UNCDF SPECIAL PROJECTS IMPLEMENTATION REVIEW EXERCISE – SPIRE –

MID TERM REVIEW
PACIFIC FINANCIAL INCLUSION PROGRAMME

February 2011

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UNCDF Special Projects Implementation Review Exercise (SPIRE)
Mid Term Review: Pacific Financial Inclusion Programme (PFIP)

Design: UNCDF Partnerships Unit

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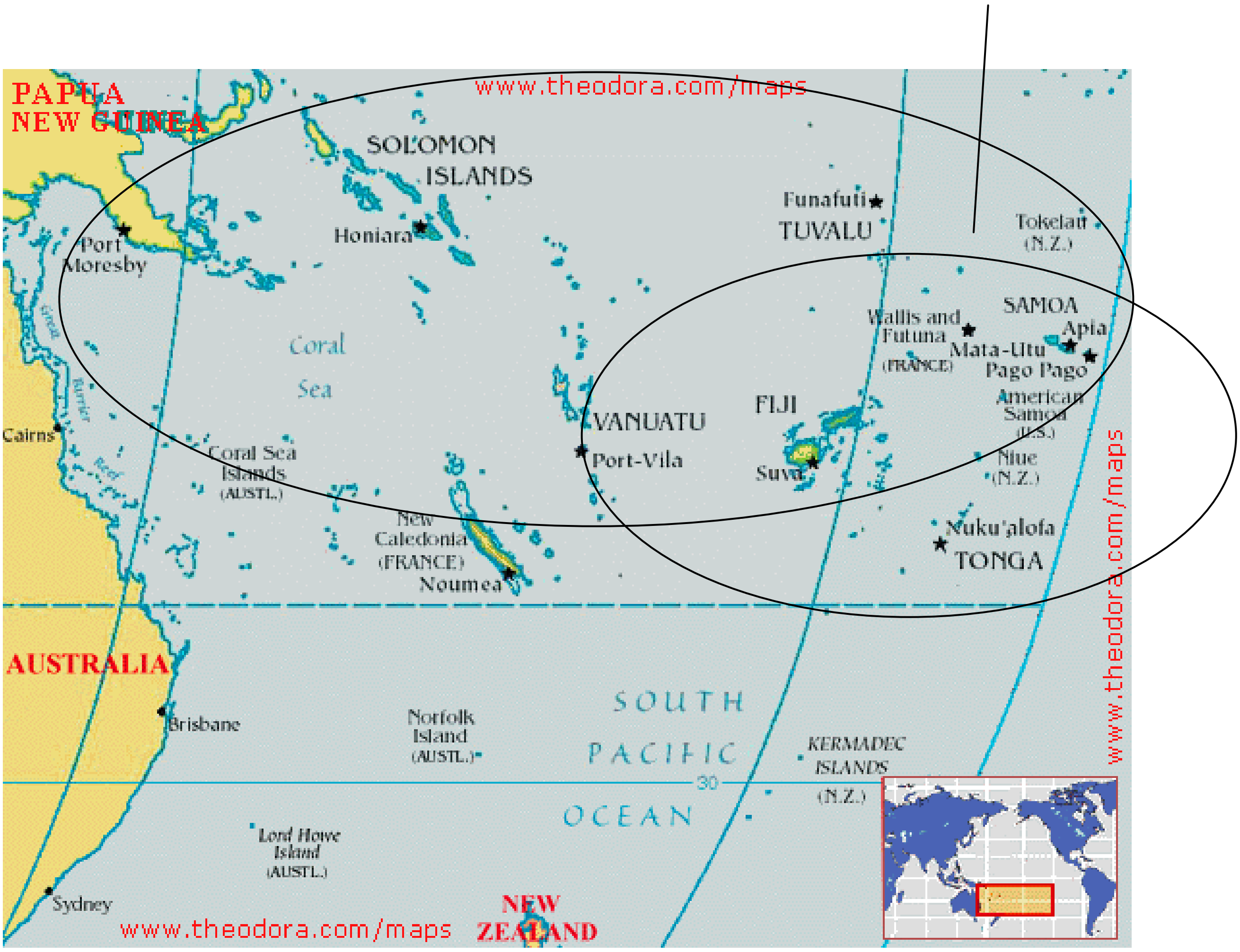
Basic Geographic and Demographic Data

Region Area:	N/A
Country Population (2010)	8.9 million – 6 million Papua New Guinea; 3.9 million other countries
Land Mass	0.5 Million square kilometres.
Ocean Area	9 million square kilometres
Capital City:	Various
People:	Polynesian, Melanesian, Hindu other
Languages:	Various, English
Religion:	Christian
Project Location:	Asia Pacific Region
Source	*The World Factbook* *www.cia.gov*



PROGRAMME DATA SHEET

Countries:	PICs (focus on Fiji, Papua New Guinea, Solomon Island, Vanuatu, and Samoa).
Programme Title (long):	Pacific Financial Inclusion Programme
Programme Title (short):	PFIP
Programme nbr:	
Programme ATLAS Code (by donor): UNCDF UNDP	UNCDF 00060370[1]

Financial Breakdown (original and additional donor)

	Original Allocation $	**Additional allocation*$**	**Total $**
UNCDF	1,250,000	500,000	1,750,000
UNDP	250,000	1,000,000	1,250,000
EU/APC	550,000	280,000	830,000
AusAID	- 0	2,167,000	2,167,000
TOTAL	2,050,000	3,947,000	5,997,000
Total Original Budget	5,000,000		
Original Unfunded Budget	2,950,000		
Revised Total Budget (2009)	6,250,000		
Revised Unfunded Budget	253,000		

Revised budget	$5 million (revised to $6.25 million in 2010 of which $0.5M was unfunded – note exchange rate fluctuations affect final actual balances)
Delivery to data (Q2 2010):	$2.7M or 46%

* Note committed and delivered figures may vary due to exchange rates which were volatile the last two years.

Executing Agency:	UNCDF
Implementing Agency:	UNCDF
Approval Date of project:	2007
Project Duration :	January 2008 to 2011 (actual start date September 2008)
Project Amendment:	None
Evaluation Date:	August – September 2010

Other current UNCDF projects in-country:	None
Previous UNCDF Projects:	NA
Previous evaluations :	None

[1] PFIP has several Atlas codes, see Annex 2 for full account.

ACRONYMS AND ABBREVIATIONS

AFI	Alliance for Financial Inclusion
ADB	Asian Development Bank
ADF	Australian Development Fund
AP	Asia Pacific region
AusAID	Australian Development Agency for International Development
BPNG	Bank of Papua New Guinea
BSP	Bank of the South Pacific
CBSI	Central Bank of Solomon Islands
CGAP	Consultative Group to Assist the Poorest
CPAP	Country Programme Action Plan
FCOSS	Fijian Council of Social Services
FEM	Forum of Education Ministers
FEMM	Forum Economic Ministers Meeting
FDC	Foundation for Development Cooperation
FSSA	Financial Services Sector Assessment
GAs	Government Agents
GoF	Government of Fiji
GoPNG	Government of Papua New Guinea
GoV	Government of Vanuatu
IC	Investment Committee (of PFIP)
IFC	International Finance Corporation
IF	Inclusive Finance sector
IFI	Inclusive Financial Institution
IMF	International Monetary Fund
LDC	Least Developed Country
MoF	Ministry of Finance
MPN	Microfinance Pasifika Network
MNO	Mobile Network Operators
MPAG	Money Pacific Advisory Group
MTR	Midterm review
NBV	National Bank of Vanuatu
NFITF	National Fiji Inclusive Finance Taskforce
PFIDG	Pacific Financial Inclusions Donors Group
PFIDG	Pacific Financial Inclusion Donors Group
PFI	Partner Financial Institution
PIC	Pacific Island Country
PIFS	Pacific Island Forum Secretariat
PFIP	Pacific Financial Inclusion Programme
PIFI	Partner Inclusive Financial Institution
PMI	Pacific Microfinance Initiative
PNG	Papua New Guinea
RBF	Reserve Bank of Fiji
REEP	Renewable Energy and Energy Efficiency Partnership
RFP	Request for Proposal
RPNG	Reserve Bank of Papua New Guinea
RRF	Results and Resource Framework
SI	Solomon Islands
SPIRE	Special Projects Implementation Review Exercise
SSO	Sector Support Organization
WB	World Bank
UNDAF	United Nations Development Assistance Framework
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Fund
UNICEF	United Nations Children's Fund

EXECUTIVE SUMMARY

i. The midterm review (MTR) of the PFIP is part of a broader UNCDF initiative: the *Special Projects Implementation Review Exercise* (SPIRE). SPIRE aims at combining two levels of analysis: (i) reviewing programmes on the basis of their specific design and (ii) connecting them to the UNCDF corporate strategy as a basis for cross-country comparison.

ii. The approach to the MTR— consistent with the SPIRE methodology –is to test the development theory underlying a programme against evidence of its implementation performance.

iii. Overall, the review has focused on seven core evaluation questions based on the SPIRE inclusive finance (IF) evaluation matrix, including relevant sub-questions and indicators. It has been adjusted to reflect the specificity of the programme and incorporate the issues included in the original ToR for the review (the full Evaluation Matrix Annex 4).

iv. Documentation studied and analysed includes: programme design documents; missions, monitoring and annual reports; conventional and IF financial development policies; government strategies and policies; UNCDF/UNDP documents; other donor programme documents and financial data related to the PFIP implementation; investment proposals; revenue statistics; grant appraisal documents (including business development plans and budgets); grant contracts; and monitoring documents.

v. During the mission, the team met with over 60 UNCDF and UNDP programme staff, management, government officials, grantees, clients, other donors and relevant stakeholders through individual or group interviews. Stakeholder surveys were given to a sample of national/regional stakeholders, grantees and IF service clients. The review held an introductory launching meeting August 18 aimed at introducing the objectives and the methodology of the review, and a 'debriefing' meeting September 2, 2010 presenting and discussing preliminary findings.

OVERALL ASSESSMENT

vi. PFIP is on a positive performance trajectory towards meeting the terms of its mission, purpose and outcomes. PFIP While most grants have not yet been fully implemented and most products/services are still in the developmental stage, advances have been made at each of the micro, meso and macro levels of the inclusive finance (IF) sector.[2] Combined, these advances are having and are expected to have a positive poverty alleviation impact as per the programme's overall theory of change.

vii. **At the micro level**, PFIP investments in partner inclusive financial institutions (PIFIs) have increased human and financial resource bases and have supported the development of pro-poor appropriate financial services, overcoming transaction costs and achieving economies of scale. Money transfer and non interest bearing savings products developed and offered by two Mobile Network Operators (MNOs) in Fiji (Digicel and Vodafone) with the support of PFIP have lowered fund transfer costs by significant margins and have increased access to convenient and secure, savings services.[3] Grants to other PIFIs for the development other technology-based services will also lower transaction costs and increase access/scale of services. These projects not only put new services in the market but also and perhaps more importantly, lay the tracks for potential electronic/mobile delivery of IF services such as credit and micro-insurance in the future.

viii. **At the meso level**, the programme has met with mixed success. PFIP research function has provided market information catalyzing public and private sector interest in the sector. A grant to

[2] Financial services sector assessment (FSSA) is an analytical approach to understanding the inclusive financial sector that takes into consideration the meso, macro, micro levels of the sector. It provides a useful categorizing/organizing tool for analytical observations where the micro level refers to retail financial services activities; meso to organizations and businesses providing support to the micro and macro levels such as credit bureaus, sector associations and consultancies; and the macro level which refers to the government/regulatory policy environment.

[3] MNO saving services are not traditional savings accounts as found in a commercial bank. Rather, the service simply "stores" savings for the subscriber. Funds are held in a single commercial bank account and can be withdrawn or transferred via a subscriber's mobile phone.

support the Microfinance Pasifika Network (MPN) with the intent of creating a vibrant, sustainable institution capable of replicating the networking, training and advocacy role of PFIP has not worked out and to date the programme has had to fill the “sector association” role.

ix. **At the macro leve**l, programme inputs and activities (technical advisory, trainings, exposure tours, and small grants etc.) have yielded strong outputs leading to an improved low income financial services regulatory environment. The programme has encouraged eight national Reserve Banks (RBs) to pose “no objection” to trial mobile phone banking services. With the support of PFIP, four national financial literacy programmes are at various stages of development and six national inclusive financial sector development strategies. Less tangibly but no less important, PFIP was able to facilitate a clear and comprehensive IF sector development vision integrating key micro, macro and meso development considerations in three countries (Vanuatu, Samoa and Fiji) and, to lesser but still significant extent, in five others.

x. More generally, the review raised two questions about the programme. The first is whether IF mobile banking, on the back of savings and transfer services, will support the fuller array of financial services required to fully integrate low-income people into the financial sector.[4] Market pressures on commercial banks and MNOs suggest further development of mobile services is likely, if not inevitable. As traditional markets for commercial banks become saturated and they are looking to serve the low-end of market. PFIP supported programmes both demonstrate market demand and technologies to serve them efficiently. Banks may soon enter the market with their own mobile services, opening the possibility for more needed credit products, interest bearing savings among other services.[5] Pressured by saturation in their own markets (telephony and messaging), MNOs may form their own banks or partner existing commercial banks: either way, it is likely there will be significantly more low end market development built around both the technological and the regulatory advances pioneered through PFIP’s grantees and regulatory work.

xi. The second question is whether sector stakeholders have become too dependent on PFIP as the *de facto* network association. While grantee projects, save MPN, are likely to be sustainable, the issue of PFIP’s organizing/facilitating role poses a substantial sustainability or phase-out concern. PFIP is transferring some IF sector leadership roles to other institutions, but important gaps remain, particularly in the areas of networking, training opportunities, and market research.

xii. Concerns raised by these questions pose acceptable risks to PFIP’s overall performance which must be considered highly commendable considering the complexity of managing a regional program and the absence of significant IF sector service providers/stakeholders experience. That PFIP accomplishments were made in several countries is testament to good design and management, for most programmes struggle to achieve less in a single country.

EVALUATION FINDINGS

xiii. The programme has made substantial advances towards meeting the terms of all four PFIP outputs and related indicators support the conclusion that **the programme is meeting the terms of its underlying development hypothesis**. (See Figure 2, page 8)

Output 1[6] **“***Policy makers, donors and other stakeholders are supported and empowered to make decisions and take coordinated action and allocate resources to promote financial inclusion*”

xiv. **PFIP has led donors and policy makers and other important stakeholders to improve the low income financial regulatory environment, to develop national IF sector strategies, and financial literacy programmes advancing a vision of a commercially viable low transaction cost and scale driven IF sector.**

xv. PFIP has improved both government and donor knowledge of the sector through research, technical assistance, training/exposure scholarships, and informal advisory and active participation in

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[4] Statistics quoted are provided by Mark Flamming author of an upcoming nine case study publication on mobile banking for Consultative Group to Assist the Poorest (CGAP).

[5] ANZ, a large Australian-based commercial bank, has its own mobile banking program which it pioneered in Cambodia. ANZ was offered a grant by PFIP to roll out electronic banking service in the Asia Pacific region but for corporate reasons ANZ decided to delay the grant.

[6] PFIP’s original Appraisal Document outputs were changed at the end of 2009 and are included here in their updated form drawn from PFIP Strategic Update and Annual Work Plan 2010.

key regional and national forums. Key accomplishments include Reserve Banks (RB)[7] Governors' "no objection" response, two financial literacy baseline studies, donor coordination and leadership through various regional economic and government forums and support for six national IF sector strategic planning exercises (at various points of development).

xvi. PFIP has helped co-ordinate donor actions on key research, advocacy and programmatic activities. This work has successfully helped to lever its original USD 2.2 million funding to secure an extra USD 5.5 million for IF sector building (including direct and project co-funding committed by other donors)

Output 2 "*Scalable, replicable and sustainable projects created, which develop appropriate financial services to low-income persons, small and microenterprises, including women and those in rural and remote areas*".

xvii. **PFIP's research, technical advisory, policy work and grants have helped launch and extend appropriate financial services to the poor and lay the tracks of financial infrastructure for greater outreach and more services in the future.** PFIP has awarded grants to two mobile network operators (MNOs), Vodafone and Digicel, to provide savings services and fund transfer services access to potentially 100% of the adult Fijian population. Digicel is expected to extend its service to three or four additional PICs in 2011.

xviii. PFIP also awarded grants to the National Bank of Vanuatu (NVB) for VSAT installation at an additional five of its 11 rural branches via expansion of its Rural E-banking Project. A grant to Nationwide Microfinance Bank (NMB) in Papua New Guinea (PNG) will expand electronic banking services to more rural/remote areas. Also in PNG, a grant to DataNets will help pilot a new mass payment system (e.g., low cost fund transfers between, for example, government and pensioners or households and utilities). A pilot micro insurance programme in PNG, supported through technical assistance to City Pharmacy, will support the marketing of a new product and generate important experiential knowledge with the intent to catalyze suppliers in other PICs. Likewise a government-to-person payments project with Fiji's Department of Social Welfare may will have several positive outcomes for building the IF sector including: provide low income people a route into the formal finance sector, reduction of transfer costs to clients, and fee generation for MNOs.

xix. Only the Vodafone and Digicel products/services are currently in the market. Service performance. At the end of September 2010, after two months of operation, the MNOs reported over 160,000 combined registered subscribers in Fiji, of which 62,311 (40%) were women and 21,322 (13%) were unbanked at the time of subscription. NBV and NMB have added 17,607 and 25,635 savers, respectively, although the review could not substantiate direct attribution to PFIP' grants.

xx. All PIFI grantees projects are run by sustainable organizations, save MPN. There are questions about the long term development prospects of mobile phone banking. Evidence emerging from other countries, notably the Philippines and Kenya, suggest services will be commercially viable, but the jury is still out on whether profit margins will be substantial enough to lead MNOs and/or commercial banks to develop more than the basic services currently offered. At the same time, PFIP's support of NBV and NMB seeks to support a "bricks and mortar-technology" approach where physical branches are complemented with extension of some service via electronic banking.

Output 3 *"Knowledge created and shared so that industry has access to local market intelligence and information on global best practice."*

xxi. **PFIP market research supported six PIC Financial Service Sector Assessment (FSSA) studies that were critical first research products upon which a strategy of promoting technological innovation for electronic/mobile banking was founded. Market research, combined with a proactively courting grant proposals from MNOs, banks, and other suppliers.**

xxii. Other studies identified demand for mobile money, micro insurance and savings products and/or provided technical information on targeted sector building interests such as credit unions and financial literacy (some 15 PFIP and/or PFIP supported knowledge products in total). Other knowledge-

[7] In some Pacific Island countries, Reserve Banks are known as Central Banks and differ only in name. For the sake of simplicity the review refers to both Reserve and Central banks as Reserve Banks or RBs unless otherwise noted.

generation activities included provision of 20 scholarships for key stakeholders such as Reserve Bank delegates and prospective/current grantees to attend capacity building and market knowledge courses, conferences and other events. Overall, some 500 stakeholders participated in activities supported directly or indirectly by PFIP. Less formally, PFIP provided extensive advisory services to key stakeholders that ensure broad support for a sound approach to low income financial regulation including, most importantly the "no objection" response and financial literacy programmes. PFIP provided advisory support directly to more than 10 organizations/businesses and participated in more than 15 workshop/organizational meeting venues in 2010 alone. PFIP also launched its website and provided core funding to MPN to support sector networking functions.

Output 4 *"Financial competency building is embedded in regional and national development strategies with replicable approaches that enable households to improve their financial security and build economic opportunities".*

xxiii. **The programme has influenced six national governments to undertake national inclusive financial sector strategies and two others to begin national financial literacy programmes aimed at increasing the supply and demand of appropriate low income financial products and services.**

xxiv. PFIP has embedded good practice IFI sector development in most of the relevant government agencies in the region. Prior to PFIP there were no relevant official regional or national IF strategy documents other than an outdated National Plan of Action in Fiji and the 2005 National Conference on Microfinance Recommendations in the Solomon Islands, both of which had been effectively been ignored and abandoned. In terms of financial literacy, the Coombs Declaration for improved financial literacy in the region was launched near the inception of the programme and PFIP has been part of the implementation the declaration.

xxv. Through the work of PFIP and on the back of the Coombs Declaration, RBs in Fiji, PNG, Samoa, Vanuatu, Solomon Islands and Tonga have agreed to formulate national financial competency building strategies. Financing for financial competency baseline studies has been organized for Fiji, Samoa, and Solomon Islands, and PNG. The Money Pacific Advisory Group (MPAG) in which PFIP plays a lead role is the group tasked with overseeing the Coombs Declaration and meets annually. In addition, the Pacific Central Bank Financial Inclusion Working Group established with the support of PFIP has been meeting quarterly and is becoming an recognized voice for IF sector development in the region.

xxvi. **Overall management has been very good with only a few minor internal challenges.** PFIP has been ably managed though it suffered at the beginning of the programme from late staffing of its senior manager, some procurement delays, and the inevitable UNDP/UNCDF administrative learning curve. This caused some minor service provision delays and incurred management time opportunity costs; none of which has had demonstrably negative impacts on overall programme effectiveness. Management of budget, grants and monitoring and evaluation were all acceptable, though appraisals, contracts, and reports could benefit from more consistent definitions of key concepts such as what constitutes rural, low income etc. More in-depth grantee financial information both at appraisal and in quarterly reports.[8]

xxvii. Consensus among stakeholders is that PFIP staff is of high professional quality. This has led to uniformly positive stakeholder recognition of the programme and has helped PFIP take a central role in the harmonization of donor IF interests. Significant donor co-funding and cooperation on a number of projects and investment in PFIP has been the result.

[8] Financial analysis was complicated by changes in PFIP's outputs in 2010 and constantly increasing budget.

CONCLUSIONS AND RECOMMENDATIONS

xxviii. While still at an early stage, outputs of increased financial and human resource/institutional capacity improvements (micro level) are emerging as a result of programme inputs and activities. Lower funds transfer costs and convenient secure savings services in Fiji have attracted over 160,000 clients affecting anticipated development outcomes. The full extent of these nascent impacts will take some time to gestate as most projects have yet to be fully implemented. At the regulatory or macro level, programme inputs and activities have yielded strong outputs and have led to an improved low income financial regulatory environment. This has contributed to lowering fund transfer cost in Fiji.

xxix. There are two key elements to success: good design and capable management. A well managed and governed, flexibly designed, market driven programme focused on risk capital and technical assistance/advisory provision for technological solutions to high transaction cost banking is a powerful combination. PFIP's mid-course redefinition of outputs based on a more rigorous understanding of the IF sector better fit the rapidly changing technological context (mobile phone banking was little developed at the time of appraisal).

xxx. Effective mission interpretation and execution were also key for once commercial mobile phone and e-banking solutions opportunities were identified PFIP began to advocating for appropriate regulatory while simultaneously courting potential service providers with the promise of catalytic "high risk" capital grants and technical assistance. At the same time, PFIP was coordinating stakeholder activities and resources bringing diverse stakeholder interests together to shape a comprehensive vision for "good practice" IF sector development regionally and nationally. PFIP's regulatory advocacy with Reserve Banks provided pivotal regulatory security for MNOs to take the substantial risks involved in developing new mobile financial services. Enabling environment (regulation and policy) success is particularly notable given the number of countries and institutions and associated regulations, policies and programmes involved.

The programme partnership synergies with the UNDP contributed to the success of the programme particularly early quite positive, enhancing the programme's credibility and that of the UNDP, UNCDF and UN, generally.

xxxi. PFIP's effectiveness has lead to moderate stakeholder dependency on the programme's sector leadership and as a result some programme phase-out concerns.

RECOMMENDATIONS

xxxii. Specific recommendations in order of priority include:

1. **Develop an Exit Strategy** - PFIP should develop a strong exit strategy designed to ensure sector leadership roles are passed on to sustainable institutions able and willing to take on various networking, advisory, funding and advocacy roles.

2. **Extend Programme** – UNCDF should extend programme to the end of 2012 and consider a second phase if critical sector developmental activities (e.g., networking functions, knowledge generation, advocacy, networking and strategic grant making) devolved to other credible institutions or taken up by parallel efforts (e.g., the new IFC/Ausaid IF programme).

3. **Enhance IF Product & Services Potential** – Expand market research on mobile banking, including intensive study of PFIP grantee experience to prepare donors, the private sector and regulators for the expansion of more mobile IF sector products and services, particularly the development of credit services. Initiate research on access and relevance of mobile phone banking to women.

4. **MPN Improves Performance or Cut Funding** - State acceptable good practice management and governance terms MPN must achieve or cut funding and seek alternative solutions to the sector's networking organizational needs.

5. **Monitoring and Reporting** – For all new grants standardize and clarify key indicators in contracts and appraisals; increase/refine grantee financial reporting, particularly MNOs to ensure comparability of data and to provide more precise outcomes/outputs reporting. Mindful of corporate information

security, financial data on MNO products should be collected to ensure knowledge/experience is available for other projects/programmes and the sector generally.

6. Improved file management – PFIP is working with multinational corporations with high sensitivities to corporate security/secrecy. The programme needs to bring its file management system up to commercial security levels.

xxxiii. A final recommendation emerging from the evaluation corresponds to PFIP but might apply more generally to all UNDP-UNCDF partnership programmes is to appoint a capable mentor/point person for incoming programme managers to minimize the learning curve" around procurement, budget and other procedural challenges. We further recommend that programmes appoint a senior management champion within one or both institutions to help resolve policy issues, particularly in the early stages of programme. These recommendations obviously do not currently apply to PFIP.

1. THE EVALUATION

1.1 FRAMEWORK OF THE EVALUATION

1. The mid-term review (MTR) of the Pacific Financial Inclusion Programme (PFIP) in the Asia Pacific Region is part of a broader UNCDF initiative: the *Special Projects Implementation Review Exercise* (SPIRE). SPIRE has two key objectives:

- Ensure UNCDF compliance with the mandatory evaluation requirements specified in its evaluation policy for the period 2010-2011; and
- Ensure a quality check of the relevance, effectiveness, efficiency and 'evaluability' of a significant sample of UNCDF's programmes.

2. The challenge presented by SPIRE is, therefore, to formulate an evaluation approach that allows it to assess country programmes' against their specific design and to connect reviews with UNCDF's corporate strategy as a basis for cross-country comparisons and for the tracking of progress towards global objectives.

3. The purpose of the MTR is twofold:
   - Assess the performance of the PFIP against its intended outcome and outputs, and make recommendations to assist its implementation over the remainder of its term; and
   - Assess the performance of the PFIP against the UNCDF's global corporate strategy objectives and draw lessons to inform UNCDF's future strategy debates.

4. The in-country stage of the MTR of PFIP took place between August 16 and September 2, 2010.

1.2 SCOPE AND OBJECTIVES OF THE MID TERM REVIEW

5. The objectives of the MTR are:
   - Assess the relevance of the programme from a macro, meso and micro inclusive financial sector development perspective; and
   - Assess the general performance of the programme and its contribution to the FI sector in targeted Asian Pacific countries.

6. The approach to the MTR—developed consistently with the broader framework established under SPIRE—is to test the development theory underlying the programme against implementation performance. Findings are built incrementally through pre-mission desk work followed by mission field work. The methodology is based on the following main steps, aimed at:

- Establishing the development hypothesis (or 'overall evaluation question') as unifying conceptual framework underlying the programme, from which the specific intervention logic is derived as reflected in the Programme's design documents (Appraisal Document and 2010 Annual Work plan).9 The development hypothesis and the intervention logic serve as common thread guiding the review process;
- Adjusting and fine-tuning the SPIRE IF evaluation matrix (clustering questions, sub-questions and indicators) in order to suit the specificity of the programme. (See Annex 5 - Evaluation Matrix);
- Presenting and discussing the conceptual framework and the evaluation questions with the main stakeholders in order to reach preliminary consensus and introduce further adjustments if needed; and
- Testing and deepening the review team's understanding of the programme design and its emerging findings and recommendations through a structured dialogue with the programme stakeholders and the service users.

[9] PFIP's 2010 Annual Work Plan made substantial changes to outputs found in the original Project Appraisal Document and it is thus included in the analysis as a design document.

1.3 METHODS AND LIMITATIONS IN DATA COLLECTION

7. A key methodological issue concerns the adjustment and fine-tuning of the SPIRE evaluation matrix in order to align it with PFIP's Results and Resources Framework (RRF) and the original ToR of the Mid-Term Review. (See Annex 1) The fine-tuning of the evaluation matrix prior to the review did not raise particular problems as most issues resulting from the RRF and the ToR were covered by the original SPIRE matrix. Some additions and amendments were required, mostly at the level of sub-questions and indicators to incorporate the fact that there was only one conventional IFI in PFIP's grant programme. Changes did not alter the overall orientation and relevance of the matrix as a guiding instrument and it proved a flexible checklist, framing interviews and the data collection process throughout the review. 8. The seven core evaluation questions are presented in Table 1. (See Annex 4 for the complete evaluation matrix including sub-questions and indicators).

Table 1 Summary of Core Evaluation Questions

Core Evaluation Questions
1. To what extent does the programme design meet UNCDF's IF intervention logic and meet the needs of the partner country?
2. To what extent has the programme contributed to increase partner inclusive financial institutions (PIFIs), Sector Support Organizations (SSOs) and Government Agency (GAs) human resource capacity?
3. To what extent has the programme contributed to the improvement of access to appropriate pro-poor financial services?
4. To what extent is the programme likely to result in financially viable (i.e., sustainable) PIFIs/SSOs in the longer-term, independent of external assistance of any kind and are there any significant programme phasing out concerns?
5. How effective has management of the IF programme been at regional level (if applicable)?
6. How well have partnerships with donors and governments supported the programme?
7. To what extent were piloted approaches conducive to IF regulatory/policy/ strategy developments?

8. Data collection tools included:

- Documentary analysis (mainly programme design documents, previous missions reports, annual and monitoring reports, investment project proposals; national and regional policies; other donors programmes documents, etc.);
- Hard data analysis (quantitative figures found in financial reports, project reports, and stakeholder surveys for example);
- Individual and group discussions with programme staff at regional, national and local levels;
- Stakeholder interviews; and
- Facilitated kick-off and debriefing workshops.

No relevant baseline data for measuring the Programme's impacts were available.

9. Stakeholder surveys were also developed to complement the above information sources. They were developed with the aim of 'testing' the relevance and applicability of an additional evaluation tool for more extensive use in upcoming SPIRE evaluations. The team distributed a written opinion survey at the Stakeholder and PIFI levels. (See Annex 8 – PFIP Surveys for a more detailed description and summary results).[10] The surveys also provide stakeholders a confidential means to voice their opinions related to programme outputs and management. The surveys are used in analysis primarily to support and challenge stakeholder interview and/or management opinions and are typically reported at the end of relevant sections.

[10] SPIRE IF methodology calls for surveys at the client level as well. Given that products and services had just been launched by PFIP grantees and they were non-traditional clients (i.e., cell phone users), it was not possible to survey clients.

10. The team acknowledges excellent and punctual cooperation by the PFIP Programme staff in facilitating data and documents collection and in supporting the organisation of stakeholders' meetings and site visits.

11. Table 2 provides a summary of the work plan of the in-country mission.

Table 2 Summary Work-Plan

Period	Location	Activity
Before departure	Home based	Preparation and preliminary sharing with Programme Staff of a draft 'orientation note' with the proposed intervention logic and evaluation matrix.
16-20 Aug	Suva	Introductory meetings to programme staff and direct counterparts.
		Kick-off meeting at regional level by teleconference.
	Suva, Port Moresby	Interviews with main stakeholders (Governments, Donors, Grantees at regional level.
	Suva, Port Moresby	Visits to grantee offices and other technical assistance partners (e.g., Vodafone, Digicel, Microfinance Pasifika Network (MPN), DataNets, NMB, CityPharmacy, ANZ).
30 Aug /01 Sept	Suva	Interviews with main stakeholders (Governments, Donors, Grantees at regional level.
		Preliminary elaboration of findings and debriefing workshop with local stakeholders.

