# ZIMBABWE

## National Financial Inclusion Strategy

2016 – 2020

RESERVE BANK OF ZIMBABWE

RESERVE BANK OF ZIMBABWE

# ZIMBABWE

## National Financial Inclusion Strategy

## 2016 – 2020

UNITY • FREEDOM • WORK

# TABLE OF CONTENTS


| | | |
|---|---|---|
| CHAPTER 1. | INTRODUCTION | 1 |
| CHAPTER 2. | EXECUTIVE SUMMARY | 2 |
| CHAPTER 3. | STATUS OF ACCESS TO FINANCIAL SERVICES IN ZIMBABWE | 4 |
| CHAPTER 4. | RATIONALE, DEFINITION, VISION, MISSION AND OBJECTIVES | 14 |
| CHAPTER 5. | PILLARS OF THE NFIS & CORE ENABLERS | 17 |
| CHAPTER 6. | TARGETS, PRIORITY AREAS, AND SPECIFIC STRATEGIC MEASURES | 24 |
| CHAPTER 7. | MONITORING AND EVALUATION FRAMEWORK | 46 |
| CHAPTER 8. | STAKEHOLDER ROLES AND RESPONSIBILITIES | 49 |

# LIST OF TABLES


| | |
|---|---|
| Table 1: Architecture of the banking sector | 5 |
| Table 2: Players in the Capital Markets Sector | 6 |
| Table 3: Architecture of the National Payment Systems as at 30 September 2015 | 8 |
| Table 4: Key Financial Inclusion Indicators as at 2011 and 2014 | 10 |
| Table 5: Summary of the Proposed Financial Inclusion Initiatives | 37 |
| Table 6: Key Accessibility, Usage and Quality Indicators | 47 |
| Table 7: Stakeholder Roles and Responsibilities | 49 |
| Table 8: Communication Strategy Steps | 52 |


# LIST OF FIGURES


| | |
|---|---|
| Figure 1: Players in the Financial Services | 4 |
| Figure 2: Insurance Sector Products | 6 |
| Figure 3: Payment Systems Access Channels | 9 |
| Figure 4: Payment Systems Access Channels per 100,000 Adults | 9 |
| Figure 5: Major barriers to financial inclusion across the financial sector | 11 |
| Figure 6: Exclusion Level and Sector Specific Barriers to Access to Financial Services | 12 |
| Figure 7: Financial Inclusion Pillars and Enablers | 18 |
| Figure 8: Goals of Consumer Protection | 19 |
| Figure 9: Impediments to Development of Microfinance Sector | 21 |

## ABBREVIATIONS

| | |
|---|---|
| AFI | Alliance for Financial Inclusion |
| AMA | Agricultural Marketing Authority |
| AML/CFT | Anti-Money Laundering and Counter Financing of Terrorism |
| ATMs | Automatic Teller Machines |
| BAZ | Bankers Association of Zimbabwe |
| BOE | Bills of exchange |
| BOOT | Build, Own, Operate and Transfer |
| BOT | Build, Operate and Transfer |
| CCZ | Consumer Council of Zimbabwe |
| CDD | Customer Due Diligence |
| CIS | Collective Investment Schemes |
| CSD | Central Securities Depository |
| DFID | Department of Foreign and International Development |
| ECGC | Export Credit Guarantee Corporation |
| EFT | Electronic funds transfer |
| EFTPOS | Electronic Funds Transfer Point of Sale |
| GDP | Gross Domestic Product |
| GIZ | Gesellschaft für Internationale Zusammenarbeit (German Society for International Cooperation) |
| HIVOS | Humanistisch Instituut voor Ontwikkelingssamenwerking (International Humanist Institute for Cooperation with Developing Countries) |
| ICT | Information and Communications Technology |
| IDBZ | Infrastructural Development Bank of Zimbabwe |
| IMF | International Monetary Fund |
| IPEC | Insurance and Pensions Commission |
| KYC/CDD | Know Your Customer / Customer Due Diligence |
| MAC | Microfinance Advisory Council |
| MAP | Making Access Possible |
| MFIs | Microfinance Institutions |
| MNOs | Mobile Network Operators |
| MSMECD | Ministry of Small & Medium Enterprises and Co-operative Development |

| | |
|---|---|
| MSMEs | Micro, Small and Medium Enterprises |
| NFIS | National Financial Inclusion Strategy |
| NFNV | New Faces New Voices |
| NPS | National Payment Systems |
| PPP | Public-Private Partnership |
| POS | Point of Sale |
| POSB | People's Own Savings Bank |
| POTRAZ | Postal and Telecommunications Regulatory Authority of Zimbabwe |
| RBZ | Reserve Bank of Zimbabwe |
| SACCOS | Savings and Credit Cooperative Societies |
| SADC | Southern African Development Community |
| SME | Small and Medium Enterprises |
| SMEDCO | Small and Medium Enterprises Development Corporation |
| SECZ | Securities and Exchange Commission of Zimbabwe |
| SIRESS | SADC Integrated Regional Electronic Settlement System |
| ROSCAs | Rotating Savings and Credit Associations |
| RTGS | Real Time Gross Settlement |
| USAID | United States Agency for International Development |
| ZAMFI | Zimbabwe Association of Microfinance Institutions |
| ZIMASSET | Zimbabwe Agenda for Sustainable Socio-Economic Transformation |
| ZIMSTAT | Zimbabwe National Statistics Agency |
| ZSE | Zimbabwe Stock Exchange |

# 1. INTRODUCTION

1.1 Global, regional and national-level policy makers are increasingly embracing financial inclusion as an important priority for fostering socio-economic development. These policy makers recognise the strength of financial inclusion as a driver of economic growth. This realisation has culminated in the adoption of policies and measures aimed at growing global financial inclusion as a means of promoting world economic prosperity.

1.2 The significance of financial inclusion in the economic development agenda has also been epitomized by the formation of networks and organisations with specific focus on financial inclusion matters. Such organisations / networks include the Alliance for Financial Inclusion and the Global Partnership for Financial Inclusion. This development has resulted in the attempt to define best practice standards to guide the implementation of financial inclusion initiatives, such as the G20 Principles for Innovative Financial Inclusion.

1.3 One of the most pronounced trends currently observed among the Alliance for Financial Inclusion’s (AFI) member countries is the increasing focus on the development of national financial inclusion strategies. Zimbabwe joined the AFI network in 2012.

1.4 There is growing evidence that national financial inclusion strategies are now seen as essential by many countries, as they provide a clear national vision, a widely accepted strategic framework and a robust organizational structure to facilitate the development and implementation of coordinated and sound policy reforms.

1.5 National financial inclusion strategies provide an important opportunity to introduce an evidence-based, prioritized, better resourced, and more comprehensive approach to expanding access and usage of financial services.

1.6 A national strategy with clear goals and targets supports coordination among public and private sector stakeholders and provides an organizing framework for financial inclusion policies and regulations to be implemented.

1.7 The development and implementation of the National Financial Inclusion Strategy for Zimbabwe is aimed at ensuring the existence of an inclusive financial sector that broadens access to and use of financial services by all with the view of engendering social and economic development. The Strategy defines the parameters for ongoing measurement and evaluation of the impact of specific actions and monitoring of progress over the implementation period.

# 2. EXECUTIVE SUMMARY

2.1 The Government of Zimbabwe is cognisant of the significant contribution of an inclusive financial sector to the socio-economic development of the country.

2.2 Notwithstanding the number of initiatives instituted in the pursuit of an inclusive financial sector, gaps are particularly pronounced among special groups such as Micro, Small and Medium-sized Enterprises (MSMEs), women, youth, rural population and the small scale agricultural sector.

2.3 The 2012 FinScope MSME Survey and the 2014 FinScope Consumer Survey revealed that 23% of Zimbabwe's adult population was financially excluded, only 30% of Zimbabwe's adult population made use of banking services as at 2014, only 14% of MSME owners were banked and only 1% of adult population made use of capital market services.

2.4 Further, the World Bank Consumer Protection and Financial Literacy Diagnostic Review of 2014 revealed low financial literacy, despite Zimbabwe having a high rate of general literacy.

2.5 To this end, key stakeholders have committed to the development and implementation of a National Financial Inclusion Strategy (NFIS).

2.6 In the context of Zimbabwe, financial inclusion is defined as the effective use of a wide range of quality, affordable & accessible financial services, provided in a fair and transparent manner through formal / regulated entities, by all Zimbabweans.

2.7 This entails access to and usage of a wide spectrum of products and services provided by various players in the financial services sector, including banking, insurance, pension, capital markets, microfinance, developmental financial institutions and payment systems.

2.8 The overarching motivation for the National Financial Inclusion Strategy is to enable in-depth analysis of barriers to financial inclusion and identification and implementation of coordinated strategies during the Strategy period of 2016 - 2020.

2.9 The pursuit of financial inclusion in Zimbabwe is consistent with the broader national developmental objectives of the Zimbabwe Agenda for Sustainable Socio-Economic Transformation (ZIMASSET) and supports three (3) key clusters namely Food Security & Nutrition, Social Services & Poverty Eradication, and Value Addition & Beneficiation and the sub-cluster of Monetary and Financial Reform Measures.

2.10 The NFIS will evolve around four main pillars, namely financial innovation, financial capability, financial consumer protection and microfinance.

2.11 The Strategy incorporates a financial inclusion measurement framework which defines key performance indicators that facilitate accurate diagnosis of the state of financial inclusion, identification of existing barriers, strategy design, target setting, crafting of effective policies, monitoring, and policy impact analysis.

2.12 Effective implementation of the National Financial Inclusion Strategy calls for a shared vision and a market systems approach. This entails an appreciation of the various stakeholders, from both the private and public sectors, their roles, and the rules and norms that underpin the proper functioning of the market.

2.13 Stakeholders identified to be key for the successful implementation of the National Financial Inclusion Strategy for Zimbabwe include financial institutions, government ministries, government agencies, regulatory bodies, development partners, mobile network operators and business associations/networks.

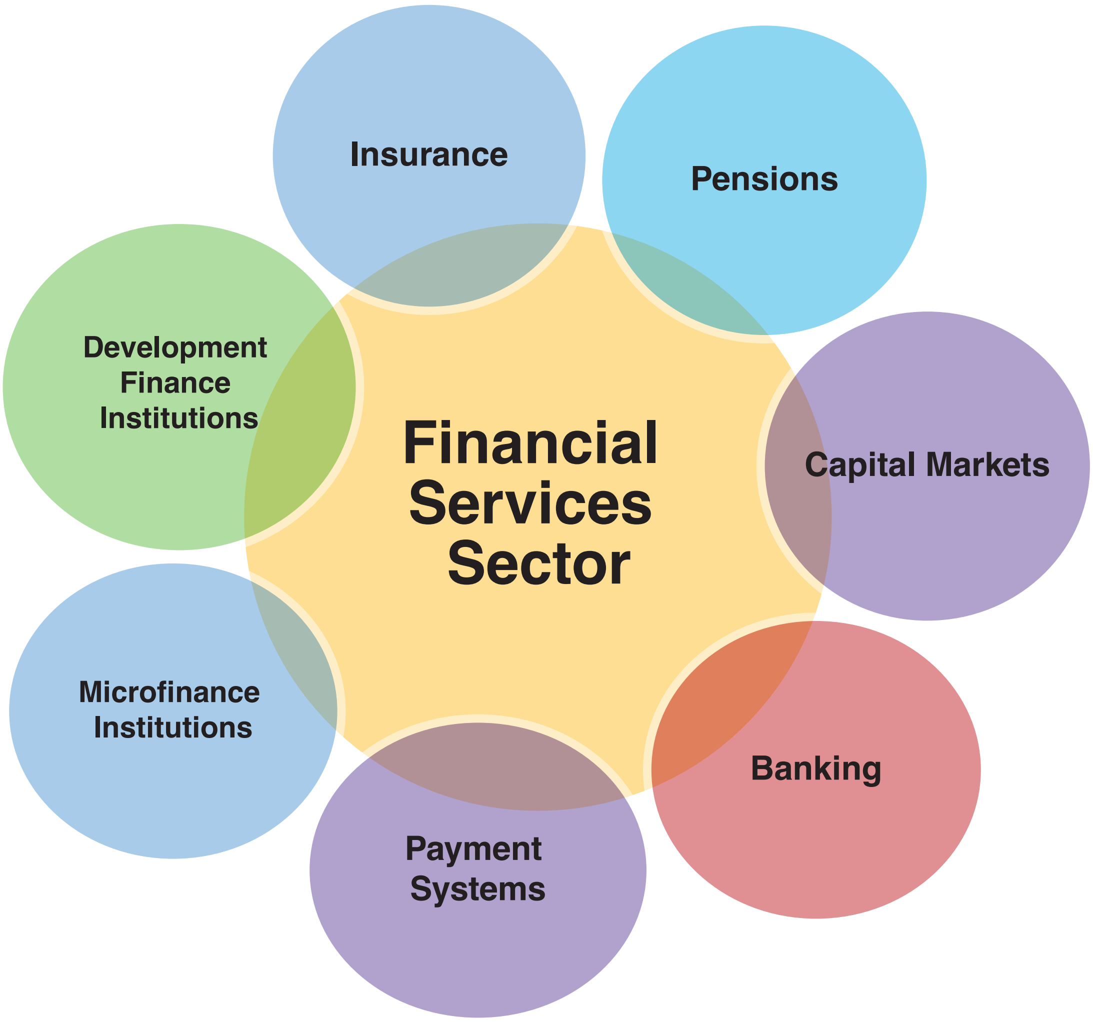
2.14 In order to facilitate the development of specific financial inclusion goals, objectives, targets and actions, the Strategy first outlines the financial inclusion status quo in Zimbabwe.

