

GUIDANCE NOTE ON DEVELOPING A MONITORING AND EVALUATION FRAMEWORK FOR FINANCIAL INCLUSION

WORKING COMMITTEE ON FINANCIAL INCLUSION (WC-FINC)

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The ASEAN secretariat acknowledges the leadership and guidance of the current Chairs of the WC-Fin DO1 Working Group (Autoriti Monetari Brunei Darussalam and Bangko Sentral ng Pilipinas), the contribution and technical assistance from UNCDF, contributions from partner country Governments in ASEAN – both financial and technical – as we progress in the implementation of the ASEAN 2025 Blueprint. It is very promising that through practical interventions like this, the ASEAN economic community can become a working reality.



Foreword

The Working Committee on Financial Inclusion (WC-FINC) has been mandated to accelerate regional initiatives to elevate the level of financial inclusion in ASEAN. The WC-FINC has published several guidance notes (GN) including the GN on Developing a National Financial Inclusion Strategy in January 2018. At the point of publishing this GN, all eight countries in ASEAN (excluding Brunei Darussalam and Singapore) already have their respective National Financial Inclusion Strategy (NFIS) blueprint or roadmap in place.

For the successful implementation of the NFIS, strategies and vision targets need to be set before action plans can be aligned for implementation. To measure the progress of implementation, a monitoring and evaluation framework and reporting protocols need to be set up. Measurable indicators need to be determined based on the assessment of data availability and collection processes. This framework will enable the analysis of collected data to track the effectiveness of the implementation of the NFIS to achieve the desired outcome. This will aid policymaking and inform if there are adjustments needed in the NFIS implementation. Finally, a clear monitoring and evaluation framework is key in stakeholder management as it provides guidance on the appropriate institutional structure for better buy-in and accountability toward the delivery of results.

WC-FINC is pleased to be able to work closely with one of our development partners, United Nations Capital Development Fund (UNCDF) in developing this GN on Developing a Monitoring and Evaluation Framework for Financial Inclusion. It is hoped that this GN together with the country case studies can provide regional guidance in setting up appropriate institutional structures, data collection, management and an effective M&E framework that is appropriate in respective ASEAN member states' environment.



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A BACKGROUND AND RATIONALE FOR MONITORING AND EVALUATION (M&E)

A highly integrated and cohesive economy is acknowledged as a key element for the achievement of the ASEAN Community Vision for 2025. Fostering financial integration, financial inclusion and financial stability within ASEAN Member States (AMS) can contribute to the overall vision. Financial inclusion provides all segments of society with equal opportunity to access formal financial services. This enables vulnerable households to elevate themselves out of poverty and for small and medium enterprises (SMEs) to expand and generate higher income.

The Working Committee on Financial Inclusion (WC-FINC) has been mandated to accelerate regional initiatives to elevate the level of financial inclusion in ASEAN. As of 2019, the average financial exclusion level in ASEAN is reported to have reduced to 33.52 percent. The target is to further reduce the level of exclusion to 30 per cent by 2025. The average readiness level of financial inclusion infrastructure in ASEAN is 79.77 percent as of the end of 2019 with a target to improve to 85 percent by 2025¹. Implementing appropriate strategies with effective monitoring to track progress are key success factors to ensure that these targets will be met.

With the increasing adoption and implementation of national financial inclusion strategies (NFIS), global monitoring tools have also emerged to support the NFIS implementation within countries.

The main goal of a monitoring and evaluation (M&E) framework is to track progress, to provide feedback for policy adjustment and enable appropriate measures to be taken to ensure strategy implementation is on track. Respective national monitoring and evaluation initiatives have been developed to track NFIS implementation against set targets, in order to collectively achieve the ASEAN financial inclusion targets for 2025. Figure 1 shows the key benefits of having a M&E framework.

Figure 1: Key benefits of having a M&E framework

Accountability	Ensure Roadmap is implemented and anticipated results are achieved
Visibility	Mobilise stakeholders around the implementation process
Consistency and common regional goal	Promote consistent approach across countries, working towards a common vision for countries and the region
Learning and capacity-building	Facilitate knowledge sharing to support learning and capacity building in countries and across the region through active sharing

¹ This figure is a percentage based on the presence of pre-identified enabling infrastructure necessary for financial inclusion.



This GN aims to share best practices on the key elements required for the effective monitoring and evaluation of the NFIS, particularly on: steps and key considerations in developing an effective M&E framework, coordination mechanisms and institutional arrangements, as well as measurement indicators, baselines and targets.

B GUIDANCE FOR M&E FRAMEWORKS

The broader objective of the M&E framework is to contribute towards a central database and an analytical framework that measures financial inclusion to guide policies, plans and programmes of various stakeholders such as government agencies, banks, financial institutions and civil society on a regular basis.

To help achieve this objective, the national M&E Framework should provide key milestones, performance indicators, and data collection methodologies. It is recommended to have a database system and information sharing platform, to monitor implementation progress and results/outcomes regularly and to inform necessary changes/amendments needed in the strategy itself. NFIS implementation is a continuous process which requires a dedicated team to monitor and to support implementation by different agencies.

