

**MIDTERM EVALUATION OF SHAPING  
INCLUSIVE FINANCE TRANSFORMATIONS  
(SHIFT) IN ASEAN**

**APPENDIX**

**COUNTRY REPORTS:  
CAMBODIA AND MYANMAR**

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# 1. CAMBODIA COUNTRY REPORT

## 1.1 Country Context

Cambodia, a low-income country, has experienced high economic growth rate, rapid financial sector development and significant reduction in poverty in the last two decades. Cambodia's financial sector is characterised by high dollarisation, high concentration and low formal services penetration, and increasing foreign ownership. More than 90 percent of the transactions in the banking system use US dollars, the big four banks (ACLEDA, Canadia, Campu and ANZ Royal) hold 61 percent of deposits and carry 56 percent of the loan market. Cambodia is a highly cash based economy, with low level of formal financial inclusion: a small percentage of the population holds formal loans and savings accounts.<sup>1</sup>

The lack of access to financial services continues to be a significant challenge to the general population and firms, although microfinance institutions – the extension of very small loans to households and small-scale enterprises – play an increasing role. The microfinance sector includes seven Microfinance Deposit Taking Institutions (MDIs) who are licensed to accept deposits. The microfinance market has been growing at more than 50% per annum over the past few years with a sudden slowdown in 2017 attributed to the announcement of an interest rate cap by the regulator. Interestingly, in terms of outreach, the number of borrowers from the microfinance sector far exceeds the banks while the number of individual depositors in MDIs is 60% of the banks.<sup>2</sup> However SHIFT data analysis shows a low rate of usage (nearly 70% of deposit accounts are passive accounts with very low deposit amounts) and high rate of borrower exit<sup>3</sup>

Data from the Finscope survey 2015, completed as part of SHIFT's policy and advocacy initiative (see below) showed 59% financial inclusion – 60% of women – using bank or other formal non-bank services. Interestingly Findex data gives a very different picture - showing 22% of adults (also 22% of women) having a formal account or using a mobile money service, with marginal increase between the two recent surveys (2014, 2017).<sup>4</sup> Access and usage of financial services like loan, size of loan and savings is much lower for the young, rural and low income people. Like many other low income countries in Asia, women and low income families in Cambodia prefer to hold cash, gold or livestock in the form of savings rather than formal savings instruments.

Among MSMEs financial inclusion remains low; 66% of MSMEs identified access to finance as an obstacle to running their businesses. This is particularly critical for the women-led businesses, representing almost a half of the economy.

The National Bank of Cambodia (NBC) regulates and supervises the financial sector with a variety of institutions, including a large number of rural credit institutions (registered with, and reporting to, the central bank for sector aggregation, but not fully supervised due to high numbers relative to the operational capacity of the central bank. The MDIs and MFIs are more closely supervised, with a clear emphasis by the regulator on financial transparency and client protection (evidenced in the requirement to quote interest rates on loans on a declining balance basis, and the more recent interest rate cap). Nevertheless, multiple borrowing and client over-indebtedness have emerged as major risks.

Along with growth, the microfinance sector has increasingly attracted commercial investors and banks from outside the country (from Thailand, Taiwan, Korea and Japan), replacing or reducing to a minority stake

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<sup>1</sup> Cambodia Microfinance Association. UNCDF Country Brief, Cambodia, 2018

<sup>2</sup> National Bank of Cambodia, General Directorate of Banking Supervision. KII with Cambodia Microfinance Association.

<sup>3</sup> Based on Customer Journey Action Research (noted below in the discussion of the data pillar)

<sup>4</sup> There are similar divergences between Findex and Finscope for other countries of ASEAN. An adjusting calculation by SHIFT narrows the gap somewhat, but underlines the uncertainty of the secondary data available. Finscope is currently regarded as more reliable, but is a high cost exercise for the countries involved. (The Findex by comparison is funded by the World Bank)

the socially oriented pioneers of microfinance. Indeed, there is now a trend to the conversion of MDIs into commercial banks.

With the emergence of financial technology and e-money in the financial inclusion space, a number of new companies such as Wing Cambodia, SmartLuy, Metfone's eMoney, Thai-owned True Money, Asia Wei Luy and MDI AMK's Mobile Money Transfer have entered the market and are becoming significant service providers.

Table 1: Financial Inclusion Access in Cambodia, Finscope data, 2015

Financial services	Source - type	Access (%)		
		Total	Men	Women
<b>Financial Inclusion<sup>a</sup></b>	Banked	17	18	15
	Non-bank formal	52	39	45
	Informal	34	12	13
	Excluded	29	31	27
<b>Savings</b>	Regulated	10	11	10
	Unregulated	26	23	26
	Family/Friends only	26	18	26
	Not borrowing	54	61	54
<b>Credit</b>	Banked	6	6	5
	Non-bank formal	22	22	22
	Informal	7	6	8
	Family/Friends only	7	6	8
	Not borrowing	58	60	57
<b>Insurance</b>	Regulated	4	4	4
	Unregulated	2	1	2
	Not insured	94	95	94
<b>Remittances</b>	Regulated	43	42	44
	Un-regulated	3	3	3

[Finmark Trust, 2016]

<sup>a</sup>Multiple responses to this section (totals more than 100%)

## 1.2 SHIFT's programme in Cambodia

Cambodia is the one country where SHIFT has implemented activities across the four output pillars and has built partnerships with regulators, policymakers, and FSPs. On the policy front, SHIFT has supported the National Bank of Cambodia in developing the national financial Inclusion strategy; rolled out and supported firms for launching innovative product and services under the Challenge Fund mechanism; carried out Customer Journey Action Research and data analysis on financial inclusion; and carried out training for policy makers and services on data analysis and usage for policy reforms, product and market development.

Though the SHIFT programme started in 2014 it has gathered momentum in the last one and half years. There has been strong partnership, commitment and demonstrated example of policy influence, however the progress of activities is slow, and the performance of the CF investments so far is relatively weak. Learning activities introduced in 2017 have had limited traction. The analysis below highlights the results and feedback so far and focuses on the process and lessons learnt.

### ➤ Policy & Advocacy<sup>5</sup>

SHIFT has supported the NBC to draft the national financial inclusion strategy for the country. This has been developed by following the Making Access Possible (MAP) process, adopted by UNCDF: including establishing a structured stakeholder process to build the buy-in and ownership of government stakeholders. The SHIFT programme was reported to be instrumental in influencing the government and NBC through exposure visit to Myanmar, ASEAN-Working Committee of Financial Inclusion and AFI meeting on the need for NFIS as part of the financial development strategy of country which is supported by ADB.

The NFIS is closely linked to the data pillar – being based on a country financial diagnostic – covering the demand side (through the Finscope Survey) and the supply side (through Cenfri).<sup>6</sup> The availability of this data enabled SHIFT to influence the NFIS to include a gender based target (to reduce exclusion from 29% to 13%) and a savings target.

SHIFT's work on the NFIS has served to reinforce work that the NBC started recently, in licensing of the digital payment systems, strengthening client protection through setting up of the grievance redressal mechanism, introduction of code of conduct and guidelines for MFIs and banks, and financial literacy (for which the NBC is working with the Ministry of Education to introduce into the school curriculum).

The process for developing NFIS started in 2015 and it took a long time to convince regulators, build ownership and iron out issues with respect to financial inclusion diagnostic, drafting and developing consensus across ministries. The draft NFIS is yet to be approved and specific policies need to be framed for implementation. Whilst the NBC shows strong commitment to implementation and appreciate that SHIFT has directly contributed to regulator understanding of the real meaning of financial inclusion, there was some apprehension that the MAP approach could be more closely adapted to country context (conditions and requirements); policy makers are looking for more specific recommendations as well as funding for implementation.

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<sup>5</sup> The discussion on policy and advocacy, including on training of policy makers below, draws on KIIs – with NBC and the Ministry of Planning, as well as NBC quarterly reports to SHIFT.

<sup>6</sup> The Finmark Trust and Cenfri are partners for the MAP process, in individual countries.

## ➤ Data and Research

In Cambodia, SHIFT has drawn on the Finscope survey data and other sources to develop thematic research and infographics on financial inclusion, including remittances, MSMEs, gender and clean energy – as a resource for policy makers. The NBC has drawn on this data to initiate policy, for example:

- Remittances – the NBC passed regulation to licence Payment Service Providers in 2017 to strengthen the payments infrastructure; and is facilitating collaboration between a leading MDI and fintech providers to support connectivity for international remittances
- MSMEs – NBC is now collaborating with the Credit Bureau of Cambodia (CBC) to collect data on enterprises and credit; and is working with various related Ministries on collateral issues for MSMEs
- Gender – NBC is planning to look more closely at the financial needs of garment sector workers, and to use CBC data to identify areas where women’s access to credit is low

Another main area of work on data was to collect and analyse transaction data of leading MDIs. This ‘big data’ analysis, based on 2010-2015 data from 4 MDIs, was developed as Customer Journey Action Research (CJAR) in collaboration with UN Pulse Lab Jakarta. The data served to identify key financial inclusion challenges in terms of the gender gap (none in access, but there is a gap in the size of both credit and savings), low size of deposit accounts, and high borrower exit – attributed to competition and credit not well designed to meet client needs.

