

TOOLKIT

Developing and Operationalizing a National Financial Inclusion Strategy

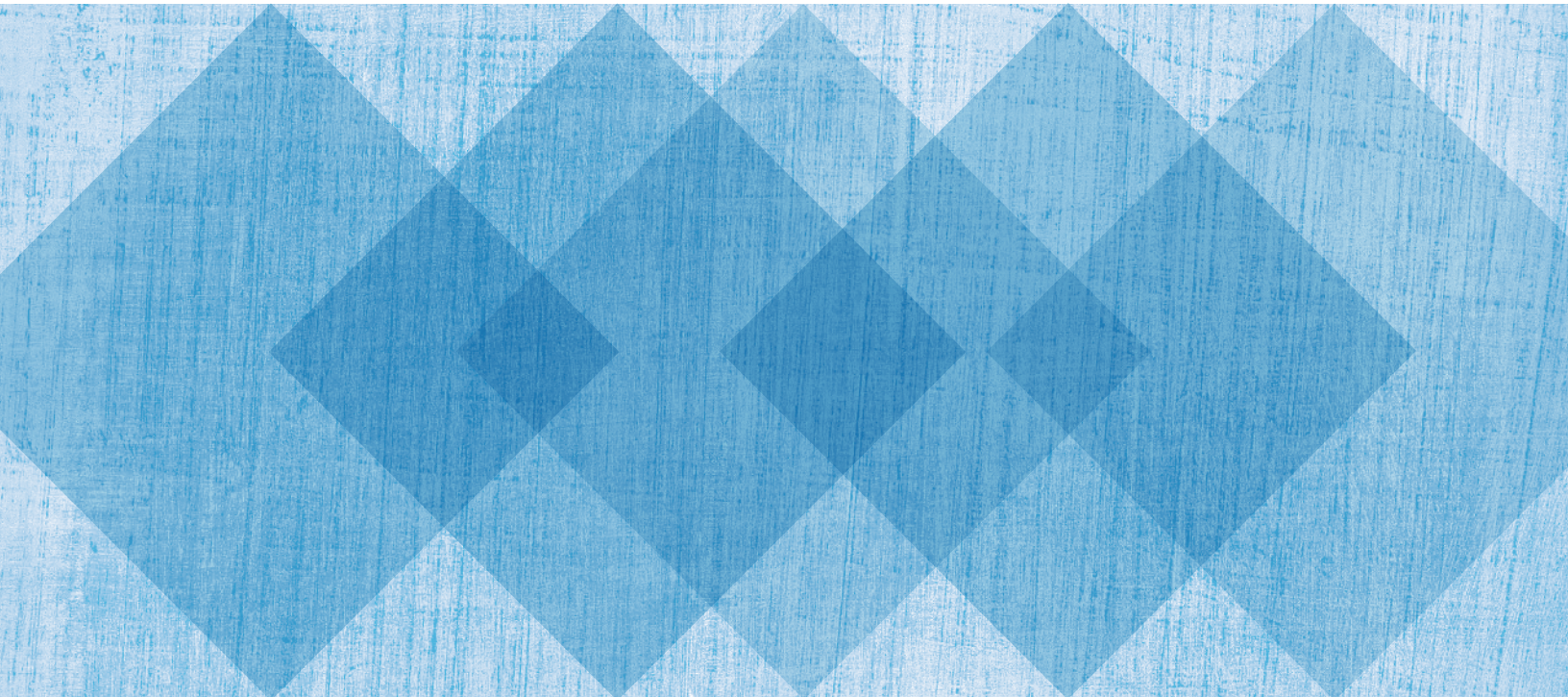
JUNE 2018

FINANCE, COMPETITIVENESS &
INNOVATION GLOBAL PRACTICE

TOOLKIT

Developing and Operationalizing a National Financial Inclusion Strategy

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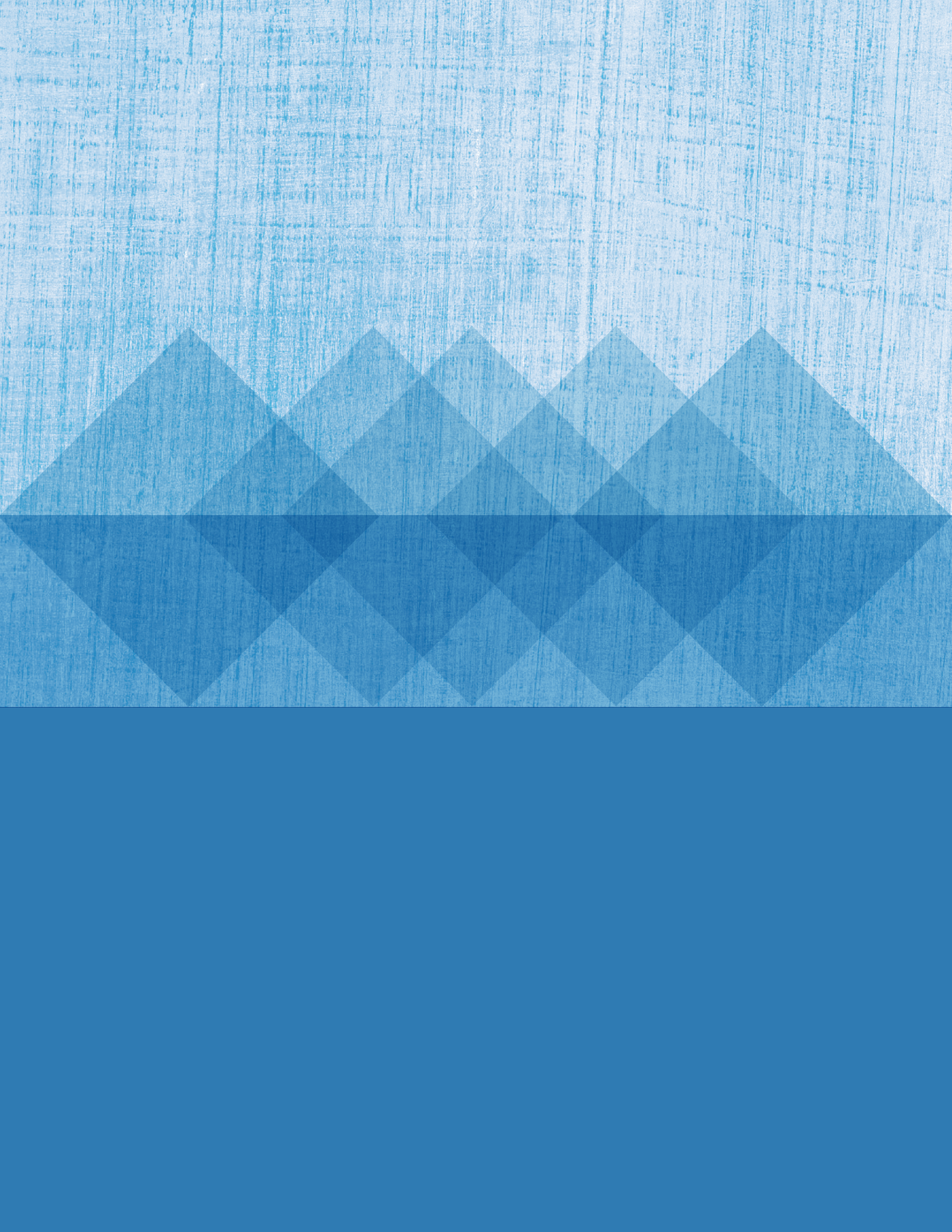
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ACRONYMS AND ABBREVIATIONS

| | |
|------|---------------------------------------|
| IC | Implementation Committee |
| KPI | key performance indicator |
| M&E | monitoring and evaluation |
| MSME | micro, small, and medium enterprise |
| NFIS | national financial inclusion strategy |





EXECUTIVE SUMMARY

Financial inclusion plays a critical role in enabling shared prosperity and reducing poverty, and is complementary to financial sector objectives of stability and integrity. Yet most economies have large financially excluded populations. Achieving greater financial inclusion requires a deliberate and coordinated approach to identify relevant obstacles and opportunities, leverage linkages across financial and nonfinancial policy areas, and align the efforts of a wide range of stakeholders.

A national financial inclusion strategy (NFIS) provides an effective instrument to chart a clear and coordinated path toward improving financial inclusion. An NFIS enables stakeholders to jointly define financial inclusion objectives, identify obstacles and opportunities relevant to the achievement of those objectives, and outline a prioritized set of actions to pursue in a coordinated manner. The establishment of governance arrangements and a monitoring and evaluation (M&E) system for financial inclusion are also critical elements of an effective NFIS. As of mid-2018, more than 35 countries have launched an NFIS, and at least 25 countries are in the process of developing such an instrument.

This toolkit provides financial sector authorities and other stakeholders with practical guidance on developing and operationalizing an NFIS. The toolkit includes detailed operational tips as well as country examples from over 20 countries. The toolkit is informed by the World Bank Group's experience as a technical partner in the development and implementation of NFISs in a diverse range of country contexts.

The toolkit covers three key areas:

THE NFIS DEVELOPMENT PROCESS

An effective NFIS development process engages and solicits buy-in from a range of stakeholders, follows a structured approach, and is grounded in robust data and diagnostics work. The first chapter of the toolkit provides guidance on the overall NFIS development process with an emphasis on the initial phases of the process and focusing on three main tasks: (i) identifying and engaging stakeholders, (ii) developing an NFIS drafting model and development road map, and (iii) conducting data and diagnostics work.

Organizing NFIS stakeholders during the development process can often be done by segmenting them into three groups: (i) lead stakeholder(s), (ii) drafting stakeholders, and (iii) consultation stakeholders. The identification of a strong lead stakeholder or "NFIS champion" is particularly critical to ensure the credibility and efficiency of the NFIS development process. In most cases, this institution will continue to have a leadership role in NFIS implementation.

An effective NFIS development process also requires a drafting model and development road map. A drafting model identifies how each stakeholder will contribute to the NFIS development process, including how stakeholders will organize themselves and the processes through which they will engage with one another. The NFIS development road map outlines the sequence of steps and key

milestones to be followed when developing and launching an NFIS. The development road map also covers data and diagnostics work and steps needed to secure high-level approval for the NFIS.

Finally, data and diagnostics work is a critical input for assessing the current state of financial inclusion and identifying obstacles and opportunities relevant to achieving greater financial inclusion. An NFIS grounded in a robust evidence base is more likely to be effectively implemented. A range of data and diagnostics can be undertaken during the NFIS development process, including demand-side surveys, supply-side data collection, and sectoral or thematic diagnostics. A number of global data sources and technical guidance are available to inform this work, including the 2017 World Bank Group (WBG) *Global Findex*; the 2017 WBG *Good Practices for Financial Consumer Protection*; the 2017 WBG *Global Financial Inclusion and Consumer Protection Survey*; the 2016 G-20 *High-Level Principles for Digital Financial Inclusion*; and the 2016 CPMI-WBG *Payment Aspects of Financial Inclusion*.

NFIS TEMPLATE AND KEY COMPONENTS

While NFIS documents vary across countries, certain key elements should be articulated in the NFIS to facilitate its effective implementation. The second chapter of this toolkit provides NFIS stakeholders with a template to facilitate the drafting of a comprehensive and action-oriented NFIS. The chapter's structure follows a recommended outline of a national financial inclusion strategy and includes the following sections:

Rationale and vision: The introductory section of an NFIS should answer the question, *Why is this important?* and set forth the national vision and definition for financial inclusion. This section should also articulate how the NFIS is aligned with and complementary to existing national, economic, and financial sector priorities and strategies.

Baseline assessment: This section provides the analytical underpinning of the NFIS. The section should summarize current levels of financial access and usage and identify the obstacles and opportunities relevant to the achievement of the NFIS vision.

BOX ES.1

Key Success Factors for NFIS Development and Operationalization

1. Early and sustained engagement of relevant stakeholders—including the private sector—to create broad buy-in and align efforts across financial and nonfinancial policy areas
2. Investment in data and diagnostics work to ensure that the NFIS is grounded in a robust evidence base and accurately identifies constraints and opportunities relevant to the achievement of greater financial inclusion
3. Identification of high-level champions within key institutions who can integrate relevant NFIS actions into institutional work plans and advance their implementation
4. Clear articulation of NFIS objectives and targets to ensure a shared understanding of expected outcomes
5. Prioritization of forward-looking NFIS actions that emphasize digital approaches, proportionality, and the needs of financial consumers
6. Establishment of inclusive but efficient governance arrangements to facilitate collaboration and consultation throughout the NFIS implementation period
7. Mobilization of resources prior to NFIS launch—including those needed for “quick win” actions and Secretariat staff—to build momentum and demonstrate credibility
8. Effective communication and branding of the NFIS, including the signaling of early implementation successes
9. Flexibility to adapt NFIS elements during implementation to reflect market developments and emerging policy priorities
10. A well-resourced and robust M&E system to track implementation progress, identify bottlenecks, and inform course corrections

Objectives and policy areas: A set of specific policy objectives should be clearly defined, and they can be grouped into a set of policy areas—for example, digital financial services or financial consumer protection.

Governance arrangements: Inclusive but efficient governance arrangements are important to ensure continued collaboration during NFIS implementation.

Monitoring and evaluation system: An M&E system is needed to translate financial inclusion objectives into measurable indicators and targets and to ensure that implementation progress is tracked and assessed.

Action plan: A set of sequenced, time-bound, and prioritized actions make up the core of the NFIS. The action plan should include clear indication of institutional responsibilities as well as a set of “quick wins.”

Risks and mitigation measures: Clear identification and discussion of implementation risks keep these risks front-of-mind for all stakeholders and facilitate the development of effective mitigation measures.

Each section of chapter two describes the key content that should be covered in an NFIS document, along with guidance on the drafting process.

OPERATIONALIZING THE NFIS

The third and final chapter of the toolkit provides guidance on operationalizing key NFIS elements. The desired result is an effectively implemented NFIS, wherein NFIS actions are advanced in a timely manner, progress is monitored and assessed, and bottlenecks are addressed. The first six months of NFIS implementation are important for maintaining momentum, securing “quick wins,” and ensuring that the various elements of the NFIS are operating effectively.

Operationalizing the NFIS action plan requires shifting from high-level actions described in the NFIS to operational work plans, based on a theory-of-change approach. Ensuring that implementing stakeholders have embedded relevant NFIS actions into their institutional work plans and aligned staff incentives and resource availability to facilitate the implementation of these actions is critical.

An effective NFIS M&E system must be quickly operationalized in order to track implementation progress, strengthen financial inclusion data infrastructure, monitor high-level national financial inclusion progress, and evaluate the impacts of key NFIS actions.

Operationalizing NFIS governance entities—including a high-level NFIS Council, an NFIS Implementation Committee, an NFIS Secretariat, and working groups—is important to ensure effective collaboration and consultation. These entities should have clear mandates and be composed of relevant and effective individuals.



INTRODUCTION

Policy makers increasingly recognize the role of financial inclusion in enabling shared prosperity and reducing poverty. Individuals, households, and firms need appropriate financial products and services to save, borrow, make and receive payments, and manage risk. Enhancing financial inclusion can improve resistance to shocks, boost productivity of firms, facilitate empowerment of marginalized groups, such as women and rural residents, and help reduce poverty.¹ Yet according to the 2017 *Global Findex*, an estimated 1.7 billion adults still lack access to a basic transaction account; many more are underserved (Demirgüç-Kunt et al. 2017).

Financial inclusion is not a naturally occurring phenomenon. Accelerating progress toward financial inclusion requires taking a holistic view to identify constraining factors—such as high transaction costs and informational asymmetries—as well as potential opportunities, such as the market entry of new technology-driven providers or the digitization of government-to-person payments. Financial inclusion is a broad policy objective that spans multiple financial subsectors (for example, banking, microfinance, payments, insurance, and so forth); involves financial, information and communications technology, and data infrastructure; and requires consideration of both demand-side and supply-side issues. Ensuring that financial inclusion efforts are aligned with and complementary to poverty alleviation, economic development, and financial sector development objectives requires coordination between financial and non-financial sector stakeholders, such as ministries of education and social affairs and consumer protection entities.

A deliberate and coordinated approach is therefore required to accelerate progress toward financial inclusion. A national financial inclusion strategy (NFIS) provides a powerful instrument to address this challenge and chart a clear and coordinated path toward achieving national financial inclusion objectives. An NFIS enables stakeholders to jointly define financial inclusion objectives, identify obstacles and opportunities relevant to the achievement of those objectives, and outline a prioritized set of actions to pursue in a coordinated manner. The establishment of governance arrangements and a monitoring and evaluation (M&E) system for financial inclusion are also critical elements of an effective NFIS. In addition, an NFIS can serve as a useful tool to secure and/or rationalize resources and eliminate overlaps.

The adoption of NFISs has accelerated significantly in the past decade. Prior to 2010, NFISs were rare. A small group of NFIS pioneers, including Brazil and Nigeria, launched an NFIS between 2010 and 2013. Approximately 12 countries—including Peru, Pakistan, China, and the Philippines—launched an NFIS during 2014 or 2015, and another 15 or so countries—including Colombia, Mexico, Ethiopia, and Zambia—launched an NFIS in 2016 or 2017. As of mid-2018, more than 35 countries have launched an NFIS, and at least 25 countries are in the process of developing such an instrument.² Several countries, including Indonesia and Tanzania, have updated their original NFIS or launched a second NFIS.³

The purpose of this toolkit is to provide financial sector authorities and other stakeholders with practical guidance on developing and operationalizing an NFIS. The

BOX I.1**Defining Financial Inclusion**

For the purpose of this toolkit, *financial inclusion* is defined as “the uptake and usage of a range of appropriate financial products and services by individuals and MSMEs [micro, small, and medium enterprises], provided in a manner that is accessible and safe to the consumer and sustainable to the provider.” This definition reflects the following four critical dimensions to financial inclusion:

- **Diverse and appropriate products** are critical to ensuring that the needs of consumers—particularly those that are currently unserved or underserved—are met and that consumers are motivated to take up and use financial products. Appropriate product design requires identifying the needs of particular consumer segments (including at various life stages) and designing products that meet those needs at a reasonable cost. This includes a basic set of products: payments, savings, credit, and insurance products.
- **Accessibility** refers to consumers’ ability to access and use financial products and services conveniently. Consumers need sufficient physical proximity to access points—including branches, agents, automated-teller machines, and mobile phones—to enable them to select and use a range of financial products and services easily.
- The provision of **responsible and safe** financial products and services is important to ensure that consumers truly benefit from financial inclusion and that the policy objectives of financial inclusion align with those of financial stability, market integrity, and consumer protection.
- **Commercial sustainability and viability** are critical to sustaining a financial ecosystem in which providers can deliver appropriate products in a cost-effective and sustainable manner over the long term. An enabling environment that supports the healthy operation of a diverse set of innovative providers is key to achieving sustainable levels of financial inclusion.

Source: Adapted from World Bank Group and PBOC, 2018

toolkit covers three key areas: (i) the process of developing an NFIS, (ii) the key content of an NFIS document, and (iii) the operationalization of an NFIS. The toolkit is informed by the World Bank Group’s experience as a technical partner in the development and implementation of NFISs in a diverse range of country contexts. While NFIS experiences vary considerably across countries, the authors have identified a range of good practices to facilitate effective NFIS development and implementation. The toolkit provides general guidance and detailed operational tips and country examples from over 20 countries.

The rest of this toolkit is structured as follows:

- **Chapter 1** provides overall guidance on the NFIS development process with an emphasis on the initial phases of NFIS development.
- **Chapter 2** provides a detailed template for drafting a comprehensive and action-oriented NFIS, including explanations of key NFIS elements (for example, policy framework, action plan).
- **Chapter 3** provides guidance on operationalizing the NFIS—in particular, the governance arrangements, action plan, and M&E system.

NOTES

1. For instance, a recent study has found that access to mobile money products has lifted two percent of Kenyan households out of poverty as a result of changes in financial resilience and savings, with more pronounced impacts for female-headed households (Suri and Jack 2016). Additional research is summarized in World Bank 2013.
2. A range of publicly available NFISs are available at World Bank Group 2018.
3. Other countries use similar instruments to achieve the same purpose—for example, a Financial Sector Strategy (Maimbo and Melecky 2014) or National Payments Systems Strategy (World Bank Group 2012a).

THE NFIS DEVELOPMENT PROCESS

An effective NFIS development process engages a range of relevant stakeholders, solicits buy-in and ownership from implementing institutions, and is grounded in a robust evidence base. In general, the initial NFIS development process involves three main tasks: (i) identifying and engaging stakeholders, (ii) developing an NFIS drafting model and development road map, and (iii) conducting data and diagnostics work. These tasks are addressed in the three sections of this chapter.

Section 1.1: Identifying and Engaging NFIS Stakeholders. An NFIS typically covers a wide variety of topics within the financial system as well as other sectors (for example, education, social protection, women, agriculture, digital economy). As a result, there is a need to identify a range of stakeholders who can actively provide value-add contributions to the NFIS development process. Organizing these stakeholders can often be done by broadly segmenting them into three groups: (i) lead stakeholder(s), (ii) drafting stakeholders, and (iii) consultation stakeholders.

The identification of a strong lead stakeholder or “NFIS champion” is particularly critical to ensure the credibility and efficiency of the NFIS development process. In most cases, this institution will continue to have a leadership role in implementation once the NFIS is launched. Section 1.1 provides guidance on identifying and engaging NFIS stakeholders.

Section 1.2: Developing an NFIS Drafting Model and NFIS Development Road Map. A drafting model identifies how each stakeholder will contribute to the NFIS

development process—including how stakeholders will organize themselves and the processes by which they will engage with one another. The drafting model should reflect time constraints, the comparative advantages of each stakeholder, and political realities.