1.4 Country Context

1.4.1 Pacific Region Socio-Economic Context
Economic Context

12. In 2009, most Pacific Island economies continued to be adversely affected by the impact of the global economic recession; only Papua New Guinea (PNG) and East Timor, with their oil and mineral wealth, and Vanuatu, benefiting from economic reforms, property development and increasing tourism arrivals, had relatively positive growth rates.

13. Across the region (including East Timor) the average GDP growth rate for 2009 was 2.8%[11], down from 3.0% in 2008, and significantly lower than the overall average rate of growth of 5.2% in 2007. Both 2008 and 2009 growth rates were dominated by the strong performances of PNG (7.2% in 2008 and 4.5% in 2009) and East Timor (13.0% in 2008 and 8.0% in 2009). Both countries benefited from higher oil and commodity prices compared to 2007. For other countries, economic performance was adversely affected by these same high oil and commodity prices as well as the global economic slowdown affecting demand for manufactured exports, remittances (affecting Tonga and Samoa disproportionally), tourism and in some countries the impacts of natural disasters, particularly Samoa. (See Table 3)

Table 3 Pacific Island Country GDP Growth Rates (% annual)

Country	2004	2005	2006	2007	2008	2009*	2010**
Fiji	5.5	0.6	3.4	-6.6	1.2	-1.0	0.5
Papua New Guinea	2.7	3.6	2.6	6.5	7.2	4.5	3.9
Samoa	3.3	4.0	6.2	6.4	-3.4	-0.8	-0.6
Solomon Islands	8.0	5.0	6.1	10.3	6.4	0.0	2.6
Vanuatu	5.5	6.5	7.4	6.8	6.3	4.0	3.5

* estimated growth rates; ** forecast growth rates
Source: ADB Asian Development Outlook 2009 Update

[11] ADB Asian Development Outlook (ADO) 2009 Update.

Political Stability

14. The AP region has a recent history of political and civil unrest. Fiji's elected government was overthrown in a largely non-violent *coup d'état* in 2006 and has been governed by a military-led government since. The timeline for a newly-elected government is 2014. Constant conflict between several different groups and the government affected political stability in the Solomon Islands from 1998 until 2003 when the Regional Assistance Mission to Solomon Islands comprised of soldiers and policemen from regional nations came to stabilize unrest. Contentious elections in 2006 returned SI to democracy, though tensions continue. Other nations are more stable though racial tensions are common.

Human Development

15. States of social and economic development vary greatly within the Pacific region. Samoa and Fiji are the most advanced countries in this respect, with a Human Development Index ranking of 94 and 108 respectively, similar to El Salvador and China. At 148, Papua New Guinea development is closer to that of Haiti and Sudan. Between 60 to 80 % of the population in the region is considered low-income and does not have access to formal financial services.

Table 4: Human Development Index 2007

Countries	Ranking	HDI Value
China	92	0.772
Belize	93	0.772
Samoa	**94**	**0.771**
El Salvador	106	0.747
Syrian Arab Republic	107	0.742
Fiji	**108**	**0.741**
Turkmenistan	109	0.739
Botswana	125	0.694
Vanuatu	**126**	**0.693**
Tajikistan	127	0.688
India	134	0.612
Solomon Islands	**135**	**0.610**
Congo	136	0.601
Kenya	147	0.541
Papua New Guinea	**148**	**0.541**
Haiti	149	0.532
Sudan	150	0.531

16. The population of the region is very young with as much as 50 percent of a given country's population under the age of 15. Upwards to 80 percent of most countries' population live in remote/rural areas where agriculture provides food security but does not lend itself to agro-industry. Literacy rates range from as low as 58% in PNG (63% male: 51% female) to almost 100% in Samoa and Fiji. SI and Vanuatu have 77% and 78%, respectively. Access to quality schools and health care is mostly limited to major population centres (i.e., for 20% to 30% of the population).

1.4.2 IF Policy & Institutional Environment

17. An estimated 80 percent of the region's population has very low levels of financial literacy. This combined with absence of access to financial services has a significant impact on regional economic development and limits the full economic potential of low-income people.

18. Prior to the start of PFIP, national governments and regional organizations had developed only the most basic notion of inclusive finance. The Forum of Economic Ministers Meeting (FEMM - a regional body comprised of Pacific Island Economic Ministers) expressed support for IF in 2004 and asked the Pacific Island Forum Secretariat (PIFS), with the support of the UNDP, to report on successful microfinance schemes in the region.[12] The 2006 study resulted in an FEMM recommendation that member countries give high priority to IF. This was followed by six Pacific Island Countries (PIC) supporting the Coombs Declaration, which encourages signatories to improve financial literacy to support the expansion of financial services into poorer Pacific communities and to improve financial infrastructure for low-income households and small business. Seven major Pacific donor agencies and the governments of Australia and New Zealand also signed the declaration. (See Figure 1)

[12] The Mission of the Pacific Island Forum is to ensure the effective implementation of the (PIC) Leaders' decisions for the benefit of the people of the Pacific. The goals are to stimulate economic growth and enhance political governance and security for the region, through the provision of policy advice; and to strengthen regional cooperation and integration through coordinating, monitoring and evaluating implementation of (PIC) Leaders' decisions. To achieve these goals, the roles of the Forum Secretariat are to provide: policy advice and guidance in implementing the decisions of the (PIC) Leaders; coordination and assistance in implementing the decisions of the (PIC) Leaders; support to the (PIC) Leaders' meetings, ministerial meetings, and associated committees and working groups.

19. Few governments had any form of national IF sector policy and none had a focused financial or inclusive finance sector strategy (with possible exception of PNG which had embarked on a joint Microfinance and Employment Project in 2002 with ADB support). Many PICs had a number of ongoing conventional financial sector reforms and modest state run credit schemes via government agencies or state banks (few of which met good practice standards and/or do not necessarily attend the poor as a primary market). The governments of Fiji, Papua New Guinea, and the Solomon Islands had made some initial forays into financial literacy, but initiatives were small and not codified in legislation or policy. There were no significant regulatory interventions by Reserve Banks to promote inclusive finance.

Figure 1: Relevant Regional IF Strategy Efforts

Coombs Declaration
The Coombs Declaration is signed by representatives of 6 PICs and 7 donor agencies). The Declaration finds lifting economic performance in the region requires improved financial literacy to support expanding the reach of financial services into poor Pacific communities and to improve financial infrastructure for low income households and small businesses.

Money Pacific Working Group
WPWF began as a Working Party of the Forum for Economic Ministers Meetings (FEMM) as a result of their commitment to the Coombs Declaration under the auspices of the International Monetary Fund. The Group addresses the issue of financial capacity across Pacific communities and play an IF advocacy role. It has a set of four regional goals to guide national level actions and to monitor progress. These goals were endorsed by FEMM and South Pacific Central Bank Governors in 2009. The Money Pacific Group reports annual to FEMM. The Group is currently comprise of the New Zealand Reserve Bank, NZ AID Programme, Tonga Reserve Bank, Solomon Island Central Bank, NZ Ministry of Pacific Island Affairs, PFIP and two NGOs, - Young Enterprise Trust (new Zealand) and Coombs Institute in Australia.

1.5 Financial and Inclusive Finance Sector

20. Among the PICs there are many similar constraints to developing an inclusive financial sector - an expansive and fragmented geography (some 20,000 islands stretched over 9 million square kilometres of ocean), small, mostly rural populations in small economies; unstable national political environments; poor and inadequate economic, financial, and social infrastructure; low household incomes; and a savings and credit culture at odds with a modern financial sector. These combine to create one key contextual condition and one key constraint to developing a vibrant IF sector:

- The level of participation in the financial sector and financial literacy is exceptionally low; and
- Financial services transaction costs are so high that they not only preclude integration of the poor into the conventional financial sector but constrain service provision to higher income people as well.

21. The PIC IF sector had an energetic beginning earlier this decade only to see enthusiasm produce minimal gains. The provision of financial services to the un-banked and underserved sector of the population in many PICs was attempted through NGO-managed programmes and projects of the government. As with most early microfinance movements, commitment to sustainability, affordability and broad based accessibility was limited by the charitable impulses of early players and lack of good practice information/capacity. None of the NGO-MFIs reached significant scale. A non-conventional approach to inclusive mobile branch banking (using a truck service) offered by ANZ in several PIC countries, for example, has proven to be too expensive to operate at a profit, although it has succeeded in reaching over 100,000 savers across three countries. Efforts to transcend transaction costs in other ways were similarly unsuccessful. For example, attempts by the Bank of the South Pacific (BSP), using the district treasure offices outside Ports Moresby, and by the Post PNG, largely failed due to inadequate technical inputs and commercial vision. The National Bank of Vanuatu (NBV) has reached nearly 20,000 rural savers but admittedly none of their rural branches are self-sufficient.

There are few concentrations of conventional PIC IFIs of note in the region, save in PNG, and of those that do operate many are not sustainable or follow good practice. More positively and as a result, there are no significant IFI legacy issues in PICs. That is, in many countries IF sector development is constrained by several large and medium sized IFIs with poor practice and performance and that are typically (politically and managerially) difficult to “turn around” or convert to good practice.

2. PROGRAMME PROFILE

2.1 PROGRAMME DESCRIPTION

22. PFIP was formulated in 2007 to focus on the Least-Developed Country in the South Pacific. The region was chosen for its high level of poverty, particularly in rural areas, and poor financial services access, in general, and to the poor, specifically. Initially, Financial Services Sector Assessments (FSSA)[13] of five LDCs were completed (Kiribati, Samoa, Solomon Islands, Tuvalu and Vanuatu), however, only the three largest LDCs (Solomon Islands, Samoa, and Vanuatu) and two non-LDCs (Fiji and Papua New Guinea,) were ultimately included in the programme focus. These countries were chosen because they combine to have 90% of region's population and have the most advanced financial infrastructure; key elements to achieving financial services economies scale required to overcome high transaction costs of providing commercially viable financial services.[14]

23. **The *development hypothesis underlying* PFIP is that improvements in the enabling environment supported by catalytic investments in IFIs and supporting industry infrastructure will strengthen the IF sector to the point where it is self-reliant and able to attract capital, deposits and loans that impel a sustainable growth process.** Improved access to IF services reduce the costs of financial services to the poor and provide access to secure savings services, credit, and insurance service. Improved financial literacy will improve consumers' understanding of their needs and generate, as a result, more competition in the marketplace. The intervention logic for PFIP is found in Figure 2 (page 7).

24. PFIP was designed to pursue a market-leading or supporting approach, driven primarily by commercial opportunities that would support commercially-viable low-income appropriate financial services. As a result of market development information gathering in 2008-9, PFIP reorganized its strategic objectives in 2009 to focus on interventions to identify and address gaps in the IF market at three levels of the IF sector (according to a FSSA approach):

1. **Micro (client or retail financial provision level)** address transaction cost constraints to scale within the low-income market with a focus on commercial enterprise interested or experienced in electronic/mobile banking. Output 2 focuses support on:

    - Commercial enterprise with risks capital grants and technical assistance to exploit low income financial services market opportunities; and
    - Improved financial literacy programmes to stimulate more and better informed demand for financial services among low income populations.[15]

2. **Meso (inclusive financial sector infrastructure needs: e.g., credit bureaus, sector associations, etc.)** The reorganized outputs did not compel PFIP to work with any specific meso level organizations. PFIP is however quite active with meso level activities including market research, networking, advocacy technical service provision, and training activities as they relate to supporting Outputs 1, 3 and 4.

3. **Macro (national regulatory, policy and programme level).** At this level, the programme needed to ensure policy makers and regulators developed good practice enabling financial regulatory and policy environment. This required Reserve Banks understand the primacy of removing constraints to new delivery channels and institutional models (i.e., mobile and technology based IF service delivery).

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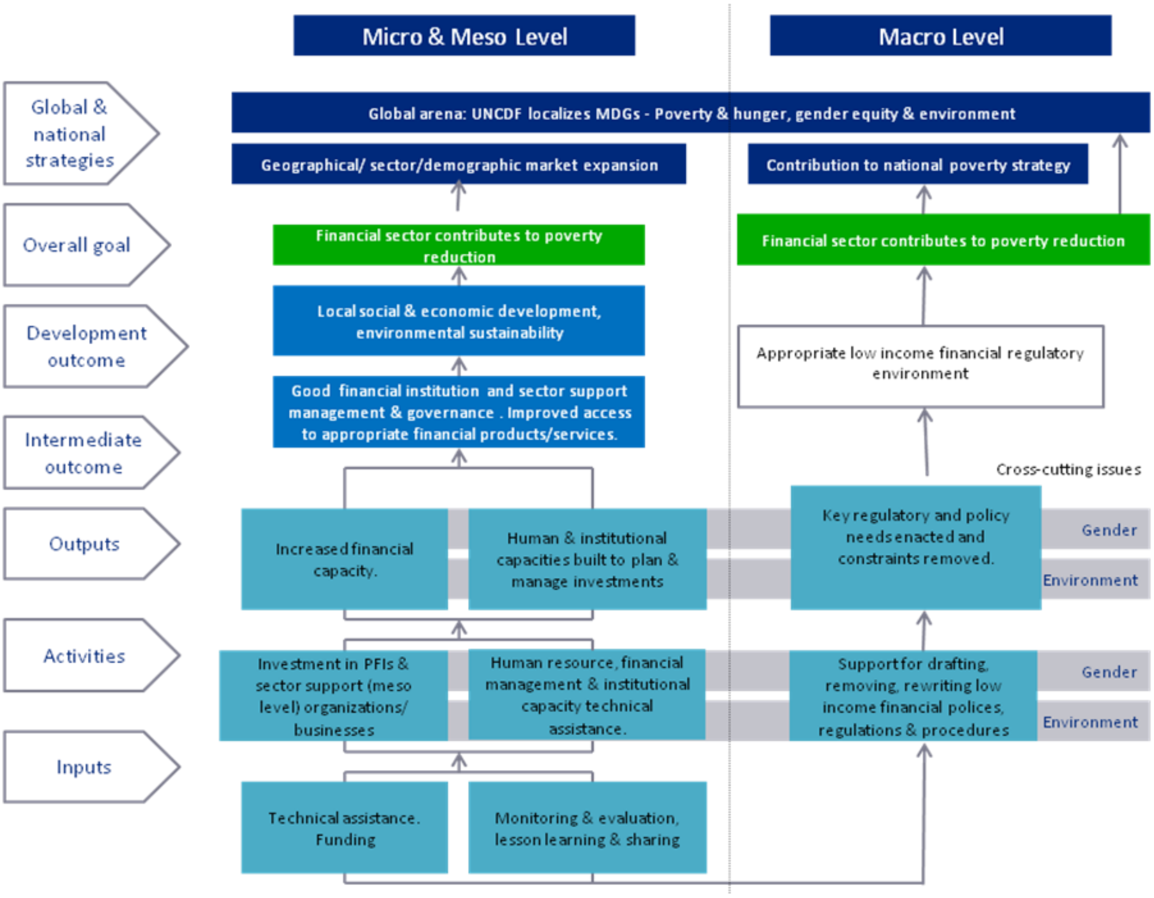
[13] Financial Services Sector Assessment (FSSA) is an analytical approach to investigating/understanding inclusive finance and takes into consideration the meso, macro, micro levels of the sector. It provides a useful categorizing/organizing tool for analytical observations where the micro level refers to retail financial services activities; meso to organizations and businesses providing support to the micro and macro levels such as credit bureaus, sector associations and consultants; and the macro level which refers to the government/regulatory policy environment.

[14] While overcoming scale and transaction costs are common challenges for PIC, the mix of factors depressing IF sector expansion differs by country. Other important challenges include political will, regulatory factors, national market size, availability of human resources, lack of donor support etc.

[15] The provision of financial literacy services is a meso level activity which is delivered at the micro or retail level, thus it appears at both the meso and micro level.

Figure 2 PFIP Intervention Logic



25. The programme output restructuring had PFIP focusing on how to support the creation and promotion of service models that could reach a large number of poor (as opposed to the support of existing institutions). The programme encouraged IF product and services developed by Mobile Network Operators (MNOs), commercial banks, and (potentially) existing IF suppliers (in alliance or on their own) was considered the most plausible strategy for overcoming scale and transaction cost challenges. In the second half of its mandate, the programme is focusing on deepening outreach through the development of more pro-poor financial products and services.

Table 5: PFIP Outcomes, Objectives, and Outputs Performance

Output	Indicator	Performance
1. Policy makers, donors and other stakeholders are supported and empowered to make decisions and take coordinated action and allocate resources to promote financial inclusion.		
1.1	Impediments or constraints removed/regulations policies enacted.	Eight Reserve Banks have "no objection" to basic mobile banking.
1.2	IF strategy/plans in place .	7 PIC countries agreed to or in process of development of national financial literacy strategy.
1.3	Volume of resources to region.	USD 7.8M total support for the sector, plus significant non-monetary contributions that cannot be measured.
2. Scalable, replicable and sustainable projects are created that deliver appropriate financial services to low income persons, small and microenterprises, including women and those in rural and remote areas.		
2.1	New or "transformational" clients	An estimated 21,000 mobile money subscribers.
2.2	Clients with a new, appropriate product or service.	163,000 new mobile money subscribers.
2.3	Sustainability of service.	Data not yet available as services are still new.
2.4	Women clients.	62,300 mobile money subscribers (40% of total new subscribers).
2.5	Rural clients.	7,100 (estimated minimum).
3. Knowledge is created and shared so that industry has access to local market intelligence and information on global best practices.		
3.1	Number of knowledge products.	Seven direct, eight indirect, not including workshops and conferences.
3.2	Number of Stakeholders at PFIP sponsored events.	Unable to measure (estimate > 500).
4. Financial competency building is embedded in regional and national development strategies with replicable approaches that enable households to improve their financial security and build economic opportunities.		
4.1	Number baseline financial literacy studies	2 in planning stages
4.2	Number of financial literacy programs/strategies in place.	4
4.3	Number of literacy programs adapted.	1

Source: Programme documentation confirmed during the field mission by the review team assessment with two caveats: i) for indicators 2.1-2.5 the team had to rely on grantee reports; and ii) for indicator 3.3 the number of attendances was partially verified through interviews.

26. The expected PFIP outcome is 250,000 new clients among PFIP grantees and technical assistance partners, of which 142,000 will be "transformational" clients (i.e., clients without a previous/existing bank account). Women will be a targeted 50% of all grantee clients and 100,000 will be rural clients.

2.2 PROGRAMME STATUS

2.2.1 Implementation

27. PFIP began as UNCDF, UNDP and EU/ACP partnership with a programmed budget of USD 5M. The programme began effectively in September 2008, eight months behind schedule, with the instalment of an office at the UNDP Pacific Centre in Suva, Fiji.[16] By the end of the first eight months, the programme team included: a Financial Inclusion Advisor and Project Manager (Project Manager, responsible for overall management and technical advisory/coordination); a Financial Literacy Advisor (responsible for financial literacy with some management responsibilities); a local Project Officer with project oversight work in Fiji; and Programme Associate (with programme administration responsibilities). An intern provided research and technical support starting June 2009 and was converted to a Technical Specialist in September 2010. A second technical specialist for PNG has a planned start in November 2010. The team is a mixture of fixed-term staff (two advisors and the programme associated) and long-term consultants (the Project Officer and Technical Specialist are hired under Special Service Agreements or “SSAs”).

28. PFIP is primarily supported by the UNCDF HQ. As part of UNCDF’s overall decentralization strategy, some regional support (financial and administrative) is now provided by UNCDF’s regional office in Bangkok, Thailand. The Financial Inclusion Advisor was given responsibility for overseeing the Inclusive Finance for the Underserved Economy (INFUSE) programme in East Timor in June 2009.

29. Programme implementation has gone as planned. Initial work focused on market opportunity and development research. A list of activities undertaken to the second quarter of 2010 is found in Table 5 and a list of major grants is found in Table 6. With regards to outputs, PFIP has achieved some important advances:

Output 1. Policy makers, donors and other stakeholders are supported and empowered to make decisions and take coordinated action and allocate resources to promote financial inclusion.

30. This output is designed to support interventions aimed at improving macro level regulations and policy required for the sound functioning of the IF sector.

31. The programme achieved a pivotal advance on this output by facilitating a “no objections” response from eight PIC RBs permitting MNO mobile phone banking trial. With PFIP support, six nations have begun to develop national IF sector strategies. PFIP’s also helped to facilitate a statement of IF sector donor principles for the Private Sector Donors Group (now the Pacific Financial Inclusion Donors Group).

Output 2. Scalable, replicable and sustainable projects created that deliver appropriate financial services to low-income persons, small and microenterprises, including women and those in rural and remote areas.

32. This output focuses on micro level interventions intended to increase supply of IF products and services. The first round of grants took place in Q2, 2009. Six Grants were approved, all of which were funded with one exception. ANZ’s grant to roll out its Wing mobile banking platform was postponed due to reassessment of corporate priorities at Head Quarter level. [17] (See Table 6)

[16] The Pacific Centre provides technical support to the UNDP Offices in the Pacific and implements a range of regional activities in support of the Pacific Plan. The work of the Pacific Centre is complimented with support from the other two regional centres in the Asia Pacific Region based in Bangkok and Colombo. The Centre works in the areas of Crisis Prevention and Recovery; Democratic Governance; and MDG Achievement and Poverty Alleviation.

[17] ANZ is a large regional bank based in Australia. The approved grant was for the bank to import their electronic banking program “Wing”, which had been successfully rolled out in Cambodia. Because of changes in priorities at headquarters, however, ANZ Fiji has deferred the grant.

Table 6: PFIP Activities

Output	Activity	Partners
1	**Policy makers, donors and other stakeholders are supported and empowered to make decisions and take coordinated action and allocate resources to promote financial inclusion.**	
1	Advocacy at regional forums	FEMM, FEdMM, Central Bank Governors.
1	Alliance for Financial Inclusion Working Group (AFI)	Alliance for Financial Inclusion Working Group and various country representatives.
1	Donor coordination	Pacific Island Financial Inclusion Donor Group.
1	Fiji Financial Inclusion Task Force	Various Government and Civil Society.
1	Samoa situational analysis	Samoa Central Bank.
1	Update 6 FSSA	Various donors.
2	**Scalable, replicable and sustainable projects created, which develop appropriate financial services to low-income persons, small and microenterprises, including women and those in rural and remote areas.**	
2	Grantee oversight	Five Grantees.
2	Round two grants	Launched September 2010.
2	Fiji Department of Social Welfare	GoF, AusAID.
2	Technical assistance	Various government, donor and stakeholders.
2	Microinsurance PNG/Fiji	ADB, City Pharmacy, FijiCare.
2	Microfinance Pacifika Network (MPN) support	MPN.
3	**Knowledge created and shared so that industry has access to local market intelligence and information on global best practice.**	
3	FSSA Solomon Islands	CBSI, various stakeholders.
3	Scholarships	20 individuals from RBs, grantees, CUs, banks and IFIs partners.
3	International events	N/A.
3	Information exchanges	Co-hosted with RBs.
3	SEEP training	35 policy makers from Fiji and Solomon Islands.
3	Microinsurance video	Growing inclusive markets.
3	Renewable energy tool	N/A.
3	Gender and Microfinance video	FijiTV.
4	**Financial competency building is embedded in regional and national development strategies with replicable approaches that enable households to improve their financial security and build economic opportunities.**	
4	Consumer Protection Strategy	N/A.
4	Money Pacific	16 signatory governments.
4	Financial competency baseline	Fiji, SI, Samoa, PNG.
4	Central Bank financial strategy	Central Banks, Fiji, PNG, Samoa, Vanuatu, SI, Tonga.
4	EFEC	Fiji, Ministry of Education and NFIT.

Sources: PFIP documents and stakeholder interviews,

33. Grants included funding for the introduction of two mobile banking services offered by Digicel and Vodafone, whose non interest bearing demand savings and funds transfer services are highly replicable (indeed, the work in Fiji is a replication of services in Kenya and the Philippines).[18] One MNO plans to

[18] MNO saving services are not traditional savings accounts as found in a commercial banks. Rather, the service simply "stores" savings for the subscriber. Funds are held in a single commercial bank account and can be withdrawn or transferred via a subscriber's mobile phone.

roll-out services three to four other PICs in 2011. It is too early in the services life to sustainability potential but 160,000 clients had signed up to services by the end of September 2010 after less than two full months in the market. Advances have been made in the planning and early development of NVB and NMB branchless banking services and DataNets' and Department of Social Welfare Fiji mass payment systems.[19] Similarly, microinsurance products have been piloted in PNG and a company in Fiji has developed interest in launching a product; however no on-the- ground results are available.

Table 7: PFIP Grants

Grantee	Country	PFIP (Approved) USD	Co funding USD	
ANZ Banking Group (Regional)*	Fiji	400,000	400,000	AusAID
			1,500,000	Microlead
DataNets	PNG	100,000		
Digicel	Fiji, Vanuatu and/or, Samoa	500,000	350,000*	IFC
			50,000	GSMA
National Bank of Vanuatu	Vanuatu	212,000	450,000	AusAID
Vodafone Fiji	Fiji	250,000		
Nationwide MicroBank	PNG	100,000	210,000	ADB
Sub Total		1,562,000	2,960,000	
Total		**3,124,000**	**5,170,000**	

* Approved but never disbursed at ANZ's request.
Source: PFIP Grant contracts.

Output 3. Knowledge created and shared so that industry has access to local market intelligence and information on global best practices.

34. This output focuses on activities normally undertaken by a meso level organization such as a research institution or networking organization. The specific aim of research is intended, however, to affect change at each level of IF sector according to research outputs.

35. PFIP has created or substantially contributed to 15 written knowledge products and has sponsored and/or supported relevant IF sector events with more than 500 (estimated) participants.

36. The initial knowledge generation focus consisted of updating and deepening FSSA in six PICs and producing thematic research on mobile banking and micro insurance used to courting of potential MNO and commercial banks service providers and to educate RB and other government staff. This was complemented by capacity building activities for key stakeholders, particularly the RBs.

Figure 3 PFIP Knowledge Generation

- Six country situational analysis.
- Fiji Financial Services Sector Assessment.
- Women´s Financial Inclusion Significantly Improves Household Wellbeing.
- Financial Capability, Financial Competence and Wellbeing in Rural Fijian Households.
- Building a Mobile Money Distribution Network in Papua New Guinea.
- Reducing Risk: Micro insurance in the Pacific (video): *Can Fiji Micro Finance Institutions be Sustainable?*
- Support to MPN for website/document sharing/sector information portal.
- Creation of PFIP website.
- Scholarships for 10 partners to a variety of conferences (e.g., Governors RBF, Boulder Training in microfinance for RB employees, attendance at GSMA MM Summit.

Informal

- Bringing CGAP mobile banking expert to region.
- Piloted Microinsurance in PNG.
- Bringing AFI expertise to RB.
- Constant technical advisory meetings.

[19] In Fiji, PFIP is working with the Department of Social Welfare (DSW) to improve government welfare support payments through electronic means. This project is closely linked with technological development in the IF sector. Electronic payments will help speed the receipt of payments and, in the case of some islanders, dramatically reduce the cost and improve the security of collecting payments (clients receive funding electronically rather than having to go in person). Also, given the significant absolute number of transaction, the DSW service will provide MNOs (as transaction agents) a source of fee generation. There is no grant involved as of yet, but a full time consultant was in the process of being contracted to oversee the transition.

Output 4. Financial competency building is embedded in regional and national development strategies with replicable approaches that enable households to improve their financial security and build economic opportunities.

37. This output focuses primarily on micro level outputs but works at the macro and/or meso levels as most literacy programmes are facilitated by government and implemented by a meso level organization.

38. PFIP's financial literacy work has advanced considerably and most PIC governments are considering or developing financial literacy programmes. Two financial competency baseline studies are complete and four national strategic plans for financial literacy are at various stages of development, the most advanced of which are Fiji and Samoa the latter of which is already being implemented.

2.3 FINANCIAL DATA

39. The total four year budget for PFIP was USD 5M with original confirmed contributions of USD 2M (USD 1.25M, USD 250K and USD 550K from UNCDF, UNDP and the EU, respectively). The UNDP Pacific Centre indicated it would inject a further USD 1.2M, but could not confirm until 2008 (after the project was approved). As a result, the project began with a funding shortfall of USD 2.95M. The total budget was revised in 2009 up to USD 6.25 million. Additional funding secured after start up included USD2.1M from AusAID and USD 280K from the EU.

40. Table 9 shows total programme expenditure per output over the period 2008-2010 to Q2 in absolute terms. Total expenditures have been USD 2.47M over 2.5 years of the project.

41. Policy, Advocacy and Coordination absorbed 28.7% of all costs. These costs include salaries, contractual support and general operating expenses, but also includes costs related to Output 1 as much management time is related to general networking/participation in working groups, advisory activities, and networking, and informal capacity development among key stakeholders. This compares to 48% of funding to Output Two, which supported grants and technical assistance to MNOs and IFIs. Figures 3 and 4 shows the distribution of expenses for 2009 and to the end of the second quarter 2010.

Table 8: PFIP Donor Income/Expense to Q3 2010*

	Budget	Spent	%
UNCDF	250,000	594,260	24.6%
EU	1,250,000	443,076	18.4%
UNDP Pacific Centre	708,911	148,198	6.1%
UNDP	1,750,000	63,238	2.6%
AusAID	2,167,000	191,667	7.9%
Other		15,000	0.6%
Not Yet Allocated (expense to Q2-2010)		956,404	
Total	**5,997,000****	**2,411,843**	**40%**

* Allocation data overstates PFIP Budget to Q3 2010 by USD 33K due to exchange rate variations.
** Total budget of USD 6.25M with funding short fall of USD 250K

Table 9: PFIP Budget to Q3 2010

	2008		2009		2010		Total	Total
	USD	%	USD	%	(to Q2)	%	USD	%
1. Policy, Advocacy & Coordination								
Salary	92,370	46.0	313,340	25.7	89,047	9.3	494,757	20.8
Contractual Support			14,552		13,606		28,158	1.2
General Operating Expenses	47,555	23.7	76,302	6.2	35,313	3.7	159,170	6.7
Sub Total	**139,925**	**69.6**	**404,194**	**33.1**	**137,966**	**14.4**	**682,085**	**28.7**
2. PFIP Programme Support	1,497	0.7	564,986	46.3	573,465	60.0	1,139,948	47.9
3. Knowledge Management and Sharing	0	0.0	76,311	6.2	120,219	12.6	196,530	8.3
4. Financial Capability Promotion	0	0.0	0	0.0	80,645	8.4	80,645	3.4
5. Indirect Costs	59,524	29.6	175,903	14.4	44,109	4.6	279,536	11.8
TOTAL	**200,946**	**100.0**	**1,221,392**	**100.0**	**956,405**	**100.0**	**2,378,744**	

* Time of reporting causes minor differences in income and expense figures.