Both sets of data (Finscope and CJAR) became a key resource for training programmes that were conducted under the learning pillar.

## ➤ Learning and capacity development<sup>7</sup>

In 2017, SHIFT conducted a number of training programmes in Cambodia focusing on data – data analysis, tools and use. The training programmes were for regulators and for FSPs. The aim was to build the link between data and policy making – for regulators to enhance their understanding of financial and build their capacity on data collection and analysis, with an objective of repeating the Finscope Survey in 2019, and monitoring implementation of NFIS in future; for FSPs to equip participants with ideas and tools for data analysis which could feed into institutional decisions on product and service development.

The training programmes were relatively brief (over 2-3 half days). Training covered staff members of NBC and of the Ministry of Economics and Finance, and staff members of the 4 MDIs who had shared their portfolio data for CJAR. Both sets of training involved review of data findings, approaches to data segmentation (gender, youth) and the application of various software tools for data analysis (excel, Stata, Tableau).

Feedback on the training indicates appreciation of the training and the value of data, and confirmation that some skills have been picked up (Excel / Pivot tables), but there are a number of challenges to future application and use.

The regulator was appreciative of the detailed content of SHIFT training, Nevertheless, in the context of systems and continuing data issues, there is a sense that broad training is only enough to raise awareness. “Training is easy but that knowledge has to be come back to be installed”. The head of training at NBC articulated a specific need for hand-holding. “Show us what to do”. Further TA is required – for which SHIFT has developed a plan and is looking for funding.

FSP staff who attended, appreciated the objective of the training, found value in the presentation of dashboard information, and the concept of dormant savings accounts (though institutions use a different

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<sup>7</sup> This section draws on KIIs with staff of the 4 MDIs involved, as well as SHIFT BTORs.

definition based on inactivity rather than a minimal deposit amount). One of the MDIs (AMK) reported follow up action to the training – a group of Analysts from each of the departments was formed to have regular meetings on data requirements and analysis of data (e.g. how collected data can be used, what other data is needed). Nevertheless, in none of the MDIs is there any change in the approach to data analysis or a start in using data for product development and decision making. The idea of segmentation will need more work. MDIs do not analyse their portfolio data by gender. They prefer to say “all products are for everyone”.

The following are the challenges identified:

- Development of technical skills for data analysis will require more trainings or mentoring - to build the capacity of new staff and to support staff already trained. Some MDI staff lack even basic skills in excel.
- The CJAR data is useful for developing awareness, but the link is still to be made to
- Using such information for product development. Staff are not sure how to use the Finscope data.
- Limited senior management involvement – which would be necessary to understand the relevance and scope of the training work, so as to apply for institutional needs going forward.
- High turnover of staff - In 3 of the 4 MDIs most staff who attended the training have left (though they might turn up in other MDIs/Banks)
- Changes in MDI information technology – MDIs are upgrading their MIS software to graduate to ‘business intelligence platforms’. As these platforms are expected to be able to support new data analysis, MDIs are waiting to see what analytical tools and approaches will be most useful.

There has been a demonstrated need and interest for further trainings on specific issues, which SHIFT is planning to take forward through Training of Trainers linked to the Cambodia Microfinance Association.

### ➤ **Challenge Fund<sup>8</sup>**

The Challenge Fund is an important instrument and output under SHIFT program to support financial services providers to develop new products and bring to scale viable business models to serve low income individuals, micro entrepreneurs, small and medium enterprises with special focus on women.

In Cambodia, under three rounds of challenge fund (access to clean energy through financing, fostering innovative business models for women’s financial inclusion, remittances) 4 companies have been selected: three FSPs under Windows 1 and 2 have received funding while AMK (Window 3) is yet to finalise and sign the performance based agreements for funding.<sup>9</sup> The first round of companies under Window 1 received a commitment of major co-funding from UNCDF’s CleanStart programme focusing on alternative energy, with SHIFT’s component being to test the paygo model of financing in CLMV context. Tables 2 and 3 (next page) show the projects’ status (as of end 2017).

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<sup>8</sup> This sub-section draws on CF Performance Based Agreement (PBA) documents, partner reports, MRM dashboards and KIs with partner staff.

<sup>9</sup> Potentially there will be 5 FSPs, if the Window 2 project with Movivo (to cover Vietnam and Cambodia) gets off the ground.

Table 2: CF investments and status, end 2017

Organisation	Purpose of funding	Start Date	Grant Sanctioned US\$	Grant Utilised US\$	Utilised/sanction	Status
<b>Window 1: CleanStart – alternative energy, instalment payments</b>						
Hydrologic	Manufacture and sale of efficient cookstoves	2016	188,133	28,220	15%	Quit
Kamworks	Design, assembly and sale of high-quality solar home systems	2016	397,984	245,067	62%	Quit
<b>Window 2: Women’s financial inclusion</b>						
Amret MDI	Develop and test remittance-based digital-savings product for women factory workers	2016	244,729	88,794	36%	About to quit
<b>Window 3: Remittances for financial inclusion</b>						
AMK MDI	Test and facilitate international remittances from Thailand into Cambodia	Expected 2018	100,000			To begin

[Frankfurt School of Management, Annual report, 2018]

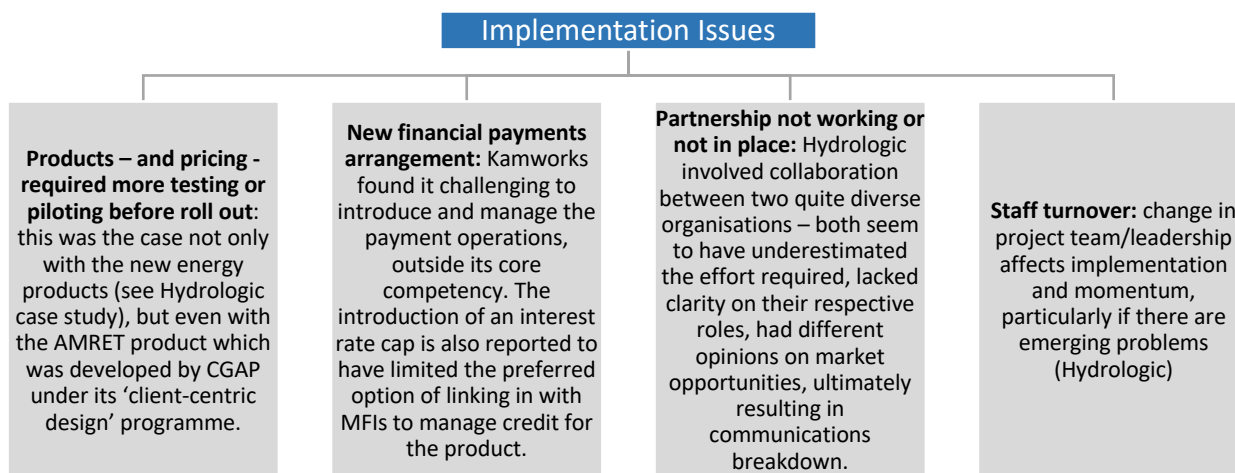
Table 3: CF investments performance

		2016		2017		Actual/Target
		Target	Actual	Target	Actual	Target
<b>Window 1: CleanStart</b>						
Hydrologic <sup>a</sup>	Units sold	1,000	0 <sup>b</sup>	14,000	0	0%
Kamworks	Units sold	750	122	3,250	21	4%
	Women customers	50%	'50%'		'50%'	
<b>Window 2: Women’s financial inclusion</b>						
Amret <sup>a</sup>	Accounts	7,500	34	22,500	353	1%
	Women customers	5,000	25	15,000	273	1%

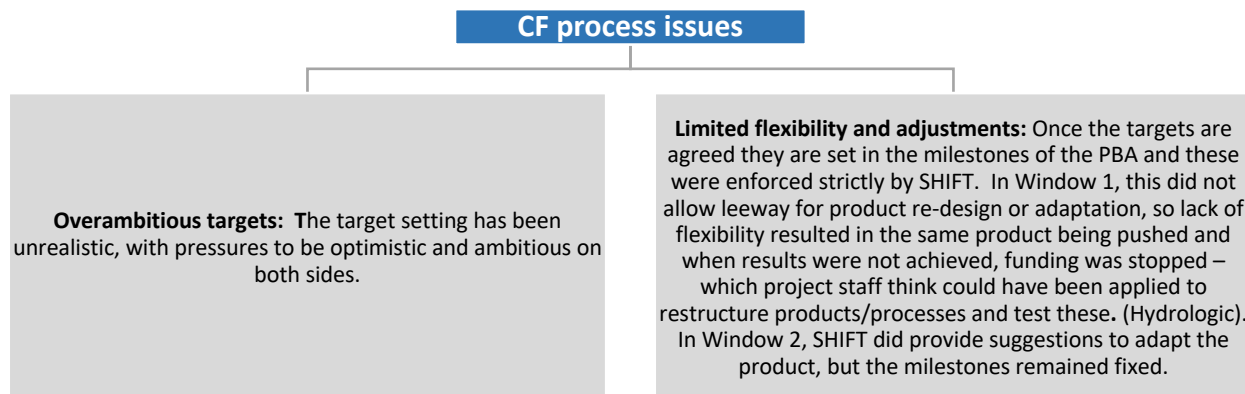
[MRM outreach figures for Challenge Fund projects]

<sup>a</sup> Documented as a case study, in the Annex <sup>b</sup> 1,000 units were manufactured early in 2017 but have not been sold.