# 3. STATUS OF ACCESS TO FINANCIAL SERVICES IN ZIMBABWE

## COMPONENTS OF FINANCIAL SERVICES SECTOR

3.1 The financial sector in Zimbabwe is made up of various players offering a wide spectrum of financial products and services. The figure below shows the players in the financial services sector who are involved in the provision of financial products and services.

Figure 1: Players in the Financial Services




### Banking Sector…

3.2 As at 31 December 2015, there were 19 banking institutions and other players as shown in table 1.

### Table 1: Architecture of the banking sector

| Type of Institution | Number of Institutions |
|---|---|
| Commercial Banks | 13 |
| Merchant Banks | 1 |
| Building Societies | 4 |
| Savings Bank | 1 |
| **Total Banking Institutions** | **19** |
| Credit-only-MFIs | 153 |
| Deposit taking MFIs | 2 |
| Development Finance Institutions | 2 |

3.3 The above financial institutions had over 4,500 branches and access points, including sub-branches, agencies, high net-worth centres, and ATMs.

3.4 The products and services offered by the banking institutions are complemented by products and services offered by Savings and Credit Cooperative Societies (SACCOS), insurance companies and the capital markets.

### Savings and Credit Cooperative Societies (SACCOS)

3.5 Savings and Credit Cooperative Societies (SACCOS) are bodies created by a group of people with a common interest (churches, workers' unions, community groups etc.), whose objective is to save collectively, then make loans available to the group's members. SACCOS are particularly visible in rural communities.

3.6 The SACCOS provide the following product offerings:

a) loans based on an intimate understanding of the business model and the Small and Medium Enterprises Development Corporation (SMEDCO) Infrastructural Development Bank of Zimbabwe (IDBZ) borrower, rather than collateral;

b) loans and funding suited to the specific needs of the borrower, and

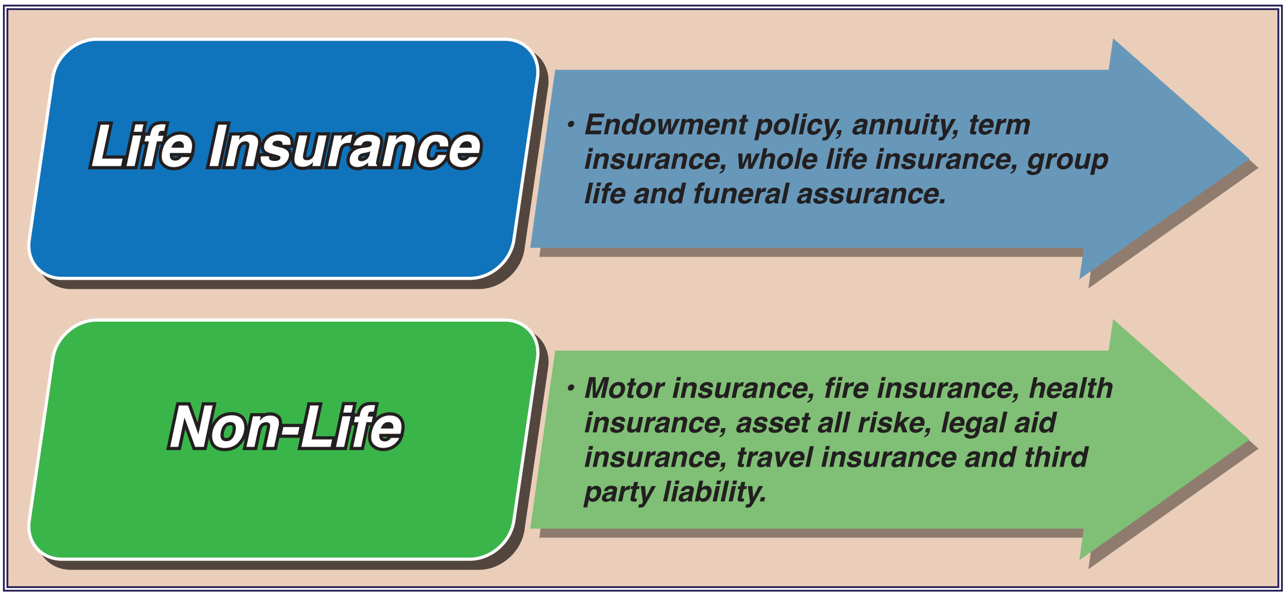
c) capacity-building services and support to borrowers who are members in most cases.

### Insurance Sector…

3.7 As at 30 September 2015, the insurance sector had a total of 114 registered entities offering life, funeral, non-life and re-insurance services.

3.8 The insurance sector offers life and non-life products and services as shown in figure 2 below.

Figure 2: Insurance Sector Products




### Pensions & Provident Funds…

3.9 There were four (4) pension fund administrators as at 30 June 2015 and a total of 1,174 pension and provident funds, with an estimated membership of 760,000.

### Capital Markets…

3.10 The Capital Markets, which is regulated by the Securities and Exchange Commission of Zimbabwe is composed of 104 players as at 30 September 2015, such as securities dealers, securities dealing firms, custodians, transfer secretaries, investment advisors, investment managers, central securities depository, and a securities exchange.

3.11 A summary of the players in the capital markets sector and the respective products and services served under each market player, as well as barriers and constraints, is appended in the table below.

Table 2: Players in the Capital Markets Sector

| Capital Markets Services Providers | Products / Services provided | Nature and Scope of products or services provided |
|---|---|---|
| **Exchanges** | Trading platform | A person or entity maintaining or providing a market place or facility including electronic trading system / platform through which sellers and buyers can be brought together, offers to buy, sell or exchange securities can be regularly made and additionally or alternatively accepted. |

| Capital Markets Services Providers | Products / Services provided | Nature and Scope of products or services provided |
|---|---|---|
| **CSD** | Safekeeping, clearing and settlement of securities in dematerialised form | A securities trading system that holds securities in book entry form and enables processing and transfer of securities transactions in a dematerialised and immobilized manner. The system may incorporate safekeeping, comparison, clearing and settlement functions. |
| **Stockbrokers/ Dealers** | Broking | Entering into an agreement on behalf of another person to acquire, dispose of, subscribe for securities. |
| **Transfer Secretaries** | Transfer Secretarial | Recording transfers and other transactions relating to securities. |
| **Custodians** | Custodial Services | Holding securities in custody for another person and dealing with them to the extent necessary for that custody. |
| **Asset Managers** | Investment Management | Managing another person's portfolio of securities for the purpose of investment including the arranging of purchase, sale or exchange of securities through a licensed dealer. |
| **Investment Advisors** | Investment Advisory | Giving advice i.e advising other persons on their investments in securities. |
| **Collective Investment Schemes** | CIS Collective Investment funds e.g. Money market fund | An arrangement with respect to property of any description aimed at enabling participants to receive profits or income from the acquisition, holding, management or disposal of the property |
| **Securities Trustees** | Trusteeship | A person who holds property (securities) in trust for underlying investors. |
| **Listed Companies** | Shares | An instrument ownership that signifies an ownership position, or equity, in a corporation, and represents a claim on its proportionate share in the cowWrporation's assets and profits. |
| **Consumers and beneficiaries focusing on business activity e.g. individual, MSMEs, corporates** | All investing public | |
| Status of Financial Inclusion / Exclusion | According to the Finscope survey of 2014, 99% of the adult population (18 years and above) resident in Zimbabwe are excluded from the capital market. | |

### Payment Systems…

3.12 Zimbabwe has a well-diversified payment system infrastructure consisting of large and small value (retail) payments streams.

3.13 The table below shows the structure of the payment systems in Zimbabwe.

**Table 3: Architecture of the National Payment Systems as at 30 September 2015**

| System | Total | Participants | Category |
|---|---|---|---|
| RTGS | 1 | 18 | Large value |
| CSD (Government and Private Equities) | 2 | 18 | Large value |
| Electronic Funds Transfer (Payserv, Zimswitch) | 2 | 16 | Large value |
| Mobile (Ecocash, Telecash, One Wallet and Nettcash) | 3 | 11 | Small Value |
| Cheque Clearing House | 1 | 14 | Small Value |
| Internet (intra-Bank) | 16 | 15 | Small Value |
| Local Card (Zimswitch) | 1 | 15 | SmallValue |
| International Card (Visa, MasterCard, China Union Pay) | 3 | 16 | Small Value |

### Mobile Financial Services

3.14 All banks in Zimbabwe have leveraged on the high mobile phone penetration rate of over 90% by partnering mobile network operators (MNOs) to offer a range of efficient and safe digital financial services to different market segments, thereby broadening the consumer choices.

3.15 The combined mobile money subscriber base had reached 6 million as at 30 September 2015, and there were more than 30,000 mobile payment agents across the country, a huge growth from 6,000 in 2013. This has facilitated both local and regional remittance services through mobile payment, particularly in the rural areas.

### Electronic Funds Transfer Point of Sale (EFTPOS)

3.16 As at 30 September 2015 over 16,000 point of sale (POS) machines countrywide were located in retail shops and banking halls as well as some holiday resorts. However, the devices are duplicated or clustered in few shops.

3.17 The POS density, at 300 machines per one million inhabitants was, however, far below the world's average of 1,300 machines per one million people. Furthermore, the bulk of the POS devices are concentrated in urban areas against a background where 70% of the Zimbabwean population lives in the farms and rural areas.

## Payment Systems Access Points

3.18 There has been progressive growth in the deployment and usage of various retail payment streams access points as shown in the figures 3 and 4 below:

**Figure 3: Payment Systems Access Channels**

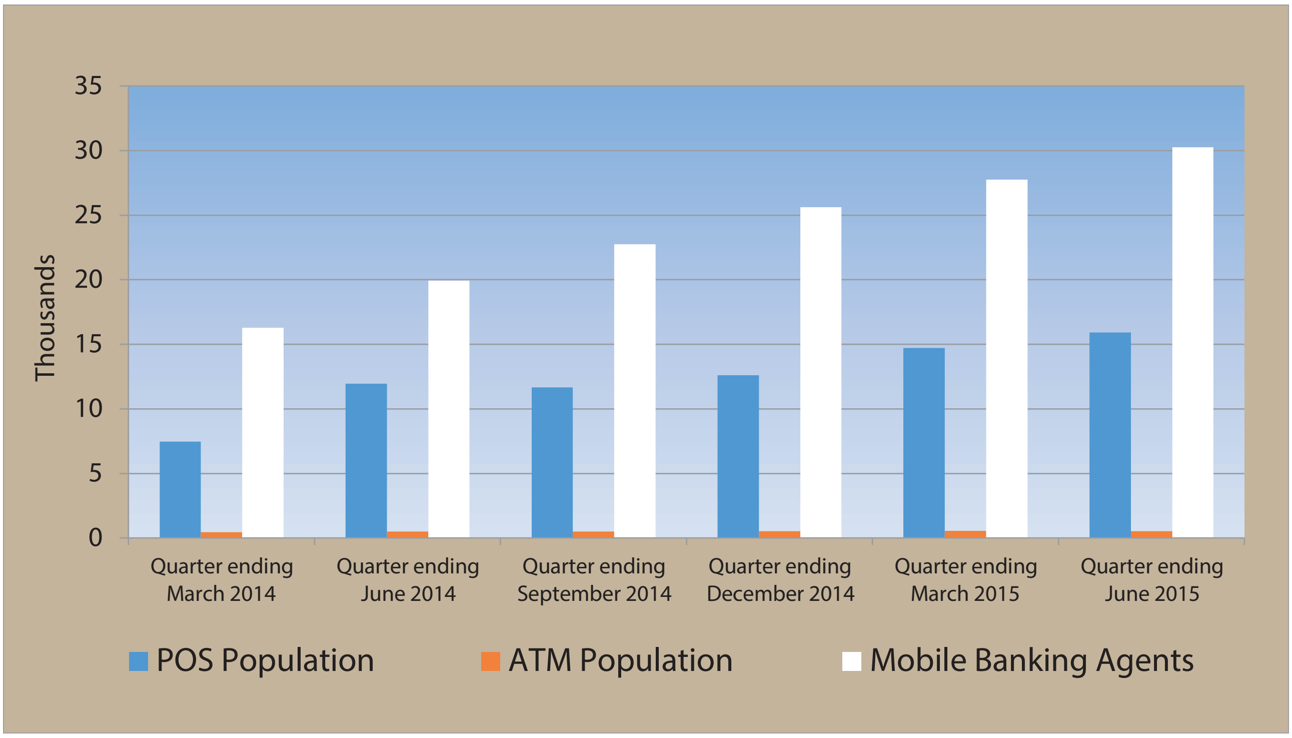



**Figure 4: Payment Systems Access Channels per 100,000 Adults**

| Year | ATM | POS | Mobile Agents |
|---|---|---|---|
| 2010 | 5.39 | 27.67 | 0.27 |
| 2011 | 4.56 | 46.90 | 21.06 |
| 2012 | 4.87 | 55.25 | 41.82 |
| 2013 | 5.53 | 88.58 | 88.56 |
| 2014 | 6.48 | 149.78 | 292.19 |

## Interoperability

3.19 Interoperability, the ability of the payment systems to interact at various levels, is important in promoting convenience and reduction of operational costs.

