

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

PREPARED FOR: UNCDF
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**Unlocking Public and Private
Finance for the Poor**

EVALUATION TEAM

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

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Design: UNCDF Partnerships Unit.

PROGRAMME DATA SHEET

Country: Countries Within SAARC
 Programme Title (long) Shaping Inclusive Finance Transformations (SHIFT) in SAARC
 Programme Atlas Code (by donor) BMGF 00097112
 EU 00101200

Financial Breakdown (by donor)

Commitments	As per Prodoc (amount USD)	Actual project budget (amount USD)
UNCDF	50,000	100,000
Bill and Melinda Gates Foundation	3,918,090	2,250,000 ¹
European Union	5,316,137 ²	5,254,777
Funding gap	16,054,780	12,418,093

Delivery as of 31 December 2018 (per donor)

Donor	31 December 2016 (\$ USD)	31 December 2017 (\$ USD)	31 December 2018 (\$ USD)
UNCDF	49,995	50,000	0
Bill and Melinda Gates Foundation	427,902	583,845	1,107,897
European Union	0	748,013	1,051,538
Total delivery:			4,019,190
Total project budget:			20,022,870

Executing Agency	UNCDF
Implementing Agency	UNCDF
Key Project Partners	Bangladesh Bank, Sustainable Finance Division (SFD), Bank and Financial Institutions Division (BFID), Bangladesh Telecommunication Regulatory Commission, Ministry of Finance, Government of Bangladesh
Approval Date of Project	June 01 2016 - PAC Approval
Project Duration as per Project Document	5 Years (July 1, 2016 to June 30, 2021)
Project Amendment	NA
Evaluation Date	January - February 2019

Other current UNCDF projects in-country	The Local Climate Adaptive Living Facility (LoCAL) Programme The Inclusive Economic Local Development (IELD) Programme The Municipal Investment Finance (MIF) Programme
Previous UNCDF projects (if relevant)	NA
Previous evaluations (if relevant)	NA
Dates of audits	NA

¹ The original BMGF commitment was \$3,918,090. In March 2018, the commitment was reduced by \$1,668,090.

² The EU Commitment was not listed in the Pro Doc but it was listed in the Letter of Exchange for inclusion of additional funds submitted to the PSC in May 2018. The total amount of funding was listed as USD 5,316,137.

1. EXECUTIVE SUMMARY

1.1 About SHIFT

The Shaping Inclusive Finance Transformations (SHIFT) in the South Asian Association for Regional Cooperation (SAARC) programme is a regional market development initiative implemented by the United Nations Capital Development Fund's (UNCDF) Financial Inclusion Practice Area (FIPA). The programme seeks to stimulate investment, business innovations and regulatory reform to bring about lasting changes for low-income people. Specifically, it aims to expand economic participation of and opportunities for women and small and growing businesses to be active agents in the formal economy. By 2021, it aims to have enabled “at least one million low-income people, 65% of whom are women, and 30,000 small and growing businesses to access and use financial services to secure opportunities for employment, enterprise development, and increased sustainable consumption.”³ The programme design anticipated that SHIFT in SAARC would address both demand and supply-side constraints in interlinked financial markets, working primarily through financial service providers (FSPs).

As a regional programme, SHIFT in SAARC aims to eventually take advantage of regional-level policy and cooperation processes, to leverage multi-country perspectives and achieve synergies in policy advocacy. At the time of this evaluation, the programme has only implemented activities in Bangladesh.

The SHIFT in SAARC programme has benefited from three sources of funding as of the mid-term evaluation; The European Union (EU), The Bill and Melinda Gates Foundation (BMGF), and internal UNCDF core funding. As described in the full report, the BMGF reduced its commitment during programme implementation. The total committed contribution to the programme was initially USD 9,284,227. At the end of 2018, the revised committed contribution from all three sources was USD 7,604,777, and actual expenses against that commitment amounted to USD 4,019,190.