Whilst a Challenge Fund project is not necessarily successful, the results in Cambodia have been disappointing with the closure of the first three investments. As the two case studies show (Annexed - Hydrologic and Amret) there seem to have been issues both in implementation and in the CF process, as follows:







SHIFT took note of the implementation issues in the first 2 windows<sup>10</sup> and applied the lessons in selection and signing of the third round investees. It has mandated for:

- a) establishment of all necessary project management arrangements including any proposed partnership before project start
- b) ensuring all regulatory licensing is in place before project start

The remittances project with AMK under Window 3 expected to start later this year has been delayed to a great extent primarily to obtain a Licence for Payment Services (facilitated by SHIFT's connections with the NBC) and to set up partnerships with banks in Thailand. However, SHIFT's reduced grant funding commitment, has led to the decision by AMK to drop the digital financial literacy component under the project. The same process issues remain – of realistic targeting and planning, within the compressed time frame, which may affect success.

### 1.3 Evaluation observations and learnings

In line with the Theory of Change, the financial inclusion environment allows SHIFT not only to contribute through its investments, but also through policy level work, supported by capacity building of market participants through the data and learning pillars. In Cambodia, SHIFT has begun to show synergy of activities under the four pillars. the FinScope and CJAR analysis (data) helped develop the NFIS (policy), and the remittance window (CF) was designed based on these researches. Training/learning has drawn on both data sources to support capacity building both of the regulator and or leading FSPs.

The programme has built on existing interventions reflecting convergence with ADB's Financial Sector Development Strategy, MAP and UNCDF CleanStart. The synergies will allow for a holistic improvement in overall market systems while tapping into existing momentum, even though clear evidence of market systems development is yet to emerge.

Strong ownership of the policy and advocacy programme is felt by the regulator, which reflects the time and effort invested by SHIFT in building partnerships with the NBC and ensuring a consultative process for the NFIS across government departments.

The capacity building efforts, through the data and learning hubs, created some awareness among policy makers and MDIs, and has generated useful insights but no significant adoption in terms of practice was noted at either the FSP or regulatory levels. The analysis and learning activities will benefit from a concrete strategy and follow up actions at the country level is needed, including through continuous support,

<sup>10</sup> Noted in 6 monthly monitoring reports by Frankfurt School of Management, reported to the Board

refresher trainings, etc. SHIFT's current thinking is appropriately to link data training more closely to product development, and to build this into CF partnerships.

The Challenge Fund investments have underperformed, due to a combination of factors, as analysed in detail earlier. However, importantly, the learnings have been incorporated in subsequent rounds of the CF. While at the start, CF partners also demonstrated high ownership, over time, this waned due to underperformance, pressure to meet unrealistic targets, and lack of a successful demonstrator. Particularly, in terms of client reach, progress has been very slow. Among other things, the time lag between selection of grantee and agreement / PBAs due to a long drawn process led to compression of timelines, without commensurate adjustments to the targets.

It is premature to comment on the market systems aspect of the interventions – as the CF investments have not made a strong dent, while data and learning pillars need more sustained activities involving more market participants. However, the policy work on NFIS is likely to create a conducive atmosphere for market deepening, and incentives to reach out to a broader set of clients, including through tailored products for low income and women clients.

So far, a concrete outcome level impact on women's empowerment is not visible, mainly because the chief vehicle for this result so far, i.e. the CF, has not performed up to expectations and end user client coverage targets have not been met. However, the 4th round, with a specific focus on financing SMEs, including women entrepreneurs will be helpful in bringing out clearer women empowerment results. The national gender strategy developed by SHIFT for Cambodia represents an important framework for moving beyond apparent equality of access.

## Annex I: Case Study - Hydrologic

Window 1				
<b>Organisation</b>	Hydrologic Social Enterprise Company Ltd, a subsidiary company of international NGO iDE			
<b>Product</b>	Khmer Rocket Stove (KhRoS) – energy efficient clean cookstoves paired with consumer and distributor financing model			
<b>Target market</b>	Rural households in Cambodia			
<b>Duration</b>	2016 to 2017 (two years)			
<b>Funding (US\$)</b>	<b>Funds</b>	<b>Grant</b>	<b>Partner</b>	<b>Total</b>
	Committed	188,133 (46%)	222,187 (54%)	410,320 (100%)
	Of which:			
	SHIFT	37,813		
	Clean Start	150,320		
	Disbursed	28,220 15%		
	Spend	44,622	22,895	67,517
	% total	42%	10.3%	16%
<b>Outreach - sales</b>	<b>Planned</b>		<b>Actual</b>	
	Year 1 (2016): 1,000 stoves Year 2 (2017): 14,000 stoves		Year 1 (2016): 0 stoves Year 2 (2017): 0 stoves	
<b>Milestones – agreed in PBA</b>	<b>Planned</b>			
	<i>End 2016</i>	<b>1:</b> Counter-sign performance-based financing agreement (PBA) <b>2:</b> Develop strategies for sales, marketing, distribution, financing model, and a) approach finalized (using Human-Centered Design approach) and approved by management of Hydrologic; b) 1,000 ready-for-market stove units manufacture, ready for sale <b>3:</b> in total, 1,000 stoves sold during the project period <b>4:</b> 7,500 people are informed about the benefits of stoves through village promotions with opportunities to purchase <b>5:</b> 4,000 additional stoves sold (in total 5,000 KhRos sold during the period) <b>6:</b> 10,000 additional KhRos sold (total 15,000 to be sold)		
<b>Status</b>	<b>Milestone 1:</b> 1 <sup>st</sup> payment made on signing of PBA – Dec 2015 <b>Milestone 2:</b> Delayed. Manufacture not completed till Feb 2017) Payment not made Project stopped in 2017			
<b>Overview of the project</b>				
<p>The Hydrologic contract was signed in 2015 and was to begin from January 2016 to end in December 2017. Hydrologic and GERES partnered on this project and it was designed to leverage the respective core strengths of each partner (Hydrologic – sales and distribution network and GERES the clean stove model using charcoal) and combined with microfinance (MFI to be identified) to manufacture and sell a clean and energy efficient cookstove at an affordable rate in the Cambodian market. Under the SHIFT project, the grantees were to undertake a Human-Centred Design (HCD) in order to develop a tailor-made business model and strategy, establish manufacturing at the existing facility of Hydrologic and sale of the charcoal cookstoves, and raise awareness amongst the target clients (women, low-income, rural, households).</p>				
<b>Observations <sup>11</sup></b>				
<p>From very early on, the project ran into issues. The HCD work was delayed and Hydrologic's main supplier which was to manufacture the product shut down. Hydrologic had to manufacture the product themselves, but apparent design issue and lack of coordination in training Hydrologic manufacturing staff on the GERES designed cookstove model resulted in delays. Despite this rocky start, Hydrologic did meet the outreach year 1 production target (1000 units) in the first</p>				

<sup>11</sup> Drawing on interviews with Hydrologic Social Enterprise and GERES

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quarter of year 2. However, due to the delay, and apparent ongoing difficulties, SHIFT did not release the funding for the 2<sup>nd</sup> milestone.

Other reasons why this project did not progress:

- Partnership issues: There were differences of opinion and poor communication between the partners on the design of the cook stove, technical training of manufacturing staff, and lack of role clarity (service provider versus collaborator).
- Business model issues:
  - o Pricing: The market for cookstoves in Cambodia is very competitive with low cost units from China. The pricing of the product was not competitive, especially with the financing model added.
  - o Changing market opportunities and understanding: Hydrologic's assessment is that by the time the cookstoves were ready for sale, Liquid Petroleum Gas (LPG) had become popular and was available at one third the cost of the cook stove. Whilst at the same time Chinese cookstoves were available more cheaply with a better look. GERES' assesses the problem differently maintaining that the targeting was incorrect: the market for charcoal is not rural, but peri-urban and urban in Cambodia and it continues to remain a strong market for charcoal cookstoves.
- Core business issues: Hydrologic's core business of water filters was witnessing poor sales. As a result, management and sales efforts were concentrated on the task of supporting their core product.
- Change in the management team: there was a change of staff in both Hydrologic and Geres during the life of the project, affecting ability and willingness to take the project forward.

### Lessons

A number of lessons emerge for the SHIFT team from this project. These lessons are based on how SHIFT approached the proposal and the way of working. These include:

1. Fast due diligence, but perhaps too fast - it emerges that the due diligence process for this project may not have been very robust. From submission of the application to sanction of the grant, the time period was as short as a few weeks. While this may be also viewed positively, it has been suggested that perhaps the process was too fast. The due diligence only involved the submission of a set of documents and the SHIFT team did not meet with Hydrologic's partner (GERES). The SHIFT team has now modified the due diligence process to ensure all partners are covered.
2. Lack of flexibility – Interview feedback suggests there was a lack of flexibility on part of SHIFT. While there were delays, Hydrologic had produced the target number of units and had invested in 'customer centric' marketing design. The team could have used funds to do more market tests and explore ways to move the project forward. However, due to market competition, and issues with production quality, the SHIFT team decided not to continue the funding.
3. Testing of products prior to launch – Appropriate market testing/prototyping of products is recommended prior to a full launch. This has implications for how the SHIFT team approaches projects. Capturing product tests during due diligence is important, but if these are not done, then funding proposals should consider this.

