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on “*Financial Inclusion*”

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## International collaboration on assessing financial inclusion – Bank of Morocco's monitoring and evaluation framework<sup>1</sup>

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<sup>1</sup> This paper was prepared for the meeting. The views expressed are those of the authors and do not necessarily reflect the views of the BIS, the IFC or the central banks and other institutions represented at the meeting.

# International collaboration on assessing financial inclusion

## Bank Al-Maghrib's Monitoring and Evaluation Framework

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### Abstract

Over the last decade, financial inclusion has become one of Bank Al-Maghrib's focus areas. Indeed, the last triennial strategic plans of the central bank of Morocco include explicit financial inclusion commitments related to: (i) Financial services development and low income banking strategies implementation, (ii) National Financial Education Strategy establishment, (iii) promotion of Electronic payment and (iv) Consumer protection reinforcement.

This ambition and determination to make the financial sector more accessible and adequate for the different segments of the population led Bank Al-Maghrib to establish a participative framework where the public and private sectors actors are mobilised and involved in the different stages of financial inclusion policies process including monitoring and evaluation. As a result, by the end of 2016, 69% of adults have been reached by the banking sector registering 65% increase compared with 2008.

This paper will highlight how the collaboration (at national, regional and international level) can be a success factor for financial inclusion assessment especially to overcome the main challenges related to collecting and increasing the accuracy of data.

Keywords: Collaboration, Financial Inclusion, Data, Reporting and Surveys

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## Introduction

Since 2007, Bank Al-Maghrib has been committed to promote financial inclusion in Morocco. Several policies have been developed in collaboration with public and private sector actors in order to overcome barriers to access to and usage of good quality formal financial services. In this regard, Bank AL-Maghrib focused on gathering the private and public sector to collaborate and face the main challenges related to the exclusion of a significant portion of the population from formal financial sector and led the different financial inclusion action plans such as those related to the national financial education strategy, consumer protection and banking penetration.

To make sure that all the undertaken policies have the expected impact, Bank Al-Maghrib established an evaluation and monitoring framework capitalising on international best practices. This experience shows the importance of reliable data in designing sound policies as well as collaboration to build effective and adequate assessment framework in order to take a stock of the current state, define direction and measure the effectiveness of the policies.

Bank AL-Maghrib's experience will be presented through three sessions:

- The first session will describe how the "Monitoring and Evaluation framework" has been developed and how collaboration with national and international networks was a key gateway to define relevant indicators, collect quantitative and qualitative data in order to design evidence based policies, and raise awareness amongst national stakeholders about financial inclusion data.
- The second session will point out the main challenges faced by Bank Al-Maghrib during the implementation of the monitoring and evaluation framework (sources of data, diversity of stakeholders, accuracy of sex-disaggregated data, ...)
- The third session will bring into light the on-going activities conducted by Bank Al-Maghrib in order to enhance the assessment process mainly the implementation of a geospatial information system (GIS) based on international experiences and developing a social impact measurement tool.

Collaboration with national and international actors will be raised as a success factor in designing and implementing relevant tools of monitoring and evaluation.

## Monitoring and Evaluation framework development process

Recognizing the importance of data in designing strong policies, Bank Al-Maghrib has over the last years developed a monitoring and evaluation framework based on international practices. This tool aims at providing relevant information in order to:

- Learn about the current state of financial inclusion: barriers to access and usage, financial behaviour of the population, key reasons of using informal services...

- Show to stakeholders the main achievements and milestones related to financial inclusion policies as well as how effective have been financial inclusion policies and what goals haven't been achieved.
- And identify remaining challenges especially in terms of disparities between groups of revenue, administrative units, genders and micro, small and medium enterprises.

Building an effective and a comprehensive monitoring and evaluation framework supposes an important effort from different actors to collect supply side and demand side data and measure financial inclusion. Hence, Bank AL-Maghrib focussed not only on conducting nationwide survey but also on developing specific reporting to complete information produced by financial services providers:

- **Supply side data collection** through involving banks, finance companies and microcredit institutions in the process in order to collect reliable and comprehensive data on access points and usage of deposit and credit as well as global fees on basis services.
- **Demand side survey implementation** as a key component of the monitoring and evaluation framework. Data was collected through a nationwide financial capability survey that was conducted by Bank Al-Maghrib with the collaboration of the World Bank. The results informed financial sector about the banking penetration, the barriers to financial inclusion, and the financial behaviour of the population regarding financial decision making and usage of informal and formal services.

