



NATIONAL FINANCIAL INCLUSION STRATEGY 2018-2023



Vision

“Enhanced access to and usage of quality and affordable formal financial services by all Bhutanese through an inclusive financial system.”



ROYAL MONETARY AUTHORITY
BHUTAN

**NATIONAL FINANCIAL
INCLUSION STRATEGY
2018-2023**

OUR VISION
A Trusted, Progressive and
Resilient Central Bank

OUR MISSION

- Reinforcing stable and inclusive economic growth
- Maintaining stability and integrity of the financial system
- Advancing innovative financial services and technology

REINFORCING

stable
and
inclusive
economic
growth

MAINTAINING

the
stability
and
integrity
of
financial
system

ADVANCING

innovation
and
financial
technology

FOSTERING

organiza-
tional
excellence

S
T
R
I
A
L
T
E
A
G
R
I
S
C

OUR VALUES

Sincere, Mindful, Astute, Resilient, Timeless



“...There is a great opportunity for the financial institutions and banks to make a positive impact by improving access to credit for our youth and rural people.

We can gauge the extent of the impact by considering that today, in Bhutan, the total loan stock that has been lent out is Nu. 85 billion, but out of this, only 4.5 billion, or about 2.5% has been utilized in the agriculture sector. This must change...”

– His Majesty the King, Jigme Khesar Namgyel Wangchuck
The Royal Address, 109th National Day of Bhutan, 17 December 2016

CONTENTS

1. INTRODUCTION	3
1.1 Rationale	3
1.2 Vision	3
1.3 Definition	4
2. STATE OF FINANCIAL INCLUSION IN BHUTAN	5
2.1 Access to Financial Products and Services.....	7
2.2 Access Points.....	9
2.3 Barriers to Financial Inclusion.....	11
2.4 Financial Inclusion Initiatives in Bhutan	12
3. PILLARS AND ENABLERS OF BHUTAN’S FINANCIAL INCLUSION STRATEGY	13
3.1 Pillars of Bhutan’s National Financial Inclusion Strategy	14
3.2 Strategic Objectives Under the NFIS Pillars	15
3.3 Enablers of the NFIS.....	15
4. IMPLEMENTATION PLAN	17
5. GOVERNANCE STRUCTURE	18
5.1 NFIS Steering Committee	18
5.2 NFIS Working Group (WG)	18
5.3 Financial Inclusion Secretariat (FIS)	18
6. MONITORING AND EVALUATION.....	19
7. PROPOSED STAKEHOLDER ROLES AND RESPONSIBILITIES	19
8. CONCLUSION AND WAY FORWARD	20
8.1 Developing a Detailed and Comprehensive Action Plan Targets	20
8.2 Institutional Coordination and Commitment.....	20
8.3 Set-up of the Financial Inclusion Secretariat (FIS).....	20

Figures

Figure 1: Financial Services Providers in Bhutan	5
Figure 2: Account Penetration of adults in the SAARC region	6
Figure 3: Financial Inclusion Indicators, as of December 2017.....	7
Figure 4: Gender-Disaggregated Data on Total Savings, Credit and Insurance	8
Figure 5: Composition of Access Points.....	10
Figure 6: Use of Formal and Informal Financial Services in Urban and Rural Bhutan, 2013	11
Figure 7: Pillars and Enablers of Financial Inclusion.....	13
Figure 8: Objectives of the NFIS Pillars	15
Figure 9: Financial Inclusion secretariat (FIS).....	18

Tables

Table 1: Access to Financial Products and Services	7
Table 2: Access to Credit to the CSI Sector	8
Table 3: Access Point Indicators per 10,000 Adults	10
Table 4: Phase-wise Implementation Plans	17

FOREWORD



Bhutan has been blessed with a monarchy that works selflessly and tirelessly to ensure balanced, inclusive and participatory socio-economic development. Bhutan's approach to development has always been founded on participatory and inclusive principles, driven by the country's unique development philosophy of "Gross National Happiness" (GNH).

As envisioned by His Majesty the King, Jigme Khesar Namgyel Wangchuck, a successful democratic transition must be accompanied by successful economic transformation based on the foundations of a just, equal and harmonious society. His Majesty's address to the country at the 109th National Day of Bhutan celebrations on 17 December 2016 clearly articulated the potential of the financial sector to create opportunities and improve access to finance for our youth and rural populace. Consistent with his Majesty's aspiration, financial inclusion has been acknowledged as an important national tool to ensure access to affordable formal financial services for all citizens. Research has also suggested that access to formal financial services can contribute to inclusive economic growth.

The Royal Monetary Authority spearheaded the formulation of Bhutan's National Financial Inclusion Strategy (NFIS) 2018–2023 to promote financial inclusion, which has an emphasis on four pillars: 1) appropriate financial products and services; 2) financial accessibility and proximity; 3) financing for economic growth; and 4) financial literacy and consumer protection. The NFIS will serve as a road map for the collective efforts of various stakeholders engaged in participatory planning and the development and implementation of financial inclusion initiatives over the next five years.

The Authority would like to thank all our financial inclusion partners and stakeholders for their invaluable effort and support to improve the livelihoods of the people of Bhutan through an inclusive financial system. We look forward to closer working relations with the stakeholders over the next five years and beyond.

A handwritten signature in black ink, appearing to read 'Dasho Penjore'.

Dasho Penjore
Governor

1. INTRODUCTION

Bhutan's National Financial Inclusion Strategy (NFIS) is a tool to ensure that the poor, vulnerable and unbanked segments of the population can increase their financial literacy and capability, gain access to financial services tailored to their needs, improve their livelihoods, raise their income levels, reduce vulnerability and enter the mainstream of the economy and society as economically productive citizens.

