MINISTRY OF FINANCE

Eswatini National Financial Inclusion Strategy

2023-2028

Eswatini National Financial Inclusion Strategy

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Acronyms

ADLA	Authorised Dealers with Limited Authority
AML/CFT	Anti Money Laundering and Countering Financing of Terrorism
AML-TF	AML/CFT Task Force
ATM	Automated Teller Machine
ATS	Automated Trading System
CBDC	Central Bank Digital Currency
CBE	Central Bank of Eswatini
CFI	Centre for Financial Inclusion
CMA	Common Monetary Area
DCP	Development Credit Provider
DFI	Development Finance Institution
DPM	Deputy Prime Minister's office
DFS	Digital Financial Services
ECH	Eswatini Clearing House
EDF	European Development Fund
EFT	Electronic Funds Transfer
EFWG	Eswatini Fintech Working Group
ESCCOM	Eswatini Communications Commission
ESNAU	Eswatini National Agricultural Union
EWADE	Eswatini Water and Agricultural Development Enterprise
EU	European Union
FDI	Foreign Direct Investment
FINCLUDE	The Financial Inclusion Cluster Development
FNB	First National Bank
FSDIP	Financial Sector Development Implementation Plan
FSP	Financial Services Provider
FSRA	Financial Services Regulatory Authority
GDP	Gross Domestic Product
GoE	Government of Eswatini

HIV/ AIDS	Human Immunodeficiency Virus/ Acquired Immunodeficiency Syndrome
ICT	Information and Communication Technology
ID	Identification Document, linked to a Personal Identification Number (PIN)
IFAD	International Fund for Agricultural Development
KPI	Key Performance Indicators
KYC	Know Your Customer
M&E	Monitoring and Evaluation
MAP	Making Access Possible
MCIT	Ministry of Commerce, Industry and Trade
MDA	Ministries, Departments and Agencies
MEPD	Ministry of Economic Planning and Development
MFI	Microfinance Institutions
MHA	Ministry of Home Affairs
MICT	Ministry of Information, Communication and Technology
MLSS	Ministry of Labour and Social Security
MOA	Ministry of Agriculture
MOET	Ministry of Education and Training
MOF	Ministry of Finance
MOTEA	Ministry of Tourism and Environmental Affairs
MSMEs	Micro, Small, and Medium Enterprises
MTN	MTN Eswatini
MSMEs	Micro, Small, and Medium Enterprises
NBFI	Non-Bank Financial Institution
NDP	Eswatini National Development Plan 2023/24 – 2027/28
NFIC	National Financial Inclusion Council
NFIS	National Financial Inclusion Strategy

NGO	Non-Governmental Organisation
NPS	National Payments System
PF	Proliferation Finance
POS	Point of Sale Device
SACCO	Savings and Credit Cooperative
SADC	Southern African Development Community
SDG	United Nations Sustainable Development Goal
SHIES	The Swaziland Household Income and Expenditure Survey
SIBE	Support to Improving the Investment and Business Environment
SMEs	Small and Medium Scale Enterprises
SMLP	Smallholder Market-led Project
SWIPSS	Eswatini Interbank and Settlement System
SZL	Eswatini Lilangeni
UNCDF	United Nations Capital Development Fund
YERF	Youth Enterprise Revolving Fund
ZAR	South African Rand

Foreword

Hon. Minister of Finance
Neal Rijkenberg

The Government of Eswatini aspires to a future in which every citizen is able to pursue their life goals in a sustainable way. In order for us to achieve this ambitious goal, the Eswatini National Development Plan (2023/24 – 2027/28) highlights that the concerted effort of all is required to drive the radical transformation of the economy that is needed.

The financial sector in particular holds a pivotal position in this transformation, guiding resources towards inclusive growth, job creation, and reducing inequality, while fostering private sector vitality.

Financial inclusion remains a critical national policy agenda and our efforts in this regard over the last decade have borne positive fruit. We have made tremendous progress in extending financial services to all, and the latest FinScope survey results show that 85% of our adult population are now able to access some form of formal financial service. The expansion of digital financial services have contributed significantly to this expansion of financial services, providing a solid foundation to build upon. Yet as we pause to look to the future, we must carefully also consider how our past, current and future financial inclusion efforts translate into impact.

The analysis presented in the strategy highlights that the improvements in access to financial services do not yet translate meaningfully into the outcomes envisaged in the Eswatini National Development Plan (2023/24 – 2027/28), and the UN Sustainable Development Goals.

Increased financial inclusion must enable Micro, Small and Medium Enterprises (MSMEs), individuals, and communities, particularly women, youth, the poor and disadvantaged, to contribute to economic growth and to cushion and work themselves out of poverty. The NDP in particular envisages a financial sector that supports a thriving and climate resilient agribusiness sector, and a revitalised MSME sector that can create jobs.

The Eswatini National Financial Inclusion Strategy (NFIS) 2023 2028 therefore pays close attention to the linkage between proposed interventions and desired outcomes. I am pleased with its emphasis on the MSME and agriculture sectors, household resilience, and social and environmental goals related to education, healthcare, social protection, and clean energy. Importantly it also prioritises the economic participation of all including women, youth, people with disabilities, forcibly displaced people, widows and widowers, and the elderly. It mainstreams digital transformation and innovation across all its priorities, suggesting how the financial sector can take advantage of advancements and the digital transformation to move Eswatini forward.

Through these approaches, the strategy supports the NDP (2023/24 – 2027/28), and incorporates important themes from the SADC strategy for financial inclusion and SMEs access to finance that was adopted by the SADC Ministers of Investment and Finance in August 2023. As a member of the Alliance for Financial Inclusion, we also underline our commitment to gender empowerment as envisaged in the Denarau Action Plan of 2016. The NFIS II will support our efforts as a country to meet obligations at national, regional and at global level. It also enables us to work towards common objectives, and to measure and communicate our progress along the way.

The NFIS II has been structured around four pillars: the financial literacy and protection of consumers in a rapidly evolving world; the productivity and resilience of our agriculture and MSME sectors; a financial sector that is inclusive and innovative; and an enabling environment to progress financial inclusion in Eswatini. This will provide a framework within which to coordinate our activities, and to track progress.

I wish to thank staff in my Ministry, and in the Central Bank of Eswatini for providing leadership that has culminated in the development of this new strategy. I would also like to thank the many stakeholders within the financial sector, as well as in the rest of government for providing valuable direction and inputs along the way. I have no doubt that I can count on your continued and valuable support in the coming years as we implement this strategy and ensure that no one is left behind.

I look forward to working with all the stakeholders in the financial sector to implement proposals in this new strategy.

Neal Rijkenberg
Minister of Finance

Executive Summary

The Eswatini National Financial Inclusion Strategy (NFIS) 2023 – 2028 builds on the first generation NFIS covering the period 2017 – 2022. During this period, considerable progress was made, particularly in terms of increased access to, and usage of financial services. This has been supported by an increasing use of digital financial services in Eswatini, specifically mobile money. Financial inclusion continues to be an important policy and development agenda for the country and is at the heart of government policy with the objective of enabling Micro, Small and Medium Enterprises (MSMEs), individuals, and communities, particularly the poor and disadvantaged, to contribute to economic growth and to work themselves out of poverty. There is also considerable potential for financial inclusion to support the achievement of broader sustainable development outcomes, including the SDGs.

The new NFIS 2023 – 2028 (or NFIS II) recognises that, while an enabling environment, access, quality and usage of financial services are key to financial inclusion, sustainable developmental impact must be prioritised by ensuring a close linkage between activities and desired outcomes, most notably inclusive growth and household incomes, resilience, and social and environmental goals such as increased access to education, healthcare, social protection, and clean energy. In the case of Eswatini, this requires critical attention to building the financial capabilities of priority and vulnerable population segments, as well as creating a vibrant MSME sector that can demand and attract financial services for growth and employment opportunities.

The NFIS II, therefore, shifts its focus to interventions where access to, and usage of financial services will translate meaningfully to outcomes envisaged in the Eswatini National Development Plan, and the UN Sustainable Development Goals.

The Strategy's vision is to create **an innovative and inclusive financial system that supports sustainable economic productivity, growth, resilience and wealth creation for all.** The supporting goal is to increase individuals' and MSMEs' uptake and usage of financial products and services that meet the specific needs of each segment or sector to contribute directly to economic growth, resilience and well-being. For instance, this may include productive credit, savings mobilisation and risk mitigation products, as well as products that allow wider access to basic services. The NFIS II supports the government's five-year National Development Plan (2023/24 – 2027/28) by prioritising inclusive growth, and the economic participation of vulnerable and disadvantaged segments of the population especially women, youth, people with disabilities, forcibly displaced people, widows and widowers, and the elderly.

NFIS II sets out a comprehensive framework structured around four key priority pillars to advance financial inclusion for the next five years, namely: (i) promotion of financial products and services that facilitate productivity and resilience in the agriculture and MSME sectors; (ii) a financial sector that is able to provide inclusive and innovative financial products and services to all segments of the market; (iii) financial capability and consumer protection; and (iv) an enabling environment to implement financial inclusion interventions in Eswatini.

The framework identifies innovation, financial capability of consumers and MSMEs, and stakeholder partnership and collaboration as critical enablers that serve as the foundation of the financial inclusion pillars.

NFIS II proposes 13 action areas, where stakeholders will focus their efforts to transform the sector. This is supported by an implementation plan outlining the strategic actions that will assist in achieving the strategic objectives, and ultimately, the vision. A Monitoring and Evaluation (M&E) framework is also proposed to provide a structure for assessing progress toward the objectives of the strategy.

Given that financial inclusion is a multisectoral issue, NFIS II will require robust coordination of all sectors for its successful implementation, supported by a comprehensive communication plan, and adequate disaggregated and accurate data.

The strategic actions outlined in NFIS II are positioned prominently as enablers for achieving several Sustainable Development Goals. These include SDG 1, to end poverty in all its forms; SDG 5, to achieve gender equality and economic empowerment of women; SDG 8, to promote jobs and economic growth; SDG 9, to foster innovations and build resilient infrastructure; SDG 10, reduce inequalities; SDG 13, to take urgent action to combat climate change and its impacts; and SDG 17, to strengthen the means of implementation through global partnership.

By focusing on the role of financial services to increase access to basic services, the NFIS II also aims to provide indirect support to the achievement of SDG 3, 4 and 7.

The strategy is divided into three parts:

- **Part I:** provides the relevant context and defines the policy purpose of financial inclusion in Eswatini. It also outlines progress made under the NFIS I, and the state of financial inclusion in the country;
- **Part II Strategic Framework for 2023 - 2028:** describes the strategic framework for achieving the vision of NFIS II; and
- **Part III:** provides an overview of the **implementation arrangements.**

Financial Inclusion in Eswatini

1.0 Introduction

1.1 Background and Purpose

Financial inclusion as an important contributor to inclusive growth and the SDGs

Eswatini faces many challenges, including a high poverty rate, unemployment and inequality. It ranks in the top 10% of countries with the highest levels of poverty and inequality[1]. This points to an urgent need for new and innovative ways to address the complex and interconnected challenges, guided by the vision of the UN Sustainable Development Goals (SDGs). Financial inclusion is widely recognised as one of the core enablers for the achievement of the SDGs, and an inclusive financial sector is an important prerequisite for the achievement of the broader development objectives. Financial markets play a vital role in enabling farmers and MSMEs to be productive and to grow, in enabling households to access basic services and opportunities, and in creating a sustainable future by improving the allocation of capital towards more sustainable outcomes in society.

Need for a new National Financial Inclusion Strategy

Recognising the importance of financial inclusion and in line with global trends, Eswatini developed its first National Financial Inclusion Strategy in 2016 (NFIS I, covering 2017 – 2022). It expired in March 2023, creating the opportunity for a new Strategy, taking cognisance of the progress and lessons learnt during NFIS I. Guided by the mantra of NFIS I – to expand the depth of financial inclusion in the country – Eswatini has made commendable progress, and the percentage of adults who are now formally served stands at 85%, placing it among the most financially included countries in the Southern African Development Community (SADC).

[1] *World Bank (2020), Toward Equal Opportunity: Accelerating Inclusion and Poverty Reduction, Systematic Country Diagnostic*

Focus of the NFIS II

The high levels of financial inclusion are yet to result in commensurate levels of economic activity and productivity. This indicates the need to look beyond access towards the usage and developmental impact of financial services in line with the goal of the National Development Plan 2023/24 – 2027/28 (NDP), which is to achieve economic recovery and sustainable livelihoods for Emaswati. The NFIS II emphasises an inclusive financial system that supports productivity, growth, wealth creation and resilience for all.

The NFIS II also builds on the lessons learnt and successes during the implementation of NFIS I. To achieve this objective, it draws on stakeholder interviews, the State of Financial Inclusion Report of 2019, the NFIS I mid-term review 2020, and the MAP Refresh 2020, all conducted by the Centre of Financial Inclusion (CFI) in conjunction with partners. The Strategy prioritises issues outlined in the NDP, and in the SADC Strategy on Financial Inclusion and SMEs Access to Finance 2023 – 2028 as adopted by the Committee of Ministers of Finance and Investments in July 2023.

1.2 Country and Economic Overview

Diversified economy

Eswatini was ranked as a lower middle-income country with a Gross Domestic Product (GDP) per capita of $4,040 in 2021[2]. The economy is fairly diversified, largely driven by manufacturing activities, including sugar and textile processing that represent 33% of the GDP, while mining, forestry, and agriculture account for nearly 10%. Most of Eswatini's exports and imports are with South Africa, and customs duties from the Southern African Customs Union (SACU) account for nearly half of the government's revenue.

[2] *WDI https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?locations=SZ*

High poverty rates

The Swaziland Household Income and Expenditure Survey (SHIES) Report for 2017 showed that 59% of the rural population in Eswatini is poor.

Similarly, the NDP highlights Eswatini's position in the top 10% of countries in terms of poverty and inequality, particularly in rural areas.

Livelihoods highly dependent on remittances

According to the State of Financial Inclusion Report (2019), there is a high household dependence on remittances, with 24% of the population relying on remittances as a main source of income. Formal employment is limited, and only 20% of adults earn their main source of income from the formal sector – either as civil servants or as company employees. Only 11% of those involved in farming sell most of their farm outputs, while the rest are predominantly subsistence farmers.

High proportion of orphaned and vulnerable children

Eswatini has the world's highest HIV prevalence rate among adults aged 15 to 49, which is both a driver and consequence of high poverty, inequality and vulnerability.

An estimated 45% of the children in Eswatini are orphaned and vulnerable children (OVC), partially due to the AIDS epidemic[7], while 56.5% are multi-dimensionally poor, i.e. deprived in "four or more dimensions of well-being"[8].

[7] WFP Eswatini Country Brief March 2022. Accessible at https://docs.wfp.org/api/documents/WFP-0000102418/download/?_ga=2.267201094.950764491.1548929477-1888070841.1546844545

[8] Multidimensional child poverty in the Kingdom of Eswatini. GOVERNMENT OF the Kingdom of Eswatini, Ministry of Economic Planning and Development. 2018. Available at https://www.unicef.org/esa/media/3101/file/UNICEF-Eswatini-2018-Multidimensional-Child%20Poverty.pdf%20.pdf

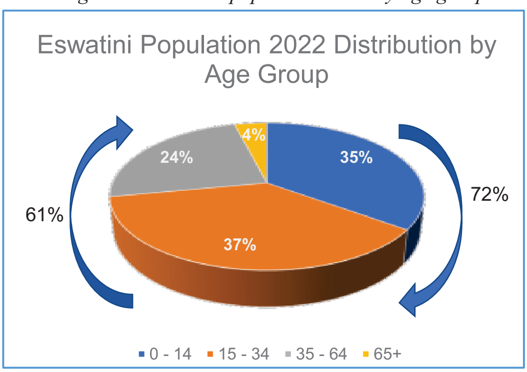
High dependence on agriculture

Agriculture, forestry, and fisheries account for only 7% of the GDP but over 71% of the land is used as a source of sustenance for most of the population. Approximately 75% of the population rely on subsistence agriculture and are impacted by deteriorating weather patterns. The manufacturing sector also faces challenges and has shown little growth in the last decade[3]. With an estimated 33.3% unemployment rate[4], Eswatini needs to increase the number and size of MSMEs to increase productivity as well as employment.

Young and rural, but relatively literate population

Eswatini has a population of approximately 1.2 million people, with those aged 34 years or younger constituting 72% of the country's population (Figure 1). The median age is 20.7 years[5]. To maximise on this demographic dividend, and given the high rate of youth unemployment, youth is addressed as a focus area that cuts across the priority activities of the NFIS II. During implementation, stakeholders will be sensitised to identify deliberate actions for youth inclusion in the activities. In addition to being youthful, the Eswatini population is also rural (estimated at 75.63% of the total population as at 2021), and highly literate (adult literacy rate of 89%)[6].

Figure 1 : Eswatini population 2022 by age group



[3] Ibid.
[4] The 2021 Labour Force Survey World Bank
[5] https://www.populationpyramid.net/swaziland/2022/
[6] Data Source : Word Bank Development indicators (WDI)

1.3 Purpose and Definition of Financial Inclusion

Definition

Being financially included (financial inclusion) means that individuals and businesses have access to, and effectively use financial products and services that meet their needs, are affordable, and are delivered in a responsible and sustainable way. In this strategy, the focus is on financial products and services that contribute to the capacity of individuals and MSMEs to increase incomes and employment, support economic development, improve access to basic services, and increase household resilience.

