FINANCIAL INCLUSION STRATEGY (FIS) PEER LEARNING GROUP

BRINGING SMART POLICIES TO LIFE

NATIONAL FINANCIAL INCLUSION STRATEGIES: CURRENT STATE OF PRACTICE

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CONTENTS

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CONTEXT

National Financial Inclusion Strategies (NFIS) have gained a great deal of traction in recent years and have become an increasingly common policy approach for many member institutions in the Alliance for Financial Inclusion (AFI) to achieve financial inclusion objectives.

The Maya Declaration of 2011 together with AFI's endorsement of the value of NFIS and the support it extended to its member institutions to get a better understanding of this value contributed significantly to the heightened interest in national strategies. As of May 2018 out of the 66 commitments made under the Maya Declaration, 42 have a focus on formulating and implementing an NFIS. Other evidence points to the strong interest of AFI members. A poll taken at the 2012 AFI Global Policy Forum held in Cape Town, South Africa, showed that 97% of respondents thought a national strategy was essential to accelerate financial inclusion. AFI members continued to express their interest in NFIS at more recent GPFs as well. This surge in interest is driven by a number of interrelated factors. First is the growing availability of better data on the acuteness of the financial exclusion problem and on which policies and regulations are working to increase inclusion. Second is the better understanding of the power of strategic approaches to achieve financial inclusion objectives. Third factor is the empirical evidence that reveals countries with national strategies have done relatively better than those without national strategies in advancing financial inclusion. Fourth is the continued support extended by AFI through peer reviews and in-country implementation support, and a number of other organizations such as the World Bank, G20 and United Nations towards formulating and implementing national strategies. It is also possible that peer pressure may have motivated some countries to formulate a national strategy.

Policymakers' overwhelming confidence in national strategies as a policy tool is demonstrated even more clearly by the growing number of countries that have already formulated one, or are in the process of doing so. At the most recent count, 47 countries with AFI members, or approximately 52% of them (as of May 2018) have an NFIS, and another 22 countries, or approximately 24% of member countries, are at various stages of developing one. Thus countries with a national strategy or that are in the process of formulating one account for 76% of the AFI member institution countries.

It is also interesting to note that within the AFI network eight countries (Fiji, Liberia, Malawi, Papua New Guinea, Russia, South Africa, Solomon Islands and Tanzania have completed implementing their first NFIS and four of these (Fiji, Papua New Guinea, Solomon Islands, and Tanzania) have formulated and are implementing their second national strategy.

This policy choice is supported not only by AFI, but also by the G20, the World Bank and regional development banks such as the African Development Bank, among others. AFI has provided grant support to a number of its members to prepare national strategies, or for related activities, such as conducting demand-side surveys and brainstorming workshops or participating in knowledge exchange visits to learn from the experiences of other countries. The G20 has supported the development of national strategies through the nine Principles for Innovative Financial Inclusion[1] endorsed by G20 Leaders in 2010. In 2011, the participants of the first G20 Global Partnership for Financial Inclusion (GPFI) Forum agreed that, "the GPFI should continue to provide support to countries that are improving or developing financial inclusion strategies."[2] Reinforcing G20 support, the Mexican G20 Presidency established the G20 Financial Inclusion Peer Learning Program (FIPLP) in 2012.

Twelve countries renewed their commitments under the Maya Declaration at the G20 Leaders' Summit[3] and agreed to participate in the FIPLP together with five more countries that had committed to developing national strategies and coordinating mechanisms.[4] In 2012, AFI established the Financial Inclusion Strategy Peer Learning Group (FISPLG) to assist with the implementation of the G20 FIPLP and provide a platform for AFI members who are interested in sharing knowledge on NFIS. 54 member institutions representing all geographical regions had become members of the FISPLG by May 2018. Meanwhile, in 2012, The World Bank launched its Financial Inclusion Support Framework to provide assistance to countries to formulate and implement national strategies systematically. Haiti, Indonesia, Paraguay, Pakistan, Russia, and Rwanda have all received assistance through this program.[5] The UN Secretary General's Special Advocate for Inclusive Finance for Development, HRH Queen Maxima has also repeatedly emphasized the critical role of NFIS for advancing financial inclusion.

1 Global Partnership for Financial Inclusion (GPFI) and AFI, 2011.
2 GPFI, 2012, p. 8.
3 The 12 countries are Brazil, Fiji, Indonesia, Kenya, Malawi, Mexico, Nigeria, Peru, Rwanda, Tanzania, Uganda and Zambia.
4 The five countries are China, Colombia, South Africa, Turkey and Uruguay.
5 The World Bank, 2014a, p. 101.

It is not surprising that NFIS have gained traction so quickly, since the logic appears simple: greater financial inclusion promises more inclusive growth and development, while national strategies have the potential to accelerate financial inclusion. Empirical evidence appears to support this position. For example, the South Africa Financial Sector Charter helped increase the percentage of banked adults from 46% to 64% in four years, and six million basic bank accounts (Mzansi accounts) were opened.[6] In the United Kingdom, a Financial Inclusion Task Force contributed to halving the number of unbanked adults through a variety of policy measures. Reinforcing this evidence, the World Bank recently reported that countries that have launched an NFIS have achieved much higher levels of financial inclusion than other countries in recent years. The evidence from countries such as Brazil, Malaysia, Namibia and Tanzania supports this assertion. Analysis carried out by AFI and Bank Negara Malaysia has also reaffirmed the positive impact of NFIS.

The growing number of NFIS across all regions shows the influence of knowledge and peer learning on strategy development. However, it is important to note that practices tend to change over time based on how much knowledge is shared through mechanisms such as peer learning, and the extent to which this knowledge is applied in the strategy formulation process.[7] Assessing the current state of practice of NFIS has other limitations, as well. First, there is no systematic database in place with general data on NFIS or on the specific practices different countries have adopted. Even the scattered data that is available relates mainly to the formulation of national strategies, while very little data is available on implementation and progress monitoring and evaluation. Second, there is no consensus on what should legitimately be included in an NFIS. For example, some countries tend to include macroeconomic development strategies even though these may not significantly or strategically address the core issues of financial inclusion.[8]

WHAT IS A NATIONAL FINANCIAL INCLUSION STRATEGY?

A national financial inclusion strategy (NFIS) is a comprehensive public document that presents a strategy developed at the national level to systematically accelerate the level of financial inclusion. An NFIS is developed through a broad consultative process involving, among others, public and private sector stakeholders engaged in financial sector development.[9] Typically, a NFIS will include an analysis of the current status of, and constraints on, financial inclusion in a country, a measurable financial inclusion goal, how a country proposes to reach this goal and by when, and how it would measure the progress and achievements of the NFIS.

Source: Definition developed by the members of the AFI Financial Inclusion Strategy Peer Learning Group (FISPLG)

This paper covers NFIS practice in relation to two different, but essentially interlinked phases of the strategy process: formulation and implementation (which also includes progress monitoring and evaluation). The objective of the paper is to provide an overview of the practices that different countries have adopted and highlight recent developments. Data and information have been drawn from a multitude of sources, including the formal NFIS of AFI members,[10] AFI and the FISPLG, which has so far held 12 meetings since it first met in October 2012 in Abuja, Nigeria. A number of small-scale sample surveys on NFIS administered at some of the FISPLG meetings have enriched this data to some extent. FISPLG members have also provided additional data on request to clarify and elaborate the data. However, there are gaps in the said data. As a result, an earlier version of this paper paid relatively more attention to formulation practices than those used in the implementation phase. However, subject to the data and information constraints, this updated version incorporates implementation experience from a diverse set of countries such as Burundi, Fiji, Nigeria, Papua New Guinea, Philippines, Solomon Islands and Tanzania, among others.

6 Ivo Jenik, 2015.

7 The phrase “strategy process” refers to the process of formulating, implementing, monitoring and evaluating progress and assessing the impact of a financial inclusion strategy.

8 An example of such a macroeconomic development strategy is Kenya’s Vision 2030. This document deals briefly with financial services under its economic pillar, but is not an NFIS in part because it does not have strategic measures, priorities, time-specific targets and an implementation plan for financial inclusion (See The Government of Republic of Kenya, 2007). The same is true for Senegal’s “Plan Sénégal Emergent” 2035, which details financial inclusion objectives but does not go beyond that to meet the more specific requirements of a financial inclusion strategy.

9 The World Bank defines a financial inclusion strategy (FIS) as “road map of actions, agreed and defined at the national or subnational level, that stakeholders follow to achieve financial inclusion objectives.” See World Bank, 2012.

10 We have drawn extensively on the strategy documents and experience of 23 countries: Brazil, Burundi, China, Fiji, Haiti, India, Liberia, Malawi, Mozambique, Namibia, Nigeria, Papua New Guinea, Paraguay, Pakistan, Philippines, Rwanda, Samoa, Sierra Leone, Solomon Islands, Tanzania, Timor-Leste, Zambia and Zimbabwe.

TABLE 1. AFI MEMBER COUNTRIES WITH A NATIONAL FINANCIAL INCLUSION STRATEGY (NFIS)

COUNTRIES WITH AN NFIS, YEAR APPROVED AND LEAD INSTITUTION(S) (TOTAL: 47 COUNTRIES)		COUNTRIES AT VARIOUS STAGES OF FORMULATING AN NFIS AND LEAD INSTITUTION (TOTAL: 22 COUNTRIES)	
Asia & Pacific (14 countries)	> China (2015, CBRC); > Fiji (2016, CB); > India (2014, MoF); > Malaysia (2011, CB)*; > Mongolia (2013, CB & Financial Regulatory Commission)*; > Nepal (2016, MoF)*; > Pakistan (2015, CB & MoF); > Papua New Guinea (2016, CB); > Philippines (2015, CB); > Samoa (2017, CB); > Solomon Islands (2016, CB); > Thailand (2015, MoF); > Timor-Leste (2017, CB); > Vanuatu (CB)	Asia & Pacific (6 countries)	> Afghanistan (CB); > Bangladesh (CB & MoF); > Bhutan (RMA); > Cambodia (CB); > Mongolia (CB & FRC); > Sri Lanka (CB)
Africa (20 countries)	> Burundi (2015, Ministry of Finance and Economic Development Planning); > Ethiopia (2017, CB); > Ghana (2017, CB); > Kenya (2015, CB)*; > Liberia (2016, CB); > Madagascar (2013, MoF); > Malawi (2010, MoF); > Mozambique (2016, CB & MoE&F); > Namibia (2011, MoF & CB); > Niger (2014, MoE&F); > Nigeria (2012, CB); > Rwanda (2012, Ministry of Finance and Economic Planning & CB); > Senegal (2017, MoF); > Sierra Leone (2017, CB); > Swaziland (2017, CB & MoF); > Tanzania (2017, CB); > Togo (2014, MoE&F); > Uganda (2017, CB & MoF); > Zambia (2017, CB); > Zimbabwe (2016, CB)	Africa (3 countries)	> Angola (CB); > Democratic Republic of Congo (CB); > Sudan (CB)
Middle East and North Africa (2 countries)	> Jordan (2017, CB); > Palestine (2017, PMA and PCMA)	Middle East and North Africa (4 countries)	> Egypt (CB); > Morocco (MoF and CB); > Tunisia (MoF); > Yemen (CB)
Latin America and the Caribbean (9 countries)	> Argentina (2017, CB)*; > Brazil (2011, CB); > Colombia (2014, MoF); > Ecuador (2013, CB & MoF); > Haiti (2014, CB); > Honduras (2015, CNBS, CB & Secretariat of the Presidency); > Mexico (2016, CB); > Paraguay (2014, Multi-agency); > Peru (2015, Ministry of Economy & Finance)	Latin America and the Caribbean (7 countries)	> Bolivia; > Chile (Ministry of Planning); > Costa Rica; > Dominican Republic (CB); > El Salvador (CB); > Nicaragua; > Trinidad and Tobago (CB)
Europe and Central Asia (2 countries)	> Belarus (2013, CB); > Russia (2017, CB)	Europe and Central Asia (2 country)	> Armenia (CB); > Tajikistan (CB)

Sources: AFI FISPLG, AFI Data Portal; World Bank Financial Inclusion Strategies Resource Center

Notes: *Embedded Strategy. All others in this column are stand-alone strategies. CB: Central Bank; MoF: Ministry of Finance PMA: Palestine Monetary Authority; PCMA: Palestine Capital Markets Authority and MoE&F: Ministry of Economy and Finance.

CURRENT STATE OF PRACTICE IN THE FORMULATION OF NATIONAL FINANCIAL INCLUSION STRATEGIES

The first phase of the NFIS process is formulation. However, since the formulation process involves a range of activities, countries tend to adopt different practices. It is therefore useful to divide these practices into the following sub categories:

> Leadership
> Organizing
> Approaches
> Consultative process
> Data and diagnostic studies
> Content
> Incorporating national targets
> Setting priorities
> Budgeting
> Lessons from other countries
> Funding agency involvement
> Implementation
> Coordination mechanisms
> Working groups and technical committees
> Communicating the strategy
> Action plans
> Monitoring and evaluating progress

LEADERSHIP

The importance of leadership is well recognized by policymakers in developing and emerging countries, as well as by other stakeholders such as the G20, which has made leadership the first of its nine Principles for Innovative Financial Inclusion.[11] As the 2010 AFI Survey Report on Financial Inclusion Policy states, "strong leadership is always the foundation behind the development of a national vision and strategy for financial inclusion."[12] Leadership is essential to cultivating a strong commitment to financial inclusion across a diverse range of stakeholders and putting financial inclusion at the center of national policy agendas.

