UNNATI programme does not have the same basis for continuity and sustainability, and UNCDF's role was not accredited fully by the financial sector. MAP outputs are widely cited and referred to by diverse stakeholders

3.4 Management

As indicated above, the MAP process was managed by the UNCDF Project Team led by a Project Manager under the aegis of a broad-based Steering Committee of stakeholders and supported by donor partners as well as consultants identified for specific tasks. Some issues arising in the management of the MAP process in Nepal include

- The selection and central role of the supply side consultants, BEED, has been questioned in the context of their lack of previous knowledge and understanding of financial inclusion. It would appear that this was sub-optimal in the context of the deep knowledge of financial inclusion necessary for MAP. The UNCDF local team and Cenfri counter that the best team available locally was selected for the purpose.

MAP & Stakeholders

- The critical relationship with the NRB has been limited to its MFI department to the exclusion of departments such as regulation and payment systems that could have widened the relationship and created a broader commitment to the MAP process than is currently the case.
- For institutional structures like the Steering Committee, the participating institutions did not nominate representatives who could participate in meetings on a regular basis. Participants nominated to attend on behalf of various institutional members were nominated to attend meetings on an ad hoc basis. This was partly caused by meetings being organized on a sporadic basis rather than at regular intervals.
- Some of the persons occupying key positions in the government and central bank had no prior experience in FI and could not, therefore, make a practical contribution to the MAP project. In order to mitigate this problem the UNCDF local office would have needed to update stakeholders continually to enable follow-up action on the project as agreed at Steering Committee meetings.
- The lack of institutional memory resulting from incumbents in government positions being transferred (or retiring) and convention requiring the prior incumbent not to contribute subsequently in order to avoid interfering in the current working of the department.

In order to play a proactive role in promoting financial inclusion in Nepal, the UNCDF project team needs to have the practitioner experience that leads to a substantive level of technical skills to play an effective role in the programme. It is this that provides the stature and understanding to be able to mobilise resources – human, financial and technical – from multiple stakeholders for the implementation of financial inclusion programmes. Then the team’s inputs would help create a synergy with the central bank’s approach to financial inclusion and also with MAP inspired programmes like Sakchyam. It would also be able to encourage other development partners such as, say, the Swiss Agency for Development Cooperation (SDC) as well as INGOs and local NGOs to mobilise resources for establishing more MAP-based initiatives. Discussion with the project team suggests that it did not interpret its role along these lines, partly because the programme’s role beyond the Roadmap is seen to be strictly limited but also because the local team lacks the project ideas necessary to do an effective job of catalyzing FI initiatives amongst potential partners.

Donor Partners

- Coordination with other Donor agencies and regular meetings through financial services development partner program (started recently) to discuss planned initiatives have helped to avoid overlaps and improved utilization of donor money in the country. Minutes of such meetings circulated after the event help donors who attended the meeting to take follow up action while those who could not attend the meeting are able to keep track of initiatives. To the extent this relatively informal mechanism is effective it enables the donor partners to respond to MAP related initiatives as well as to coordinate any contributions their programmes make to financial inclusion.

3.5 Results

Policy direction

The overall goal of the FIAP, 2017-30 includes “Access to affordable finance for all by 2030 with increased access to formal financial services”. **FIAP defines the financial inclusion agenda at national level which has highlighted six priorities areas for improving access to formal financial services to the un-banked and under-banked population. The action plan identified 15 different interventions to address those six priorities** (listed in **Table 4**). The action plan broadly outlined short-term and long-term strategies and identified specific activities that can help to achieve the

priorities outlined in the roadmap. Both documents are fully owned by the GoN and NRB as evidenced by their active participation in the preparation process and commitments made for implementation.

Table 3.2: Priorities and interventions identified by the Financial Inclusion Action Plan

Priorities	Interventions
1: Unlock constrained credit and savings market	1 Develop and market non-collateralized loans 2 Affordable and relevant credit products 3 Long term savings products with real returns 4 Relevant affordable savings product 5 Enabling Regulation
2: Improve Payment System	1 Develop retail payment infrastructure 2 Increase usability of digital payments 3 Enabling regulations
3: Bolster risk-mitigation capabilities	1 Facilitate awareness generation on insurance as risk-mitigation tool 2 Improve insurer business models 3 Institutional capacity building of the Insurance Board
4: Enhance and leverage locally based financial service providers	1 Enable A, B, C class banks to use the network and expertise of D class banks
5: Enhance financial inclusion support in national governance	1 Consolidate support to all ongoing access to finance projects in Nepal
6: Strengthen consumer empowerment, protection and education	1 Develop consumer protection framework 2 Consolidate financial literacy and education programmes

There is currently no apparent monitoring and evaluation system in place for the priorities and interventions identified in the plan. A preliminary exercise was commissioned by UNCDF in December 2018 (at the close of funding support for MAP in Nepal) to determine the status of implementation of FIAP. The findings of the exercise are summarised in **Table 3.3**. As a progress report at the end of one year following the official launch of FIAP in December 2017 (though perhaps incorporating some actions begun earlier (during 2016) , implementation appears reasonable; out of 51 activities identified by the consultant 10% had been implemented fully in the first year of the Plan, nearly all policy actions; 51% were partially implemented (or started). Much of the latter are attributable to donor projects (discussed before) and private initiative (in the field of payments).

Table 3.3: Implementation of FIAP, December 2018

FIAP Priority Actions	Status of implementation			
	Full	Partial	None	Activities
1: Unlock constrained credit and savings market	2	10	9	21
2: Improve Payment System	-	10	2	12
3: Bolster Risk Mitigation Capabilities	1	2	4	7
4: Enhance locally based financial service providers	1	-	1	2
5: Enhance financial inclusion support in national governance	-	-	2	2
6: Strengthen consumer empowerment, protection and Education	1	4	2	7
Total	5	26	20	51
	10%	51%	39%	100%

Following its endorsement by NRB in December 2017, the Government and NRB announced a series of initiatives to promote financial inclusion in Nepal through fiscal policy, monetary policy and other directives and guidelines. While there is no clear direct cause and effect, there is appreciation that MAP has played a positive role in policy making.

Amongst the policy initiatives within MAP's frame of reference are the directing or enabling of private sector financial inclusion initiatives through:

- the programme for the opening of at least one commercial bank branch in each of the 753 local bodies (rural municipalities and municipalities),
- branchless banking regulations,
- mobile payment systems liberalization,
- acceleration of G2P payments via bank accounts and the "banking for all" programme now being launched to provide bank accounts to all adults (along with a Rs100 account opening incentive),
- acceleration of the implementation of Secured Transaction Registry (STR), and coverage of Class D microfinance institutions by the credit information bureau, and
- strengthening the Deposit Insurance and Credit Guarantee Fund.

UNCDF's MM4P and other donor funded programmes are implementing (or implemented), through support to the private sector, projects such as the DFID-funded Sakcham project for financial inclusion, some components of the DANIDA-funded UNNATI value chain project and the KFW-funded SANDRA value chain project that promote financial inclusion and are synergistic with the findings of MAP. This includes supporting the establishment of commercial bank outlets (brick and mortar branches as well as branchless banking points) in remote districts, piloting value chain finance models and weather based insurance products, implementation of a securities transaction registry, facilitating the coverage of D Class financial institutions by the Credit Information Bureau and the development of financial literacy materials for use by teams set up by banks. Not all of these were inspired by the FIAP but the document (approved by the central bank) facilitated approval for these activities by the NRB and the government.

Some of the direct activities of development partners in Nepal were also partly inspired by the findings of the MAP diagnostics, resulting in a greater focus on country priorities than often happens.

Apart from the specific actions listed above, Sakcham has helped develop financial literacy materials for use by teams set up by banks. Not all of these activities were inspired by the FIAP but the plan facilitated approval for these activities as priorities of the government and NRB.

Encouraged by the evolution of the international policy environment for financial inclusion reinforced by programmes such as MAP undertaken specifically to promote financial inclusion, meso-level institutions have also undertaken a series of initiatives to support the achievement of financial inclusion for all (Table 3.4).

Table 3.4: Select initiatives of meso-level institutions to support financial inclusion

Meso-level institution	Actions
NRB-sponsored Credit Information Bureau (CIB)	Key information on potential borrower's creditworthiness through the establishment of a Credit Information Bureau in 2010 with the mandate (from 2015) to collect and collate credit information of borrowers who borrow more than NPR 1 million from lending institutions. This reporting requirement is expected to be beneficial since the information will <ul style="list-style-type: none"> (i) enable the tracking loans and prevent cases of multiple borrowing (ii) help the BFIs to conduct credit appraisals based on credit history (iii) provide a comprehensive database of borrowers as well as the quality of their assets.

Meso-level institution	Actions
Secured Transaction Registry	Implemented by CIB from March 2016 to facilitate transparency in the use of immovable property as collateral for larger loans provided for micro-enterprise finance.
Deposit and Credit Guarantee Fund	Two separate funds for deposits and credit respectively are currently operated (since 2016) but there is a struggle to establish viable business models for each of these funds. The Sakcham programme is supporting ongoing efforts by the Fund to determine these models.
National Federation for Savings and Credit Cooperatives, Nepal (NEFSCUN)	Financial cooperatives were excluded from the FIAP, accentuating lobbying by NEFSCUN for the promulgation of a separate act to regulate and supervise such institutions. This has been discussed for a long time but it is not happening; NEFSCUN would like to see a two-tier regulation system with NRB delegating responsibility to the federation for the supervision of financial cooperatives though they will need significant capacity building for this purpose.