Figure 4: PFIP Expenses % of Total Budget 2009

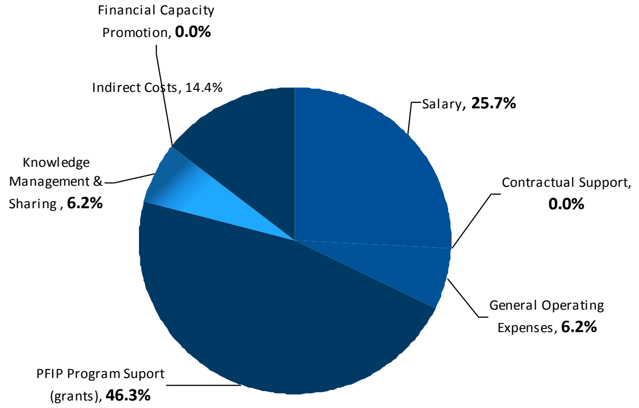
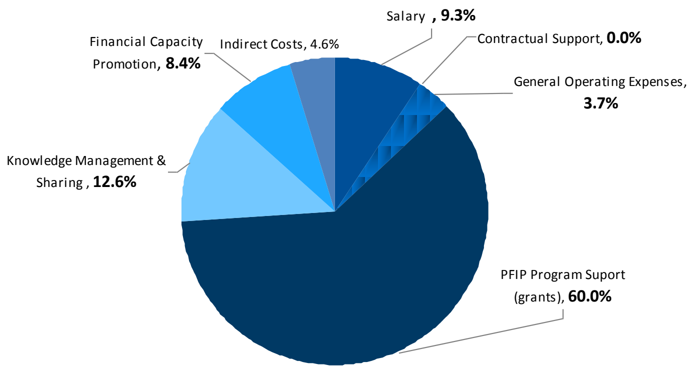


Figure 5: PFIP Expenses % of Total Budget 2010 (to Q2)



3. EVALUATION FINDINGS

42. This chapter reviews findings from the seven IF matrix questions and sub-questions.[20] (See Annex 5 for the full Evaluation Matrix). Due to the nature of PFIP's outputs, findings for each matrix question do not necessarily correspond to a single output and for the most part each question addresses various aspects of each output. The exception is Question 6 (chapter 4.6), which is related to PFIP Management. Similarly, the questions do not uniquely align specifically with the Macro, Meso, and Micro FSSA approach used by UNCDF. Specific mention of IF level and outputs are made were relevant.

3.1 The Programme's Flexible Design Meets UNCDF's IF Intervention Logic, Relevant Priorities of Partner Countries and the main IF Sector Developmental Gaps.

EQ 1: "To what extent does the programme design meet UNCDF's IF intervention logic and the needs of the partner countries?"
The programme is relevant to the priorities of the region and national governments as reflected in more than twenty economic, social and financial sector documents as well as the mandates and interests of key regional and national organizations/government agencies. PFIP is consistent with the United Nations Development Assistance Framework (UNDAF) and with the UNCDF's approach to IF and provides a flexible, opportunity-oriented financial sector development model. The programme design was adequate and provided sufficient flexibility to accommodate a more contextually relevant redefinition of outputs while remaining consistent with the overall development objectives of the programme. The original design anticipated PFIP working with the Pacific Island Forum Secretariat (PIFS) at the policy/regulatory level with the facilitation of Microfinance Pasifika Network. This arrangement did not work and PFIP has taken more responsibility in these areas than planned. Programme design included gender mainstreaming from an IF product and service perspective but did not require advancement of women in decision making positions within the IF sector.

3.1.1 The programme is relevant to the priorities of key regional and national IF organizations/government agencies as reflected in their mandates and interests.

43. There were no directly relevant regional or national IF strategy documents related to IF prior to the start of PFIP, save the Coombs Declaration and the ADB-PNG Microfinance and Employment Project Document. (See Figure 6) There is strong consistency with general strategic goals related to MDGs, specifically gender and poverty alleviation goals, to which all countries included in the programme, are signatories.

The programme intervention logic is consistent with PIC regional development approach typically employed when confronting common sector challenges. A commercially viable IF sector development approach was adopted prior to PFIP when the Forum of Economic Ministers (FEMM), a regional body comprised of Pacific Island Economic Ministers, expressed support for microfinance as early as 2004. Subsequent to this, FEMM requested the Pacific Island Forum Secretariat report on successful microfinance schemes in the region.[21] A study was produced with the support of the UNDP and presented to FEMM in 2006, resulting in the recommendation that member countries give high priority to microfinance. This was followed by the signing of the Coombs Declaration.

[20] Some sub questions are not reported in those cases where there were no significant or substantial findings of note.
[21] For details on the Pacific Island Forum see footnote 11.

44. At the national level, most PICs governments did not have focused conventional or inclusive finance sector strategies, though the PNG conventional finance strategy did make mention of IF. Several countries are however undertaking financial, commercial, and legal regulation reform with positive implications for IF sector development. Changes are numerous and varied, including (depending on the country): corporation law, bankruptcy law, business registration simplification processes, contract law, financial law, consumer protection law, land titling law and registration processes, and, of increasing interest to IF in the region, telecommunications law.

45. Some 88% of Stakeholders believe PFIP design has "good" to "very good" consistency with regional and national poverty reduction strategies. 12% believe it is excellent.[22] (See Annex 8, Stakeholders, Question 1)

Figure 6: National Government Strategy Relevant to PFIP

PNG
- Medium term development strategy Includes reference to microfinance.
- Stand alone microfinance regulations being considered by the BPNG.
- BNPG is signatory to Coombs Declaration and Money Pacific Goals.

Fiji
- GOF Microfinance unit created in 2000 no coherent policy results.
- Signatory to Coombs Declaration.

Samoa
- CBA has no particular policy related to microfinance but consults on a case-by-case basis with IFIs.
- Signatory to the Coombs Declaration and Money Pacific Goals.

Solomon Islands
- MoF and Central Bank of Solomon Islands (CBSI) are proactively fostering microfinance and supports recommendations that an IF unit be established within CBSI to set policy and supervise IFIs.

Tonga
- Access to finance was expected to be part of the country's National Poverty Reduction Strategy (supported by the ADB).

Vanuatu
- RBV is signatory to Coombs Declaration and participates in Money Pacific.
- RBV has customized "know your client" rules to suit rural and village environment.
- RBV tolerates VanWoods' (a small IFI) voluntary savings collection.
- GoV endorsed a policy paper on rural microfinance 2004.
- GoV established the Microfinance Taskforce chaired by MoF (no national strategy resulted) however GoV continued to encourage microfinance.
- State owned NBV mandate includes serving small and micro enterprise in rural areas.
- RBV enrolled as member of AFI.
- RBV through Forum of Economic Ministers Meetings (FEMM) support Money Pacific.
- World Bank and UNDP supported financial literacy programs.

3.1.2 The programme is well aligned with and designed to encourage governmental IF sector development plans.

46. Programme design allowed PFIP to fill an IF sector leadership role and through this the programme has facilitated as much as it has aligned itself with IF sector policy at the national and regional level. Moreover, the exercise of designing PFIP was the single most focused "strategic" IF planning effort most countries undertook in the region prior to PIFP.

47. Pre-PFIP regional IF sector development activities were minimal. They included the Microfinance and Employment Project in PNG, support of rural e-banking at the National Bank of Vanuatu, as well as efforts in of several PICs to introduce movable collateral laws, encouraging more and smaller loans. Several governments were pulling out of and/or restructuring poorly performing state-owned banks (e.g., Vanuatu) or are in the early stages of implementing financial literacy programmes. The Solomon Islands was supporting rural finance through guarantee and subsides to ANZ rural banking service. Beyond this, there was the Coombs Declaration which focused attention on financial literacy, and while it had no explicit IF sector development goals did provide a focus and forum for sector activities.

48. Some 73% of surveyed Stakeholders believe that there has been "very good" to "excellent" programme alignment with the needs of partner countries, 25% stated it was "good", and only 2% had negative perceptions (See Annex 8, Stakeholders, Question 2)

[22] A survey of Stakeholders (8) and PIFIs (6) representatives complemented interviews. The sample is relatively large compared to the number of Stakeholders (49) and PIFIs (9) representatives closely involved with PFIP and interviewed by the Evaluation Team. However, due to the small absolute number, survey results cannot be considered representative. (See Annex 8 for details).

3.1.3 Programme design provided flexibility to address the most significant gaps and evolving needs of the inclusive finance sector at the macro, micro, and meso levels.

49. Prior to PFIP, the IF sector in the PIC could be characterized as small, not well organized, and constrained by transaction costs so prohibitive that conventional bricks and mortar IFIs were unsustainable. PFIP re-design identified the need for innovative, technology-driven transaction costs reduction business models and for improving financial literacy among low-income households as key to sector development. Specific constraints were identified at each the micro, meso and macro levels of the IF sector:

- **Micro (client or retail financial provision level)** – At the micro level, programme design anticipated the need to identify and foster commercial interest in market opportunities through market research. Design did not preclude working with conventional IFIs, but in their relative absence (save in PNG) design anticipated the need to focus on non-traditional approaches. In PFIPs' 2009 annual plan, this focus was narrowed to MNOs and/or commercial banks with interest/experience in electronic/mobile banking. Understanding the risk involved in developing scalable mobile banking from scratch, PFIP design allowed the programme to use grants as a means to underwrite a portion of the risk that companies would take to develop new products. Design also targeted financial literacy programmes as a means to overcome low financial literacy constraints to increased demand for low-income retail products.

- **Meso (inclusive financial sector infrastructure needs: e.g., credit bureaus, sector associations, etc.).** There were two key constraints addressed at the meso level in design. The first was lack of market intelligence required to show the size and product/service needs of commercially viable low-income markets. Technical information on how commercial ventures might take advantage of market opportunities was also identified as a constraint and mobile banking was singled out.

  The second constraint was lack of a networking organization able to provide market information, training/advisory services, stakeholder coordination, and networking on a timely and ongoing basis. Re-design did not prescribe a specific action, but, PFIP chose to support the Microfinance Pasifika Network (MPN) to take this role.[23] The programme's design also involved PFIP in discussions on the need for reliable credit bureau, "interoperability"" infrastructure (e.g., such as inter-bank ATMs access, inter-agency points of access, etc.), and other electronic banking technical support issues (e.g., access to technical service providers), though no substantive specific activities had been initiated at the time of the MTR.[24]

- **Macro (national regulatory, policy and programme level).** The objective at the macro level was to ensure policy makers understand the importance of removing constraints in the enabling environment to support new delivery channels and institutional models. Design encouraged PFIP to work with the PICs to advance regulatory matters and provided sufficient resources for regulator capacity building through technical advisory, workshops, meetings and conferences, participation in regional and national forums, and technical training support (e.g., training scholarships).

50. The macro, meso, micro framework is consistent with UNCDF FSSA and programme redesigned is sufficiently flexible to allow managers to lead or support sector developments at all three levels of the sector.

3.1.4 The programme supports the general goal and several specific goals of the Regional (Country) Programme Action Plan (CPAP) and UN Development Assistance Framework (UNDAF)

51. While there is no explicit integration with the United Nations Development Assistance Framework (UNDAF) in the programme design, a subsequent needs assessments conducted through UNDAF and Country Programme Action Plan (CPAP) in the Pacific, identified emerging demand from PICs for technical advisory support to MDG-based national development strategies; preparation of national gender mainstreaming strategies; public sector reform; national aid management; private sector development; and some aspects of environmental management relevant to IF sector development.

[23] Although output redesign did not prescribe working with MPN, PFIP decided to go ahead with a grant with the organization as had been implied in the original programme design.
[24] By the time PFIP started, IFC had already begun working on a regional initiative to develop credit bureaus and the Fiji Data Bureau commenced operations.

52. Fiji and Samoa have identified priorities in the area of improved enabling environment for trade facilitation and development; income generation and employment opportunities created for vulnerable groups (women and youth); and enhanced financial competencies of vulnerable groups (rural and women and youth).

53. These priorities are directly and indirectly supported by the PFIP output objectives of poverty reduction through private sector development.

3.1.5 Programme design is consistent with the UNDCF's approach to IF sector development and has provided value added to the sector.

54. Programme design is consistent with the UNCDF's FSSA approach and focuses on major constraints and significant market opportunities at each of the micro, meso, or macro levels as context demands. Design outlines measurable, performance-driven outputs and builds on three UNCDF catalytic competitive advantages:

- Use of risk capital and knowledge to catalyze new commercial enterprise (micro level);
- Use of targeted research and grants to catalyze a network of informed and energized IF sector stakeholders with the objective of developing and promoting good IF sector development practice (meso level); and
- Use of advisory capacity, networking, advocacy and technical assistance to catalyze appropriate regulatory and policy change (macro level).

55. PFIP programme design, intervention logic and competitive advantages functionally combine to find solutions to high transaction costs and scale issues constraining conventional IFs.

3.1.6 Programme design included appropriate gender mainstreaming from an IF product and service perspective but did not require advancement of women in decision making positions within the IF sector.

56. PFIP design highlights the need to address the special circumstance of women and has an outcome target of women comprising fifty percent of grantees clients. Design insists all interventions, monitoring and evaluation ensure gender is mainstreamed, through the following actions:

- Women stakeholders, wherever practical, will participate in the shaping of the scope and terms of reference of all major research and evaluations; and
- Output targets and indicators will, wherever applicable and when data is available be disaggregated by sex, location and vulnerable groupings and monitoring and reporting mechanisms will be put in place to measure respective benefits.

57. Design does not consider the promotion of women in decision making positions within grantee organizations or in the sector, more generally.

58. **PFIP does not make any specific environmental considerations** (e.g., environmental portfolio risk management/screening or environmental operational performance of grantees) although it does mention possible complementarities with Pacific Centre environmental interests and developing finance models promoting renewable energy and sustainable resource use.

3.1.7 The programme had comprehensive buy in from donors and applicable government agents (GAs – central banks, superintendents, etc.)

59. The financial services sector assessments of six PIC countries contributed substantially to the design of PFIP. Stakeholder input was given with the explicit expectation that a programme would result. Relevant government stakeholders were consulted in each of the countries (and others) to gain input on a vision for an IF sector programme and their possible participation; and the draft programme design was shared with key government stakeholders prior to its finalization.[25]

60. The design process sought extensive input from donors active in IF, including the Asian Development Bank (ADB), AusAID (the Australian Development Agency for International Development),

[25] Key government stakeholders were given two weeks to respond to a draft programme design and to voice any concerns. If none were forthcoming, PFIP was to understand that stakeholders were in agreement with the nature of the programme. No comments were received.

the International Finance Corporation (IFC), the World Bank, the International Monetary Fund (IMF), New Zealand Aid (New Zealand Aid Programme) , EU/EIB, UNDP, among others, including the Consultative Group to Assist the Poorest (CGAP). The programme's multi-donor Investment Committee (IC) was designed to provide a mechanism for substantive collaboration and a mechanism for pooled investments among donors.

61. The best proof of design "buy-in", however, can be found the active, formal/informal participation of all principle donor agencies in the region in a financial inclusion working group and the USD 5.85 million donor contributions to the PFIP fund and to co financed projects.

3.2 PFIP Grants have Provided Catalytic Support For Infrastructure and/or Training Leading to Improved Human Resource at PIFIs, Sector Support Organizations (SSOs) and Government Agencies (GA).[26]

EQ 2: "To what extent has the programme contributed to increased PIFIs, SSOs and GAs Human Resource Capacity?"
PFIP strategy does not require grantees to achieve specific management capacity improvements as is often the case in conventional IFI populated UNCDF programmes. There have been some improvements however as the result of the introduction of technology-based services. This is consistent with PFIP's strategy to be catalytic rather than providing support for core operations. The sole exception was a grant to strengthen MPN, which was designed to improve institutional capacity that failed to materialize. Development of financial capacity was likewise targeted to underwriting mobile banking project risk and/or to extend existing mobile banking expansion plans. This required discrete capital grants and specific partner financial capacity improvements were not expected.

This question relates primarily to advances made by PFIP towards meeting Output 1 and 2 particularly as institutional capacity development of PIFIs (Output 2), SSOs (Output 2) and GAs (Output 1) contributes to the development of scalable, replicable and sustainable financial products and services.

3.2.1 The programme did not directly target significant human resource & management capacity improvements at PIFIs and SSOs though some occurred; human resource capacity was targeted and achieved in GAs.

PIFI - Micro Level Intervention

62. Even though PFIP design is generally similar to other UNCDF programmes, PFIP's focus on technology and mobile banking products is atypical. As a result, human capacity development/performance indicators that apply to conventional IFIs and normally part of a UNCDF programme do not fully apply.[27] While complex technologically, from a banking perspective, mobile and other technology are quite simple and they do not need the same kind of long term human resource capacity-building assistance that IFIs intermediating savings and/or offering credit products require.

Figure 7: Example Human Resource Capacity Activities (2010)

3	Off site trainings for Digicel and ANZ on microinsurance.
3	Information exchanges for FI stakeholders.
2	AFI/Vodafone meetings.
4	Mobile money workshops (SI, Vanuatu, Samoa, PNG).
35	Trained on "Measuring Performance of Microfinance Institutions" by SEEP.
3	Fiji sector IF stakeholder meetings
1	Offsite training to City Pharmacy (microinsurance).
1	Onsite support to Fiji Care (microinsurance).
12	Stakeholder scholarships (various themes and venues).

63. And while data is not available as it would be for more conventional approach to PIFP capacity development, PFIP did/will have human resource capacity development impacts, including: improved technical management, improved clerical computer skills, financial services marketing and sales, among others.

[26] For this section, some questions and sub-questions apply only to PIFIs, while others to SSOs and GAs.
[27] See Annex 7 for a CGAP Light Appraisal format which lists a number of conventional human resource capacity development indicators.

64. According to the PIFI stakeholder survey, 50% of PIFI respondents rated PFIP's impact on long-term planning, management and governance of IFIs or SSOs as "very good" to "excellent". (See Annex 8, Financial Services, Question 6)

Meso Level Intervention for Human Resources

65. PFIP outputs do not prescribe specific meso level interventions, although the programme did support the development of MPN with a two-year institutional development grant of USD 80K managed by the Foundation for Development Cooperation (FDC), as per original design.[28]

Figure 8: PIFI Human Resource Capacity Development

- New systems development.
- New systems management.
- New product sales/servicing.
- Strategic process project design.
- Marketing and promotion strategy development.

66. The grant to MPN has not delivered anticipated outcomes.[29] Funding was to support a capable Senior Manager to grow the institution. Instead, FDC employed an assistant to their Senior Manager in Fiji, who is also tasked with FDC work, leaving MPN with less management capacity than the grant conceived. The organization has not been able to translate support into a credible strategic platform and appears to be very weak. At the time of evaluation MPN had not met performance targets for submitting a viable business plan and PFIP was withholding the final tranche of funding.[30]

67. **In the absence of a strong regional or national level sector association, PFIP has become the *de facto* IF sector association for PICs** and has taken on the roles of convening sector stakeholders, shaping the sector's agenda, providing an formal and informal networking platform, organizing/supporting thematic groups and research, provision of market research, etc.

Macro Level Interventions for Strengthening HR

68. From numerous informal/technical advisory meetings to more formal venues at conferences, workshops, and via working groups, PFIP has supported the improvement of soft and hard human resource capacity/skills at targeted government agencies, but particularly Reserve Banks.[31]

69. Consistent engagement with the governors of the RBs, together with the PFIP supported capacity development initiatives, have contributed to a number of human resources capacity development results. The Reserve Banks of Fiji and Samoa have developed in-house IF units staff, increasing the number of knowledgeable/trained executives. RB's improved understanding of IF sector development is also evident in:

- measured and appropriate response to supporting sector development through the MNO trial service period;
- support of national IF sector strategies; and
- support for national financial literacy campaigns.

70. The Governor of RBF credited a PFIP sponsored scholarship to participate in an inclusive finance conference in Brazil as key to developing his own and his staff's IF capacity, resulting in what one MNO executive noted was an "open minded" approach to mobile banking. PFIP has also

[28] PFIP made a two year USD 80K grant to the Foundation for Development Cooperation (FDC), an Australian international development organization and a founder of MPN capacity building to develop a strategic plan for sustainability. The grant was made to FDC because MPN lacked any financial administrative capacity and PFIP recognized that FDC was the *de facto* operator of MPN.

[29] FDC's efforts managing a network organization seem limited and MPN's activities have been modest in size and scope, consisting mostly of hosting a regional IF conference (with PFIP assistance and financial support from other donors) and maintenance of an information internet portal consisting of documents and information.

[30] The MPN submitted a draft sustainability plan in January 2010 (it was to be submitted in mid-2009). PFIP deemed the plan unrealistic, particularly financial projections, and sent it back to MPN for revisions in the same month. The plan was re-submitted in July 2010 and was judged not to address sustainability concerns. This caused PFIP to withhold a USD 25K funding disbursement (the final tranche). PFIP is considering a final disbursement contingent upon a credible plan and a significant change in the organization's management practice.

[31] PFIP provides direct support (formal and informal) to RBs for IF development strategy in Fiji, PNG, Samoa, Vanuatu, Solomon Islands and Tonga. The programme supported, for example, a Small Enterprise Education and Promotion (SEEP – a US based global small and micro business support network organization) training of thirty-five policy makers and practitioners in Fiji and Solomon Islands. PFIP offered 27 cost sharing scholarships to key stakeholders to attend a variety of other trainings and workshops with the intent to catalyze interest in and increase strategic and market knowledge of IF issues.

supported/subsidized four stakeholder groups such as the Money Pacific Advisory Group (MPAG) relationship, and has sponsored several workshops and a regional IF conference (See Figure 7)

71. 83% of stakeholders surveyed believe that PFIP will have a “good” to “very good” impact on long-term planning, management, and governance; 17% believe that the effect will be “excellent”. (See Annex 8, PIFI, Question 6).

3.2.2 Programme support for PIFI technology infrastructure provided effective catalytic seed capital.

72. PFIP funding was not intended to strengthen grantee financial capacity directly (except MPN). The main intent of PFIP funding was to provide project-based risk capital to catalyze product development or fund the expansion of existing/planned electronic/mobile services.[32] Risk capital grants did strengthen project specific finance by underwriting a portion of risk without which projects may not have been implemented.[33]

73. Given the relatively large size of grantees’ businesses, save DataNets, UNCDF grants had no appreciable impact on overall capital sourcing diversification, capital adequacy & liquidity (for standard capital IFI performance indicators, See Annex 6). Not surprisingly, PIFI survey respondents believe that PFIP’s impact on financial capacity has been mixed (33% poor , 33% good, 33% very good and 17% excellent - See Annex 8, Financial Services, Question 6)

[32] The question of strengthening financial capacity of a conventional IFI refers primarily to improving its balance sheet for liquidity and reserve requirement purposes, and improving access to affordable capital from various sources for on-lending,

[33] A former CEO of the largest bank in the region was quoted by a stakeholder saying that while donor capital was often small relative to the size of a business or project (referring in particular to the funding of his bank’s rural banking service), it is often enough to tip a project risk equation balance to positive.

3.3 PROGRAMME FUNDING HAS EFFECTIVELY AND EFFICIENTLY CATALYZED ACCESS TO PRO-POOR FINANCIAL SERVICES IN FIJI WITH ANTICIPATED GAINS IN OTHER COUNTRIES AS PROJECTS MATURE.

EQ 3: "To what extent has the programme contributed to the improvement of access to appropriate pro-poor financial services?"
PFIP grants management has successfully catalyzed the offer of competitive saving and transfer services in Fiji with planned rolled out in three or four other countries, and has helped extend the outreach potential of three companies in PNG and Vanuatu. Obtaining "no objections" first from the Reserve Bank and then other RBs was a critical contribution to the development of these products. While services do not include credit or other financial products/services, they provide the technological e-banking infrastructure for such in the future. No PFIP-supported projects developed products or services meeting specific needs of women. With over 40% of clients being women, those services in the field have proven both accessible and attractive to women.

Questions 4.3.1 to 4.3.3 deal with the effectiveness of TA and investment delivery/management to PIFIs supporting greater access to finance (Output 2). Questions 4.3.4 onward assesses how PFIP has helped grantees contribute to Output 2 or increased access to pro- poor financial products and services.

3.3.1 The programme has been effective at transferring funding to Partner organizations.

74. PFIP has exercised reasonable prudence in the commitment and release of grant funds and financial assistance to grantees and other programme stakeholders. Grant funding is made in tranches with funds released based on grantees meeting contractually prescribed performance results/milestones. Funds for MPN were held back for not meeting targets; by contrast, PFIP showed reasonable flexibility regarding project delays at NMB (for health problems of CEO) and DataNets (business process challenge). PIFIs voiced no concern about fund management. Some 66% of PIFIs surveyed rated PFIP's fund management performance as "very good" to "excellent" and 33% thought it was "good". (See Annex 8, PIFI, Question 4)

3.3.2 Programme technical assistance (TA) services have been effectively delivered to PFIs and SSOs.

75. TA services were provided on critical needs-bases as determined by grantees and agreed to by PFIP technical staff. In many cases, this has enabled PIFI providers to access international TA that they would have been unable to source or afford. PFIP has used TA as an effective and efficient developmental tool by providing TA to non-grantees such as City Pharmacy tactically supporting a demonstration business case for micro insurance.

76. There were no significant comments on TA delivery performance from recipients. 66% of surveyed PIFIs rated PFIP's performance as "good" to "very good"; 17% found it "poor". (See Annex 8, PIFI, Question 5)

3.3.3 Capital and TA investments/services (via grants) have been satisfactorily managed by the programme management team

77. PFIP has managed most major steps of the grant process very well but has some ***minor*** definitional challenges in appraisal, monitoring, and contracting documents which affects reporting precision and completeness.

Approach to Granting

78. Both 2009 and 2010 work plans outline a cogent and comprehensive "opportunistic and responsive" investment strategy. This has allowed PFIP to not only respond, but also to lead where necessary, partner/market development

Granting Process

79. 81. The grant process is both detailed and transparent and information is available on the PFIP website. Grantees and stakeholders confirmed the granting process was fair; an important finding given PFIP was funding competing MNOs for the introduction of basically the same service. During the first round of grants, PFIP made clear it was courting and would entertain proposals from commercial rivals. Funding competitors is not uncommon in conventional IFI grant programmes. However, conventional IFIs seldom have near 100% market overlap as do MNOs. As per standard grant procedures, grantees were not informed of competing bids during the grant process. Grantees were informed of successful grants both verbally and publically on the PFIP website. This process was well managed, albeit somewhat informally, as no explicit recognition of competing interests is mentioned on PFIP's publically-available grant policy. [34]

Table 10: PFIP Reporting Indicators

Core Indicators	Vodafone	Digicel
Number of countries serviced		x
Number of users	x	x
Numbers of transformational clients	x	x
Number of agents/points of services		x
Number of transactions in rural areas	x	
Cost per domestic transfers	x	
Secondary Indicators		
Volume of Transactions / Month		x
Number of women users		x
Percentage of rural users	x	
Number of rural users		x
Percentage of rural subscribers	x	
Number of points of service	x	
Operating self sufficiency	x	
	NVB	
Total Number of Rural Branches with VSAT	x	
Number of Active deposit accounts	x	
Number of Active deposit accounts	x	
Net monthly SME Alert fees	x	
Net monthly mobile top up earnings	x	
Number Microfinance loans	x	
Microfinance loans balance	x	

Grant Appraisals

80. MNO project appraisal documents had minimally sufficient financial due diligence detail for the size of several grants relative to PFIP's overall grant portfolio. Because of the unique nature the Vodafone and Digicel grants, standard IFI due diligence approaches did not apply. Instead, PFIP assessed overall corporate health, management commitments and capability, project management roles/responsibilities and project risks (including regulatory risk) but there was insufficient data to substantiate the financial health of either company despite such information being publically available (albeit in highly aggregate form).

81. The NBV grant due diligence had limited financial and managerial information which PFIP noted was not required based on the historic profitability of the bank, strength of management, and because the grant was small relative to the size of the institution. The appraisal would have benefited from a modified standard IFI due diligence to quantitatively confirm NBV's long-term sustainability and commitment to low-income markets and women. A simplified standard due diligence was done for NMB, the modification of which was justified on the basis that the grant was small relative to the size of the institution. The process could have benefited from more information regarding income level of clients, number of women borrowers, and standard analytical ratios (for sustainability assessment purposes). [35]

Grant Management Oversight

82. Grant management and oversight has been satisfactory but PFIP could develop a stronger file management and security system. Large commercial enterprises in a highly competitive industrial sector typically have strong interests in maintaining proprietary commercial information. PFIP grant process should demonstrate "commercial" levels of security and transparency (i.e., from recruiting interest to

[34] See http://www.pfip.org/grants-other-support/grants/
[35] Neither NMB nor NBV tracked women in their MIS but have begun reporting via a sampling method.

grant oversight). PFIP management of the process was satisfactory but had some points of risk related to file management as UNCDF does not have a file management policy that sufficiently protects sensitive commercial documents (e.g., in the same manner, for example, of an embassy).

Grantee Reporting

83. Grantees progress reports are produced on a quarterly basis and report on negotiated performance-based indicators. (See Table 10) As PFIP projects are unconventional compared to most UNCDF programmes, many conventional performance indicators found in the UNCDF standard reporting format simply do not apply and new indicators are required as a result. Definitional inconsistencies and minimal financial reporting, however, reduce performance reporting precision and lesson learning.

84. In fairness to PFIP, the programme's is charting fairly new banking territory. This said, there could be more standardization, both in terminology and number of indicators. This would be useful not only for programme management, but for UNCDF knowledge generation purposes. Similarly, and because programme and grantee staff can change, project appraisal documents and contracts should clearly and consistently (where possible) define performance and/or related indicators to ensure consistent data collection and interpretation. For example, the definition of service use, low income person, or rural client is not defined consistently across appraisals, contracts and monitoring reports.

85. Compounding definition issues is the fact that not all grantees must report on the same indicators. (See Table 10) While this is not always possible or necessary, having grantees report on as many of the same, consistently defined, performance indicators provides significant reporting and monitoring advantages, particularly for comparative purposes.

86. Financial reporting and working with large companies adds another reporting challenge. MNO grantees, for example, are neither compelled by regulation nor willing to publically share detailed financial performance information.[36] This information is typically required of conventional IFIs in a UNCDF portfolio for two reasons: to establish the sustainability of the grantee and to track the impact of project support. Compounding this is the fact grants are proportionally small relative to the overall size of MNO businesses and PFIP felt unable to request more than basic minimum financial reporting. The same "proportionality" determination applied to NVB, a reasonably large entity compared to most conventional IFIs. Neither the MNOs nor NBV are, as a result, required to provide detailed quarterly financial performance accounts either for their projects or companies.

87. Even though financial performance risks to grantees appear minimal and proportionality makes more rigorous reporting difficult to request, best practice insists UNCDF ensure proof of project sustainability. That the projects are on the leading edge of IF sector development and of increasing interest to donors and the private sector, demands better information if only to understand and disseminate information on new technologies and business performance.[37] Beyond sustainability issues, there are reputational risks to UNCDF: that is, what if a large corporate grantee does not meet terms of reference after a year of operations; or what a grantee collapses without warning taking UN investments with them? Differential treatment of grantees begs the question: why does PFIP not treat all grantees equally before objectives of their own financial reporting requirements and need to substantiate outputs/outcomes?

3.3.4 The mix of investments correspond to PIFIs/SSOs' priorities addressing scale, transaction cost efficiencies and market development needs.

88. The mix of investments corresponds with PIFI priorities albeit priorities that were proactively advanced by PFIP. Specifically, in the case of MNOs, PFIP's market intelligence and seed capital effectively raised mobile phone services as a MNO priority. NVB and NMB and DataNets were either building or were interested in electronic banking systems/services.