3.20 While payment systems are already interoperable at various stages, there are significant gaps in the sharing of infrastructure.

# STATE OF FINANCIAL INCLUSION AND IDENTIFIED GAPS

3.21 The 2014 FinScope Survey estimated that 67% of the Zimbabwean adult population resides in rural areas whilst 33% resides in urban areas.

3.22 Table 3 provides a summary of key financial inclusion indicators for 2011 and 2014.

**Table 4: Key Financial Inclusion Indicators as at 2011 and 2014**

| Indicator | 2014 | 2011 |
|---|---|---|
| Financially excluded | 23% | 40% |
| Formally served | 69% | 38% |
| Reliance on exclusively informal financial products or services | 7.8% | 22% |
| Reliance on exclusively bank products | 1% | 8% |
| Reliance on exclusively non-bank products | 23% | 6% |
| No. of banked adults | 2.17 m | 1.45 m |
| Cell phone banking adults | 560 000 | 40 000 |
| No. of people registered for Mobile Banking | 3.15 m | - |

*Source: Finscope Survey 2014*

3.23 The statistics reveal that the level of financial inclusion is skewed in favour of the urban population (89%) as opposed to the rural population (62%), despite 67% of the Zimbabwe's population residing in rural areas.

3.24 The level of financial inclusion in the MSME sector was considerably low as indicated in the FinScope MSMEs Survey Zimbabwe 2012 which revealed the following key statistics:

a) Only 14% of MSME owners are banked, i.e. use formal financial products and services offered by a commercial bank;

b) The majority of business owners do not use/have a bank account for business purposes;

c) 50% of business owners (1.4 million) have/use informal mechanisms to manage their business finances; and

d) 18% of business owners (475 000) are formally served, including both bank and other formal non-bank products/services.

3.25 The 2014 FinScope Survey results indicate that there is more reliance on informal savings channels by Zimbabwe's adult population as opposed to formal savings as only 20% of the adult population made use of formal savings channels in 2014, whilst 23% made use of informal channels.

3.26 Out of the adult population who do not save, 74% indicated lack of disposable income after accounting for living expenses as the main reason for their failure to save, whilst 21% indicated that they have no money to save.

3.27 The FinScope survey revealed a low uptake in formal investment services by Zimbabwe's adult population, with limited disposable incomes and lack of education and/or awareness being cited as the main reasons for the low uptake. According to the FinScope Surveys for 2011 and 2014, there was a 12% increase in the number of adults with pensions from 623,000 in 2011 to 774,000 in 2014.

3.28 According to 2014 FinScope Survey results, the majority (58%) of adult Zimbabweans do not borrow. Out of those who do not borrow, 48% cited the fear of debts as their reason for failing to borrow whilst 45% indicated that they do not have an ability to borrow.

3.29 The 2014 FinScope Survey results also indicate reliance on informal sources of credit which catered for 30% of adult borrowings whilst formal credit accounted for only 13% of adult credit in 2014.

3.30 FinScope Surveys for 2011 and 2014 indicate an increase in the use of formal insurance from 19% in 2011 to 26% in 2014. The surveys also revealed a decrease in the uptake of informal insurance services such as burial societies during the period.

3.31 In respect of remittances, the FinScope Surveys for 2011 and 2014 indicate that there has been a shift in the number of people remitting funds through banking channels in favour of mobile remittances. In addition, the uptake of other formal remittance channels such as MoneyGram, Western Union and Mukuru increased during the period. During the period January 2009 to December 2015, a total of USD1.96 billion was recorded in remittances.

3.32 Notwithstanding the increase in the proportion of banked adult population in 2014, the actual usage of banking products and services declined. (Making Access Possible Diagnostic Review, 2015).

3.33 This is reflected by the increase in the proportion of dormant accounts from 4% in 2011 to 25% in 2014 (deposits), and from 3% in 2011 to 23% in 2014 (withdrawals).

3.34 The proportion of active accounts declined from 25% in 2011 to 9% in 2014 (deposits) and from 32% in 2011 to 14% in 2014 (withdrawals).

## FACTORS CONSTRAINING FINANCIAL INCLUSION IN ZIMBABWE

3.35 The major barriers to financial inclusion across the financial sector in Zimbabwe can be grouped into three (3) categories namely demand side, supply side and regulatory as shown in the figure below.

**Figure 5: Major barriers to financial inclusion across the financial sector**

| DEMAND-SIDE | SUPPLY-SIDE | REGULATORY BARRIERS |
|---|---|---|
| • Low income levels; | • Absence of robust credit information systems; | • Absence of coordinated national policy and strategy on financial inclusion; |
| • Irregular income streams; | • Poor infrastructure in rural areas leading to financial institutions' reluctance to establish branches | • Weak consumer protection regulatory framework; |
| • Failure to meet minimum account opening requirements; | • Lack of skill to understands the dynamics of projects of those at the bottom of the pyramid. | • Capacity & resource constraints. |
| • Inadequate information on financial services & products; | | |
| • Lack of confidence in Financial system; | | |
| • Financial illiteracy. | | |
| • Inflexible implementation of AML measures | | |

3.36 The figure below provides a summary of the level of access to the products and services in the various segments of the financial sector and the barriers to access as identified in the 2014 Finscope Survey.

**Figure 6: Exclusion Level and Sector Specific Barriers to Access to Financial Services**

| Banking 70% excluded | Savings & Investment 53% excluded | Insurance & risk management 70% excluded | Mobile Money 55% excluded | Borrowing & credit 58% excluded | Capital Markets – 99% excluded |
|---|---|---|---|---|---|
| • Insufficient Funds - 74%;<br>• Cash transactions - 18%;<br>• Can't maintain minimum balance - 10%;<br>• High bank charges - 7%; Mistrust | • No disposable income - 74%;<br>• No money to save - 21%;<br>• Can't maintain minimum balance - 10%;<br>• No income after household expenses - 4%;<br>• Low income - 1%. | • it is expensive - 68%;<br>• Don't need insurance - 30%;<br>• Lack of education - 10%. | • No money to send/receive - 31%;<br>• No cellphone - 19%;<br>• Have not considered - 15%;<br>• Insufficient information - 12%;<br>• No sim-card - 7%. | • Fear of debt - 48%;<br>• Don't need credit - 12%;<br>• Fear of default - 8%;<br>• No one to borrow from – 3%;<br>• Disallowed by spouse - 4%. | • Limited disposal income - 74%,<br>• Lack of awareness and education - 40%,<br>• Lack of investor protection - 4%<br>• Cumbersome account opening requirements - 2%,<br>• Lack of customer focused products - 1%. |

3.37 The following are the major barriers to financial inclusion in the capital markets:

a) low disposable income;

b) illiquidity of the local market;

c) inadequate diversification of capital markets to meet the needs of the low income earners;

d) undeveloped secondary market;

e) lack of awareness ;

f) low confidence in the capital markets; and

g) lack of investor protection.

3.38 The following barriers to financial inclusion within the MSME sector were noted:

a) low incomes levels within the MSME sector;

b) irregular incomes to support consistent loan repayment requirements;

c) information asymmetries regarding funding options at the disposal of the MSMEs and cooperatives;

d) lack of product and service awareness; and

e) high and uncompetitive interest rates and bank charges offered by financial institutions.

3.39 The following are barriers to financial inclusion within the insurance and pensions industry;

a) low disposable incomes;

b) lack of innovation by services providers;

c) low confidence in suppliers of insurance and pension services;

d) low levels of financial literacy;

e) an inadequate legal and regulatory framework;

f) high product and service distribution costs; and

g) lack of accessibility of products and services.

# 4. RATIONALE, DEFINITION, VISION, MISSION AND OBJECTIVES

4.1 The Strategy establishes formal structures for the implementation of the financial inclusion initiatives.

4.2 Against the current level of financial inclusion, the National Financial Inclusion Strategy is imperative for the reasons outlined below.

### To establish a framework for the co-ordination of financial inclusion initiatives…

4.3 The National Financial Inclusion Strategy sets a clear agenda at national level for improving financial inclusion in the country through a coordinated approach.

4.4 The coordinated approach will result in a greater impact on a national scale through optimal usage of resources and incorporation of input and concerns of all relevant stakeholders, in the implementation of the financial inclusion initiatives.

4.5 Further, the maintenance of data on financial inclusion will serve as a basis for further deliberation on financial inclusion issues.

### Identification of Priority Action Points…

4.6 The Strategy enables determination of priority action points in order to achieve the financial inclusion vision and mission.

4.7 The action points identified will be implemented by the various stakeholders to the financial inclusion agenda within specified timeframes.

### Identification of Key Stakeholders…

4.8 The National Financial Inclusion Strategy identifies the key stakeholders in the financial inclusion agenda. Further, the Strategy outlines their roles and responsibilities of identified stakeholders which entrench accountability in the implementation of the various financial inclusion initiatives.

### Provides a Monitoring and Evaluation Framework for Attainment of Financial Inclusion Goals…

4.9 The National Financial Inclusion Strategy provides a comprehensive monitoring and evaluation framework for the attainment of the goals and objectives.

4.10 The Strategy outlines the duties and responsibilities of key stakeholders with respect to the provision of information necessary for the conduct of ongoing monitoring and evaluation.

### Basis for Ongoing Engagement on Financial Inclusion Matters…

4.11 The National Financial Inclusion Strategy serves as a reference point for future stakeholder deliberations on financial inclusion matters.

4.12 The Strategy provides a platform for analysing the supply-side, demand-side and regulatory constraints to accessing financial services and propose measures to address them.

4.13 It is also anticipated that the Strategy will enhance financial literacy and improve access to other financial markets, such as capital, pension and insurance, which in turn increase opportunities for savings and investments among the financially excluded population. Financial Literacy also promotes responsible access to financial services by empowering financial consumers through consumer protection programs.

## DEFINITION OF FINANCIAL INCLUSION

4.14 To facilitate effective execution of the financial inclusion agenda, there is need to establish a common understanding of the term. There is a general consensus that the definition of financial inclusion must address key dimensions of financial inclusion namely, access, usage, quality and welfare.

4.15 In the context of Zimbabwe, financial inclusion is defined as:

**"The effective use of a wide range of quality, affordable & accessible financial services, provided in a fair and transparent manner through formal/ regulated entities, by all Zimbabweans".**

4.16 In coming up with the definition of financial inclusion, due consideration was given to the findings of numerous studies on the level of financial inclusion conducted in Zimbabwe and the reasons proffered for the level of financial exclusion noted.

4.17 The key principles underlying the above definition of financial inclusion are:

### Effective Use…

4.18 It is anticipated that the successful implementation of this strategy will result in the use of financial services being a part of the day to day living of Zimbabweans. The use of formal financial products should not be considered the preserve of a few but a way of life for all. Usage of financial products can be measured by the regularity, frequency and sustainability over time.

### Wide Range of Products & Services…

4.19 Financial inclusion as defined in this strategy covers a broad spectrum of financial products and services, including banking, insurance, pension capital markets and remittances.

### Quality…

4.20 The financial services provided to the Zimbabwean population must be suitable for their requirements and needs. Providing quality financial products ensures that the products have a positive impact on the welfare of users.

### Accessibility…

4.21 Financial service delivery channels should be within the proximity of intended beneficiaries so as to promote regular use of the same. In this regard, this strategy addresses accessibility of financial products and services to the majority of the population.

### Fairness and Transparency…

4.22 The strategy seeks to ensure that the marginalised sections of the Zimbabwean population gain access to appropriate products and services without being subject to exploitation. This engenders trust in the financial products and services. The Strategy addresses issues pertaining to consumer protection and customer education in order to empower consumers.

### Formal / Regulated Entities…

4.23 The focus of the strategy is to formalise the provision of financial services to the marginalised population in Zimbabwe. This reduces exploitation of low income groups by informal service providers while promoting stability of the financial system.

4.24 Financial inclusion also helps to manage money laundering risks by ensuring that the majority of transactions are conducted through the formal financial system which enables more effective monitoring.

### Sustainability…

4.25 Achieving financial sustainability means reducing transaction costs, offering better products and services that meet client needs, and finding new ways to reach the unbanked.

## STRATEGY VISION

**To have an inclusive financial system that is responsive to the needs of all Zimbabweans.**

## MISSION

**To facilitate access to usage of quality and affordable financial services by all Zimbabweans.**

## STRATEGIC GOALS

4.26 The overarching goals of the National Financial Inclusion Strategy are:

i. To increase the overall level of access to affordable and appropriate formal financial services within the country from 69% in 2014 to at least 90% by 2020.

ii. To increase the proportion of banked adults from 30% in 2014 to at least 60% by 2020.

4.27 While the Strategy focuses on improving financial inclusion for all Zimbabwean adults, the strategy also recognises the needs of special interest groups, namely women, youth, MSMEs, the rural and the small scale agricultural communities.

4.28 The Strategy will focus on achieving the targeted level of financial inclusion in a sustainable manner.

# 5. PILLARS OF THE NFIS & CORE ENABLERS

5.1 The NFIS will evolve around four main pillars, namely financial innovation, financial capability, financial consumer protection and microfinance as shown in figure 7.