Figure 2: Main components of a M& E framework

Institutional setting	Unit or team responsible for developing and implementing the M&E framework
Coordination	An established mechanism and clear terms of reference for stakeholder collaboration for data collection, monitoring and reporting
Measurement framework	Defined core set of performance indicators, baselines and targets
Data management framework	A strategy for identifying, collecting and reviewing data requirements
Impact evaluation	National development and economic goals supported by financial inclusion



As shown in Figure 2, the development and implementation of a national M&E framework should require the following steps:

NFIS

1. Identify or create a coordinating body tasked to develop and implement the M&E framework.
2. Develop an M&E framework based on the NFIS priorities balancing a combination of output, outcome and impact indicators, with the recognition of revision over time as data availability can change as market evolves, thus balancing the twin objectives of monitoring implementation progress and monitoring financial inclusion impact.

Indicators

3. Establish indicators for the activities and outcomes to trace both implementation progress and the development impact from the interventions identified in the action plan.
4. Adopt indicator definitions that are consistent with international and regional standards for peer to peer benchmarking, based on national relevance and data availability.
5. Periodically review and revise indicators as necessary.

Data collection

6. Identify the most appropriate methods of data collection on an ongoing basis.
7. Determine the frequency and manner of reporting, including disaggregated data at a national and regional level (urban, rural etc.).
8. Identify data points, data sources, data availability, and frequency of data availability for an effective M&E plan.
9. Define roles and responsibilities of various agencies, or departments within agencies in terms of data collection and reporting.
10. Develop data collection and M&E tools for relevant institutions.

Stakeholder engagement

11. Facilitate regular stakeholder training workshops for adoption and operationalising of the M&E plan.
12. Determine socialisation and publication of regular M&E updates of the NFIS.



C INSTITUTIONAL STRUCTURES FOR M&E

At national level, monitoring financial inclusion progress is closely tied to the monitoring of NFIS implementation. Various agencies are involved in the implementation of the different aspects of the NFIS. There is a need for an institutional structure with the mandate to identify responsibilities, enable coordination and ensure centralised data collection.

Periodic feedback to the market and other stakeholders should be provided by the lead implementation agency (usually the Central Bank, the Ministry of Finance or the Ministry of Planning). A central unit acting as the Secretariat on NFIS implementation is sometimes established, or this role can be taken up by the implementation agency. The onus for monitoring of implementation progress of the NFIS usually sits with either the Secretariat, or with the implementation agency. Further details on the activities and actual implementation is provided in Section E.

D MEASUREMENT OF FINANCIAL INCLUSION

The NFIS is intended to form the basis for the development of program, policy and other interventions to drive financial inclusion in the country, taking into consideration the challenges and opportunities. Often, the strategy identifies short, medium and long term interventions in support of the national objective of increasing the level of financial inclusion in the country and provides a framework to 1) define, 2) prioritise, 3) coordinate, 4) track and 5) measure these interventions.

The actions put forth by the NFIS is often converted into an implementation plan (1 to 3), while the M&E framework links to the tracking and measuring of interventions (4 and 5). The M&E framework seeks to provide guidance on the functional coordination in terms of data collection, analysis and reporting.

There are two levels of national level monitoring that are applicable to countries in the advancement of financial inclusion:

- National level tracking of implementation progress of the NFIS; and
- National level monitoring of implementation impact of the NFIS.



1. Tracking implementation progress

Ideally, tracking implementation progress against the identified activities needs to be coordinated among the various agencies. This involves tracking activity implementation against the NFIS. For instance, the status of different categories of activities can be tracked as a percentage of all activities in the implementation plan. These categories can be defined based on practical requirements. As a minimum, it would be good to know the proportion of activities that are in progress, the proportion that has been completed, and the proportion that is still in discussion. This is a governance function, and the data requirements are directly provided by those responsible for implementation of specific activities. The data can be gathered and aggregated through the engagement mechanism of the implementation and coordination agency, i.e. at monthly or quarterly meetings.

2. Monitoring implementation impact

Countries can also monitor the impact of NFIS implementation over a 3- to 5-year time horizon in addition to tracking implementation progress. This is done through the adoption of specific outcome level indicators, guided by the challenges faced by each country as captured in their NFIS vision statement, priorities, and desired outcomes.

These indicators can be grouped in the following three broader categories for measuring financial inclusion three types:



However, the availability of data ultimately drives the approach, the type and number of indicators that need to be adopted. This should be the starting point for the selection of indicators for measuring implementation impact. The resultant indicators from this process for each country should include those that are the easiest to obtain, and do not require extensive new operational and legislative processes to gather and aggregate, although it would still rely extensively on various national institutions for data collection. In some instances, legislative/regulatory process may be necessary for data that are currently unavailable but agreed to be important to obtain.

Global indicator frameworks can be used as a basis for developing the regional ASEAN indicators. It may be supplemented by more specific country-level indicators. These can be obtained from the national financial inclusion roadmaps and surveys, using nationally available datasets while taking into consideration the data availability and frequency of reporting requirements. This process will thus address both the need for regional comparability as well as national relevance.



Access Indicators

Access refers to the ability to access the services and products offered by formal financial institutions. Data on access can be obtained from the information or reports provided by financial institutions, i.e. supply side data, which can be aggregated on a quarterly or annual basis.

An access point is defined as any physical entity where an individual can perform cash-in and cash-out transactions with a regulated financial institution, e.g. bank branches, bank agents, ATMs and point-of-service (POS) devices. Access points per a certain number of adults are used for measurement. This category of indicators is usually not broken down by sub population (women, youth, MSMEs), except for rural and urban adults.