The drafting model will inform the NFIS development road map, which outlines the sequence of steps and related actions to be followed when developing and launching an NFIS. The development road map creates structure for the drafting process and ensures that expectations and responsibilities are clearly established. The development road map also covers data and diagnostics work and steps needed to secure high-level approval for the NFIS. A strong emphasis should be placed on effective stakeholder engagement, since the NFIS will ultimately be implemented by a wide range of stakeholders, and their buy-in and ownership of NFIS priority areas and actions is pivotal to NFIS success.

Section 1.3: Conducting Data and Diagnostics Work. Data, diagnostics, and mapping exercises are critical inputs toward assessing the current state of financial inclusion and identifying obstacles and opportunities to meet policy objectives. NFIS stakeholders should identify existing resources that can inform the NFIS (for example, demand-side data) and remaining gaps. Once information gaps are identified, efforts should be made to address them prior to drafting and finalizing a strategy, in order to provide a comprehensive overview of the sector related to financial inclusion.

1.1 IDENTIFYING AND ENGAGING NFIS STAKEHOLDERS

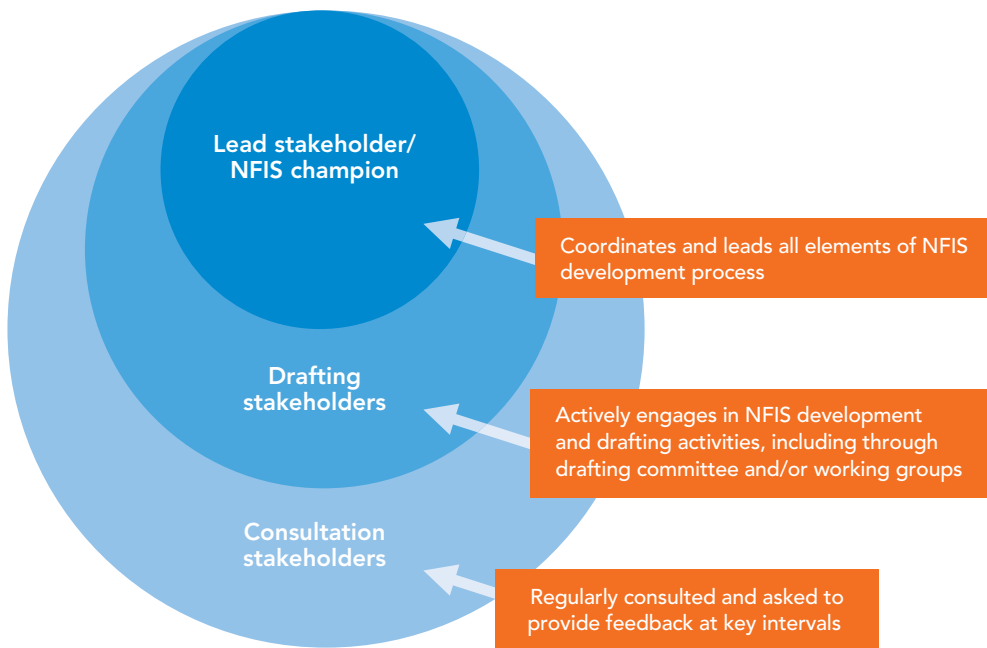
An effective NFIS requires an inclusive development process that engages relevant stakeholders in line with their comparative advantages, relevance, and desired level of engagement. In most countries, there are dozens of institutions whose remit and mandate are relevant to national financial inclusion objectives. These institutions include financial sector authorities, financial service providers and industry associations, nongovernmental organizations, consumer associations, research and statistical entities, other government institutions, and international organizations. Identifying and structuring these various stakeholders so that each can contribute to the NFIS development process is a critical step once high-level support for developing an NFIS has been secured. (See box 1.1.)

It is useful first to define the entire universe of stakeholders relevant to financial inclusion. A broad and inclusive approach should be taken at this stage. Undertaking such an exercise allows the lead stakeholder(s) to understand how many stakeholders may be involved in the process, so that the lead stakeholders can take a deliberate approach to defining the roles of relevant stakeholders and understand optimal moments during the development process when different sets of stakeholders should be engaged.

Once the universe of relevant stakeholders is outlined, stakeholders can be segmented into three categories: (i) lead stakeholder(s), (ii) drafting stakeholders, and (iii) consultation stakeholders. The selection of a motivated and capable lead stakeholder(s) or “champion(s)” is critical to driving the NFIS development process. Figure 1.1 illustrates the three main categories of stakeholder roles during the NFIS development process, and table 1.1 provides an illustrative example of mapping stakeholders to these categories as well as to potential areas of engagement by topic.

- **Lead stakeholder(s).** The lead stakeholder(s) will manage the entire NFIS development process and act as the NFIS champion. The lead stakeholder(s) will be responsible for propelling the NFIS development process forward and for engaging other stakeholders and holding them accountable for their agreed-upon contributions. For this reason, it is advisable to select a lead stakeholder(s) that has not only strong relationships and credibility with other relevant stakeholders but also relevant capacity and technical expertise in financial inclusion. An effective NFIS champion will be able to build consensus among all relevant stakeholders on key issues (for example, selection of NFIS policy areas) and resolve inevitable frictions and obstacles. The lead stakeholder(s) will typically also play a leading role in NFIS implementation (for example, chairing the Implementation Committee, housing the Secretariat, and/or implementing key actions).

FIGURE 1.1: Segmentation of NFIS Stakeholder Roles



Countries may differ in their choice of the lead stakeholder(s) when developing an NFIS. According to results from the 2017 Global Financial Inclusion and Consumer Protection Survey, 11 responding jurisdictions reported that the central bank was the lead stakeholder (for example, Brazil and the Philippines), seven jurisdictions reported that it was the Ministry of Finance (Sweden and Zambia), five jurisdictions reported that it was another ministry (the Coordinating Ministry for Economic Affairs in Indonesia), and one jurisdiction reported another financial sector regulator (South Korea). Many of the NFIS development processes in the above-mentioned countries were still led by a multistakeholder entity. However, even in this scenario, it is useful to select one or two stakeholders who will chair the multistakeholder entity.

While this stakeholder segmentation focuses mainly on institutions, it is particularly important for the lead stakeholder to have a well-respected and effective individual or team of individuals leading the process.

- ▶ **Drafting stakeholders.** Drafting stakeholders will play an active role in drafting the NFIS. These stakeholders typically include institutions involved in financial sector policy making and regulation. In many cases, representatives from multiple departments within a given institution may be needed as drafting stakeholders—for example, representatives from the banking supervision department, payments department, and credit infrastructure department of a financial sector regulator.

Drafting stakeholders can also include institutions with a key role in developing and implementing poli-

cies and programs relevant to financial inclusion, such as a ministry of social development (often critical in efforts to digitize government-to-person transfers), the education ministry (which may play a key role in financial education), or a national statistics agency (whose technical capacity and data resources can strengthen national M&E systems for financial inclusion). Some countries may also choose to have industry representatives (for example, from a banking or microfinance association) included as a drafting stakeholder. Often these drafting stakeholders form a drafting committee, chaired by the lead stakeholder(s) (as further described in section 1.2.1).

- ▶ **Consultation stakeholders.** Finally, consultation stakeholders are those who will not play an active drafting role but will be consulted regularly and asked to provide feedback at key intervals during the drafting process. Selecting a wide range of consultation stakeholders helps to ensure that the NFIS gathers inputs and generates buy-in from all institutions that have a stake in the financial inclusion agenda.

Consultation stakeholders can include the private sector (for example, industry groups or leaders of major financial service providers; see box 1.2), nongovernmental organizations, international organizations, and other public sector stakeholders that are not included as lead or drafting stakeholders. A good rule of thumb is that if any aspect of the NFIS falls within the remit of a given stakeholder, they should be included at least as a consultation stakeholder. In practice, the levels of

BOX 1.1

Tip: Securing Initial High-Level Buy-in for NFIS

Securing initial high-level buy-in for the development of an NFIS is, of course, a critical first step. This should be done not only within the lead institution but also among key relevant stakeholders, including, at a minimum, the central bank, financial sector regulators, and the ministry of finance. For example, in Jamaica, when the minister of finance appointed the Bank of Jamaica to lead the NFIS development process, credibility was given to the process and a range of stakeholders were incentivized to participate.

Developing a higher-level NFIS Development Council (for example, composed of ministers, the central bank governor, and executives of regulatory agencies or their deputies) is also a common practice during the development of the strategy. Establishing such an

entity can be helpful both for propelling the process forward and for securing approval of the NFIS, as some countries have experienced delays between the strategy drafting and its launch due to a lack of initial engagement by relevant high-level officials. Establishing such an entity can also facilitate the smooth transition into a high-level implementation-oriented entity. (See section 2.4.) An alternative approach is to rely on the engagement and guidance of existing high-level financial sector committees during the NFIS development process.

Regardless of the approach, it is important to secure high-level buy-in for the NFIS development process early on and also to plan ahead for how the NFIS will ultimately be approved.

engagement of consultation stakeholders will vary, but casting a wide net ensures that all who want to contribute to the process are able to do so. Consultation stakeholders are often engaged through participation in working groups, periodic consultation workshops, and/or requests for written comments on NFIS drafts.

In this phase, stakeholders should also consider the potential role of external consultants and international organizations. Defining the role of external consultants and/or international organizations may be motivated by (i) the difficulty of balancing NFIS development tasks with other day-to-day responsibilities for lead and drafting stakeholders, (ii) a desire for additional technical expertise, including knowledge of global best practices, and/or (iii) the utility of having an honest broker to facilitate the process among a wide range of stakeholders. A key success factor in leveraging external assistance is defining the role and expectations of the consultant and/or technical

BOX 1.2

Tip: Engaging the Private Sector

Private sector stakeholders should play a significant role in providing inputs into the NFIS. NFIS champions should be encouraged to include a range of private sector players (such as industry associations, major financial service providers, fintech companies, mobile network operators, and so forth) to gather a variety of different viewpoints and understand bottlenecks to financial inclusion from a provider's perspective. In addition, private sector players provide unique insights into the cost drivers and constraining regulatory or supervisory environments that may prevent the provision of appropriate products and services to underserved consumers.

TABLE 1.1: Example Stakeholder Segmentation Table

| STAKEHOLDER | NFIS DEVELOPMENT ROLE | | | ROLE IN NFIS POLICY AREAS | | | | | | |
|---|-----------------------|----------|--------------|---------------------------|---------------------------|----------------------------|---------------------|--------------------|-----------|----------------------|
| | LEAD | DRAFTING | CONSULTATION | DIGITAL FINANCE | FINANCIAL INFRA-STRUCTURE | MSME/ AGRICULTURAL FINANCE | CONSUMER PROTECTION | FINANCIAL LITERACY | INSURANCE | DATA AND MEASUREMENT |
| Central bank | ✓ | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Sectoral financial sector authorities | | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Ministry of finance | | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Market conduct authorities | | ✓ | | | | | ✓ | ✓ | ✓ | |
| SME/rural development agencies | | ✓ | | | ✓ | ✓ | | | | |
| ICT regulator | | ✓ | | ✓ | | | | | | |
| Ministry of agriculture | | ✓ | | | | ✓ | | | ✓ | |
| Development banks | | ✓ | | | | ✓ | | | | |
| Ministry of industry/ commerce | | | ✓ | | ✓ | ✓ | | | | |
| Industry associations (banks, payments, MFIs, cooperatives, telecommunications) | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| International organizations | | | ✓ | | | | | | | |
| Fintech companies | | | ✓ | ✓ | | | | | | |
| Agricultural associations | | | ✓ | | | ✓ | | | | |
| Ministry of education | | | ✓ | | | | | ✓ | | |
| Ministry of social affairs | | | ✓ | ✓ | | | | | ✓ | |
| National statistics agencies | | | ✓ | | | | | | | ✓ |

Note: ICT = information and communications technology. MFI = microfinance institution. MSME = micro, small, and medium enterprise. SME = small and medium enterprise.

partner clearly (that is, diagnostics work versus drafting support versus facilitation).

1.2 DEVELOPING AN NFIS DRAFTING MODEL AND NFIS DEVELOPMENT ROAD MAP

1.2.1 NFIS Drafting Model

An NFIS drafting model identifies how each stakeholder will contribute to the NFIS development process. Once relevant stakeholders have been identified and segmented into lead stakeholder(s), drafting stakeholders, and consultation stakeholders, specific ways to organize and engage each group should be considered.

A drafting model determines how stakeholders will organize themselves, including through a drafting committee and/or working groups.

- ▶ **Drafting committee:** A drafting committee is an effective way to organize the lead stakeholder(s) and drafting stakeholders. The lead stakeholder(s) typically chairs the committee, and the membership consists of drafting stakeholders (generally not more than 10). This entity is responsible for drafting the NFIS document, engaging with consultation stakeholders, coordinating inputs from within their respective institutions, securing buy-in from the leaders of their institutions, and ensuring that the necessary steps are taken for final approval and launch of the NFIS. (See box 1.3.)
- ▶ **Working groups:** Working groups can be established to inform the development of specific policy areas of the NFIS—for example, financial consumer protection, financing micro, small, and medium enterprises (MSMEs), or digital payments. Often these working

groups are chaired by a member of the drafting committee and composed of consultation stakeholders, including those from the private sector. The working groups would provide inputs into, and discuss key elements of, their policy area, such as the existing challenges and opportunities, NFIS policy objective, key actions, and M&E. (See box 1.4.)

A drafting model also identifies the processes through which stakeholders will engage with one another. The processes may include the following:

- ▶ **Consultation workshops:** Consultation workshops can be effective tools to engage stakeholders at key junctures throughout the NFIS development process. Workshops can be held with larger groups of consultation stakeholders to kick off the NFIS development process (see box 1.6), consult on high-level elements of the NFIS (such as vision, policy areas), and validate the final document. Working groups can also leverage consultation workshops to engage with a smaller set of stakeholders in a more focused manner and frequent basis.
- ▶ **Drafting retreats:** Once drafting is under way, drafting retreats can be an effective way for the drafting committee and/or working groups to undertake intensive drafting and avoid distractions of day-to-day responsibilities.
- ▶ **Solicitation of written inputs or comments:** This approach can be used in conjunction with consultation workshops to solicit written inputs from a wide range of stakeholders. This is most useful when undertaken at the beginning of the process (to gather initial views to shape the vision, policy areas, and so forth) and toward the end of the process (to request comments on a draft document). (See box 1.5.)

BOX 1.3

Country Example: NFIS Drafting Committee in Zambia

In developing Zambia's NFIS, authorities established a National Financial Inclusion Strategy Drafting Committee chaired by the Ministry of Finance. Members of the drafting committee included representatives from the Bank of Zambia, the Pensions and Insurance Authority, the Securities and Exchange Commission, the Competition and Consumer Protection Commission, and the Rural Finance Expansion Programme. The mandate of the drafting committee was to lead and facilitate the NFIS development process, including through the engagement of all relevant stakeholders.

BOX 1.4

Country Example: Working Groups in Peru

Peruvian authorities established seven technical working groups to inform the development of Peru's NFIS. The technical working groups were structured along the following themes: payments, savings, financing, insurance, consumer protection, financial education, and vulnerable populations. Participants in these working groups included representatives from a wide range of public, private, and civil society organizations. The working groups were mandated with defining the NFIS policy objective for their respective area, specific actions to achieve that objective, and indicators to use to measure progress.

► **One-on-one stakeholder consultations:** This approach can also be used in conjunction with other approaches and is particularly valuable for ensuring that key stakeholders feel adequately consulted and for addressing politically sensitive issues that may be difficult to discuss in a broader forum. If an external consultant is used to facilitate the NFIS development process, he or she can make use of such consultations during the initial phases to collect inputs from key stakeholders.

The usage and combination of these various mechanisms to organize and engage stakeholders is the overall drafting model.

Some countries have pursued drafting models that have proven to be ineffective in securing buy-in from relevant stakeholders. One such approach is for a lead stakeholder to retain sole responsibility and accountability for developing and implementing the NFIS with minimal consultation with other agencies or stakeholders. This approach is not recommended, as it can miss opportunities to capital-

ize on the knowledge and experience of other stakeholders and may lead to lower levels of support and buy-in during implementation.

Another approach has been to divide NFIS drafting activities among a number of institutions and stakeholders who provide inputs bilaterally to the lead stakeholder. The advantage to such an approach is a high degree of engagement and a diverse range of perspectives incorporated within the NFIS. However, since stakeholders are providing inputs bilaterally and not through a larger working group, it will be more difficult to achieve consensus on NFIS objectives and priorities. The effectiveness of this approach in delivering a cohesive and coordinated NFIS hinges on the strength of the central drafting institution and may reduce ownership of the strategy among relevant stakeholders. The consultative approach to drafting, while potentially more time-consuming in the short term, ultimately has a greater chance of resulting in an effective and successful NFIS.

BOX 1.5

Tip: Key NFIS Areas for Stakeholder Input during NFIS Development

Several NFIS areas benefit from input from stakeholders. The areas of input outlined below are aligned with the NFIS template described in chapter 2, and such inputs should be referred to during the drafting process. A lead stakeholder can solicit these inputs during consultations or workshops in order to inform further stages of drafting. In practice, a template can be used to structure and collect these inputs.

- 1. NFIS vision and definition of financial inclusion:** Stakeholders should contribute their view of the NFIS vision and a national definition for financial inclusion.
- 2. Baseline assessment:** Stakeholders should help identify the obstacles that currently constrain financial inclusion (legal, regulatory, market structure, and so forth) and the main opportunities they see for accelerating progress. Stakeholders can also provide each institution's main achievements to date with regard to financial inclusion. Achievements should indicate impact and effectiveness as feasible.
- 3. Policy objectives and policy areas:** Stakeholders should be asked to suggest specific NFIS objectives and policy areas.

- 4. Actions:** Each stakeholder should have the opportunity to propose concrete actions to be included in the NFIS. In particular, actions and reforms should address identified obstacles and opportunities, and they should be linked to broader NFIS objectives and policy areas. Recommended actions and reforms can include (i) legal and regulatory enactments or amendments, (ii) supervisory actions, (iii) diagnostics and data-collection exercises, (iv) capacity building, (v) product development, and (vi) financial education activities.

- 5. Monitoring and evaluation:** Stakeholders may also be requested to propose key indicators to be used to track national financial inclusion progress or measure the outcomes of key actions. The stakeholders should flag data sources managed by their own institution, if applicable.

Documenting contributions during the NFIS development process can also be useful to ensure accountability and for reference during the implementation phase.

1.2.2 NFIS Development Road Map

Once relevant stakeholders are identified and a drafting model has been selected, an NFIS development road map should be outlined to structure the NFIS development process and keep it on track. In essence, an NFIS development road map should provide stakeholders with a set of clear, sequenced, and time-bound steps to follow when developing the NFIS, including their respective responsibilities. (See box 1.7.) An NFIS development road map should highlight key milestones, including consultation events, data and diagnostics work, drafting deadlines, and processes to secure high-level approval of the NFIS. An illustrative drafting road map and timeline is pro-

vided in figure 1.2. Typically, the lead stakeholder(s) will develop the NFIS development road map and share it for consultation with other drafting stakeholders.

Typically, developing an NFIS takes between 12 and 18 months. Factors that determine the length of the process include (i) the scope and depth of data and diagnostics work, (ii) the timeliness and efficiency of processes to gather and incorporate stakeholder inputs and feedback, (iii) the number of consultation stages, (iv) the existence of hard deadlines (for example, the need to launch before a certain date), and (v) the time needed to secure high-level approval prior to the launch.

BOX 1.6

Tip: NFIS Development Kick-Off Events

Once an NFIS development road map is drafted and agreed upon, conducting an NFIS development kick-off event to mark the initiation of the process and inform stakeholders of next steps (based on the road map) can help to generate enthusiasm and buy-in. A kick-off event can be large in size and include a wide range of private and public sector

stakeholders, as well as nongovernmental organizations and international organizations. The kick-off event should motivate the NFIS, outline the development road map, and indicate the expected roles of the assembled stakeholders. Initial ideas for NFIS vision, objectives, and policy areas can also be presented and discussed.

BOX 1.7

Tip: Using the RACI Model

A RACI model⁷ is a useful tool for determining the role of each lead and drafting stakeholder in the drafting road map. A RACI model can be used to align expectations and provide clear ownership of tasks and decisions. In a RACI model, stakeholders or titles are noted across the top, tasks or responsibilities are noted down the left-hand side, and the cells inside the table are filled in based on the following criteria:

- **R (Responsible)** = the stakeholder who performs the work. There must be one *R* on every row, no more and no less. *R* is the only letter that must appear in each row.

- **A (Accountable)** = the stakeholder ultimately accountable for the work or decision being made. Use this letter where appropriate but not to excess; use it only when a key decision or task is at hand. There can be no *As* or only one *A* in each row.
- **C (Consulted)** = any stakeholder who must be consulted prior to a decision being made and/or the task being completed. There can be as many *Cs* as are appropriate in each row.
- **I (Informed)** = any stakeholder who must be informed when a decision is made or work is completed. There can be as many *Is* as are appropriate in each row.