### Financial Innovation…

5.2 The Strategy seeks to improve access to financial services by leveraging on advancements in information technology and developing suitable financial products for varied financial consumers.

5.3 Financial System/Institutional Innovation relates to changes in business structures, establishment of new types of financial intermediaries, or changes in the legal and supervisory framework.

5.4 Increasingly, agent banking and e-banking are being recognized as efficient and cost effective delivery channels of financial products and services. To this end, there is increasing adoption of agent banking models by banks seeking to increase proximity of financial products and services to clients, including in rural areas.

5.5 Process innovation leverages on mobile technology to introduce new delivery mechanisms such as POS and ATM networks, mobile phone based systems, retail agent banking, to formalize informal finance systems, and reduce the access barriers for marginalized communities.

5.6 Most communities in the less developed rural sections of the country are financially excluded due to lack of delivery channels largely attributed to poor infrastructure in those areas. The Strategy will facilitate engagement of stakeholders in various sectors of the economy in crafting strategies methods of enhancing accessibility.

5.7 Financial services providers are expected to leverage on developments in information and mobile communications technology and develop innovative delivery channels for financial products and services to extend outreach to remote areas of the country.

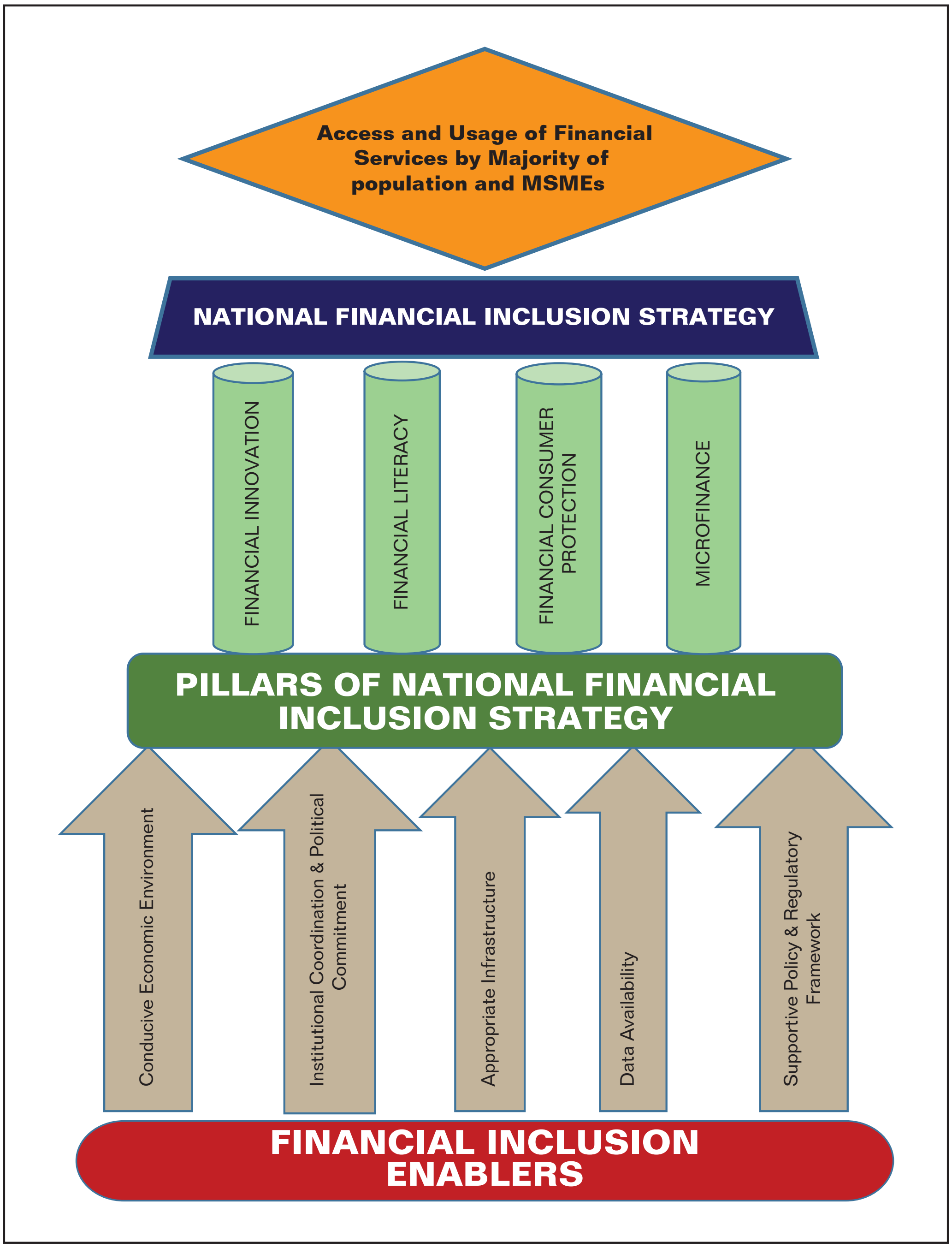
5.8 Branchless banking in the form of mobile financial services, combined with e-money services, utilization of Zimpost and schools as agents for financial institutions have great potential for extending financial services to the financially excluded consumers in the remote areas of the country.

5.9 High management fees make it difficult for individuals to participate in some financial products. Furthermore, most financial market products have been designed for the formal market and may need to be fine-tuned to suit the informal market at affordable rates.

5.10 Product innovation is central to financial innovation in that it is the tangible benefit or product that is enjoyed by consumers. It facilitates effective response to changes in market demand and encompasses the designing of appropriate financial products and services. Such innovations include the introduction of new products suited to the pattern of cash flows of low-income groups.

5.11 The Strategy will encourage financial service providers to engage in redesigning of their products to enhance uptake by low income groups and currently underserved communities.

Figure 7: Financial Inclusion Pillars and Enablers



### Financial Literacy …

5.12 The strategy will facilitate stakeholder coordination to address financial literacy deficiency in the country.

5.13 Financial literacy programmes will enable consumers of financial products and services to acquire knowledge, skills, attitude and behavior that promote awareness of financial opportunities, thereby facilitating informed choices in line with consumers' circumstances.

### Financial Consumer Protection…

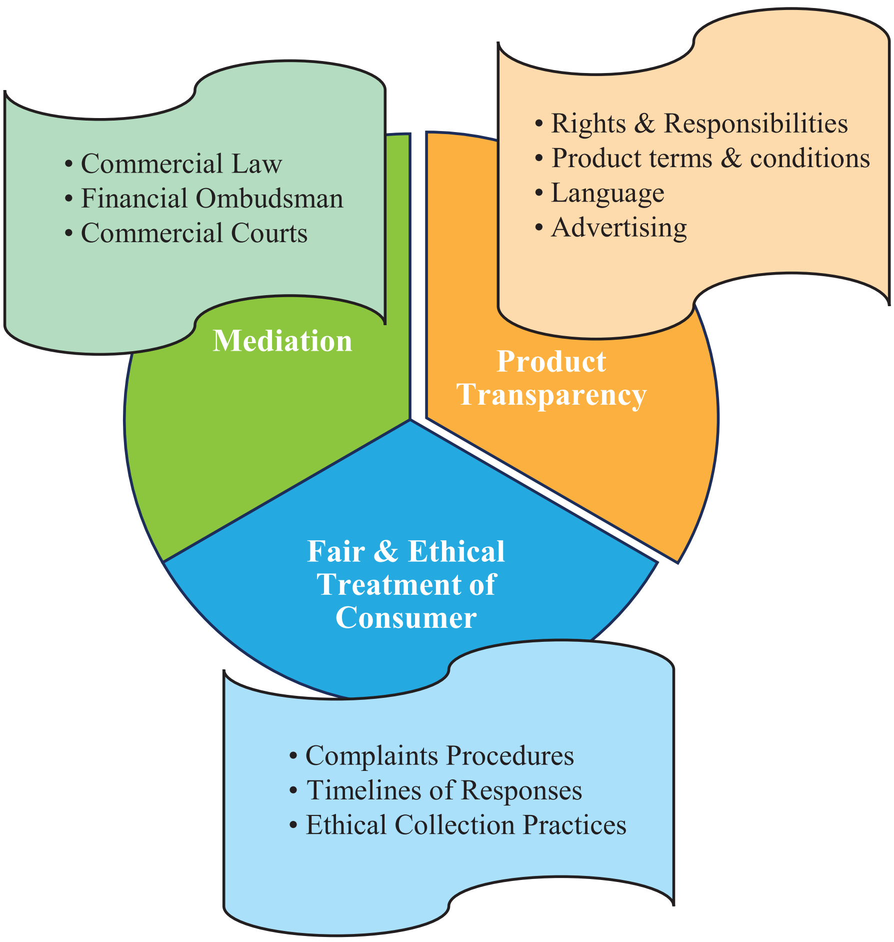
5.14 Consumer protection is an important pillar in the implementation of the NFIS, as it promotes consumers' trust and confidence in the financial system, particularly among the low-income households.

5.15 In addition, consumer protection stimulates healthy competition, responsible pricing and better products for the consumers.

5.16 Further, consumer protection promotes product pricing transparency, minimises exploitation of consumers by service providers and promotes consumer confidence thereby fostering the soundness of the financial sector.

5.17 Consumer protection aims to achieve the following three goals:

**Figure 8: Goals of Consumer Protection**



5.18 The strategy facilitates financial sector regulatory authorities' coordination in the implementation of financial consumer protection programs to address identified deficiencies. Programs include the promulgation of enabling legal provisions, issuance of guidance to the market on minimum acceptable standards in respect of inter alia, consumer treatment, transparency and disclosure practices; and market conduct supervision.

### Microfinance…

5.19 The business of microfinance is by nature targeted at low income households and micro, small and medium enterprises (bottom of the pyramid). Accordingly, microfinance is highly relevant to the Zimbabwean macroeconomic context where the majority of the population falls in the low income segment.

5.20 Within the microfinance sector, Savings and Credit Cooperative Societies (SACCOs) play a key role in poverty alleviation and building inclusive financial systems through provision of financial services to the poor in many countries and reach more customers than other microfinance institutions.

5.21 The SACCOs subsector has great potential to mobilise lower denominated deposits that are ordinarily not accepted by formal banking institutions. SACCOs can be an important tool of mobilizing funds that are circulating in the informal sector.

5.22 SACCOs can also be a mechanism for expanding financial inclusion among the rural and disadvantaged communities, the youth and women.

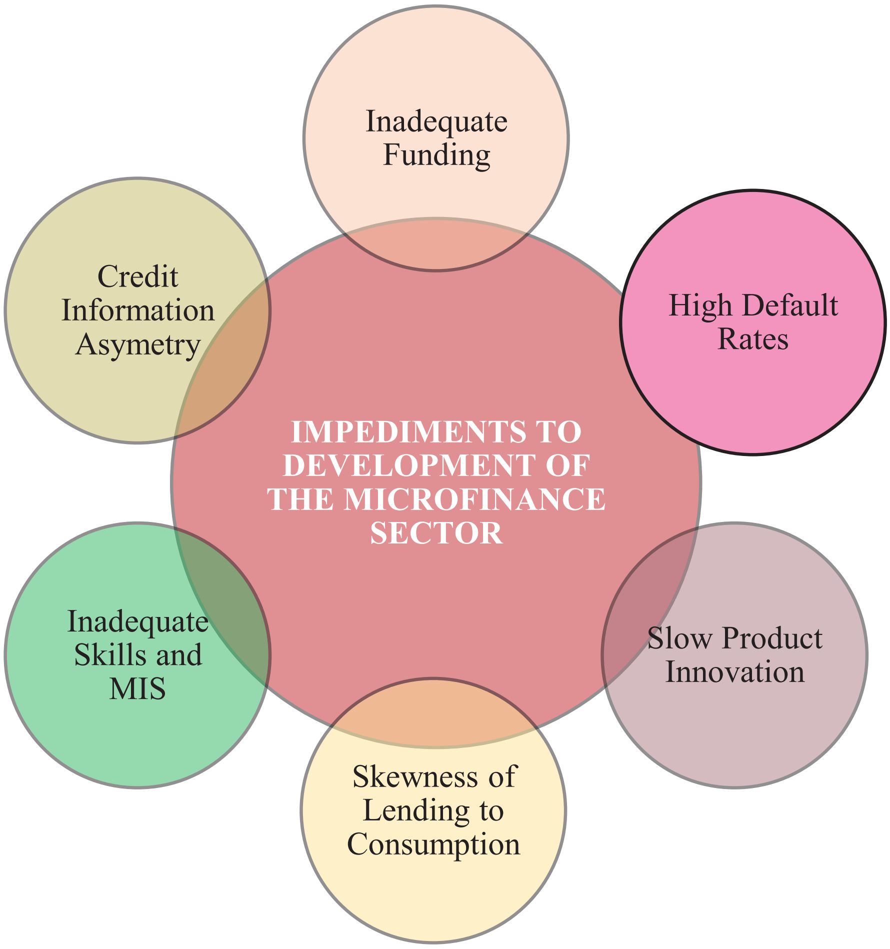
5.23 Further, Rotating Savings and Credit Associations (ROSCAs) also known as 'Rounds' or Mukando have become popular and have provided convenient ways of saving and credit provision.