Usage Indicators

Usage refers to the depth or extent to which a product, channel or institution is being used by the adult population or a sub segment priority group (like women, youth, farmers or MSMEs). Although data for usage indicators can be collected through demand side surveys, not all countries conduct demand side surveys frequently enough, and for those that do, they conduct them every two or three years only.

As far as possible, countries may therefore report supply side data which are made available reliably, to provide more frequent proxies for this category of reporting. Usage indicators can be further broken down based on regularity, frequency and duration of use of products and services over time. This increases the complexity of data requirements, especially when supply side proxies are used.

Examples of usage indicators include (i) formally banked adults, (ii) adults with credit from regulated institutions, (iii) formally banked enterprises, (iv) enterprises with outstanding loans or lines of credit, or (v) use of digital financial services.

Quality Indicators

Quality of access refers to the appropriateness, value and affordability of services. Consumer related issues like consumer literacy and protection would also fall in this category. Examples of indicators typically include average bank fees for low-income accounts, number of low-income products and remittance transaction cost. In addition to these three categories, indicators can also include targets that are not directly related to access, use and quality of financial services, for instance the number of small businesses supported and enabled through the programme, or the number of legal, policy or de facto barriers to financial inclusion removed.



In summary, each indicator has to be clearly defined and their baseline status² and end-line target value³ needs to be agreed by the stakeholders. Similarly, data sources including techniques of measurement will have to be identified, and the responsible party⁴ as well as reporting management⁵ should be outlined. Each of the indicators selected needs to be monitored regularly. The frequency of monitoring⁶ can be discussed among stakeholders and agreed upon. Given the timing and frequency of survey-based data, the availability and relevance of national supply-side data needs to be investigated as a potential source of ongoing monitoring and reporting, supplemented with survey data on a medium-term basis.

An illustrative example of a national level indicator set is provided below (Table 1).

Table 1: Conceptual framework of national level indicator set

Category	Enabler	Example Indicators
National FI Goals	Access	Country dependent (see core regional set in Table 2 below)
	Usage	
	Affordability	
	Appropriateness	
	Consumer literacy / protection	
Outcome	Overall	% of adults using at least one formal financial service
		Number of legal, policy or de facto barriers to financial inclusion removed or addressed
Impact	Segmental	% of MSMEs / farmers enabled through programme
		% of women using at least one formal financial service
	Global development goals	% of people living below USD 1.25 per day
	National goals	Average national growth rate

For regional comparability and reporting, countries will have a core set of regional measurement indicators, as well as a country specific set of indicators based on NFIS measurement and data availability at country level.

The following 8 indicators are suggested as the core set for ASEAN to be adopted

2 What is the current value?
3 What is the target value?
4 Who will measure it?
5 Where will it be reported?
6 How often will it be measured?



in each country within the M&E framework, to allow for regional comparability, based on data availability across countries⁷. However, even for this core set, there are some availability issues (Table 2), which will need to be addressed.

Table 2: Commonly available access and usage indicators for regional comparison

Indicators	Definition
Access indicators	
Points of service	i. Number of branches per XXX* adults
	ii. Number of ATMs per XXX adults
	iii. POS Terminal per XXX adults
	iv. Number of mobile money agents or similar financial services agents
Access points	Number of access points per XXX adults at a national level (As nationally defined)
Connectivity	i. Access to internet (% age XXX+) Percentage of adults with internet access anywhere
	ii. Mobile phone penetration (active mobile phones per XXX population)
Usage indicators	
Adults with an account	i. Percentage of adults who report having an account at a bank (% age XXX+)
	ii. Percentage of adults who report having an account with a formal financial institution or a mobile money provider (% age XXX+)
Savings	Number of deposit accounts with banks or deposit taking institutions per XXX adults
Credit	Number of loan accounts with banks or other credit providers per XXX adults
Payments	i. Number of debit cards per XXX adults
	ii. Number of registered mobile money accounts per XXX adults
	iii. Number of mobile money transactions (during the reference year) per XXXX adults
Insurance	Insurance policy holders per XXX adults, Disaggregated by life and non-life insurance

** Denominations and definitions will vary by country, e.g. per 1,000 adults or per 100,000 adults. Similarly, definitions of adults will vary, e.g. 15+ or 18+ years old.*

The core set of indicators identified for ASEAN are mostly derived from supply side sources. As such, none of these can easily be disaggregated (for instance by gender, age, income, or geography). Sub indicators will vary from country to country, based on data availability, and national relevance. Definitions will also vary considerably, based on national accepted standards, data availability,

⁷ Conducted based on country feedback on ASEAN indicators and data availability during UNCDF's regional M&E workshop held in Brunei Darussalam, October 2019, being most commonly available.



and relevance or applicability. For instance, the accepted definition of an adult varies between countries, and the definition of an access point includes different categories across countries. For payments, the most widely available indicator is the number of debit cards, and some countries will not have mobile money, while others may only have transaction volumes. However, by and large, this core set should be fairly applicable and relevant at country level for tracking NFIS implementation impact, adapted for national relevance and disaggregation as required.