The products and services play a pivotal role in combatting poverty and contributing to inclusive economic growth.

The three main dimensions of financial inclusion are:

- **Access: the combination of both the availability and appropriateness of financial products and services;**
- **Usage: the frequency of interaction with, and utility of the product or service; and**
- **Quality: the combination of product fit, value add, convenience and risk.**

[7] WFP Eswatini Country Brief March 2022. Accessible at https://docs.wfp.org/api/documents/WFP-0000102418/download/?_ga=2.267201094.950764491.1548929477-1888070841.1546844545

[8] Multidimensional child poverty in the Kingdom of Eswatini. GOVERNMENT OF the Kingdom of Eswatini, Ministry of Economic Planning and Development. 2018. Available at https://www.unicef.org/esa/media/3101/file/UNICEF-Eswatini-2018-Multidimensional-Child%20Poverty.pdf%20.pdf

Exclusion

Financial exclusion can be voluntary or involuntary, and activities to drive inclusion will focus on addressing involuntary financial exclusion.

Financial products and services

These include payments services, savings, credit, insurance, and investments products among others, and can be provided in the formal or informal sectors, which not only influences access and affordability, but also predictability or product performance, consumer protection and effectiveness.

The adults and MSMEs accessing financial services and products are segmented as follows:

- **Banked:** Individuals use one or more financial products supplied by commercial banks.
- **Other formally served:** Individuals use financial products or services supplied by one or more regulated (formal) financial institution that is not a bank.
- **Informally served:** Individuals use products from providers who are not formally regulated as financial service providers.
- **Financially excluded:** Individuals do not use any formal or informal financial product or service.

Financial inclusion supports inclusive national development and the SDGs

The purpose of increased access to, and usage of high-quality financial services is to contribute to a more inclusive economy, household resilience and the achievement of the SDGs.

Financial inclusion efforts focus particularly on priority segments such as MSMEs, farmers, women and youth, and vulnerable segments such as Forcibly Displaced Persons (FDPs); supports climate adaptation and climate mitigation; and promotes innovation.

The NFIS II seeks to contribute to SDG 1 (poverty), SDG 5 (gender equality), SDG 8 (economic growth), SDG 9 (innovation), SDG 10 (inequality), SDG 13 (climate) and SDG 17 (partnerships). It also indirectly supports SDG 3 (health), 4 (education) and 7 (energy).

1.4 Government Vision of Financial Inclusion

The government's vision for the role that financial inclusion should play in Eswatini is outlined in several policy documents.

Eswatini National Vision 2005 - 2022

The Strategy for Sustainable Development and Inclusive Growth (SSDIG) that expired in 2022 outlines the country's vision: *"By the Year 2022, the Kingdom of Eswatini will have attained a level of development akin to that of developed countries while ensuring that all citizens are able to sustainably pursue their life goals, enjoy lives of value and dignity in a safe and secure environment in line with the objectives of Sustainable Development."*

The vision anticipates significant poverty reduction, employment creation, gender equity (emphasising the empowerment of women, youth, and other disadvantaged groups), social integration, and environmental protection. A process is underway to update the long-term strategy for Eswatini.

National Development Plan 2023/24 – 2027/28 (NDP)

Guided by its goal of "Transformation of the Economy and People's Lives", the NDP reiterates the centrality of inclusive economic growth and employment, poverty and inequality reduction, and private sector development. Among its six strategic goals, the NDP proposes a competitive, climate-resilient, dynamic and agile private sector that can innovate and respond to global opportunities. This can best be enabled by financial inclusion through enhanced agribusiness and agro-processing, a revitalised MSME and manufacturing sector that can create jobs and help small informal enterprises to graduate out of informality, and an improved business environment powered by ICT services.

The Financial Sector Development Implementation Plan (FSDIP) 2017 – 2019

The ultimate goal of this plan that is still relevant is to create "a stable, diversified, modern, and competitive financial system that provides quality, affordable and accessible financial services to all" with the ultimate goal of reducing poverty and promoting economic growth. Among its four main objectives is to broaden financial inclusion especially by addressing the shallow depth of capital markets and limited competition in the mobile phone market; strengthening the consumer protection framework; enhancing credit information; modernising the payment system, and introducing a movable asset collateral registry.

The Eswatini National Payment System (NPS) Vision and Strategy 2021 – 2025

The NPS recognises a growing demand for instant, convenient and secure digital payment options that enable affordable near-real-time micro transactions.

The strategy therefore focuses on the advancement and modernisation of the NPS and includes important interventions such as strengthening the digitalisation of merchant P2B and B2B channels; implementing an interoperable, 24-hour real-time payment functionality; the development of a comprehensive and consistent regulatory framework; and the development of a more enabling cross-border remittance licensing regime. It also envisages revisiting and broadening the existing sandbox approach.

The Revised Small, Micro, and Medium Enterprise Policy

The policy was adopted in 2018 and outlines key challenges and constraints that MSMEs face. It also outlines seven strategic pillars, including increased access to financial products and services; strengthened MSMEs Business Support Institutions and Structures; culture of entrepreneurship, innovation and increased ICT usage in the MSMEs sector; MSMEs competitiveness; and support for Women, Youth and Disadvantaged Group owned MSMEs.

The Draft National Financial Literacy Strategy for Eswatini (2023 - 2028)

Pending final approval, the purpose of this strategy is to equip consumers to interact responsibly with the financial sector, and to make informed financial decisions. Its strategic priorities include to promote financial education in schools and tertiary institutions, financial education in rural areas, financial education programmes for women, financial education in the workplace and for MSMEs, and ensuring effective delivery of financial education programmes. Digital financial literacy is mainstreamed across the five key objectives.

The Eswatini Gender Inclusive Finance Roadmap (2021)

The Roadmap assesses women's financial inclusion in Eswatini, acknowledging that while more women are financially included than men (by 3 percentage points), many women continue to face barriers accessing and opening accounts, accessing credit for their businesses and having the income levels and financial literacy needed to use a wide range of financial products safely and effectively.

The Roadmap highlights gender sensitive regulation (e.g. SACCO framework, agency banking, tiered KYC); financial education and digital literacy; leveraging of digital financial services; collection of disaggregated data; simplified collateral regime; and gender sensitive products and services among others.

The SADC Strategy for Financial Inclusion and SMEs Access to Finance 2023 - 2028

Adopted by SADC in July 2023, the strategy sets out the vision for financial inclusion in the region and posits that increased access to and usage of quality financial services in the region is a means towards developmental outcomes, rather than an end goal itself.

The strategy anticipates that member states will domesticate some of the identified high priority areas[9], and the model laws developed by the SADC Committee of Insurance, Securities and Non-Banking Financial Authorities (CISNA)[10] .

Member States are also expected to put in place frameworks to enable the participation of non-banks in regional payment integration platforms; sustainable and flexible finance for SMEs; the introduction of microinsurance and micro pensions; and the collection of disaggregated financial inclusion data.

[9] Identified areas include Anti Money Laundering, Combating Financing of Terrorism and Proliferation financing (AML/CFT/PF) via risk-based approaches, innovation and fintech frameworks, and consumer protection and market conduct guidelines
[10] CISNA has developed model laws in the areas of microfinance, SACCOs, Insurance, Medical Aid Schemes, SMEs to Access Capital, financial

The SADC Gender Action Plan 2023

The plan promotes equitable access to financial services and financial inclusion of women-owned businesses and women entrepreneurs. The action plan is designed to help member states improve gender outcomes, particularly in five areas:

- Gender responsive policies, laws and regulations;
- Gender responsive institutions, including through adequate coordination mechanisms;
- Access to financial products, including digital financial services;
- Capacity building including financial literacy for women; and
- Monitoring, evaluation, reporting, including collection of gender-disaggregated data.

Other Instruments

There are other relevant policy documents and instruments that inform this strategy, among them the Eswatini National Agricultural Investment Plan 2015-2025, the Eswatini National Youth Policy 2020[11] and the Eswatini National Gender Policy 2010[12]. Eswatini is among AFI members adopting the Denarau Action Plan of 2016 that commits members to improving women's financial inclusion[13].

A critical gap is the lack of an overarching strategy for the ICT sector. The National Information and Communication Infrastructure (NICI) Implementation Plan 2012 – 2016 and the e-Government Strategy 2013 – 2017 have both expired (although the latter is still under implementation). A National Digital Strategy and an ICT Master Plan are under development, and these should help accelerate digitisation in the financial sector.

[11] https://www.gov.sz/images/sport-culture-youth/Eswatini-National-Youth-Policy-Final-Document.pdf
[12] https://genderlinks.org.za/wp-content/uploads/2020/03/UNDP_SZ_Gender_SwazilandNationalGenderPolicy2010.pdf
[13] https://www.afi-global.org/wp-content/uploads/publications/2016-09/Denarau%20Action%20Plan.pdf

Financial Inclusion Progress in Eswatini

2.0 Financial Inclusion Progress in Eswatini

2.1 Achievements and Progress against NFIS I targets

NFIS I focused on the depth of inclusion

Recognising the importance of financial inclusion in driving economic growth, the Eswatini government developed the National Financial Inclusion Strategy 2017 – 2022 in 2016. Its vision was to increase the percentage of adults with access to two or more formal products from 43% to 75%, and to reduce the percentage of the excluded population from 27% to 15% by 2022. The vision was set to be achieved through the following key priorities[14]:

- Grow e-money to transact and save;
- Lower-cost remittances to support vulnerable dependents;
- Expand insurance to better manage the impact of risks;
- Deepen bank reach;
- Expand productive credit and protect consumers; and
- Establish the coordination agency for financial inclusion.

Vision goal partially achieved by 2018

The State of Financial Inclusion Report 2019 highlighted that the proportion of financially excluded individuals (18 years and older) decreased to 13% in 2018, surpassing the 2022 target of 15%. Moreover, formally included adults stood at 85%, ranking among the highest in the SADC Member States.

In terms of depth, the target was to increase the proportion of adults with two or more formal financial products from 43% to 75%. By 2018, this had only reached 51%, and more recent demand-side data is not yet available.

Progress against Priority 1: Growth in e-money to transact and save

Digital financial services, mobile money services particularly, have contributed to the expansion of financial inclusion in rural areas.

[14] *Eswatini National Financial Inclusion Strategy 2017 – 2022, Government of the Kingdom of Eswatini. 2016.*

The State of Financial Inclusion Report 2019 estimated that 71% of adults already use mobile money. Uptake continues to grow, and annual mobile money transaction volumes already exceed E 18 billion (Table 1).

Table 1: Eswatini Mobile Money Uptake and Usage

Transaction value, million Emalangeni	2019	2020	2021	2022
Total mobile money airtime purchases	0	337	454	501
Person-to-person (P2P) transactions	2,269	2,783	3,235	3,871
Person-to-business (P2B) transactions	612	995	1,120	1,325
Business-to-person (B2P) transactions	185	357	1,131	1,076
Government-to-person (G2P) transactions	0	8	96	100
Cash-in	3,047	3,738	4,769	6,625
Cash-out	2,374	2,954	4,302	4,730
Uptake				
Active mobile money agents	4 458	5 666	8 036	10 388
90-day active mobile money accounts	399 420	477 040	562 165	592 862

Source: CBE SADC M&E template 2023

Future areas of enhancement include expanding usage in areas like savings (refer to Section 2.4), expanding the ecosystem of available goods and services including for the agricultural sector[15], and improved interoperability with banks.

Some bilateral interoperability between banks and mobile money has occurred (e.g. MTN MoMo with the two local banks) however integration to the rest of the banks is yet to be fully implemented.

Progress against Priority 2: Lower cost of remittances

Given that 24% of the country's adult population are dependent on remittances as their main source of income, the NFIS I recognised the

[15] *World Bank Group. 2022. Eswatini Digital Economy Assessment. Washington, DC: World Bank.*

need for alternative remittance mechanisms to support vulnerable, dependent population segments. Historically, there were limited low-cost product options between South Africa and Eswatini, however, this has improved with introduction of new products, both existing (e.g. Shoprite/Standard and Mukuru), or pending approval (MTN). Mobile money has also widened options domestically. The recently promulgated NPS Strategy 2021 – 2025 highlights the need for a more enabling cross-border remittance licensing regime, while the Central Bank is reviewing the current ADLA's guidelines to accommodate new potential entrants.

Progress against Priority 3: Expand insurance

NFIS I noted low access to insurance despite high-risk exposure to the population. As of 2018, the use of insurance was still limited. Although FinScope Eswatini 2018 showed an increase in the use of formal insurance (from 21% to 26% since 2014), funeral cover was the exception that drove increased uptake while other insurance products stagnated. Positive developments in the sector included the introduction of Micro-insurance Regulations, and the approval for distribution of insurance products through aggregators such as SACCOs, funeral parlours, church societies and burial societies.

The uptake of insurance and pensions remained low, despite the population having elevated risk exposure levels. Insurance companies continue to focus on the traditional corporate group covers and have yet to innovate sufficiently to increase insurance access for the lower income category of the population. Deliberate steps need to be taken to promote innovation.

Progress against Priority 4: Deepen bank reach

The NFIS I recognised that there was a need to reduce the complexity of bank costs, address doorstep barriers and improve value to consumers. To date, banks have leveraged non-bank infrastructure like retailers and mobile money, and the introduction of agent banking to increase reach. In 2018, 49% of the population lived less than 30 minutes away from a bank compared to 39% in 2014. There are increased attempts to serve the unbanked: No-frills bank accounts are in place, as well as tiered KYC requirements, and prepaid cards and e-wallets that enable customers to send money to anyone with a phone number, and withdrawal at an ATM.

Some challenges remain, and consumers still perceive bank account fees as high. Interoperability with mobile money is limited to bilateral partnerships between mobile operators and local banks, or through third parties. Interoperability should improve with implementation of the new switch that is currently in progress.

Progress against Priority 5: Expand productive credit and protect consumers

Under this pillar, the MSME National Policy 2018 was issued by the Ministry of Commerce, Industry and Trade, while the Ministry of Finance facilitated the Eswatini SMEs Financial Inclusion Roadmap in February 2019. Various government and donor led interventions were put in place, including a revamp in 2021 of the government loan guarantee schemes administered by the CBE on behalf of the Government of Eswatini (GoE) to onboard additional MSME oriented financial intermediaries to enhance uptake (see Section 2.4).

Informality in the MSMEs sector remains high, which hinders growth and access to finance. There is a need to expand programmes aimed at increasing formalisation, entrepreneurial culture and business skills. To facilitate this, a business development services accreditation framework is vital to ensure the delivery of standardised and quality services. There is also need to address supply-side challenges.

Government-led initiatives have been over reliant on the bank model, either by using banks as the channel, or in their delivery approach[16]. Refining these schemes to increase relevance and uptake, synergy with the private sector, and to promote alternative forms of financing is essential. Ultimately however it is vital to expand the range of private sector finance providers to serve the needs of MSMEs.

In the smallholder farming sector, despite a number of initiatives access to credit and insurance remains low. It is important to empower rural populations involved in agriculture to move beyond consumption agriculture, and to develop initiatives that aim to achieve financial access linked to increased productivity. The GoE should therefore build on interventions along this line, including the partnership with the International Fund for Agricultural Development (IFAD) that saw the development in 2018 of the six-year Financial Inclusion Cluster Development (FINCLUDE) programme that promotes a cluster development approach for smallholders. The Ministry of Agriculture has also been actively involved in creating opportunities for farmers to enhance their appeal to funders and in July 2023 launched a new E53 million Agriculture Development Fund to be housed at Eswatini Bank. The Small Market-led Project (SMLP) under Eswatini Water and Agricultural Development Enterprise (EWADE) is a further important opportunity. The GoE will need to continue supporting projects like the above to help instil a market-led approach to farming.

Progress against cross cutting priority: Establish the coordination agency

Under this pillar of NFIS I, the Micro Finance Unit (MFU) transitioned in November 2016 to become the CFI, which coordinates financial inclusion efforts.

[16] *Vinaye, Ancharaz; United Nations. Economic Commission for Africa; United Nations. Economic Commission for Africa (2021-01). Developing a financing model for micro, small and medium sized enterprises (MSMEs) for the Government of Eswatini final report. Addis Ababa*

However, not all the critical coordination structures envisaged in NFIS I have been established, and the anticipated National Financial Inclusion Council has not yet been formed.

Financial inclusion is a multisectoral issue, and robust coordination is vital. Strengthening of regular stakeholder review meetings and effective use of M&E is recommended. Further, institutions assigning the appropriate seniority level of staff to the various committees will ensure that they are fully committed to fulfilling their assigned responsibilities.

The absence of current data in the financial inclusion sector has impeded the ability to assess progress and limits evidence-based policymaking. Government should consider synchronising the FinScope surveys to the strategic planning cycles, allocating adequate budget as is the case with other national surveys.

Additionally, there should be increased collaboration with agencies involved in data collection, particularly the Ministry of Economic Planning and Development (MEPD) and the Statistics department. Stakeholders should ensure adequate resources to coordinate and aggregate supply side data.