## Annex II: Case Study - Amret

Window 2				
<b>Organisation</b>	Amret is a Cambodian microfinance deposit taking institution that serves 285,896 depositors and has 239,098 active borrowers (as of June 2018)			
<b>Product</b>	Developing and testing remittance-based digital-savings product for women factory workers			
<b>Target market</b>	Women garment factory workers in Phnom Penh (savers/remitters) and rural farming households (receivers)			
<b>Duration</b>	2017 to 2018 (two years)			
<b>Funding (US\$)</b>	<b>Funds</b>	<b>SHIFT Grant</b>	<b>Partner Contribution</b>	<b>Total</b>
	Committed	244,729 (46%)	292,979 (54%)	537,708
	Disbursed	88,794 (36%)		
	Expenditure	453,988 (9%)	543,495 (10.3%)	997,484 (186%)
<b>Outreach (Women)</b>	<b>Planned (newly acquired)</b>		<b>Actual (newly acquired)</b>	
	Year 1 (2017): 7,500 (5,000) Year 2 (2018): 22,500 (15,000)		Year 1 (2017): 353 (273) Year 2 (2018): Nil	
<b>Milestones (PBA)</b>	<b>Planned</b>			
	<p><b>1:</b> i) Finalised Family+ deposit product and product is ready for launch; ii) Developed a rollout plan and rollout strategy; iii) Identified 123 rollout branches; iv) Transferred existing staff or employed new individuals for 216 Mobile Teller positions; v) Developed a marketing strategy and promotional materials; vi) Developed a sales target, sales guide and an incentive scheme for staff; vii) Officially launched Family+ deposit product.</p> <p><b>2:</b> i) Trained total 92 sales staff on Family+ deposit product and sales approach; ii) Trained 640 support staff on Family+ deposit product and operational approach; iii) 2,000 women have opened accounts, are maintaining and are using remittance services of Family+ deposit accounts.</p> <p><b>3:</b> i) Deployed initial 3-month marketing promotional campaign via television, radio and social media; ii) Additional 3,000 (cumulative 5,000) women have opened accounts etc.</p> <p><b>4:</b> Additional 4,000 (cumulative 9,000) women have opened accounts etc.</p> <p><b>5:</b> Additional 5,000 (cumulative 14,000) women have opened accounts etc.</p> <p><b>6:</b> Additional 6,000 (cumulative 20,000) women have opened accounts, are maintaining, and are using remittance services of Family+ deposit accounts (total of 20,000 active accounts).</p>			
<b>Status</b>	Milestone 1 completed December 2016 Project stopped in 2017; reporting to UNCDF SHIFT continues			
<b>Overview of the project</b>				
<p>Amret and SHIFT entered into an agreement for this project in late 2016. The Family+ savings product was designed with support from CGAP and IDEO (US) applying Human-Centred Design – HCD techniques. The marketing study was completed in 2016 and the last part of the pilot overlapped with the CF period. The design of the Family+ product was to enable women garment factory workers to save from their earnings and at marginal cost be able to transfer money to their families in rural areas. Amret staff collect savings on site at a garment factory for deposit into a savings account at an Amret branch. The plan was to collect through a mobile platform but Amret did not receive the necessary licence to do this. On SHIFT's suggestion, Amret explored partnering with mobile phone operators in Cambodia (Wing and Trumoney) but design problems with the Family + savings product remained.</p>				

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## Observations <sup>12</sup>

From the beginning, this project faced challenges. Despite the HCD study, problems emerged in both the product and the process, as Amret sought to engage with a new market segment, and to link the savings product with internal remittances from Phnom Penh out to rural areas:

- It was challenging to find families in rural areas of migrant garment factory workers. Amret did not have the resources to do this.
- The receiver of the funds - parents of the factory workers – were mostly not used to saving in a Bank/MDI.
- Garment factory workers only get free time during lunch – which limited the time for marketing and for Amret’s mobile tellers to meet them
- The amount and timing of (free) transfer was fixed at the beginning of the year which customers did not find convenient.
- Mobile money operators (WING) out-competed Amret by reducing their charges and increasing their agents (who also worked on more flexible time)
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With advice from the SHIFT team, Amret did introduce some early changes – such as marketing on weekends, and removing some of the fixed transfer requirements, enabling customers to use WING accounts for their transfers through Amret. Nevertheless, with limited access to garment workers as focus clients, mobile teller productivity was too low to cover costs. Amret said they lost money, and had to adjust the business model, giving mobile tellers a wider market to cover (not only garment workers) and offering fixed deposits. Family + has been dropped.

## Lessons

1. Set realistic targets – In our interview with Amret staff they said that they tried to negotiate with SHIFT to reduce the milestone outreach targets. It was not clear from the discussion, who was responsible for setting the targets in the first place – the staff attributed them to SHIFT, but SHIFT say their approach is to go with the targets given in the proposal. In either case, there appears to be a degree of pressure on both sides (Amret and SHIFT) to be over ambitious on targeting.
2. Better market research – Despite the big names and Human Centered Design (HCD) associated with the market study for Amret, significant market features were somehow missed. This is clearly a challenge which requires more localised knowledge to cross-check.

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<sup>12</sup> Drawing on interviews with staff of Amret

## 2 MYANMAR COUNTRY REPORT

### 2.1 Country Context

With a GDP per capita of US\$1,420, and 26% of the population below the poverty line, the need for greater financial inclusion – including by leveraging technology – is widely felt in Myanmar. Currently, only 31% adults have an account with a financial institution and 93% of adults do not have any insurance. In terms of business finance, only 7% of small enterprises have access to line of credit/loan, and 56% of enterprises do not have a savings/checking account, indicating high informality within the economy. Meanwhile, only about half the population is counted as financially literate. Not surprisingly, the dent of digital finance in the cash-heavy economy is low, despite high mobile phone ownership of 93%. The encouraging mobile penetration shows the potential for financial deepening and broadening, leveraging fin-tech solutions, though internet penetration is currently pegged only at 25%. Traditional gender disparities in terms of bank account ownership, access, literacy and agency do not fit the Myanmar context, nevertheless women are less likely to use a mobile phone, revealing a digital divide.

In the above context, the next few sections of the report capture SHIFT's work in the country across its four pillars (i.e. Challenge Fund, Policy, Data and Learning) and potential results engendered, within the wider ecosystem development framework. UNCDF SHIFT's work in Myanmar is quite well integrated with the country program, Expanding Financial Access (EFA), while the Making Access Possible (MAP) and Financial Inclusion Roadmap work serve as foundations to the whole gamut of financial inclusion interventions in the country. CleanStart (CF, Window 1) and MicroLead are two other complementary programs of UNCDF, meaning that the SHIFT work in Myanmar has been assessed within the context of the broader UNCDF engagements. Section 2 outlines the financial system in Myanmar including how it has evolved over time. Section 3 and 4 further explores the questions of financial inclusion in depth, including ownership, access, use, gender equity, data availability, etc. using Findex and Finscope data. Section 5 maps out SHIFT's work in Myanmar, weaving in the evaluation findings, including learnings and case highlights.

The liberalisation of the Myanmar economy, starting in 2011, led to the rapid growth of the financial sector in the country. According to data pieced together from various sources, the financial sector has grown at over 50% a year during 2013-2017. As Table 1 shows, while the number of domestic licensed banking institutions has not increased significantly, foreign banks have shown an increasing interest in the country and the number of non-bank finance company licences has also grown. From a financial inclusion perspective, most notable is the number of MFIs operating in the country which increased dramatically after the enactment of the Microfinance Law in November 2011. The number of 160 licensed MFIs in December 2013 compares with just 8 operating entities in November 2011. This figure increased to 256 in 2015 but was then scaled back as over 70 financial cooperatives were delicensed

during 2016 and returned to the regulatory ambit of the Ministry of Cooperatives as part of an agreement between the Government of Myanmar and the Export Import Bank of China to support the growth of cooperatives in the country. There are reported to be over 30,000 primary cooperatives with assets of the order of \$500 million.<sup>13</sup>

Table 4: Banking and financial institutions in Myanmar

Institutional types	2013	2015	2016	2017
State-run banks	4	4	4	4
Semi-government banks	10	12	10	10
Private banks	11	11	14	14
Foreign banks with local branches in Myanmar	0	9	13	13
Finance companies (licensed)	4	10	16	23
MFIs (licensed)	160	256	168*	173
Payments Service Providers (PSPs)	0	2	2	3

[Central Bank of Myanmar + Financial Regulatory Division, Ministry of Planning & Finance] \* reduced by de-licensing

<sup>13</sup> Grace, 2017. Risk Analysis and Lending Profitably to MFIs in Myanmar. Mekong Business Initiative, May 6.