Countries may opt to report additional indicators based on their respective focus areas or target sectors, for instance on value chain finance, digital financial inclusion, or on MSMEs, agriculture, youth and women. For instance, the indicators in the core set can be disaggregated for MSME's specifically, and may include additional indicators on MSMEs with access to a bank loan or credit line, or with a registered mobile money account. Data collection for this area requires additional coordination though, as different agencies may have different definitions of an MSME or SME.

Quality indicators are relatively new as far as international indicator examples are concerned, but are increasingly being adopted and also implemented at a national level. Currently, there are no standardised quality indicators that are already available for all countries. Table 3 provides examples of the categories of quality indicators with their associated definitions. Countries can adapt these for local relevance in order to address the requirements of their NFIS.

Table 3: Potential quality indicators already available in some ASEAN countries

Quality Indicators	Definition
Appropriateness	Number of low income products; Number of entry level transactional accounts
Value	MSME loan guarantee as percentage of MSME loan (value)
Affordability	Average bank fees for low-income accounts; Average cost as % of a low value remittance transaction (domestic and cross border); Cost of mobile money transactions (based on a standardised transaction amount)
Financial literacy	Arithmetic score as per national definitions; % of adults that knows definition of basic financial terms
Consumer protection	Existence of third party complaint handling entity; Number of complaints per XXX* active DFS accounts; Number of complaints per XXX bank accounts.
Indebtedness	Percentage of borrowers who are more than 30 days late with a loan payment.
Choice	Percentage of administrative units with at least three different branches of formal financial institutions or DFS access points (rural and urban)

* Denominations and definitions will vary by country

E IMPLEMENTATION OF M&E FRAMEWORK

Upon adoption, a coordinating entity is assigned the overall responsibility for NFIS implementation. For instance, this can be the Central Bank, the Ministry of Finance, or the Ministry of Planning. In some countries, a task team is set up within one of these entities and assumes responsibility for the delivery of NFIS implementation, as well as the monitoring of implementation progress and impact. However, for effective implementation and monitoring, the involvement of a range of stakeholders is required, and coordination becomes critical. The overall responsible entity will allocate activity areas to various stakeholders, with a champion within government being identified for each priority area under the NFIS. The champion leads the coordination of activities within its priority area and the overall responsible entity is accountable for delivery.

Activities requiring the inputs from various ministries and institutions will be devolved with them within the policy framework at cabinet (or similar) level, or in discussion between the national level coordinating entity and the private sector institutions concerned. Each ministry or organisation will implement the specific areas of the roadmap under their jurisdiction, and report to the coordinating entity and/or Ministry of Finance on progress⁸.

1. Responsibilities of the coordinating entity

The coordinating entity will therefore be responsible for the overall monitoring initiative, ensuring that implementation occurs, is successful and has impact. As such, it will have responsibility for the following activities:

1. Reporting system, templates and protocols
2. Data collection, collation and interpretation
3. Ongoing monitoring
4. Programme evaluation

The actual NFIS implementation work will be carried out by the implementation agencies responsible for each priority area. The implementation agency will develop a detailed work plan of activities for its respective area, with donors also providing technical assistance in that specific area. The detailed work plans will be guided by high level objectives per work area that will be set by the overall responsible entity at the beginning of the process.

A workshop should be held upfront where the targets as well as the key measures to be used to track progress, can be agreed by the stakeholders. The workshop will also define the source of data and agree responsibility for regular data collection.

⁸ In some instances, an area of the roadmap may require more than one organisation, and working sub-groups can be adopted.



2. Data Sources

For the indicator selection process, stakeholders need to agree on the source of data for monitoring progress. Such data will be categorised into four groups:

- Data that already exists within government, to be channelled through the agency nominated to compile regular reports for tracking progress
- Data that service providers have, but require the necessary legal or regulatory processes to collect, protect and disseminate in appropriate format.
- Data that is necessary, but is not readily available from service providers. Measures will be put in place to ensure that data collection is possible in the medium to long term. In the short term, where possible proxies will be identified to track progress.
- Data that will be collected through surveys, but are likely to be a few years apart. Where possible, interim proxies will be identified to track progress and counterchecked during programme evaluation.

3. Data requirement and identification of data situation

In classifying the information requirements into the above categories, it may be necessary to perform a diagnostic of the data situation starting with the implementation requirements and matching it to what regulators, policymakers and industry providers currently have.

This should include:

- a. An identification of who collects what data and any limitation on its use. This should cover the Central bank (including Banking Supervision), the Communications Authority, the Insurance Regulator, the Pensions Regulator, the National Bureau of Statistics, the National Identity Card Management Authority, Development Finance Institutions, Banks, Postal Services, the National Planning Commission, the National Consumer Protection agencies etc.
- b. Liaise with industry providers to understand what improvements are possible, providing recommendations to address the gaps and disincentives, and mapping such gaps against the respective organisational mandates and objectives.
- c. Review and possibly improve the reporting tools and IT systems of the agents most critical to financial inclusion, for example the central bank (the development of dashboards, data visualisations, interactive web-based user interfaces and GIS tracking).
- d. Building the capacity of the central bank's and/or policymakers' staff

to effectively collect data, use new tools and IT system, and evidence-based decision-making.

- e. Dissemination events with in-country players to create awareness of the market potential in order to stimulate market growth.