Example:

| | Central bank | Financial services authority | Ministry of finance |
|--|--------------|------------------------------|---------------------|
| Organize NFIS stakeholder kick-off workshop | R, A | I, C | I, C |
| Undertake assessment of ecosystem for digital financial services | C | R, A | C |
| Draft NFIS vision and objectives | R | C | C |

FIGURE 1.2: Illustrative NFIS Development Timeline



Planning for and securing the necessary high-level approvals to launch the NFIS is a key element of the NFIS development road map. A higher level of approval can motivate stakeholders to dedicate resources toward and ensure effective implementation of the NFIS. Some countries (for example, Indonesia) have also sought to ensure that the NFIS has a legal or regulatory backing, another approach to ensuring that implementation is taken seriously. In some cases, however, the process to secure high-level approval can delay the launch of the NFIS, so the lead stakeholder(s) should consider the approach early in the process. Local governance structures and norms will play a key role in determining the appropriate path for NFIS approval.

According to results from the 2017 Global Financial Inclusion and Consumer Protection Survey, 18 countries report that their NFIS was approved by a single institution (for example, the Ministry of Finance in Pakistan) or a multi-stakeholder entity (such as the National Financial Inclusion Council in Mexico). Some countries secured a higher-level approval. Four countries report that their NFIS was approved by cabinet (for example, Jamaica and Thailand), and three jurisdictions report that their NFIS was approved by presidential decree (Indonesia and Turkey).

1.3 CONDUCTING DATA COLLECTION AND DIAGNOSTICS WORK

Lead and drafting stakeholders should leverage a wide range of data and diagnostics work to ensure that the NFIS is evidence-based and accurately identifies obstacles and opportunities relevant to the achievement of national financial inclusion policy objectives. Robust data and diagnostics activities also provide a valuable baseline from which to measure progress over time and structure a robust M&E system. This section aims to provide greater detail about the various types of data and diagnostics activities that can usefully inform the NFIS development process.

A first step is to determine the scope and quality of existing financial inclusion data and diagnostics resources. This will allow stakeholders to identify gaps and determine what additional activities may need to be undertaken to gather relevant information. Information gathering falls into the following three broad categories:

- **Data**—in the form of demand-side data from a survey of individuals and/or households and/or MSMEs, and supply-side data from providers of financial services—is critical to benchmark current trends in the uptake, usage, and quality of financial products and services.

- ▶ **Thematic/subsector diagnostics or evaluations** that assess enabling environment factors and financial inclusion efforts and that may cover a particular subsector (for example, microfinance, payments), topic (for example, financial consumer protection, remittances), or program (for example, financial education, partial credit guarantee). At a minimum, lead and drafting stakeholders should collect relevant laws and regulations (including those under development), existing strategies, and institutional annual reports relevant to financial inclusion.
- ▶ **Mapping or stocktaking** of key financial inclusion activities or initiatives—for example, financial education programs, digitization of government-to-person transfers.

Lead and drafting stakeholders should also leverage global data resources and global standards or good practices that can be used to diagnostic work. For example, the *Global Findex* provides triennial demand-side data on the uptake and usage of financial products and services in more than 140 countries. Table 1.2 lists globally relevant

TABLE 1.2 Global Resources for Financial Inclusion-Related Data and Diagnostics

| | DEMAND-SIDE DATA SOURCES | SUPPLY-SIDE DATA SOURCES | GLOBAL STANDARDS OR GOOD PRACTICES FOR DIAGNOSTIC WORK |
|--|--------------------------|--------------------------|--|
| WBG Universal Financial Access Web Portal | ✓ | ✓ | ✓ |
| WBG Global Findex | ✓ | | |
| WBG Enterprise Surveys | ✓ | | |
| WBG Financial Capability Surveys | ✓ | | |
| Living Standard Measurement Surveys | ✓ | | |
| FinScope Surveys | ✓ | | |
| Financial Inclusion Insights (FI) Surveys | ✓ | | |
| IMF Financial Access Survey | | ✓ | |
| MIX FinClusion Lab (Geospatial Maps) | | ✓ | |
| FSP Maps (Geospatial) | | ✓ | |
| GSMA Mobile Money Adoption Survey | | ✓ | |
| WBG Global Payment Systems Survey | | ✓ | ✓ |
| G20 High-Level Principles for Digital Financial Inclusion | | | ✓ |
| CPMI-World Bank Payment Aspects of Financial Inclusion | | | ✓ |
| WBG Global Financial Inclusion and Consumer Protection Survey | | | ✓ |
| WBG Good Practices for Financial Consumer Protection, 2017 Edition | | | ✓ |
| OECD Set of Criteria, Principles, Guidelines, and Policy Guidance to Improve Financial Education | | | ✓ |
| CPMI-World Bank General Principles for International Remittances | | | ✓ |
| CPSS ⁵ -IOSCO Principles for Financial Market Infrastructures | | | ✓ |
| WBG Guidelines for Developing a Comprehensive National Retail Payments Strategy | | | ✓ |
| A Practical Guide for Retail Payments Stocktaking (World Bank, Banco Central do Brasil, European Central Bank) | | | ✓ |
| WBG General Principles for Credit Reporting | | | ✓ |
| Basel Guidance on the Application of Core Principles to the Regulation and Supervision of Institutions Relevant to Financial Inclusion | | | ✓ |

Note: CPMI = Committee on Payments and Market Infrastructures. CPSS = Committee on Payment and Settlement Systems. FSP = financial service provider. GSMA = GSM (Groupe Spécial Mobile) Association. IMF = International Monetary Fund. IOSCO = International Organization of Securities Commissions. OECD = Organisation for Economic Co-operation and Development. WBG = World Bank Group.

resources that can be drawn on to complement or inform country-specific resources and analyses.

If time and resources permit, new data-collection and diagnostics work—including demand-side surveys of individuals and/or firms, supply-side surveys of existing products and their key features, mappings of existing financial inclusion initiatives, and legal/regulatory analyses (for example, related to financial consumer protection or payment systems)—can provide timely and targeted insights to inform the NFIS. In other cases, particularly when NFIS drafts are facing time or resource constraints, primarily existing materials will be leveraged, with data and diagnostic gaps included as potential actions in the NFIS itself.

1.3.1 Data Collection and Analysis

Robust data is a critical input for the design of an NFIS. As noted previously, a key first step is defining the universe of relevant data that can be leveraged to inform a baseline assessment of financial inclusion, and to identify obstacles and opportunities for greater financial inclusion. Lead and drafting stakeholders should consider the following types of data, which together make up a country's financial inclusion data infrastructure:

- ▶ **Supply-side data** collected from providers of financial services, often through off-site supervision reporting systems. Supply-side data is particularly valuable for measuring levels of physical access (for example, the number of branches, agents, automated-teller machines, and so forth) and transaction numbers and volumes. It can be difficult to use supply-side data to measure ownership of accounts, due to double-counting (that is, an individual owning more than one account) and dormancy issues. Supply-side data is typically less costly to collect and can be gathered on a more frequent basis.
- ▶ **Demand-side data** is collected from current and potential users of financial services, typically via surveys of individuals, households, and/or firms, and is particularly valuable for measuring uptake and usage of financial services, and for assessing the distribution of financial services across key consumer segments (for example, women, rural residents) and the relationship between financial behaviors and other factors (for example, poverty, employment, and so forth). However, demand-side financial inclusion data can be costly to collect and is therefore typically gathered only once every two to five years.

- ▶ **Enabling environment data** is supplied by institutions that provide the enabling legal, regulatory, infrastructure for the financial sector. This can include information from credit-reporting systems (for example, the percentage of adults covered by a credit bureau) and from alternative dispute-resolution mechanisms (for example, the number of consumer complaints received annually). Enabling environment data is typically readily available but requires coordination with relevant institutions.
- ▶ **Program data** is collected by programs relevant to financial inclusion, including, for example, government-to-person transfer programs, financial education programs, or credit guarantee programs. Such data is also typically readily available but requires effort to consolidate.

Use of these four types of data is recommended to provide a comprehensive picture of the availability, uptake, and quality of financial services. Demand- and supply-side data in particular are complementary to one another given the limitations and strengths of each—that is, with respect to frequency, cost, and methodological issues (for example, respondent recall, double-counting accounts). (See figure 1.3.)

A useful first step in determining what data exists or should be collected to inform the NFIS is to map all available data sources. (See table 1.3 and box 1.8.) The following subsections provide a closer examination of demand- and supply-side data, including key considerations for how to strengthen these aspects of the financial inclusion data infrastructure.

Demand-Side Data

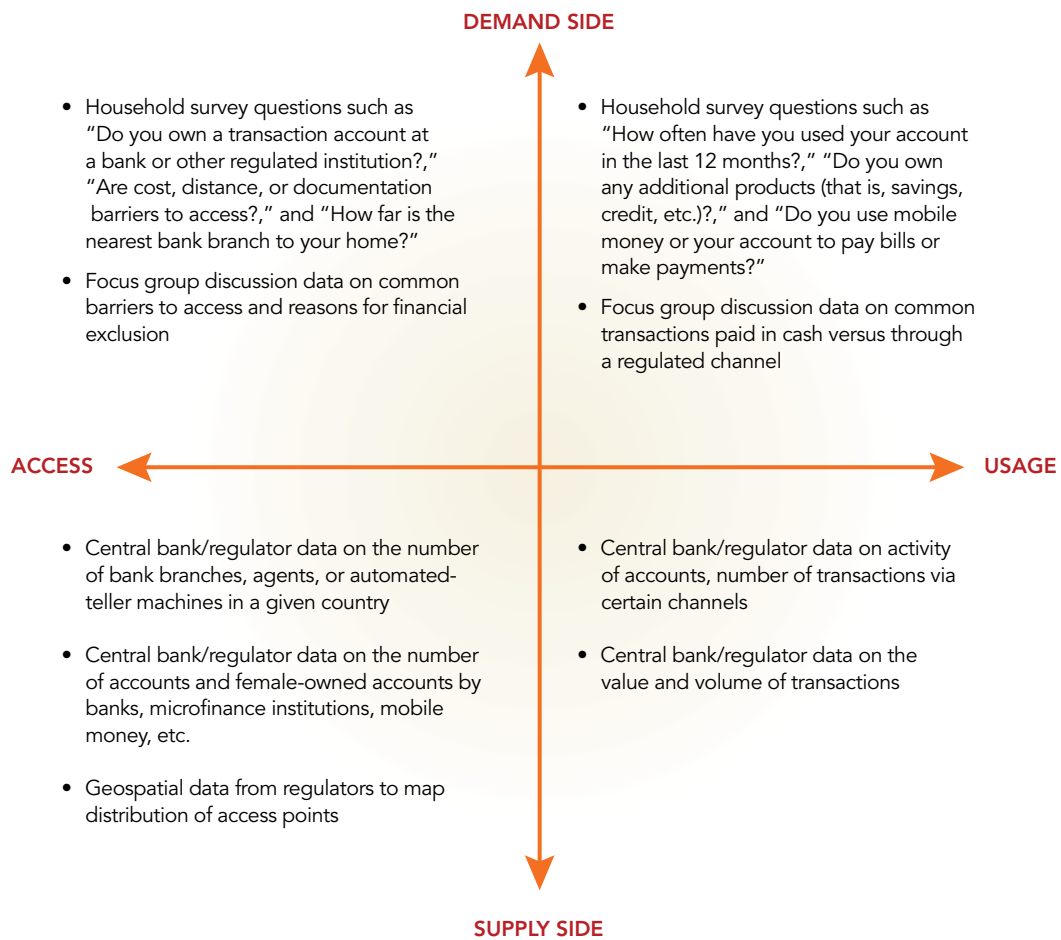
Demand-side surveying of individuals, households, and firms has long been a critical tool for policy making. Surveys collect valuable data from the perspective of the individual (or household) or firm. Demand-side financial

BOX 1.8

Key Resource: Universal Financial Access Web Portal

The World Bank's web portal **Universal Financial Access 2020** consolidates and analyzes a variety of financial inclusion demand- and supply-side indicators. The portal provides country statistics as well as regional comparisons and global outlooks.

FIGURE 1.3: Demand- and Supply-Side Financial Inclusion Data



inclusion surveys can directly inform the design of financial inclusion strategies and seek to achieve the following objectives:

- Provide representative data at the national level that elucidates financial inclusion insights for key population segments, including regions or provinces, income, rural/urban, gender, and so forth
- Create a baseline assessment of current financial inclusion levels, including financial patterns and preferences, perceived barriers, and awareness levels of formal financial services
- Evaluate perceptions and the thought processes behind certain behaviors, which may include perceived barriers, unmet demand for certain products or product features, and underlying psychological attitudes that may affect financial decisions
- Identify potential services or channels that can better meet the needs of underserved adults

- Allow an understanding of the relationship between financial inclusion and broader socioeconomic and demographic circumstances

During the NFIS development stage, lead and drafting stakeholders should determine whether new demand-side data is needed to inform a baseline assessment and whether the data can feasibly be collected during the NFIS development stage. This determination will be primarily influenced by (i) the scope and quality of existing demand-side data, (ii) options for integrating the financial inclusion module into existing demand-side surveys, (iii) resource availability, and (iv) time constraints.

Figure 1.4 provides guidance on this process. While new data-collection initiatives can provide invaluable and targeted insights to inform a strategy, a new stand-alone survey may not always be the most effective approach, particularly if there are notable time and resource constraints. It may be more beneficial to assess if publicly

TABLE 1.3: Available Data Sources Template Example

| SOURCE | TYPE OF DATA | KEY INDICATORS | SAMPLE | YEAR (MOST RECENT) | FREQUENCY | RESPONSIBLE INSTITUTION |
|---|--------------|---|---|--------------------|-------------------|-----------------------------|
| <i>Country-owned</i> | | | | | | |
| Off-site supervision data | Supply | – # of financial access points – Volume of retail cashless payments per capita | Banks, nonbank e-money issues, financial cooperatives | 2018 | Monthly | Central bank |
| Living standard measurement survey | Demand | - % of adults with a transaction account - % of adults making a digital payment in past year | 10,000 individuals | 2016 | Every five years | National statistics agency |
| Credit bureau | Enabling | % of individuals covered by credit bureau | Bank customers | 2018 | Monthly | Credit bureau |
| Income support program | Program | % of social transfer recipients receiving money electronically | 40,000 beneficiaries | 2018 | Annual | Ministry of Social Affairs |
| <i>International organizations (selected)</i> | | | | | | |
| Global Findex | Demand | – % of adults with a transaction account – % of adults making a digital payment in past year | 1,000 individuals per country, 140+ countries | 2017 | Triennial | World Bank Group |
| Enterprise Surveys | Demand | – % of adults with a loan or line of credit – % of firms reporting access to finance as a major obstacle | Firms with 5+ employees, 135+ countries | 2017 | Varies by country | World Bank Group |
| Financial Access Survey | Supply | – # bank branches per 100,000 adults | 130+ countries | 2017 | Annual | International Monetary Fund |

available global resources can instead be leveraged as baseline data for an NFIS. In addition, another effective approach may be to integrate financial inclusion indicators and modules into preexisting, relevant, and established surveys. If these options are not feasible or if stakeholders are interested in a timely, comprehensive, and locally tailored demand-side survey, then a new effort should be considered. (See box 1.9.) In some cases, given time constraints, efforts in the NFIS development stage will be oriented toward ensuring that reliable demand-side financial inclusion data will be available in the future and leveraged to monitor NFIS progress.

Many international organizations conduct periodic financial inclusion surveys that are publicly accessible. (See box 1.9.) Table 1.4 lists common, globally available, demand-side financial inclusion survey resources that can be used to underpin the development of an NFIS.

Financial inclusion surveys that are conducted and managed by relevant national authorities or statistical agencies are often sustainable data sources that will help provide periodic financial inclusion tracking over time, particularly if they are integrated into already-existing surveys. Leading government research agencies, such as national statistics agencies, can be leveraged to provide

BOX 1.9

Key Resource: The Global Findex

The *Global Findex* is a cross-country, demand-side database that measures how adults save, borrow, make payments, and manage risk. The *Global Findex* is undertaken every three years as part of the Gallup World Poll, which surveys more than 150,000 adults in over 140 countries. The *Global Findex 2017* data shows that 1.7 billion adults worldwide still lack access to a basic account, though significant progress has been made since 2011. *Global Findex* data can be leveraged by lead and drafting stakeholders to provide a baseline assessment of financial inclusion in instances where country-owned data is not available, or to undertake a benchmarking analysis against peer economies. More information, including country-specific data and survey methodology, is available at <https://globalfindex.worldbank.org>.

FIGURE 1.4: Determining the Need for a New Demand-Side Survey

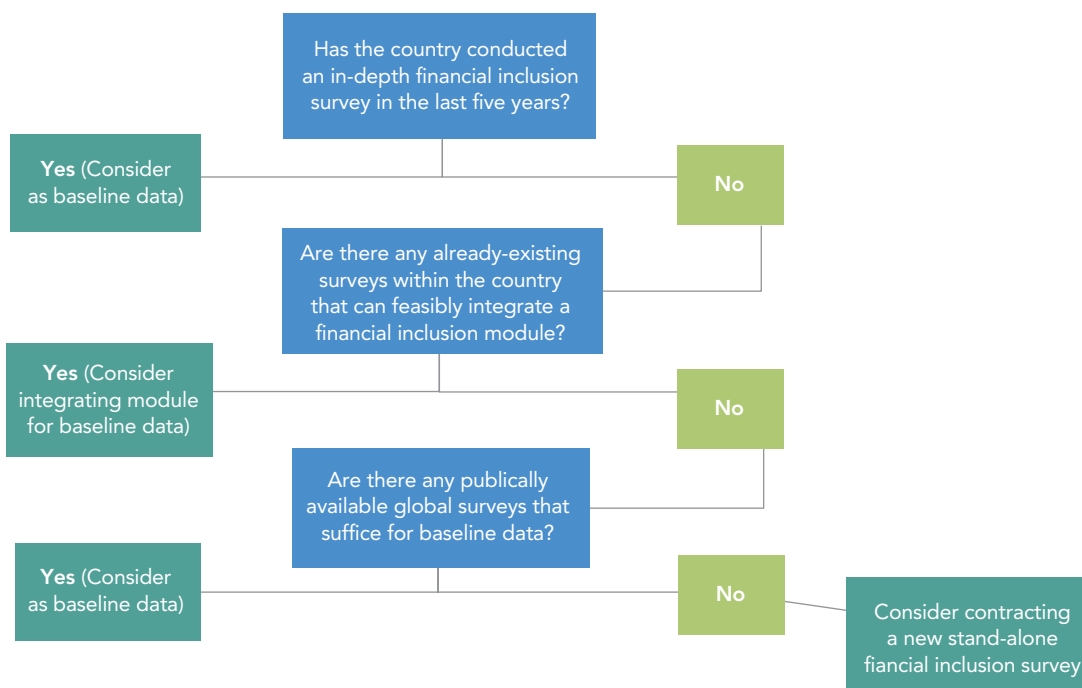


TABLE 1.4: Publicly Available Financial Inclusion Demand-Side Data Sources

| | TARGET POPULATION | SAMPLE SIZE | FREQUENCY | BENEFITS | CHALLENGES |
|---|-------------------|---------------------|---------------------------------|---|--|
| World Bank Global Index | All adults | 1,000 ⁵ | Triennial | Global benchmarking analysis | Sample size can limit granularity of analysis |
| World Bank Enterprise Surveys | Firms | Varies | Varies | Access to finance module for firms | Limited to formal firms with at least five employees |
| World Bank Financial Capability Surveys | All adults | ~3,500 | Stand-alone | Detailed financial capability modules | Limited country coverage |
| World Bank Living Standard Measurement Surveys | Households | ~10,000 individuals | Biennial | Linkages to socio-demographics | FI module not always included |
| Financial Inclusion Insights (FII) (Gates Foundation) | All adults | ~3000 | Annual or biennial ⁶ | Linkages to digital financial inclusion | Limited country coverage ⁷ |

periodic financial inclusion data either by developing specific financial inclusion surveys or by integrating financial inclusion modules into already-existing household or individual surveys. In some cases, it may be worthwhile for a country to consider inserting high-level financial inclusion indicators into the census when it becomes applicable.

In addition, other government agencies may already conduct relevant surveys that provide natural synergies and can be further leveraged to include core financial inclusion indicators or modules. For instance, a national agricultural survey conducted by the Ministry of Agriculture may be an opportunity to integrate core financial inclusion indicators

for tracking. It is necessary to scope relevant ministries and government agencies to assess (i) if relevant surveys and modules exist, (ii) if there is scope to integrate additional modules and indicators, and (iii) if these surveys can be leveraged periodically for continuous financial inclusion tracking. By stocktaking and mapping these various surveys and potential surveys efforts, countries can utilize country-owned resources to gather financial inclusion data, as opposed to conducting a stand-alone survey from scratch and as an alternative to global data sources.

Depending on the country context, some government agencies (and international organizations) privately con-

BOX 1.10**Country Examples: Financial Inclusion Surveys in the Philippines, Mexico, and Ethiopia**

- The Inclusive Finance Advocacy unit within the Bangko Sentral ng Philippines developed and conducted its own central bank–led **financial inclusion survey** in 2015 to create a baseline and inform the development of a financial inclusion strategy.
- The central bank of Mexico (the Comision Nacional Bancaria y de Valores) conducted a **financial inclusion survey** periodically in 2012 and 2015 to develop a baseline and identify key constraints and strategies to inform the recently launched 2016 financial inclusion strategy.
- The National Bank of Ethiopia integrated a financial inclusion module into the Ethiopian Socio-Economic Survey, a biannual survey conducted by the **Ethiopian Central Statistics Agency**. This module forms the foundational data used for tracking national financial inclusion progress.

tract survey firms or institutions to conduct financial inclusion baseline assessments. Benefits include being able to customize the survey and methodology depending on the country context, but privately contracting firms may be costly to continue over time. Each survey wave will require funding and contracting by a financial inclusion champion or relevant agency.

