

MID-TERM EVALUATION:  
SHAPING INCLUSIVE FINANCE  
TRANSFORMATIONS (SHIFT) PROGRAMME IN  
SAARC

## Annexes

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**Unlocking Public and Private  
Finance for the Poor**

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## **MID-TERM EVALUATION: *SHAPING INCLUSIVE FINANCE TRANSFORMATIONS – SAARC REGION***

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## ANNEXES

### Annex 1: Programme Results and Resources Framework

RESULT CHAIN/ YEARLY PROGRESS	Baseline Bangladesh (04/ 2016)	Dec-16	Dec-17	Dec-18	
<b>SHIFT SAARC IMPACT</b>					
<b>Improved livelihood and reduced poverty among low-income people, especially women in SAARC countries by 2021</b>					
<b>Indicators:</b> Type of income sources, levels of income, type of assets, nature and type of business	55% of the micro-merchants HHs have multiple sources of income (micro-merchants Landscape study 2018)	NA	NA	NA	1. Baseline data in the project document showcases overall SAARC countries, however for Bangladesh we needed a specific baseline thus given that Merchant Landscape study will look at socio-economic status on representative basis we will use the merchant landscape data as the baseline for Bangladesh; 2. Because we are not doing mid-term evaluation we will measure change at the end, as well as measure progress periodically.
<b>SHIFT SAARC OUTCOMES</b>					
<b>At least 1 million low income people, 65% of whom are women and 30,000 small and growing business access and use financial services to secure opportunities for employment, enterprise development, and increased sustainable consumption</b>					
<b>Indicator 1:</b> # of low-income people that have been reached by al UNCDF SHIFT SAARC partners	Bangladesh: 8% of mobile money users have active accounts	NA	0	0	Once the PBAs are signed, use partners current client number as baseline and then estimate % increase by using additional client reached through our PBAs. Review after PBAs are signed
<b>Indicator 2:</b> % of women reached by YSHIFT SAARC	0% (source: UNCDF project documents)	NA	0	0	
<b>Indicator 3:</b> # of small and growing business that have been reached by SHIFT SAARC	0%	NA	0	0	The overall target for the project is 10,000 till 2019, therefore if 3,000 are to be reached in 2018, then 7,000 will become a target for 2019.
<b>MARKET OUTCOME 1: Data and exchange for financial and real economy markets</b>					Notes August 2018
<b>Indicator 1:</b> % of policymakers, business and meso level organizations targeted by the programme reporting to use evidence produced by SHIFT for policy making	0%	NA	0	0	1. SHIFT SAARC started to produce evidence in 2017. This included: a) Digital Financial Services Regulatory Assessment and Policy Brief; b) Interoperability Background Paper and c) DFS and Inclusive Markets. However, in 2017 SHIFT SAARC did not collect the information from these target groups about their use of SHIFT

(disaggregated by type and gender as appropriate);					SAARC produced evidence. Therefore, to remedy this oversight, SHIFT SAARC developed a questionnaire in 2018 and administered it to 10 individuals who received these publications to have an indication of use of evidence for policy making. In 2018, however SHIFT SAARC started to capture this indicator in a more systematic and regular way. However, at the time of completing this RRF SHIFT SAARC did not publish any new evidence that could have been used for policy making.
<b>Indicator 2:</b> % of improved and accessible data that are disaggregated by sex.	0%	NA	0%	0%	1. In 2016 there were no efforts on data collection; 2. In 2017 SHIFT SAARC undertook Micro Merchant Landscape Study. The data from the study was only available in 2018 therefore the change is report in 2018; 2. In Micro Merchant Landscape Study produced by SHIFT all data captured by the study have been desegregated by gender. However, because the study sample included only 31 women (N=2,100) the sample size was too small to draw comparisons between women and men. 3. The data portal through which the data will be accessible to the public was in beta version as of July 2018.
<b>PROGRAMME OUTCOME 1: Regulators and Providers (DATA and Analysis)</b>					
<b>Indicator:</b> % of targeted FSPs, businesses and meso level organizations report sharing of market information (e.g. client outreach, new products and business practices and the like information) with other actors in financial inclusion eco system on a regular basis.	0%	NA	NA	NA	1. SHIFT SAARC has not tracked the changes on this indicator in 2017 and 2018. This is because it had limited engagement with FSPs and businesses in 2017, and 2018.
<b>Output 1 Data and Analysis</b>					
<b>Indicator 1:</b> # of knowledge products and researches produced by the programme (disaggregated by: type of products, nature of topic);	0	NA	4	7	The following knowledge products were produced: 1. UNCDF SHIFT (2017). DFS Regulatory Framework Assessment; UNCDF SHIFT (2017). Advancing Access to Digital Financial Services in Bangladesh: Regulatory Agenda. Policy Brief; 3. UNCF SHIFT (2017). Interoperability of Digital Finance in Bangladesh: Challenges and Taking Off Options; 4. UNCDF SHIFT (2017). Interoperability of Digital Finance Discussion Brief. Apart from these knowledge products UNCDF SHIFT also published 10 blogs: <a href="http://www.uncdf.org/shift/blog">http://www.uncdf.org/shift/blog</a> 3 in 2017, and 7 in 2018.
<b>Indicator 2:</b> # of on line platforms used to upload the knowledge products and researches;	0	NA	2	4	
<b>Indicator 3:</b> # of downloads from UNCDF website;	0	NA	0	293	

<b>Indicator 4:</b> # of stakeholders with whom research studies and knowledge products have been shared;	0	NA	117	891	
<b>Indicator 5:</b> % of knowledge products incorporating gender issues.	0	NA	25%	57%	Among four knowledge products produced in 2017, only 1 knowledge product mentions women. This is: UNCDF SHIFT (2017). Advancing Access to Digital Financial Services in Bangladesh: Regulatory Agenda. Policy Brief. In 2018 UNCDF SHIFT has inserted gender issues in all of its blogs published in 2018.
<b>MARKET OUTCOME 2 Knowledge and Skills for Financial and Real Economy Markets (CAPACITY DEVELOPMENT)</b>					
<b>Indicator 1:</b> # of improved operational practices introduced (disaggregated by type of operational practices);	0	NA	0	0	In 3rd and 4th quarter of 2018, SHIFT SAARC will be signing agreements with FSPs and other partners around DFS/ business technologies models. It is only in 2019/2020 that SHIFT SAARC will have information and data about these particular market outcomes.
<b>Indicator 2:</b> % of improved operational practices in use after one year of introduction;	0	NA	0	0	Ibid
<b>Indicator 3:</b> % of newly introduced operational practices that are gender friendly (e.g. specific consideration for female clients).	0	NA	0	0	Ibid
<b>PROGRAMME OUTCOME 2 for Regulators &amp; Providers: Knowledge and Skills (CAPACITY DEVELOPMENT)</b>					
<b>Indicator 1:</b> % of regulators (disaggregated by gender, department, capacity building topic, role) who have received capacity building from the programme report increased capacity to develop policies meeting the needs of low income people, especially women, small and growing businesses;	0	NA	0%	81%	SHIFT SAARC in Bangladesh is only starting with targeted capacity building activities for Regulators in 4th Qtr. 2018.
<b>Indicator 2:</b> % of FSPs who have received capacity building from the programme report increased capacity to develop financial products and business models meeting the needs of low income people,	0	NA	0%	0	SHIFT interventions in Bangladesh are not targeting FSPs with capacity development

especially women and small and growing businesses;					
<b>Indicator 3:</b> % of meso level organizations and businesses who have received capacity building from the programme report increased capacity to develop innovative business models and solutions for low income people, especially women and small and growing businesses	0	NA	0	0	SHIFT SAARC in Bangladesh has two planned capacity development interventions with meso level organizations in 4th Qtr. 2018.
<b>Output 2 Capacity Development</b>					
<b>Indicator 1:</b> # of stakeholders who have received capacity building from the programme through trainings, knowledge exchanges etc (disaggregated by gender, stakeholder type and topic);	0	NA	7	143	1. SHIFT SAARC in Bangladesh is only starting with targeted capacity building activities for Regulators in 4th Qtr. 2018. 2. In regards to Knowledge exchanges, <b>in 2017</b> , UNCDF did not train any regulators through capacity building, however it has organized 1 exposure visit to Thailand for regulators to learn about e - KYC; 1 Knowledge exchange visit = 3 participants, 100% males; Topic: e- KYC regulatory setting; 1 female from Bangladesh Bank, and 2 from Ministry of Finance. And 4 people participated in Women Global Empowerment Forum.
<b>Indicator 2:</b> % of trainees who received training on ways to include gender sensitive approach to inclusive finance;	0	NA	50%	0%	
<b>Indicator 3:</b> % of trainees assessed capacity building activities as useful against pre agreed scale, (disaggregated by gender, stakeholder type and topic).	0	NA	100%	79%	All regulators reported to findings the visit very useful as it has given them first hand experience on e - KYC and how it works in practice.
<b>MARKET OUTCOME 3 Policy and Partnerships for Financial and Real Economy Markets (POLICY &amp; ADVOCACY)</b>					
<b>Indicator 1:</b> #, types and specific features of new or improved regulations (scope, transparency, relevance to low income consumers, women and small businesses, ease of compliance);	MFS Draft Guidelines ( <a href="https://www.bb.org.bd/aboutus/draftguidelines/guideline/mfs_final_v9.pdf">https://www.bb.org.bd/aboutus/draftguidelines/guideline/mfs_final_v9.pdf</a> )	NA	1 Agent Banking Regulations issued	1 new MFS Bangladesh regulations issued	1. Agent Banking regulations issued; 2. Bangladesh Bank. Payment Systems Department (2018). PSD Circular No: 04/2018. Bangladesh Mobile Financial Services (MFS) Regulations, 2018
<b>Indicator 2:</b> % of new or improved regulations that are gender friendly (e.g. specific consideration for female clients).	0	NA	0	New MFS regulations do not make specific mention of gender	

				issues nor has the GoB issued in 2017 any specific gender friendly regulations /directives	
<b>PROGRAMME OUTCOME 3: Regulators and Providers (POLICY &amp; ADVOCACY)</b>					
<b>Indicator 1:</b> # of financial inclusion coalitions formed and functioning	In 2016 when we developed a programme, there was a group called Mobile Financial Services working group which was managed by USAID/Mstar. The group's purpose was to share knowledge and problem solving among private sector players.	NA	1	0	In 2017 SHIFT took over management of USAID/Mstar project's Mobile Money Consultative Group and reformed it into DFCG - Digital Finance Coordination Group and diversified nature of participants in the group to include also regulators and non - private sector players
<b>Indicator 2:</b> # of joint agreements, or joint statement signed between DFS providers and businesses; DFS providers and meso-level organizations, and DFS providers and ministries	0	NA	NA	NA	SHIFT in Bangladesh will not undertake any actions to support achievements of this output, hence this is not tracked.
<b>Indicator 3:</b> # of coalitions active two years after formation	0	NA	0	1	
<b>Output 3 Policy and Advocacy</b>					
<b>Indicator 1:</b> % increase of influential stakeholders participating in consultative process (disaggregated by gender)	0 (MMCG group did not have any regulators)	NA	0	0	
<b>Indicator 2:</b> # of policy and regulatory meetings organized	0	NA	4	5	> Round Table (May, 2017), > MMCG workshop (May 2017), > Policy Dialogue on eKYC with DFCG (Sept 2017) > Policy Dialogue on Interoperability with InM (Oct, 2017),



<b>MARKET OUTCOME 4: INNOVATION FOR FINANCIAL AND REAL MARKETS</b>					
<b>Indicator 1:</b> # of new or improved financial products and business models scaled up by the supported FSPs and businesses (relevance, scalability, costs - effectiveness, ease of replication)	0	NA	0	0	SHIFT in Bangladesh has no interventions on scaling up business models, thus this measurement is not captured. In Bangladesh SHIFT is only piloting innovations and not yet scaling them up.
<b>Indicator 2:</b> % of scaled up financial products and/or business models responsive to women's needs.	Not applicable	NA	NA	NA	SHIFT in Bangladesh has no interventions on scaling up business models, thus this measurement is not captured. In Bangladesh SHIFT is only piloting innovations and not yet scaling them up.
<b>PROGRAMME OUTCOME 4: Regulators and Providers (INNOVATIONS))</b>					
<b>Indicator 1:</b> # of new or improved financial products and/or business models piloted with the support of SHIFT SAARC	UNCDF country assessment reports (prodoc)	NA	0	1	In total should be 6 by end of the EU funding. SHIFT SAARC will contract to business innovations by end of 2018 and they are likely to start in 2018. 4 more innovations likely to be contracted by year end with a start in 2019
<b>Indicator 2:</b> % of piloted financial products and/or business models responsive to women's needs	0	NA	0	0	It should be 50% team needs to emphasize gender aspect in RFPs
<b>Output 4 Innovation Incentives</b>					
<b>Indicator 1:</b> # and type of incentives provided to FSPs and businesses	0	NA	0	1	In this output the following are considered as incentives: conferences, workshops, campaigns, TA, challenge fund (i.e. grant support). We measure only # of these things and reports from PBAs should elaborate about type of incentives provided. Here we are assuming 2 campaigns or fairs will be provided
<b>Indicator 2:</b> % of incentives targeting women	0	NA	0	0	

Source: SHIFT\_M&amp;E\_DashBoard\_December\_2018.xlsx

## Annex 2: Evaluation Matrix

Evaluation sub-questions	Judgement Criteria/Indicators	Means of Verification	Sources
<b>Question 1: Relevance and quality of design</b> The appropriateness of the programme's objectives to the real problems, needs and priorities of its target groups/beneficiaries and the quality of programme design through which these objectives are to be reached.			
1.1. How relevant are the SHIFT in SAARC programme approaches which are being implemented, to the priorities and policies of the Government of Bangladesh (GoB)? Including the regulatory / policymakers on FI.	<ul style="list-style-type: none"> <li>The programme approaches and objectives are aligned with or complementary to the priorities and policies of the GoB.</li> <li>The programme has adapted its approaches and objectives as GoB priorities change.</li> </ul>	<b>Desk Review:</b>  <b>KIIs (Structured Interviews):</b>	Programme frameworks and documents; Proposals to Donors; GoB Seventh Five Year Plan (SFYP) Draft NFIS  SHIFT in SAARC Regional) Staff; In-country staff; GoB representatives to the PSC (PSC members) Donor representatives (BMGF & EU)
1.2. As presently designed, how coherent is the SHIFT in SAARC programme design in view of its objectives and how well is it designed with regard to eventual transition, expansion and replication of the programme approach by others?	<ul style="list-style-type: none"> <li>The programme design is in line with internationally recognized best practices.</li> <li>The programme approaches and activities as designed are likely to achieve the objectives, based on experiences of similar programs and the context.</li> <li>The degree of consistency between programme objectives and partners' needs, strategy and capacity to implement the programme.</li> <li>Funding amounts and planned timeframe are consistent with programme objectives and provide the necessary flexibility.</li> </ul>	<b>Desk Review:</b>  <b>KIIs:</b>	SHIFT Programme frameworks and documents; Proposals to Donors; Progress reports to Board, PSC and donors Other DFS ecosystem programs with similar objectives  Regional Staff; In-country staff; GoB representatives to the PSC Donor representatives (BMGF & EU) Implementing partners (IPs) (e.g., FBCCI, dnet, BDMS) DFS ecosystem stakeholders in Bangladesh (e.g. DFID programme, a2i, DFCG members)
1.3. To what extent is the SHIFT in SAARC programme design sufficiently taking into consideration <i>the needs and interests of:</i> <i>-demand side customer segments low-income groups, women and small and growing businesses, especially in the four target districts?</i> (Italics denote a change in wording from the original.) <i>-supply side service providers</i> <i>-meso level (e.g. BDS providers, associations)</i>	<ul style="list-style-type: none"> <li>The programme design addresses the needs and interests of the target beneficiaries: low-income groups, micro-merchants, women and small and growing businesses, especially in terms of constraints on access and use of DFS.</li> <li>The programme has adapted its approaches and objectives as the identified needs and interests of the target beneficiaries change.</li> <li>Change in beneficiaries' access and use of DFS</li> </ul>	<b>Desk Review:</b>  <b>KIIs</b>  <b>FGDs</b>	Programme frameworks and documents; Proposals to Donors; Progress reports to Board, PSC and donors; Assessment reports  Regional Staff; In-country staff; PSC members Donor representatives (BMGF & EU) IP representatives  Male and Female Micro-Merchants (or KIIs)

Evaluation sub-questions	Judgement Criteria/Indicators	Means of Verification	Sources
		Quantitative Analysis	Monitoring data (if disaggregated)
<ul style="list-style-type: none"><li>Does the project align with UN standards on mainstreaming strategy on gender into the design of SHIFT?</li><li>Does it align with national gender-related goals?</li><li>Was a gender analysis included during the initial needs assessment?</li><li>Does the programme collect gender disaggregated data?</li></ul>	Programme design aligns with UN and UNCDF standards on mainstreaming gender Programme design aligns with national gender related goals. Gender analysis was included in initial needs assessments # of gender analyses conducted by programme; Quality of gender analysis/analyses; Gender disaggregated data	Desk Review:	UN gender mainstreaming standards; Programme gender analysis/assessment POWER documentation MRM system
		KIIs	Gender point person in UNCDF HEADQUARTERS; Regional and In-country staff Board members PSC members
Question 2: Efficiency Extent to which the programme has delivered quality outputs that are appropriately managed and overseen.			
2.1 How well has UNCDF management and operations (at both the programme and HEADQUARTERS level) supported delivery of the programs to date?	Number and Percent of Outputs and Output indicators which achieved their targets within the proposed timeframe. Programme management is monitoring changes to the financial and real market economies and political/economic environment and making course corrections as necessary.	Desk Review:	Donor and other Progress Reports; Board Meeting minutes; PSC Meeting minutes;
		KIIs	Regional and In-country staff; Board members IP representatives Donor representatives PSC members
2.2 To what extent have programme deliverables (outputs) met the expectations of programme beneficiaries, board members and development partners?	<ul style="list-style-type: none"><li>Share of board members, development partners and policy level beneficiaries who are satisfied or very satisfied with the programme outputs in terms of timeliness, quality, scale, relevance and cost.</li><li>At least 75% of training participants report satisfaction with trainings received (data from BDMS).</li><li>At least 60% of targeted audiences reporting satisfaction with information and publications (data from dnet and FBCCI).</li><li>(Other pre-existing indicators to be added as we identify them.)</li><li>At least x% improved on their pre/post training surveys.</li></ul>	Desk Review:	Progress Reports; Board and PSC Meeting minutes; Pre-/post training learning surveys (if available)
		KIIs	Board members PSC members Regional staff In-country staff IP representatives Beneficiaries including micro-merchants. Government (MoF, BB)
		FGDs	Beneficiaries such as Micro-Merchants; Optional: Online Survey with participants of trainings
		Quantitative Analysis	Monitoring data/ evaluations of deliverables.