The reporting cycle for the national monitoring and evaluation report could be quarterly, although some of the information will be presented over different cycles depending on availability, e.g. annually. As a minimum, an annual reporting cycle is therefore suggested. Information presented to the coordinating entity should be stored and maintained by the coordinating entity, who will develop a national information sharing plan, providing oversight, coordination and ensuring the appropriate resources.

4. Data collection and reporting frequency

National financial inclusion demand-side surveys provide significant insights into people's access to finance, however they can rarely be conducted on an annual basis due to their high cost. They also do not offer the full picture of actual usage of credit, savings and payment services and the value this adds to customers. Therefore, demand side data to some degree also has to be contextualized through more in-depth research on specific issues. Although new methodologies and technologies for demand side data collection is starting to be rolled out, and can be explored, these sometimes offer more limited sets of data points, and comparability to other demand-side datasets can be problematic.

Supply side data offers an opportunity to update some indicators more frequently. This is already collected by regulators to some degree, and therefore a review of the data available at national level, and potentially regional level, can assist countries to balance availability with measurement objectives and so improve financial inclusion policy implementation accountability and responsiveness to market changes.

However, there are several issues that need to be addressed in order to effectively leverage supply side data sources. For instance, consolidation of different data sources across different regulatory entities can be problematic. The speed of authorising the release of data (which can be across different departments in the same institution) can add delays. Getting different data for composite indicators can add complexity (e.g. active agents per 100,000 adults – these are two data points that are obtained from different sources). And supply side data does not identify unique individuals if ID numbers are not captured and reported. Countries such as Malaysia have overcome this challenge by including ID numbers in regulatory submissions.

Data collection and compiling is an important part of the M&E framework. This can be digitised with minimum human intervention to reduce errors. Existing data collection and compilation practices will have to be analysed to suggest any changes to monitor NFIS implementation.

As an example, two types of reporting frequencies are considered, namely quarterly and annually. Quarterly reporting will entail reporting to the high-level Committee, while annual reporting will be disseminated and discussed among national stakeholders (e.g. through a forum). The frequency should be based on data availability and prevailing reporting frequency among reporting member institutions.

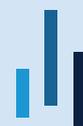
Addressing the Challenges of Implementing a National or Regional M&E Framework

In addition to data collection and reporting frequencies, there are other areas that provide challenges in implementing a M&E framework:

- **Stakeholder coordination and engagement:** Stakeholder coordination is essential, both in terms of NFIS implementation and M&E impact implementation. Given the amount of activities under the NFIS, no single institution can effectively execute on the NFIS alone. It is therefore important to bring on board other government agencies as well as development partners and the private sector from an early stage. Staff changes in the stakeholder agencies involved can also impact momentum. Effectively engaging and onboarding stakeholders therefore is a continuous process over the course of implementation.
- **Data collection across multiple agencies:** The collection of data across multiple agencies is an issue for most countries. They have to identify Ministries and others that have to provide data, and it becomes important to structure the collection of data, not just at a higher level, but also in terms of support to other partners in the collection of data. It is therefore important to have a clearly defined contact person in each agency. If the coordinating agency does not have a focal point in the counterpart institution, the head of that agency could be approached with a request for data. However, if that institution does not have the data required, or it is not their primary mandate, it is not easy to collect new data. Another issue for consideration when it comes to institutional capacity is the acquisition of regular, up-to-date data. There may be instances in which available data is already dated. The use of statistics departments that are dedicated to data collection and processing can be helpful, but can sometimes also delay the process. For instance, they may not have the data. In such instances, the responsible agency may choose to collect data themselves as far as they can, before engaging with the statistics department, and also offer to exchange data that the statistics department does not have.
- **Delegated representation and decision-making:** Delegation to those who do not have decision making power within an organization can delay processes. To avoid delay, meetings should be attended by the nominated official with decision-making mandate. Official endorsement of the appointed responsible officers and their respective alternates at a presidential level or similar appropriate seniority therefore can facilitate cooperation between different Ministries and Agencies, with a national mandate.



- **Indicator selection process and number of indicators chosen:** Countries which have gone through the process of selecting indicators, but not on the basis of data availability, indicated that they were always constricted in terms of reporting. As a result, countries have started to limit the number and scope of indicators, starting with the identification of available data as a first step when reselecting indicators.
- **Capacity and team structure to monitor NFIS implementation:** Countries have various teams and capacities in place, but almost none have full time dedicated capacity. Team structures and responsibilities vary drastically based on availability of resources and national focus. Given that staff often have other daily tasks and responsibilities in addition to both financial inclusion and the monitoring thereof, countries with dedicated capacity found that it improved the monitoring and implementation functions substantially. There are also several structures for a monitoring team, with the following permutations observed: 1) individual team members from different departments form a team within the central bank or Ministry of Finance; 2) a dedicated team for financial inclusion and 3) a secretariat, with team members from different ministries. There is no particular structure that is better, as long as a champion is nominated, with clear oversight and well defined structure where they will report to.
- **Target setting:** Countries also struggle when setting targets for particular indicators. For instance, extrapolation can be used based on trend data, to set a higher target than the current trend indicates would be achieved. In other cases where trend data is unavailable, it is more difficult to set targets, especially if a market is either developing fast, or is very unpredictable. In such cases, targets may be significantly under or overestimating future outcomes. It is therefore important to allow for frequent reporting on progress, as well as the ability to adjust targets on a periodic basis in order to calibrate targets to be in line with reality. This is a fine line though, as targets can also be adjusted to meet actual performance, which can create a disincentive. Appropriate oversight mechanisms should be put in place as part of the governance structures for monitoring implementation and progress, and the capabilities to adjust targets should be clearly defined and governed. This is a complex exercise, as it requires balancing many interests. For instance, the approval process for targets may often be more important than the process of setting the targets itself, as this may be politically driven: either setting very ambitious targets to motivate implementation, or setting very low targets in order to achieve them with confidence.



