PACIFIC FINANCIAL INCLUSION PROGRAM- PHASE II

FINAL EVALUATION REPORT

Unlocking Public and Private Finance for the Poor

DECEMBER 2019

GRAMEEN FOUNDATION INDIA

Client Insights for Impact (CII)

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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**

Project implementation

Executing Agency	UNDP
Implementing Agency	UNDP
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[1]. 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

[1] PFIP II programme document

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; 11 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 disbursed (but if commitments, which are yet to be disbursed, are included, this goes up to $29.59 million).

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 6 out of its 11 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 werereached, but these numbers have dropped due to the closure of some of the projects that had large 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 mixed, 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 for countries like Fiji which recorded account usage at 88% in comparison with PNG where only 35% of the population has any access to bank accounts. . 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.

Recommendation for future programming:

- **Data Management to guide strategic decisions**: Develop specific guidance around data management that can help guide discussions more proactively.
- **Global Technical expertise** : The next phase 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.
- **Continue to support knowledge products like Demand Side Surveys** : The next phase should continue to build this database to drive decision making and relevant intervention design for low income segements, particularly in rural areas and especially for women.
- **Bringing payments system to the centre stage** : The next phase of PFIP should bring the payments ecosystem to the centre stage of its work as one of its key domain areas.
- **Contextualize agency banking for PICs**: 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

- 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.

Recommendation for future programming:

- **Deep dive into sectors, products and channels identified through PFIP-II** : The next phase should realign the key product/service domains to focus efforts on where inputs are required the most. Such as insurance and pension products; energy financing and climate resilience financing; credit, channel innovation to facilitate the reach and adoption of financial services; digitization of G2P payments; SME financing and remittance sector.
- **Setting up agency banking for success**: The next phase should focus on setting up this model for success especially by ensuring there is enough agility and use cases in the forward, backward linkages wherein such agent networks are plugged in.
- **Bringing gender centre-stage through focused implementation designed to further financial inclusion for women** : 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 the next phase should be an urgent priority.
- **Build a stronger accountability framework for implemnattion partners:** It is important that stronger accountability features are built into PBAs and PADs for ensuring the partners remain equally responsible for the envisaged results.
- **Compare programme costs with peers to streamline budgetary allocations:** The programme should work out some benchmark for these costs and monitor it. It is also recommended that the next phase keeps a clearer breakdown of direct administrative costs and TA provided to the workstreams by staff to clearly show what are the Pacific related costs.

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.

Recommendation for future programming

- **Replicate and scale FinEd initiatives to other PICs:** As part of its regional expansion plans, it would merit to scale efforts across the different countries where it is operational as part of its subsequent programme phase.
- **Recommentation to strengthen integration of consumer awareness initiatives in innovation projects:** The next phase should add some key indicators to measure outcomes of consumer education initiatives.
- **Recommendation to drive compliance to consumer protection framework as an industry practice across PICs:** The 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.

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.

Recommendation for future programming

- **Recalibrate the Knowledgement Management function and the reporting formats thereof:** The next phase 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 and lessons learnt thereof.
- **Build basic evaluation metrics for innovation projects with reporting accountability held by implementation partners:** The next phase of PFIP should also encourage partners to collect baseline and endline data for simple but relevant metrics. 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.
- **Strengthen field monitoring by country staff:** 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.