TECHNICAL NOTE

Lessons from Implementing a National Financial Inclusion Strategy

FINANCIAL INCLUSION SUPPORT FRAMEWORK

JUNE 2021

WORLD BANK GROUP

Ministry of Foreign Affairs of the Netherlands

FINANCE, COMPETITIVENESS &
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NOTE

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LIST OF ACRONYMS

BoZ	Bank of Zambia
M&E	monitoring and evaluation
NBE	National Bank of Ethiopia
NFIS	national financial inclusion strategy
SBP	State Bank of Pakistan
WBG	World Bank Group

INTRODUCTION

A national financial-inclusion strategy (NFIS) helps policy makers, in coordination with a wide range of stakeholders, define objectives and outline a set of impactful, sequenced actions to accelerate progress toward achieving financial-inclusion goals. Achieving greater financial inclusion requires a deliberate, coordinated approach to identify barriers and opportunities, and a platform for diverse stakeholders to coordinate efforts to achieve shared financial-inclusion objectives.

More than 55 countries have launched an NFIS as of early 2020, and a further 34 countries are currently in the process of doing so. NFIS implementation typically involves operationalizing governance arrangements to oversee implementation, establishing a framework for monitoring and evaluation (M&E) to capture progress regularly, implementing action plans to achieve financial-inclusion targets, and making necessary adjustments to address changing landscapes (due to political, economic, and financial-sector developments).

In 2018, the World Bank Group (WBG) released a **toolkit that provides financial-sector authorities and other stakeholders with practical guidance on developing and operationalizing an NFIS.** The toolkit[2] provides overall guidance on the NFIS development process, a detailed template for drafting a comprehensive and action-oriented NFIS, and guidance on operationalizing the NFIS—that is, the governance arrangements, action plan, and M&E system.

After launching an NFIS, many factors influence and shape progress and success, and no two countries travel the same path during NFIS implementation. This note aims to build on existing NFIS knowledge by sharing insights that have helped improve implementation post-launch.[3] When used together with the **WBG NFIS Toolkit**, this note aims to support countries that are working to draft, launch, and implement an NFIS effectively.

NOTES

2. World Bank Group, *Developing and Operationalizing a National Financial Inclusion Strategy: Toolkit* (Washington, DC: World Bank Group, 2018).

3. *Developing and Operationalizing a National Financial Inclusion Strategy: Toolkit* is accessible at https://openknowledge.worldbank.org/handle/10986/29953.

EXECUTIVE SUMMARY

This note draws from the WBG's experience as a technical partner in the development and implementation of more than 36 NFISs across varying landscapes. In particular, this note captures the post-launch experiences of NFISs across countries supported by the **Financial Inclusion Support Framework** program, a WBG initiative that supported the design and/or implementation of NFISs across seven countries: Côte d'Ivoire, Ethiopia, Indonesia, Mozambique, Pakistan, Vietnam, and Zambia. The note does so through individual country case studies that focus on implementation experiences, success factors, implementation challenges, and the lessons learned during NFIS implementation in Ethiopia, Indonesia, Pakistan, and Zambia.

It is important to note that effective NFIS implementation is underpinned by incorporating international good practices, contextualized for the local environment, at the NFIS design and operationalization stage. As noted in the toolkit, many effective practices carry through during NFIS implementation. Securing institutional ownership and buy-in, for example, by involving implementing partners in drafting helps ensure ownership during NFIS implementation. For instance, in Zambia, officials developed an NFIS drafting committee that was eventually converted into an NFIS implementation committee after the strategy had been launched. This approach was instrumental in securing strong buy-in and commitment to NFIS implementation, since the NFIS action plan was based on priorities set by the same stakeholders.

Mapping existing financial-inclusion initiatives and opportunities across institutions is also a good practice ahead of drafting a comprehensive action plan. This helps ensure that institutions do not work in silos and that an NFIS can coordinate and prioritize initiatives. Key stakeholders should always agree on actions, outputs, targets, and key performance indicators and commit to implementing actions for their respective institutions. These aspects are covered in detail in the **WBG NFIS Toolkit** and, while not discussed in further detail in this note, contribute to the overall success of NFIS implementation.

While NFIS experiences vary considerably across countries, the authors have identified a range of nine good practices (beyond those mentioned above) to facilitate effective NFIS implementation.

BOX 1

Background of NFIS Implementation in Ethiopia, Indonesia, Pakistan, and Zambia

Ethiopia: In Ethiopia, 22 percent of adults had access to an account in 2014[4] and Ethiopia lagged behind its neighboring countries. This gap prompted the government to launch a dedicated national strategy for boosting financial inclusion in the country. The launch of the national financial inclusion strategy (NFIS) in October 2017 aimed to increase the number of adults with a transaction account from 22 percent in 2014 to 60 percent in 2020.[5] The strategy was intended to build upon the government's five-year economic plan, the **Growth and Transformation Plan (GTP II).** While the GTP II contributed to broadening financial access, the NFIS was the first national strategy that laid out a comprehensive framework for expanding financial inclusion in Ethiopia.

Indonesia: In Indonesia, several initiatives had been undertaken to promote financial inclusion prior to the NFIS. However, a lack of formal coordination among initiatives, institutions, and sectors reduced the effectiveness of these efforts. This led to the realization that a formal coordination structure was needed as well as coherent regulatory framework. As a result, the **NFIS** was launched in 2016**.** The strategy provides guidelines for leaders of ministries, institutions, and local governments in establishing policies and activities supporting financial inclusion, as set in the **National Medium-Term Development Plan**. Several institutions were involved with both the development and implementation of the NFIS,[6] which set an ambitious target of 75 percent account ownership among adults in five years from a starting point of 36 percent in 2014.