[Compiled based on discussions during the Evaluation Team's country visit to Nepal]

Digital Financial Services are another issue...

Digital Financial Services (DFS) is an enabler of financial inclusion as it by-passes the challenges of establishing brick and mortar branches of financial institutions in remote locations with limited physical infrastructure and where bank staff are unwilling to work. However, stakeholder interviews indicate that DFS presently suffers from significant limitations in contributing to financial inclusion; these limitations include the lack of basic functional literacy and of the understanding of the use of smartphones for functions other than basic calls and entertainment applications. The public in Nepal is yet to understand and appreciate the financial security and privacy features of mobile banking. This results in a lack of trust in the digital finance environment amongst low income families that still needs to be addressed. While technically uncollateralized loans can be given by linking them with data on inward remittances by digital means, neither are banks yet geared to providing such a service nor do users appreciate the potential of this information for obtaining credit.

3.6 Influencing the eco-system

The initiatives following MAP – and FIAP – are cross-cutting across private sector institutions and products reflecting a broad based market evolution. From stakeholder interviews and review of activities, these changes taking place in FI in Nepal appear attributable to the general momentum towards financial inclusion stimulated both by government commitment and international trends to the delivery of inclusive financial services by the private sector. Through the medium of FinScope data and diagnostic analysis, MAP has provided an empirical basis and systematic presentation of priorities for the actions taken.

Organisations like the Nepal Banks Association (NBA) are strongly supporting bank decentralization including the opening of at least one commercial bank branch in each of the 753 local bodies by 15 July 2019 though pointing out the viability constraints in the absence of widespread functional financial literacy. NBA is considering an initiative to develop financial literacy materials for use by its members and/or to be rolled out through NGOs.

Payment service providers were also active before MAP was completed but agree that the data generated by it is very useful directionally and would be even better if it were to be updated. They appreciate the stakeholder consultations that have taken place and the subsequent policy changes; they also look forward to further liberalization in transaction limits and wallet sizes expected with new directives likely to be issued at the beginning of the next financial year (15 July 2019).

There are some technical shortcomings on the collection of data: there is no indication that (by the time of this evaluation's stakeholder meetings in May 2019) an analytical framework to enable the utilization of data on the financial inclusion portal had yet been developed, eight months after launch. This may have something to do with the placement of the portal with the Payment Systems Department while the promotional responsibilities for financial inclusion presently rest with the Microfinance Promotion and Supervision Department.

Overall, however, there is very little direct action from the NRB or Ministry of Finance or other government agencies for FIAP implementation. The High Level Committee appears to be too high level to be effective in the absence of operational level teams to take the FIAP actions forward. Execution by the High Level Committee has been jeopardized by frequent changes in membership due to retirements and transfers and notable time lags in the transition. NRB pleads a lack of both financial and technical resources to translate the FIAP into action projects in an effective manner since it is dependent on donor support for resources.

4 Overall assessment

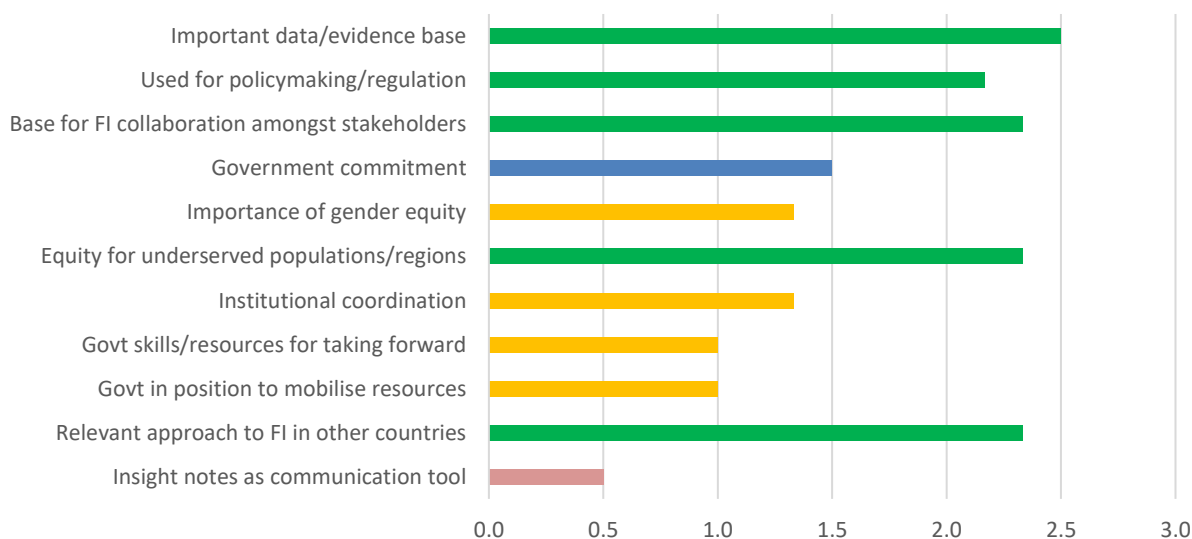
In assessing the **role and effectiveness of MAP for financial inclusion**, the key questions relate both to the approach and acceptance/implementation of FI priorities. In other words,

- e) has the MAP approach demonstrated a process that stakeholders (including the Government) actively engage with and seek to continue?
- f) has the MAP output (roadmap/FIAP) provided a relevant framework/reference that actually serves to guide government priorities, assist donor alignment and coordination, and facilitate private sector investment and development?

The answer in Nepal to both questions is yes, to some extent. This is reflected in the scoring of MAP - by stakeholders we interviewed – on a set of programme related statements. Although the number of respondents is relatively low (6), the average scores (on a scale of 0-3), shown in **Figure 2** below serve to quantify the assessment on a number of key aspects.

Figure 2: Average scored responses to MAP evaluation statements

Scale: 0-3: 0 = "don't know / can't say"; 1 = "not much / a little"; 2 = "yes, somewhat"; 3 = "yes, fully / a lot"



[6 respondents]

Main strengths

- ✓ Provides an evidence base where earlier there was none, with acceptable quality recognised by all stakeholders. There is a clear appreciation of the utility of demand side data and a consistent demand amongst all stakeholders for an update;
- ✓ Stakeholder consultations – effective and appreciated during the research phase up to the completion of the FIAP;
- ✓ Ownership and appreciation of FIAP by NRB and MoF. Data used extensively in policy making.
- ✓ By December 2018, one year after official launch of FIAP (and two years after the completion of the draft Action Plan), based on the MAP roadmap, actions had been initiated on some 60% of the activities listed in the FIAP.
- ✓ The MAP roadmap – and FIAP derived from the roadmap – provide an important frame of reference for financial sector initiatives that are cross-cutting across private sector institutions and products reflecting a broad based market evolution.

Issues lie in

- The Steering Committee was not as engaged as necessary to ensure widespread ownership and follow up action. Donors have supported some follow up actions though only some of these are directly attributable to MAP.
- Turning a plan acknowledged as appropriate for promoting financial inclusion into action projects. The NRB's approach is to suggest that donors should take the initiative in designing and implementing projects emerging from the Action Plan. Only a limited effort has been made by the NRB to seek donor interest directly through a sharing meeting with stakeholders in August 2018. There is a sense of waiting for things to happen against the backdrop of a perception that the government lacks the resources to convert intentions into action.
- Lengthy reports, with a long drawn out process: in an age of data analytics and a rapidly changing market, a time period of 4 years between the launch of the MAP process with the commencement of the Finscope survey and formally sharing the results with stakeholders means that the data is already regarded as old and some respondents question its current validity.
- There is an apparent conundrum in assuming overall responsibility by the NRB which appears to have limited initiative, authority and resources against a backdrop of internal flux incorporating extensive retirements and transfers of key personnel.
- Weak M&E with attention to monitoring FIAP implementation limited to UNCDF's review of implementation upon the completion of its support for the programme at the end of December 2018.
- Lack of funds underly many of the issues - bilaterals and donors have the resources to pursue their own programmes. UNCDF had mobilized money under the UNNATI A2F programme but its closure brought UNCDF support to an end. In this context, the high cost incurred on MAP in Nepal needs to be reviewed: savings here could perhaps have provided the funds to continue management and coordination support to the Nepal country office to pursue implementation initiatives with development partners well beyond December 2018 (when the programme ended). As of now, there appears to be no strategy or proposal for further support by UNCDF.

5 Recommendations**Revisit the FIAP – take account of new technologies and relate it to the SDGs**

Most of the actions proposed in the FIAP are either too general or lack clear linkages with the expected outcomes. It is a wordy document – like the other MAP outputs – with a lack of clear

linkages between activities and outputs and overall general output and outcome indicators, which is not helpful for progress monitoring. Engaging with the document needs patience to understand proposed actions; policy makers generally do not have this kind of patience. Further, there have been notable innovations and developments in the financial inclusion landscape specifically in the use of mobile phone technology for rolling out financial services. FIAP could be revised in view of the changed technology landscape and knowledge base on financial inclusion, on the one hand, and to take account of the administrative restructuring of the country under a federal constitution, on the other.