In both cases, Bank Al-Maghrib ensured that the collected data is in position to provide a clear snapshot of the current state of financial inclusion in Morocco with the possibility to compare it with other countries. For this reason, the monitoring and evaluation framework to be implemented must cover all the financial inclusion dimensions "Access, Usage and Quality".

As a result, it was necessary to mobilize several actors within the central bank as well as financial services providers and international institutions in order to make sure that the required data from the supply or demand side will be available within the time limits and in accordance with the agreed format. Thus, two approaches have been followed: Bottom-up and top-down approaches.

### Bottom up approach: Demand side data

In 2013, Bank Al-Maghrib took the initiative to develop a national financial education strategy under a Moroccan Foundation that has in its governance structure public and private actors. In this context, Bank Al-Maghrib joined efforts with the World Bank in order to conduct a nationwide survey and evaluate financial capability<sup>3</sup> of Moroccan building on the international experiences and expertise in this area. The survey was the first in its kind in Morocco and one of the first experiences in the Middle East and North Africa region.

<sup>3</sup> Financial capability is measured by knowledge of financial concepts and products, attitudes, skills and behaviour related to day-to-day money management, planning for the future, choosing financial products and staying informed.

Implementing such a survey reflected how important financial inclusion is for Bank Al-Maghrib's agenda. Financial literacy and consumer protection, considered as the main pillars of its policies, were amongst the key axes of the survey that provided a diagnostic for the preparation of the strategy, especially for setting quantifiable and concrete targets and the assessment of the effectiveness of financial education programs.

The collaboration with the World Bank allowed the Central Bank to establish an adequate methodology and collect accurate and comparable data. Indeed, the questionnaire of the survey has been extensively tested in the context of low- and middle income countries and was developed with support by the Russia Financial Literacy and Education Trust Fund (RTF). Moreover, about 70 focus groups and more than 200 cognitive interviews in eight countries have been organised to identify the concepts that are relevant in low- and middle-income settings, and to test and adapt the questions to ensure that they are well understood and meaningful across income and education levels.

The questionnaire has been then tailored to the Moroccan context taking into consideration Bank Al-Maghrib's priorities. In this respect, it has been added specific questions related, for instance, to usage of Shari'ah compliant financial products and services and deposit insurance awareness.

Regarding the sample, the financial capability survey was nationally representative of active population with a total of 3,000 adults based on the most recent 2004 census of Population and Housing, provided by the national statistics office (HCP). The population was divided into strata based on area (urban/rural) with urban areas further subdivided by housing type (luxurious housing, old medina housing, social and economic housing, precarious and clandestine housing).

As a result, the survey provided important insights<sup>4</sup> to Bank Al-Maghrib and other stakeholders about financial inclusion that served for the formulation of the national financial education strategy.



<sup>4</sup> [http://responsiblefinance.worldbank.org/~/\\_media/GIAWB/FL/Documents/Publications/Enhancing-Financial-Capability-and-Inclusion-in-Morocco-FINAL.pdf](http://responsiblefinance.worldbank.org/~/_media/GIAWB/FL/Documents/Publications/Enhancing-Financial-Capability-and-Inclusion-in-Morocco-FINAL.pdf)

## Top-down approach: Supply side data

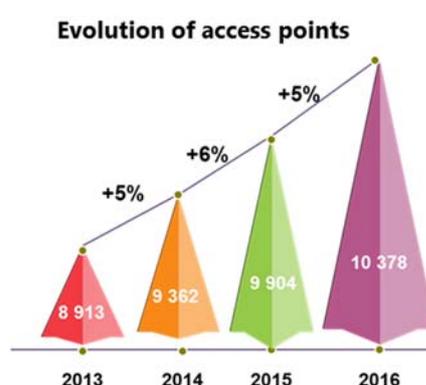
Besides demand side data, Bank Al-Maghrib has a vested interest in supply side data not only for risk management but also for measuring financial inclusion and impact of policies developed in this area.