Evaluation sub-questions	Judgement Criteria/Indicators	Means of Verification	Sources
2.3 To what extent is the programme MRM generating sufficient evidence to inform accountability and contribute to programme improvements?	<ul style="list-style-type: none"> <li>Frequency of reports from MRM system (target quarterly);</li> <li>Qualitative assessment of usefulness of evidence to adapt and improve programme by programme manager, Board and PSC.</li> <li>Extent to which the programme has established a measurement system that allows for enhanced monitoring of unintended, positive and negative outcomes, as well as intended outcomes.</li> <li>Extent to which programme staff and partners are well versed in how to regularly monitor the results and update the system</li> <li>Extent to which performance data are sufficient in all relevant categories, quality assured and available for comparison across programs.</li> <li>Number and percentage of indicators in the results frameworks for: SHIFT in SAARC, SHIFT in Bangladesh, the BMGF project and the MDDRM project which have data for the appropriate time periods.</li> </ul>	<b>Desk Review:</b>	Progress Reports (UNCDF internal, donor, GoB, Board, PSC); monitoring/evaluation reports
		<b>KIIs</b>	Regional and In-country staff; including: SHIFT in SAARC M&E officer SHIFT in Bangladesh M&E and Data Analysis Board members
		<b>Quantitative Analysis</b>	Monitoring and financial data
<ul style="list-style-type: none"> <li>Does the programme MRM have specific indicators and data to measure progress on human rights and gender equality?</li> <li>Are these being collected, analyzed, utilized regularly?</li> </ul>	<ul style="list-style-type: none"> <li># of indicators related to gender equality;</li> <li># of baseline data points for gender equality;</li> <li># of periods data collected for these indicators</li> <li>Usage of indicators</li> </ul>	<b>Desk Review:</b>	Progress reports; Monitoring/evaluation reports Financial reports
		<b>KIIs</b>	Regional SHIFT in SAARC M&E officer In-country M&E and Data Analysis
		<b>Quantitative Analysis</b>	Monitoring data
2.4 How well are partner contributions/involvement in the programme working?	<ul style="list-style-type: none"> <li>Extent to which the programme's contracting (performance-based contracts) and accountability mechanisms incentivize high performance of the implementing partners.</li> <li>Extent to which the implementing partners are providing deliverables according to the plan (timeliness, scale, specification, quality).</li> </ul>	<b>Desk Review:</b>	PBAs, Inception Reports and Progress reports related to the three IPs (BDMS, dNet and FBCCI), RFA template
		<b>KIIs</b>	In-country staff IP representatives Donor representatives (EU only)
<ul style="list-style-type: none"> <li>Are these sufficient and aligned to facilitate women's financial inclusion and economic empowerment?</li> </ul>	<ul style="list-style-type: none"> <li>Qualitative assessment of degree to which partner contributions align with target and indicators of gender equality.</li> <li>At least 30% of women represented as speakers and attendees of FBCCI conferences.</li> </ul>	<b>Desk Review:</b>	Progress reports; Board meeting minutes PSC meeting minutes
		<b>KIIs</b>	(Implementing) Partners; Donors; UNCDF SHIFT in Bangladesh staff

Evaluation sub-questions	Judgement Criteria/Indicators	Means of Verification	Sources
	<ul style="list-style-type: none"><li>At least 20% of exhibitors at innovation fairs with more than 25 exhibitors are women owned or run businesses (FBCCI)</li></ul>	<b>Quantitative Analysis</b>	Monitoring data
<ul style="list-style-type: none"><li>Were resources (funds, human resources, time, expertise etc.) allocated strategically to achieve gender-related objectives?</li></ul>	<ul style="list-style-type: none"><li>Extent to which resources used are commensurate with the interventions.</li><li>% of planned budget allocated to gender-related objectives;</li><li>\$USD spent on gender-related objectives;</li><li>actual % of budget spent on gender-related objectives. (Disaggregate by the four pillars.)</li><li># of outputs directly addressing gender-related objectives.</li></ul>	<b>Desk Review:</b>	Donor Proposals Progress reports
		<b>KIIs</b>	Board members Regional staff In-country staff
		<b>Quantitative Analysis</b>	CDRs, Annual Work Plans;
<b>Question 3: Effectiveness</b> (organizational and policy change) Extent to which SHIFT deliverables are contributing (or not) to capacity development of partner organizations?			
3.1 To what extent are programme deliverables helping financial services partner organizations to develop and scale viable financial inclusion business models for men and women?	The programme has had a "limited engagement" with FSPs to date, therefore we have dropped this question.		
3.x To what extent are programme deliverables helping meso level stakeholders (e.g. BDS providers, associations) to deliver services to stated beneficiaries.	<ul style="list-style-type: none"><li>At least 75% of training participants report satisfaction with trainings received (data from BDMS).</li><li>At least 60% of targeted audiences reporting satisfaction with information and technical/educational materials (data from training satisfaction surveys)</li><li>KIIs with BDS service providers, associations.</li><li>FGDs with micro-merchants (access, satisfaction with BDS services and training)</li></ul>		
3.2 To what extent are SHIFT in SAARC’s policy and advocacy activities at the national level contributing to changes in the capacity of policymakers/regulators to develop and enact financial inclusion policies/regulations affecting low-income people and specifically women?	<ul style="list-style-type: none"><li>Indicators related to participation in capacity building and advocacy events;</li><li>Self-reported changes in capacity and changes in behavior by policymakers and regulators.</li></ul>	<b>Desk Review:</b>	policy documents/legislation; ORS assessment of policy advocacy
		<b>KIIs</b>	<u>Contribution Analysis</u> Policymakers and regulators in Bangladesh; FSPs and Private Sector (DFCG members)
		<b>FGDs</b>	Micro-merchants
		<b>Quantitative Analysis</b>	M&E data from capacity building events;
<ul style="list-style-type: none"><li>To what extent is the programme building awareness of constraints and opportunities for gender equality?</li><li>To what extent is the programme building awareness and understanding of the women’s market?</li></ul>	<ul style="list-style-type: none"><li>Evidence that government officials are aware of the importance, opportunities and constraints to gender equality in financial inclusion.</li><li>Evidence that stakeholders in the financial services market system and the FMCG real economy market system are aware of the importance, opportunities and constraints to</li></ul>	<b>Desk Review:</b>	Progress reports
		<b>KIIs</b>	PSC members, All stakeholders (DFCG members)

Evaluation sub-questions	Judgement Criteria/Indicators	Means of Verification	Sources
	gender equality in financial inclusion and economic participation.		
<b>Question 4: Likely Impact (Likely)</b> programme impact at both beneficiary and market/policy system levels, supply side, and meso level.			
4.1 (Supply side) On the basis of FSP products launched to date, which are most likely to deliver impact at the level of programme beneficiaries, including particularly low-income women, and why?	The programme has had a "limited engagement" with FSPs to date, therefore we have dropped this question.		
4.2. (Regulatory) On the basis of programme performance to date, what is the likely impact of the changes in policies and regulations at the level of financial markets and systems in Bangladesh?	<ul style="list-style-type: none"> <li>Extent to which the programme has influenced government policy making, regulation and supervision. Evidence, new policies, regulations or supervisory approaches or new work towards these.</li> <li>Extent to which the programme has built the advocacy capacity of stakeholders in the financial services market system. Evidenced by advocacy activities of these stakeholders.</li> </ul>	<b>Desk Review:</b> <b>KIIs:</b>	Govt policy documents, legislation/regulations <u>Contribution Analysis</u> Leaders of FSPs and MNOs, Govt policymakers and regulators; DFCC members
<ul style="list-style-type: none"> <li>What are the possible long-term effects on gender equality?</li> <li>Are the gender-related outcomes likely to be sustainable?</li> </ul>	<ul style="list-style-type: none"> <li>Extent to which the programme has built the capacity of women entrepreneurs.</li> <li>Extent to which women perceive that their business competitiveness has improved.</li> <li>Extent to which the programme has built the capacity of master trainers on women's entrepreneurship.</li> </ul>	<b>Desk Review:</b> <b>KIIs:</b> <b>FGDs:</b>	 UNCDF SHIFT in Bangladesh staff, UNCDF gender expert in HEADQUARTERS, women business owners/micro-merchants who participated in training, implementing partners women business owners/micro-merchants who participated in training (optional)
4.3 (Meso) [new] On the basis of programme performance to date, what is the likely impact of the changes in capacity and in relationships between market actors, at the level of the real market economy?	<ul style="list-style-type: none"> <li>Evidence of positive changes in the behavior or intended behavior of market actors in the FMCG real economy market system.</li> <li>Evidence of positive improvements in the relationships between actors in the FMCG real economy market system.</li> <li>Extent to which the programme has had a positive impact on the demand and supply of DFS as well as BDS services.</li> <li>Extent to which the programme has contributed to negative displacement effects and other negative outcomes socially or economically.</li> </ul>	<b>Desk Review:</b> <b>KIIs:</b> <b>FGDs:</b>	Progress reports, donor reports, meeting minutes for PSC and the Board <u>Contribution Analysis</u> UNDCDF SHIFT in Bangladesh Staff; leaders of FBCCI, dnet and BDMS; EU representative; BIBM representative; micro-merchants Micro-merchants
<b>Question 5: Sustainability</b> of programme results within the broader policy and market environments			

Evaluation sub-questions	Judgement Criteria/Indicators	Means of Verification	Sources
5.1 To what extent are changes in the capacity of FSPs to reach low- income men and women likely to continue over time?	The programme has had a "limited engagement" with FSPs to date, therefore we have dropped this question.		
To what extent is there permanent and real attitudinal changes related to human rights and gender equality - including understanding and support for the women's market - at the FSP level?	The programme has had a "limited engagement" with FSPs to date, therefore we have dropped this question.		
5.2 To what extent are changes in GoB priorities and performance introduced as a result of SHIFT – including in the way GoB implements gender sensitive financial inclusion policies - likely to be sustainable over time?	<ul style="list-style-type: none"> <li>Extent to which SHIFT has contributed to any changes in GoB priorities, performance, policies or regulations, as assessed by GoB officials and other stakeholders.</li> <li># of new policies and regulations;</li> <li># of which address gender equality in financial inclusion;</li> <li>quality of new policies and regulations;</li> <li>quality of policies and regulations that address women's financial inclusion.</li> </ul>	<b>Desk Review:</b>	Policy documents/legislation Draft NFIS
		<b>KIIs:</b>	<u>Contribution Analysis</u> Policymakers and regulators in Bangladesh; SHIFT in SAARC staff, DFCG members
To what extent has the programme contributed to the sustainable access and use of DFS by the target end-users, especially women?	<ul style="list-style-type: none"> <li>Extent to which staff, implementing partners and end-users perceive that the programme has led to an increased and sustainable access and use of DFS by micro-merchants and women microentrepreneurs.</li> </ul>	<b>KIIs</b>	UNDCDF SHIFT in Bangladesh Staff; leaders of FBCCI, dnet and BDMS; EU representative; micro-merchants
		<b>FGDs</b>	Micro-merchants, women microentrepreneurs
<ul style="list-style-type: none"> <li>What are the possible long-term effects on gender equality?</li> <li>Are the gender-related outcomes likely to be sustainable?</li> </ul>	<ul style="list-style-type: none"> <li>Extent to which women participants in business training perceive or experience changes in business capabilities and business competitiveness, as a result of the training.</li> <li>Evidence of permanent changes in policies, regulations or programs that will promote gender equality.</li> </ul>	<b>Desk Review:</b>	
		<b>KIIs:</b>	In-country staff; UNCDF gender expert in HEADQUARTERS; women participants in business training; GoB stakeholders, FMCG market system stakeholders.

### Annex 3: Summary of the main results from the different evaluation instruments

Methods	Evidence type (Summary)
KIIs	In-depth, first-hand knowledge of contextual issues and feedback on SHIFT in SAARC's relevance, processes, activities, outputs and short-term results.
FGDs/IDIs	<p>Feedback on the training and digital app provided by Dnet, the co-applicant of the SHIFT in SAARC programme. First-hand knowledge of contextual issues facing micro-merchants and Kallyani.</p> <p>Questions assessed the relevance of SHIFT in SAARC to their needs, their satisfaction with services received, the effectiveness of the programme in building their capacity as the end-users, and the likely programme impacts on them.</p>
Observation	The evaluation team travelled to Jamalpur to interview micro-merchants close to where they live and work.
Desk Review	Programme level information on inputs, processes, activities, progress, outcomes and potential outcomes. Also provides secondary understanding of implementation challenges.
Case Study/Contribution Story	Insights into the extent to which SHIFT in SAARC contributed to advancing eKYC policy in Bangladesh by examining the proposed theory of change for policy advocacy, the evidence that supports the claim that SHIFT in SAARC contributed, the contextual factors that enabled the advancement of eKYC policy and alternative explanations for the observed outcomes.