Similarly, a clear linkage between financial inclusion actions and SDGs needs to be created as Nepal seeks to graduate from the status of an LDC to a developing country by 2022 and to a middle income economy by 2030. This will help to influence people at the policy level and establish the broader significance of these actions in relation to the overall economy.

A programme office to support NRB in the implementation of FIAP

Execution of the FIAP by the High Level Committee has been impeded by frequent changes in membership due to retirements and transfers and notable time lags in the transition. NRB pleads a lack of both technical and financial resources to translate the FIAP into action projects so it needs to seek support on both aspects in terms of dedicated resources to implement the MAP Action Plan. NRB should consider creating a dedicated Financial Inclusion Department to focus efforts on both project development and financial sourcing from donors and the private sector.

In this context, **in the future MAP could learn from the FSDS experience that has been more successful in comparison to MAP** for a number of reasons:

- The FSDS timeframe is for a more directed 4 years (2016-2020) vs the 13 years (2017-2030) envisaged for MAP.
- FSDS has been approved by the Cabinet of Ministers of the Government of Nepal while the MAP action plan was approved by the Board of NRB – lower in the national institutional hierarchy. The cabinet level approval to FSDS has given higher visibility and preference to its implementation.
- FSDS has quantitative targets and deadlines on which financial sub-sectors issue quarterly reports on progress and challenges faced. Such targets are easier to measure, track and report. (Disbursements of the World Bank loans are dependent on targets being achieved – and reported.)
- FSDS implementation is driven through subject-based sub-committees that meet regularly to review progress. Crucially, the facilitation of these meetings is by the FSDS programme office run by private management consultants who are able to ensure that meetings are scheduled, well organized and have task-oriented agendas. This is a key difference between MAP and FSDS; the latter is able to convert Government ownership of the strategy document into action while the MAP coordination team is unable to contribute as UNCDF support has now ended.
- Finally, regular senior level briefings of the NRB Governor about the progress of implementation serve to ensure buy-in and action at the seniormost levels. MAP does not have any such arrangement and has to rely on the infrequent meetings of the High Level Committee to get management attention.

Review the expenses incurred on the roll out of the MAP process in Nepal: refresh of MAP data to keep it current and relevant

MAP data is now out of date and needs to be refreshed. At the sharing meeting of the Nepal Financial Inclusion Action Plan in August 2018, the government had already indicated that MAP data is old, and that a refresh is required. A national statistical institute should be able to update the demand side information and, combined with the supply side information available with NRB (e.g. from the monthly progress reports), there should be no need to involve any external party from a

technical perspective for the purpose of updating the information. This will save resources and reduce the cost of the refresh process. A technical consultant could be deployed to coordinate and support the analytical process and to facilitate the production of a brief document with data easily accessible to different types of stakeholders.

[**Note:** Any contribution by consultants – local or external – should be properly acknowledged; the work of IDA in undertaking and compiling the Nepal Finscope report received only passing reference and caused considerable heartburn to the team that undertook the work. This indicates a presumptive approach to local stakeholders and can easily be avoided if local ownership and accountability is to be enhanced].

Indeed, since the consultations of the evaluation team with MAP stakeholders in Nepal and after the drafting of this report, the World Bank has launched the RFP process for another survey that “follows up on the initial FinScope that was done in 2015 to understand the levels of financial inclusion in Nepal”. The World Bank is reported to have been specifically requested by the Government “to support the strategic vision of the authorities to improve financial inclusion in Nepal as envisaged by the Government of Nepal in its Financial Inclusion Roadmap, adopted in 2017.”⁷⁴ This amounts to a refresh of the Finscope Survey and could be regarded as positive reinforcement of UNCDF’s contribution to financial inclusion in Nepal.

Finally, there is the need **for a proper regulatory framework and supervision mechanism for SACCOs/financial cooperatives** given that they manage 25% of FI assets; NEFSCUN would like training to enable it to play a supervision role for financial cooperatives. Currently, neither the NRB nor NEFSCUN nor the local bodies (as designated by the 2015 Constitution) have the capacity and skills to undertake this role.

⁷⁴ World Bank, July 2019. World Bank, Request for Expressions of Interest – Access to Finance Survey of Households in Nepal.

Annex 1: Secondary material and project documents

MAP publications and documents

- Cenfri/FMT/UNCDF, 2017 Nepal: Demand, Supply, Policy & Regulation – Financial Inclusion Roadmap 2017-22
- Cenfri/FMT/UNCDF, 2016 Nepal: Making Access Possible – Detailed Country Report
- Finmark Trust/UNCDF, 2015 Nepal: Finscope Survey Highlights 2014
- Nepal Rastra Bank, December 2017 Nepal Financial Inclusion Action Plan
- UNCDF MAP, 2014. Programme Document
- UNCDF MAP – monthly reports

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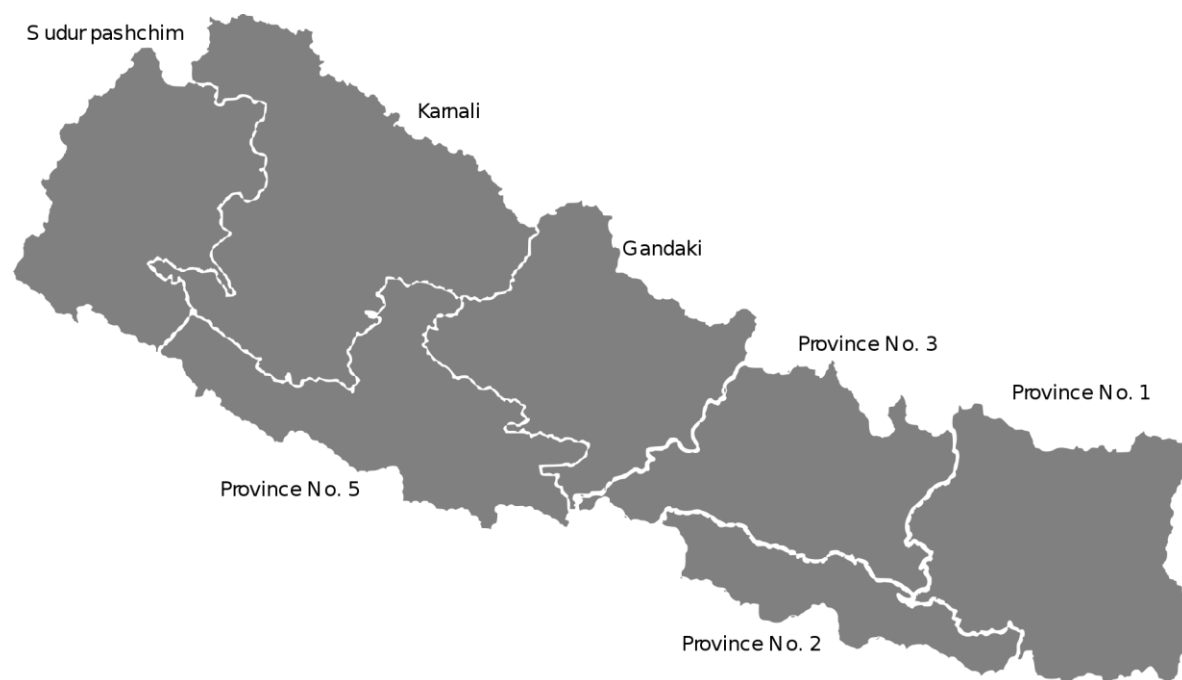
- Government of Nepal, National Planning Commission Secretariat, Central Bureau of Statistics, and UNDP, 2016.
- Government of Nepal, Ministry of Finance, January 2017 Nepal: Financial Sector Development Strategy, 2016/17 to 2020/21.
- Nepal Rastra Bank. 2015. Fifth Household Budget Survey, Nepal
- World Bank, Findex Global data base
- World Bank, July 2019. World Bank, Request for Expressions of Interest – Access to Finance Survey of Households in Nepal.

Annex 2: Key informants interviewed (6-10 May 2019)

Stakeholder category	ORGANISATION	Designation	Name
UN	UNDP		
	UNCDF	UNCDF Programme Coordinator, Fund Mechanism Office, Prog Officer	Saroj Nepal, Monisha Shrestha, Pragyan Joshi
		Previously with UNCDF, Nepal	Ujjwal Raj Pokharel (On call)
		Previously with MM4P, Nepal	Jaspreet Singh (On Call)
Local technical consultants	BEED		Sujeev Shakya, Sudip Bhaju
	Interdisciplinary Associates (IDA)	Analyst	Sudhindra Sharma
Country Governments - policy makers/regulator	Ministry of Finance	Joint Secretary	Uttam Kumar Khatri
	Central Bank - Nepal Rashtriya Bank (NRB)	Deputy Governor	Chinta Mani Siwakoti
		Ex Executive Director, MF Promotion and Supervision Dept. (Chair of the SC)	Binod Atreya
Govt. statistics	Central Bureau of Statistics (CBS)	(SC member)	Dr. Pramod Regmi
Bilaterals/donors/programmes working actively in financial inclusion in the country	DANIDA	Resident Advisor/ Programme Manager	Ayush Rai
	Sakchyam (DFID programme)		Nirmal Dahal, Shasi Wagle,
	World Bank	Financial Sector Specialist	Ashim Nepal
	DFID	Private Sector Development Advisor	Rabi Rayamajhi (by e-mail, 6 June)
	Financial Sector Development Strategy – FSDS (DFID)		Surya P Acharya
Networks for FI/meso level - SC members	Nepal Bankers' Association (NBA)		Anil Sharma
	Nepal Laghu Bittiya Sanstha Association (NMBA)	Deputy Chairman	Prakash Raj Sharma,
	Nepal Federation of Savings & Credit Cooperative Unions (NEFSCUN)	Senior Vice Chairman	Paritosh Paudyal