The lack of pre-implementation commitments by financial service providers regarding their assigned responsibilities slowed/stopped implementation. In future, providers and their associations could be offered the opportunity to commit to achieve specific milestones. A framework through which the CFI can hold stakeholders can further support the process.

Regulatory Reforms and Improvements

Various financial consumer protection frameworks were developed, including Guidelines on Banking Practice (2018) and the Consumer Empowerment and Market Conduct Strategy 2022 – 2024 for the bank sector. Amendments to the Consumer Credit Act 2016 were passed in December 2021 to address shortcomings in the original legislation that made it challenging for FSPs to comply with sharing of credit data requirements.

Over the five years to 2022, the CBE also introduced various other regulatory and policy reforms including Agent Banking Guideline 2020; The Mobile Money Practice Note 2019; CBE Guideline on banking fees, charges and commission (2020); and the National Payments System Act, 2023 which came into effect on 1 August 2023.

The FSRA also implemented a set of regulatory reforms for non-bank financial institutions, notably the introduction of micro-insurance regulations of 2020; the Automated Trading System in 2019 that allows MSMEs to list and trade on the stock exchange; Approval of use of mobile money as a mechanism for making loan repayment to SACCOs; approval of use of SACCOs, funeral parlours, church societies, burial societies and others as distribution channels for insurance products and service; and approval of digital credit underwriting.

Funding mechanisms needed

A mechanism for funding the operationalisation of the strategy is needed, including stakeholders' commitment to share resources, such as hosting the different working groups. Additionally, given the overlapping objectives and vision among the various stakeholders in the public, private, and development sectors, enhanced collaboration and coordination of large projects can yield greater benefits and impact in the implementation of the strategy.

2.2 Access and Use of Financial Services

Eswatini now has one of the highest rates of access in the SADC region

Eswatini has made progress towards ensuring that all Emaswati have access to financial services, with the proportion of adults who are excluded declining from 37% in 2011 to 13% in 2018 (Figure 2). Access to financial services in urban areas reached 90% while rural financial access was at 83%. Access to formal financial services increased from 64% to 85% - an increase largely driven by the uptake of mobile money services. Eswatini now has one of the highest financial inclusion rates in the SADC region. Underlying the growth is an increase in access to mobile money within the "other formal" category, which was clearly able to reach previously unserved populations.

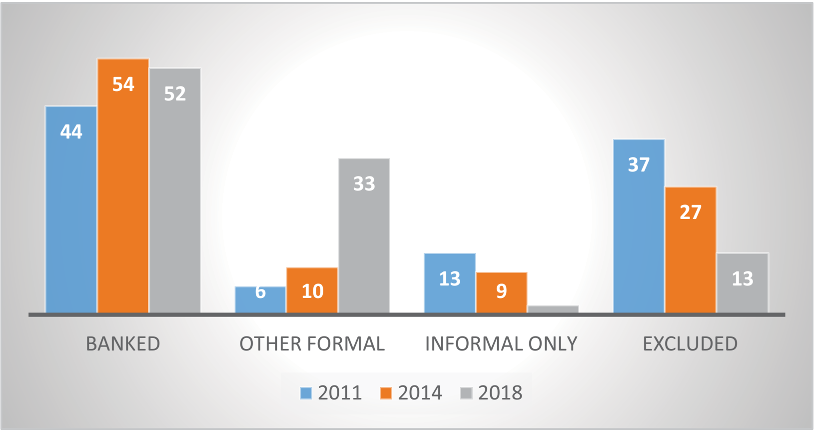


Figure 2 : Eswatini Access Strand 2011–2018
Source: State of Financial Inclusion Report 2019.

Supply-side data confirms the upward trend in uptake, as well as increasing proximity to financial services access points. Financial access points grew by 960% from 127.5 per 100,000 adults to 1,351.4 per 100,000 adults in the period from September 2017 to September 2020[17].

[17] *Owolade D, Measuring Progress Financial Inclusion in selected SADC countries 2021, 2021.*

The growth of selected uptake and access point indicators is further illustrated in Table 2 for the period from March 2019 to March 2022.

Selected Financial Services Uptake and Access Statistics

	2019	2020	2021	2022
Registered personal bank accounts	498 446	540 308	522 476	607 257
Registered mobile money accounts	641 660	751 893	836 349	888 817
90-day active mobile money accounts	399 420	477 040	562 165	592 862
Total bank branches	41	41	42	42
Total bank agents	42	42	278	447
Active Automated teller machines	296	324	368	344
Active point of sale terminals	3 186	3 354	3 714	
Total mobile money agents	7 829	9 525	13 639	16 363
Active mobile money agents	4 458	5 666	8 036	10 388

Table 2 : Selected Financial Services Uptake And Proximity Indicators For 2019-2022

Source: CBE SADC M&E reporting template 2022, and Financial stability report Jun 2022

Opportunity to expand access to formal products

While access to formal savings products reached 54% of the adult population in 2018, substantial segments of the population save informally (19%) or at home (17%). Similarly, there is room for increased uptake of insurance. A large portion of the population (72%) remain excluded from insurance, the majority of whom believe they cannot afford it. Many Emaswati use alternative coping mechanisms such as cutting expenses, drawing from savings or selling assets while insurance companies remain focused on formal employees and corporate clients.

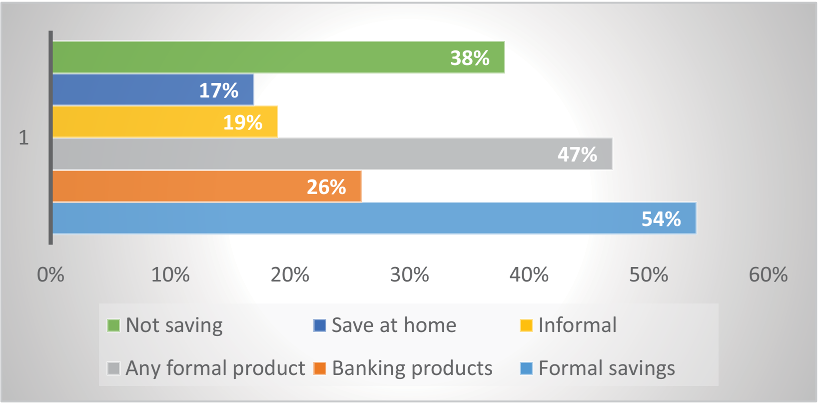


Figure 3: Eswatini Savings Access 2018
Source: Eswatini State Of Financial Inclusion Report 2019

Access to formal credit remains low at only 12% of adults, mostly limited to the formally employed. Figure 4 shows that few borrowed for investment towards either expanding their business (8%), or for farming (3%). Credit was most often used for daily expenses.

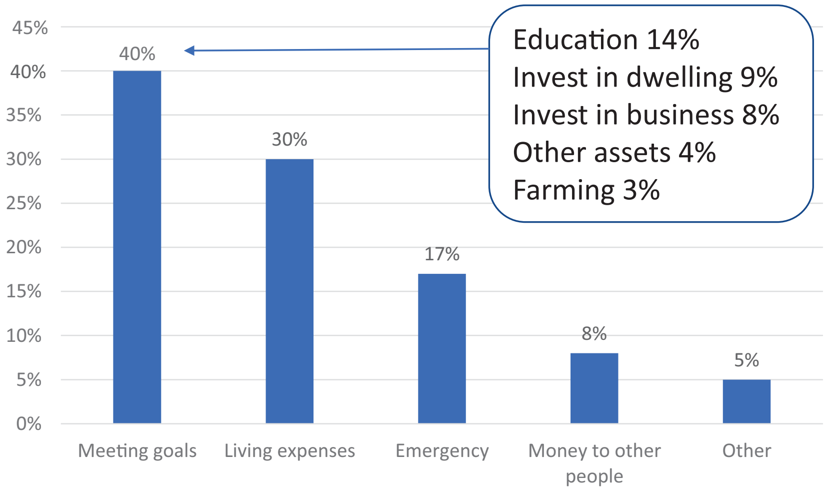


Figure 4: Use Of Credit In Eswatini
Source: Eswatini State Of Financial Inclusion Report 2019

Remittances are a major source of income (24% of adults compared to 20% relying on salaries or wages). Mobile money and new products from the banks have transformed the remittances market, with the proportion of adults who used a formal mechanism increasing dramatically from 26% to 70%. During 2016 – 2021, official South African Reserve Bank (SARB) remittances data shows a decline in cross-border remittances between South Africa and Eswatini, dropping from SZL105.6 million in 2016 to SZL14.10 million by 2019 (Table 2). Cross-border remittances started to increase again from 2020.

Table 3: Official Remittances Between South Africa and Eswatini, SZL Million

Year	2016	2017	2018	2019	2020	2021
Inflows	84.6	11.7	14.7	9.8	6.9	4.0
Outflows	21.0	6.1	2.9	4.3	43.0	98.0
Total Remittances	105.60	17.80	17.6	14.1	49.9	102.0
Net inflows/(outflows)	**63.6**	**5.6**	**11.8**	**5.5**	**-36.1**	**-94.0**

Source: Finmark Trust, Remittances Market Assessment Report 2021, own extrapolation

Dependence on informal mechanisms declining

The percentage of the population using informal only mechanisms decreased from 9% to 2%. Among the major informal service mechanisms is the *tinhlangano*, an informal rotating monthly savings scheme predominantly used in rural areas, and *masingcwabisane* an informal burial society scheme. Informal mechanisms are popular because they are perceived as cheaper and more accessible. Many of those previously dependent solely on informal mechanisms are now able to also access mobile money and SACCO products.

2.3 Priority Segments and Vulnerable Groups

2.3.1 MSMEs and farmers

Low MSMEs access to credit and insurance services

The MSMEs sector is dominated by micro and small enterprises who comprise 93% of MSMEs in Eswatini. MSMEs are estimated to employ approximately 93,000 people (16% of the total working age population).The latest FinScope MSMEs Survey conducted in 2017 showed that Eswatini's MSMEs have high access to financial services, with 69% of MSMEs banked, and 76% accessing at least one formal financial service. However MSMEs access was driven by transactions and savings accounts, and access to credit is extremely low. A vast majority of owners (>80%) do not have access to any form of credit (FinScope MSME Eswatini 2017 Survey) shows that 90% of MSMEs owners start a new business using money from their own savings, family and friends, or informal credit. Business formalisation is low, especially for women-owned enterprises.

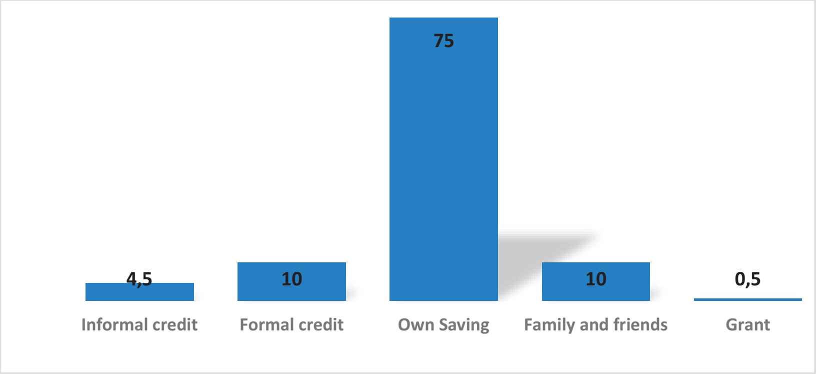


Figure 5 : Eswatini: MSMEs Sources of Capital (%)
Source: FinScope MSME Eswatini 2017

Agribusinesses and farmers face access to credit challenges

Access to credit in rural areas and for farmers is limited. Financial institutions require various documentation, as well as collateral. A key challenge is the tenure system on Eswatini National Land that does not provide farmers with a title deed. Financial institutions can explore alternative documentation that aligns more appropriately with the local land ownership arrangements, as well as introduce more entry-level, simplified products. Banks can also explore alternative methods of building risk profiles using digital tools.

Farmers face additional challenges related to shocks, such as disasters, crop failure, or weather variations. However, the use of insurance products is limited. Consideration should be given to the creation of simplified cover for farmers through mobile money and retail channels, as well as through group insurance schemes where there are natural collections of farmers (e.g. a particular scheme or project). Expanding the availability of finance and insurance will be useful mechanisms for farmers to cope with climate change while also supporting the SDG environmental outcomes. Within the sector, there is a need for improved disaggregated data collection by financial service providers and regulators. The data should be supported by clear definitions, e.g. MSMEs and women-owned MSMEs.

2.3.2 Women

Key gaps for women revolve on entrepreneurship and empowerment

The FinScope Eswatini 2018 Access Strand shows that 87% of women are financially included (compared to 83% of men), recent improvements being especially due to increased uptake of NBFI accounts.

According to FinScope, in 2014 only 13% of women had accounts with NBFIs but by 2018, this had doubled to 35% of women, compared to 30% of men. Mobile money and SACCOs are particularly popular with women[18]. Yet while women's access to financial services is higher than that of men, women's access to credit is lower. A contributing factor to this was the gender-biased property rights systems that existed until 2019. The property rights, as well as the right to enter contracts, secure bank loans, or use bank accounts were severely constrained. Complete reversal of the law was made by the High Court in 2019. Other factors leading to low rates of access to credit for women include:

- Lack of capital and collateral assets for women;
- Failure to meet the male norms of credit conditions such as collateral requirements, lack of deposits or savings, lack of proper financial records and written business plans;
- Limited information about and access to viable markets;
- Lack of available time to be economically productive due to unpaid domestic care; and
- Lack of empowerment in household decision-making.

There are more female MSMEs business owners than their male counterparts (65% vs 35%), however, women are more likely to own smaller, less sophisticated businesses. Women are also more likely to own an informal business, and only 20% of women-owned MSMEs are formally registered or licensed, compared to 35% for men[19].

2.3.3 Youth and children

Youth comprise a large portion of the population

Eswatini has a large youth population, and youth unemployment is a key challenge. The national unemployment rate is estimated at 33%, compared to 58% for the youth[20].

[18] *Eswatini Gender Dashboard*
[19] *FinScope MSME Report (2017)*
[20] *Eswatini Integrated Labour Force Survey, 2021*

The National Eswatini Youth Policy 2020 identifies three age cohorts with specific needs: teen (15-19), adolescent (15-24) and young adult (25-34 years old). Among the policy areas identified, the alignment of the national curriculum to national economic needs, the participation of youth in food production and value chains, and the need for entrepreneurship and employment opportunities are especially relevant.

The Eswatini State of the Youth Report of 2022 highlights potential opportunities including capacity building, market and financial access, value chain development, and reduced barriers to business creation and formalisation[21]. Supply chain development can be used to promote youth in agribusiness, as well as programmes that support youth self-employment, dedicated programmes (e.g. the Youth Enterprise Revolving Fund), and the incorporation of youth in broader initiatives in the agriculture sector.

2.3.4 Vulnerable Groups

Emphasis on vulnerable groups aligns with the national vision

In line with the Eswatini national vision, this strategy emphasises the empowerment of disadvantaged or vulnerable groups. Special attention is given to people with disabilities, forcibly displaced persons, and other vulnerable groups.

People with disabilities face multiple challenges in the financial sector

Although some people with disabilities (PwDs) have challenges so severe that economic participation is difficult, most have the capacity to make use of and benefit from financial services. PwDs often lack access to finance due to limited knowledge of disabilities in FSPs; unsubstantiated high-risk perception; inaccessible premises and

[21] *Presentation by T Thwala on Eswatini State of the Youth Report of 2022, 18 May 2022, Ezulwini*

materials; and limited access to opportunities. Financial service providers can be better supported with comprehensive knowledge of disability issues and with platforms to help address these challenges. Providers can also be supported to develop customised solutions, value propositions and financial education programmes. More broadly, there is a need to expose PwDs to entrepreneurial options and support them with loans and grants.

Forcibly displaced persons lack the credentials to access financial services

In 2022 CFI, in partnership with FinMark Trust and the Alliance for Financial Inclusion (AFI), conducted a diagnostic on the levels of financial inclusion of Forcibly Displaced Persons (FDPs) in Eswatini. Among other reasons, FDPs lack access to finance because of a lack of proper identification documents and high-risk perception. The documentation they are issued in Eswatini is often short-term, which means that they cannot qualify for longer-term loans beyond two years. A Roadmap has been developed to guide the implementation of the recommendations. Key action points include reviewing the validity period of ID documents, regulatory clarity on KYC/CDD processes, leveraging of digital financial services, and financial education.

Limited financial sector data on vulnerable groups

Additional groups of interest comprise previously included people such as widows, widowers, the elderly and incapacitated individuals. Special attention will need to be given to these groups during implementation to take account of their special needs. Financial and/or entrepreneurial education can also be useful to help individuals develop the necessary capacities to become self-reliant. However other than the diagnostic study on forcibly displaced persons that was completed in 2022, data on the reach and usage of financial services by people with disabilities and other vulnerable groups is not readily available. Understanding the size and issues impacting these segments is needed to support the development of relevant interventions and products.