Pakistan: The persistence of low account ownership (only 13 percent of adults in Pakistan had a transaction account in 2014) in the face of long-standing efforts to promote financial inclusion led to the launch of a comprehensive **NFIS** in 2015. The NFIS set out to increase account ownership among adults from 10 percent to 50 percent by 2020. It also targeted an increase in women's account ownership from 2.9 percent to 25 percent over the same time period. It was championed by the State Bank of Pakistan (SBP), with shared leadership from the Ministry of Finance and the Securities and Exchange Commission of Pakistan. It came at a particularly opportune moment, as new technology and the rapid expansion of branchless banking offer unprecedented opportunities to transform financial inclusion in Pakistan. The country's NFIS also set the tone for more strategic and analytically grounded policy making in several areas. For example, the **Microfinance Growth Strategy 2020**, **SME Finance Policy**, and **National Payment Systems Strategy** were notable follow-ups to the NFIS, along with new initiatives to financially include women.

Zambia: The **NFIS** in Zambia was launched in 2017 as a renewed commitment to financial inclusion, building on previous efforts and ongoing initiatives by the Government of the Republic of Zambia at the time. Earlier initiatives included the **Financial Sector Development Plans I and II** and the **Bank of Zambia Strategic Plan of 2016–2019**, all of which included financial inclusion as a goal. However, these initiatives were seen solely as an effort of the Bank of Zambia (BoZ) and hence were unable to bring about wider reform across the financial sector. This motivated the need for a national-level effort that involved a range of stakeholders, which drove the development of the NFIS. The NFIS aimed to address existing financial-inclusion gaps, with the overall goal of increasing account ownership from 59 percent to 80 percent by 2022. The NFIS governance arrangement consisted of a steering committee chaired by the Secretary to the Treasury, an implementation committee, seven thematic working groups, and a secretariat jointly led by the Ministry of Finance and BoZ.

BOX 2

Key Success Factors for NFIS Implementation

1. **Clear, well-resourced governance arrangements.** Clear governance arrangements, in which roles, responsibilities, and resources are clearly delineated, underpin successful NFIS implementation.

2. **Diversify champions.** Identifying champions across a range of key institutions can help reduce unexpected delays, maintain the pace of NFIS reforms, and help reduce reliance on a single institution. In addition, identifying more than one champion within each institution can help avoid making an institution's role in the NFIS reliant on one individual.

3. **Remain agile.** Remaining agile is key to sustaining NFIS progress, particularly when competing against multiple national priorities or when balancing a changing political environment. Remaining agile allows an NFIS to realign with emerging priorities, reigniting political commitments and ensuring continuity.

4. **Increase representation of women.** Reducing the gender gap requires NFIS policy makers to mainstream gender more systematically across all aspects of financial inclusion and better represent women in key NFIS leadership roles. This will help ensure that an NFIS maintains a focus on addressing women's financial inclusion and improving women's participation in the digital financial-services industry more broadly.

5. **Plan quick wins.** Planning quick wins, an initial set of tangible and easy-to-complete actions in the first year of NFIS implementation, helps to bring stakeholders together and build momentum.

6. **Engage actively—and continuously—with the private sector and regional stakeholders.** Heavy engagement with the private sector and regional stakeholders is critical to NFIS success, given that policy actions translate into the availability of products and services across all regions and locations.

7. **Maintain robust monitoring and evaluation (M&E) frameworks.** Actively tracking NFIS implementation through a robust M&E framework is necessary to maintain both visibility on progress and accountability.

8. **Leverage targets for broader policy agendas.** Targets are more than a set of indicators to measure NFIS progress and impact; when leveraged strategically, targets help policy makers mainstream new policy priorities throughout the financial sector and can be used to make the financial sector accountable for a particular policy agenda more broadly.

9. **Facilitate a role for international partners.** Governments, especially in developing countries, are often constrained in terms of capacity and financial resources. International development partners can support on both fronts. Their global experience can be especially valuable in building capacity at local institutions, and their financing/technical expertise can be leveraged to implement discrete policy actions.

NOTES

4. Asli Demirgüç-Kunt et al., *The Global Findex Database 2017: Measuring Financial Inclusion and the Fintech Revolution* (World Bank Group, 2018), https://globalfindex.worldbank.org.
5. Though the NFIS was officially launched in 2017, the draft strategy was finalized and implementation of the strategy was started in 2016—before its official launch.
6. In the case of Indonesia, six main institutions led the process: the Coordinating Ministry of Economic Affairs, Bank Indonesia, Financial Service Authority (*Otoritas Jasa Keuangan*), Ministry of National Development Planning (*Badan Perencanaan Pembangunan Nasional*), National Team for the Acceleration of Poverty Reduction (*Nasional Percepatan Penanggulangan Kemiskinan*), and Ministry of Finance.

1. CLEAR, WELL-RESOURCED GOVERNANCE ARRANGEMENTS

Establishing strong and clear NFIS governance arrangements is a key aspect to successful NFIS design and operationalization. (See **WBG NFIS Toolkit, sections 2.4 and 3.1.**)

An NFIS should already describe governance arrangements that will facilitate implementation. Internationally, NFIS governance arrangements vary greatly from one country to another, and policy makers should draw examples from **other countries to the extent feasible.** Ultimately, effective governance arrangements align with the political realities of a country, take into account institutional strengths and weaknesses, and are led by effective champions for financial inclusion.