In 20 of the 40 countries for which we have reliable data - central banks have taken the lead. These countries include, for example, Belarus, Brazil, Ethiopia, Fiji, Jordan, Malaysia, Nigeria, Papua New Guinea, Sierra Leone, Solomon Islands, Samoa, Tanzania, and Timor-Leste. The central banks have also been leading the process in 12 of the 22 countries where strategy formulation is at various stages. These countries include Angola, Cambodia, Dominican Republic, El Salvador, and Sri Lanka. The factors behind central bank leadership is relatively easy to understand. As AFI's Pacific Islands Working Group (now the Pacific Islands Regional Initiative) has noted, "central banks are well positioned to take a leadership and coordination role to help maximize efforts, overcome barriers and steer activities towards shared goals."[13] Alfred Hannig, Executive Director of AFI, concurs that a central bank "typically has the respect of other government agencies and greater political independence allowing it to overcome barriers and steer activities towards shared goals."[14]

However, a recent survey conducted by AFI on leadership and coordination in NFIS revealed that the ministries of finance have begun to play an increasingly important role by providing leadership for NFIS process. The survey data showed that in 10 out of the 30 countries that responded to the survey, such ministries have taken the leadership. Included in this category of countries are Colombia, India, Mozambique, Peru, Swaziland and Uganda.[15] In other countries, the central bank has shared leadership with the ministry of finance or other key ministry. For example, in Ecuador and Pakistan the central bank shared the leadership role with the ministry of finance. However, there is geographical variation. Data tend to suggest that central bank leadership is less common in the Latin American and Caribbean region than in the Asia Pacific region. Although it has been pointed out that gender diversity in the NFIS leadership can contribute to the effectiveness and gender sensitivity of the policy making process, data on women's participation in the NFIS leadership is scanty. However, at least in a few countries such as Samoa, Jordan and Zambia women's engagement in the NFIS leadership appears to have been relatively high.

In a smaller number of countries, national strategies are formulated by an inter-agency committee under the leadership of the central bank or ministry of finance. In Paraguay, the strategy was formulated by the National Financial Inclusion Committee, which consisted of senior-level representatives from the Central Bank of Paraguay, Ministry of Finance, National Institute of Cooperatives and the Ministry of Planning. In the Philippines, an inter-agency body of representatives from 12 agencies, plus the Bangko Sentral ng Pilipinas (BSP, the central bank), carried out this task. This body was chaired by the Governor of the BSP. In Turkey, the Financial Stability Committee led the process.[16] Whether the leadership and coordination role is taken up by the central bank or another national institution, the one taking the lead must have, among other things, a formal or informal mandate for financial inclusion and sufficient convening power to bring all relevant government, private sector, and other key stakeholders together.

11 GPFI and AFI, 2011.
12 AFI, 2010a.
13 Pacific Islands Working Group, 2011.
14 Alfred Hannig, 2013.
15 AFI. 2017. National Coordination and Leadership Structure: Survey Report, p.5.
16 The Financial Stability Committee (FSC), chaired by the Deputy Prime Minister, was established in June 2011. The other members of the FSC are the Undersecretary of Treasury, the Governor of the Central Bank of Turkey, the Chairman of the Banking Regulation and Supervision Agency, the Chairman of the Capital Markets Board of Turkey and the Chairman of the Savings Deposit Insurance Fund.

While empirical evidence on formulation practices tends to suggest an increasing trend toward the shared leadership modality, and there may be multiple advantages associated with it, there is little evidence to suggest that this choice is based on a careful assessment of the merits of the modality. This trend seems to reflect mostly the rising importance of political economic factors.

ORGANIZING

Leadership is critical, but how leading institutions organize themselves to formulate a national strategy is equally important. Evidence indicates that institutions organize themselves in extremely diverse ways. Brazil, for example, began the process by creating a financial inclusion project at the central bank in 2009, while Mexico set up a National Financial Inclusion Council in 2011. In the Philippines, Bangko Sentral ng Pilipinas established an Inclusive Finance Steering Committee in 2012 made up of all Deputy Governors of the BSP and chaired by the Governor. The Central Bank of the Solomon Islands and the National Bank of Rwanda set up a National Financial Inclusion Task Force, while Nigeria's central bank set the process in motion in 2011 with a Financial Inclusion Strategy Project. Paraguay's central bank created the Department of Financial Inclusion and an inter-agency technical team in 2013. In 2014, Paraguay's Office of the President established a National Financial Inclusion Committee, which in turn appointed an Executive Secretary to be responsible for the oversight, coordination and implementation of the strategy.[17] The Ministry of Planning in Chile created a Financial Inclusion Unit in 2011 to drive the process. In Swaziland, the Ministry of Finance set up a Financial Inclusion Task Team with a mandate to develop an NFIS. The Task Team consisted of members from the Ministry's Microfinance Unit, the Central Bank and the Financial Services Regulatory Authority.

Countries that formulated or began formulation in recent years appear to have adopted more or less similar practices in organizing for financial inclusion strategies. For example, Ethiopia set up a Financial Inclusion Council in 2014 consisting of five members for the formulation of a strategy. The members represented the National Bank of Ethiopia, Ministry of Finance and Economic Corporation and the Ministry of Urban Development and Housing Construction. Sierra Leone's National Financial Task Force consisting of representatives of multiple stakeholder agencies including those from the Ministry of Finance and Economic Development and the Ministry of Trade and Industry in addition to the Central Bank, guided the formulation process.

All of these different efforts and approaches show that lead institutions across all geographical regions have made a concerted effort to approach the strategy process in a systematic manner, and that the initial organizational structure is critically important for building broad ownership and momentum for the strategy formulation process.

APPROACHES

A review of strategy formulation practices shows that countries primarily adopt one of two fundamentally different approaches. Many countries including Burundi, Fiji, Haiti, India, Jordan, Nigeria, Paraguay, Papua New Guinea, Philippines, Solomon Islands, Sierra Leone, Samoa, Tanzania, and Zambia have created stand-alone NFIS (See Table 1 for a full list). A number of other countries at various stages of the formulation process – including Bangladesh, Cambodia, among others, - are also using the same approach. Clearly, the stand-alone modality has become the dominant approach. What is striking is that even in some countries where financial sector development strategies with a focus on financial inclusion, among other things, were already in place, have also chosen to formulate stand-alone NFIS. For example, Cambodia, Malawi, Mozambique, Sierra Leone and Zambia where financial sector development strategies or blueprints were already in place, the lead institutions opted to formulate a stand-alone NFIS. At least 33 out of 47 countries or approximately 70% of the countries with a national strategy currently have created stand-alone NFIS, and 13 out of the 14 countries that launched a NFIS during 2016-2017 have used this approach confirming the continued overwhelming preference for this approach among AFI member institutions.

The other type of NFIS is an embedded or derived strategy. Embedded or derived NFIS are positioned within, or derived from, an overall financial sector development strategy or other macro-strategies, such as national economic growth or development strategy.[18] For example, Namibia added financial inclusion to its Financial Sector Strategy 2011–2021, which, among other things, advocates for the "need to enhance access to financial products and services for the low income and less privileged segments of the population." Mexico's National Development Plan for 2007– 2012 provided strategic direction for financial inclusion, including financial consumer protection and financial literacy.[19] Zambia, meanwhile, derived directions for financial inclusion from its Financial Sector Development Plan (Phase I and II). Rwanda's financial inclusion strategy sits within the Financial Sector Development Program II (2013-2017),[20] and Malaysia embedded its financial inclusion strategy in its Financial Sector Blueprint 2011–2020. Nepal is getting strategic direction for financial inclusion from a development strategy for the financial sector, which was prepared in 2016.

Overall, the preference for stand-alone national strategies appears to reflect the influence of measurable NFIS commitments made under the Maya Declaration by most AFI members, and the firm determination of members to pursue a more "focused" approach. Stand-alone strategies cover a shorter period than embedded strategies.

17 World Bank, 2014b, p. 37.

18 This definition was developed by Nimal Fernando, AFI Associate, who introduced the concept of "embedded/derived strategies" into the typology of NFIS approaches.

19 GPFI and AFI, 2011, p. 2.

20 The Government of Rwanda, 2012.

The average period covered by 24 stand-alone strategies in this study is 5.3 years. Of the seven embedded strategies included in this study, one covered 11 years and another 10 years. The average for the seven strategies is 6.6 years. It appears that embedded modality in general tends to cover a longer period than that of the stand-alone strategies.

CONSULTATIVE PROCESS

Participatory approaches are considered critically important to the successful implementation of any strategy. In the case of NFIS, this means broad and in-depth consultations with relevant stakeholders in the public and private sectors, as well as civil society. The extent to which countries have taken a participatory approach to formulating their financial inclusion strategies is an important question. A recent survey showed that stakeholder consultation is widely practiced and the three most frequently consulted groups in the development of an NFIS are government (92%), private sector and civil society including NGOs (67%).[21]

The first-generation national strategies (those formulated before the Maya Declaration) did not consult the private sector extensively. However, evidence suggests that the breadth and depth of consultation with the private sector have increased substantially in recent years, particularly with mobile network operators and insurance service providers. In general, this reflects a growing recognition that the private sector can play a central role in accelerating financial inclusion in most countries, particularly through more effective and efficient use of new technology and innovative business models. For example, the private sector was so involved in formulating Tanzania's National Financial Inclusion Framework (NFIF), for example, that the Tanzania National Council for Financial Inclusion launched it as "a public-private stakeholders' initiative."

The practice of having extensive consultation with the private sector players seems to continue with the same conviction. All NFIS that were launched during 2016 - 2017 have been formulated with a great deal of consultation with a range of private sector players, including those engaged in digital financial service provision, microfinance industry, SME financing and in the insurance industry. In most countries, dedicated industry associations such as associations of microfinance, banks, insurance service providers and non-bank finance companies have taken an increasing interest to participate in the consultative process because of the willingness of the policymakers to get diverse perspectives of such players in the financial service market. What is remarkable in most countries is the greater breadth and depth of consultations with telecommunication regulators. Mexico and Peru are two countries that have made concerted efforts to carry out extensive consultations with the telecommunication regulators in the strategy formulation process. This trend is easy to understand given the critical role that digital financial services can play in pushing the overall level of financial inclusion in most countries under a more enabling regulatory framework for such services.

Another new trend is the increasing level of consultation with the insurance and other type of financial sector regulators. Perhaps Uganda stands out in this respect because it brought almost all financial sector regulators into the consultation process in a systematic manner including the Uganda Retirement Benefits Regulatory Authority and the Financial Intelligence Authority. Insurance regulators have been brought into the consultative process in a number of countries including Uganda, Peru, Vanuatu, Nigeria, Mozambique and the Philippines. In Palestine, the Capital Markets Authority shared the leadership with the Palestine Monetary Authority in formulating the territory's financial inclusion strategy.

Increased level of engagement of a range of women's organizations such as women's business associations and women empowerment and rights advocacy groups in the consultation process is another significant development in recent years. Papua New Guinea, Fiji, Samoa and Solomon Islands all have made concerted efforts to create space for such organizations to contribute to the strategy formulation process. In the Solomon Islands, "NFIS consultations were carried out with the Ministry of Women, Solomon Islands Women in Business Association in addition to Savings Clubs and microfinance Institutions that focus on women" (AFI. 2017 p.6)[22]. In Bhutan, the Bhutan Association of Women Entrepreneurs was engaged in the development of the draft financial inclusion strategy along with other stakeholders. Mozambique, Zambia and Sierra Leone have also made similar efforts. In Zimbabwe, a number of women empowerment organizations were consulted in the formulation of the NFIS. Jordan, which just launched its NFIS has also paid a great deal of attention to consult with women's organizations, particularly financial service providers focusing on women's financial inclusion and organizations active in financial education of women. This trend appears to reflect, among other things, the surge of interest in bridging the gender gap in finance in most developing countries with improved understanding of the issue. However, a recent AFI study (2017) revealed that "less than half of surveyed AFI members (42%) that have a NFIS have consulted women's business associations and stakeholders with an explicit focus on women's financial inclusion in the process of developing a NFIS,"[23] indicating significant room for wider adoption of this practice.

Consultations are generally carried out with financially excluded groups as well, but information on the extent of these consultations is scant, and the representation of the poorest, low-income rural women, and women who operate MSMEs, is even less clear. When these groups are consulted, it is typically through focus group discussions. Whether the use of demand-side surveys can make up for any gaps created by inadequate consultations with a strategy's intended target groups remains an open question.

21 AFI, 2017 (a), p.6.
22 Ibid.
23 Ibid.

Approaches to consultation vary greatly across countries. Haiti's central bank went to stakeholder consultations with a draft NFIS in hand and refined it based on the feedback it gathered. The BSP in the Philippines followed the same approach, using a "consultative draft" for regional consultations with stakeholders. The State Bank of Pakistan carried out stakeholder consultations prior to drafting the strategy, and again after completing the basic framework of the strategy. Burundi and Nigeria also consulted stakeholders at two stages: prior to preparing a draft strategy and after the draft was completed. The Bank of Tanzania consulted stakeholders throughout the entire process of formulating the strategy.

A new trend in the approaches to consultation at the strategy formulation stage is the increasing use of technical and thematic working groups to obtain different perspectives on the industry landscape, barriers to financial inclusion and potential strategic approaches to overcome the barriers, among other things. Fiji, Nigeria, Pakistan, Philippines, Tanzania and Bhutan used this approach. This was also one of the main approaches used by Jordan for consultation on the NFIS formulation. The policymakers there consulted extensively with six working groups (Payments, Microfinance, SME finance, Financial Education, Financial Consumer Protection and Data) for the purpose of the national strategy design. However, the effectiveness of this approach depends on the level of commitment and diversity of the working group members and the intensity of their participation in the process together with the depth of knowledge that the group members have on the technical or thematic subject matters covered by the respective groups. The extent of logistical and resource support provided by the lead agency is another critical factor for the effectiveness of this approach.