F ANNEX: CASE STUDIES OF ASEAN COUNTRIES

Structures for NFIS implementation - Cambodia

Cambodia started development of their NFIS in 2016. It was a joint effort by the inter-ministerial working group for NFIS formulation (IMWG-NFIS-F), comprising of 12 ministries/agencies, and was endorsed by the Council of Ministers in 2019. Responsibilities to implement priority actions under the NFIS, of which there are 115 have been divided between the NBC and other relevant government agencies.

The NBC is the lead agency for coordination, and has set up a new inter-ministerial working group for NFIS implementation (IMWG-NFIS-I), as well as a Secretariat team and a M&E framework. The M&E framework serves as a powerful tool for NBC to engage with other government agencies and private sector entities to promote financial inclusion in the country.

The new IMWG-NFIS-I will comprise of 16 ministries/agencies involved in the NFIS implementation, and will be led by the Deputy Governor of the NBC. It will be responsible for coordinating the implementation of the financial inclusion strategy and for reporting to the Steering Committee on Financial Sector Development. Since the NFIS feeds into the Financial Sector Development Strategy 2016-2025 (FSDS), there is policy coherence with the FSDS as well as political buy-in. The Secretariat will serve the IMWG-NFIS-I in order to ensure timely and effective implementation.

The NBC is allocating human resources for the Financial Inclusion Secretariat, which are assigned to work with a clear Terms of Reference (TOR). The Secretariat is primarily responsible for the implementation coordination, monitoring, evaluation and reporting of NFIS priority activities in the action plan. A key challenge would be to develop a dedicated team that will develop financial inclusion KPI's and ensure focus on the implementation of the NFIS. Setting KPI's requires different ministries and gathering data from different stakeholders, and therefore requires further coordination.

The NBC will collect supply side data from financial institutions, including branch networks, ATMs, POS devices, payment agents, and number of borrowers and depositors (sex-disaggregated data) nationally and some other demand side data, while other agencies would collect responsible data under their authority.

Structures for NFIS implementation - Vietnam

After more than 3 years of formulation, with the efforts of the lead agency – the State Bank of Vietnam (SBV), the coordination of relevant agencies

(divisions/departments under SBV and banks in the banking sector, ministries, relevant agencies), and the support from international organizations, the NFIS was approved by the Prime Minister in January 2020. An Action Plan for the NFIS implementation with 62 priority actions appointed for ministries to be lead agencies for implementation was also approved.

The NFIS determines the establishment of The National Steering Committee on Financial Inclusion to direct the NFIS implementation. SBV will be the lead agency cooperating with relevant agencies in developing the Decision on organizational structure and working mechanisms of the Steering Committee and to submit to the Prime Minister for approval. The Steering Committee will comprise of representatives (Minister/Deputy Minister) from ministries involved in the NFIS implementation and will be led by the Deputy Prime Minister. In addition, a Secretariat will be set up to serve The Steering Committee in order to ensure timely and effective implementation. The Secretariat will be located at the SBV and led by the Governor.

SBV is the lead agency for cooperation with ministries, cities, provinces and relevant agencies in implementation of the NFIS; monitoring the NFIS implementation and developing annual M&E reports. SBV is creating an overall plan for NFIS implementation focusing on the NFIS launch, setting up the Secretariat working groups and a M&E framework. The M&E framework will consist of indicators (covering the area of access, usage and quality) which are mainly based on the G20 Financial Inclusion Indicators as well as templates for collecting data and reports. SBV will collect supply side data from financial institutions in banking sectors while other ministries will collect responsible data under their authority. The M&E framework will be an effective tool for SBV to develop M&E reports on NFIS implementation as well as to engage with other ministries, relevant agencies and private sector entities to promote financial inclusion in the country. However, the key challenge is the cooperation of relevant agencies in providing data timely and accurately.

Effective coordination mechanisms - Philippines

The Philippine National Strategy for Financial Inclusion (NSFI), which was launched in 2015, fosters a comprehensive, coordinated, and whole-of-government approach in promoting the shared vision of financial inclusion. To provide guidance and oversight in the NSFI implementation, the Financial Inclusion Steering Committee (FISC), with the Bangko Sentral ng Pilipinas (BSP) as Chair and Secretariat, was established by the President in 2016 through Executive Order No. 208. Philippines also has an interagency expert group on the SDGs (IAEG-SDG), and the Philippine Statistics Authority sits in the interagency committee to report country updates on indicators and targets.

Over four years since the launch, the FISC has been successful in the following aspects of implementation:

First, the NSFI provides a clear framework for action but has also been dynamic

in responding to changes and building on opportunities. In the past, the FISC has tracked down all financial inclusion relevant initiatives of member agencies which resulted in an overwhelming volume of programs and corresponding indicators. The exercise has prompted the streamlining and adoption of focal areas on digitalization and agriculture value chain financing (AVCF) as strategic priority areas for the FISC in the medium term. For digitalization, efforts include provision of transaction accounts for conditional cash transfers, government payment transactions, wages of the informal sector, and transport payments.