[36] Vodafone is contractually obligated to provide PFIP up to a 20-page review of their experience, which mitigates the disadvantages of regular reporting

[37] More comprehensive reporting is important even for large seemingly profitable and well-funded companies which can collapse entirely or retires from a particular market from one day to the next. It is difficult to imagine that the grantees can not generate reasonably comprehensive financial assessments of projects given their sophisticated accounting systems. Leverage could be pressed by UNCDF for more information given the fact many grantees claimed UNCDF funding was seen as pivotal project risk capital.

89. PFIP's work with the Department of Social Welfare (Fiji - DSW) ran into delays because the department's social welfare payment data base did not have the quality required for electronic payments systems. This is the only report of PFIP intervention not meeting a stakeholder need or priorities.

90. Overall, 80% of PIFI respondents surveyed believed that PFIP's performance meeting the needs of PIFIs and SSOs was "very good" to "excellent", while 17% believed it was "good" (0% "poor" or "very poor"). (See Annex 8, PIFI, Question 3) Some 81% of Stakeholders surveyed believe that PFIP performance at meeting the needs and priorities of the as "good" to "excellent". (See Annex 8, Stakeholder, Question 8)

3.3.5 The programme has supported financial products and services that have had significant market enhancement effects in Fiji with replicable impacts in other PICs as MNOs plan to roll out their services.

91. New products developed with the direct support of PFIP include the introduction of:

- low cost financial transfer services and savings storage in Fiji (Vodafone and Digicel);
- electronic banking services including client notifications, some transfer services, and balance reports via cell phone (NBV – service not in market at time of MTR);
- mass payment system reducing financial transaction costs (DataNets – service not in market at time of MTR);
- extending banking services and reducing transaction costs to rural areas via field and third parties agents, ATMs, and point of sales networks (NMB– service not in market at time of MTR); and
- microinsurance pilot and demonstration project meant to catalyze new market entrants (City Pharmacy).

Table 11 PFIP Outreach Reporting Indicators

	Users*	Transformational**	Women	Rural	Actual performance
Digicel	400,000	100,000	140,000	100,000	36,818
NBV	27,000	N/A	N/A	1,400	
NMB	200,000	N/A	100,000	30,000	
Vodafone	25,000	42,500	106,250	63,750	123,000
DataNets	5,000	N/A			
Total	657,000	142,500			159,818
Target Outcome					63%
% Women					39%
%Transformational Clients					13%

* Clients using service minimums. ** Clients using service without bank account.

Source: PFIP Vodafone and Digicel PFIP reports

92. **Products and services developed with the support of PFIP meet the important financial services needs of the poor**. MNO and other electronic banking services will reduce the costs of fund transfer services and provide a low transaction cost "savings" service, albeit one that does not pay interest. It is unclear, however, how long before a fuller array of banking services needed by the poor will be provided by MNOs and/or systems developed by other PIFI.

93. Good initial service uptake is a reasonable indicator of whether Vodafone and Digicel products are meeting the needs of clients. As noted, all other grantee services have either not begun or have been recently launched at the time of evaluation. Vodafone and Digicel reported in late September 2010 over 123,081 and 36,818 registered users, respectively (159,818 total). Of this, 62,311 (40%) are women and 21,323 (13%) reported being transformational or previously unbanked. This means that with Vodafone and Digicel alone, PFIP has met 63% of its 250,000 client outcome target and is 10% short of meeting the 50% women-as-clients target. It has only achieved 15% of its new or transformational client targets and there is no data available on rural clients. (See Table 11) There no transaction volumes or amounts reports.

94. Overall, stakeholders have a different view of how PFIP has enhanced the market for IF products and services. 17%, 33%, and 50% of PIFIs believe that product development is “poor”, “good” and “very good” respectively, while 50% of Stakeholders believe it is “good” to “excellent”, a difference that might be explained by a broader view to sector development by Stakeholders and/or satisfaction with their support efforts and qualified by the vested interest donors have in reporting successful interventions. (See Annex 8, PIFI, Question 9; Stakeholder, Question 8)

95. **New markets served and market competition**. Conventional bank branch service is extremely expensive and most islands have limited bank access. Financial service penetration rates in most countries are well under 25%. MNO cellular services, by contrast, have over 90% geographic/population coverage in many PICs.

96. Almost the entire population in Fiji is covered by a cell phone network and thus access to savings and transfer products assuming access to a cell phone. Prior to cellular services there were only eight commercial bank and IFI branches in major population centres. In Fiji there are only two IFIs of note, both with fewer than 10,000 savers and 1,500 borrowers. Vodafone and Digicel services represent less immediate competition to these IFIs than they do between themselves. Both MNOs have plans to service other PICs within the next couple of years.

97. NBV services in Vanuatu will support services in 11 of its 22 branches and will likely work with Digicel to offer clients mobile money services. Extending NBV’s reach to rural Vanuatu will increase competition with informal sources of finance with less of an impact on VanWoods, a small IFI operating primarily in major population centres.

98. In PNG, NMB is will compete with larger conventional financial institutions and some IFIs. DataNets is still in the pilot stage, but shows promise for significant rural and urban market penetration via utilities, government service providers, and agricultural and other product value chains. Notably, DataNets and NMB have also had discussions about cooperation.

99. Representatives from the three most active commercial banks in the region (WestPac, ANZ, and BSP) all express active interest in developing new mobile strategies for the largest PIC markets and some are presently working on plans (with hope of donor support). Post Fiji and Post PNG are also developing plans.

100. 67% of PIFIs surveyed believe there will be greater competition over the long-term as a result of PFIP supported programmes. (See Annex 8, PIFI, Question 10)

3.3.6 Do products and services supported by PFIP projects meet the needs of the poor?

101. Access to safe savings accounts is an important need among the poor as families save for household investments, education, and for consumption. Families also prefer not to keep cash at home for safety reasons and because cultural norms requires cash-on-hand can be called upon for extensive family needs at any time without refusal. Both internal and international transfers represent a significant need for the PIC poor, particularly in the many unbanked islands and rural areas where conventional transfer systems can cost up as 50% of the principle transfer (e.g. wire money transfer services, transportation cost of sending a family member to fetch cash, etc.) Transfers are also important as remittances can constitute significant portion of household incomes. By contrast, credit demand is lower for several reasons, though lack of entrepreneurial opportunities, particularly in rural areas where the majority of the poor live, is primary among them. Demand is growing, particularly in those areas with higher degrees of financial literacy.

102. It is important to highlight that savings accounts offer no interest on deposits or guarantees; there are no credit or any other financial products/services offered. Still, new services represent significant gains even if they currently fall short of satisfying the full financial needs of the poor. The infrastructure required to offer transfer and savings services, however, constitutes a significant step towards more inclusive electronic and mobile banking. As one stakeholder noted, “they lay the tracks for future products and services.”

103. As women are disproportionally poor compared to men and it is important that services and products are equally accessible to them as they are to men. Current products do not have any functionality aimed at the particular needs of women. There is no data regarding access to cellular phones by women, though stakeholders report there is close to parity access with men. Assuming some

control over household/personal financial transactions women should have similar access to financial services as men via MNO services. Stakeholders and PIFI's have mixed opinion on how well products and services meet the needs of women with the differences explained by donor's higher degree of sensitivity of gender issues than those of businesses. (See Table 12)

Table 12: Meeting the Needs of Women

	Very Poor	Poor	Good	Very Good	Excellent
Stakeholders	17	33	17	17	17
PIFIs	0	17	50	17	17

3.4 The programme has contributed to PIFIs/SSOs which, save state owned institutions, are financially viable and operate largely without external assistance

EQ 4: "To what extent is the programme likely to result in financially viable (i.e., sustainable) IFIs/SSOs in the longer-term, independent of external assistance of any kind?"
As PIFI projects are either just in, or not yet in the market it is not possible to estimate PFIP's contribution to future sustainability. Because all PIFI grantees are currently profitable and/or have sufficient institutional support to reach sustainability in the near future, there are no significant PIFI phasing-out or exit issues, with the exception of MPN. There are two broader phase-out/sustainability issues however. First, there is a question of whether MNO services will secure continued corporate interest to develop a fuller array of IF financial services required to fully integrating the poor in the financial system. Second, is the question of whether the pace and cohesive nature of sector development momentum can continue in the absence of PFIP. Sector stakeholders are moderately dependent on PFIP which is the *de facto* sector association or primary driver of sector development. PFIP is consciously devolving some elements of this role to other institutions. It is not likely PFIP's closure will spell an end to sector development but will certainly not be as even or as coordinated, posing some risk to current advances and future gains.

Question 4.4 deals directly with PFIP's Output 2 and to whether or not scalable replicable and sustainable projects are being supported. This question also addresses sustainability at a broader level and if the sector development momentum generated by PFIP will continue after it is closed down in 2011

3.4.1 There are no significant PIFI/SSO phasing out or exit issues related to PFIP grants with the exception of MPN

104. At the **micro level**, IFIs grantees will continue providing services on a commercial basis without the support of PFIP. Although it is too early to estimate, all new products and services developed with PFIP support are projected to be profitable and grantees as a group demonstrate sound financial positions.

105. Evidence related to NBV suggests it will continue to be financially self-sufficient, particularly considering its government support. Financial viability at NMB, on the other hand, will continue to be a challenge, though risks to sustainability are appear acceptably low due to access to sufficient sources of capital for the medium term

106. Both Vodafone and Digicel have access to sufficient working capital and technical capacity to maintain and expand services over time and the limited evidence available suggests mobile banking mobile

Figure 9: MNOs and Mobile Financial Services Market Interest

Until recently, most mobile phone markets had significant room to grow and was the standard business model *modus operandi* rapid growth of geographic coverage and subscriber bases.

Many national cell phone markets, including some PICs, are approaching saturation levels, or the point where almost everyone needing a mobile phone has one. Price competition is setting in and because competitive advantages through efficiency are finite, companies are looking to income centres, including financial services, to bolster revenues. There is no consensus, however, about the ultimate profitability of MNO financial services.

Source: Interview with Mark Flamming, author of a forthcoming quantitative study to be published by CGAP.

transfer and saving systems are profitable.[38] It is important to note that financial products and services may figure prominently in the overall future sustainability of MNOs. (See Figure 8) Pressured by saturation in their traditional markets (telephony and messaging), MNOs are looking for applications like mobile banking as a means to generate fees and retain clients. They could also form their own commercial banks but more likely, they will partner with commercial banks.

107. **Stakeholders** have a mixed opinion on **PFIP grantees' financial performance potential**: 34% believe the potential for financial sustainability is "poor" to "very poor"; 63% "good" to "very good" and 17% "excellent". The PIFIs all believe they will be financially sustainable not long after the completion of the programme (2 were sustainable prior and 3 believed they would be so prior to the completion of the programme). (See Annex 8, Stakeholder, Question 9; PIFI, Question 14).

108. At the **meso level**, the grant to MPN was designed to provide a long-term strategic plan for institutional sustainability. At present, however, most network members are inactive, governance is weak, management is of low caliber, and there are no immediate sources of sustainable funding. Overall, management capacity at MPN has not improved and MPN has no clear hope of viability in the near future. Even if MPN develops a credible institutional plan, it is questionable if it could source the requisite staff capacity to assume responsibility for modest part of PFIP's sector building activities.

3.4.2 Phasing out of PFIP will not have negative impacts on grantees but may leave a gap in sector leadership capacity and poses some risks to future sector advancement.

110. Whereas there are no sustainability issues with grantees, overall programme phase-out may affect the pace and breadth of sector development catalyzed by PFIP.

109. Although a clear and comprehensive exit strategy has not been articulated in practice or design, some *ad hoc* actions are being taken to transfer some of the networking, funding, training and advocacy functions PFIP has assumed in *lieu* of a strong network organization.

Figure 10: PFIP Key Leadership Roles

- Research and development
- Market development
- Product and services development
- Seed capital provision
- Regulatory development
- Sector convener
- Formal/Informal advisory

110. The capacity, credibility and convening power required to maintain the current sector development trajectory is considerable. PFIP has been central to most of the relatively rapid sector developments. Not surprisingly, the review found that a primary PFIP contribution to sector development beyond micro-level advances has been the creation of a network based on mutually shared interests among principle stakeholders throughout the region.

111. PFIP is working to devolve sector development responsibilities to other established/credible organizations. It is hoped that MPN will continue to provide basic sector information to practitioners across the region.[39] PFIP has successfully brought Alliance for Financial Inclusion Working Group (AFI) to the region to help coordinate RB Governors to continue regulatory work. The National Fiji Inclusive Finance Taskforce (NFIT) with sub groups one each for Financial Literacy, Microfinance and Statistics, was developed to maintain sector development momentum in Fiji.

112. IFC and AusAID are planning a significant sector-wide development effort.[40] The programme, "Pacific Microfinance Initiative", will be rolled out late 2010. It is USD 12M, 11 PIC country, four year programme and will offer technical assistance and investment capital to established and new IFIs. The programme will have some similarity with, and is to some extent viewed as a reasonable replacement of PFIP, though stakeholders question if it will have the same sector development impact as PFIP as it will be managed out of Australia, programme partners are relatively new to IF work in the region, and the

[38] See Mark Flamming's forthcoming CGAP study which substantiates sustainability view based on an analysis of nine mobile banking case studies.
[39] The original PFIP design anticipated MPN to take a sector development leadership role. In all but those countries with numerous sustainable IFIs, network associations mostly struggle to provide basic meaningful services and remain sustainable. PFIP's redesign was more realistic about the potential of MPN but was not specific about handing-off leadership to other institutions.

[40] Full programme details were not made available to the Evaluation Team.

IFC is capacities are more focused on private sector investment development than a sector development mandate.

113. The evaluation team's perspective is that the closure of PFIP in 2011 will not spell an end to sector development momentum, but it certainly will not be as even or as coordinated, posing some risk to current advances and future gains

3.5 PROGRAMME MANAGEMENT HAS EFFECTIVELY AND EFFICIENTLY ALIGNED ITS ACTIVITIES WITH THE NEEDS OF THE SECTOR AND IS UNIFORMLY PRAISED BY SECTOR STAKEHOLDERS.

EQ 5: "How effectively has management of the IF programme been?"
PFIP management has been very good with only a few minor internal challenges and a uniformly positive external reputation for quality service. The programme has managed to align its own goals to support those of most significant sector stakeholder organizations. Management of budget, grants and monitoring and evaluation is acceptable. The UNCDF-UNDP Pacific Centre partnership has been on balance positive and has generated some synergies, particularly in the realms of credibility sharing and space sharing. The partnership has experienced administrative challenges which despite generating some general frustration had no discernable negative impact on programme outputs.

This question relates primarily to Outputs 1 and 3 and estimates the impact the programme has had on embedding good practice IF sector development ethos in various government agencies in PIC countries. Questions also link quality of PFIP management to meeting the needs of and working with Partners and supporting all four Outputs.

3.5.1 Once fully staffed, Programme managers have delivered on the annual work plans.[41]

114. Despite a late start and the reorganization of programme outputs, PFIP has made considerable advances and has met all of its major 2009 and 2010 agenda items on time (e.g. calls for grants, grant making, IC meetings, etc.). Several projects were finished behind schedule (e.g., research projects), but none significantly affecting the overall advance of the programme. There were two notable procurement delays and funding/budgeting negotiations that caused some productivity delays.[42] These too caused no demonstrable impact on programme effectiveness.

3.5.2 Programme managers effectively defined their roles.

115. With the exception of the IC, all PFIP work is carried out by UNCDF and UNDP staff. All staff positions are clearly articulated, workloads are appropriate and efficient joint management and decision making processes are in place. The Pacific Financial Inclusion Advisor/Programme Manager (the Program Manager) is responsible for programme execution and all day-to-day decisions. While the Financial Capacity Advisor manages his portfolio with a fair degree of independence, the Technical Specialist and Programme Associate rely upon support from both the Program Manager and Financial Capacity Advisor. All major decisions – grant approval, strategic plans, etc. – are reviewed and approved by the IC to which Programme Manager reports. The regional UNCDF office in Bangkok has played a minimal role in project oversight.

116. **PFIP staff has satisfactory execution of responsibilities**. There is a consensus among stakeholders—from the Governors of Reserve Banks to UNDP and UNCDF staff to donor peers—that all staff interactions, particularly with the PFIA/Project Manager, but also the Financial Capacity Advisor and Technical Specialist, are highly professional. Stakeholder opinion is reflected in the following quote: "PFIP has done a very good job of donor coordination. We appreciate the work of the [Project] Manager and his colleagues. They have a good sense of what they can and cannot do, and they are playing an important role. They are very well respected within the donor group."

[42] It was not in the purview of this evaluation to assess in depth the procurement processes of, or relationship between, UNDP and UNCDF.

117. **Good institutional recognition.** PFIP has a uniformly consistent and positive brand recognition among stakeholders and the programme is regarded as the IF sector leader in Asia Pacific. PFIP is seen by all stakeholders as a programme of the UN, generally, and UNDP, specifically. An estimated 50 percent of stakeholders view the programme as being led by UNCDF (a favorable statistic compared to other countries). The evaluation did not hear a single negative comment about the programme's performance, save one partner agency requested greater recognition for their work.

3.5.3 Programme is well aligned PFIP activities with government/ departments/ministries, Central Banks and/or Superintendence objectives.

118. Most PIC RBs and/or Economic Ministers (or equivalents) have made commitments to IF good practice through the Coombs Declaration or participation in MPAG. PFIP provides close ongoing advice to these organizations, but no formal management "alignments". The pre programme absence of formal government policy and activity, PFIP has supported government articulation of an IF sector vision and strategy, particularly among the Reserve Banks but across governments as well.

119. **Programme provides sufficient and timely reporting information for investment management purposes and to transmit lessons learned.**
PFIP decision making is based on regular, timely reporting information of good quality. PFIP uses IC quarterly reports as the main monitoring and evaluation tool. The reports are complete and timely. Information is presented in a consistent format facilitating executable decision making. (See Figure 11 for details)

120. PFIP staff reported that the UNDP Atlas system provided no additional value to management. Managers report "cutting and pasting" PFIP quarterly reports into the Atlas system in order to comply with UNDP reporting requirements.

121. Quarterly reporting is linked fairly closely into the needs of the management and technical and capital investment decision making. Output redesign made strong use of project information. More currently, and as projects are still new, PFIP has not to rely extensively M&E data to adapt technical assistance and capital investments. As the second phase of grants take place this year, M&E data will be used if current grantees seek second rounds of support.

122. **Lesson learning.** Again, as most projects are relatively new, PFIP does not have significant PIFI data from which lessons learned can be derived (though much is anticipated as the grantee services mature). PFIP's learnings in mobile banking, for example, will provide important input to the RBs' developing appropriate regulatory regimes and to the IF sector, both within the region and globally. Learning from evolving MNO business models is critical and PFIP would benefit greatly from an independent in depth study of their experience.[43]

Figure 11: PFIP Quarterly Performance Reports

- **Programme Status Summary:** overall review of programme activities by output, which includes the following categories: output, activity, description, current status, actions and timing of work. Reviews all planned activity from grantee oversight to trainings to involvement in stakeholder groups.
- **Summary of Approved Grantees:** review (table format) of grantee projects including the following categories: applicant amount (disaggregated by donor agency in the case of co-funding), status update, and next steps.*
- **Overview Highlights Narrative** covering policy, advocacy, and coordination highlights, grantee highlights, other TA and knowledge generation issues.
- **Management and Administration** report (table format), which includes the following categories: activity, description, status, and action. This is followed by a narrative report overviewing highlights.
- **Actual Expenditures on a Cash Basis:** financial update that includes actual expenditures (year to date) compared to proposed budget. Table also includes a balance of funds remaining by line item funding to PFIP and co-funders. Table has sufficient detail for executive reporting.
- **Resources Raised to Date** - including direct and co-funding by source, amount, expense type, and purpose.

* Grant agreements include specific results and milestones, which are actively monitored by PFIP on an ongoing basis and reported upon quarterly. Performance results are linked to tranched fund disbursements.

123. More broadly, PFIP's approach provides significant lessons learned. Undertaking market assessments identifying and supporting proactive support for exploiting specific replicable market commercial opportunities has proved an effective methodology.[44]

[43] As noted, Vodafone is contractually obligated to provide PFIP up to a 20-page review of their experience, which mitigates the disadvantages of regular reporting. An independent review of Vodafone's experience would be ideal.

3.6 THE PROGRAMME PLAYED A LEAD ROLE IN THE SUCCESSFUL HARMONIZATION OF GOVERNMENT AND DONOR IF SECTOR DEVELOPMENT INTERESTS IN THE REGION.

*EQ 6: "**How well have partnerships with donors and governments supported the programme?"***

PFIP has successfully leveraged UNCDF's competitive advantage of providing risk capital to strategically lead or support good practice IF sector development. PFIP is uniformly respected as the leading IF programme and has been central in the advocacy of a comprehensive technology-led, commercially viable mobile banking IF sector development vision. PFIP has been integral to the IF sector harmonization among six major donors and five PIC government as manifest in numerous cost-shared projects, collaborative taskforce work, and coordinated advocacy activities. PFIP's role in this regard has been recognized as seminal and pivotal by all stakeholders. Its success is demonstrated in fund raising, co-funding, and grantee investments which total over USD 7.8M.

This question relates primarily to Outputs 1 and 3 and examines the extent to which PFIP has been able to promote good practice IF sector development. Specifically, policy makers, donors and other stakeholders need information and knowledge to make decisions supporting good practice IF sector development. This question also touches on Output 4 related to Financial Literacy in so far as it is part of developing an appropriate approach to IF sector development.

3.6.1 The Programme has mobilized USD 10.3 million for sector development in programme finance and project co financing funds

124. In addition to its original USD 2.2M PFIP has raised USD 3.7M for the programme, USD 2.6M of project co-funding, and USD 1.8M[45] from grantee in-kind contributions, for a total of USD 10.3M for sector development. (See Table 13) This data does not take into account substantial in-kind contributions of RBs, donors and governmental officials.

125. There are several donor and programme partner initiatives that are aligned with and complement PFIP's work: AusAID general commitment to IF in the region; the AusAID-IFC Pacific Microfinance Initiative; the New Zealand Aid Agency work with seasonal workers; and various Asian Development Bank (ADB) activities, notably NBV and NMB).

126. Early in PFIP's tenure helped facilitate several important donor initiatives. Donors, for example, agreed to share market research costs for six FFSA. PFIP coordinated or collaborated with donors on other studies, including with the IFC on cash points and the ADB on microinsurance in Fiji. PFIP has also provided informal advisory services to other donors on significant initiatives including, for example, providing feedback on AusAID IF strategy, NZ Aid Agency on various initiatives, and the World Bank work with the Fiji DSW.

127. At a regional level, PFIP complements the work of the Pacific Financial Inclusion Donors Group (PFIDG), the MPAG (creation and support of regional meetings, work plans, etc.). Nationally, PFIP complements RB financial literacy and regulatory work in eight PICs.

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[44] While not entirely new, the approach is somewhat novel to IF programmes, and PFIP's early success is based on being "opportunistic and flexible" both following and leading markets. This differs from the late 1990s IF development strategy of "backing winners" or successful IFIs, or the more recent approach where programmes work with a range of existing, geographically diverse IFIs and/or create Greenfield organizations. The PFIP approach involves UNCDF taking risks together with grantees on new market developments. Able and extensive networking supported with technical assistance and advisory provide critical underpinnings to the methodology.

[45] USD 335K DataNets, USD 544,500 Digicel, USD 397,500 NMB, $65,000 NBV and USD 499,000K Vodafone.

Table 13: PFIP Resources Raised

Fund Raising	Amount $US	Purpose
AusAID Canberra	210,000	Financial competence survey Samoa, Solomon Island, PNG.
AusAID Canberra	1,660,000	Grants, Travel, Salary support.
AusAID Fiji	418,900	Support of Fiji DSW to electronic payments.
AusAID Fiji	225,000	Fiji financial education curriculum development.
AusAID PNG	760,000	PNG IFI specialist.
EU/ACP	140,000	Grants 2010 support.
UNCDF Increased Contribution	550,000	To cover UNDP shortfall 2009.
Total Fund Raised	**3,969,900**	
Project Co-Funding		
IFC Asia	12,000	Joint cash points study.
IFC Asia	300,000*	Digicel grant.
GSMA	50,000	Digicel grant.
UNDP Private Sector Division, Bureau of Partnerships	15,000	Microinsurance study support.
CGAP	9,600	Conference participation support.
ILO	6,250	Microinsurance study support.
ADB	200,000	Support to NBV for branchless banking.
AusAID Vanuatu	450,000	Support to NBV for VSATs.
EC	18,600	Scholarships to Boulder Microfinance Training.
MasterCard Foundation	7,440	Scholarships to Boulder Microfinance Training.
Alliance for Financial Inclusion	22,500	Joint funding AFI MPAG meetings.
Commonwealth Secretariat	38,000	Pacific Financial literacy training of trainers.
MicroLead	1,500,000*	Co-Fund AZ Wing.
Total Co-funding Raised	**2,629,390**	
Fund Raising + Co-funding	**6,599,290**	

*committed but not disbursed.

3.6.2 The programme has led the harmonization of donor's interests across the region.

128. The Asian Pacific region is a small region for most funders with the exception of AusAID and the New Zealand Aid Agency. AusAID is the largest overall contributor to inclusive finance in the region and provides funds to ADB, IFC and PFIP. Despite its relatively small size PFIP has been responsible for, or at the centre of, several donor harmonization efforts. In the absence of their own in-house expertise, AusAID, the EU and ADB have consistently relied on PFIP to support their strategic IF interests in the region. Additionally, PFIP provides a pooled funding mechanism for AusAID, EU/APC on IF matters.

129. Through common and complementary endeavors, often organized PFIP leadership (e.g. Pacific Financial Inclusion Donors Group, joint FSSA studies, etc.) there has been a great deal of coordination among donors in the IF sector. Donors have, for the most part, avoided duplication and competing programmes as evidenced by a division of activities in the region and, in some cases by country. For example, AusAID and the EU have used PFIP as a primary conduit for funding, the New Zealand Aid Agency has focused on migrant labour and SME development issues, and ADB has focused primarily on PNG and various projects related to better collateral and contract enforcement.

130. PFIP's work to introduce AFI to the region resulted in increasing harmonization among donors on an appropriate regulatory environment. Coordinated FSSAs underpinned a common market development vision and agenda among donors.

3.6.3 The UNDP-UNCDF partnership has benefited from credibility sharing, inter-institutional synergies, and network sharing enhancing overall programme effectiveness.

131. The PFIP UNCDF – UNDP partnership is fairly limited in scope as there is no specific joint programme implementation mechanism. The partnership is at the level of joint funding and some management support to PFIP from UNDP, primarily via the Pacific Centre.[46]

132. The UNDP offers PFIP a unique and positive value-added advantage via the Pacific Center. This provides PFIP with a highly professional office environment (scale and scope of equipment, services, informal networking, etc.), as well as access to a range of UNDP formal and informal services (e.g. support from peers/colleagues to navigate UNDP procurement and related policies, Atlas users, etc.). The UNDP partnership also helps PFIP through credibility support and knowledge sharing via its web site. The UNDP is well recognized and respected in the region, whereas UNCDF is not as widely known. This has helped, particularly at the outset of the programme, to open doors and to facilitate meetings. Conversely, the Pacific Centre, specifically, and the UNDP, generally, has benefited from PFIP's networking effectiveness, which internal UNDP stakeholders feel has enhanced the UNDP's outreach and reputation. Exposure to PFIP activities has also encouraged UNDP staff in other programmatic areas to think about more robust output measurement.

133. **At a programme management level the partnership experiences a range of bureaucratic issues typical of joint agency programmes** and Programme Managers report spending significant time on "unnecessary" administrative matters; duplication of reporting; unfamiliar or varying procurement and hiring processes and policies; multiple reporting structures; and a small number of other inconveniences.[47] The evaluation could not measure or substantiate this claim but managers report it took a year just to learn the UNDP and UNCDF processes and several more months to manage them efficiently and effectively. They also report that while the UNCDF systems are generally simpler to understand and use, they too can cause long delays getting vital work done (i.e., getting a signature on a modest budget line item change) or getting payments approved.[48]

134. Positive UNCDF – UNDP partnership impacts, particularly the credibility and professional workplace aspects, outweigh the negative. It is critical to note the partnership was greatly enhanced by the fact that PFIP's Project Manager has strong networking skills and the Financial Capacity Advisor has over 18 years experience in the UNDP system. Other programmes with a different management structure (e.g., external programme manager) or less capable/experienced staff may not have been able to deliver the same results.

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[46] The Pacific Centre is the regional UNDP office for the South Pacific (there are some country offices as well). The Centre works in the areas of Crisis Prevention and Recovery; Democratic Governance; and MDG Achievement and Poverty Alleviation and is complemented by two additional regional centres, one in Bangkok and the other in Colombo. The Centre provides UNCDF a physical location as well as many support services.

[47] It is not within the scope of this evaluation to determine the extent to which structural and systemic managerial/systems challenges embedded in a UNDP-UNCDF programme union are avoidable. To some extent, the effectiveness of any UNDP - UNCDF partnership is predicated, in part, on the abilities of the lead manager. Moreover, no management system is perfect and, in this case, when two systems are combined in what seems like an *ad hoc* manner with little direct process/systems training, inefficiencies are inevitable. Both UNDP and UNCDF senior managers admit that there is no detailed manual or training for navigating procurement and other processes in either institution and no formal training for incoming advisors and project managers.

[48] Project start-up was particularly difficult when PFIP staff could not access UNCDF funds for several months. An on-going frustration is the internal control framework in both organizations: in UNDP the Project Manager lacks authority over UNDP funds (consistent with a policy that prohibits a non-UNDP staff member from signing authority over UNDP funds) and the fact that UNCDF signing authorities had been repeatedly changed during the programme start up period leading to confusion and delays. In one instance, an accounting error by the UNDP delayed funding and required significant management time over several months, both on the part of UNDP and UNCDF, to resolve , leaving the programme without adequate cash funds to fulfill its early 2009 work plan. More critically, a UNDP funded position could not provide sufficient salary to attract a quality local technical expert, causing some delay in hiring and ultimately led PFIP to hire an international consultant to fill the role. An on-going constraint is the restriction on the use of UNDP (or UNDP channeled funds) for grant requiring more detailed financial reporting.

3.7 PFIP REGULATORY WORK, COMBINED WITH GRANTS FOR TECHNOLOGY BASED MOBILE BANKING INFRASTRUCTURE, HAS LAID A REPLICABLE FOUNDATION FOR COST EFFECTIVE BANKING SERVICES FOR THE POOR IN THE REGION

EQ 7: "To what extent were piloted approaches conducive to IF regulatory/policy/ strategy developments?"
The programme has had considerable success with regulatory bodies. It increased key policy and regulatory stakeholder awareness and appreciation of the need for a sound regulatory environment for sustainable IF sector development. "No objection" for trial mobile phone services was key to levering commercial investment in IF and thus laying the tracks of financial a infrastructure that could lead to more and lower-priced financial such credit, microinsurance and a variety of savings deposit accounts.

This question relates to advances made towards meeting Output 1 and to a lesser extent Output 4. Activities in Output 3 however are germane as well, as knowledge contributes to good practice approach to IF sector development.

135. **PFIP has played a significant advocacy role for the development of an inclusive financial sector in the region**. Advocacy has taken place in a variety of venues both formally and informally including a variety of advisory services, research, risk capital and training/scholarship opportunities. The programme has worked on regulatory issues through various stakeholder groups including the RBs, AFI, MPAG, FEMM, FEdMM, FTIF, MPN etc.

