

Terms of Reference

Nepal Financial Inclusion Roadmap and Action Plan Refresh

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BACKGROUND

UNCDF's Making Access Possible (MAP) program is a multi-country initiative to support financial inclusion through a process of evidence-based country diagnostic and stakeholder dialogue, leading to the development of national financial inclusion roadmaps that identify key drivers of financial inclusion and recommended action. Through a dialogue and evidence-based process, MAP aligns a broad range of stakeholders from within government, private sector and the donor community to create a set of practical actions aimed at extending financial inclusion tailored to that country. Importantly, financial inclusion is pursued not as an objective in and of itself, but for its role in achieving the core public policy objective of enhancing household welfare, supporting livelihoods and contributing to economic growth and employment (the so-called "real economy"). MAP program is being implemented in 13 countries of Asia and Africa, including Nepal. All the activities concerning MAP Nepal were guided by a National Steering Committee (NSC) chaired by the central bank with the participation of Ministry of Finance (MoF), the Central Bureau of Statistics (CBS) and the concerned donor agencies (Danida and UK Aid).

With the overall purpose of measuring the level of financial access and utilization of financial products by all bankable adults, a demand side survey was carried-out under the MAP program during December 2014–January 2015. The diagnostic quantitative study was undertaken by the FinMark Trust in cooperation with a local consulting group Inter Disciplinary Analysts (IDA). The study, entitled 'FinScope Survey' incorporated a total of 4014 respondents of 18 years and above age groups from 669 local units (Wards as Enumeration Areas) at national, regional, ecological and urban/rural level covering 70 districts of Nepal. The demand-side diagnostic study revealed that the level of financial inclusion within the country was very moderate with only 40% formally banked (A, B, C and D class financial institutions), 21% found aligned with other formal financial entities (i.e. cooperatives, remittance companies, financial NGOs etc.), another 21% were involved with informal sector (i.e. users' groups, money-lenders, '*hundi*', '*dhukuti*', informal networks, friends, relatives etc.) and remaining 18% were using no form of financial services at all.

Based also upon the facts highlighted by the demand-side research, a supply-side study was also carried-out during October 2015–March 2016 under the MAP program. The qualitative research broadly covered stakeholder interviews, focused group discussions, respondent interviews, in-depth analysis of secondary data and review of regulatory framework. Some 132 stakeholders including government regulators, banks and financial institutions, associations, cooperatives, insurance companies, capital market players, remittance agents were interviewed during the study to understand incentives for and constraints to financial inclusion and obtain insights into key market trends and data. Three focused group discussions were also held among different groups and associations.

These demand and supply side research led to National Financial Inclusion Roadmap, which was jointly released by the Vice Chairman of National Planning Commission and Governor of Nepal Rastra Bank during a high-level program organized in Kathmandu on 15 July 2016. With a focus on making available a portfolio of affordable and relevant financial services in accordance to the needs of the people, the overall goal of the Roadmap is set as *“Access to affordable finance for all by 2030, with increased access to formal financial services”*. The Roadmap has helped Nepal to define the financial inclusion agenda at national level and highlighted six priorities for improving access to formal financial services in the country: i) unlock constrained credit and savings market, ii) improve payment systems, iii) bolster risk-mitigation capabilities, iv) enhance and leverage locally based financial service providers, v) enhance financial inclusion support in national governance, and vi) strengthen consumer empowerment, protection and education. In order to implement the Roadmap, a Financial Inclusion Action Plan has also been developed. The action plan broadly outlines the short and long-term strategies and identifies specific activities that can be undertaken to achieve the priorities outlined in the roadmap. The action plan was approved by the Board of Nepal Rastra Bank (NRB) on 26 December 2017, and a high-level committee led by Deputy Governor of NRB is constituted to implement the Action Plan.