2.4 Eswatini's Financial Sector

2.4.1 Bank sector/payments

Banks have increased their reach, but costs perceived as high

Progress has been made in deepening the access and usage of banking services, which has focused on the most viable segments. Bank access among the formally employed now stands at 92% and around 50% for those in self- and informal employment. FinScope Eswatini 2018 analysis showed a high usage of accounts, as 81% of banked adults used their account at least monthly, while 33% use their bank account three or more times per month. Usage of the Eswatini Interbank and Settlement System (SWIPSS) increased from 38,260 transactions with a value of E121.5 billion in 2014, to 59,628 transactions with a value of E295 billion in 2022[22]. Nevertheless bank costs remain a concern. The Eswatini Competition Commission in 2019 found there was limited competition in the banking industry and noted that bank charges were high relative to other CMA countries[23]. In addition only 15% of bank clients use credit while many bank clients use informal credit.

Payments infrastructure in place, with new national switch planned

The national payment system consists of two systemic payment system infrastructures, namely the SWIPSS for high-value payments, and the Eswatini Clearing House (ECH) for retail payments. Mobile money and card systems offer real-time clearing; but a domestic EFT can take up to a day to clear, constraining payments across banks.

[22] *Central Bank of Eswatini. (2019). Financial Stability Report, Issue 6 of June 2022.*

[23] *See http://compco.co.sz/online/wp content/uploads/2019/06/RETAIL - BANKING - Non- Confindential - Rev - 1 - 7 - June - 2019.pdf*

The CBE finalised the project charter for the Eswatini National Payment Switch project in April 2020 with the aim of closing gaps in the national payments system. The gaps include: (i) the non-bank digital financial service providers such as mobile money operators being excluded from the national clearing and settlement system, which forces them to operate as siloed ecosystems; (ii) the unavailability of a 24-hour real-time payment system beyond EFT credit functionality; and (iii) the lack of interoperable payments between banks and non-bank payment service providers.

2.4.2 Digital Financial Services, Fintech and Crypto Assets

Increasing uptake and usage of digital financial services

Eswatini's efforts to modernise the payments landscape has resulted in the growth of digital financial services, and already 71% of adults own a mobile money account. The mobile money account is widely used, and 56% of users transact three or more times monthly. In addition, 33% are classified as broader users, using their mobile money account beyond buying airtime or remitting. Development of additional use cases will help increase the relevance of mobile money. Government can take the lead by aggressively digitalising government payments, as it is one of the biggest users of the payment system.

Need for more competition in digital space

The lines between products from banks, fintechs and mobile money providers are increasingly blurred. Competition among and between these players will therefore play an important role in enhancing innovation. Interoperability and controls on exclusivity arrangements (for agents or merchants) need to be monitored carefully.

Key challenges to product development include the high costs of transactions, and limited transaction and wallet sizes.

In addition, establishing an enabling framework for digital signatures and the verification of identity information would help to make DFS delivery safer and more efficient. In the mobile money ecosystem, continuing illiquidity of agents, and the cost of using mobile money need to be addressed.

Fintech in Eswatini still at a nascent stage

The CBE established the Fintech Unit to spearhead fintech development in the banking sector in 2018, followed in 2019 by the launch of the CBE Fintech regulatory sandbox. The CBE also set up the Eswatini Fintech Working Group (EFWG) to foster dialogue and collaboration. Fintech solutions can be particularly relevant to enhance linkages with the SDGs, for example to close the gender gap, enable access to persons with disabilities (PwDs) and other vulnerable persons, and to address climate change[24].

The Eswatini fintech ecosystem is in its early stages of development, with legacy actors like banks and mobile money operators providing fintech solutions using traditional regulatory instruments[25]. The CBE recently completed the Fintech Landscape Report 2023 which recommends that an enabling environment with proportionate regulations that level the playing field be put in place[26]. Eswatini should also develop and implement a national fintech strategy, building on the work done under the fintech landscape report.

Potential of Central Bank Digital Currency should be monitored

In 2019, the CBE considered the potential and feasibility of a Central Bank Digital Currency (CBDC) through the application of a country diagnostic. The diagnostic concluded that CBE should continue exploration and possibly pilot CBDC[27]. Eswatini should continue to track global developments to assess long-term usefulness.

[24] *Alliance for Financial Inclusion (2018) Sochi Accord Fintech for Financial Inclusion*

[25] *Central Bank of Eswatini, Eswatini FinTech Landscape Report, 2023.*

[26] *Central Bank of Eswatini, Eswatini FinTech Landscape Report, 2023. Other key recommenda tions in the report include the promotion of a digital Eswatini based on the DE4A diagnostic; and the develop ment of pathways to Fintech businesses and a start-up ecosystem*

[27] *https://cenfri.org/publications/eswatini -central-bank-digital-currency-diagnostic-study/*

2.4.3 Insurance and pensions

Structural issues reinforce small insurance market

There have been few products targeted at lower-income consumers especially given that the population of Eswatini is small which increases underwriting costs. The limitations in affordability and product design extend to agricultural insurance products, where challenges include many farmers' irregular and low-income levels. Agricultural insurance products have had low uptake, being seen as unsuitable in terms of price and coverage. The limited availability of support data (e.g. meteorological data) is also concern.

Some innovation in insurance product distribution

The introduction of funeral insurance products through mobile platforms is a welcome development. Insurers are also partnering with banks, SACCOs and the Post Office to extend reach. Nevertheless, there is an urgent need for more innovation to reach further into the low-income market. Products are especially needed for MSMEs, as well as affordable health plans to defray out-of-pocket payments. With enactment of the Micro-insurance Regulations of 2020, there is need to support FSPs to introduce new products.

Enhanced frameworks needed in the pensions sector

In the formal pensions sector, there have been insufficient regulations resulting in loss of pensions. Examples include Nazarene Provident Fund, Ecsponent, and more recently Likhwane. There is urgent need to identify and close legislative and regulatory gaps. FSRA is considering mandating custodians to secure funds, and additionally to introduce a two-pot system where workers can access part of their pensions while they are still economically active. The Ministry of Labour and Social Security can consider more strongly enforcing pension contributions for low-income workers.

The pensions sector has focused on the formally employed despite high levels of employment informality. The absence of a regulatory framework or guidelines to facilitate informal or micro-pensions savings schemes therefore needs to be addressed.

2.4.4 Microfinance (SACCOs, MFIs and other credit providers)

MSMEs and farmers more likely to seek non-bank loans

There are a total of 201 licensed Credit and Savings Institutions as shown in below[28]. NBFIs in the period 2014 – 2018 provided approximately half the credit that was accessed by households. A study into determinants of choice of credit sources by agricultural MSMEs in Eswatini found that agricultural MSMEs are more likely to seek loans from informal and semi-formal sources (e.g. SACCOs)[29].

Table 4: Composition Of Licensed Credit And Savings Institutions In Eswatini

Institution type	Number
Savings and Credit Cooperative Societies (SACCOs)	62
Building Societies	2
Retail Credit Providers (non-deposit taking)	132
Development Credit Providers	3
Credit Bureau	2
Total Number of Institutions	201

Non-bank institutions increasing in sophistication

There has been a notable shift to using mobile money infrastructure and digitalisation to improve NBFI loan application processes, particularly after the Covid-19 pandemic. Given the growth in asset size, there has been an ongoing effort to increase regulation over

[28] *FSRA Quarterly Bulletin for December 2022. https://www.fsra.co.sz/about/bulletin/*

[29] *Dlamini, T. & Mohammed, M. (2018). Determinants of choice of credit sources by Eswatini SMEs: A focus on the Agriculture Sect or. Paper presented at 2018 Annual Conference, September 25 -27, Cape Town, South Africa 284776, Agricultural Economics Association of South Africa (AEASA)*

SACCOs, and guidelines for SACCOs have been issued under the FSRA Act of 2010[30]. A draft SACCO legislation has also been prepared and is in progress. Similar effort is required in the non-deposit-taking MFI sector. Oversight over the MFI sector is still limited, currently managed by FSRA under the Consumer Credit Amendment Act 2021. Regulations are needed to operationalise the Act, which would enable closer regulation.

NBFIs can enhance uptake of government's loan guarantee schemes

The government has two loan guarantee schemes to assist small to medium enterprises (SMEs) in accessing credit. The Export Credit Guarantee Scheme (ECGS) caters for export trade while the Small-Scale Enterprise Loan Guarantee Scheme (SSLEGS) focuses on production for domestic market. The schemes help to de-risk small-medium enterprises especially in the absence of collateral. However, the schemes are underutilised. A review of the SSELGS Participation Agreement and relaunch of the scheme in September 2021 culminated in the inclusion of four selected NBFIs, with significant increase in uptake from 32 valued at E6.8 million in March 2021 to 130 loans totalling E36.6 million as at March 2023 (Table 5).

Table 5: Performance Of The Sslegs Guarantee Scheme

Values in Emalangeni millions	March 2020	March 2021	March 2022	March 2023
Loans:				
Number of Loans Issued	58	32	114	130
Value of Loans Issued	12.2	6.8	28.4	36.6
Total No. Outstanding	200	195	259	292
Total Value Outstanding	36.2	34.7	55.6	68.4
Guarantees:				
Total Value Issued	10.4	5.9	25.0	32.7
Total in Force	31.5	30.2	45.4	61.0
Leverage Ratio	1.08	1.07	1.67	2.41
Default Ratio (%)	6.64	8.04	8.29	9.40

Source: Central Bank of Eswatini

[30] *https://www.fsra.co.sz/sectors/csi/apply/saccos/SACCO%20Guidelines%2030%20November%2018.pdf*

Banks have been hesitant to make full use of the guaranteed schemes, despite the relaxation of some of the operational procedures – one being the simplification of the claim process and increased guarantee cover of up to 95% for start-ups and 85% for existing businesses. There is a need to continue to expand the schemes to non-banks, and to explore portfolio-based approaches rather than individual MSMEs.

Utility of digital credit products needs to be monitored

In 2019, Letshego Holdings, an NBFI partnered with MTN Eswatini to pilot the 'MoMo Quick Loan', reaching 119,000 customers in just six months[31]. Both MTN and E-Mali provide short-term loans popular with women and youth to the value of E600 and E800, respectively. Interest rates are high at between 8% and 10% monthly, and the loans are repayable within 30 days. Digital credit in other countries has led to over-indebtedness and consumer protection issues. This needs to be monitored closely.

2.4.5 Credit Information and Collateral Registry

Limited credit information about consumers

Eswatini has two licensed credit reference bureaus. However these carry limited data about customers and there is a need to expand the data that is reported and enforce adherence to credit reporting requirements. Banks and NBFIs report negative data, and there are limitations on the extent to which SACCOs and other credit providers report to the bureau. The Consumer Credit Amendment Act 2021 will help address some of the compliance issues, while the FSRA has licensed a credit bureau targeted at the 'lower tier', with lower reporting requirements. An ongoing project with the World Bank seeks to modernise the credit infrastructure, including ensuring best practices, a modern legal and institutional framework, and a web-based moveable assets collateral registry.

[31] *Letshego Holdings, Group Integrated Annual Report 2019*

Ongoing digitalisation provides the opportunity to use data from a wider variety of sources to improve the use of behavioural data to assess creditworthiness. In future, it will be important to share more sector data to support product development and innovation.

2.4.6 Capital Markets

Capital markets can also play a role in financial inclusion

Eswatini has one securities exchange, the Eswatini Stock Exchange (ESE). The ESE hosts only seven listed equity counters, and trades in bonds issued by government and four corporate issuers[32]. There is a low level of market development, volumes traded are thin and dominated by sovereign debt[33]. The key opportunity for the exchange is to explore products targeted at MSMEs, for example bonds targeted at financing MSMEs. Tanzania has successfully launched a gender bond, and the ESE could adopt a similar strategy to support priority segment entrepreneurs in the MSMEs sector. The exchange can also consider further development of socially responsible products, such as green bonds that can help promote MSMEs that are environmentally friendly.

2.4.7 AML/CFT/PF

Capacity support on AML/CFT/PF is needed

The Money Laundering and Financing of Terrorism (Prevention) Act (2011) came into effect in 2012. An amendment of the Act introduced the concept of a risk-based approach in 2016. Capacity support is needed for financial institutions to effectively implement the risk-based approaches, discouraging them from resorting to 'de-risking' their business by terminating relationships with customers rather than managing risk[34]. Capacity building and training are also needed to empower supervisors and compliance officers.

[32] https://www.ese.co.sz/, *accessed August 2023*

[33] *F Muronda, A Consultancy Service To Assess And Diagnose SADC Capital Markets Architecture To Define A Baseline For Harmonisation Of Capital Markets In The Region, SADC Secretariat, 2022*

[34] *ESAAMLG Working Group On Risk, Compliance And Financial Inclusion (WG-RCFI), April 2021, 'Follow up report to assess the continued existence and impact of de- risking in the ESAAMLG region', available at:* https://www.esaamlg.org/reports/De-risking_FUR_April2021.pdf

Regulators in the sector should also continually review and refine requirements to address areas that are too stringent for unbanked individuals. In this respect, the recently passed National Payments Systems Act, 2023 will help to enhance risk-based supervision of payment systems. Other improvements include establishing an enabling framework for digital signatures, investing in relevant infrastructure to support centralised KYC and link to government registries, and establishing digital ID proofing for identifying customers[35]. Recent pilots by the Ministry of Home Affairs with banks and Mukuru have explored seamless linkages to ID registries for KYC purposes.

Regulators should keep abreast of cybersecurity risks

Cybersecurity can be a considerable risk to financial inclusion by discouraging the use of digital financial services. Draft cybersecurity guidelines have been prepared, which together with the Eswatini National Cybersecurity Strategy 2020 – 2025 and the promulgation of the Computer Crime and Cybercrime Law in March 2022 should help protect customers against cyber threats.

2.5 Financial Capability and Consumer Protection

Financial capability gaps highlighted in the Financial Capability Study 2018

Financial literacy is critical to increased usage and trust in financial services and products. The need for financial and digital education was highlighted by the baseline financial capability study conducted in 2018. The study demonstrated variations in financial capability across the country. The findings indicate an urgent need for interventions in rural areas, and for those in informal employment,

[35] *CBE, NPS Vision 2025*

agriculture and dependants who are more likely to have low financial capability[36]. The overall the percentage of adult Emaswati with low to moderate financial capability is high at 69%[37] (Figure 6).

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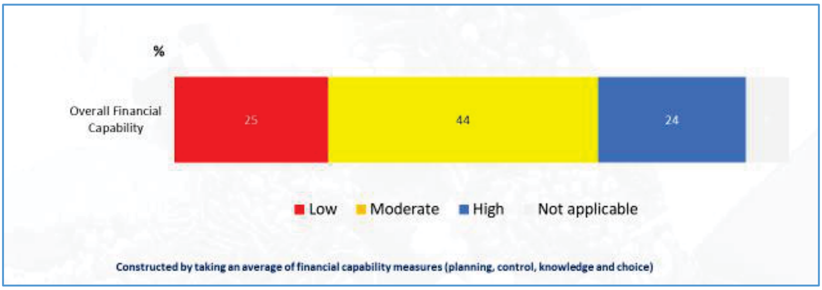
Figure 6: Financial Capability In Eswatini



National Financial Literacy Strategy 2023 - 2028 developed

The draft National Financial Literacy Strategy responds to the needs identified in the survey and will be implemented over the next five years. The strategy promotes the integration of digital and financial literacy in the primary school curriculum and awareness and literacy campaigns, and will be augmented by stakeholders identifying a collaborative and sustainable financing mechanism for digital and financial education. Digital financial literacy will be given a high priority.

Consumer protection should be strengthened

The passing of the Consumer Credit Act 2023 was a key milestone in the effort to increase consumer confidence and trust in financial institutions. The Act is aligned to the global SMART principles campaign, emphasising elements such as responsible pricing, transparency, privacy and dispute resolution among others.

[36] *Presentation by S. Mabuza of FinMark Trust, based on the Financial Capability Survey of 2018.*

[37] *Reproduced from a presentation by S. Mabuza of FinMark Trust, based on the Financial Capability Survey of 2018*

Key challenges to be addressed in the coming years include strengthening market conduct, transparency and disclosure requirements across the financial sector and, as an example, disclosure requirements need to include DFS providers. In addition to this, it is critical to address pricing concerns, especially in the bank and digital financial services subsectors. Cybercrime, data protection and fraud are critical risks and call for stronger mechanisms, capacity building and benchmarking.

Strategic Framework for 2023 - 2028 NFIS II

3.0 Introduction to the 2023 - 2028 NFIS II Strategic Framework

3.1 NFIS II Strategic Framework

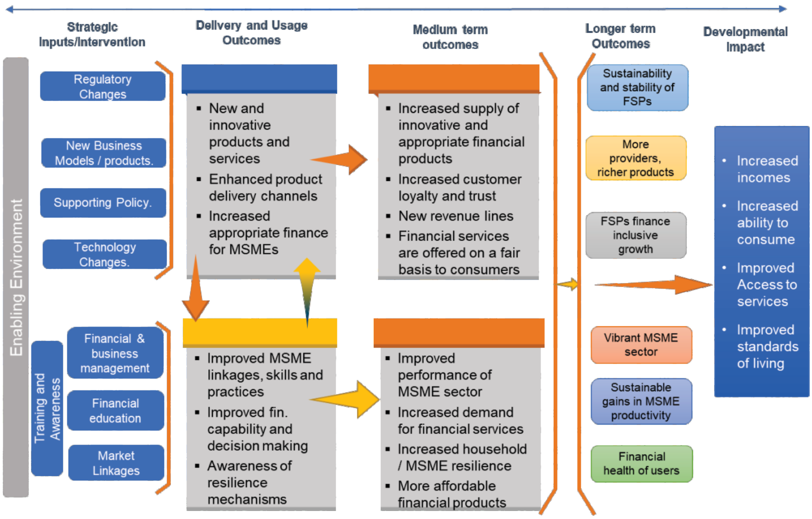
The Eswatini NDP 2023/2024 – 2027/28 outlines the country's desire to be among the 'top 10% of the medium human development group of countries founded on sustainable economic development, social justice and political stability'. The goal of the NDP is to attain transformation of the Economy and People's Lives in Eswatini.