Financial inclusion has been recognized as one of the pillars for achieving Bhutan's national goal of sustainable and inclusive socio-economic growth. This will require promoting and expanding appropriate financial products and services across the country. Studies have shown that access to basic financial products and services, such as savings, payments, credit and investments, make a substantial positive difference in people's lives. Financial inclusion, therefore, has the potential to improve the financial well-being of the unserved and underserved segments of the population.

1.1 Rationale

According to international benchmarks, access to finance among rural populations and the underprivileged in Bhutan is fairly low compared to other developing countries. Significant disparities in financial inclusion persist between rural and urban areas, youth and adults, the poor and the rich, and cottage and small industries (CSIs) and large firms. The potential to leverage digital technologies and expand the reach of the formal financial sector has not yet been fully realized in Bhutan. Low financial literacy, few consumer protection mechanisms and a lack of appropriate financial products and services are also barriers to financial inclusion.

As a regulator and supervisor of the financial sector, and as a central bank increasingly aware of its potential to promote inclusive growth through responsible finance, the Royal Monetary Authority of Bhutan (RMA) has made financial inclusion a high priority. Creating an enabling environment to advance financial inclusion is important to promote sustainable and inclusive growth, reduce poverty and increase employment. The RMA is committed to creating this enabling environment by issuing policies and regulations that will improve and enable access to and use of financial products and services.

Creating a formal national strategy for financial inclusion can help to enable and accelerate economic growth, job creation and development. Bhutan's NFIS will therefore serve as a road map to achieve various financial inclusion objectives. It will set a clear agenda at the national level to improve access to financial products and services through a coordinated approach. The Strategy also establishes a formal system for implementing a range of financial inclusion initiatives and facilitating coordination, communication and monitoring and evaluation.

1.2 Vision

“Enhanced access to and usage of quality and affordable formal financial services by all Bhutanese through an inclusive financial system.”

1.3 Definition

Within the context of NFIS 2018–2023, financial inclusion in Bhutan is defined as:

“The provision of appropriate financial products and services at an affordable cost by formal financial service providers that meet the needs of the unserved and underserved segments of Bhutan’s population.”

Financial inclusion also includes the following elements:

- i. Provision: Access to and usage of formal financial products and services
- ii. Appropriate: The most relevant financial products and services
- iii. Affordable: Ability to pay for financial products and services

2. STATE OF FINANCIAL INCLUSION IN BHUTAN

Bhutan's financial sector has grown significantly over the last few years and made substantial progress in terms of financial viability, profitability and competitiveness. However, a large segment of the population, especially the poor in rural areas, has been overlooked. While available data is patchy, there is some evidence that only a minority of the population in rural areas has access to formal financial products and services.

The financial sector currently consists of five banks, three insurance companies (two direct insurers and one reinsurer), three microfinance institutions (MFIs) and other financial services providers (FSPs), such as the Credit Information Bureau of Bhutan (CIB), National Pension and Provident Fund (NPPF), Central Registry (CR), Royal Securities Exchange of Bhutan Limited (RSEBL) and Nubri Capital Private Ltd.

Players in the Financial Inclusion Services

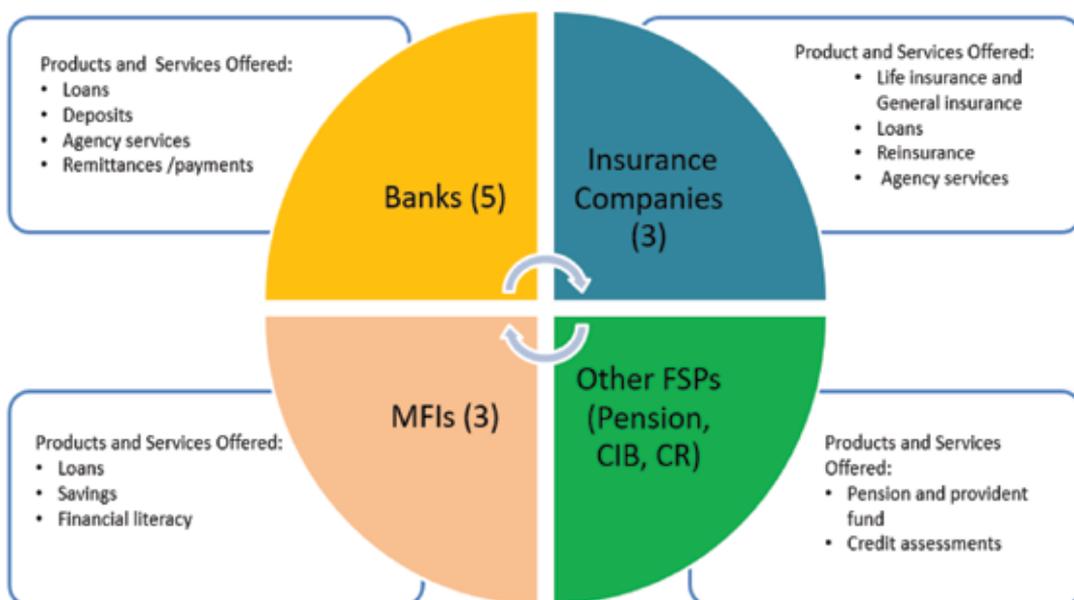


Figure 1: Financial Services Providers in Bhutan

The Global Financial Inclusion (Global Findex) database, launched by the World Bank in 2014, provides cross-country survey data on financial inclusion compiled from surveys of 150,000 people in 143 economies. The data suggests that only 62 percent of adults globally had an account at a formal financial institution in 2014. A regional comparison of SAARC (South Asian Association for Regional Cooperation) countries found account penetration among adults aged 15 years and older was 10 percent in Afghanistan, 31 percent in Bangladesh, 34 percent in Bhutan, 53 percent in India, 34 percent in Nepal, 13 percent in Pakistan and 83 percent in Sri Lanka.