## Annex 4: Sites visited

#	Organization	Affiliation	Date	Place
1	Ministry of Finance, GoB	PSC members	1/30/2019	Ministry of Finance, Dhaka
2	Ministry of Finance, GoB	PSC members	1/30/2019	Ministry of Finance, Dhaka
3	Ministry of Finance, GoB	MoF	1/30/2019	Ministry of Finance, Dhaka
4	Bangladesh Telecommunication Regulatory Commission (BTRC), GoB	PSC members	1/28/2019	BTRC, Dhaka
5	Sustainable Financial Department, Bangladesh Bank	PSC members	1/28/2019	BB, Dhaka
6	Sustainable Finance Department, Bangladesh Bank	PSC members	1/28/2019	BB, Dhaka
7	Bill and Melinda Gates Foundation	Funding agencies	3/1/19	Skype
8	Delegation of the European Union to Bangladesh	Funding agencies	1/29/2019	EU Office, Dhaka
9	Delegation of the European Union to Bangladesh	Funding agencies	1/29/2019	EU Office, Dhaka
10	iSocial	Partner	1/29/2019	UNCDF office, Dhaka
11	Dnet	Partner	1/28/2019	UNCDF office, Dhaka
12	Dnet	Partner	1/29/2019	UNCDF office, Dhaka
13	Dnet	Partner	1/29/2019	UNCDF office, Dhaka
14	Dnet	Partner	1/29/2019	UNCDF office, Dhaka
15	Federation of Bangladesh Chambers of Commerce & Industry	Partner	1/28/2019	FBCCI, Dhaka
16	Federation of Bangladesh Chambers of Commerce & Industry	Partner	1/28/2019	FBCCI, Dhaka
17	Federation of Bangladesh Chambers of Commerce & Industry	Partner	1/28/2019	FBCCI, Dhaka
18	Bangladesh Dokan Malik Samity	Partner	1/29/2019	UNCDF office, Dhaka
19	Bangladesh Dokan Malik Samity	Partner	1/29/2019	UNCDF office, Dhaka
20	a2i	Secondary Stakeholder (Government)	2/4/2019	Skype
21	Payment Systems Department, Bangladesh Bank	Secondary Stakeholder (Government)	1/28/2019	BB, Dhaka

22	Payment Systems Department, Bangladesh Bank	Secondary Stakeholder (Government)	1/28/2019	BB, Dhaka
23	Bangladesh Financial Intelligence Unit	Secondary Stakeholder (Government)	1/28/2019	BB, Dhaka
24	Bangladesh Financial Intelligence Unit	Secondary Stakeholder (Government)	1/28/2019	BB, Dhaka
25	BBTA, Bangladesh Bank	Secondary Stakeholder (Government)	1/27/2019	BBTA, Dhaka
26	BBTA, Bangladesh Bank	Secondary Stakeholder (Government)	1/28/2019	BBTA, Dhaka
27	BBTA, Bangladesh Bank	Secondary Stakeholder (Government)	1/29/2019	BBTA, Dhaka
28	BBTA, Bangladesh Bank	Secondary Stakeholder (Government)	1/30/2019	BBTA, Dhaka
29	BIBM	Secondary Stakeholder	1/27/2019	BIBM, Dhaka
30	InM	Secondary Stakeholder	1/29/2019	InM, Dhaka
31	BFP-B	Secondary Stakeholder	1/30/2019	BFP-B Office, Dhaka
32	BRAC	Secondary Stakeholder	1/30/2019	BRAC Office, Dhaka
33	Bank Asia Ltd	Secondary: Innovation Grant	1/28/2019	Bank Asia Office, Dhaka
34	Bank Asia Ltd	Secondary: Innovation Grant	1/28/2019	Bank Asia Office, Dhaka
35	Bank Asia Ltd	Secondary: Innovation Grant	1/28/2019	Bank Asia Office, Dhaka
36	Microsave Bangladesh	Secondary Stakeholder	2/4/2019	Skype

37	Grameen Phone Ltd	Secondary Stakeholder	1/29/2019	Grameen Phone Office, Dhaka
38	FHI 360	Secondary Stakeholder	1/30/2019	FHI360 Office, Dhaka
39	Swisscontact	Secondary Stakeholder	1/30/2019	SwissContact Office, Dhaka
40	Shakti Foundation	Secondary Stakeholder	1/27/2019	Shakti Fdn Office, Dhaka
41	ASA International	Secondary Stakeholder	1/29/2019	Asa Office, Dhaka
42	bKash	Secondary Stakeholder	1/30/2019	bKash Office, Dhaka
43	bKash	Secondary Stakeholder	1/31/2019	bKash Office, Dhaka
44	Dutch Bangla Bank Limited	Secondary Stakeholder	1/29/2019	DBBL Office, Dhaka
45	Dutch Bangla Bank Limited	Secondary Stakeholder	1/29/2019	DBBL Office, Dhaka
46	Dutch Bangla Bank Limited	Secondary Stakeholder	1/29/2019	DBBL Office, Dhaka
47	Dutch Bangla Bank Limited	Secondary Stakeholder	1/29/2019	DBBL Office, Dhaka
48	Shahjalal Islami Bank Limited	Secondary Stakeholder	1/30/2019	Shahjalal Islami Bank Office, Dhaka
49	PRISM	Other	2/2/2019	Six Seasons Hotel, Dhaka
50	UNCDF SHIFT in SAARC, Bangladesh	project team in Dhaka	1/27/2019	UNCDF Office, Dhaka
51	UNCDF SHIFT in SAARC, Bangladesh	project team in Dhaka	1/27/2019	UNCDF Office, Dhaka
52	UNCDF SHIFT in SAARC, Bangladesh	project team in Dhaka	1/27/2019	UNCDF Office, Dhaka
53	UNCDF SHIFT in SAARC, Bangladesh	project team in Dhaka	1/27/2019	UNCDF Office, Dhaka
54	UNCDF SHIFT in SAARC, Bangladesh	project team in Dhaka	1/27/2019	UNCDF Office, Dhaka
55	UNCDF SHIFT in SAARC, Bangladesh	project team in Dhaka	1/27/2019	UNCDF Office, Dhaka

56	UNCDF SHIFT in SAARC, Bangladesh	project team in Dhaka	1/27/2019	UNCDF Office, Dhaka
57	UNCDF SHIFT in SAARC, Regional	Regional Project Team	1/18/2019	Skype
58	UNCDF SHIFT in SAARC, Regional	Regional Project Team	1/4/2019	Skype
59	UNCDF HEADQUARTERS/Board	Board	2/28/19	
61	UNCDF HEADQUARTERS	HEADQUARTERS	1/10/2019	Skype
62	UNCDF HEADQUARTERS	HEADQUARTERS	1/4/2019	Skype
63	DNET	Partner	1/28/2019	UNCDF Office, Dhaka

**List of Beneficiary Interviews**

#	Beneficiary Category	FGD or IDI	Number of Participants	Date	Place
1	micro-merchants piloting the mobile app	FGD	10	2/1/2019	Jamalpur
2	Kallyani women who received business training	FGD	9	2/1/2019	Jamalpur
3	Micro-merchants who received business training	FGD	10	2/2/2019	Jamalpur
4	Business association members who received training	FGD	10	2/2/2019	Jamalpur
5	Female micro-merchants who received training	IDI	2	2/2/2019	Jamalpur

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Implementing business model that inducts micro-merchants as e-commerce agents and transaction points through  
aggregator e-commerce platform

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## Annex 6: Socio-economic Profile of Beneficiaries Interviewed

	Men		Women		TOTAL Participants
Respondent	No.	%	No.	%	
General Information					
Number of Respondents	30	73%	11	32%	41
Age (average)	29.8		24.8		
Read Newspaper					
Easily	14	47%	9	82%	23
With Difficulty	16	53%	0	0%	16
Not At All	0	0%	2	18%	2
Education					
No formal education (can read)	1	3%	0	0%	1
Primary education complete	4	13%	0	0%	4
Some secondary education.	16	53%	2	18%	18
Secondary education complete	6	20%	6	55%	12
Secondary vocational training complete	1	3%	0	0%	1
Some diploma	1	3%	2	18%	3
Diploma complete	0		1	9%	1
Post-graduate university degree	1	3%	0	0%	0
Marital Status of Respondent					
Married	19	63%	8	73%	27
Single	11	37%	3	27%	14
Widowed	0		0	0%	0
Household Information					
Head of Household	11	37%	1	9%	12
Not head of Household	19	63%	10	91%	29
Household Size (average)	5.4		5.6		-
Main source of income					
Wage employment	0	0%	0	0%	0
Self-employment, trade	15	75%	8	73%	23
Self-employment, services, production	5	25%	2	18%	7
Agricultural production	0	0%	1	9%	1
Business Information					
Number of years in retail business (average)	5.15	-	0.86	-	
This is primary business	19	95%	6	55%	25
Work at it Full Time	19	95%	9	82%	28
Number of employees (average)	0.2	-	0	0%	
Training Experience					
Jul/Aug 18	0	0%	11	100%	11
Dec 18	10	33%	0	0%	10

Dec 18-Jan 19	20	67%	0	0%	20
<b>Access to mobile phone and internet</b>					
Owns mobile phone	30	100%	11	100%	41
Owns smart phone	23	77%	7	64%	30
Access to internet in household	21	70%	7	64%	28
If no, access to internet outside household?	5	17%	1	25%	6
Owns land	27	90%	9	82%	36
<b>Use of MFS</b>					
Ever used DFS/MFS	21	70%	5	45%	26
Owns an MFS account	20	67%	9	82%	29
No. of years with account (average)	3.8	-	2.0	-	
bKash Agent	1	3.3%	4	36%	5
<b>Main Purpose of MFS account?</b>					
Pay Suppliers	4	17%	3	33%	7
Receive Payment from Customers	4	17%	3	33%	7
Send money to family/friends	16	70%	3	33%	19
Receive Money from family, friends	18	78%	7	78%	25
Other	1	4%	0	0%	1
<b>Use of Other Financial Services</b>					
Used financial institutions (past 12 months)	19	63%	4	36%	23
<b>Type of Financial Institution</b>					
Commercial Bank	11	58%	1	25%	12
Microfinance Institution	5	26%	3	75%	1
Cooperative Bank	2	11%	0	0%	2
Has Outstanding Loans	12	40%	4	36%	16
<b>Source of Loan</b>					
Bank	4	27%	2	50%	6
Microfinance Institutions	6	40%	2	50%	8
Friend	2	13%	0	0%	2
Employer	1	7%	0	0%	1
NGO	1	7%	0	0%	1
ROSCA/Savings Group	1	7%	0	0%	1
Has Savings	23	77%	8	73%	31
<b>Location of Savings</b>					
Bank	8	35%	3	38%	11
SACCO	1	4%	0	0%	1
Other FI	1	4%	0	0%	1
Microfinance Institutions	5	22%	3	38%	8
ROSCA/Savings Group	8	35%	0	0%	8
Other - Piggy Bank	0	0%	2	25%	2

Notes: For Business info for men, no data for one whole FGD so denominator is 20, not 30. Most women had their business for 6 months or less because they were Kallyani, the micro-merchants women had businesses for 2 and 3 years respectively.

## Annex 7: Country Report

## 1) BANGLADESH COUNTRY REPORT

## a) Country Context

## i) Socio-economic context

Bangladesh's economy has grown at a strong pace for the past ten years, accompanied by a decline in the poverty rate and improvements in human development indicators. The Ready Made Garment (RMG) industry strong remittance inflows from overseas workers are primarily responsible for the growth. The Government of Bangladesh is pursuing strategies to achieve Middle Income Country (MIC) status by 2021. The latest figures indicate that 14.8% of the 164.7 million population live on less than \$1.90 a day (2011 PPP), <sup>1</sup> down from 19.6% in 2010.

Table 7.1: Bangladesh Country Profile

Population by sex (2017) <sup>2</sup>			Rural population (% of the total population) <sup>3</sup>	Poverty headcount ratio at national poverty lines (% of population) <sup>4</sup>	Literacy % <sup>5</sup> (15 years and older, 2017)		GDP per capita, US\$ <sup>6</sup>	Human Development Index <sup>7</sup>	
Total	Female	Male	2017	2016	Female	Male	2017	2015	2017
164,669,751	81,633,979	83,035,772	64.1%	24.3%	70.09	75.70	1,517	0.592	0.608

## ii) Financial inclusion context

Financial inclusion is key objective of the Bangladesh government. The Bangladesh Bank has expressed its commitment to financial inclusion, and has been an active member of the Alliance for Financial Inclusion (AFI) since 2009 and a member of its Board of Directors since 2016. From the time of the Maya Declaration in 2011, the Bank has achieved 16 out of 55 of its financial inclusion targets, including formulating comprehensive consumer protection guidelines.<sup>8</sup>

With the growth in the country's economy, financial inclusion in Bangladesh has improved over the past few years, although it remains relatively low. Between 2013 and 2017, the share of Bangladeshis with formal financial services accounts rose from 20% to 37%. Financial inclusion among the rural poor grew particularly quickly and stood at 34% in 2017.<sup>9</sup> This growth in accounts reflects an increase in the number of registered mobile account holders (18% in 2017 versus 13% in 2016). Twenty percent of adults had bank accounts, which was relatively unchanged since 2013, while 9% had accounts at nonbank financial institutions (NBFIs), mainly Microfinance Institutions (MFIs), down from 20% in 2014. Account holders at NBFIs are more likely to be women living in rural areas and living below \$2.50/day.

<sup>1</sup> <http://povertydata.worldbank.org/poverty/country/BGD>

<sup>2</sup> Source: The World Bank, [https://data.worldbank.org/indicator/SP.POP.TOTL?locations=BD&view=chart&year\\_high\\_desc=false](https://data.worldbank.org/indicator/SP.POP.TOTL?locations=BD&view=chart&year_high_desc=false)

<sup>3</sup> Source: The World Bank, <https://data.worldbank.org/indicator/SP.URB.TOTL?view=chart>. Note that World Bank staff estimates are based on the United Nations Population Division's World Urbanisation Prospects: 2018 Revision.

<sup>4</sup> Source: The World Bank, Global Poverty Working Group, <https://data.worldbank.org/indicator/si.pov.nahc>. Note that data are compiled from official government sources or are computed by World Bank staff using national (i.e. country-specific) poverty lines.

<sup>5</sup> UNESCO Institute of Statistics, <http://uis.unesco.org/country/BD>.

<sup>6</sup> Source: The World Bank, <https://data.worldbank.org/indicator/nv.gdp.pcap.cd?locations=bd>. Note that data are compiled from World Bank national accounts data and OECD National Accounts data files.

<sup>7</sup> Source: United Nations Development Programme Human Development Reports, <http://hdr.undp.org/en/data>.

<sup>8</sup> <https://www.afi-global.org/news/2018/01/bangladesh-bank-backs-afi-networks-strategic-initiatives>

<sup>9</sup> <http://finclusion.org/country/asia/bangladesh.html>

There is an important distinction between access to financial accounts, usage of financial accounts, and usage of over-the-counter (OTC) financial services. In Bangladesh, OTC money transfers and payments have predominated.<sup>10</sup> Use of OTC transactions removes the customer's need to have their own account as they use the services via an agent's account. The agent system prevents most users from taking full advantage of advanced products and services, such as savings or loans. Of all mobile money users, 61% are OTC users and only 39% are registered with mobile accounts.

A much higher percentage of males own a mobile phone (81% compared to 53% of women), and mobile phones are critical to using a mobile wallet. Intermedia, a communications-as-a-service company, found a significant gender gap (9%) between male and female active basic users of mobile money.<sup>11</sup> In 2017, 10% of adults were active basic mobile money users (6% of women and 15% of men).<sup>12</sup>

**Table 7.2: Financial Inclusion in Bangladesh, by gender (2017)**

Description	Total (%)	Male (%)	Female (%)
Financial institution account (age 15+)	50.05	64.59	35.84
Mobile money account (age 15+)	21.25	32.47	10.27
Used a mobile phone or the internet to access an account (age 15+)	22.41	33.55	11.53
Made or received digital payments in the past year (age 15+)	34.11	47.31	21.21

Source: Demirgüç-Kunt, Asli, Leora Klapper, Dorothe Singer, Saniya Ansar, and Jake Hess. 2018. The Global Findex Database 2017: Measuring Financial Inclusion and the Fintech Revolution. Overview booklet. Washington, DC: World Bank.

**Table 7.3: Digital Stored-Value Accounts by Year and Income**

Indicator	Year	All Adults	All poor	All poor females
Adults (15+) who have active digital stored-value accounts	2015	15%	11%	8%
	2017	22%	19%	14%
Adults (15+) who have active digital stored value accounts and have accessed at least one advanced financial service (beyond basic wallet & P2P)	2015	8%	5%	4%
	2017	10%	8%	6%

Source: Bangladesh: Quicksights Report, Fifth Annual FII Tracker Survey. Intermedia. June 2018. P.27

### iii) Mobile and digital financial services context

In terms of the market development approach stages as define in the UNCDF Strategic Document 2019-2024 "Leaving no one behind in the Digital Era," Bangladesh is straddling the Start-up and Expansion stages.<sup>13</sup> A number of providers offer basic 'first generation' products, although bKash dominates the market, and most customers are OTC users. Efforts are underway to transition high-volume payments to digital payments for government transfer payments and for salary payments for Ready-Made Garment (RMG) factory workers. Agent banking regulations were put in place in 2018, which should spur the expansion of agent banking.

<sup>10</sup> [http://finclusion.org/uploads/file/Bangladesh%20Wave%204%20Report\\_20\\_Sept%202017.pdf](http://finclusion.org/uploads/file/Bangladesh%20Wave%204%20Report_20_Sept%202017.pdf)

<sup>11</sup> Active basic users are registered users who only conduct airtime top-ups, person-to-person transfers (P2P) and cash management using their accounts.

<sup>12</sup> Ibid. p. 24.

<sup>13</sup> UNCDF. 2019. *Leaving no one behind in the Digital Era: Strategic Document 2019-2024*. p.45.

According to Bangladesh Bank, there were more than 16.5 million active MFS accounts and approximately 42 million registered MFS accounts as of January 2017. Active account use grew in 2016. Bangladesh Bank statistics measure the number of accounts, which does not reflect the number of unique users due to multiple account holders.