Stakeholder category	ORGANISATION	Designation	Name
Microlevel	Laxmi Bank	CEO	Ajaya B Shah, Suman Gelal, Dipesh Amatya, Bidha Sharma,
	IME (Fintech)		Suman Pokharel
	f1Soft (Fintech)		Roshan Lamichhane

Annex 3: Map of the provinces of Nepal



COUNTRY REPORT FROM WEST AFRICA

BURKINA FASO

Abbreviations

ARCEP	Autorité de régulation des communications électroniques
ATM	Automatic Teller Machine
BCEAO	Central Bank for West African States
CIF	Confédération des institutions financières
CIMA	Conférence Interafricaine des Marchés d'Assurances
CNE	Caisse Nationale D'Epargne
GDI	Gender Development Index
FI	Financial Inclusion
FIS	Financial Inclusion Strategy
HDI	Human Development Index
INS	Institut National de la Statistique et de la Démographie
MAP	Making Access Possible
MFI	Microfinance Institutions
MINEFID	Ministry of Economy, Finance and Development
MM4P	Mobile Money for the Poor
MNO	Mobile Network Operators
NFIS	National Financial Inclusion Strategy
NGO	Non-Government Organization
PNDES	Plan National de Developpement economique et Social
SFD	Systèmes Financiers Décentralisés
SONAPOST	Societe Nationale des Postes
SP-PMF	Secretariat Permanent pour la Promotion de la Microfinance
USSD	Unstructured Supplementary Data
UNCDF	United Nations Capital Development Fund
WAEMU	West African Economic and Monetary Union = Union Economique et monétaire d'Afrique de l'Ouest

Introduction and country context

This country report draws on a desk review of MAP project documents and other secondary material (Annex 1) and key informant interviews (Annex 2) which took place in Ouagadougou Burkina Faso (in-person) during the week of the 27th of May 2019, or otherwise by Skype.

Burkina Faso is a low-income, landlocked country with a population of about 20 million⁷⁵ people with 70% of the population living in rural areas, with a high rate of urbanization estimated at over 5% for the period 2015- 2020.⁷⁶ The economy is heavily reliant on agriculture, with close to 80% of the active population employed in the sector. Cotton is the country's most important cash crop, while gold exports have gained importance in recent years. In 2016, 44% of its population were below the international poverty line of US\$1.90 per day (2014 PPP).⁷⁷ With very low scores on both the Human Development index and the Gender Development Index,⁷⁸ Burkina Faso is very low in the low-human development category at 183 out of 189 countries. The country has one of the lowest literacy levels in the world (36%) with the female literacy rate under 30% in 2015.⁷⁹ Water scarcity for domestic purposes as a result of recurrent droughts and desertification is a major development hurdle in the country.

The country has faced continuing terrorism by armed groups after the ousting of the nation's former president in 2014. There are continuing incidents mainly along the country's northern and eastern borders with Niger and Mali, but also sporadic attacks in the capital Ouagadougou. At the same time, prolonged strikes and corruption in the public sector are negatively impacting the economy. Nevertheless, average growth in GDP is reported at 6% over the last 5 years.⁸⁰

A strong growth area has been mobile phone connections currently reported at 16.6 million⁸¹ and internet connections (3.8 million)⁸². However internet access in rural areas is very patchy. To address this, the government has embarked on a fibre optic project but progress appears very slow.

1 Overview – Financial Inclusion in Burkina Faso

Burkina Faso is one of the eight countries that make up the Francophone West African Monetary Union (WAEMU). The Banque Centrale des États de l'Afrique de l'Ouest (BCEAO) with headquarters in Dakar Senegal in addition to managing the common currency – F CFA, across member countries, set a policy and regional strategy for 2016-2020, to achieve "A permanent access to financial services and effective use of a range of tailored, diversified and affordable financial services by the WAEMU populations". The corresponding regional objective is to "ensure, over a five year period [2016-2020], an increase in access to and use of a diversified range of affordable and customized financial products and services to 75% of the WAEMU adult population, with a particular focus on rural populations, women and youth as well as SMEs and people with low financial literacy". The regional Strategy goes along with an Action Plan and coordination structures driven at each member country-level by the Ministry of Finance and monitored by a committee of stakeholders from various

⁷⁵ <https://www.worldometers.info/world-population/burkina-faso-population/>

⁷⁶ <http://www.fao.org/faostat/en/#country/233>

⁷⁷ <https://data.worldbank.org/indicator>

⁷⁸ <http://hdr.undp.org/en/countries/profiles/BFA>, 2017

⁷⁹ https://www.indexmundi.com/burkina_faso/literacy.html

⁸⁰ <https://tradingeconomics.com/burkina-faso/gdp-growth-annual>

⁸¹ Digital 2019 Burkina Faso, Jan 2019

⁸² Digital 2019 Burkina Faso, Jan 2019

ministerial departments and the private sector to ensure that the strategy is incorporated and aligned with the implementation of each country's NFIS.

Other regional players include the Regional Confederation of Financial Institutions and the Network of Decentralized Financial Systems (Cooperatives and Credit Unions). The latter has an active role in supporting the development of the microfinance sector, providing advocacy and awareness raising, and promoting communication on developments and trends in the industry. The aim is to support the implementation of an appropriate regulatory environment and gather performance and benchmarking data for the sector.

The goals of the government's four-year National Plan for Economic and Social Development (PNDES) 2016-2020 do not include financial inclusion as such but refer to achieving an average annual growth rate of 7.7% creating at least 50,000 jobs every year, and reducing the poverty rate to 35% in 2020.⁸³ The PNDES⁸⁴ notes the importance of improving access to finance in transforming the economy, especially to strengthen the agricultural sector and SMMEs. The plan aims at digital progress by setting up a unique digital ID for each citizen to link across all public agencies, schools and health facilities – (and, potentially financial services, though this is not specified in the plan).

There are 14 licensed commercial banks (12 foreign and 2 local) alongside the national post office that offers some banking services with 135 branches nationwide, and the *Caisse Nationale d'Epargne (CNE)* offering savings accounts. Other semi-formal service providers are the 135 'Decentralized Financial Systems' including MFIs and member owned cooperatives, and 4 licensed non-bank credit institutions. The insurance sector has 17 companies and there are 2 pension schemes that respectively serve government and private sector employees. Banks and insurance companies each have a member based association; MFIs/cooperatives have seven networks. There are two mobile money players in the market – Orange money and Mobicash which started in 2011 and 2013 respectively.

Formal sector institutions (banks, some decentralized Financial Institutions (SFD) and cooperative credit unions) are regulated by the BCEAO. The Directorate of Supervision and Control of Decentralised Financial Systems (DSC-SFD) in the Ministry of Economics, Finance and Development MINEFID regulates and supervises MFIs, although it collaborates with the BCEAO and its associated institution, the WAEMU Banking Commission, with respect to the largest MFIs.

The national telecommunications regulator, ARCEP (from the Ministry of Digital Economy and the Post) is responsible for the regulation of MNOs while mobile money activities are regulated by BCEAO.

Table 1 (over page) summarises current available data for the financial sector in Burkina Faso. The country's 281 bank branches and 376 ATMs, translate to 2.89 branches and 3.69 ATMs per 100,000 inhabitants, which is low relative to other WAEMU and regional countries. Bank infrastructure is predominantly urban (82% of branches).

⁸³ Economic and social development strategy, Burkina Faso, 2016-2020

⁸⁴ PNDES - Plan National de Développement Economique et Social (*The Economic and Social Development Plan*)

Table 1: Financial services providers and outreach, available data 2018

Financial service providers	Number	Branches/outlets	Clients/accounts (mn)	Women (est)
Formal/semi-formal				
Banks	14	281	1.8	?
ATMs		376		
National Post office (SONAPOST)	1	135	0.6	?
Mobile Money operators/agents	2	6,500	3.0 ^a	?
MFIs	135	629	1.7	70%
Insurance Companies	17	17	0.5	?
Informal				
Savings groups		3,520	2.9	95%

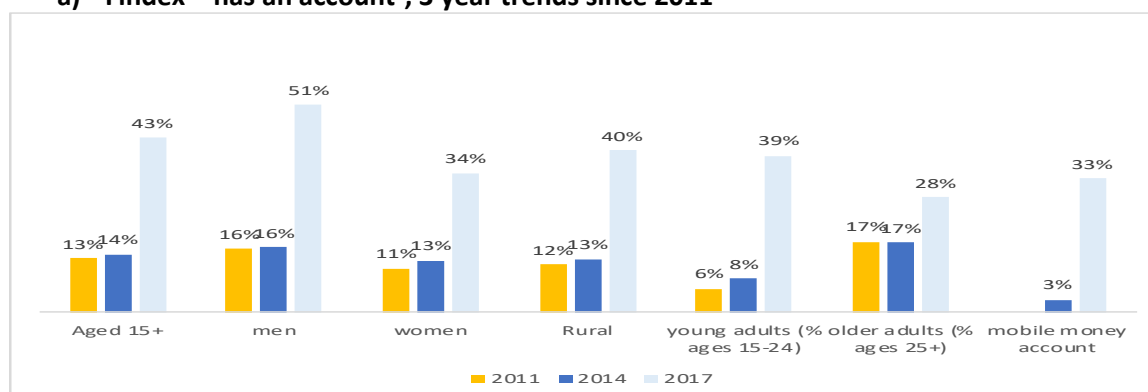
Sources: [IMF Calculations, SP-PMF, Orange Burkina Faso, UNCDF Microlead Project office; BCEAO, 2019]

^a Active accounts as of March 2018 out of a total 4.5 mn registered accounts

The MFI branch infrastructure (629 branches) is more extensive, eclipsing the banks that are reluctant to develop rural branches due to cost and profitability considerations. Mobile money agents have increased from around 4,500 in 2015 to 6,500 in 2018, and the 3 million active accounts in March 2019 have overtaken other financial service providers.