136. PFIP also had numerous informal points of advocacy through knowledge creation/ distribution. Team management participated as a technical and strategic advisor in dozens of meetings around the region as well as in one-on-one meetings with RB Governors, corporate executives, and donors. The programme also brought in experts, such as the CGAP technology expert, to speak with key stakeholders.

137. PFIP has brought donors together in a common and comprehensive strategy for IF development in the region. The PFIP engineered and championed strategy is the *de facto* IF strategy in the region and has re-energized earlier efforts to establish the sector. PFIP's market opportunity approach has brought in mobile banking, both via the MNOs and via the mixed "bricks and mortar-technology" approach of NMB and NBV. Neither approach had been tried at any scale in the region previous to PFIP.

138. PFIP's role has been recognized as seminal and pivotal by all stakeholders. This recognition has translated not only into new funding but also into access to decision-makers.

3.7.1 The programme has induced important regulatory and policy improvements in the inclusive finance sector.

139. Through the above-mentioned activities, the programme has increased awareness and appreciation of national decision-makers and other key stakeholders of the need for a sound regulatory environment for inclusive finance. There are two concrete regulatory/policy changes in the countries where PFIP operates.

140. The first advance is the previously discussed RBs' "no objection" decision to piloting and launching limited mobile banking by MNOs. This is part of the RB's market driven "evolutionary" approach to regulation, where RBs try not impede IF sector growth with ill-timed or ill-conceived regulation, preferring instead to watch the market develop and act only in the case of need (e.g., emerging systemic risks to the financial markets, client savings being put at risk, or as advised by regulatory experience in other jurisdictions.

141. The RBF has subsequently issued specific guidance on e-money, MNOs as financial service providers, and customer diligence. The "no objection" gave MNOs the ability to sign up clients without

lower "know your client" and anti money laundering (KYC and AML) information required of conventional banks.[49]

142. A second notable change was the proclamation by the RBF that all commercial financial institutions must attend to inclusive finance in some way by 2010. PFIP was not involved in the policy, however, that it was non prescriptive spoke of appropriate regulatory temperance. Variously interpreted by commercial banks, the proclamation has led to modest financial literacy programmes at BSP and WestPac; ANZ continues it truck-based mobile banking commitment and has considered importing its Cambodian mobile banking service.

143. Less concretely, eight RBs in the region are now aligned with and have, to varying degrees, a common vision and understanding of commercially oriented IF sector development and requisite approach to a supportive regulatory environment.

144. **Technical advisory and training support has helped embed good practice IF sector development as a priority in appropriate national government institutions, particularly PIC RBs.** Currently, PFIP is supporting the work of six PIC governments to develop IF sector strategic plans (at various stages of development). There are other indicators of adoption of good practice such as the aforementioned creation of the Fiji NFIT and the creation of a microfinance working group to oversee the development of enabling policies for microfinance within the Bank of PNG. BPNG is also working with ADB and PFIP to establish an enabling environment for inclusive finance. At the regional level, IF sector interests have been strategically inserted into the FEMM through the Money Pacific Group.

145. 74% of Stakeholders surveyed believe that PFIP achieved "good" to "very good" support of appropriate regulation, policies, and strategies. (See Annex 8, Stakeholder, Question 12) PIFIs have a more mixed opinion, with 33% feeling support has been "poor" with 33% "good", and 34% "very good" to "excellent". (See Annex 8, PIFI, Question 2)

3.7.2 Policy improvements are enhancing growth and sustainability of the sector.

146. The "no objection" response was critical but only the first of many steps towards clear, effective and enforceable regulations for mobile phone banking to move beyond basic savings and transfer products. PFIP educational and training work at the RBs has created an understanding of appropriate regulatory regime for IF sector development. The response will induce commercial banks to enter the low income market either alone or in partnership with a MNO (as stakeholder interviews suggest). There are few examples of this yet in the world, although as noted, ANZ has wanted to introduce their mobile banking product in Fiji.

147. There is minor concern that government could create or revamp existing credit programmes which would be generally seen as a step backwards for IF sector development. In Fiji, there are two relatively small and weak government subsidized IFIs that have very poor repayment records. The concern is that the IFIs must be supported in a way that increases their commitment to good IFI management practice and not become a conduit for poorly managed government credit. There are talks to revive these institutions and PFIP is among the participants trying to offer a solution that replaces them with something stronger while protecting the interest of clients in any transition.

3.7.3 The Programme fosters national governments' commitments towards pursuing the MDGs particularly poverty alleviation and gender objectives.

The primary impulse of RB interventions in IF markets is to facilitate the development of basic banking services to the poor. While financial services do not alone ensure poverty alleviation, RBs understand financial services can provide income smoothing during times of crisis (i.e. access to loans and secure savings accounts) and they help the poor take advantage of economic opportunity when it arises. The commitment to IF by RBs is *de facto* a public commitment to poverty alleviation goals of the MDGs. Moreover, as women are often the beneficiaries of IF services, advancing the IF sector advances MDG gender goals.

[49] The "no objections" response is appropriate good practice approach and it is consistent with a market-led approach taken by regulators in Kenya and the Philippines for example and regulating in general which suggests banking risks are minimal if:

- Clients' savings may be at risk to fraud, technological failure, or bank failure;
- Savings transfers become larger or international financial systems pressure/force RBs to reconsider lenient KYC and AML rules; and
- Investments in mobile banking do not conform to future regulations.

4. CONCLUSIONS AND RECOMMENDATIONS

4.1 OVERALL ASSESSMENT

148. PFIP is on a positive performance trajectory towards meeting the terms of its mission, purpose and targeted outcomes. Advances towards meeting the terms of all PFIP outputs, support the conclusion that the programme is also meeting the terms of its underlying development hypothesis.

Outcomes

149. With 160,000 new grantee clients, the programme is currently 63% of the way to meeting its 250,000 client outcome target. Of these 40% are women (some 10% under PFIP's target of 50%). Of the new clients 13% or 21,000 are transformational representing 14% of the programme's goal. There is no data on service usage type and volume

Output I

150. PFIP has led in the development of a comprehensive IF sector development vision across the region (e.g., integrating key micro, macro and meso development needs). Through training, networking and advisory work, the programme has contributed to developing national strategies in six countries and helped facilitated "no objection" to mobile phone banking services in eight countries, which in addition to supporting the role out of trial services in Fiji, laid a foundation for Reserve Bank understanding of appropriate pro-poor financial services regulation. While regulatory and policy work remains, PFIP has effectively supported and empowered policy makers, donors and other stakeholders to make decisions and take coordinated action and allocate resources to promote financial inclusion.

Output 2

151. The Digicel and Vodafone mobile phone based financial services are highly scalable, replicable and, given experiences in other countries, should be sustainable. There is some question as to how much further companies will develop future services, particularly credit. Low cost money transfer and convenient, secure savings services are pro-poor appropriate, gender friendly, and extend services to any area with cell phone service. In addition, the programme supported technologies that will extend existing IF banking services in PNG and Vanuatu to more remote areas. These projects lay critical financial "infrastructure tracks" for the development of a broader array of future IF services (e.g., credit, microinsurance, investment products etc.). Human and/or financial resource development was not an explicit goal of PFIP funding but was inevitable through product, service and technology development. There are no significant sustainability issues with any of the grantees, though it remains to be seen how profitable MNO services will be for Digicel and Vodafone.

Output 3

152. **PFIP reorganization around developing and sharing market k**nowledge and intelligence filled a gap in the IF sector impeding its commercial development. Through FSSA market research PFIP identified commercial mobile phone financial service and microinsurance opportunities and was able to cultivate appropriate regulatory conditions and commercial interests. Flexible design allowed PFIP to successfully refocus the programme on motivating the entry of non-conventional service suppliers to develop new service technologies and markets.

Output 4

158. With four national financial literacy baseline studies funding in place, four national financial literacy strategies being developed, and one national financial literacy programme in place, PFIP has contributed to the embedment of financial literacy as an integral part of regional and national IF and conventional financial sector development.

4.2 Conclusions

153. As a general conclusion, the review found that there are two key elements to PFIP's success: good design and capable management. A well managed and governed, flexibly designed, market driven program focused on risk capital and technical assistance/advisory provision for technological solutions to high transaction cost banking is a powerful combination. PFIP's mid-course redefinition of outputs based on more rigorous understanding of national markets and intense networking is testament to the potential of design flexibility. Effective mission interpretation and execution are also key and PFIP has been able to manage a strategy that simultaneously gathers market information, advocates for appropriate regulatory support, courts potential service providers and coordinates stakeholder knowledge/capacity development activities/resources. Ironically, PFIP's efficiency has lead to moderate stakeholder dependency and phasing-out concerns.

154. These general observations are complemented by conclusions drawn for each Evaluation Question:

1. To what extent does the programme design meet UNCDF's IF intervention logic and meet the needs of the partner country? The programme adequately addressed the needs and priorities of the region and national governments. Further, programme design provided sufficient flexibility to accommodate the restructuring of more contextually relevant outputs while remaining consistent with the overall development objectives of the programme. Design was consistent with UNCDF intervention logic of catalyzing sector development while addressing the most relevant priorities of partner countries and the main IF sector developmental gaps. The mid-course restructuring focused on more precise sector needs analysis, emerging banking technologies and on policy change required to facilitate mobile phone/electronic banking.

2. To what extent has the programme contributed to increase PIFIs, Sector Support Organizations (SSOs) and Government Agency (GAs) human resource capacity? While increased general management capacity was not a direct goal of PFIP, programme grants for PIFI technology based product/service innovation supported both infrastructure and human resource improvements PIFIs, SSOs and GAs. The sole exception was the grant to strengthen MPN which failed to deliver intended goals causing PFIP to take on a larger role in sector development than been planned. At the macro level, the programme has had important affects on reserve banks and, to a lesser extent, government agencies.

3. To what extent has the programme contributed to the improvement of access to appropriate pro-poor financial services? Programme funding has effectively and efficiently catalyzed the introduction of pro-poor, gender appropriate mobile phone-based savings and transfer services, significantly expanding access in Fiji and with the planned role out in other PICs. In other countries, the programme has helped extend or develop replicable technology based services aimed at expanding access while reducing the transaction costs of pro-poor financial services. These advances also lay critical financial "infrastructure tracks" for the development of a broader array of future IF services. There are some legitimate questions around whether services, particularly credit, do not emerge, as MNO business models are still young and unproven. National financial literacy programs supported by PFIP will help increase demand for and appropriate use of low-income financial services.

4. To what extent is the programme likely to result in financially viable (i.e., sustainable) PIFIs/SSOs in the longer-term, independent of external assistance of any kind and are there any significant programme phasing out concerns? The programme has contributed to financially viable PIFIs /SSOs that operate largely without external assistance. There is no assurance that MNO products will be sustainable but experience from other countries suggests they will be a key part of most MNO services offerings. The sustainability of sector development momentum may suffer some setbacks with the end of PFIP, despite moves in recent months to devolve some of its programmatic and sector organizing activities to other established institutions.

5. How effective has management of the IF programme been at regional level (if applicable)?
PFIP management has been very good with few internal challenges and a uniformly positive external reputation for quality service. The programme is well aligned with the goals of all significant sector stakeholder organizations and its budget, grants and monitoring and evaluation has been acceptable. The UNCDF-UNDP Pacific Centre partnership has been positive, generating synergies in the areas of

credibility and space sharing. Some administrative challenges caused frustration and some opportunity costs but had no discernable negative impact on programme outputs.

6. How well have partnerships with donors and governments supported the programme? Programme management has effectively and efficiently aligned its activities with the needs of all significant sector stakeholders and is uniformly praised by sector stakeholders. PFIP has successfully leveraged UNCDF's competitive advantage of providing risk capital to strategically lead or support good practice IF sector development and has been central in the advocacy of a comprehensive technology-led, commercially viable mobile banking IF sector development vision. PFIP has been integral to the IF sector harmonization among major donors and PIC governments manifest in cost-shared projects and collaborative taskforces.

7. To what extent were piloted approaches conducive to IF regulatory/policy/ strategy developments? PFIP regulatory work, combined with grants for mobile banking infrastructure, has laid a foundation for cost effective, sustainable and replicable banking services for the poor in the region. PFIP was able to instill a comprehensive IF sector development vision (e.g., integrating key micro, macro and meso development needs) in three countries (Vanuatu, Samoa and Fiji) and to lesser but still significant degrees in five others. This is extraordinary given the number of countries and institutions and associated regulations, policies and programmes involved

4.3 RECOMMENDATIONS

155. Specific recommendations in order of priority include:

- **Develop an Exit Strategy** - PFIP should develop a strong exit strategy designed to ensure sector leadership roles are passed on to sustainable institutions able and willing to take on various networking, advisory, funding and advocacy roles.

- **Extend Programme** – UNCDF should extend programme to the end of 2012 and consider a second phase if critical sector developmental activities (e.g., networking functions, knowledge generation, advocacy, networking and strategic grant making) devolved to other credible institutions or taken up by parallel efforts (e.g., the new IFC/AusAID IF programme).

- **Enhance IF Product & Services Potential** – Expand market research on mobile banking, including intensive study of PFIP grantee experience to prepare donors, the private sector and regulators for the expansion of more mobile IF sector products and services, particularly the development of credit services. Initiate research on access and relevance of mobile phone banking to women.

- **MPN Improves Performance or Cut Funding** - State acceptable good practice management and governance terms MPN must achieve or cut funding and seek alternative solutions to the sector's networking organizational needs.

- **Monitoring and Reporting** – For all new grants standardize and clarify key indicators in contracts and appraisals; increase/refine grantee financial reporting, particularly MNOs to ensure comparability of data and to provide more precise outcomes/outputs reporting. Mindful of corporate information security, financial data on MNO products should be collected to ensure knowledge/experience is available for other projects/programmes and the sector generally.

- **Improved file management** – PFIP is working with multinational corporations with high sensitivities to corporate security/secrecy. The programme needs to bring its file management system up to commercial security levels.

- **A final recommendation emerging from the evaluation corresponds to PFIP but might apply more generally to all UNDP-UNCDF** partnership programmes is to appoint a capable mentor/point person for incoming programme managers to minimize the learning curve" around procurement, budget and other procedural challenges. We further recommend that programmes appoint a senior management champion within one or both institutions to help resolve policy issues, particularly in the early stages of programme. These recommendations obviously do not currently apply to PFIP.

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ANNEX 2 TERMS OF REFERENCE

UNITED NATIONS
CAPITAL DEVELOPMENT FUND

FONDS D'EQUIPEMENT
DES NATIONS UNIES

TERMS OF REFERENCE OF MID-TERM EVALUATION: UNCDF INCLUSIVE FINANCE PACIFIC REGION

PACIFIC FINANCIAL INCLUSION PROGRAMME (PFIP)

INCLUSIVE FINANCE FOR THE UNDERSERVED ECONOMY (INFUSE)

Country: Pacific

Programme Number:

Programme Title: Pacific Financial Inclusion Programme (PFIP) and Inclusive Finance for the Underserved Economy (INFUSE)

Executing Agency: UNDP/UNCDF

Implementing Agencies: UNDP/UNCDF

Programme Approval date:	PFIP – May 2008	INFUSE– April 2008
Programme Start Date:	PFIP – August 2008	INFUSE – September 2008
Programme End Date:	PFIP – December 2011	INFUSE – December 2012
Total programme cost:	PFIP - $5 million	INFUSE - $5 million

Attached: Copy of Signed Initial Programme document and Budget
Copy of latest Budget Revision:

Financing breakdown (in project document)*:

	PFIP	INFUSE
Government	$0	$500,000
UNDP	$250,000	$500,000
UNCDF	$1,250,000	$1,050,000
Donor (EU)	$550,000	
Unfunded	$2,950,000	$2,950,000
Total:	$5,000,000	$5,000,000

*Note: Financing has changed from original project document and is listed below.

Mid-term evaluation date:

Audit dates:

A. Purpose, Users and Timing of the Evaluation

Purpose

The **objectives of a UNCDF Mid-Term (MT) Evaluation** are:

- Assist the recipient Government, beneficiaries, and the concerned co-financing partners, to understand the **efficiency, effectiveness, relevance and impact of the programme**, the **sustainability** of programme results, the level of **satisfaction of programme stakeholders** and beneficiaries with the results, and whether UNCDF was **effectively positioned** and **partnered** to achieve maximum impact;
- Contribute to UNCDF and partners' **learning** from programme experience
- Help programme stakeholders assess the value and opportunity for broader **replication** of the programme
- Help programme stakeholders determine the need for **follow-up** on the intervention, and general direction for the future course
- Address ways to better integrate the programmes in the Pacific region
- Ensure **accountability** for results to the programme's financial backers, stakeholders and beneficiaries.
- Comply with the requirement of the programme document/funding agreement and UNCDF Evaluation Policy

Evaluation timing

- The evaluation is being conducted at the midway point of both PFIP and INFUSE and prior to the UNCDF FIPA annual meeting on September 26 – October 2, 2010, so that the experience of the evaluation may be shared with other UNCDF Inclusive Finance Programmes.
- *The tentative evaluation timing is as follows:*
  - *Offsite preparation work:* *August 8 – 14, 2010*
  - *On-site evaluation:* *August 15 – Sept. 3, 2010*
  - *Off-site completion:* *Sept. 4 – Sept. 22, 2010*

Evaluation collaboration

The evaluation terms of reference, methodology and results will be completed in accordance with UNCDF policies. These will be presented to the members of the Investment Committees of PFIP and INFUSE, which include representatives of the Pacific programmes' funders and governments. The evaluation will be managed by the UNCDF Pacific Regional Financial Inclusion Advisor with the support of the UNCDF Country Technical Advisor in Timor-Leste.

Programme profile

a) Country context/status of decentralization in terms of strategy, policy and implementation:

The Pacific area poses formidable challenges that financial service providers face, as well as the economic inefficiency of the infrastructure and systems providers use to deliver financial services. Traditional approaches to financial service delivery have been ineffective, largely because of issues endemic to small island developing countries, such as high cost of imports, inefficiencies in transport and communications infrastructure, geographic isolation, demographic dispersion, limited income-generating opportunities, and extensive government involvement in the economy. The financial service access frontier has been defined primarily by the limits of traditional institutional models that rely on economies of scale to cover the costs of vertically integrated organizations. As a result, financial service providers, including commercial banks and microfinance initiatives, have struggled to find viable economies of scale outside of principal cities and rural population centres across the region. Several countries in the region have also suffered from conflict and unstable governments that has led to great setbacks in existing microfinance programmes.

UNCDF and UNDP launched two joint programmes in the Pacific region in 2008. Both programmes commenced activities in 2008 with the appointments of the Pacific Regional Advisor in August and Country Advisor for Timor-Leste in September. In June 2009 it was decided that the two programmes operate more closely and the Regional Advisor assumed the technical support role for Timor-Leste. Both programmes follow a financial sector approach, which involved identifying the cause of financial exclusion at the “macro,”, “meso” and “micro” levels of the financial sector. They also have a focus on the “client” level, namely financial literacy. Preliminary gap analyses were conducted during the project design phase and are included in the two project documents. Together, the two programmes have revised these gap analyses, updating them annually, to help inform their annual work plans.

b) Programme summary:

PFIP

- PFIP was started as a joint UNCDF, EU, and UNDP programme. In 2009, AusAID also became a funder.
- PFIP was designed by a technical team consisting of UNDP, UNCDF, the EU (and consultants) in 2007. The project document was signed in May 2008.
- PFIP commenced activities in August 2008 with the appointment of the Regional Advisor/ Team Leader.
- PFIP sits in the UNDP Pacific Centre (the regional office) in Suva, Fiji and has two UNCDF advisors and a mix of UNDP local staff and long-term consultants as team members.
- The first annual work plan revised its outcome to reach 250,000 clients in the target market segment with new or improved access to savings, money transfers, insurance and loans. It also limited its efforts to the five largest countries in the Pacific region, namely Papua New Guinea, Fiji, Solomon Islands, Vanuatu and Samoa. It can consider projects or assistance in other members of the Pacific Islands Forum (PIFI) on a case-by-case basis. PFIP is overseen by an investment committee consisting of its four funders and a representative of the Pacific Islands Forum Secretariat (PIFIs).

INFUSE

- INFUSE was started as a joint UNCDF, UNDP and Government of Timor-Leste (GoTL) programme. In 2010, AusAID also became a funder. The project document was signed in April 2008.
- INFUSE was designed by a technical team consisting of UNCDF and one independent consultant.
- INFUSE commenced activities in September 2008 with the appointment of the Country Technical Advisor.
- INFUSE was originally and temporarily housed in the UNDP TL office in anticipation of an office within the Ministry of Economy and Development, but currently operates out of an independent office in Dili and has a single UNCDF Advisor supported by two UNDP local staff and a UN Volunteer.
- INFUSE is overseen by an investment committee consisting of its four funders (with the Ministry of Economy and Development representing GoTL) and the Regional Advisor for UNCDF, with the central bank as observer.
- Program targets were revised and approved by the investment committee in October 2009.

c) Programme expected results:

PFIP

- The Logical Framework in the PFIP project document was amended in January 2009 and approved by the PFIP investment committee members.
- The revision states that the mission of PFIP is to increase the number of low-income and rural households, micro and small enterprises that have on-going access to quality and affordable financial services. The purpose of PFIP is to create or facilitate policies, strategies and partnerships that lead to a broad range of appropriate and sustainable financial services being made available to low-income households, micro and small enterprises. The expected outcome of the programme is to increase of 250,000 in the number of persons with new or improved access to approved financial services by the end of 2011.
- PFIP revised its three output areas with the approval of the PFIP investment committee. The major change was to add a fourth output area relate to financial literacy.

- PFIP's budget was revised and approved in by the PFIP investment committee in 2009 and 2010 to reflect the new resources committed by UNCDF, EU and AusAID. Its current approved project budget is $7.56 million with an unfunded portion of $1.64 million.

INFUSE

- The targets in the INFUSE Project Document were amended and approved by the investment committee in October 2009.
- The revision states INFUSE will revise the targets for Programme Output 2 to the following:
    - Increase in the number of active clients (at least 50% women) of selected Financial Service Providers (excluding commercial banks) from baseline established as at end of 2008 by 20% percent p.a. (compounded), totaling **73,341 active clients** by project end. (A breakdown of product accounts (savings, loans, insurance, other) will be monitored for informational purposes).
    - Introduction of pro-poor financial products by commercial bank and/or mobile network operators (MNOs), resulting in an additional **40,000 clients** obtaining access to a secure savings account.
    - At least 3 MFIs have achieved financial break-even (Financial Self-Sufficiency (FSS) >= 100%) by project end.
    - The 3 financially self-sufficient MFIs maintain an average PaR (30 days) of no more than 5%.
    - Increase in the number of access points of all Financial Service Providers (FSPs) from baseline to be established at end 2008. (Increase to be determined once baseline known)
- No other changes have been made to INFUSE's logical framework or three output areas.
- The INFUSE budget was revised in 2010 and approved by the INFUSE investment committee to reflect the new resources committed by the GoTL and AusAID.

d) Programme status:

PFIP: Outcome and Outputs

	Description	Indicator	Achieved as of July 2010
PFIP			
Immediate Objective	To increase the number low-income households, micro and small enterprises that have on-going access to quality, affordable financial services	250,000 additional individuals and/or small and microenterprises in the PICs have access to one or more appropriate financial services by the end of 2011.	As of July 2010, an estimated 145,280 persons have received access to a new financial service.[50]
Output 1	Policy makers, donors and other stakeholders are supported and empowered to make decisions and take coordinated action and allocate resources to promote financial inclusion.	1. Number of impediments or constraints to financial inclusion removed or enabling regulations or policies implemented 2. Number of financial inclusion plans or strategies put in place 3. Volume of additional resources catalyzed and brought to the region	1. 8 enabling policies have been put in place 2. 1 national and 1 regional plan has been put in place 3. Over $3.5 million catalyzed for the region
Output 2	Scalable, replicable and sustainable projects are created that deliver appropriate financial services to low-income	1. Number of new or "transformational" clients reached by partners 2. Number of clients with a new, appropriate product or service	1. 39,900 2. 125,350[51]

[50] The increase in the number of clients of PFIP partners. Exact figures and breakdown will be made available during the evaluation.
[51] Breakdown by gender, rural/urban is to be provided during the evaluation.

	persons, small and microenterprises, including women and those in rural and remote areas.	Includes information disaggregated by sex and rural/urban	
Output 3	Knowledge is created and shared so that industry has access to local market intelligence and information on global best practices.	1. Number of knowledge products tailored to meet the needs of stakeholders 2. Number of stakeholders participating in PFIP sponsored events 3. Number of hits on PFIP website – specifically its Knowledge Centre; client satisfaction, currency of information posted	3. Seven knowledge products 4. Est. Over 500 participate in events 5. N/A[52]
Output 4	Financial competency building is embedded in regional and national development strategies with replicable approaches that enable households to improve their financial security and build economic opportunities.	1. Number of financial competency baseline studies completed 2. Number of financial literacy strategies or programs developed 3. New financial literacy programs adapted	1. 0 completed 2. 4 strategies completed 3. 1 new program adapted

[52] Website launched in July 2010. Up to date hits will be provided during evaluation.

	Description	Indicator	Achieved as of July 2010
INFUSE: Overall Objective	Contribute to the achievement of the MDGs, in particular the Goal 1 of cutting absolute poverty in TL by one third by 2015, by increasing sustainable access to financial services for the poor and low-income population, both male and female.	• Increase in the number of active clients (at least 50% women) of selected Financial Service Providers (excluding commercial banks) from baseline established as at end of 2008 by 20% percent p.a. (compounded), totaling **73,341 active clients** by project end. (A breakdown of product accounts ((savings, loans, insurance, other)) will be monitored for informational purposes). • Introduction of pro-poor financial products by commercial bank and/or mobile network operators (MNOs), resulting in an additional **40,000 clients** obtaining access to a secure savings account. • At least 3 MFIs have achieved financial break-even (Financial Self Sufficiency ((FSS)) >= 100%) by project end. • The 3 financially self-sufficient MFIs maintain an average PaR (30 days) of no more than 5%. • Increase in the number of access points of all Financial Service Providers (FSPs) from baseline to be established at end 2009.	• As of March 2010, 49,592 active clients (71.3%) of financial service providers engaged in microfinance services. • Support provided to two MFIs with the following indicators as of March 2010: 1. Moris Rasik: FSS as end 2009 is 105.8% and PAR as end March 2010 at 1.4%. 2. Tuba Rai Metin: FSS as end 2009 is 105.2% and PAR as end March 2010 is 10.1%. Baseline access points established as of Dec 2009.
Output 1	***A coherent GoTL policy framework for Inclusive Finance:*** A national policy statement for inclusive finance is developed, consulted and adopted by GoTL and enabling legislation is in place to support the expansion and consolidation of the financial sector. Coherent, effective and synergetic donor funding based on the national policy framework has been provided.	- A Policy Statement on goals, strategies and priorities for Financial sub-sector development is adopted by GoTL (Y1). - A consolidated Financial Sub-sector Activity Plan for 2007-2012 is developed as part of the NDP 2007-12 (Y2). - Principles for Support to the Financial Sub-Sector have been adopted by key donors (Y2). - UNDAF aligned with policy (Y2) - Current and future investments in the sub-sector are reviewed for compliance with national policy framework (Y3-5).	• GoTL new strategic plan to be released in 2010 – process was conducted by PM alone without consultation, but inputs were provided by INFUSE to national strategy on rural development. • Inclusive finance targets included in GoTL annual national priority working groups in 2009 and 2010. • Technical assistance currently working with the central bank (BPA) on developing legal framework for MFIs. • INFUSE targets incorporated in UNDAF. • Donor and stakeholders are coordinated through INFUSE participation in national priority working groups, private sector development working group, INFUSE advisory group for inclusive finance. • Key donors approached to contribute to INFUSE resulting in app. US$3 million mobilized for INFUSE program, US$1million mobilized from

			MicroLead for one MFI, and future funding for another MFI committed from Monaco.
Output 2	***Increased outreach of financial services by sustainable FSPs*** Good practice-based Financial Services Providers (FSPs) serving primarily the poor and low-income market make progress towards sustainability and increase their outreach, while maintaining a high portfolio quality.	-Baseline for borrowers and savers to be confirmed at inception. - at least 20% increase in loans outstanding to poor and low-income (BOP) borrowers per year (compounded), totalling 78,100 loans outstanding by end year 5 - at least 20% increase in number of voluntary savings accounts per year (compounded), totalling 187,100 accounts by end year 5 - At least 5 FSPs have reached break-even (FSS >= 100%) - Financially sustainable FSPs maintain an average PaR (30 days) of max. 5%	• Baseline established Dec. 2008. • Targets revised Oct. 2009. • Long-term business plans developed for two MFIs and capacity-building plans being implemented with technical service providers. • 34,733 savers of microfinance service providers (3 MFIs and credit unions) as of Dec 2008 increased to 49,508 as of March 2010. • 17,559 loans of MF service providers as of Dec. 2008 increased to 24,084 as of March 2010. • INFUSE supports two of the three MFIs that have made the following progress on indicators: • Moris Rasik two indicators from Dec. 2008 to Dec. 2009: FSS increased from 100.7% to 105.8% and PAR is stable from .88% to 1% • Tuba Rai Metin two indicators from Dec. 2008 to Dec. 2009: FSS 89.8% to 105.2% and PAR increased 9.2% to 16.1%
Output 3	**Enhanced business service infrastructures for the financial sector** Private and public business service providers offering high-quality and market-responsive services to the financial sector are available in Timor-Leste, and a professional microfinance association (AMFITIL) is effectively representing the industry in policy dialogues, serving as an information hub for members and the public.	**-** AMFITIL is formalized as a professional association (Y1) - AMFITIL functions as advocate for the NGO-MFIs serving poor and low-income customers (Y2) - AMFITIL membership has increased, and members meet minimum standards of portfolio quality and sustainability (Y3) - At least 3 private or public sector providers of high-quality business services to FSPs have established outlets in Timor-Leste (Y5). Priorities include Financial Literacy, credit reference, audit, and exploring potential for m-banking (cell phone transactions).	• With changes in financial sector subsequent to 2006 civil unrest, AMFITIL disbanded and no longer has the membership to support its revitalization. (3 of 8 original members still operate) • INFUSE consultant to conduct financial literacy scoping assessment in August 2010. • INFUSE collaborates with ADB assessment for potential of branchless banking in July 2010. • Central bank credit registry launched in 2009-MFIs yet to participate • INFUSE to collaborate with National Labor Development Institute on MF and banking certificate qualifications. .

Contents and Scope of the Evaluation

Taking into account the implementation status of the programme and the resource disbursements made to date, evaluate the following questions:

1. Results Achievement

The evaluators will report results against:

1) The indicators related to the outputs of the programme
2) The Inclusive Finance Evaluation Matrix

1.1. Is the project making satisfactory progress in timely achievement of project outputs (as per logframe intended results and indicators) and related delivery of inputs and activities? Are the partners able to achieve the results? In doing so, specifically address, among other things:
   - Provide an opinion, to the extent feasible, on whether any of the existing partners (financial or non financial organizations) in the Pacific and Timor Leste are; a) ready for formalization and transformation into for-profit-businesses (i.e., on the path towards sustainability) or, b) have inclusive financial products on the path towards sustainability, and what would be the positive/negative impacts of this?
   - Is the programme effective in supporting changes in the enabling environment for inclusive finance and in dissemination and establishment of good practices in the country? With regard to dissemination of good practices:
     - To which audiences?
     - Through what media?
     - Which actors should be responsible for which messages/media?
     - Who should pay for what, i.e., what should the programme budget cover and what should the government cover and take responsibility for disseminating

1.2 Given output achievement and related delivery of inputs and activities to date, is the project likely to attain its Immediate and Development Objectives? Specifically:
   - What are the early indications of whether the project is likely to make a tangible contribution to achieving its overall development and immediate objectives?