As of October 2015, there were 20 active licensed MFS providers.<sup>14</sup> bKash and DBBL (Rocket) were the two key players in the mobile money market As of 2016. In 2016, 39% of Bangladeshis accessed mobile money through bKash and 5% through DBBL. Most of that access was OTC using the agent account:

- bKash: 82% OTC, 16% with own account, and 12% with the account of family/friends.
- DBBL: 63% OTC, 35% with own account, and 15% with the account of family/friends.<sup>15</sup>

The overall agent network in Bangladesh has continued to expand from fewer than 400,000 agents in May 2014 to 723,000 in January 2017. Despite the growing use of MFS, measures to thwart money laundering and terrorism financing have led to recent restrictions on transaction limits and heightened know your customer (KYC) restrictions which hinder growth. MFS providers are required to verify the KYC documents of each customer. Sometimes agents comply with this task.<sup>16</sup>

A key informant highlighted the importance of opening up the DFS market for more competition in order to bring down the costs:

*“In Bangladesh, 28 banks received mobile banking license but only 3-4 are actually doing business... Why- because the others haven’t found any return on investment. To establish branches in every village, you need to invest money. After 10-15 years you get returns. But if you go using telecom model, the channels are already established and you just have to place the product there. That’s the beauty of this product.”*

Interoperability exists among some banks and MFIs, but there is no interoperability among MFIs, which is an important piece of the picture for long-term sustainability of DFS.

#### iv) The Legal and Regulatory Context

SHIFT in SAARC made the policy and regulatory challenges that have resulted in a “disabling environment for DFS” in Bangladesh a key focus of their policy and advocacy work. A number of government ministries and divisions play a role in regulating and making policy related to DFS. SHIFT in SAARC is working primarily with Bangladesh Bank and to a lesser extent the Bangladesh Finance Intelligence Unit.

#### Existing Regulatory Framework

At the outset of the SHIFT in SAARC programme, the existing regulatory framework had emerged in 2011 when the Bangladesh Bank issued a “cautious opening,” allowing banks and their subsidiaries to test DFS.<sup>17</sup> The opening allowed for early experimentation and the emergence of bKash” (a DFS provider with 51 percent ownership by BRAC bank). SHIFT in SAARC assessed that “as bKash grew<sup>18</sup> there was a need to review the existing regulatory framework

In Bangladesh, the terms **mobile financial services (MFS)** and **digital financial services (DFS)** are often used interchangeably. During the MTE, interviewees were sometimes asked to clarify their understandings of MFS versus DFS. Most seemed to accept that MFS was more limited in nature and that this is what currently exists in the market – i.e. predominately money transfers (P2P, G2P, B2P) and payments (bill pay, loan disbursements/repayments). Interviewees considered DFS to be a broader suite of second-generation financial products such as digital savings, credit, and insurance.

<sup>14</sup> [https://www.itu.int/en/ITU-T/Workshops-and-Seminars/ifds/Documents/2015-12-14%20Geneva,%20Switzerland/Abstracts-and-Presentations/S4P2\\_Mohammad\\_Ali\\_CHOWDHURY.pptx](https://www.itu.int/en/ITU-T/Workshops-and-Seminars/ifds/Documents/2015-12-14%20Geneva,%20Switzerland/Abstracts-and-Presentations/S4P2_Mohammad_Ali_CHOWDHURY.pptx).

<sup>15</sup> [http://finclusion.org/uploads/file/Bangladesh%20Wave%204%20Report\\_20\\_Sept%202017.pdf](http://finclusion.org/uploads/file/Bangladesh%20Wave%204%20Report_20_Sept%202017.pdf)

<sup>16</sup> Parvez, Jaheed, Arif Islam and Josh Woodard. 2015. *Mobile Financial Services in Bangladesh: A survey of current services, regulations and usage in select USAID projects*. Washington, DC: USAID, mSTAR and fhi360. P. 30.

<sup>17</sup> Key stakeholder interview with CGAP (2016)

<sup>18</sup> Claiming 80% market share in March 2018: <https://www.huawei.com/en/about-huawei/publications/winwin-magazine/30/on-the-money-in-bangladesh-with-bKash>



on two broad levels: a) allow non-banks to sponsor mobile financial services, and; b) create a supervisory structure to supervise bKash-like entities which currently have a license through its parent bank.”<sup>19</sup> This review was deemed necessary to “send positive signals to market actors and showcase intention to promote competition and fairness.”

When SHIFT in SAARC was designed, UNCDF identified major bottlenecks<sup>20</sup> in the draft Guidelines for Mobile Financial Services (MFS). The guidelines were viewed as providing insufficient incentives to other banks (apart from bKash) and MNOs to invest in DFS, and as not allowing for fair competition. SHIFT in SAARC proposed their policy and advocacy work to address these bottlenecks including:

- a continuation of a bank-led model with MNOs remaining in their role as carriers despite demand and significant investment commitment by MNOs;
- a complex ownership structure for mobile money operators that require both banks and MNOs to work on consortiums with limited shareholdings;
- a lack of consensus on the role of MNOs;
- an unfair access to Unstructured Supplementary Service Data (USSD), where banks are concerned with actual and potential conduct of MNOs abusing their market position by charging high fees for USSD channel access, or offering poor quality of service to other mobile money operators;
- a complex Know Your Customer (KYC) requirement, and;
- no interoperability, which was driving Over the Counter (OTC) use.

This regulatory situation was the justification for proposing to support a more open regulatory framework that would permit a non-bank led model of MFS and extend DFS to the unbanked<sup>21</sup>.

Once implementation began, SHIFT in SAARC found through research that there were several barriers hindering the supervisory framework for DFS. At Bangladesh Bank the lack of vision for both financial inclusion and DFS, combined with weak capability, a lack of coordination between departments, including a limited understanding of each other’s mandates, a conservative and reactive approach that does not enable innovations, and inappropriate reporting requirements for MFS, had all contributed to a weak enabling environment for DFS. Challenges with lack of capacity at other regulatory agencies compounded the problem.

#### Box 7.1: Regulatory Agencies

- **Bangladesh Bank (Bangladesh Bank):** The central bank and primary regulator, develops regulations and guidelines for banks and financial institutions, non-bank financial institutions, payment systems, and agent banking. Within Bangladesh Bank, two divisions are more involved in DFS. The Payment Systems Department (PSD) promotes, regulates and ensures secure and efficient payment systems while the Financial Inclusion Department (FID), established in 2015, formulates financial inclusion policy and coordinates all financial inclusion initiatives.
- **Bangladesh Finance Intelligence Unit (BFIU).** An independent, inter-governmental, policy making body, it establishes and monitors an effective system to prevent money laundering (AML), combat financing of terrorism (CFT) and counter the proliferation of weapons of mass destruction. Originally formed within the Bangladesh Bank, it was made independent in 2012. Bangladesh Finance Intelligence Unit leads policy making on KYC and eKYC regulations in Bangladesh. It was involved in drafting the MFS guidelines and advised the Bangladesh Bank PSD on DFS security.
- Other financial regulatory agencies which play a role in DFS regulation include the Insurance Development and Data Authority and potentially, the Securities and Exchange Commission.
- **Microcredit Regulatory Authority (MRA).** Monitors and supervises microfinance operations of NGO-MFIs, which numbered 697 as of June 2014. MRA also has a role in managing agents for MFIs. The MRA’s line ministry is the Financial Institutions Division (FID-MoF) in the MoF. Bangladesh Bank also sits under the FID-MoF.
- **Bangladesh Telecom Regulatory Commission (BTRC).** An independent regulatory commission responsible for regulating the telecommunications industry that sits within the Posts and Telecommunications Division of the Ministry of Posts, Telecommunications and Information Technology. BTRC regulates the MNOs who provide data and USSD services to providers. The also.
- **Bangladesh Post Office.** Falls within the same division as BTRC. Since 2010, the Post Office has operated an electronic money transfer service. In 2018, this service was transformed and outsourced to a third-party. The Nagad (i.e., “cash”) service, as it is now called, provides cash-in/cash-out, payment transfers and mobile recharge services, as well as an e-wallet.

<sup>19</sup> Ibid.

<sup>20</sup> This list was generated based on conversations UNCDF held with key informants in Bangladesh including regulators, banks, MNOs.

<sup>21</sup> <https://www.cgap.org/research/publication/basic-regulatory-enablers-digital-financial-services> and



From the private sector provider perspective Bangladesh Bank was not visible or accessible, resulting in providers becoming uninterested in pursuing DFS. Providers were frustrated by multiple, unclear, and sometimes contradictory guidelines on DFS. In addition, a lack of supervision protocols, which had resulted in subjective supervision, led to a strong perception of “partisan behavior of Bangladesh Bank.” The market was also stymied by the inability of Bank decision-making to keep pace with the latest trends in financial services.

The MFS regulations were updated in July 2018<sup>22</sup>, and rather than opening up the sector to a wider range of service providers and business models, the revised regulations continued to promote only the scheduled commercial bank-led MFS model. In this model, a bank may directly provide MFS as a product or form an MFS-providing subsidiary with at least 51% of the shares controlled by the bank.<sup>23</sup> Given the global trend towards mobile network operator (MNO) enabled MFS, it was highly anticipated that the new guidelines were going to open up the market to the MNO model. But this was not the case.

In addition to the MFS guidelines, agent banking is another important service that enables greater access to financial services. The Guidelines on Agent Banking, which were released in 2013,<sup>24</sup> permit banks “to provide limited scale banking and financial services to the underserved population through engaged agents under a valid agency agreement, rather than a teller/ cashier.”

## **b) SHIFT in SAARC in Bangladesh**

### **i) Rationale for SHIFT in SAARC**

Noting the relatively low rate of financial inclusion and a growing rate of mobile phone ownership in Bangladesh in 2015, the SHIFT in SAARC design team concluded that there was “enormous potential to further accelerate Digital Financial Services (DFS)” in the country and thereby expand financial inclusion and use of financial services by women and entrepreneurs. At the same time, the Government of Bangladesh was promoting DFS within the framework of their Seventh Five-year Plan (SFYP). The design of the SHIFT in SAARC programme made several assumptions about the context:

- A high priority is given to digitisation of financial services to meet the urgent needs of low-income people;
- A paucity of DFS products and services is available to meet the needs of low-income people; and
- There is substantial experience and eagerness among domestic financial institutions to expand DFS in Bangladesh.

Conditions at the time of programme design, which were believed to support successful achievement of SHIFT in SAARC goals in Bangladesh, included these:

- Demand for DFS among low-income people, especially women was strong;
- The Government of Bangladesh had emphasised improvement of digital connectivity and digital pathways for development and had prioritised financial inclusion of low-income people and women through digital pathways;
- Interest among banks to improve DFS existed, but needed to be accelerated;
- Financial inclusion through digital pathways can bring significant economic and social benefits to Bangladesh and lessons and experiences from Bangladesh can have positive global implications; and
- Crucial policy and regulatory progress regarding MFS was underway in Bangladesh;

<sup>22</sup> <https://www.bb.org.bd/mediaroom/circulars/psd/jul302018psdl04e.pdf> and [https://www.bb.org.bd/aboutus/draftguinotification/guideline/mfs\\_final\\_v9.pdf](https://www.bb.org.bd/aboutus/draftguinotification/guideline/mfs_final_v9.pdf)

<sup>23</sup> The MFS provider will act as a payment service provider (PSP) and is permitted to deliver this range of payment services. Only through interoperability however, can a full range of financial services be made available. That is, MFS providers link the MFS accounts of customers with their bank accounts, providing access to customers credit, deposit and other financial services through the MFS accounts.

<sup>24</sup> <https://www.bb.org.bd/openpdf.php>

Taking a system-wide perspective, the SHIFT in SAARC programme in Bangladesh planned to intervene to improve the regulatory environment for DFS and improve the larger policy space for financial inclusion.

## ii) Programme Description of SHIFT in SAARC in Bangladesh

In Bangladesh, SHIFT works through two projects funded by the Bill and Melinda Gates Foundation (BMGF) and the European Union (EU). The Programme has also received a small amount of core funding from UNCDF.

The BMGF-funded project focuses on promoting an enabling environment for DFS within the financial services market system, while the EU-funded project focuses on improving the real economy market system for micro-merchants (shopkeepers) in the Fast-Moving Consumer Goods industry in order to improve their incomes. Both projects work to improve linkages between the two market systems

The programme implements activities across all four pillars, though each donor supports only specific outputs within this framework. The BMGF contributions support the data and analysis and the policy and advocacy pillars through work on digital financial services (DFS) policies and regulations and on communications. The EU funds support the capacity development and innovation incentives pillars with an aim to achieve greater growth and competitiveness of retail merchants in rural Bangladesh. This project component is called Merchants Development Driving Rural Markets in Bangladesh (MDDRM), and focuses on developing the micro-merchant sector and enabling women entrepreneurs.<sup>25</sup>

The programme intends to benefit low-income individuals, micro-merchants, and especially women, as well as financial sector policymakers and regulators. The programme design sought to “broaden the reach of DFS, for the poor generally and specifically those in rural areas, and expand the range of available, suitable DFS for the poor to reduce the amount of money poor people spend on financial transactions, increase capacity of poor people to weather financial shocks and avail income-generating opportunities.”<sup>26</sup>

The goals and outcomes for SHIFT in SAARC in Bangladesh are shown below.

**Table 7.4: Goals and Outcomes for SHIFT in SAARC in Bangladesh<sup>27</sup>**

SHIFT Bangladesh Goal	Improved livelihoods and reduced poverty among low-income people and women reached by SHIFT in SAARC by 2019.
SHIFT Bangladesh Overall Outcome	At least 200,000 low-income people, women, and small and growing businesses can access and use DFS to secure opportunities for employment, enterprises development, and enhanced sustainable consumption in real economy markets in Bangladesh by 2019.
BMGF Outcome	DFS access increases from 19% to 35% by 2019.
EU Outcome	Greater growth and competitiveness of retail merchants in the distributive trade sub-sector in rural Bangladesh through tighter vertical integration with fast-moving consumer goods (FMCG) value chains and stronger horizontal integration with financial services value chains, especially through digital payment and m-commerce platforms.

## Governance of SHIFT in SAARC

### Government Partners

<sup>25</sup> Note that the names of the pillars were slightly altered for the SHIFT Programme in Bangladesh. We will continue to use the names of the pillars from the original SHIFT in SAARC Programme Framework.

<sup>26</sup> UNCDF, 2016h. Annex 8 SHIFT SAARC in Bangladesh. p. 5.

<sup>27</sup> RRF from Frame Doc.docx

In Bangladesh, SHIFT in SAARC is implemented through a Direct Implementation Modality (DIM). The relevant ministry is the Financial Institution Division of the Ministry of Finance (MoF). The government Implementing partner is the Bangladesh (Central) Bank and the Cooperating Partner is BTRC.<sup>28</sup>

SHIFT in SAARC is governed by a board of representatives from UNCDF FIPA, UNCDF Asia regional office, and programme funders. It meets two times each year. The

**Project Steering Committee (PSC)** which comprises representatives of the Ministry of Finance (MoF), the Bangladesh Bank, and the Bangladesh Telecommunication Regulatory Commission (BTRC) provides policy guidelines to the project, monitors implementation progress, and provides guidance on achieving synergies with other development initiatives in Bangladesh.

### Management and Staffing of SHIFT in SAARC

The current staffing of the Programme includes technical and project support teams in both Dhaka and Bangkok. The structure of these teams is shown in the Organogram below. See figure 1.

### Implementing Partners

SHIFT in SAARC in Bangladesh has three formal partners (referred to as Co-applicants) with which it has formed a consortium to implement the EU-funded Merchants Development Driving Rural Markets (MDDRM) project: Dnet, Bangladesh Dokan Malik Samity (BDMS), and the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI). The three co-applicants were selected because they fit the narrow criteria required under the EU proposal.

These three partners are both co-implementers of the EU – funded project as well as beneficiaries of EU support given their important role in the market system. The Co-applicants are described in more detail in the main report.