Supply-Side Data

The data from financial service providers is an essential component in analyses of the financial inclusion landscape and environment. Supply-side data is typically more readily available to lead and drafting stakeholders during the NFIS development process, though additional efforts may be required (including during NFIS implementation) to strengthen the quality, scope, and consistency of this data. Lead and drafting stakeholders should engage with the collectors of supply-side data to determine what data is readily available, what the limitations of this data are, and what can be done to strengthen the data during NFIS development and implementation. (See box 1.11.)

Collectors of supply-side financial inclusion data generally include central banks, financial sector regulators, national bureaus of statistics, agricultural ministries, and a range of other public and private stakeholders. While the primary function of these supervisory functions has been to assess the viability and performance of individual institutions (including commercial banks, e-money issuers, nonbank institutions, insurance companies, and so forth) and to evaluate systemic risk, certain data indicators can be leveraged for frequent financial inclusion tracking. Relevant indicators often include (but are not limited to) the total number of accounts, account activity, volume and value of transactions, number of different products, and number of access points.

Some countries face a limitation in the use of supply-side data when their data does not include strategically relevant indicators or segmentations. For instance, many countries do not have a centralized way to gain insight into the *unique distribution* of financial services through supply-side data alone. That is, it is difficult to tell if an adult has more than one account by using supply-side data alone—even if a country's total number of accounts is equal to its population (that is, a one-to-one ratio of adults to accounts)—or if an individual owns multiple or dormant accounts. This same limitation also often occurs with gender, frequent account activity, and regional segmentation, which limits insights into the reach of the financial sector for priority populations. A final limitation to supply-side data is that due to the diversity of institutions and products in a given country, aggregation may not be straightforward. Other considerations that may affect the quality of supply-side financial inclusion data collection are (i) the accuracy of reported data, (ii) the independence of collecting entity, and (iii) adequacy of resources.

Ideally, supply-side indicators should include relevant financial inclusion segmentations (like gender, region, account uniqueness and activity, addresses/location data,⁸ and so forth). However, if strategically relevant indicators are not available, financial sector authorities should consider embedding these additional financial inclusion indicators into off-site supervision and reporting systems. While it may not be possible to collect this data in time to inform the NFIS, it can inform indicators that can be included in the NFIS M&E system and tracked during the implementation period. For instance, it may be feasible to integrate within an off-site supervision template a column to collect the number of accounts by males/females or to request a total of unique accounts.

BOX 1.11**Tip: Conducting a Mapping of Access Points: Collecting and Analyzing Geospatial Data**

Geospatial data is becoming increasingly popular with respect to financial inclusion, as geospatial data can be leveraged to map available and existing access points and to assess the distribution of financial services. Some publicly available geospatial financial inclusion maps exist—namely, those provided by **MixMarket’s Finclusion Lab** and the **Bill and Melinda Gates Foundation**. Geospatial data can be constructed by data that is either geocoded, has a longitude or latitude, contains an address, postal code, or any locational data. Although geolocation (or latitude and longitude) is ideal for accurate mapping, geolocated access points are not essential for a mapping analysis. Insightful maps can also be developed by collecting locational data available at the “town” or postal code level. Many central banks already collect locations of access points in some way, and these data points can often be leveraged for geospatial mapping. The steps outlined below provide guidance on conducting geospatial analyses.

Step 1: Identify types of data to collect. Typically, for mapping of access points, locational data is collected for (i) branches of various financial service providers, such as banks, financial cooperatives, microfinance institutions, and insurance providers; (ii) automated-teller machines (on- and off-site); and (iii) agents.

Step 2: Collect the data. Data can be collected by regulators primarily via financial service providers. Different tiers of locational data can be collected. For each access point, the following locational data can be collected: (i) geocoded data, (ii) coordinate-level data (longitude and latitude), (iii) addresses, (iv) neighborhood-level data (such as zip or postal codes), and (v) administrative division (for example, district) locations.

Step 3: Verify the data. Once data is collected, a geographic information system specialist will need to compile all the different geographic data, cross-locate through a geolocation platform, and assess any errors and gaps for follow-up work and verification.

Step 4: Analyze and map the data. A series of analyses can be conducted to map all the access points, identify opportunities, and build a business case for reforms. Different data can be overlaid onto maps—for example, demand-side financial inclusion data or data on levels of mobile coverage or paved roads. Typical research questions include (i) the optimum distance between adults and various types of access points, (ii) optimal access points for different populations and regions, and (iii) hot-spot analysis to understand quick wins and highest opportunity areas for new access point placement.

1.3.2 Diagnostic Work

Thematic or subsector diagnostics or evaluations are another critical input into the NFIS development process. Diagnostics can provide a clear assessment and set of recommendations relevant to the enabling environment for financial inclusion and allow NFIS drafters to draw from in-depth technical analysis. (See box 1.12.) Such diagnostics may already exist. For example, several countries have leveraged recent IMF-World Bank Financial Sector Assessment Program analyses and recommendations to inform their NFIS. In most countries, however, additional diagnostics or evaluations provide useful insight into specific subsectors or themes.

Technical diagnostics often cover key areas of the financial sector, with a focus on financial inclusion aspects. Conducting a technical diagnostic can be resource intensive. If there are resource constraints, priority sectors can be identified and sequenced instead. Key stakeholders —

including government entities, financial institutions, relevant financial associations, nonbank institutions, mobile network operators, international organizations, nongovernmental organizations, and other relevant players—should be met to collect the necessary information. The results and insights from a technical diagnostic can be leveraged to detail the strategy and formulate the NFIS action plan. (See box 1.13.) Diagnostic areas include (but are not limited to) the following:

- Agricultural finance
- Financial consumer protection
- Payments
- Credit infrastructure
- Digital financial services
- Housing finance
- Insurance
- Islamic finance
- Microfinance
- SME finance

BOX 1.12**Country Example: Diagnostic Work to Inform NFISs in Pakistan and Paraguay**

The State Bank of Pakistan initiated the development of Pakistan's National Financial Inclusion Strategy in August 2014. As part of the NFIS development process, the authorities worked with the World Bank Group to prepare 10 diagnostics to identify key obstacles and opportunities to advance financial inclusion and inform NFIS objectives and actions. The technical diagnostics covered (i) agricultural finance, (ii) consumer protection and financial literacy, (iii) digital transaction accounts, (iv) housing finance, (v) insurance, (vi) Islamic finance, (vii) MSME finance, (viii) payment systems, (ix) pensions, and (x) secured transactions. The diagnostics also served as useful resources to the NFIS working groups, which were structured along similar theme.

To inform the development of Paraguay's NFIS, the authorities worked with the World Bank Group to prepare four technical notes drawing on (i) a nationally representative demand-side survey of individuals, (ii) a supply-side assessment of existing financial products and services, (iii) an assessment of the legal and regulatory framework for financial inclusion, and (iv) a consumer protection and financial literacy diagnostic. The findings of these technical notes are highlighted in a section of the NFIS entitled, "Current State of Financial Inclusion in Paraguay—Where Are We?," which is divided into seven subsections (financial inclusion environment, savings, credit, payments, insurance, financial education, and consumer protection). The assessments are publicly available (in Spanish) on the [Banco Central del Paraguay](#) website.

BOX 1.13**Tip: Orienting Diagnostic Work to Inform an NFIS**

The purpose of diagnostics undertaken in this stage is to inform the NFIS itself. Therefore, diagnostics should be oriented toward gaining insights that can be directly embedded in the NFIS. As such, diagnostics should shed light on the following areas, which are aligned with the structure of an NFIS as outlined in chapter 2. A typical technical diagnostic report contains the following sections:

- 1. An overview of the current state of the sector:** A diagnostic should provide a detailed overview of the sector or subtopic, employing key data collected by both supply- and demand-side data sources, and it should provide a snapshot of current trends. This can include, as applicable, (i) an institutional landscape, (ii) the legal framework, (iii) relevant infrastructure, (iv) products and services, (v) demand-side analysis, and (vi) global benchmarking.
- 2. Primary constraints and opportunities:** A diagnostic should generate insights about the primary constraints and opportunities relevant to

financial inclusion in the sector or subtopic under assessment.

- 3. Objectives relevant to financial inclusion:** The sector- or subtopic-specific objectives relevant to improving financial inclusion should be identified.
- 4. High-level targets:** The objectives should be translated into measurable indicators and targets that can track the development of the sector or subtopic over time as it relates to financial inclusion.
- 5. Recommendations and actions:** Technical recommendations that address the key constraints and opportunities should be listed and detailed, with sequencing for short-, medium-, and long-term actions. A high-level action plan should also be provided or listed.

The NFIS drafting process discussed in chapter 2 requires that insights gained from various diagnostic work be integrated into a single coherent baseline analysis (see section 2.2), set of policy objectives (see section 2.3), and action plan (see section 2.5).

1.3.3 Mapping and Taking Stock of Key Programs Relevant to Financial Inclusion

A mapping and stocktaking of relevant recent or existing initiatives should be undertaken. Such an exercise should cover efforts by government authorities, financial institutions, international organizations, and nonprofit organizations to tackle any aspect of financial inclusion. This process should attempt to include a description of all essential aspects of relevant programs (including objective, target population, achievements, and so forth) and to

assess obstacles or opportunities relevant to the NFIS. A mapping will help shed light on existing financial inclusion experiences, understand lessons learned, and identify strategies from successful programs and delivery channels that can be further leveraged as part of the NFIS. In addition, the mapping will constitute the first step in identifying additional stakeholder meetings and required follow-up work, as well as quantitative and qualitative resources that need to be further developed prior to the NFIS drafting process.

NOTES

4. "Organization Charts and Position Descriptions" in PMI 2013, 262.
5. Some countries, such as China and India, have larger sample sizes.
6. Depending on the country context.
7. Financial inclusion insight surveys are available in Bangladesh, Benin, Ghana, India, Indonesia, Kenya, Nigeria, Pakistan, Rwanda, Senegal, Tanzania, and Uganda.
8. Addresses and even locational data equivalent to postal codes can be collected to provide a mapping of access points to understand the locational distribution of financial services to inform policy or a business case of reforms.

NFIS TEMPLATE AND KEY COMPONENTS

This chapter provides NFIS stakeholders with a template to facilitate the drafting of a comprehensive and action-oriented NFIS. As discussed in chapter 1, the NFIS development process should be consultative and draw from a range of technical resources and expertise. The guidance provided in this chapter can be used to elaborate and iterate an NFIS draft as relevant stakeholders provide their contributions and inputs.

This chapter's structure follows a recommended outline of a national financial inclusion strategy. It includes the following sections:

Section 2.1: Rationale and Vision. The introductory section of an NFIS should answer the question, Why is this important? and set forth the national vision and definition for financial inclusion. This section should also articulate how the NFIS is aligned with and complementary to existing national, economic, and financial sector priorities and strategies.

Section 2.2: Baseline Assessment. This section provides the analytical underpinning of the NFIS. The section should summarize current levels of financial access and usage and identify the obstacles and opportunities relevant to the achievement of the NFIS vision.

Section 2.3: Objectives and Policy Areas. This section defines a set of specific policy objectives that should be clearly defined, and they can be grouped into a set of policy areas—for example, digital financial services or financial consumer protection.

Section 2.4: Governance Arrangements. This section outlines a set of NFIS governance entities, as well as their roles and functions. Inclusive but efficient governance arrangements are important to ensure continued collaboration during NFIS implementation.

Section 2.5: Monitoring and Evaluation System. This section summarizes the key elements of the NFIS M&E system, which is needed to translate financial inclusion objectives into measurable indicators and targets and to ensure that implementation progress is tracked and assessed.

Section 2.6: Action Plan. This section comprises a set of sequenced, time-bound, and prioritized actions to achieve NFIS objectives. The action plan should include clear indication of institutional responsibilities as well as a set of “quick wins.”

Section 2.7: Risks and Mitigation Measures. This section identifies NFIS implementation risks and effective mitigation measures.

Each section of this chapter describes the key content that should be covered in an NFIS document, along with guidance on the drafting process.

2.1 RATIONALE AND VISION

The introductory section of the NFIS should provide sufficient motivation and context by answering the key question, Why is this important? Answering this question means demonstrating not only why financial inclusion as a policy objective is imperative, but also why a strategic

approach to financial inclusion reforms is necessary within the specific country context. As such, NFISs generally begin with a few introductory paragraphs that motivate the NFIS and cover the following elements:

- ▶ **Why financial inclusion is an important policy objective**, including how the uptake and usage of appropriate financial products and services can help improve resistance to shocks, boost productivity of businesses, facilitate female empowerment, and help reduce extreme poverty and increase shared prosperity (drawing on a range of evidence and current research).
- ▶ **Why an NFIS is needed now** in terms of current gaps in financial inclusion and the overall rationale for focused and coordinated efforts. In addition, the NFIS can refer to the benefits of having a strategy from a global perspective. Typically, a national financial inclusion strategy is intended to provide a coherent and institutionally collaborative approach to developing and implementing key activities that promote financial inclusion. The strategy should equip relevant stakeholders and policy makers with a clear framework for implementation and evaluation, sequenced or prioritized areas of focus, and identified priority actions to be completed within particular a time frame.
- ▶ **How an NFIS aligns with or supports the country's related objectives**, including overall national, financial sector, economic development, and/or poverty alleviation objectives and existing initiatives. Clarification can also be usefully provided on the relationship and hierarchy of the NFIS with other relevant strategies or plans (for example, national development plan, financial sector development plan, national payments systems strategy, and so forth).
- ▶ **The context of the NFIS** in relation to other previous commitments or efforts related to financial inclusion made by the country and relevant stakeholders.

The overarching vision for the NFIS should be defined early in the document. The vision should answer the question, What would a successful implementation of the NFIS achieve? and can be drafted as either as a stand-alone subsection or as part of the above-mentioned introductory section. Box 2.1 provides several examples of NFIS visions.

This introductory section should also include a clear definition of financial inclusion, so that all stakeholders share an understanding of the overall concept and key elements. (See box 2.2.) Without such a definition, some stakeholders may have a credit-focused view of financial inclusion, others may view financial inclusion primarily in the context of corporate social responsibility, while others may take a more holistic view. A clear definition of financial inclusion will enable more productive and focused discussions around policy areas and actions.

Finally, the implementation period should be specified in the introductory section (or in the title of the NFIS document itself). NFISs have varying time frames of implementation, typically ranging from three to six years; the average length is four years. (See box 2.3.)

2.2 BASELINE ASSESSMENT

The assessment section provides the analytical foundation of the NFIS. The objective is to benchmark the current state of affairs with respect to financial inclusion and identify a set of obstacles and opportunities relevant to the achievement of the vision set forth in the previous section. The identification of these obstacles and opportunities then serves to inform and motivate the policy pillars and objectives (section 3), targets (section 5), and action plan (section 6) to achieve the NFIS vision.

BOX 2.1

Country Examples: NFIS Visions in Tanzania, the Philippines, and Haiti

Tanzania's **National Financial Inclusion Framework** sets forth as its vision the following: "All Tanzanians regularly use financial services and payment infrastructures to manage cash flows and mitigate shocks. These are delivered by formal providers through a range of appropriate services and infrastructure, with dignity and fairness."

The Philippines' **National Strategy for Financial Inclusion** establishes an overall vision of "a financial system that is accessible and responsive to the needs

of the entire population and toward a broad-based and inclusive growth, particularly, to ensure that this financial system also serves the traditionally unserved or marginalized sectors of the population. This vision is guided by a focus on the client."

Haiti's **National Financial Inclusion Strategy** envisions "wide access to savings, credit, and other financial products and services, with the aim of reducing poverty and income inequality and creating a financially and economically inclusive society."

BOX 2.2

Country Examples: Defining Financial Inclusion in Nigeria, China, and Paraguay

Definitions of financial inclusion vary, but many have common elements, including those related to physical access, diverse and appropriate products, commercial viability and sustainability, and responsibility and safety. Examples include the following:

- “Financial Inclusion is achieved when adults have easy access to a broad range of formal financial services that meet their needs and are provided at affordable cost.” (Nigeria, **National Financial Inclusion Strategy**)
- “Financial inclusion means providing financial services to all social strata and groups with demands for appropriate and valid financial services, at an

affordable cost, based on the principles of opportunity, equality, and commercial sustainability.” (China, **Plan for Advancing the Development of Financial Inclusion**, translated)

- “The access to and usage of a range of quality, timely, convenient and informed financial services at affordable prices. These services are under appropriate regulation that guarantee consumer protection and promote financial education to improve financial capabilities and rational decision making by all segments of the population.” (Paraguay, **National Financial Inclusion Strategy**)

BOX 2.3

Country Examples: NFIS Implementation Period Examples

| INDONESIA | JAMAICA | MADAGASCAR | MALAWI | NIGERIA | PAKISTAN | PARAGUAY | TANZANIA | ZAMBIA |
|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| 4 years 2016–19 | 5 years 2016–20 | 5 years 2013–17 | 5 years 2010–14 | 3 years 2012–14 | 5 years 2016–20 | 5 years 2014–18 | 5 years 2018–22 | 6 years 2017–22 |

Source: World Bank Group 2017a.

The assessment section should provide an overview of the levels of access, usage, and quality of financial services in the country through analyses of the following:

- **Supply of financial services**, or the financial sector landscape, including institutional composition, physical reach, key products, level of innovation and use of technology, and major recent developments
- **Demand for financial services**, including current usage (use cases, frequency of use, and so forth) of regulated and unregulated financial services, including trends over time and across key population segments (for example, women, the poor, youth, and so on) and regions
- **Enabling environment**, including relevant laws and regulations as well as the financial infrastructure (for example, payments infrastructures, credit-reporting systems) and other relevant infrastructures (such as ID infrastructure, ICT infrastructure, power supply)

BOX 2.4

Tip: Alignment of Assessment and NFIS Policy Areas

The content and structure of this section should be consistent with the policy objectives and areas outlined in the subsequent section. If, for example, the NFIS is structured around the policy areas of payments, savings, insurance, financial consumer protection, and financial capability, then each area should be explicitly addressed in the assessment section.

The assessment section should also discuss key financial subsectors as feasible and detail the current state, notable progress, and major bottlenecks that may be slowing sectoral progress. (See box 2.4.) This section can also usefully highlight constraints that disproportionately affect some target groups (such as women or rural residents). Finally,

the assessment section should also refer to any national trends that are relevant to financial inclusion (for example, labor market trends) or the achievement of the NFIS vision (such as fiscal constraints). A section or box summarizing constraints and opportunities can be useful to synthesize the insights from this section.

Lead and drafting stakeholders can draw on inputs from a range of stakeholders (see box 1.5) as well as relevant data and diagnostics (see section 1.3) to draft this section. Preparatory work to inform this section should be conducted prior to the strategy drafting. The scope and depth of the section will vary depending on available data and diagnostics. If time and resources permit, new data collection or assessments can provide invaluable and targeted insight to inform this section, including through demand-side surveys of individuals and/or firms, supply-side surveys of existing products and their key features, and legal/regulatory analyses (for example, related to financial consumer protection or payment systems). In other cases, the section will draw from existing materials, highlighting gaps when applicable.

Rather than appending together existing or separately executed analyses, efforts should be made to integrate these analyses into a single coherent narrative that motivates the NFIS objectives and key NFIS actions. (See box 2.5.)

2.3 OBJECTIVES AND POLICY AREAS

This section of an NFIS presents NFIS objectives and policy areas that reflect the NFIS's vision (section 2.1) and the identified barriers that constrain its achievement (section 2.2). NFIS objectives and policy areas can also be visually summarized as an NFIS framework.

A useful starting point for this section is defining a specific set of NFIS objectives. These objectives should be more concrete than the overall NFIS vision and describe what should be achieved within the term of the NFIS. (See box 2.6.) For example, a policy objective might be "facilitate innovation and the use of technology among financial service providers," "enable all rural residents to have convenient access to financial access points," or "reduce the gender gap in financial inclusion." (Objectives can also be described in terms of expected outcomes.)

BOX 2.5

Tip: World Bank Approach to Analysis of Financial Inclusion in FSAPs

A range of analytical approaches can be used to structure a baseline assessment of financial inclusion and identify relevant obstacles and opportunities. The approach typically used by the World Bank when undertaking a financial inclusion assessment in the context of a Financial Sector Assessment Program emphasizes the following components:

Current state of financial inclusion: The analysis begins with a stocktaking of current levels of access and usage of financial products, drawing primarily on demand-side data.

Public and private sector commitment: This component assesses the degree to which key stakeholders have committed to and are implementing a well-developed and coordinated set of actions to enhance financial inclusion.

Provider diversity and sustainability: This component address the key constraints to achieving an innovative and competitive financial sector in which a range of providers are able to sustainably service the financial needs of individuals and MSMEs

Provider reach: This component addresses the degree to which the legal and regulatory framework

effectively facilitates the use of a wide range of access points to reach underserved consumer segments.

Product diversity and appropriateness: This component addresses key constraints to greater access and use of a range of suitable, tailored products and services, with an emphasis on product innovation, "micro" or basic products, and risk-based approaches to anti-money laundering/combating the financing of terrorism.

Financial infrastructure: This component addresses the degree to which credit-reporting systems and national payment systems facilitate competition, innovation, and the reduction of informational asymmetries.

Financial consumer protection: This component addresses key legal, regulatory, and supervisory constraints to ensuring that financial services are provided in a responsible, transparent, and nondiscriminatory way, with accessible and effective avenues for recourse.

Financial capability: This component addresses the principal knowledge, skills, attitude, and behavioral constraints to greater uptake and usage of appropriate financial services by individuals and MSMEs.