To support these priorities, the FISC composition has evolved to ensure participation of all agencies with relevant financial inclusion agendas. To date, the FISC is a strong interagency body guided by a specific TOR. The TOR defines the objectives, scope, and governance processes of the FISC and helps the Secretariat manage the coordination and activities of the NSFI. Salient provisions include:

- **On representation.** Membership is on an institutional basis, with primary representation of heads of member agencies and alternate representation of high-ranking officials to warrant decision making and high-level commitments. Technical point person/s may also be assigned to serve as focal point of contact for the Secretariat in managing and monitoring the duties and deliverables of agencies.
- **On composition.** Onboarding of other members may be undertaken as deemed necessary and with consensus or majority vote from the FISC members. While membership is established to involve government agencies, the FISC shall remain open to support from private sector stakeholders and donors in implementing NSFI initiatives.
- **On funding.** Funds necessary for the implementation of the FISC initiatives shall be charged against the appropriations of concerned government agencies.

Second, the NSFI has been the primary platform for the private sector to anchor strategies or to lend support. After the launch, private sector players have introduced products and initiatives that have been particularly designed in support of the NSFI. Partnerships with the BSP, as FISC Chair and Secretariat, have also been formed covering the areas of promotion of account ownership, digital and financial literacy, and consumer protection and responsible finance.

Third, the NSFI has also enabled clear identification of potential areas for development partner support. The BSP is also expecting to mobilize a significant amount of funds from development partners to support digital finance, design and implementation of financial education programs, and to conduct pilot studies on agriculture insurance in support of the NFIS.

Oversight and implementation structures - Indonesia

Presidential Regulation of the Republic of Indonesia Number 82 of 2016 concerning the National Strategy of Financial Inclusion, gives mandate to expand public

access to financial services, through the establishment of a National Strategy of Financial Inclusion (NSFI). The strategy is intended to serve as a guideline for ministries/institutions, provincial governments, regencies/municipalities, and other related agencies to improve public access to financial services through their respective, collective and integrated efforts.

The government established the National Council of Inclusive Finance (Dewan Nasional Keuangan Inklusif) or DNKI to implement the NFIS.

DNKI consists of a number of ministries or institutions led directly by the President and Vice President of the Republic of Indonesia along with the Coordinating Minister of Economic Affairs as Chief Executive, the Governor of the Central Bank of Indonesia as Vice Chief Executive I, and the Chairman of the Board of Commissioners of the Financial Services Authority as Vice Chief Executive II.

DNKI is assisted by working groups and a secretariat that is based within the Coordinating Minister of Economic Affairs Office. The secretariat consists of individuals mainly from the Coordinating Minister of Economic Affairs Ministry and Project Management Officers, whose task is coordinating programs of different ministries to achieve the objective of the National Strategy of Financial Inclusion.

The current structure of financial inclusion is adequate to coordinate financial inclusion programs in Indonesia. Regardless of the operational structure, implementation requires building a team that are able to coordinate within and among working groups and related ministries to execute agreed actions in a timely manner.

Evaluating progress and raising the bar - Myanmar

The effort to give people access to good quality financial services by implementing actions in the national Financial Inclusion Roadmap is underpinned by an M&E system. The Myanmar Financial Inclusion Roadmap 2019-2023 indicators are being developed to align with the Myanmar Sustainable Development Goals (MSDP) and ASEAN M&E indicators.

During 2017 an initial M&E Framework was developed, with the aim to provide a comprehensive set of indicators to track progress throughout all areas of financial inclusion. In total, 42 indicators were proposed covering the areas of access, usage and quality, including a subset of the indicators that were recommended as national headline indicators. Valuable information was collected in many areas however the relevant authorities were unable to provide comprehensive data across many of the indicators⁹. Moreover, data from some entities especially in the state-owned sector was incomplete or could not be fully trusted as accurate. The capacity to collect the data was also limited, and the number of indicators proved somewhat unwieldy.

⁹ Data collected during June 2017 was sourced from agencies / departments including Central bank of Myanmar (CBM), Financial Regulation Department (FRD), Myanmar Economic Bank (MEB), Department of Small and Medium Enterprises (DSMED), Myanmar Agricultural Development Bank (MADB), Myanmar Insurance (MI) and the Co-operative Department (CO-OP).

In 2018, the M&E indicator set was therefore set to be revised, to focus on the five pillars¹⁰ in the Financial Inclusion Roadmap that needed to be tracked. This allowed better focus on the most important areas, reflecting the lessons learned from the pilot phase. The new financial inclusion indicator set is now closely linked into national indicator framework, and will thus help avoid duplication as similar data will be required in both processes. The indicator set will also serve as the ‘backbone’ for the Secretariat Roadmap management plan supported with a regular reporting system.

To allow regional and international comparability, the financial inclusion indicator framework relies extensively on IMF’s Financial Access Survey (FAS) indicators. Recent years has seen impressive progress in Myanmar’s annual FAS reporting.