Typically, NFIS governance arrangements include a national council (responsible for high-level coordination, guidance on policy matters, and M&E) supported by an NFIS secretariat and various working groups that are responsible for pushing implementation of specific financial-inclusion actions and act as a convening platform for policy input, progress, and reporting on such topics.

In order to increase commitment and accountability during the implementation of an NFIS, roles, responsibilities, and resources for institutions should be well delineated. A secretariat is often the entity responsible for coordinating working groups, monitoring and evaluating the NFIS, and reporting progress. **Ideally, a secretariat should include dedicated staff**, sufficient resources, and a clear mandate to coordinate across institutions to undertake these NFIS functions effectively. A strong secretariat is often an enabling factor underpinning NFIS implementation; otherwise, secretariats have faced barriers to soliciting timely inputs from technical committees or publishing updates, newsletters, and progress reports.

For instance, in some countries, the responsibilities of a Secretariat were split across multiple implementing institutions—with each Secretariat only accountable for the entities within their institution's purview. However, in these circumstances, policymakers and stakeholders sometimes faced challenges when trying to push for shared agendas across a broad range of stakeholders, including those outside their institution's regulatory periphery. In other instances, NFIS stakeholders have not always understood their role within the NFIS or perceived their role to be consultative, rather than one responsible for implementing actions, monitoring progress, or tracking indicators. In such instances, public reporting on NFIS implementation progress can become a challenge and often times stakeholders do not receive visibility for implementing reforms, nor are they held accountable for not doing so.

In Pakistan, a **revised strategy** was issued in 2019 that leveraged the authority and independence of the prime minister's office to ensure contributions and accountability from a wide range of stakeholders, under the remit of the prime minister. This helped to reduce institutional uncertainties and ensure commitment across all related stakeholders.

Securing adequate funding and resources to support NFIS implementation is also critical. It sets the momentum for NFIS implementation and is essential to ensure that the strategy document is translated into action. Sufficient human-resources and technical expertise helps secretariats drive financial inclusion agendas and coordinate effectively across multiple institutions.

One success factor during the implementation of Indonesia's NFIS was that the President assigned the Coordinating Ministry for Economic Affairs early on to lead the national council and establish the secretariat, which demonstrated the strategic role of the secretariat in leading the financial-inclusion initiatives. Having a clear mandate from the highest authority in the government allowed the secretariat to coordinate between several institutions in a seamless process. In addition, to achieve this effectively, specified budget arrangements were made available for the NFIS Secretariat and the secretariat was staffed with experienced and skilled technical professionals, ensuring high capacity.

In Zambia, authorities chose to house the financial-inclusion secretariat at the Ministry of Finance (as opposed to a central bank or other implementing institutions) to ensure wider commitment by stakeholders, accountable to the ministry. This decision was based on lessons learned while implementing Zambia's Financial Sector Development Plan II, which ended in June 2015. During the plan's implementation, some stakeholders reported that the implementation was skewed toward the banking sector and attributed this to the fact that the plan secretariat was housed in the BoZ. Hence, for the NFIS, the secretariat was housed at the Ministry of Finance and co-supported by the BoZ. In addition, other Zambian agencies were included in the governance arrangement. This role taken on by the Ministry of Finance and other financial-sector regulatory agencies was seen to foster a prioritization of financial inclusion beyond the banking sector and to facilitate allocation of sufficient resources for NFIS implementation. A high-level government commitment on financing was also secured prior to launching the NFIS, while World Bank–funded technical assistance ensured adequate technical support for implementation of the NFIS action plan. *(See section 9: Facilitate a Role for International Partners.)*

2. DIVERSIFY CHAMPIONS

Following the launch of an NFIS, many institutions appoint a high-level executive to be responsible for his or her institution's contribution to the NFIS. The executives often participate as representatives on an NFIS committee/working group. (See **WBG NFIS Toolkit, section 3.2.**) Despite this approach, many countries have faced challenges when trying to maintain momentum, institutional memory, or commitment toward NFIS implementation.

In the past, many countries opted for models that relied on a single or small set of high-level individuals to drive the NFIS agenda (that is, ministers, governors, and so forth). However, relying on a few select champions can pose challenges. For instance, individuals may not retain their position for the duration of the NFIS or may face competing priorities, making convening an NFIS council or driving NFIS progress forward a challenge. For some policymakers, competing priorities, such as emergent macroeconomic and financial-stability issues, may take precedence over financial inclusion. This can result in an inability to convene key NFIS governance arrangements frequently, making it challenging for stakeholders to move forward with NFIS implementation or resolve bottlenecks.

Diversifying champions can help tackle issues of commitment and institutional turnover and sustain momentum during times of instability. Some level of institutional instability is common in many countries, and policy makers should consider the implications of turnover among key NFIS champions. Otherwise, it will be difficult to sustain NFIS implementation and maintain institutional memory when relying heavily on a few high-level individuals.

Identifying multiple champions across a range of key institutions helps reduce reliance on a single institution, thereby reducing unexpected delays in the event of key institutional turnover or shifts in institutional priorities. Champions across multiple institutions can also work to embed NFIS actions more easily into their respective institutional plans and reduce reliance on convening governance structures prior to moving forward.