### Other

SHIFT in SAARC had also planned to partner with two other national institutions, which are considered influential by Bangladesh Bank and DFS providers alike. While not able to bring these institutions on board as sub-grantees (due to lack of Board approval), UNCDF was able to jointly conduct limited activities with them:

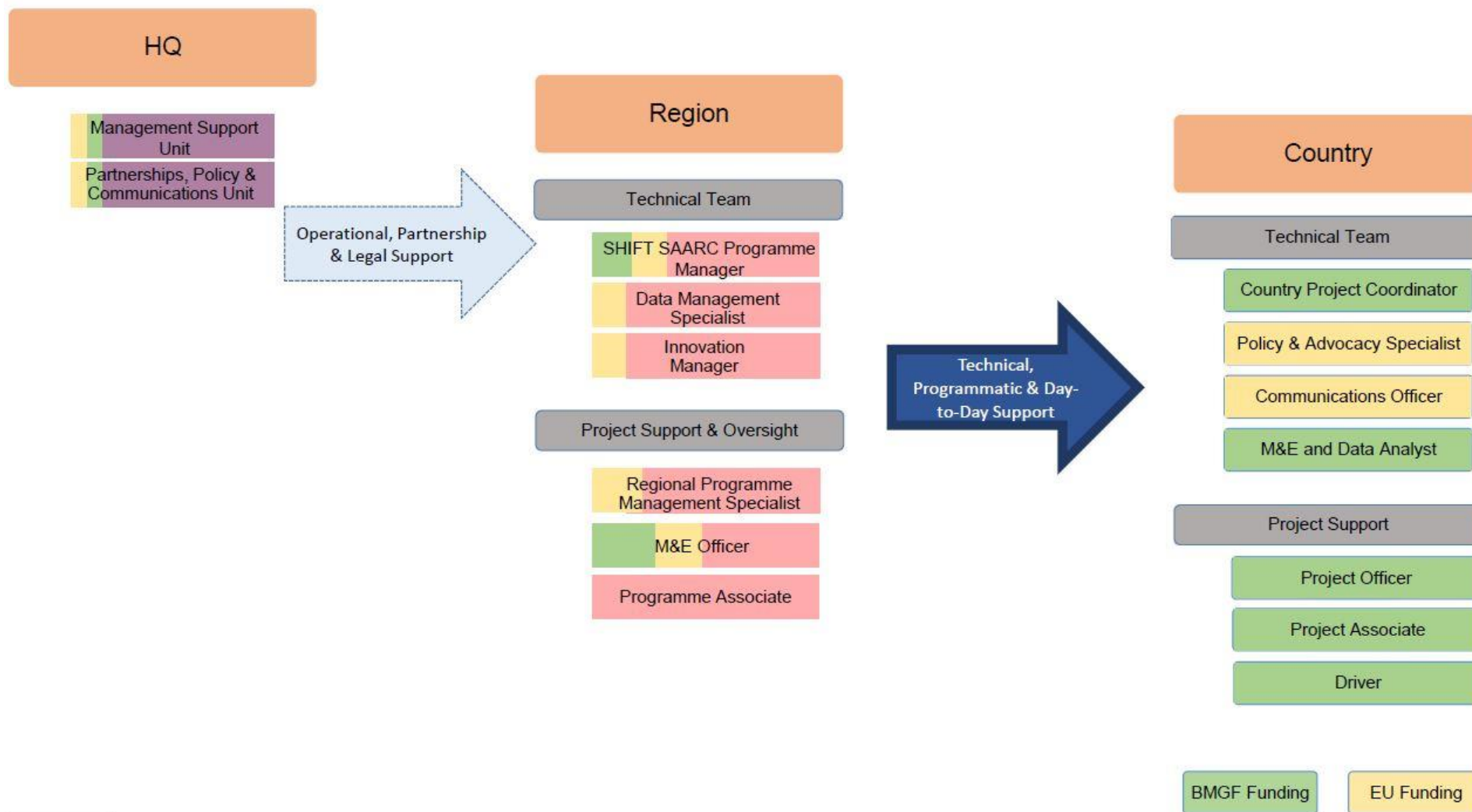
- **Bangladesh Institute of Bank Management (BIBM)** is a national training, research, consultancy and education institution focused on the banking and finance sectors and collectively owned by all the banks in Bangladesh. They have worked with SHIFT in SAARC to co-host a conference. Originally, SHIFT in SAARC planned that BIBM would develop and then deliver the DFS training module for central bankers.
- **The Institute for Inclusive Finance and Development (InM)** is a non-profit organization established to meet the research and training needs of the microfinance sector. Previously they were called the Institute for Microfinance. SHIFT in SAARC commissioned InM to develop a study on Interoperability.

In addition to these, SHIFT in SAARC's work also intersects with that of iSocial although there is no formal partnership:

- **Infolady Social Enterprise Limited (iSocial)** is a social enterprise that was part of Dnet at the time of programme design but was spun-off in 2017 to become an independent legal entity. iSocial implements the Infolady program with Kallyani women. Within the UNCDF programme, Dnet recruits and trains women for the Infolady programme and after training, the women start to operate under iSocial. iSocial does not receive any direct funding or support from SHIFT in SAARC but they are critical to the ultimate success of the Kallyani programming and they benefit indirectly from UNCDF's support.

<sup>28</sup> BIBM was originally listed as a Cooperating Partner as well.

# Organogram for SHIFT in SAARC



Source: SHIFT in SAARC programme file: SHIFT SAARC Bangladesh Organogram 2018.pdf

## 1.1 Overall Implementation Status of SHIFT in SAARC

As noted in section 2.1, the programme implements activities that fall into four pillars; data and analysis, capacity development, policy and advocacy, and innovation incentives.

### 1.1.1 Data and Analysis

Under this pillar, SHIFT in SAARC conducts research and analysis on consumer behaviour, DFS and financial inclusion and publishes and disseminates findings and lessons learned. Through these activities, SHIFT in SAARC aims to improve understanding of DFS and fill gaps in the availability of DFS data, in order to support evidence-based policy making and to influence stakeholders working in the DFS policy area and the real market economy. This pillar addresses information gaps within both the financial services market system and the real economy system in order to create stronger links and improve coordination between policymakers and private sector actors. The data and analysis work stream supports the (GoB) strategy for improving DFS knowledge and information by providing greater access to new evidence. It also supports FSPs by providing access to research that can inform products and business model innovations. In the real economy, the provision of access to data and analysis was to support more informed decision making. This pillar also aims to bring Bangladesh's DFS knowledge and experiences to the global stage.

SHIFT in SAARC facilitated research that it use used as the basis of programme activities design. Two research products were pivotal: Micro-merchant Landscape Assessment (MMLA) and the DFS Regulatory Framework Self-Assessment (DFS Assessment). The Micro Merchant Landscape Assessment study was the foundational research upon which all other MDDRM project activities were based. The Regulatory Framework informed the policy and advocacy activities as well as the capacity building activities for policymakers and regulators.

*Gender.* UNCDF facilitated behavioural research about women's customer journey as well as women's financial inclusion. The purpose of this work was to build awareness of the constraints and opportunities for gender equality; to strengthen the case of serving women clients to businesses and FSPs; and to improve the use case to women about products developed by businesses and FSPs. This research includes the POWER study for Bangladesh (which SHIFT in SAARC co-funded) and the Gender Centrality study (which was still in draft at the time of the mid-term evaluation).

SHIFT in SAARC disseminated the research findings in a variety of formats such as reports, briefs and blogs as well as launch events attended by stakeholders from government and the financial services and real economy markets. The achievements under this pillar are shown in Boxes 7.3 and 7.4.

#### BOX 7.2: TIMELINE OF SHIFT in SAARC

**January-July 2016:** Multiple market consultations by members from the regional team based in Bangkok

**June 2016:** Programme Framework Document finalised by UNCDF

**July 1 2016:** BMGF-funded project commenced

**November 2016:** SHIFT programme is approved and project framework signed by the Government of Bangladesh

**December 2016:** Finalisation of funding proposal with EU, and establishment of the board and Project Steering Committee (PSC).

**January - April 2017:** Onboarding and orientation of initial programme team in Bangladesh

**February 2017:** EU-funded project began

**October 2017:** First board meeting

**November 2017:** First PSC meeting

**March 2018:** BMGF grant amended

**March 2019:** BMGF grant funding to end

**January 2020:** EU funding to end

### BOX 7.3: DATA AND ANALYSIS PRODUCTS

**DFS Regulatory Framework Assessment, 2017.** This self-assessment of regulatory needs made six key recommendations: Roll out tiered KYC and eKYC; Form a DFS standing committee for better coordination; Promote financial innovations by introducing regulatory sandbox; Synergise MFS and agent banking guidelines; Further invest in technical and business infrastructure within Bangladesh Bank; and Enhance the supervisory framework for DFS.

- DFS Regulatory Framework Assessment (limited distribution)
- Advancing Access to Digital Financial Services in Bangladesh: Regulatory Agenda. Policy Brief;
- DFS Regulatory Framework Assessment Report Launching Ceremony, Discussion Brief;
- DFS Regulatory Framework Assessment Report Launch event, December 2017;
- SHIFT SAARC in Bangladesh Strategy and Data Gap Assessment; and
- Blogs: Filling the Data Gaps; Six Policy Recommendations to Unlock the Potential of DFS in Bangladesh.

**Landscape Assessment of Retail Micro-merchants in Bangladesh (Micro-merchant Landscape Assessment or MMLA), September, 2018,** This report is the first national survey focused on the retail micro-merchant segment in Bangladesh. It provided data to inform the other activities within the MDDRM project. The MMLA report was very well received and appreciated by stakeholders in Bangladesh. The data provided was used in the following information products or related events:

- Validation workshop: FBCCI Institutional Dialogue on “FMCG Micro Merchants Landscape Assessment,” (i.e., Validation of Draft MMLA.) May 2018.
- Understanding Micro-merchants in Bangladesh: Research Report. By Dnet. June 2018.
- Research Brief: Landscape Assessment of Retail Micro-merchants in Bangladesh on MMLA
- MMLA Infographic Leaflet
- MMLA InfoSheet
- 3 blogs
- Micro-merchant Research into Action Series: Landscape Assessment of Retail MMs in Bangladesh, October 2018.
- Landscape Assessment of Retail Micro-Merchants in Bangladesh: A closer look at Jamalpur, Sherpur, Sirajganj and Tangail Districts, December 2018.

‘Microenterprise Asia’ web data portal. Launched in 2018. The purpose is to share the data and findings of the Micro-merchant research and make the data available for public use across Asia. Stakeholders report that the portal data has been used by NGO to cross check their programme data to inform programme improvements.

**Financial Diary Research in Hrishipara, Gazipur (ongoing since mid 2017)** To obtain and promote an in-depth understanding how low-income households manage finances, challenges they face accessing financial services and adoption of DFS.

- 15 blogs and 1 PowerPoint presentation

**Digital Transformation of MFIs in Bangladesh: Opportunities, Challenges and Way Forward.** December 2018.

- Policy brief on MFI Digitisation. Examined the current status of digitization in Bangladesh, the challenges MFIs face in digitization and identified possible future transformation options for MFIs as well as the key regulatory and gaps and policy recommendations that could drive digital transformation of MFIs.

### BOX 7.4: GENDER-RELATED PUBLICATIONS:

**PoWER Women and Girls Financial Inclusion: Country Assessment - Bangladesh.** June 2017.

- Financial Services Access and Agency for Women and Girls: Bangladesh Country Assessment Workshop, November 13, 2017.
- Blog: Addressing the gender gaps: challenges and recommendations to advance women’s financial inclusion in Bangladesh. Nd

**Gender Centrality of MFS in Bangladesh - Consumer Behavior Research.** November 2018, draft.

- Policy brief on Gender Centrality of MFS in Bangladesh. Examined the differences between women and men’s MFS customer journey; how MFS product designs could underpin gender inclusion, and the enablers of women’s advanced use of MFS to provide recommendations to MFS providers to include gender centrality in designing products.

### 1.1.2 Capacity Development

The capacity building activities implemented by SHIFT in SAARC comprise training, mentoring and knowledge exchange visits for the purposes of improving knowledge and skills of key stakeholders to create enabling regulations for DFS; raising the capabilities of service providers to extend DFS to key market segments, such as the micro-merchants; and enabling specific consumer segments to use DFS, including women and small business owners. Technical assistance and capacity building trainings have been delivered to a range of stakeholders: micro-merchants and the implementing partners who deliver services to them; regulators and policymakers; micro-merchants; and implementing partners.

Capacity building for regulators falls into two categories: training for mid-to-lower-level regulators and experiential learning (i.e. events and exposure visits) for senior-level regulators. The programme has focused on facilitating learning opportunities and strengthening policymakers capacities to carry out their core functions in order to improve the regulatory environment and accelerate the DFS market. The DFS regulatory self-assessment conducted under Pillar 1 supported the development of the capacity building program for regulators and policymakers. For example, since 2017, SHIFT in SAARC has facilitated Global Knowledge Exchange Forums in the form of exposure visits and in-country roundtables (see Policy and Advocacy) for regulators and policymakers. The programme has facilitated the development and TOT of a DFS module for entry-level Bangladesh Bank staff.

The SHIFT in SAARC program has also been very active in facilitating trainings for micro-merchants and women **entrepreneurs in order to build their business capacities and their knowledge of DFS. The intention is to drive greater consumer use of DFS by increasing the capabilities of merchants and entrepreneurs to serve as DFS agents and to accept digital payments. Furthermore, SHIFT in SAARC provided training and capacity building to BDS providers and business associations** working in the Fast Moving Consumer Goods market in which the micro-merchants are active. The purpose of these trainings was to increase knowledge of DFS and to enable the trainees to mentor and support other micro-merchants.

Capacity building activities, during the period 2016 through 2018 are shown in Box 7.5.

#### MDDRM Project

##### Micro-merchant training

Micro-merchants are shopkeepers who run small neighbourhood stores which are found throughout Bangladesh. They specialize in selling groceries, and household and fast moving consumer goods. Micro merchants received a one-day training on the following topics: a) overview of micro-merchants in Bangladesh; b) shop decoration; c) customer attraction; d) capital protection; e) saving practice for risk preparedness; f) importance of DFS; and g) application of digital tools for business record. Some merchants also received a separate training on the mobile application. To ensure the quality of a formal training to micro-merchants, Dnet's team (master trainer) directly organised and conducted the training sessions.

Micro-merchants were also provided with an app which addresses two critical challenges hurting shopkeepers' businesses: poor skills in bookkeeping and the high prevalence of sales based on credit. FGD participants reported that 50 percent to 85 percent of sales are on credit, which hurts their business and results in the micro merchant buying from their suppliers on credit. The bookkeeping feature on the app allows merchants to input sales data by voice or by typing. The app tracks credit sales and provides a warning when the shopkeeper has reached the daily limit for credit sales. The app also allows the merchant to text customers with reminders to pay which increases privacy and saves the merchant time and money in collecting debts. In addition, the app provides calling and texting options, snapshots of the financial status of the business, business training modules, a social media feature to network with other shopkeepers and ability to check product prices.

##### Kallyani training

The Kallyani training programme prepares rural women to start up small businesses selling products and services as part of a micro-franchise model operated by iSocial, a social enterprise. The women sell a basket of products and services door-to-door to women in their areas. The programme is designed to allow women to work on their own schedules and provide a valuable service for women in their communities, who are not able to buy these products or services elsewhere. The programme has taken into consideration the needs and requirements for women to earn an income as well as the needs of women as consumers. The programme is also providing Kallyani women a tablet



with a mobile app and is registering them as bKash agents so they can provide cash in/cash out services in their communities, this is expected to encourage the uptake of DFS.

The Kallyani programme in general provides recruits with a series of training (a basic course and, service specific advanced courses) for their business development. Under the SHIFT in SAARC MDDRM project, Kallyani women received only the basic training course which covered the following topics: entrepreneurship, business planning, management of sales and clients, DFS/MFS transaction, and preparation for business (including going over the service basket: FMCG, reproductive healthcare, etc.). After the basic training, the women are connected to iSocial, a separate entity, for business linkage and operations support. The women are franchisees of iSocial which supplies them the goods and services that they sell. iSocial then provides further skills development opportunities, that is advanced courses, depending on the individuals interest to expand her their business. The Kallyani women trainees also attended a separate training on the mobile application.

### **Business association training**

Business associations for micro-merchants provide credit to members from pooled savings, provide security in the bazaar, manage conflicts with clients, provide counselling services and coach members whose sales on credit become too large. Business association members received a one-day training on topics including: a) an overview of micro-merchants in Bangladesh; b) challenges micro-merchants face in business development; c) the role of the association to support micro-merchants; d) the application of digital services and tools to support micro-merchant business; and e) the way forward. Dnet provided the training to the business association members as they play a role in protecting and supporting micro-merchants in their business operations. The programme sought to prepare business association members to promote, mentor and inspire micro-merchants and to support them to adopt relevant knowledge, tools, and skills.

### **Business development service providers training**

Dnet has trained representatives of FMCG companies, representatives of MFIs, and representatives of micro-merchants networks. The training covered how the providers could accommodate or enhance their role to help MMs grow, and how DFS can enhance the growth of micro-merchants and can facilitate their business. The evaluation team received less information on BDS provider training.

**Trainings for programme beneficiaries** under the MDDRM project began in July 2018. At the time of the evaluation 1,166 micro-merchants, 278 women micro-entrepreneurs (Kallyani), 17 BDS Providers, and 119 Business Association Members had been trained by either Dnet or BDMS. The number of discrete training sessions held was not available.

