PACIFIC FINANCIAL INCLUSION PROGRAM- PHASE II

FINAL EVALUATION REPORT

OCTOBER 2019

GRAMEEN FOUNDATION INDIA

Client Insights for Impact (CII)

E-86, Lower Ground Floor, Sun City, Sector 54,
Golf Course Road, Gurgaon-122011 Haryana,
India

Table of Contents

Table of Table

Table of Figures

`

List of Annex

Acknowledgements

The outcome of any development initiative has to be seen through the eyes of the person who is the targeted beneficiary of the initiative. Elevating client voices has been a core philosophy at Grameen Foundation India and the same idea resonates in the name '**Client Insights for Impact'** of our department that led this evaluation. Ensuring that we heard first hand from the programme participants of the PFIP- II was therefore a critical need. We are deeply indebted and thankful to over 200 clients across Fiji, Vanuatu, Papua New Guinea and Solomon Islands who invested their valuable time to meet the evaluation team members and share their insights, challenges and needs as part of the focus group discussion and quantitative surveys in those countries. Without hearing directly from them, this evaluation would not have been complete and we are also thankful to the colleagues from Tebbutt Research, Sugarcane Growers Fund (Fiji), HFC Bank (Fiji), Vodafone (Fiji), ANZ Bank (SOI), SINPF (SOI), SolaPayGo (PNG), Women's Micro Bank Ltd. (PNG), National Bank of Vanuatu (Vanuatu) and Vanuatu National Provident Fund (Vanuatu), who facilitated the outreach and interaction with these clients.

Our sincere thanks is also due to the staff and management of all the partners of PFIP, who shared their candid views as part of the Key Informant Interviews and also shared important data that helped the evaluation team answer the key evaluation questions.

We convey our gratitude and acknowledge all the assistance and information that we received from the UNCDF PFIP team, especially Bram Peters, Narasimhan Krishnan, , Elizabeth Larson, Shobna Singh, Erica Lee, Vularewa Ramaqa, Abigail Chang, Naomi de Groot, Praneel Pritesh, Jagdeep Dahiya, Selina Pahun, Isaac Holly, Ajay Jagannath and Fabrizio Cometto who not only helped the team with all the programme reports and data, who also were very patient with our numerous requests for data, reports and information. We would also like to thank the UN Resident Coordinator for PNG, Gianlucca Rampolla, for providing valuable insights into the collaborative work undertaken by various UN agencies in the country in the spirit of "Delivering as One".

The evaluation benefitted from the insights shared by key counterparts from the Central Bank, Ministry of Finance, Ministry of Economy, Ministry of Education, Pacific Islands Forum Secretariat (PIFS) in Fiji, Vanuatu, PNG and SOI. Our sincere appreciation for the stakeholders across four countries for taking time out from their busy schedule to meet us.

The evaluation would have been incomplete without the valuable insights shared by donors of the programme. Our sincere gratitude to the Department of Foreign Affairs and Trade (Australia), Ministry of Foreign Affairs and Trade (New Zealand), European Union, RESPAC (UNDP) for meeting us during the field-mission phase.

The UNCDF leadership team accorded high priority to this evaluation and carved out time from their busy schedule to have detailed conversations with the Evaluation Team. Learning from them about the programme, about PFIP's role in the larger UNCDF organizational priorities, history and programmatic evolutions within PFIP and sharing their thoughts on the way forward for UNCDF was extremely helpful. Our sincerest appreciation to all these individuals.

The Evaluation Unit in UNCDF has been one of the most demanding clients we have ever worked with. They set high expectations around rigor, comprehensiveness and quality for the evaluation. At the same time, the Evaluation Unit did not seem like a client, since they were also working hard alongside.

The Evaluation Team would like to put on record the unstinted support and all the help that it received from the Evaluation Unit at UNCDF.

Prabhat Labh (Evaluation Advisor)
Chief Executive Officer
Grameen Foundation India

Alok Misra (Evaluation Team Leader)
Professor and Head
School of Public Policy, MDI

Evaluation Team

Devahuti Choudhury, Lead Evaluator
Rahul Ranjan Sinha, Associate Evaluator
Bobbi Gray, Gender and Development Expert
Vereimi Levula, Regional Financial Service Expert
Andy Philip, Regional Financial Service Expert
Gaurav Chakraverty, DFS & Market Development Expert
Gaurav Sinha, Data Analyst
Wamiq Zia, Data Analyst

List of Abbreviations

ANZ	Australia New Zealand Bank
ATH	Amalgamated Telecommunication Holding
ATM	Automated Teller Machine
BFA	Bankable Frontiers Associates
BoP	Bottom of the Pyramid
BPNG	Bank of Papua New Guinea
BTCA	Better Than Cash Alliance
CBSI	Central Bank of Solomon Islands
DAC	Development Assistance Committee
DFAT	Department of Foreign Affairs and Trade
DSS	Demand-side Survey
EFTPOS	Electronic Fund Transfer Point of Sale
FGD	Focus Group Discussion
FIU	Financial Inclusion Unit
FNFP	Fiji National Provident Fund
FSP	Financial Service Providers
G2P	Government to Person
GDP	Gross Domestic Product
GfG	Growth for Governance
GNI	Gross National Income
IC	Investment Committee
IFC	International Finance Corporation
IMF	International Monetary Fund
IMT	International Money Transfer
IT	Information Technology
KIIs	Key Informant Interviews
KYC	Know Your Customer
LDCs	Least Developed Countries
MNO	Mobile Network Operators
MSME	Micro Small Medium Enterprise
NASFUND	The National Superannuation Fund
NBV	National Bank of Vanuatu
NFIC	National Financial Inclusion Council
NFIS	National Financial Inclusion Strategy
NFIT	National Financial Inclusion Taskforce
NGO	Non-Governmental Organization
OECD	Organisation for Economic Corporation and Development
P2G	Person to Government
PAD	Project Appraisal Document
PBA	Performance Based Assessment
PFIP	Pacific Financial Inclusion Programme
PIC	Pacific Island Countries

PIRI	Pacific Islands Regional Initiative
PNG	Papua New Guinea
POS	Point of Sale
RBF	Reserve Bank of Fiji
RBV	Reserve Bank of Vanuatu
SCGF	Sugar Cane Growers Fund
SINPF	Solomon Islands National Provident Fund
SOI	Solomon Islands
SPBD	South Pacific Business Development
TSP	Technical Assistance Provider
TVL	Telecom Vanuatu Limited
UAP	Universal Access Policy
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Programme
USD	United States Dollar
VNPF	Vanuatu National Provident Fund
VNSO	Vanuatu National Statistics Office
Vt	Vatu

Programme Data Sheet

Country:	*Pacific Island Countries – Fiji, Solomon Islands, Papua New Guinea, Vanuatu, Samoa, Tonga*
Programme Title (long)	*Pacific Financial Inclusion Programme Phase II*
Programme Atlas Code (by donor)	PFIP -II

Financial Breakdown (by donor)

Commitments	As per Prodoc (amount)	Actual project budget (amount USD)
DFAT Fiji	AUD$14,150,000	6,865,037
DFAT SOL		7,445,277
DFAT Regional		4,749,543
DFAT PNG		1,095,492
MFAT	0	5,135,997
EU (PNG)	EUR 6,000,000	7,100,765
UNDP - RESPAC	0	590,000
UNDP - CORE	260,000	206,241
UNCDF - CORE	400,000	175,000
PFIP -1 Balance		2,336,370
Unfunded budget	**12,005,782**	
Total PFIP Funding	**21,770,937**	**35,699,722**

Delivery to date[1] (per donor) – Not Available

Donor	Year	Year	Year	Year	Total
UNCDF					
UNDP					
Government					
Total project budget:					

Project implementation

Executing Agency	UNDP
Implementing Agency	UNDP

[1] Specify exact date.

Key Project Partners	
Approval Date of Project	July 2014
Project Duration as per Project Document	2014-2018
Project Amendment	13 October 2017
Evaluation Date	27th May 2019 –30th December 2019

Project context

Other current UNCDF projects in-country	N. A
Previous UNCDF projects (if relevant)	Pacific Financial Inclusion Programme Phase I
Previous evaluations (if relevant)	Mid-term evaluation of Pacific Financial Inclusion Programme Phase II
Dates of audits	February 2017

Executive Summary

The Pacific Financial Inclusion Programme (PFIP) was developed to support the expansion of financial inclusion in one of the least -banked regions in the world: the Pacific islands. The Pacific Islands Countries (PICs) form not only one of the least developed regions of the world but also the most underbanked. The Pacific Financial Inclusion Programme (PFIP) was launched in 2008 to increase financial inclusion and improve livelihoods among low-income populations, particularly among women, in Fiji, Papua New Guinea (PNG), Samoa, Solomon Islands (SOI), Tonga and Vanuatu with recent entry into Kiribati and Tuvalu. The first phase of PFIP (PFIP-I) was implemented between 2008 and 2014; by the end of 2013, 687,620 individuals and/or small and micro enterprises in the PICs had gained access to one or more financial services. PFIP Phase II (PFIP-II) began in 2014 and is slated to end in June 2020. The goal of this report is to outline the findings from the final evaluation of PFIP-II.

PFIP-II is supported by the United Nations Capital Development Fund (UNCDF), United Nations Development Programme, the Governments of Australia and Zealand, the European Union's Papua New Guinea (PNG) delegation and the UNDP-Russian Federation powered RESPAC. The latter provided indirect support to PFIP-II through the UNDP Disaster Resilience for Pacific Small Island Developing State project.

PFIP–II is organized by macro-, meso- and micro-level interventions implemented through three workstreams: 1) Policy and Regulations, 2) Financial Innovation and 3) Consumer Empowerment. PFIP-II also emphasizes the importance of financial inclusion through a gender- and human rights-lens, which are aligned with the United Nation's goal of "Leaving No One Behind" in pursuit of the achievement of the Sustainable Development Goals.

Final Evaluation Methodology

The final evaluation of PFIP- Phase II commenced with an initial call with the UNCDF Evaluation Unit, followed by introductory calls with the FIPA team and the PFIP leads for the countries short-listed for the evaluation. The evaluation team was apprised of the programme, its objectives, goals and expectations from the evaluation which was to follow. This was followed by a period of in-depth review of all programme literature shared by the PFIP programme management and drafting of the inception report containing the final Theory of Change (ToC) and work schedule; elaboration of the Evaluation Matrix with questions, sub-questions and indicators which tested the programme's key hypotheses in accordance to the OECD/DAC criteria, followed by the preparation of a data collection toolkit comprising KII questionnaires, household survey forms and FGDs guidelines as well as a list of stakeholders to be interviewed and their role in the PFIP-Phase II. The evaluation methodology used a theory-based evaluation approach rooted in the ToC for the programme. Further, a mixed-method approach employing quantitative and qualitative tools was deployed to enable contribution analysis of the results in order to map direct and indirect impacts of PFIP-II.

As PFIP-II approaches the final months of implementation, this evaluation exercise was implemented to support UNCDF and its partners in capturing best practices and lessons learnt and to inform possible designs and implementations of subsequent programme phases in the Pacific region. Overall, the evaluation is envisaged to be useful for a wide range of stakeholders engaged in increasing financial inclusion in the region.

PFIP-II Targets and Achievements

PFIP-II established the objective of reaching 1.5 million Pacific Islanders with financial services, 50% of whom would be women by 2020; 50% of the total outreach was also expected to capture active use as measured by use of the financial products within that last 30 days and adoption of a new financial product within the last 90 days. During the height of outreach documented during PFIP-II, 1,183,228 people had been reached. As of the final evaluation, 779,663 people were current users. Approximately 40% of the new customers under PFIP-II were women; 9 projects, against a target of 14, reported segmented outreach data to capture differences in outreach to men and women. Details of the programme achievements can be found in Annex 11.

By March 2019, PFIP-II had mobilised $35.69 million in funding, which included an unspent balance of $2.3 million from PFIP-I; $23.48 million expenses had been incurred (but if commitments, which are yet to be disbursed, are included, this goes up to $29.59 million). If commitments are taken into account, PFIP-II had an unspent balance of $6.10 million as of March 2019. However, the work plan of PFIP-II for 2019-20 mentions that the total spend had reached $31.04 million by June 2019 leaving a balance of $4.7 million for 2019-20.

Final Evaluation of PFIP-II: Key Findings

Relevance: How well designed is PFIP-II to meet its broader objective of enabling access of financial services to low-income Pacific Islanders?

Given the PIC financial inclusion landscape, the workstreams and interventions funded under PFIP-II are noted as being highly relevant, particularly given the emphasis on digital finance and agent banking to help overcome the geographic and gendered barriers to accessing and using financial services. PFIP-II had a strong influence in making financial inclusion a key policy priority for the PIC governments and a wide-range of partners were engaged to meet the varied financial needs of clients. Relevance is further exemplified by the empirical evidence that has driven decision making by the commissioning of knowledge products such as the Demand Side Surveys (DSS) to steer the discourse for the market for financial inclusion.

Efficiency: How well has PFIP-II delivered the expected results?

The average cost per new PFIP-II client was USD 19.8, making it a relatively cost-efficient intervention. However, this estimate does not account for work done under the Policy and Regulation workstream, which is one of the stronger components of the programme. While PFIP-II benefitted from strong programme management and supervision at the country and programme levels, the quality of monitoring data negatively affected the evaluators' ability to assess programme efficiency. Efficiency gains for the programme were also noted for the innovations fostered by the programme that deployed technology to enable digital channels of engagement to address access and cost barriers for end consumers. Further, embedding of financial education curriculum through national mandates of countries like Fiji and SoI is also an efficient way to address financial exclusion at scale for the future generations that will soon enter the workforce.

Effectiveness – Organization-level: To what extent is PFIP-II on track to increase the capacity of partner organisations to deliver good quality and sustainable financial services to low-income populations, particularly women?

PFIP-II was moderately effective and achieved 7 out of its 14 targets set across the three workstreams; most of the targets missed were in the Financial Innovation and Consumer Empowerment workstreams. PFIP-II performed reasonably well in increasing the institutional capacity of partner organizations in delivering quality financial services and increasing access and usage of financial services among low-income populations. Despite PFIP-II being somewhat successful in reaching women (reaching 40% versus the 50% target), there was no evidence of the development of gender-sensitive or gender-transformative products. Financial education projects implemented through the Consumer Empowerment workstream have garnered wide-recognition and appreciation for PFIP-II, particularly in Fiji, SOI and PNG. While knowledge management was highly effective during PFIP-II with research and technical assistance, efforts in documenting and creating institutional memory have to be further streamlined, especially in cases of project failures, such as that experience by BIMA, one of the grantees that discontinued its operations in the region.

Effectiveness – Policy- and market-level: To what extent is the programme on track to influence the broader financial inclusion system in the countries where it operates?

PFIP-II was highly effective in keeping financial inclusion high on the agenda in policy discourse of PICs, resulting in the development of NFIS and the subsequent institutionalisation of country-level National Financial Inclusion Task Forces and working groups to steer policy, implementation and for ensuring due attention to different strands of financial inclusion work. Engagement at the policy level also facilitated the promotion of digital financial services (DFS) by working with the government departments and regulators across the countries. While PFIP-II desired to prompt a market demonstration effect in terms of influencing other financial service providers (FSPs) in the PICs to adopt targeting low-income households for providing financial services, this effect to date has been limited. There have been very few new entrants into the market and limited evidence that FSPs not funded by PFIP-II followed suit.

Impact: To what extent is PFIP-II on track to contribute to improved access to financial products and services for low-income rural populations?

Efforts at the policy-level are noted as having made significant contributions to the overall market development of financial services sector in the PICs. Consumer empowerment initiatives demonstrated moderate impact on the awareness levels of clients, likely a result of only some of the initiatives scaling across the PICs. At the financial innovation-level, PFIP-II has used innovative models to reach out to last mile clients; however, these models have only been moderately successful in impacting outreach and uptake of financial services by low-income segments, particularly in rural areas. PFIP-II has achieved 52% of its outreach targets with 779,633 consumers enrolled into formal financial services against a target of 1,500,000. As was noted earlier, at its highest point, approximately 1.2 million consumers were accounted for, but these numbers have dropped due to the exit of some of the projects that saw quick uptake (such as BIMA's digital insurance products).

Utilizing data collected by the evaluators through client surveys and FGDs, awareness among consumers of financial products remains moderate, depending on the financial product. For example, awareness of pension and insurance products were relatively high (approximately 70% and 80%, respectively) compared to credit products (46%) and banking agents (21%). Seventy-two percent of those interviewed owned a bank account; women (69%) and rural consumers (65%) were less likely than men and urban (both at 75%) consumers to own an account. Approximately 60% either deposited or withdrew money from their savings account in the last 12 months which contrasts with the estimates noted during the demand-side surveys conducted at the beginning of PFIP-II. Approximately 30% of consumers interviewed in the PICs during the demand-side surveys (DSS), which are considered a baseline, were noted to have made a deposit in the 12 months prior to the survey.

Overall, at the client level, evidence for financial services to create one or more development impact(s), especially leading towards, if not the achievement of other SDGs, requires specialised data collection approaches. The Impact Pathways project conducted under PFIP -II has made an effort to report on data for Vodafone PAY in Fiji showing changes in results over the period of a year. This has shown changes in the ability of active clients' (27%) to manage their money, receive payments and protect their money to see it grow through mobile money channels. However, such analyses have not been possible for most of the interventions supported by PFIP-II because of lack of data available. The Impact Pathways project is a critical initiative that points to the need for pioneering programmes like PFIP-Phase II to be able to map the different impact pathways to indicate, even early in the product cycle, how customers are using the service and what benefits they are receiving – critical information for service providers to tweak and adapt their value proposition to low income clients.

Sustainability: To what extent are the programme results likely to be sustainable?
On the policy front, PFIP-II interventions have been found to be highly sustainable through the institutionalization of NFIS in the PICs. On the financial innovation front, PFIP-II shows low sustainability with only about 10% of total projects (Fijicare which offered a bundled insurance product that included term life, funeral, property and personal accident coverage to the Sugar Cane Growers Fund and Solomon Island National Provident Fund's YouSave product that facilitated savings through the use of mobile airtime) showcasing any evidence of financial sustainability reached by end of programme. It is important to note, however, that 20% of PFIP-II projects have only been recently commissioned and cannot be evaluated in this area. Consumer empowerment initiatives have been moderately successful overall with a high success rates noted for curriculum integration for schools and technical vocational educational training programmes. Initiatives embedding consumer education through financial service providers are few and far between, thereby limiting any analysis regarding sustainability.

Recommendations

The following recommendations are applicable to PFIP-II as a whole; country-specific recommendations can be found in the individual reports developed for Fiji, SOI, PNG, and Vanuatu. Prioritized recommendations are organized per each of the three workstreams as well as a special focus on knowledge management.

Policy and Regulation

- PFIP-II has registered success through its support through central banks and the development of the NFIS; however, specific guidelines regarding data management are still needed. There was very little evidence of regular, credible data being reported by the central banks as a consequence of the central banks not having reporting mechanisms for the financial service providers to feed into. PFIP can play a critical role in helping establish these data management systems. Given the establishment of the DSS that documented the first-time ever statistics for financial inclusion in the region, PFIP should continue to support the ongoing development of this resource, with particular attention paid to advancing research on women and rural areas.

- While support of the digital payments ecosystem was a priority for PFIP-II, few initiatives were implemented with this mandate. Global experiences suggest that prioritizing a payments ecosystem creates immediate use cases and supports the onboarding of other DFS. As such, a payments ecosystem in the PICs should be prioritized to help drive access and adoption of DFS.

Financial Innovation

- Of the clear successes in product and channel innovations, insurance and pension products were found to be most successful from a take-up, use, and from a sustainability perspective are poised for expansion within the initial countries of implementation and more broadly within the region.
- Given the PIC context, very few products were designed under PFIP-II that respond to migratory needs or the climate and resilience concerns that low-income households experience. The development of financial products such as remittances (and not just international but domestic migration) and innovative financing tools that help households anticipate, respond, and recover from climactic events are needed.
- Despite credit being highly demanded by a full spectrum of micro and small, and medium enterprises (SMEs), all countries in the PIC exhibit credit market deficiencies. Fiji and Vanuatu could be good testing grounds given central bank interest in working on strengthening the SME sector. PIC agency banking models to expand financial services into rural areas have yet to demonstrate sustainability. It is recommended that PFIP support sector-specific agent models that can build the use cases for agency banking, such as within the agriculture sector and its allied businesses, where all actors in a value chain can be integrated and coordinated.
- Despite gender being an emphasis of PFIP-II, there is negligible evidence of products or channels being designed to specifically target women or other marginalized populations, outside of those organizations already focusing specifically on them, such as local microfinance institutions already serving only women. The PoWER diagnostics conducted in PNG and SOI which documented women's experiences with financial services are highly valuable but were conducted toward the end of PFIP-II, limiting their value for informing Phase II strategies and projects. Future phases of PFIP should clearly articulate indicators of success for reaching women, benefiting them, and empowering them to inform technical assistance needs and to guide accountability as well as lessons learned for contributing to women's empowerment in financial inclusion.
- Given the paucity of viable partners in the PIC which results in limited use of competitive bidding in partnership development, stronger accountability features are needed to ensure partners remain equally responsible for envisaged project results.

Consumer Empowerment

- The integration of financial education into school curricula and vocational training programs has long-term and sustainable repercussions in preparing the next generation and is perceived by the central banks as one of the most prominent areas where they see PFIP playing a continued role going forward to expand these efforts. While built into partner agreements, financial education implemented at the level of financial service providers was limited and the lines were often blurred between financial education and product marketing. In all cases of financial education implementation, there was an absence of any consumer outcomes measurement. PFIP should require future replications of consumer empowerment initiatives to collect evidence of the impact of these initiatives at the consumer level.