An NFIS document can also usefully group or summarize these objectives via a set of policy areas. Defining a concise set of policy areas can also help to structure other elements of the NFIS, including the action plan, governance arrangements, and M&E system. Various approaches can be taken to define a set of policy areas, and there is no one right approach. For example, policy areas can be oriented by one of the following:

- **Subsector or product cluster**—for example, banking, microfinance, payments, savings, insurance, pensions
- **End users**—for example, MSME finance, agricultural finance, women’s financial inclusion
- **Enabling infrastructure**—for example, credit infrastructure, national payment systems, information and communications technology infrastructure, identification systems, data infrastructure
- **Cross-cutting themes**—for example, digital financial services, fintech, distribution channels, product design, financial consumer protection, financial capability

of actions that will be implemented under each policy area can also be included in this section.

NFIS objectives and policy areas are sometimes presented in a conceptual framework. Such a framework can serve as a useful visual distillation of the objectives and policy areas. (See box 2.7.)

Some NFISs also separately highlight a set of target groups that represent underserved segments. (See box 2.8.) Target groups should be explicitly described in this section only if the NFIS’s action plan (section 6) contains actions that are oriented toward such groups. These target groups are often defined by a number of factors:

- **Demographic characteristics**—for example, women (see box 2.9) and youth
- **Income levels**—for example, the poor
- **Geographic location**—for example, rural, urban, peri-urban, or by region/state
- **Economic activity**—for example, MSMEs, agriculture-dependent households, informal sector workers

Figure 2.1 presents some of the policy areas used commonly in recent NFIS documents. A summary of the type

FIGURE 2.1 Policy Areas across 34 NFISs



Source: World Bank Group 2017a.

BOX 2.6

Country Example: Jamaica’s NFIS Policy Areas and Objectives

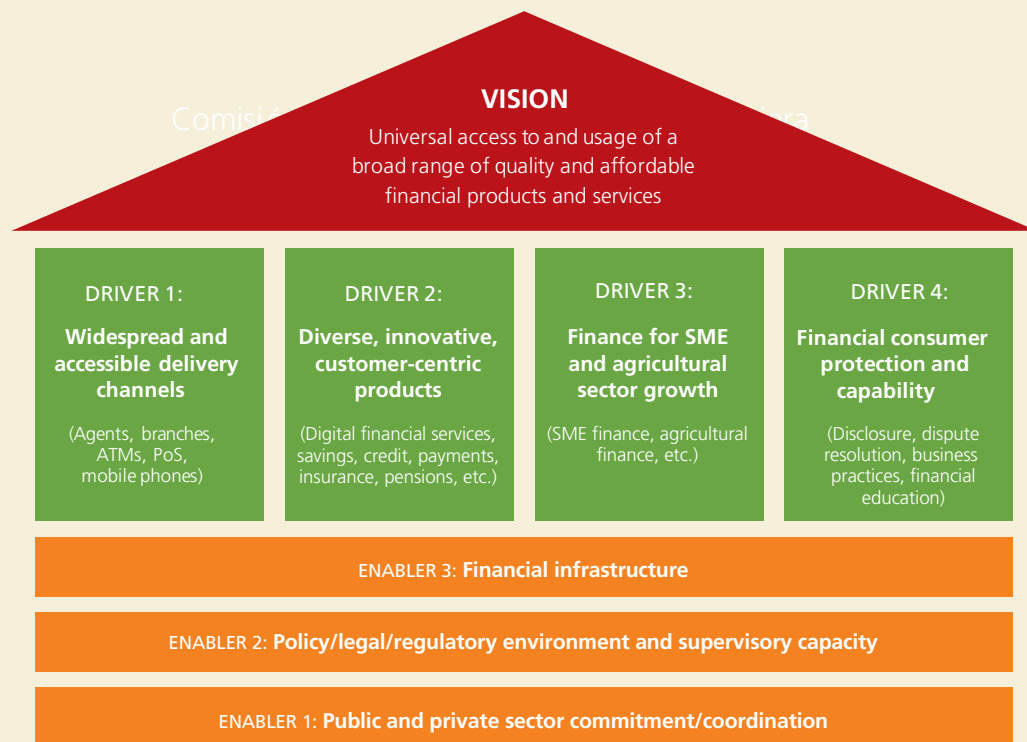
Jamaica’s 2016–20 **National Financial Inclusion Strategy** consists of five policy areas: (i) financial resilience, (ii) financial access and usage, (iii) financing for growth, (iv) responsible finance, and (v) supporting infrastructure. For the policy area on financial resilience, the NFIS defines an objective for each pillar. The objective of the financial resilience policy area is to “promote the development and use of appropriate savings, insurance, and retirement products, particularly for vulnerable segments of the population.” The NFIS further elaborates that under this policy area, the Jamaican authorities and financial inclusion stakeholders plan to:

- Develop a regulatory and supervisory framework for microinsurance, with a proportionate approach to the level of risk;
- Support the development of viable insurance instruments for agriculture in coordination with and participation of relevant public entities;
- Encourage the development of savings and insurance products for underserved segments of the population; and
- Promote pension coverage through retirement products targeted especially at the low-income and informal segments of the population.

BOX 2.7

Country Example: NFIS Policy Frameworks in Zambia

Zambia’s National Financial Inclusion Strategy identifies several policy areas and objectives for achieving its financial inclusion vision.



BOX 2.8

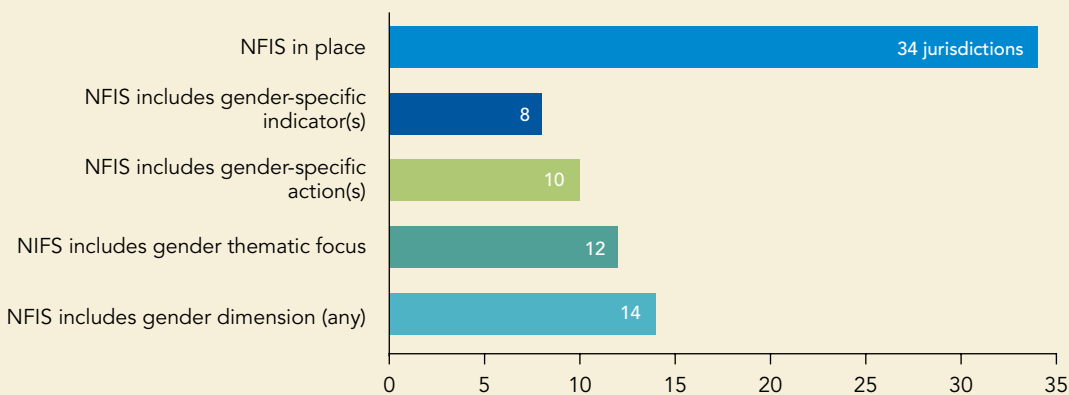
Country Examples: NFIS Target Populations in Indonesia and Peru

- Indonesia’s **National Strategy for Financial Inclusion** maps target group-specific actions against each one of the four target population groups it identifies: the low-income poor, the working poor/MSMEs, population with special needs—migrant workers and those living in remote areas—and the nonpoor (defined as the residual category, including those who are financially excluded but do not belong to the previous categories).
- Peru’s **National Financial Inclusion Strategy** highlights the specific financial needs and challenges of several vulnerable groups, including rural residents, the poor, adults with low education, displaced populations, and the disabled. The NFIS puts forward a range of actions that are explicitly linked to each vulnerable group, including the development of a national identification system (linked to informal sector workers and displaced populations), simplified documentation requirements (linked to adults with low education), and the extension of agricultural insurance subsidy programs (linked to rural residents).

BOX 2.9

Country Examples: Gender in National Financial Inclusion Strategies

Women represent a disproportionately large share of the world’s unbanked adults. According the 2014 Global Findex, women are 11 percent less likely than men to report owning an account at a formal financial institution; in some jurisdictions, the gap is significantly larger (Demirguc-Kunt et al. 2015). National financial inclusion strategies represent an opportunity to address the gender gap in financial inclusion. An analysis of the 34 jurisdictions that report having an NFIS in place shows that 14 NFISs include a gender dimension. Twelve jurisdictions have a thematic focus on gender, 10 jurisdictions include specific actions to increase financial inclusion among women, and eight jurisdictions include indicators to monitor financial inclusion progress among women.



For example, Nigeria’s NFIS prioritizes the improvement of financial inclusion for women. To implement the NFIS, the Central Bank of Nigeria established several working groups including a “Special Interventions” Working Group that focuses primarily on the inclusion of youth and women. Nigeria’s NFIS calls for 60 percent of loans disbursed through the Micro, Small and Medium Enterprises Development Fund to be directed to women or women-owned enterprises. The NFIS also establishes a goal for 30 percent of staff in microfinance banks to be women. The monitoring and evaluation framework of the NFIS includes of several gender-disaggregated indicators.

2.4 GOVERNANCE ARRANGEMENTS

This section of the NFIS should describe the governance arrangements that will facilitate the implementation of the NFIS. The governance arrangements of an NFIS often build upon the NFIS development and drafting process itself. As outlined in chapter 1, an NFIS should be developed through a consultative process that involves all relevant stakeholders from the outset. Different mechanisms can be used to coordinate across these different stakeholders and may yield a relatively formal structure that will endure through the implementation period of the NFIS.

NFIS governance arrangements should be considered in the context of the various functions needed for effective implementation of an NFIS. These functions include (i) policy guidance and implementation oversight, (ii) stakeholder coordination and consultation, and (iii) M&E.

There are a range of models for NFIS governance arrangements. A typical model consists of four main entities. Table 2.1 provides an illustrative example of functions that may be tasked to the following governance entities:

- ▶ **NFIS Council** is comprised of high-level officials and provides overall policy guidance relevant to NFIS implementation. The NFIS Council should also ensure that financial inclusion remains a key policy priority in their respective institutions. Members of the NFIS Council are typically high-level figures and include ministers, governors, and executives (or their deputies) of financial sector authorities.
- ▶ **NFIS Implementation Committee (IC)** oversees the day-to-day implementation of the NFIS and provides regular updates to the NFIS Council. The NFIS IC would meet at least quarterly. Members of this entity would typically be director-level figures.

TABLE 2.1: Illustrative Mapping of NFIS Governance Roles and Responsibilities

| FUNCTION | NFIS COUNCIL | NFIS IMPLEMENTATION COMMITTEE | NFIS WORKING GROUPS | NFIS SECRETARIAT |
|--|--------------|-------------------------------|---------------------|------------------|
| <i>Policy guidance and implementation oversight</i> | | | | |
| Providing overall policy guidance | ✓ | | | |
| Addressing bottlenecks to NFIS implementation | ✓ | ✓ | | |
| Securing and allocating resources | ✓ | ✓ | | |
| Approving NFIS implementation plans | | ✓ | | |
| Determining areas where policy guidance or resources are needed | | | | ✓ |
| <i>Stakeholder coordination and consultation</i> | | | | |
| Mandating actions to various institutions | ✓ | ✓ | | |
| Establishing NFIS governance entities | | ✓ | | |
| Convening working groups | | ✓ | ✓ | ✓ |
| Providing feedback on NFIS action implementation plans | | | ✓ | |
| Facilitating coordination of implementation of related NFIS actions | | ✓ | ✓ | ✓ |
| Ensuring consistency and quality of NFIS action implementation plans | | ✓ | | ✓ |
| Liaising with international organizations | ✓ | ✓ | | |
| <i>Monitoring and evaluation</i> | | | | |
| Developing and implementing an Action Plan Tracker | | | | ✓ |
| Consolidating and analyzing the implementation progress of NFIS actions | | | | ✓ |
| Tracking national financial inclusion progress through data collection and analysis | | | | ✓ |
| Preparation of internal NFIS progress reports for the NFIS Steering Committee and NFIS IC | | | | ✓ |
| Preparation of public NFIS progress reports | | | | ✓ |
| Developing and implementing a communications strategy for the NFIS | | | | ✓ |
| Reviewing progress and guiding next steps | ✓ | ✓ | | |
| Implementing or coordinating the implementation of evaluations of strategically important NFIS actions | | | | ✓ |

- **NFIS working groups** serve as consultation forums for an NFIS policy area or group of specific NFIS actions. Members of the working groups should be decision makers in their respective institutions and would typically include a range of stakeholders from the public, private, and civil society sectors.
- **An NFIS Secretariat** with dedicated staff supports the other three entities through the execution of some or all of the following functions: (i) administrative and coordination support, (ii) NFIS monitoring and reporting, (iii) research and evaluation, and (iv) technical inputs for selected actions.

A variation of this model can be found in several countries, including Jamaica, Zambia, Peru, and Pakistan. (See boxes 2.10 and 2.11.) Once a model is determined during the NFIS drafting and consultation process, it should be outlined in this section of the NFIS document, including, for each entity, (i) mandate, (ii) key functions and responsibilities, and (iii) institutional membership. Other aspects of the governance arrangements, including details about its operationalization (for example, staffing, frequency of meetings, internal rules), can be elaborated in separate terms of reference documents.

BOX 2.10

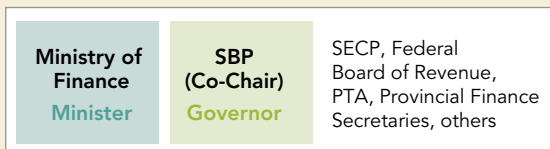
Country Example: NFIS Governance Arrangements in Pakistan

Pakistan’s National Strategy for Financial Inclusion includes a governance structure that includes a National Financial Inclusion Council, a National Financial Inclusion Steering Committee, nine technical committees, and a Secretariat. (See below.)

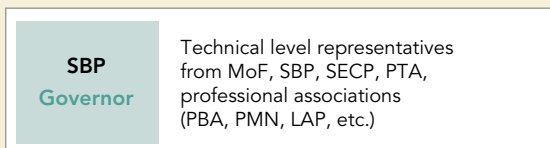
NFIS working groups jointly crafted terms of reference based on the NFIS action plan. The terms of reference were submitted to the higher-level Finan-

cial Inclusion Council, which then approves, provides high-level guidance, and assists with budget setting for the activity. The working groups, in coordination with the Secretariat, then develop a series of activities and subactivities, with assigned stakeholder roles, responsibilities, and deadlines, to push implementation. These elements are then periodically reported and monitored over time, and progress is discussed.

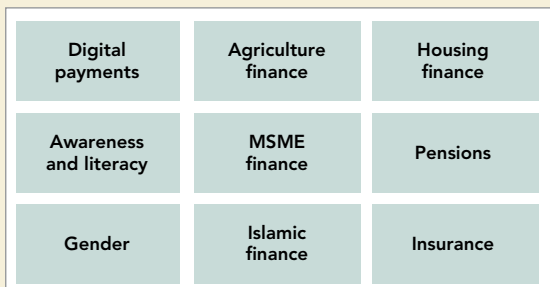
National Financial Inclusion Council



National Financial Inclusion Steering Committee



Technical Committees



*Non exhaustive, illustrative set of Technical Committees

BOX 2.11**Tip: Tailoring NFIS Governance Arrangements to Country Context**

There are many considerations in developing NFIS governance arrangements, and some good practices are now beginning to emerge. National authorities should consider what has worked and what has not worked with regard to similar strategies and coordination structures in their country. Ultimately, an effective governance arrangement is one that is aligned with the political realities of the country, takes into account institutional strengths and weaknesses, and is led by effective champions for financial inclusion. Internationally, NFIS governance arrangements vary greatly from one country to another. Examples from 15 countries, including Colombia, India, Madagascar, Mexico, Paraguay, and Peru, are available in the **following note**.

BOX 2.12**Tip: Ensuring Accountability at the Institutional Level**

The implementation period of the NFIS will likely see changes in senior management and staff within many of the implementing stakeholders, including as a result of elections. It is therefore important that the NFIS clearly establish accountability at the institutional level, rather than emphasize the roles of individuals. Using regulation or other legally enforceable means to establish the NFIS and related governance arrangements can be one approach to ensure that the prioritization of NFIS implementation remains an institutional priority when individual roles and responsibilities change.

2.4.1 NFIS Council

The NFIS Council provides overall policy guidance and assures that financial inclusion remains a key policy priority in their respective institutions. Members of an NFIS Council generally include relevant ministers (for example, minister of finance), the central bank governor, heads of other regulatory agencies, such as the insurance regulator or the capital markets regulator, and other relevant high-level key policy officials. An NFIS Council should typically meet at least twice a year, as otherwise infrequent meetings may risk slowing progress of the strategy. One common responsibility of the high-level Council is to help secure budget resources and fund large-scale initiatives. NFIS Councils may also provide policy guidance on the prioritization, sequencing, and coordination of key NFIS actions. (See box 2.12.)

2.4.2 NFIS Implementation Committee

An NFIS IC oversees the implementation of the NFIS. This entity would typically be comprised of director-level representatives from institutions involved in the implementation of the NFIS and may also include the chairs of the working groups and/or private sector representatives. The NFIS IC should meet at least quarterly and can be available more frequently than a Council to provide focused, technical guidance to NFIS stakeholders, given their broader perspective of financial, social, macroeconomic, and other relevant developments and research. (See box 2.13.)

2.4.3 Working Groups

A set of working groups are often formed as part of the NFIS governance arrangements. Working groups are often structured in line with the NFIS policy areas (such as consumer protection) and/or key subsectors (for example, payments) and serve to guide the implementation of NFIS actions that fall under those pillars or subsectors. Working groups can also be formed to tackle cross-cutting themes like gender. Working group members should be decision makers in their respective institutions. Working groups typically include a range of stakeholders from the public, private, and civil society sectors. The NFIS Council and IC are typically responsible for determining the structure and composition of the working groups.

A key decision point is whether the onus for NFIS implementation lies with the working groups or with individual implementing stakeholders. In some countries, working groups serve primarily as consultation and coordination forums, with the onus for implementation lying with one or more implementing stakeholders (for example, the pensions regulator) as outlined in the NFIS action plan. This approach can improve accountability and lessen the risk that implementation will be slowed by bureaucratic processes. In other countries, each working group (as a whole) is responsible for the implementation of NFIS actions under its mandate. In these instances, working groups prioritize and select NFIS actions and jointly develop detailed implementation plans and road maps to achieve each action. The working group can assign particular tasks to its members for implementation, who sometimes form subgroups or task forces, and progress can be reported periodically and provided to the Secretariat.

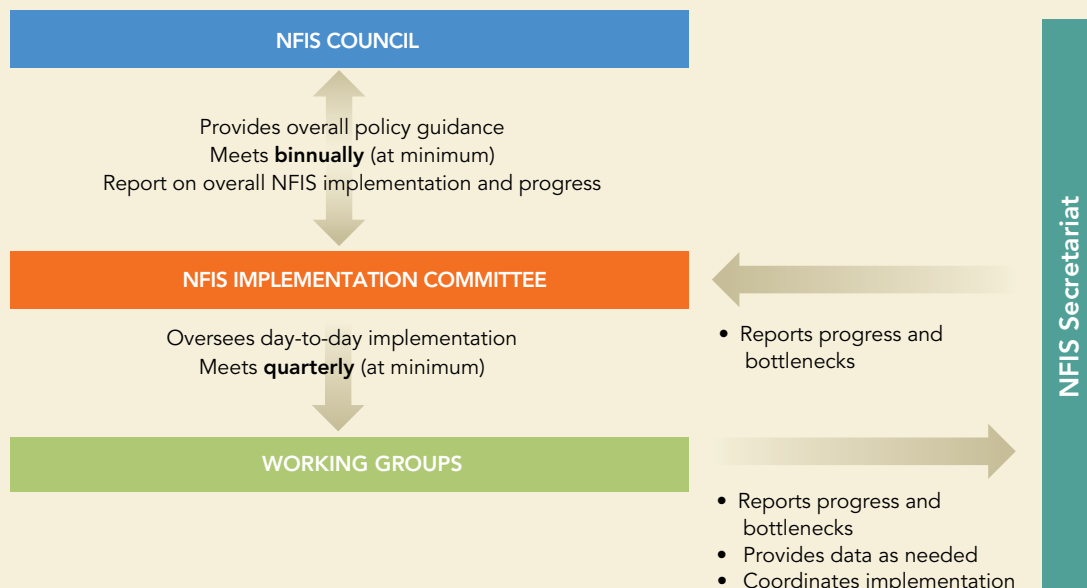
BOX 2.13

Tip: Distinguishing the Different Functions of NFIS Governance Entities

It can be difficult to understand the difference between the functions of an NFIS Council and an Implementation Committee, particularly as both groups of stakeholders provide guidance and direction for NFIS implementation. In short, a Council should provide high-level approvals of the direction determined by the IC. The IC works to directly guide relevant stakeholders and working groups who are tasked with implementing NFIS actions. Working groups are responsible for technical collaboration

and consultation on actions in the action plan—for example, drafting laws/regulations, performing diagnostics, designing and implementing certain programs, and so forth. Feedback loops are developed when, most commonly, an entity like a Secretariat is able to report progress to the Council and IC, helping to move progress of the NFIS implementation forward and reducing bottlenecks. The accompanying figure provides an illustrative example of a common NFIS governance arrangement.

Illustrative Example of NFIS Implementation Structure



It is important to include the relevant stakeholders from private and civil society sectors in each working group, as relevant given the respective topic. Financial service providers are the entities that actually deliver financial products and services to the population and are thus critical to any financial inclusion effort. As noted previously, private sector stakeholders should be involved in the strategy design and target-setting stages and have a seat in the coordination and implementation mechanism of the actual NFIS. If the financial industry has shared ownership of the NFIS, it would be more likely to see the implementation of the NFIS as being in its own interest, rather than an imposition, which is key to achieving sustainable outcomes. The involvement of the private sector is also important to ensure that policy makers and regulators are providing a conducive environment for innovation and

the piloting of new products and delivery mechanisms. Civil society stakeholders can also provide valuable inputs and guidance on areas related to consumer protection and advocacy, informal financial service providers, and research.