In Indonesia, for instance, the president issued a presidential regulation to secure the political commitment required to push the financial-inclusion agenda. The legal framework outlined the role and responsibility of relevant public institutions, requiring them to maintain institutional commitments despite potential internal changes and turnover over time. This required each NFIS institution to identify high-level champions to be included in working groups, commit to activities under the strategy and be accountable for their implementation.

Identifying a *multitude of champions within each institution* also helps to maintain commitment and tackle issues with institutional turnover. Even if a high-level champion is identified in each relevant institution, frequent employee turnover at key institutions may mean that the identified champions may not always retain their position. This may leave gaps in institutional memory during the implementation of the NFIS.

Identifying more than one champion for each institution can help avoid making an institution's role in the NFIS reliant on one individual. It is also useful to diversify across seniority levels to ensure the engagement of staff members with different decision-making powers in addition to those directly responsible for implementation. Otherwise, relying only on high-level officials may cause delays, as such officials often face competing priorities and busy schedules.

In Zambia, a new Minister of Finance was appointed shortly after the launch of the NFIS, in February 2018. Implementation momentum was not significantly affected due to Zambia's inter-agency approach, which included champions from the BoZ, the Competition and Consumer Protection Commission, the Pensions and Insurance Authority, and the Securities and Exchange Commission, in addition to the Ministry of Finance. Moreover, a "Financial Sector Policies and Management Unit" was created at the Ministry of Finance to ensure continuous mapping of staff responsible for activities related to financial-sector developments. This effort built on Zambia's NFIS design process, which employed multiple representatives across agencies such as the Ministry of Finance, the BoZ, the Competition and Consumer Protection Commission, the Pensions and Insurance Authority, and the Securities and Exchange Commission to draft the NFIS. Inter-agency involvement and clear champions helped to solidify a collaborative approach to the implementation of the NFIS action plan.

3. REMAIN AGILE

During the drafting stage, flexibility can be built into an NFIS to accommodate and facilitate future revisions and updates to the NFIS and action plan. This helps ensure that NFIS priorities remain relevant over time. (See **WBG NFIS Toolkit, section 2.6.)**

Remaining agile is a key factor to sustaining NFIS progress, particularly when competing against multiple national priorities or when balancing a changing political environment. Throughout the duration of an NFIS, many countries have faced political shifts that have sometimes hindered NFIS momentum and progress. New leadership may have different priorities or be less enthusiastic about continuing the legacy of the previous administration for political reasons. Remaining agile allows an NFIS to realign with emerging priorities, reignite political commitments, and ensure continuity.

For example, the National Bank of Ethiopia began the process of "refreshing" the NFIS to align the NFIS better with the emerging policy priorities of new leadership and to focus more squarely on leveraging digital financial services. This was an important step that enabled the new Ethiopian prime minister, elected to office in 2018, to increase the pace of NFIS reforms across the economy and expand access to financial services.

Remaining agile and flexible allows for the opportunity to align an NFIS with a new government's tenure or emerging political priorities. As in Ethiopia, many countries have termed this effort as a strategy "refresh" to respond to emerging demands**.** This approach helps involve new leadership by giving them an opportunity to assume responsibility and take ownership of progress made under their term.

A similar approach was adopted in Pakistan, where an NFIS refresh was undertaken at the beginning of the new political administration, which came to power in 2018. The NFIS refresh aligned the strategy with the new prime minister's tenure and capitalized on the incoming government's priorities for digitization by including an emphasis on digital finance. These actions built critical political support for the NFIS, strengthened commitment by the administration of the new government, and revitalized reform efforts[8] while keeping original NFIS foundations and drivers intact.

4. INCREASING REPRESENTATION OF WOMEN

Digital financial services hold tremendous promise for closing gaps in access to finance for women consumers and advancing women's financial inclusion. Experience in the Sub-Saharan Africa region suggests that mobile-money services, such as M-Pesa in Kenya or MTN Mobile Money in West Africa, can close the gender gap in financial inclusion more rapidly than traditional banking products.[9] Many policy makers explore NFIS actions and targets to help address gaps in women's financial inclusion.

For instance, actions to digitize government payments made directly to women has helped advance women's financial inclusion. Government payments (such as public-sector wages, pensions, and safety-net transfers) inspired roughly 140 million women globally to open their first bank accounts.[10] In Argentina, for example, approximately 20 percent[11] of women who have an account

BOX 3

Ethiopia's Financial-Inclusion Reforms Continue to Ramp Up

Since 2018, key reforms undertaken have included, among others, allowing the Ethiopian **diaspora** to invest in the local financial sector, facilitating the formation of full-fledged **Interest-Free Banking** to cater to the roughly a third of the population that is Muslim, fixing the regulatory bottlenecks of the **leasing** sector to allow foreign-owned companies, approving **movable collateral** registries law to improve access to and usage of credit to micro, small, and medium enterprises, and issuing a revised payment operators **directive** to facilitate expansion of mobile money.

The regulatory reforms have lowered entry barriers for the financial sector and are expected to make it more competitive. As a result, 10 new banks had already applied for a banking license by December 2019, and a foreign leasing company has recently started operations. These changes are expected to have a long-term impact on deepening the financial sector and boosting financial inclusion. The pace of reforms has led to recent discussions about a potential NFIS refresh, with a greater focus on leveraging digital financial services, to exploit the changing financial-sector landscape in Ethiopia.