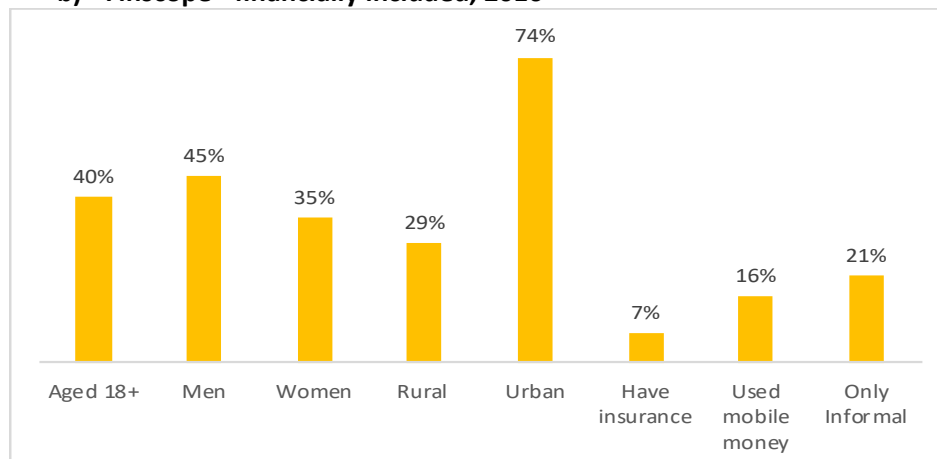
UNCDF programmes - YouthStart, Microlead and Agrifinance – have been working in Burkina Faso over the last decade. Other long standing funders include: West African Development Bank (supporting financial inclusion component of the Government's local development programme),⁸⁵ Grameen Foundation/Freedom from Hunger (supporting savings groups' women members since 2015), Swiss Cooperation (active in the Agri-finance sector and contributed funding for the BCEAO Regional FIS 2016-2020) and ADA (strengthening the IT capacity of some MFIs for the roll out of DFS).

The **Findex** data set for financial inclusion in the country (Figure 1a) shows considerable increase in the three years up to 2017. This was primarily due to the growth in mobile money accounts, with a significant increase for young adults, but resulting in an increased gender gap (52% for men, 34% for women).

Figure 1. Financial Inclusion data, Burkina Faso**a) Findex – has an account^a, 3 year trends since 2011**

^a 'Has an account' includes formal and semi-formal (i.e. bank and non-bank – cooperatives, MFIs) or reporting the use of a mobile money account in the previous 12 months. [World Bank, Findex data base]

⁸⁵ PADEL – Projet d'Appui au Développement du Secteur de l'élevage (National Plan to support the development of Agriculture in Burkina Faso), 2017-2020

b) Finscope - financially included, 2016

[Finscope, 2017]

The **Finscope** data which is for 2016 shows a similar pattern, and underlines the rural/urban gap (74% urban vs 29% rural), low insurance coverage and significant use of informal services (a category which includes savings groups). Over one third of the population (35%) use informal services, and 21% use only informal services.

2 MAP in Burkina Faso

The MAP process in Burkina Faso was introduced in a workshop of stakeholders organised by UNCDF in 2015 to state its objectives, and the roles and responsibilities of the strategic partners – UNCDF, FinMark Trust and the Government. The purpose was: to identify the drivers of barriers to financial access and stimulate evidence-based dialogue whilst aligning a broad range of stakeholders to create a set of practical actions tailored to country needs, so as to extend financial inclusion. After the workshop a steering committee was set up by the SP-PMF to be responsible for monitoring and validation at various phases of the process. The committee was chaired by the Permanent Secretary of SP-PMF with representation from BCEAO (through its Directorate in charge of monitoring and supervision of Microfinance activities) and from other branches of the Ministère de l'Économie, Des Finances et Du Développement (MEFD), other key sectoral ministries (in charge of Agriculture, Women, Youth and Employment, etc.), the National Statistical organisation (INSD), development agencies and donors, industry associations, selected Financial Service Providers (FSPs) and civil society linked with savings groups.⁸⁶

The Permanent Secretary for the Promotion of Microfinance (SP-PMF) was designated the main coordinator of activities in collaboration with UNCDF. UNCDF provided overall guidance and technical support to the entire process while FinMark Trust (FMT) was responsible for the key deliverables: FinScope survey, diagnostic and roadmap. MAP Burkina was run as a key component of UNCDF's AgriFinance Programme. While the AgriFinance coordinating team was based in Ouagadougou, the UNCDF MAP resource person was based outside the country (in Dakar, Senegal), travelling regularly to conduct activities.

A detailed timeline of MAP activities is presented in Table 2.1. This is derived from the monthly operational reports completed by the local UNCDF MAP team for the programme hub. As the timeline shows, the start of the FinScope survey was somewhat delayed – by around 4 months – due to a coup in September 2015.

⁸⁶ The Steering Committee was set up by Ministerial Decree signed by the Minister of Economy, Finance and Development. Annex 3 gives the full list of Committee members.

Table 2.1 MAP Process Timeline in Burkina Faso

Year/month	Main activities
2015	
April	MAP hub approval - confirmed partners and funding availability
July	Stakeholder meeting undertaken. Government accepts MAP, keen to start FinScope. FinScope budget obtained. FMT starts process to recruit national coordinator for FinScope
Sep	Published TORs for FinScope local research house, 4-5 proposals received
Oct	COUP on 15th. All MAP activities on hold until situation settles. (around 4 months) National coordinator and research house identified by FMT
2016	
Feb	FinScope questionnaire signed off by MAP steering committee
Apr	Training manual finalised by FMT. Pilot and training under way. FMT team in country (27-29th)
May	Start field work for FinScope
Jun	Data entry started on 7th
July	Field data collection completed by 1st
August	Data entry (1 st set) completed by end of month
Sep	Research house completes additional field survey to make up agreed number of interviews
Oct	Sample weighting report received.
Nov	Data set cleaned, relabelled, finalised by 25th. Analysis under way - by FMT
2017	
Jan	FinScope topline results presented to Steering Committee. Some indicators to be reviewed.
Feb	FinScope topline results revised. TORs for Diagnostic adapted and sent to FMT with list of national consulting firms
Apr	FinScope results officially launched - on 18th. Dashboards under development. Additional workshops planned to present data dashboards, with training/capacity building of national counterparts on use of data
May	3 applications received to undertake diagnostic
July	National consultant - BERD-Lessonken - confirmed to undertake diagnostic. Targeting final diagnostic report in Jan 2018, and roadmap in Mar 2018
Sep	Diagnostic under way
Nov	23rd - Stakeholder meeting to present diagnostic results. 24th - 1st roadmap meeting
2018	
Jan	Diagnostic and roadmap drafts in English and French shared with Steering Committee
Mar	Roadmap approved. Draft detailed action plan developed. TORs for quickwin project for digital nano credit developed by UNCDF country coordinator
Apr	1st draft of NFIS developed by Govt - under review by UNCDF regional office
May	NFIS validation workshop on 18th.
July	US\$150,000 approved by Government, for stakeholder coordination around roadmap activities, under Luxembourg programme for Burkina
Oct	NFIS finalised - pending approval by council of Ministers
Nov	NFIS budget finalised - pending approval by council of Ministers contd
2019	
Mar	NFIS still pending approval. All M&E systems to be centralised under national structure - directives expected. UNCDF flagship project under digital payments - developed based on roadmap priorities

[Compiled from MAP monthly operational reports for Burkina Faso]

FinScope: Field data collection started in May 2016 and was completed in September 2016. The local research house for implementation was Lessokon-BERD, commissioned by FMT to work with the National Institute of Statistics (INSD), who was responsible for overall supervision – including designing the sample with appropriate weights, questionnaire revision and validating the methodology based on country context, training of enumerators, monitoring the quality of data collection. Despite some tensions between the INSD and the Research House in the beginning, things normalized over time and the quality assurance worked effectively. The FinScope sample covered 5,066 interviews, so as to enable representation at regional level, rural and urban.⁸⁷ Drawing from the Finscope survey data, a series of dashboards were also developed and published in 2017. These covered demand insights relating to agriculture, clean energy and youth, as requested by the SP-PMF, and also areas core to UNCDF's GTIs.