2.4.4 NFIS Secretariat

The NFIS should summarize the location and function of the Secretariat. Typically, the NFIS Secretariat provides the day-to-day administrative, coordination, and M&E functions needed to implement the NFIS and is located within the lead stakeholder institution (for example, central bank). It is recommended that the Secretariat be comprised of dedicated, full-time staff. The Secretariat can either be a separate unit or embedded within an existing unit. The

Secretariat commonly provides some or all of the following functions to push forward the implementation of an NFIS: (i) administrative and coordination support, (ii) NFIS monitoring and reporting, (iii) research and evaluation, and (iv) technical inputs for selected actions. See section 3.1.1 for guidance on operationalizing the NFIS Secretariat.

2.4.5 Funding

It is often useful to include a brief funding section within the NFIS itself to clearly address funding and resources relevant to the implementation of NFIS actions. It is critical to ensure that these discussions begin during the NFIS development process and that action items included in the NFIS are based on available resources and capacity or realistic assumptions about the future. There are many different funding models and resource types to consider, which can come from a variety of different platforms. For instance, depending on the action and strategy, a variety of funding options can be explored, including (but not limited to) the following:

- **Self-funding.** Implementing stakeholders (that is, those given primary responsibility to implement an NFIS action) fund their respective actions—for example, a public agency or ministry might fund a program through a budget line item or the reallocation of budgeted funds. Self-funding is typically the most common approach.
- **Dedicated NFIS funding.** Funding for the implementation of financial inclusion actions can potentially be secured by higher-level committees (like the Council) for the implementation of the NFIS.
- **International organizations.** International organizations can be engaged to support specific NFIS actions.
- **Pooled funding.** A group of implementing stakeholders (including those outside of the NFIS governance entities and working groups) may pool funding in order to fund a particular action. Pooled funds might come from a combination of private, public, and civil society organizations. For instance, a financial literacy working group and related commercial banks and MFIs could pool funding to implement a nationwide financial literacy campaign.

2.5 MONITORING AND EVALUATION SYSTEM

The M&E section of an NFIS is a valuable opportunity to outline a comprehensive M&E system for financial inclusion. The measurement of progress toward financial inclusion objectives set out in an NFIS requires an M&E system that is well resourced, well coordinated, and broadly

accepted by the full range of stakeholders. When these conditions are met, an M&E system can be a powerful and effective tool for identifying obstacles, demonstrating results, and efficiently allocating resources.

The structure of this section of the NFIS should reflect the following four key elements of an M&E system:

- A data infrastructure that provides relevant, reliable, and comprehensive financial inclusion data to assess the access, usage, and quality of financial services. A robust financial inclusion data infrastructure includes sources from the demand side, supply side, enabling environment, and program level.
- A national results framework that establishes key performance indicators (KPIs) and targets aligned with the policy objectives of the NFIS.
- Action plan tracking system and reporting mechanisms that track the execution and outcomes of NFIS actions to ensure that implementation is on track.
- Evaluations of key actions and programs provide insight into the efficiency, effectiveness, and impact of these actions.

An NFIS M&E section should also describe the mechanics of coordination and implementation of the M&E system, which may include a working group and/or dedicated technical team. (See subsection 5.5.)

2.5.1 Data Infrastructure

High-quality data is the foundation of a robust M&E system. This section of the strategy should include a brief analysis of any gaps in the financial inclusion data landscape for the respective country (as informed by the data-landscaping work described in section 1.3). It can also highlight gaps between the indicators readily available and the full depth and breadth of the objectives and actions defined in the NFIS. This can serve to motivate additional efforts to increase the scope of quality of data in certain areas—for example, as it relates to financial capability and product quality, or through upgrades to off-site supervision data-collection processes or modification of existing household survey efforts. As such, the national and action-level results frameworks (see subsections 2.5.2 and 2.5.3) should maintain a certain degree of flexibility to incorporate these data sources, indicators, and targets as they become available.

Related to the above, many NFIS action plans contain several actions related to data collection. It can be useful to highlight these activities here, even including a brief “data action plan” table. (See box 2.14.)

BOX 2.14**Country Examples: NFIS Actions to Improve Data Infrastructure**

Many NFIS action plans contain several actions related to data infrastructure:

- **Brazil:** Improve the methodology used to measure financial inclusion and incorporate quality indicators.
- **Jamaica:** Establish regular national demand-side measurement of financial inclusion (including financial capability).
- **Madagascar:** Conduct an assessment of the penetration of microfinance services by district and identify potential for opening service points (translated).
- **Papua New Guinea:** Compile and update the consolidated list of financial literacy providers, their location, content, and target group of training.
- **Philippines:** Make available relevant data to stakeholders to institutionalize accountability and M&E.

2.5.2 National Results Frameworks

A national results framework establishes high-level KPIs to quantify NFIS policy objectives and monitor progress toward their achievement. When appropriate, these KPIs should be associated with ambitious but achievable targets. A national results framework is distinct from, but related to, action-level results frameworks that serve to track the implementation (that is, outputs) and outcomes of NFIS actions (discussed further in section 2.5.3).

A national results framework should include several elements (see table 2.2):

- Alignment with NFIS policy objectives
- Key performance indicators, including:
 - KPI baseline values
 - KPI targets (where relevant)
 - Timeline to reach said targets
- Data sources (including responsible institution)
- Relevant indicator breakdowns (for example, by gender, income, and age, for demand-side indicators)

The **G20 Set of Financial Inclusion Indicators** and the **AFI Core Set of Financial Inclusion Indicators** provide a useful guide and starting point for the design of country-specific indicators and targets. The **note from the Global Partnership for Financial Inclusion** on target setting provides additional guidance on the value and design of national financial inclusion targets.

High-level KPIs and targets should be developed with certain principles in mind. First, targets should be achievable but ambitious. Second, national financial inclusion targets should not promote or justify actions that adversely affect

the stability or competitive equilibrium of a country's financial system. Targets pertaining to the usage of credit products in particular should be carefully considered to avoid overindebtedness and systemic stability risks. Third, target-setting exercises should be informed by an analytic and consultative process. At the end of the day, however, target setting is both an art and a science, as the value of targets often comes from the rallying effect generated and their role in "branding" an NFIS. (See box 2.15.)

National-level KPIs will naturally be influenced by a range of NFIS actions as well as factors outside the scope of the NFIS (for example, economic growth). They are important, however, for monitoring and communicating overall progress toward policy objectives.

2.5.3 Action Plan Tracking System

A robust NFIS M&E system should include appropriate steps to monitor outputs and direct outcomes associated with action plan implementation. An action plan tracking system, which should feed into an overarching NFIS reporting structure, may be needed to monitor the execution of outputs and outcomes of NFIS actions to ensure that implementation is on track. Although an action plan tracking system does not need to be fully described in the NFIS document itself, the NFIS is well placed to note that implementing stakeholders will be responsible for developing an action plan tracking system and regularly reporting progress on NFIS actions periodically. In general, the development of the action plan tracking system and the reporting templates is often the responsibility of the Secretariat.

Including language within the NFIS itself regarding the need for regular reporting and periodic reviews will help

TABLE 2.2: Example National Results Framework Template

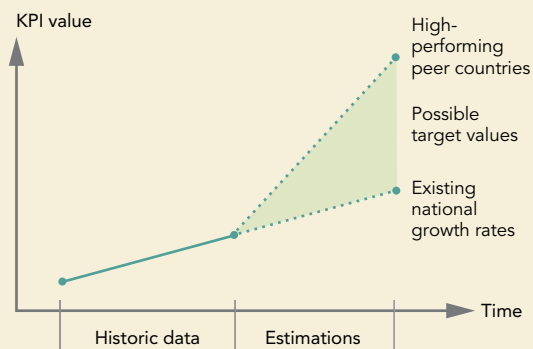
| NATIONAL/IMPACT INDICATORS | | | | | | | | |
|----------------------------|--|---|---|-----------------|---------------|-------------------------------------|---------------------|---|
| | POLICY AREA | # | IMPACT INDICATOR | 2018 (BASELINE) | 2023 (TARGET) | DATA SOURCE | REPORTING FREQUENCY | REPORTING BREAKDOWN |
| Access | Financial infrastructure | 1 | # of financial access points per 100,000 adults | 8.8 | 14 | Central bank | Annual | By type of financial access point, region |
| | Financial infrastructure | 2 | % of SMEs covered by credit reporting systems | 22 | 35 | Central bank | Annual | By firm size, sector |
| Usage | Savings and payments | 3 | % of adults with a transaction account | 41 | 75 | National financial inclusion survey | Every two years | By urban/rural, gender, income |
| | MSME finance | 4 | % of MSMEs considered credit-constrained | 34 | 15 | National MSME survey | Every three years | By firm size, sector |
| Quality | Financial consumer protection and capability | 5 | % of adults aware of deposit insurance | 45 | 60 | National financial inclusion survey | Every two years | By urban/rural, gender, income |
| | Financial consumer protection and capability | 6 | % of adults that report budgeting | 33 | 50 | National financial inclusion survey | Every two years | By urban/rural, gender, income |

BOX 2.15

Tip: Determining Targets

There are several benchmarking approaches that can be used to support the analytic process of financial inclusion target setting. A useful initial exercise is to project forward existing growth rates of select financial inclusion KPIs. This process can provide a lower-bound estimate for target setting, reflecting the fact that financial inclusion in a given country will likely improve naturally over time as a result of economic growth, financial sector development, and technological advances. Benchmarking against peer countries can also be a useful exercise in establishing a range of target values. Depending on the time span of the target, a given country could examine the levels of financial inclusion across country peers within its geographic region or income group, identifying “high performers” within each comparator group to generate target values. At the end of the analytic process, there will likely be a range of target values to choose from for each KPI. These potential

target values would then be subjected to a consultative process with a wide range of stakeholders with the goal of arriving at one target value per KPI that is broadly accepted and aligns with the principles noted above.



lay the foundation for higher-level stakeholders and often broader audiences to understand the overall advances that have been made since the launch of the NFIS. Such reporting also allows for self-evaluation (and enables policy guidance) and feedback loops that help reallocate or revamp delayed actions (or scale up successful actions) as needed. This provides a platform for course correction, if necessary.

2.5.4 Evaluation of Key NFIS Actions

The NFIS should highlight the need to determine the effectiveness and impact of key NFIS actions and the degree to which they contribute to national-level NFIS objectives and targets. In this sense, evaluation activities are a key element of the NFIS M&E system. Many NFIS action plans may contain explicit evaluation components or be conducive to rigorous evaluation. It can be useful to highlight these activities here or include a brief “evaluation action plan” table. In many cases, the exact scope of these evaluation activities will naturally depend on the availability of resources, the action being evaluated, and the appropriate methodology. However, signaling a broad commitment to rigorous evaluation is recommended in the NFIS document itself. A key role of the institution responsible for M&E (often a Secretariat) will be to coordinate, oversee, and mobilize resources for these evaluations.

2.6 ACTION PLAN

The action plan is a critical section of every NFIS. It provides a list or table of actions to be undertaken within the time frame of implementation of the NFIS. The actions should align with the objectives and policy areas outlined in section 2.3, which address the obstacles and opportuni-

ties identified in section 2.2. A broad range of types of actions can be included in an NFIS (see boxes 2.16, 2.17, and 2.18) and can include the following:

- Legal or regulatory enactments or amendments
- Supervisory actions
- Development of financial infrastructures
- Diagnostic and data-collection exercises
- Information campaigns and promotion
- Capacity building and training activities (for users, providers, and regulators alike)
- Business model development and product roll-out

Each listed action should include the following information:

- A concrete and self-explanatory description of the action to be implemented
- The primary implementing stakeholder responsible for its execution (and in the case of actions involving multiple stakeholders, a secondary implementing stakeholder can be identified)
- The time of implementation of said action
- The priority of execution of said action (high, medium, or low)
- The preconditions necessary to implement said action, if relevant (this is particularly in the case of reforms sequenced in a way that their execution is dependent on the implementation of other reforms in the action plan)
- Indication of linkage to NFIS policy objective or area (which can be done via the structure of the table)

A template of an NFIS action plan is provided in table 2.3.

BOX 2.16

Country Examples: NFIS Actions

The following are a sample of NFIS actions from various countries:

- Issue agent banking regulations (*Zambia*)
- Carry out pilot projects to establish an alternative dispute-resolution mechanism (*China*)
- Shift government-to-person payments into digital transaction accounts (*Pakistan*)
- Develop a regulation to facilitate the development of microinsurance (*Haiti*)
- Review bank account-opening regulations to improve public access to savings (*Indonesia*)
- Develop a regulatory framework to address data privacy issues of financial consumers (*Mexico*)
- Consolidate public programs for MSME finance to improve efficiency and effectiveness (*Jamaica*)
- Undertake an assessment of the role of the State Bank in financial inclusion (*Peru*)
- Establish a centralized collateral registry (*Tanzania*)
- Develop a consumer protection framework for the pensions sector (*Nigeria*)

BOX 2.17**Key Resource: G20 High-Level Principles for Digital Financial Inclusion**

In 2016, the G20 leaders approved the *G20 High-Level Principles for Digital Financial Inclusion* proposed by the Global Partnership for Financial Inclusion. These principles serve as the first international high-level guidance in the field of digital financial inclusion. The principles include 66 actions spanning eight principles to guide and advise national authorities in the development of digital financial inclusion. These principles and actions can be leveraged to develop an NFIS action plan that promotes the advancement of digital financial inclusion. The principles are as follows:

1. **Promote a digital approach to financial inclusion**
—Example action: Digitize large-volume, recurrent payments from government agencies to consumers and small businesses.
2. **Balance innovation and risk to achieve digital financial inclusion**
—Example action: Encourage providers to use multiple sources of digital data for evaluating consumer creditworthiness, including appropriate data safeguards and nondiscrimination.
3. **Provide an enabling and proportionate legal and regulatory framework for digital financial inclusion**
—Example action: Implement a framework for digital financial inclusion that allows for the piloting of innovative new delivery channels, products, and services.
4. **Expand the digital financial services infrastructure ecosystem**
—Example action: Modernize and expand the retail payment system infrastructure and establish open payments platforms linked to countries' clearing and settlement systems and that provide safe and efficient access to banks, nonbank financial institutions, and emerging service providers.
5. **Establish responsible digital financial practices to protect consumers**
—Example action: Ensure that consumers of digital financial services have meaningful choice and control over their personal data—including through informed consent based on clear, simple, comprehensive, age-appropriate, and brief privacy policy disclosures in relevant languages.
6. **Strengthen digital financial literacy and awareness**
—Example action: Identify emerging financial competency requirements arising from the digitization and bundling of financial services.
7. **Facilitate customer identification for digital financial services**
—Example action: Establish an interoperable, technology-neutral national database system that, where appropriate, links relevant civil registration and identity systems and is appropriately and securely accessible to authorized parties, such as financial service providers.
8. **Track digital financial inclusion progress**
—Example action: Establish or adapt financial inclusion data-collection systems to cover new digital financial service providers and products.

Actions should be developed through a consultative process, using the organizational structures and engagement strategies outlined in section 1.2. Initially, it is useful to consider a broad range of actions, as informed by stakeholder suggestions, diagnostic recommendations, and the obstacles and opportunities identified in the baseline assessment. However, toward the end of the drafting process, the list of actions should be narrowed to focus on a set of 15–25 actions that are high-impact, forward-looking, achievable within the time frame of the NFIS and feasible given available resources and capacity. (See box 2.19.) Having a smaller and focused set of actions can also help stakeholders to communicate with others about what the NFIS is meant to accomplish. This set of actions should span the time frame of the NFIS, including several “quick wins” that can be accomplished early in the NFIS implementation in order to demonstrate credibility and build momentum.

Flexibility can also be built into an NFIS to accommodate and facilitate future revisions and updates to the NFIS and action plan, in order to ensure that the NFIS remains relevant over time. (See box 2.20.) A periodic review and updating system can be incorporated directly into the NFIS, as part of the responsibilities of the governance entities. Another approach is to have a “living” document, where new actions and next steps are identified over time, enabling the NFIS to refocus and continuously realign efforts to international good practices and shifting policy priorities. For example, actions can be reassessed after a particular time frame (for example, every two years), and updates can be launched subsequently with new guidance. This approach allows stakeholders to leverage the NFIS as an ongoing platform to consistently map and take stock of NFIS efforts, confirm the impact and cost-effectiveness of NFIS actions, reassess focus areas, and recommend new actions or priorities throughout the NFIS implementation process.

BOX 2.18

Key Resource: 2017 Global Financial Inclusion and Consumer Protection Survey

Financial sector policy makers often take inspiration from their counterparts in other countries. The **2017 WBG Global Financial Inclusion and Consumer Protection Survey** benchmarks policy, legal, regulatory, and supervisory reforms to strengthen the enabling environment for financial inclusion and financial consumer protection in 141 economies. Lead and drafting NFIS stakeholders can leverage this resource to

understand what financial sector stakeholders in other countries are doing with regard to nonbank e-money issuers, agent-based distribution channels, simplified customer due diligence, microfinance, disclosure and transparency, fair treatment, dispute resolution, and financial capability.

BOX 2.19

Tip: Consistency in Defining Actions

In drafting an NFIS action plan, an effort should be made to standardize the level of detail of actions. The key is to provide enough specificity to guide implementing stakeholders and to be consistent in the level of detail used. Ideally, actions would not be overly broad or high-level—for example, “improve the national payments system”—as these are better regarded as NFIS objectives and do not provide a road map for NFIS implementers to follow. Nor should

the actions be overly specific or granular—for example, “add an indicator of account dormancy to off-site supervision reporting templates”—as this will result in a lengthy action plan and delay the NFIS development process. The actions listed in box 2.16 are good examples of actions that are specific without being overly detailed or granular. A lack of consistency in how actions are defined and described can make it difficult to monitor and evaluate NFIS progress.

TABLE 2.3: Example Action Plan Template

| POLICY AREA | ACTION | IMPLEMENTING STAKEHOLDERS | | PRECONDITIONS | PRIORITY | TIME FRAME |
|---------------|-----------|---------------------------|-----------|--------------------------|----------|------------|
| | | PRIMARY | SECONDARY | | | |
| Policy area 1 | Action 1 | | | | High | 2019–2020 |
| | Action 2 | | | Action 1 to be completed | Medium | 2020 |
| | Action 3 | | | | Low | 2020–2021 |
| Policy area 2 | Action 4 | | | | | |
| | Action 5 | | | | | |
| | Action 6 | | | | | |
| | Action 7 | | | | | |
| Policy area 3 | Action 8 | | | | | |
| | Action 9 | | | | | |
| | Action 10 | | | | | |

2.7 RISKS AND MITIGATION MEASURES

The inclusion of a section on risks and mitigation measures can be useful to NFISs that are generally ambitious documents that address challenging, multistakeholder issues and extend over several years. In that sense, many barriers can constrain the complete and effective implementation of such strategies. It is therefore useful to enumerate these risk factors, the level of each risk (for example, high, medium, or low), and measures to mitigate these risks. Clear identification and discussion of these risks can be useful to keep these risks front of mind for all stakeholders and develop effective mitigation measures. (See box 2.20.)

An example template of a risk table is provided in table 2.4.

BOX 2.20

Tip: A Lean NFIS

A lean NFIS approach may also be of interest to stakeholders if a framework and strategy are required but stakeholders do not have the time or available resources to develop, implement, or operationalize a full NFIS. A lean NFIS approach can be used to develop a core framework but with a reduced scope of policy areas or action items in order to initiate and operationalize the NFIS more quickly. Once the NFIS is launched, a lean NFIS may add on new elements over time.

TABLE 2.4: Example Risk Table Template

| RISK | LEVEL | MITIGATION MEASURES |
|--------|---------------------|-------------------------|
| Risk 1 | [High, medium, low] | [Mitigation measure 1A] |
| | | [Mitigation measure 1B] |
| Risk 2 | [High, medium, low] | [Mitigation measure 2] |
| Risk 3 | [High, medium, low] | [Mitigation measure 3A] |
| | | [Mitigation measure 3A] |
| | | [Mitigation measure 3A] |

BOX 2.21

Country Example: Addressing NFIS Implementing Risks in Zambia

Zambia’s 2017–22 National Financial Inclusion Strategy includes a section entitled “Risk and Mitigation Approaches” that identifies the following risks:

- Deterioration in the macroeconomic conditions leading to high interest rates, tight liquidity, and diversion of financial sector policy prioritization away from financial inclusion
- Tight fiscal conditions limiting availability of government resources to support implementation
- Slow process of legal and regulatory reforms
- Public and private sector commitment needed to advance the financial inclusion agenda is not sustained throughout the implementation period

OPERATIONALIZING THE NFIS

The purpose of this chapter is to provide guidance on operationalizing key NFIS elements, including the NFIS governance arrangements, action plan, and M&E system. This guidance can be used by relevant stakeholders in the lead-up to the NFIS launch and immediately thereafter, in order to ensure that momentum is maintained in the early stages of implementation. The desired result is an effectively implemented NFIS, wherein NFIS actions are advanced in a timely manner, progress is monitored and assessed, and bottlenecks are surfaced and addressed. This chapter refers to an NFIS structure and terminology consistent with that outlined in chapters 1 and 2.

This chapter includes four sections:

Section 3.1: Operationalizing the NFIS Governance Arrangements. This section provides guidance on the operationalization of the typical NFIS governance entities as outlined in chapter 2. These include a high-level NFIS Council, an NFIS IC, an NFIS Secretariat, and working groups.