### **Capacity Building of Co-Applicants**

SHIFT in SAARC has also provided a significant amount of capacity building through training and coaching, to their Co-Applicant partners, Dnet, BDMS and FBCCI. Although SHIFT in SAARC conducted a capacity assessment of these partners using the UNCDF Assessment Checklist, the capacity of the partners to manage grants and implement the activities was weaker than anticipated. For example, Dnet reports receiving both formal and informal capacity building from UNCDF on many occasions. Formally, they received a master training on DFS. Informally, UNCDF has built Dnet capacity in monitoring and evaluation and project and materials design. Dnet has also participated in many of the SHIFT in SAARC events such as conferences and meetings with DFS stakeholders. Capacity building was necessary because Dnet had limited knowledge about the sector before working with SHIFT in SAARC. The experience of the other two partners was similar.



## **BOX 7.6: POLICY AND ADVOCACY ACTIVITIES**

### **High-Level Roundtable Dialogues**

- Role of DFS in Promoting Inclusive Growth: Challenges and Opportunities, May, 2017.
- Interoperability of Digital Finance in Bangladesh: Challenges and Taking-Off Options, October 2017.
  - o Interoperability of Digital Finance in Bangladesh: Challenges and Taking-Off Options. Background Paper. InM. October 2017.
  - o Interoperability of Digital Finance. Discussion Brief. InM. (Proceedings of the roundtable discussion, October 2017).
- e-KYC, December 2018.
- Regional Consultation on National Financial Inclusion Strategy (NFIS)- Bangladesh: Insights from Sylhet Regional Stakeholders, Sylhet, June 2018.

### **Facilitation of the Digital Finance Consultative Group (DFCG)**

- A forum for exchange of ideas between stakeholders in the DFS ecosystem.

### **Workshops/Consultations/Dialogues with DFCG:**

- 1st Meeting: MMCG workshop, May 2017.
- 2nd Meeting: Mainstreaming DFS in Microfinance: Opportunities and Challenges, February 2018.
  - o Mainstreaming DFS in Microfinance: Opportunities and Challenges (Thematic Background Paper by BRAC, no date).
- 10th Meeting: Emerging Frontiers in DFS: Digital Identity and eKYC, September 2017.
- DFCG Consultation on National Financial Inclusion Strategy (NFIS) for Bangladesh: A Roadmap towards Digital Financial Inclusion. Dhaka, April 2018.
  - o Highlights of the DFCG Dialogue document.
- Insurance and Technology on Bangladesh: Prospects and Challenges. December 2018.

### **Other Consultative Dialogues**

- Consultative Discussion on Financial Literacy, July 2018. (a2i and UNCDF.)

- Trainings for 1,166 micro-merchants in project districts in collaboration with Dnet and BDMS, November-December 2018.
- Trainings for 278 women micro-entrepreneurs (Kallyani) to start their own micro-businesses, with Dnet, November-December 2018.
- Trainings for 17 BDS Providers in project districts, with Dnet, December 2018.
- Trainings for 119 Business Association Members, with Dnet, November-December 2018.

### **Other:**

- Digital Financial Services Advocacy Capacity Building Workshop for Print and Electronic Media, 23 October 2018.
- Capacity Development tools: Booklet 'Amar Dokan' and also 'Amar Dokan Mobile App' for the micro-merchants are missing.

### **1.1.3 Policy and Advocacy**

Recognizing that financial inclusion in Bangladesh requires a regulatory framework that encourages greater investment and innovation by the banking sector, SHIFT in SAARC set out to coordinate public and private interest groups and support regulatory and policy changes to create that enabling environment. The goal of this pillar is to create a conducive, regulatory environment to enable private sector providers to engage in and innovate within DFS. SHIFT in SAARC developed policy briefs based on the initial DFS regulatory assessment. It took over the existing Mobile Money Consultative Group (MMCG), from the mSTAR programme and expanded it as the Digital Finance Consultative Group (DFCG). The programme also has hosted topical or thematic conferences, high-level roundtables with regulators and private sector stakeholders, presentations of SHIFT in SAARC research, and DFCG dialogues.

SHIFT in SAARC initiated a dialogue with Bangladesh Bank on policy, regulations and national strategy. This work was supported by the data and analysis pillar that provided the research to support SHIFT in SAARC's policy positions. The purpose was to inform and guide the policy development process at Bangladesh Bank. Recognizing that existing

regulations did not allow for fair competition, SHIFT in SAARC identified the needs to 1) allow non-banks to sponsor mobile financial services and 2) to create a supervisory structure to supervise bKash-like entities that currently have a license through its parent bank. They identified specific regulatory constraints including: unfair access to USSD, complex KYC requirements, and an absence of interoperability, which was driving OTC use.

SHIFT in SAARC focused on the six priority policy issues identified through the DFS Assessment (see the main report for details).

SHIFT in SAARC also aimed to provide policy support on the draft National Financial Inclusion Strategy in partnership with a2i.

Through the DFCG and the activities hosted by SHIFT in SAARC, the program supported policy advocacy to address challenges on the supply side. By bringing the government regulators and policymakers into the DFCG, UNCDF created a forum for the private sector and the government to exchange information and perspectives. The forum provided a platform for the private sector to advocate for enabling policies directly with the government

The activities achieved to date are shown in Box 7.6.

#### **1.1.4 Innovation Incentives**

This pillar includes both the creation of innovative business partnerships and solutions to expand DFS, through innovation grants and also communications and awareness-raising to provide education and advocacy related to consumer and merchant use of DFS. Under this pillar, SHIFT in SAARC has conducted annual communication campaigns, an annual international conference; and community-based social marketing campaigns. It is also piloting six new innovative business models to promote use of DFS by micro-merchants and women.

#### **Innovation Grants**

To date, the SHIFT in SAARC programme has issued six RFPs to solicit innovative business models. The first one, for digitising financial transactions in the micro-merchant supply chain, was awarded in late 2018. Originally envisaged as a Challenge Fund, the activity was changed to Innovation Grants due to restrictions in the EU grant agreement. The topics and status of the six RFPs are shown in the table 7.6 below.

*Table 7.5: Description and Status of Innovation Grants*

<b>1. Implementing business model that digitises financial transaction in merchant supply chain</b>	
Bank Asia Limited in consortium with Grameenphone Ltd and MicroSave will implement a business model that digitizes financial transactions in the micro-merchant supply chain, entailing: a Digital Payment Gateway, with an associated account/digital wallet, that enables digital transaction between consumers and micro-merchants and between micro-merchants and distributors/wholesalers/regional FMCG Companies. The business model will provide access to formal credit opportunities for MM through alternative credit scoring techniques.  Goal to on board 500 micro-merchants to the payment gateway and open bank accounts.	Awarded with start date of October 15, 2018 to Bank Asia, Grameen Phone and MicroSave. Inception Report received.
<b>2. Implementing business model that induct merchants as MFS agents and integrates digital transactions, cash management solutions and a credit facility</b>	
Progoti Systems Ltd. (SureCash) will implement a business model that will induct merchants as MFS account holders and agents, and integrate a cash management solution, financial literacy, digital transaction, and credit facility. This entails: on boarding of merchants as MFS users and MFS agents of mobile-based digital transaction platform, with an associated bank account and/or digital wallet which enables cash-in (all MFS account holders) and cash-out (in case of agents), and allows for digital transactions between consumer and micro merchant and between micro merchant and distributor/wholesaler/regional FMCG Companies.  Goal is to roll out the product to at least 2,500 micro-merchants of which 2000 are MFS users (personal/merchant accounts) and 500 MFS agents (among retail merchants); financial literacy for all 2,500 merchants; and 250 micro-merchants have a credit worthiness assessment of which, 100 receive credit.	RFP issued on September 16, 2018.

<b>3. Implementing aggregator platforms for micro merchant value chains enabling digital transactions</b>		
Financial service providers such as banks, FMCG companies, money transfer operators, mobile network operators and Fintech companies to implement a business model that includes <b>aggregator digital transaction platforms that will enable micro-merchants to offer multiple financial transaction services to their customers and suppliers</b> . The aggregator digital platform shall support a bundle of services such as in-store merchant payments, B2B digital payment, assisted e-commerce, paying government fees/bills, etc.		RFP issued on December 12, 2018; closed Jan 3, 2019.
Goal is to on board 1,500 micro-merchants to the product.		CloudWell Limited (PayWell) has been selected but not contracted yet.
<b>4. Implementing business model that inducts micro-merchants as e-commerce agents and transaction points through aggregator e-commerce platform</b>		
E-commerce companies/platforms, financial service providers such as banks, Fintech, FMCG companies or other entities to implement a business model that <b>inducts merchants as e-commerce agents and transaction points for products and services for rural consumers</b> . It is to build a user case for e-commerce being a medium for purchase and sales of products in rural areas by rural consumers. It entails building an e-commerce aggregator platform for assisted e-commerce where rural micro-merchants assist rural consumers to transact on e-commerce platforms, enable micro-merchants to buy goods and services for their shops, enable consumers to buy products and services from e-commerce platforms, enable making payments through various mechanisms and overall integrate e-commerce transactions at the micro-merchant level to enable analysis of their transactions to meet credit requirements of financial institutions.		RFP issued on December 12, 2018; closed Jan 3, 2019.
Goal is to on board 1,500 micro-merchants as e-commerce agents.		
<b>5. Hiring a firm for implementing a mobile loan and digital payments technology anchored business model that enables micro-retailers without collateral and prior credit history to digitally order merchandise from the distributors, and pay for them using a collateral free digital credit line</b>		
Financial service providers such as banks, Fintech, FMCG companies, or other entities to implement a <b>mobile loan and digital payments technology anchored business model that enables micro-merchants without collateral and prior credit history to digitally order merchandise from the distributors, and pay for them using a collateral-free, digital credit line</b> underwritten by the financial service providers utilizing the platform. This will be done by introducing digital stock ordering and payment from a distributor coupled with on-demand credit from FSPs. To build a user-case for the digitalization of the lower-end FMCG supply chain: retail micro-merchants.		RFP issued on December 12, 2018; closed Jan 3, 2019.
Goal is to roll out the product to at least 1,000 micro-merchants with 25% being able to access credit and 60% can make online stock orders.		
<b>6. Implementing a business model that combines the use of a digital platform with training, skilling and business development support to build women business networks of DFS</b>		
BOP targeting business entities focusing on women micro-merchants, financial service providers such as banks, Fintech, FMCG companies, or other entities to implement a <b>Tech+ model that combines the use of digital technologies with training, skilling, and business development support to build women's business networks thus enabling women to become micro-merchants providing products and services for women, children, and adolescents</b> in their local communities. This is expected to be done by creating a digital ecosystem platform of <b>MFS providers, wholesalers, manufacturers, service providers, distributors, and women micro-merchants coupled with capacity building, business development and access to finance</b> . This is to build a user case for Tech+ (digital marketplace/platform technology supplemented with training, skilling, market linkages and business development services).		RFP issued on January 13, 2019; closed January 30, 2019.
Goal: at least 200 women micro-merchants are on boarded and at least 50% of women place order and pay the distributors using digital payment system.		Infolady Social Enterprise Limited (iSocial) has been selected but not yet contracted.

Communications activities to date include an annual international conference and community-based educational campaigns carried out by Dnet. The Programme produced and disseminated a wide range of campaign materials (e.g. wall clock, hand fan, sales slips, calendars, stickers, banners, sales pitch, day-to-day sales register.) They have also used UNCDF's social media platforms (Facebook, Twitter, and LinkedIn), UNCDF's weekly newsletter (UNCDF in Action) and global website to share key updates of the Programme with a global audience. Additionally, the key highlights and web versions of published reports, are shared through email to the wider stakeholders in Bangladesh to keep them informed. Originally, BMGF funds were planned to cover several communication activities including convening public interest groups, however, these activities were cut from the results framework after the BMGF funding was reduced. To date, SHIFT in SAARC has pursued the convening function through the DFCG and has sent out 12 DFS news-related briefs to a stakeholder listserv. Communications products to date are shown in Box 7.7.

**Box 7.7: Communications Activities Achieved under Innovation Incentives Pillar**

Macro Banking Environment and Operational Banking issues (day 1), and on **Accelerating Digital Financial Services to Achieve Financial Inclusion by 2021** (day 2) at the Bangladesh Institute for Bank Management (BIB)M headquarters, November 26-27, 2017. UNCDF co-sponsored day 2 of BIBM's annual conference.

- Annual Banking Conference Highlights (Brief)
- Annual Banking Conference Proceedings

The conference was attended by 326 people.

**Bangladesh Digital Financial Inclusion Conference 2018**, 20th November 2018

**Annual communication campaign to inform micro-merchants, local business chambers and women's associations about various aspect of DFS.** Dec 2018.

- The Community Fairs and Awareness campaigns organised by Dnet have reached 53,600 participants through 3 events conducted August - September 2018.

DNet organises community fairs at the district level and community campaigns to promote or disseminate information on DFS and consumer protection rights.

The table below describes the output indicators and targets as per the project document and the progress as of Q4 2018:

*Table 7.6 Current Programme Implementation Status*

Output Indicators	Output Targets by 12/31/2018	Achievement
# of knowledge products and research produced by the programme	2	11
# of on line platforms used to upload knowledge products and research (one must be UNCDF webpage)	5	5
# of downloads from UNCDF website	250	293
# of stakeholders with whom the reports have been shared	250	891
% of knowledge products incorporating gender issues	NA	25%
# of trainings and knowledge exchange visits organized	5	10
# of stakeholders who have received capacity building from the programme through training, knowledge exchange visits	48	143
% of trainees who have received training on the ways to include gender sensitive approaches to inclusive finance	25%	NA
% of trainees assessing capacity building as useful on pre-agreed scale	50%	78.5%
% increase of influential stakeholders participating in the consultative process	5%	0
# of policy and regulatory meetings organized	8	9
# and type of incentives provided to FSPs and businesses (in SHIFT RRF incentives are considered as: conferences, workshops, campaigns, TA, financial support)	2	1
% of incentives targeted to women	50%	0

Source: SHIFT in SAARC in SAARC Programme Monitoring Documentation

## 1.2 EVALUATION OBSERVATION AND LEARNINGS

### 1.2.1 MRM System

The programme MRM system is structured to capture and report data at all levels of the SHIFT in SAARC TOC (as represented in the diagram on the M&E Dashboard). These levels include: impact, financial and real market outcomes, regulators and providers outcomes (the latter two are also referred to as programme outcomes), outputs and inputs. The MRM system has both quantitative and qualitative indicators and indicators for each funder as well as for UNCDF. (That is, it contains the indicators that must be reported to the funders.)

The Theory of Change diagram<sup>29</sup> and the MRM structure are not sufficiently aligned with the conceptual theory of change for market development of an inclusive financial system, as proposed by CGAP.<sup>30</sup> For example, the Programme TOC (and consequently the MRM) does not adequately distinguish systemic change, changes in the inclusive financial system (and inclusive market system), or impact (referred to as development outcomes in the CGAP model). Additionally, the evaluation team found that the indicators in the Programme's TOC diagram are at times poorly aligned with the desired change they are supposed to measure. For example, at the impact level a systemic change description is provided but then the target measure for it is actually an intermediate outcome.

Applying the CGAP framework lens to the MRM system, shows that indicators for an *inclusive financial system* are mixed in with *impact* indicators which also include *development outcomes*. The *market outcomes* identified by SHIFT in SAARC are equivalent to *systemic change* indicators while the *regulator and provider outcomes* are equivalent to *intermediate outcomes* in the CGAP framework. Additionally, the MRM Results Framework has a level of *outcomes* (above market outcomes) that is not labelled and does not appear in the MRM. At the same time, the MRM system groups the market outcomes and provider/regulator outcomes together as “programme outcomes” some of the time. In other places, programme outcomes only refer to provider/regulator outcomes. The SHIFT in SAARC TOC speaks of goals as well as impacts but only impacts are on the MRM.

**The evaluation team recommends that UNCDF align the results framework more closely with the CGAP framework.** This may be mostly an issue of labelling the levels with the same titles. The advantage of this would be to clearly distinguish outcomes that occur with direct partners or recipients of SHIFT in SAARC interventions, ie, *intermediate outcomes*, from those that indicate *systemic change*, ie, the outcomes that UNCDF currently identifies as market outcomes. **This will put more focus on identifying and measuring systemic change and changes in the inclusive financial and real economy market systems. These changes would improve the availability of evidence which staff can use to better manage and learn from the programme.**

Furthermore, since UNCDF's overarching focus is on financial inclusion, it would benefit the programme to pull out the indicators for *changes in the financial system* and *changes in financial inclusion* and put them in an *inclusive financial system level* between systemic change and development outcomes (ie impacts). In a parallel fashion, the same could be done for indicators of an *inclusive real market economy*. The level of outcomes on the TOC that is not categorized should be examined and applied to the appropriate level.