- Consumer protection is still a work in progress, with some countries like PNG making strides in drafting financial consumer protection guidelines that are currently under review. However, concerns were noted during the field visits that full disclosure of products, pricing and cost transparency, and grievance redressal processes were limited or absent among some products. PFIP's next phase should focus not only on strengthening the ratification of consumer protection guidelines at the policy level but also offering assistance in implementing standards of practice at the FSP level.

In addition to the three workstreams, knowledge management by PFIP was found to be an important area requiring improvement to both capture lessons and share them among PFIP stakeholders. Knowledge management was not found to capture the amount of work done by PFIP-II which also affected the evaluation team's ability to fully capture lessons learned by the programme. It is recommended that PFIP recalibrate its data collection tools and reporting formats to include outcome and impact measures, and impact evaluations where possible, to showcase accomplishments and lessons learned and to ensure knowledge transfer among implementers, donors, projects phases, and individual projects.

1. Scope and Objectives of the Evaluation

1.1. About the Programme

The Pacific Financial Inclusion Programme (PFIP) was developed to support the expansion of financial inclusion in one of the least-banked regions in the world: the Pacific islands. The programme is supported by the Government of Australia, the Government of New Zealand, United Nations Capital Development Fund (UNCDF), United Nations Development Programme (UNDP), the European Union's PNG delegation and the Russian Federation, the latter through the UNDP RESPAC project. It is implemented by UNCDF - via direct execution - and the UNDP Pacific Centre, as a separate project under the MDG and poverty reduction programme.The first phase of PFIP started in August 2008, and the second phase began in 2014 and is slated to end in 2020.

PFIP-II has implemented its mandate of widening the access to financial inclusion through its interventions for the three outcome areas: 1) Policy and Regulation, 2) Financial Innovation and 3) Consumer Empowerment. It has utilised technical advisory, human-centred design, performance measurement, gender strategy and market research as key strategic instruments for widening the access to financial services for low-income segments, especially women in Pacific Island Countries. Additionally, it has adopted an innovation hub model approach which is inspired by UNCDF's maturity model of innovation, leverage and scaling up of public and private finance initiatives to serve the poor. It has worked with the objective to increase the usage of financial services by low-income Pacific Islanders through its interventions at macro, meso and micro-level and aims to improve their livelihoods in the long run. PFIP currently covers Fiji, Papua New Guinea (PNG), Samoa, Solomon Islands (SOI), Tonga and Vanuatu with recent entry into Kiribati and Timor Leste.

1.2. Purpose and Objectives of Evaluation

The final evaluation of PFIP Phase II was conducted in accordance with the Programme Document and the broader Evaluation Policy at UNCDF[2], which is guided by the dual objectives of accountability and strategic learning. UNCDF's Evaluation Policy stipulates that the evaluation should be independent, impartial, and of appropriate quality to generate relevant and useful information to support evidence-based decision making. In support of this, the final evaluation of PFIP-II was designed with the following main objectives:

1. To assist UNCDF and its partners understand the relevance, efficiency, effectiveness, likely impact and sustainability of the programme in the different countries where it is active
2. To consider variation in PFIP's performance at all levels taking into account differences in implementation modality, the evolution of the programme's strategy and the importance of policy and institutional context on PFIP results
3. To provide evaluative evidence on the contribution of PFIP's work to financial inclusion in partner countries and to UNCDF's broader financial inclusion strategy
4. Situate the programme in its broader development cooperation environment, compared to similar approaches that promote financial inclusion by other development actors, as well as across UNCDF's Financial Inclusion Practice Area

[2] As an associated fund of UNDP, UNCDF is party to UNDP's Evaluation Policy which in turn draws upon the Norms and Standards of the United Nations Evaluation Group (UNEG): http://web.undp.org/evaluation/policy.shtml

PFIP II underwent a mid-term evaluation in 2017[3] that informed the programme stakeholders about the progress made between 2014 and 2017 with strong recommendations around the institutionalization of a results management framework and its theory of change. As PFIP -II approaches the last leg of its implementation, this final evaluation was intended to understand in a summative manner progress towards impact in the programme's main focus areas of: policy and regulatory ecosystem, consumer empowerment, the commercial viability of financial products and services, and outreach through product uptake, usage and adoption. The broader purpose of the final evaluation for PFIP II was to allow UNCDF and its partners to meet their accountability objectives and to ensure that the evaluation can support the ongoing attempts by PFIP and its funders to capture best practices, and lessons learnt. **Such information will further be used for possible design and implementation of a subsequent programme phase in the Pacific region**. Overall, the evaluation is envisaged to be useful for a wide range of stakeholders involved in expediting the financial inclusion in the region. Figure 1 presents the range of stakeholders that are expected to utilize this evaluation report.

PFIP and its funding affiliates	•Demonstrate accountability of resources, capture lessons learnt and inform future programme design
Policy makers and Regulators	•Capture best practices and further refinement of policy and regulations in the country
Insitutional partners implementing projects	•Learning and future project design
External Stakeholders	•Learn from PFIP experience and critically review programme and future interventions

Figure 1: Utility of final evaluation of PFIP -II

1.3. Scope of Evaluation

The boundary for the final PFIP -II evaluation is defined by all the programme activities that have been conducted between the inception of PFIP Phase II in May 2014 and July 2019, henceforth also referred to as the *'evaluation period'*. The evaluators also built on the learning from PFIP Phase I activities as documented in the Programme Document- 2014 and its subsequent version in 2017.

PFIP is currently active in Fiji, Papua New Guinea (PNG), Samoa, Solomon Islands (SOI), Tonga and Vanuatu with recent entry into Kiribati and Timor Leste. The field mission phase included visits to four countries where PFIP II has been active: Fiji, Solomon Islands, Papua New Guinea, and Vanuatu (country reports for which are attached). Stakeholders from the government and relevant ministries, regulatory bodies, private sector players, technical service providers, and consumers were covered during the field mission phase of the evaluation. Overall, the team assessed programme progress and outcomes/ impact across the three workstreams in the four countries.

Incorporating gender and human rights - The evaluation approach integrated gender equality and human rights issues at all the levels of evaluation in line with relevant aspects of the UN's goal to respect the "Leaving No One Behind" objectives of the Sustainable Development Goals. Considering the gender-specific targets of PFIP Phase II, the evaluation matrix explored whether the programme and its commissioned projects are truly representative, reach the low-income segment and target women for bridging the gender gap in access to financial services in the region. Consequently, the

[3] PFIP -II Mid-Term Review Report

evaluation strived to assess the heterogeneity of impact at the consumer level for women and country-specific marginalised groups, especially from an economic perspective.

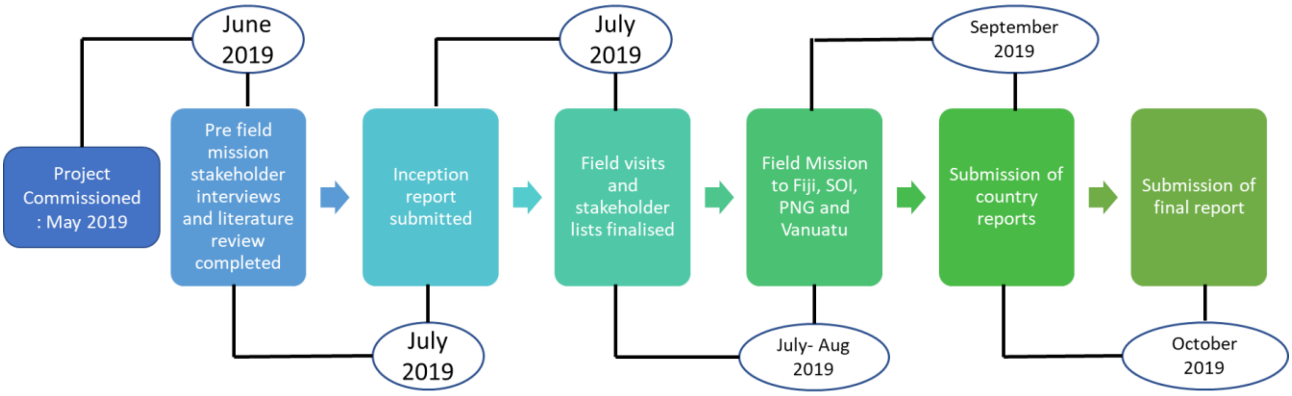


Figure 2: Project timeline for PFIP Phase II final evaluation

1.4. Approach to the Evaluation

In line with UNCDF's emphasis on designing rigorous evaluations with utility in mind, the evaluation team adopted the principles of **Utilization-Focused Evaluation** - which implies coming up with conclusions, recommendations and lessons from PFIP-II operations to inform future programme design. Using a **mixed-method research design**, this evaluation exercise was informed by five lines of evidence: 1) Desk Review, 2) Key Informant Interviews (KIIs), 3) Quantitative Client Survey, 4) Focus Group Discussion and 5) Partner/Grantee data that would help understand awareness, access, uptake, usage and adoption levels among partner organisations and end consumers. In addition, the evaluation exercise adopted a **gender lens** through disaggregation of programme results by gender, to assess the integration of a gender sensitive programme approach by PFIP-II. Overall, a consultative and participatory approach was adopted by evaluators for conducting the final evaluation of the programme.

Furthermore, keeping the evaluation requirements in mind, the consultants applied the standard criteria for international development evaluation: **relevance, efficiency, effectiveness, impact and sustainability**.[4] Following the theory of change of the intervention being evaluated, these criteria are further broken down through an evaluation matrix into sub-questions and verifiable lines of evidence with the aim of ensuring high quality and rigorous evaluation. Evaluation findings as classified under these categories are presented in Chapter 4 of the report. The evaluation design is also informed by CGAP's guidelines for measuring market development and assesses causal relationships using contribution & attribution analysis.[5] Detailed information on the approach and methodology adopted for conducting the evaluation has been presented in Chapter 3 of this report and also in Annex 9 of the report.

[4] Initially developed by the Development Assistance Committee of the OECD, these have since been adopted by the United Nations in their Norms and Standards for evaluation and integrated in UNDP's Evaluation Policy. They provide a standard framework for evaluating the results of international development cooperation with rigour, credibility and utility of evaluation results in mind.

[5] https://www.cgap.org/sites/default/files/researches/documents/Technical-Guide-Measuring-Market-Development-Oct-2017_0.pdf

Theory of Change for PFIP -II

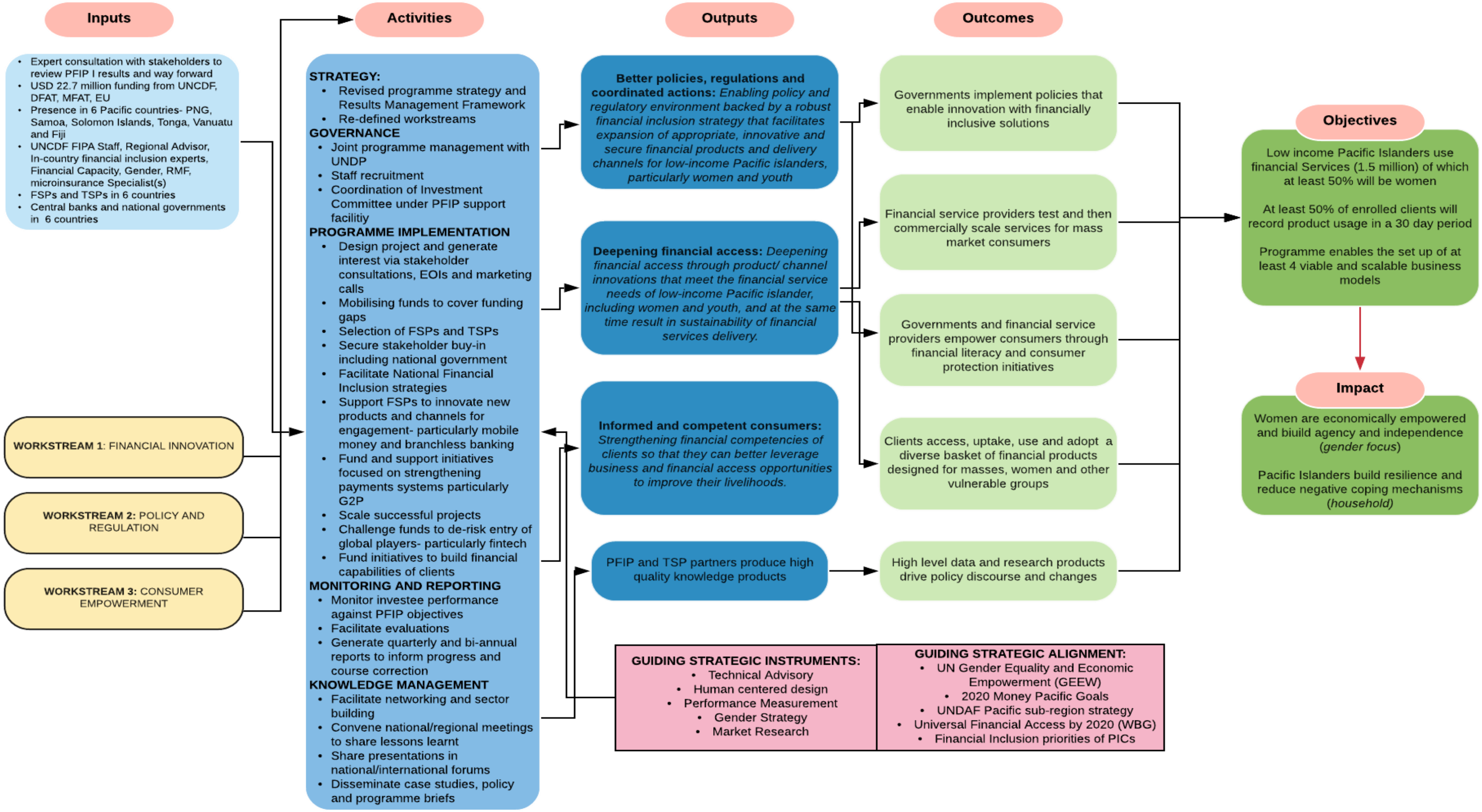


Figure 3: Theory of Change

2. Programme Profile

2.1. Programme Description

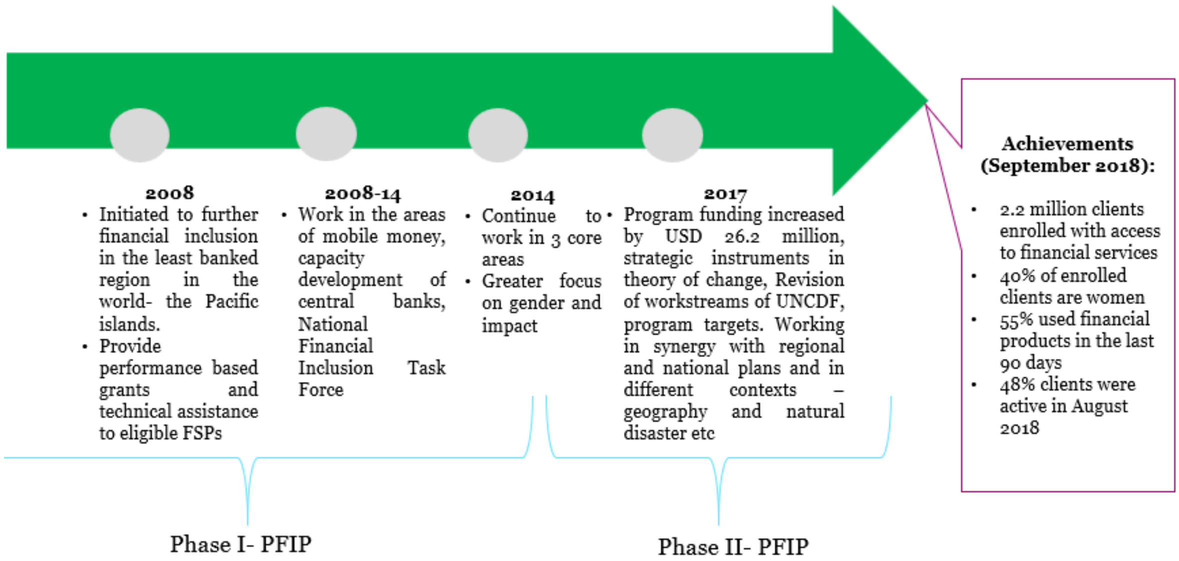
Pacific Island countries (PICs) form not only one of the least developed regions but also the most underbanked across the globe. The challenges faced by most of the PICs are very similar in nature due to their location, low population density, lack of resources, a narrow export base, vulnerability to economic shocks and slow or stagnant economic growth. The World Risk Index 2018[6] that measures risks for natural disasters and the resultant socio-economic vulnerabilities ranks five Pacific Island countries among the top 20 most at-risk countries in the world, including Vanuatu and Tonga, which are ranked first and second respectively. In addition to the complexities around macro-economic factors and climate related vulnerabilities, the PICs have very low population densities[7] that contribute to the obstacles for businesses that need economies of scale to spread in these countries.

Migration has been a way of life for Pacific islanders and to this day, migration affects the growth and distribution of Pacific populations. While earlier international migration was more common, a new dimension of urbanization, movement from the outer islands or rural areas to the urban centres has been added in recent times. UNFPA estimates that 16 thousand Pacific Islanders are leaving their Island countries annually.[8] Gender equality in PICs is rated low on accounts of low levels of political representation, restrictive legislative frameworks, and barriers to women's participation in economic development and poor access to healthcare. These issues shape the mandate of PFIP -II in the PICs prompting it to adopt a greater focus on gender and to provide meaningful solutions to migrant populations for advancing financial inclusion in the region.

Against this background, the first phase of the Pacific Financial Inclusion Programme (PFIP I) started in 2008, supported by the United Nations Capital Development Fund (UNCDF), the United Nations Development Programme (UNDP), and the European Union's Africa, Caribbean and Pacific Microfinance Framework Programme (EU/ACP). With an objective to achieve greater financial inclusion in one of the least banked regions in the world, PFIP I had, by the end of 2013, reached 687,620 additional individuals and/or small and micro enterprises in the Pacific Island Countries (PIC) who had gained access to one or more appropriate financial services[9]. The second phase of the Pacific Financial Inclusion Programme was launched in July 2014 for an operating period of 5 years (2014-19). Figure 4 below presents the evolution of PFIP alongside key results.

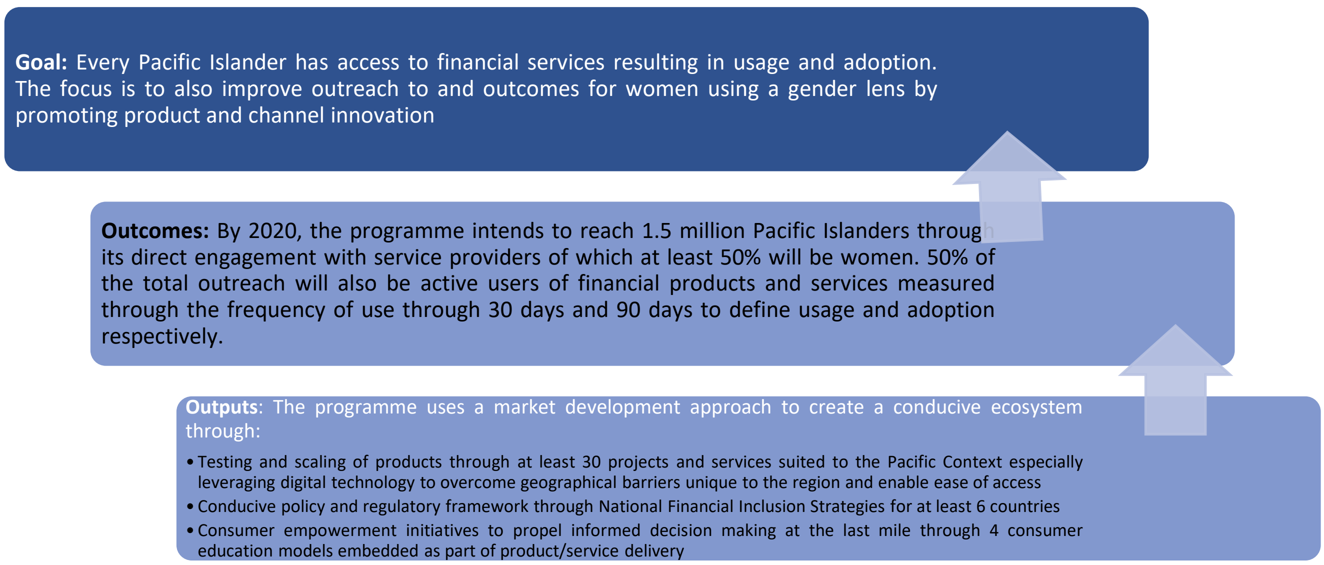
[6] https://weltrisikobericht.de/wp-content/uploads/2019/03/190318_WRR_2018_EN_RZonline_1.pdf
[7] https://pacific.unfpa.org/sites/default/files/pub-pdf/web__140414_UNFPAPopulationandDevelopmentProfiles-PacificSub-RegionExtendedv1LRv2_0.pdf
[8] https://pacific.unfpa.org/sites/default/files/pub-pdf/web__140414_UNFPAPopulationandDevelopmentProfiles-PacificSub-RegionExtendedv1LRv2_0.pdf
[9] Source - Self-reported as per PFIP -I RMF document

Figure 4:Evolution of PFIP (Self-Reported)



PFIP's objective was to increase the number of low-income Pacific Islanders who adopt formal financial services. PFIP - II planned to achieve this objective by supporting FSPs to innovate with products and services for mass-market consumers, helping governments to create an enabling policy environment for financial innovation, and empowering consumers for example through financial education initiatives. Recognizing that women make up half of the potential consumer base for financial services providers, PFIP aimed to work with its partners to ensure greater financial access for women through product design, channels for engagement with gender-disaggregated reporting. Based on the above, PFIP II goals, objectives, outputs, and outcomes are presented below:

Figure 5: Goals of PFIP -II



The design of the PFIP-II programme was based on the importance of building an ecosystem that caters to provision of sustainable financial services in the Pacific region by working with **stakeholders at macro, meso and micro levels simultaneously** to help market players incubate initiatives that will aid and sustain financial services sector growth in the Pacific region.