The NFIS II seeks to support the transformation process by providing a coordinated framework for all financial inclusion activities in the country towards a common vision. The implementation of the activities as outlined in Figure 7 will ensure an innovative and inclusive financial sector that is able to provide relevant products and services that reach all segments of the market.

On the demand-side, the stakeholder efforts will lead to improved financial capability; better attitudes towards entrepreneurship, farming, and business formalisation; increased development of commercial agriculture and MSMEs; and wider application by farmers, MSMEs and individuals of available resilience mechanisms.

In the long term, the sustainable development impact anticipated is improved standards of living, and an improved human development index resulting from better access to a wide range of services such as health and education.

Figure 7: Eswatini Financial Inclusion Outcomes Frameworks 2023-2028



The NFIS II builds on the successes achieved through the implementation of NFIS I, addressing the challenges encountered in the process, including in its implementation and monitoring mechanisms.

As cross-cutting principles, the implementation of the NFSI II will ensure the economic inclusion of all Emaswati including men, women, the youth, and the vulnerable, and support the sustainable development agenda by promoting sustainable practices, access to basic services, and providing citizens, especially farmers, with climate change mitigation and adaptation tools.

3.2 NFIS II Vision

The NFIS II seeks to rally and align all stakeholders to a common vision. In the period 2023 – 2028, stakeholders will work together towards the following vision:

"An innovative and inclusive financial system that supports sustainable economic productivity, growth, resilience and wealth creation for all."

In measuring progress towards the vision, stakeholders will take cognisance of the extent to which financial services have evolved beyond access and usage to consider whether such use translates to positive real sector outcomes like investment in enterprises; household resilience; savings mobilisation; convenience and productivity of households; access to basic services; financial health; and inclusion of all Emaswati.

To support this move towards measuring impact in the real sector, the following supporting goal is also proposed:

To increase individuals' and MSMEs' uptake and usage of formal financial products and services that meet the specific needs of each segment or sector in order to contribute directly to economic growth and resilience. By 2028, uptake and usage are increased substantially in productive credit, savings mobilisation, and non-funeral insurance.

The goal emphasises progress towards adoption of financial services products in non-traditional areas that offer direct linkages to the SDGs. By diversifying the use of financial services, Eswatini aims to enhance the outcomes related to financial inclusion, making a positive impact on people's lives.

3.3 NFIS II Strategic Priorities

To ensure a cohesive approach towards the national financial inclusion vision, four strategic priorities are proposed. These strategic priorities have been developed with a view of creating a vibrant financial ecosystem that can result in the achievement of the vision, enabling everyone to contribute positively to the country's economic growth and fair distribution of the wealth in line with the country's aspirations outlined in Eswatini's NDP.

NFSI II identifies the following four strategic priorities:

(a) Promotion of financial products that facilitate productivity and resilience in the agriculture and MSMEs sectors;

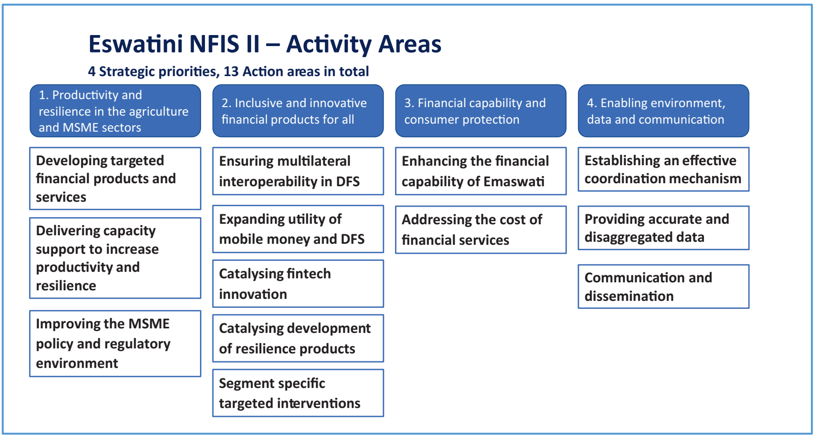
(b) Creation of a more inclusive financial sector that can provide innovative financial products and services to all segments of the market;

(c) Enhanced financial capability and consumer protection; and

(d) Creation of an enabling environment that coordinates, informs and communicates the financial inclusion agenda in Eswatini.

A total of 13 strategic action areas were identified, further illustrated in Figure 8.

Figure 8: Key Strategic Priority Areas Of The NFIS II



The strategic priority areas will not be pursued in isolation but concurrently, and in a coordinated manner as they are all interdependent, working together towards the vision. The remainder of this chapter outlines specific objectives and activities envisaged under each of these strategic priorities.

3.3.1 Strategic Priority 1: Productivity and resilience in the agriculture and MSMEs sectors

Support farmers and MSMEs to be more productive and resilient

This priority area entails helping the country's farmers and entrepreneurs to be more productive, growth oriented, and resilient in the face of various shocks that may arise. Specifically, there is a need to widen options for MSMEs and farmers to access finance and other financial services that support productivity and resilience, and to address issues of risk given that MSMEs are generally considered risky borrowers by lending institutions.

The financial sector will also need to work with other stakeholders such as responsible line ministries to address attitudes and entrenched practices that hold the sector back. Critical issues include the lack of entrepreneurial culture, fear of formalisation, lack of awareness and linkages to markets, and limited skills of MSMEs and farmers.

The following strategic objectives are therefore proposed under Strategic Priority 1:

- Increase the range of options available to farmers and MSMEs in meeting their finance and resilience needs, through the development of targeted financial products and services.
- Build the capacity of farmers and MSMEs to increase productivity and resilience in the sector, and support the development of market-oriented enterprises.
- Provide an enabling environment that promotes increased access to finance for MSMEs and farmers.

Increasing the range of finance and resilience options

Existing government programmes are underutilised, with stakeholders citing onerous processes, difficulties for FSPs to recover losses, and service provider attitudes, over-reliance on bank-led approaches and expectations as key barriers. Moreover, there are often overlaps between programmes by different agencies. To address these shortcomings, and in line with the NDP, it is proposed that the existing government funding schemes be reviewed and aligned to enhance synergies and uptake. Schemes should be more customer-friendly, accessible to all DFIs and smaller non-bank financial institutions and have revised eligibility and assessment criteria based on the loan size. This may involve adjusting the application and claim process, and getting financial institutions to develop new products and models.

It is also proposed to improve support to non-bank institutions that are already active in the sector. This can be done by setting up a wholesale finance facility for the NBFIs, with explicit targets in terms of the number of MSMEs and farmers, women and youth, and vulnerable people to be covered. These institutions should also be encouraged to join and share data with the credit bureaus. To support access by women and the less formal market segments, a framework to enable the introduction of a movable collateral asset registry is needed.

Given the difficulties with government and bank-led models to date, stakeholders have been experimenting with value chain financing as a potential catalyst to enable MSMEs to conveniently access finance. It is proposed to continue and expand these interventions. This may include the development of programmes and products around input financing, market financing, and warehouse invoice financing, while ensuring linkages to existing Sector Development Programme Agreements (SDPAs).

Additionally, innovative alternative forms of finance such as lease financing, venture capital, angel investors, crowdfunding, private equity and asset-based financing are now available in many countries around the world, yet their use remains limited in Eswatini. Their application in Eswatini needs to be investigated and enhanced. Financial institutions can be encouraged to develop and promote such instruments, especially the Eswatini Bankers Association and the DFIs. A conducive policy environment including fiscal incentives can be considered to attract new classes of investors, such as angel investors, while necessary frameworks need to be put in place for crowdfunding. This should be complemented by demand-side awareness and capacity building initiatives.

Resilience products are also needed, particularly as it relates to addressing climate change impacts. Yet insurance products for environmental and agricultural risks, such as disaster, crop, livestock and climate change are underdeveloped and cannot adequately respond to the risks that Eswatini farmers face. It is therefore proposed to explore the potential to establish a climate risk insurance facility, and an agriculture insurance fund. The delivery of these products on digital platforms should be investigated, to ensure widespread reach and cost-effective delivery. To enable farmers to contribute to the climate change agenda, it proposed to build on an existing intervention within FINCLUDE that seeks to establish a climate investment facility, to promote and finance green technologies and practices among farmers.

Building the capacity and attitudes of MSMEs

Few smallholder farmers see farming as a business and there is a need to raise awareness and entrepreneurial culture, particularly among the youth. Incubation, mentorship and training courses can be linked to business loan applications, with business mentors to help improve the use of finance for intended purposes. The training itself could be made more accessible in remote, rural areas. Further, due to fear of taxes, lack of information, or lack of convenient mechanisms, many smallholder farmers and MSMEs do not want to register or formalise. Yet formalisation can allow them to attract diversified forms of financing and to increase access to markets.

Together with building attitudes, MSMEs business development services are needed. It is suggested to focus on programmes that help MSMEs improve their business management skills and transparency, value addition training and services, maintenance of business records and credit history, and to increase their awareness and ability to take up other forms of capital.

Government agencies and business development organisations can lead this effort. Benefits need to be better communicated. FinScope MSME Eswatini 2017 Survey showed that awareness of such services is high, but this does not translate into enrolment. Those who do enrol find it useful.

The private sector, particularly large retailers and tourism companies, can also be catalysed to develop agricultural Supplier Development Programmes. These are effective in building MSMEs capacity and facilitating market linkages, especially within the value chain and to improve farmers' risk ratings. The National Agricultural Marketing Board (NAMBOARD) is tasked with market identification, and it is proposed that this be intensified, especially the dissemination of information.

Modalities of dissemination, timing and messaging need to be improved, with mechanisms to avoid flooding the market with particular goods that lead to price drops and wastage.

The capacity building interventions should prioritise the youth, given the youth demographic. In addition, considering the lower proportion of high potential women-owned enterprises, it is also important that these are prioritised.

Regulatory improvements to facilitate access to finance for MSMEs
A key challenge already noted is the lack of formalisation among small businesses and smallholder farmers. It is proposed to review the business registration laws and processes to streamline and simplify procedures, particularly for micro and small enterprises. In addition, measures need to be taken to eliminate duplication in licensing costs imposed by town councils and city assemblies.

A one-stop-shop for business registration and streamlined processes are proposed. This should be accompanied by measures to promote business registration and licensing, including awareness campaigns and incentives such as reduced cost of formalisation or tax breaks.

In addition to formalisation, it is vital to assess and review the quality of business development services that are being offered. Establishing an accreditation framework designed for sector-specific business development providers can support this. Accredited providers can play a crucial role in enhancing productivity in agriculture, agro-processing and manufacturing.

The proposed range of activities for Strategic Priority 1 are summarised in Table 6 below.

Table 6: Summary Of Activities Under Strategic Priority

1	Productivity and resilience in the agriculture and MSME sectors	
1.1	Developing targeted financial products and services	1.1.1 Promote value chain financing (input financing, market financing, warehouse invoice financing etc.)
		1.1.2 Establish climate investment facility to finance green technologies in farming, including by widening sources of finance and refining the value proposition
		1.1.3 Establish a climate risk insurance facility and / or agriculture insurance fund
		1.1.4 Establish a wholesale facility for NBFIs
		1.1.5 Review and align government funding schemes (operational efficiencies, alignment to PFMA)
		1.1.6 Establish a credit registry (movable asset collateral)
		1.1.7 Investigate innovative alternative forms of finance (Lease financing, venture capital, angel investors, crowdfunding, private equity, asset-based financing etc.)
1.2	Delivering capacity support to increase productivity and resilience	1.2.1 Implement programmes to build and strengthen entrepreneurial culture amongst EmaSwati
		1.2.2 Establish agricultural MSME Supplier Development Programmes (retailers, tourism, corporates)
		1.2.3 Improve MSME business management, financial management and reporting skills, and awareness / capacity in alternative forms of finance
		1.2.4 Facilitate market linkages for the value chain to improve farmer's risk ratings;
1.3	Improving the MSME policy and regulatory environment	1.3.1 Review and streamline business registration laws and processes, e.g. one-stop shop, costs
		1.3.2 Promote business registration and licensing
		1.3.3 Establish incentives to promote the formalisation of MSMEs e.g. procurement, turnover tax
		1.3.4 Develop an accreditation framework or programme for sector-specific business development services providers (BDS) to ensure standardisation and high quality

3.3.2 Strategic Priority 2: Inclusive and innovative financial products and services for all

Moving beyond access and usage to real sector outcomes

The financial sector reach has grown over the years, and access to financial services now stands at 87%, with significant usage of various products such as bank accounts and mobile money services. The focus of this pillar is to strengthen the financial sector to a level where it effectively responds to the developmental needs of the nation. This can be achieved by strengthening the country's digital financial ecosystem to enhance the effectiveness and efficiencies in financial institutions. Such improvements enable these institutions to expand their reach and to cost-effectively offer new types of products and services that serve the needs of customers, including access to basic service.

Such diversification may also result in increased use of mobile money as a savings instrument, productive credit, formal savings for emergency use (including medical), medical insurance, credit for cleaner energy solutions, and insurance products that protect households against shocks. The following five strategic objectives are proposed to achieve these outcomes, as further elaborated in the rest of this section:

- Increase inclusivity, innovation and affordability in the financial sector by ensuring multilateral interoperability in retail payments and digital financial services.
- Leverage existing mobile money rails to provide higher impact products and services by expanding the utility and application of mobile money and DFS.

- Enable the development of new financial products, services and business models, especially for the priority and vulnerable segments by catalysing fintech innovation.
- Mobilise savings and help households to increase resilience by catalysing the development and scaling of resilience building products.
- Strengthen the inclusion of all customer segments by implementing targeted interventions for priority and vulnerable groups.

Ensuring digital payments interoperability

Competition among banks, mobile money providers, and fintechs is important to enhance innovation and affordability, especially considering existing market power in the banking and mobile money sectors. A key driver to this is interoperability, and while there is some bilateral interoperability between players in the market, existing gaps limit competition and innovation. The new Eswatini National Payment Switch will address important gaps, including the participation of non-bank providers in the national clearing and settlement system, and improved interoperability between banks and non-bank payment service providers. The switch will also enable open banking and facilitate open APIs. The CBE has encouraged bank and non-bank providers to explore how they can support easy plug-n-play capabilities among themselves and other payment service providers such as merchants and fintechs.

As such the switch is prioritised as it will help increase competition by enabling more players, including fintechs, to participate in the national payment system. A wide range of institutions should be facilitated to integrate with the switch; however, this may also need to be complemented by regulatory reform to enable settlement and limited deposit-taking by non-banks.

Expanding use cases for mobile money and DFS

Despite its wide use across income and geographical barriers, mobile money is yet to be fully leveraged and more use cases need to be developed, including by fintechs. Critically, government is a major user of payments services, and it is suggested that the digitisation of government payments services as envisaged in the e-government strategy should be accelerated. This should target social grants, disbursements to individuals (G2P payments), and revenue collection (P2G), including to reduce leakage of public funds. FinScope Eswatini 2018 highlighted that while 64% of grant recipients possessed a financial account, when asked how they receive their transfers, only 12% reported using a bank account. The NPS vision 2025 also highlighted that most G2P payments continue to be made in cash, while 80–90% of P2G are in cash.

Mobile money is widely used for domestic remittances and can play a bigger role in cross-border remittances. In line with recommendations in the National Payments Systems vision 2025, a more enabling regulatory framework for receiving remittances is needed, and it is important for the CBE to foster dialogue to inform an enabling cross-border licensing regime that allows more entrants to participate[38]. Similarly mobile money can play a bigger role in savings mobilisation. In line with the SADC Mobile money guidelines, it is recommended that Eswatini develop and implement a framework to pay interest on mobile money wallets.

[38] *Remittance senders benefit from mobile money agent networks, but receivers usually do not, owing to legacy barriers on who could facilitate receipt of cross-border remittances.*

Challenges in the mobile money ecosystem itself must be addressed for the platform to be fully relevant. In particular, the persistent lack of liquidity by agents in outlying areas where the speed of accessing liquidity should be addressed. Regulators should work in partnership with the private sector to address this challenge. For example, by further increasing the number of aggregators and partnering with major retailers.

A further issue is that regulation needs to be adjusted to accommodate a digital identity proofing system, as recommended in the NPS vision 2025[39]. In addition to issuing specific guidance on ID proxies and KYC innovation, updating the concepts of identity in the regulation will allow innovative identity solutions to be implemented. Such a digital and interoperable customer proofing utility will be useful for FSPs to cost-effectively identify and authenticate customers. Seamless integration and registries between foundational ID systems and FSPs should also be explored.