Based on the survey results, Bhutan was rated lower than other developing economies in terms of access to finance. Compared to other developing economies, where adults have account penetration of 54 percent, Bhutan has only 34 percent. For women, account penetration is even lower: on average, 50 percent of women in developing economies reported having an account compared to 28 percent of women in Bhutan. Likewise, only 25 percent of adults in the poorest 40 percent of households in Bhutan reported having an account while in other developing economies the rate was 46 percent.

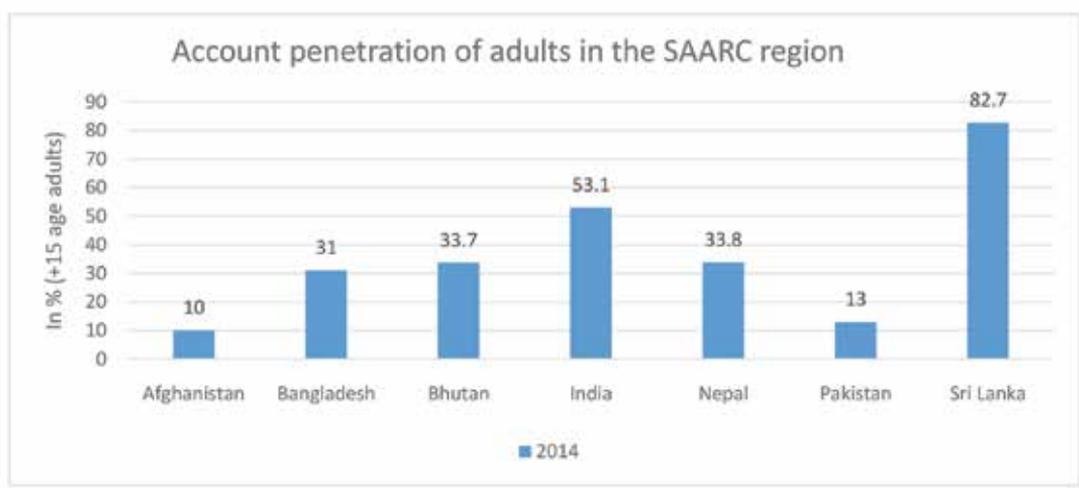


Figure 2: Account Penetration of adults in the SAARC region

2.1 Access to Financial Products and Services

As of December 2017, 64.47 percent of adults in Bhutan had a savings account with a bank, but just 16.08 percent had access to credit and 17.79 percent held a life insurance policy (see Table 1).

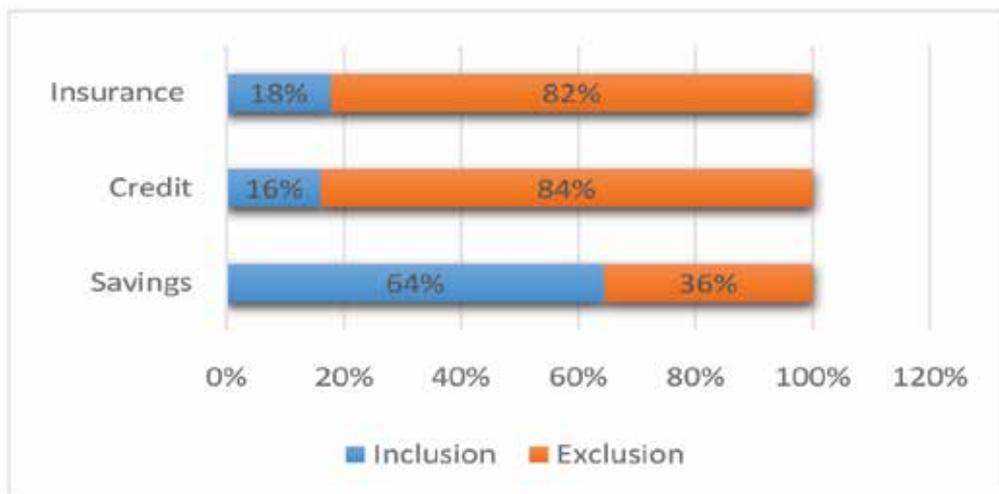


Figure 3: Financial Inclusion Indicators, as of December 2017

Table below shows the current state of access to financial products and services in Bhutan.

Products and Services	Total Adult Population	Number of Accounts	% of Total Adult Population
Savings	494,586	318,837	64.47%
Credit	494,586	79,546	16.08%
Insurance (life)	494,586	88,008	17.79%

Table 1: Access to Financial Products and Services

Source: Based on information collected from financial institutions as of December 2017 and population data from the 2017 Population and Housing Census of Bhutan (NSB). The data collected for the current state of access to financial products and services has been screened to avoid duplication of multiple account/policy holders.

Within the context of the NFIS:

- **Savings** refers to a basic individual savings account and does not include current and term deposits.
- **Credit** refers to loans secured by individuals and does not include corporate loans. In the NFIS, the focus is on lending to the CSI and agriculture sectors, which is discussed in more detail in the next section.
- **Insurance** refers to only life insurance policy holders. The data does not include rural life insurance, which is mandatory, and non-life insurance holders.

Of the 64.47 percent of adults in Bhutan with a savings account, 56 percent are male and 44 percent are female. Similarly, of the 16 percent of adults who have access to credit, 54 percent are male and 36 percent are female. Of the 17 percent of adults who have insurance, 59 percent are male and 41 percent are female.