In this respect, Bank Al-Maghrib built its experience on international practices and developed financial inclusion indicators based on FIDWG<sup>5</sup>'s (as a member of AFI<sup>6</sup> since 2010) working paper<sup>7</sup>. Hence, Bank Al-Maghrib implemented specific reportings that have been reported by banks at biannual basis informing about: banking networks that include not only banks' branches but also ATMs and banking intermediaries' access points, usage of deposit and credit, the banking penetration per gender and enterprise' sizes as well as the global fees on the basic banking services.

Moreover, the tow credit bureaus, established in 2007 and in 2016, provide data on the use of loans by the population and allow Bank Al-Maghrib to complete the financial inclusion database and enhance the accuracy of the produced indicators. In addition, those credit bureaus provide credit institutions and similar bodies with a common platform for the exchange of data. The objective of this platform is to help these institutions better assess the risks incurred on their counterparties, through solvency reports specifying the commitments of their customers and their payment behaviours.

Thus, Bank Al-Maghrib evaluates the different dimensions of financial inclusion through the following indicators: (1) banking density, (2) distribution of access points amongst the different administrative units as defined by regional breakdown of the Kingdom, (3) rate of banking penetration, (4) usage of deposit accounts (5) loans by adult population and MSMEs<sup>8</sup> (6) and banking services price index measuring the trend of the basic banking services as applied by the principal banks.

By the end of 2016, the indicators reflected a positive evolution of financial inclusion, making Morocco as a regional benchmark, but also the persistent gaps between urban and rural areas, genders and MSMEs:

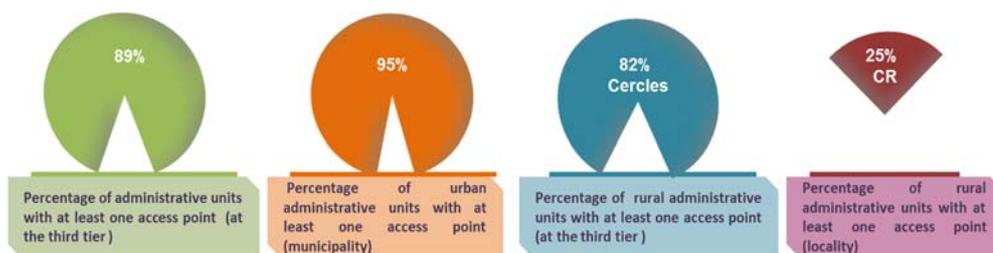


<sup>5</sup> Financial Inclusion Data Working Group

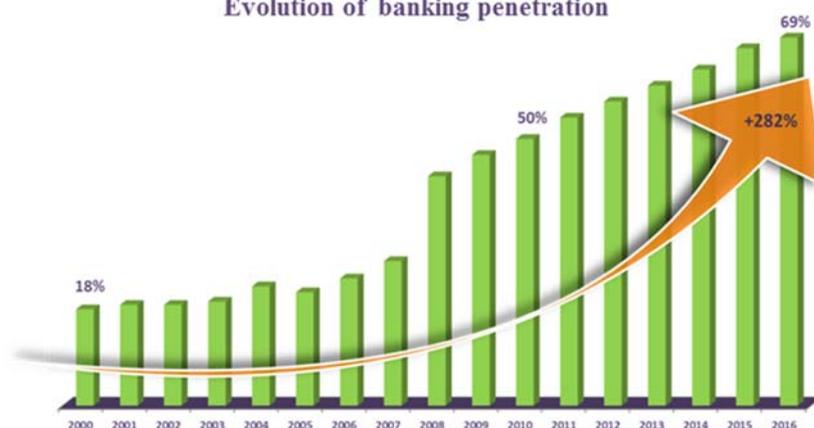
<sup>6</sup> Alliance for Financial Inclusion

<sup>7</sup> Measuring Financial Inclusion: Core Set of Financial Inclusion Indicators (March 2013)

<sup>8</sup> Micro, Small and Medium Enterprises



### Evolution of banking penetration



Furthermore, Bank Al-Maghrib mobilised various public and private actors to establish an observatory for VSMEs<sup>9</sup> that started its activities in 2016. This observatory aims at (1) centralizing national and regional data and information on VSMEs, and (2) generating demographic, economic and financial information on economic sectors in order to allow stakeholders to respond more effectively to the issue of financing this specific category of companies.