With growing concern from 2016 about the potential overlapping of MFI operations in some of the more densely populated parts of Myanmar, there has been a slowdown in the issuance of MFI licences, with the current level (mid-2018) of 176 licenses issued now regarded by the regulator, the Financial Regulatory Department of the Ministry of Planning & Finance, as sufficient for the time being and unlikely to be increased significantly. Some 30 of the current 176 licences are held by MFIs with foreign investors, such as ACLEDA & Sathapana (of Cambodia), BRAC & ASA (Bangladesh), Dawn (ACCION International), CARD (Philippines), LOLC (Sri Lanka) and Vision Fund International, with international experience of microfinance operations. The largest of the MFIs – PGMF, Vision Fund Myanmar, Sathapana and Dawn – all have over 100,000 borrowers with PGMF serving over 800,000.

The key factor here is that MFIs in Myanmar tend to be run in a relatively conventional mode offering standard microfinance services – group loans with one-year tenures, monthly instalments and compulsory or voluntary instalment-based savings products. While a few are now introducing larger individual loans for SMEs, this initiative is still very new with much to be learnt about product design and credit appraisal.

Table 2 presents the overall outreach and contribution of the microfinance sector to the financial system. Over the past 5 years the overall loans outstanding from MFIs have grown by nearly 50% per annum with a significant acceleration to 76% per annum over the past two years. Deposits have also grown rapidly at 55% per annum during 2015 to 2017. The contribution of the microfinance sector to the financial system has increased from outstanding loans that were less than 2% of the total at the end of 2012 to over 3% in by end-December 2017. The number of borrowers served by the MFI sector has grown to over 3 million today. This is certainly one indicator of growing financial inclusion in Myanmar albeit (as pointed out earlier) based on a relatively conventional model. More exciting, from this perspective, is the establishment of 3 digital payment service providers (Wave Money, OK\$ and M-Pitesan) in recent years. The largest of these, Wave Money, is a SHIFT partner in the Challenge Fund.

Table 5: MFIs outreach & contribution to the financial system

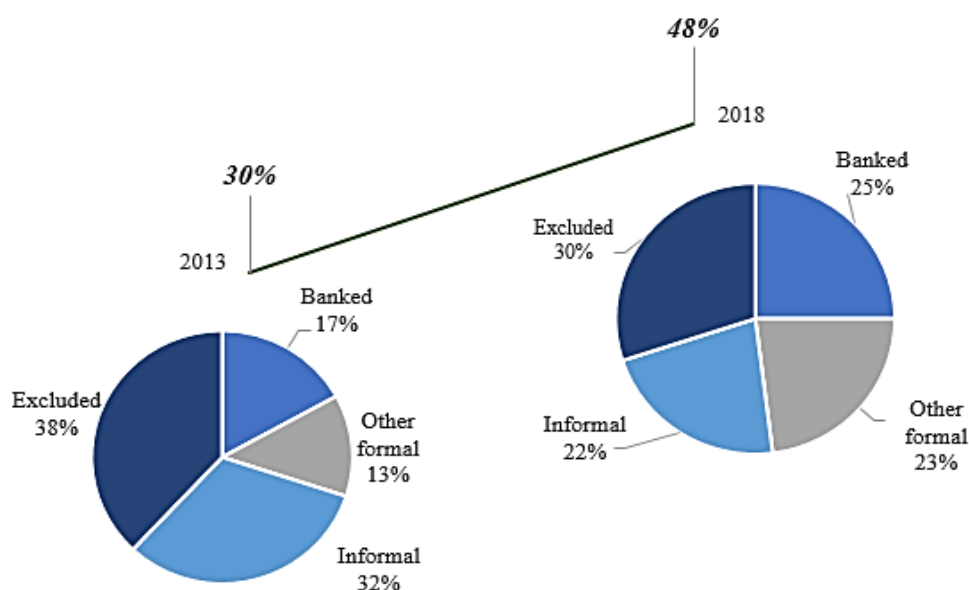
Institution	MFI Borrowers, million	MFI Outstanding loans, \$ mn	MFI Deposits, \$ mn	MFIs as % of financial system	
				Deposits	Loans outstanding
<b>Dec-12</b>	0.60	93	40	0.55%	1.9%
<b>Dec -15</b>	1.68	192	44		
<b>Dec-17</b>	3.09	576	101	0.36% (Sep-17)	3.1% (Sep-17)
<b>Growth, p.a.</b>					
<b>2012-17</b>	41%	47%	21%		
<b>2015-17</b>	36%	76%	55%		

Source: Central Bank of Myanmar, 2017. Quarterly Financial Statistics Bulletin, 2017 Vol III. Data for 2012 estimated from CGAP/IFC, 2013. Microfinance in Myanmar: Sector Assessment for microfinance and for banks from GiZ, 2013. Myanmar's Financial Sector: A challenging environment for banks.

Estimating demand for financial inclusion has the substantial challenge of establishing the veracity of survey responses. There are two datasets currently available for the demand side of financial inclusion in Myanmar. These are the World Bank's triannual Findex survey (most recently in 2017) and the FinMark Trust's FinScope survey sponsored by UNCDF in 2013 and repeated in 2017. The two data sets show somewhat different results. The context analysis in this section relies on FinScope data. While in 2013, 30% of adults (just 20% women) were included in formal financial services, using both bank and other formal non-bank products or services, this figure increased to 48% (49% women) in 2018. The high and growing level of microfinance activity in Myanmar is manifest in these numbers.



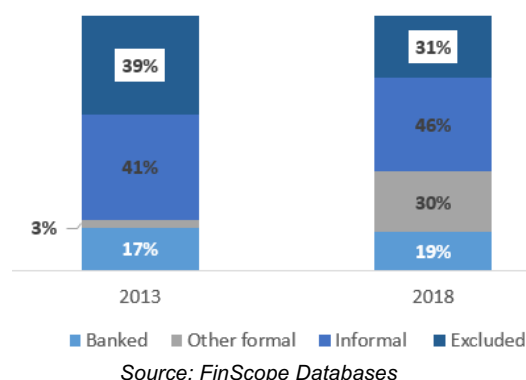
Figure 1: Financial inclusion in Myanmar 2013 / 2018



Source: FinScope Databases

The impact of the increase in financial inclusion is even more pronounced for women with inclusion increasing from 20% in 2013 to 49% (slightly higher than men) in 2018 as depicted in Figure 2. Here, the increased contribution of the non-bank formal sector is inevitable given the conventional, women-focussed lending model adopted by nearly all the MFIs in Myanmar. The small increase of the banks' share in women's inclusion is similarly an indication of the continuation of their conventional model based on brick and mortar branches that raise access issues due to their physical distance from most villages (for rural branches) and their emphasis on form filling and collateralised lending (in all areas).

Figure 2: Financial inclusion of women



It is worth mentioning that the contribution of the banking sector to financial inclusion in rural areas is largely attributable to the extensive outreach of the Myanmar Agriculture Development Bank (MADB) that lends to farmers based mainly on land ownership that is predominantly male. Loans by MADB to the agricultural sector amounted to MMK 2.91 trillion (\$2.16 billion), nearly 74% of the entire loan portfolio of MMK3.95 trillion (\$2.93 billion) of the state-owned banks.

Other notable features from the Finscope data are:

- Formal sector deposit services have grown relatively slowly from just 7% coverage in 2013 to 12% in 2018; MFIs are constrained in their offer of such services by strict prudential norms reinforced by a high floor on the interest rate they must pay
- Formal insurance coverage has increased from 7% to 16% as the number of insurance companies operating in the country has increased; the sector consists of the state-owned Myanmar Insurance accounting for (45% of gross written premiums), 12 private insurers of whom 9 offer general as well as life insurance and 26 foreign insurance companies with representative offices in Myanmar,<sup>14</sup>
- Formal sector remittance or mobile money services are now (2018) used by 17% of the population compared to 10% in 2013.

<sup>14</sup> Myanmar Times, 12 April 2018. "Myanmar insurance industry poised for reform: awaits liberalisation" <https://www.mmtimes.com/news/myanmar-insurance-industry-poised-reform-awaits-liberalisation.html>

The achievements and continuing challenges of financial inclusion in Myanmar are summarised in the key findings of the review of the MAP Refresh process of 2017. The Making Access Possible process is currently being refreshed by the Finmark Trust/CENFRI team with the support of UNCDF. The results of that process will modify the original logical framework for activities to be undertaken for the promotion of financial inclusion in Myanmar as presented in Table 3. This LogFrame has been the basis for both UNCDF initiatives in Myanmar since 2013 and has formed the underpinning for the Myanmar government's financial inclusion initiatives undertaken at least partly in discussion with UNCDF. Until the MAP Refresh becomes available at the end of 2018, this framework remains the guideline for supporting financial inclusion in Myanmar and the logic of activities undertaken by SHIFT should be tested by this framework.

Table 6: Logical framework for interventions to promote financial inclusion, Myanmar 2014

Goal	Increase extent and quality of financial inclusion in Myanmar				
<b>Outcomes</b>	<b>Outcome 1:</b> Strengthened financial sector to support financial inclusion		<b>Outcome 2</b> Better financial inclusion for priority segments		
<b>Outputs</b>	Critical institutions created or strengthened	Market barriers addressed across products	Improved access in agriculture, livestock and fisheries	Increased access for MSME	Better access for low income households
<b>Activities</b>	Regulatory & structural environment	Increase credit supply	MADB reach, quality, diversity	Existing ministry interventions	Enable actors in low income space
	Enable commercial banks	Mobilise savings	Other providers in agriculture	Asset finance expansion	Broader support for low income households
	Enable MFIs & cooperatives	Introduce e-payments	Value chain interventions	Variety of providers	
	Reform and strengthen SFIs	Catalyse insurance			
	Consumer credit bureau	Expand distribution			
		Improve product design			
		Financial education			

Source: LIFT/UNCDF, 2014. Myanmar Financial Inclusion Roadmap for 2014-2020

## 2.2 SHIFT in Myanmar

SHIFT activities in Myanmar are complementary to the UNCDF financial inclusion programme in the country. It is seen as a sister regional programme to the UNCDF country programme there, indeed activities are all undertaken as UNCDF, without separate labelling for SHIFT.