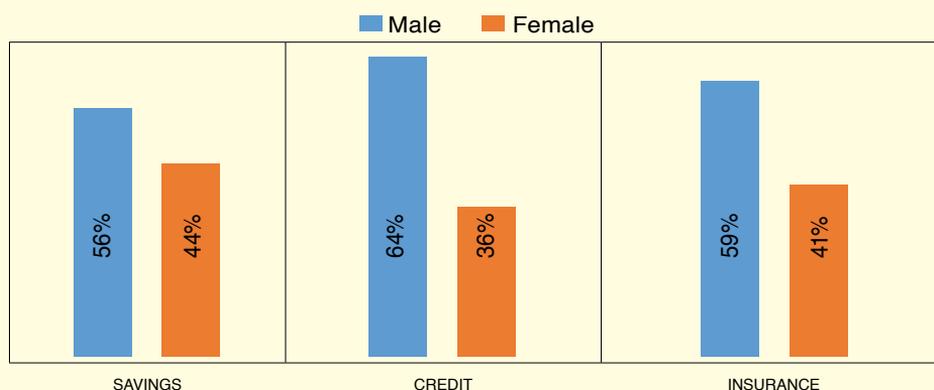


Figure 4: Gender-Disaggregated Data on Total Savings, Credit and Insurance

2.1.1 Lending to the Cottage and Small Industries Sector (CSI)

Bhutan's CSI sector¹ is classified by the number of employees and level of capital investment at start-up.² CSIs³ represent more than 96 percent of all industries in Bhutan, with 16,548 businesses in operation employing over 66,000 as of April 2016. The sector has been recognized as one of the five jewels of the Royal Government of Bhutan in terms of its potential and impact on society at large. In Bhutan, the full potential of the CSI sector has yet to be realized due to several constraints, including undeveloped infrastructure, poor business development services and limited access to finance.

Table 3 breaks down access to credit in the CSI sector as of December 2017.

Enterprises	Total (in Nu.)	% Holding
Micro	2,967.34	2.87%
Cottage	3,248.70	3.14%
Small	11,722.38	11.34%
Medium	22,944.96	22.20%
Large	16,442.00	15.91%
Total MCSML	57,325.38	55.48%
Non-enterprises	46,009.09	44.52%
Total	103,334.47	100.00%

Table 2: Access to Credit to the CSI Sector

Source: Based on information collected from financial institutions as of December 2017.

1 The CSI sector includes both agricultural and non-agricultural industries

2 'Cottage': investment size up to Nu. 1 million. 'Small': over Nu. 1 million and up to Nu. 10 million

3 Royal Government of Bhutan, Economic Development Policy, 2016

When it comes to access to finance, the CSI sector accounted for only about 14 percent of total loans and advances for the period ending December 2017. Other than bank financing, access to alternative sources of financing for CSIs is limited.

As the CSI sector is expected to make a significant contribution to the country's economy, it is important to provide credit facilities that promote, assist and support the development, expansion or improvement of CSIs. Alternative sources of finance, such as crowdfunding, venture capital, leasing and factoring, are important to the development of CSIs. A well-developed credit information system and movable collateral registry are also essential to improving access to finance for the CSI sector.

2.1.2 Lending to the Agriculture Sector

More than half of Bhutan's population lives in rural areas and has limited access to finance. The agriculture sector⁴ contributes about 16.52 percent of GDP. The lack of financial services in rural areas, especially for lower income households and small-scale farmers and entrepreneurs, is becoming a bottleneck for generating economic activity and improving the livelihoods of the rural population. Loans to the agriculture sector accounted for only 5.33 percent (Nu. 5.07 billion)⁵ of loans for the period ending December 2017, despite being the sector that most people in Bhutan depend on economically.

2.2 Access Points

There is a wide array of delivery channels for formal financial services in Bhutan, including bank branches and agents, microfinance institutions, insurance companies, as well as ATMs and POS terminals.

An 'access point' is any physical entity where an individual can perform cash-in and cash-out transactions with a regulated financial institution, such as a bank branch, any type of banking office, ATM, agent or POS device that performs cash-in and cash-out transactions (physical and electronic). Application-based channels such as MBoB and MPay, which have 71,763 and 11,268⁶ users respectively, are not considered access points because they cannot perform physical cash-in and cash-out transactions. However, in the context of the NFIS, digital financial services will be an important enabler of financial inclusion.

Digital financial services can be performed through (i) digital transaction platforms that enable a customer to make or receive payments and store value electronically using a digital device; (ii) retail agents with a digital device connected to a network that enables them to transmit or receive transaction details to help customers cash-in (convert cash into electronically stored value) and cash-out stored value back into cash; and (iii) access devices, such as mobile phones, tablets or POS terminals that transmit information through payment cards.

As indicated in Figure 4, 64 percent of all access points (3,314) are agents (bank and insurance) and 23 percent are POS. Of the 2,133 agents in the country, 19

⁴ Agriculture includes livestock and forestry.

⁵ Loans to agriculture includes all MCSML enterprises.

⁶ Financial institutions (BoBL and BNBL) as of December 2017

percent are bank agents and 81 percent are insurance agents. Branches, ATMs and extensions account for five percent, six percent and two percent, respectively.

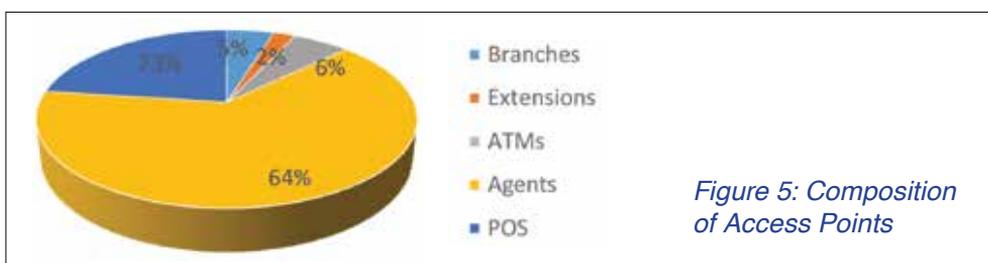


Figure 5: Composition of Access Points

Table 5 details the core set of financial inclusion indicators in Bhutan. Here are some of the highlights:

- For every 10,000 adults (15 years and older), there are 67 access points.
- For every 10,000 adults, there are approximately three bank branches and one insurance branch.
- For every 10,000 adults, there are approximately eight bank agents and 35 insurance agents.
- There are approximately four ATMs per 10,000 adults.