5.24 An appropriate regulatory framework for the SACCOs and ROSCAs will facilitate their maximum contribution to the financial inclusion objective.

Impediments to the Development of Microfinance Sector…

5.25 Notwithstanding the importance of microfinance, the development of the sector continues to be hampered by some challenges as illustrated in the diagram below.

Figure 9: Impediments to Development of Microfinance Sector




5.26 The National Financial Inclusion Strategy proposes measures to address these challenges, create profitable and sustainable microfinance institutions, facilitate the provision of client-centered and affordable financial services and fill the gaps between demand and supply for financial services, especially in the rural areas.

5.27 With adequate and appropriate funding, microfinance institutions can be the main source of funding for the MSMEs that cannot access funding from the banking institutions due to lack of collateral usually demanded by the banks.

## FINANCIAL INCLUSION ENABLERS

5.28 In order to support realization of the Strategy, there is need for specific interventions which influence the economic environment, institutional coordination and political commitment, infrastructure, availability of data, and the policy and regulatory framework.

### Conducive Macro-economic Environment…

5.29 The development and implementation of robust macroeconomic policies is critical to ensure the achievement of financial inclusion goals.

### Institutional Coordination and Political Commitment…

5.30 Successful implementation of the National Financial Inclusion Strategy requires involvement and commitment of various stakeholders. High level leadership and political commitment are critical in ensuring proper coordination and linkage of the national financial inclusion strategy with other national strategies and policies.

### Appropriate Infrastructure…

5.31 Adequate infrastructure is a critical enabler of access, proximity and innovation of products and delivery channels. Poor infrastructure in some parts of the country has hindered the provision of financial services and products to the remote rural households and MSMEs.

5.32 There is scope for financial services providers to leverage on information technology and develop innovative products to reach out to the rural consumers of financial services.

5.33 Appropriate infrastructure, reduces the cost of doing business which has a positive bearing on charges and interest rates imposed on consumers. The creation of a robust credit information sharing system and a collateral registry will result in more MSMEs and rural communities accessing financial services at affordable cost.

### Supportive Policy & Regulatory Framework…

5.34 The development and successful implementation of a NFIS should be supported by an enabling policy and regulatory framework. The legal and regulatory framework should, inter alia, promote the development of innovative financial products, extensive outreach of financial services and adequate protection of consumers.

5.35 The regulatory framework should maintain appropriate balance between financial inclusion objectives and financial stability on an ongoing basis.

5.36 The current review of the insurance and pension industry's policy and regulatory framework is also expected to result in the enhancement of the respective legal and regulatory framework which will facilitate the introduction of innovative micro-insurance products and services.

5.37 In order to increase access to financial services by the targeted segments of the population, the regulatory environment should encourage and facilitate participation of the private sector for product innovation and promotion of healthy competition in the financial sector.

5.38 Implementation of Anti-money laundering and Combating the Financing of Terrorism (AML/CFT) and Customer Due Diligence (CDD) standards and guidelines should not have the effect of inadvertently preventing disadvantaged segments of the population from accessing financial services.

### Data Availability…

5.39 The Government and all regulatory authorities, investors and other stakeholders in the financial sector require access to valuable and relevant statistical data on financial inclusion in the country. Data is critical for policy decision making, investment decision and business continuity decisions.

5.40 In order to measure the success or failure of the NFIS, it is important to monitor the results of the implementation of the various planned activities under this financial inclusion strategy. Every planned activity under this strategy has expected targets and output. It is, therefore, important that appropriate and relevant statistical data be collected, monthly, quarterly or annually and on a need-basis.

5.41 The stakeholders in the financial sector will agree on a set of financial inclusion indicators and develop data collection templates.

# 6. TARGETS, PRIORITY AREAS, AND SPECIFIC STRATEGIC MEASURES

6.1 Despite a relatively well developed financial system in Zimbabwe, some segments of the population remain financially excluded from mainstream financial services and products. These include low income households, women, youths and MSMEs. Further, recent studies have shown that financial exclusion is higher in the rural areas compared to urban centres.

## PRIORITY AREAS

6.2 The NFIS seeks to address the broad barriers to financial inclusion for these special groups through implementation of key priority measures.

### Micro, Small and Medium Enterprises (MSMEs)

6.3 The adverse operating environment over the years has resulted in increasing informalisation of the economy. The economy is now largely driven by MSMEs which have been identified to be the engine for economic growth and development in developing economies.

6.4 The MSME sector is playing a critical role in economic development in Zimbabwe through job creation, and poverty alleviation. The MSME Finscope Survey of 2012 noted that MSMEs in Zimbabwe employ approximately 5.7 million people, the majority of whom are women. In addition, it is estimated that the MSME sector is contributing more than 50% of the country's gross domestic product.

6.5 The majority of MSMEs, however, lack adequate infrastructure and funding to augment business operations, and properly structure and drive their business towards viability. In addition, MSMEs often lack education to write bankable business proposals acceptable to financial institutions.

6.6 As such, there is significant scope for financial institutions to understand the specific needs of MSMEs and design appropriate products for the MSMEs.

### MSME Financial Inclusion Strategies

6.7 The National Financial Inclusion Strategy seeks to provide a coordinated and responsive approach to building an inclusive financial system that provides a broad range of financial products and services to all economic agents, including MSMEs.

6.8 This will be achieved through the following:

a) Development of programmes aimed at capacitating MSMEs and enhance their entrepreneurial and financial skills to effectively and efficiently manage their businesses. This will include financial literacy and training in critical areas such as cashflow management, tax and corporate governance;

b) Promotion of value chain financing models by banks and other lenders to facilitate increased business opportunities for MSMEs in all sectors of the economy;


c) Development of prudential and regulatory incentives that are biased towards supporting lending to MSMEs;

d) Facilitation of capacity building programs for financial institutions to enable them to develop innovative and appropriate financial products and services for MSMEs

e) Formal registration of MSMEs;

f) Appropriate stratification of the MSMEs according to their development stage, which will facilitate targeted solutions to their current financial exclusion;

g) Financial and consumer education programs that recognise the socio- economic diversity of Zimbabwean population, which translates to differentiated initiatives for the different groups of MSMEs. Socio- economic diversity requires different approaches and differentiated delivery channels, including workshops, the media, capacity-building initiatives, financial education programs and the social media. This shall be achieved through partnership and collaboration of all financial sector regulatory authorities and various stakeholders, including Ministry of Small & Medium Enterprises and Co-operative Development, Ministry of Primary & Secondary Education, and tertiary institutions;

h) Ensure availability and accessibility of a broad range of appropriate financial services and products to the MSMEs both in the urban and rural areas. This will be facilitated though promotion of low-cost bank accounts, micro-insurance and risk-based approach to know-your-customer requirements;

i) Strengthening the linkages and relationship of the MSMEs to industrial associations in order to enhance formalisation and create fora for exchange of information; and

j) Promotion of the use of moveable assets as collateral to facilitate MSMEs access to credit. Lending institutions should develop appropriate collateral substitutes in order to address the challenge of security. In this regard, the following secured products can be adopted by banks and other MSME financiers:

- Value Chain financing;
- Leasing;
- Mortgage finance;
- Inventory finance;

- Receivables finance;
- Factoring;
- Guarantees & bonds;
- Advances against remittances & other receivables;

### Increased Flexibility by Banks…

6.9 One of the key reasons for the low volumes of bank credit to the MSME sector has been insistence by banks on using traditional and inflexible lending templates and frameworks, without taking into account the transformed financial intermediation architecture.

6.10 To increase funding to MSMEs, financial institutions need to fine-tune their risk assessment and risk management capacities and frameworks, with a view to updating and adapting them to the significantly changed macroeconomic and financial environment. The financial institution's' lending models need to be increasingly flexible, and should take account of the shortcomings and failures of SMEs, and build them into their risk management policies, as opposed to using them to deny credit to potentially viable enterprises in the small scale categories.

### Cluster Financing…

6.11 Cluster financing is one of the models that will be employed towards the development of MSMEs. The model entails the identification and grouping of MSMEs in a locality involved in similar business activities (e.g. horticulture or dairy) into a cluster. Financial packages will be tailored to the specific needs of the cluster.

### MSME Finance Policy…

6.12 The MSME Finance Policy that will be developed will provide for suitable legal, regulatory, socio-economic, political and physical infrastructure to enable both banking and microfinance institutions to avail appropriate funding to this important sector of the economy.

6.13 Further, the Policy is expected to address the financing needs of MSMEs in Zimbabwe and will cover issues such as the characteristics and importance of MSMEs, challenges to access to finance, uptake of various financial products, regulatory framework, and priority areas and policy interventions.

6.14 Financial institutions should institute programmes that promote a cultural change which promotes MSMEs through introducing new values, habits/ and or attitudes.

### Capacity Enhancement for SMEDCO…

6.15 Small and Medium Enterprises Development Corporation (SMEDCO) has over the years failed to make the envisaged positive impact in the economy largely due to inadequate funding. The Reserve Bank of Zimbabwe was mandated with the oversight of SMEDCO with effect from 2014 with the view to strengthen the institution's corporate governance and risk management framework and, therefore, enhance the institution's impact in respect of its developmental role in the economy.

6.16 The capacitation of SMEDCO and effective collaboration of relevant public and private stakeholders will be critical. Government has committed to recapitalize SMEDCO to enable it to effectively discharge its mandate.

# WOMEN FINANCIAL INCLUSION

## Current Status…

6.17 Women are largely excluded from formal financial services and yet they form the greater part (51.9%) of the population of Zimbabwe of 13.1 million (Zimbabwe Statistic Office, 2012).

6.18 The Finscope Survey of 2012 revealed that 57% of the business owners were women, and since women constitute the majority of the Zimbabwean population, financial inclusion cannot be achieved without addressing barriers to accessing financial services for women.

6.19 There is, however, need to obtain disaggregated statistical data on this phenomenon in order to ascertain the true extent of financial exclusion of women, and develop targeted strategies.

6.20 It is incumbent upon government, policymakers, regulators and private sector to address both the social and cultural barriers that prevent women from fully participating and accessing financial products and services.

## Financial Inclusion Strategies for Women…

6.21 Women require access to a range of financial products and services that cater to their multiple business and household needs and that are responsive to the socioeconomic and cultural factors that cause financial exclusion in women.

6.22 The National Financial Inclusion Strategy shall achieve financial inclusion of women through the following:

a) Establish a Revolving Women Empowerment Fund which will be availed at affordable interest rates to support projects managed by women.

b) Facilitate enhanced participation of women in the development of the country, through giving priority to potential women entrepreneurs in respect of MSME credit disbursement.

c) Strengthen women entrepreneurs' human capital by developing appropriate entrepreneurial education and training opportunities.

d) Raise awareness of financial products and financial services among women, through consumer education and financial literacy programs. This will require collaboration with various stakeholders including ministries of education, Ministry of Women Affairs and development partners.

e) Increase women's awareness of their legal rights in respect of property ownership to improve access to collateral and control over assets, which in turn will enable women to access credit and other financial services from financial institutions.

f) Build the capacity of financial institutions to better serve women entrepreneurs.

g) Consider providing incentives and specific goals for increased procurement by government of goods and services from women-owned MSMEs, as well as assist women in business to secure markets for their products.

h) Build more inclusive public-private dialogue processes by empowering women's networks to actively participate in policy dialogue.

i) Banking institutions to develop appropriate collateral substitutes in order to address the challenge of security among women borrowers.

j) The establishment of the Women's Bank being spearheaded by the Ministry of Women Affairs, Gender & Community Development will promote financial inclusion of women in the country.

k) Encourage financial institutions to conduct on-going self-assessments to determine whether their financial products and services address women's needs. Accordingly, financial institutions are encouraged to invest in enhanced disaggregated data collection systems to facilitate tracking of their performance in respect of financial inclusion of currently underserved population segments (women, youth, MSMEs, rural populace).

l) Policy-makers will invest in more gender disaggregated data collection and analysis for use by multiple stakeholders.

m) Conduct ongoing policy and market research to create an information base to facilitate informed policy interventions.

n) Risk-based implementation of AML/CFT measures by financial institutions and regulatory authorities will ensure that simplified CDD measures, including account opening requirements, continue to be adopted for customers who represent low money laundering risks, especially women.

# RURAL FINANCIAL INCLUSION

6.23 According to the Finscope Survey of 2014, seventy percent (70%) of the Zimbabwean population resides in rural areas and only 23% of the rural population is formally banked compared to 46% of the urban population.

6.24 Finscope MSME Survey of 2012 noted that rural areas account for 66% of the MSMEs in the country and of these rural businesses, 47%, are financially excluded, compared to 36% in urban areas while, 40% use informal financial products and services only. Financial exclusion is higher in the rural areas due to the following reasons:

i. long distance to the nearest access point;

ii. high cost of accessing financial products and services bank charges and stringent account opening requirements;

iii. irregular and low incomes;

iv. poor returns and lack of adequate capital; and

v. poor rural infrastructure which does not support development of these micro enterprises into sustainable large business ventures.

6.25 Access to financial services by rural populations can also be impeded when financial institutions fail to properly implement risk-based CDD / KYC measures and enforce stringent account opening requirements.

## Rural Financial Inclusion Strategies…

6.26 The National Financial Inclusion Strategy seeks to implement measures aimed at improving financial access in rural areas by ensuring the building of sustainable financial institutions and increased presence of formal financial institutions in the rural communities.