Pacific island countries face some unique challenges in advancing financial inclusion because of their geographic dispersion, remoteness, and small market size. Before PFIP, while there was a growing consensus that financial inclusion needs to be a priority, there were no concrete action plans to achieve this in the region barring a few sporadic efforts by development aid agencies such as ADB at a programmatic and implementation level. To further complicate the problem, there was an absence of data on access to financial services (even FINDEX of the World Bank in its last edition of 2017 did not cover PICs). The capacity constraints of the Central Banks in the region have added to the challenge of designing effective policies for financial inclusion and measuring the outcomes thereof.

2.2. Brief overview of the policy and institutional context of PFIP II

PFIP Phase II's work in the areas of policy and regulation, financial innovation, and consumer empowerment can be better appreciated against the backdrop of the PICs' geographical situation and their policy and institutional context. Geographical and demographic features also affect the policy and institutional landscape. Central Banks remain the key regulator of financial services in the PICs . The Reserve Bank of Fiji regulates 90% of the financial system in Fiji, while the PNG Bank oversees the entire financial services sector in PNG, except the securities market. In smaller countries like Solomon Islands, the Central Bank also regulates pension funds. This has also helped create the pathway for other government agencies and ministries to align their objectives with financial inclusion as an important strand for the development. Further evidence of the importance of financial inclusion to PICs comes from various other global and regional initiatives such as the adoption of the Money Pacific Goals endorsed by the Forum Economic Ministers Meeting (FEMM) and South Pacific Central Bank Governors in 2009. Almost all countries in the Pacific have committed to abide by its key goals to be achieved by 2020, one of which is to halve the number of Pacific Islanders without access to financial services. The Alliance for Financial Inclusion (AFI) has been working with Central Banks of PICs since 2009. All seven members of the Pacific Islands member countries have made commitments to the Maya Declaration- global and measurable set of commitments by policymakers from developing and emerging countries to unlock the economic and social potential of 2 billion unbanked people through greater financial inclusion. In 2015, Pacific Islands Financial Inclusion Working Group (PIWG) at AFI consisting of member Central Banks was renamed as Pacific Islands Regional Initiative (PIRI). PIRI acts a platform for evolving common vision and sharing best practices. Considering the geographical peculiarities of PICs, PIRI's current focus is on fintech through its five work streams. Finally, Fiji, SOI and PNG, three of the bigger countries in the region have become members of the Better than Cash Alliance (BTCA) housed at the UNCDF which includes a series of commitments to move towards digitising payment systems in their economies.

Efforts from various development agencies, governments and private sector players have facilitated the development of an enabling environment for greater financial inclusion in the region. Despite the policy focus and work by various agencies in the region, the institutional landscape continues to be characterised by weaknesses: high exclusion especially in credit and insurance, concentration of banking outlets in major cities, low penetration of successful agent banking models and a nascent digital finance ecosystem. Figures available from Demand-Side Surveys for four countries visited by the evaluation team point to these institutional shortcomings in financial inclusion.

Extremely low penetration of formal financial institutions results in high cost of financial services and consequently the exclusion of a large segment. Realising the constraints of 'brick and mortar' bank branches in a dispersed population context, PICs in recent years have seen an emphasis on agent banking and mobile phone-based payments. However, both are still at a nascent stage.

Table 1: Select Indicators of Financial Inclusion

Country	Population	#Bank Branches/Agents	Saved at a financial institution in past year (%)	Loans from a financial institution in past year (%)	Percentage with Adults with insurance
Fiji*	884,887	69 (126)	37.9%	6.7%	12%
SOI*	652,858	15 (167)	17%	3%	7%
PNG**	8,250,000	216 (458)	27%	<5%	8.25%
Vanuatu*	272,549	35 (agents not known)	27%	9%	5%

*Data source: Demand Side Surveys commissioned by PFIP-II
**Data source: NFIS

In sum, it can be said that while financial inclusion has achieved the centre stage in policy frameworks in PICs, the institutional landscape continues to be characterised by legacy issues such as economies of scale, data quality, technology advancement. It is expected that with favourable policy in place, next 3-5 years will be crucial in expanding financial inclusion.

2.3. Current Programme Implementation status

This section presents the programme output indicators across the three workstreams as per the Pro Doc, Outputs as per PFIP-II Results Management Framework (RMF) and the progress against these as reported by the programme on 31 July 2019. The revised ProDoc of 2017 has been used in place of the 2014 document as it has undergone substantial changes with respect to measurement framework, indicators to monitor progress, budgetary allocations, among others.The Tables below present the programme's reported performance against target output, outcome and objective indicators. Detailed Tables with all the project names and country-wide progress have been included in Annex 7.

Table 2:Programme Output Metrics[10]

Indicator	Programme Target	Achievement as at Q4 2018[11]
Better policies, regulations and coordinated actions		
PICs with Financial Inclusion strategies	5	5
Digital G2P/P2G projects	3	1
Policy related TA/research delivered	11	11
Knowledge products, policy and regulation	15	21
Deepening financial access		
New projects towards: ***Mobile money (5), Branchless banking (6), Insurance (5), Microfinance (3), Savings Clubs (1), Remittances (4), Pension (3)***	30	27
Number of test projects	N/A	14
Projects with segmentation for women	14	11
Knowledge products, financial innovation	10	5
Informed and competent consumers		
Financial Education Projects	5	5
Consumer Education model tests	3	1

[10] As reported by the Programme Management Unit

[11] Results Management Framework as on Q1 2019; PFIP

Consumer protection mechanisms test	2	1
Consumer education models embedded in service delivery	4	2
Number of PICs with FinEd curriculum	3	3

Table 3:(Intermediate) Outcome indicators and achievement for PFIP Phase II

Indicator	Programme Target	Achievement as on Q4 2018[12] (RMF)	Achievement as on Q2 2019 as per evaluators
Governments implement policies which enable innovations with financially inclusive solutions			
Number of active National Financial Inclusion Taskforces	5	5	5
Number of Key Policy commitments	23	21	21
20% of G2P/P2G payments through digital channels	0	0	0
Number of countries with core FI regulatory domains enabled	4	0	0
Financial Service Providers test and then commercially scale services for mass market consumers			
Number of innovations scaled	14	14	14*
Govts and FSPs empower consumers through financial literacy and consumer protection initiatives			
Consumer Empowerment models embedded in service delivery	4	6	7**
PICs with FinEd curriculum	3	3	3
Quality of consumer protection mechanisms	0	0	0

*The RMF defines this KPI as projects that have been commissioned to scale a product/service and not necessarily projects that have been scaled as an outcome of the project

**The definition as per the RMF is for projects that embed consumer empowerment models. However, as per PADs all projects are supposed to address consumer empowerment. The RMF team could not clarify the difference and the evaluators have used the value as reported by the RMF

Table 4:Long term outcomes/objectives of PFIP Phase II

Indicator	Programme Target	Achievement as on Q1 2019*	Achievement as on Q2 2019 as per evaluators
1.5 million enrolled customers	1,500,000	1,463,857	779,633
50% of enrolled customers (750,000) are women	750,000	585,542 (40%)	270,910 (35%)
50% of enrolled customers are active **At 30 days** **At 90 days**	50%	 33% 33%	Same as reported by the RMF
Number of viable business models established	4	3	1

*Data source: PFIP Quarterly Report, Q1- 2019

2.4. Current Programme Financial status

This section documents the total funding received from various donors by March 2019 and the position of commitments and disbursements thereof. By March 2019, PFIP Phase II had mobilised funding of $35.69 million, which includes an unspent balance of $2.3 million from PFIP Phase I. Of the total committed funding of $35.69 million, Australian DFAT funding specific to countries and to the region as a whole accounted for 56.45%. European Union funding for PNG alone was 19.89% of total funds and New Zealand MFAT funding accounted for 14.39%. Put together, these three sources account for 90% of mobilised PFIP-II funds up to March, 2019.

[12] Results Management Framework as on Q1 2019; PFIP

Table 5: Funds Mobilised by PFIP -II[13]

Funds Mobilised till March 2019	
Donors	**USD**
DFAT Fiji	6,865,037
DFAT SOL	7,445,277
DFAT Regional	4,749,543
DFAT PNG	1,095,492
MFAT	5,135,997
EU (PNG)	7,100,765
UNDP - RESPAC	590,000
UNDP - CORE	206,241
UNCDF - CORE	175,000
PFIP -1 Balance	2,336,370
Total PFIP Funding	**35,699,722**

Expenses against that have two broad components -a) Indirect costs which refer to staff costs (both professional and admin staff), technical assistance provided by PFIP staff, media, travel and miscellaneous expenses and b) Grants to institutions and Technical Assistance providers. Total indirect costs of PFIP-II, till March 2019 amounted to $12.05 million or 34% of the funds mobilised. However, this cannot be fully accounted for as purely the administration cost since the TA provided by PFIP staff is also part of the head "Payroll/Technical Support", which accounts for 68% of the total indirect costs. PFIP Phase II does not maintain separate accounts for TA provided by PFIP staff but it was submitted that 70% of "Payroll/Technical Support" is accounted for by TA. The country-wise split of various categories of indirect costs is given in Annex 9.

Total grants committed to institutions/agencies and to TA providers which includes both firms and individual consultants till March 2019 was $17.53 million. However, if grants disbursed position is taken into account, the amount is $11.43 million. Table 6 below summarises the position.

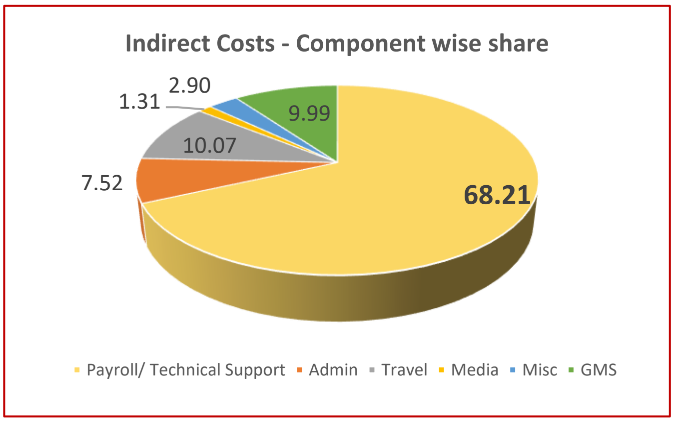


Figure 6: Segregated View of Indirect Cost

Table 6:PFIP -II Expenses*

PFIP -II Expenses till March 2019 In $						
Indirect Costs	**Grants committed to Institutions/ Agencies**	**Grants Disbursed to Institutions/ Agencies**	**Grants committed for TA to firms/individuals**	**Grants Disbursed for TA to firms/individuals**	**Total of Indirect Costs plus Commitments**	**Total of Indirect Costs Plus disbursements**
(a)	(b)	(c)	(d)	(e)	f (a+b+d)	g (a+c+e)
12,052,598	13,028,952	7,713,561	4,512,271	3,720,525	29,593,822	23,486,685

*Data source: PFIP Programme Team

Based on the above position, actual expenses till March 2019 were $23.48 million but if commitments (yet to be disbursed grants) are included it goes up to $29.59 million. Workstream wise commitments and disbursements are not available in case of grants for TA to firms and individuals (columns d and e in the above table) as many TAs are cross cutting across workstreams. However, country wise and

[13] Data source: PFIP Programme Team

workstream wise grants commitments and disbursement figures in respect of institutions/agencies shows (columns b and c in above table) that the workstream "Financial Innovation" has 75% share in total commitments as compared to 15% for "policy and Regulation" and 10% for "consumer empowerment". However, a comparison of disbursements vis-à-vis commitments shows weaker performance under "Financial Innovation" with only 50% of committed amount disbursed by March 2019. The other two workstreams have higher percentage of disbursements (82% under Policy & Regulation and 91% under Consumer Empowerment). Country wise financial performance under three workstreams is given in Annex 9. Thus, even if commitments are taken into account, PFIP Phase II had an unspent balance of $6.10 million as of March 2019. However, the work plan of PFIP-II for 2019-20 mentions that the total disbursements had reached $31.04 million by June 2019 leaving a balance of $4.7 million for 2019-20. It implies $1.40 million additional commitments during April-June 2019.

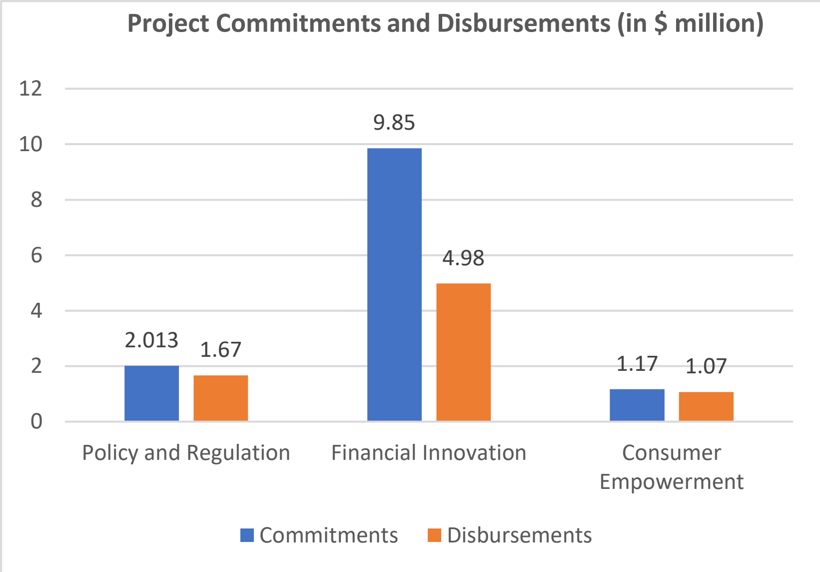


Figure 7: Project Commitments & Disbursements

3. Evaluation Approach and Methodology

3.1. Evaluation Approach

The evaluation exercise was guided by a set of principles listed in Figure 8 to successfully achieve the objectives set during the inception phase as well as in the Terms of Reference for the evaluation. The overall approach was to make the evaluation "Utilisation focused", which implies coming up with suggestions and recommendations based on PFIP-II operations to inform future programme design and apply insights towards strategic and tactical decisions pertaining to the programme.

Figure 8: Guiding Framework for Evaluation

Overall, this evaluation exercise used a **mixed-method research design** for answering the evaluation questions. The qualitative research methods included Key Informant Interviews (KIIs) with stakeholders and Focus Group Discussions (FGDs) with clients, and the quantitative research method to understand impacts at the client level included client surveys in PNG and Fiji.

<u>Research Design & Sampling Plan</u> - The research design proposed for the quantitative study was *Cross-sectional* in nature. The sampling method used for selecting the samples for the study followed a **multi-stage convenience sampling** technique. The two levels of stratifications used during sampling were location – rural & urban and gender and were used to ensure representativeness of population. Finally, the sample was drawn using a convenience sampling technique by the enumerators.

<u>Gender Lens</u> - PFIP's Results Management Framework suggested that a gendered approach was adopted to address **gender equality** and **Women's Economic Empowerment** (WEE) in the region. Hence, the evaluators adopted an approach to discern the gender-based impact of the programme. In addition, the evaluation aimed to examine, to the extent possible, the changes of underlying layers of empowerment resulting in gender parity in the access, usage, and adoption of formal financial services by women, with the available data for the same.

<u>Theory of Change</u> – The Theory of Change, reconstructed by the evaluation team and as included in Chapter 1 of this report, acted as a guiding force for this final evaluation of PFIP Phase II. ToC presented in this report has been detailed by the evaluators using the PFIP Phase II ToC that forms part of the results management hierarchy to include impact metrics that is otherwise not articulated. The evaluation team used the ToC to complete the results chain, develop the evaluation matrix and to attempt to draw the causal linkages between programme activities, output, outcome and impact. Overall, a **participative and inclusive** approach was adopted by the evaluation team to ensure that the evaluation was flexible and responsive to the nature of interventions in the markets that PFIP Phase II is trying to influence.

<u>Evaluation Matrix</u> - Keeping the evaluation requirements in mind and in line with UNCDF evaluation guidelines, the evaluation team followed UN/DAC guidelines for programme evaluation and classified research questions under the categories of **relevance, efficiency, effectiveness, sustainability** and **impact**. These included an attempt to assess programme contribution to both direct and indirect outcomes, intended or not, as attribution in a complex programme context like that of PFIP's can be challenging. Research questions and related indicators for the programme evaluation have been classified under these evaluation criteria in Annex 8. Overall, the programme evaluation of PFIP -II applied the following approaches:

1. Adoption overall of the UN/DAC framework for programme evaluation
2. Developing causal linkages and attribution/contribution of PFIP interventions to results seen
3. Evaluation of market development approach in focus countries and PFIP's contribution to it
4. Estimation of the heterogeneity of consumer-level impacts – disaggregated by gender and location

The evaluation team conducted a **Desk Review, Key Informant Interviews, Quantitative Survey, Qualitative Survey and** analysed **partner data** received during the field mission phase of evaluation as **five lines of evidence** for programme evaluation. The overall methodological approach to the evaluation is summarised in Figure 9 below. A tabular presentation of lines of evidence is present in Annex 17.

3.3. Method of Analysis

The data collection toolkit employed during the field-mission phase resulted in the collection of quantitative as well as qualitative data/information. The obtained data/information was used for drawing the evidence as per the Evaluation Matrix present in Annex 8. As discussed in **Chapter 1**, the programme's theory of change and evaluation matrix developed using UN/DAC criteria were central to the overall evaluation framework presented in Figure 9. The data collection tools form the different **lines of evidence** for exploring the evaluation questions to evaluate the outcome and impact of PFIP-II in the programme countries. The complete flowchart below in Figure 9 represents the evaluation framework and aggregation of lines of evidence which was utilised during the programme evaluation. Applying a ToC approach overall, it shows It shows what level of results were evaluated, , the various lines of evidence that were used to generate the evaluation findings and how these different lines of data were collated.

At the end of the field-mission phase, the evaluation team proceeded with the compilation of the **country reports**, attached in Annex 12 of the report. In addition to presenting country-level information, these reports were used to aggregate the findings at the programme level.

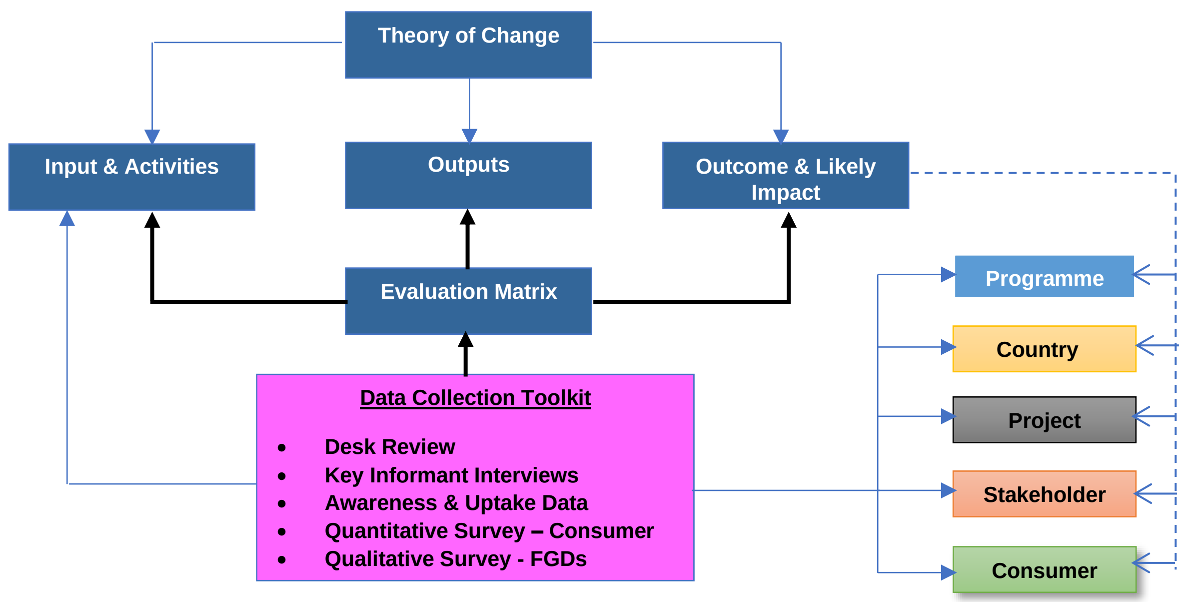


Figure 9: Evaluation Framework

Data Analysis during the final evaluation of PFIP -II was done to answer questions at three levels of the results chain following the evaluation matrix i.e. 1) Quantitative Data – Client Survey 2) Quantitative/Qualitative Data – from FSPs and 3) Qualitative data through KIIs and FGDs of programme stakeholders and beneficiaries. Results obtained from the client survey is enclosed in Annex 5 and has been leveraged for **contribution analysis** in the report, wherever applicable. At the next level, qualitative/quantitative data obtained from FSPs was used to analyse the performance and likely sustainability of the supported organisations as well as of the products they developed. It was then compared to the overall performance of the portfolio of FSP to assess the contribution effect. At the third level, qualitative analysis of the data obtained through FGDs and KIIs focused on identifying examples and best practices and aimed to standardise the classification of findings through substantiation of qualitative statements (e.g. good/bad/satisfactory/non-satisfactory) by examples and used **attribution & contribution analysis** for the evaluation. Finally, the **limitations of this evaluation** are limited quantitative sample size, absence of baseline data, availability and reliability of PFIP data and limited ability to determine sustainability of interventions at FSP level. This has been discussed in detail in Annex 18 of the report.