Access	2013	2017
No. of access points per 10,000 adults	12.8	67.01
Total access points	515	3,314
Adult population	474,334	494,586
No. of access points per 10,000 adults		8.53
Total access points (without agents and POS)		422
Adult population		494,586
No. of access points per 10,000 adults		58.47
Total access points (only agents and POS)		2,892
Adult population		494,586
Commercial bank branches per 10,000 adults	4.3	3.01
Total branches	203	149
Adult population	474,334	494,586
Insurance branches per 10,000 adults		1.37
Total branches		68
Adult population		494,586
Microfinance branches per 10,000 adults		0.59
Total branches		29
ATMs per 10,000 adults	3.94	3.80
Total ATMs	187	188
Adult population	474,334	494,586
Agents per 10,000 adults		43
Total agents		2,133
POS per 10,000 adults		15.35
Total POS machines		759
Bank agents for per 10,000 adults		8.23
Total agents		407
Insurance agents for per 10,000 adults		34.90
Total agents		1,726

Table 3: Access Point Indicators per 10,000 Adults

2.3 Barriers to Financial Inclusion

Despite various initiatives to promote financial inclusion in Bhutan, three main barriers stand in the way:

1. Demand-side barriers that arise for various reasons, such as irregular income, lack of employment, and low literacy levels and financial capability.
2. Supply-side barriers brought about by long distances to financial access points. This has led to higher transaction costs, less economic activity in rural areas and difficulty offering financial products and services in these areas. Current financial products and services cater to the general population and may not serve the unique needs of rural customers.
3. Regulatory barriers, such as low literacy, lack of consumer protection frameworks, infrastructure and cumbersome know your customer (KYC) requirements.

DEMAND-SIDE SURVEY REPORT 2013 (AFI)

The Access to Finance Demand-Side Survey Report 2013 revealed that only about 48 percent of adults in Bhutan use formal financial services, while 79 percent use informal financial services. The survey also found that the use of formal financial services was higher in urban areas (74 percent) than rural areas (37 percent). In other words, the use of informal financial services was higher among rural adults (94 percent) than those in urban areas (42 percent).

The survey showed that 66 percent of urban adults and 30 percent of rural adults are banked, indicating that financial services have greater penetration among urban adults than rural adults. By product category, 41 percent of adults in Bhutan have access to banking services. Usage is higher among urban adults (66 percent) than rural adults (30 percent). In rural areas, 81 percent of banked adults take more than one hour to reach their bank while in urban areas only 35 percent take longer than an hour. Eight out of ten Bhutanese adults tend to save money, and the majority have informal savings with family or friends, in their homes or through employee groups. Only 18 percent of adults currently have a loan or line of credit. However, almost all Bhutanese have insurance, which consists mainly of rural life insurance and rural house insurance (96 percent and 90 percent, respectively). When these two insurance products are excluded, only 13 percent of adults are insured. Of those who have no insurance at all, more than half (53 percent) reported that they have never thought about it or do not know what insurance means.

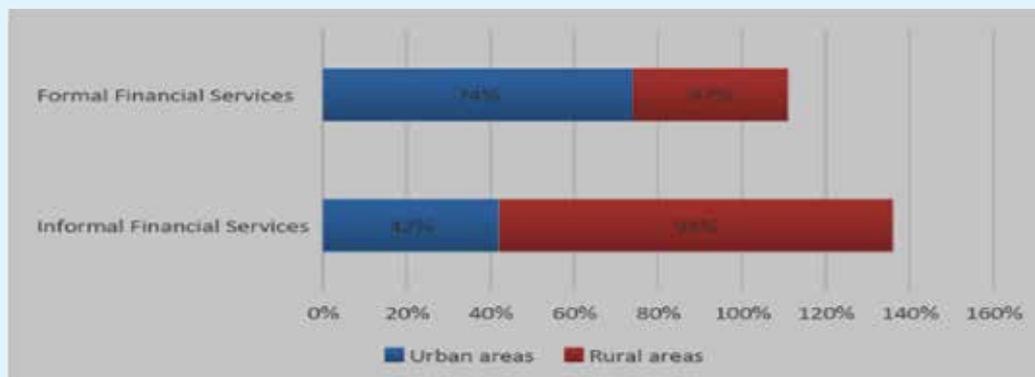


Figure 6: Use of Formal and Informal Financial Services in Urban and Rural Bhutan, 2013

2.4. Financial Inclusion Initiatives in Bhutan

Several initiatives have been undertaken to advance financial inclusion in Bhutan. Some recent efforts by the RMA to create a more enabling regulatory environment for financial inclusion include:

- “Rules and Regulations for Microloan Institutions” and “Deposit Taking Microfinance Institutions” were issued in 2014 and 2016, respectively.
- Agent Banking Rules and Regulations 2016 was issued to expand the outreach of affordable financial services to unbanked and underserved populations using bank agents.
- Financial infrastructure, such as the Central Registry and Credit Information Bureau, were established to improve access to finance and support responsible lending.
- The Bhutan Immediate Payment Service (BIPS), a platform to facilitate Payment Gateway, was launched in January 2017 to enable interoperability of interbank mobile banking and internet banking services through unified and common application programming interface (API) standards and protocols. The platform enables users to make interbank person-to-person (P2P), government-to-citizen (G2C) and citizen-to-government (C2G) payments, an important initiative of the Royal Government of Bhutan to support service delivery.
- Numerous financial literacy activities and campaigns have been held, including active participation in Global Money Week.
- Priority Sector Lending Guidelines took effect in January 2018 and will provide an integrated platform that coordinates the efforts of several government agencies to stimulate the CSI sector through improved access to finance—an important part of Bhutan’s economic transformation.
- E-Money Issuer Rules and Regulations 2017 have been approved and issued for implementation.
- Payment and Settlement Systems Rules and Regulations 2018 have been approved and issued for implementation.