Catalysing fintech innovation

Fintech innovations globally are making a big impact on financial inclusion, and it is important that Eswatini is not left behind. The CBE has already conducted a landscape study to assess the status. This work needs to be further expanded by developing a national fintech strategy that outlines the roadmap ahead. In addition to outlining any new instruments required in the legal and regulatory framework, it will be important to define the conditions and timelines for full implementation of open banking and review existing regulations to ensure a level playing field between banks and non-banks, particularly in terms of access to national payments systems, limited deposit-taking and data.

[39] *CBE, National Payments Systems Vision 2025. 2022*

The national strategy should also highlight the role that fintechs are expected to play in serving priority and vulnerable segments. Licensing requirements should align with these objectives. While some key elements of the fintech framework, like the payments sandbox, are already in place; it is recommended that FSRA and stakeholders explore the potential for a sandbox framework for insurance and micro pension products[40]. The FSRA has commenced this journey through the Fintech Arch, an initiative to gauge the current regulatory barriers and the needs of innovators, in anticipation of a full regulatory sandbox framework or similar facility for the NBFI sector.

Catalysing development of resilience building products

Resilience is an important component of enhancing and sustaining incomes to comprehensively address poverty and inequality in Eswatini. Given the high levels of informality in the country, the development of mechanisms and products suited to the informal sector are prioritised. These include micro-insurance, micro pensions, mobile wallet savings and flexible low-cost medical aid schemes.

Eswatini Micro-insurance Regulations 2020 came into effect in December 2020 to promote financial inclusion by providing access to insurance to low-income earners[41]. It is now essential to catalyse implementation of relevant micro-insurance products, including through information sharing and data collection. A similar framework for micro pensions is needed and recommended as a priority going forward. In the formal pensions sector, among the key priorities should be to enhance the security of pensions savings through improved pension fund regulation. This may include requiring fund managers to use custodians for added oversight and protection.

[40] *See for example https://www.cma.or.ke/regulatory-sandbox/, https://www.ira.go.ke/images/docs/2020/THE-REGULATORY-SANDBOX.pdf, https://fsdafrica.org/press-release/regulations-for-insurance-sandbox-to-deepen-innovation-financial-inclusion-in-nigeria/*

[41] *Legal Notice 325 of 2020, https://www.fsra.co.sz/legal/regulationsanddirectives/Micro%20Insurance%20Regulations%202020.pdf*

The FSRA should also consider the introduction of a two-pot system that enables workers to access pensions when in need, while simultaneously, the labour ministry can strengthen the enforcement of pension contributions for low-income workers into the Eswatini National Provident Fund.

NFIS II prioritises savings as an essential resilience instrument. It is necessary to promote a savings and investing culture through the financial literacy programme. In addition, financial institution touch points need to be conveniently available, and the need to make mobile money savings attractive by offering interest has been addressed above. Further actions that can encourage savings include developing a regulatory framework for a deposit insurance scheme (an on-going discussion), optimising savings interest rates offered by formal institutions, and strengthening links between cooperatives and institutions such as mobile money and banks. Offering capacity building support to NBFIs can help to explore such linkages, and help them extend reach in rural areas, as well as to develop new products to better serve informal savings groups.

Healthcare is also a significant need in Eswatini, and the FSRA is yet to develop a regulatory framework for the supervision of the financial aspects of medical aid schemes.

Targeted interventions for vulnerable groups

Stakeholders need to make special efforts to enhance the financial inclusion of vulnerable groups across all interventions, particularly women, youth, people with disabilities, and the elderly. In the case of women, the Eswatini Gender Inclusive Finance Roadmap was developed in 2021 and is in process of being operationalised. A key priority of the NFIS II is to implement the roadmap.

Further efforts should be made to create awareness, especially among FSPs, on issues affecting vulnerable groups, and the need for data.

Financial sector support to the implementation of the National Youth Policy 2020 is a critical intervention. This can be achieved by prioritising youth in key financial sector interventions, including areas like fintech innovation and licensing, access to business development services, supply chain development opportunities, and promoting a positive entrepreneurial mindset within the MSMEs sector.

The activities under Strategic Priority 2 are summarised in Table 7 below.

Table 7: Summary of Activities under Strategic Priority 2

2	**Inclusive and innovative financial products for all**	
2.1	Ensuring multilateral interoperability in retail payments / DFS	2.1.1 Implement the new national switch and integrate with wide range of providers
		2.1.2 Ensure full interoperability of domestic retail payments services between banks and non-banks
		2.1.3 Implement regulatory amendments to enable non-bank participation in national and regional payments platforms (settlement, limited deposit taking)
		2.1.4 Review regulations to mandate interoperability of access points in the rural areas and to reduce costs associated with remittances.
2.2	Expanding utility and application of mobile money and DFS	2.2.1 Digitize government payments services, including social grants and other G2P payments and digital revenue collection
		2.2.2 Investigate and establish a regulatory framework for international remittances based on relevant standards
		2.2.3 Work with private sector to address liquidity challenges for agents e.g. increasing the number of aggregators and partnering with major retailers
		2.2.4 Develop and implement a framework to pay interest on mobile money wallets
		2.2.5 Regulatory adjustments to accommodate a digital identity proofing system
		2.2.6 Establish seamless integration between foundational ID systems and FSPs for KYC
		2.2.7 Develop innovations that allow the use of digital financial services to deliver basic services including education, health, water, clean energy and social services
2.3	Catalysing fintech innovation	2.3.1 Develop and implement a national fintech strategy
		2.3.2 Develop and implement open banking regulations and guidelines
		2.3.3 Review regulations to ensure proportionate regulations that level the playing field between banks and non-banks (access to NPS, limited deposit taking and data)
		2.3.4 Develop a non-bank framework to explore delivery of innovative and gender sensitive insurance and micro pension products through digital platforms e.g. regulatory sandbox
2.4	Catalysing development of resilience building products	2.4.1 Work with stakeholders to catalyse implementation of micro-insurance products
		2.4.2 Develop a regulatory framework to facilitate micro pensions savings schemes
		2.4.3 Identify and close gaps in pension fund regulation, to better secure pensions savings, introduce a two-pot system, and enforce contributions for low-income workers
		2.4.4 Develop regulatory framework for deposit insurance scheme
		2.4.5 Develop FSRA regulatory framework for supervision of medical aid schemes
		2.4.6 Provide capacity support to NBFIs to extend reach in rural areas
		2.4.7 Work with banks and mobile money operators to encourage formal savings
		2.4.8 Develop and implement regulations to operationalise the Consumer Credit Amendment Act 2021, particularly to enable closer regulation of the MFI sector
		2.4.9 Support establishment of linkages between cooperatives and financial institutions, and promote digitalisation solutions for informal group savings
2.5	Targeted interventions for vulnerable groups	2.5.1 Operationalise the gender finance inclusive roadmap
		2.5.2 Create awareness of vulnerable groups issues and need for disaggregated data in FSPs.
		2.5.3 Ensure financial institutions set up financial inclusion desks
		2.5.4 Prioritise youth across financial inclusion activities, including in capacity building, financing and fintech innovation

3.3.3 Strategic Priority 3: Financial capability and protection of consumers and MSMEs

Financial capability and consumer protection crucial to NFIS II

It was noted earlier that financial literacy and consumer protection support increased and sustained access and usage of financial services and products. By ensuring customers have the knowledge, understanding, skills and confidence to make financial decisions and take actions that are appropriate to their circumstances, financial literacy contributes to increased personal and household savings and investments, responsible borrowing and enhanced access and usage of credit. As such, financial literacy is vital to the achievement of the objectives in this strategy.

Strategy to enhance the financial capability of Emaswati

The National Financial Literacy Strategy (2023 – 2028) has been developed and is undergoing approval processes. The finalisation and implementation of the strategy is recommended as a high-priority activity under NFIS II. To ensure comprehensive involvement of stakeholders, FSPs and community structures, it is proposed that the National Financial Literacy Strategy be complemented with a National Financial Literacy Programme to outline key activities envisaged for the duration of the strategy life cycle. It is also recommended to establish a stakeholder coordination mechanism to support the implementation of financial education initiatives in the context of existing financial inclusion structures.

Enhancing consumer protection

The Consumer Empowerment and Market Conduct Strategy 2022 – 2024 for the banking sector, developed by the CBE, serves several purposes, including strengthening the regulatory framework to protect consumers; strengthening conduct supervision on CBE licensed institutions (e.g. transparency, equitable fees and the implementation of Credit Act 2021); and empowering consumers through customer education and awareness of redress mechanisms. The CBE will need to carefully implement the strategy, including increased enforcement. It is also recommended that a similar strategy be put in place for the non-bank sector.

Addressing the cost of financial services

There have been persistent concerns about high costs and charges in the sector regarding banks and mobile money operators. Given the urgent need to ensure that financial services are affordable, regulators should take the lead in developing a deeper understanding of the root causes, and in addressing the issue comprehensively. It is recommended to conduct a cross-country study to concretise areas of concern, and to develop recommendations on how the cost of financial services in Eswatini can be made more affordable.

The activities proposed in Strategic Priority 3 are summarised in Table 8.

Table 8: Summary Of Activities Under Strategic Priority 3

3	Financial capability and consumer protection	
3.1	Enhancing the financial capability of Emaswati	3.1.1 Implement the National Financial Education Strategy 2023 - 2028
		3.1.2 Develop and implement the National Financial Literacy Programme
		3.1.3 Develop and implement a consumer empowerment and market conduct strategy for the non-bank sector
		3.1.4 Establish a stakeholder coordination mechanism to support the implementation of financial education initiatives
3.2	Addressing the cost of financial services	3.2.1 Conduct a comparative study and develop recommendations on the cost of financial services in Eswatini, including bank, non-bank, retail payment services and digital financial services

3.3.4 Strategic Priority 4: Enabling environment for implementing financial inclusion interventions

Establishing an effective coordination mechanism

The effective implementation of the NFIS II requires improvements to the coordination structures. A significant challenge experienced during the implementation of NFIS I was the inadequate coordination among stakeholders, resulting in much of the work being centred in the CFI, despite the action plan stipulating responsibilities for specific stakeholders. It is therefore necessary for the Financial Inclusion Technical Working Group to assume the role of coordinating and following up on implementation activities, with support from the CFI, which serves as its Secretariat.

Potential for a national financial inclusion policy

A key challenge encountered during the implementation of NFIS I is the absence of a strong legal framework governing the implementation of financial inclusion activities to ensure stakeholder compliance, including those involved in the private sector. The development of a financial inclusion policy document was previously considered, and considering its potentially significant impact, it is strongly recommended that the policy be developed.

In addition, depending on the outcome of the policy process, there is potential for a Financial Inclusion Act to provide a legal framework for financial inclusion activities.

Institutionalise the national, technical and thematic working group structures

The National Financial Inclusion Council was not set up as envisaged under NFIS I. The technical coordination meetings that occurred were mainly confined to financial sector regulators.

It became evident from engagements that the NFIS was not effectively communicated, leading to some stakeholders being unable to assume responsibility for a few of the planned actions detailed in the NFIS I implementation plan. To address these shortcomings, it is advisable to revisit the terms of reference for all coordination committees and working groups, and to reconvene in alignment with the revised terms of reference.

Commitment and capacity of MDAs

To ensure the active participation of the Ministries, Departments and Agencies (MDAs) involved in coordination, it is important to sensitise them to the NFIS II, particularly regarding the role that they are expected to play in its implementation. This should be followed by engagement sessions aimed at obtaining their commitment to the activities assigned to them and providing support to mainstream financial inclusion within their jurisdictions.

This mainstreaming should include the establishment of departmentally agreed milestones and the allocation of adequate budget and staff. Further, the coordination units at the Ministry of Finance, CFI, CBE, FSRA, Ministry of Agriculture and the SME unit of the Ministry of Commerce, Industry and Trade, need to ensure adequate capacity, including staff resources to lead the implementation of the NFIS II.

Timely, harmonised, and fully disaggregated data

The availability of financial inclusion data has been a challenge. Where data was available, it often related to periods that were long past, making the analysis of financial inclusion performance and tracking challenging. Often, the data was not fully disaggregated (e.g. by age and gender).

It is recommended to develop a financial inclusion data portal that covers both the bank and non-bank sector, and to support the regulators involved in the data collection process. Demand-side surveys complement supply-side data and are useful to inform policymaking, however, the last consumer survey was conducted five years ago, and the MSME survey, six years ago. It is proposed that financial inclusion surveys be conducted at intervals of 3 – 4 years, synchronised with strategy planning cycles.

Government should allocate a dedicated budget, similar to other surveys, and mobilise private sector finance to support the implementation of the surveys, as is done in countries like South Africa for example.

Communication and dissemination

Communication is an important aspect of NFIS II to support the coordination and implementation of its activities. In line with practice in other countries, it is suggested that stakeholders establish an annual national financial inclusion forum, which will be used to share progress and learnings with a wider group of stakeholders, and to raise awareness. Annual review meetings are also useful as a peer mechanism to remind stakeholders of their expected roles, assisting them to take corrective actions where expectations risk being missed. This can be supported by the preparation and dissemination of regular financial inclusion reports, including an annual 'State of Financial Inclusion' report.

The CFI can further support the process by developing and sharing new information and analysis through policy papers, knowledge products and case studies to help progress the financial inclusion agenda in Eswatini.

The activities under Strategic Priority 4 are summarised below.

Table 9 : Summary Of Activities Under Strategic Priority 4

4	**Enabling environment**	
4.1	Establishing an effective coordination mechanism	4.1.1 Develop a national financial inclusion policy, and a national financial inclusion Act
		4.1.2 Establish and institutionalise financial inclusion national, technical and thematic working groups
		4.1.3 Build the financial inclusion capacity of the coordinating units at the Ministry of Finance, CFI, SME unit / MCIT, MoA, CBE and FSRA
		4.1.4 Mainstream financial inclusion within relevant MDAs (including budget, staff, departmental action plans)
		4.1.5 Obtain and ensure stakeholder commitments to implement activities identified under this NFIS
4.2	Providing timely, harmonised, and fully disaggregated data	4.2.1 Develop a financial inclusion data portal
		4.2.2 Conduct timely financial inclusion surveys (MSME and Consumer Financial Surveys) harmonised with planning cycles (government to consider formal budget allocation)
4.3	Communication and dissemination	4.3.1 Establish and coordinate an annual national financial inclusion forum to share progress and learnings, and to raise awareness on key financial inclusion issues
		4.3.2 Develop policy papers, knowledge products and case studies to help progress the financial inclusion agenda in Eswatini
		4.3.3 Prepare and disseminate regular financial inclusion reports
		4.3.4 Produce an annual 'State of Financial Inclusion' report

Implementation Arrangements

4.1 Institutional and Coordination Arrangements

Implementation is a collective effort

The implementation of the NFIS II will require the collective ownership and effort of all involved. The process will be led by a National Financial Inclusion Council and supported by a National Financial Inclusion Technical Working Group with the CFI as Secretariat. The Technical Working Group will carry out its mandate through Thematic Working Groups. The actual implementation of tasks will be the responsibility of specific stakeholders, including regulators, FSPs, supporting ministries and donors from whom the National Council and CFI will solicit commitment to financial inclusion targets. As mentioned earlier, the mechanisms employed under the FSDIP and fintech working groups have been effective, and similar funding and operational mechanisms should be considered under the NFIS. The NFIS institutional structures are summarised in Figure 9 and further described below.

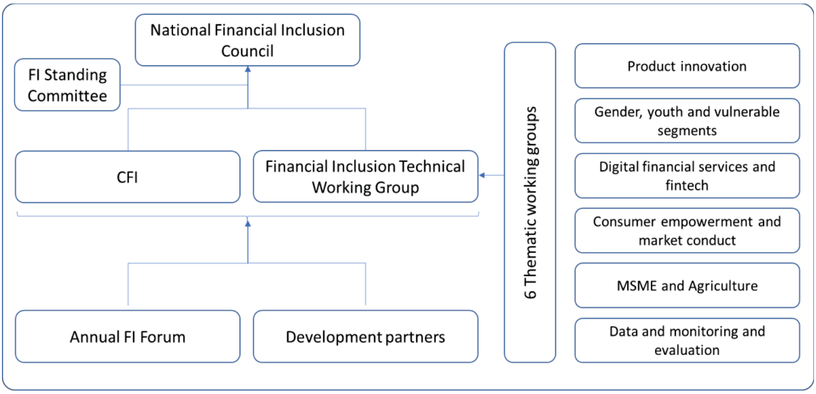


Figure 9 : Eswatini Institutional Mechanism For Financial Inclusion

The National Financial Inclusion Council (FIC)

The FIC will be chaired by the Permanent Secretary, Ministry of Finance and supported by the Governor of the Central Bank, or their representatives at the adequate seniority level. The Council will comprise the heads of relevant line ministries and agencies involved in financial inclusion, financial regulators, and business federations to provide guidance on policy. The FIC will also provide oversight and guidance on the implementation of the National Financial Inclusion Strategy to ensure that its objectives are met. The Council is yet to be constituted, and this needs to be addressed. Currently, the Ministry of Finance, the Central Bank, the FSRA and the CFI constitute the country's Financial Inclusion Steering Committee that considers matters of financial inclusion policy and implementation. The Steering Committee meets quarterly, although a member may call a meeting at short notice. It is proposed that the current Steering Committee becomes the Standing Committee of the National Financial Inclusion Council. The full Council will meet annually while the Standing Committee will meet more frequently on its behalf.