Diagnostic: The supply-side and regulatory analyses were undertaken by a consultancy firm from Botswana, eConsult, from August to December 2017. The demand-side quantitative generated through the FinScope survey (2016) was supplemented by a mystery shopping exercise at branches and outlets of some financial institutions. The supply-side analysis covered payments, savings, credit and insurance, and provided an understanding of financial inclusion in a broader context drawn from stakeholder consultations conducted in October 2017. Initial findings were presented and discussed with the steering committee in November 2017.

Roadmap: Work on the roadmap - by a FMT consultant from South Africa – started alongside the diagnostic work, and a draft was shared with the Steering Committee the day after the Diagnostic draft in November. Drawing on the Diagnostic, the roadmap was completed in December 2017 in collaboration with UNCDF and the MAP monitoring committee, and was validated in a stakeholder workshop in January 2018. The roadmap sets out the financial inclusion objective: to “ensure, over a five year period [2018-2022], an increase in access to and use of a diversified range of affordable and customized financial products and services from 40% to 70% of the adult population” (which is somewhat less than the ambitious BCEAO target of 75% by 2020). The recommended priority areas are: (i) enhancing credit availability and provision, (ii) broadening the use of Digital Financial Services (ii) improving the availability and accessibility of agricultural Finance (iv) improving risk management options (insurance and savings), and (v) strengthening financial services policies, regulation and supervision, infrastructure, consumer protection, financial literacy and better supporting informal groups. The roadmap recognizes the access gap between women and men, and between rural and urban areas, and recommends services and infrastructural development to strengthen services for different groups, including youth and SMSEs. There are nevertheless no targets for these different market segments.⁸⁸

In the roadmap it was stated that “*actions are recommended, notably to develop and implement a financial inclusion strategy including mechanisms for appropriate data collection and monitoring and strengthening the capacity of key institutions responsible for financial inclusion.*” The MEPD has followed up to develop a **National Financial Inclusion Strategy** (NFIS), using the roadmap as the nucleus, with technical assistance from UNCDF, and in collaboration with the BCEAO, alongside selected stakeholders from various ministries. The NFIS has been adopted by the Council of Ministers but was not officially launched – or publicly available - by the time of the evaluation team visit.

⁸⁷ A smaller sample, originally planned by FMT at 3,500, would have been representative at the national level, rural and urban (not at the regional levels)

⁸⁸ Nor are there segmented targets in the regional strategy

Funding: MAP Burkina Faso was co-financed with contributions from the Government of Burkina Faso (through the MEPD) and UNCDF. UNCDF (MAP) covered the main MAP deliverables; the Government of Burkina Faso funded the activities related to the engagement of the National Institute for Statistics (INSD), and the management of the MAP steering committee and workshops. Available data drawn from MAP Annual Work Plans (presented in Table 2.2) indicates a total cost of US\$459,000, a government contribution of 41%.

Table 2.2 Funding sources for MAP in Burkina Faso, 2016-2018

Funding source	US\$
MAP programme budget (2016-17)	221,523
Government of Burkina Faso (2017)	187,500
UNCDF co-funding (2018)	50,000
Total	459,023

[MAP Annual Work Plan Budgets].

Note: UNCDF MAP country staff have said that FinScope alone cost more than US\$250,000, and the amount under the MAP programme budget may therefore be underestimated. But they were not able to provide any accounts.

3 Findings and Analysis

3.1. MAP deliverables

Managing data collection for the FinScope survey: In an interview with the ET, INSD reported insufficient resources to control the quality of the data collection process effectively, and issues in the motivation of the field enumerators who abandoned their activities from time to time. Survey coverage was also affected by security issues limiting the activities in and around Ouagadougou and some major cities, where field work could not be conducted. After completion of the main data collection, an additional survey was required to make up the agreed numbers. The strained relationship between INSD and the local research house contributed to delays in completing the survey. The field survey was thus conducted in quite difficult circumstances but was nevertheless judged to be of adequate quality. FMT and UNCDF resource persons travelled in-country for field checks during the field survey to make sure the survey was being implemented according to the standard FinScope quality.

Timing: MAP approval by the Government was obtained in 2015, two years before the original target (of the MAP Project Document, 2014). The diagnostic and roadmap were both completed in early 2018 (in line with the original target). The roadmap was the basis for the NFIS which marked the 'handover' of the roadmap to the Government – two years later in April 2019, (one year later than targeted). Programming is starting now. Table 3, next page, compares in-country progress of the key milestones against the MAP ProDoc targets for the country. Our respondents commented that the MAP process was very lengthy – with a long gap (nearly 2 years) between the start of the FinScope survey in April 2016⁸⁹ and the completion of the diagnostic in early 2018. Questions on why the demand and the supply-side surveys were not done concurrently came up repeatedly. Government adoption of the NFIS based on the roadmap took another year, reflecting the slow pace of government processes.

⁸⁹ As noted in Table 2, after the first stakeholder meeting for MAP in July 2015, there was a coup in September, and the start of the FinScope survey had to be put on hold for about 4 months

Table 3.1 Summary of MAP deliverables and targets

Outputs	Indicators	Progress against targets ^a				
		2015	2016	2017	2018	2019
1	MAP approved	√				
	Finscope/Diagnostic completed				√	
2	Road map completed/approved				√	
	NFIS drafted				√	
	NFIS adoption/official launch by Govt					√
	Programming progress (50%) against plan					

^aProDoc, Table 13

KEY:

Target	
Achieved	√

Relevance: MAP reports were seen to be relevant to the country's needs and considered by stakeholders as a fundamental missing element in the country's planning for economic development. The demand-side data in particular was a significant contribution to the evidence base, providing rural/urban data at the regional level, covering all financial services, bank, non-bank and informal – and was seen to be a 'wake-up call' for all stakeholders. Respondents regarded the earlier microfinance strategy as paper-based and having made limited contribution to financial inclusion in the country. In contrast, the MAP reports were evidence based, providing a clear dashboard of information relevant to priority issues for financial inclusion – including financial education, digital financial services, account ownership, gender. These reflected contributions from different stakeholders through monitoring committee meetings and engagement. The roadmap was therefore seen as well suited to provide the basis for the NFIS.

The roadmap is also seen to be in line with the strategic pillars of the BCEAO Regional FIS 2016-2022:⁹⁰ the two top financial inclusion priorities for BCEAO - the promotion of digital financial services and financial education - are emphasized in the roadmap.

3.2 Stakeholder engagement

The MAP process is reported to have been consultative and participatory with good collaboration and buy-in from those who participated. While UNCDF and its partner FinMark Trust provided good quality technical assistance, with implementation by Econsult, the SP-PMF management of the process with regards to coordination and facilitation of institutional access was termed successful.

Government commitment: MAP was initiated by UNCDF in Burkina Faso with the co-sponsorship by the government who was fully involved in the process from its inception. The MPED used the opportunity to lay emphasis on the country's vision and priorities, while facilitating access to government stakeholders (Ministry of Finance, Agriculture, BCEAO etc.).⁹¹ Government claimed ownership of MAP from its inception, and the official view is that SP-PMF was overall responsible for the coordination in collaboration with UNCDF. Though stakeholders interviewed - including some government representatives - were of the opinion that UNCDF was instrumental in setting the pace and ensuring the end to end coordination from inception to the roadmap.

⁹⁰ The regional Financial Inclusion strategy adopted by the WAEMU Council of Ministers in 2016

⁹¹ Access to government institutional heads has often been a challenge in African Countries

Stakeholder processes: The Steering committee member list (Annex 3) is fully representative of different stakeholders in financial inclusion - different government departments, development partners, associations and private players. Our interviews with these stakeholders suggest that not all attended even if invited, particularly at the start of the process.⁹² Respondents from the associations felt that MAP results could have been more useful to them if they had been associated at the beginning of the process. Some key funders never participated in the entire process, despite being active players regionally and in-country (for example Swiss Cooperation and ADA).⁹³ Due to frequent appointments and transfers within Government ministries, most government-related stakeholders that formed part of the MAP monitoring committee were hardly present during workshops delaying the validation process.⁹⁴

Stakeholders also raised some communication issues in our discussions: remote engagement by UNCDF based in Dakar seems to have led to last minute changes in the agenda of monitoring committee workshops, affecting the process. Stakeholders also noted a lack of communication about the process to important stakeholders missing in the meetings.

3.3 Linkages

Shallow collaboration between UNCDF programmes: The only UNCDF programme in-country at the time of the MAP Process – Agrifinance, was very instrumental in the identification of some of the local financial inclusion stakeholders and worked closely with the SP-PMF. YouthStart and MM4P are other UNCDF regional programmes operating out of Burkina Faso. Their contributions could have been helpful since financial inclusion within the WAEMU member-states encounters similar challenges, and their inputs to the stakeholder discussions would have been very relevant, as noted in some of our interviews, including the Government.

Local capacities: The INSD provided quality oversight to Finscope data collection. The strategic technical assistance support from UNCDF and its implementing partner FinMark Trust, and the eConsult consultants were greatly valued by SP-PMF. INSD and Lessokon/BERD acknowledged not having the complete technical know-how and the internal capacity to conduct surveys and diagnosis of the scale and magnitude of MAP, say they have benefitted from their engagement with FinMark Trust and eConsult's in the MAP process to increase their capacity to conduct similar surveys/analysis independently in the future. However, the SP-PMF and the Research House emphasized in our interviews that there could have been more of an opportunity to have the INSD itself manage the survey and involve the local research team in the data management and analysis so as directly to enhance the capacity of local resources.

