Prerequisites

Digital / Foundational ID

This barrier points to issues with access to a foundational ID that can be used to meet basic KYC requirements. Not having access to a foundational ID that is linked to a national registry makes opening an account difficult.

Why is this barrier important?
Providing proof of identification is essential to participate in daily life (e.g., enrolling in formal payment schemes, obtaining a SIM card, getting a job in the formal sector, etc.). The lack of ID consistently emerges as a top barrier to formal account ownership around the world.

Connected Barriers

Prerequisites
KYC requirements
Phone/SIM ownership
Lack of credit history (for credit products only)
Broader legal constraints

Information Availability & Capability
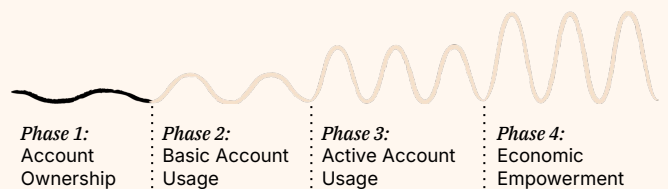Unclear or difficult process to open an account

Social norms
All barriers in this category

Most Relevant Segments

1
Excluded, marginalized

2
Excluded, high potential

3
Included, underserved

4
Included, Not underserved

Customer Journey Relevance

Phase 1:
Account Ownership

Phase 2:
Basic Account Usage

Phase 3:
Active Account Usage

Phase 4:
Economic Empowerment

Key evidence relevant to this barrier

- According to the _Findex_ (2021), **thirty percent of unbanked adults in the Sub-Saharan region cited lack of documentation as a barriers for not having a mobile money account.** The percentage of financially excluded adults due to lack of ID is also significant across IFS focus countries, including Tanzania (40%).

- The number of people worldwide without identification is high; according to the World Bank's _ID4D Global Dataset_ (2021), 850 million people lack ID. Further analysis by the World Bank revealed the following (2021):

  - More than 50% (470 million) of people without ID live in Sub-Saharan Africa and over 200 million live in South Asia.

  - Over 90% live in lower-middle income and low-income economies.

  - Some 35% of women in low-income countries lack ID compared to 27% of men.

- ID documents are a crucial prerequisite for DFS adoption and financial inclusion:

  - "Women need official ID to obtain a job in the formal sector, open a bank account or borrow from a financial institution, and to obtain a SIM card for the mobile phone to access DFS." (GPFI, 2020).

  - "According to _Global Findex-ID4D data_ (2018), the most common use of ID in Sub-Saharan Africa is to obtain a SIM card or mobile phone service – essential for accessing DFS." (WWB, 2021).

  - According to data by the World Bank, 90% of commercial banks require a government-issued ID to open a deposit account (CSIS, 2021).

- A brief published by the World Bank (ID4D, 2019) states:

  - "Access to all forms of identification is an important stepping stone to women's agency and freedom of movement. The countries with the greatest gender gaps in foundational ID coverage tend to be those with legal barriers for women's access to identity documents."

  - "Most countries do not explicitly prohibit women from applying for an ID or the associated foundational documentation for themselves or their children. Rather, in many countries, gender-based differences in laws and regulations make it more burdensome for a woman than a man to obtain an ID or the foundational documents needed to get one."

  - "In 35 countries, a married woman cannot apply for a passport through the same process as married men, and in 11 countries, married women cannot apply for an ID in the same way as married men."

Exemplar
Estonia's E-identity Program
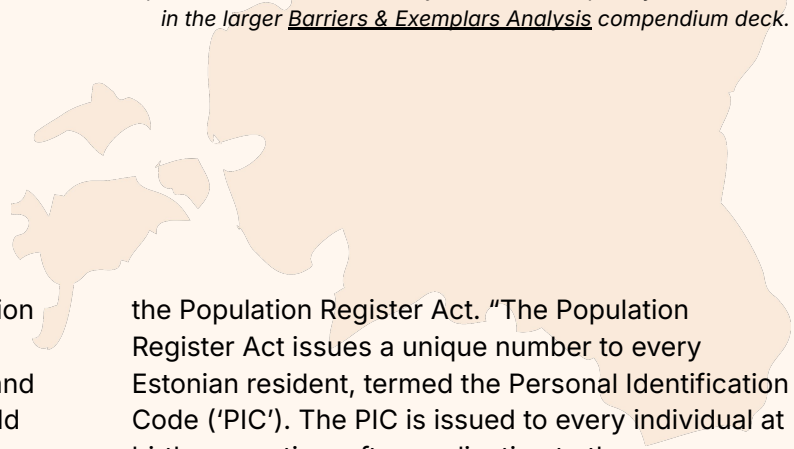
"After gaining independence from the Soviet Union in 1991, Estonia, one of the smallest nations in Europe, was left with little public infrastructure and virtually no commercial activity. It needed to build high-functioning government services for its residents and fledgling private sector." (Braverman and Kuntz, 2012).