These reforms, catalyzed by Ethiopia's NFIS, helped to notably improve the level of financial inclusion in Ethiopia. The number of financial access points increased in the country by approximately 40 percent from 2016 to 2019. The **Global Findex database** estimated that access to a transaction account increased from 22 percent in 2014 to 35 percent by 2017. According the **Ethiopian Socio-Economic Survey**, financial inclusion at the household level (i.e. at least one family member has access to a transaction account) also grew by over 10 percentage points, from 35 percent in 2016 to 46 percent in 2018. Women's account ownership **increased by over 6 percentage points** across the same period.[7]

In 2020, Ethiopia announced the introduction of new banknotes. In addition, Ethiopia issued a new directive, the "**Licensing and Authorization of Payment Instrument Issuers Directive,**" that regulates e-money issuance, allows for non-banks to issue e-money, allows transactions to be performed through mobile phones, and expands the abilities of agents. Soon after, in May 2021, EthioTelecom obtained a license from the National Bank of Ethiopia and launched its mobile-money service, **telebirr**. Reports suggested that **one million subscribers had signed up for the mobile-money service** only one week after the launch, and the National Bank of Ethiopia estimates roughly 3 million subscribers (as of June, 2021).

opened their first account specifically to receive digital government payments. In addition, digital ID and e-KYC reforms reduce bottlenecks for women without core ID documents. For instance, in 2014, Indian men were 20 percentage points more likely than women to have an account. In 2017, India's gender gap shrunk to 6 percentage points due to a strong government push to increase account ownership through biometric ID cards.[12]

Despite advancements in digital financial services, women are not always well represented within the financial sector as consumers or leaders. The underlying gender gap in mobile ownership remains a challenge. Across low-middle-income countries, women are 8 percent less likely than men to own a mobile phone, and 20 percent less likely to use the internet on a mobile. This means 300 million fewer women than men use the mobile internet in these markets.[13] There also remains a persistent 9 percent gender gap in financial inclusion.[14]

To tackle women's financial inclusion, often as part of an NFIS, many countries opted to establish a gender thematic working group. Upon implementation, however, many have faced challenges actively operationalizing the working group, identifying discrete actions, receiving commitments from lead agencies, or assigning accountability. In some countries, the establishment of such groups also placed women's financial inclusion as a parallel policy agenda, inadvertently reducing the ability to integrate adequately a gender lens across all policy discussions.

While gender parity is on the agenda of most NFISs around the world, it is common for gender-specific issues to become siloed, particularly as few women are represented as key decision-makers within the NFIS implementation process. This often reflects the demographics of the broader financial sector. For instance, of 185 central banks globally, only 18 are headed by women; just over one-third of central banks have a woman in the position of deputy governor; and one in six central banks have no women at all in senior management.[15] As a result, and particularly during NFIS implementation, considerations for women consumers are often passed over during key design and delivery stages for new policies, products, and services.

One lesson learned through NFIS implementation worldwide is that policy makers must be intentional to prevent gender from becoming a stand-alone project or a "cross-cutting issue" that simultaneously places responsibility on everyone and no one and removes clear accountability of stakeholders. Instead, reducing the gender gap requires NFIS policy makers to mainstream gender more systematically across all aspects of financial inclusion.

Better representation of women in key NFIS leadership roles underpins inclusion efforts around gender equity. This helps ensure women's participation in digital financial services as leaders as well as consumers more broadly.

For instance, in Pakistan, activating an NFIS Gender thematic working group in line with other thematic groups or integrating a gender-focused, cross-cutting lens across all working groups was a challenge. As a result, the SBP changed its approach by adding additional resources to advance the women's financial-inclusion agenda. This included assigning a gender focal person in the secretariat who played an important role creating awareness around women's financial inclusion. Along with forced accountability from Pakistan's NFIS gender-based targets (see section 8 below), the secretariat also invested additional resources to build data infrastructure to collect gender-disaggregated data on access and usage. These efforts demonstrated the need for greater women's representation throughout the financial sector to reduce the financial-inclusion gender gap in Pakistan. Discussions on targets, activities, and NFIS actions to enhance women's financial inclusion became more mainstream during the strategy-revamping process.

The appointment of Ms. Sima Kamil in August 2020, the first woman to serve as deputy governor of the SBP, further mainstreamed Pakistan's women's financial-inclusion agenda. Building on NFIS efforts, the SBP released a gender strategy for Pakistan's financial sector entitled "**Banking on Equality Policy,**" which set a timeline for financial institutions to induct women champions and build infrastructures to make financial service providers more approachable for women.

From a programmatic or action-level perspective, policy makers have a responsibility to apply a gender lens across all NFIS technical activities, even those that seem counterintuitive, such as modernizing payment infrastructures. Most financial-inclusion activities change the role money plays in society and therefore have specific implications for women.

Moving forward, NFIS implementations should prioritize actions proven to enable women's financial inclusion. These include, for instance, reducing the gender gap in official IDs, increasing mobile-phone penetration for women, boosting the availability of mobile-money services, digitizing government payments made directly to women, gathering sufficient gender-disaggregated data to inform decisions, increasing intentionality to hire, procure, and invest in women within the financial sector, and increasing women's representation as leaders and decision-makers within the NFIS process, as well as in the financial sector more broadly.

5. PLAN QUICK WINS

"Quick wins" are a set of identified activities or actions that are easier to implement, have a narrow and focused scope, and can be executed within the first year of NFIS implementation. Planning quick wins helps demonstrate the credibility of an NFIS, brings stakeholders together, and builds momentum.