4. Evaluation Findings

4.1. Relevance

EQ 1 - How well designed is the programme to meet its broader objective of enabling access of financial services to low-income Pacific Islanders?
• High performance in driving national, regional and global synergies in policy work. Contribution in making Financial Inclusion a key priority for respective governments is commendable. • High relevance of the programme considering the PIC's financial inclusion landscape. Focus on Digital finance and Agent banking well suited to the countries' context. • Wide range of partners well suited to the programme design requirements; especially in policy and financial education workstream. • Focus on gender exemplified through outreach numbers in NFIS and performance-based agreements under financial innovation; negligible evidence of gender-focussed products or channels. • Focus on Client Protection limited to performance-based agreements under financial innovation workstream. • Knowledge Management function's relevance is high seen with replication of models and channels across countries but not commensurate in documentation

4.1.1 Synergy with Global and Regional initiatives

The UNCDF Strategic Framework 2018-2021 aims to support the achievement of Sustainable Development Goals 1 (No Poverty) and 17 (Partnerships for SDGs) in Least Developed Countries by making finance work for inclusion in collaboration with UNDP and other United Nations partners. The three work streams of PFIP-II namely policy and regulation, financial innovation and consumer empowerment take a market-led approach to address financial inclusion challenges at policy, institutions and client level (macro-meso and micro). The emphasis of PFIP-II on digital channels and introducing innovative products and services is evident, be it M-PESA in Fiji and its regional expansion or BIMA in PNG and Fiji or Go Money channel in PNG, Solomon Islands and Samoa. This strategic focus on digital channels not only aligns with UNCDF's strategic framework but is also highly relevant for PICs geographical context. [14]

PFIP-II has a synergetic relationship with other global and regional initiatives such as PIRI and AFI that focus on financial inclusion. PFIP's policy and regulation workstream through its provision of technical support to policy makers for strengthening the digital finance ecosystem is closely aligned with the annual regional priorities of PIRI. PFIP -II's grant to AFI to enable select member countries of PIRI to scale up their engagement on cross border policy issues is an example of synergy with other initiatives. PFIP is a member of the PIRI's Expert Group on Financial Inclusion Policy. PFIP's work in building synergies with other global initiatives is evident through its push for PNG, Solomon Islands and Fiji to sign up to the Better than Cash Alliance (BTCA) as well as adoption of Money Pacific Goals by almost all PICs. A key milestone of Money Pacific Goals is to halve the number of Pacific Islanders without access to financial services. PFIP also has a working relationship with the Pacific Islands Forum

[14] Building on its core competencies, UNCDF pursues innovative finance solutions through: (a) financial inclusion of individuals, households, and small and medium-sized enterprises, with a focus on digital financial services; and (b) local development finance that works on fiscal decentralization, municipal finance, and structured project finance to promote local economic expansion and climate change adaptation.

Secretariat (PIFS), which is a grouping of 14 PICs plus Australia and New Zealand. It is a high-level forum for the region wherein the Prime Ministers/ Presidents of these countries meet each year to deliberate on regional priorities. PIFS is appreciative of PFIP-II's work on FinEd, bundled insurance and digitising G2P payments, which fit in with its priorities.

At the national level, PFIP's relevance to the PIC context is best exemplified through its work on National Financial Inclusion Strategies (NFIS). Stakeholders met by the evaluation team ranging from Ministries to Donors and Central Banks acknowledged that while financial inclusion was on the agenda of most countries, the initiatives were fragmented and driven by the individual agenda of each partner. The launch of NFIS across PFIP's focus countries has led to a proactive, central bank-endorsed pathway to achieve financial inclusion and has brought different actors together in achievement of a common goal. The four countries visited by the evaluation team had their second round of NFIS with the help of PFIP-II, incorporating lessons learnt from the previous period as also incorporating regional priorities like Money Pacific Goals. The importance of NFIS and the working groups (varied participation) constituted under it have brought about a unified national vision, often monitored by the government's highest executive offices. For example, while in other countries Central Banks monitor progress, in Vanuatu, the Prime Minister's office is directly involved in monitoring and implementation of the NFIS. PFIP-II's work has also built on the work done by other development partners in the region. The G2P work with the Inland Revenue Department of Solomon Islands builds on the initial support by New Zealand government for tax reforms. Similarly, MiBank in PNG, which started as a microfinance project co-financed by ADB and Australian Aid has been supported for solar home system loans and agri-focussed agent network under PFIP-II. On the regulatory side, PFIP-II has worked in alignment with the Central banks towards strengthening the regulatory regime to foster financial innovation. As an example, Reserve Bank of Fiji is being assisted in developing regulatory sandbox guidelines to provide scope for testing and piloting of innovative financial products.

4.1.2. Demand for Financial Inclusion

As mentioned earlier, the demand for financial inclusion across services, savings, insurance, pension and credit in the region remains high. Estimates on extent of exclusion was not available earlier. Commissioning of Demand Side Surveys (DSS) by PFIP-II enabled the policy makers to monitor progress against an empirical baseline. Even after 6 years of work by PFIP-I & II put together, the DSS reports still show high levels of financial exclusion. Various studies commissioned under PFIP-II on specific topics have added to a more nuanced understanding about exclusion. A feasibility study on superannuation products in Vanuatu brought out that 50% of respondents did not make any provision for old age. It also showed that mobile phone ownership in countries except PNG– Solomon Islands (62%), Fiji and Vanuatu (80%), PNG (40%) remains high.

The financial innovation workstream of PFIP-II reflects appreciation of the demand side gaps and as such digital projects dominate the product suite funded by PFIP-II. Exclusive digital projects like HFC Bank- Vodafone Integration and Mobile Village Agents in Fiji, Go Money platform of ANZ Bank in the Solomon Islands, other projects also have a strong digital component. PFIP-II's work with Westpac in PNG envisaged redesigning the agent model and customer onboarding through digital platforms. Engagement with Mibank entailed integration of Pay -As- You-Go platform of solar product companies with MiBank's mobile money platform. The focus on digital solutions under PFIP-II is appropriate to the context and fits in with UNCDF's strategic framework as well as the focus of other regional and global initiatives like AFI.

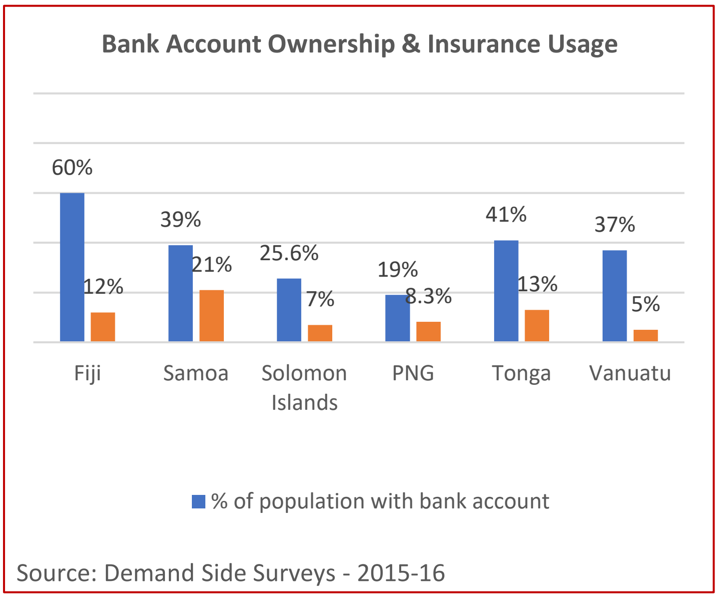


Figure 10: Bank account ownership & Insurance Usage

Insights from Client surveys and FGDs conducted by the evaluation team also provide a strong support for the digital strategy. In Fiji, only 32% of surveyed clients were aware of any bank branch/agent near their community. FGD with WMBL clients in PNG brought out that before Mamabank Access Points (MAPs), they had to spend ~$2.5 on transport to make a banking transaction. As such, PFIP-II's focus on digital and agent banking is highly relevant.

4.1.3. Nature and Type of Institutions/ Agencies supported

PFIP-II has engaged with a range of institutions/ agencies during the five-year period (2014-2019). The spectrum ranges from Government Ministries to technology companies. Annex 18 has a detailed list of entities engaged by the programme to create relevant synergies to achieve the desired programme outcomes. The diversity of institutions/ agencies supported by PFIP fits in with the three workstreams of PFIP-II. The policy work necessitated engagement with the Central Banks and Government departments, while PFIP's financial innovation work is spread across both public and private sector institutions. The public sector has a monopoly hold over micro-pensions in the PICs and therefore are a key stakeholder for PFIP-II, while private sector engagement has been in diverse areas. A positive feature has been sharing of best practices for adoption in other countries (more details in the section on knowledge management).

PFIP-II did not adopt the usual process of inviting proposals and selecting partners but followed the practice of having discussions with potential partners and going ahead with the interested agency. A deep dive into the reasons for this unique approach in the Pacific countries is detailed in the Efficiency section. The Project Appraisal Document (PAD) is discussed and approved by the Investment Committee and it details the logic of interventions and proposed funding. Thematically, under financial innovation, the focus across countries was on mobile money, pension, insurance and agent banking. Projects like distribution of solar products, microfinance expansion and smartphone app for farmers are isolated instances.

4.1.4 Cross Cutting Issues

NFIS-II in Fiji for the period 2016-2020 states "The overall target of this Strategic Plan is to increase the formally served adult population from 64 percent to 85 percent (by 130,000 adults), of which at least 50 percent are women" and has "Empowerment of Women, Youth and those living with disabilities" as its top strategic goal. NFIS-II in PNG for 2016-2020, while setting the goal of 2 million additional bank accounts by 2020 stipulates that 50% of it should be women. In this context, efforts on Gender mainstreaming is evident in the framework design of the different workstreams- policy, financial innovation, consumer empowerment and is adequately represented through the background documents to guide implementation such as the Performance Based Agreements (PBAs) with the grantees.

Under financial innovation, there are few projects which are solely focused on women- though it is more a feature of the institutional focus. SPBD Microfinance, which has exclusively women clients, was assisted in Solomon Islands for expansion in rural Guadalcanal and western province. Similarly, Women's Micro Bank Limited was supported in PNG to set up satellite branches called Mama Access Points (MAPs) and through that reach out to 20,000 new clients – all women. Other mainstream projects also have a clear gender component. SINPF's YouSave pension product in its scale up phase is targeted to reach 30,000 unique clients by 2022, out of which 50% have to be women. However, it is observed that leaving aside exclusive women-focused interventions – which are few - the gender strategy does not go much beyond outlining the need for gender disaggregated data in PAD and placing a target percentage in PBAs. In such cases, the gender outreach reported is not due to any specific focus of the products or women friendly features and more due to population sample characteristic.

Agency banking as a way to reach under-served populations was a dominant theme across financial innovations under PFIP-II, relevant due to its applicability to the PIC context where bank branches are concentrated only in a few urban/peri-urban areas. Various projects not only piloted agent banking, but also used it as a feature to build synergies with other financial products to increase the viability of agency banking. In Fiji, out of 4 operational projects under financial innovation, Mobile Village Agents of Vodafone and HFC bank had agency banking as the core design. In Solomon Islands, two projects (ANZ Go Money and Use of Airtime for Payments) are built on agency banking. In order to increase volumes under Go Money, two additional projects (Digitising School Fees and Coconut Value Chains) were supported under PFIP-II. PFIP-II's engagement with the National bank of Vanuatu includes using five main branches to set up five additional smaller branches – akin to agents. PFIP-II's work with Westpac, Women's Micro Bank Limited (WMBL), Mibank in PNG are also examples of an agent banking emphasis. New strategies were also tested for viability; MiBank is being assisted through setting up of an innovation lab to test different agent models focussing on agri-value chain.

4.1.5. Knowledge Management

Knowledge management under PFIP-II can be seen from two perspectives. First, a dedicated vertical work stream focused on distilling and sharing knowledge from various projects. Secondly, the approach of having feasibility studies in priority areas and working on recommendations coupled with using tested model from one country to be replicated in another. In terms of first approach, PFIP-II did not have a defined knowledge framework for much of the implementation period which is now being rectified via a dedicated person hired in late 2018. As of now, knowledge management overlaps with the communications work stream and many knowledge products in the form of product flyers, programme brochures, videos, change stories have been produced, extracting information from programme managers and the Results Management Framework. The work done by communications was highly appreciated by the partners and its mass message videos have been popular with prospective clients.

The second approach of knowledge management has been highly relevant to the objectives of PFIP-II. A range of knowledge products were funded and products rolled out/being considered as part of it. A scoping study on pensions done by Blue Print Pension Services (BPSS) in Fiji led to engagement with Fiji National Provident Fund for rolling out a pension product for informal sector. Though the project failed to get steam in Fiji, a similar study has led to a successful pension scheme being launched for the informal sector in Solomon Islands. Now PFIP is trying to replicate the success in Vanuatu and PNG. National Superannuation Fund in PNG was assisted in 2019 for testing and piloting a pension product "Agri Supa" for informal workers in the agricultural and allied sectors. Another example comes from PFIP-II's work in bundled insurance. High outreach achieved by Fiji Care's bundled insurance has led to expansion of the idea in Vanuatu through Fijicare's subsidiary Vancare. Life Insurance Corporation in PNG is also being assisted to offer a bundled insurance product. The case of M-PESA's proposed expansion in Vanuatu (M-Vatu), Kiribati and Samoa (M-Tala) rides on PFIP's support to M-PESA in Fiji. These cases point not only to active knowledge sharing but also making it work in other countries and can be seen as a case of market development.

In addition, PFIP-II's knowledge management work funded important studies providing pointers for future and review of existing work for mid- course corrections. An MSME feasibility study in Fiji has come out with options for addressing the credit gap for small enterprises and is on the policy agenda of the Reserve Bank of Fiji as well as the Pacific Islands Forum Secretariat. A study on G2P payments by the Central Bank in Solomon Islands – assisted by PFIP-II- has led to engagement with the Inland Revenue Department for digitizing five types of taxes. PFIP-II's work with Bank of Papua New Guinea on a regulatory study for supervision of microbanks to balance their financial wellbeing with development objectives and creation of a Financial Consumer Protection Framework as part of mid-term review of NFIS-II are examples from PNG.

This is not an exhaustive list [all the studies are detailed in the country reports], and also does not include NFIS document and Demand Side Surveys done in five countries, which have provided the much-needed empirical base for monitoring progress. The evaluation is appreciative of the wide-ranging knowledge work done under PFIP-II, which spurred policy changes, rolling out of financial products and market development through replication on a regional scale.

4.2. Efficiency

EQ 2 - How well has the programme delivered the expected results?
• Relatively cost-efficient programme with an average cost at USD 19.8 for every client reached. However, it discounts the work done under Policy and Regulation workstream of PFIP -II, a stronghold of the programme. • PFIP -II benefited from strong programme management and supervision structure at country and programme level. However, quality of data generated under the Results Management Framework was an issue and affected the programme efficiency. • Project Appraisal Documents (PAD) were found to be very detailed and efficient in terms of recording performance indicators, disbursement schedules & conditions, activities and outputs expected from the project. • Most of the Mid Term Review recommendations were followed by the programme with the exception of hiring of gender specialist and grant manager • Quality of technical assistance provided by PFIP -II staff and TSPs resulted in efficiency gains for the programme. • Under the Knowledge Management function, efficiency monitoring was barely adequate but found to be high for generation of knowledge products and Communication practices, that were appreciated by stakeholders across programme countries.

4.2.1 Use of Funds (Cost-Effectiveness)

An overall cost per client can be calculated using total money spent by the programme against PFIP -II outreach. As per Table 7 below, the **average cost per PFIP -II client reached is USD 19.8.** This calculation considers the total outreach of PFIP -II at 1,183,228 (product wise highest outreach at any point of time and not the current outreach) and total programme disbursal at USD 23.48 million as on 31 March 2019. In case, the current outreach of the programme is taken into account for calculation, the average cost per PFIP -II client reached is USD 30.1. However, this fails to adequately measure PFIP-II's contribution as it **discounts the work done under Policy & Regulation workstream,** which has otherwise been highly effective in supporting the financial inclusion aspirations of the PIC governments in addition to shaping them in the first place.

Table 7: Programme Expense - Unit Cost

Total Programme Expense (March 2019)	Programme Outreach	Per client cost (USD)
23.48 million	1,183,228(max outreach during programme cycle)	19.8
23.48 million	779,663 (current outreach)	30.1

Note to read table – *The first row calculates the per client cost against the maximum outreach of the programme during its lifecycle while the second row calculates it against the current outreach as observed by evaluators.*

A total of 31.04 million USD was commited by PFIP -II till June 2019 and the programme was left with a balance of 4.7 million USD in its final year. By March 2019, PFIP -II had commited 29.59 million USD and disbursed 23.48 million USD. Major categories of expenditure under this were grants under three workstreams (13.03 million USD), grants for TA (4.51 million USD) and Indirect Cost (12.05 million USD). Furthermore, Table 8 presents the segregated view of disbursement for the three workstreams. If only disbursement is considered, 59% of the committed amount for grants to institutions under three workstreams was disbursed until March 2019.

Table 8:Programme Expense - Commitments and Disbursement

Workstream	% of total committed budget	% of disbursed amount for workstream
Policy & Regulation	15%	83%
Financial Innovation	76%	51%
Consumer Empowerment	9%	91%

Note to read table – *Out of the total committed budget as grants under three workstreams, 15% of the amount was committed under Policy and Regulation. Of the total committed amount under Policy and Regulation workstream, 83% of the amount was disbursed.*

As mentioned in Chapter 2, TA provided under PFIP-II is not broken down as a separate workstream; if that is considered, workstream wise shares might change. Further, until March 2019, total Indirect costs incurred by the programme was USD 12.05 million, i.e. 41% of the $ 29.59 million, which is the total of indirect costs plus committed project grants and TAs. Indirect costs include expenses under 6 heads – Payroll/Technical Support (PFIP Staff), Admin, Travel, Media, GMS and Misc. The breakup of expenses is presented in Figure 6 of Chapter 2. As submitted by the programme team, 70% of the expenses under "payroll/technical support" portion of Indirect Costs is accounted for by the TAs provided to partners by the PFIP staff. Logically taking that as part of program related expenses and excluding it from Indirect costs, the share of indirect cost to total commitments of $29.59 million gets reduced to 21% and this includes 8% GMS.

4.2.2. Project Formulation

Identification and formulation of projects during PFIP-II was efficient and the appraisal documents clearly describe the intervention logic, justification for funding as well as progress indicators. Grant proposals are carefully evaluated by the Investment Committee team and instances have been noted, such as for automation of BIMA PNG back end systems in 2018, where the IC team rejected the proposal due to their inability to show sustainability in the long run. PFIP made decisions based on three core criteria: 1. That the proposed initiative will create a solution that may have the potential to benefit a large number of low-income people; 2. That the solution is operationally feasible and the implementing entity is capable of developing the solution; and, 3. That the solution is eventually commercially profitable at scale.

Project Appraisal Documents (PAD) were found to be detailed and efficient in terms of recording the market gaps warranting the need for the project and the project management cycle to define the implementation and monitoring thereof. Integration of gender-based targets in most of the PADs strategically fits in with PFIP -II's as well as overall UNCDF's strategy. These are necessary conditions for efficient project formulation and implementation for any programme and PFIP -II rates high on these parameters. On the budget, PADs clearly identified project activities, budget per activity and contribution of both PFIP-II and the implementing partner. This has helped transparently set the expectations for PFIP-II committed funding. Overall, PFIP -II has been highly efficient in terms of project formulation and the details included in Performance Based Agreements were important in ensuring that projects undergo the necessary scrutiny before approval.

4.2.3. Efficiency of RFA/PBA process

In principle, PFIP -II had defined processes for eligibility criteria, pre-approval process and selection criteria for collaborating with partners though these were rarely followed due to operational complexities and market conditions in PICs. The market is catered by a small number of players and generating interests via Expression of Interest or Request for Application was reported as an ineffective way of developing partnerships in the region by the programme team. The evaluation team concurs with the view. In many cases, PFIP staff supported the organisation in proposal development using the inputs from the partner organisation. PFIP -II regularly engaged with IC members during proposal development, and they were well informed in advance about developing intervention ideas. However, the documentation leading to the final approval of an implementation partner does not compare the selected institution/agency with other market players and establish a clear logic for preferring one over another. Though in some monopoly cases like Provident Funds, this observation does not apply.

4.2.4. Programme Management and Supervision

PFIP -II has a strong programme management and supervision structure in place, built upon the management systems governing PFIP-I. The programme is managed through a regional office at Suva, Fiji and in-country offices in programme countries. At the highest level, the programme implementation is overseen by UNCDF HQ to deliberate upon the different financial instruments deployed in the region, Financial Inclusion Practice Area (FIPA) and UNDP Pacific Centre and has management arrangements for multi-donor participation. The programme coordination is vested in the Joint Investment Committee (JIC) which meets annually with investment approvals primarily granted through emails. Stakeholder consultations during the field mission phase recorded regular deliberations on project approval, programme expenditure, reports to donors and close oversight of the programme progress and challenges. The evaluation team finds these as positive signs of efficient programme management and supervision.

PFIP-II's engagement with other UN agencies has been largely limited, with a few examples of initiatives. In PNG it collaborated with UNDP on MiBank Solar loan project which was eventually shelved due to governance challenges within the partner organizations. It engaged with Disaster Resilience for Pacific Small Island Developing States (RESPAC[15]), a UNDP-Russian Federation collaboration, during the development of bundled insurance product with the ambition of developing parametric insurance. PFIP-II has also worked with UN Women for the implementation of their Markets4Change programme. The collaboration resulted in UNW facilitating commercial banks such as Westpac Fiji, Bank South Pacific (BSP) in PICs to deliver business education training to women market vendors. However, as validated by stakeholders such as the UN Resident Coordinators in PIC, for PFIP-II and other UN agencies to have optimal impact, greater inroads need to be built to facilitate cross fertilization of ideas between UN agencies and joint implementation efforts.