While no analysis has been done on the merits of these different approaches, it appears that consultations at early stages may be better at bringing all important stakeholders on board, creating a shared vision and generating strong commitment to the cause. Those who have gone to consultations with an initial draft in hand argue that this helps to conduct the consultations in a systematic way when there are many stakeholders who want to actively participate.[24]

DATA AND DIAGNOSTIC STUDIES

There is now consensus among policymakers, financial service providers and other stakeholders on the importance of data and high-quality diagnostics for the development and implementation of NFIS.[25] Most countries make a concerted effort to use reliable, recent and comprehensive data as much as possible to formulate their strategy. By moving away from a heavy dependence on supply-side data, many countries are clearly recognizing that demand-side data on financial services access and usage is critically important. This data allows them to not only formulate a sound and comprehensive NFIS, but also to effectively address issues arising from the interplay between supply-side and demand-side barriers to financial inclusion.[26] It also shows that the work of both the AFI Financial Inclusion Data Working Group and the GPFI Data Working Group is having an impact, and that it is now widely recognized that providing relevant and quality financial services has a major impact on the welfare of a population.[27]

Demand-side surveys (DSS) on financial inclusion have been used more extensively in African countries than elsewhere, such as Burundi, Ghana, Malawi, Namibia, Nigeria, Rwanda, Tanzania and Zambia. A DSS carried out in Burundi provided a solid basis for policymakers to not only build a stakeholder consultation program, but also to identify barriers to financial inclusion. In addition, the survey findings provided useful insights into focus areas of the national strategy.[28]

Indonesia, Pakistan and the Philippines in the Asian region have also used DSS to inform strategy formulation. However, a few years ago most policymakers in Asia and elsewhere outside Sub-Saharan Africa, were debating about the necessity of DSS for strategy formulation. This seems to have changed almost completely. Currently, DSS is considered a "must -have" component to design a high quality national strategy. The use of DSS to inform their strategies by an increasing number of countries such as Cambodia, Fiji, Jordan, Palestine, Samoa, Solomon Islands, Thailand and Vanuatu, among others, in recent years firmly support this view. The wider recognition of the value of DSS for strategy formulation is reflected in the fact that at least 29 (approximately 62%) of the 47 NFIS that are currently in implementation have been developed using DSS.

While DSS have become an integral component in the strategy process, the practice of carrying out nationally representative surveys on MSMEs to generate better quality and more recent data to inform national strategies has not yet been well-established in most countries. Often enterprise data used for the strategy formulation purposes come from scattered sources, are outdated, incomplete and generally of poor quality despite the fact that the growth and expansion of the enterprise sector is of vital importance to achieve multiple objectives of financial inclusion strategies. This is because a dynamic MSME sector creates jobs, contributes to growth and reduces poverty and income inequalities. However, it appears that an increasing number of countries are making efforts to address this issue.

24 This point was made by Rochelle Tomas of the BSP at the sixth meeting of the FISPLG held in Kuala Lumpur in June 2015.

25 AFI, 2010b, p. 10.

26 AFI's Financial Inclusion Data Working Group (FIDWG) has encouraged the use of demand-side surveys for policymaking and has published a Guideline Note on this topic. See FIDWG, 2013.

27 The Governor of the Central Bank of Malaysia, in a keynote address at the 2014 AFI Global Policy Forum, rated the provision of relevant and quality financial services as the number one priority to advance financial inclusion to the next level. See Zeti Akhtar Aziz, 2014.

28 Banque de la République du Burundi and the AFI Financial Inclusion Data Working Group, 2014.

Many policymakers have also found that the availability of better and more recent data enables them to establish realistic national targets in the NFIS, and that it provides a credible basis for developing key monitoring indicators and establishing reasonable benchmarks for monitoring progress. There is wide recognition of the importance of sex-disaggregated data in particular. As the Head of the Financial Inclusion Team of Banco Central do Brasil has noted, “without good data, it is impossible to define indicators to build a proper financial inclusion agenda for the country.”[29] Efforts to gather and improve the availability of reliable demand-side data have generated additional positive effects. They have catalyzed interest in financial inclusion among many stakeholders in the public and private sectors, and contributed to an informed public discourse, knowledge and understanding on financial inclusion, all of which are critically important to good policymaking.

According to more recent reliable data, most policymakers rely on diagnostic studies to shape their NFIS. As the World Bank’s Financial Inclusion Strategies Reference Framework noted, “diagnostics provide an analytical and often in-depth assessment of financial inclusion and financial infrastructure, which can be very valuable in informing the design, prioritization, and sequencing of policy and legal reforms, and of public interventions. Diagnostic assessments can be comprehensive in scope or focused on a particular sector or issue.”[30] A FISPLG survey found that eight out of 14 AFI member countries with national strategies relied on comprehensive diagnostics to formulate them.

In general, policymakers in some countries have relied on comprehensive diagnostic studies to identify the most binding constraints on financial inclusion at a given point in time, to receive better guidance on selecting target groups, to set goals and to design measures to address these constraints. For example, Tanzania’s NFIF gives priority to poor rural households and their enterprises and low-income women and youth, with a special focus on children. Based on diagnostics, Tanzania has also chosen to prioritize proximity, robust electronic platforms, robust information and easy client on-boarding, and informed customers and consumer protection. Although India’s strategy does not explicitly mention diagnostics, a range of studies on access and use of financial services by different population segments were used to formulate it. Papua New Guinea and Fiji used financial sector assessment to inform their strategy formulation. Burundi has used diagnostics in a similar manner to fine-tune targeting and ways to address barriers to financial inclusion. Jordan used a comprehensive diagnostic study in the formulation of its national strategy. Diagnostics enable policymakers to identify financial inclusion measures that suit the local context and help to allocate limited resources more efficiently.[31]

This emerging practice of using diagnostics to formulate national strategies appears to involve using a series of sectoral and sub-sectoral diagnostic studies, rather than a single all-encompassing study. This appears to be a more sound practice given the multiple dimensions and complexity of financial inclusion. Mozambique, for example, combined a diagnostic review of consumer protection and financial literacy, an analysis of financial inclusion and financial capability household survey data, and other studies, to formulate its strategy. Indonesian policymakers have also used various special studies: a review of MSME finance supply, a G2P payments landscape study, and remittance and national identity assessments. Peru used several qualitative and quantitative diagnostics, and Pakistan used a number of sector or issue-focused studies together with the main stocktaking diagnostic. Paraguay also used a supply-side assessment of financial inclusion, an assessment of the legal and regulatory framework for financial inclusion, and a World Bank consumer protection financial literacy diagnostic to inform the national strategy.

CONTENT

The content of a national strategy generally covers a wide range of areas, from basic but fundamentally important issues, such as the justification for a strategy and the vision of the strategy, to the analysis of the state of financial inclusion in the country and the focus areas and major issues the strategy will address. The scope of the content can therefore differ widely across different national strategies. Evidence suggests that the scope of strategies has widened substantially in the last five years. First generation national strategies, Liberia’s and Malawi’s, for example, focused on financial inclusion in the context of the microfinance sector. Second generation strategies, however, go well beyond microfinance.

The literature on NFIS describes “vision” as the foundation of a strategy. It is typically a concise, inspirational and aspirational statement that defines medium- to long-term goal(s) of the strategy. Given the importance of a vision statement, most national strategies include one. Some of these statements are included in Table 2 below. It appears many countries overlook the need for a timeline in their vision statement, and some do not provide measurable goals.[32] A well-crafted vision statement is power-packed because it can convey a strong and clear message to all stakeholders. However, there is little evidence to conclude that countries have deliberately designed vision statements to accomplish this. Some strategies do not include a clearly identifiable vision statement at all.

29 Kabir Kumar and Yanina Seltzer, 2012.

30 World Bank, 2012, p. 25.

31 It is important to note that a diagnostic approach to identifying binding constraints and designing potentially effective measures to address development problems does not only apply to financial inclusion strategies. This approach is used in many other areas as well, such as strategies for broader economic growth.

32 A “vision” is a concise statement that can provide guidance to strategy development. A good vision includes at least two main components: a clear measure of success and a specific time frame. It must also be aspirational and inspirational.

TABLE 2. VISION STATEMENTS OF SELECTED NATIONAL FINANCIAL INCLUSION STRATEGIES

Fiji	Improving the livelihoods of Fijians through inclusive financial services.
Indonesia	To achieve a financial system that is accessible by all layers of the community to promote economic growth, poverty reduction and income equality in Indonesia.
Papua New Guinea	All Papua New Guineans are financially competent and have access to a wide range of financial services that address their needs and are provided in a responsible and sustainable manner.
Paraguay	Quality and affordable financial services for all people in Paraguay who want them through a diverse and competitive marketplace.
Peru	Improve the welfare of Peruvians through financial inclusion.
Philippines	Have a financial system that is accessible and responsive to the needs of the entire population toward broad-based and inclusive growth.
Sierra Leone	To make financial services available, accessible and affordable to all Sierra Leoneans and MSMEs, and support inclusive and resilient private-sector led growth.
Swaziland	To improve the quality of financial inclusion through the use of mobile money and remittance, extended bank reach, availability of risk management products and access to alternative channels for serving the poor.
Tanzania	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.
Thailand	Quality and sustainable financial services for all.
Zambia	Universal access and usage of a broad range of quality and affordable financial products and services.
Zimbabwe	To have an inclusive financial system that is responsive to the needs of all Zimbabweans.

Sources: National financial inclusion strategies of the respective countries

A definition of the term “financial inclusion” is an important component of a typical NFIS. How financial inclusion is defined is vitally important because it draws the boundaries for the strategy, and determines the policy measures and actions that can be legitimately included in the strategy to achieve the stated goal(s). A definition also largely determines who the stakeholders will be, who is likely to benefit from the strategy, and how. The task of crafting a definition for the strategy is not simply good practice; it is fundamentally important to all aspects of the strategy.

Given there are different definitions of financial inclusion, both nationally and internationally, those who have formulated national strategies seem to have preferred to develop their own definition for the purpose of the strategy. They have relied on definitions adopted by other countries, local context and dimensions of financial inclusion to be emphasized. It appears that many countries first develop a basic definition through discussions within a small technical group, typically the lead agency, then refine it at a broader internal consultation before submitting it for final revision at a larger stakeholder consultation. Pakistan, for example, seems to have followed this practice. Most countries review the definitions used in other countries as guidance on this task.

Generally, the definition of financial inclusion in most national strategies incorporate access, usage and quality of a range of financial products and services offered by formal service providers, either to particular target groups or all segments of the population.[33] In many cases, there is an emphasis on measuring financial inclusion. Although this varies between countries, efforts to craft a granular definition demonstrate that countries have recognized that a good definition is central to formulating a sound strategy. However, there are still some glaring inadequacies: there is no specific mention of financial products in some definitions, and some strategies do not provide a clear-cut definition at all. For example, the chapter on financial inclusion in the Financial Sector Blueprint (2011–2020) of Malaysia (considered the financial inclusion strategy of Malaysia), despite presenting an excellent and concise description of financial inclusion,[34] does not provide a precise definition.

33 AFI, 2017 (b).
34 Bank Negara Malaysia, 2011, p. 82.

TABLE 3. DEFINITIONS OF "FINANCIAL INCLUSION" IN SELECTED NATIONAL FINANCIAL INCLUSION STRATEGIES

COUNTRY	DEFINITION INCLUDED IN THE STRATEGY DOCUMENT	MAIN ELEMENTS EMPHASIZED IN THE DEFINITION
Burundi	"Permanent access by the adult population to a set of financial products and services (i) offered by formal and sustainable financial institutions, governed by adequate regulations, (ii) that are diversified, affordable and adapted to the needs of the population, and (iii) used by the latter for the purpose of contributing to the improvement of the conditions of their socioeconomic life."	> Permanent access > Range of services > Offered by formal, sustainable, regulated financial institutions > At affordable cost > Quality > Use **Remarks:** The definition refers only to supply from financial institutions. Covers both financial products and services.
Fiji	"Financial inclusion is defined as an enabling environment where all Fijian adults, irrespective of where they live, socio-economic status or gender, have access to, and are able to effectively use a broad range of affordable and appropriate financial services and products that are complemented by appropriate financial education and consumer protection policies."	> Access and effective use > Range of products and services > Affordability and appropriateness > Financial education and consumer protection **Remarks:** Covers both products and services. Effective usage is highlighted.
Jordan	"Financial inclusion is the state wherein individuals and businesses have convenient access to and use affordable and suitable financial products and services - payments, savings, credit, transactions and insurance - that meet their needs, help to improve their lives, and delivered in a responsible and sustainable way."	> Access and effective use > Affordability > Includes both individuals and providers > Convenience **Remarks:** Covers the responsible delivery of services that are responsive to the needs of financially excluded and underserved customers.
Nigeria	"Financial inclusion is achieved when adults have easy access to a broad range of formal financial services that meet their need and are provided at an affordable cost."	> Ease of access > Use of a broad range of financial products and services > Quality of products and services > Affordability **Remarks:** Covers both products and services.
Papua New Guinea	"Financial inclusion means that individuals and businesses have access to and can effectively use financial products and services that meet their needs -payments, savings, credit and insurance -which are delivered in a responsible and sustainable way." (Note: Reference has been made here to a World Bank definition)	> Includes both individuals and businesses > Effective use > Products and services > Responsible and sustainable delivery **Remarks:** Emphasis on quality through "products and services that meet the needs."
Paraguay	"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."	> Access, usage and quality > Consumer protection elements > Affordability > Financial education and capability > Refers to appropriate regulation **Remarks:** Covers all segments of the population, but does not mention financial products.
Peru	"Access to and usage of appropriate financial services by all segments of the population."	> Access and usage > Quality > Covers all segments of the population
Philippines	"A state where there is effective access to a wide range of financial products and services by all."	> Effective access > Wide range of products and services **Remarks:** Concise definition but seems incomplete because one has to still find out what "effective access" means here.
Sierra Leone	"A state wherein there is effective access to a wide range of financial products and services by all."	**Remarks:** The definition is exactly the same as that in the NFIS of the Philippines.