6.27 Financial institutions serving rural areas should design products and lending methodologies suitable for the rural population and should explore the group lending approach particularly in the rural areas where the sense of belonging to the community is an important factor to the performance of a borrowing member in a group. Such a model has been instrumental in rural development in some developing countries. Similar models can be used to promote access to other financial products such as insurance and investment products.

6.28 In addition to consumer education programs that will be embarked on, the Reserve Bank in collaboration with financial institutions and other stakeholders, will work on increasing access points in rural areas.

### Small-Scale Agriculture Financing

6.29 Zimbabwe is an agro-economy with agriculture contributing about 12% of the country's GDP in 2014 and more than 60% of inputs to the manufacturing sector.

6.30 In the premises, food security, employment creation and poverty alleviation are closely related with the development of agriculture. Access to financial services particularly by smallholder farmers, however, remains a major bottleneck to agricultural performance in Zimbabwe.

6.31 Access to adequate financial services for all types of agricultural producers and agri-businesses, complemented by other measures, will have a significant positive impact on economic growth and development.

6.32 The targeted financing schemes for agriculture and rural areas which have been implemented in the country in the past have not been effectively coordinated, or lacked clear guidelines for implementation, or failed in the implementation phase hence the impact of such initiatives has been limited.

6.33 The proposals in this Strategy are aimed at addressing identified deficiencies to enable the realization of significant positive impact of financing packages that will be availed going forward.

### Funding Package for Agriculture…

6.34 Government, the Reserve Bank of Zimbabwe, and financial institutions will establish a revolving fund, with the assistance of international development financial institutions, to finance agricultural activities with greater focus on smallholder farmers, which are currently largely financially excluded.

6.35 Loans to agriculture will be provided at affordable interest rates, and credit enhancement schemes (collateral substitutes) will be used to cushion participating financial institutions' risk.

6.36 Tailored capacity building programs for both those accessing finance and the participating financial institutions will be implemented to ensure success of the initiatives. The capacity building program for financial institutions will equip them with the appropriate skills to profitably lend to smallholder farmers and other agri-businesses through innovative products such as value chain finance. Farmers require skills to enhance their bankability and enable them to fully benefit from access to financial services.

6.37 The project management approach will be adopted to promote effective implementation of the initiatives and monitoring and evaluation of the impact. The approach will promote commitment of all the stakeholders involved and ensure that risks and risk mitigation measures are prospectively identified. Monitoring and evaluation is critical in ensuring that targets are tracked and measures are taken in a timely manner to address weaknesses.

6.38 Stakeholders including the Reserve Bank of Zimbabwe, Ministry of Agriculture, Mechanisation and Irrigation Development, Ministry of Lands & Rural Resettlement, Ministry of Environment, Water and Climate, financial institutions, and development agencies will collaborate under the Strategy to ensure that appropriate and coordinated actions are implemented to enhance rural and agricultural finance in Zimbabwe through innovative financing and insurance models.

## FINANCIAL INCLUSION OF THE YOUTH

6.39 The youth, in Zimbabwe and in developing countries generally are disproportionately affected by high levels of unemployment largely explained by low levels of financial inclusion. Youth are excluded from formal financial services largely due to negative stereotypes, as they are considered high risk- takers, cannot provide collateral, have limited business and life experience and lack a track record or credit history. This is in addition to the other demand-side constraints affecting all consumers of financial services.

6.40 Access to financial services could help youth become economically active, start their own enterprises, finance education, and engage productively within their communities. These benefits to the youth also have a huge positive impact to society at large, as it results in poverty alleviation and economic growth.

### Financial Inclusion Strategies for Youth…

6.41 Financial inclusion for the youth shall be achieved through the following:

a) Incorporation of financial literacy programs for the youth in the National Financial Literacy Strategy. This will entail incorporation of and making mandatory, financial literacy programs and courses in primary, secondary and tertiary education levels;

b) Establishment of a youth empowerment window by all financial institutions that develop innovative products which address the special needs of youths;

c) The capacitation of vocational training centers across the country to ensure well trained graduates are in a position to apply their knowledge on start-ups.

d) Ensuring that regulatory frameworks and policies are youth friendly and protective of youth rights in order to increase youth financial inclusion; and

e) Banking institutions to develop appropriate collateral substitutes in order to address the challenge of security among youth borrowers.

## SPECIFIC ACTIVITIES TO MEET THE TARGETS

### Consumer Protection & Financial Literacy

6.42 The World Bank Consumer Protection and Financial Literacy diagnostic review conducted in 2014, noted gaps in the financial consumer protection framework in Zimbabwe. The deficiencies include limited capacity and resources in all the financial sector regulatory and supervisory authorities and lack of explicit mandate for consumer protection matters. Significant gaps on disclosure requirements for financial services providers in Zimbabwe were also noted.

6.43 Adequate protection of consumers of financial products and services promote confidence in the financial system.

6.44 Best practice recommends the development of specific laws relating to financial consumer protection regulation, separate from the general consumer protection framework. In line with best practice, the Banking Amendment Act No. 12 of 2015 incorporates provisions empowering the Reserve Bank to conduct consumer protection supervision.

6.45 The Reserve Bank is implementing a number of measures aimed at protecting consumers of financial services offered by financial institutions under its purview. These include consumer education programs, and issuance of guidance to banking institutions and payment system providers on acceptable conduct and practices.

6.46 Going forward, there will be enhanced collaboration of financial sector stakeholders to put in place a comprehensive and harmonized legal and regulatory framework for financial consumer protection, including market conduct supervision.

6.47 The Bankers Association of Zimbabwe will be required to play an active role in ensuring the adherence and compliance to the Code of Banking Practice by its members in line with the principles of fairness and transparency.

6.48 The Reserve Bank will also closely collaborate with the Zimbabwe Association of Microfinance Institutions to promote standardization of business conduct and for ease of information dissemination.

### Financial Literacy / Capability

6.49 The World Bank review revealed low financial literacy levels in Zimbabwe notwithstanding high general literacy rate. This status quo is largely a result of the uncoordinated approach to financial literacy initiatives by public and private sector stakeholders to date. Further, school curricula currently do not adequately promote sound understanding of financial matters at an early age.

6.50 High levels of financial literacy and capability complements a strong financial consumer protection framework. Financially literate customers are able to effectively and responsibly interface with providers of financial services. They will have the necessary knowledge and understanding to make informed decisions, which builds confidence in the financial sector.

6.51 The development of a coordinated national financial literacy framework is, therefore, a priority area of this financial inclusion strategy.

6.52 This will entail designing appropriate financial literacy programs for various target groups. Further, financial literacy will be incorporated in school curricula to inculcate the principles from an early age.

6.53 The framework will also ensure that various consumers of financial products are empowered to responsibly interface with financial institutions as well as enforce their rights.

6.54 The availability of information is critical in facilitating inclusion of all Zimbabweans in economic activities, particularly those in remote areas. In this regard, information centres will be established in the various districts of the country. Information and services that should be accessible from the centres include remittances, financial information, and information on health, agriculture and markets. This will have far reaching implications on productivity in agriculture, employment creation, rural sector development and financial inclusion.

6.55 The information centres may also be used by financial institutions as agents in their operations.

### Microfinance Institutions

6.56 Studies worldwide have indicated that microfinance institutions contribute significantly to the financial inclusion of the poor and low-income households through ease of access and proximity of the microfinance products and services to the target market. Microfinance institutions have a very strong presence among the poor and marginalized groups, and are able to reach portions of the population that have relatively weak literacy rates, and no access to formal mainstream financial services.

6.57 The ability of microfinance institutions to reach a wider audience through micro-finance products, places microfinance high on the financial inclusion agenda.

6.58 However, it has been noted that the microfinance industry has not been able to realize its full potential and make meaningful contribution to sustainable economic development largely due to a number of challenges already highlighted including lack of adequate funding, lack of capacity, high default rates, and issues of sustainability.

6.59 The National Financial Inclusion Strategy provides for a number of activities that will be undertaken in the microfinance industry in order to address these challenges and facilitate the promotion of and provision of diversified, sustainable, affordable and easily accessible financial services for the empowerment of low income households and micro, small and medium enterprises in line with best practices.

6.60 These activities will include inter alia:

i. A review of the existing microfinance policies and development of new microfinance policies in line with developments in the economy and the national financial inclusion thrust;

ii. Capacity building initiatives to adequately build microfinance capacity in the sector, and ensure adoption of international best practices that enhance the performance of microfinance institutions;

iii. Build confidence in the microfinance industry through promotion of professionalism, integrity and accountability in the sector, and adoption of good corporate governance practices and standards;

iv. Engage microfinance institutions to develop innovative value-chain financial products and services in order to provide financial services to the micro, small, and medium, enterprises, and in line with the ZIMASSET thrust on value-addition;

v. Urge microfinance institutions to leverage on mobile technology in order to expand their outreach;

vi. Promotion of a diversified portfolio of microfinance products and services including micro-insurance, micro-housing, micro-savings and micro-credit, and linkages with mainstream financial institutions;

vii. Engagement of various microfinance stakeholders in the promotion of financial literacy among the microfinance clients, the poor, low-income households, and currently marginalized demographic groupings such as women, youth and the MSMEs; and

viii. Continuous evaluation and impact assessment of provision of microfinance products and services on the poor, the marginalized and vulnerable groups, and low-income households.

6.61 On an ongoing basis, microfinance institutions should aim to continuously improve on their systems, governance structures and performance in order to attract and access cheaper sources of funding, including funding from microfinance wholesale facilities.

6.62 These developments are expected to improve effectiveness of the microfinance sector and in the process, boost confidence in the microfinance sector.

### Micro-Insurance

6.63 Micro-insurance enables protection of low-income people against specific perils in exchange for regular premium payment proportionate to the likelihood and cost of the risks involved. These risks include accident, illness, death in the family and natural disasters.

6.64 Micro-insurance is a new concept in Zimbabwe and hence there is opportunity for growth. According to the 2014 Finscope Survey, uptake of insurance services is still very low, as only 30% of adults have insurance cover largely in the form of funeral and medical insurance. The main barriers to the uptake of insurance are unaffordability and lack of knowledge on how insurance products work and their benefits.

6.65 There is need to develop policies and operational guidelines to be followed by insurance companies in developing appropriate and affordable micro- insurance products.

6.66 Further, there is need to develop consumer education programs to create awareness on the importance of micro-insurance products and services to the low income groups and for market players to be innovative and introduce products such as group insurance.

### Low Cost Accounts

6.67 One of the key elements of financial inclusion is availability of financial products and services at a cost that is affordable to consumers. High bank charges and high minimum balance requirements are the major causes for the low uptake of banking products and services, particularly for low income groups.

6.68 The Finscope Survey of 2014 noted a poor savings culture in Zimbabwe with 53% of the adult population not saving at all, a deterioration from 37% in 2011. In addition, only 10% of the adult population use bank savings products. The majority of those who save use informal savings products and mechanisms whilst some keep their monies at home.

6.69 It is, therefore, critical that banking institutions and deposit-taking microfinance institutions avail low cost accounts to low income groups. The low cost accounts should be designed in a manner that suits the needs of the low income groups and must also have attractive interest rates to promote savings.

### Simplified KYC /CDD Requirements for Low Risk Customers

6.70 In line with international standards, Zimbabwe implements a set of Anti Money Laundering and Counter Financing of Terrorism (AML/CFT) Standards designed to ensure that cases of money laundering, financing of terrorism and other criminal activities are deterred and / or detected.

6.71 AML/CFT requirements are important in safeguarding the integrity of the financial sector, by ensuring that criminals do not abuse and misuse financial services for purposes of cleaning-up illicitly acquired funds.

6.72 Many of the financially excluded segments of the population fall into the low risk category. As such, there is recognition that such customers should not be subjected to the stringent standard KYC /CDD requirements, but should instead be given the benefit of simplified account-opening requirements.

6.73 Regulatory authorities will continue to ensure appropriate implementation of risk-based KYC / CDD requirements by financial institutions through ongoing orientation programs. Financial institutions are also expected to be innovative in coming up with low-risk financial products and services that promote financial inclusion.

### Credit Reference System…

6.74 Formal lending institutions rely to a large extent on credit history of borrowers. The unavailability of robust credit information sharing systems has constrained access to credit, particularly for low income groups.

6.75 Establishment of a robust credit reference system, which is scheduled for completion during the course of 2016, will address the problem of information asymmetry between borrowers and lenders, which led to adverse selection, credit rationing, and moral hazard problems. This will result in enhanced access to finance by low income households and MSMEs at affordable costs, as credit information will be readily available.

6.76 As part of consumer education, stakeholders will create awareness of the credit reference system.

### Collateral Registry…

6.77 The low income groups including MSMEs are failing to access credit facilities largely due to lack of requisite collateral such as immoveable property that mainstream lenders (financial institutions) require as security.

6.78 As such, these economic agents find themselves with “dead capital”, in the form of moveable assets which they are unable to utilize as collateral. Experience elsewhere has shown that establishment of a collateral registry enables low income groups to leverage their moveable assets to obtain credit.

6.79 The work towards the establishment of the collateral registry commenced in 2015 and the registry is expected to be functional by the end of 2016.

6.80 To promote effectiveness and usage of the registry, stakeholders will create awareness of the benefits of using the collateral registry.