For instance, in Pakistan, policy makers prioritized a series of quick legal and institutional reforms to be implemented within the first year of operationalization. These included passing the Secured Transactions Law and the Credit Information Bureau Law and revitalizing the Foreclosure Law. Institutional reforms also included the overhaul of wholesale-development finance in the country, moving from traditional state-owned entities engaged in direct provision toward public-private models that would leverage the private sector. Pakistan Microfinance Investment Company was created in 2015, and agreements were reached in the same year for the creation of Pakistan Mortgage Refinance Company (established in 2016). After a change in leadership *(see section 3: Remain Agile)*, the NFIS prioritized and implemented a new set of reforms[16] and made progress in the digital finance space specifically with the rollout of Pakistan's **National Payments Strategy** in 2020 and the launch of **Raast** in 2021.

A number of quick wins were also planned to follow the launch of the NFIS in Zambia and enabled several notable achievements by the end of the first year of NFIS implementation. These included (1) progress in digitizing government-to-person payments, with 59 public agencies migrating to a single treasury account to implement digital payments; (2) development of the Integrated Beneficiary

Payments Systems to facilitate disbursement of wages through mobile payments; (3) phased implementation of the National Financial Switch to improve interoperability; (4) removal of the import duty on ATMs and point-of-sale machines; and (5) operationalization of the Movable Collateral Registry, to increase credit to micro, small, and medium enterprises. These reforms helped to improve financial inclusion in Zambia, especially through mobile-money services, for which transaction volumes increased by about 220 percent in the two years since the NFIS launch.[17] Moreover, the number of registered digital financial services agents increased by 8 percent in the first year of NFIS implementation.

6. ENGAGE ACTIVELY—AND CONTINUOUSLY—WITH THE PRIVATE SECTOR AND REGIONAL STAKEHOLDERS

Private-sector stakeholders play a significant role in providing inputs into the NFIS. (See **WBG NFIS Toolkit, section 1.1.**) A range of private-sector players (such as industry associations, major financial service providers, fintech companies, mobile network operators, and so forth) are generally gathered to identify bottlenecks and offer solutions from a provider's perspective. Regional stakeholders also help to provide unique insights and constraints around financial inclusion that may differ from region to region.

Upon operationalization, however, private-sector and regional stakeholders are not always involved as active participants in NFIS implementation. Sometimes they are not represented in NFIS governance arrangements, and some authorities have had a disinclination to engage these stakeholders based on the desire to focus on national, government-centric implementation efforts. This may also be complicated in economies where the government plays an outsized role in the financial sector.

That said, without the heavy and sustained engagement of private-sector and regional stakeholders, it may be more difficult to translate policy actions into tangible products and services that reach all regions and locations. Private-sector stakeholders in particular play an undisputable role, serving consumers directly. When private-sector stakeholders (or related associations) are actively involved in the NFIS coordination structure, dialogue between the public and private sectors can help ensure that priorities and actions realistically reflect market and operator realities.

In Zambia, engaging the private sector throughout the NFIS development and implementation process was considered crucial by policy makers to ensuring ownership of NFIS action items and progress, particularly related to digital financial services.

Participation of regional stakeholders is also critical but often sparse during NFIS implementation. Generally, national-level representatives participate on behalf of all regional stakeholders in core NFIS governance arrangements. This is often complicated by the difficulty of traveling to national meetings. However, financial inclusion requires NFIS implementation at both the central *and* regional level. Building opportunities to engage regional stakeholders actively (for instance, through sub-working groups) helps make the shift from relying on national-level working groups to building regional engagement and commitment. This can help better reflect the realities and challenges of reaching hard-to-reach adults within particular regions.

One approach used in Brazil and the Philippines was to collect direct contributions from stakeholders across public and private sectors and regions, by requesting each institution to submit a list of planned, achievable actions and initiatives. Institutions were required to provide lists of actions under related NFIS policy headings or thematic action-level categories. This approach created the rails for clear accountability, quick implementation kick-off, troubleshooting, and easy monitoring and reporting.

7. MAINTAIN ROBUST M&E FRAMEWORKS

Actively tracking NFIS implementation through a robust M&E framework is necessary to maintain visibility on progress and accountability. A robust M&E framework often requires NFIS champion authorities or a financial-inclusion secretariat to build critical data infrastructures for financial inclusion (that is, demand-side, supply-side, and geospatial data infrastructure), collect indicators needed to monitor national-level results, build tracking and reporting systems, and evaluate progress.

Demand-side surveying of individuals, households, and firms helps collect data needed to measure progress in financial-inclusion and to inform policies. Surveying provides insights on a population's uptake and usage of financial services, the distribution of financial services across key consumer segments (for example, women, rural residents), and the relationship between financial behaviors and other factors (for example, poverty, employment, and so forth). As part of the NFIS implementation process, many authorities have opted to collect demand-side data through stand-alone household surveys (like those contracted by third parties). However, this is often costly and resource intensive and, for many policy makers, may not be a sustainable activity in the long term.

Instead, integrating financial-inclusion indicators or modules into existing, relevant, and established surveys, often run by national institutions such as statistical offices or local research entities, has proven to be an effective method of sustainably collecting relevant financial-inclusion data.

For example, the National Bank of Ethiopia opted to integrate a financial-inclusion module within the Ethiopian Socio-Economic Survey, conducted by the Ethiopian Central Statistics Agency.[18] As a result, the bank now has access to a reliable, country-owned financial-inclusion dataset every two years. The survey provides time-series data on account access, savings, loans, informal finance, insurance, financial capability, and consumer protection. The module was also developed specifically to track core NFIS indicators and evaluate the progress of Ethiopia's NFIS over time. The fourth wave of the survey also evolved to include additional indicators around financial capability to complement Ethiopia's upcoming National Financial Education Strategy.