1.1. Assess the performance of the programme with regard to the High-Level Outcome Indicators in the UNCDF Strategic Results Framework.
1.2. Are the results reported through the programme's Monitoring/Management Information System validated by evaluative evidence? Analyze any discrepancies.
1.3. Assess the significant changes (positive and otherwise) in the country relating to Inclusive Finance during the programme lifetime and assess the programme's contribution to these changes (i.e. the criticality of programme results). What level of value added and consequence can be attached to the programme in the area of Inclusive Finance in the country?
1.4. Assess the relative effectiveness and efficiency (cost-benefit, value for money) of the programme strategy compared to other strategies pursued by the Government, other donors or actors to achieve the same outcomes.
1.5. Is there evidence of any unintended negative effects of the programme?
1.6. What is the level of satisfaction of various programme stakeholders with the programme and the results achieved?
1.7. Have the agreed recommendations of the mid-term evaluation of the programme been implemented? How has this affected programme performance, relevance, management, etc?
1.3. Evaluate any other critical issues relating to results achievement.

2. Sustainability of Results

2.1 What is the likelihood that the programme results will be sustainable in the longer term, independent of external assistance, in terms of systems, impact on policy and replicability, institutions, capacity, financing, and in terms of benefits at the individual, household and community level?
2.2 Are UNCDF and partner strategies for exit/further engagement appropriate with regards to promoting sustainability?

2.3 Ownership: Is sufficient capacity being built so that participating organizations will be able to manage the process by the end of the programme without continued dependence on international expertise? Are the necessary steps owned and driven by the people?

2.4 Is there an added value role for programme partners to play beyond project completion?

In addition to assessing the evaluation questions above, the team should analyze any other pertinent issues that need addressing or that may or should influence future project direction and partners' engagement in the country.

3. Factors Affecting Successful Implementation and Results Achievement

Is project implementation and results achievement proceeding well and according to plan, or are there any obstacles/bottlenecks/outstanding issues on the project partner or government side that are limiting the successful implementation and results achievement of the project?

3.1 External Factors:

- Has the policy environment had consequences for programme performance?
- To what extent have general economic conditions affected programme goals and do they remain conducive to the development and expansion of inclusive financial services being developed by the programme?
- Are there any other factors external to the programmes that have affected successful implementation and results achievement and prospects for policy impact and replication?

3.2 Programme-related Factors:

Programme design (relevance and quality):

- Was the programme logic, design and strategy optimal to achieve the desired programme objectives/outputs, given the national/local context and the needs to be addressed?
- In assessing design consider, among other issues, whether relevant gender and or environmental issues were adequately addressed in programme design.
- Is the programme rooted in and effectively integrated with national strategies (e.g. poverty reduction strategy) and UN planning and results frameworks (CCA, UNDAF) at country level?
- Have the programme's objectives remained valid and relevant? Has any progress in achieving these objectives added significant value?

Institutional and implementation arrangements.

- Are the project's institutional and implementation arrangements suitable for the successful achievement of the project's objectives or are there any institutional obstacles that are hindering the implementation or operations of the project, or which could benefit from adjustment? Among other issues, assess:

- Project Secretariat:
    - Assess and evaluate the strategy, structure, performance and utilization of financial resources of the project secretariat as on of the funding mechanisms of the project.
    - Define options for the role and structure of the project secretariat after the end of the project and measures to be taken in order to evolve these structures.

- Government, namely the Central Bank and the National Microfinance Task Force:
    - To the extent foreseen in the programme, evaluate the Government's technical capacity to:
        - assume ownership through technical and financial control of project secretariat's sector development role;
        - assess technical capacity of the National Microfinance Task force and their ability to successfully fulfill their respective ToR from the Project Document;
        - ensure an optimal enabling environment for the development of the microfinance industry;
        - supervise a sustainable microfinance sector;
        - assess and evaluate the technical assistance foreseen within the project with respect to reaching these capacities.

- Evaluate the capacity of the implementing partners to meet their respective responsibilities in the programme. Are they the most appropriate implementing partners? What capacities are the responsibility of the programme to strengthen, and what capacities are the responsibility of the Government to provide? What is the optimal use of programme resources?

- Investment Committee:
  - Assess and evaluate whether the Investment Committee serves its purpose of ensuring donor coordination within the Government's microfinance policy.
  - Evaluate whether the investments approved by the Investment Committee are likely to contribute to the creation of a more Inclusive Financial Sector? If not, what is missing?
  - Assess whether the Investment Committee is taking sufficient risk in its investments?
  - Evaluate whether the right balance of grants, such that the MFIs will not be dependent on donor funding.
  - Assess whether the investments approved so far represent a potentially solid return on investment?
  - Evaluate whether the results are being achieved in an efficient manner with limited donor funds?
- All partners:
  - Provide an objective assessment and evaluation of the designated roles, functions and tasks of the different parties involved in the project (as named above) within the project secretariat, , within the Investment Committee as well as within the microfinance sector in general as well as the distribution between them.
  - Assess the coordinating mechanism and its effectiveness of enhancing project performance.

Project management:

- Are the management arrangements for the programme adequate and appropriate?
- How effectively is the project managed at all levels? Is project management results-based and innovative?
- Do management systems, including M&E, reporting and financial systems function as effective management tools, facilitate effective implementation of the project, and provide a sufficient basis for evaluating performance of the programme?
  - Regarding financial systems: assess any bottlenecks in the system of financial disbursement between the project partners and beneficiaries.
  - Regarding M&E, does the project monitoring system include:
    a. A baseline that enables a good understanding of the target populations and market for financial services?
    b. Appropriate and cost-effective indicators and related targets linked to the baseline that will enable monitoring of process, output and outcome level performance?

Other: Are there any other project-related factors that are affecting successful implementation and results achievement?

4. 4. Strategic Positioning and Partnerships

4.1 Has UNCDF, through this programme and any other engagement in the country, optimally positioned itself strategically with respect to:
- UNDP and other UN/donor/government efforts in the same sector in the country?
- Implementing national priorities, as reflected in national development strategies?

4.2 Has UNCDF leveraged its comparative advantages to maximum effect?
4.3 Has UNCDF leveraged its current/potential partnerships to maximum effect?
4.4 What level of value added and consequence can be attached to the partners' intervention in the area of microfinance?

How effectively has the UNCDF used the IF approach to establish a competitive advantage relative to other UN agencies and to other donors?

- Is the IF approach (compared to other approaches) more effective than other methods / the most effective way of
- Where do the main new opportunities lie for strengthening the competitive advantage of the UNCDF?
- Where do the opportunities lie for building complementarity between the UNCDF
- IF and other approaches?

E. <u>Composition of Evaluation team</u>

1. Consultant profiles and responsibilities

The Final Evaluation is to be conducted by a team of three consultants with the profiles outlined below.

Profile specifications for Evaluation Team Leader

- Experience leading evaluations of Micro-finance programmes, including experience using a range of qualitative and quantitative evaluation methodologies to assess programme results at individual/household, institutional, sector and policy level.
- Minimum of ten years accumulated experience in microfinance
- A minimum of five years of microfinance management and/or consulting experience
- Must have evaluation experience in microfinance
- Extensive microfinance training and technical assistance experience
- Comprehensive knowledge of CGAP benchmarks and industry best practices
- Advanced report writing skills
- Experience at the country wide sector level/understanding of building inclusive financial sectors, preferably in Africa
- High level of familiarity with UNDP or UNCDF programming

Responsibilities

- Assembling team, organizing schedule
- Leading the evaluation team in planning, conducting and reporting on the evaluation
- Documentation review
- Deciding on division of labour within the evaluation team
- Use of best practice evaluation methodologies in conducting the evaluation
- Leading presentation of the draft evaluation findings and recommendations in-country
- Conducting the debriefing for UNCDF HQ and regional staff
- Leading the drafting and finalization of the evaluation report

Profile specifications for Evaluation Team members:

- A minimum of three years of management experience with an MFI or related technical service institution.
- Microfinance training and technical experience
- Knowledge of CGAP benchmarks and industry best practices
- Familiarity with the financial sector approach, including policy and regulatory issues
- Familiarity with branchless banking

Responsibilities

- Documentation review
- Contributing to the development of the evaluation plan and methodology
- Conducting those elements of the evaluation determined by the lead consultant
- Contributing to presentation of the evaluation findings and recommendations at the evaluation wrap-up meeting
- Contributing to the drafting and finalization of the evaluation report

F. Tentative Workplan for the Evaluation mission

Dates	Offsite	Suva, Fiji	Dili, Timor Leste	Port Moresby, PNG
	Finalize TOR Assemble Evaluation Team Schedule Travel			
14 Aug		Arrive		
16-20 Aug		Orientation for ET Finalize methodology Review documents Interviews International conference calls		
21 Aug			Arrive	
22 Aug			Debrief	Arrive
23 Aug				
22–26 Aug		Interviews, Visits	Review documents Interviews Visits	Interviews, Visits
26 Aug			INFUSE Stakeholder Debrief	Depart
27 Aug			Depart	
30 Aug		Stakeholder debriefing (PFIP)		
31 Aug		UNCDF Debriefing Depart		
1-10 Sep.	Draft evaluation report			
13 Sep.	Provide draft evaluation report for comment			
16 Sep.	Debriefing with HQ			
22 Sep.	Final Report			

ET= Evaluation Team

RA = Regional Advisor

CTA = Country Technical Advisor

G. Mission Costs and Financing

Provided to UNCDF HQ

H. Management of the Evaluation Mission

The consultants for the evaluation are recruited and managed by the Evaluation Unit in UNCDF, New York. See attached document that spells out Roles and Responsibilities of the key stakeholders involved in the evaluation exercise.

ANNEXES:

Annex 1 - Indicative Documentation List

Annex 2 – Tentative Work Plan

Annex 3 - Format for Final Evaluation Report

Annex 4 – Inclusive Finance Evaluation Matrix

ANNEX 3 PFIP ATLAS CODES

Main code highlighted in yellow.

	G/L Business Unit	Operating Unit	Fund	Dept	Implementing Agency	Project	PC Business Unit	Donor
UNDP TRAC					001981	000058707	UNDP1	00012
EU	**UNDP1**	H04	44815	38901	001981	00058707	UNDP1	00280
UNDP/NZ	**UNDP1**	H04	30000	38901	001981	000058707	UNDP1	10279
UNDP/AUS**	**UNDP1**	H04	30000	38901	001981	000058707	UNDP1	11234

G/L Business Unit	Operating Unit	Fund	Dept	Implementing Agency	Project	PC Business Unit	Donor
UNCDF	- - -	G1310	**B2348 **B2094	001971	00060370	UNCDF	01853
UNCDF	-	G2950	B2094X	001971	00072589	UNCDF	00471
UNCDF	-	G2950	B2348	001971	00075300	UNCDF	00471
UNCDF	-	G1310	B2348	001971	00075192	UNCDF	00055
UNCDF		G1310	B21084	0001971	00074689	UNCDF	0001853

• ANNEX 4 PFIP OUTPUTS & INDICATORS

1. Policy makers, donors and other stakeholders are supported and empowered to make decisions and take coordinated action and allocate resources to promote financial inclusion.

The key indicators are:

a. Number of impediments or constrains to financial inclusion removed or enabling regulations or policies implemented;
b. Number of financial inclusion plans or strategies put in place;
c. Volume of additional resources catalyzed and brought to the region.

For each of these indicators, the starting point is August 2008.

2. Scalable, replicable and sustainable projects created that deliver appropriate financial services to low-income persons, small and microenterprises, including women and those in rural and remote areas.

The key indicators are:

- Number of new or "transformational" clients reached by partners (disaggregated by women and rural – see note below);
- Number of clients with a new, appropriate product or service (disaggregated by women and rural – see note below); and
- Sustainability (of service and or institution).

In addition, PFIP will track the percentage of women and rural households in these two categories. The starting point is the baseline of the partners established in grant or technical assistance agreements.

3. Knowledge created and shared so that industry has access to local market intelligence and information on global best practices.

The key indicators are:

d. Number of knowledge products tailored to meet the needs of stakeholders; and
e. Number of stakeholders participating in PFIP sponsored events.

For each of these indicators, the starting point is August 2008.

2. Financial competency building is embedded in regional and national development strategies with replicable approaches that enable households to improve their financial security and build economic opportunities

a. Number of base line competency studies completed;
b. Number of financial literacy plans or strategies put into place; and
c. New financial literacy programs adapted.

ANNEX 5 PFIP FINANCIAL ACCOUNTS 2008-2010 (Q2)

	Year					Year									Year
	2008	**Funder Expense**				**2009**	**Funder Expense**								**2010 (to Q2)**
Activity	**ACTUAL**	**UNCDF**	**EC**	**UNDP**	**Other**	***Actual***	**UNCDF**	**EC**	**NZAID**	**AusAID**	**UNDP**	**AusAID Fiji**	**AusAID**	**Other**	**Actual**
								UNDP	**UNDP PC**	**UNDP PC**	**TRAC**	**UNCDF**	**UNCDF**		
1. Policy, Advocacy & Coordination															
Salary and Post Adjusted Cost-IP Staff	92,370		92,370			313,340									
Pac. Financial Inclusion Advisor					0	189,881	200,000	-10,120							89,047
PPBDA	0				0	123,459	123,459								
Contractual Support						0									
Programme Associates/Assistants	0				0	14,552					14,552				13,057
Local Support	0					0									549
General Operating Expenses															
PC Centre Ops Staff	3,427			3,427	0	26,920			16,138		10,782				
Rent	0					13,685			13,685						4,189
Security	0					15,474			15,474						10,089
Misc.	26,139		26,139			-20,455		-20,455							1,326
Computers	0				0	10,411			10,411						4,418
Learning	0					3,478	3,478								8,348
Travel	17,989		17,989		0	26,789	32,134	-5,346							6,943
SUB-TOTAL	139,925	-	136,498	3,427	0	404,192	359,070	-35,920	55,708	-	25,335	-	-	-	137,966

2. PFIP Programme Support															
PNG Advisor						-									
Microfinance Specialist	0				0	33,101					33,101				36,900
Travel- PFIP Team	1,497		1,497		0	75,790	41,988	33,802			0				35,221
Consultants	0				0	70,196	16,240	38,956			0			15,000	23,345
Grants - FSPs	0				0	419,000	100,000	174,000		70,000		0	75,000		478,000
SUB-TOTAL	1,497	0	1,497	0	0	564,986	158,228	246,758	0	70,000	33,101	0	75,000	15,000	573,465
3. Knowledge Management and Sharing															
Printing and Publications	0				0	4,989	5,488	0			-499				
Conferences/Workshops	0				0	373	373	0							20,505
International Consultants	0				0	15,949	11,577	4,372							15,401
Travel - Partners						-									74,107
Grant - MPN	0				0	55,000		55,000							
SUB-TOTAL	0	0	0	0	0	76,311	17,438	59,372	0	0	-499	0	0	0	120,219
4. Financial Capability Promotion															
Pacific Financial Capacity Advisor															73,126
International Consultants															7,470
Grants - Fin. Cap.															
Misc.	0														49
SUB-TOTAL	0	0	0	0	0	-	0	0	0	0	0	0	0	0	80,645
5. Indirect Costs															
Pacific Centre XB						-							0		17,659

	ISS (to UNDP HQ)	0					46,981		34,871	5,110	7,000			0		8,084
	GMM (to UNDP Fiji)	0					12,255			4,380	6,000	1,875		0		18,366
	FACADM (to UNCDF)	59,524	59,524				116,667							116,667		
	SUB-TOTAL	59,524	59,524	0	0	0	175,903	0	34,871	9,490	13,000	1,875	0	116,667	0	44,109
	TOTAL	200,946	59,524	137,995	3,427	0	1,221,392	534,736	305,081	65,198	83,000	59,811	0	191,667	15,000	956,405
	Project Document Budget	1,350,000	579,600	240,692	62,250	-	1,200,000	525,000	271,901	100,000	150,000	62,500			-	
	Project Increase/(Decrease)	-1,149,054	-520,076	-102,697	-58,823	0	21,392	9,736	33,181	-34,802	-67,000	-2,689	-	191,667	15,000	

ANNEX 6 EVALUATION MATRIX

EVALUATION QUESTION No. 1: DESIGN & RELEVANCE	To what extent does the programme design meet UNCDF's IF intervention logic and meet the needs of the partner country?
Sub-questions & Indicators	**Findings and sources of information**
Q 1.1. To what extent does the programme meet the needs of the partner country? ▪ Consistency between the goals, intervention logic and principles of the programme and those of the recipient country's relevant national strategy document ▪ Degree of embedment of programme into existing national framework / no evidence of a parallel programme structure ▪ Degree to which programme addresses gaps not filled by others	There were no specific, directly relevant regional or national IF strategy documents related to IF prior to the start of PFIP, save the Coombs Declaration and the ADB-PNG Microfinance and Employment Project Document. There is strong consistency with general strategic goals related to MDGs, specifically gender and poverty alleviation goals, to which all countries included in the programme are signatories. The programme intervention logic is mostly consistent with the regional approach to sector development PICs when confronting common challenges. A regional approach to IF developed was evident prior to PFIP when the Forum of Economic Ministers (FEMM), a regional body comprised of Pacific Island Economic Ministers, expressed support for microfinance as early as 2004. Subsequent to this, FEMM requested the PIFS report on successful microfinance schemes in the region.53 The study was produced with the support of the UNDP and presented to FEMM in 2006, resulting in the recommendation that member countries give high priority to microfinance. This was followed by the signing of the Coombs Declaration. At the national level, most PICs governments did not have focused conventional financial or inclusive finance sector strategies, though the PNG finance strategy did make mention of IF. With the exception of the two large MFIs in PNG, most IF practices were modest, state-run credit schemes (via government agencies or state banks), few of which met good practice IF standards. Governments in Fiji, Papua New Guinea, and the Solomon Islands had made some initial forays into financial literacy as well. Kirabati, Tuvalu, Vanuatu, Samoa, and Solomon Islands were subject of multi-donor funded FSSA assessments in 2007. In the absence of clear strategy documents, national government and other key stakeholder input to FSSAs was critical to developing a relevant programme design.54 The exercise of designing PFIP was also the single most focused "strategic" IF planning effort in the region to 2007. It is worth noting that PFIP team included a strategic review in its first year (2009) work plan to update the current situation and further developed the strategy and approach. This was discussed and approved by PFIP's IC. In this the "design" includes both the 2007 Project Document as well as the 2009 Annual Work plan. Some 88% of Stakeholders believe PFIP design has good to very good consistency with regional and national poverty reduction strategies. 12% believe it is excellent.[55] (See Annex 8, Stakeholders, Question 1)

[53] The Mission of the Pacific Island Forum **is to** ensure the effective implementation of the Leaders' decisions for the benefit of the people of the Pacific. The **goals** are to stimulate economic growth and enhance political governance and security for the region, through the provision of policy advice; and to strengthen regional cooperation and integration through coordinating, monitoring and evaluating implementation of Leaders' decisions. To achieve these goals, the **Primary Roles** of the Forum Secretariat are to provide: policy advice and guidance in implementing the decisions of the Leaders; coordination and assistance in implementing the decisions of the Leaders; support to the Leaders' meetings, ministerial meetings, and associated committees and working groups.

[54] The countries in the study include: Kiribati, Samoa, Solomon Islands, Tuvalu and Vanuatu.

[55] A survey of Stakeholders (8) and PIFI (6) representatives complemented interviews. The sample is relatively large compared to the number of Stakeholders (49) and PIFI (9) representatives closely involved with PFIP and interviewed by the Evaluation Team. However, due to the small absolute number, it cannot be considered representative. (See Annex 1 for details).

EVALUATION QUESTION No. 1: DESIGN & RELEVANCE	To what extent does the programme design meet UNCDF's IF intervention logic and meet the needs of the partner country?
Sub-questions & Indicators	**Findings and sources of information**
	Design supported an emerging awareness that a developed IF sector can contribute to the region's and national poverty alleviation and financial sector development strategies. **Figure 12: National Government Strategy Relevant to PFIP** **PNG** • Medium Term Development Strategy Includes reference to microfinance. • Stand alone microfinance regulations being considered by the BPNG. • BNPG is signatory to Coombs Declaration and Money Pacific Goals. • **Fiji** • GOF Microfinance unit created in 2000 no coherent policy results • Signatory to Coombs Declaration • **Samoa** • CBA has no particular policy related to microfinance but consults on a case-by-case basis with IFIs. • Samoa is a signatory to the Coombs Declaration and Money Pacific Goals • **Solomon Islands** • MoF and Central Bank of Solomon Islands (CBSI) are proactively fostering microfinance and supports recommendations that a IF unit be established within • CBSI to set policy and supervise IFIs. • **Tonga** • Access to finance was expected to be part of the National Poverty Reduction Strategy (supported by the ADB) • **Vanuatu** • RBV is signatory to Coombs Declaration and participates in Money Pacific. • RBV has customized KYC rules to suit rural and village environment • RBV tolerates VanWoods (a small IFI) voluntary savings collection • GoV endorsed a policy paper on rural microfinance 2004 • GoV established the Microfinance Taskforce chaired by MoF (no national strategy resulted, however GoV continued to encourage microfinance • State owned NBV mandate includes serving small and micro enterprise in rural areas • RBV enrolled as member of AFI • RBV through FEMM support Money Pacific • World Bank and UNDP supported financial literacy programs Sources of information: ▪ Document analysis, Interviews • National Government, Policy documents, other strategy document

<table>
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<tr><td>EQ 1.2 To what extent is the programme aligned with government financial sector development plans.
▪ Degree of consistency between the programme's interventions and national legislation and strategy for financial inclusion
▪ Programme design has taken into account sector's development/ absorption capacity and context</td><td>Prior to PFIP there were no detailed, comprehensive national or regional financial sector plans or strategies, generally, or related to inclusive finance, specifically. (See Figure 6)

Each country has been undertaking significant financial, commercial, and legal regulation reform for some time, much of which will underpin good practice IF sector development. Changes are numerous and varied, including (depending on the country): corporation law, bankruptcy law, business registration simplification processes, contract law, financial law, consumer protection law, land titling law and registration processes, and, of increasing interest to IF in the region, telecommunications law.

Pre-PFIP IF sector plans include the Microfinance and Employment Project in PNG, support rural e-banking with National Bank of Vanuatu, as well as efforts in several those of several PICs to introduce movable collateral laws, encouraging more and much smaller loans. These efforts were supported by ADB, AusAID and IFC. Despite its early efforts to develop a microfinance industry, UNDP had largely stopped supported NGOs by 2007 and offered only limited support to ANZ's rural banking efforts. Several governments were pulling out of and or restructuring poorly performing state-owned banks (e.g., Vanuatu) or were in preliminary stages of introducing financial literacy programmes, such as Samoa and Fiji. The Solomon Islands was supporting rural finance through some bank guarantee schemes and subsides to ANZ rural banking.

Notably, the programme was designed to provide managers the flexibility to both support and lead market-based opportunities, encouraging them to take risk where appropriate. Design anticipated the need for a strong focus on IF innovation through technology, particularly as it relates to mobile banking. Design was not overly prescriptive and had an appropriate focus on general strategic developments that might be required at each of the three levels – micro, meso, and macro. At the macro level, where government and regulatory bodies are involved in sector development, the programme was to take regulatory capacity limitations into account by addressing specific constraints geared to the sector's evolving needs and not broad-based regulatory change (i.e., a set of laws for IF).

Some 73% of surveyed Stakeholders believe that there has been very good to excellent programme alignment with the needs of partner countries, and 25% saying it was good. Only 2% disagreed (See Annex 8, Stakeholders, Question 2)
Programme design allowed for PFIP to take needed leadership role in demand-led sector development that both encouraged and supported nascent national and regional government efforts, while complementing other donor interests

<u>Source of information</u>
• Document analysis, Interviews
▪ Financial Sector law and regulations
▪ Superintendence of Banks and or Central Bank
▪ Ministry of Finance/Planning
▪ IF sector associations & institutions
▪ Donors
▪ PIFI and Stakeholder surveys</td></tr>
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EVALUATION QUESTION No. 1: DESIGN & RELEVANCE	To what extent does the programme design meet UNCDF's IF intervention logic and meet the needs of the partner country?
Sub-questions & Indicators	**Findings and sources of information**
EQ 1.3 To what extent does the programme meet the needs of the finance sector (e.g., fill gaps and overcome constraints for growth given the national/market context)? ▪ Micro level – IFI & client level needs ▪ Meso level – inclusive financial sector infrastructure needs (e.g., credit bureaus, sector associations, etc.) ▪ Macro level – national regulatory, policy and program level.	Prior to PFIP, the IF sector in the PIC could be characterized as small, not well organized, and constrained by transaction costs so prohibitive that conventional bricks and mortar IFIs were unsustainable. There were no large conventional IFIs as a result (the two IFIs in PNG were still quite small and still operating as NGOs), no strong network of sector stakeholders, nor any significant government support or strategies. PFIP design identified the need for innovative, technology-driven transaction costs reduction business models as the most relevant solution to sector building, along with improving financial knowledge or literacy among low-income households as key to sector development. Specific constraints to sector development were identified at each level of the IF sector: • **Micro (client or retail financial provision level)** – At the micro level, project design anticipated the need to identify and foster commercial interest in developing market opportunities identified through market research. Design did not preclude working with conventional IFIs, but in their relative absence (save in PNG) program design anticipated the need to focus on non-traditional approaches. In the first year annual plan, this was narrowed to focusing on MNOs and/or commercial banks with interest/experience in electronic/mobile banking. Understanding the risk involved in developing scalable mobile banking from scratch, PFIP design directed the programme to use grants as a means to underwrite a portion of the risk that companies would take to develop new products. Design targeted financial literacy programs as a means to overcome low financial literacy constraints to increased demand for low-income retail products. • **Meso (inclusive financial sector infrastructure needs: e.g., credit bureaus, sector associations, etc.).** There were two key constraints addressed at the meso level in design. The first was lack of market intelligence required to show the size and nature (product and service) of commercially viable low-income markets; and technical information on how commercial ventures might take advantage of market opportunities was also identified as a constraint. Mobile banking was singled out. The second constraint was lack of a strong networking organization that could provide ongoing market information, access to training/advisory services, stakeholder coordination, networking for (e.g., conferences, workshops, etc.). Design anticipated supporting the MPN to take this role. Formed in 2006, MPN enjoyed membership of 21 relevant organizations from 7 PICs. Only four of members' primary business was inclusive finance, however. Programme design anticipated providing MPN support to re-invigorate the organization and to develop a strategic plan for achieving sustainability. The financial sector was also missing a reliable credit bureau or association, facilitating exchange of credit information (to reduce lending risk and encourage expansion of credit). There was also limited "interoperability"" infrastructure (such as inter-bank ATMs access, inter-agency points of access, etc.) and few international level consultants and trainers in the region.[56] The MPN was identified as the primary target for support in the Project Document. • **Macro (national regulatory, policy and program level).** At the macro level, programme design identified the need to ensure policy makers and regulators had an appreciation of IF impacts and an understanding of a sound regulatory approach to supporting its development. The objective at the macro level, as restated in the PFIP 2010 annual work plan, was to ensure "policy makers understand the importance of removing constraints in the enabling environment to support new delivery channels and institutional models." Design encouraged PFIP to work with the PIFS to advance regulatory matters and provided sufficient time and money resources for regulator capacity building via technical advisory, support of workshops, meetings and conferences, participation in regional and national forums, and technical training support (e.g., training scholarships).

[56] By the time PFIP started, IFC had already begun working on a regional initiative to develop credit bureaus and the Fiji Data Bureau commenced operations.

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<tr><td></td><td>The macro, meso, meso focus of PFIP is consistent with UNCDF financial sector development approach. While not prescriptive, PFIP output objectives and design allowed for the flexibility to address key sector development needs to support technology-driven transaction costs reduction focused supply, complemented by financial literacy development for more and better use of low income financial products and services. Design allowed for strategic interventions at the all three levels of the sector.

<u>Source of information</u>
• Document analysis, Interviews
▪ Financial Sector law and regulations
▪ National financial Law and regulations
▪ Ministry Finance (or responsible ministry)
▪ Superintendency of Banks and or Central Bank
▪ IF sector associations & institutions
▪ Donors
▪ PIFI and Stakeholder surveys</td></tr>
<tr><td>EQ 1.4 How well is the programme integrated into the Country Programme Action Plan (CPAP) and UN Development Assistance Framework (UNDAF)?
Degree of explicit/implicit integration of UNCDF's development-related projects within CCA/UNDAF</td><td>While there is no explicit integration with CCA/United Nations Development Assistance Framework (UNDAF), future needs assessments conducted through UNDAF and Country Programme Action Plan (CPAP) in the Pacific, identified emerging demand from PICs for technical advisory support to MDG-based national development strategies; preparation of national gender mainstreaming strategies; public sector reform; inclusive governance; CSO capacity development; national aid management; private sector development; environmental management; and energy services delivery.

Fiji and Samoa have identified priorities in the area of improved enabling environment for trade facilitation and development; income generation and employment opportunities created for vulnerable groups (women and youth); and enhanced financial competencies of vulnerable groups (rural and women and youth). Planned country programs in financial literacy training are viewed as strategic foundational blocks for achieving inclusive financial sectors, as it will generate demand and encourage innovation.
These priorities are directly supported by the PFIP output objectives supporting private sector development in poverty reduction.