### Credit Enhancement Programs…

6.81 Government and development institutions, have in certain instances, established credit enhancement programs such as credit guarantee schemes to assist MSMEs overcome credit worthiness challenges thereby enabling them to access credit at affordable cost.

6.82 Government and relevant stakeholders will from time to time put in place credit enhancement schemes to prop up the inclusion of currently marginalised segments.

### Micro-Housing Finance…

6.83 Micro-housing lending which is the provision of small loans to low income households for a wide range of housing activities including, but not limited to renovations, construction of new structures and acquisition of land, has direct positive impact on the socio-economic status of the poor and low income households.

6.84 In Zimbabwe, access to housing loans by low income households has generally been a challenge. The introduction of micro-housing credit will enable the low income households to own houses which may further be used as collateral to access substantial business loans from commercial banks.

6.85 In this regard, there is need for development of housing finance products that target the low income groups which have been traditionally excluded from the mainstream housing finance market.

6.86 Financial institutions and other stakeholders will collaborate to expand the provision of micro-housing loans to low income groups.

### Uptake of Capital Market Products and Services…

6.87 The 2014 FinScope Survey noted that 99% of the Zimbabwean population do not invest in formal investment products largely due to lack of awareness and education, and limited disposable income.

6.88 There is need for capital market regulators and stakeholders to come up with comprehensive consumer education programs to raise awareness on capital market products, including exploring the use of group investment schemes such as unit trusts, which allow for small investors to participate in capital markets.

### Infrastructure Development…

6.89 Financial institutions and mobile network operators are continuously urged to ensure interoperability of their different platforms and share infrastructure, while competing on service delivery. This promotes efficient utilization of scarce resources and lower cost of provision of financial services to the consumers.

6.90 In the case of large infrastructure projects which require huge funding, the Government may engage in BOOT (build, own, operate and transfer), BOT (build, operate and transfer) or public-private partnership arrangements backed with transparent legal and regulatory framework. This may include tax incentives/holidays and indigenization credits to make investments attractive.

6.91 There is also need for ongoing review of regulatory framework for financial infrastructure, including payment systems to ensure smooth functioning of the systems and adequate protection of users.

### Specific Targets…

6.92 In view of the foregoing the table below provides a summary of the proposed financial inclusion initiatives, target implementation dates and the responsible stakeholders.

**Table 5: Summary of the Proposed Financial Inclusion Initiatives**

| MEASURES | TARGET IMPLEMENTATION DATE | RESPONSIBLE STAKEHOLDER |
|---|---|---|
| **MSME Financial Inclusion Strategies** | | |
| To have 85% of the MSMEs formally registered with the Companies Registry | Currently on-going by 31 December 2020 | Ministry of MSMEs |
| Improve the proportion of financially included MSMEs to 80%. | 31 December 2020 | Financial Sector Regulators,<br>Financial Institutions |
| Ensure that at least 80% of the MSMEs have a formal bank account in the name of the business. | 31 December 2020 | Reserve Bank, Financial Institutions, Ministry of Small & Medium Enterprises and Co- operative Development, and MSMEs industry associations. |
| Develop and issue MSME Financing Policy | 30 September 2016 | Reserve Bank, Financial Institutions, Ministry of Small & Medium Enterprises and Co- operative Development, and MSMEs industry associations. |
| USD10 million SME Fund for Exporters | 31 December 2016 | Reserve Bank<br>Ministry of SMEs & Cooperative Development<br>Ministry of Finance & Economic Development |

| MEASURES | TARGET IMPLEMENTATION DATE | RESPONSIBLE STAKEHOLDER |
|---|---|---|
| Establishment of dedicated MSME business unit by every banking institution, which should be adequately capacitated | 30 June 2016 | Reserve Bank<br>Banking institutions |
| Banking institutions to set their annual target lending to MSMEs categorised by gender, enterprise size and business sector among other variables, and submit their targets to the Reserve Bank | 30 June 2016 | Reserve Bank<br>Banking institutions |
| Recapitalize SMEDCO to enable it to effectively discharge its mandate | 31 December 2016 | Ministry of Small & Medium Enterprises and Co-operative Development<br>Ministry of Finance and Economic Development |
| Identification of clusters that can be nurtured throughout all the districts of the country by SMEDCO | 31 December 2016 | Ministry of Small & Medium Enterprises and Co-operative Development SMEDCO, RBZ, ZAMFI, Banking Institutions |
| Identification of clusters that can be nurtured throughout all the districts of the country by SMEDCO | 31 December 2016 | Ministry of Small & Medium Enterprises and Co-operative Development<br>SMEDCO, RBZ, ZAMFI,<br>Banking Institutions |
| Construction of infrastructure for SMEs (factory shells, technology centres, etc.) | 31 December 2016 | IDBZ<br>SMEDCO<br>Ministry of SMEs & Cooperative Development<br>Reserve Bank |
| SME Financing workshops to capacitate lending institutions | 30 June 2016 and ongoing | Reserve Bank<br>Banking Institutions<br>Development Partners<br>ZAMFI |
| Capacity building programs implemented by banks, SMEDCO, and other stakeholders for MSMEs. | Ongoing | Reserve Bank<br>Banking Institutions<br>Ministry of SMEs & Cooperative Development |

| MEASURES | TARGET IMPLEMENTATION DATE | RESPONSIBLE STAKEHOLDER |
|---|---|---|
| Financial and consumer education programs. | On-going | Financial sector regulators<br>Ministry of Small & Medium Enterprises and Co-operative Development<br>Ministries of Education, and tertiary institutions |
| Strengthening the linkages and relationship of the MSMEs to industry associations. | On-going | Ministry of Small & Medium Enterprises and Co-operative Development<br>Ministry of Industry and Commerce<br>Industry Associations |
| **Financial Inclusion Strategies for Women** | | |
| Raise awareness of financial products and financial services among women - to be dealt with under the National Financial Literacy Framework / Strategy | 30 September 2016 and ongoing | Reserve Bank<br>Financial sector regulators<br>Consumer Council of Zimbabwe<br>Ministries of Education<br>Financial Institutions women lobby groups<br>women in business association<br>Ministry of Women Affairs, Gender and Community Development |
| Banking institutions to establish separate 'Women Entrepreneurs' Dedicated Desks'. | 30 June 2016 | Reserve Bank<br>Banking institutions<br>New Faces New Voices (NFNV) |

| MEASURES | TARGET IMPLEMENTATION DATE | RESPONSIBLE STAKEHOLDER |
|---|---|---|
| Assist women in business to secure markets for their products | Ongoing | Ministry of Industry and Commerce<br>Zimtrade,<br>Ministry of Women Affairs |
| Provide incentives and specific goals for increased procurement by government of goods and services from women-owned enterprises (specifically women-owned SMEs), | 31 December 2017 | Ministry of Industry and Commerce<br>Zimbabwe Investment Authority<br>Ministry of Women Affairs, Gender and Community Development<br>Women lobby groups |
| Build the capacity of financial institutions to better serve women entrepreneurs. | Ongoing | Financial sector regulators<br>women lobby groups, and<br>Ministry of Women Affairs, Gender and Community Development |
| **Youth Financial Inclusion Strategies** | | |
| Implement Revolving Youth Empowerment Funds | On-going | Reserve Bank<br>Financial Institutions<br>Ministry of Finance and Economic Development<br>Ministry of Youth, Indigenization, and Economic Empowerment<br>Youth organizations |
| **Agriculture and Rural Financial Inclusion Strategies** | | |
| Increase access points in rural areas to less than 5 kilometres from an access point through low-cost bank branch models, agent banking and combined with mobile and electronic delivery channels. | 31 December 2020 | Financial sector regulators<br>Financial institutions<br>Mobile Network Operators |
| Incorporation of financial literacy programs for the rural population in the National Financial Literacy Strategy | 30 September 2016 | Financial sector regulators<br>Consumer Council of Zimbabwe<br>Ministries of Education<br>Ministry of Youth Development, Indigenisation and Empowerment<br>youth lobby groups |

| MEASURES | TARGET IMPLEMENTATION DATE | RESPONSIBLE STAKEHOLDER |
|---|---|---|
| Develop and issue an Agricultural & Rural Finance Policy | 30 September 2016 | Reserve Bank<br>Ministry of Agriculture, Mechanization & Irrigation Development |
| Establish a Revolving Fund for:<br>Production of maize and small grains;<br>Input support schemes<br>Establishment and rehabilitation of irrigation infrastructure<br>Value chain financing | 30 June 2017 | Reserve Bank<br>Ministry of Agriculture, Mechanization & Irrigation Development<br>Ministry of Lands & Rural Development<br>Seed Houses |
| Implementation of warehouse receipt system to enhance access to finance by small-holder farmers. | 31 December 2016 | Reserve Bank<br>Financial Institutions<br>Ministry of Agriculture, Mechanisation & Irrigation Development<br>Agricultural Marketing Authority<br>Ministry of Finance |
| Facilitate development of appropriate agricultural insurance products. | 31 December 2016 | IPEC<br>Reserve Bank<br>Financial institutions<br>MNOs |
| Capacitation of AMA and resuscitation of commodity exchange. | 31 December 2016 | Ministry of Agriculture Mechanization & Irrigation Development<br>SECZ |

| MEASURES | TARGET IMPLEMENTATION DATE | RESPONSIBLE STAKEHOLDER |
|---|---|---|
| **Consumer Protection and Financial Literacy** | | |
| Develop a comprehensive and harmonized legal and regulatory framework for financial consumer protection, including market conduct supervision | 31 December 2016 | Financial Sector Regulators |
| Develop a National Financial Literacy Framework / Strategy in conjunction with other stakeholders | 30 September 2016 | Financial sector regulators<br>Consumer Council of Zimbabwe<br>Ministries of Education |
| Issue Consumer Protection Guideline | 31 March 2016 | Reserve Bank |
| **Microfinance institutions and Savings and Credit Cooperative Societies (SACCOs)** | | |
| Conduct countrywide microfinance sector survey to identify MFI activities, challenges and gaps in order to enhance their contribution to financial inclusion agenda. | 30 September 2016 | Reserve Bank<br>Ministry of Small & Medium Enterprises and Co-operative Development<br>Ministry of Women Affairs, Gender and Community Development |
| Development of training or capacity building material for MFIs and SACCOs | 31 December 2016 | Financial Sector Regulators<br>Bankers Association of Zimbabwe<br>ZAMFI |
| Implementation of capacity building initiatives | 31 December 2016 | RBZ, IPEC, SEC, MAC, ZAMFI, BAZ, Consumer Council of Zimbabwe |
| Adoption of good corporate governance structures and practices in the microfinance sector | Ongoing | Financial Sector Regulators, MAC, BAZ and developmental partners |
| Development of new innovative value-chain products and services | Ongoing | MFIs<br>banks<br>financial sector regulators<br>MNOs |
| Promulgation of SACCOs Act | 31 December 2016 | Ministry of Small & Medium Enterprises and Co-operative Development (MSMECD)<br>Reserve Bank |
| Develop Framework for Prudential Regulation of SACCOs | 31 December 2017 | Ministry of Small & Medium Enterprises and Co-operative Development |

| MEASURES | TARGET IMPLEMENTATION DATE | RESPONSIBLE STAKEHOLDER |
|---|---|---|
| **Micro-Insurance** | | |
| Develop policies and operational guidelines to be followed by insurance companies in developing appropriate and affordable micro-insurance products. | 31 December 2016 | IPEC<br>Financial Institutions<br>Insurance Companies |
| Develop consumer education programs to create awareness on the importance of micro-insurance products and services to the low income groups. | 31 December 2016 | IPEC<br>Financial Institutions<br>Insurance Companies |
| Improve the proportion of formally insured MSMEs from the current 5% to 30% by 2020. | 31 December 2020 | IPEC<br>Financial Institutions<br>Insurance Companies<br>Ministry of Small & Medium Enterprises and Co-operative Development<br>MSMEs industry associations |
| **Credit Reference System** | | |
| Establishment of a robust credit reference system | 31 December 2016 | Reserve Bank<br>Financial institutions<br>Private Credit Reference Bureaus |
| Create awareness of the credit reference system | 31 December 2016 | Reserve Bank<br>Financial institutions<br>Private Credit Reference Bureaus |
| **Collateral Registry** | | |
| Establish a Collateral Registry | 31 December 2016 | Reserve Bank<br>other financial sector regulators<br>Financial institutions |
| Create awareness of the Collateral Registry | 31 December 2016 | Reserve Bank,<br>other financial sector regulators<br>Financial institutions |

| MEASURES | TARGET IMPLEMENTATION DATE | RESPONSIBLE STAKEHOLDER |
|---|---|---|
| **Credit Enhancement Programs** | | |
| Strengthen ECGC capacity to offer credit enhancement programs<br><br>Revive Credit Guarantee Company | 31 December 2016 | Reserve Bank<br><br>ECGC<br><br>Insurance Companies<br><br>Ministry of Finance and Economic Development<br><br>Financial Institutions<br><br>Developmental partners |
| **Micro-Housing Finance** | | |
| Development of micro –housing finance products that target the low income groups | 31 December 2016 | Reserve Bank<br><br>Developmental partners<br><br>Financial institutions<br><br>other stakeholders |
| **Uptake of Capital Market Products and Services** | | |
| Incorporation of capital market products and services in the National Financial Literacy Strategy. | 31 September 2016 | Financial sector regulators |
| Develop a robust consumer protection framework for capital markets consumers | 31 December 2016 | SECZ |
| **Payment Systems** | | |
| Issue<br><br>Electronic Payments Guideline<br><br>Recognition Criteria<br><br>Oversight Framework | 31 December 2016 | Reserve Bank |
| Review of the NPS and Bills of exchange (BOE) Acts | 31 December 2016 | MoF and Reserve Bank |
| Issue revised Payment System Framework and Strategy 2016-2020 | 31 December 2016 | Reserve Bank<br><br>Banks<br><br>Payment system providers<br><br>key stakeholders |

| MEASURES | TARGET IMPLEMENTATION DATE | RESPONSIBLE STAKEHOLDER |
|---|---|---|
| Promote interoperability and sharing of infrastructure efforts. | On- going | Reserve Bank<br>Banks<br>Payment system providers<br>other Regulators |
| Extend network coverage to remote areas currently not covered by any MNO through installation of shared base stations. | On going | POTRAZ<br>MNOs<br>Payment system providers |
| Promote increase and spread of payment system access channels/devices (POS, ATMs, agents) | On going | Reserve Bank<br>Banks<br>Payment system providers |
| **Other Initiatives** | | |
| Promotion of low cost accounts and tiered approach to know-your-customer requirements to low income groups | Ongoing | Reserve Bank<br>Banking Institutions<br>Deposit Taking MFIs<br>Deposit Protection Corporation |
| Issue Agent Banking Guideline | 30 September 2016 | Reserve Bank<br>Banking Institutions |
| Establishment of information centres in the various districts of the country | 31 December 2016 | Financial sector regulatory auhorities<br>Government Ministries<br>Development Partners |

# 7. MONITORING AND EVALUATION FRAMEWORK

7.1 The successful implementation of the national strategy for inclusive finance in Zimbabwe will depend on the capacity, commitment and cooperation of the various stakeholders involved. Regular interactions and exchange of information among stakeholders is essential for proper implementation of the strategy.