⁹² Specifically, the Ministry of Agriculture, despite the strategic role it plays in the Financial Inclusion landscape with its Agrifinance projects, as well as the Associations of Insurance Companies and the Decentralized Financial Systems. Minutes of the meetings surprisingly do not include the list of people attending.

⁹³ According to the UNCDF team, the Development Partners working in financial inclusion had delegated Canadian Cooperation to represent them with the Government. In which case, it would not have been necessary for all DPs to attend each of the stakeholder meetings. Nevertheless, representation by CC was not mentioned in our interviews, which, on the contrary, showed interest to be directly involved.

⁹⁴ The UNCDF team state that there were specific inputs from the Ministry of Agriculture to the FinScope survey. This may have been done outside of the formal meetings. Our feedback from the Ministry – and from the SP-PMf – is that they had limited attendance at the meetings.

3.4 Results

Since the NFIS is only recently launched, and the NFIS (rather than the roadmap) represents the key reference for programme changes and interventions, it is early to analyse results, although it is apparent that the demand data and diagnostics report have served as a reference for different players. However, what is clear from discussions is that stakeholders in both the public and the private sectors hold that the future implementation of the NFIS might have some operational challenges in terms of coordination, if UNCDF's role definitely ends at the level of the roadmap as stated in its Terms of Reference with SP-PMF.

From National Microfinance Strategy to NFIS: the new NFIS, based on the MAP roadmap, represents a shift from a focus on microfinance to a broader range of services and providers - although the coordinating responsibility still rests (in possibly a limiting way) with the microfinance division of the MPED.

Bilateral/development partners/donors – alignment with the roadmap. Our discussions indicate that bilateral and development partners now use the MAP data and analysis to deepen their understanding of the country's Financial Inclusion sector, and to redefine their programmes. For example, the World Bank said they found MAP useful to understanding details of the demand-side as well as for highlighting the importance of Digital Finance and Consumer Protection. The World Bank in Burkina Faso just created its special unit that will follow-up financial inclusion activities in the country, and has approved a \$100 million programme to support the country's financial inclusion and access to finance in the SME sector. Other development partners such as the African Development Bank, ADA, and the French Development Agency are already using the results of the diagnosis to determine areas where they can get involved. However, the need for creation of a financial inclusion dialogue forum with bilateral and donors was emphasized by the World Bank, Luxemburg Corporation, EU, who see the NFIS as an important opportunity to align donor-activities with the strategy. Substantial funding is already in place that is aligned to the priorities of the roadmap (Table 4). This represents a significant investment for financial inclusion – which might have happened anyway, without the roadmap, some of the investments seem to predate the roadmap. Nevertheless, the roadmap provides a clear framework and reference point.

Table 3.2 Funding aligned with the roadmap

Donors involved in implementation of roadmap	Funding raised/committed for implementation of roadmap (by year 2015 to 2019)	Objective of the programme	Observations
Banque ouest-africaine de développement (BOAD) - West African Development Bank	6 milliards FCFA (10,5 million USD)	To support the financial inclusion component of the Government local development programme (PADEL)	Under Approval 5 milliards FCFA already disbursed to the Government
African Development Bank (AfDB)	More than 20 million USD over the period 2018-2024	To improve agricultural development and financial through technology innovations - Agricultural transformation	
French Development Agency (AFD)	2 million Euros	To strengthen the capacity of MFIs, support the MFIs professional association (APSPD) as well as the national regulatory agencies. ,	Under Approval
World Bank	100 million USD over the period 2018-2024	To improve access to digital financial services and facilitate access to credit for MSMEs, farmers, women and youth	
IFAD	40 million USD	To support agricultural development & financing	Under Approval
Luxembourg Cooperation	2,7 million Euros over the period 2018-2021	To strengthen economic resilience through digital and financial innovations	UNCDF current country Programme
University of Luxembourg	30 000 invested by the Luxembourg National Research Fund / 50 000 EUR invested by the University Period 2018-2020	To support digital transition for MFIs through the development of an innovative software	

[list compiled by UNCDF country team]

Challenges in future implementation of the roadmap/NFIS: There are concerns from stakeholders that there will be challenges in the, funding, adoption and adherence to the Financial Inclusion Strategy by key actors. Plans are underway by the government through the SP-PMF to create working groups to take charge of NFIS implementation while the ministry will appoint a follow-up committee chair-person, and a steering committee within the MEFD to oversee the activities of the NFIS implementation by the SP-PMF. Nevertheless, government ownership of the strategy has uncertain implications because of possible political changes (presidential elections are due next year in 2020) and the current tilting of financial resources towards maintaining safety and security. In our interviews, there were fears expressed regarding the capability of the SP-PMF to manage the Strategy, given the experience in its management of the 2012-2016 Microfinance Strategy, which was said not to have led to substantial changes in the microfinance sector. Anyway, between March - August 2019, the SP-PMF was leader-less.⁹⁵ This contributed to a loss of momentum during our visit. The successor appointed in August will likely need time to pick up as he is deemed by stakeholders to have very limited back ground in the area of Financial Inclusion as compared to his predecessor.

Two financial Inclusion committees in Burkina Faso - It should be noted that apart from the SP-PMF responsible for the implementation of the country's NFIS, BCEAO equally has a dedicated team in-country to ensure the implementation of the action plans in the regional finance strategy (as noted earlier). It is not clear whether or how the two committees will align.

3.5 Influencing the Ecosystem

Contribution to policy/regulation: Any change in financial sector policy suggested at the country level has to be deliberated and approved at the BCEAO level – with all country central banks agreeing to implement as a common policy. Nevertheless, the MEFD has used the roadmap to embark on some immediate measures at country-level to promote digital financial services, financial education, and capacity building within its government: seminars and workshops are being conducted on financial education and the Ministry of Digital Economy has started trying to promote the use of digital finance services for government payments.

MAP has equally served as a huge opportunity for digital finance players to continue to put pressure on the government on the USSD⁹⁶ issue that has been blocking expansion to rural areas. The professional Association of Banks and the FSP associations are using the roadmap to emphasize on the removal of certain regulatory barriers at the level of BCEAO to reach out to the rural, underserved population: e-kyc and zero account balance to facilitate access to bank accounts by the low income population (including women, youth and savings groups), an increase on the current loan repayment ratio (which is 1/3) of consumer income, customer protection and the availability of USSD to all FSPs were raised time and again as some of the key issues to be addressed by regulators (. Stakeholders noted however the absence of collaboration between the financial sector and telecommunication regulators which needs to be resolved if digital financial services are to be opened up in the country.

Private sector insights: MAP is being used by FSPs (Banks, MFIs and MNOs) to design financial instruments. FSP players have acknowledged that they are key beneficiaries of MAP output since it has provided them with a better understanding of their own market and led to a change in mind-sets. Coris Bank and Orange money for example, are using the results as a reference to conduct

⁹⁵ Mr. Karfa Fayama who chaired the MAP process has been promoted to Director of Cabinet in the MEFD.

⁹⁶ Unstructured Supplementary Service Data - Application enables users of all kinds of cell phones to access data on mobile money platforms. The provision of USSD to MFIs and FinTechs would go a long way to accelerate savings and access to credit facilities for savings groups especially in rural Burkina Faso

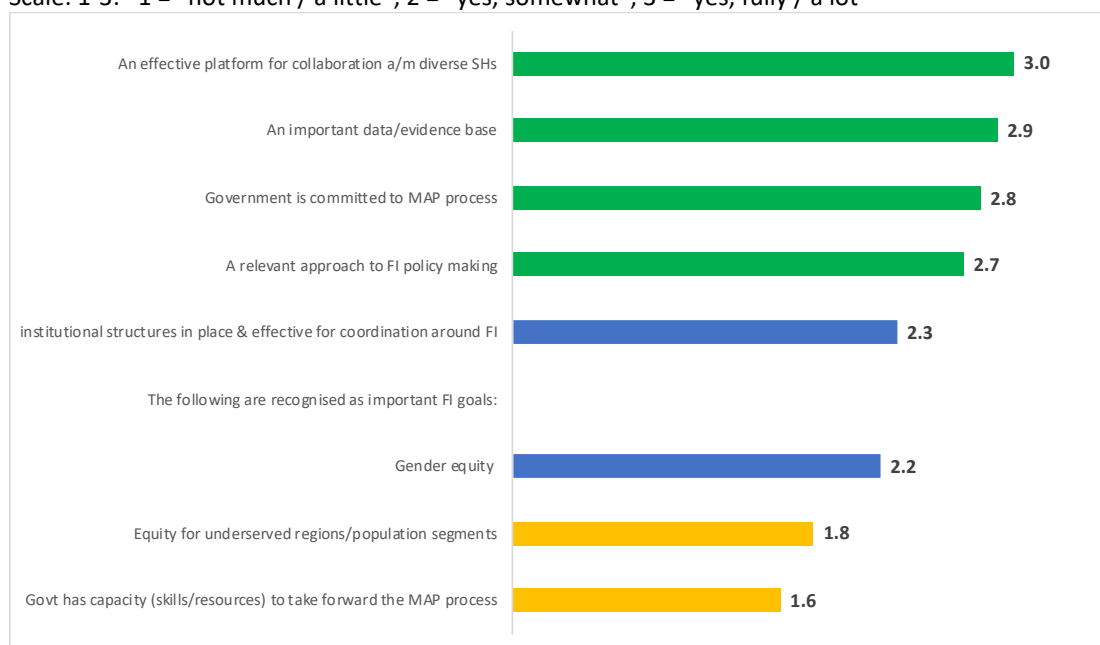
market studies for product innovation. The process also has had an effect on the way FSPs organize themselves towards a change in strategy. Thus, the Confederation of Decentralized Financial Institutions now sees the need to speed up its investment on a digital finance platform on behalf of its member institutions to facilitate distant access to its services through the use of digital devices.