The Government of Estonia began building a robust digital ID ecosystem using citizen information from the Population Register Act. "The Population Register Act issues a unique number to every Estonian resident, termed the Personal Identification Code ('PIC'). The PIC is issued to every individual at birth or any time after application to the processor of the Population Register ('PR'), but it does not function independently as a digital ID." (Digital ID, 2020). The government used this PIC as the input into a robust digital ID program.

Key Activities

"In 2003, the government launched the first version of its e-government portal (www.eesti.ee), which offered secure online access to a handful of government services." (Braverman and Kuntz, 2012). "When a resident applies for the issue of a digital ID, the information they submit is checked against the Population Register, and they are issued a digital ID (or e-ID) that is made unique by the inclusion of the PIC." (Digital ID, 2020).

"The e-ID and the ecosystem around it are part of any citizen's daily transactions in the public and private sectors. People use their e-IDs to pay bills, vote online, sign contracts, shop, access their health information, and much more. Holders of a digital identity need not be Estonian residents anymore however. Since 2014, Estonia has also offered a program called e-Residency for anyone who wishes to become an e-resident of Estonia and access its diverse digital services regardless of citizenship or location." (Enterprise Estonia). "Private-sector entities, such as banks and telecommunications companies, also offer services through the state portal – and thus have an incentive to invest in maintaining the infrastructure backbone." (Braverman and Kuntz, 2012). The country also expanded the system to have a mobile ID service accessible via smartphones equipped with SIM cards.

Key uses of the e-ID:

Cited from Enterprise Estonia:

- A legal travel ID for Estonian citizens travelling within the EU
- A national health insurance card
- A proof of identification when logging into bank accounts
- Digital signatures
- Internet voting
- To check medical records, submit tax claims, etc.
- To use the e-Prescription service

Outcomes/results

"Today, Estonia's 1.3 million residents can use electronic ID cards to vote, pay taxes, and access more than 160 services online, from unemployment benefits to property registration... More than 99% of the country's people now have electronic ID cards, and every day approximately 10,000 users visit the portal." (Braverman and Kuntz, 2012). 70% of the population use an ID card regularly for public services. 94% of taxes are filed online through the portal.

"Estonia is, to date, the only nation where citizens can cast online ballots in every type of election from local to parliamentary. When Estonia held the world's first binding election using internet voting in 2005, a mere 2% of voters cast ballots online; in the 2011 parliamentary election, that number rose to nearly 25%." (Braverman and Kuntz, 2012).

Key enabling environment factors for intervention

The government invested heavily in creating this electronic ID program (upfront investment of €50 million to €100 million). "To attract users, the government offered a 30% discount on public transportation to people who registered with the e-ID system. The number of e-ID card holders increased 213% in 12 months." (Braverman and Kuntz, 2012). There are also legal frameworks in place governing the digital ID. First, the Population Register Act creates the input for the ID (a personal identification code), and the Identity Documents Act governs the issue of the digital ID, or the e-ID, incorporating this PIC.

Key design elements and principles that led to successful outcomes

- Open platform: Any institution can use the infrastructure and it works as open source.

- Transparency: Citizens have the right to see their personal information and how it is used by the government by checking log files. "Every Estonian can review the full history of inquiries about him or her, including police-, banking-, and health-related inquiries. If a user does not recognize or approve of an inquiry, they can file a complaint with Estonia's Information Services Agency." (Braverman and Kuntz, 2012).

- Efficient: Data is collected only once by an institution, which reduces bureaucracy and redundancy.

- Multiple use cases: Citizens can use the ID to vote, pay taxes, access unemployment benefits, register property etc.

Potential for scale/replicability

This program operates on a national scale and has greatly increased the number of services available on the e-portal. "A number of national governments—including those of Belgium, Germany, Italy, and the Netherlands, as well as a handful of Middle Eastern countries—have launched or are planning to launch e-ID card programs. None of them are as far along the path as Estonia. Other countries expanding their programs can take inspiration from how it overcame some foundational challenges." (Braverman and Kuntz, 2012).

Challenges encountered during the program

Estonia experienced foundational challenges when launching this ambitious program but was able to overcome them. For example, when the platform first launched, the services provided were extremely limited, so demand was not initially high. To build a user base quickly, the government provided incentives through subsidized transportation, which helped attract the initial user base. The government then scaled up the amount of services available once it had built an established user base.

Recommendations from the research

Estonia's program offers several lessons learned and recommendations for those wishing to build a digital ID ecosystem:

1. Build a user base quickly: Estonia succeeded in this by offering subsidized public transportation in exchange for registering in the system.

2. "Address privacy concerns: Estonia's residents can opt out of making their data accessible." (Braverman and Kuntz, 2012).

3. Scale up the amount of use cases of the e-ID.

Additional Exemplars

National Policies for Women Empowerment: Saudi Arabia

Benazir Income Support Programme

Aadhaar Project

Mexico's Tiered KYC

Women Citizenship Initiative

Self-Help Group Members as Banking Agents for Deepening Financial Inclusion in India