We recommend reviewing all Results Framework indicators and targets carefully to ensure that indicators are in the right category as it appears there is some confusion between different types of outcomes. For example:

1. Under the Innovation pillar, at the level under Impact, the outcome is: “Increased supply of a wide range of financial products and business models meeting the needs of low-income people, women and small businesses in SHIFT in SAARC three intervention countries by 2021.” This outcome is a description of *systemic change*. The target for this outcome is: “At least 6 improvements or innovations (products, technology or business models) targeting low income consumers, women and small businesses will be introduced by UNCDF partners in all three SHIFT in SAARC countries by 2021.” This target is an indicator for an *intermediate outcome* as it relates to UNCDF partners which are direct beneficiaries or recipients of UNCDF funding.
2. The indicator on the TOC differs from that listed in the table of SHIFT in SAARC indicators (see “Sheet: 7SHIFT SAARC only”) under Market Outcome 4: Indicator 1 is: “# of new or improved financial products and

<sup>29</sup> See for example SHIFT\_M&E\_DashBoard\_October 21\_2018.xlsx.

<sup>30</sup> Spaven and Nielsen, 2017.

business models scaled up by the supported FSPs and businesses.” This indicator was rejected by the Programme and is not being tracked.<sup>31</sup> Although it is too early in this programme to measure this particular indicator (which is doubtless why it was rejected), it is an important measure of changes in inclusive market systems and should be kept in the MRM, especially if the Programme receives additional funding to continue operating past January 2020. .

### **1.2.2 MDDRM Project**

**Capacity of Co-Applicants:** Delays with the MDDRM programme were worsened by the weak capacity of the Co-Applicants. These partners had weaker capacity than anticipated by the capacity assessment conducted by SHIFT in SAARC.<sup>32</sup> Two of the co-applicants were particularly weak. Considerable staff time was taken up with developing the capabilities of these partners. Delays with the Micro-Merchant Landscape Assessment (MMLA) were related to the weak capacity of a local research firm. Together these examples suggest that a more hands-on approach is needed in Bangladesh along with a longer time horizon to realize programme goals and objectives.

The organizational capacity assessments of the Co-applicants were carried out with a standard Assessment Checklist provided by UNCDF. This checklist asks a series of questions and collects reference documents and information sources (or references to these). The checklist does not provide any standards or benchmarks with which to compare the data collected. UNCDF could consider modifying this tool along the lines of the McKinsey OCAT (Organizational Capacity Assessment Tool) tool which is used by other development actors.<sup>33</sup> This could provide a better indication of the amount of capacity building that will be needed to support potential partners.

**Micro-merchant training.** Micro-merchants received capacity building on DFS, business management, financial literacy, and information sharing through the mobile app. In FGDs, they reported several positive effects of the training on their business activities. They reported that they are now better behaved with their clients, they make an effort to build relationships with them, they keep their shops more organized, they understand the difference between profit and loss, they can increase their product lines and they have a more organized inventory management and bookkeeping. They are also restocking inventory before it runs out and have increased the efficiency of their service provision. They report that now business is better, they have higher demand for products, higher sales, better relations with customers, higher customer loyalty and more customers.

The merchants reported to the evaluation team that they believe there will be a positive aggregate demand effect of the training. As a group, by providing better service, they will increase the number of customers coming to their bazaar which will lead to increased demand and business growth for all merchants. Key informants however state that further training is needed to reinforce sessions and provide more advanced lessons in order to create sustainable behaviour change among the micro-merchants.

**Mobile App for Micro-merchants.** Users of the mobile app told the evaluation team that they believe the app benefits them in the following ways: by inputting sales information by voice rather than writing, it saves time; there is more transparency in record keeping; the red and green alert feature allows them to evaluate the business; and it helps them calculate their net profit. The ability to text reminders to customers that owe them, saves the merchant time and reduces amounts of lost business due to having to go to the customers to collect debts. Merchants are less likely to extend credit now, less likely to forget who owes them and more able to collect their debts quickly, all of which will improve their cash flow.

The app addresses two critical challenges hurting shopkeepers’ businesses: poor skills in bookkeeping and the high prevalence of sales based on credit. FGD participants reported that 50 percent to 85 percent of sales are on credit, which hurts their business and results in the micro merchant buying from their suppliers on credit. The micro-merchants asked for further improvements to the app including the inclusion of photos with personal profiles and

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32 SHIFT in SAARC used the UNCDF standard Assessment Checklist and the assessment was conducted by UNCDF staff. Personal correspondence from Irfan Mohammed Abir 04/29/19.

33 <https://www.mckinsey.com/industries/social-sector/how-we-help-clients/organizational-capacity-assessment-tool>



the ability to edit comments, for the social networking feature, and a money transfer service such as bKash to be built into it, at no cost.

The micro-merchants asked for further improvements to the app including the inclusion of photos with personal profiles and the ability to edit comments, for the social networking feature, and a money transfer service such as bKash to be built into it, at no cost.

**Micro-merchant and Kallyani training satisfaction:** In the FGDs and interviews with micro-merchants, Kallyani entrepreneurs and business association members, all trainees expressed satisfaction with trainings received. Micro-merchants reported that they never had an opportunity before to learn about innovative technologies that could help their businesses. The association members said they had never before considered the bottlenecks facing micro-merchants.

All training participants interviewed agreed that the trainings were relevant, of good quality and very effective. Furthermore, they would recommend the training to others. The trainees had good recall of the topics that they learned. The most important topics for the participants were: ensuring a good relationship with their distributor (individual female micro-merchants); MFS (individual female micro-merchants); keeping a record of all credit sales and using the mobile app for that (FGD with business association members); and bookkeeping and the app bookkeeping feature (FGD with male micro-merchants).

**Micro-merchant programme sustainability:** Successfully developing and launching the mobile app for micro-merchants has the potential for lasting impact, although it is too early to detect this. Dnet is working to make the mobile app more mainstream for FMCG providers, that could promote or support the app in the future. For example, there is interest from Unilever in this as well as in the toolkit that Dnet developed.

Dnet is currently testing the app and working on the business model, with the intention to make it widely available through the app store. Sustainability relies to a great extent on how market actors respond to the app. If a critical mass of micro-merchants in Bangladesh starts using the app and it is connected with the supply chain digital modules of FMCG companies, micro-merchants can order their inventories, make payments, and record their transactions through this app

One informant commented:

*“The innovations that market actors have done, like Dnet mobile apps,... I believe will be scaled up and will be sustainable in the sense that they tested it with us and are now trying to do it with other actors. They are putting more of their money into it and others will pick it up in the market.”*

Suggesting that the motivation of firms such as Dnet is to continue to innovate would also be a sustainable impact of the programme. This key informant continued:

*“The point is that sustainability also comes from the way market actors think about a particular market problem. Our market actors have hopefully learned about the power of innovation. Hopefully, that will continue. It is not just a physical thing like a mobile app on phone.”*

**Micro-merchants Financial Inclusion.** The evaluation found that about two-thirds of micro-merchants interviewed are using MFS services such as bKash and Rocket and have been doing so since before SHIFT in SAARC started. On average the micro-merchants who participated in the FGDs have used MFS for 3.8 years, predating the support received from the MDDRM programme. Of the male merchants interviewed for the evaluation, 70 percent had ever used MFS and 67 percent owned an account. Only one however was a registered bKash agent. Those who have not used MFS reported fear of losing money as the reason why.

The micro-merchants report that only about 10 percent of customers use MFS to pay for goods, and they do so as a last resort when they do not have cash, because there is a fee to use it. For the merchants themselves, MFS is primarily used for personal reasons such as sending or receiving remittances (70% and 78% respectively), not



business reasons. Only 17 percent used MFS to pay suppliers or receive money from customers. For small, daily transactions, the micro-merchants prefer to use cash.

The majority of these micro-merchants say they use MFS for business purposes when they are dealing with larger sums of money and when they need to procure items from a distant location, such as Dhaka. They note however that bKash can get costly for larger transactions and that when they go to Dhaka, they also can use credit cards because they are widely accepted there.

Neither of the two women micro-merchants interviewed had used MFS or had an account. Both reported that as a result of the training they want to open an account and one aspires to be a bKash agent. For one woman, the training on MFS was the most important thing she learned in the training. It is too early to tell if these individuals will become sustained users of DFS but for now they are motivated to try it, which is the first step in adoption.

**Kallyani Training.** Through Dnet, SHIFT in SAARC has provided training to Kallyani women since July 2018. After receiving training, the women have launched businesses through iSocial, selling products and services to women in their neighborhoods. In an FGD, Kallyani women reported that the demand for their wares, which was low at the beginning, has grown over time and their customers now seek them out.

The impact of business training on the Kallyani women is likely to be sustainable as the women had good recall of the materials learned and were enthusiastic about the training. The capacity building should stick with the women, particularly because Dnet provided them with tablets that contain copies of all the training materials used in their initial training and because the women are in close contact with iSocial, which has a strong interest in their success as entrepreneurs.

The FGDs revealed that this programme is having positive impacts on women's confidence, self-esteem and agency. Women reported that they feel like they are more socially connected, their self-confidence has been boosted, and they have been empowered by this work. They are proud that they can help people, particularly other women. They report that they have highly benefitted from this work since everyone in their locality knows them very well now and people start looking for them when they don't go to their houses. The positive impacts on the Kallyani women are the most tangible (and potentially sustainable) impacts of the SHIFT in SAARC Programme on gender equality.

The programme is likely having indirect impacts on the women served by the Kallyani entrepreneurs. The Kallyani women reported that the women in their community are also able to share more openly and freely about difficulties regarding taboo topics, which they cannot share with shopkeepers, who are mostly men. Whether this is an intended or unintended outcome, it is a positive one for women.

**Financial Inclusion of Kallyani:** In terms of digital financial inclusion, all Kallyani women are trained to be DFS agents. The Kallyani women had a higher uptake of MFS than the two women micro-merchants that were interviewed. Four Kallyani women interviewed were bKash agents as a direct result of the SHIFT in SAARC programme. These women use MFS more than the others because they can earn benefits from cashing out (2% commission). The non-agents prefer to only use MFS for long distance remittances purposes. The non-agent Kallyani women reported that they also use cash to pay their hub manager while the women who are bKash agents use bKash. iSocial would like all women to use DFS to pay for their supplies. Nevertheless, as DFS agents who travel house to house to sell products to women, they could have a significant impact on extending access to DFS to other women in rural areas. Yet by comparison, the faster and hence more extensive digital inclusion of RMG workers will likely have a much greater impact in terms of the digital financial inclusion of women in Bangladesh.

**Kallyani Sustainability:** After providing training to the women entrepreneurs, the SHIFT in SAARC programme subsidized them to start micro franchises with iSocial. The InfoLady model calls for the women themselves to invest in this franchise. Under MDDRM, the women paid 12,000 takas while in other locations, where SHIFT in SAARC does not provide support, the cost is 15,000 takas. In the iSocial model, Kallyani women are supposed to purchase the goods and services they are to sell upfront from iSocial and then keep the proceeds. In actuality, the women in the four MDDRM districts are having difficulties in finding the working capital to pay for the goods in advance and they are taking them on credit.

Whether the women are earning much from their work was unclear to the evaluation team. Some women reported that the work is financially rewarding, while one reported that she made no profits. On average they reported they

make 400 to 500 takas (\$4.76 to \$5.93)<sup>34</sup> per week. Yet, at the end of the FGD discussion, the group asked if they could get a salary from Dnet for their business as they were not able to generate enough of a profit. It is important to note that these women have only been active for a few to several months.

It is also unclear whether the programme will continue to scale up and expand to more women in these four districts, without the SHIFT in SAARC subsidies. The leader of the Infolady programme stated that he would not have started the programme in those four districts, if it were up to him, as they are challenging. These districts were selected for the MDDRM project as they are relatively poorer areas of Bangladesh. The sustainability of the impacts on Kallyani women depends on the sustainability of the InfoLady business model. The evaluation team does not have enough information about this and believes this is an area that could use further investigation.

**Sustainability of MDDRM Capacity Building.** Continuing face to face training is too expensive in the absence of SHIFT in SAARC funding. The programme expects that DNET and BDMS will likely continue activities, though not at the level that they can offer with programme funding and support. However, it is not clear to the evaluation team that partner organizations will be able to continue providing any trainings without outside support. Dnet is actually a technology and innovation NGO. They are said to be best suited to innovating new solutions, not rolling programs out at scale. Related to scale, BDMS questioned how they can meet the huge demand for training from the micro-merchants when their target is only 3,200 micro-merchants. They noted that there is an estimated 1.3 million shopkeepers in the country. BDMS implied they would need continued support to continue providing trainings.

## Annex 8: Gender Equality Criteria Indicators

Table A8: Gender Equality Criteria Indicators<sup>35</sup>

### Gender Equality Criteria Indicators included in Evaluation Matrix

- Extent to which programme design aligns with UN and UNCDF standards on mainstreaming gender
- Extent to which programme design aligns with national gender related goals.
- Gender analysis was included in initial needs assessments
- # of gender analyses conducted by programme;
- Quality of gender analysis/analyses;
- Gender disaggregated data
- # of indicators related to gender equality;
- # of baseline data points for gender equality;
- At least 30% of women represented as speakers and attendees of FBCCI conferences.
- At least 20% of exhibitors at innovation fairs with more than 25 exhibitors are women owned or run businesses (FBCCI)
- % of planned budget allocated to gender-related objectives;
- \$USD spent on gender-related objectives;
- Actual % of budget spent on gender-related objectives. (Disaggregated by the four pillars.)
- # of outputs directly addressing gender-related objectives
- Evidence that government officials are aware of the importance, opportunities and constraints to gender equality in financial inclusion.
- Evidence that stakeholders in the financial services market system and the FMCG real economy market system are aware of the importance, opportunities and constraints to gender equality in financial inclusion and economic participation.
- Extent to which the programme has built the capacity of women entrepreneurs.
- Extent to which women perceive that their business competitiveness has improved.
- Extent to which the programme has built the capacity of master trainers on women's entrepreneurship.
- Extent to which staff, implementing partners and end-users perceive that the programme has led to an increased and sustainable access and use of DFS by micro-merchants and women microentrepreneurs.

<sup>34</sup> At an exchange rate of 84 BDT to \$1.00 USD.

<sup>35</sup> These indicators were developed based on recommendations from the UNCDF, the EU or inspired by guidance provided in United Nations Evaluation Group (2011), *Integrating Human Rights and Gender Equality in Evaluation -- Towards UNEG Guidance* and Spaven, Patrick, and Karina Broens Nielsen. 2017.

- Extent to which women participants in business training perceive or experience changes in business capabilities and business competitiveness, as a result of the training.
- Evidence of permanent changes in policies, regulations or programs that will promote gender equality.

## Annex 9: eKYC Case Study

The evaluation team examined SHIFT in SAARC's efforts to support eKYC policy in more detail to illustrate its effectiveness in promoting enabling financial inclusion policies for low-income consumers in Bangladesh.

### Background

Know Your Customer (KYC) is the process in which a business, such as a bank, identifies and verifies the identity of its clients. It helps prevent identity fraud and brings transparency to the system. eKYC or electronic KYC is the electronic version of KYC.

eKYC is considered critical for financial inclusion as it is the only way that banks and other FSPs will be able to onboard millions of customers efficiently to DFS. Not only is traditional KYC time-consuming and burdensome, but low-income consumers who are more likely to be illiterate are particularly challenged by formal KYC requirements. eKYC will enable MFS providers or their agents to open low-value accounts for customers within a minute and even from their home. eKYC will also benefit the banks by saving them both space and time,<sup>36</sup> and alleviating their concerns about risks due to fraudulent customers and money laundering. The need for eKYC in Bangladesh is highly relevant and is considered urgent.

### UNCDF's Contribution to eKYC Guidelines

- **SHIFT in SAARC produced a DFS regulatory assessment and produced a policy synthesis paper.**

**DFS Regulatory Framework Assessment.** A key informant stated that the research solicited feedback from the regulators and regulators found the resulting report helpful because it identified gaps in regulation, what the service providers were thinking, and what regulations needed improvement. They stated that this report was an important SHIFT product in terms of the development of DFS in Bangladesh.

The assessment gave eKYC greater visibility in Bangladesh. UNCDF has provided support for policy dialogues, South-South exchange visits, and Coalition building.

**Global Knowledge Exchange Forum.** Regulators in Bangladesh gained understanding of eKYC through online sources and knowledge exchange visits to Thailand and Malaysia. Through these visits, regulators

### Box 2: Timeline of eKYC Regulations in Bangladesh

**2013-2014** - Regulators start work on the eKYC issue. The responsibility for drafting the eKYC guidelines is spearheaded by BFIU, a separate regulatory agency, housed within the Bangladesh Bank.