Based on the above, collaboration is a key factor for an effective monitoring and evaluation framework. In fact, exchanging experiences and joining efforts at the national and international level contributed to raise awareness about the importance of data but also to build an adequate database for developing sound financial inclusion policies.

Thus, Bank Al-Maghrib's experience shows the importance of collaboration at different level of the process, from designing indicators and collection of data to calculating indicators and making evidence based policies. In addition, collaboration is important:

- **Within Bank Al-Maghrib:** mainly to explore banking supervision and credit bureaus databases and to build on their experiences.
- **At national level** with financial services providers especially banks, finance companies and microcredit institutions in order to collect the required data.

<sup>9</sup> Very small, small and medium enterprises.

- ***With the Arab world:*** as part of the regional collaboration framework where Bank Al-Maghrib shares experiences and collaborate in guiding Arab countries in their own experiences.
- ***And at the international level*** mainly with AFI and the World Bank for technical assistance as well as facilitating the development of international baselines.

## Challenges related to financial policies assessment

Given the multiple facets of financial inclusion and actors, Bank Al-Maghrib faced during the assessment process several challenges.

First, the multi-dimensions and the broad scope of financial inclusion involve implementing a set of indicators to achieve the ultimate goal of assessment. Thus, the process engages different sources of data with different providers who may have different references, in terms of the population segmentation or gender of enterprises, or even have no interest in financial inclusion. Thus, granular data gathering must be preceded by careful analysis and investigations of the availability and quality of data besides raising stakeholders' awareness about the importance of their role in this process.

This preliminary phase should be followed by a clear action plan in order to address progressively the identified issues especially in case of unavailability of some key information, such as sex disaggregated data, as well as the eventual adjustments in the providers' information systems. For example, Bank Al-Maghrib took the initiative to establish common definitions and rules for the banks in order to make sure that their financial inclusion reportings are based on the same references.

In addition, financial inclusion has more and more evolutionary environment due to the trends of technology. This is why the monitoring and evaluation framework should reflect the new financial services providers as new access points and channels to get financial services closer to the population. This is also important to insure comparability at regional and international level and to reflect the new challenges and opportunities related to financial environment. Hence, monitoring and evaluation framework should rely on a flexible information system that hosts a unique and a comprehensive database covering all financial services providers, including insurance companies<sup>10</sup>, while protecting personal data.

Furthermore, the interactions between financial inclusion and economic and social development call for a serious impact measurement system. Indeed, financial inclusion policies aim at enhancing the welfare of the population beyond the immediate objectives of promoting saving, investment and risk mitigation. Policy makers should think of a reliable framework to measure social and economic impact of financial inclusion based on randomised impact evaluation. This evaluation

<sup>10</sup> Insurance companies are usually out of the scope when there is no national financial inclusion strategy. In case of Morocco, information on insurance is currently limited as it's beyond the central bank's scope and falls under an independent regulator.

should start with a clear definition of the quality dimension's facets that include basically affordability, transparency, consumer protection and financial education.

Moreover, conducting surveys, as a crucial tool of financial inclusion assessment, should rely on a clear methodology and rigorous process in order to provide good quality data and insure comparability over time. In this regard, the sample size must reflect the structure of the population and should be sufficiently granular to allow the compilation of different levels of aggregation for adequate analysis at a country level. However, giving the important costs that could be implied, it is appropriate to fix overriding criteria (region, urban and rural, income groups, gender...) based on supply side indicators or the policymakers' priorities for example. It is also important to take into consideration the difficulty to evaluate the needs of excluded while they have limited financial capability. It's then important to complement the surveys conclusions with qualitative studies such as financial diaries or focus groups in order to refine the conclusion of surveys and understand what is the most suitable for the vulnerable segments.

Another challenge is related to double-counting that may bias financial inclusion indicators and overestimate the banking penetration. To deal with this problem, Bank Al-Maghrib implemented an accounts central that consolidate the whole information on banking accounts, as provided by banks, based on the identity of clients.

Finally, the predomination of informal sector especially in developing countries hinders the evaluation of enterprises' financial inclusion. The creation of an Observatory for MSMEs in Morocco is a first step to deal with this challenge and to establish an effective action plan in order to produce more accurate data for policymakers.