3. PILLARS AND ENABLERS OF BHUTAN'S FINANCIAL INCLUSION STRATEGY

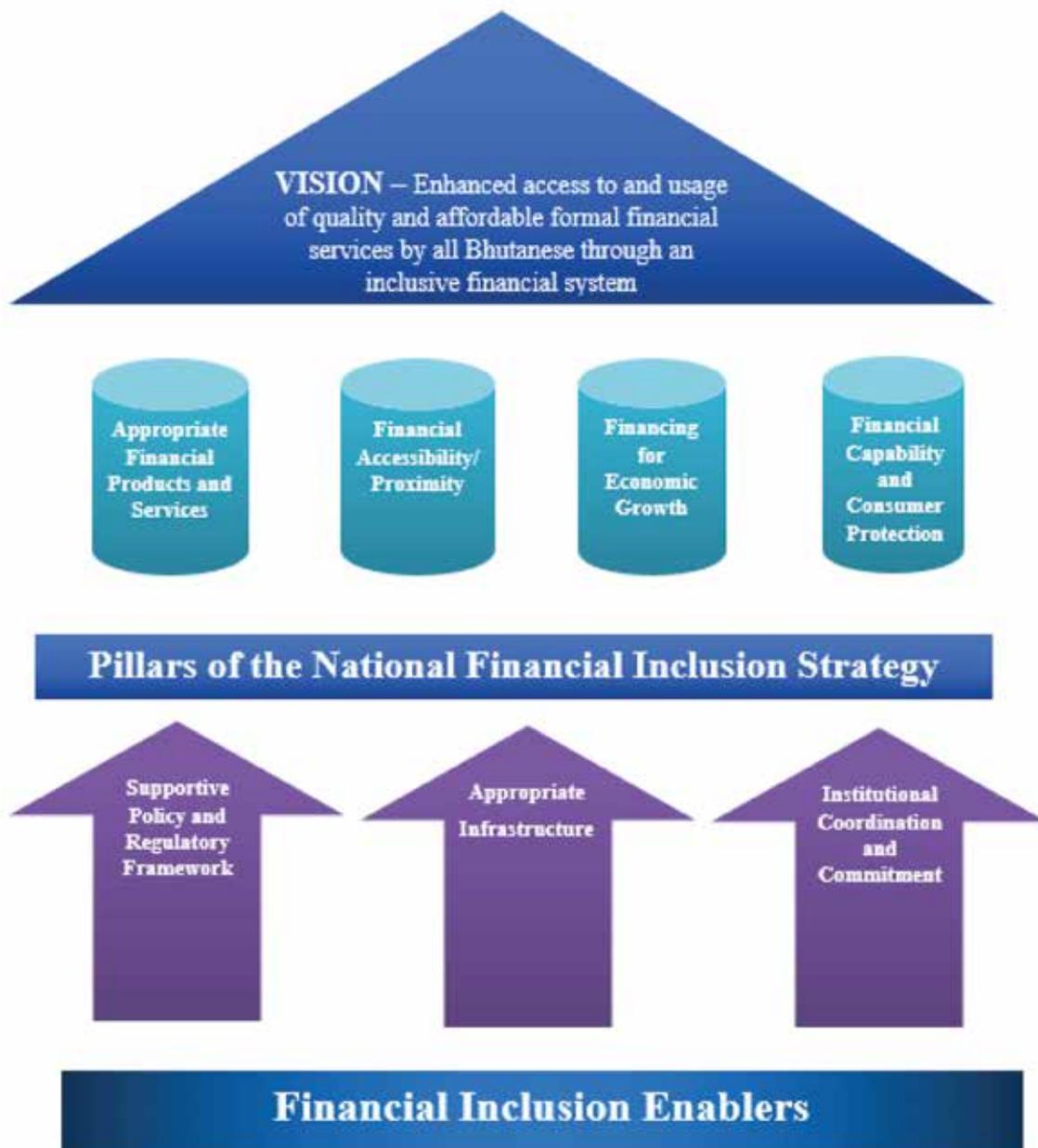


Figure 7: Pillars and Enablers of Financial Inclusion

3.1 Pillars of Bhutan's National Financial Inclusion Strategy

The vision and objectives of Bhutan's NFIS will be realized through the four pillars outlined below.

3.1.1 Appropriate Financial Products and Services

Currently available financial products and services are not suitable for unserved or underserved segments of the population (the poor or those with low and irregular incomes). Appropriate, convenient and affordable financial products and services are essential to meet the needs of all Bhutanese. Credit, savings and insurance, including digital financial services, will help individuals manage risk, plan for future and meet their financial goals.

3.1.2 Financial Accessibility/Proximity

Individuals and CSIs cannot adopt or use financial products and services effectively if they cannot access them. Physical proximity is therefore the starting point for encouraging the use of financial services. Financial access points in Bhutan are defined as any physical entity where an individual can perform cash-in and cash-out transactions with a regulated financial institution, such as a bank branch, any type of banking office, ATM, agent or POS device that performs cash-in and cash-out transactions. Mobile phones and PCs are not considered access points because they cannot perform physical cash-in and cash-out transactions (Supply Side Survey 2013).

The NFIS therefore prioritizes initiatives that increase the accessibility and functionality of delivery channels, including branches, ATMs and POS systems. Closer proximity to financial access points for unserved and underserved adults will increase access to and use of financial services and help to close the financial inclusion gaps.