Supply-side data is particularly valuable for measuring levels of physical access (for example, the number of branches, agents, ATMs, and so forth), transaction numbers and volumes, institutional composition, key products, level of innovation, and use of technology. Ensuring that data collected from financial service providers includes relevant financial-inclusion indicators is essential to analyze the financial-inclusion landscape and environment. This often requires revising the scope of the supervisory data-collection templates used by central banks and other financial-sector regulators so they collect relevant financial-inclusion data from regulated entities (that is, commercial banks, e-money issuers, non-bank institutions, insurance companies, and so forth). Successful NFIS implementation efforts are often underpinned by policy makers who include key indicators (that is, unique accounts, women-owned products and services, account activity, volume and value of transactions, number of access points, and so on) into their data-collection activities.

For example, Pakistan expanded its supervisory templates to collect data related to NFIS targets. This included leveraging Pakistan's Computerized National Identity Card to collect supply-side data around unique account ownership, small and medium enterprise finance, branchless banking, and more. In addition, the State Bank of Pakistan rolled out a gender-disaggregated data-collection initiative that required financial service providers to segment data on access and usage of finance uniquely by gender and provide data on the representativeness of women staff within their institutions.

Collecting **geospatial data** has also been employed in Ethiopia, Mozambique, and Pakistan and to map the distribution of financial access points and help authorities identify gaps in existing coverage, better target underserved areas, and optimize the placement of financial access points. Geospatial tools are becoming increasingly important as part of NFIS implementation to inform financial-inclusion policy making.

Successful M&E implementation often relies on a financial-inclusion secretariat to collect action-level data for NFIS tracking. Effective approaches have included the secretariat soliciting inputs across working groups to build an action-level NFIS tracking framework and maintain regular coordination with each working group. When actively maintaining an NFIS M&E and reporting framework, a secretariat can theoretically raise critical information to senior officials, an important step to ensuring accountability and NFIS progress.

For instance, in Indonesia, the secretariat coordinated with each working group to develop action-level trackers and indicators to measure progress in each NFIS area. The secretariat then provided regular reports and key indicators to Indonesia's National Council for Financial Inclusion and submitted annual reports[19] to the president that covered achievements and plans for the coming year. The council also reported annually directly to the president on financial-inclusion progress, ensuring visibility on progress and accountability all the way to the highest public authority.

In Zambia, effective M&E enabled the secretariat to flag early issues during NFIS implementation and reassess NFIS priorities. During the first year of Zambia's NFIS implementation, an annual progress report found that women and the rural poor were associated with a lack of collateral and credit history, resulting in more women and rural poor being denied credit by formal financial service providers. A lack of ID documents was recognized as one of the main factors preventing these population groups from gaining access to basic financial services. As a result, the second year of NFIS implementation included a series of actions to facilitate access for underserved groups[20] based on findings from Zambia's NFIS Results Framework.

8. LEVERAGE TARGETS FOR BROADER POLICY AGENDAS

Targets are more than a set of indicators to measure NFIS progress and impact; when leveraged strategically, targets also help policy makers mainstream new policy priorities throughout the financial sector—for instance, the financial inclusion of women. When mainstreamed into broader policy agendas, these targets not only help push forward related NFIS actions but also make the financial sector accountable for the policy agenda more broadly. Translating such targets into measurable actions, tracked during the NFIS implementation process, thereby becomes a priority—along with the necessary efforts to do so (that is, building data infrastructures that measure women-owned accounts, for instance).

For instance, the M&E framework in Zambia helped better identify and segment underserved target populations, a crucial step for raising awareness among stakeholders and bringing related actions to the forefront of policy development. This was most prevalent with regard to women's financial inclusion, wherein driving gender-based policy was given priority and brought to the forefront through the NFIS.

Pakistan set a gender-based NFIS target strategically to elevate women's financial inclusion as a priority policy agenda. The target was first introduced in 2015 as part of Pakistan's NFIS to ensure that at least 25 percent of adult women owned a bank account by 2020. To measure progress against key targets, the State Bank of Pakistan integrated gender-disaggregated data indicators into its supervisory templates, using Pakistan's unique ID to facilitate new insights into women's ownership of financial product and services. These efforts enabled authorities to develop more evidence-based policies for women's financial inclusion and highlighted key supply-side constraints and gaps. Building on these efforts, the women's financial-inclusion agenda was revamped under Pakistan's NFIS refresh efforts (see ***Government's 100-Days Agenda***),[21] and the Government of Pakistan adopted new and enhanced NFIS targets, actions, and timelines to achieve more than 20 million active digital transaction accounts owned by women by 2023. These efforts catalyzed the "**Banking on Equality Policy,**" which set a timeline for financial institutions to induct women champions and build infrastructures to make financial service providers more approachable for women. Recommendations in a similar vein are also provided for the branchless networks.

Indonesia also heightened the financial-inclusion agenda throughout the country by integrating its NFIS targets into the National Medium-Term Development Plan, a five-year plan that feeds into the 20-year National Long-Term Development Plan. Doing so potentially secured political commitment over the long term by expanding accountability across political tenures, hence providing some immunity to changes in political leadership for NFIS implementation progress.