<u>Source of information</u>
▪ Document analysis
▪ Interviews
▪ UNCDF documents and guidelines
▪ UNCDF staff and government officials, and representatives of other UN agencies</td></tr>
<tr><td>EQ 1.5 How does the programme design correspond to UNCDF's IF intervention logic?
▪ Consistency between programme design and UNCDF's standard IF programme
▪ Degree to which UNCDF intervention provides additionality to sector</td><td>Consistency between programme design and UNCDF's "standard IF programme".
The programme design is consistent with the UNCDF's FSSA—micro, meso, macro— approach. UNCDF programme design typically provides sufficient flexibility for management to develop a strategic plan focusing on major constraints and significant market opportunities at each of the micro, meso, or macro levels as context demands. Design outlines measurable, performance-driven grants, augmented by a range of information, technical advisory, and training support tools.
Degree to which UNCDF intervention provides additionality to sector development.</td></tr>
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EVALUATION QUESTION No. 1: DESIGN & RELEVANCE	To what extent does the programme design meet UNCDF's IF intervention logic and meet the needs of the partner country?
Sub-questions & Indicators	**Findings and sources of information**
development ▪ Degree to which intervention logic employs UNCDF's competitive advantage (i.e., catalytic capital)	The PIC IF sector had a somewhat energetic start in the beginning of this decade only to see early efforts produce minimal gains. The provision of financial services to the un-banked and under-served sector of the population in many PICs was attempted through NGO-managed programmes and projects of the government. PFIP programme design and intervention logic and key elements (training, advisory, grants and regulatory work) addressed the need to find new solutions to overcoming high transaction costs constraining conventional IFs, kick starting sector momentum and placing it on a sustainable, scalable trajectory. Design anticipated networking and capital provision leadership roles at each level of the sector: • **Micro** – generate market research demonstrating business opportunities for commercial actors and provide seed capital grants to underwrite a portion of the risk inevitable in new business development, particularly those in a new business and requiring new business models; • **Meso –** bring sector stakeholders together by generating and sharing knowledge and using catalytic funding to design and implement viable models for developing and delivering IF financial services; • **Macro –** provide active policy advocacy at national levels to ensure market building IF regulatory interventions. Degree to which intervention logic employs UNCDF's competitive advantage (i.e., catalytic capital). PFIP was designed to employ three UNCDF catalytic competitive advantages: • Use capital and knowledge to catalyze new market development entrants of commercially oriented players; • Use targeted research and grants to catalyze a network of informed and energized IF sector stakeholders with the objective of developing and pursing sector good IF sector development practice; and • Use of technical advisory, networking, advocacy and technical assistance to catalyze appropriate regulatory and policy change. Design is consistent with UNCDF intervention logic which corresponds to the micro, meso and macro level IF sector development needs at the national and regional levels. <u>Source of information</u> ▪ Document analysis ▪ Interviews ▪ UNCDF documents and guidelines ▪ UNCDF staff and government officials, and representatives of other UN agencies ▪ Other partner donors
EQ. 1.6 How well has the programme integrated cross cutting issues given programme objectives? ▪ Evidence that the programme docs address the issues of participation of institutions and promotion of gender	**Gender**. PFIP design highlights the need to address the special circumstance of women; to this end, fifty percent of clients served by grantees should be women. Most of women targeted by the programme live in rural areas, have low or no financial literacy and have few ownership rights to assets, financial or otherwise. Many are micro entrepreneurs working in the informal sector outside the protection of the law. Design insists all interventions, monitoring and evaluation ensure gender is mainstreamed, through the following actions:

EVALUATION QUESTION No. 1: DESIGN & RELEVANCE	**To what extent does the programme design meet UNCDF's IF intervention logic and meet the needs of the partner country?**
Sub-questions & Indicators	**Findings and sources of information**
▪ Evidence that the programme docs makes consideration of environment themes	• Stakeholders, wherever practical, will participate in the shaping of the scope and terms of reference of all major research and evaluations; and • Output targets and indicators will, wherever applicable and when data is available; be disaggregated by sex, location and vulnerable groupings and monitoring and reporting mechanisms will be put in place to measure respective benefits. Design does not consider the promotion of women in decision making positions within grantee organizations or, more generally, in the sector. Environment PFIP does not make any specific environmental considerations (e.g., environmental portfolio risk management/screening or environmental operational performance of grantees). It does mention the possible complementarities with the Pacific Centre HMD programme and developing finance models promoting renewable energy and sustainable resource use. Source of information ▪ Document analysis ▪ Interviews ▪ Relevant beneficiary IFIs, and government institutions
EQ 1.7 To what extent is the programme owned (buy-in) by the government and/or Central Bank and/or Bank Superintendence? ▪ Degree of involvement of the government and/or Central Bank and/or Bank Superintendence in programme design, and implementation. ▪ Level of HR and Institutional Capacity	**Ownership of Project** As, FSSAs of six PIC countries contributed substantially to the design of PFIP. Stakeholder input was given with the explicit expectation that a programme would result. Relevant government stakeholders were consulted in each of the countries (and others) to gain input on a vision for an IF sector program and their possible participation. Key government stakeholders were given two weeks to respond to a draft programme design and to voice any concerns. If none were forthcoming, PFIP was to understand that stakeholders were in agreement with the nature of the programme. No comments were received. The design process sought extensive input from donors active in IF, including the Asian Development Bank (ADB), AusAID (the Australian Development Agency for International Development), the International Finance Corporation (IFC), the World Bank, the International Monetary Fund, New Zealand Aid (New Zealand Aid Programme) , EU/EIB, UNDP, among others, including CGAP. The programme's multi-donor Investment Committee (IC) was designed to provide a mechanism for substantive collaboration and a mechanism for pooled investments among donors. The best proof of design "buy-in" success, however, can be found the active, formal/informal participation of all principle donor agencies in the region in a financial inclusion working group and the USD 6.1 million donor contributions PFIP has received from AusAID and (indirectly) and the parallel financing with ADB and IFC on specific projects Source of information ▪ Interviews ▪ Document analysis ▪ PSU, IFIs/SSOs

EVALUATION QUESTION No. 2: CAPACITY BUILDING	**To what extent has the programme contributed to increased Financial Service Providers/Sector Support Organizations /Government Agencies (IFIs/SSOs/GAs) Institutional capacity?**[57]
Sub-questions & Indicators	**Findings and sources of information**
EQ 2.1 To what extent has the programme contributed to increased Human Resource (Management) capacity at IFIs, SSOs, Government Agencies (GA)? [58] ▪ Organisation chart ▪ Clear division of roles (human resources, well written job descriptions,) ▪ Human resource manuals / procedures / tools in place and their quality ▪ Decision-making processes and procedures established and accepted ▪ Regularity of report-back meetings ▪ Regularity and quality of written reports ▪ CGAP Appraisal and /or CAMEL management indicators	**Micro Level Intervention** Even though PFIP design is generally similar to other UNCDF programs, PFIP's focus on technology and mobile banking products is atypical. As a result, human capacity performance indicators that apply to conventional IFI, normally part of UNCDF programmes, do not fully apply (see Figure 6 and Annex 7 for CGAP Light evaluation format). In the case of Vodafone Fiji, Digicel and DataNets projects, the banking products developed affect a very small part of each company's business and significant increases to human resource capacity were not anticipated (or necessary) beyond some trainings, the nature of which varied by company. However small relative to the size of the company, PFIP interventions did facilitate and support the investment decisions in the development of new systems, processes, human resource capacity that they might not have otherwise have made. For Digicel, PFIP provided direct advice and facilitated contact with additional TA experts – particularly CGAP's Technology team. This resulted in "critical advice at a defining moment" and helped the company develop its business case for the new product. A grant also supported the hiring of an expert to develop a financial model for the products as well as expert from G-Cash, an established mobile money provider from the Philippines, during the pilot period. Two Digicel staff was also sent to mobile money conferences prior to launch. PFIP's staff remains accessible and TA support is ongoing. Digicel added staff capacity to handle customer service. PFIP's contribution to increasing capacity at Vodafone included sending two Vodafone staff to mobile money conferences and through its grant it funded the cost of an external consultant to assist the team in piloting and rolling out its mobile banking system. PFIP was also participated with Vodafone in meetings with the regulator, the Reserve Bank of Fiji, on Vodafone's behalf. It also supported some marketing and agent network development. [59] Areas for future capacity and knowledge building include (a) integrating mobile money with bank accounts and (b) handling international remittances. The relatively simple nature of the MNO mobile financial products (i.e., cash transfers and savings accounts) means they do not require significant long term human resource capacity-building assistance typically applied to conventional PIFI. The latter normally have a broader array of products and services, including at least one credit product and/or intermediate savings, which substantially increase the need for strong human resource capacity. Moreover, because MNO product had just come to market there is no data to support compare human resource performance improvement measures. The NBV grant provided funding to add VSAT stations to the bank's plan to improve branch connectivity and expand electronic services to more remote and rural clients. This did not require significant additional human resource capacity development or changes to the NVB human resource structure. The systems were only recently installed. The Nationwide Microfinance Bank (NMB- PNG) had significant management setback when its CEO left the country for medical treatment and subsequently resigned after receipt of its PFIP grant. The majority of work prior to June 2010 was designing an executable strategic plan for branchless banking. Execution was to begin in June 2010 under a new CEO but has been delayed due to introduction of new management. It is too early to test the effect of the assistance provided to both NBV and NMB.

[57] For this section, some questions and sub questions apply only to IFIs, while others to SSOs and government agencies (GAs) and are marked as such. Not all programs will have significant GA or SSO activities.

[58] Sector Support Organizations are those found at the meso level or between financial institutions and national financial regulators. They provide invaluable infrastructure for the viable functioning of a sound financial sector, generally, and an inclusive financial sector, specifically. Example SSOs include credit bureaus, microfinance sector associations, consumer finance education organizations, consumer finance protection organizations, tax and legal firms specializing or with specialization in inclusive finance, information technology firms, consultants, etc.

[59] Agents provide a mobile banking system to make physical cash transactions, which requires an agent to accept or give cash on behalf of the MNO. A cash-in transaction is when someone wants to put cash-in their mobile phone-based savings accounts or to make a transfer of funds to someone. Some agents also provide a cash-out point as well or an agent who will give cash to an account holder or to transfer recipient.

EVALUATION QUESTION No. 2: CAPACITY BUILDING	To what extent has the programme contributed to increased Financial Service Providers/Sector Support Organizations /Government Agencies (IFIs/SSOs/GAs) Institutional capacity?[57]
Sub-questions & Indicators	**Findings and sources of information**
	These observations also apply to DataNets as well but for different reasons. DataNets product is a cash transfer mechanism that sends a payer's funds (e.g., agricultural product buyer) to payees account (e.g., field workers/small producers), or, visa versa, a payee's payment (e.g., clients) to a service supplier account (e.g., utility). DataNets does not manage or intermediate payment systems. Rather it provides and manages the payment system technology (much like an outsourced manager). The company requires few staff to manage this product and they are technicians not bankers. DataNets' product had yet to go to market and as with the MNOs, there is no data with which to compare human resource performance improvements. The grant provided to DataNets, however, also included funds for technical assistance and strategic marketing, which will enhance staff capacity. The General Manager from DataNets also received support to attend two global mobile money conference in addition to the grant, which helped hire a part-time project manager. Another investment currently supported by PFIP in PNG is a microinsurance scheme piloted by City Pharmacy through its network of pharmacy counters/outlets in major population centres. PFIP provided human resource capacity development through the TA and funds for the formulation of a marketing and promotion strategy for its microinsurance product. No data is available to measure increased human resource development from the pilot work. PFIP staff has worked directly with Home Finance Corporation and FijiCare during their pilot period of a death benefit policy, but it is too soon to determine the impact on the partners. The managers of the two largest MFIs in Fiji (FCOSS and Microfinance West) were just recently on scholarship to the Boulders Microfinance Training Program in Turin in July 2010, while in the interim, the MFI operated on its usual capacity and strategy, the results of which therefore will not be reflective of the PFIP investment on its human resource development. The scholarships were done in partnership with MasterCard Foundation, with PFIP covering travel and living expenses. According to the PIFI stakeholder survey, 50% of respondents rated PFIP's impact on long-term planning, management and governance of IFIs or SSOs as very good to excellent. (See Annex 8, Financial Services, Question 6) **Meso Level Intervention for Human Resources** PFIP has not been able to establish any SSOs other than developing a roster of technical consultants familiar with the region. The programme's primary targeted meso level intervention was to support the development of MPN and PIFS. The latter effort was not initiated for lack of interest on the part of PIFS. The grant to MPN has not delivered anticipated outcomes. The organization has few active members and limited governance activity. PFIP design identified the need for a strong regional IF sector association/support organization and identified MPN as the organization most likely to fulfill this role. PFIP made a two year USD 80K grant to the Foundation for Development Cooperation (FDC), an Australian international development organization and founder of MPN, to support MPN capacity building and to develop a strategic plan for sustainability. The grant was made to FDC because MPN lacked any financial administrative capacity and PFIP recognized that FDC was the *defacto* operator of MPN. FDC's efforts in managing a network organization seem limited, however, and MPN's activities have been modest in size and scope, consisting mostly of hosting a regional IF conference (with PFIP assistance and financial support from other donors) and maintenance of an information

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Sub-questions & Indicators	**Findings and sources of information**
	internet portal consisting of mostly of others documents and information. Appointing a capable Senior Manager to grow the institution was a key part of the grant. Instead, FDC employed an assistant to their own Senior Manager in Fiji, who is also tasked with FDC work. This leaves MPN with less management capacity than the grant conceived. The organization has not been able to translate support into a credible strategic platform and continues to be very weak. A draft sustainability plan, to be submitted in mid 2009 was submitted to PFIP in January 2010. PFIP deemed the plan unrealistic, particularly financial projections, and sent it back to MPN for revisions in the same month. The plan was re-submitted July 2010 and was judged not to address main sustainability concerns. This delay has caused withholding of a USD 25K funding disbursement (the final tranche). PFIP is considering if the final disbursement will be made grant, contingent upon a highly credible plan and a significant change in the organization's management practice (unlikely given past performance).119. There is continued need for credit bureaus throughout the region and the notion of a regional credit bureau has been floated to the RB Governors via IFC. PFIP received a grant proposal from Fiji Data Bureau to expend in two other countries. However, IFC had an active project supporting the Data Bureau and the nascent credit bureau in PNG. In the interest of donor coordination, PFIP referred the proposal to IFC for action. No other SSO provider needs have been pursued. In the absence of a strong regional or national level sector association, PFIP has become the *de facto* IF sector association for PICs and has taken on the roles of convening sector stakeholders, shaping the sector's agenda, providing an formal and informal networking platform, organizing/supporting thematic groups and research, provision of market research, etc. **Macro Level Interventions for Strengthening HR** From numerous informal/technical advisory meetings to more formal venues at conferences, workshops, and via working groups, PFIP has substantially improved the soft and hard human resource capacity/skills at targeted government agencies, but particularly Central/Reserve Banks. PFIP provides direct support (formal and informal) to RBs for IF development strategy in Fiji, PNG, Samoa, Vanuatu, Solomon Islands and Tonga. The program supported, for example, a Small Enterprise Education and Promotion (SEEP) training of thirty-five policy makers and practitioners in Fiji and Solomon Islands. PFIP offered 27 cost sharing scholarships to key stakeholders to attend a variety of trainings and workshops with the intent to catalyze interest in and increase strategic and market knowledge of IF issues. The RBF and RBS in particular have developed in-house IF sector development units staff with knowledgeable executives. Their improved understanding of IF sector development is also evident in their measured and appropriate response to supporting sector development through the MNO trial service period, for support of a IF sector strategies, support for national financial literacy campaigns, and for a non prescriptive call by the RBF to have all commercial banks involved in IF. The Governor of RBF credited a PFIP sponsored scholarship to participate in an inclusive finance conference in Brazil, as key to developing his own and his staff's IF capacity, resulting in what one MNO executive noted was an "open minded" approach to mobile banking and resulting in a test period for MNOs to try their services out and for the GoF to assess and monitor results PFIP has also supported/subsidized four stakeholder groups such as the MPAG relationship, and has sponsored several workshops and a regional IF conference. (See Figure 7) Programme Stakeholder surveys concur, finding PFIP has had a good to very good impact on government agencies and RBs. (See Annex 8, Programme Stakeholder, Question 5)

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Sub-questions & Indicators	**Findings and sources of information**
	Figure 7: Example Human Resource Capacity Activities (2010) 1 Off site trainings for FlexPacific and ANZ on microinsurance 2 Information exchanges for FI Stakeholders 3 AFI/Money Pacific meetings 4 Mobile Money Workshops (SI, Vanuatu, Samoa, PNG 5 Trained on "Measuring Performance of Microfinance Institutions" by SEEP 6 Fiji general IF meetings Offsite training to City Pharmacy (microinsurance) Onsite support to HFC/Fiji Care (microinsurance) 7 Stakeholder scholarships (various themes and venues) Source of information ▪ CGAP Appraisal (light version of sample IFIs/SSOs institutions) ▪ Analysis of IFI data collected by project ▪ Interviews ▪ Analysis of PSU records ▪ Organisation charts, manuals, procedures ▪ Reports to Board of Directors ▪ Strategic planning documents ▪ Management progress reports (monthly, quarterly, annual) Records from PMU
EQ 2.2 To what extent has the programme contributed to the strengthening of the financial capacity at IFIs/SSOs? ▪ Capital adequacy & liquidity ratios ▪ Diversification of funding sources ▪ Cost of capital ▪ Financial management capacity (e.g., number of dedicated financial management personal etc)	PFIP funding was not intended to strengthen grantee financial capacity (except for MPN) and, moreover, grantees have strong balance sheets and access to capital from a variety of sources. The main intent of UNCDF funding was to provide project-based risk capital to catalyze product development or fund the expansion of existing/planned electronic/mobile services.[60] Risk capital grants did strengthen the MNO's mobile banking services product by underwriting a portion of project risk without which projects may not have been implemented (at least as quickly as they were).[61] Given the relatively large size of grantees businesses, save DatNets, UNCDF grants had no appreciable impact on overall capital sourcing diversification, capital adequacy & liquidity, nor are they applicable (or standard capital performance indicator, See Annex 6). Not surprisingly, PIFI survey respondents believe that PFIP's impact on financial capacity has been mixed (33% poor , 33% good, 33% very good and 17% excellent) (See Annex 8, Financial Services, Question 6)

[60] The question of strengthening financial capacity of a conventional IFI refers to improving its balance sheet for liquidity and reserve requirement purposes, and improving access to affordable capital from various sources for on lending,

[61] A stakeholder reported a conversation with the regional CEO (with over 30 years experience) of the largest bank operating in the region, saying, while donor capital was often small relative to the size of bank projects (in this case referring to funding to start a rural banking program), it is often enough to tip the risk equation to positive.

EVALUATION QUESTION No. 2: CAPACITY BUILDING	**To what extent has the programme contributed to increased Financial Service Providers/Sector Support Organizations /Government Agencies (IFIs/SSOs/GAs) Institutional capacity?[57]**
Sub-questions & Indicators	**Findings and sources of information**
	Source of information ▪ CGAP Appraisal (light version of sample IFIs institutions) ▪ Analysis of IFI/SSO data collected by project ▪ Analysis of SSO financial strength ▪ Interviews of staff ▪ IFI/SSO financial data (audited/unaudited) ▪ PSM collected IFI/SSO data ▪ Government collected IFI/SSO data (if available)
EQ 1.3 To what extent has the programme contributed to increased institutional capacity at IFI/SSO governance level? ▪ Composition of Board Directors ▪ Governance manuals in place ▪ Training for Board of Directors	Grants are intended to improve the institutional capacities of grantees to extend outreach to rural and remote areas. As most grants are still in early stage, no longitudinal performance data is available to assess impact. The intermediate results have been in the formulation of medium term strategies and products on the ground. At the government level, RBs and some government agencies have begun to formulate, or have committed to formulating, financial inclusion strategies. The RBF has, for example, developed a set of definitional policies covering the operations of mobile phone and other e-commerce service providers Source of information ▪ Interviews ▪ Manuals ▪ Board and Management Interviews ▪ Governance Manuals
EQ 2.4 To what extent are the IFIs providing appropriate services and opportunities to women? ▪ Percent Women Active Clients ▪ Products are appropriate for Women ▪ Women in Senior Management Positions, including Board ▪ Percent Women of IFI staff	The program has had no effect or intent to affect increased professional and employment opportunities for women in Senior Management Positions or on the Board of Directors or equivalent/Project Committee or equivalent. Services and products are equally accessible to women but do not have any elements or functionalities aimed at the particular needs of women. Each of PFIP's grants with PIFIs has specific targets for reaching women, ranging from 40-50% of new clients Source of information ▪ Interviews ▪ Document analysis ▪ IFI/SSO Board and Management ▪ IFI indicators on women clients
EQ 1.5 To what extent are IFIs/SSOs aware of existing environmental finance regulations (if any), environmental risks to portfolio and/or significant environmental impacts due to financing activities? ▪ Degree to which environmental factors apply ▪ Policies in place ▪ Performance M&E indicators in place at SSO/IFIs	There are no environmental regulations for partner institutions to comply with related to the provision or expansion of the mobile banking services. The program has had no reported impact on grantee environmental policies or performance M&E indicators. PFIP did, however, organized a microfinance and energy products training delivered by Renewable Energy and Energy Efficiency Partnership (REEP) in April 2010 Source of information ▪ Interviews ▪ Documents ▪ IFI/SSO records ▪ Board and Management Interviews ▪ GA records and interviews

EVALUATION QUESTION No. 3 DELIVERY	To what extent has the programme contributed to improvement of access to appropriate low-income person's financial services?
Sub-questions & Indicators	**Findings and sources of information**
EQ 3.1 How effectively have funds from the programme been transferred to IFIs and SSOs? ▪ Timely and transparent information on available funds ▪ Timely disbursement ▪ Correspondence between information on funds, released and received amounts	PFIP has exercised reasonable prudence in the commitment and release of grant funds and financial assistances to grantees and other program stakeholders. Application for funds were judiciously evaluated and released based on key performance results/milestones. Funds for MPN were held back for not meeting performance results, yet PFIP showed reasonable timeline flexibility (e.g., health problems of NMB CEO; and business process challenge at DataNets) allowing delays based on approval of new work plans. No grantee voiced concern about fund management. Some 66% of PIFIs rate PFIPs performance as very good to excellent, 33% very good. (See Annex 8, PIFI, Question 4) Source of information ▪ Track studies ▪ Interviews ▪ Document analysis ▪ UNCDF ▪ IFIs/SSOs
EQ 3.2 How effectively have technical assistance (TA) services been delivered to IFIs and SSOs? ▪ Timeliness of services ▪ Meeting needs of IFI business plans ▪ Quality of services ▪ Quality of the TSP if applicable	Technical assistance services were provided on critical needs-bases as determined within grantees proposals and agreed to by PFIP technical staff. In many cases, such as City Pharmacy, Digicel, Vodafone and NMB (planned), foreign consultants were required, which the institutions were unable to source or afford without external support. Small grant, scholarships and informal technical assistance has been made available to a variety of stakeholders to develop the sectors' strategy (e.g., sending RB governors to conferences, providing technology advisories, supporting regional working groups, or supporting conventional IFIs who may be substantive players in the future). PFIP has thus used TA (12 % of overall budget, See Table 9, page 14) as an effective and efficient tactical and strategic sector developmental tool, particularly related to expanding the knowledge base and capacity of Reserve Banks and government officials up to international levels. This, combined with sector studies which identified market based opportunities was critical in effectively creating both the regulatory/policy environment and supply side interest IF sector expansion via technological innovation aimed at reducing transaction cost and expanding outreach potential. Knowledge, regulatory support and grants combined to help leverage internal resources that caused Digicel, NBV, NMB and Datanets either to development new services or expand existing services more quickly than they would have been able to other otherwise. There were no significant comments on performance from recipients about the effectiveness of TA. 66% of surveyed PIFIs rated PFIPs performance as good to very good; 17% found it poor. (See Annex 8, PIFI, Question 5) Source of information • PSU Document analysis • Interviews • TSP document analysis • Review of TA service contracts and CVs • Review of IFI and SSO business plans • Interviews with IFI.SSO, PSU ▪ IFI/SSO business plans

EVALUATION QUESTION No. 3 DELIVERY	To what extent has the programme contributed to improvement of access to appropriate low-income person's financial services?
Sub-questions & Indicators	**Findings and sources of information**
	▪ Interviews with managers ▪ Interviews with PSU ▪ PSU service supplier contracts/CVs ▪ TA selection decision making process guidelines • PSU project statistics
EQ 3.3 How effectively have capital and TA investments been managed by the responsible unit (e.g., PSU or third party contractor)? ▪ Detailed and transparent grant/loan application processes ▪ Implementation of projects on time (according to budget) ▪ Existence of investment implementation plan ▪ Detailed best practice due diligence guidelines ▪ Regular inspections of IFI/SSOs business plan progress	PFIP grantees and training/technical assistance recipients expressed satisfaction over the level of transparency and clarity of PFIP support. Procedures and time lines were said to be discussed and explained during the pre-application grant/support negotiation process. Clear and detailed expectations were spelt out as well. PFIP produces an annual work plan reviewing past, current and potential activities and investments. Both 2009 and 2010 work plans outline a cogent and comprehensive "opportunistic and responsive" investment strategy. This has allowed PFIP to not only respond, but also to lead where necessary, partner/market development. For example: PFIP leadership is credited with introducing MNO to mobile banking; and PFIP's support to NBV and DataNets was responsive to partner needs. The grant processes is both detailed and transparent and information is available on the PFIP website. Grantees and stakeholders confirmed the granting process was fair; an important finding given PFIP was funding competing MNOs for the introduction of basically the same service. An issue of note is that working with large, multinational commercial grantees is not common for a UNCDF IF programme. While not entirely dissimilar to working with conventional IFIs, a different approach is involved to grant processes, management and reporting expectations. During the grant development period, PFIP made it clear it was courting and would entertain proposals from commercial rivals for the mobile banking market (as per the case in conventional IFI grant programs. However, organizations don't always have near 100% overlapping markets). As per standard grant procedures, grantees were not informed of competing bids during the grant process. Grantees were publically informed of successful grants both verbally and publically on the PFIP website. This process was well managed, albeit somewhat informally, as no explicit recognition of competing interests is mentioned on PFIP publically-available grant policy. [62] Project appraisal documents had minimally sufficient financial due diligence detail for the relative size of grants. Because of the unique nature the Vodafone and Digicel grants, standard IFI due diligence approaches did not apply. Rather, PFIP assessed overall corporate health, management commitments and capability, project management roles/responsibilities and project risks (including regulatory risk). There was insufficient data in appraisal documents to substantiate the financial health of either Vodafone or Digicel at the national, regional, or international level, despite such information being publically available (albeit in highly aggregate form). The NBV grant due diligence as reported in the appraisal had limited financial and managerial information which PFIP noted was not required based on the historic profitability of the bank, its strength of management, and because the grant was small relative to the size of the institution. Appraisals would have benefited from a modified standard IFI due diligence to quantitatively confirm NBV's long-term sustainability commitment to low-income markets and women. A simplified standard due diligence was done for NMB, the modification of which was

[62] See http://www.pfip.org/grants-other-support/grants/

EVALUATION QUESTION No. 3 DELIVERY	To what extent has the programme contributed to improvement of access to appropriate low-income person's financial services?
Sub-questions & Indicators	**Findings and sources of information**
	justified on the basis that the grant was small relative to the size of the institution. The process could have benefited from more information regarding income level of clients, number of women borrowers, and standard analytical ratios (for sustainability assessment purposes). [63] **Grant Management Process** Grant management and oversight has been satisfactory but PFIP could develop a stronger file management and security system. Large commercial enterprises in a highly competitive industry typically have strong legal interests in maintaining proprietary commercial information. PFIP grant process and commercial information management should demonstrate "commercial" levels of security and transparency (i.e., from recruiting interest to grant oversight). PFIP management of the process was satisfactory but had some notable points of risk related to file management. UNCDF does not have a file management policy that sufficiently protects sensitive commercial documents (e.g., in the same manner, for example, of an embassy). **Reporting** Grantees progress reports are quarterly and are based on negotiated performance-based indicators. (See Table 10) As PFIP projects are unconventional compared to most UNCDF projects, reporting indicators are similar, but not standardized, between programmes. Most conventional indicators on the UNCDF standard reporting format simply do not apply and new indicators are required as a result. In fairness to PFIP, the programme's focus on technology and mobile banking is charting fairly new territory. This said, there could be more standardization, both in terminology and of indicators. This would be useful not only for programme management, but for UNCDF knowledge generation purposes. Similarly, and because programme and grantee staff can change, project appraisal documents and contracts should clearly and consistently (where possible) define performance and/or related indicators to ensure proper data collection and interpretation (not only for a single document, but in so far as possible, across documents). For example, what constitutes use of a service or what is a rural user, is not always defined or defined consistently in all appraisals, contracts and monitoring reports. There is no consistent definition of what constitutes a "low-income person" for any project, save the NMB contract. The programme generally relies on default logic for the definition of poor; that is, because most new clients to MNO services come from rural areas and most people in rural areas are poor the majority of clients will be poor. MNOs are asked to report the number of "transformational clients" (or clients that do not currently have an account with a formal financial institution) which are also assumed to be poor. Both assumptions are *reasonable and practical* given the measurement challenges, but not necessarily defendable if quantitative proof is required. Of greater concern is the minimal financial reporting required of Vodafone and Digicel. While both have completed financial projections, at present neither Vodafone nor Digicel were required by PFI to provide evidence that their mobile banking business models will be sustainable. There are good reasons for this primary among them is that mobile banking is a new business and there are few, if any, proven business models, though the cases that do exist suggest simple cash transfer and storage services can be sustainable even if they do not provide attractive margins.[64] There is also no agreed upon measure of sustainability for MNO-led mobile money services as many

[63] Neither NMB nor NBV tracked women in their MIS but have begun reporting via a sampling method.
[64] An upcoming CGAP (yet unnamed) study by Mark Flamming substantiates this view with an analysis of nine mobile banking case studies.

EVALUATION QUESTION No. 3 DELIVERY	To what extent has the programme contributed to improvement of access to appropriate low-income person's financial services?
Sub-questions & Indicators	**Findings and sources of information**
	costs (and revenue) are part of the overall provision of telecommunications services. Despite these challenges, financial reporting is of vital interest as a result if donors are to help understand and support more mobile IF projects in different markets. A more concerted effort might have been made to develop such measures. Similarly, NVB, also a reasonably large entity compared to most conventional IFIs, is also not required to provide detailed financial accounts on a monthly basis. It must only provide audited financial statements annually. The reason cited for minimal reporting is the size of the institution relative to the PFIP grant, the bank's profitability over the last eight years, and its apparently strong management team. It is unclear why large MNOs are exempt from the more detailed financial reporting required by UNCDF's of conventional IFIs. Some rationale was provided by stakeholders for lower financial reporting standards include: the majority of conventional performance analytics do not apply; these two companies are not public and are not compelled or willing to share their financial performance publicly; the financial performance of the mobile money services are not easy to track as the deployments rely heavily on shared resources with the MNOs overall operations; there are no established definitions or ratios for MNO mobile deployments (although some are emerging)[65] grants are small relative to the overall size of the businesses and PFIP made a determination that they can demand reporting information proportional to the size of its funding, particularly in the case of Digicel whose risk averse board took six months to approve the project. While the reasons for PFIP requirement of limited financial reporting are understandable and grantee sustainability risks appear minimal, UNCDF should require more rigorous proof of project sustainability if only to better understand and disseminate information on new technologies and business performance. Moreover, as is evident everyday in the financial press, apparently well-funded and profitable large businesses can collapse entirely or retire from a particular market from one day to the next. Finally, large businesses generate careful project accounting and could easily share more information with UNCDF given the import of grant as risk capital. Differential treatment of large MNOs begs the question: why does PFIP not need to treat all grantees equally before their own financial reporting requirements and need to substantiate outputs and outcomes? Finally, there are two more reasons why greater financial and impact reporting should be considered. The first is reputational risk to UNCDF and the UN; that is, what if the grantees are not accomplishing what they were set out to accomplish or collapse entirely without warning? The second is the lost knowledge opportunity costs. This relates particularly to understanding business models employed to launch and grow new mobile products. Given the pioneering nature of PFIP grantees, an improved but still modest financial reporting system is in order (i.e., one that provides more detail, consistency and fairness than the current approach). The significant effort taken by PFIP staff notwithstanding, UNCDF should take more proportional interest in its larger investments (with potentially larger impacts) even if it is PFIP that has to pay for information collection. Source of information ▪ Analysis of funding process ▪ Analysis of application process guidelines and records

[65] See forthcoming article by Mark Flamming noted in footnote 26.