4 Overall assessment

The overall assessment of MAP so far in Burkina Faso is reflected in the average scoring by respondents using the MTE tool, as presented in Figure 2 (next page). The MAP process in Burkina Faso has enabled the financial services sector to identify relevant priorities for financial inclusion and facilitated government engagement and demonstration of ownership. This has been achieved through mostly good stakeholders' consultation and coordination so far – all stakeholders fully agreed with the statement that MAP has provided an effective platform for collaboration among stakeholders - and is grounded in a strong evidence base. Appreciation of the approach is high as relevant to policy making for financial inclusion with high Government commitment to the process. More attention will be needed for effective coordination in future and to aligning fully with equity goals in practice. The lowest scoring is for Government having capacity (skills/resources) to take forward the MAP process. Whilst the Government has been able to mobilise resources (loan funding) for financial inclusion from the World Bank (\$100 mn), AfDB and West Africa Development Bank, there is a gap in skills and efficiency to manage implementation – and monitoring - of the NFIS.

Figure 2. Average scored responses to MAP evaluation statements

Scale: 1-3: 1 = “not much / a little”; 2 = “yes, somewhat”; 3 = “yes, fully / a lot”



[12 respondents]

As reflected in this feedback, key strengths of MAP are seen to lie in providing an effective platform for collaboration among diverse stakeholders, providing an important evidence base for financial inclusion, demonstrating a relevant approach to policy making for financial inclusion, with strong Government commitment to the process. Significant resources appear in hand for implementation going forward.

Issues include:

- Having a strong focal point (institutional structure) for coordination around implementation of the roadmap

- Lack of collaboration between UNCDF programmes was a missed opportunity for the diagnostics fully to capture UNCDF's financial inclusion practice areas in the process and in the analysis.
- Some of the bilateral donors interviewed were only involved during the presentation of the Roadmap. Engagement from the start could have enabled them to contribute to funding or link their own studies to the survey and diagnostic.
- The process was lengthy and beset with delays. As a result, the FinScope survey data, collected in 2016 is already 3 years old in 2019 – when the NFIS is to be launched.
- Trusting the implementation of the NFIS to a government entity that had limited capability to manage the 2012-2016 Microfinance strategy is risky. The structure seems not to have the internal capacity to manage the strategy. There are no indications on when implementation of the NFIS will kick off, given the delayed appointment of a new Head of the SP-PMF.
- Regulation affecting the expansion of digital financial services can only be addressed if action is taken to resolve issues between the Telecommunication Regulatory Board and the BCEAO.

5 Recommendations

Process - UNCDF should work with its partners to improve on the MAP methodology/approach and shorten duration of the MAP process. As noted in a number of our interviews, there also needs to be a practical strategy to maintain momentum for implementation of the roadmap. To start with, there is an urgent need to present the (recently approved) NFIS to the country's financial inclusion players to keep the momentum going. UNCDF should be given the opportunity to support the Government to coordinate this to ensure that information gets to the appropriate quarters of the economy. In the longer term, a regional body for MAP could help to build commitment across the countries involved and linking in to the BCEAO mechanisms.

Mobilization of funding - To overcome the reported shortcomings in funding the MAP process, Government through its Department of International Corporation in Ministry of Finance should take the lead in putting in place a dialogue forum to engage/coordinate bilateral donors in Financial Inclusion, as being one of the country's top priorities. Such an initiative will facilitate buy-in from donors who won't hesitate to fund Financial Inclusion related-projects that are of interest to them. Besides, given the fact that the private sector appears to be the main beneficiary of the MAP diagnosis, Government could levy the sector players or their Associations/Networks as a means of mobilizing funding for taking the MAP process forward.

Information sharing - A broader spectrum of financial inclusion stakeholders should be briefed about the objectives of MAP at the beginning of the process and be given the opportunity to contribute to the process. Most of the stakeholders encountered during the field visit were invited during the presentation of the diagnostics without prior knowledge of MAP, even though they appreciated the results of the diagnosis. There should also be an active communication strategy for the FinScope data and the country dashboards based on this data.

Enhancing coordination within UNCDF – There is scope for strategic coordination with UNCDF's other local and regional programmes to engage with the existing expertise in UNCDF's financial inclusion practice areas as well as building on the existing programmes. This is an issue for FIPA senior management.

Developing local capacity - Local players should be fully engaged in future MAP processes involving data, for capacity building purpose. Government should aim to strengthen the capacity of the SP-PMF to support NFIS Implementation and the day to day coordination of activities, reporting, and Monitoring and Evaluation (M&E). This is likely to require training, mentoring and exchange programmes – and could be done with UNCDF technical support. A regional body composed of the

BCEAO, the public and the private sector and Development Partners including UNCDF should be charged to oversee NFIS implementation. In West Africa, the BCEAO as an apolitical agency could play a leading role in implementation – given the fact that government employees are always susceptible to movements with (and without) changes in government. This would require attention from FIPA senior management.

Annex 1: Project documents and other references

Project documents/outputs:

FinMark Trust/MAP, 2016. FinScope Consumer Survey Burkina Faso
FinMark Trust/MAP, 2017, Financial Inclusion Roadmap, 2018-2022
MAP Annual Work Plan Budgets
UNCDF Project document, 2013

Other references:

BCEAO, 2016. Regional Financial Inclusion Strategy, 2016-2022
BCEAO 2019. Indicateurs de suivi de l'inclusion financière dans l'UEMOA
<https://www.bceao.int/sites/default/files/2019-04>
CGAP, 2016. Growth Opportunities for FSPs with digital financial services, WAEMU
Ministerial Decree No 2015 No 0355/MEF/CAB, appointing members of the Monitoring committee, 2015
Government of Burkina Faso, 2012, National Microfinance Strategy, 2012-2016
Government of Burkina Faso,
[IMF, 2019 Burkina Faso Selected issues Report No. 19/16](#)
[World Bank, 2017, Findex data base](#)

Annex 2: List of stakeholders interviewed (27-31 May 2019)

Organization	Designation	Name
UNCDF/MAP		
UNCDF	Regional Representative - FIPA MAP Resource Manager - Region Agrifinance Coordinator – BF Country Representative - BF	Mathieu Soglonou, Euphrasie Kouamé, Aoua Sawadogo Hermann Messan
Berd/ Lessokon consortium	General manager	Moussa Tassemedo
YouthStart	Programme Coordinator, West Africa	Maria Perdomo
Government		
Ministry of Finance	<u>Director of Financial system oversight</u>	Séraphin Wilfried Kientega
SP-PMF	M&E specialist	Roger Ouedrago
Ministry of Agriculture	Focal Point – Agrifinance. Ministry of Agriculture DGESS/MAAH	Mme Zougrana Ilboudo Francine
National Institute for statistics	Head of monitoring and evaluation	Barbi Kabore
Regulators		
ARCEP	Head of studies, monitoring and evaluation	Irène SARE KANZIE, David Soubeiga
BCEAO	Head of Microfinance Department	Richard Kima
Bilateral donors		
Coopération luxembourgeoise	Public Relations Private sector programs and commerce	Max Lamesch Abdoulaye Ouedraogo
European Union	Team leader Research studies	Antonio Marguez Cmacho Abdoulaye Ouédraogo
World Bank	Senior Financial Sector Specialist World Bank	Maria Pagura
Meso level		
Confederation of decentralized financial systems	General Manager	Alou Sidibe
Association of Banks	Executive Member	Innocent Hien
Professional Association for Microfinance Institutions of Burkina Faso	Permanent Secretary	Coulibaly Perpetue
Association of Insurance Companies	Executive representative	KINI Jean Claude
Micro level		
La Poste du Burkina Faso	Head of SONAPOST Financial services	DIANDA Boukary
Orange Burkina	Director Orange Money	Emmanuel Tassemedo

Annex 3: Members of the MAP Steering Committee

The following are listed in the MINEFID decree:

- Director of studies and statistics at the Ministry of the Economy and Finance
- Director of the National Institute of Statistics or a representative
- Director of finance and monetary affairs or a representative
- Director of the control and the supervision of Decentralized Financial Systems
- Coordinator of the Agrifinance Program
- A representative of the Ministry of Agriculture
- A representative from the Ministry of Fishery and Animal Husbandry
- A representative from the ministry of women empowerment
- A representative from the Association of Decentralized financial systems
- A representative from the National Post Office
- A representative from the National Chamber of Agriculture
- A representative from UNCDF
- A representative from UNDP
- A representative from Swiss Cooperation
- A representative from the Canadian Cooperation
- A representative from Danish Cooperation
- A representative from the European Union
- A representative from the Central BANK of West African States BCEAO
- A representative from the Professional Association of Banks
- A representative from the Association of Insurance
- A representative from the Mobile Telecommunication Network Operators
- A representative of the confederation of rural population of Burkina Faso