The Financial Inclusion Technical Committee

This committee will provide technical guidance to the National Financial Inclusion Council, the CFI (or its successor), and to officials from the MDAs to ensure progress in the implementation. The Technical Committee will comprise officers from the CBE, FSRA, and senior staff of relevant government ministries, departments and agencies who are decision-makers on financial inclusion matters. The Committee may include private sector representatives, NGOs and development partners as needed. The Technical Committee members will also facilitate the implementation of NFIS activities at their respective MDAs and raise awareness of the financial inclusion agenda.

The Committee will provide an annual report to the National Financial Inclusion Council.

The CFI

On a day-to-day basis, the CFI is the body that coordinates various financial inclusion activities and stakeholders. It acts as the Secretariat of the National Financial Council. The CFI will work with the Ministry of Finance and MDAs to develop sustainable financing mechanisms for financial inclusion activities as required for the implementation. Currently there is a heavy reliance on donor funds to carry out activities, and stakeholders should consider alternative ways of sustainably financing the structures – from fiscal resources and potentially from the industry. Additionally, in coordination of implementation activities of the NFIS, CFI will work closely with the National Financial Inclusion Council and the Financial Inclusion Technical Committee and ensure synergy and collaboration with financial sector development plans developed by the Ministry of Finance in future.

Thematic working groups to enhance implementation

Thematic working groups will comprise technically-inclined staff from the relevant MDAs and may meet as often as required to meet objectives, but no less often than quarterly. The CFI will assist the Technical Working Group to establish the thematic working groups, including the development of the terms of reference and assist them in executing their activities, depending on the demand and need. Six standing thematic working groups are recommended as follows:

a. Product innovation;
b. Digital financial services and fintech;
c. Gender, youth and vulnerable segments;
d. Data and monitoring and evaluation;
e. MSMEs and agriculture; and
f. Consumer empowerment and market conduct.

4.2 Stakeholder Roles and Responsibilities

The implementation of the strategy will involve all key stakeholders in the financial sector. This includes various GoE ministries such as the Ministry of Finance, Economic Planning and Development, Agriculture, Commerce, Industry and Trade as well as the Tinkhundla Administration and Development, among others. Additionally, it involves institutions like the CBE, the FSRA and other stakeholders including donors, industry bodies, and the private sector. The specific responsibilities for each of the stakeholders is clearly outlined in the implementation plan and M&E frameworks. The CFI will engage with each of the stakeholders to ensure they assume responsibility for each of their assigned actions, and to report on the progress of implementation.

Government to ensure an enabling regulatory environment

The government, through sector regulators, ministries and agencies is primarily responsible for creating an enabling environment for stakeholders to provide the required range and quality services to all, including to the low-income and vulnerable populations. The regulatory bodies are entrusted to provide a conducive environment, which includes infrastructure.

Government incentives for service providers will be critical, particularly in facilitating their outreach to underserved areas. This can be achieved by using government channels and businesses to achieve scale (e.g. digitising its own payments). In addition, setting industry targets to serve the poor, women, and the youth more effectively will be essential. This approach will stimulate existing and new finance providers to increase their scope and coverage to reach the excluded.

Government as a provider

The government is a key provider of financial services through its wholly-owned banking institutions and facilities. Government support needs to be carefully targeted to help the industry serve the poor more effectively, rather than to distort the financial markets.

Ministry of Finance as owner of the NFIS

The Ministry of Finance is the owner and lead champion of the NFIS. Through the CFI, the ministry will be the lead institution to monitor and coordinate the implementation of the strategy.

Sector line Ministries catalyse financial inclusion

Sector ministries such as Agriculture, Commerce Trade and Industry, Economic Planning, Labour and Social Security, Tinkhundla Administration, and Health and Education will be expected to champion financial inclusion in their respective programmes.

This will include promoting the digitalisation of payments and increased access to financial services. The Ministries of Agriculture and Commerce, Trade and Industry will play a crucial role in the development of financial products for farmers and MSMEs. Additionally, the Ministry of Tinkhundla, which oversees important government schemes such as the RDF and Poverty Reduction funds, will also contribute to these efforts.

The Ministry of Education and Training is another key stakeholder as financial literacy skills need to be inculcated at a tender age, and will also support the rollout of financial literacy programmes targeted at adults. The Ministries of Labour and Social Security, Education and Health will promote financial services in ensuring the achievement of their respective mandates.

The private sector including industry associations

The private sector, including industry associations, bears the responsibility of extending services to all segments of the population, including the poor and excluded. It plays an important role in engaging with the government to create the necessary enabling environment. Further, the private sector has an important responsibility to define its strategic objectives with financial inclusion in mind, considering social and other factors that are important to long-term sustainability and good corporate citizenship. Key private sector players such as banks, mobile network providers, NBFIs, insurers and retailers are of particular importance. Securing the firm commitments from private sector players will require tailored engagement with industry associations, regulatory processes, as well as with individual players to address and resolve specific issues for the purposes of enhancing financial inclusion.

Development partners

Development partners have an important role to play in financial inclusion, especially in supporting the implementation of the strategy with both resources and technical assistance. This role needs to evolve with national and sector needs to ensure continued relevance. Development partners collaborate effectively, consolidating resources where possible to avoid duplication of efforts. Additionally, they should also promote best practices relevant to Eswatini, and facilitate networking with the rest of the world. Importantly, development partners should have clear exit strategies that take into account sustainability at the end of their initiatives.

Consumers of financial services

MSMEs and the priority and vulnerable segments are the main beneficiaries of this strategy. Consumers will use financial services to improve their livelihoods and contribute to inclusive growth.

The CFI will promote the participation of these beneficiaries in the implementation of this strategy, especially through their officially recognised associations and lobbies.

4.3 Communications

This strategy contains actions that involve mobilising stakeholders to action and changing behaviours and mindsets, especially of those engaged in farming and entrepreneurship (MSMEs).

Information, education and communication will therefore be critical to successful implementation. The CFI will take the lead in developing a communications strategy to create awareness and disseminate information regarding the targets, roles, and benefits of the actions contained in this strategy. Additionally, in collaboration with line ministries for MSMEs and agriculture, the CFI and stakeholders will strategise to align existing programmes with this strategy, especially in terms of encouraging entrepreneurship, and to promote the formalisation of businesses.

Monitoring and Evaluation

5.0 Monitoring and Evaluation

5.1 M&E Framework

An M&E framework is integral to successful implementation

A robust well-resourced monitoring and evaluation framework (M&E framework) is needed to systematically monitor progress during the implementation of NFIS II. The framework serves to keep the strategic implementation plan on track, and also provides the basis for reassessing priorities when anticipated results are not achieved.

The framework includes the reporting schedule, scope and frequency of reporting, accountable entities, and implementation timelines. In particular, the framework provides for the following:

a) **Performance Monitoring Plan**, which provides a framework for monitoring day-to-day progress on implementation

b) **NFIS Evaluation Plan**, to determine whether the key NFIS performance indicators have been achieved, and to identify areas that may require re-strategising

c) **Monitoring and Evaluation Indicators**, to evaluate whether progress in the implementation is in line with the targets, objectives and goals of NFIS II

d) **The Monitoring and Evaluation Unit** located within the CFI, and responsible for the collection, analysis, data on financial inclusion, and reporting progress on the implementation.

The CFI is responsible for monitoring and evaluating the implementation of NFIS II and will escalate any underperformance to the National Financial Inclusion Council, and the Financial Inclusion Technical Committee, as needed.

Capacity building as part of the progress monitoring

M&E data collection was conducted under the NFIS I as part of the M&E framework, and to feed into SADC processes.

To strengthen the effort, training workshops will be organised for CFI staff with a view to further build capacity and facilitate adequate monitoring and evaluation during the implementation of NFIS II.

5.2 Indicators

The Theory of Change

Summarised in Section 4.1, the theory of change has guided the development of the indicators, which not only measure the level of access, usage and quality of financial services, but also attempt to estimate whether such usage is resulting in real sector outcomes; financial health; and inclusion of all Emaswati.

The indicators are measures of the medium- and long-term outcomes, and some of the systemic changes to be achieved. Strategic action tracking is not included but will be reported on as an additional role and responsibility of the governance structure of the M&E framework. Selected indicators measure progress along the Access, Usage, and Quality dimensions.

They also seek to disaggregate the data, to ensure inclusion across dimensions of age, gender and geography.

A few indicators attempt to measure the diversification of financial services into 'high-impact' areas that have closer linkages to the real sector.

The proposed indicators

The indicators are included as Annexure 2, which also defines the type of data to be collected, sources of data and the reporting institution.

The reporting institutions include:

(a) Regulators, including CBE, FSRA and ESCOMM
(b) CFI for Consumer and MSMEs surveys (FinScope surveys)
(c) Line ministries in the case of MSMEs and farmers.

5.3 Data Infrastructure

Data collection

Supply-side data collection should be conducted annually. This will be complemented with a lighter process at mid-year, where data will also be collected but for internal tracking and reporting to the governance mechanisms. Sector regulators and line ministries will be responsible for collecting, preparing and sharing data with the CFI. Existing M&E templates will be used for data collection where possible. The dashboards/visualisation and any other analyses on the indicators will be done by the CFI, which implies that a basic analytical ability is required. In addition, the CFI should have the technical ability to ensure only high-quality data is analysed and disseminated.

Demand-side survey for consumers and MSMEs should be conducted every 3 –4 years respectively to provide demand-side data and an evaluation mechanism for the NFIS II.

Implementation tracking

This entails tracking implementation against the expected systemic changes. The outcome of strategic actions should be measured against a target outcome. Targets will be determined in conjunction with the financial inclusion Technical Working Group. The baseline indicator value reflects the most recent available data and acts as the starting point. CFI will also be responsible for collecting the baseline data for each indicator.

Reporting and dissemination

Stakeholder progress updates that are based on supply-side data will be implemented annually to determine progress and alignment with NFIS II objectives.

The M&E framework should work hand in hand with the NFIS Communication Strategy that will be developed by the CFI. This will facilitate the communication of M&E findings to relevant stakeholders.

Internal reporting (within the governance structure) will be done through bi-annual and annual progress reports, while external reporting will take the form of formal annual state of financial inclusion reports and dashboards.

The annual state of financial inclusion report will include a level of impact assessment to ensure the relevance of financial inclusion efforts.

Data portal

The Eswatini FI data portal has been recommended as a priority and is expected to be the central repository for financial inclusion data. This data portal should ultimately be the key resource used in the sector to avoid the current situation where different data points appear on different platforms.

The FI data portal will build on an existing AFI data portal effort and will ultimately be used to feed into the SADC financial inclusion data portal. The CFI will be the central aggregator of data on the portal.

The operationalisation of the M&E framework will entail the following:

- Supply-side data is generated by regulators and line ministries, and provided to the CFI who will perform quality checks.
- Demand-side data is generated by the CFI, which includes relevant analyses.
- The CFI produces an internal M&E report every six months for internal use.
- The CFI publishes an annual M&E report, including commentary and impact assessment, and this report is published.
- M&E data is fed by the CFI into the Eswatini FI data portal, as well as to any other portals such as the SADC FI data portal and the AFI data portal.

The CFI should ensure it has the capacity to collect, analyse, report on, and disseminate reports on the delivery of implementation activities and the outcomes achieved.

ANNEXES

Annexure 1: Eswatini Strategic Action Plan for 2023 - 2028

Annexure 1: Eswatini Strategic Action Plan for 2023 - 2028

Vision: An innovative and inclusive financial system that supports sustainable economic productivity, growth, resilience and wealth creation for all									
Goal: Increase uptake and usage of formal financial products and services that contribute directly to economic growth and resilience									
OBJECTIVE	**ACTIONS**	**RESP**	**Expected Output**	**TIMELINE**					
				2023	**2024**	**2025**	**2026**	**2027**	**2028**
Strategic Priority 1: Productivity and resilience in the agriculture and MSMEs sectors									
1.1 Developing targeted financial products and services	1.1.1 Promote value chain financing (input financing, market financing, warehouse invoice financing etc.)	MCIT	MSMEs uptake of value chain financing products increased		X	X	X		
	1.1.2 Establish a climate investment facility to finance green technologies in farming, including widening sources of finance and refining the value proposition	MoA, MoTEA	Facility established		X	X	X		
	1.1.3 Establish a climate risk insurance facility and or agriculture insurance fund	MoA	Facility/fund established				X	X	X
	1.1.4 Establish a wholesale facility for NBFIs	MoF	Viability assessment complete			X	X		
	1.1.5 Review and align government funding schemes (overlaps, operational efficiencies, alignment to PFMA)	CBE, MoF MCIT	Increased uptake of MSMEs and related funding schemes	X	X				
	1.1.6 Establish a credit registry (movable asset collateral registry)	FSRA, CBE, CFI	Registry established		X	X	X		
	1.1.7 Investigate innovative alternative forms of finance (lease financing, venture capital, angel investors, crowdfunding, private equity, asset-based financing, etc)	CFI, MCIT	Policy and delivery gaps identified; action plans agreed with partners		X	X			
1.2 Increasing productivity and resilience in the	1.2.1 Implement programmes to build and strengthen entrepreneurial culture among Emaswati	MCIT, MoA	Entrepreneurship training modules delivered	X	X	X	X	X	X

agriculture and MSME sectors	1.2.2 Establish agricultural MSMEs Supplier Development Programmes	MCIT, MoA, CFI	New supplier development programmes established	X	X	X			
	1.2.3 Improve MSMEs business management, financial management and reporting skills, and awareness/capacity in alternative forms of finance	MCIT/SEDCO	Gaps identified relative to accreditation framework with action plans		X	X	X		
	1.2.4 Facilitate market linkages for the value chain to improve farmers' risk ratings	MoA	New initiatives to facilitate market linkages created		X	X	X		
1.3 Improving MSME and agri sector access to finance	1.3.1 Review and streamline business registration laws and processes, e.g. one-stop shop and costs	MCIT	Gaps identified with action plans			X	X	X	
	1.3.2 Promote business registration and licensing	MCIT	Awareness campaigns implemented nationally			X	X	X	X
	1.3.3 Establish incentives to promote the formalisation of MSMEs, e.g. turnover tax	MCIT, MoF	New incentives put in place				X	X	X
	1.3.4 Develop an accreditation framework or programme for sector-specific business development services providers (BDS) to ensure standardisation and high quality	MCIT	Accreditation framework developed		X	X			
Strategic Priority 2: Inclusive and innovative financial products for all									
2.1 Ensuring multilateral interoperability in retail payments/DFS	2.1.1 Implement the new national switch and integrate with a wide range of providers	CBE	National switch in place	X	X	X			
	2.1.2 Ensure full interoperability of domestic retail payments services between banks and non-banks	CBE/FSRA	Multilateral interoperability among all major players in place		X	X	X		
	2.1.3 Implement regulatory amendments to enable non-bank participation in national and regional payments platforms (settlement, limited deposit-taking)	CBE/MOF	Regulatory gaps identified and addressed			X	X	X	
	2.1.4 Review regulations to mandate the interoperability of access points in the rural areas and reduce costs associated with remittances	CBE	Gap analysis complete and regulations/guidelines issued as needed				X	X	

2.2 Expanding utility and application of mobile money and DFS	2.2.1 Digitise government payments services, including social grants and other G2P payments and digital revenue collection	MoF, CBE, MICT, DPM	Government cash payments and collections reduced	X	X	X	X		
	2.2.2 Investigate and establish a regulatory framework for international remittances based on relevant standards	CBE	Reduced cost of receiving remittances in rural areas		X	X	X		
	2.2.3 Work with private sector to address liquidity challenges for agents	CBE	Action plan agreed with private sector	X	X	X			
	2.2.4 Develop and implement a framework to pay interest on mobile money wallets	CBE	Framework in place for interest to be paid	X	X	X			
	2.2.5 Regulatory adjustments to accommodate a digital identity proofing system	AML-TF, MHA, CBE, FSRA	Regulatory adjustments completed		X	X	X		
	2.2.6 Establish seamless integration between foundational ID systems and FSPs for KYC	CBE, FSRA, MICT, MHA	Seamless integration established			X	X	X	
	2.2.7 Develop innovations that allow the use of digital financial services to deliver basic services including education, health, water, clean energy and social services	CFI, MDAs	New innovations that allow increased delivery of basic and social services		X	X	X	X	X
2.3 Catalysing fintech innovation	2.3.1 Develop and implement a national fintech strategy	EFWG	Fintech strategy developed and approved		X	X			
	2.3.2 Develop and implement open banking regulations and guidelines	CBE	Open banking guidelines approved				X	X	
	2.3.3 Review regulations to ensure proportionate regulations that level the playing field between banks and non-banks (access to NPS, limited deposit-taking and data)	CBE	Gaps analysis on regulations completed with accompanying action plan				X	X	
	2.3.4 Develop a non-bank framework to explore delivery of innovative and gender sensitive insurance and micro pension products through digital platforms, e.g. regulatory sandbox	FSRA	Non-bank sandbox regulations developed and approved		X	X	X		