7.2 The monitoring and evaluation framework will provide a tracking system to evaluate the pace and progress of financial inclusion in Zimbabwe by assessing the implementation of plans of action using financial inclusion indicators.

7.3 According to AFI, financial inclusion may be measured along four (4) main dimensions, as follows:

### Core indicators…

a) Accessibility: relate to financial institutions' capacity to provide financial services and products within the context of the regulatory, market, and technology environments. In this regard, access indicators reflect the depth of outreach of financial services, such as penetration of bank branches or point of sale devices in rural areas or demand-side barriers that customers face in accessing financial services and products.

b) Usage: measures the extent to which clients use financial services, including regularity and duration of financial product/service over time (e.g. average savings balances, number of transactions per account, number of electronic payments made).

### Secondary Indicators…

a) Quality of the services: reflects the degree to which financial products and services match clients' needs, the range of options available to customers, and clients' awareness and understanding of financial products. Convenience, product-fit, transparency, safety, consumer protection, and financial capability considerations are embedded in these measures;

b) Welfare indicators: are used to assess and understand the extent to which financial inclusion impacts households' and firms' outcomes, such as firm level performance or human capital investments.

7.4 The tracking system will be in two parts, namely monitoring of progress and evaluation of the impact of the various financial inclusion initiatives.

7.5 Monitoring will be through an on-going process by which stakeholders will obtain regular feedback on the progress being made towards attainment of financial inclusion goals and objectives and determining new strategies and actions that need to be taken.

7.6 Evaluation will be independent and objective assessment, conducted by independent consultants, to determine level of attainment of stated financial inclusion goals and objectives, which will contribute to strategy review.

7.7 Reporting, that is the systematic and timely provision of essential information at periodic intervals, is an integral part of the financial inclusion monitoring and evaluation framework for Zimbabwe.

7.8 Generated reports will provide feedback on progress towards achievement of financial inclusion targets and will cover issues such as findings, conclusions, recommendations and lessons from experiences.

7.9 Monitoring and evaluation will be based on core indicators highlighted in the table below:

### Table 6: Key Accessibility, Usage and Quality Indicators

| Dimension | Indicator | Computation | Measurement Frequency |
|---|---|---|---|
| **Access** | Number of ATMs per 100,000 adults | Number of bank ATMs<br>100,000 | Quarterly |
| | Number of branches per 100,000 adults | Number of bank branches<br>100,000 | Quarterly |
| | Number of POS per 100,000 adults | Number of bank POS<br>100,000 | Quarterly |
| | Number of Agencies per 100,000 adults | Number of Agencies<br>100,000 | Quarterly |
| | Percentage of women with e-money accounts | Number of Women<br>Total number of e-money accounts | Quarterly |

| | | | |
|---|---|---|---|
| Usage | Proportion of the adult population with some kind of insurance product | Number of Adults with insurance<br><br>Adult population | Quarterly |
| | Proportion of SMEs with some kind of insurance product | Total number of SMEs with insurance<br><br>Total number of registered SMEs | Quarterly |
| | Proportion of women with some kind of insurance product | Number of Women with insurance<br><br>Total adults with insurance | |
| | Proportion of SMES with a deposit account at a formal financial institution | Number of SMEs with deposit accounts<br><br>Total deposit accounts | Quarterly |
| | Percentage of women owned SMEs with a bank account | Number of Women SMEs with deposit accounts<br><br>Total deposit accounts | |
| | Percentage of women owned SME with an outstanding loan at a regulated financial institution | Number of Women SMEs with outstanding loans<br><br>Total Loan accounts | |
| | Adults with an account at a formal financial institution | Number of deposit accounts Total adult population | Quarterly |
| | % of women with a bank account | Number of women with deposit accounts<br><br>Total adults with deposit accounts | Quarterly |
| | Proportion of the adult population with an active mobile wallet account | Number of adults with an active mobile wallet<br><br>Total number of adults | Quarterly |
| | Loans to women as a percentage of total loans | Total Loans to women<br><br>Total loans | Quarterly |
| | Women borrowers as percent of total borrowers | Number of women borrowers<br><br>Total number of Borrowers | Quarterly |
| Quality | % of complaints resolved | Number of resolved complaints<br>Total number of Complaints | Quarterly |
| | Percentage of women required to provide collateral on their bank loan | Number of women required to provide collateral<br><br>Total number of Borrowers | Quarterly |
| | Products and services tailor made for women | Number of products tailor-made for women<br><br>Total number of New Products | Quarterly |

# 8. STAKEHOLDER ROLES AND RESPONSIBILITIES

8.1 Successful implementation of the national strategy on financial inclusion for Zimbabwe will require stakeholders to take ownership of the deliverables under their purview.

8.2 Thematic working groups will be constituted to spearhead implementation of initiatives in the key areas of the Strategy.

8.3 Effective implementation of financial inclusion strategies calls for a market systems approach. This entails an appreciation of the various stakeholders, their roles, and the rules and norms that underpin the proper functioning of the market.

8.4 Stakeholders identified to be key to the successful implementation of the National Financial Inclusion Strategy for Zimbabwe include financial institutions, government ministries, government agencies, regulatory bodies, development partners, mobile network operators and business associations/networks.

**Table 7: Stakeholder Roles and Responsibilities**

| Categories | Institutions | Main Tasks |
|---|---|---|
| **Secretariat** | Reserve Bank of Zimbabwe – Bank Supervision | • RBZ to spearhead the development of the NFIS.<br>• Store information on Financial Inclusion database in Zimbabwe and global trends in Financial Inclusion.<br>• Coordinate data collection from regulators and other institutions.<br>• Consolidation of information to enable comprehensive monitoring.<br>• Track and monitor progress on Financial Inclusion targets.<br>• Prompt aggregation of data received from regulators<br>• Follow-up and close monitoring to ensure that each regulator delivers accurate data when due.<br>• Committee meetings<br>• Circulate minutes and reports and monitor the fulfilment of action items. |

| | | |
|---|---|---|
| **Regulatory Authorities** | Reserve Bank of Zimbabwe | • Create an enabling environment for competition between operators in each sector whilst protecting consumer interests.<br>• Ensure that regulatory and supervisory frameworks that support Financial Inclusion initiatives are in place.<br>• Improve the legal, regulatory and supervision framework of institutions under jurisdiction.<br>• Creation of an institutional framework with clear lines of accountability and co- ordination within itself; and also encourage consultation across multiple stakeholders.<br>• Provide advice to various government ministries on technical issues to support financial inclusion initiatives.<br>• Ensure implementation of a comprehensive and coordinated approach to financial consumer protection. |
| | Insurance and Pensions Commission | |
| | Securities & Exchange Commission of Zimbabwe | |
| | Deposit Protection Corporation | |
| | Postal & Telecommunication Regulatory | |
| **Government Ministries** | Ministry of Finance & Economic Development | • Cultivate a broad-based government commitment to financial inclusion. |
| **Government Ministries** | Ministry of Information, Communication Technology, Postal and Courier Services | • Promote technological and institutional innovation as a means to expand financial system access and usage. |
| | Ministry of Agriculture, Mechanisation and Irrigation Development | • Facilitate implementation of agriculture related policies and initiatives |
| | Ministry of Lands & Rural Resettlement | • Facilitate implementation of rural development policies |
| | Ministry of Primary & Secondary Education;<br>Ministry of Higher and Tertiary Education, Science and Technology | • Implement policy to engender financial literacy and financial capability programs amongst the citizenry. This includes ensuring schools and college curricula incorporates financial literacy programs.<br>• Collaborate in the implementation of financial education activities |
| | Ministry of Small & Medium Enterprises and Cooperatives Development | • Promote use of formal banking services by members.<br>• Promote empowerment of women and other marginalized groups |
| | Ministry of Women Affairs, Gender & Community Development | |
| | Ministry of Youth | |

| | | |
|---|---|---|
| **Government Agencies** | Zimbabwe National Statistics Agency (ZIMSTAT)<br>Zimbabwe Economic and Policy Research Unit<br>Consumer Council of Zimbabwe<br>Small and Medium Enterprises Development Corporation | • Provide up to statistics on financial inclusion.<br>• Provide statistic on demographic trends<br>• Crafting economic policies and provide researches in financial inclusion issues.<br>• Providing consumer education in financial inclusion issues.<br>• Provide up to date data on individual and SME borrowers.<br>• Provide training on financial literacy issues |
| **Financial Institutions** | Financial Sector Institutions | • Overcoming geographical gap through provision of innovative and low cost financial services delivery channels. |
| **Telecommunications Companies** | Mobile Network Operators | |
| **Development partners, and consulting Agencies** | Finmark Trust<br>Alliance for Financial Inclusion<br>World Vision<br>World Bank<br>DFID<br>USAID<br>Making Finance Work for Africa<br>FinMark Trust Zimbabwe<br>Microfinance Fund<br>Zimbabwe Agricultural Development Trust<br>GIZ HIVOS | • Provision of technical and financial support.<br>• Coordinate with each other and also with Government in the support offered.<br>• Provide technical and financial assistance for the implementation of the financial inclusion strategy<br>• Monitor the implementation of the Financial Inclusion Strategy<br>• Facilitate peer learning on financial inclusion<br>• Provide a knowledge base for financial inclusion<br>• Conduct surveys and provide data on financial inclusion |

| | | |
|---|---|---|
| **Associations and Networks** | Bankers Association of Zimbabwe | • Represent members' ideas on financial inclusion issues.<br>• Ensure transmission of information between members of Associations and the regulatory authorities. |
| | Zimbabwe Association of Microfinance Institutions | |
| | Association of Investment Managers of Zimbabwe | |
| | Association of Stockbrokers | |
| | Insurance Council of Zimbabwe | |
| | Life Offices Association | |
| | Zimbabwe Insurance Brokers Association | |
| | Zimbabwe Association of Funeral Assurers | |
| | Zimbabwe Institute of Loss Assessors | |
| | Zimbabwe Association of Pension Funds | |
| | National Association of Savings & Credit Unions of Zimbabwe | |

### Communication Strategy

8.5 Effective communication of initiatives is critical for the successful implementation of the National Financial Inclusion Strategy.

8.6 In addition to enabling all implementing stakeholders keep abreast of progress, effective communication will also facilitate support and buy-in of beneficiary target groups.

8.7 Effective communication among implementing stakeholders shall include:

i. Timely submission of returns and/or reports to the Secretariat in the stipulated format;

ii. Attending meetings and sharing updates as and when required; and

iii. Timely updating of the Secretariat on any challenges that may pose risk to achieving set targets.

8.8 Communication of the various initiatives flowing from the National Financial Inclusion Strategy to relevant stakeholders will be guided by the steps indicated in the table below.

**Table 8: Communication Strategy Steps**

| | Step | Comments / Description |
|---|---|---|
| 1. | Defining communication goals | Define ultimate objectives of the intended communication. |
| 2. | Defining the audiences | Have clear picture of who you ultimately want to influence, and how they can be reached. |
| 3. | Identifying key messages and developing the Tactical Outreach Plan | Develop the messages to be communicated and the most appropriate channels for the various target audiences. |
| 4. | Time-framed implementation | Set appropriate deadlines and responsibilities for the defined activities; and review mechanism. |

## NOTES

# NOTES

Zimbabwe National Financial Inclusion Strategy

2016 – 2020

Design & Layout: RB Communications, +263 773 022 332