With the development of a new indicator set also came the need to set new national targets. The initial target set in 2014 was to increase the number of adults (>18 years old) with access to at least one product from 30% to 40% by 2022, and those with access to more than one product from 6% to 15%. With FinScope 2018, it became clear that both of these targets were achieved by 2018 already, the actuals being 48% and 17% respectively, and thus there was a need to recalibrate the targets going forward to reflect this new reality. Extensive consultations were held among stakeholders, to determine suitable targets for the planning period to 2023, both in terms of their form as well as in determining quantitative values. A new target was therefore agreed by stakeholders, being to further increase the percent of adults with access to at least one formal product from 48% to 60% by 2023, and those with access to more than one product from 17% to 25%.

Although there have been some challenges, the Government of Myanmar (GoM) has taken strong ownership of the Roadmap process in 2018. The FinScope 2018 findings have been accepted with the corresponding Roadmap strategy in late stages of GoM approval. UNCDF is collaborating closely with the Secretariat in its plans to allocate resources to support Roadmap implementation and the M&E framework.

Data collection and analysis - Thailand

The Ministry of Finance (MOF) is responsible for the overall development of the National Financial Inclusion Strategy (NFIS) in Thailand which mainly comprises of three pillars, i.e. 1) generating income and improving financial capacity for low-income people 2) enhancing the capabilities of financial service providers to improve financial inclusion and 3) improving financial infrastructure to accommodate financial inclusion.

In parallel, the Bank of Thailand (BOT)’s policies related to promotion of financial inclusion are integrated into the Financial Sector Master Plan of which the latest phase (FSMP III), started in 2016, essentially captures the institution’s financial inclusion strategic directions between 2016 and 2020.

¹⁰ The 5 pillars include improving financial access to low income families, SME and emerging farmers, savings mobilization, digital financial services and financial literacy/consumer protection.

In terms of monitoring, the level of financial inclusion in Thailand is regularly monitored through financial access surveys of Thai households which are conducted every two years. Such demand-side surveys are conducted in collaboration with the National Statistical Office (NSO), who helps with collection of the data from approximately 10,000 households nationwide. In particular, the BOT create a set of questionnaires that the NSO uses to perform the field survey. Respondents include every gender, geographical area and income range in order to obtain the most comprehensive insights with regard to their ability to use financial services. Raw feedback will then be sent back to the BOT for further analysis and visualisation in order to create meaningful insights.

Even though some technical problems such as data clean-up and removal of duplication commonly occur when working with massive data sets, such issues are not the most critical as they could technically be solved by the in-house experts. However, the challenging task pertains to transforming raw data into financial inclusion insights (as well as identification of barriers/bottlenecks) which requires both creativity, discussion and a constructive plan developed by the working team. In addition, given that the BOT does not execute the field survey by itself, the emphasis is also more on an alignment of the survey objectives and expectations between BOT and NSO. Every year, the two entities therefore set up a joint-training session where staffs could discuss and fine-tune the targets, approaches and ambitions of that particular round of the survey.

Upon completion, the results of the survey (e.g. level of financial inclusion and other key findings) will be presented to the Financial Institutions Policy Committee in order to seek recommendations or further policy endorsement. Specifically, this committee, chaired by the Governor of the BOT, would take care of the overall financial inclusion policy and financial institutions regulations in Thailand, and it includes representatives from both the BOT and other government agencies. After all, the detailed and endorsed results of the survey will be published on the BOT's official website.

Data ecosystem and depth of reporting - Malaysia

Malaysia has been very successful at collecting data to monitor financial inclusion, as well as to report domestically and internationally on a set of indicators by creating a data eco-system, clearly defined institutional structures and data reporting mechanisms.

The Development Finance and Inclusion (DFINC) department is dedicated to financial inclusion matters, with the three main functions being access to finance by SMEs and strategic sectors, strengthening of DFIs, as well as access to financing by individuals and the B40 income group. One of the 7 key developmental strategies identified under the Bank's Business Plan 2018 – 2020 is to "elevate financial inclusion beyond access with strong consumer protection", which highlights its strategic focus on financial inclusion. The Bank has formally established a Financial Development Committee in 2019, whose membership includes several departments with developmental and regulatory focus. Cross collaboration between departments takes place frequently, as each will



contribute their subject matter expertise in different areas of the policy formation. DFINC analyses data from a host of different sources, such as banking institutions, DFIs, and demand side surveys, with the Statistics Department being the main coordinator in external data collection. The Bank also actively benchmarks with global surveys (e.g. banking related survey by FAS, World Bank) to identify gaps in its existing data collection. User departments would request for formal collection of additional data through an Annual Statistical Work Programme (ASWP), whereby the Statistics Department assesses the merit and relevance of the request. This way, formal data collection can be done via a systematic submission channel to the relevant policy departments. Interim data collection is done via survey or email submission by the counterparties.

Malaysia is among the earliest in the world to measure the unique number of account holders via the 'IC Matching Project'. Leveraging on regulatory submissions where financial institutions submit the NRIC numbers (and no other personal details) of their customer base, the Bank is able to remove duplicates from the public registry to ascertain the number of unique deposit account holders in the population. This represents an improvement from previous data where only the number of deposit accounts is known. As the NRIC number also contain information such as age, gender, place of birth which can be utilised for further data disaggregation. This has enabled more targeted policymaking, which is also timely in the view of women empowerment and banking adoption among the youth are becoming pertinent issues.