As made evident by the Back to Office Reports (BToR) shared during the inception phase of the evaluation, the evaluation team recorded evidence of close coordination between the regional team at Suva and in-country teams. In the case of PNG, delays in securing the country staffing for Phase II of PFIP has also affected efficiency in economising time and resources. The current PNG country lead was deployed after almost a two-year gap between 2015 and 2017, leading to a significant impact on the timely commissioning of projects in PNG. Finally, the programme made efficient use of linking disbursements with achievements with fairly strong decisions made when requisite outcomes were not recorded for projects and partners (examples: Fiji National Provident Fund, Capital Insurance, Westpac PNG).

Programme monitoring during PFIP -II can be considered only moderately efficient with many of the partners not reporting on the complete indicator list mandated in the data collection tool. PFIP -II relied on self-reported data from the partners for reporting and there was no monitoring system instituted at the programme level to review to ensure authenticity and adequate coverage of reported data. During the field-mission, the evaluation team found the reports to donors focused more on programme outputs than on outcomes and impact. Annex 10 includes one of the sample formats for the data collection tool. The RM advisor confirmed that the partners have been unwilling to report on many indicators. Evaluators noted during the stakeholder interviews that the Data Collection tool used, while comprehensive, is also painstaking to compile. In a few stakeholder consultations, donors expressed their concern around the paucity of outcome and impact level data, suggesting it as an area of development. Furthermore, they felt addition of outcome/impact details in the report will help in demonstrating the impact of PFIP -II to decision making authorities within the donor organisations. The evaluation team concurs with this.

4.2.5. Quality and efficiency of oversight

The planning and management of programme activities by PFIP -II has been of high quality and it was acknowledged by stakeholders across the programme countries. Continued engagement of PFIP -II staff was reported by stakeholders across the programme countries and was seen as a necessity by many of the partners, especially policymakers and regulators. The programme governance and

[15] The Disaster Resilience for Pacific Small Island Developing States (RESPAC) project aims to improve Pacific SIDS resilience to climate-related hazards.

oversight at the regional level was found to be efficient with visits from programme team members for multiple activities such as communication, technical assistance, programme review.

Fund disbursement for grantees was found largely efficient and timely with most of the grantees not expressing any concerns with disbursement. However, in a few cases such as the Ministry of Education in Fiji, grantees highlighted it as a concern. They reported it as a long process resulting in pulling funds from its own budget to make FinEd payments. Similarly, in SOI, the pilot for airtime project was delayed by more than a couple of months as funds were not released from Suva office.

4.2.6. Results Management Framework

PFIP Phase II has a Results Management Framework (RMF) that is designed to capture the high-level outreach of each PFIP-supported project. It was revised on the basis of recommendations received during the midterm review of the programme and designed with quantifiable indicators at output, outcome and objective level aimed at capturing programme's impact. The Key Performance Indicators (KPI) definitions are mostly well-defined for most indicators, barring a few that are vague or qualitative in nature. For e.g. Quality of consumer protection mechanisms (no quantifiable measure for measuring quality), Core financial inclusion policy domains enabled (no definition of 'enable'), number of active NFITs (no definition of 'active') are some examples.

Targets defined for the indicators identified in RMF were set at the programme level and there were no country-level targets for the programme. PFIP -II was able to report on most of the indicators, *except*: 1) % of G2P/P2G payments through a digital channel, 2) Core FI policy domains enabled and 3) Quality of consumer protection mechanism. The outreach figures reported by FSPs were incomplete in few cases as they lacked location[16] or gender[17] segregation or activity rates[18]. It impaired the granularity of outreach data and consequently, the reporting against indicators. Annex 11 includes the outreach of the programme as reported under RMF, juxtaposing it with evaluators findings.

In each project appraisal document, reporting requirements were clearly mentioned under the section of Monitoring, Evaluation and Reporting. These metrics included mechanism, timeline, frequency, scope and responsibility for each of the reporting requirements, tied to the disbursement schedule. However, as noted during field-mission and during stakeholder consultations, data collection and reporting was a challenge. The efficiency of the RMF to produce desired reports could have been higher if the data quality and reporting standards were followed. It was further noted that at the project level, there were no impact evaluation or outcome assessment exercises undertaken. Evaluators are of the view that since most projects are pioneering for the financial services sector in PICs, it is important to factor in a strong M&E component and for such capacities to be built at the partner level. Overall, Results Management Framework of PFIP -II was only moderately efficient primarily due to data quality from FSPs, absence of impact or outcome assessment exercises and objectively defined indicators in a few cases

4.2.7. Quality of Service Delivery

Technical Assistance provided under PFIP-II supported the grantee institutions in strengthening their systems, providing capacity-building support, conducting needs assessment, market research, product development, financial education curriculum development and conducting training of trainers,

[16] e.g. Fijicare,Westpac
[17] e.g. Fijicare,Westpac,BIMA -Fiji
[18] e.g HFC,Westpac

development of a viable business model and design of alternate delivery channels in line with the UNCDF maturity model to foster innovation for proof of concept, leverage learnings to unlock private and public resources and scale-up of successful business models. During PFIP -II, TA was provided to grantee institutions at two levels: **PFIP Team** and **Technical Service Providers.**
The quality of TA provided by PFIP-II team was found to be valuable across the programme countries and was widely appreciated during the stakeholder consultations. A few examples of these are Mid Term Review of NFIS -II in PNG and SOI, FinEd material developed by PFIP -II, participation in working groups of NFITs across countries. PFIP-II's ability in bringing new ideas and anchoring its implementation was widely appreciated by FSPs, regulators and policymakers across programme countries.[19] Overall, TA provided by PFIP-II staff was highly efficient in generating innovative ideas and supporting the implementation of those in programme countries.

PFIP -II also engaged with Technical Service Providers (TSPs) regularly for conducting feasibility & research studies, market research, product/service development, institutional assessments under the programme. In addition, PFIP also offers additional TA in the form of on-site consultants to support the innovation projects. PFIP -II used UNCDF and UNDP procurement systems, interchangeably, for recruiting such individuals and agencies for technical assistance. In cases of recruitment through the UNDP procurement system, delays were reported during KIIs with PFIP-II staff in PNG and SOI. Subsequently, it resulted in a delay in initiating project activities. Life Insurance Corporation Limited (LICL) and MiBank agri-focused agent network project in PNG being a few such examples.

Quality of TA through TSPs during PFIP -II was found to be of adequate quality and it was acknowledged during stakeholder consultations across programme countries. The evaluation team also observed that in many cases, it has efficiently led to evidence-based decision-making, development of product or services and an overall increase in operational efficiencies of FSPs. For example, Micropension research in SOI led to the development of YouSave product, MSME feasibility study in Fiji has provided RBF with a future roadmap in a policy focus area, PHB Development helped WMBL (Women's Micro Bank Limited) in PNG digitise their operations and scope out opportunities for MAP locations. Though LICL in PNG is still waiting for the PFIP consultant, they acknowledged that they cannot match 'the professional rigour and capacities that PFIP brings to the table'. All of these forms the evidence base for highly efficient technical assistance through TSPs during PFIP -II.

4.2.8. Cross-Cutting Issues

4.2.8.1. Knowledge Management

PFIP -II's performance with regard to the efficiency of knowledge management activities is acceptable. A Knowledge Management Specialist, responsible for documenting and disseminating the learnings from PFIP -II, was appointed only in September 2018. In addition to KM, the specialist also engages in preparing quarterly reports and annual work plan of PFIP -II.

A total of 26 knowledge products[20] were developed under Policy and Regulations and Financial Innovation workstream of PFIP -II. Most of these knowledge products were well received by partners and intensively used in the development of policy and regulations, product/service development across the programme countries. Demand Side Survey conducted in 5 countries was used for the development of NFIS; micro-pension research was used for the development of youSave product in

[19] Refer to country reports in Annex 12 for more details
[20] Source – RMF - Q4-2018

SOI and for VNPF in Vanuatu; insurance guidelines were developed for Fiji and SOI and Mid Term Review of NFIS was conducted in PNG and SOI. Similarly, Impact Pathway study in Fiji, SOI and PNG is being efficiently used to create inroads into more efficient measurement of project outcomes and impact at the client level. In a few cases, the timing of commissioning and releasing of knowledge management projects has led to low efficiency. For e.g. PoWER diagnostic was released only in 2019 towards the end of the programme tenure and partners could not make best use of it to realise programme goals at that point of time. Overall, knowledge products developed during PFIP -II were found to be useful in pushing for insights-based decision making but for many critical programme areas, particularly for gender, the timing of product commissioning and completion has affected efficiency of knowledge management activities.

PFIP -II also supported training and knowledge sharing by sponsoring partner staff for courses at the Boulder Institute, exposure visits and scholarships through Reuben James Summerlin scholarships to facilitate learning and knowledge transfer within the region and globally. To foster innovation and entry of new players in the Pacific, initiatives such as the Pacific-ASEAN Financial Innovation Challenge conducted in February 2019 have been efficient in creating inroads for new fintech companies to enter the Pacific market in collaboration with PFIP-II partners.

As detailed in the sections above, gender, as a cross-cutting theme and as a key strand for the achievement of UNCDF's strategic objectives has been efficiently incorporated into the design of the PFIP-II architecture. This is made evident by the design of the programme document (prodoc), design of the three key workstreams, PADs to guide implementation and gender-focused knowledge products such as the PoWER diagnostic studies. However, the diagnostic studies were completed and released only in mid-2019 due to which implementing partners as well PFIP staff could not make efficient use of the findings to deepen gender specific outcomes for the programme. Similarly, though there is an effort to streamline and collect gender disaggregated data through the data collection tool and the Results Management Framework (RMF), efficiency in data collection and reporting falls short of expectation since many parters have not been able to consistently report for gender specific metrics (also a function of negligible number of gender specific interventions)

4.2.8.2 Communication

PFIP -II recruited a full-time communication specialist in 2016 with an aim to consolidate its efforts in engagement with a wider audience within and outside Pacific. The specialist worked to document best practices, videos, impact stories, pamphlets on innovation products and press releases for PFIP-II. These are regularly published in the quarterly/semi-annual reports of PFIP -II. Social media channels were also leveraged to share programme achievements and news. PFIP has active social media accounts on Facebook (4278 likes), LinkedIn (124 followers) and Twitter (1302 followers)[21]. The Instagram account was found dormant with no posts yet. With a one-member team, the communications function at PFIP -II was found highly efficient in terms of generating high-quality communication and marketing material for the programme with significant contribution to the knowledge management activities as well. Marketing materials developed for partners generated high recall about the product/services. In sum, the vertical has efficiently created wider recognition of the programme within and outside PICs.

[21] Figures as of 4th October,2019.

4.3. Effectiveness

EQ 3 - To what extent is the programme on track to increase the capacity of partner organisations to deliver good quality and sustainable financial services to low-income populations, particularly women?
EQ 4 - To what extent is the programme on track to influence the broader financial inclusion system in the countries where it operates?

- PFIP -II was moderately effective in achieving the desired programme outputs and achieved 7 out of its 14 targets set across the three workstreams. It has performed well to achieve targets set under Policy and Regulation workstream, though there was a significant gap in achieving targets under the Financial Innovation and Consumer Empowerment workstreams.
- Under the consumer empowerment workstream, FinEd projects in Fiji, SOI and PNG has been found to be highly effective in building a financially literate generation of youth in these countries.
- In spite of gender integration being a key focus area for PFIP II, no evidence of development of gender sensitive or gender transformative products was found during the evaluation.
- Knowledge management was moderately effective during PFIP -II with research and TA, enabling the development of financial inclusion ecosystem in the country. However, efforts in documenting and creating institutional memory have to be further streamlined especially in cases of projects such as BIMA, Westpac and MiBank Solar loan.
- The market demonstration effect in terms of influencing other FSPs in the programme countries to adopt targeting low-income households for providing financial services was limited to date in the absence of solutions that have worked at scale. However, the demonstration effect at policy level can be classified as highly effective with PFIP -II playing a central role in policy landscape across the programme countries nudging towards formalising the financial services sector for low income populations.
- With its effective programme management and approach, PFIP -II has enhanced UNCDF's *comparative advantage* and *positioning* within the area of financial inclusion and digital finance in the region.

The evaluation analysed effectiveness at two levels: (i) effectiveness in supporting organisational change of PFIP-II-supported FSPs and (ii) the programme's contribution to broader inclusive finance systems through aspects such as policy influence, market demonstration and support to upscaling. In this section, the effectiveness of programme is analysed with reference to its capacity building of FSPs, development of alternate delivery channels and business models, delivery of non-financial services, knowledge management and gendered integration into programmes.

4.3.1. Understanding financial needs and tailored services for low-income households

PFIP -II interventions have been found to be effective in helping partner FSPs develop a deep understanding of financial needs of low-income communities across the countries. Design and roll-out of bundled insurance in Fiji, Vanuatu and PNG is one such example. Development of these financial products/ services followed a methodical process by using tools such as market research, cost-benefit analysis, Human-Centred Design for effective design. For example, youSave – pension product for the informal segment in SOI used HCD principles and was supported through TA by BluePrint Pension Solutions (BPPS).

Many partner institutions such as SINPF, Vancare, among others had been operating in the Pacific region for a significant period of time, but their product basket targeted only the mid- and high-income segments. In several cases, engagement with PFIP -II led to a better understanding of the bottlenecks affecting access and usage, which subsequently informed revision in the FSP's strategy. For example, focused exclusively on women customers, WMBL is overcoming access barriers by leveraging technology for client acquisition in rural PNG through their biometric-enabled MAPs by addressing KYC and access barriers. There has been a realisation of the existing demand for financial services at the client level, made evident by increased uptake of financial products/ services in the region. This was further corroborated during the KIIs with stakeholders and FGDs with clients during the country-missions. Clients reported that they have a better sense of the options available to them and the overall engagement with FSPs has led to benefits in terms of safety (especially from climate-related hazards, crime), financial management (access to pension products, credit for business in some cases) and savings on opportunity cost (due to reduced travel time, access to banking points).

However, many FSPs still perceive the low-income segment as an economically unviable segment and treat their offerings for this segment as part of their corporate social responsibility. For example, Key informant Interviews with HFC Bank (Fiji) and ANZ bank (SoI)[22] noted their interventions under PFIP -II as CSR work and didn't see these as a scalable commercial business.

As presented in Table 9 below, details of various financial products/services are enclosed for providing a quick snapshot of products/service rolled out by partner FSPs under PFIP -II.

Table 9: Financial Services/Products developed in 4 countries*

Financial Product/Services	Fiji	Papua New Guinea	Vanuatu	Solomon Islands
Payments	✓	X	X	✓
Savings	✓	✓	✓	✓
Remittance	X	X	X	✓
Credit *including* microcredit	✓	✓	X	✓
Insurance/microinsurance	✓	✓	✓	X
Pension /micro-pension	X	X	✓	✓
Mobile Money	✓	✓	✓	X

*Data source: Cross tabulation between RMF classification and primary observations from country mission

Output metrics – PFIP -II mostly achieved its programme targets as per the information available in RMF document. Performance of the programme against each of the output indicators is listed in the Chapter 2 of the report. Most of the targets (3 out of 4) under the Policy and Regulations workstream were achieved by PFIP –II. However, 3 out of 4 targets under Financial Innovation workstream and 3 out of 5 targets under Customer Empowerment workstream were not achieved by June 2019.

4.3.2. Development of alternate delivery channels and business models

PFIP -II has, through its various interventions, focused on improving alternate channels for banking given the unique geographical and infrastructure related challenges that define the PICs. Mobile Financial Services that saw a surge in registrations since 2010, when they were first launched in countries like Fiji and PNG, quickly wound down after the initial uptake with most of the subsequent usage restricted to mobile phone recharge. PFIP-II, through its project commissions has built upon the work of PFIP-I to innovate models around branchless banking, particularly leveraging the existing MNO outreach. (Vodafone M-Pesa, TVL M-Vatu, ANZ goMoney), branchless banking (HFC Bank), biometric-based client acquisition (WMBL) and airtime for payments and savings[23] are a few examples

[22] PFIP -II funded HFC Bank for roll-out of agency banking facilities in Fiji while ANZ Bank was funded in SOI for revitalising their goMoney channel – a USSD based platform for payments & remittance.
[23] Planned to be piloted in SOI, it is world's first usage of airtime for payments and savings.

of PFIP-II initiatives. Some of these interventions like Vodafone M-Pesa[24] have already been scaled-up after a successful pilot phase, while some of them such as agency banking with HFC Bank[25] in Fiji and ANZ goMoney[26] did not yield expected results. PFIP -II was able to promote and support such ideas across countries as was also deeply acknowledged by stakeholders during the KIIs.

These new delivery channels developed under PFIP -II were moderately effective in expanding access and usage mostly with mixed results. MAPs in PNG is an example of an effective intervention that expanded the access of financial services in rural areas of PNG, with singular focus on women. An intervention with HFC Bank in Fiji on the other hand did not yield the desired result of enabling financial inclusion in rural areas of Fiji where despite immense potential through a tri-partite relationship between the bank, Vodafone and agent, the clients still seem to prefer M-Pesa despite higher charges for the latter. BIMA withdrawing its business in Fiji and PNG was a setback for PFIP -II, considering the effort and resource invested in it by PFIP-II. It had a significant client outreach in both the countries with the potential to define the nascent microinsurance sector. However, since BIMA's exit, not only are the clients again excluded, there is loss of appetite among market players to take up microinsurance at scale. The airtime project in SOI is yet to be rolled out and its effectiveness can only be assessed after a gestation period. The project design, in principle, is sound and may effectively deliver financial services in rural areas of SOI.

PFIP -II was also able to facilitate the convergence of public and private sector players in the development of alternate delivery channels and business models. Pilot use of airtime for payments and savings in SOI is one such example, which brought together private sector – MNOs, public sector – SINPF & billers and regulator – CBSI in designing and testing the concept. It can be seen as an excellent example of how PFIP -II has established itself as a laboratory for product and channel innovation in these PICs and has effectively brought together various market players to effect last mile outcomes.

Against a target of development of 4 viable business models by March 2019, PFIP -II delivered 2. During the discussion with the Results Management Advisor, it was also noted that PFIP -II has not been able to identify metrics to define the indicator for this particular key performance area. For example, FijiCare, one of the projects that has been reported as a viable business model is a complex case since the government mandate to include civil servants and social welfare recipients has affected the commercial viability of the model. Though the portfolio targeting the farmers remains profitable, the portfolio with civil servants and social welfare recipients has been incurring losses. FijiCare in consultation with the Government is trying to limit the deficits by restricting the definition of dependents and it is yet to be seen how the viability of the model is affected once the proposed changes are applied.

A number of the innovation projects involved systems upgrade and integration and the quality of such deliverables were of a high standard which helped ensure desired results in the field. For example, M-Pesa - HFC Bank integration was an in-house endeavour leading to cost-effective changes as Vodafone did not need to develop new technology including associated costs such as paying an external provider for a license or IT support for modification to the systems. Integration of YouSave

[24] As of March 2019, M-Pesa has enrolled 149,433 clients out of which 35,715 are women. About 56,037 clients are form rural locations and it has a total of 197 access points across Fiji. (Source -RMF document).

[25] Only 211 accounts were opened through agency banking channel at HFC Bank with an average account balance of 198 FJD.

[26] Agents and client outreach (coconut farmers) have degrown after end of grant. Agent quality was also found as a key constraint during field-mission phase.

pension product with MNO platform to facilitate airtime payments is another example where expansion of YouSave access to rural SOI is expected. In general, PFIP -II adopted an effective strategy to leverage existing products/services while designing new ones.

Overall, PFIP -II was largely effective in supporting the development of alternate delivery channels with its partners in PICs and was successful in expanding financial services through many of them. Some of them did not yield desired results, though they contributed to the ecosystem development by demonstrating the value of the low-income segments as a valuable business proposition at scale. PFIP-II can be considered moderately effective in development of viable business models. The progress against the targets was satisfactory - considering the operational complexities and business challenges associated with PICs.

4.3.2.1. Delivery and effectiveness of non-financial services

PFIP -II employed a multi-pronged approach to deliver financial education across the PICs. It made a concerted effort to integrate a consumer empowerment focus in most of its grants under the Financial Innovation workstream. Also, it led to integration of Financial Education into the educational curriculum in 3 of PICs. In total, PFIP-II supported 4 FinEd projects across Fiji, SOI and PNG. In Fiji, it adopted a national approach and supported the integration of Financial Education in the school curriculum. Under the sub-national approach, it targeted youth at Technical and Vocational Education and Training (TVET) Institutes in PNG and SOI for the integration of Financial Education into the course curriculum.

The FinEd project in Fiji under PFIP-II was highly effective in adapting to the changed situation, building capacities, monitoring results, and eventually successfully handing over the project to the Ministry of Education. The project effectiveness was also demonstrated through the assessment of the pilot that covered 1,400 students.[27] The assessment showed that students were generally well versed with the key concepts of financial education and were responding well to the curriculum. The evaluation team found the course content and activities under the curriculum to be engaging, which was also acknowledged by the school teachers leading to a demand for refresher courses.

PFIP supported the piloting of TVET initiatives in SOI and PNG which were further scaled-up at the regional level. These interventions, timed well for youth that are about to enter the workforce are deemed relevant to their lifecycle needs in the immediate future and the high acceptance by participants as well as the implementing agencies alike shows the effectiveness of these projects.