3.1.3 Financing for Economic Growth through CSIs

Under this pillar, the NFIS primarily aims to encourage the development and use of financing instruments that would support economic growth related to CSI financing (both agricultural and non-agricultural CSIs). To ensure CSI financing is effective and boosts economic activities and employment, appropriate products and an enabling regulatory environment are required. A review will be necessary to explore public support programs, such as credit guarantee schemes. It is also important to provide technical support to improve the scope of a bankable project. With diverse innovative project portfolios in Bhutan's rapidly emerging market, enhancing enabling regulations to meet the factoring gap and establishing dynamic financial infrastructure to support venture capital and other sources of financing should also be considered.

3.1.4 Financial Literacy and Consumer Protection

Low levels of financial knowledge, understanding and awareness are significant barriers to accessing formal financial services. Combined with products that do not meet the needs of the unserved and the underserved, opportunities to engage with the formal financial sector are limited. Improving financial literacy and consumer protection has therefore been identified as one of the pillars of financial inclusion as consumer protection builds and strengthens trust and confidence in formal financial services, particularly among low-income households.

3.2 Strategic Objectives Under the NFIS Pillars

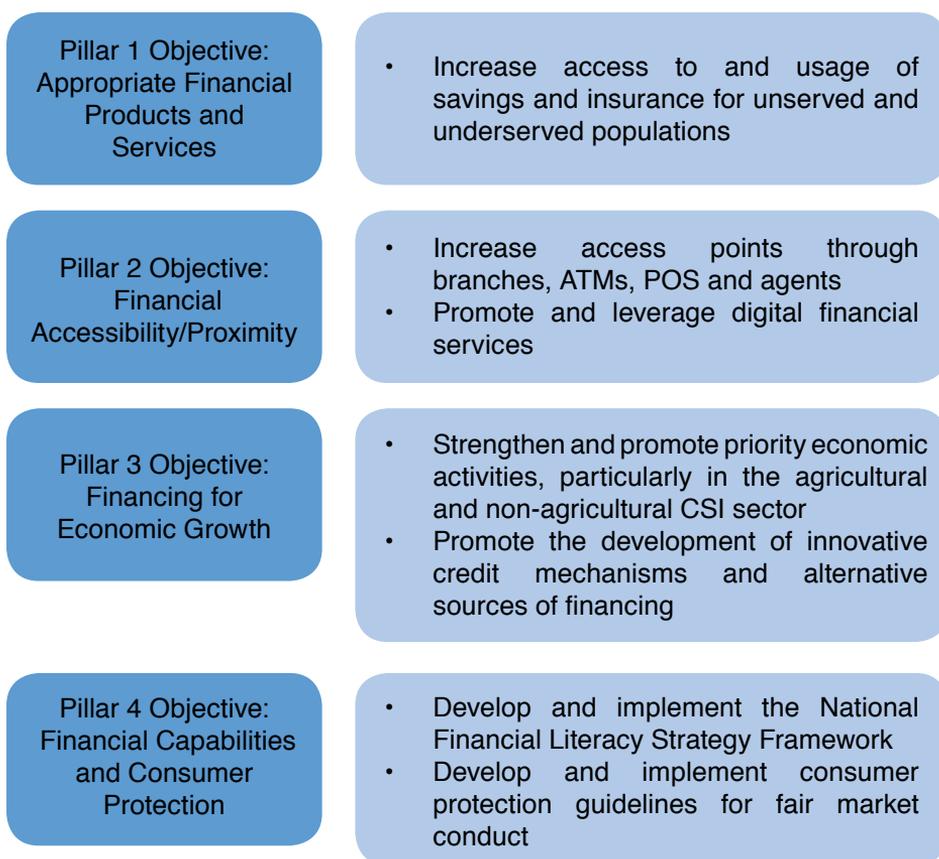


Figure 8: Objectives of the NFIS Pillars

3.3 Enablers of the NFIS

While the four pillars outlined above are vital to the success of Bhutan’s NFIS, they must also be supported by a strong foundation of financial institutions and financial markets. The following set of enablers has been identified as part of an effective systemic approach to addressing the fundamental barriers to financial inclusion in Bhutan.

3.3.1 Supportive Policy and Regulatory Frameworks

The development and successful implementation of an NFIS should be supported by an enabling policy and regulatory framework. The legal and regulatory framework that promotes the development of innovative financial products, extensive outreach of financial services and adequate consumer protection is critical and must be cross-cutting to achieve financial inclusion objectives.

- The regulatory framework should maintain an appropriate balance between financial inclusion objectives and long-term financial stability.
- AML/CFT measures should be implemented in a flexible manner that encourages financial inclusion and financial integrity.
- Service providers should be encouraged to develop their own financial inclusion plans and policies.
- Oversight of credit reporting should be strengthened and there should be widespread participation in data collection and management.
- An adequate regulatory framework for new financial innovations should be adopted to ensure transactions are secure.
- Support should be provided for the development and implementation of tiered KYC.

3.3.2 Appropriate Infrastructure

Adoption of appropriate and efficient financial technology is critical to delivering digital financial services that enhance access and proximity to formal financial services for the unserved and underserved. There is scope for financial services providers to leverage financial technology to develop innovative products and channels to deliver financial services.

- Payment infrastructure is at the core of an efficient financial system and opening access to efficient financial services for all Bhutanese.
- Interoperability of payment instruments between mobile platforms and bank accounts (banks and non-banks) is crucial for ensuring the financial system operates soundly and efficiently.