Section 3.2: Operationalizing the NFIS Action Plan. This section provides guidance on how to shift from the typically high-level actions described in the NFIS to an operational work plan, based on a theory-of-change approach.

Section 3.3: Operationalizing the NFIS M&E System. This section provides guidance on how to track implementation progress, strengthen financial inclusion data infrastructure, monitor high-level national financial inclusion progress, and evaluate the impacts of select NFIS actions.

Section 3.4: Communicating NFIS Progress. This section highlights the importance of keeping NFIS stakeholders

and the broader public informed of NFIS progress. A communication strategy and periodic reports are useful approaches.

The timely and effective implementation of NFIS actions by responsible stakeholders is at the heart of effective NFIS implementation. Guidance on the technical implementation of various financial inclusion actions that may be included in an NFIS Action Plan (for example, how to strengthen the legal framework for financial consumer protection) is not the focus of this chapter, as a range of relevant technical resources exist on these topics. (See table 2 in chapter 1.)

The first six months of NFIS implementation are important for maintaining momentum, securing “quick wins,” and ensuring that the various elements of the NFIS are operating effectively. Afterward, roles and responsibilities of NFIS stakeholders take effect and facilitate continued implementation of the NFIS and tracking of progress. Table 3.1 provides a summary of core tasks that help to operationalize an NFIS and track progress after its launch. The tasks are intended to be repeated on an annual basis as needed. Each of these tasks are discussed in further detail throughout the chapter.

3.1 OPERATIONALIZING THE NFIS GOVERNANCE ARRANGEMENTS

Following the approval and launch of the NFIS, stakeholders should prioritize the timely establishment and convening of NFIS governance entities. Such entities typically include a high-level NFIS Council, an NFIS IC, an NFIS Secretariat, and working groups. Typically, the individuals

TABLE 3.1: Operationalizing an NFIS after Its Launch

| | MONTHS AFTER NFIS LAUNCH | | | | | | | | | | | | | | | |
|--|--------------------------|----|---|---|---|---|---|---|---|---|---|---|----|----|----|----|
| | -2 | -1 | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 |
| Identify members/staff for NFIS governance entities | | | | | | | | | | | | | | | | |
| Develop terms of reference for NFIS governance entities | | | | | | | | | | | | | | | | |
| Mapping of Secretariat functions to dedicated staff | | | | | | | | | | | | | | | | |
| Initial convening of NFIS IC, working groups | | | | | | | | | | | | | | | | |
| Capacity building of Secretariat staff (as needed) | | | | | | | | | | | | | | | | |
| Coordination with primary implementing stakeholders (as defined in action plan) to develop implementation plans for respective actions | | | | | | | | | | | | | | | | |
| Develop action plan tracker and associated reporting templates | | | | | | | | | | | | | | | | |
| Primary implementing stakeholders implement their respective actions | | | | | | | | | | | | | | | | |
| Periodic convening of working groups | | | | | | | | | | | | | | | | |
| Collect implementing stakeholder progress and update action plan tracker | | | | | | | | | | | | | | | | |
| Prepare internal NFIS action progress report | | | | | | | | | | | | | | | | |
| Communicate feedback from action progress report and adjust actions/resources as needed [operationalize an NFIS feedback loop] | | | | | | | | | | | | | | | | |
| Regular convening of other NFIS governance entities (IC/Council) as needed | | | | | | | | | | | | | | | | |
| Develop financial inclusion data infrastructure (as needed) | | | | | | | | | | | | | | | | |
| Draft and publish annual NFIS report | | | | | | | | | | | | | | | | |

involved in the NFIS development process—particularly the lead and drafting stakeholders—will have key roles in the NFIS governance entities. For example, members of an NFIS drafting committee may transition to a role on an NFIS IC or the NFIS Secretariat. Consulting stakeholders should also continue to be engaged, including through leadership and participation in working groups. Many of these stakeholders will also have been tasked as primary implementing stakeholders for specific actions in the action plan.

For each entity, the identification of members and/or staff prior to or immediately following the NFIS launch is the first step. This often begins with the establishment and convening of the NFIS IC, as it is typically the governance entity that has the authority and accountability to set in motion the establishment of other governance entities. To the degree that it is not clear from the NFIS action plan, the NFIS IC should use its first meeting to establish priorities and expectations for the first three to six months of implementation.

Once the members and/or staff of each governance entity are identified, they should work together to develop clear

terms of reference for each entity. The terms of reference should expand on the role and functions of each entity as outlined in the NFIS. At a minimum, the terms of reference should cover (i) the objectives of the entity, (ii) the functions of the entity, (iii) the members/staff and procedures of the entity, (iv) the available resources/budget of the entity (as appropriate), and (v) the work program of the entity.

3.1.1 Establishing the NFIS Secretariat

The timely establishment and staffing of an NFIS Secretariat can help facilitate effective NFIS implementation. As discussed in chapter 2, an NFIS Secretariat is often tasked with executing critical functions, such as supporting the NFIS Council, the NFIS IC, and working groups and executing the NFIS M&E system. Therefore, a Secretariat should ideally be staffed prior to or just after the launch of the NFIS to ensure the smooth transition to implementation.

Although NFIS Secretariats are often formed and staffed in the context of resource and capacity constraints, it is recommended that the NFIS Secretariat be staffed by full-time staff with relevant technical expertise, even if this

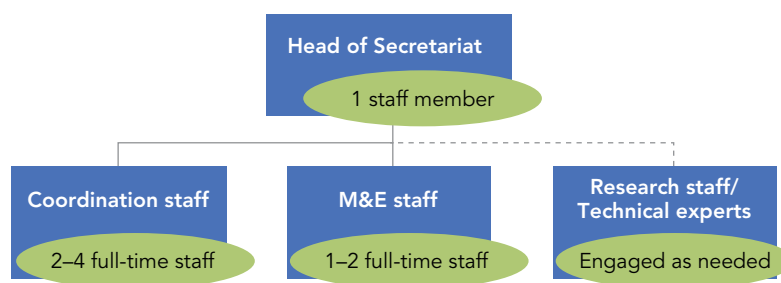
results in a small team. (See box 3.1.)

At a minimum, a Secretariat should include staff responsible for NFIS coordination activities and staff responsible for NFIS M&E activities. Staffing both coordination and M&E functions should be prioritized in order to facilitate the smooth implementation of the NFIS. A Secretariat can also employ research staff (including full-time or, by leveraging institutional research departments or consultants, part-time staff) if specific policy or economic research is needed to support the NFIS. In addition, some Secretariats also employ senior technical experts to guide the implementation of strategically important NFIS actions. The NFIS Secretariat should be led by a director who can effectively serve as a financial inclusion champion and convene relevant stakeholders as needed. Administrative or analyst staff can also be employed to support the work of the above coordinators. Figure 3.1 provides an illustrative example of an NFIS Secretariat staffing structure.

The staffing of a Secretariat can be done all at once or via a phased approach, by which certain positions are prioritized based on immediate needs, and additional positions are added over time as NFIS activities and Secretariat responsibilities grow.

When staffing the NFIS Secretariat, it is important to understand the distinct job functions between various Secretariat staff. There is often a clear distinction between Secretariat staff that support coordination activities (for example, supporting working groups to form and meet

FIGURE 3.1: Illustrative Example of an NFIS Secretariat Staffing Structure



regularly) and those who support M&E activities (for example, collecting and tracking relevant indicators for NFIS outputs and outcomes). However, in some instances, Secretariat responsibilities may be cross-cutting and staff may be required to work together and share responsibilities for particular Secretariat functions (for example, reporting). In addition, technical experts (for instance, those hired on a part-time, consultant-like basis) may also overlap with Secretariat functions when providing guidance and direction to working groups, developing implementation plans for actions, or conducting specific sectoral work as needed by the Secretariat. Developing clear and concrete terms of reference for Secretariat staff and related stakeholders is critical to ensuring the smooth functioning of the Secretariat and complementarity of Secretariat staff. An illustrative example of some Secretariat staff responsibilities is available in table 3.2.

TABLE 3.2: Illustrative Example of Secretariat Staff Responsibilities

| SECRETARIAT JOB FUNCTION | COORDINATION STAFF | M&E STAFF |
|--|--------------------|-----------|
| Administrative support to coordinate convening of governance entities, including NFIS Steering Committee, NFIS IC, and working groups | ✓ | |
| Communication support across stakeholders to enable synergies and learnings | ✓ | |
| Technical support to ensure consistency and quality of NFIS action implementation plans | ✓ | |
| Developing and implementing an action plan tracker (and associated reporting templates) to monitor implementation progress of NFIS actions (that is, outputs and outcomes) | ✓ | ✓ |
| Consolidating and analyzing the implementation progress of NFIS actions (based on the action plan tracker) | | ✓ |
| Tracking national financial inclusion progress through collection and/or analysis of demand-side survey data or supply-side data | | ✓ |
| Implementing or coordinating the implementation of evaluations of strategically important NFIS actions | | ✓ |
| Preparation of internal NFIS progress reports for the NFIS Steering Committee and NFIS IC | ✓ | ✓ |
| Preparation of public NFIS progress reports (that is, on an annual basis) | ✓ | ✓ |
| Developing and implementing a communications strategy for the NFIS (for example, via a public website) | ✓ | ✓ |

BOX 3.1**Country Examples: NFIS Secretariats in Indonesia, Zambia, and Jamaica**

The size and functions of NFIS Secretariats vary across countries.

In Zambia, the NFIS Secretariat is housed within the Ministry of Finance's Financial Sector Strategy team, which is made up of six full-time staff. The Secretariat includes both coordination staff whose duties include supporting the convening of working groups and M&E staff whose duties include the development of an action plan tracking system. Each working group also has a Secretariat that is housed in the relevant regulator (for example, Bank of Zambia).

In Indonesia, Coordinating Ministry for Economic Affairs Decree 93, 2017, formally established the NFIS Secretariat within the ministry. The decree tasks two

deputy ministers to lead the Secretariat and calls for a total Secretariat staff of 10, including representatives from various stakeholders (for example, Bank Indonesia, Financial Sector Authority).

In Jamaica, the NFIS Secretariat is housed within the Bank of Jamaica and includes a director, a research analyst, and an administrative staff member. The Secretariat is responsible for coordination of NFIS governance entities, assisting in the development of institutional capacity of the implementing stakeholders (including via the procurement of technical assistance resources), and M&E. The Secretariat is also supported by staff from other divisions within Bank of Jamaica on a part-time basis, as needed.

Technical guidance on the M&E function of the NFIS Secretariat is further discussed in section 3.3.

3.1.2 Establishing the NFIS Working Groups

Working groups should convene soon after the launch of the NFIS and periodically (for example, quarterly) thereafter throughout the NFIS implementation period. To establish and convene successful working groups, NFIS stakeholders, most often the NFIS IC and/or Secretariat, should (i) identify responsible institutions and stakeholders for each group, (ii) draft and send letters of invitation to group members, (iii) draft relevant materials, such as agendas and the terms of reference, to facilitate the working group meetings, and (iv) maintain the working group meeting cycle as detailed by the NFIS.

The working group members should include a mix of public and private sector stakeholders to ensure diversity of perspectives, stakeholder buy-in, and ownership of actions. Working groups should include representatives from implementing stakeholders (such as government institutions or ministries, financial service providers, and so forth) to ensure adequate buy-in and ownership of NFIS actions and related implementation plans. In addition, representation of a combination of different stakeholders in each group will be important to facilitate brainstorming and the development of new and innovative solutions for the NFIS.

Working groups operate most effectively when they serve as coordination and consultation platforms to move NFIS

actions forward in a given sector or priority area. (See box 3.2.) The role and functions of working groups will naturally vary across countries, but stakeholders should be careful not to overload the working groups such that they create a bottleneck for implementation.

A common pitfall is to hold working groups accountable for the implementation of NFIS actions under their remit. A more effective approach can be to identify a single stakeholder as the primary implementing stakeholder for each NFIS action, as feasible (ideally in the NFIS action plan). That stakeholder will ultimately be responsible for the implementation of that action and can use the working group as a coordination and consultation forum. For example, if an NFIS action plan denotes that the Central Bank is responsible for developing a key facts statement for deposit products, the Central Bank will be responsible for advancing that action but can use the working group to receive feedback on draft key facts statement regulation and templates, as well as to coordinate with other regulators who may be implementing similar actions. If no stakeholder yet exists to capture the mandate of the activity, a working group can also assign subtasks to particular stakeholders or a task force as needed.

3.2 OPERATIONALIZING THE NFIS ACTION PLAN

The actions included in an NFIS action plan are typically high-level (for example, "digitize social transfer payments" or "draft a regulation to enable agent banking").

BOX 3.2**Tip: Effective Working Group Meetings**

To ensure the smooth functioning and convening of working groups, prior to each meeting, a meeting agenda should be sent to each working group member. In general, the first few meetings and agendas may be the most difficult to structure and should be prepared well in advance. The first working group meeting should focus on reviewing and finalizing the terms of reference, electing working group chairs, and discussing NFIS actions to be implemented in the first six months of NFIS implementation. Subsequent

working group meetings should focus more on consultation and coordination of NFIS actions being implemented by working group members. This can include providing feedback on implementation plans, coordinating the sequencing of related actions, or discussing shared implementation challenges. Developing a clear understanding of the objectives of the working group and each meeting is important to its successful functioning.

While this approach is useful to expedite the NFIS development process and adhere to a strategic approach, it also means that implementing stakeholders must invest time in determining how to implement NFIS actions once the NFIS is launched. Therefore, the primary implementing stakeholder responsible for a given action (ideally indicated in the NFIS action plan) should develop a detailed implementation plan following the NFIS launch, in consultation with other entities involved in implementation. (See box 3.3.)

A detailed implementation plan breaks down an NFIS action into a set of sequenced, time-bound activities and outputs, with clear delineation of roles and responsibilities and indications of resource requirements. (See table 3.3.) The NFIS Secretariat can be a useful resource to ensure that implementation plans are developed in a coherent and consistent manner across primary entities, and it may want to develop and circulate a template to facilitate this process. Working groups should also be leveraged in this process as a coordination and consultation forum to provide feedback on detailed implementation plans as appropriate.

A detailed implementation plan should outline (i) the overarching NFIS action, (ii) the activities required to complete the action, (iii) the outputs expected for each activity, (iv) the anticipated timelines for delivery of each activity and output, (v) financial and human resources needed for each activity and output, (vi) the stakeholders responsible for the delivery of each activity and output, and (vii) related outcomes and KPIs. A template is provided in table 3.3.

A detailed implementation plan should be grounded in a theory of change. (See figure 3.2.) A theory of change is a useful concept for developing detailed implementation plans and, in particular, for linking outputs to expected

BOX 3.3**Tip: Determining Accountability and “Champions” within Each Implementing Stakeholder**

Following the launch of the NFIS, each implementing stakeholder should appoint a senior executive to be responsible for the implementation of the NFIS actions allocated to that institution in the NFIS action plan. This individual should also be responsible for embedding NFIS actions into the institution’s operational plans, as well as creating the relevant operational strategic goals to inform resource allocation, staff incentives, and timelines for NFIS implementation. In many cases, this may be the same individual who represents the agency on the NFIS IC or another governance entity.

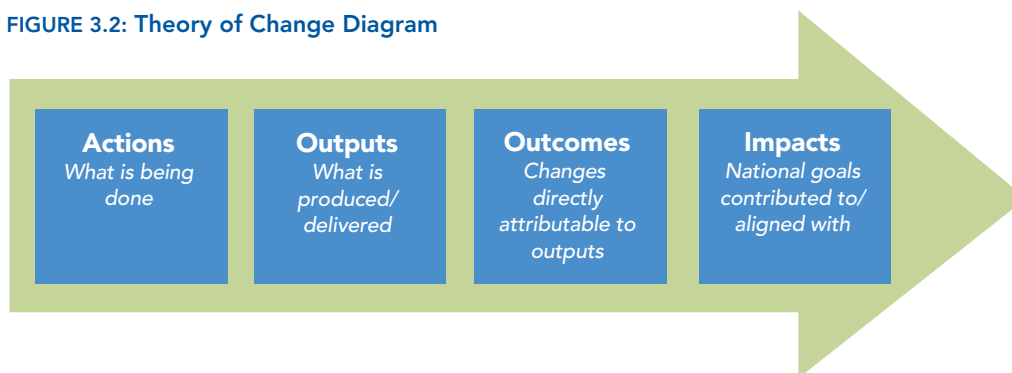
outcomes and impacts. Figure 3.2 illustrates a theory of change containing the following four steps:

- The first step in the theory of change is the **NFIS action**, which is typically outlined in the NFIS action plan.
- This action is then broken down into a **set of outputs** (which may be organized by an intermediate category of activities). The outputs represent what is produced or delivered by the implementing stakeholder(s). Examples of outputs include a draft regulation, a diagnostic report, a financial education curriculum, a workshop, or a new financial product.
- **Outcomes** represent the changes *directly* attributable to outputs. For example, an outcome of a regulation that enables nonbanks to issue e-money could

TABLE 3.3: Detailed Implementation Plan Template

| NFIS ACTION 1: | | | | |
|----------------|--------------|--------------------------------------|------------|-----------------------|
| Description: | | | | |
| Activity 1 | Deadline 1 | Primary implementing stakeholder 1 | Budget 1 | Outcome indicator 1 |
| Activity 2 | Deadline 2 | Primary implementing stakeholder 2 | Budget 2 | Outcome indicator 2 |
| Activity 1 | Deadline | Primary entity | Budget | Outcome |
| Output 1.1 | Deadline 1.1 | Primary implementing stakeholder 1.1 | Budget 1.1 | Outcome indicator 1.1 |
| Output 1.2 | Deadline 1.2 | Primary implementing stakeholder 1.2 | Budget 1.2 | Outcome indicator 1.2 |
| Activity 2 | Deadline | Stakeholders | Budget | Outcome |
| Output 2.1 | Deadline 2.1 | Primary implementing stakeholder 2.1 | Budget 2.1 | Outcome indicator 2.1 |

FIGURE 3.2: Theory of Change Diagram



be the number of nonbanks licensed to issue e-money or the volume of e-money transactions processed by nonbanks.

- Finally, **impacts** are national goals that are contributed to or aligned with the outputs and outcomes. These impacts are often articulated as national indicators in the NFIS results framework, and so it is often simply a matter of connecting outputs and outcomes to existing impacts as articulated in the NFIS document. It may not be possible to estimate the precise contribution of a given output to a high-level impact like the percentage of adults with an account, but it should be possible to indicate whether a given output aligns with a given impact indicator.

The final step in the process is defining effective indicators and data sources for outputs and outcomes. (See box 3.4.) Detailed implementation plans based on a theory of change are typically first developed in descriptive, qualitative language. For example, an output may be listed as “workshops with industry,” and an outcome may be described as “new providers entering the market.” However, to facilitate robust M&E, it is necessary to develop effective quantitative indicators to measure outputs and

outcomes where possible. An effective indicator for the above output might be “number of industry participants attending workshops,” and an effective indicator for the above outcome might be “number of new providers entering the market” or “volume of e-money transactions processed by new providers.” In some cases, such as for a regulation, an output indicator may be as simple as “not yet initiated/initiated/complete.” Each indicator should be derived from an existing, reliable data source or based on realistic expectations of soon-to-be-available data.

Once detailed implementation plans are developed for each action, these plans should be reported to the NFIS Secretariat and consolidated into a comprehensive monitoring tool—that is, an action plan tracker—to be updated regularly. The objectives of an action plan tracker are (i) to provide an overview of ongoing and planned activities and outputs to track overall NFIS implementation progress over time and (ii) to define and monitor progress toward expected outcomes linked to NFIS actions. An NFIS action plan tracker should contain similar elements as the detailed implementation plans—including output and outcome indicators—but at a level of detail that can be managed effectively by the NFIS Secretariat.

BOX 3.4**Tip: Developing SMART Indicators**

When developing detailed implementation plans and an overall action plan tracker, primary implementing entities and Secretariat staff should ensure that selected and identified indicators are SMART, meaning that they are:

- **Specific** to overarching program goals, often measuring either the gains of the beneficiaries or the delivery of programs;
- **Measurable** and feasibly collected by program staff (these indicators should be directly attributed and calculated through a standardized approach,

in connection to programmatic deliverables, outputs, and impacts);

- **Attainable** and reasonable given the constraints of the social cash transfer program, limitations, and already-existing infrastructures;
- **Relevant** to key target beneficiaries, programmatic staff, and participating stakeholders; and
- **Time-bound** based on the roll-out plans and according to implementation goals.

3.3 OPERATIONALIZING THE NFIS M&E SYSTEM

Operationalizing the NFIS M&E system requires focused efforts in each of its four main components, as outlined in chapter 2:

- The action plan tracker (a comprehensive action plan monitoring tool) and reporting mechanisms must be developed and operationalized in order to monitor implementation of NFIS actions, including key outputs and outcomes.
- The financial inclusion data infrastructure will typically require strengthening to provide relevant, reliable, and comprehensive data to assess the access, usage, and quality of financial services. Targeted efforts are often required to improve both demand-side and supply-side data, as well as to consolidate enabling environment data and program-level data from a range of sources.
- The national results framework will typically be developed as part of the NFIS itself, but the Secretariat will need to update KPI values periodically in order to track national progress.
- The Secretariat should pursue—in collaboration with research entities and international organizations—evaluations of key NFIS actions and programs to generate insight into the efficiency, effectiveness, and impact of these actions.