2.4 Catalysing development of resilience building products	2.4.1 Work with stakeholders to catalyse implementation of micro-insurance products	FSRA, CFI	New non-funeral micro-insurance products launched		X	X	X	X	
	2.4.2 Develop a regulatory framework to facilitate micro pensions savings schemes	FSRA	Regulatory framework for micro pensions in place			X	X	X	
	2.4.3 Identify and close gaps in pension fund regulation to better secure pensions savings, introduce a two-pot system, and enforce contributions for low-income workers	FSRA, MoF, MLSS	Gaps identified and legal and regulatory framework updated		X	X	X	X	
	2.4.4 Develop regulatory framework for deposit insurance scheme	FSRA, CBE	Regulatory framework for deposit insurance in place		X	X			
	2.4.5 Develop FSRA regulatory framework for supervision of medical aid schemes	FSRA	Regulatory framework for medical aid schemes in place		X	X	X		
	2.4.6 Provide capacity support to NBFIs to extend reach in rural areas	CFI, FSRA	NBFI capacity support provided	X	X	X	X		
	2.4.7 Work with banks and mobile money operators to encourage formal savings	CBE	Increased uptake of savings products by low-income earners		X	X	X		
	2.4.8 Develop and implement regulations to operationalise the Consumer Credit Amendment Act 2021, particularly to enable closer regulation of the MFI sector	FSRA, CBE, MoF	Regulations developed and enacted		X	X	X		
	2.4.9 Support establishment of linkages between cooperatives and financial institutions, and promote digitalisation solutions for informal group savings	FSRA, CFI	Linkages between SACCOs and other financial institutions established			X	X	X	
2.5 Targeted interventions for vulnerable groups	2.5.1 Operationalise the gender finance inclusive roadmap	MoF	Gender finance inclusive roadmap implemented	X	X	X			
	2.5.2 Create awareness of vulnerable groups issues and need for disaggregated data in FSPs	CFI, CBE, FSRA	Awareness workshops and events held for FSPs		X	X	X		
	2.5.3 Ensure financial institutions set up financial inclusion desks	CBE, FRSA	Financial institutions set up FI desks	X	X	X			

	2.5.4 Prioritise youth across financial inclusion activities, including in capacity building, financing and fintech innovation	CFI, MDAs	Youth prioritised across all activities	X	X	X	X	X	X
Strategic Priority 3: Financial capability and consumer protection									
3.1 Enhancing the financial capability of Emaswati	3.1.1 Implement the National Financial Education Strategy 2023 – 2028	CFI, CBE, FSRA, MoET	Strategy approved and implementation underway	X	X	X	X	X	X
	3.1.2 Develop and implement National Financial Literacy Programme	CFI, CBE, FSRA	National financial literacy programme developed	X	X				
	3.1.3 Develop and implement a consumer empowerment and market conduct strategy for the non-bank sector	FSRA	Strategy developed and approved		X	X			
	3.1.4 Establish a stakeholder coordination mechanism to support the implementation of financial education initiatives	CFI	Coordination mechanisms established	X	X				
3.2 Addressing the cost of financial services	3.2.1 Conduct a comparative study and develop recommendations on cost of financial services in Eswatini, including on bank, non-bank, retail payment services and digital financial services	CFI, CBE	Study completed, including recommendations and action plan		X	X			
Strategic Priority 4: Enabling environment									
4.1 Establishing an effective coordination mechanism	4.1.1 Develop a national financial inclusion policy and a national financial inclusion Act	MoF, CFI	Financial inclusion policy developed and approved		X	X			
	4.1.2 Establish and institutionalise financial inclusion national, technical and thematic working groups	MoF, CFI	Financial inclusion institutional mechanism in place	X	X				
	4.1.3 Build the financial inclusion capacity of the coordinating units at the Ministry of Finance, CFI, MoA, CBE, FSRA and MCIT	CFI, MoF	Capacity building events held for key stakeholders		X	X	X		
	4.1.4 Mainstream financial inclusion within relevant MDAs (including budget, staff, departmental action plans)	CFI, MoF, MEPD	Departments with substantial financial inclusion deliverables develop action plans	X	X				

	4.1.5 Obtain and ensure stakeholder commitments to implement activities identified under this NFIS	CFI, NFIC	Stakeholder commitments obtained from all implementers	X	X				
4.2 Providing timely, harmonised and fully disaggregated data	4.2.1 Develop a financial inclusion data portal	MoF, CFI, CBE, FSRA	Data portal scoped and implemented		X	X	X		
	4.2.2 Conduct timely financial inclusion surveys (MSMEs and Consumer Financial Surveys) synchronised with planning cycles	CFI, MoF, MEPD	Surveys are respectively conducted 4 years apart, and in time for planning cycle	X		X			X
4.3 Communication and dissemination	4.3.1 Establish and coordinate an annual national financial inclusion forum to share progress and learnings, and to raise awareness on key financial inclusion issues	CFI, NFIC	National financial inclusion forum held each year	X	X	X	X	X	X
	4.3.2 Develop policy papers, knowledge products and case studies to help progress the financial inclusion agenda in Eswatini	CFI	Policy and knowledge papers developed, at least 4 per annum		X	X	X	X	X
	4.3.3 Prepare and disseminate regular financial inclusion reports	CFI	Quarterly FI reports prepared	X	X	X	X	X	X
	4.3.4 Produce an annual 'State of Financial Inclusion' report	CFI	State of FI report produced annually	X	X	X	X	X	X

Annexure 2: Eswatini Measurement Framework 2023-2028

Annexure 2: Eswatini Measurement Framework 2023-2028

2.1 Proposed strategic level indicators for Eswatini NFIS II

1. Percentage of adults formally and informally included, disaggregated by gender, age and urban/rural (Source: Demand-side survey)

   Proxies:
   - Number of registered personal bank accounts per 10,000 adults
   - Number of registered mobile money accounts per 10,000 adults
   - Number of insurance policies per 100,000 adults
   - Number of microfinance institution loans per 100,000 adults
   - Number of SACCO members per 100,000 adults

   Rationale: Measure uptake

   Category: Headline/uptake

2. Percentage of MSMEs with access to formal credit across bank and non-bank sector, disaggregated by gender, age and urban/rural (Source: Demand-side surveys)

   Proxy: Volume of loans to MSMEs (bank and non-bank)

   Rationale: Measure financing support for MSMEs

   Category: Headline/uptake

3. Percentage of adults (disaggregated by gender, youth and rural) with access to, and usage of formal financial services (Source: Demand-side surveys)

Proxies:

- Number of active (12 months) personal bank accounts per 10,000 adults
- Number of 90-day active mobile money accounts per 10,000 adults

Rationale: Measure uptake
Category: Headline/uptake

4. Percentage of adults that trust formal financial services (also by gender, youth and rural) (Source: Demand-side surveys)
   Rationale: This indicates trust in formal financial services, and thus the impact of financial education and consumer protection measures.
   Category: Headline/Quality

5. Percentage of adults that self-assess to have a 'high' or 'moderate' financial

6. Percentage of adults (disaggregated by gender, youth and rural) using digital financial services (Source: Demand-side surveys)
   Proxies:
   - POS transactions (volume/value)
   - Mobile money transactions (volume/value) disaggregated by airtime purchases, P2P, P2B, B2P, G2P, P2G and B2B
   - Mobile money Cash in and Cash out ratio (volume, value)

   Rationale: Tracks the level of digital financial inclusion as a key enabler of inclusive growth, focusing on quantity and purpose of usage
   Category: Usage

7. Weighted average cost of basket of selected financial services products in Emalangeni (TBC) (Source: Supply-side data)

   Rationale: Track prices – if or how fast prices are decreasing over five years

   Category: Quality

8. Percentage of adults (disaggregated by women, youth) with access to micro pension services (Source: Demand-side data)

   Proxy: Number of micro pension policies issued per 100,000 adults

   Rationale: This measures the use of long-term savings/investments by adults working in the informal economy.

   Category: Uptake/usage

9. Percentage of adults (disaggregated by women, youth) with access to micro-insurance services (Source: Demand-side data)

   Proxies:

   - Number of non-funeral life policies per 100,000 adults
   - Number of non-life policies per 100,000 adults

   Rationale: This measures the use of formal risk management services by adults working in the informal economy.

   Category: Uptake/usage

10. Percentage of adults within less than 30 minutes of a bank branch, bank agent or mobile money agent (Source: Demand-side survey)

   Proxies:

   - Total number of POS per 10,000 adults at national level
   - otal number of bank branches per 10,000 adults (disaggregated by urban/rural)
   - Total number of ATMs per 10,000 adults (disaggregated by urban/rural)

- Total number of active bank agents per 10,000 adults (disaggregated by urban/rural)
- Total number of active mobile money agents per 10,000 adults (disaggregated by urban/rural)

Rationale: This indicator tracks proximity and accessibility to financial services.

Category: Headline/Access

11. Number of registered fintechs (non-bank market entrants offering digital financial services)

    Rationale: High numbers of fintechs can indicate a supportive regulatory environment for technological innovation in finance.

12. Number of customers enabled to access basic services (education, health, water, clean energy, social services) disaggregated by gender and youth.

    Rationale: This will measure the extent to which digital financial services innovation is enabling access to a wider range of basic services.

13. Number of SADC regional guidelines and frameworks adopted by Eswatini.

    Rationale: Implementing/localising the regional frameworks will help Eswatini to contribute to SADC objectives while simultaneously improving the local financial inclusion environment

14. Percentage of financially healthy adults (plan for the future, manage risk and manage day-to-day liquidity) (Source: Demand-side survey)

    Rationale: This will measure the link between financial inclusion and the economic well-being of adults.

2.2 High-level Intervention Logic

Development Outcome/Impact	Sustainable economic productivity, growth, resilience and wealth creation for all. Supporting goal: Increase individuals' and MSMEs' uptake and usage of formal financial products and services that contribute directly to economic growth and resilience (productive credit, savings, non-funeral insurance, basic services)		
	Productivity and resilience in the agriculture and MSME sectors	**Inclusive and innovative financial products**	**Financial capability and consumer protection**
Long-term Outcome – Change in Ecosystem	☐ Vibrant MSME sector, financially stable and growing ☐ Full set of financial services available and used by MSMEs ☐ Expansion of the financial system to include more providers and richer products ☐ Sustainable increase in the growth and productivity of MSMEs and farming enterprises.	☐ Fully developed financial services system with improved stability and sustainability of FSPs ☐ Financial services sector contributes to the economy, fuelling inclusive growth and development ☐ Increase in range and usability of DFS and incorporation of all DFSPs in regulatory realm ☐ Improvement in financial health of users ☐ All segments are enabled to fully participate in the economic development of the country ☐ Greater access to basic services ☐ Gender gap is reduced.	☐ Financial services matching the expectations of users ☐ Users are treated fairly in a transparent manner – no market abuse ☐ Users have greater control of their financial lives – improved financial health ☐ Increased trust in financial services system.
Medium-term Outcome – Systemic Change in Financial Services	☐ Appropriate set of financial products for MSMEs, covering all segments and the entire MSMEs life cycle ☐ Correctly priced finance products ☐ More viable and supported entrants into MSME sector	☐ Increased uptake and usage of appropriate and beneficial financial services ☐ Increased use of the financial services system ☐ Market needs are met in a competitive and efficient manner[43] ☐ Financial services meet financial needs of all ☐ The segments are using financial services to improve their situation	☐ Users are better able to make informed and beneficial choices in the use of financial services ☐ Financial services are offered on a fair basis to consumers - through regulatory guidelines to FSPs and legal protection to the consumer and affordable costs.

	☐ Improved financial performance of MSME sector.	☐ Ability to offer innovative and responsible digital services within an enabling regulatory framework.	
Medium-term Outcome – Positive Change in Policymakers and FSPs	☐ Improved service provisioning to MSMEs by banks, microfinance institutions and SACCOs ☐ Improved business skills in MSME sector ☐ Improved access to finance for MSMEs – better financial infrastructure and broader range of products.	☐ Increasing use of shared data to inform policies and products ☐ Evolving financial infrastructure that meet market needs and deepen the service offering ☐ Cooperation between all actors in financial services and in related industries ☐ New types of service providers in the financial services sector ☐ Improved financial service offerings for the segments through needs-based products by FSPs ☐ Improved understanding of the needs and of constraints facing the segments.	☐ Continual, coordinated financial capability training ☐ FSP involvement in improving financial capability ☐ Consumer protection oversight part of financial regulation ☐ Regulators and FSPs buy-in to increase affordability ☐ Increased ability of the target segments to beneficially use financial products.
Outputs from the Strategic Actions	☐ Targeted financial products and services ☐ Capacity support to MSMEs to increase productivity and resilience ☐ Interventions to promote formalisation in MSME sector ☐ Collateral asset registry implementation.	☐ Increased range of DFS products with increased interoperability ☐ Innovative products to meet market needs, including access to a range of basic services ☐ Supportive legal and regulatory environment for innovation and new types of FSPs ☐ Increased focus on all target segments – women, youth, MSMEs, rural and smallholder farmers, PwDs, the elderly and pensioners ☐ FSPs are aware of and sensitive to the needs of the segments.	☐ Improve market conduct regulatory oversight ☐ Rollout financial education programmes targeting schools, MSMEs and individuals ☐ Understand drivers of cost and potential levers to increase affordability ☐ Financial literacy programmes aimed at priority/vulnerable segments.
	Productivity and resilience in the agriculture and MSMEs sectors	**Inclusive and innovative financial products for all**	**Financial capability and consumer protection**

2.3 Results Framework

	Indicator	Data Source	Responsible	Baseline		Target 2028	Freq.
				Year	Value		
1	Percentage of adults formally and informally included, disaggregated by gender, age and urban/rural	Demand-side survey	CFI	2018	87%		4 years
	□ Number of registered personal bank accounts per 10,000 adults	Supply-side	CBE				Annual
	□ Number of registered mobile money accounts per 10,000 adults	Supply-side	CBE				Annual
	□ Number of insurance policies per 100,000 adults	Supply-side	FSRA				Annual
	□ Number of microfinance institution loans per 100,000 adults	Supply-side	FSRA				Annual
	□ Number of SACCO members per 100,000 adults	Supply-side	FSRA				Annual
2	Percentage of MSMEs with access to formal credit across bank and non-bank sector, disaggregated by gender, age and urban/rural	Demand-side survey	CFI				4 years
	□ Volume of loans to MSMEs (bank)	Supply-side	CBE				Annual
	□ Volume of loans to MSMEs (non-bank)	Supply-side	FSRA				Annual
3	Percentage of adults (disaggregated by gender, youth and rural) with access to and usage of formal financial services.	Demand-side survey	CFI				4 years
	□ Number of active (12 months) personal bank accounts per 10,000 adults	Supply-side	CBE				Annual
	□ Number of 90-day active mobile money accounts per 10,000 adults	Supply-side	CBE				Annual
4	Percentage of adults that trust formal financial services (also by gender, youth and rural	Demand-side survey	CFI				4 years
5	Percentage of adults that self-assess to have a 'high' or 'moderate' financial capability.	Demand-side survey	CFI				4 years
6	Percentage of adults (disaggregated by gender, youth and rural) using digital financial services	Demand-side survey	CFI				4 years
	□ POS transactions (volume/value)	Supply-side	CBE				Annual
	□ Mobile money transactions (volume/value) disaggregated by airtime purchases, P2P, P2B, B2P, G2P, P2G and B2B	Supply-side	CBE				Annual
	□ Mobile money cash in and cash out ratio (volume, value)	Supply-side	CBE				Annual

7	Weighted average cost of basket of selected financial services products in Emalangeni	Supply-side	CFI				Annual
8	Percentage adults (disaggregated by women, youth) with access to micro pension services	Demand-side survey	CFI				4 years
	□Number of micro pension policies issued per 100,000 adults	Supply-side	FSRA				Annual
9	Percentage adults (disaggregated by women, youth) with access to micro-insurance services	Demand-side survey	CFI				4 years
	□Number of non-funeral life policies per 100,000 adults	Supply-side	FSRA				Annual
	□Number of non-life policies per 100,000 adults	Supply-side	FSRA				Annual
10	Percentage of adults within less than 30 minutes of a bank branch, bank agent or mobile money agent	Demand-side survey	CFI				4 years
	□Number of POS per 10,000 adults at national level	Supply-side	CBE				Annual
	□Number of bank branches per 10,000 adults (disaggregated by urban/rural)	Supply-side	CBE				Annual
	□Number of ATMs per 10,000 adults (disaggregated by urban/rural)	Supply-side	CBE				Annual
	□Number of active bank agents per 10,000 adults (disaggregated by urban/rural)	Supply-side	CBE				Annual
	□Number of active mobile money agents per 10,000 adults (disaggregated by urban/rural)	Supply-side	CBE				Annual
11	Number of registered fintechs (non-bank market entrants offering digital financial services)	Supply-side	CBE				Annual
12	Number of customers enabled to access basic services (education, health, water, clean energy, social services) disaggregated by gender and youth						
13	Number of SADC regional guidelines and frameworks adopted by Eswatini.[44]	Supply-side	CFI				Annual
14	Percent of financially healthy adults (plan for the future, manage risk and manage day to day liquidity)	Demand-side survey	CFI				4 years

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