1.2 Evaluation Objectives, Methods, and Audience

The purpose of this mid-term evaluation (MTE) is to assess the relevance and performance of SHIFT in SAARC to date and to provide useful and relevant information to support evidence-based programme management and broader strategic decision-making at UNCDF. The timing of the evaluation coincides with the mid-point of SHIFT in SAARC's 60-month life span. The evaluation assesses the SHIFT in SAARC programme from its launch in 2016 through the end of 2018, within Bangladesh, the only geographic region in which it operates. The overall objectives of this MTE are to: 1) meet the accountability and learning objectives of UNCDF and the donors; 2) capture good practices and lessons learned; and 3) guide the remaining years of implementation and future programming through informed recommendations that will increase the probability of programme success by 2021.

The evaluation team used a theory of change (TOC) based approach to the evaluation, framed by the UN/Organisation for Economic Co-operation and Development's Development Assistance Committee (OECD-DAC) evaluation criteria.⁴ The team conducted an extensive desk research and a field visit to Bangladesh to deepen the understanding of programme results. It assessed the validity of the TOC, the processes and operations that impact the quality of output, policy and regulatory issues, and ground-level performance and challenges facing UNCDF and its partners.

The evaluation team used a mixed-methods approach that included the analysis of quantitative data identified through the desk review and secondary research. The evaluation collected qualitative data through stakeholder and key informant interviews and focus group discussions (FGDs) with end-users. This MTE is expected to be used by the implementer (UNCDF SHIFT), the SHIFT board, the funders (including the Bill and Melinda Gates Foundation (BMGF) and European Union (EU)), stakeholders in the Government of Bangladesh (GoB) (including members of the Project Steering Committee (PSC)), and other stakeholders to whom the report will be disseminated.

³ UNCDF, 2016. *Programme Framework Document. Shaping Inclusive Finance Transformations (SHIFT) in SAARC, July 2016-June 2021.* (PAC Meeting Date: 01/06/2016.)

⁴ The Organization of Economic Cooperation and Development (OECD) Development Assistance Committee (DAC) sets principles and standards for development practice, including defining evaluation criteria for international development programmes. Criteria include Relevance, Effectiveness, Impact, Efficiency, and Sustainability. the UN Evaluation Group (UNEG) approved these criteria as a set of core evaluation criteria for UN evaluation.

1.3 Main Findings

1.3.1 Relevance

The SHIFT in SAARC programme design is relevant to the Bangladesh context as it was grounded in effective stakeholder consultation during design and aimed for an adaptive approach during implementation. The programme responds to the GoB's financial inclusion priorities by addressing its interest in digital financial services (DFS), a key mechanism for expanding financial access. The programme description's focus on gender aligns with government priorities for gender equality and women's empowerment. The programme's objectives complement those of several international frameworks and are aligned with key Sustainable Development Goals (SDGs).

The SHIFT in SAARC programme follows the principles of market systems development, resulting in a programme design that is broad, flexible and responsive to opportunities. The SHIFT in SAARC TOC includes the four pillars of activities and outputs that address the weaknesses in a market system that prevent financial inclusion. The programme uses research and evidence to align activities with the micro-merchants' and policymakers' needs and priorities. As designed, the programme has the potential to result in innovative, replicable business models.

The programme has faced challenges in several areas. Due to external constraints, the programme does not have the full scope for flexibility in implementation or enough funding or time to achieve its objectives. The planned five-year timeframe for the programme is insufficient, the existing funding sources (for three years respectively) are inadequate and not flexible enough for the market systems development approach. There is a need for a longer-term perspective with this approach. The programme has lagged in considering the financial inclusion and employment needs of women. By incorporating a robust gender analysis in the design phase, UNCDF could have developed stronger gender programming.

1.3.2 Efficiency

The UNCDF management and operations have delivered several activities and outputs over the past two years. They developed and disseminated impactful research and evidence on key themes related to financial inclusion, DFS and the micro-merchant sector; launched six innovation grants to promote the digitalization of the fast-moving consumer goods (FMCG) supply chain and digital financial inclusion of entrepreneurs; built financial services policymakers' and regulators' DFS and related capacity; built a coalition of public and private stakeholders in the DFS ecosystem; and built implementing partners' and low-income entrepreneurs' capacity.