UNCDF through its country office in Yangon implements the Expanding Financial Access (EFA) programme, forming partnerships and alliances to advocate and influence government policy makers, regulators, and financial service providers on the need for inclusive financial market regulations, products and services. UNCDF has responsibility for the Myanmar activities of Making Access Possible (MAP) - another regional UNCDF programme active in Asia and Africa- and oversees, together with the regulator, the implementation of the Financial inclusion Roadmap. UNCDF is therefore seen as playing the key role for market development, whilst SHIFT provides complementary skills and thematic focus (in gender and remittances), supplementing UNCDF's own resources.

SHIFT activities in Myanmar have been undertaken mainly under the Challenge Fund Facility, along with Policy and Advocacy support to UNCDF on Data & Analysis and gender strategy.

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### ➤ **Data & Analysis**

As indicated by the project team, SHIFT has undertaken the following research activities relevant to Myanmar:

- **Provide technical and analytical support** to the UNCDF Myanmar Country Team in undertaking a data refresh of the country's financial inclusion baseline data (FinScope) which will feed into the implementation of the country's national financial inclusion roadmap.
- **A remittance study on the country's formal and informal remittance markets** to identify key market constraints, particularly those affecting women. This study identified innovative solutions for domestic and cross-border payments. This has contributed to understanding the feasibility of projects submitted by bidders in Myanmar under SHIFT's third Challenge Fund window on solutions linking remittances to women's financial inclusion. (Discussed next page).

### ➤ **Policy & Advocacy**

Under this pillar, apart from ad hoc support to the MAP process, SHIFT's main contribution has been on gender.

- The development of a **Myanmar Country Gender Strategy** – to inform gender based financial inclusion priorities at the national level. This was the first of the country gender strategies developed too by SHIFT for CLV, involving extensive in-country engagement (interviews and workshop). The strategy document identifies key barriers for women and provides a framework for implementation that highlights: gender-sensitive and women-targeted policy making (including aspects such as land ownership, collateral requirements, business registration), FSP institutional capacity building (tailored products and services, using sex-disaggregated big data, enhancing gender balance within own staff and value chain), and financial education/consumer protection targeting women.
- A full-time gender specialist has been part of the UNCDF team in Yangon since 2016 to work on development of the strategy. This has linked into and informed the POWER strategy within EFA to identify gender barriers in all countries where UNCDF is working. She also engages with SHIFT work under the Gender Equity Fund (GEF) supported by DFAT. This includes mapping laws that are gender related – which is expected to feed into the revised action planning for financial inclusion with the regulator. Since 2013, Myanmar has had a National Plan for Advancement of Women, but implementation of the plan started in 2017. Under the GEF activities, engaging with the government in implementing this national plan is counted as a major component – with UNCDF now participating in a Working Group for Economic and Political Participation of Women.
- The GEF has two other key components - institutional assessment and capacity building of FSPs on gender, and funding of two Challenge Fund projects. These are discussed further below.
- **FSP gender self-assessment** – under GEF, the UNCDF/SHIFT team have developed a comprehensive institutional gender self-assessment tool to support FSPs to review their existing approach and policies. It is intended as the basis for UNCDF's gender-based institutional technical support mechanism and is also being developed as a public tool for institutions to apply themselves. 10 FSPs volunteered to engage with this process and completed the self-assessment. They are 6 MFIs, 3 Fintechs (mobile based e-platforms) and one bank – KBZ. In early 2018, SHIFT completed an inception and review meeting with each of the FSPs and documented the findings and feedback.<sup>15</sup> The issues raised included: only a few intentionally target women or women owned businesses (as opposed to household businesses) and none offer products or services designed specifically for women; none conduct customer satisfaction/feedback surveys and they do not have the capacity to conduct them; they are not

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<sup>15</sup> UNCDF SHIFT, May 2018

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aware of the importance of sex-disaggregated data to inform product development, segmentation and profitability analysis; they are interested to offer gender and leadership training to their workforce but do not have adequate resources to do so. Only the bank – KBZ – has a sense of a career path for women staff.

➤ **Challenge Fund Facility**

Under this pillar, the Fund offers competitive matching grants and co-funding to financial service providers to expand and develop new business models that provide financial services targeting low-income women and women-led enterprises. Three Challenge Fund windows have been held: the first with UNCDF's CleanStart programme on clean energy financing, the second on women's financial inclusion, and the third on remittances for financial inclusion.

As indicated by the SHIFT Factsheet for Myanmar<sup>16</sup>, seven projects are currently co-financed under the Challenge Fund Facility. The projects financed under the various windows of the facility are named and set in the context of the MAP logic as set out in the framework (presented in **Table 7** next page).

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<sup>16</sup> Australian Aid, May 2018. [Shaping Inclusive Financial Transformations in Asean: Factsheet.](#)

Table 7: CF projects and expected outcomes

SHIFT Partner in Myanmar		Activity/project supported	Logical framework activity	Project cost (US\$) & SHIFT support, US\$	Period & target
<b>Window 1<sup>17</sup></b>		<b>CleanStart</b>			
1	Greenlight Planet Myanmar – solar energy lighting systems	An integrated home energy system using a pay-as-you-go financing model.	<b>Outcome 1:</b> Introduce e-payments; expand distribution <b>Outcome 2:</b> Support low income households	434,914 SHIFT: 30,000 CleanStart: 120,000	Dec 2015 to Dec 2017 4,300 units sold 1,000 units
<b>Window 2</b>		<b>Women’s financial inclusion</b>			
2	Wave Money – payment service provider	Digital financial literacy ‘gamification’ as a vehicle for women’s financial inclusion	<b>Outcome 1:</b> Financial education, introduce e-payments <b>Outcome 2:</b> Support low income households	508,917 SHIFT: 55,000 UNCDF: 240,000	Dec 2016 to Dec 2018 Access 130,000, app design delayed – launch May 18
3	BRAC Myanmar – MFI	Financial diaries (recording customer financial behaviour) to support product customization to meet customer needs in MSME finance	<b>Outcome 1:</b> Improve product design <b>Outcome 2:</b> Enable actors in low income space, increase providers of MSME finance	457,653 SHIFT Gender Equity Fund: 200,000	Jul 2017 to Dec 2018 800 diaries, 40 interviewers; 4000 SME clients/840 interviews, 32 interviewers
4	Myanmar Awba Group – agriculture solutions provider	Supporting entrepreneurs to become agents of “1-STOP Digital Convenience Store,” that serves as a platform to reach rural customers and women agents within the economy. e-wallet to e-wallet and cash remittance platform; strong distribution network with mobile network operator agents	<b>Outcome 1:</b> Expand distribution <b>Outcome 2:</b> Enable actors in low income space, support low income households	150,000 SHIFT Gender Equity Fund: 90,000	Sep 2017 to Dec 2018 6,000 women agents/3,500 trained
<b>Window 3</b>		<b>Remittances for financial inclusion</b>			
5	Valyou Myanmar – remittance services provider	A global cross-border mobile payments network for emerging markets, enabling cheaper global remittances to Myanmar	<b>Outcome 1:</b> Introduce e-payments, expand distribution <b>Outcome 2:</b> Support low income households	648,000 SHIFT: 300,000	TBC to Dec 2019 Being finalised
6	SingCash, Singapore	An all-in-one e-wallet and virtual debit remittance card using hub aggregation for higher reliability, better rates and lower fees		380,000 SHIFT: 40,000 UNCDF: 150,000	TBC to Dec 2019 Being finalised
7	TransferTo Singapore – global network offering digital mobile solutions	Open remittance hub network with bank account, e-wallet and cash remittances			

Source: SHIFT Board Meeting, Challenge Fund Investment Review, 31 January 2018, updated through field interviews

<sup>17</sup> Two other projects were also funded in Myanmar under Window 1: Brighterlite for solar home systems combined with mobile payments closed in early 2017 since it could not compete with the Government subsidized systems introduced with World Bank support. It was also noted that weak mobile phone penetration in off-grid areas reduced the number of people who could access the mobile payments system. Biolite for cooking and energy technologies – failed to get off the ground, since it was unable to establish a local partnership. All the projects under Window 1 in Myanmar involved external technologies lacking a local base. The one project to continue, Greenlight only began to make progress (towards much reduced targets) by adapting its business model to incorporate a new local company with its own distribution network.