The effectiveness of customer education under financial innovation grants under PFIP -II was found not commensurate with the programme's ambition when compared to other consumer empowerment initiatives. In most of the cases, the PADs included a component of customer education but lacked quantifiable performance indicators. KIIs with FSPs and review of operational approach did not show any evidence of dedicated efforts to build consumer capacities to take informed financial decisions barring product marketing.

Overall, the effectiveness of PFIP -II was high for the Financial Education projects across the 3 countries – Fiji, SOI and PNG. Integration of financial education into the national curriculum in Fiji can be classified as highly effective and has a far-reaching impact. The sub-national approach in PNG and SOI also demonstrates high effectiveness with immediate impact. Effectiveness of customer education

[27] A mid-term monitoring of implementation exercise was conducted in Fiji's 9 education districts in November/December 2013, covering 20% of Fiji's primary and secondary schools across a cross-section of locations

initiatives within the Financial Innovation grants was mostly limited and is highlighted by findings from FGDs across the 4 countries in the respective country reports.

4.3.2.2. Linkages of FSPs with informal savings groups

PFIP -II supported an initiative with Savings Groups through World Vision in SOI. Under this pilot, World Vision formed a total of 73 new savings clubs covering a total of 1,825 members of which about 55% were women, all unbanked. However, after the successful completion of the pilot, the project correctly did not take the next step to scale-up, since the cost-benefit analysis showed that the impact of the project at client level was not commensurate with the investment required in terms of funding (cost of pilot was USD 250,000 for the beneficiary count of 1,825 clients taking the per client cost to USD 137 vis a vis programme average of USD 19.8[28].

4.3.3. Responsible financial services

UNCDF integrated Client Protection Principles (CPP) in all the grant agreements as a standard clause and encouraged its partners to endorse the CPPs. However, **it is difficult for the evaluators to assess how rigorously the FSPs followed the client protection principles on the ground.** The evaluators found the detail of product feature disclosure to be different across partners. For example, Interest calculation for savings product such as youSave also followed CPPs. Products such as bundled insurance and BIMA insurance product had a grievance redressal mechanism and information about the same was part of the marketing collaterals. However, FGDs in Vanuatu also showed clients registering their grievance for the lack of transparency in the way banks like NBV communicate about product and transaction pricing. Overall, there is little evidence of partner level disclosure on their adherence to responsible finance practices and the evaluation did not find evidence to support implementation of CPP on ground.

4.3.4. Cross-Cutting Issues

4.3.4.1 Integration of Gender

PFIP -II adopted a gendered approach during the implementation phase and aimed to strengthen partner capacities in reaching out to and serving women through i) Research/Technical Assistance, ii) integrating PBA targets in terms gender disaggregated reporting, iii) ensuring that the partners develop strategies to reach out to women and iv) continued monitoring of gender targets and advising FSPs on achievement of the same. The demand side survey across PICs (excluding PNG) was effective in estimating the gender gap in access to financial services in individual countries and provided the baseline for measuring the progress. Furthermore, it further helped the NFIS for respective countries to develop quantifiable gender-specific targets. While evaluating integration of gender by the programme, it is important to ascertain the development of gender-sensitive / transformative products or services and engagement with partners having a women-focused mission. Evaluators didn't find any evidence of the development of such products or services under PFIP –II. However, PFIP -II did engage with multiple women-focused organizations such as WMBL, SPBD, World Vision across the programme countries albeit through a regular product suite Channel of delivery, especially as innovated by WMBL has helped solve for access barriers for women which is a positive step towards improving usage and adoption of financial products by women. A country-specific assessment using the PoWER[29] toolkit was conducted in SOI and PNG to understand the barriers faced by women in

[28] Source – World Vision Project Closure Report

[29] https://www.uncdf.org/power/homepage

accessing financial services. By the end of June 2019, the results were not yet disseminated among the programme partners and hence the insights could not be applied to the innovation projects.

Approx 40%[30] of the new customers under PFIP -II were women[31] and 9 projects, *against a target of 14*, report outreach with segmentation for women[32]. PFIP -II tracked the gender-specific targets to measure the progress and advised partners in achieving the same. Mass market projects with ambitious outreach targets were expected to contribute significantly towards improving outreach to women by the programme. However, most mass-market products (Vodafone[33], BIMA - PNG[34]) reported limited outreach to women with the exception of BIMA that at its peak (March 2018) reported 85% outreach to women in Fiji and 80% in PNG.[35].

Overall, PFIP -II made concerted efforts in reaching out to women and strived to bridge the persistent gender gap in access to financial products and services in PICs. Utilization of results from research such as PoWER study for future programming will be pertinent to ensure a gendered approach and can be used for the development of gender curated products and services.

4.3.4.2. Effectiveness of Knowledge Management

Overall, PFIP -II was highly effective in utilizing its knowledge management function to drive intention to action. DSS, Micro-pension research, development of resource books under FinEd initiatives, savings club manual and focus note on financial products and services are examples of knowledge products as tools for deepening understanding of low-income population across the PICs in a bid to innovate relevant and effective solutions. At the other end of project implementation, PFIP -II commissioned an Impact Pathways study in Fiji, SOI and PNG for stakeholders to gain a better understanding of how access to financial services leads to the building of overall household level in education, health besides just economic outcomes. Similarly, the micro-pension reports have helped uncover opportunities and barriers to comprehensive pension coverage expansion to the informal sector where most providers have only been focusing on providing such services to salaried workers till date. A significant gap, however, is that the knowledge management efforts did not focus on creating institutional memory for project setbacks and failures, internal and external factors affecting thereof and strategic changes required going forward. The evaluation team finds this to be a risk area as unexpected transitions in management and leadership within PFIP may derail the repository of information and knowledge necessary for the programme effectiveness. All these knowledge products have made a significant contribution to expanding financial services amongst low-income households in PICs and contributed to the development of an ecosystem for financial inclusion. Stakeholders across the domains – public & private sector, policymakers and regulators appreciated the contribution of PFIP -II in the field of knowledge management.

4.3.5. Market demonstration effect

PFIP- II has had a limited market demonstration effect to date in terms of influencing other FSPs in the programme countries to adopt targeting low-income households and develop custom products/

[30] Evaluators findings reports it at 35% as mentioned in the Section 4.4
[31] Source – PFIP 2019 - Q1 update
[32] Source - RMF PFIP -II
[33] Vodafone had 24% women outreach as of Mar -19 outreach data. (Source -RMF Document)
[34] BIMA -PNG had 29% women outreach as of Mar -18 outreach data (Source -RMF Document)
[35] Project closure report- BIMA

channels for them. Across the programme countries, mainstream FSPs[36] have been circumspect about the commercial viability of products/ services targeting the low-income segment. The evaluation team didn't find any evidence yet of a crowding-in effect in these countries. All the countries continue to operate with a small number of market players, and in many cases, their numbers have even shrunk. For e.g. BIMA closed businesses in Fiji and PNG, ANZ Bank has reduced its number of branches in SOI. MNOs generally shied away from getting into the mobile money market as the perceived ROI is low and break-even period is longer[37]. Hence, they have looked up to PFIP for support as a way to manage/ avert risk.

PFIP-II's demonstration effect at policy level can be classified as highly effective as it played a central role in the policy landscape across the programme countries. Similarly, consumer empowerment initiatives have found endorsement among relevant stakeholders like the government with commitment to replicate the model. NFIS prioritized consumer education through the formation of focused working groups on Consumer Empowerment/ Financial Education and setting quantifiable targets for increasing financial literacy in the programme countries. These working groups focus on consumer empowerment measures within the country and bring together FSPs, policymakers, regulators and donor agencies for policy discussions and channel efforts on consumer empowerment. In SOI, the provision of equalisation fund[38] for the airtime pilot project has been made with that spirit. Once successful, it is expected that the government may waive off the service tax on airtime to be used for savings and payments.

4.3.6. Up-scaling and replication

At the wider sectoral level, owing to flexible programme design and active management by UNCDF, PFIP -II successfully engaged with the market. This had a demonstration effect on other developmental organisations working on the issue of financial inclusion. IFC's work in PNG and ADB's work in SOI are some such examples. PFIP -II implementation experience was also instrumental in providing feedback on market response to new product/ services and policy reforms. It is creating and opening up investment avenues for donors in the field of microfinance, SME finance, branchless banking etc. In this regard, it is noteworthy to mention that PFIP -II has certainly enhanced UNCDF's ***comparative advantage*** and ***positioning*** within the area of financial inclusion and digital finance in the region.

4.4 Impact

EQ 5 - To what extent is the programme on track to contribute to improved access to financial products and services for low-income rural populations?
• PFIP II has made significant contribution to changes observed in consumer level awareness, access and usage of financial services. Awareness of financial products remains low. Though there is access to bank accounts, usage and frequency of usage is low. There is a significant difference between men and women in both awareness and usage except for awareness around DBTs and Pensions, in which women demonstrate higher level of awareness.

[36] During KIIs with HFC Bank in Fiji and ANZ Bank in SOI, senior leadership of these banks reported the same and treated their work with low-income segments as CSR.

[37] During KII with Bmobile in SOI, it was noted that they didn't roll out MM due to longer break-even period. During KII at Vodafone in Fiji, similar apprehensions were shared when queried about need of PFIP -II support for roll out of MM.

[38] Equalisation Fund – PFIP -II has funded 200,000 USD for equalisation of currency and airtime as part of airtime project

- PFIP II has used innovative models to reach out to the last mile clients. However, these models are only moderately successful in impacting outreach and uptake of financial services by low income segments, particularly in rural areas.
- Market level outcomes for policy and regulation workstream of PFIP-II such as NFIS can be directly attributed to the programme that has led to formalisation and overall market development of financial services sector in the PICs.
- Consumer empowerment initiatives show a moderate impact on the awareness levels of clients, as only some of the initiatives have scaled across the PICs.
- Some projects, like BIMA also have had unintended impacts both on the market ecosystem and end consumers. Projects like Fiji care also had unintended positive impact in facilitating regional expansion and adoption by the government.
- Projects directly responding to consumer needs such as energy solutions in off-grid areas, products/ channels tailored for specific value chains have the potential of higher impact than general mass market products.

This section outlines the actual or likely impact of the programme on the broader market and policy systems through PFIP II support to partner organisations active in these systems, as well as where relevant, on changes in beneficiaries' lives that can be directly or indirectly attributed to the programme intervention. With respect to the evaluation questions related to the likely impact achieved by the programme, this section specifically responds to different strands of the following sub-questions:

4.4.1. Impact of financial and non-financial services at macro, meso and micro levels of the ecosystem

At the outset, it is pertinent to recognise that the financial services market in the four countries that formed part of the evaluation are at different stages of growth albeit defined by some common challenges explained in detail in the introductory chapters of this report. However, each country is also different in terms of the stage of market development, especially with respect to financial services. For example, countries like Vanuatu are at fairly nascent stage with their first ever National Financial Inclusion Strategy launched only in 2018.

The impact of PFIP II in developing the market ecosystem for financial services has to be seen through different stages of the results chain. *At the output level,* the programme has been extremely successful in ensuring that each focus country has a NFIS in place that provides a structured policy pathway towards determined financial inclusion goals. This is attributable to PFIP II, with part of the attribution also shared with Phase I of the programme which first supported NFIS development for SOI, Fiji and PNG*. An immediate outcome of the NFIS* was the institutionalisation of National Financial Inclusion Task Force and working groups to steer policy, implementation and for ensuring due attention to different strands of financial inclusion work. These are also largely attributable to PFIP II that helped the central banks structure these groups through the NFIS. PFIP is also an active participant in implementation of the strategy in PICs. The NFIS at the policy level and NFITs and working groups to steer the implementation of the financial inclusion strategy has led to endorsement of financial inclusion as a key contributor to the overall economic growth of the respective countries by the national governments and development agencies alike. This has created further interest in private sector players who are increasingly seeing a better policy-level architecture to support their venture into servicing rural, low-income pacific islanders from the informal sector. This has been further bolstered by PFIP II through various studies/ TA inputs such as review of the insurance Act, drafting Consumer Credit Act in Fiji, Regulatory guidelines for Microbanks in PNG, Insurance Act in SOI and Mid Term Reviews of NFIS in both SOI and PNG.

The Policy and Regulation workstream effectively supported the development of a **financial inclusion ecosystem** in PICs. In order to foster innovation and to increase risk appetites of the market ecosystem, PFIP-II has also put in concerted efforts to curate the concept of regulatory sandbox, thus allowing for regulators and practitioners alike to test new technology and solutions to deliver financial services and products outside the ambit of regulatory constraints. Some components of a well-rounded financial inclusion ecosystem that PFIP -II did not focus on at policy and regulation level included **remittances and microcredit**, both of which have a high need in the region.

PFIP -II effectively **promoted digital financial services** in PICs through its intervention under the policy and regulation workstream and has worked on this across both macro and meso levels. Evidence of such collaboration was found across the countries.: 1) In Fiji, through PFIP-II's work on digitising payments and dialogue with key ministries led to G2P and P2G payments to become a priority for "Digital Fiji" , 2) In SOI, it supported the development of practice guide of Mobile Money wallets and digitised G2P payments through its intervention with IRD, 3) In Vanuatu, it provided TA to NBV to create and implement innovative digital solutions for regional seasonal workers. However, evaluators didn't find much evidence of work done in PNG at the policy and regulation level to promote or expedite digital financial services. None of the TA provided in PNG were in the domain of digital finance and there was no progress on G2P/P2G payments despite it being a key focus area according to the prodoc. This seemed partly a conscious choice as there were other significant interventions on DFS by other developmental organisations such as IFC in PNG. Nevertheless, absence of G2P/P2G payments in PNG is an area where PFIP should work, especially given the inroads built with practitioners in reaching rural PNG, especially women.

Further, the knowledge management initiatives by PFIP II led to the recognition of lack of access and usage of financial services as a pertinent development problem. For a region that is otherwise submerged in 'data darkness', these studies have been illuminating and provided evidence and a baseline to measure performance of financial services development efforts. These reports have also enabled other stakeholders in the market ecosystem such as IMF, IFC and ADB to align themselves with demand side realities and to accordingly define their engagement with the financial services sector. Overall, PFIP -II was effective in enabling **data-based** decision making amongst policymakers, regulators and FSPs in the region.

4.4.2. Contribution of PFIP-II to build operational models and products for low income markets

Support by PFIP II to financial innovations at the level of FSPs were offered through different operational models to suit the local context, operational model of the partner and the need to integrate digital technology in order to achieve outreach to rural and underserved areas. In pursuit of this, projects under PFIP II have mostly used a hybrid model that deploys technology but is also assisted by a human interface, such as an agent network, to enable customer on-boarding and ongoing engagement to ensure product usage and adoption. This recognizes the low awareness levels of consumers across these markets, a lack of access exacerbated by poor state of infrastructure and connectivity with business centers- especially for the informal sector. For example, the Innovation lab set up by PFIP II for Vodafone- M-Pesa has contributed to the growth in mobile money users for M-Pesa through an agent network including Mobile Village Agents (MVAs) who are mobile and assist consumers with mobile banking services. Similarly, WMBL in PNG has set up MAPs across 5 locations enabling women to open accounts, transact and access products using biometric authentication. It has greatly reduced the barriers associated with paperwork and KYC requirements that is often a 'pain point' for customers, especially women. Similar examples could be seen in contexts like Vanuatu where formal banking services are almost exclusively concentrated in two to three locations across the country. NBV, has launched branchless banking and mobile money services. The services are offered through a network of community agents who reach out to outlying islands with limited digital connectivity to ensure that the digital solutions are complemented by physical touch points. In order to circumvent challenges around physical connectivity and the operational expenses thereof, there are also examples like the airtime project with CBSI in SOI, where consumers can save into their accounts by using airtime on their phones. While the initiative is still at a pilot stage, it is a great example of optimizing consumer use cases for nudging behaviour change that may lead to greater financial resilience through savings. Such business model innovations have also pushed the PFIP partners to look at the informal sector, especially in rural areas as a viable market.

However, such operational models often involve synergizing strengths of different supply side actors such as MNOs, banks and agent networks. Projects like BIMA, inspite of achieving significant outreach, fell apart due to the misalignment of expectations between the partners. Projects like MiBank Solar Loan or HFC agency banking in Fiji had inefficiencies such as poor selection of agents and low understanding of use cases amongst agent as well as end consumer. Hence, while some of these models showed great promise in the beginning, there are only a few examples that show long term impact through a sustainable operational model.

Impact is seen as strongest for projects that address the needs of a sector/client segment rather than introducing mass market products and services. Projects like SolaPayGo respond directly to the electricity needs of PNG in a context where 85% of the country is still off-grid. The project, which has yet to start reporting, has showed traction in the field as observed during FGDs with clients who find the product to be of high quality with convenient repayment channel through mobile phone top ups. In addition, it has been especially helpful for women to plan their days better as electricity is now available to them in the evenings as well to complete household chores. Children can study using a reliable source of electricity. Hence, SolaPayGo has the potential to achieve far reaching impact at the household level to improve productivity as well as overall well-being. Other examples of projects that respond directly to a pertinent consumer need and therefore have the potential for deeper impact are the use of M-Pesa towards the disbursement of education scholarship to students attending the three Universities in Fiji and the use of e-transport card for bus fares launched in October 2017 and Land Transport Authority (LTA) for loading of travel cards.

For impact at the end consumer level, the RMF for the programme outlines the results chain leading to the intermediate and long-term outcomes. ***Overall, the PFIP II programme has had moderate impact to date on customer outreach, product uptake, usage and adoption.***[39] At a regional level, as per the data collected and validated by the evaluators during the country mission, the programme has achieved 52% of its outreach targets with 779,633 consumers enrolled into formal financial services

[39] Reference to the programme description section where achievements to date against programme indicators are given

against a target of 1,500,000. This outreach pertains to consumers who are currently part of the different financial innovation projects commissioned under PFIP II.[40] PFIP-II RMF reports a higher outreach figure of 1,463,857 owing to the inclusion of projects like BIMA in PNG and Fiji that achieved significantly high outreach while they were active. However, due to the exit of BIMA from the Pacific region, there is no insight about the current outreach, if any, being managed by the local insurance partner. This development also had an impact on the outreach to women. Calculations by the evaluation team shows the outreach to women at 35% of the total vis a vis the target of 50%. This is a reduction from the 40% outreach to women as reported in the Q1 2019 PFIP report. It should also be noted that gender disaggregated data is not available for some projects such as FinEd Fiji, FInEd SOI and especially Fijicare which has a considerable outreach, therefore the reported outreach to women does not provide an accurate and comprehensive picture.

Usage and usage frequency at 30 days and 90 days are used as indicator for *adoption* of financial services. At the regional level, according to PFIP monitoring, the frequency of usage for both time periods stand at 33%. With only a third of the total outreach using the financial services offered, there is significant room for improvement to ensure a sustained engagement and benefit from the financial product/ service for customers and their households. There have been challenges around partner interest in recognising the low-income segment as a viable and serviceable business segment (WestPac, ANZ SOI). In addition, partner level dynamics have also influenced sustainability of consumer engagement with the product itself (BIMA, ANZ SOI). Such factors, along with capabilities around aligning with the consumer ecosystem, has a major bearing on consumer engagement with products.

To triangulate the regional data reported by PFIP II and its partners, the evaluation team also collected data through FGDs and quantitative surveys. FGDs were conducted in all the four countries while the quantitative survey was conducted in two countries- Fiji and PNG.[41] All the survey respondents are customers for PFIP II partners (Vodafone, Sugarcane Growers Fund, BIMA, Fijicare, HFC Bank, Westpac, MiBank, TVET PNG). Below are some highlights from the quantitative survey across the two countries and the household areas by rural and urban.

To understand the impact of PFIP initiatives at a client level, data around client awareness and product usage from the quantitative survey collected as part of the evaluation, has been presented in Tables 10 and 11. The evaluation found it challenging to map directly the attribution of consumer level insights to PFIP-II since different aid agencies have been working in the region with a focus on improving financial services. Moreover, there is no project level baseline and endline data that can inform changes attributable to the project. To attempt to rectify this, by gleaning insights from the quantitative and qualitative surveys conducted as part of the evaluation, the following is the evaluators' attempt to show the degrees of attribution and contribution of consumer level awareness and product uptake, usage to PFIP Phase II projects. To delineate attribution and contribution, the following legends have been used:

[40] In order to corroborate this data further, results against the customer level indicators have been calculated by triangulating information obtained through KIIs, data reported by partners on the Data Collection Tool (DCT) and discussion with partners and PFIP staff on the current status of the projects, including for those that have been concluded. In cases where data with RMF did not match, the evaluators have used the primary data collected from partners for analysis.

[41] Details of the survey spread and coverage can be found in Annex 5. Tools used for the FGD and the quantitative survey can be found in Annex 4.

Attribution to PFIP II	Partly attributable to PFIP II	Contribution by PFIP II	No contribution or attribution

As shown in Table 10, the awareness levels for products like Pension and Insurance have been found to be high among survey respondents. It is important to note that there are very few FSPs reaching out to low income segments and products like bundled insurance products offered by Fijicare and BIMA helped reach first generation users of insurance products among the low income, informal sector. However, in SOI and Vanuatu, the FGD participants, primarily from the informal sector, showed a low awareness of insurance products. For pensions, the evaluators do not find the awareness levels attributable to PFIP II since the FNPF product in Fiji did not take off and respondents from PNG, while aware of pension conceptually, have not been offered a pension product through any PFIP supported project. By the time the country mission by the evaluators was completed, NASFUND in PNG was yet to start its operations. The FGDs in SOI and Vanuatu revealed a very high awareness about pension products directly attributable to the outreach efforts made by SINPF and VNPF respectively. Similarly, P2P payments afforded through the various mobile money initiatives under PFIP-II in both Fiji and PNG have a high degree of attribution to PFIP both in terms of awareness and usage. Awareness around credit products is relatively low since only a few FSPs, supported by PFIP, offer credit products.