Programme beneficiaries, such as micro-merchants and Kallyani women, reported appreciation for the programme's trainings. PSC members, who represent government institutions, reported appreciation of the SHIFT programme and its leadership. Among other achievements, they cited the programme's uptake of the PSC's suggestion to work with micro-merchants and link the real economy sector (i.e. the FMCG industry) to FSPs. The funding agencies are satisfied with programme progress but they have been concerned with the lack of communications from SHIFT in SAARC management, although these have reportedly improved over time.

SHIFT in SAARC managed their activities well in terms of keeping within the available budget. However, the programme may face challenges in spending the balance of the committed funds within the remaining time period.

While the relatively small team accomplished much in just two years, the SHIFT in SAARC programme has faced a number of implementation challenges. The level and mix of in-country staff were insufficient for the work required by the two funded projects. The programme has faced delays in output delivery and achievement of results due to factors both within and outside the control of UNCDF. Delays in setting up the MRM system, caused by staff vacancy, led to a system that does not generate enough evidence to inform accountability and contribute to programme improvements. Adaptive management of the program could be strengthened by using systematic enhanced monitoring methods⁵.

Delays in project activities, notably related to micro-merchants, were related to the lower than expected capacity of local partners and consultant firms. The partner contributions to the programme have been mixed. Dnet is now performing well and ahead of schedule, BDMS is catching up after a late start, while FBCCI is still underperforming.

⁵ As recommended for example in the guidance on *Measuring Market Development* drawn up by the Consultative Group to Assist the Poor (CGAP).

At the time of the mid-term evaluation, delivery of outputs had generally caught up for the first three pillars yet there were still delays in the fourth pillar: Innovation Incentives due to lags in contracting the innovation grants. SHIFT in SAARC has mostly overcome the implementation challenges that caused delays and the programme was operating at a faster pace at the time of the evaluation, yet delays in launching the innovation grants will negatively impact the achievement of programme objectives.

The implementation of SHIFT in SAARC in Bangladesh has not reflected the emphasis placed on gender in the SHIFT in SAARC programme framework due to the priorities of the funding obtained and the decision to focus on the micro-merchant sector. The MRM contains gender indicators and calls for gender-disaggregated data, but no gender-disaggregated data was available.

1.3.3 Effectiveness

At the financial services system level, the data and evidence work of SHIFT in SAARC, as well as their advocacy work through the convening of the Digital Finance Consultative Group (DFCG) shows signs of influencing the behaviour of FSPs. FSPs reported that SHIFT in SAARC brought the issue of DFS to the forefront of their attention. However, some major assumptions embedded in the programme's design have proven faulty, including that FSPs are constrained by information asymmetries. The evaluation team found no evidence that data and evidence products (i.e. research, studies and presentations) have a significant effect on FSPs behaviour with respect to launching new products or services. Instead, the FSPs are waiting to see the business cases resulting from the pilots in the FMCG sector, supported with the innovation grants. At the time of the evaluation, it was too early to assess the effectiveness of these innovation grants.

The evidence on whether improvements to the capacity of government officials, policymakers, and programme partners are on track to deliver improved financial inclusion policies and regulations that meet the needs of low-income consumers is mixed. The programme clearly influenced policymakers' thinking regarding *Electronic Know Your Customer (eKYC)* and the National Financial Inclusion Strategy (NFIS) but there is no evidence that SHIFT in SAARC's efforts contributed to advancing other priority policies and regulations for DFS. Stakeholders disagreed about the extent to which the programme has built awareness of the opportunities and constraints for gender equality or awareness of the women's market.

SHIFT in SAARC also works to build the capacity of partner organizations, which then deliver trainings to meso-level stakeholders. The evaluation team found that programme partner Dnet has delivered training-of-trainers (TOTs) to business association representatives, which resulted in the trainees changing their own business practices. It is too early to assess the impact of the TOT model on the micro-merchants who are the ultimate target of this training.