## Moving forward for an impact measurement

Despite the significant progress that has been achieved in Morocco, policymakers are still facing important gaps mainly between regions (especially rural and urban areas), enterprises sizes, income groups as well as genders. The remaining challenges require a strong collaboration and commitment within a national financial inclusion strategy (NFIS) in addition to an adequate monitoring and evaluation framework based on a geospatial mapping (GIS).

Thus, Bank Al-Maghrib is strongly committed to develop a NFIS and to address all the barriers to access to and usage of formal financial services. In collaboration with the Ministry of economy and Finance, Bank Al-Maghrib initiated the process and set a national framework in order to pool the public and private sectors' efforts and harmonize their objectives looking for providing the Moroccans with an inclusive financial environment and promoting their welfare and socio-economic development.

In this context, the Moroccan authorities have implemented a consultative system in order to raise stakeholders' awareness and to ensure that the NFIS will be embraced and implemented at national level while mobilizing the required resources. In this respect, a search conference has been organized on May 22&23 and gathered public and private actors who had the opportunity to exchange with

international experts on the NFIS formulation process based on international experiences and to identify success factors and stakeholders concerns.

Furthermore, in order to gain a better and more comprehensive understanding of the state of financial inclusion in Morocco, as well as of the individual factors influencing this area, Bank Al Maghrib is working on the implementation of a GIS that will point out relevant financial inclusion indicators combined with demographic and socio-economic data (access points per financial service providers, savings, credit, insurance, poverty index, population, income, gender, illiteracy...). This mapping will allow Bank Al-Maghrib to conduct more in-depth analysis on the evolution of financial inclusion and to build evidence based policies including the NFIS.

As part of this project, Bank Al-Maghrib intends to develop a comprehensive statistical analysis model building on the financial inclusion database. Indeed, developing a multi-variable analysis model will enable financial inclusion actors to understand correlations between socio-economic factors and financial inclusion and this way bringing to light the impact of the undertaken policies. Besides financial services providers, the Moroccan Statistical Institution (HCP) and Credit Bureaus will contribute as well to the implementation of this statistical model.

In addition, Bank Al-Maghrib has launched during the last months a FINDEX survey that has been tailored to the Moroccan context in order to inform the Moroccan authorities and the NFIS stakeholders about the state of financial inclusion from the demand side. This survey will cover all the Moroccan regions representing, therefore, urban and rural areas as well as genders. Being the second demand side survey conducted in Morocco after the above-mentioned financial capability, it will present the impact of the undertaken actions and set a good baseline for the NFIS.



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## Assessing financial inclusion policies in Morocco<sup>1</sup>

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## Assessing Financial Inclusion Policies in Morocco



- 1. Monitoring and Evaluation framework development process**
- 2. Challenges related to financial policies assessment**
- 3. Our journey continues**

# Monitoring and Evaluation framework development process (Part 1/4)

1 Learn about current state

2 Show key milestones

3 Define next steps

## Monitoring and Evaluation Framework

Supply side

- Access points /Geospatial data
- Bancarization rate
- Usage rate of basic services
- Usage per clients category (Enterprise size)