The NFIS Secretariat is typically tasked with operationalizing the NFIS M&E system and will ideally be given sufficient staff and financial resources to do so. The NFIS M&E

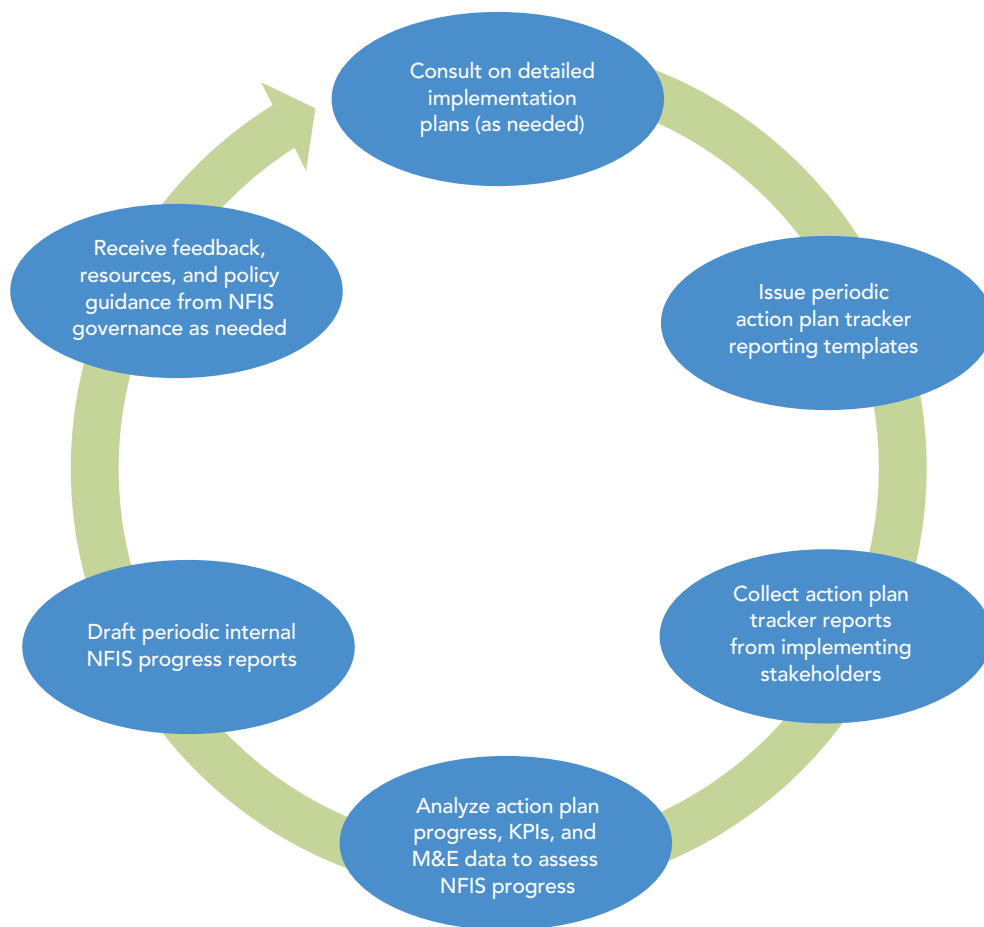
system is underpinned by core cyclical activities that require the Secretariat to periodically collect, analyze, and report varying levels of data and progress. The overarching goal of the system is to inform NFIS governance entities of NFIS progress and receive guidance and feedback to help push forward the implementation of the NFIS. This section will discuss in greater detail operationalizing the various foundations needed to enable these cyclical functions. Figure 3.3 provides an example of the application of these functions in operationalizing an NFIS M&E system.

3.3.1 Operationalizing the Action Plan Tracker

As noted in the previous section, the primary entities responsible for implementing NFIS actions should develop detailed implementation plans for each action. A summary of these detailed implementation plans should be reported to the NFIS Secretariat and consolidated into a comprehensive action plan tracker, to be updated regularly. The objectives of an action plan tracker are (i) to provide an overview of ongoing and planned activities and outputs to track overall NFIS implementation progress over time and (ii) to define and monitor progress toward expected outcomes linked to NFIS actions. An NFIS action plan tracker should contain similar elements as the detailed implementation plans—including output and outcome indicators—but at a level of detail that can be effectively managed by the NFIS Secretariat.

The consolidation of key implementation plan information into an action plan tracker can be facilitated through a reporting template. Such a reporting template can

FIGURE 3.3: Cyclical M&E Functions Typical of a Secretariat



solicit information similar to what is contained in the detailed implementation plan but likely at a less granular level (that is, it may not be necessary to report on budget breakdowns for each output). In order to ensure that the Secretariat has up-to-date information about overall NFIS implementation progress, primary entities and/or working groups should be required to report progress on their implementation plans regularly—that is, quarterly—using a reporting template. Such an approach can ensure that information is collected and consolidated in a consistent manner across a variety of NFIS actions, primary entities, and working groups.

Typically, the Secretariat M&E staff should be in charge of the development and operationalization of the action plan tracker and associated reporting templates, while the NFIS Secretariat coordination staff can provide guidance and quality control to ensure that primary entities and working group members accurately report implementation updates, outcome indicators, and so forth.

3.3.2 Strengthening the Financial Inclusion Data Infrastructure

A robust financial inclusion data infrastructure is necessary to support an effective NFIS M&E system. Data infrastructure and requisite indicators for NFIS tracking are often required on two levels: (i) the national level, to track consistent progress toward national financial inclusion objectives, and (ii) the action level, to develop and track indicators on outputs and outcomes for each action or set of actions. (See section 3.2.1.) These indicators are sourced through the four types of data summarized in section 1.3.

In most countries, it is likely that efforts will be required to strengthen the financial inclusion data infrastructure to support the NFIS M&E system. Ideally, some of these efforts will have taken place in the NFIS development process to inform a baseline assessment of financial inclusion and identify constraints and opportunities for further progress. However, it is likely that improvements to the data infrastructure will also be needed during NFIS imple-

mentation, and some of these may be highlighted in the NFIS action plan.

One common area where additional efforts are needed is the improvement of the scope, quality, consistency, and frequency of supply-side data collected from financial service providers, often through regular off-site supervision reports. Financial sector supervisors typically collect data relevant to financial inclusion via off-site supervision reporting systems. However, it may be necessary to include additional financial inclusion indicators depending on data gaps.

For example, stakeholders might work with relevant supervisors to add indicators on account dormancy or gender-disaggregated indicators to existing templates. Efforts might also be made to shift counting from the number of accounts to the number of unique customers, leveraging national ID data. Efforts may also be needed to ensure that data is collected in a consistent manner across providers or regulators to facilitate aggregation at the national level. In addition, it may be required to boost relevant indicators from particular sectors (like pension) that may be less developed than the banking sector. In some cases, the bottleneck relates to information sharing across institutions—for example, in the case where the Central Bank collects supply-side data but the Ministry of Finance is the lead NFIS entity. In such instances, it can be useful to develop data-sharing agreements and/or use data-sharing platforms.

Another common area of focus in strengthening the financial inclusion data infrastructure is demand-side survey data. This might result in the establishment of a periodic, nationally representative demand-side survey on financial inclusion or integrating a financial inclusion module into an existing survey effort. Ideally, financial inclusion demand-side data should be collected every two to three years.

Many countries already employ a range of household surveys, and, ideally, a mapping of data sources should be conducted as part of the NFIS development process. (See chapter 1.) Based on the mapping of data sources, a Secretariat, for instance, may consider leveraging any existing surveys to incorporate underlying NFIS KPIs. Although country-owned surveys (often conducted by a national statistics agency) are ideal to integrate financial inclusion indicators, privately owned financial inclusion survey companies are also often willing to embed indicators for policy making. For instance, surveys such as the BMGF/Intermedia Financial Inclusion Insights Survey, the World Bank's Living Standards Measurement Study, and FinScope may have the scope and mandate to incorporate financial inclusion indicators for an NFIS M&E system. If no surveys

exist, it may be worth considering implementing a new survey that can be conducted periodically. Figure 10 provides a decision tree to help practitioners identify an appropriate approach to collecting periodic demand-side data.

A final area where additional efforts may be needed is the regular collection and consolidation of various program-level and enabling environment data relevant to financial inclusion. Beyond supply-side data collected by supervisors and demand-side data collected via surveys, a range of other data is likely to be relevant to financial inclusion associated with a particular program or institution.

For instance, a nongovernmental organization running a financial education program will likely have data on number of beneficiaries reached and perhaps data on changes in behavior. A ministry of social affairs may also have data on the percentage of social transfers delivered via electronic/digital instruments. A financial sector ombudsman will have valuable data on the trends in complaints between consumers and financial service providers. And a credit reference bureau will have useful data on the number of individuals and/or MSMEs covered, as well as the range of institutions reporting or accessing information. While these are just a few examples, they serve to illustrate that a Secretariat can usefully strengthen the financial inclusion data infrastructure by regularly collecting and consolidating these scattered sources of data to inform the development and tracking of indicators at the national and action level.

3.3.3 Operationalizing the National Results Framework

A key function of the data discussed in the above section is to support the operationalization of the national results framework. This framework, typically outlined in the NFIS, includes national-level KPIs that serve to quantify and measure progress toward national financial inclusion objectives. Depending on the source, updated data for different KPIs will be available with varying frequency. For example, some supply-side information collected by regulators may be available monthly or quarterly. Demand-side survey data, on the other hand, will likely be available only every two to three years. As a rule of thumb, the values for each KPI should be updated as often as the data is available.

While a typical national results framework will include 10–20 indicators, many of these indicators can be disaggregated by various dimensions. For example, a demand-side KPI such as *percentage of adults with a transaction*

account can be disaggregated by gender, income level, age, education level, and region. A supply-side KPI such as *number of agents per 100,000 adults* can be disaggregated by region, financial service provider, and activity level. While granular segmentation can sometimes result in an overwhelming quantity of indicators, the data to support such segmentation should be collected by the Secretariat and leveraged to assess progress for certain policy priority areas (for example, closing the gender gap, improving physical access for rural residents).

Responsibility for operationalizing the national results framework typically lies with the NFIS Secretariat. The updated national results framework will also be a key element of internal and external progress reports. It may also be useful to make the national results framework—with updated KPIs—publicly available via an online website or data portal. (See box 3.5.)

3.3.4 Evaluating the Impact of Key NFIS Actions

Much of the above discussion has focused on monitoring. But it is also valuable to understand the effectiveness, efficiency, and impact of NFIS actions to build up an evidence base for what works (and doesn't work) to advance financial inclusion in a given country. Evaluations also allow stakeholders to understand how a specific NFIS action contributes to broader national financial inclusion objectives. Most NFIS action plans or related NFIS activities may contain explicit evaluation components or be conducive to rigorous evaluations. The exact scope of these evaluation activities will naturally depend on the availability of resources, the evaluation questions being asked, and the appropriate methodology for capturing the intent of the evaluation.

There exist a range of tools, methods, and approaches for conducting evaluations. (See box 3.6.) They include quan-

titative approaches such as impact evaluations and cost-benefit or cost-effectiveness analyses. Impact evaluations seek to understand the *causal* impact of a program by measuring changes in outcomes against a counterfactual. The gold standard in impact evaluation are randomized controlled trials. These offer a robust approach to understanding the causal impact of an intervention but can also be costly and time-consuming and may not be appropriate given methodological, political, or logistical constraints. That said, much of what we know about the effectiveness of financial inclusion interventions comes from impact evaluations and randomized controlled trials in particular.

Another approach to evaluation is more qualitative and process focused. These studies seek to understand the effectiveness of an intervention by examining its relevance, operations, decision-making processes, and use of resources in the context in which it is operating.

What types of interventions should be evaluated? An NFIS is implemented in a resource-constrained environment, so evaluation funds should be used strategically. In considering which NFIS actions to evaluate, stakeholders may ask themselves the following questions:

- **Which NFIS actions are in pilot phase or scalable?** An evaluation of a program in its pilot phase or of an intervention that may be further scaled up can provide useful information to inform the next phase. One example may be a pilot of a new approach to digitizing social transfer payments.
- **Which NFIS actions are innovative?** An innovative intervention is likely to be one for which stakeholders have limited evidence of efficacy, and so an evaluation may be useful. A new regulation on digital disclosure is an example of an innovative NFIS action that could usefully be evaluated.

BOX 3.5

Country Example: Financial Inclusion Web Portal in India

The Indian government created a web portal to publish and track headline financial indicators by state and throughout the implementation period of its **National Mission on Financial Inclusion**. Such practices can be replicated to publish financial inclusion progress externally.

BOX 3.6

Key Resources: Impact Evaluations

A range of resources exist to inform and support evaluation activities, including the World Bank's **Impact Evaluation Toolkit**, which provides guidance and templates for terms of reference, research protocols, questionnaires, training manuals, and fieldwork supervision manuals, and the World Bank's **Toolkit for the Evaluation of Financial Capability Programs in Low- and Middle-income Countries**, which provides tools for monitoring and evaluating financial capability programs, and recommendations on choosing appropriate methods and their proper application.

- **Which NFIS actions are resource intensive?** NFIS actions that require significant resources are good candidates for evaluation, to determine whether those resources are being put to good use. A national financial literacy program is one example.

3.4 COMMUNICATING NFIS PROGRESS

Communicating NFIS progress is an important element of the implementation process. Stakeholders and the public benefit from understanding that the NFIS is being implemented, what actions are linked to it, what successes have been achieved, and what challenges remain. This approach helps ensure broad-based support and buy-in for the NFIS. Some countries have developed an NFIS communication strategy for this purpose, including sponsored events, publications, “branding,” press releases, websites, and public reports.

Internal and public reports are two approaches to communicate NFIS progress. Although reporting requirements vary between countries, NFIS stakeholders at least periodically should consider developing (i) a more frequent (and often quarterly) internal progress report and (ii) an annual report. Periodic reporting can often include both external and internal publications, such as an external newsletter to highlight NFIS successes and a separate, internal progress report to monitor actions and identify bottlenecks. Frequent, internal progress reports should often include action-level progress, gaps, bottlenecks, and the progression of KPIs. It is important to standardize the periodic reporting to monitor progress more effectively over time. (See box 3.7.)

A periodic progress report differs in both structure and nature from the annual report. A periodic report should aim to showcase successes and identify bottlenecks or slowed actions, which, in effect, will allow for stakeholders (including Implementation Committees) to respond quickly to bottlenecks and provide policy guidance as needed, including by appropriately reallocating funds or other resources. The objective of the annual report is to provide a comprehensive overview and analysis of the financial inclusion landscape and progress. (See box 3.8.) This includes both national-level progress and general progress on NFIS implementation (such as key actions that have taken place and core successes). If relevant national demand-side indicators are frequently available (like reoccurring financial inclusion surveys or indicators available), a Secretariat should have access to consistent financial inclusion data. This provides the opportunity for a Secretariat to develop and draft annual reports with in-depth demand-side growth trends and statistics.

Properly communicating NFIS progress ensures that a wide range of stakeholders with varying technical expertise gain an understanding of NFIS successes and challenges over time. However, original NFIS objectives, policy areas, targets, or actions can become outdated over time. As a result, some countries opt to conduct NFIS midterm reviews or assessments to update or refresh their NFIS efforts. (See box 3.9.) This may include the issuance of a fully revised strategy or the updating of specific NFIS sections. Enabling midterm reviews and assessments helps realign strategy goals, objectives, and actions to the current market, ensures its relevance, identifies new opportunities, and can even revive strategy momentum.

BOX 3.7

Tip: Periodic Internal Reports

A periodic reporting template should consistently contain the following key elements to provide a comprehensive picture of NFIS progress, and to enable easy comparisons with past reports over time:

1. An overview of NFIS governance progress such as (i) relevant Secretariat achievements and challenges, (ii) number of working group meetings and respective dates, and (iii) key highlights, challenges, or next steps summarized from the minutes of working group meetings
2. A high-level overview of major NFIS action achievements and challenges, and areas that require guidance
3. A section that lists all NFIS actions and overall progress (that is, on track, not yet initiated, delayed)
4. A section that lists the KPIs in the national results framework, including updates based on recently available data (which will vary by KPI)

BOX 3.8**Tip: Annual Public Reports**

Many countries have begun to develop annual reports, which are often public in nature and contain detailed overviews and analyses of NFIS progress by sector, including action-level achievements and progress. The Philippines often provides **quarterly updates, annual reports, and data dashboards publicly**, and **Mexico develops a report every year**. An annual report can be thematic, written to follow the NFIS framework, or divided by working groups to more easily map progress and constraints. Although a report can be developed many ways, the following sections should be considered within an annual report structure:

1. Executive summary
2. The financial inclusion landscape
 - a. Recent macroeconomic developments in the financial sector
 - b. Overview of the current access and usage of financial services
3. A high-level overview of major NFIS action achievements and progress toward NFIS targets
4. Sector- or theme-specific overviews, as relevant to recent market developments
5. NFIS priorities for the following year

BOX 3.9**Country Example: An NFIS “Refresh” in Nigeria**

The Nigerian authorities launched an ambitious national financial inclusion strategy in October 2012, with an implementation period extending until 2020. With the development of the financial sector and evolution in financial inclusion trends, some NFIS actions became outdated. As a result, in 2018, the Nigerian authorities called for an NFIS review. The review

aimed to refresh the NFIS and reassess the remaining obstacles to financial inclusion in the context of the current financial sector landscape. In particular, the review (still under way at the time of publication of this toolkit) will allow NFIS stakeholders to focus efforts on opportunities provided by innovative providers, products, and delivery channels.



GLOSSARY OF TERMS

Action plan tracker: A comprehensive monitoring tool that tracks outputs and outcomes for each NFIS action. Typically maintained by the NFIS Secretariat and updated with regular reporting by primary entities and/or working groups.

Consultation stakeholder: Stakeholders who will not play an active drafting role but will be consulted regularly and asked to provide feedback at key intervals during the drafting process.

Demand-side data: Collected from current and potential users of financial services, typically via surveys of individuals, households, and/or firms. Particularly valuable for measuring uptake and usage of financial services, and for assessing the distribution of financial services across key consumer segments (for example, women, rural residents) and the relationship between financial behaviors and other factors (for example, poverty, employment, and so forth).

Detailed implementation plans: A plan that breaks down an NFIS action plan into a set of sequenced, time-bound activities and outputs, with clear delineations of roles and responsibilities and indications of resource requirements.

Drafting stakeholder: A stakeholder that plays an active role in drafting the NFIS. These stakeholders typically include all institutions involved in financial sector policy making and regulation.

Enabling environment data: Information supplied by institutions that provide the enabling legal, regulatory infrastructure for the financial sector. Can include, for example, information from credit reporting entities as well as alternative dispute resolution mechanisms.

Lead stakeholder/NFIS champion: The stakeholder that manages the entire NFIS development process and acts as NFIS “champion.” Responsible for propelling the NFIS development process forward as well as engaging other stakeholders and holding them accountable for their agreed-on contributions.

NFIS action plan: A list or table of actions, reforms, and initiatives to be undertaken within the time frame of implementation of the NFIS. Can include the following: (i) a description of the action to be implemented; (ii) the primary implementing stakeholder—that is, the entity responsible for its execution—(iii) a timeline for implementation; and (iv) a priority level (high, medium, or low).

NFIS Council: The entity that provides overall policy guidance and assures that financial inclusion remains a key policy priority in their respective institutions. Members of the NFIS Council are typically high-level figures and include ministers, governors, and executives (or their deputies) of financial sector authorities.

NFIS drafting model: Identifies how each stakeholder will contribute to the NFIS development process, including how stakeholders will organize themselves—for example, via a drafting committee or working groups—and the processes through which they will engage with one another (such as via drafting retreats or consultation workshops).

NFIS drafting road map: A planning tool that provides structure to the drafting process and keeps it on track. A drafting road map should provide stakeholders with a set of clear and sequenced steps to be followed when developing the NFIS, including their respective responsibilities.

NFIS governance arrangements: The set of entities that facilitate the leadership, coordination, and day-to-day management of the NFIS. These typically include (i) an NFIS Council, (ii) an NFIS Implementation Committee, (iii) an NFIS Secretariat, and (iv) a set of working groups.

NFIS Implementation Committee: The entity that oversees the day-to-day implementation of the NFIS. Typically composed of director-level representatives from institutions involved in the implementation of the NFIS; may also include the chairs of the working groups and/or private sector representatives.

NFIS M&E system: A monitoring and evaluation system to support the measurement of action-level and national-level progress. A robust NFIS M&E system consists of four elements: (i) financial inclusion data infrastructure, (ii) a national results framework, (iii) an action plan tracking system, and (iv) evaluations of strategically important NFIS actions.

NFIS Secretariat: A dedicated staff responsible for day-to-day administration, coordination, and M&E of the NFIS.

Primary implementing stakeholder: The stakeholder or institution with primary responsibility for implementing an NFIS action.

Program data: Information collected by programs relevant to financial inclusion, including, for example, government-to-person transfer programs, financial education programs, or credit guarantee programs.

Supply-side data: Information collected from providers of financial services, often through off-site supervision reporting systems. Particularly valuable for measuring levels of physical access (for example, number of branches, agents, automated-teller machines, and so forth) and transaction numbers and volumes.



REFERENCES

Listed below are sources referred to in the text and additional tools and sources of information that policy makers, regulators, and partner development agencies may find useful in the process of formulating a national financial inclusion strategy, setting up a national financial inclusion coordination mechanism, and/or designing a national financial inclusion M&E framework. Many of these resources are available online at the World Bank Group's [National Financial Inclusion Strategies Resource Center](#), which also includes links to all publicly available NFISs and additional resources pertinent to financial inclusion–related policy areas.

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