TABLE 3. *continued*

Tanzania	"The regular use of financial services, through payment infrastructures to manage cash flows and mitigate shocks, which are delivered by formal providers through a range of appropriate services with dignity and fairness."	> Regular usage > Range of services > Supplied by formal providers > Consumer protection **Remarks:** Does not mention target groups. Does not cover financial products.
Zimbabwe	"The effective use of a wide range of quality, affordable and accessible financial services, provided in a fair and transparent manner through formal/regulated entities, by all Zimbabweans."	> Effective use > A wide range of services > Quality and affordability **Remarks:** Includes important dimensions of responsible finance.

Note: For country practices and guidance on definition of financial inclusion, please refer, AFI 2017. Defining Financial Inclusion: Guideline Note No.28.

How countries justify their national strategy is another important issue. Most strategies are justified on the basis of a combination of three different, but interrelated factors: a relatively high level of financial exclusion in the country; the complexity, long-term nature and multiple stakeholder characteristic of financial inclusion; and the potentially significant contribution of financial inclusion to financial stability, a robust financial sector, inclusive economic growth and poverty reduction. The relative weights given to each of these factors appear to vary across countries, with virtually all low-income countries in different regions giving the highest weight to inclusive economic growth and poverty reduction, and explicitly less weight to financial stability concerns. Pakistan, for example, was driven to formulate a comprehensive NFIS by "the persistence of financial exclusion in the face of long-standing efforts to promote inclusion."[35] According to India's Minister of Finance, Corporate Affairs and Defense, launching India's financial inclusion strategy was a necessity, given that less than two-thirds of households in the country had access to banking facilities after 67 years of independence.

Burundi's NFIS, for example, is aligned with the objectives of the Strategic Framework for Growth and the Fight Against Poverty. The strategy of the Philippines is aligned with the Philippine Development Plan and its broader objective of inclusive growth. Malaysia sees its financial inclusion agenda as a key component of the country's inclusive growth strategy.[36] A small number of countries, such as Indonesia, the Philippines, and Sierra Leone have cited the potential of financial inclusion to reduce income inequality as a rationale for developing an NFIS. However, this does not appear to be a common justification which seems somewhat puzzling given the greater emphasis on this in recent years, as well as the growing recognition of the adverse consequences of income inequality on inclusive economic growth.[37]

Because national strategies are justified in part based on the positive impact they could have on inclusive economic growth and poverty reduction, measures incorporated into the strategies tend to establish a strong link with the real sector, going beyond a mere emphasis on expanded financial products and services for the financially excluded. Policymakers seem to have recognized that the nexus between financial inclusion and the real sector will enable national strategies to better harness the transformative power of financial inclusion. As a result, the scope of national strategies has broadened in recent years. For example, Tanzania's NFIF and Sierra Leone's NFIS give high priority, among other things, to addressing financial inclusion issues in the agricultural sector and rural areas, which includes low-income small farmers and agricultural enterprises. This allows for a greater contribution to productive employment. The same is true for the strategies of Burundi and Zimbabwe. Both Nigeria and Indonesia have emphasized access to, and use of, financial services for MSMEs. Pakistan's strategy includes a heavy emphasis on MSMEs and the agricultural sector, among other things.

The increasing emphasis on SMEs and microenterprises indicates recognition of their potential to create more and better employment opportunities, as well as the critical role of employment in poverty reduction. Essentially, those countries that rely on a national strategy do so primarily because financial inclusion matters not only for financial stability, but also for the development of the real sectors that generate tangible benefits for the population. This suggests that financial inclusion has matured to such an extent that it is recognized as a cornerstone of a broader economic development framework. Stated another way, financial inclusion is no longer considered as an end in itself, but as a means to an end.

A content analysis of NFIS reveals a number of important practices. A common practice in many strategies is to focus on both supply- and demand-side constraints. This is an important development because, for many years, financial sector policymakers and regulators focused only on supply-side barriers, such as service providers' transaction costs and inadequacies in regulatory frameworks that hindered the supply of financial services.

35 State Bank of Pakistan and Ministry of Finance, 2015, p. viii.

36 Bank Negara Malaysia, 2011, p. 82.

37 See Liliana Rojas-Suarez. 2014. In this paper, Rojas-Suarez points out the strong negative relationship between financial inclusion and income inequality. Income inequality has moved to the forefront of public debate in most developing and emerging economies in recent years.

Little attention was paid to demand-side constraints, such as high consumer transaction costs, lack of formal identification documents to open accounts at formal financial institutions and to use their services, and low financial literacy and financial capabilities. India's strategy is critical of previous efforts in the country that focused "only on the supply side." Current practices suggest that this asymmetry has declined significantly. The attention now being given to financial literacy and consumer protection, as well as recognition of the central role of demand-driven products and services, reveal the extent to which countries are emphasizing demand-side issues.

Another practice gaining traction is broadening the strategic emphasis beyond access to include usage and quality of financial services. This is understandable for two main reasons: first, usage has an impact on the welfare of users and their households; second, in most countries, despite relatively high access levels or account ownership, usage remains disappointingly low. A Grameen Foundation study found that more than 80% of bank accounts in India are inactive.[38] In Latin America and the Caribbean, only 11.5 million mobile accounts out of 21.5 million registered accounts were active (90-day basis) as of December 2017. Globally, the percentage of active accounts (90-day) is estimated at 35.8% of registered mobile money accounts in December 2017.[39] In Tanzania, 90% of the adult population have access to a mobile money account, but only 43% are active users. Hence, Tanzania's NFIF focuses, among other things, on the measures needed to increase usage among owners of mobile money accounts. A similar emphasis on usage of financial services by the unserved and under-served appears in the recently formulated national strategies of countries such as Pakistan, Paraguay and the Philippines. The quality of financial products and services provided by financial and non-financial institutions is also a major focus area of most recent strategies.

Again, the strategies of Pakistan, the Philippines and Sierra Leone are examples. The emphasis on quality is reflected in the attention given to customer-centric products and services, consumer protection issues, and financial education and literacy, among other areas.

The expansion of coverage of NFIS to include financially excluded firms in addition to households or individuals has become a common practice.[40] This is one of the factors differentiating NFIS from the microfinance development strategies of the 1990s. The increased emphasis on private sector firms in national strategies reflects a clear recognition that a large proportion of MSMEs still do not have access to formal financial services and are unable to fully contribute to inclusive development goals. For example, in Tanzania, the national baseline survey report of 2012 showed that only 10.6% of MSMEs had access to finance from formal institutions. The national strategies of Indonesia, Mozambique, Namibia, Nigeria, Pakistan, Sierra Leone and Tanzania, among others, suggest that these countries have made a conscious effort to address financial inclusion issues affecting not only individuals, but also firms, MSMEs in particular. Jordan's recently launched national strategy also includes measures to promote MSME finance. Banks in Pakistan are lending to only about 6% of the estimated 3.2 million SMEs in the country, and only about 5% of all SMEs receive a loan for working capital. Pakistan's NFIS therefore proposes to lower the barriers to financial services for SMEs and establish a technical committee to develop a detailed implementation plan. Namibia's strategy clearly recognizes that "apart from individuals, SMEs also face serious access problems."[41] Paraguay's strategy focuses not only on medium-sized firms, but also large firms without access to banking services given that over 50% of medium-sized firms and 12% of large firms remain financially excluded.

Nearly all NFIS formulated in recent years pay a great deal of attention to digital financial services (DFS). This is not surprising given the extremely high mobile phone penetration in most countries, and the potential it offers for scaling up financial inclusion, particularly to remote areas and unbanked low-income people including women. A number of national strategy measures emphasize DFS, most commonly those focused on expanding branchless banking modalities including agent networks; measures to improve payment infrastructure and regulatory frameworks relating to DFS; and improving financial literacy to facilitate DFS, among other efforts.

At least five more developments in the content of national strategies deserve special mention. One is the growing trend to include microinsurance. The national strategies of Burundi, India, Mozambique, Pakistan, Paraguay and the Philippines, among others, address insurance issues. The inclusion of insurance highlights the importance of bringing insurance regulators into the consultation process. The second development is the greater attention being paid to gender issues, which is often covered as a cross-cutting issue in national strategies. The third development is a greater emphasis on remittances. Remittances are a key component of the national strategies of the Philippines and Haiti. The fourth development is the inclusion of Islamic finance in the national strategies of countries with a significant Muslim population. Pakistan's and Indonesia's strategies pay a great deal of attention to Islamic finance.

The fifth development is the trend toward incorporating issues relating to green finance and strategic measures to promote green finance. For example, in the NFIS of Sierra Leone (launched on 16 December 2016), when the significance of client-centric products and services are discussed, reference is made to the provision of "support for the development of green financial services and products" and this includes "services and products designed for individuals, households and MSMEs that reduce negative environmental impacts or provide environmental benefits."

38 Microfinance Gateway, 2014.

39 GSMA, 2017.

40 Recent research clearly shows the importance of expanding financial services to financially excluded firms to achieve inclusive growth objectives. See Asli Demiguc-Kunt, et al., 2008.

41 Namibia, 2011, p. 28

It has been a common practice in most countries to include financial education as a major component of their national strategies. This is not surprising given that low financial literacy has been identified as one of the major obstacles to financial inclusion in most developing and emerging economies. However, most recent evidence seems to suggest an increasing number of countries are choosing to address financial education and literacy issues through stand-alone financial education or financial literacy strategies. The countries that have chosen this path include Chile, Colombia, India, Indonesia, Malawi, Mexico, Malaysia, Peru, South Africa and Zambia.[42] However, some countries, such as India, Peru, Malawi and Indonesia, despite having stand-alone financial education strategies, have included financial education/literacy in their NFIS as well. The reasons behind this choice are unclear. While duplication does not seem to be a good practice, the merit of moving financial education and literacy from a national strategy to a stand-alone financial education/ financial literacy strategy deserves in-depth analysis, which is beyond the scope of this paper.

Not surprisingly, countries without stand-alone financial education strategies have made financial education/ literacy an integral component of their national strategies. Paraguay and Haiti include financial education within the scope of their strategies, and Burundi has also chosen to incorporate financial education into its NFIS. Turkey's strategy is devoted largely to financial education and financial consumer protection, in addition to financial access. The Democratic Republic of Congo has also decided to include financial education in its NFIS. As part of its Maya Declaration Commitments, Trinidad and Tobago's national financial inclusion strategy will focus on financial education and consumer protection. The same is true for Jordan.

The story of consumer protection is different. Virtually all countries with national strategies have included consumer protection as an integral component. For example, consumer protection has received a great deal of attention in the national strategies of Namibia, Pakistan, Peru, Philippines, Paraguay, Haiti, Rwanda and Turkey.

INCORPORATING NATIONAL TARGETS

Until recently, when a country formulated an NFIS, a common practice was to include only a qualitative or quantitative headline target. However, it is clear that the Maya Declaration, announced by AFI in 2011, and the Sasana Accord of 2013, have strongly encouraged many member countries to make specific measurable commitments and incorporate them into their national strategies as concrete targets. A number of countries that have launched strategies recently have moved beyond the practice of just setting a headline target, and instead set detailed sub-targets that would contribute to achieving the headline target for financial inclusion. The financial inclusion strategies of Nigeria, Tanzania and Paraguay are good examples. Nigeria provides a headline target and a range of sector-level targets, as well. The headline target is to reduce financial exclusion in the country from 46% of the adult population to 20% by 2020. The targets for insurance and credit access are 40%, savings is set at 60% and payments at 70%. Tanzania, another country that has

TABLE 4. NIGERIA: NATIONAL FINANCIAL INCLUSION STRATEGY TARGETS

TARGETS	2010	2015	2020
% OF ADULT POPULATION			
Payments	21.6	53	70
Savings	24	42	60
Credit	2	26	40
Insurance	1	21	40
Pensions	5	22	40
UNITS PER 100,000 ADULTS			
Branches	6.8	7.5	7.6
MFB Branches	2.9	4.5	5
ATMs	11.8	42.8	59.6
POS	13.3	442.6	850
Mobile Agents	0	31	62
% OF POPULATION			
KYC ID	18	59	100

made commitments under the Maya Declaration, has set more than 12 concrete targets in its NFIF. Paraguay has set targets for savings, credit, insurance, payments and financial education. India had set a target to open 75 million basic banking accounts within a year by mid-August 2015. Mozambique has set targets for access, and use of bank credit, formal savings and insurance, and financial literacy.

It appears that policymakers committed to financial inclusion are increasingly recognizing the importance of setting national targets, and the practice of incorporating detailed targets has gained traction. A major reason appears to be the powerful incentives they generate to achieve the stated outcomes. A sense of ownership is vitally important. National targets are not imposed by an external agency or interests, therefore, achieving them is a matter of pride for the country and for the major stakeholders involved.[43] As noted in a recent joint report to GPFI by CGAP and IFC,[44] "setting targets is a way to focus energy on the most impactful goals and galvanize action to achieve scale in financial inclusion." Country-led target-setting creates real buy-in and increases the likelihood that a financial inclusion target will result in concrete action. Thus, it is not surprising to observe the value placed on incorporating national targets in national strategies.