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## 2.3 Evaluation observations and learnings

- 9 The ET interacted with 3 of the participating FSPs – 2 MFIs and the Bank. All appreciated the relevance of a gender focus to financial inclusion, but – since they mostly have a high proportion of women clients and staff – are looking for specific directions on what it means to bring in more of a gender focus. The Bank stated its commitment to serving women entrepreneurs (they cited data showing 38% of SMEs are women owned), nevertheless the Bank stakeholders they are not clear as to how SHIFT defines ‘gender centric products’. They also raised the practical question of how to define and identify a woman owned/managed enterprise, given the reality that many businesses are jointly run by women and men. In terms of the data and learning pillars, one of the FSPs withdrew from SHIFT support with an intent to ‘focus on growing its core businesses’. Interviews with another Fintech player suggests that women are a natural focus and that the need for sex disaggregated analysis is not felt as “women are natural clients, with high economic participation in the economy”.
- 9 The MFIs (feedback from CEOs/senior management) did not identify gender/institutional assessment as a key priority for their organisations, though they welcomed external support in a situation where shareholders do not have a social focus. Whilst interactions with the SHIFT team were reported to be satisfactory, FSP managers were unsure of the next steps to be taken and are looking for some follow up support, particularly for effective marketing.
- 9 During the FSP discussions, ongoing related support from other sources were discovered: GIZ has a consultant working with KBZ full time on product development and MSME products for women; Blue Orchard (a social investor) is supporting its investees on HR and social performance management. For future work, UNCDF/SHIFT will do well to explore this aspect and consider how best to engage with other sources of support.
- 9 While all the projects finance activities that are apparently appropriate in the context of the logical framework for the promotion of financial inclusion (in **Table M.4**) and the gender framework, all the initiatives face challenges particular to Myanmar that are likely to limit the impact. These challenges are:
  - **Inadequate physical and regulatory structure:** A key challenge affecting all the projects (except BRAC’s financial diaries) is the fact that the e-payments infrastructure in Myanmar is still in the very early stages of implementation. Neither do agents in rural and semi-urban areas yet have sufficient access to the physical digital infrastructure to enable reliable connectivity, nor is the structural and regulatory environment conducive to the level of flexibility required for e-payments to be made in a simple enough way to promote financial inclusion for low income women. Greenlight, whilst beginning to establish its business model, has had marginal uptake of digital payments and is having to rely on manual collections. The lack of interoperability between payments systems, in particular, is a substantial barrier to the success of such projects.
  - **Functional and digital literacy:** If payments cannot be made with a few simple clicks but require many queries to be addressed on a digital screen, (potential) users must have an adequate understanding of the digital environment for the service to be useful. In Myanmar, as in other LDCs, low income women often lack physical access to smartphones, even if the family has one, and both the making of e-payments (Awba & Greenlight) and appreciating messages on financial literacy (being imparted by Wave Money) require a level of functional literacy (reading/writing) that is not yet common (particularly not amongst the older, rural, low income women who are the intended target market in the long run).

For both of these challenges to be addressed a greatly enhanced effort is needed at the national level before projects of the type funded by the Challenge Fund can become truly effective. To

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this extent, the Challenge Fund projects are arguably before their time as a means of promoting financial inclusion in Myanmar. To be fair, the SHIFT projects will help (and are helping) to generate experience amongst the project partners that could provide the basis for the roll out of some very effective services when the time comes; the issue is that the appropriate time may be 3-5 years hence rather than now.

- **Inadequate time-frame:** The BRAC idea of attempting to understand the financial needs of their larger borrowers before designing and introducing a still conventional SME loan product for their clients has a greater chance of success. However, this project appears to be constrained by unrealistic timelines<sup>18</sup> that require new products to be introduced within a few months of the start of the diary process resulting in inadequate insights for any real innovation to take place. The new product already introduced incorporates lending without collateral, monthly payment instalments, individual (rather than group) lending and variable loan tenure (depending on the nature of the business). However, these are all well-known preferences of SME borrowers of MF1<sup>19</sup>s and hardly needed a financial diaries project to be incorporated in product design. A longer time frame may be required for understanding such aspects as working capital needs (to customise loan sizes and tenures) or potential risk profiles (to vary interest rates). The ET understands that BRAC has been limited to 12 months for the financial diaries, an inadequate time horizon for adequate understanding of this type to develop. A more useful project would also facilitate the training of SME Loan Officers in field level credit assessment but it seems this was not even a part of BRAC's original conception of the project.

- ☺ In terms of deepening financial inclusion through Challenge Fund investments, only BRAC is able to report specifically on outreach to women (assuming women do run the businesses for which they borrow money) and to rural areas. Mobile phone based transactions are identified only through the mobile phone number, and analysed on the basis of product. 1-Stop reports geographical outreach by region. Out of 3,500 'UNCDF' agents, 51% are in Yangon, another 20% are also in urban areas (Nay Pyi Taw and Mandalay); leaving up to 30% in more rural areas, including 5-6% in more remote states (Mon, Kachin, Rakhine, Kayin, Tanintharyi, Rakhine, Chin and Kayah). All the 3,500 'UNCDF' agents are reported to be women – and 60% of their other agent network (of around 16,500) – since it is women who often run small shops. This is likely, but not necessarily the case. Field interviews by the ET team indicate that men's mobile telephones may be used, and they might operate as agents, even though the record indicates a woman agent. The main difference through the CF has been less on gender, and more on the push to expanding into rural areas, probably faster than they would have otherwise planned.<sup>20</sup> The link with AWBA, introduced by SHIFT, is to a rural network of branches with potential for credit to 1-stop agents. The first loans by AWBA to 1-stop agents have recently started, in Yangon.<sup>21</sup>
- ☺ According to the country Factsheet, referring to the Challenge Fund, "While initiatives are at an early stage, over 15,000 beneficiaries have already gained access to financial services through these projects and mobilised over AUD2.3 million [US\$1.7 million] in private sector co-funding. By the end of 2018, these projects are expected to have provided more than 118,000 beneficiaries with access to financial services." At the time of this mid-term review the achievement of 118,000 end clients by the end of 2018 does not seem possible. If it is achieved this will more likely be over a 3-4 year period.

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<sup>18</sup> The time for the project was compressed: BRAC (along with AWBA) is a project that was not approved for immediate CF funding, but was recommended and funded separately under GEF. GEF approval took up to mid 2017, delaying the start of the project. The PBA covers the same targeted milestones, intended over a 2 year period, to be completed within 18 months. This and more details of the BRAC CF investment is covered in the [case study](#).

<sup>19</sup> This is an emerging consensus in microfinance in SE and S Asia where interest in SME lending is high whilst group fatigue amongst microfinance clients is quite widespread.

<sup>20</sup> KIIs - 1-stop

<sup>21</sup> KII – Maha Agriculture Microfinance

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- 9 The policy level work in Myanmar is mainly anchored by the UNCDF country office in Yangon under the Expanding Financial Access (EFA) programme, which is a useful arrangement and reflects convergence with the existing UNCDF country program. The platforms and existing relationship forged by the national presence are a good groundwork which could help shape the market systems development results anticipated by the program. EFA has worked closely with the national microfinance regulator and supervisor, the Financial Regulatory Department (FRD) of the Ministry of Planning and Finance, Government of Myanmar. This is freely acknowledged by the FRD management. Not only has the roadmap process, so far, provided FRD and the Ministry of Planning and Finance a useful framework for policy consideration and support of the regulatory architecture, it has also provided the information and international contextual understanding necessary to convince the highest policy makers in the country about the importance of their financial inclusion initiatives. The presence at the policy 'high table' is also manifest in UNCDF's participation in the national level women empowerment committee, which could help SHIFT attain its goal of financial inclusion for women clients. UNCDF's existing relationships are well complemented by the SHIFT team's complementary skills and thematic focus (in financial inclusion, digital finance, gender and remittances).



## Annex I: FinScope Myanmar data

FinScope Data	2013				2018			
	from FS report 2014			2013 from FS 2018	All adults	Women	Rural	Urban
in %	All adults	Rural	Urban	All adults				
Column number	1	2	3	4	5	6	7	8
<b>Financial inclusion</b>				30	48			
- Banked	17	19	13	17	25	19	25	27
- Non-bank formal	3	4	3	17	34	30	22	24
- Informal	39	37	41	50	50	46	23	19
- Excluded	41	40	43	38	30		30	30
<b>Savings</b>				7	12			
- Banked	4			4	7			
- Non-bank formal	2			3	5			
- Informal	25			25	27			
- Home/Secret place	7			6	11			
- Not saving	62			62	50			
<b>Credit</b>				19	26			
- Banked	13	18		14	14			
- Non-bank formal	2	3		5	12			
- Informal	21	23		18	13			
- Family/Friends only	11	12		11	7			
- Not borrowing	53	44		52	54			
<b>Insurance</b>	1.8			7	16			
- Non-bank formal	1.8			2	6			
- Informal				5	12			
- Not insured	98			93	84			
<b>Remittances</b>				10	17			
- Banked				3	6			
- Non-bank formal				7	11			
- Informal				5	2			
- Family/Friends only				10	3			
- Do not remit				77	79			

## Annex II: Case Study - BRAC Myanmar Micro Finance Limited, MFIL and L-IFT

### • Introduction

BRAC, Myanmar is a Window 2 Grantee of the SHIFT Challenge Fund (under the DFAT supported Gender Equity Fund). In partnership with another MFI (MFIL) and a research NGO - (L-IFT). The implementation combines research (conducted by L-IFT) and loan design and disbursement (2 MFIs - BRAC and MFIL) components. SHIFT funding commitment is US\$ 200,000 between July 2017 and December 2018. BRAC aims to develop credit products customised to the needs of women's micro businesses, drawing on the financial diaries methodology.<sup>22</sup> Their target is to develop up to 3 new loan products that reach 4,000 women entrepreneurs on completion of the project. The project was launched in October 2017.