Even in terms of access and reported usage, ownership of and transactions through bank accounts can only be seen as a contribution of PFIP, since it supported projects that involved banking transactions like Westpac, HFC, MiBank and Vodafone M-PESA. However, since a large part of the quantitative survey respondents (49%) were salaried individuals, the survey sample is not a representative sample of clients served by PFIP, and there is a fair chance that the respondents already had an exposure to banking services. For rural areas however, the attribution is stronger for PFIP initiatives since most of these locations remain unserved by formal banking services outsides of initiatives like PFIP II. Usage of credit and DBTs cannot be attributed or seen as a contribution of PFIP II since these products were not offered under the projects commissioned by PFIP.

Table 10:Awareness levels recorded for PFIP partner outreach*

Product	Rural	Urban	Male	Female	Total
Pension	65%	71%	68%	69%	69%
Insurance	72%	84%	87%	72%	79%
Direct Benefit Transfers	43%	58%	48%	57%	53%
Micro credit	54%	41%	56%	37%	46%
P2P Payments	35%	51%	49%	41%	45%
Remittances	54%	42%	52%	41%	47%
Awareness of banking agent in neighbourhood	33%	14%	22%	24%	21%

*Data source: Primary data collection from the quantitative surveys in Fiji and PNG

Table 11:Product usage and adoption*

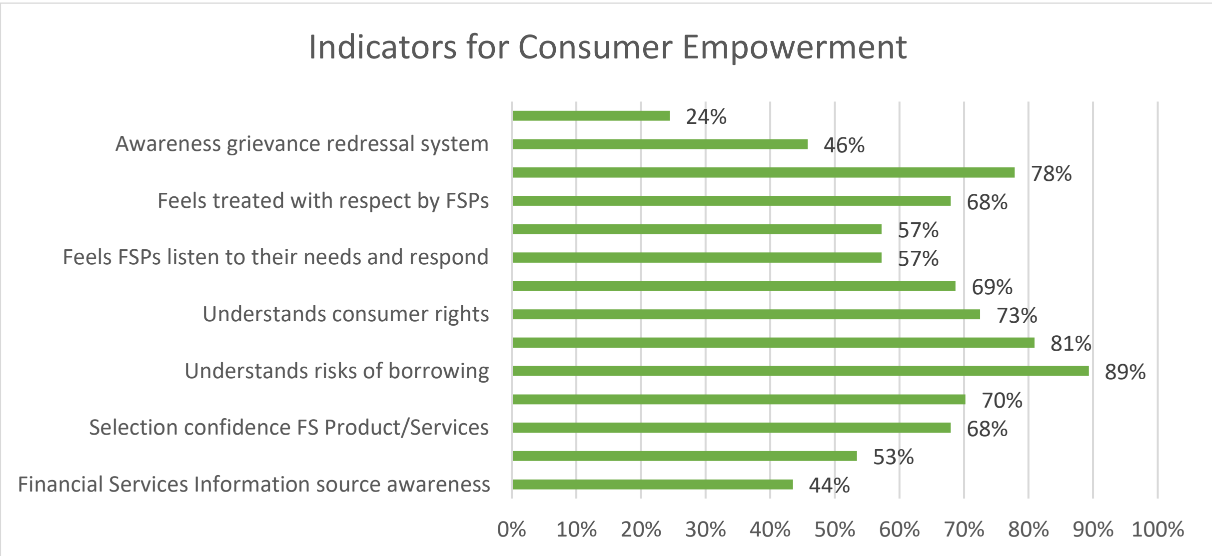
Access, usage and adoption indicators	Rural	Urban	Male	Female	Total
Own a bank account	65%	75%	75%	69%	72%
Have personal ATM/debit card	63%	73%	71%	68%	69%

Used ATM card/debit card in the last 90 days	35%	55%	49%	47%	48%
Deposited into account in the last 12 months	48%	66%	62%	57%	60%
Withdrawal from account in last 12 months	50%	67%	62%	60%	61%
Used insurance in the last 90 days	6%	7%	5%	4%	6%
Used P2P payment services in the last 90 days	11%	25%	27%	13%	20%
Credit used in last 90 days	17%	12%	16%	12%	14%
Direct Benefit Transfers used in last 90 days	4%	9%	8%	7%	8%
Utility payments made using digital means in last 90 days	37%	47%	52%	35%	44%

*Data source: Primary data collection from the quantitative surveys in Fiji and PNG

In terms of consumer empowerment, client surveys across Fiji and PNG showed that only 44% of clients have any knowledge source for financial service and only 46% of clients are aware of any grievance redressal mechanism at the FSPs. Furthermore, only 53% of clients felt confident about comparing different financial products and 81% of the total clients felt choosing between FSPs was a stressful experience. In general, indicators of consumer empowerment fared poorly in rural areas.

*Figure 11: Indicators of Consumer Empowerment (Source Quantitative Survey) **



*Data source: Primary data collection from the quantitative surveys in Fiji and PNG

Overall, at the client level, changes through the results chain can only be mapped for a very linear pathway due to the paucity of data and absence of in-depth impact studies commissioned either by PFIP or conducted internally for the projects by the partners themselves. There have been attempts to analyse partner level data as reported in the Impact Pathways project conducted jointly by PFIP-II and BFA.[42] For example, anonymized data for Vodafone Fiji showed that of the 27% of consumers that were active post registration, 28% did MANAGE (stretch money over a short term), 33% did GET (receive a payment), 35% did PAY (utility payments, P2P) and 36% did PROTECT (retain some money over a period of time) over a one year period. In addition, 88% of active Vodafone PAY users reported

[42] Pathways to a better life: The intricate role of digital finance in reaching SDGs; PFIP and BFA; February 2019

that they now have a greater number of people they can ask for emergency funds compared to the number they could ask before they used mobile money. This has helped understand the potential of financial services beyond just immediate use cases to overall impact on financial and overall well-being. Evidence for financial services to create one or more development impact(s), especially leading towards, if not the achievement of other SDGs cannot be discounted and should ideally be enabled through effective data collection. **Integration of impact assessments and M&E plan at partner level would help programmes like PFIP-Phase II to be able to map the different impact pathways** to indicate, even early in the product cycle, how customers are using the service and what benefits they are receiving – critical information for service providers to tweak and adapt their value proposition to low income clients. In this way, it can become a strategic tool for financial institutions to provide their customers with all the benefits that are possible, as well as a tool with which donors supporting those institutions to see where their strategies are paying off. Ultimately, this puts the impact on the customers at the centre of the strategies for both.

4.4.3 Unintended Impact

While following the programme performance against the programme design, the evaluation also looked at the unintended impact at the client level. The most important is the impact of withdrawal of BIMA from the Pacific region. The project achieved significant scale in Fiji and PNG with an outreach to 323,314 Pacific islanders of which 51% were women.[43] However, because of the sudden exit, consumers holding the insurance policy had little recourse to seek information on how to further engage with the product, claims, renewals, among others. This leads to long term ramifications such as distrust towards the product and channel used since the premiums were paid through Digicel mobile top-ups. The project also had an impact on the market ecosystem for insurance since BIMA was celebrated for its audacious outreach to first generation users of insurance products. As noted in the midterm review of NFIS II for PNG, “uncertainty regarding factors that failed the business model has led to increased risk aversion among other insurance industry players with regards to testing innovative products and delivery channels.”

The evaluators could also map the unintended impact of management churn within partner organisations on the health of the PFIP supported projects. Examples like Westpac in PNG where the bank had received one of the largest grants made by PFIP Phase II (USD 1.5 million) had to be terminated prematurely because of change in management and the resultant shift in organizational focus.

One of the important positive unintended impact of the programme is the success of Fijicare and how quickly the government adopted the product as part of its welfare offering for employees in the government service. While sustainability of a project is always a desirable outcome, the turnaround for Fijicare was accelerated because of the performance of the product, its reception by end consumers and the sharing of progress made through active communication.

4.5 Sustainability

EQ 6 - To what extent are the programme results likely to be sustainable?

[43] RMF PFIP Phase II

- On the policy front, the programme interventions have been found to be highly sustainable through the institutionalization of NFIS in countries where PFIP Phase II is operational
- On the financial innovation front, the programme shows low sustainability with only about 10% of total projects (Fijicare and SINPF) showcasing any evidence of financial sustainability reached by end of programme. 20% of projects have only been recently commissioned and cannot be evaluated in this area
- PFIP-II inputs around TA has played a key role in securing buy in from partners and ensuring professional rigor in offering financial services through innovative operational models
- Consumer empowerment initiatives have been moderately successful overall with high success rates noted for curriculum integration for schools and TVET programmes. Initiatives around embedding consumer education through FSPs are few and far between, thereby discouraging any analysis around the sustainability thereof.

Sustainability is concerned with measuring whether the benefits of an activity are likely to continue after donor funding has been withdrawn. Projects need to be environmentally as well as financially sustainable.

Given the unique PIC context, not only is achieving sustainability a challenge but predicting growth over the duration of a project is also difficult due to the several externalities weighing upon the success of a project in the region.

On the policy front, PFIP- II has created a strong and sustainable framework to support financial inclusion efforts through the NFIS for five countries. Of these, through PFIP-II, NFIS has been- updated for three countries, launched for the first time in two countries and a comprehensive midterm review has been conducted for NFIS in two countries. Institutionalization of NFITs to support the policy level work and to steer the discussion and implementation in the financial inclusion space has ensured that the guidelines in the strategy are realized into action. Further, domain specific working groups have ensured buy-in from public and private sector entities that have an interest in the financial services sector. Bringing together of stakeholders through these working groups has also given an opportunity to participants to discuss policy level changes that are key to keep the market agile especially in a quest to serve the low-income segments from the informal sector. TA inputs provided under PFIP-II have offered specialized inputs to the efforts that are being made by central banks and other apex institutions to ensure a strong working environment and market ecosystem for financial inclusion. Specific components such as insurance, superannuation funds and entities like microbanks that can drive financial inclusion were supported through technical assistance. For donors like DFAT[44], this has also been one of the strongest outcomes of the programme.

4.5.1. FSP sustainability to supply financial services to low income households

On the financial innovation front, the evidence points to moderate performance on the sustainability of the different projects that have been supported under PFIP Phase II. **It should be noted that of the 27 projects mapped as per the PFIP Phase II RMF, 20% of the projects have been signed only in 2019 and have not started reporting or have been significantly delayed in starting their operations.** Of the remaining 80% of projects, Fijicare in Fiji and SINPF in SOI have shown scale and performance for their projects to be called sustainable. In the case of Fijicare Insurance, the numbers have swelled due to

[44] KIIs with DFAT representatives in PFIP focus countries

government's decision to extend coverage to its staff and welfare recipients, however the high pay outs have led to losses in the current year even without taking into account the operational costs to run this scheme. In collaboration with the government, Fiji Care is putting in measures to limit the pay outs by redefining beneficiaries. But it is a work in progress and the current scenario points to sustainability issues in a project that has otherwise generated significant volume of outreach numbers. In the case of SINPF in SOI, the product- YouSave is expected to break even during the 4th year of intervention, and the current uptake of the product is very promising and efforts are on to replicate it in Vanuatu and PNG. Addition of airtime channel for uptake (if implemented) will aid the uptake and shorten the runway to realise the viability period of the product. Vodafone M-PESA supported under PFIP-I has achieved high scale (339,768) under PFIP-II and is also expanding to three other countries. Further the use of MVAs to deepen outreach in rural areas, first piloted using PFIP-II grant is now being scaled up by Vodafone without any external support. Among some of the newer projects, WMBL in PNG has shown great promise and since the roll out of its MAPs project earlier in 2019, the project has already achieved over 55% of its outreach targets and has mobilised funds commensurate to open up a credit line for its consumers. Similarly, SolaPayGo in PNG has achieved success in rolling out the solar home solution unit and feels confident about breaking even by the second year of its operations at the most.[45] Prominent among the remaining partners are Westpac and BIMA (in both Fiji and PNG) that either shut down their operations or could not sustain operations. Agent banking projects, HFC bank in Fiji and Go Money Channel of ANZ Bank in SOI show serious lack of belief in financial sustainability among top management of both banks, casting doubts over their sustainability beyond project phase. Overall, in terms of financial sustainability, most projects have not been able to pass through all the stages of UNCDF's maturity model at a level of scale that can confidently peg them as long-term sustainable models.

4.5.2. Extent of PFIP-II contribution to improve institutional and operational capacities of implementing partners

On the policy front, TA provided towards the drafting of NFIS and the midterm reviews of NFIS in PNG and SOI have been appreciated deeply by the central bank and other stakeholders. These have lent a critical lens through which financial services can be viewed and the progress mapped for each country. The role of TA provided through knowledge products such as Demand Side Surveys have also played a groundbreaking role in establishing baselines for these countries through empirical evidence and has bolstered the efforts to institutionalize measurement frameworks for financial inclusion as a nationwide project.

One of the important inputs provided by PFIP-II is deep technical expertise in the financial services space. TA was provided to many partners through the programme duration to administer the innovation hub for projects, to provide technical guidance to set up digital platforms for consumer engagement and process re-engineering, digitization of systems, use of HCD principles for product and engagement design, among others. The PADs also call for management level recruitments to execute the project requirements and to build institutional experience and knowledge in order to continue the project mandate sustainably even after PFIP's engagement is concluded. TA support has been one of the strongest offerings by PFIP Phase II and has been appreciated by different groups of stakeholders. On the FSP front, the fintech challenge hosted by PFIP earlier in 2019 has been appreciated by NBV in

[45] KII with SolaPayGo management

Vanuatu and KINA bank in PNG for the technical rigor brought in by the fintech companies and the value proposition thereof. Similarly, TA provided by BPPS and Pinbox Solutions through micro-pension studies allowed SINPF in SOI, VNPF in Vanuatu and NASFUND in PNG to align its product offering for the informal and rural sector in a very successful way. PHB Development's TA to WMBL in PNG allowed for the institutionalization of the MAPs that is already making for a successful story. However, there have also been examples like the case of Westpac in PNG, the conclusion of the TA support provided by a long-term consultant was one of the reasons why the project did not carry on. This has shown that management intent from the partner organization, TA consultant's ability to mentor, coach and institutionalize technical expertise are some of the important factors determining sustainability of such efforts.

Further, PFIP-II has fostered an environment for innovation in the sector through concepts such as regulatory sandboxes to enable partners to think out of the box and try solutions to maximize outreach to the last mile consumers. While the ecosystem for experimentation has been afforded through PFIP support, the sustainability of such efforts will show when partners would be empowered with skills to carry on such work on their own merit by actively participating in the market and by continuing to recognize the low-income segments as a viable consumer base.

For consumer empowerment, TA inputs from BASIX have helped shape the FinED content suited for integration into TVET courses in PNG. Since the TVET programme focuses on improving job readiness of youth through skilling programmes, the juxtaposition of financial education at this important juncture improves the chances of application of knowledge gained in day to day lives as these youth join the workforce. This immediate application to context is an important factor affecting the sustainability of the programme which is now being adopted by different provincial governments in PNG. Similarly, TA received towards content creation for FinED curriculum in SOI and Fiji have been deeply appreciated by stakeholders including school teachers who the evaluation team met with. The sustainability of FinEd work in Fiji is clear with Ministry of Education taking full ownership of the project.

4.5.3. Sustainability of products and services in serving the needs of low-income populations, particularly for women and particularly in rural areas

In terms of financial products and their sustainability in the Pacific context, products and services that respond to immediate need of consumers and enable them to latch on, leads to higher adoption. Successful examples such as SINPF's youSave product, Vodafone's Mobile Village Agents allowing for consumers to tap mobile agents, WMBL through their MAPs allowing women microentrepreneurs an easy access to banking services through simple biometric onboarding process, SolaPayGo offering quality energy solutions in off-grid areas are some of the projects that have optimised client needs and have therefore experienced success. Examples like these have shown the formal banking services is not important on its own unless it helps solve a life need such as access to electricity for a population that is primarily off grid. Similarly, savings will only be important if clients know that their money will grow in the bank account or can be leveraged for taking out loans at time of need through easy means. Also, transactions will only be possible if it is meaningfully entwined with the day to day transactions of pacific islanders such as to receive funds for their produce or to pay off vendors or to make utility payments. This is the reason why there is a need to shift to an approach where sector specific solutions are derived that work on optimising forward, backward linkages in a value chain such as cacao, coffee, coconut farming and other relevant agri and non-agri sectors, allowing all actors to engage with the financial products.

In terms of sustainability of intent and interest to continue developing products for low income segments, it is important for the different stakeholders, most importantly the implementing partners themselves to view the low income, informal segments as a viable consumer base and not simply as their social responsibility as some partners reported during KIIs. This issue around management attitude has led to premature conclusion of some projects and while others have not been able to take off once PFIP support in the form of TA or grant was withdrawn. The evaluators strongly feel that the partnerships should be fostered with entities that share or aspire to develop sensibilities around working with informal sector and has a working knowledge about the market. Partners such as Vancare, Telecom Vanuatu Ltd. (TVL) that the evaluators met with also reported as not having much insight into the informal sector, the bottlenecks and triggers that define financial behaviours of low-income segments, and their willingness to understand the market in more depth. While this is true, even the information that is available, especially through efforts puts in by PFIP-II, is known by only a few staff members in the partner organizations and is not part of the institutional knowledge base. This is one of the reasons why only a few projects have had any success in reaching out to women and understanding their importance as a customer segment. With a mass market approach, it is not very surprising that most projects under PFIP-II do not fare very well in terms of their outreach to women. Educating partners using knowledge products like DSS and PoWER diagnostic studies can go a long way to create a well-informed supply side that can help reverse the oft opted 'top down' approach leading to sustainable engagement and business models.

4.5.4. Sustainability of consumer empowerment initiatives

The sustainability of the consumer empowerment initiatives can be seen through two lenses. The first is the policy level work to bolster the consumer protection framework and the resultant incorporation of such measures in the implementation practices of the various players in the market. Evidence from secondary literature review shows that integrating consumer protection measures helps build sustainable businesses in the financial services sector.[46] While most of the NFIS's touch upon the need for integrating consumer protection guidelines, there are not many examples of countries with model laws/frameworks that can for a strict adherence and compliance to such guidelines. In Fiji, PFIP-II provided TA to the Ministry of Industry, Trade & Tourism to propose amendments to the Consumer Credit Act but there is no clarity on how strongly will it integrate consumer protection. The other lens for ensuring sustainability is an 'informed' engagement of clients with financial services, products and their providers. Most PADs have incorporated a component of consumer education however, the only evidence found in the field, especially through FGDs was of product marketing. The evaluators did not get access to any structured financial education content that the practitioners may be using in the field. Sustainability from the perspective of consumer engagement gets affected in such a case, since consumers have little knowledge about making informed choices (vastly different from getting convinced about a product through a marketing pitch), recourse in case of any bad experiences (instead of becoming dormant and cease to enjoy benefits of the product) and hierarchy for grievance redressal. This is an important gap in the current programme design and should be addressed in the subsequent phases of PFIP.

[46] https://blogs.adb.org/blog/microfinance-institutions-must-enhance-client-protection-better-serve-clients

Overall the sustainability of the PFIP-II programme interventions is still work in progress. Commercial and business viability is a strong consideration in the programme design and in the choice of partners that are mostly for-profit, commercially strong organisations with a pan national presence. However, given the challenges in the PICs the traditional outreach for most of these entities are predictably in a few urban or peri-urban pockets and it is PFIP-II that is helping them push their boundaries to reach low income populations, especially women, particularly from the informal sector. PFIP-II has also driven sustainability by ensuring partners' contribution to the project development and implementation instead of simply subsiding costs through grants leading to an urgency among many partners to move beyond just proof of concept. The contribution of PFIP-II in creating a momentum to create rigor and continuity in the market ecosystem for financial services in the PIC cannot be discounted even though there are areas across the workstreams that still need interventions before the market forces entirely take over in the region.

5. Conclusions and Recommendation

5.1. Conclusions

PFIP II has developed a well-defined approach to achieve its overall objectives through three workstreams- Policy and regulation, Financial Innovation and Consumer Empowerment. The workstreams clearly map the intent of the programme to work at macro, meso and micro levels to bolster the market ecosystem for financial inclusion in the PICs.

The performance of PFIP II can be seen most pertinently at the macro level where the programme has worked to ensure a strong policy framework for the various market players to engage with. The programme has shown high levels of performance in driving national, regional and global synergies in ensuring relevant, efficient, effective and impactful outcomes in strengthening the policy framework for financial inclusion in the PICs. This has provided the first nudge required for the market ecosystem to work effectively in a well-regulated manner, especially in a region like the Pacific that is ecologically, socially and economically diverse with many unique challenges acting upon the growth of businesses in the region. The NFIS and the targets set by national governments and central banks towards the achievement of financial inclusion has also encouraged the evaluation of current legal entities and their ability to serve the low-income segments through sustainable business models in their current form. PFIP-II has also helped in review of such ancillary laws and frameworks such as the Insurance Act in Fiji, regulatory framework for microbanks in PNG, to help strengthen and provide more regulatory room for different entities to serve last mile consumers more effectively. PFIP-II has also conducted the mid-term review of NFIS in SOI and PNG and are seen by central banks as a critical stakeholder to provide technical guidance in the steering and implementation of the NFIS and its goals. PFIP country-level staff are also members of the different working groups that have been constituted by the NFIT to steer the policy and implementation discourse in financial inclusion and allied activities. The institutionalization of NFIS and subsequently of NFIT in the PICs has also helped align other national priorities around bolstering of sectors like agriculture and women's empowerment with financial inclusion as the pathway and means to achieve ends that go beyond low-income segments accessing formal financial services.