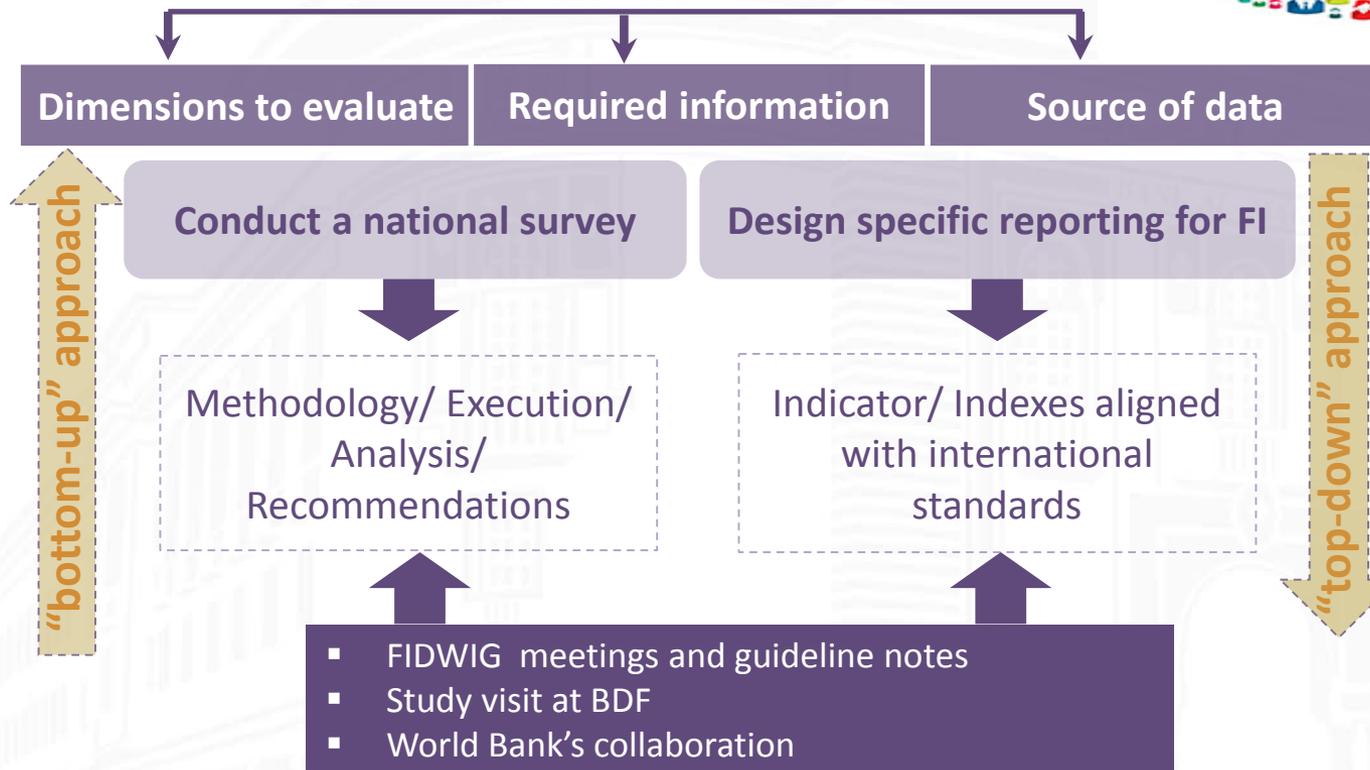


Demand side

- Barriers to financial inclusion
- Access and usage to informal /formal financial services
- Financial inclusion opportunities
- Gender gap
- Reasons of exclusion/ gaps
- Other qualitative aspects

# Monitoring and Evaluation framework development process (Part 2/4)

- 1 What should be improved?
- 2 What issues to address?
- 3 How effective our policies are?



# Monitoring and Evaluation framework development process (Part 3/4)

## Monitoring and Evaluation Framework

Calculated on an annual basis, financial inclusion indicators cover 3 dimensions:

### Access

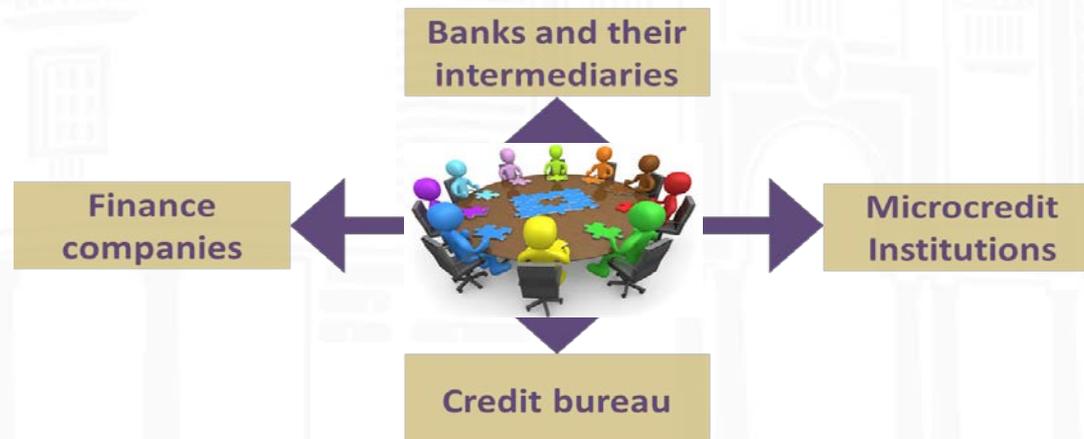
1. Number of access points per 10,000 adults at a national level
2. % population living in administrative units with at least one access point

### Usage

1. % of adults with at least one type of regulated deposit account
2. % of adults with at least one type of regulated credit account

### Quality

1. Banking services Price Index (affordability)
2. Financial literacy (Results of the financial capability survey)



# Monitoring and Evaluation framework development process (Part 4/4)

The implementation process requires collaboration  
at different levels:

01

**Within the Central Bank:**

- Banking Supervision Department
- Network and Central Registries Department

02

**National Level:**

Banks/ Microcredit Institutions/...