In the recent context where women's financial inclusion has come to the forefront of financial inclusion discourse and practice, it is appropriate to examine the extent to which countries have incorporated specific quantitative targets for women's financial inclusion in the national strategies. According to a joint study of the AFI and Women's World Banking, the record on this until recently has not been impressive. Of the 12 national strategies (2011 – March 2015) reviewed for the study, five strategies

42 OECD, 2013.
43 Nimal Fernando, 2014a.
44 CGAP and IFC, 2013, p. 2.

addressed issues of women's financial inclusion throughout the strategy; however, only four had explicit quantitative targets for women's financial inclusion namely: Burundi, Papua New Guinea, Malawi and Rwanda. The Solomon Islands also integrated targets for women's financial inclusion into its first national strategy (2011-2015). The record seems to have improved to some extent in more recent years. Papua New Guinea has repeated the practice in its second national strategy (2016-2020) with a target to reach 1.0 million more unbanked women with a wide range of financial services. Solomon Island's second NFIS (2016-2020) has a target to reach 150,000 new users of financial services by 2020. Fiji which did not have a gender-specific target in its first national strategy has included a quantitative target for financial inclusion of women (50% of the 130,000 unbanked clients to be reached) in the second national strategy (2016-2020).

Sierra Leone has included a quantitative target for women's financial inclusion in the M&E Framework of the strategy (2017-2020) in terms of an annual growth rate of 5% for new accounts at formal financial institutions. Similarly, Zambia has included its women's financial inclusion target (financially included women to be increased to 80% by 2020) in the National Results Framework of the strategy (2017-2022). Zimbabwe's strategy discusses women's financial inclusion in detail and outlines a series of measures to increase its level but does not include specific quantitative targets. Ethiopia's national strategy includes specific annual targets for six selected financial products and services (In Appendix 8 of the strategy document), but does not include any gender-specific targets. It would be interesting to see how many of the 22 national strategies currently under preparation will actually have quantitative targets for women's financial inclusion.

Different countries have used different approaches to set these national targets. The type of approach that is used is important because it tends to influence the incentives for achieving targets differently. Most countries use variants of two approaches. One approach is to take current data relating to the concerned target to reflect the expected effect of the key measures included in the strategy. Tanzania appears to have taken this approach.
Some other countries use a benchmark-based approach in which current levels in benchmark countries are taken as a basis and adjustments are made to this base level to reflect the effect of the measures outlined in the strategy. Nigeria has followed this approach (see Table 5). In some cases, different targets in the same national strategy have been set using different approaches. Regardless of the approach, it is common to use stakeholder consultations to refine the targets because it is widely recognized that top-down approaches to target setting is unlikely to be very effective.

While targets are becoming increasingly common in national strategies, the adoption of the practice seems to vary across countries. In most cases, only end-of-period targets are given. This is the case with Burundi. Paraguay also sets end-of-period targets for each thematic area (i.e. savings, credit, insurance, payments, financial education, consumer protection and vulnerable populations). A small number of strategies provide detailed national targets for

TABLE 5. HOW DID NIGERIA SET ITS NATIONAL TARGETS?

VARIABLE PRODUCT SELECTED	CURRENT LEVEL (2010)	TARGET FOR 2020	BASIS USED
Financial Exclusion (overall target)	46.3%	20%	Based on analysis of teh country situation and other country experience
Savings	424.3%	60%	Based on improvement of best in class Kenya at 48%
Credit	1%	40%	Based on improvement of best in class South Africa at 36%

both interim periods and the end of the period, which allows progress to be monitored systematically. However, some countries still prefer to include only qualitative targets. An example is China's financial inclusion strategy.

SETTING PRIORITIES

Setting priorities is another important practice in the formulation of national strategies. In the context of an NFIS, this means "selection of policies, activities or target groups to which relatively high importance needs to be attached in the effort to achieve the goals articulated in the national strategy."[45] The strategies generally include a hierarchy of priorities: prioritizing barriers to be addressed; prioritizing policies to address the chosen barriers; prioritizing activities within selected policy areas; and prioritizing target groups whose financial exclusion issues are to be addressed. Most countries have used this general framework to varying degrees.

In most national strategies, regulatory barriers have been given highest priority, and development of agent banking regulation is a high priority activity within regulatory policies. For target groups, the poor and rural populations are given high priority in most cases. Countries seem to have made their decisions based on a range of factors, including the local context. For example, Indonesia's NFIS explicitly targets those groups with the greatest need or unmet demand for financial services and has identified three segments of the population (low-income poor, working poor and near poor) and three cross-cutting categories (migrant workers, women and people living in remote areas). Nigeria, on the other hand, has chosen to prioritize six areas: tiered KYC regulations; regulatory framework for agent banking; national financial literacy framework; consumer protection framework; mobile payment system and other cashless policies; and the implementation of credit enhancement schemes and programs.[46]

45 Fernando. 2014 b.
46 Central Bank of Nigeria. 2012.

Although priorities in a NFIS of a given country is driven predominantly by country-specific factors, a review of NFIS priorities across countries tends to show more or less a similar set. In addition to the regulatory framework-related priorities referred to in the previous paragraph, the most common priorities in NFIS include: financial infrastructure development; development of digital financial services (Indonesia, Jordan, Mexico, Nigeria, Papua New Guinea, Peru, Philippines, Tanzania); increasing the use of formal credit by MSMEs; small-farmers and rural population (China, India, Nepal, Pakistan, Papua New Guinea, Philippines, Sierra Leone, Zimbabwe, Zambia); improving financial inclusion among youth (Fiji, Jordan, Palestine, Zimbabwe); and developing financial consumer protection and financial education and literacy (Jordan, Nigeria, Papua New Guinea, Philippines, Tanzania). Development of financial inclusion data and measurement framework has become the most common NFIS priority area across all regions.

The list of priorities seems to have seen new additions in recent years with the increased emphasis on financial inclusion of women (Fiji, Papua New Guinea, Solomon Islands, Zimbabwe) and a range of vulnerable groups and micro-insurance or inclusive insurance (Papua New Guinea, Mozambique, Sierra Leone). In a number of countries “green finance” has become an integral part of NFIS operations. The Pacific Island countries – Fiji, Samoa, Solomon Islands – are in this category. Sierra Leone’s NFIS also emphasises green finance and plans to “provide support for the development of green financial products and services.” However, this still appears to be less common. Addressing financial inclusion issues of refugees are becoming an important priority in the NFIS of countries where the refugee population is relatively large. The NFIS of Jordan and Tanzania are examples of this.

It is interesting to note that so far, there is little or no direct reference in the priorities of NFIS to the United Nation’s Sustainable Development Goals (SDGs) despite the endorsement of these goals by the UN General Assembly in September 2015 and that a number of NFIS have been formulated and launched subsequent to this. However, with the increasing global and regional discourse on the nexus between financial inclusion and SDGs, it is likely that in the near future, contribution to the achievement of SDGs will become a high priority of NFIS.

While setting priorities is a common practice, it is not always clear on what basis these decisions are made. Since formulating a national strategy is essentially about making choices about what and what not to do, it is important to be systematic when setting priorities to achieve the desired results within the specified period.

However, given that most national strategies aim to do too many things within a relatively short period, it is doubtful whether countries have taken a systematic approach to setting priorities. On the whole, it is fair to conclude there is ample room for improvement.

BUDGETING

It is widely recognized that there must be a strong link between a strategy and the budget required to execute that strategy. Many financial inclusion policymakers and other stakeholders involved in strategy formulation share this view. However, dealing with the financing aspects of strategy implementation is not a practice that has taken root. In fact, very few national strategies provide budgetary details. For example, despite having otherwise very comprehensive strategies in place, Pakistan’s NFIS, Paraguay’s NSFI, Nigeria’s NFIS and Tanzania’s NFIF do not deal with budgetary issues. Turkey’s strategy does not provide a budget, but makes some reference to budgets needed to coordinate the strategy’s two action plans. In contrast, Burundi’s NFIS includes a detailed budget broken down by objectives and sub-objectives. Given the range of public and private sector stakeholders that may be involved in implementing an NFIS, it may be difficult to provide details on budgetary requirements in most cases. However, overlooking the financing side entirely cannot be considered good practice.

There seems to be a continuity in the practice of paying little attention to budgetary issues in NFIS. A review of a small sample of recently launched NFIS showed that budget and resource allocation issues do not figure much. The unstated practice in most countries appears to be to assume that the responsibility to mobilize and allocate resources will be shouldered by the respective individual institutional stakeholders for the activities for which they are made responsible. However, such assumptions or assignments may not work effectively in respect of activities with shared responsibility, creating serious bottlenecks or implementation delays. Admittedly, budgetary and resource allocation issues for the implementation of NFIS are complex. Yet the complexity does not justify overlooking this critical area.

BURUNDI’S NFIS BUDGET

According to the NFIS of Burundi, an estimated 36.7 billion BIF (approximately US$ 23.5 million) is required to implement the strategy, excluding the estimated 175.6 billion BIF (about $113 million) required to refinance financial institutions. Approximately 81% of the total budget is for the second objective (to make quality financial services and products available that meet the needs of the national strategy’s target groups). Of the total estimated budget of 36.7 billion BIF, 62.2% is expected to come from development aid. This again excludes the funds required to refinance financial institutions. The reliance on development aid suggests the budget for the NFIS is vulnerable.

Source: Budgetary data is from the NFIS of Burundi

LESSONS FROM OTHER COUNTRIES

An important question is whether and to what extent countries draw on the experiences of other countries to formulate an NFIS. Many countries seem to take these experiences into account either directly or indirectly, and this practice seems to have been reinforced by the emphasis AFI and the G20 have placed on peer learning, as well as by AFI's regional initiatives on financial inclusion. In formulating Nigeria's national strategy, policymakers conducted an "assessment of peer countries for international benchmarking purposes." The assessment included Malaysia, Mexico, Brazil, South Africa, India, Indonesia, the Philippines, Kenya, Ghana, Pakistan and Uganda. This analytical approach to formulating the Nigerian strategy also used "global best practices."[47] In Tanzania, a definition of "financial inclusion" was developed after a careful review of definitions adopted by a number of countries within and outside the region. A Palestinian team visited Tanzania to learn from its experience formulating the NFIS, while policymakers from the Banco Central de Reserva de El Salvador visited Colombia, Mexico and Peru for peer learning to get insights into developing an NFIS for El Salvador. While these countries have directly used the experiences and lessons from other countries to formulate their own NFIS, others, such as Indonesia, have drawn on lessons and experiences indirectly through the G20 "Principles for Innovative Financial Inclusion." The G20 Principles were developed based on the experiences and lessons of policymakers around the world. This is important because it suggests that peer learning and knowledge exchange visits can contribute to the improvement of the strategy process.

Countries that have formulated NFIS recently or are still in the process of formulation have continued the general practice of learning from other countries. Many have found that experience of early entrants are a rich source of insights and lessons for the latecomers and learning from their experience enables the newcomers to carry out the formulation task more effectively and efficiently without compromising the need to ensure country-specificity of the strategy. Thus, many latecomers such as Ethiopia, Jordan, Palestine, Sierra Leone, and Zimbabwe have learned a great deal from the strategy process and practices of countries such as Brazil, Fiji, Malaysia, Mexico, Nigeria, the Philippines, and Tanzania.

However, of the 47 countries with a NFIS only India had adopted an inward-looking approach to its NFIS formulation. India has learned lessons primarily from previous efforts to promote financial inclusion within the country itself, rather than from other countries and has used these lessons to adopt a new approach to the national strategy. This approach focuses on households and both rural and urban populations, and includes a structured monitoring mechanism at central, state and district levels. It is possible that India has been able to follow an inward-looking approach because it is a large and diverse country with a long history of a wide array of financial inclusion efforts at both national and state level when compared with most other countries. The diverse experience across different states (population of the nine states in India each exceeded 60 million people in 2011, and in another five was in the range of 31 million to 49 million each, for example) seems to offer a great deal of insight to design new and more effective approaches. The same does not hold true for many other AFI member countries.

FUNDING AGENCY INVOLVEMENT

Given the extensive and deep interest in financial inclusion among the global and regional development community, and the strong endorsement it has given to strategic approaches to financial inclusion, it is natural to expect a degree of country-level involvement from funding agencies in the formulation of national strategies. Evidence indicates there is a strong demand from a growing number of countries for assistance with strategy formulation from these agencies. Although it appears that external parties have primarily drafted a few of the national strategies launched in the last five years, there have been substantial inputs from lead agencies and other major stakeholders. Whether this is a sound practice for NFIS formulation is debatable and merits special attention from AFI in general and the FISPLG in particular. Moreover, funding agencies and other stakeholders in the global development community must seriously examine how to best support the strategy development process without undermining local ownership and involvement and the powerful incentives these create to implement national strategies successfully.

IMPLEMENTATION[48]

A strategy is only as good as its implementation. Therefore, implementation practices deserve a great deal of attention, particularly from the members of the FISPLG, given their commitment to and keen interest in peer learning to adopt better practices. Key questions on implementation practices include: What are these practices? Why have they been adopted? What are the trends in these practices? Implementation practices vary a great deal because of country context, but despite this diversity and the limited availability of data on implementation, it is still possible to identify commonalities in some practices.