The macro level intervention around policy strengthening has also led to changes at the meso level with the foray of larger financial entities like commercial banks, insurance companies, superannuation funds and Mobile Network Operators to test waters in the financial inclusion space and understand the dynamics therein. Programme inputs have been found to be highly relevant considering the PIC's financial inclusion landscape and thereby the focus on DFS and agent banking that has been found to be well suited to the countries' context. The financial innovation workstream facilitated the testing of new products, solutions and channels through the Innovation Hub by supplying FSPs with expert TA to bring in professional rigor. While this is work in progress with business models yet to show scale, the increase in the participation of a diverse set of actors in the financial inclusion space has led to more agility in the market while also giving it a competitive edge. PFIP-II's results also share important lessons about cases like BIMA, Westpac, ANZ SOI, Mibank-Empawa partnership around project management, effectiveness, impact and sustainability of solution being implemented over the long run. Success of projects like Fijicare in Fiji and SINPF in SOI have also created a strong case for regional expansion whereby demonstration effects of such projects have propelled inter-country knowledge

transfer for projects like Vancare in Vanuatu, VNPF and NASFUND in Vanuatu and PNG respectively. In spite of gender being a programme priority, no evidence of the development of gender-sensitive or gender-transformative products was found during the evaluation. When seen from the perspective of UNCDF's maturity model of innovate-leverage-scaleup, most projects for PFIP II are at the innovation stage with only about 10% of projects that have shown the potential for scale-up.
At the micro level, the consumer empowerment workstream has focused on mainstreaming financial education through school curriculums in Fiji and through TVET institutions in SOI and PNG. These initiatives have been appreciated across the board for preparing students and youth for better financial planning and wealth management once they enter the workforce. The work with TVETs have not achieved scale but there is enough proof of concept for the next phase of PFIP to take such initiatives to scale. On the client protection front, there is evidence of focus and alignment with SMART Campaign's Client Protection Principles as seen documented in some of the recent PADs. However, in practice there is no evidence of projects or TA that are entirely focused on bolstering consumer protection either for individual PFIP commissioned projects or at a policy level for the market as a whole. Given the diversity of the Pacific region and the lack of access to information and therefore recourse for grievance redressal, consumer protection is a very important theme to be developed and implemented. Primary data collection by the evaluation team showed that PFIP II has made significant contribution to a majority of changes observed in consumer level awareness, access and usage of financial services. Though there is access to bank accounts, usage and frequency of usage is low. There is a significant difference between men and women in both awareness and usage except for awareness around DBTs and Pensions, in which women demonstrate higher level of awareness.

Knowledge products have been very important outputs at each level of the 3 key workstreams under PFIP-II. Studies to scope out demand side dynamics for different countries are singularly the only documents that have credible demand-side information on the access to financial services with some key insights on the determinants of financial behaviours among end consumers. These documents have been referenced by stakeholders for not only the financial innovation workstream but also by policy makers and the central banks in setting the course for the crafting of NFIS, its guidelines as well as for target setting. The DSS has also helped demystify the demand-side dynamics for FSPs who have ventured into the business of offering financial services to the informal sector, especially outside the urban centres where most of the financial services are generally focused. At the policy level, mid-term reviews of NFIS in SOI and PNG have also aided in monitoring progress and suggesting changes within the policy architecture as well as the implementing bodies to create a more efficient financial inclusion ecosystem in the two countries. In addition, studies such as the regulatory framework of microbanks in PNG recognise the importance of entities that have the intent and distribution network to reach last-mile consumers but not enough regulatory room to operate in. Such studies have helped FSPs and central banks alike in tweaking the policy ecosystem to provide a more conducive market environment. Similar initiatives like TA for the Insurance Act in SOI and the Consumer Credit Act in Fiji have shown PFIP's ability to bring in the much-needed global expertise to aid the growth of financial services in the Pacific region. Overall, knowledge management was highly effective during PFIP -II with research and TAs, enabling the development of financial inclusion ecosystem in the country. However, efforts in documenting and creating institutional memory have to be further streamlined especially in cases of project failures such as BIMA. Communication of programme updates has been found to be very effective and appreciated by stakeholders across the board.

PFIP-II institutionalised a Results Management Framework (RMF) to help collect, analyse and report partner level data as part of programme monitoring as well as to ensure accountability towards the objectives of the programme as set out through the results management hierarchy document. While comprehensive, the RMF could not accurately report on the outcomes of the programme with gaps in data collection from partners as well as in the analysis and reporting thereof. This is an area for improvement for the next phase of PFIP as well as an area of concern for stakeholders, especially donors supporting the programme. Further, the RMF, in its current form only covers a very linear impact pathway without accounting for the possible development impacts on SDGs that access and adoption of financial services can create.[47]

In terms of the team spearheading the PFIP-II programme implementation, the quality of technical assistance provided by PFIP-II staff and TSPs was found highly efficient and resulted in efficiency gains for the programme. PADs were found to be very detailed and efficient in terms of recording performance indicators, disbursement schedules & conditions, activities and outputs expected from the project. Integration of technology to offer digital or digital aided solutions also contributed to efficiency gains**.** Most of the mid-term review recommendations were recognised and implemented by the programme team barring the recommendation pertaining to the hiring of gender specialist and grant management especially where multiple partners are involved.

Overall, the programme has been found to be relatively cost-efficient with an average cost per PFIP-II clients reached at USD 25. It is expected to decrease as outreach numbers from newly sanctioned programmes feed into programme outreach. However, it discounts the work done under Policy and Regulation workstream of PFIP-II, which is one of the strongholds of the programme. In terms of achieving the output targets, PFIP-II was moderately effective and achieved 7 out of its 14 targets set across the three workstreams. It has performed well to mostly achieve the targets set under Policy and Regulation workstream though there was a significant gap in achieving targets under Financial Innovation and Consumer Empowerment workstreams.

In terms of sustainability, on the policy front, the programme interventions have been found to be highly sustainable through the institutionalization of NFIS in countries where PFIP-II is operational. For financial innovation projects, the programme shows low sustainability with only about 10% of total projects (Fijicare and SINPF) showcasing any evidence of financial sustainability reached by end of programme. Twenty percent of projects have only been recently commissioned and cannot be evaluated in this area. PFIP-II inputs around TA have played a key role in securing buy-in from partners and ensuring professional rigor in offering financial services through innovative operational models. Consumer empowerment initiatives have been moderately successful overall with high success rates noted for curriculum integration for schools and TVET programmes. Initiatives around embedding consumer education through FSPs are few and far between, thereby discouraging any analysis around the sustainability thereof.

5.2. Recommendation

The recommendations for PFIP Phase II, as documented below, are an outcome of the overall evaluation findings and the conclusions thereof. The following are recommendations applicable to the

[47] Pathways to a better life: The intricate role of digital finance in reaching SDGs; PFIP and BFA; February 2019

programme as a whole and the country specific recommendations are available in country reports for Fiji, SOI, PNG and Vanuatu.

Policy and regulation

1. PFIP Phase II has clearly registered success through the support offered to central banks and national governments in establishing the NFIS and the relevant architecture for steering the policy discourse, including working groups to bring together various strands under financial inclusion.
    a. KIIs with central bank showed that central banks look to PFIP and its team for technical and management guidance. While multi-stakeholder working groups and their coordination may not be entirely under PFIP's purview, specific guidance around data management that can help guide discussions more proactively within these groups should definitely be considered as part of the next phase of programme design.
    b. The evaluators did not come across very strong evidence in the form of regular, nuanced and credible data that is being reported by central banks on a periodic basis for a standardized list of output, outcomes and impact metrics. PFIP can play a critical role in bringing together global best practices, technical advisory and management experience to ensure that the implementation of NFIS is more nimble and data driven.
    c. The Demand Side Surveys have been singularly responsible for establishing credible baselines for countries where PFIP is operational and for offering valuable insights into the informal sector that still remains a grey area for many FSPs and other stakeholders. The next phase should continue to build this database to drive decision making and relevant intervention design for low income segments, particularly in rural areas and especially for women.
2. Digital payments and building the ecosystem to support it was one of the key areas of intervention for PFIP- II but not many initiatives have been taken up in this space. It is an important use case in the PICs where technology driven platforms to facilitate transactions can potentially address challenges around geographical dispersion, high operational costs and low quality of infrastructure, among others. Global examples from countries like India have shown that driving the payments ecosystem creates immediate use case and helps onboard consumers to use digital financial services.[48] Developing the payments ecosystem in a context like the Pacific region could be a significant nudge in the direction of creating use cases that will drive access to adoption. The next phase of PFIP should bring the payments ecosystem to the centre stage of its work as one of its key domain areas.
3. Regulations allowing banks and nonbank e-money issuers to appoint agents have been in place for a decade in quite a few countries. These regulations were often inspired by Brazil's experience dating back as far as the 1970s. In 2006, for example, India first adopted its "business correspondent" (agent) regulations.[49] However, in the PICs, there is still a lot of uncertainty around the selection of agents, criteria thereof, the infrastructure pre-requisites, accountability matrix to consumers, de-risking cash management, especially in countries like PNG where security is an issue. Among the PICs, Fiji has an Agent Banking Guideline that it introduced in 2013 but it has not been updated since and provides very generic guidelines around agent selection and transactions

[48] https://assets.kpmg/content/dam/kpmg/in/pdf/2019/08/Fintech-in-India%E2%80%93Powering-mobile-payments.pdf
[49] https://www.cgap.org/blog/its-time-deregulate-agent-cash-incash-out

allowed through branchless banking. PFIP's next phase could focus on studying lessons from some of these global practices around agency banking regulations and help central banks contextualize it for the PICs.

Financial Innovation

4. The Financial Innovation workstream under PFIP II focused on many products with the focus primarily being on savings through access to bank accounts, pension and insurance through branchless banking, mobile money and agent networks as the popular engagement channels. Projects using PAYG models to access solar energy products, particularly home solutions have also been offered through the programme. Lessons drawn from the programme till date, should drive the PFIP team to realign the key product/service domains for the subsequent phase of the programme to focus efforts on where inputs are required the most. Domains such as the following should be clearly delineated with adequate focus provided for each. For example,

    a. For insurance and pension products, the programme should focus on regional expansion using successful examples (Fijicare, SINPF) and drive factors to ensure long term sustainability of these programmes.

    b. Domains such as energy financing, climate resilience financing should be enabled within the PFIP management to align with needs of the PIC context and to bring in more professional rigor and accountability for the results realized through such project commissions both from the PFIP and the partner management perspective.

    c. Credit has clearly emerged as an urgent domain for PFIP to focus on, especially from consumers as a stakeholder group that continue to reach out to informal sources that are exploitative albeit convenient, to access credit. All countries in the PICs exhibit severe deficiencies in the credit market – be it microfinance or small enterprise financing. It is suggested that within the well-suited Digital strategy, PFIP-III should focus on expanding credit outreach- which will have a multiplier effect on payments and insurance.

    d. Domain for channel innovation that can look at increasingly agile ways to facilitate the reach and adoption of financial services. This often requires collaboration between multiple entities such as MNOs, FSPs, commercial banks, white label agent/infrastructure solutions that has been enabled for different projects in the current programme phase. Examples such as CBSI pilot project to use airtime for payments and savings is one such project that shows the efforts put in by PFIP and its partners to create innovative, consumer centric service. However, as also observed through other projects such as HFC, Westpac, more rigor needs to be brought in to detect early on during project implementation about channels that do not work and the possible alternatives that can be plugged in suited to the environment within which consumers, especially those from low income segments and especially women, exist.

    e. Digitization of G2P payments will also feed into agency banking volumes and should be a focus area for the subsequent phases of PFIP. There is also support and collaboration available in this space due to the work taken up by other development agencies such as IFC and can be leveraged to drive ecosystem level changes that will ultimately help drive better use cases for last mile consumers.

f. SMEs are clearly a focus for most national governments of countries where PFIP is currently operating. SME guidelines/policies also focus primarily on agri value chains that primarily employ the low-income informal sector- the key outreach for PFIP projects. Hence, it would merit to enable SME financing as a key domain area under the subsequent phases of PFIP.

g. In spite of migration being a key feature defining the economies of various PICs, there is very little evidence of work being done to bolster remittance products- both at intra and inter country levels especially where seasonal workers are concerned. Insights gathered through FGDs show that recipients of remittances still travel large and inconvenient distances to access funds.[50]

5. Agency banking remains a highly debatable area in the PICs with no distinct model showcasing a sustainability in the long run. However, it is also one of the few engagement channels that can help onboard low income, rural consumers on digital platforms using a human interface. IN spite of the model currently not yielding results, it is a necessary recourse. PFIP should focus on setting up this model for success especially by ensuring there is enough agility and use case in the forward, backward linkages wherein such agent networks are plugged in.

6. Gender remains an area of great concern since PFIP Phase II clearly mentioned outreach to women as a key focus area in line with UNCDF's policy around addressing and human rights through all of its programmes. However, the means to achieve the purported end remains extremely vague for the programme with reporting gender disaggregated data being the only indicator that is somewhat reported against. Apart from projects like SPBD in SOI and WMBL in PNG that happen to focus entirely on women, there are no other instances where a gender focus can be observed. Using available tools like the PoWER diagnostic studies for SOI and PNG under the supervision of a dedicated gender expert, strategies and implementation design for gender focus programming for PFIP-III should be an urgent priority.

7. While the risk associated with partnerships under the financial innovation workstream is acknowledged and documented even, the PADs do not offer insight into why projects are commissioned to some partners over others. PFIP management has mentioned in the past about paucity of enough viable players in the market which dissuades the usual EOI route that most UNCDF projects adopt. However, it is important that stronger accountability features are built into PBAs and PADs for ensuring the partners remain equally responsible for the envisaged results. Convenience cannot be the only prerequisite guiding decisions around partnership, as made evident through many cases in the current programme cycle.

8. On budget management, the evaluators noted that the total implementation support costs of PFIP administration/operations of 21%. This 21% is comprised of i) indirect costs (8% for 'facilities and admin') in the programme document that covers the required UNCDF's general management services costs and also ii) direct costs (13%) for the running of the programme in the Pacific. While the evaluators note the 'curse of lack of economies of scale in the Pacific that lead to higher transportation and logistics costs'(p.25), it is recommended that the programme should monitor

[50] PFIP has set up remittance focused projects like in Tonga (Tonga Development Bank). TDB is reported to be a very successful example of how remittance solution has been scaled up within one year and reducing costs of remittances. Tonga was not covered as part of evaluation and lessons from the project could be used to scale PFIP's work in the remittances space going forward

these costs relative to other development agencies with programming covering multiple countries operating in the Pacific to ensure that PFIP is in line with peers. It is also recommended that PFIP keep a clearer breakdown of direct administrative costs and TA provided to the workstreams by PFIP staff to clearly show what are the Pacific related costs.

Consumer Empowerment

9. The FinEd integration into mainstream education curriculum in schools in Fiji and SOI has been appreciated widely by different stakeholders. Similarly, the TVET project in PNG helps prepare the youth that is on the verge of joining the workforce in making sound financial choices from the beginning of their careers. The spillover effects of such initiatives also cannot be discounted because of the household level changes that can be powered by children and youth who are exposed to such FinED courses. KIIs with Central Banks also shows that consumer empowerment is one of the most prominent areas where they see PFIP playing a role going forward. As part of its regional expansion plans, it would merit PFIP to scale such efforts across the different countries where it is operational as part of its subsequent programme phase.
10. Consumer level FGDs conducted by evaluators found very low levels of awareness among last mile consumers about different financial products. Bank accounts is now common knowledge but the access that it creates for consumers to build a history with the financial institution thereby creating further access to more products, especially credit, is not very commonly known. There is also a bigger focus by partner institutions to mobilize savings and discourage too many withdrawals often creating a perception of money getting 'locked' or 'trapped' in a bank account. In addition, most PADs have embedded consumer education as part of the partner deliverables but very little evidence has been found in the field about concerted efforts made in offering streamlined financial education except for a few instances of marketing collateral in the form of brochures etc. The gap further widens in the absence of any measurement of consumer education initiatives at the partner level or by PFIP as part of its RMF. For an area of intervention which is a key workstream, there is very little evidence available to map the results chain and show the outcomes thereof at partner or programme level. The next phase of PFIP should add some key indicators to measure outcomes of consumer education initiatives.
11. Consumer protection is still work in progress in PICs with some countries like PNG having made some headway by drafting Financial Consumer Protection guidelines that are currently under review. Full disclosure of products, their pricing and breakup of costs to customers are key elements that have been found to be missing for partners like SolaPayGo in PNG, NBV in Vanuatu, however well-intentioned their motives may be. This also includes means and methods of grievance redressal for customers should there be any complaints. Examples such as the BIMA project in Fiji and PNG that had a high outreach to low income customers, provided no avenues for customers to report back post BIMA's exit wherein an independent agency or even stakeholders like PFIP could record, collect and analyse customer reactions for further action. It is therefore recommended that PFIP's next phase should focus not only on strengthening the ratification of consumer protection guidelines at a policy level but also offer assistance in creating reporting and compliance level framework and operational models.

Knowledge Management

12. The difference between knowledge management and communications should not be blurred. While communications should focus on publishing PFIP work and achievements as well as supporting programme partners through communication collaterals, KM has to focus on distilling best practices across projects documenting key metrices of success under varied projects. At the moment, the Knowledge Management initiatives have not been found to be commensurate with the quantum of work that has been done by PFIP Phase II and the institutional experience gained thereof. KIIs with key donors have also pointed to the gaps in establishing outcomes and impact of the programme through the reports that are shared with them. It is recommended that PFIP should focus on recalibrating its reporting format to donors and other key stakeholders to include outcome and impact metrics to showcase the accomplishments of different projects, lessons learnt thereof. As shared by donors, bringing out such clarity in reporting will further help in building a case for future funding for PFIP in the region.
13. Knowledge and data management needs to be strengthened for sharing lessons and knowledge transfer. Projects executed by PFIP II in PNG offer rich experience in processes, systems, project management and overall outcomes and impact through varying degrees of success. However, it is not easy to map these experiences, lessons learnt thereof, application to other project contexts and wider sharing among stakeholders and across the region. For example, the lessons from BIMA in Fiji, PNG, Westpac in PNG are important to be documented and are being sought out by stakeholders like DFAT and EU. The next phase of PFIP should also encourage partners to collect baseline and endline data for simple but relevant metrics. At the moment it is not easy to glean any client level behavioural change leading to adoption of financial services that can be attributed to the programme, simply because of lack of such data.
14. The data reporting has been found to be weak and inconsistent. The Data Collection Tool (DCT) that every partner is required to report on has adequate number of indicators besides some gaps in reporting consumer empowerment initiatives. However, none of the DCTs reviewed provide all the information, even on key metrics that PFIP is required to report on such as segmentation by women and activity levels. Given that DCTs are the only source of information coming from the field, it is imperative that PFIP ensures that the reporting is of high quality and validated through multiple checks.

    Further, as a validation measure, PFIP should also look to commission more impact studies that not only validates outputs for different projects but also map outcomes and impact to inform stakeholders of behaviour change among consumers that may lead to adoption of financial services and engagement channels (especially digital) in the long run.
15. Further to the recommendation around improving data collection from partners, there is also a need for PFIP teams to strengthen their field monitoring for verifying progress and reporting key highlights and observations in quarterly reports instead of simply accepting self-reported data from partners as the final data for programme reporting.

5.3. Gender and Human Rights

PFIP has overall acknowledged that while women's experiences are extremely diverse; however, some generalizations can be made about the reasons why so many remain excluded. A combination of barriers in the supply- and demand-sides, as well as in the socio-cultural context, limits women's access and usage of financial products and services. In addition, human rights violations have been found to have a higher incidence among women than men, specifically true for the Pacific region.[51] Addressing gender equality and women's economic empowerment is central to UNCDF's mandate and is considered a cross-cutting priority area throughout UNCDF's programmes and operations. PFIP's programme approach has integrated gender and human rights as an integral part of the design with evidence in the form of DFS strategy for women within PFIP programmes, gender disaggregated reporting within the RMF and a clear expectation for partners to work on gender specific outputs as detailed in project PADs.

On the policy front, the NFIS adequately details the importance of bringing women within the fold of financial inclusion and the stated goals are disaggregated thus.

In terms of knowledge management efforts, the DSS and other demand-side studies have successfully pointed out the gap in access to financial services and the usage of services when seen through a gendered lens. These studies have adequately documented the need for concerted focus on women. Women are a viable market segment given the high labour participation in sectors like agriculture that form bulk of the economy and of the informal sector in the PICs. The PoWER diagnostics, conducted for SOI and PNG further bring out these nuances by detailing the triggers and barriers in the socio-economic ecosystem within which they live in. However, the PoWER diagnostics were completed only in mid-2019 with very less opportunity for PFIP-II and its stakeholders to fully optimise the findings by integrating it in project design.

However, very little evidence has been found for products and services that are especially designed for women and their needs. This needs to be addressed. Barring unique examples like WMBL in PNG whose outreach is completely made up of women and of SBPD in SOI, the financial innovation projects have primarily focused on testing mass market products, services and channels. Examples like SolaPayGo in PNG have shown that uptake of solar products helped women find ways to budget their time in the evenings for household chores using the solar powered lights, leaving them with more time for work and other economic pursuits in the morning. However, these outcomes are incidental and few and far between within the larger financial innovation portfolio under PFIP II.

Table 12:Key gender related metrics for PFIP-II focused PICs*

	Fiji	PNG	SOI	Vanuatu
Women, Business and the Law Index (scale: 0-100, 100=better)	74.38	62.50	56.88	66.25
Proportion of women in the workforce	35%	49%	43%	44%
Legal framework on access to financial services	25%	50%	25%	--
Proportion of the female population justifying domestic violence	43%	--	77%	60%
Prevalence of domestic violence against women (lifetime)	64%	75%	63%	60%

*Data source: OECD Social Institutions and Gender Index for respective countries

[51] Prioritising groups at risk for Human Rights Violations; Asiapacific Forum