1.3.4 Likely Impact

The likely impact of the programme was reviewed from the perspectives of the financial services and real economy market systems and programme beneficiaries. For low-income programme beneficiaries, especially women and small and growing businesses, there is little evidence to date that financial services and products influenced by SHIFT in SAARC have had an impact as of the mid-term evaluation. The contribution of SHIFT in SAARC could have a significant impact on the inclusive financial services system through the eKYC guidelines. SHIFT in SAARC has had a positive, although limited to date, impact on improving eKYC guidelines, and ultimately this will have an influence on the forthcoming eKYC policy. By allowing faster and easier applications for financial accounts, eKYC may lead to the financial inclusion of millions of low-income people, especially female Ready-Made Garment (RMG) workers. The SHIFT in SAARC innovation grants promote partnerships and collaboration between FSPs, micro-merchants, distributors, wholesalers and regional FMCG companies, but it is too early to tell how grants might impact the real economy market system.

For the micro-merchant beneficiaries, SHIFT in SAARC's training has led to higher demand for goods, higher sales and better customer loyalty as a result of enacting new practices learned in business training. Micro-merchants also believe that aggregate demand for retail will increase in markets where several micro-merchants received business training.

For low-income programme beneficiaries, especially women and small and growing businesses, there is little evidence to date that financial services and products influenced by SHIFT in SAARC have yet had an impact. It may be too early to tell as the innovation grants are just starting to show potential to provide easy and convenient access

to DFS, including payments and credit to micro-merchants and Kallyani women. The impact of SHIFT in SAARC on gender equality will likely be modest due to low outreach to women. The few hundred Kallyani women reached by the programme could benefit from increased incomes, empowerment, self-confidence and agency.

1.3.5 Sustainability

Sustainability relates to the ability of the financial services and real economy market systems to provide low-income consumer access to financial services and increased incomes beyond the end of the SHIFT in SAARC programme.

The government's ability to continue improving the enabling environment for inclusive DFS is an important underpinning of financial inclusion. The DFS training provided to Bangladesh Bank Training Academy (BBTA) shows great promise for sustainably building the capacity of central bankers in DFS and new financial technologies. The DFCG, which serves as a platform for public-private dialogue on inclusive DFS, could be sustainable if another organization steps up to serve as the Secretariat.

The sustainability of changes in the capacity of FSPs to reach low-income men and women is unknown at the time of the evaluation as SHIFT in SAARC had only just begun to work with a handful of FSPs through the innovation grant activity. For low-income consumers, there is only limited evidence of increased take-up of DFS. Kallyani women were encouraged to register for digital accounts, but there is not yet evidence of sustained use across this group. The programme may have a sustainable impact by encouraging these women to become DFS agents. Furthermore, there is no evidence yet of sustained use of DFS by micro-merchants as a result of the programme, and it is too early to assess whether the innovation grants will result in sustainable DFS use by consumers.

The sustainability of impacts on incomes will depend on the lasting effects of business training for micro-merchants and Kallyani women. For the women, sustainability will also depend on the continued viability of the InfoLady business model in the four districts. The most likely sustainable effects on gender equality will result from the Kallyani programme, which appears to create positive change in women's confidence, self-esteem and agency.

1.3.6 Gender and Human Rights

The SHIFT in SAARC initial framework put tremendous emphasis on gender equality and women's financial inclusion. However, the programme as implemented in Bangladesh lacks a focus on gender equality. As a result, SHIFT is not on track to achieve its gender goals. The programme did not understand the target market sufficiently during design, and it has not adapted adequately to learning that there were few female micro-merchants. Women do not participate in large numbers in major sectors that the programme focuses on, such as FMCG.

The inability to achieve gender equality objectives is partly due to the design and priorities of the funding opportunities the programme has availed and is thus somewhat out of the control of SHIFT in SAARC. Yet, inadequate attention to gender analysis in the design stage, particularly of the MDDRM project, resulted in limiting ability of the programme to pursue stronger gender equality programming. Little has been done to build on the results of the POWER study that the programme co-funded. Likewise, the programme could have taken more advantage of the innovation grants activity to promote women's economic empowerment.