COORDINATION MECHANISMS

Literature on financial inclusion underscores the importance of effective coordination mechanisms for the successful implementation of national strategies. First, financial inclusion policymaking involves multiple stakeholders from various public-sector institutions. For example, in Sierra Leone, institutional responsibility for financial inclusion lies with the Bank of Sierra Leone, the Ministry of Finance, the Ministry of Trade and Industry, and the Ministry of Agriculture. In Tanzania, seven ministries are involved. In Mozambique, major institutions with significant responsibilities for the implementation of the NFIS include five ministries, in addition to the financial sector regulators. In Indonesia, in addition to the Bank Indonesia, nine ministries are involved in financial inclusion. Second, beyond public institutions, many private sector institutions have different and important roles to

47 Central Bank of Nigeria. 2012.

48 Although implementation practices are discussed separately from formulation practices in this paper, this is only for the ease of presentation. We acknowledge that the two are inextricably linked.

play. Third, policies and regulations introduced by public sector stakeholders have a significant bearing on the activities of private sector stakeholders and the users of financial products and services. Fourth, public-private partnerships have become critically important to achieving financial inclusion goals. Effective coordination plays a key role in fostering such partnerships. It is therefore, not surprising that at the 2012 AFI Global Policy Forum, 50% of participants polled identified “national coordination” as the most daunting challenge to developing and implementing a financial inclusion strategy.[49]

Evidence indicates that countries have taken different approaches to coordination.[50] In the United Kingdom, nearly a decade ago, the government established an independent Financial Inclusion Task Force to advise on and coordinate the implementation of the national financial inclusion strategy (2005–2011). Fiji, Solomon Islands, Vanuatu and Rwanda have all established a National Financial Inclusion Task Force, each chaired by the central bank. The Democratic Republic of Congo, which is in the process of formulating an NFIS, has also established a National Financial Inclusion Task Force. Namibia has created an Inter-Ministerial Financial Inclusion Council and Advisory Body. Brazil launched a National Partnership for Financial Inclusion in November 2011, and Mexico created a National Council on Financial Inclusion that same year. Nigeria established a Financial Inclusion Secretariat within the central bank to take responsibility for day-to-day reporting, coordination and implementation work.[51] However, giving strategic direction to the implementation process and coordinating initiatives across relevant regulatory bodies have been assigned to the Financial Services Regulation Coordination, which is a separate entity. The Financial Inclusion Secretariat at the Bank of Nigeria includes three offices: strategy coordination office; data management office; and program management unit, and each function under the direction of the Head of the Secretariat. This secretariat shoulders a lion’s share of the day-to-day implementation and coordination responsibilities.

Zambia has also chosen a multi-tier coordination structure which consists of a Steering Committee (SC) at the top, a multi-agency Implementation Committee (IC), and a Secretariat co-hosted by the Ministry of Finance (MoF) and the central bank. Seven working groups have been set up to assist the IC. The Secretary of the Treasury chairs the SC, which provides overall policy guidance for the implementation of the strategy. The IC has overall responsibility for implementing the strategy under the guidance of the SC. The Secretariat, housed at the MoF and co-supported by MoF and the central bank, is responsible for providing technical, administrative and research support to the SC and the IC.

The arrangement for the coordination of implementation in Mozambique is somewhat different. Given that the NFIS of Mozambique is considered an integral part of the country’s broader Financial Sector Development Strategy, the coordination structure for implementating the NFIS is derived from and linked to the umbrella Strategy. To implement the NFIS, a National Financial Inclusion Committee (NFIC) has been set up with reporting responsibilities to the Steering Committee for the Financial Sector Development Strategy. An internal financial inclusion committee at Bank of Mozambique and the Mozambique’s Insurance Supervision Institute (ISSM) both report to the NFIC. These internal committees formalize the commitment and availability of resources from the financial sector regulators for the implementation of actions aimed at promoting financial inclusion. A Technical Implementation Unit that is responsible for day-to-day implementation responsibilities also report to the NFIC. A number of thematic working groups function below the internal committees with responsibilities to implement the actions contemplated in the NFIS. Although the structure as a whole appears sound, it also tends to create coordination issues across different units within the structure itself.

Tanzania has gone further and organized coordination very differently, using a four-tier structure: National Council (NC) at the top of the hierarchy, National Steering Committee (NSC), National Technical Committee (NTC) and National Secretariat. The National Secretariat is a unit located in the Bank of Tanzania to provide secretarial support to the NC, NSC and NTC.

TANZANIA’S NATIONAL COUNCIL

The National Council (NC), chaired by the Bank of Tanzania, is the overarching policymaking body for the national financial inclusion agenda. It is responsible for providing overall strategic direction and oversight of the financial inclusion agenda. Specifically, the NC will:

- Set the strategy for financial inclusion for Tanzania;
- Review and approve the Action Plan to achieve financial inclusion goals;
- Review the progress of the implementation of financial inclusion;
- Clarify policy issues and approve proposals from the Financial Inclusion National Steering Committee; and
- Review any other issues related to the implementation of financial inclusion initiatives as needed, with a view to advising the Government on the best way forward.

The NC includes 19 members from Permanent Secretaries from relevant government ministries, heads of regulatory authorities and practitioners associations. The ministries represented in the NC include:

- Ministry of Finance of the United Republic of Tanzania
- Ministry of Finance of the Revolutionary Government of Zanzibar
- Ministry of Agriculture, Food Security and Cooperatives
- Ministry of Industry and Trade
- Ministry of Education and Vocational Training
- Prime Minister’s Office, Regional Administration and Local Government
- Ministry of Labor, Youth and Employment

49 AFI, 2012, p. 13.
50 Fathallah and Douglas Pearce, 2013, p. 1.
51 Central Bank of Nigeria, 2012, p. x.

Jamaica's coordination structure is much similar to that of Tanzania, with one exception. The structure consists of the National Financial Inclusion Council (NFIC), Financial Inclusion Steering Committee and a Technical Secretariat. The NFIC is chaired by the Minister of Finance and Public Policy. A novel and innovative feature of Jamaica's structure, however, is the creation of a "Stakeholder Advisory Group" that consists largely of representatives of the private sector and civil society to directly provide advice to the NFIC.[52]

Paraguay has also organized coordination differently. The Office of the President has established a National Financial Inclusion Committee (NFIC) with senior-level representation from Banco Central del Paraguay, Ministry of Finance, Ministry of Planning and the National Institute of Cooperatives. A Technical Team has been set up beneath the NFIC, which has appointed an Executive Secretary. The Executive Secretary and the Financial Inclusion Technical Team have been assigned responsibility for the oversight, coordination and implementation of the NFIS.[53] Paraguay also established seven Working Groups (See Table 6), based on the key areas spelled out in the NFIS, to support implementation. Evidently, as expected the WGs have been playing an important role in implementation of the NFIS.

Nepal, which prepared a development strategy for the financial sector in 2016, has also established a tiered structure to coordinate and promote financial inclusion. A high-level Financial Sector Coordinating Committee chaired by the Minister of Finance is at the top of this structure. This high-level Committee has created a Steering Committee, also chaired by the Minister of Finance, and a Technical Committee, chaired by a senior deputy governor of the central bank. Taking a different path, Papua New Guinea has set up a National Center for Financial Inclusion for coordination. What factors led these countries to adopt these particular approaches, however, have yet to be explored.

Pakistan's NFIS proposes to establish a four-tier structure, similar to the one in Tanzania, for coordination (and implementation): A National Financial Inclusion Council to be chaired by the Finance Minister to provide overall guidance for governance and coordination; National Financial Inclusion Steering Committee, chaired by the Governor of the Central Bank with overall responsibility for implementation; and technical committees in each focus area (digital payments, agricultural finance, housing finance, awareness and literacy, MSME finance, pensions, Islamic finance, insurance and gender). An NFIS Secretariat will also be established in the central bank, which will be responsible for providing technical, administrative and research support to the NFIS Council, Steering Committee and Technical Committees to ensure smooth implementation.

Subsequent to the launching of its new NFIS in 2016, Indonesia has also established a National Financial Inclusion Council (NFIC) for coordination of implementation. The NFIC is assisted by a Secretariat and seven Working Groups (see Table 6 for the list) comprising representatives of key ministries and regulatory bodies related to financial inclusion.

In general, the practice in many countries has been to establish a coordinating body towards the end of the formulation of a national strategy. However, there are exceptions. The Government of Peru established a Multisectoral Commission for Financial Inclusion responsible for coordination at the middle stage of the strategy formulation process (February 2014). The members of the Commission come from the Ministry of Economy and Finance, Ministry of Development and Social Inclusion, Superintendence of Banking, Insurance and Private Pension Fund administrators, the central bank and the state bank. Some countries, such as Indonesia, have set up a coordination structure only after the launch of the strategy.

In some coordinating bodies there is private sector representation. Tanzania's National Council, National Steering Committee and the National Technical Committee, all have representatives from private institutions.

Pakistan's NFI Council and NFI Steering Committee will also have private sector representation. Brazil's National Partnership for Financial Inclusion is a network of public and private actors engaged in coordinated efforts to promote appropriate financial inclusion in the country. However, significant private sector participation is not common. In most countries, there is little representation of the private sector in coordination structures, and most have not followed the example of the UK in developing an independent Financial Inclusion Task Force. The UK Government provided a leading role for the private sector in the Task Force. It may be useful for developing and emerging countries to take a close look at the UK practice, with a view to bring private sector participation into NFIS coordination.

In Tanzania, the main stakeholders signed an agreement to ensure better coordination and smooth implementation of the strategy — a novel practice. In the Philippines, the BSP (the central bank) has also followed this practice, signing a memorandum of understanding with the members of the Inter-agency Consultative Body (12 in total) to reaffirm their commitment to the strategy.

While inter-agency coordination has in general been a high priority, it appears intra-agency coordination has not received the same level of attention, despite the fact that both types of coordination are essential to ensure successful implementation.[54] It has been pointed out that it is difficult, if not impossible, to achieve a reasonably good level of inter-agency coordination, if intra-agency coordination is poor. Currently, it seems that a more balanced and comprehensive approach to coordination is required in most countries, given that coordination is widely recognized as the most challenging issue in the implementation of national strategies.

52 Tanzania National Council for Financial Inclusion, 2014

53 Central Bank of Nigeria. 2012.presentation. We acknowledge that the two are inextricably linked.

54 Pakistan's NFIS has identified the need for intra-agency coordination and assigned the responsibility to the NFIS Steering Committee.

TABLE 6. THE ROLE OF WORKING GROUPS AND TECHNICAL COMMITTEES IN IMPLEMENTATION (SELECTED EXAMPLES)

COUNTRY	TECHNICAL COMMITTEE/WORKING GROUP	MAIN TASKS
Indonesia	**Working Groups:** Financial Education; Public Property Rights; Financial Distribution Channels and Intermediary Facilities; Financial Services at Government Sectors; Consumer Protection; Policies and Regulation; and Financial Information Technology Infrastructure	Carry out technical work related to the respective areas and assist the National Financial Inclusion Council in implementation of the NFIS
Jordan	**Working Groups (WGs):** DFS; Microfinance; SME Finance; Financial Capabilities; Financial Consumer Protection; and Data and Research	The WGs are responsible for operationalizing the NFIS priority policy areas and supporting in their implementation in accordance with indicators
Pakistan	**Technical Committees:** Digital Payments; Agricultural Finance; Housing Finance; Awareness and Literacy; MSME Finance; Pensions; Gender; Islamic Finance; Insurance	Propose detailed implementation plans; resolve technical issues in the focus area; provide information on the progress of implementation and related targets to the NFIS Secretariat on a quarterly basis; and propose solutions to focus area challenges to the NFIS Steering Committee
Paraguay	**Working Groups (WGs):** Savings; Credit; Insurance; Payments;Financial Education;Consumer Protection; Vulnerable Populations	Tackle selected issues in the focus areas and report on progress to the Executive Secretary
Burundi	Technical Committees will be set up for topics that require large-scale efforts	Assist the Coordination and Monitoring Committee of NFIS in coordinating actions that require large-scale efforts
Sierra Leone	**Working Groups:** Responsive Regulation and Policy Framework; Digital Financial Services; Financial Education, Literacy and Consumer Protection; MSME Finance; Pro-poor Products and Services; and Data & Measurement	Carry out technical work in respective areas; assist the Financial Sector Development Unit at the Bank of Sierra Leone (central bank)
Zimbabwe	**Working Groups:** Women Financing and Development (Thematic WG); Rural and Agricultural Finance and Development; SME Finance and Development; Digital Financial Literacy and Consumer Protection; Insurance, Pension and Capital Market; Youth; and Microfinance	Carry out technical work in the respective areas; assist the national coordination entities for implementation

Sources: NFIS documents of each country

IMPLEMENTATION OF WOMEN'S FINANCIAL INCLUSION INITIATIVES

According to the 2017 Global Findex, women are still largely excluded from the formal financial system and the financial inclusion gender gap of 9% still persists in developing countries. A growing body of research shows that greater inclusion of women's participation in the formal financial system could contribute to higher and better growth, shared prosperity and reduction of income inequalities, among other things. The socio-economic rationale for implementing measures to advance women's financial inclusion is now widely recognized by AFI members.

Increased availability of data; more evidence from research, global, regional and nation-level discourse on the issue and the importance of addressing it systematically; and the advocacy and policy work of AFI and a number of other global organizations, among others, have begun to change the weight assigned to women's financial in implementation of NFIS. Many countries seem to have recognized the need to make their NFIS more nimble when it comes to implementing initiatives for women's financial inclusion. The general trend appears to be placing increased emphasis on the implementation of interventions focused on women's financial inclusion. Most countries appear to use a range of measures targeted to women's financial inclusion. Some create a more enabling policy and regulatory environment while others address specific groups of women through focused interventions. Simplified or tiered KYC structures and actions to improve financial literacy may be described as general measures used by some countries. Providing concessional finance to women-owned SMEs is a specific intervention targeted to women. Engaging women's business associations to get feedback on implementation issues is another specific measure. Improving access to finance for smallholder agriculture in general also tends to benefit women to some extent in countries where they constitute a dominant group in small-holder agriculture.

Countries are using different mechanisms to implement women-focused interventions in NFIS. For example, Nigeria is using the Financial Inclusion Special Interventions Working Group (FISIWG) to address implementation issues related to women, among others. The FISIWG is focusing on how to incorporate gender considerations into the development of financial products and services, working closely with the Financial Inclusion Products Working Group. FISIWG has also been working with a number of other entities to increase access to finance for women, in particular low-income women. The Central Bank of Nigeria, as the lead agency implementing the national strategy, has been collaborating, among others, with the Federal Ministry of Women's Affairs to advance women's financial inclusion.