4. IMPLEMENTATION PLAN

Phase I: July 2018–June 2020	Phase II: July 2020–June 2022	Phase III: July 2022–June 2023
<ul style="list-style-type: none"> i. Financial Inclusion and Literacy Division will act as the Financial Inclusion Secretariat (FIS) ii. Enhance FIS-enabling resources: Human resources and facilitate the NFIS Development Fund iii. Form and identify the chair and members of the Steering Committee and working group iv. Conduct a demand-side survey (in collaboration with NSB) v. Working groups to formulate the NFIS 2018–2023 Action Plan (to be approved by NFIS Steering Committee) vi. Convene a national stakeholder workshop to sensitize and validate the Strategy Framework vii. Draft consumer protection guidelines viii. Annual implementation and compilation of intervention activities 	<ul style="list-style-type: none"> i. Continue coordination and implementation/interventions in the Action Plan ii. Conduct annual performance assessment/reviews of the set targets and programs iii. Explore opportunities for measurement and research such as surveys 	<ul style="list-style-type: none"> i. Review, consolidate and evaluate NFIS interventions ii. Conduct an NFIS Demand-Side Survey iii. Conduct participatory planning to deepen interventions and facilitate the way forward post-2023 iv. Produce the NFIS 2018–2023 Impact Assessment Report

Table 4: Phase-wise Implementation Plans

5. GOVERNANCE STRUCTURE

5.1 NFIS Steering Committee

The NFIS Steering Committee is the highest level of governance in the implementation of the Strategy. The role of this committee is to provide overall strategic direction, support and resources. The Committee will meet at least twice a year. The roles of the NFIS Steering Committee will be as follows:

1. Setting the national agenda for financial inclusion; and
2. Oversight of NFIS sub-committees.

5.2 NFIS Working Group (WG)

The NFIS Working Group will be tasked with implementing the NFIS. There will be at least three sub-working groups: Product, Channel and Consumer Empowerment, and Financial Literacy. The roles of the working groups will be as follows:

1. Develop an action plan and targets for the respective group;
2. Provide periodic updates to the NFIS steering committee;
3. Review, monitor and evaluate the impact of the implemented activities;
4. Provide updates and reports to the FIS and steering committee on a periodic basis;
5. Implement the endorsed action plan; and
6. Identify the gaps in achieving the targets.

5.3 Financial Inclusion Secretariat (FIS)

The FIS will be located at the Governor’s Office and will report directly to the Governor of the RMA. It will coordinate and support the activities of the working groups for the NFIS 2018–2023 Implementation, and will also coordinate and provide support to the steering committee.

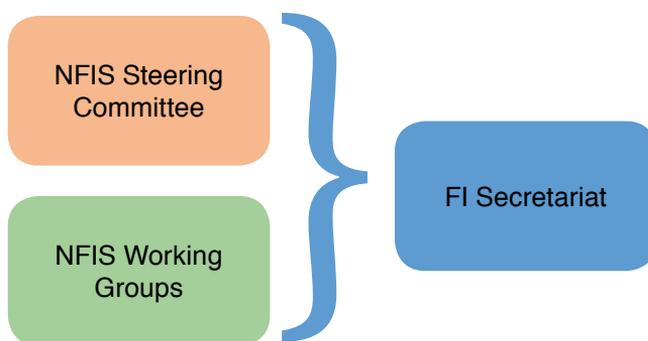


Figure 9: Financial Inclusion secretariat (FIS)

6. MONITORING AND EVALUATION

To ensure the NFIS has an impact and is moving in the right strategic direction, the FIS will conduct ongoing monitoring and evaluation. This process will consist of the following steps:

- Biannual collection of comprehensive data from industry stakeholders;
- Distillation of key performance indicators from industry data;
- Comparison of results with defined indicator targets;
- Analysis of gaps and trends;
- Annual reporting to the Financial Inclusion Steering Committee; and
- Suggesting necessary measures, changes in priorities or partial review of strategic direction to achieve indicators more quickly.

7. PROPOSED STAKEHOLDER ROLES AND RESPONSIBILITIES

The Royal Monetary Authority will spearhead the NFIS while relevant stakeholders are expected to play a role in implementing it effectively. These stakeholders will be identified during Phase I of the Strategy. Once they are identified, a detailed TOR will be developed in consultation with the stakeholders to develop participatory action plans and implementation activities.

8. CONCLUSION AND WAY FORWARD

The NFIS 2018–2023, developed by the Royal Monetary Authority, is designed to be a dynamic and open framework document that includes a road map for implementation and encourages participation, providing a space for both existing and new working group initiatives.

Companion action plan frameworks will follow from the working groups to support the strategic priorities of the NFIS. The Strategy document will be a national document and will be hosted at www.rma.org.bt.

The next steps identified under the NFIS are outlined below.

8.1 Developing a Detailed and Comprehensive Action Plan Targets

The NFIS working groups will develop a detailed action plan that specifies the actions to be taken to achieve the goals and targets of the Strategy and implement the strategic measures. In other words, the action plan will guide implementation through 2018–2023. The action plan will have a detailed timeframe, indicators of success and responsible entities for each action. The action plan will be published after it is endorsed by the NFIS Steering Committee.

8.2 Institutional Coordination and Commitment

Successful implementation of the NFIS requires the involvement and commitment of various stakeholders. Commitment implies a willingness to invest time and resources in the implementation of the action plan and to coordinate within a well-functioning and adequately resourced coordination structure. A comprehensive list of commitments for the stakeholders will be developed.

8.3 Set-up of the Financial Inclusion Secretariat (FIS)

The Financial Inclusion and Literacy Division will act as the Financial Inclusion Secretariat (FIS). Support for resource development will create the NFIS Development Fund, which will operate directly under the FIS. The FIS will structure its own governance and coordinate the formation of the NFIS governance committees along with a monitoring and evaluation framework. The FIS will also develop the National Financial Literacy Strategy (NFLS) and spearhead the implementation of both the NFIS and NFLS.