1.4 Conclusions and Recommendations

The SHIFT in SAARC programme framework has proven broad and flexible enough to allow for the implementation of two very different projects working on two separate but interlinked market systems. In a relatively short period of time, SHIFT has:

- Supported financial services regulators by building their capacity and providing opportunities to learn from good international practices;
- Convened the DFS ecosystem of stakeholders and built a constituency around DFS;
- Promoted networking, knowledge sharing and advocacy around DFS for financial inclusion;
- Developed partnerships with actors in the FMCG sector within Bangladesh;
- Developed research and evidence on key themes related to financial inclusion, DFS and the micro-merchant sector and disseminated this evidence; and
- Launched six innovation grants aimed to promote the digitalization of the FMCG supply chain and the use of DFS by micro-merchants.

At the policy and regulatory level, there are signs of increased capacity and potentially improved policy and regulations, such as eKYC, which can meet the needs of low-income consumers. At the financial services and real economy market levels, SHIFT in SAARC has had less effect due to the short timeframe of implementation within the programme. Still, there are signs of positive impacts:

- Higher awareness of DFS and of the micro-merchant segment, which raises interest in serving this market;
- Increased information exchange among regulators and the private sector, and an expanded and strengthened DFCG coalition;
- Data provided in the Micro Merchant Landscape Assessment (MMLA) report led a social enterprise from Singapore to enter the Bangladesh market;
- A programme that works to digitize salary payments to RMG workers used data from the MicroAsia portal to better understand the behaviour of the micro-merchant segment, which processes the remittances from RMG workers; and
- Participation in the DFCG enabled one FSP to recognize they had could potentially create a digital savings product.

To achieve the objectives going forward, SHIFT in SAARC needs to devote more attention to:

- Accelerating the pace of implementation;
- Taking a more strategic and focused approach to policy advocacy activities to reduce the risk of chasing every topic policymakers raise;
- Creating a communication plan that tailors communications products to the type of stakeholder, with extra emphasis placed on communications with funders;
- Aligning and expanding the MRM system to promote programme learning and the inclusion of required disaggregated data; and
- Taking a more serious approach to promoting gender equality, women's economic empowerment and women's financial inclusion to meet the objectives of the SHIFT in SAARC framework.

The evaluation team offers the following key recommendations that SHIFT in SAARC should implement to increase impact across the four outputs during the time remaining in the programme.

- **Make the DFCG more action-oriented**

The DFCG has effectively achieved its main objective “to promote and support the development and enhancement of mobile money use and other forms of DFS. The core objective of this group is to open up dialogue on the strengths, opportunities, challenges, gaps in the use of DFS for a more inclusive economy and sustainable economic growth in Bangladesh.” As a neutral organization, SHIFT is well positioned in the sector to have a more purpose-oriented, participatory, action-oriented working group that can take on specific topics to promote real change in the sector. This working group can be realized through an action plan, evidence-based workplans, and individuals that are committed to regular participation. UNCDF has experience coordinating DFS working groups in other regions (e.g. West Africa) that have action-oriented agendas from which they could borrow.

- **Create a more robust capacity building system**

Capacity building is one of the four outputs, and UNCDF is well positioned to play a lead role in this activity sector-wide. Training and capacity building for stakeholders is relevant, and they would benefit from a more robust, sector-wide approach in order to achieve long-term behaviour change and create institutional change management with a range of service providers.

- **Adapt programme management to available time and resources**

The market system development approach requires time to develop the system and achieve changes. Therefore, to achieve impact by the end of SHIFT, it is recommended to focus energy and investment on key sectors rather than spreading resources across new topics and activities. Considering the time remaining, it would be useful to take stock of ongoing activities and consolidate resources around activities which can lead to lasting changes, including focusing on quality over quantity with regard to the innovation grants, balancing programmes adaptiveness and reactivity to stakeholder requests, improving future project planning within the programme, and improving the design of future programmes similar to SHIFT in SAARC.

- **Incorporate gender issues as a key strategic focus of the programme**

There is scope for UNCDF to improve in its incorporation of gender issues. UNCDF FIPA should require gender analysis for all proposed programmes before receiving headquarters approval. This analysis should involve secondary and primary research with the target market segments during the design phase to ensure that the data is current. UNCDF should also hire a technically qualified gender champion among the senior-level decision-makers.