The MSME Development Fund established under the national strategy has a target to issue at least 60% of its loans to women. And the policymakers driving the national strategy have been encouraging financial service providers to offer women-specific financial services and products. These different initiatives and approaches tend to suggest that in practice Nigeria's national strategy has not overlooked women's financial inclusion during implementation even without an overarching gender-specific financial inclusion target in the national strategy.

Initiatives taken by Tanzania to address women's financial inclusion through its national strategy provided further evidence on how countries use NFIS in a flexible manner to advance women's financial inclusion. Although financial inclusion for women was not articulated as an explicit goal in the country's 2013 National Financial Inclusion Framework (the first strategy), during 2015 and 2016 the strategy focused attention on creating a more favorable environment for women's financial inclusion. Implementation of regulatory framework for mobile money and measures focused on financial infrastructure development have also contributed to improved financial inclusion for women. Although the original strategy did not include gender-specific targets, the central bank incorporated gender targets and indicators into the revised measurement framework of the national strategy in early 2016. With this change, the emphasis on and efforts to collect sex-disaggregated financial inclusion data were also intensified.

Zimbabwe's national strategy recognizes the needs of special interest groups that include women. The Central Bank of Zimbabwe has ensured that women's empowerment organizations consulted in the formulation of the NFIS are engaged in the implementation of the strategy through participation in working groups. The bank established an inter-agency Women Financing and Development thematic working group under the national strategy to support the implementation of interventions focused on women. This working group assisted the policymakers in a variety of ways to implement initiatives for women's financial inclusion. The Government has approved the establishment of a women's bank and a Women Empowerment Fund. The central bank has begun to encourage banks to establish women desks to facilitate development of tailored financial products and services for women. In Sierra Leone, the working groups established to assist in the implementation of the national strategy are deliberating on more effective measures to address the issue of women's financial inclusion. The working group on pro-poor products and services have taken the lead in this. In Fiji the working groups engaged in the strategy implementation have devised plans for empowerment of women.

While practices adopted vary across countries, the most common practice appears to be the efforts to collect and develop a sex-disaggregated database. According to our count, more than 70% of the countries with national strategies in implementation currently collect sex-disaggregated data. This is a healthy development of fundamental importance for evidence-based policies, implementation of specific interventions and to track and measure their progress over time.

The results of our review reveal that addressing women's financial inclusion through NFIS has become a common practice, regardless of whether strategies include gender-specific financial goals. Perhaps the Denarau Action Plan launched at the 2016 GPF in Nadi, Fiji may have put peer pressure on many countries to seriously engage in advancing women's financial inclusion. However, it is also clear there is considerable scope for reinforcing and refining the initiatives in implementation under the on-going national strategies in this focus area and incorporating headline gender-specific targets into strategies without such targets can substantially strengthen the efforts.

WORKING GROUPS AND TECHNICAL COMMITTEES

Most of the early NFIS used a single technical committee to facilitate implementation. This practice seems to have changed significantly. Most strategies formulated in recent years (more than 50% of the NFIS now in implementation) are using a range of subject-specific technical committees or working groups for implementation. Indonesia, Pakistan, Paraguay, Philippines, Haiti, Jamaica, Jordan, Sierra Leone and Zimbabwe are just a few cases in point. A common feature of most of these committees/working groups is private and public-sector representation.

In most countries, the role of technical committees and working groups has been substantial. For example, Working Groups were behind the successful completion of implementation of the first national strategy of Fiji. Largely owing to the dynamic role of the WGs as a whole, Fiji achieved its overall national target of reaching 150,000 unbanked clients within the strategy period ended in December 2015. In the Philippines, with the support of the NSFI Secretariat housed at the central bank, the multi-agency Data and Measurement WG developed an innovative and comprehensive M&E system that will enable reporting on headline and national-level indicators as well as track progress of the regional and program-level performance indicators. The Working Groups are closely engaged in the implementation of the NFIS in Paraguay as well.

The most dynamic working groups in national strategy implementation can be observed in Nigeria. These WGs were set up to deal with specific issues in the strategy implementation process. They meet quarterly. Since their establishment, they have held nine meetings to discuss the work related to their respective areas. Each of these meetings has shown the commitment of the WG members engaged in the implementation process. At each of these quarterly meetings they have reported to the Financial Inclusion Technical Committee the progress made and deliberated on actions to be taken to address identified challenges. At the 9th meeting held in April 2017, the Financial Inclusion Products WG (FIPWG) discussed the findings of the 2016 Access to Finance Survey and deliberated on the decline in the overall financial inclusion rate between 2014 and 2016, and the regional picture that the findings of the survey revealed.[55]

Over the years, the WGs of Nigeria have discussed and helped implement initiatives in microcredit, women's financial inclusion and introduction of women-specific financial inclusion products, potential for increasing mobile money adoption among youth, guidelines for micro-insurance, harmonization of ID data base and issues relating to agent networks, among other things. Regular reporting and analytical work carried out by the financial inclusion WGs in Nigeria has also tremendously helped the Financial Inclusion Technical Committee to carry out its functions more effectively and efficiently.[56] The Technical Committee has also held nine meetings since its establishment. The ninth meeting was held in April 2017. The Technical Committee has identified implementation bottlenecks and issues in areas such as payments, savings, credit, deliberated on implementation challenges, and facilitated inter-agency coordination and implementation of specific initiatives.

A number of factors may have contributed to the increased role of WGs across countries in strategy implementation. It is possible that successful working approaches, such as those used by AFI and the G20/GPFI, may have shown that working groups are an effective way to promote financial inclusion and get the job done as envisaged. Another reason may be the vast coverage of NFIS and the technical nature of some of the focus areas, making it difficult for a single committee or group to effectively handle implementation issues and come up with appropriate and timely responses to demanding and frequently changing issues. Whatever the reasons, it may be useful for the FISPLG to closely monitor the effectiveness of WG operations in NFIS implementation at country-level with a view to sharing that knowledge widely with the AFI membership. Operational modalities of WGs across countries may be a legitimate focus area for peer learning by AFI members implementing NFIS.

DEDICATED NATIONAL-LEVEL IMPLEMENTATION UNIT

It has been widely recognized that a dedicated unit consisting of full-time staff with the responsibility of implementing strategy can make a big difference to the quality and speed with which a strategy is implemented, and significantly reduce the persistent gap between the goals and achievements of strategies (what is known as an "execution gap"). Such a unit can become a convenient focal point for both internal and external stakeholders and play a very active functional role in coordination, among other things, to ensure smooth implementation of the strategy. Given such potential benefits it is not surprising that most countries rely on a dedicated implementation unit, although apparently in many countries different names are used for units that are charged with this responsibility. In some countries such units are identified as "National Secretariat," while in some others as "Technical Committee."

55 The key factor behind the decline in the rate of financial inclusion was the challenging macroeconomic environment in 2015-2016 which led to lower level of employment and disposable incomes. Higher rate of inflation has also been a factor. And the decline should not be interpreted as a shortcoming in the implementation of the NFIS. One can even argue that the rate of decline may have been higher in the absence of the NFIS.

56 However, it is important to note that in certain situations, WGs may not be most ideal mechanism to inject implementation vigour into the implementation process. When a majority of WG members have primary responsibilities in addition to their financial inclusion work, there is a risk loss of momentum and focus. Also frequent changes in their membership may lead to less effective WGs.

Nigeria set up a Financial Inclusion Secretariat consisting of three sub-units (namely, Strategy Coordination Office; Data Management Office; and Programme Management Unit) at the Central Bank and assigned senior staff to manage these. This Secretariat has been making a big contribution to the implementation of the national strategy.

The Central Bank of the Solomon Islands also set up a National Financial Inclusion Unit (NFIU) to act as the Secretariat for the second National Financial Inclusion Strategy (2016-2020) and assigned the Unit with the responsibility of managing financial inclusion related data gathering, analysis and reporting on the performance, for driving activities and providing coordination and technical support to WGs and the National Financial Inclusion Task Force.

Tanzania established a National Secretariat at the Central Bank to support the higher-level coordination bodies while Madagascar set up a dedicated unit at the Treasury Department of the Ministry of Finance. Lesotho has established the Financial Development Strategy Secretariat with staffing resources provided by the Central Bank. According to its NFIS, Swaziland plans to upgrade the Microfinance Unit at the Ministry of Finance to become the Financial Inclusion Agency, to function as the Secretariat to the Financial Inclusion Coordination Council (FICC) and to coordinate the implementation of the NFIS.

A multitude of factors seem to make these dedicated units more effective structures. First, they are often staffed with full-time employees.[57] Second, their role is to implement M&E systems or frameworks. Third, they are responsible for submitting periodic reports to the higher-level coordinating bodies in the implementation support framework. These tasks tremendously increase their knowledge of the implementation bottlenecks, issues and challenges and improve their capacity to suggest appropriate corrective actions. Fourth, they are less likely to suffer from serious resource constraints for operations. Being at the cutting edge of implementation issues and having a comprehensive view of the overall picture of implementation, reinforces their capacity to devise innovative solutions and suggestions to resolve implementation issues. Often these units involve teamwork in the truest sense; as none of the team members work in their own silos. The highly positive operational experience of the Financial Inclusion Secretariat at the Central Bank of Nigeria tends to support this view. The National Secretariat at the Bank of Tanzania also functioned in a similar manner and was able to play a critical role in successful implementation of the NFIF.

COMMUNICATING THE STRATEGY

Management gurus often highlight the importance of communicating a strategy to all stakeholders to create a shared understanding of the strategy and achieve expected results. Poor communication is generally seen as a major reason as to why national strategies under-achieve.[58] Clear and effective communication must therefore be a top priority in implementation, and this requires a defined communication strategy or a carefully crafted communication program. When a strategy is effectively communicated, it tends to minimize the risk of misinterpretation of the content and intentions of the strategy and influences stakeholders' views in a way that is consistent with the stated objectives of the strategy. Effective communication also contributes to building public confidence in the power of the strategy and sustaining credibility in policies, and actions contained therein. Therefore, effective communication plays a central role in the implementation of the strategy. The absence of effective communication will leave room for diverse and damaging interpretations that will adversely affect implementation. A well-designed communication program will also contribute to the predictability of future actions in the strategy period, and will thereby improve the private sector's willingness to engage in the strategy implementation in a sustainable manner and make investments in certain financial inclusion initiatives, in line with the objectives of the strategy.

Policymakers need to address a series of critical questions with regard to a communication strategy: What should be its main objectives? How should the strategy be communicated to different audiences such as media, politicians, private sector stakeholders and potential stakeholders and the general public? Should it be tailored differently for different target groups? How should the communication strategy be designed to be more effective in different situations and to meet the needs of the rapidly changing landscape? What avenues should be used for the purpose and at which critical points within the time line of implementation? An attempt to answer such questions will reconfirm not only the importance of the effective communication of the strategy, but also the need for deep thinking and serious efforts to create one.

It is important to know to what extent countries with an NFIS have paid attention to this. Most national strategies are silent about the issue of the communication of the strategy, and the policymakers involved in driving their implementation do not appear to have given adequate emphasis to it either. In most cases, the reality has been to view strategy communication merely as part of the publicity efforts at the time of launching the strategy. There has been little systematic effort in most countries for strategy communication beyond the launching event.

57 In some cases, at least some of the staff in these units do not work for the unit on a full-time basis. This happens often when they are set up as inter-agency structures as in the case of Implementation Committee in the coordination structure of Zambia.

58 See Roger Martin, 2010.

However, there are signs of positive changes. For example, Bangko Sentral ng Pilipinas (BSP) has recognized the importance of having a communication strategy for the implementation of the country's NFIS. Although Tanzania did not have a communication strategy when it launched the NFIF in December 2013, it recognized the need for one later in the implementation process.

Some countries make systematic efforts to communicate important pieces of information even without a written communication strategy. For example, the BSP uses its quarterly newsletter on financial inclusion for this purpose. The issue no. 7 (2016) of the newsletter was devoted completely to the NSFI. BSP has also been publishing an annual report titled "the State of Financial Inclusion in the Philippines" since 2011 to convey information on financial inclusion and some issues of the report have even carried a great deal of information on the NSFI. In 2016, the BSP published a report titled "Financial Inclusion Initiatives 2016" which also carried structured information on the NSFI. The NFIS Secretariat of the Central Bank of Nigeria (CBN) also initiated publishing a quarterly newsletter in January 2016 to communicate NFIS-related information and data to the public and other audiences. The latest issue (the sixth in the series) of the newsletter was issued in May 2017. These newsletters are a rich source of reliable and up-to-date information on the implementation of the national strategy. In 2016, CBN also began to publish an annual report on the implementation of the national strategy and the report for the year 2015 was released in December 2016. The report presents a wealth of data and information on implementation relating to each pillar of the national strategy. The report for 2016 was released in late 2017. The Pacific Island countries (Fiji, Papua New Guinea and Solomon Islands, in particular) have also been making efforts to share as much information as possible through a range of avenues on the implementation and outcomes of their national strategies. In 2017, the Reserve Bank of Fiji published the "Financial Inclusion Report 2016" with an analysis of the landscape of financial inclusion in the country and implementation experience of the first and second NFIS. However, whether these positive developments across countries can make up for the absence of well-designed communication strategies in the respective countries remain an open question.