**Early 2018** - Exchange Visits (Global Knowledge Exchange Forum). With some support from SHIFT in SAARC, the eKYC committee members participate in exposure visits to Malaysia and Thailand to learn about the eKYC policies in those countries. Although draft guidelines were already available, the committee revises them upon return from these trips.

**June 2018** - Draft Circular issued. In order to give banks a chance to provide feedback, the BFIU issues a draft circular after the revisions are incorporated. The final circular reportedly will respond to feedback provided by the banks. These guidelines are applicable to low-volume transactions therefore, low-income customers will be eligible for eKYC. A comprehensive KYC is still required for higher-income individuals such as businessmen. Key informants reported that MFS and banks were already working on adapting these regulations, however, some noted that the banks are struggling to implement the regulations and no banks have been able to until now.

**Fall 2018** - Draft eKYC Guidelines. The BFIU presented the eKYC regulations draft guidelines and lessons learned from the global exchange visits at the SHIFT in SAARC knowledge sharing session.

**2019** - Pilot of Draft Guidelines. The regulators are planning to pilot the draft eKYC regulations very soon, possibly March 2019. The piloted regulations are for commercial banks, the insurance companies, and capital market intermediaries. Policymakers are planning to use a threshold approach with a particular focus on piloting eKYC with the government safety net programme. The sample segments for the pilot include: garment workers, especially women, village marginal people, and hill tracts people. These target segments, which include separate categories for men and women, were selected in order to understand the effects on financial inclusion.

<sup>36</sup> One bank reported that their institution has had to hire a huge warehouse just to store the application documents for 31 million customers. Currently, accounts are opened using paper applications which are scanned and must be stored for six years.

and other stakeholders gained practical experience and received an understanding of the scope of eKYC, the major considerations that need to be included in the guidelines, and the possible technologies that can be used.

The exchange visits were considered by some well-placed key informants to be the most valuable contribution of the SHIFT in SAARC programme in that they allowed the eKYC Committee to learn from other countries' experiences. 'These tours were highly effective. It benefited the BFIU much....' (key informant). An especially important impact of these visits was to allow the eKYC Committee to finish the draft guidelines. Earlier the guidelines were not completed because the regulators were having difficulty framing the regulations. 'The initial draft of ... how they should design the framework, before this intervention from SHIFT, they were in a "thick soup" about how to frame it. But after having this project intervention, the ... collaborations ... got much faster' (key informant). They added that only SHIFT had this influence.

*As a result of these visits, the eKYC Committee revised the draft guidelines in several areas, adding and deleting issues, see Box 3.*

- **UNCDF supported regulators and policymakers to undertake best-practice consultative processes to develop holistic and inclusive regulatory framework and policy for low-income consumers.**

Some key stakeholders appear to have attended the Knowledge Sharing Session. This workshop also included market preparedness. UNCDF organised it at the request of the regulators. Almost half of the banks were represented in attendance. The workshop was an opportunity for BFIU to describe the eKYC regulation and its timeline over the following months. One key informant considered the workshop the second most important of UNCDF's contributions.

Stakeholders considered the knowledge sharing session so successful that regulators have asked UNCDF to undertake a similar programme for a wider community in the future. There is some evidence that the regulator would have liked to receive operational support for the pilot of eKYC from UNCDF, but this was not possible for SHIFT for budget and grant requirement reasons.

### **Status of eKYC Efforts in Bangladesh after Introduction of SHIFT in SAARC**

After two years of the SHIFT in SAARC programme operating in Bangladesh: There is an eKYC national-level committee; draft guidelines, tailored to the local context; and a draft circular has been issued. There are plans to begin a pilot of eKYC on a limited scale. Once the pilot is complete, BFIU plans an exchange visit to another country to explore their eKYC experience before finalising the regulations.

### **Contribution of SHIFT in SAARC to inclusive eKYC guidelines in Bangladesh**

Documentation and data gathered via key informant interviews confirmed that the SHIFT in SAARC programme has contributed to advancing the development of eKYC regulations in Bangladesh. SHIFT in SAARC had this positive influence through dissemination of the DFS Regulatory Assessment report findings, and more importantly through their support for the Global Knowledge Exchange Forum visits. However, the evaluation team cannot conclude that the SHIFT in SAARC programme was the only or even the major contributor to advancing the eKYC regulations (outside of the regulators themselves). A2i had an important influence. eKYC is one of the issues that a2i and SHIFT in SAARC are collaborating on to advance the DFS ecosystem. An observer of the process noted that "though this idea came from SHIFT, in real life SHIFT couldn't steer like they were in the driving seat - now a2i is driving eKYC with the partners." In this observer's opinion, SHIFT is a partner and catalyst, while A2i is the influencing body.

### **Box 3: Current Status of eKYC Regulations**

At the time of this evaluation, the pilot which was supposed to begin in September 2018, had not yet started as the regulators were waiting on the National ID Authority. This authority is responsible for voter registration identification and was busy with the general election until early in 2019. It is expected that the NDI will provide access to the ID database to banks very soon. The pilot should then be able to begin as everything else is ready.

The pilot will be subject to an impact evaluation supported by the World Bank. The regulators have stated that once pilot has concluded, they expect to visit neighboring countries that have already implemented eKYC to fine tune the draft regulations further before finalizing them.

Additionally, the evaluation team also concluded, based on interviews that if the SHIFT in SAARC programme were not present in Bangladesh, it is highly likely that the eKYC regulations would be formulated and rolled out anyway. Stakeholders observed that the regulations would just have taken more time without UNCDF's intervention.

The SHIFT in SAARC programme's more likely impact was that it sped the process up. The new emphasis on eKYC in the DFS ecosystem in Bangladesh was prompted by the DFS Regulatory Framework that the programme commissioned. The eKYC regulations are now considered a serious government initiative and some key informants credit SHIFT for that change. However, there are some key informants who are unhappy at the slow pace of finalising regulations. For example, the telcos have used biometric identification methods for four years. Some people question why it is taking so long for banks to adopt these methods. Other key informants suggest that UNCDF should be doing more. Specifically, they suggested UNCDF have more focus, apply pressure and bring in both the international and the consumer perspective. But that does not detract from the contribution the programme have made over the past two years.

#### **Other contributing factors due to SHIFT in SAARC Include:**

- **Increased the capacity of regulators to develop eKYC financial policies addressing the needs of low-income people, women and small businesses.**

The capacity building of stakeholders is considered a very important outcome of the SHIFT programme.

*"Because not everyone knows what eKYC is, what it requires, what it doesn't require, what are the other countries doing and not doing. .... but other departments (in the central bank) may not understand it. The Election Commission, if they don't understand, it will never be possible. I think at least, stakeholders know what is eKYC and why it is important nationally, and UNCDF at least has worked in that area. The knowledge building was important."*

A microfinance organisation also appreciated the capacity building work: "Because of them we are aware of what eKYC's problems and challenges. We can overcome them with eKYC in MFI."

- **Improved information exchange and dialogue among regulations, FSPs, meso-level organisations and real economy businesses on eKYC.**

The programme developed eKYC capacity through dialogue and information exchange between regulators and the private sector as well as the DFS Regulatory Framework reports and associated meetings/events.

- **Increased use of evidence for decision making among regulators related to eKYC.**

Given the numbers of publications in some form or other and the number of events at which eKYC was mentioned, it is reasonable to believe that there is an increased use of evidence for decision making among the regulators. However, few informants pointed to use of evidence in this way. The practical learning from the exchange visit seems to have had more impact.

## **2. Table A9: Contribution Story Timeline**

Timeline of SHIFT in SAARC activities related to eKYC is presented below. SHIFT in SAARC reports that the programme kicked off this discussion in May 2017.

*Table A.9: Timeline of SHIFT in SAARC's Activities Related to eKYC Guidelines*

<b>DFS Regulatory Framework Assessment</b>	
<b>2017</b>	<p>The purpose was to identify areas for improvements in the DFS regulatory ecosystem. The report made six key recommendations of which the first was: Roll out Tiered-KYC and eKYC.</p> <p>"Bangladesh Bank and BFIU may closely work together to put in place a robust KYC standard that would, on the one hand, ensure better customer verification, and on the other, be convenient to</p>



the customers. Some of the ways changes in this area could be brought about include: introduction of tiered KYC system, allowing eKYC, harmonising KYC requirements across banks, telcos, MFS providers and other related entities.” Pitch book

February - Held a validation workshop in collaboration with Bangladesh Bank

This report was disseminated by a launch event attended by X people from Y agencies, by means of a Policy Brief, a Discussion Brief, the Bangladesh Strategy and Data Gap Assessment and by a blog.

#### **Policy Brief**

Recommended: the “roll-out of tiered KYC (know your customer) and investigate the eKYC potential given the rollout of smart national identification cards (NIDs).” It recognised that given the national issuing of smart NIDs by 2019, the banking sector would have the potential to move from paper-based identity verification to digital-based identity verification (ie, eKYC). Banks would be able to automatically check demographic data against the national ID system which would allow faster opening of accounts. The policy brief also recognised that there were no existing barriers to implementing eKYC for those MFS providers who had access to the NID database and if regulators allow electronic capture of the data.

UNCDF recommended specifically that the Bangladesh Bank:

- Undertake a feasibility study
- Conduct a small controlled pilot with one or two commercial banks/development partner before imposing rules on the banking sector
- Consider to Identify common protocols for providers for the reference/use of national assets that exist, such as NIDs/other identities, interface design and customer protection.

#### **Bangladesh Strategy and Data Gap Assessment**

**2017**

Recommended: “Assess ways of utilisation of the updated national ID database to maximise the eKYC potential for the banking sector and as such, reduce barriers to DFS usage.”

#### **DFCG Dialogue: Emerging Frontiers of DFS in Bangladesh: Digital Identity and eKYC**

This event was attended by 40 representatives from public and private sector. The key objective was to: explore strategies and opportunities for introducing eKYC utilising digital identity through engaging regulators, financial institutions, DFS providers and other concerned stakeholders. The session explored strategies for strengthening coordination among Bangladesh Bank, BTRC, National Identity Registration Wing of the Bangladesh Election Commission, and other govt agencies. It identified potential scopes of introducing tiered and risk proportionate KYC system allowing eKYC mechanisms on a pilot basis. The participants determined next steps towards harmonisation of KYC requirements across banks, MNOs, MFIs and other related entities based on the pilot. The proceedings were documented in Highlights of DFCG Dialogue, 10<sup>th</sup> Meeting.

**2017  
(September)**

After this, UNCDF planned to

- Undertake research for a policy note for Bangladesh Bank which will contribute to the draft eKYC guideline.
- Collaborate with a2i in the upcoming pilot of eKYC for G2P payments.
- Arrange knowledge exposure visits for regulators to better understand global best practices

**2017**

**Annual Banking Conference 2017.**

- (November)** The audience, which included X participants from Y, raised two questions related to eKYC.
- The top recommendation was to create an enabling environment through regulatory and policy improvements of which one sub-recommendation was:**
- “The Government needs to facilitate DFS sector growth encouraging interoperability, e–KYC and other innovations as well as ensure a level playing field, customer protection and financial system stability.”
- 2017**
- (December)** **DFS Regulatory Framework Assessment Report Launching Ceremony**
- The Governor of Bangladesh Bank, Mr. Fazle Kabir, mentioned eKYC as an enabler for digital transformation and stated that he expects the collaboration between SHIFT in SAARC and Bangladesh Bank on evolving issues like eKYC to continue.
- Blog: Six Policy Recommendations to Unlock the Potential of Digital Financial Services in Bangladesh**
- “Recommendation #1: Roll out tiered-KYC (know your customer) and investigate the e- KYC potential given the rollout of smart national identification cards (NIDs) .... In anticipation of the smart National Identification Cards (NID) (to be introduced by 2019), the Central Bank of Bangladesh (Bangladesh Bank) may also explore moving from paper-based to electronic KYC efforts. This could bring additional efficiency gains for providers, and further facilitate and streamline the account opening process for customers. “
- 2018**
- (January)** **Global Knowledge Exchange Forum.** eKYC committee members exposure visit to Thailand’s central bank. SHIFT in SAARC supported 5 people of the 9 or 11 on this trip. Members of the committee included representatives of BFIU, NID (National Identification Commission), PSD of Bangladesh Bank, BTRC, and a2i.
- 2018**
- (April)** **Global Knowledge Exchange Forum.** eKYC committee members exposure visit to Malaysia’s central bank. SHIFT in SAARC supported 5 people on this trip.
- DFCG Consultation on National Financial Inclusion Strategy For Bangladesh: A Roadmap Towards Digital Financial Inclusion**
- BFP-B jointly organised this with UNCDF. 100 representatives from government, private sector, Fintech providers, INGOs, and financial institutions discussed the strategic role of digital financial services in achieving greater financial inclusion in Bangladesh. (The National Financial Inclusion Strategy for Bangladesh is the national roadmap to promote access to financial services for the excluded and unbanked population.) Simplifying and digitising KYC procedures to facilitate customer acquisition was one of the issues that providers underscored at this meeting. An outcome of the meeting was a recommendation that policymakers and regulators review and update policies and regulations on MFS and eKYC. This was given 2<sup>nd</sup> priority out of 16 by the participants.
- 2018**
- (April)**
- 2018**
- (June)** **Bangladesh Bank issues draft Circular on eKYC**
- EKYC Knowledge Sharing Session**
- 2018,**
- (October)** This session was organised with a2i, to allow the two working groups to share their experiences from the knowledge exchange visits to Thailand and Malaysia and discuss the present context of eKYC in Bangladesh. Participants included around 50 representatives from MFIs, banks including Bangladesh Bank. After presenting their findings and recommendations based on the visits, a representative of the Bangladesh Financial Intelligence Unit presented the eKYC regulations draft guideline.



UNCDF used this occasion to raise three issues: There should be a transaction limit based on evidence instead of convenience. It is important to include micro-merchants in the pilot. It is important to give an early indication about smart card integration because banks are already developing their own digital platform and this could save costs.

*Government perspective*

According to Mr. Rahim it is important to align the eKYC plans going forward with the plans of the government and their SDGs. Commitment of the government is essential for being able to provide low costing digital financial services. For the period 2019-2024 the DFS strategy has been drafted, which includes initiatives of Bangladesh Bank for financial services directed to the entire population. Ultimately the idea would be to evolve into a cashless society. To reach this stage of development however, significant capacity development would be required of regulators to cope with this development. As the 'fin-tech' sector is moving at extreme pace, Bangladesh Bank is constantly attempting to adjust the regulations for this sector.

**Bangladesh Digital Financial Inclusion Conference 2018 (BDFI)**

eKYC is mentioned in some of the panel speeches, for example:

**2018,  
(November)**

- Digital Finance for Agro Based Micro and Small Enterprises: “the market leaders should get rid of the "Marketing Myopia" policy if they want to thrive in the near future and take customer driven policy such eKYC.”
- The rise of the Micro-Merchant Economy: The Business Case for Digitising Supply Chains: “To find our way through this medieval era, it is of the utmost urgency that, we redesign the policy around securities, eKYC, and collaterals. And also, be more cash flow driven in terms of financial policies and regulations. The CEO of an Artificial Intelligence startup has also offered an innovative angle which can provide loans within a time span of 3 minutes with his latest developed app which functions through AI.”

**2019  
(March)**

**Pilot of eKYC to begin**

## Annex 10: Methodology Notes - Sampling Frames

### *Sampling Frame for Key Informant Interviews*

SHIFT in SAARC Stakeholders	No. of KIs	No. of Individuals
SHIFT Board	1	1
SHIFT in SAARC HEADQUARTERS	1	1
SHIFT In SAARC Regional Team	2	2
SHIFT in SAARC National Team (Bangladesh)	3	8
SHIFT Project Steering Committee (PSC)	3	6
Donors	2	3
Other Government Stakeholders	4	9
Implementing Partners (Co-applicants)	6	10
Other Partners/Collaborators	2	2
Innovation Grant Recipients	3	5
Other stakeholders working in the DFS space; the SME or FMCG space, or working on similar/complementary projects	10	14
<b>TOTAL</b>	<b>37</b>	<b>61</b>

### *Sampling Frame for Beneficiary Interviews and Discussions*

SHIFT in SAARC End-user Beneficiaries	No. of KIs	No. of Individuals	No. of FGDs
Women entrepreneurs	3	12	1
Micro-merchants (Men and Women, grouped separately)	0	20	3 (1 W/ 2 M)
Business Association Members (also Micro-merchants) (Men)		10	
<b>TOTAL</b>	<b>3</b>	<b>42</b>	<b>4</b>