9. FACILITATE A ROLE FOR INTERNATIONAL PARTNERS

International development partners can provide complementary support for NFIS implementation, particularly through capacity building and funding. Many countries have leveraged international partners to provide technical assistance to the secretariat to build capacity, share knowledge, and pilot new financial-inclusion programs. Financial support from external partners also often allows for the recruitment of professionals from the private sector to supplement existing government personnel assigned to the secretariat. For instance, due to the global exposure of the WBG in NFIS development and implementation, the WBG was able to provide knowledge transfer to national institutions as part of their NFISs on several technical fronts (for example, building a payment and credit infrastructure, drafting supportive legislation, and boosting consumer protection). This was often highly valued by the institutions, as it expanded local capacity for effective NFIS implementation.

Additionally, governments also relied on the financial support of such international development partners. In Indonesia, donor funds from the Bill and Melinda Gates Foundation enabled the NFIS secretariat to recruit external professionals to support efficient operations. In Pakistan, WBG financing for projects included a $137 million lending project to bolster domestic financial infrastructure and a $150 million lending project for housing finance. In Zambia, the minimum funding needed for NFIS implementation came from the WBG and allowed the government to build critical momentum early on.

10. CONCLUSION

More than 55 countries have leveraged an NFIS to develop a comprehensive approach to coordinate actions, assign responsibilities, and outline a road map for achieving financial-inclusion objectives. Each of these countries has had a unique implementation experience, due to varying country contexts.

Despite the diverse experiences across countries implementing an NFIS, several common success factors and challenges emerged that policy makers seeking to implement an NFIS should consider.

Policy makers can learn from NFIS implementation experiences, including from the four countries detailed in this note. Doing so can help to identify relevant obstacles, critical success factors, and potential mitigation approaches for more effective implementation of the NFIS in the policy makers' own countries. This will depend heavily on the domestic context, and policy makers are thus encouraged to leverage the insights from this note within the local contextual framework to maximize the impact from implementing an NFIS.

For example, the National Bank of Ethiopia began the process of "refreshing" the NFIS to align the NFIS better with the emerging policy priorities of new leadership and to focus more squarely on leveraging digital financial services. This was an important step that enabled the new Ethiopian prime minister, elected to office in 2018, to increase the pace of NFIS reforms across the economy and expand access to financial services.

Remaining agile and flexible allows for the opportunity to align an NFIS with a new government's tenure or emerging political priorities. As in Ethiopia, many countries have termed this effort as a strategy "refresh" to respond to emerging demands**.** This approach helps involve new leadership by giving them an opportunity to assume responsibility and take ownership of progress made under their term.

A similar approach was adopted in Pakistan, where an NFIS refresh was undertaken at the beginning of the new political administration, which came to power in 2018. The NFIS refresh aligned the strategy with the new prime minister's tenure and capitalized on the incoming government's priorities for digitization by including an emphasis on digital finance. These actions built critical political support for the NFIS, strengthened commitment by the administration of the new government, and revitalized reform efforts[8] while keeping original NFIS foundations and drivers intact.

NOTES

7. Financial access point data is from the National Bank of Ethiopia, while financial-inclusion data is from Wave 3 and 4 of the Ethiopian Socioeconomic Survey.
8. The updated NFIS can be accessed at www.finance.gov.pk/NFIS.pdf.
9. https://blogs.worldbank.org/psd/how-can-digital-financial-services-help-world-coping-covid-19
10. https://blogs.worldbank.org/psd/how-can-digital-financial-services-help-world-coping-covid-19
11. Demirgüç-Kunt et al., *Global Findex Database 2017*.
12. Demirgüç-Kunt et al., *Global Findex Database 2017*.
13. GSMA, *Connected Women: The Mobile Gender Gap Report 2020* (GSM Association, 2020).
14. Demirgüç-Kunt et al., *Global Findex Database 2017*.
15. Official Monetary and Financial Institutions Forum, *OMFIF Gender Balance Index 2021* (OMFIF, 2021).
16. In Pakistan, the NFIS strengthened the credit infrastructure, launched a national payment systems strategy, and established housing finance and SME credit guarantees institutions. These reforms assisted in boosting financial access by about 65 percent for bank and ATMs and 132 percent for banking agents from 2014 to 2019. Account ownership increased from 13 percent (2014) to 21 percent (2017), although it is still short of its 2020 target of 50 percent.
17. Data is from the Bank of Zambia.
18. Central Statistical Agency of Ethiopia, *Ethiopia Socioeconomic Survey: 2015–2016, Wave 3* (https://microdata.worldbank.org/index.php/catalog/2783) and *Ethiopia Socioeconomic Survey: 2018–2019, Wave 4* (https://microdata.worldbank.org/index.php/catalog/3823).
19. National Council for Financial Inclusion, *Annual Report on Financial Inclusion: 2017* (Jakarta: DNKI, 2017),http://docplayer.info/95259835-Laporan-tahunan-keuangan-inklusif.html.
20. New actions included implementing the Integrated National Registration Information System to reduce the gaps caused by Zambians without ID documents; encouraging financial service providers to offer simpler, affordable financing; promoting agent inclusivity; incentivizing the provision of financial products in rural areas; and expediting the erection of communication towers in rural Zambia to facilitate access to≠æ≠ digital financial services.
21. Government of Pakistan, *Government's 100-Days Agenda: National Financial Inclusion Strategy* (Islamabad: Ministry of Finance, Government of Pakistan, 2018), http://www.finance.gov.pk/NFIS.pdf.

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