03

**Regional Level:**

- Arab Monetary Fund
- Arab Central Banks

04

**International Level:**

Intern. Org./ Intern. networks



Data collection



Access to expertise and experiences



Sharing our own experiences/  
Benchmark for the region

# Challenges related to financial policies assessment (Part 1/2)

Financial inclusion is a broad and multidimensional concept that implies:

- Various indicators in order to present a clear and comprehensive snapshot
- Need of granular data in order to respect each specific segment of the population
- Multiple data providers with different references

Financial inclusion is a dynamic concept that implies:

- Necessity of keeping up with trends related to the emergence of new financial services providers
- Need of cross-country comparative analysis
- Continuous adjustment process

Strong commitment of the data providers

Flexible Information System

Unique and exhaustive database covering all FSPs

Common references, clear methodology and rigorous process for periodic reporting and surveys

Detailed and accurate data to identify priorities and measure progress

# Challenges related to financial policies assessment (Part 2/2)

## 1 Demand side data

**Complexity** of evaluating the potential demand from the excluded segments with limited financial skills.

**Cost of defining** a representative sample based on: age, gender, areas (urban and rural), socio-professional profile,...

**Lack of a comprehensive database of informal enterprises**

Good quality data requires a **rigorous process** of collection, verification and analysis

## 2 Supply side data

**Double-counting** as banks' reporting are based on accounts instead of individuals

**Lack of harmonized criteria** regarding Enterprises' segmentation

In the absence of a NFIS, FI actors are **not committed/ aware enough** to contribute to unique and good quality database

**Impact** of the indicators on FSPs' **information systems** (sex desegregated data)

Unavailability of information and **Complexity** of measuring the quality dimension

# Our journey continues (Part1/2)



Identify different levels of financial inclusion

Identify areas with limited access and unmet demand => Where are the most excluded areas? Who are their main FSPs?

Analyze linkage with socio-economic factors

Build evidence based policies => tool for strategic decision-making

Conduct a national survey => evaluate the current state of FI in Morocco and pinpoint the remaining challenges

Set up a comprehensive database of banking accounts => Correct double-counting based on Ids

Prepare a dedicated report on FI

Addressing bottlenecks  
+  
unlocking opportunities  
for socio-economic  
development



# Our journey continues (Part2/2)

Building on FIDWIG members' experience and the support of AFI allow us to determine our direction and anticipate challenges

Good quality data is a key driver of our FI policies and is leading us to an effective NFIS

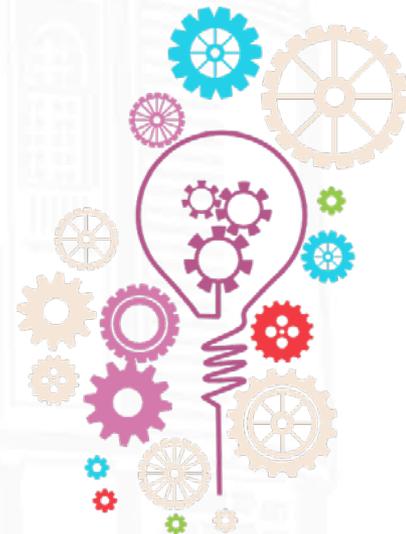
In race toward full FI, Bank Al-Maghrib is bringing together private and public actors to overcome data challenges but also to build strong policies.

01 Creation of working group: Ministry of Finance & Bank Al-Maghrib

02 WG meetings and consultation of stakeholders (public and private) led to the governance structure definition including

03 Workshop with key stakeholders (public and private) to discuss financial inclusion issues and set strategic priorities

Collaboration is part of the process





**Thank you for your attention**

**Any questions?**