### • Milestones

The key milestones under the performance based agreement with UNCDF are as follows:

Milestone	Results to be achieved	Disbursement amount
<b>Milestone 1</b>	First batch of 40 women interviewers complete training and ready to begin conducting research	\$40,000
<b>Milestone 2</b>	800 women entrepreneurs interviewed with baseline and 2 bi-weekly interviews per respondent and Baseline financial diary and 2 bi-weekly interview data for 800 women entrepreneurs made available on the portal, accessible online to project stakeholders	\$60,000
<b>Milestone 3</b>	Financial loan products designed based on financial diaries data after six months diary research and Pilot loans, based on the design loan product, provided to 500 women entrepreneurs	\$40,000
<b>Milestone 4</b>	Loan based on the designed products, provided to an additional 3,500 women borrowers (4,000 cumulative)	\$60,000

Source: UNCDF-BRAC PBA

### • Current status

According to the SHIFT Quarter 1, 2018 report, baselines have been successfully completed with 1,350 women. After interviewing an initial pool of 4,000 women entrepreneurs, 1,600 were found to fit the required profile. Of the 1,350 from whom baselines have been completed, 800 women are now being interviewed every two weeks, currently having completed 4 out of 11 interview cycles. So far, the implementation has faced delays mainly on account of difficulties in interviewer recruitment and high turnover. This is being addressed by generating awareness among the interviewers of the employment conditions and offering relevant incentives. An identified risk has also been the reliability of respondent information. This again is being tackled by emphasising supervision and real time checks of the data being captured, refresher training of the researchers, as well as promoting awareness among participants of the value of financial diaries.

#### Data sources

- SHIFT Annual Report
- SHIFT MRM
- Partner Reporting (Quarterly, Annual)
- Interviews with stakeholders in BRAC and L-IFT
- Field observations with BRAC clients, and L-IFT researchers

### Key findings

<sup>22</sup> Recording household and business income and expense patterns to understand their financial behaviour

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- **Planning**

Following the initial response by BRAC/L-IFT/MFIL to the challenge fund window 2, since BRAC was not selected by the IC to be on the primary list for funding, there was a seven month long delay in communication from UNCDF's side, when funding became available and was approved under DFAT's Gender Equity Fund (GEF). Because of the limited funding available, SHIFT reduced the investment budget, but without concomitant scaling down of activities and expected results. The timeline for implementation was halved to one year. It is not clear why BRAC agreed to the PBA milestones, since they do not allow product design to draw fully on the financial diaries research which is intended to show seasonal variations – affecting credit needs – over a full 12 month period. Once agreed, BRAC is struggling to meet the timelines. The emerging finding from discussions with both BRAC and L-IFT is that the CF grantee planning process would benefit from more frequent engagement with the grantees during the process of selection (from concept stage to PBA signing) and consultative finalization of the PBAs and its milestones. Moreover, targets need to be set with an eye on quality, particularly if the timeline is squeezed due to delays during the selection stage, and the final budget is lower than the proposed budget.

- **Implementation**

The research work, as reported by the partner, has been on track to meet the targets, despite initial challenges in on-boarding women researchers within a compressed time frame. However, L-IFT found the men a bit too 'relaxed' for research work (half of them left after the first few months) and now employs only women, 32 researchers interviewing 30-40 clients every fortnight. Interview data is captured directly into a mobile phone, which is preloaded with coded questions exploring business operations and money management. Indicators of the Poverty Probability Index have been included which will enable analysis of poverty levels of the clients. The research is geographically diverse with two rural areas (occupations: farming / agricultural, trading) and two urban areas (occupations: traders, factory work) covered.

The diary work focuses on women micro-entrepreneurs who have completed one loan cycle with BRAC. The ET was able to sit through an interview with one of these (described in the Box, next page – a typical example of a woman micro-entrepreneur, employing women at relatively low wages, assisted by her husband for some of the marketing activities, still looking to informal sources for credit needs despite being a BRAC client ).

BRAC introduced additional questions to the diaries, to obtain immediate feedback from clients on credit terms and conditions. And has used this data to introduce monthly repayment of loans instead of weekly.

The MFIs have piloted a MSME loan to 240 clients (as on 25 July, 2018) against the PBA target of 500 women entrepreneurs, (expected end June). These are reported as 'SHIFT end clients' however it was clear when the ET spoke to a few of these clients in the outer area of Yangon district who used the loan to expand existing businesses, that they were not in the low-income target group. The three clients interviewed were 'small' businesses (wholesale dealers in toys and children's clothes, household appliances and electrical – buying from Yangon suppliers to distribute to retailers outside the city; and a restaurant-cum-entertainment centre). Two were family businesses run by both man and wife. One was run by the male member. Untypically of BRAC's usual market (which is 100% women), they report that 20% of these loans are going to men. These were not clients being covered by the financial diaries but represent an entirely new market for

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BRAC. They nevertheless are being reported to SHIFT, in partial fulfilment of PBA targets: the reporting does not include the economic profile of clients.

**BRAC client, interviewed for the financial diary research**

*Garment business, Shwepyitha Township, outskirts of Yangon*

*Daw May May Win* (name changed) runs a sewing unit in the front room area of her home – a wooden rather ramshackle structure typical of the street. She employs 10 women as tailors to work on her sewing machines. She sells garments to order to a main buyer in the wholesale market, purchasing materials from suppliers in the same market. She also sells to customers who come to her place and give their own design. (L-ift counts this as 2 separate businesses).

She has been in this business for 2 years. She used to sell fruit in front of a school and did some embroidery at home. Then her husband got a job in Malaysia, and with the money he sent back (monthly through an agent) she invested in more sewing machines to develop her garment business. The machines were rejects from a government factory, which her friend's husband was able to repair. Her husband is now back working in a local petrol company in Yangon. He helps her in the business in managing the transport of materials and sales. She supervises all the sewing work.

Business is going well, though the frequent power cuts affect production. (There was a power cut while we were there. The L-ift worker said this made it easier to conduct the interview since the sewing machines make quite a noise!). The tailors work 8 hours/day, with 1 day off every 2 weeks. They are each paid at a fixed rate of 150,000 MMK (\$40) a month.

Daw May May Win says she separates the business and home expenses – she manages the business expenses and keeps all the receipts, her husband manages the household expenses. She borrowed from a moneylender to repair the walls and roof of her unit. Then she borrowed from an MFI to repay the moneylender loan. She says she always pays her workers every month on time, and if necessary her husband or other family members lend her money to make the payments.

- **Challenges**

A review of quarterly reports indicates that the communication of challenges is quite well developed

A key challenge is the PBA requirement to design and roll out 2 credit products after just 6 months of the diary work. The approach that BRAC has followed elsewhere has relied on 12 months of research, and then testing of 4-5 ideas before roll out. “There is no time for that here”. Quick testing is planned for the main target market in August 2018.

There has also been a lack of clarity between BRAC and L-IFT as to whether certain borrowers would count as valid targets under SHIFT, even if they do may not fall under the low-income category for loans from BRAC. To avoid misallocation of funds and time, it would make sense for the SHIFT in-country teams to enable discussion of progress more frequently, particularly in investments that entail coordination between two partners. While the SHIFT PBA clearly defines low-income category (i.e. with income equal to or less USD 1.25 per day), it does not define what constitutes “vulnerable, non-poor people”. It would help to use clearly defined target groups to help validate the reported data, as well as to ensure accountability.

On the research side, the recruitment and retention of researchers has been a major challenge. The diaries task itself is quite new, and required rigorous training. Moreover, the remuneration of US\$50 per month is not seen to be sufficiently remunerative, even for part-time work. L-IFT has adjusted by reducing the number of researchers, and increasing the remuneration for an increase in interviews to be covered by each researcher.

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- ***Women's opportunities***

Programme reporting under the SHIFT PBA is quite comprehensive. Indicators include active women clients, rural/urban, additional products reach to women, women credit officers, women employees in managerial and other positions. It is intended that only women clients served will be counted as borrowers under the 5,000 target. The research includes women's agency questions including decision making and management of the business. (From the case-let example in the Box, we can see how the business of a woman client is also supported by her husband). It is still to be seen, however, what will be the salient features of a woman business-centred product design – how BRAC will use the diary data in the product design.

Another feature of the project is that the women researchers may graduate to be field staff of BRAC or other FSPs. Their engagement in the research builds understanding of BRAC's typical clients and their businesses. So far, nine women researchers have expressed interest. L-IFT reports that other women researchers prefer part-time work.

- ***Data contribution to market-systems***

The data from the diaries is already being made publicly available through an internet portal as a resource for the financial sector. L-IFT also plans to share the data at a workshop with the Myanmar Microfinance Association and to publish a booklet on the findings and uses of the data later this year. Some MFIs have expressed interest in the diary data for specific sectors – such as agriculture, savings and credit groups. However, effective analysis and use of the data for product and service design by MFIs and other FSPs is likely to provide additional specialist inputs and training.