ACTION PLANS

It is considered good practice to use an action plan to improve the implementation of a strategy. As HRH Queen Máxima noted in her speech at the launch of Nigeria's National Financial Inclusion Strategy in October 2012, a time-bound action plan is a "success factor." Do policymakers apply this practice to the implementation of their national strategies? Like many other practices, it seems to vary significantly across countries. Brazil has included a detailed time-bound action plan to strengthen the institutional environment within the National Partnership for Financial Inclusion. The Solomon Island's first national strategy was embedded in the National Action Plan for Financial Inclusion (2011-2015). In Nigeria, an implementation plan has been included as an integral part of the national strategy. This plan separately lists time-bound actions to be taken by the Central Bank of Nigeria and other relevant regulators. In addition, the Nigerian strategy document lists the proposed roles and responsibilities for each of the key stakeholders without any reference to time. The National Strategy of Paraguay includes a broad time-bound action plan for each of its seven focus areas (savings, credit, etc.). The first NFIF of Tanzania also provided an elaborate time-bound Implementation Action Plan in an appendix to the strategy document.

A novel feature of a growing number of action plans is "quick-win" or high-priority actions. If these actions can produce results early, it would help to keep stakeholders motivated.[59] The strategies of Haiti, Paraguay, and Zambia include these. Haiti's NFIS includes a high-priority short-term action plan, plus an action plan for each of the five pillars in the strategy. The draft Action Plan of the NFIS for Pakistan also provides suggested high-level measures with a timeline for addressing the enablers and drivers identified in the strategy.[60] The actions are grouped into two priority categories — "highest" and "high" — to provide guidance to the relevant stakeholders. This categorization also allows progress to be monitored more effectively. The Action Plan in Rwanda's national strategy is undoubtedly the most comprehensive: it lists 98 high-priority actions, 62 medium- priority actions and 17 low-priority actions for the nine focus areas.

It is important to note that the Philippines deviated from the general practice of including an Action Plan in the strategy and clearly stated that the strategy encourages all implementing agencies to "craft a medium-term work plan detailing specific actions -- whether policy reforms or programs – that they will undertake, the target outcomes and the timeline of implementation. These can form their tactical plan/roadmap in alignment with the strategy Map."[61] In its Financial Initiatives 2016 report (Section 6), the BSP describes tactical plan as a "complimentary document to the NSFI. It is a compendium of institution-specific medium-term programs and initiatives that support NSFI objectives." The strategy encourages all implementing agencies "to align, as much as practicable, their tactical plan/roadmap with that of the other stakeholders." Each Financial Inclusion Steering Committee member is responsible for implementing and managing activities enrolled in their tactical plan.

This new practice introduced by the BSP is of fundamental importance in the field of strategy implementation for several reasons. First, it challenged the hitherto widely accepted notion that 'action plan must be an integral part' of the national strategy and it should incorporate all key actions that stakeholders may take to implement the strategy. Hence, in this old paradigm the action plan was essentially a "consolidated" document. Second, the new practice decentralized the task of formulating action plan and provided a high degree of freedom for individual implementing agencies to carry out this task subject to few broad general requirements (such as alignment with

59 AFI, 2011, p. 36.

60 State Bank of Pakistan and the Ministry of Finance, 2015, Annex 1.

61 Bangko Sentral ng Pilipinas, National Strategy for Financial Inclusion 2015, p. 13

plans of other stakeholders as much as possible, and including a brief description of each initiative, target outcomes, measurable indicators, current status and results, timeline, and implantation challenges). Third, the exclusion of action plan preparation from the core set of activities in the formulation phase of strategy reduced the time required to produce a strategy that can be officially launched.

Fourth, it also substantially reduced the gravity of the coordination problems at both formulation and implementation phase. Fifth, it set an important precedent that many other countries are likely to follow. The new practice therefore may be considered one of the most fundamental changes in national strategy formulation and implementation practices, and one that may be widely used by future entrants into the strategy process.

The impact of this new practice is already visible at least in one country. For example, the Central Bank of Sierra Leone (BSL) adopted this practice exactly as articulated in the national strategy of the Philippines when BSL formulated the National Financial Inclusion Strategy in 2016 (See, Chapter 7 of the Sierra Leone National Strategy). However, not every country is falling in line with the Philippines on this. The Zambian national strategy includes a conventional time-bound action plan prepared at the formulation phase as an integral part of the strategy. Zambia's action plan includes a total of 75 key time-bound actions covering the four drivers and a cross-cutting driver of the strategy (see, Chapter 6 of Zambia's national strategy). Timor-Leste, which launched its national strategy in 2017, has also followed the old practice in relation to the action plan. Zimbabwe is another country which has not followed the practice of the Philippines. It would be interesting to see how many of the 22 AFI member institution countries that are currently in the process of strategy formulation at present would choose to follow the practice introduced by the Philippines.

Although the inclusion of an action plan has more or less become common practice, the quality of action plans varies substantially across countries. The main drawback of most plans is that they do not seem to be realistic in terms of addressing the complexity of the issues, the time allotted to complete some of the actions, as well as resource constraints and institutional capacity limitations. Most action plans tend to overlook the institutional reforms that may be required. It is also possible that excessive optimism and imprudent priorities will have a bearing on whether an action plan can realistically achieve its goals. Some strategies do not include clearly drawn action plans. For example, with Indonesia's strategy (2012) it is difficult to identify a time-bound action plan or something approximating such a plan, although a number of time-bound actions are presented in a matrix for some ongoing initiatives.

MONITORING AND EVALUATING PROGRESS

There is significant country variation in the monitoring and evaluation (M&E) practices adopted to assess progress. However, all of the national strategies clearly recognize the need for an M&E framework. According to the NFIS of Haiti, "financial inclusion targets and commitments need a monitoring and evaluation framework to track progress, and to provide real-time feedback to enable adjustment of policy, regulatory and other measures and addition of new actions to ensure that the implementation of the NFIS is on track." Encouragingly, most national strategies detail how this will be carried out, who will have the main responsibility for the task, and what indicators and mechanisms will be deployed. For example, Tanzania's NFIF clearly states that the National Council (NC) will be responsible for monitoring and evaluation of the national financial inclusion performance, while "the monitoring and evaluation framework including the requisite performance indicators and targets will be coordinated by the National Secretariat as an implementing organ for the NC."[62] Nigeria's strategy has assigned primary responsibility for M&E to the Financial Inclusion Secretariat. While overall responsibility for M&E is assigned to a national-level coordinating body, most strategies require participating individual institutions to monitor their own activities and provide inputs to the national-level body to construct an overall picture on progress using a set of key performance indicators. Countries with recently developed national strategies use the key indicators that AFI's Financial Inclusion Data Working Group (FIDWG) developed for AFI members, as well as the indicators developed by the GPFI. This, among other things, shows it is critically important for the FISPLG to coordinate closely with the FIDWG.

The practice of using DSS to monitor and assess the progress of implementation seems to be slowly gathering strength, for example, in Tanzania. Paraguay's NFIS commits to carry out a full demand-side financial inclusion survey every two years to measure progress against the 2013 baseline survey. This is considered a central feature of the monitoring and evaluation framework of Paraguay's strategy. Fiji, Philippines, and Nigeria among others, plan to continue the practice of using DSS to monitor and assess the progress of implementation.

A key objective of M&E is to determine whether the strategy being implemented needs to be refined at any stage. However, there is a dearth of country-specific information on this. One exception appears to be Tanzania. On the basis of more recent data on financial inclusion, Tanzania has increased its national headline target to enable access to formal financial services for 75% of adults by 2016, up from the original target of 50%. Whether and to what extent other countries that are implementing national strategies use the inputs from M&E to fine-tune their strategies remains to be seen.

62 Tanzania National Council for Financial Inclusion, 2013, p. 25.

LESSONS FROM PRACTICE AND CONCLUSIONS

A number of lessons may be drawn from this updated review of country-level practices on NFIS. The first key lesson that is relevant to many countries is the need for more intensive efforts to substantially improve the database on financial inclusion.

Despite remarkable improvements, deficiencies in national-level financial inclusion data continue to present serious problems for the formulation of strategies and significantly lengthen the time required to produce a country-specific strategy of acceptable standards. The same issue also continues to cause implementation problems in many countries. The second lesson is the need for more intensive capacity building to ensure that those engaged in strategy formulation make optimal use of macro, regional (within country) and sectoral level data on such variables as overall economic growth, sectoral growth, incidence and distribution of poverty and unemployment across various socio-economic and income groups and geographical areas or regions. Such usage can significantly improve the quality of national strategies at entry and also during implementation. The link to such data is particularly important for interim and end-of-completion impact assessments of the strategies. Presently, the current capacity building that is provided on data and measurement in the strategy process does not seem to address this issue adequately. This merits the urgent attention of AFI in particular. FISPLG needs to deliberate on this issue and work in close collaboration with the FIDWG.

Most policymakers and technical staff within central banks and other regulatory institutions show a bias to rely too heavily on financial sector related data and overlook the underpinning real sector performance. This reduces the ability to get deeper insights on many issues related to multiple dimensions of financial inclusion/exclusion problem. There is also a need for deeper analysis of gaps in research on financial inclusion at country-level and to encourage research departments of central banks in particular, to engage their staff to carry out policy-oriented research in this area. Country-specific research is of vital importance. Such research is likely to throw more light on many issues that strategy formulation teams often have to grapple with. For example, there is little national-level research on the relationship between financial system structure and financial inclusion, and how emerging new technologies are affecting this relationship. Improving operational links between research staff of central banks and those closely involved in strategy formulation and implementation would be beneficial. Communication between these two groups seems to be inadequate. A way to address this issue is for AFI to consider establishment of a new working group for “Policy and Research” and provide opportunities for its member institution staff to engage themselves in deliberating and carrying out a carefully designed work program, in close consultation with other working groups. Such a working group most likely will, to some extent, help bridge the current gap between these two groups at national levels.

Another lesson is the need to substantially improve the quality of diagnostic studies which, determines the overall quality of any financial inclusion strategy. It is not difficult to find diagnostic studies offering a laundry list of bottlenecks rather than a short list of most binding constraints on financial inclusion based on a thorough analysis carried out using appropriate tools. Diagnostics of poor quality offer little help for the strategy formulation teams to determine priorities, among other things.

As articulated in the previous version of the Current State of Practice (2015) paper, it is also necessary to examine whether countries have a tendency to embark on over-ambitious strategies and are not paying adequate attention to aligning the scope of their strategies with binding constraints, resource availability and institutional capacity to implement them. Implementation cannot and should not be considered separately from formulation – if they are, countries risk their strategies failing. At formulation stage, implementation considerations must be brought to bear upon the overall strategy as much as possible. Most strategies tend to overlook the fact that a strategy by definition is about “choosing what to do and what not to do.” According to strategy gurus, the quality of thinking that goes into such choices is a key driver of the quality and success of a strategy. Choosing priorities correctly has a profound impact on implementation performance. A vital lesson is to make concerted efforts to substantially upgrade the quality of diagnosis and put much greater accent on prioritization. The emerging pressures to link financial inclusion with achievement of sustainable development goals will certainly reinforce the need for high quality diagnostic studies and prioritization to underpin the strategy process in a more meaningful way.

The role of cognitive factors in strategy formulation and implementation also merits attention. Most behavioral scientists/economists argue that top-level policymakers tend to be over-optimistic in planning or formulating major initiatives and tend to exaggerate the benefits and discount the costs and risks. An issue of paramount importance in our efforts to improve the strategy process is to ascertain to what extent this is the case with the formulation and implementation of NFIS. Measures may be needed to minimize potential risk of the cognitive biases. This is a legitimate area of work for the FISPLG in the future.

Another issue is the inadequacy of reliable data and information on implementation practices. More detailed data and evidence on implementation practices in different country contexts would be extremely valuable for peer learning on the subject. How do political economic factors influence implementation? What are the actual country experience on this? How do countries manage the increasing pressure being exerted by political economic factors? Attempts to focus on these questions will provide insights to improve the practices used in the strategy process.

Our review of NFIS suggest significant improvements over time both in formulation and implementation. It is encouraging to note that peer learning and better knowledge of the NFIS process appears to have contributed significantly to the adoption of good practices in NFIS across countries. One area where the improvements are most visible is the M&E system and indicators used for the purpose of monitoring. The knowledge products of AFI working groups, deliberations within the FISPLG and other working groups, structured discussions at AFI's annual Global Policy Forums, AFI's knowledge exchange and capacity building programs, and peer learning among AFI members appear to have played a key role in moving policymakers to adopt better practices in NFIS in recent years. While it is extremely difficult to assess the quality of a strategy – this is primarily revealed by its concrete results – quality of strategies and the concept of "quality at entry" have garnered more attention from policymakers. This must continue to be encouraged – a fitting task for the FISPLG.

This updated review of the current state of practice clearly indicates there are similarities and continuities in practices across countries, despite significant differences in country contexts. Rapid spread of more or less uniform mobile technology seem to have shrinked the potential impact of some country-specific factors to some extent, contributing to cross-country similarities in some practices used in the strategy process. However, as one would expect, there is also tremendous diversity in the strategy practices and they continue to evolve. The prevailing and continuing diversity is undoubtedly fertile ground for peer learning, and to some extent reflects "practice gaps"[63] in the current state of knowledge. These gaps cannot be explained entirely by the differences in country contexts. It seems that financial inclusion policymakers in general, and the FISPLG members in particular, should focus not only on "knowledge gaps" but also on "practice gaps" to effectively achieve their objectives.

Despite impressive progress in recent years, the improvement of NFIS practices remains unfinished business and a significant challenge. However, the most positive factor in the current environment appears to be the continuing high-level of commitment and willingness that is visible among financial inclusion policymakers across countries to learn from their peers and make improvements. AFI must continue to make use of this thirst for learning for "better quality" – a hugely positive factor - to achieve its mission. By creating an enabling environment for its member institutions to more effectively use the tool of national strategy, AFI can systematically accelerate financial inclusion to improve the lives of the vast group of currently unserved and under-served people in the member institution countries.

63 A "practice gap" may simply be defined as the difference between what is known and what is actually applied.

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