Given the pace of and changes in financial markets, the limited shelf-life of demand side data, and the need to fine tune the focus of financial inclusion activities at national level, the Financial Inclusion Roadmap and the Action Plan need to be updated periodically. UNCDF had proposed a MAP refresh in 2019 to NRB and requested NRB to coordinate with relevant development partners on programs on financial inclusion. Since World Bank Group (WBG) was planning to launch a survey on financial inclusion, NRB organized a meeting between UNCDF and WBG. The meeting assured that the indicators measured in 2014 will also be included in the WBG survey and furthermore paved way for collaboration between UNCDF and WBG on financial inclusion. It was agreed that data from the Household Survey administered by WBG will be used to update the Financial Inclusion Roadmap and the Action Plan resetting priorities based on key findings from the survey. This co-owning of the process among DPs and national institutions has helped in getting consistency in policy advocacy, programming and measurement of results in the financial inclusion arena. In this context, UNCDF shared the details on MAP methodology to WBG and provided inputs to the questionnaire. The WBG Household Survey is being launched and the data from the survey is to be used for updating the Financial Inclusion Roadmap and the Action Plan.

OBJECTIVES OF THE REFRESH

The refresh is targeted at improving the focus and relevance of financial inclusion interventions to ensure maximum impact, with the following objectives:

1. Evaluate implementation progress against the Roadmap, on an overall strategic level as well as for specific indicators. Provide feedback on the implementation progress, issues, and gaps remaining
2. Provide an update of the overall market, regulatory and supply side context
3. Where possible, provide an update of the realities of key target markets and households in terms of income and financial services usage, relating back to the frameworks used in the original diagnostics
4. Provide data and analysis on regulatory, infrastructure, innovation and skills aspects of digital financial services and digital economy.
5. Provide data and analysis on new market developments that were not covered by the original MAP diagnostics in order to assess the Roadmap implementation and update as necessary;
6. Prioritise key sectors in the diagnostic and incorporation into the Roadmap, which have a real economy focus.
7. Assess the impact of the national financial inclusion roadmap at country level by:

- Measuring the market development since the undertaking of the original MAP diagnostics and unpack the development of the financial services market against the FinScope access strand;
 - Understanding the drivers of market development and its context;
 - Check and update the original research assumptions in line with the market development;
 - Incorporate implementation learnings from the past years,
 - Take into account new measurements frameworks incorporated and tested in the FinScope survey and supported by Insights to Impact (i2i) programme in FinMark Trust
8. Fine tune the national priorities as defined in the National Financial inclusion Roadmap (or Strategy, or Policy as the case may be), based on the MAP refresh findings.
 9. Rejuvenate the UNCDF’s engagement at country level, ensuring that financial inclusion agenda remains relevant and responsive to stakeholder needs.

The focus of the objective of the assignment is to compare the data and analysis with comprehensive MAP diagnostic done during 2014-2016, however some important distinctions below help understand objectives of the assignment. The Refresh is designed to update the original MAP diagnostic by taking a lighter touch, relying on the initial diagnostic to determine what has changed in the market in order to base recommended future actions on market changes and the livelihood realities. The table below shows a more detailed comparison:

Aspects of Roadmap development	MAP Diagnostic	MAP Refresh
Stakeholder process	Establishes a stakeholder process, including the necessary approval structure	Leverages the existing MAP stakeholder processes
Demand side data	Nationally representative FinScope survey, which depends on detailed pre-survey field studies to identify key issues and to localize questionnaires and data collection	Nationally representative FinScope survey, which depends on prior FinScope and in-country experience to identify key issues. Other data available in country.
Research focus	A full green field diagnostic, assessing the financial inclusion landscape from first principles to develop national priorities.	Focuses on a review of changes since the previous diagnostic, helping to fine tune the national priorities.
Priority Areas		Identify 2 key priority areas for deep dive analysis and recommendations
Nature of recommendations	Recommends National priorities, and identifies approaches that are likely to be successful given the local political economy.	Recommends changes to already identified priorities, and identifies successful approaches to be strengthened.
Outputs	Detailed MAP Diagnostic Report Summary Synthesis Report National FI Roadmap	Revised / Updated Diagnostic Report Summary Synthesis Report Revised / Updated Roadmap
Timeline	12 – 18 months	4-6 months

SCOPE OF WORK

An updated evidence based and integrated analysis of country context, demand, supply and regulatory information across the payments, credit, savings and insurance markets is the broader

scope of the exercise. The approach will be to update, document and analyse changes in the key elements as mentioned in the objectives and set out below based on the original diagnostic. As such, the market analysis needs to consider the following:

- **Market and national Context.** The country context is the backdrop against which the financial services market develops. The context analysis includes the macro, socioeconomic and demographic context, the political economy as well as the general and social infrastructure underlying financial services provision and usage.
- **Demand.** WBG household survey results to be integrated into the research components in order to ascertain the features of demand in the particular context and how it differs across product markets. The desk research needs to check if the original target markets are still applicable within the updated market context.
- **Supply.** The supply-side analysis spans providers, products and distribution channels across four product markets: payments, savings, credit and insurance. The analysis should span the nature, operations and financial performance of the different providers, the nature, features and reach of the various distribution channels used (current as well as potential), as well as the key features (including functionality, entry or eligibility requirements and fees) of a representative range of entry-level products in each product market, including digital financial services products.
- **Regulation.** As regulation represents the “rules of the game” for all financial service providers, it is important to benchmark the progress of the financial sector policy framework and any reform processes. The review must also analyse all relevant acts and other regulatory materials, including stakeholder interviews to build an understanding of the regulatory framework and its implications for market development, including digital, since the original diagnostic and roadmap.
- **Donor landscape:** The donor landscape as it impacts on financial inclusion is critical in order to understand how activity at a national level can be better coordinated, and the research will identify key donors in the country, and the main projects undertaken or planned.

Additionally, progress on the Roadmap and national commitment must also be established. To this end, the research must consider:

- Extent of government buy-in and support for the roadmap implementation,
- Suitability and effectiveness of national stakeholder and co-ordination structures around the roadmap development and implementation,
- Dedicated capacity for national co-ordination and programming in the Nepal Rastra Bank and other relevant GoN ministries and agencies,
- Extent of roadmap priority implementation
- Extent of donor co-coordination and support for the Roadmap implementation
- National monitoring and evaluation frameworks development and implementation including use of National Financial Inclusion Portal at NRB by various departments in tracking and monitoring financial inclusion indicators.

DELIVERABLES

The deliverables for the assignment are:

1. **Country Synthesis Report:** Detailed analysis of demand and supply side data obtained from WBG HH Survey, NRB and other credible sources in ready-to-publish form.
2. **Roadmap and Action Plan:** An updated Roadmap and Action Plan together in ready-to-publish form. The Action Plan should also include an updated Monitoring and Evaluation Framework to help NRB track progress and results in key priority areas of the Action Plan.

The consultant will need to organize at least three consultative meetings with NRB, and stakeholders as indicated below:

- a. Discussions on the draft Country Synthesis Report
- b. Discussions on the draft Roadmap and the Action Plan
- c. Presentation of final Roadmap and the Action Plan to High Level Financial Inclusion Roadmap Implementation Committee at NRB.

TIMEFRAME

The assignment starts with desk review of MAP diagnostics and reports from 2015-16. The analysis of data can only start when the World Bank’s household survey is completed. However, review of existing statistics (CBS and other sources) on household income and expenditure patterns can be mapped and analysed until the survey data is available. A total of 80 days is envisaged as input from a consulting firm supplying a team of consultants. The assignment will require 4 to 5 months of engagement once survey data is available.

QUALIFICATIONS

The assignment requires inputs from three experts to be supplied by a consulting firm specializing in financial sector development including data / information analysis and policy making. Experience in private sector investment in financial services and in informing development policy implementation would be an asset. General qualifications of the firm as well as the experts should be:

- Relevant work experience on analysis of financial inclusion landscape with relevant expertise on nationally representative sample survey data and information analysis
- Prior experience in national financial inclusion strategies would be an added advantage
- Experience working with a diverse group of stakeholders, including policy makers, private sector, government, the United Nations and other intergovernmental organizations
- At least 7 years average (per team member) work experience in the field of financial inclusion and economic development agenda, policy, and regulatory reform;
- Demonstrate effective organizational skills and ability to handle work in an efficient and timely manner;
- Demonstrated excellent writing skills in English and communicating complex political, social and economic issues related to financial inclusion.

The three-member team from the consulting firm should comprise of a team leader, a financial inclusion expert and a data/information analysis expert.

CRITERIA FOR EVALUATION OF PROPOSALS

A combined scoring method – where the qualifications and methodology will be weighted at 70%, and combined with the price offer which will be weighted at 30% - will be applied. The Technical Proposal shall provide expertise of the firm, team composition with CV and proposed methodology, approach and plan. Technical proposal will be evaluated as:

Technical Proposal	Score Weight
Expertise of the Firm	30%
Team composition	30%
Proposed Methodology, Approach and Implementation Plan	40%