EVALUATION QUESTION No. 3 DELIVERY	**To what extent has the programme contributed to improvement of access to appropriate low-income person's financial services?**
Sub-questions & Indicators	**Findings and sources of information**
	▪ Analysis of due diligence processes, guidelines and records ▪ Analysis of funding documentation ▪ Analysis of funding monitoring ▪ Interviews with body responsible for funding, IFIs and SSOs ▪ PSU ▪ IFIs and SSOs
EQ 3.4 Do implemented investments correspond to IFIs/SSOs priorities and needs? ▪ Degree of correspondence between IFI/SSO business (development) plan, budget and actual investments (TA and Capital)	Sector development required specific market intelligence that would catalyze new activities after several years of slow-to-no growth. PFIP provide this through financial sector analysis of six countries. Once the information was provided, stakeholders required both financial incentives and thematic knowledge to take advantage of identified opportunities (e.g., using technology-led transaction cost reduction and/or new products and services to serve the poor). Low-income market growth itself required improved financial literacy so low-income clients could both improve use of and demand for appropriate financial products and services. PFIP's investments in both market and product research (e.g., microinsurance, micro savings, and technology innovation) provided stakeholders at all three levels of the IF sector catalytic information spurring action. Once market opportunities were recognized, PFIP openly worked with a number of potential grantees to develop projects corresponding to their commercial interests. Seed capital and technical assistance provided to MNOs was sufficient to leverage internal corporate resources without which neither MNO might have entered the market (or at least not so quickly). Similarly, PFIP capital and technical support of NBV, NMB, and DataNets allowed the businesses to expand services more rapidly than otherwise would have been possible. Financial literacy projects supported by PFIP (one completed baseline studies with two more in the process and advisory and support to Reserve Banks) are critical beginnings to helping increase low-income markets' understanding of the use and benefits of financial products and services At the macro level, networking, training and technical assistance/advisory investments catalyzed interest in, and support for, good practice IF sector interventions (e.g., policies, regulations, and political support around mobile banking). Support led to a "no objection" response for MNOs incursion to mobile banking. PFIP continues to facilitate the development of a "soft" touch and communicative approach to mobile banking regulation at the RBs. Looking forward, PFIP work on (primarily rural) cash points, including post offices, anticipates PIFI needs/priorities around providing clients with "points" where they can put cash in or take cash out of electronic accounts (e.g., through point of sale terminals at grocery stores). Cash points are vital for both improved client impact and for developing service scale and sustainability. PFIP's limited work with the Department of Social Welfare (Fiji - DSW) ran into delays related to the poor state of social welfare payment data base. Two well placed donors and one government stakeholder suggested PFIP was moving the department too fast relative to its managerial, cultural and infrastructure absorptive capacity. This is the only report of PFIP intervention not meeting stakeholder needs and priorities although it could not be confirmed by the DSWF. Overall, 80% of PIFI respondents surveyed believed that PFIPs performance was very good to excellent, while 17% believed it was good (0% poor or very poor). (See Annex 8, PIFI, Question 3) Some 75% of Stakeholders surveyed believe that PFIP meets the needs of the

EVALUATION QUESTION No. 3 DELIVERY	To what extent has the programme contributed to improvement of access to appropriate low-income person's financial services?
Sub-questions & Indicators	**Findings and sources of information**
	sector (good to excellent performance). Source of information ▪ Business plan reviews ▪ Interviews ▪ Programme strategy documents ▪ Programme start up documents ▪ Programme reporting documents ▪ IFIs, SSOs
WQ 3.5 To what extent has the programme enhanced the market for IF services	**PFIP's grantees have brought new, lower cost financial transfer services and savings storage to Fiji**, of which, Digicel (Digicel) plans to launch in three other countries in the region. In Vanuatu, the NBV will offer electronic client notifications (i.e., notification to clients via cell phone of account transactions, etc.) and some transfer services to existing clients through expansion of their VSAT network. The objective of DataNets' mass payment system is to reduce transaction costs to both payer and payee (as similar systems have in other countries). The NMB project will provide banking services in previously unbanked rural areas via field agents or third parties agents, commercial bank ATMs and point of sales networks (POS) to provide depositor and borrower services. (The mix is to be determined with assistance of PFIP and ADB). This will expand the bank's outreach, reduce transaction costs to the bank and clients, and will provide greater access to the bank's services of a larger population of poor. Pilot work and research on microinsurance was meant to catalyze new market entrants; a provider in Fiji is planning a launch within the next year. All new/improved products and services are equally available to men and women, though there are no specific or targeted marketing efforts by grantees to one gender or another. All grants include targets for women clients. In most PICs, however, there are as many cell phones as there are people, so it is likely women will have close to parity access, assuming some control over household/personal financial transactions. While products do bring new services to market, it is important to note that savings accounts offer no interest on deposits or guarantees; there are no credit products and there are no other financial products/services offered. Still, new services represent significant gains in terms of transfer cost pricing and provision of a secure savings vehicle, even if they currently fail to satisfy broader financial needs of the poor. The infrastructure required to offer transfer and savings services, however, constitute a required and significant step towards more inclusive e-mobile banking. As one stakeholder noted, "they lay the tracks for future products and services." It is important to note the mixed Stakeholders and PIFI's opinions on how well products and services meet the needs of women. (See Table 11) As noted, products and services introduced for the most part are gender agnostic, though there will be theoretical parity access (i.e., anyone with a cell phone will have access to MNO products). However, this does not guarantee that women will be empowered or have equal access to products. Access to safe savings accounts is an important need among the poor as families save for household investments, education, and for consumption. Families also prefer not to keep cash at home for safety reasons and because cultural norms requires that cash can be

EVALUATION QUESTION No. 3 DELIVERY	To what extent has the programme contributed to improvement of access to appropriate low-income person's financial services?
Sub-questions & Indicators	**Findings and sources of information**
	called upon for extensive extended family needs at any time without refusal. By contrast, credit demand is lower for several reasons, though lack of entrepreneurial opportunities, particularly in rural areas where the majority of the poor live, is primary. Both internal and international transfers represent a significant need for the PIC poor, particularly in the many unbanked islands and rural areas where conventional transfer systems can cost up as 50% of the principle transfer (e.g., wire money transfer services, transportation cost of sending a family member to fetch cash, etc.) Transfers are also important as remittances constitute significant portions of many household (even national) incomes. **Meso level or Financial Infrastructure** There continues to be a paucity of SSOs serving the IFI market and most technical and strategic expertise must be imported from abroad. There are no credit bureaus and no noted auditing companies with IFI experience. This said, the region does not have a great deal of conventional IFIs to work with and the new products are savings accounts and transfer accounts requiring little banking experience. Moreover, according to IMF, IFC, and PFIP management there is only limited quality loans in the low-income market, which limits the immediate need for more sophisticated banking service experience/expertise. There is a lack of an organizing sector association stemming in part from a previously anemic sector and in part from a weak organization (i.e., MPN). The quality and quantity of SSOs will likely evolve with the development of a larger and more sophisticated low-income market. **Products and services developed with the support of PFIP, as a result, meet the important financial services needs of the poor**. MNO services will reduce the costs of fund transfer services and provide a low transaction cost "savings" service, albeit one that does not pay interest. It is unclear, however, how long before a fuller array of banking services needed by the poor will be provided by MNOs and/or systems developed by DataNets. DataNets' product will help reduce transaction costs to low-income persons and improve security of cash transfers, though it still not clear by how much. In terms of the IFIs, NBV's connected rural branches will allow branches to offer a greater range of services (savings, loans, money transfers) to their rural clients. The SMS service will help the poor receive notice of account actions, particularly fund transfers (i.e., savings, etc.), which can reduce transport costs for clients. However, PFIP's contribution does not otherwise meet a particular low-income banking or financial needs. The results of the NMB project remains to be seen, but many offer a lower cost means for them to continue their expansion into rural, unserved areas which are largely populated by the poor. The NMB works primarily with low-income people and extension of their services to remoter market areas will help to serve the credit and savings needs of the poor. Good initial service uptake is a reasonable indicator of whether Vodafone and Digicel products are meeting the needs of clients. As noted, all grantee services have either not begun or have been recently launched at the time of evaluation. Vodafone and Digicel informally reported in late September 2010 over 123,081 and 36,818 registered users, respectively. Of this, 62,311 are women and 21,323 reported being unbanked. There were no reports of transaction volumes or amounts. This means that with Vodafone and Digicel alone, PFIP has met 63% of its 250,000 client target outcome target and is 10% short of meeting the 50% women-as-clients target. It has only achieved 15% of its new or transformational client targets and there is no data available on rural clients. (See Table 12) Overall, stakeholders have a different view of how PFIP has enhanced the market for IF products and services. PIFI and Stakeholder

EVALUATION QUESTION No. 3 DELIVERY	To what extent has the programme contributed to improvement of access to appropriate low-income person's financial services?
Sub-questions & Indicators	**Findings and sources of information**
	surveys differ on perspective. 51% of PIFIs believe that product development is poor to good; 50% of Stakeholders believe it is good to excellent. The difference may be explained by a broader view to sector development by Stakeholders and/or satisfaction with their support efforts. (See Annex 8, PIFI, Question 9; Stakeholder, Question 8) **New markets served**. Conventional bank branch service is extremely expensive and most islands have limited bank access. Prior to PFIP, the IF sector landscape had but a handful of small conventional IFI serving an estimated cumulative 120,000 clients in the region (or less than 1 % of the adult poor in the region), mostly on an unsustainable basis.[66] Financial services penetration rates in most countries are well under 30% and in some as low as 8%. MNO cellular services, by contrast, have over 90% geographic/population coverage in many PICs. Because the mobile phone network covers 90% of the population almost the entire population will have access to savings an transfer products if they own or have access to a cell phone. Prior to these services there were only three commercial banks and IFI branches in four or five major population centres in Fiji. NBV services in Vanuatu will help better 11 of its 22 branches and is anticipated to work with Digicel to offer its clients mobile money services. This will generate some new clients, though the main benefit will be better connectivity and transaction cost reductions). DataNets is still in the pilot stage, but shows promise for significant rural and urban market penetration via utilities, government service providers, and agricultural and other product value chain buyers. NMB's branchless banking expansion targets both broad and deep outreach, or, reaching many new clients with both savings and credit products. Notably, Datanets and NMB have also had discussions about cooperation. If grantees meet their grant outreach targets they will increase outreach to 657,000 clients of which 142,500 will be transformational clients. (See Table 12) Prior to the start of PFIP there were only three or four conventional IFIs of note in the region, serving fewer than 120,000 savings and 20,000 loan clients. In Fiji there are only two IFIs of note, both with fewer than 10,000 savers and 1,500 borrowers. Vodafone and Digicel services represent less immediate competition to these IFIs than they do between themselves. This bodes well for price and service quality/innovation competition as MNO market overlap is nearly 100% with over 90% population coverage.[67] In PNG, NMB is expected to affect some, but no great competition, with larger formal financial institutions, including competition with a larger IFI. The extension of service will enhance competition with informal financial service providers and some smaller NGO IFIs. Extending NBV reach to rural Vanuatu will increase competition with informal sources of finance with less of an impact on VanWoods, a small IFI operating primarily in major population centres.

[66] This is an "order of magnitude" estimate gathered from expert stakeholder interviews.
[67] This refers to the percentage of people living in range of cellular phone service.

EVALUATION QUESTION No. 3 DELIVERY	**To what extent has the programme contributed to improvement of access to appropriate low-income person's financial services?**
Sub-questions & Indicators	**Findings and sources of information**
	It is conceivable that both MNOs will have services in other PICs within the next couple of years as they replicate their experience in Fiji as planned and as is being seen in most other countries. Representatives from the three commercial banks most active in the region (WestPac, ANZ, and BSP) all express/report active interest in developing new mobile strategies for the largest PIC markets, some planning with hope of aid agency support. Post Fiji and Post PNG are also developing plans. Some plans include work with agricultural and resource industry value chains and many stakeholders are considering providing services via MNOs. 67% of PIFI surveyed believe there will be greater competition should also be generated over the long-term as a result of PFIP supported programmes. (See Annex 8, PIFI, Question 10)

EVALUATION QUESTION No. 4: SUSTAINABILITY	To what extent is the programme likely to result in financially viable (i.e., sustainable) IFIs/SSOs in the longer-term, independent of external assistance of any kind?
Sub-questions & Indicators	**Findings and sources of information**
4.1 To what extent are IFIs/SSOs Agencies preparing the phasing out following the exit of UNCDF?	There are no significant PIFI/SSO phasing out or exit issues related to PFIP grants with the exception of MPN At the micro level, IFIs grantees will continue providing services on a commercial basis without the support of PFIP, the products and services developed are all projected to be profitable, however, it is too early yet to estimate their individual sustainability or how they may affect institutional sustainability. Grantees as a group however demonstrate sound financial position (in so far as the data available suggests, see below for assessment of each institution) NBV is also an established and profitable business and is owned by the GoV. The bank will not rely on PFIP support for cored funding. Like the MNO projects, grant funding was for a discrete investment to introduce new technology. NMB is the only conventional IFI in the PFIP portfolio. It has significant management challenges, but counts on the help of several donors, including strong support from the ADB. NMB performance data confirms good in credit and savings, but lingering portfolio at risk performance. (See Annex 6) Given its current external support, new management, significant unmet need for both savings and credit, and installation of new MIS and a strategic branchless banking plan, there is good potential for more stable future performance. PFIP funding was also for a discrete activity, which once established required no further support. More broadly, while PFIP has been able to catalyze important new products and services within financially viable grantees, it remains unclear whether the "tracks laid" via the MNOs will lead to a sustainable and more complete set of low-income products and services. If this does come to pass, it is not likely to do so during the tenure of PFIP, given the complexities of such developments.[68] Similarly, it remains to be seen if the NBV's new outreach capacity will translate into a set of services geared to low-income needs. At the meso level, the grant to MPN was designed to provide a long-term strategic plan for institutional sustainability. Given most network members are now inactive, governance is weak, management is of low caliber, and there is no immediate sources of sustainable funding. MPN has no clear hope of viability in the near future. Even if MPN develops a credible institutional plan, it is questionable if it could source the requisite staff capacity to assume PFIP's role of shaping and leading a region-wide IF sector agenda. Profit statements of both Vodafone Fiji and Digicel Pacific, Ltd. demonstrate their current profitability. (See Annex 6) Both have ownership with diverse and deep financial resources. Despite their profitability, the cellular phone market is in a period of change that will demand new business models in the sector. (See Figure 8) Both companies have internal demands on capital and, while promising, the mobile banking market may not always be a corporate priority. This is a minor risk for existing products and a moderate risk for the development of a fuller array of services. That is, are current MNO financial services businesses lucrative enough to entice more investments in financial services? As noted in ¶ 99, there is currently no public evidence suggesting the strength of future markets over

[68] As noted in ¶ 113, several commercial banks are pursuing mobile banking developments but are in initial stages. With the exception of ANZ, none have significant mobile banking experience. Should ANZ decide to enter the market, there is a possibility it could happen before the end of PFIP. It is not clear that ANZ would have to re-apply for the approximately USD 1.5M in donor support it had arranged for its original project (including USD 400K from PFIP).

EVALUATION QUESTION No. 4: SUSTAINABILITY	To what extent is the programme likely to result in financially viable (i.e., sustainable) IFIs/SSOs in the longer-term, independent of external assistance of any kind?
Sub-questions & Indicators	**Findings and sources of information**
	the near term. Regarding their mobile banking business models, evidence suggests that transfer and saving systems are profitable (though not enough evidence is yet available to estimate profitability benchmarks).[69] While PFIP seed capital and technical assistance support were vital to Vodafone and Digicel service start ups, both companies have access to sufficient working capital and technical capacity to maintain the services (assuming corporate priorities remain the same) and expand over time. It is important to note that financial products and service figure in prominently the broader financial sustainability models of MNOs as the sector saturates markets and moves to one where competition is based on breadth and quality of services as opposed to volumes of new clients. In this respect, MNOs throughout Asia and Africa in particular, believe financial services are key to client retention, and if they churn a profit, as emerging data suggests, all the better. **Figure 8: MNOs and Mobile Financial Services Market Interest** Until recently, most mobile phone markets had significant room to grow and the standard business model *modus operandi* rapid growth of geographic coverage and subscriber base. Many national cell phone markets, including some PICs, are approaching saturation levels, or the point where almost everyone needing a mobile phone has one. Price competition is setting in and because competitive advantages through efficiency are finite, companies are looking to other income centres, including financial services to bolster revenues. Expert consensus believes current interest in basic mobile banking is vested in the need to expand revenue sources. Being first in the market with such services, despite the market unknowns, is viewed as a competitive advantage. There is no consensus, however, about the ultimate profitability of MNO financial services. Source: Interview with Mark Flamming, author of a forthcoming quantitative to be published by CGAP. Evidence related to NBV suggests it will continue to be financially self-sufficient, particularly considering its annual government support. Financial viability at NMB will continue to be a challenge. Both have access to sufficient and diverse sources of capital for projected medium term growth, however, and the risks to PFIP's investments are low. Stakeholders have a mixed opinion on PFIP grantees' financial performance potential: 34% believe the potential for financial sustainability is poor to very poor; 63% good to very good and only 17% excellent. The PIFIs all believe they will be financially sustainable not long after the completion of the programme (2 were sustainable prior and 3 believed they would be so prior to the completion of the programme). (See Annex 8, Stakeholder, Question 9; PIFI, Question 14) PFIP micro level grants did not intend to improve the long-term planning, management and governance of PIFIs but inevitably did help to improve specific capacity in the areas of mobile banking, not to mention an accompanying demonstration effect for regulators and other actors in the market. The products and services at MNOs constitute a small part of each company's business, and thus, do not imply significant planning impacts. (See Annex 6) The NBV and NMB grants similarly targeted discrete projects and were also small relative to the overall business of the PIFIs. (See Annex 6) At the meso level, the MPN has not improved its management capacity. 83%

[69] An upcoming CGAP (yet unnamed) study by Mark Flamming substantiates this view with an analysis of nine mobile banking case studies.

EVALUATION QUESTION No. 4: SUSTAINABILITY	To what extent is the programme likely to result in financially viable (i.e., sustainable) IFIs/SSOs in the longer-term, independent of external assistance of any kind?
Sub-questions & Indicators	**Findings and sources of information**
	of PIFIs surveyed believe that PFIP will have a good to very good impact on long-term planning, management, and governance; 17% believe that the effect will be excellent. (See Annex 8, PIFI, Question 6)
4.2 To what extent was a phasing out strategy incorporated in programme design?	There are no sustainability issues with grantees as each project was conceived with reasonable sustainability expectations. A clear and comprehensive exit strategy has not been articulated in practice or design, though some ad hoc actions are being taken. More difficult to ascertain than grantee sustainability is programme phase out and how that will affect the breadth and pace of sector development catalyzed by PFIP. As noted above in §68, the capacity, credibility and convening power required to maintain the current sector development trajectory is considerable. PFIP has been catalytically central to many of the relatively rapid developments in the sector. PFIP has directly and indirectly facilitated and coordinated a commonly shared comprehensive and cohesive sector development agenda. Not surprisingly, the evaluation has found that PFIP's primary contribution to the sector development beyond micro level advances has been the creation of a network based on mutually shared interests among principle stakeholders throughout the region. Predictably, PFIP's current (and potential future) impacts have been stronger in some thematic areas (mobile banking) and in some countries (Fiji), than others (e.g., credit provision and Tonga for example), but a sector development vision is consistently articulated by over 58 stakeholders from all countries. This is an accomplishment, given many UNCDF programs are challenged to accomplish similar aims in a single country (e.g., East Timor, Democratic Republic of Congo). **Figure 9: PFIP Key Leadership Roles** • Research & Development • Market Development • Product & Services Development • Seed Capital Provision • Regulatory Development • Credible Convener • Formal/Informal Advisory PFIP is not by any means the only active actor in the network. But as the network of interests and activities are still relatively young and complex, the network requires constant nurturing and tending. Stakeholders believe there is a moderate risk that once PFIP ends, the momentum and activities of this network will falter, setting back or derailing good practice sector development. As one stakeholder observed, "there is a risk related to the pace of change and the sustainability of relationships and loss of connection" once PFIP is over. The exit (sustainability, phasing out) question raised by several stakeholders was: Does the sector require an actor such as PFIP in order to maintain sector gains and ensure future development? The answer depends on sector context at the end of 2012, which stakeholders and expert opinion agree should have the following characteristics:[70]

[70] This does not include PNG where the sector will evolve via more conventional IFIs pursuing mobile or branchless banking. This does not preclude the entry of other players, but because of the relative strength and outreach of IFIs in PNG, there is reason to believe business models in mobile banking will be different.

EVALUATION QUESTION No. 4: SUSTAINABILITY	To what extent is the programme likely to result in financially viable (i.e., sustainable) IFIs/SSOs in the longer-term, independent of external assistance of any kind?
Sub-questions & Indicators	**Findings and sources of information**
	• Most countries should have well-defined mobile banking instructions (if not laws); • MNOs will launch savings and transfer services in several of the largest PICs; • Few if any new mobile products and services benefiting the poor, other than transfer and savings products, will be developed; • Microinsurance products will be available in at least one or two of the largest PICs; and, • A MNO may have joined or is planning to join with a commercial bank to provide a fuller array of banking services; and, • There will be continued interest in mobile banking by commercial banks. Even in this context, significant advances would still be required for low-income people to have access to a broad range of financial products and services to be included in the financial sector in a meaningful way. Key developments for this would include: • Appropriate and well defined banking instruction/laws, synchronized with telecommunications law (especially around KYC, AML issues); • Development of mobile-based credit and interest bearing savings accounts; • Widely available point of sale/agent cash in/cash out service points; and • Interoperability (or the ability to access bank account from various mediums - ATMs, computer, cell phone - and service providers; e.g., in the way that a debit or credit card can use any Plus or Access service point. These are all optimal, but not necessary to fuller banking services). These are significantly more complex goals, ones which will certainly not be met before 2012, suggesting an organizing/coordinating/networking organization would be beneficial to sector development. PFIP recognizes this phase out challenge and there is some planning for exit. Other donors will remain active in the region and two are planning a significant sector wide effort. The IFC and AusAID (Pacific Microfinance Initiative), which the agencies are rolling out, is a USD 12M, 11 PIC country, four year programme (starting Q3 2010 – 2014). The programme will have technical assistance and investment capital. Among other activities, [71] the facility will help IFIs such as the Small Business Development Program (SPBD, an IFI based in Samoa) to expand to new countries, focus on the development of payment clearing systems, and support at least one Greenfield IFI.[72] The programme is, in principle, a reasonable replacement for PFIP. Some stakeholders question if the programme will have the same impact. There are three principle reasons: • The program will be run out of Sydney, Australia, which makes the formal and informal networking required to form and

71 Full programme details were not made available to the Evaluation Team.
72 A Greenfield IFI is one that is built from the ground up (i.e., not trying to grow an existing MFI) and often involves financial incentives to attract international network owners of IFI such as Finca, IPC, etc., as a co-owner.

EVALUATION QUESTION No. 4: SUSTAINABILITY	To what extent is the programme likely to result in financially viable (i.e., sustainable) IFIs/SSOs in the longer-term, independent of external assistance of any kind?
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	advance a comprehensive sector agenda more difficult (from both a access/travel and reputational reasons); • AusAID is relatively new to IF sector and will rely on IFC, as it has on PFIP, as an implementing agent (although it has just recently hired its first Programme Officer with significant IF experience); and • The IFC business culture is more of private sector investor than sector developer, and may not have the same inclusive approach. There are some other actions/plans in place for phasing PFIP out its sector development coordination/networking role. The programme has successfully brought AFI to the region to help coordinate RB Governors as they work through regulatory issues. National Fiji Inclusive Finance Taskforce (NFIT) (with sub groups one each for Financial Literacy, Microfinance and Statistics) was developed in Fiji to maintain the momentum for the sector wide approach in Fiji. PFIP may bring SEEP to the region to support the development of MPN. And as noted above, IFC and AusAID will offer technical and capital support. The evaluation team's perspective is that PFIP will not spell the end to sector development, but that development will certainly not be as even or as coordinated, posing some risk to current advances and future gains

EVALUATION QUESTION No. 5: PROGRAMME MANAGEMENT	How effective has management of the IF programme been?
Sub-questions & Indicators	**Findings and sources of information**
EQ 5.1 How well are IF sector interests embedded in government institutions (if applicable) ▪ Management arrangements, appointments/secondments	While there are several project relationships between PFIP and government institutions/ ministries, there are no formal and/or ongoing programme management arrangements. <u>Source of information</u> ▪ Documentary ▪ Direct and indirect project stakeholder Interviews ▪ Programme reports, interviews ▪ Central Bank ▪ Bank Supervisor ▪ Governments ▪ PSU ▪ IFIs ▪ SSOs Other sector stakeholders
EQ 5.2 How effectively have programme managers delivered on the annual work plans? ▪ Achievements against targets	Despite a late start and the reorganization of programme outputs, PFIP has made considerable advances and has met all of its major 2009 and 2010 agenda items on time (e.g., calls for grants, grant making, IC meetings, etc.). Several projects were finished behind schedule (e.g., research projects), but none affecting the overall advance of the programme. There were several procurement delays, funding and budgeting negotiations also causing productivity delays, affecting PFIP's ability to deliver on its annual work plan.[73] These delays, however, caused no demonstrable impact on overall programme effectiveness. DataNets and NMB projects are also behind schedule though not because of PFIP management. <u>Source of information</u> ▪ Document analysis ▪ Interviews ▪ Programme reports, ▪ Work plans ▪ PSU staff
EQ 5.3 How effectively have program managers managed the interests of all partners (if joint programme is applicable) ▪ Workload sharing proportional to investment ▪ Clear roles defined and maintained	PFIP has been consistent with the cooperative arrangements with all donors and government partners/stakeholders. Direct programme partners include AusAID, EU, UNDP and UNCDF. The donors work together through an Investment Committee (IC), which also provides governance to the programme (i.e., oversight and strategic direction, etc.). The IC also includes a representative of the Pacific Islands Forum Secretariat. The only management partner is the UNDP. UNDP stakeholders uniformly praise PFIP's management and its communications competency.

73 It was not in the purview of this evaluation to assess in depth the procurement processes of, or relationship between, UNDP and UNCDF.

EVALUATION QUESTION No. 5: PROGRAMME MANAGEMENT	How effective has management of the IF programme been?
Sub-questions & Indicators	**Findings and sources of information**
▪ Efficient joint management and decision making ▪ Satisfactory execution of responsibilities ▪ Satisfactory institutional recognition	**Is workload sharing proportional to investment?** All PFIP work is done by UNCDF and UNDP staff and does not rely on any outside partners, save participation in the IC. UNDP and UNCDF positions are clearly articulated and workloads are appropriate to investment. **Clear roles defined and maintained** All PFIP staff has clearly defined roles and responsibilities: **Pacific Financial Inclusion Advisor and Project Manager (Programme Manager)**: provides direct technical assistance and training to partners; responsible for developing PFIP's policies and procedures as well as business planning, budgeting, fundraising, staff recruitment and management, and reporting. He also has regional technical advisor responsibilities of the INFUSE programme in Timor-Leste. **Financial Capacity Advisor (PFIA/Project Manager:** focuses on financial literacy and competency building for developing inclusive financial markets - encompassing national financial literacy strategy formulation, financial education programme development for various target groups and advocacy on consumer and client protection. We note that this role has evolved with the programme, whereas the original position was defined as a partnerships manager with a heavier focus on donor relations. **Technical Specialist:** focuses on building awareness for m-money in the region, catalyzing microinsurance, evaluating renewable energy microfinance, and supporting sustainable models for rural finance. **Project Officer**: project implementation in Fiji, including Fiji Department of Social Welfare Progressive Payment System for Family Assistance Program, the Medium-Term Strategy for Inclusive Finance in Fiji, and the Consumer Awareness, Rights and Responsibilities Initiative; supports Fiji Financial Education Curriculum Development. **Programme Associate**: responsible for team administration and implementation of programme delivery to the PFIP team; provides support and assistance to the management of the team's initiatives. **Efficient joint management and decision making** The PFIA/Project Manager is responsible for program execution and all day-to-day decisions. While the Financial Capacity Advisor manages his portfolio with a fair degree of independence, the Technical Specialist and Programme Associate rely upon support from both the PFIA/Project Manager and Financial Capacity Advisor. All major decisions – grant approval, strategic plans, etc. – are reviewed and approved by the IC. **Satisfactory execution of responsibilities** PFIP staff has satisfactory execution of responsibilities. There is a consensus among stakeholders—from the Governors of Reserve Banks

EVALUATION QUESTION No. 5: PROGRAMME MANAGEMENT	How effective has management of the IF programme been?
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	to UNDP and UNCDF staff to donor peers—that all staff interactions, particularly with the PFIA/Project Manager, but also the Financial Capacity Advisor and Technical Specialist, are highly professional. Stakeholder opinion is reflected in the following quote: "PFIP has done a very good job of donor coordination. We appreciate the work of the [Project] Manager and his colleagues. They have a good sense of what they can and cannot do, and they are playing a really important role. They are very well respected within the donor group." The evaluation could find no counter opinion to this finding. **Satisfactory institutional recognition** PFIP has a uniformly consistent and positive brand recognition among stakeholders and the programme is regarded as the IF sector leader in Asia Pacific. PFIP is recognized by all stakeholders as a programme of the UN, generally, and UNDP, specifically. An estimated 50 percent of stakeholders recognize the programme as being led by UNCDF. The evaluation did not hear a single negative comment about the program's performance, save one partner agency requested greater recognition for their work. <u>Source of information</u> ▪ Program documents ▪ Interviews with programme stakeholders ▪ Program documents and reports ▪ UNCDF government and other relevant donors' staff ▪ Donors' programs documents and reports IFIs and SSOs and PSU.
EQ 5.4 To what extent has the regional office ensured oversight and guidance functions? ▪ Number of visits ▪ Existence of clear mechanisms / instruments to share information and provide feedback ▪ Sharing of lessons learnt ▪ Responsiveness to requests for TA	The regional UNCDF office in Bangkok has played a minimal role in project oversight, by design <u>Source of information</u> ▪ Document analysis ▪ Interviews ▪ Programme reports, ▪ PSU staff, Regional office staff
EQ 5.5 How well has programme helped align objectives of government departments/ ministries, Central Banks and/or Superintendencies? ▪ Complementary IF policies ▪ Complementary IF projects	Most PIC RBs and/or Economic Ministers (or equivalents) have made commitments to IF good practice through the Coombs Declaration or participation in MPAG. PFIP provides close ongoing advice to these organizations, but no formal management "alignments" are required. PFIP is well aligned with several Ministry of Education financial literacy plans and the development of IF plans in four countries <u>Source of information</u> ▪ Government Documents ▪ Interviews ▪ Government ▪ PSU ▪ Sector Association

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<tr><td></td><td>▪ IFIs,SSOs</td></tr>
<tr><td>EQ 5.6 How well is monitoring and evaluation linked into the needs of the management?

▪ Up to date indicators of project progress, regular and informative reports</td><td>Grant agreements include specific results and milestones, which are actively monitored by PFIP on an ongoing basis and reported upon quarterly. Performance results are linked to tranched fund disbursements
<u>Source of information</u>

▪ Project Documents
▪ Project meeting records
▪ Data sources of M&E unit
▪ Project reports
▪ M&E staff and PSU staff</td></tr>
<tr><td>EQ 5.7 Is M&E data and reporting being used to make strategic decisions about service delivery and for purposes of drawing lessons from experience

▪ Use of data from M&E to make strategic investment decisions
▪ Use of data from M&E to make technical assistance and capital investments.
▪ Use of data and reports to transmit lessons to local and national policy-makers</td><td>PFIP decision making is based on regular, timely reporting information of good quality.

Strategic Decisions. PFIP uses IC quarterly reports as the main monitoring and evaluation tool. The reports are complete and timely. Information is presented information in a consistent format facilitating executable decision making. Quarterly Reports include the following:

• Program Status Summary – overall review (table format) of programme activities by output, which includes the following categories: output, activity, description, current status, actions and timing of work. Reviews all planned activity from grantee oversight to trainings to involvement in stakeholder groups.
• Summary of Approved Grantees – a review (table format) of grantee projects including the following categories: applicant amount (disaggregated by donor agency in the case of co-funding), status update, and next steps.
• Overview Highlights Narrative - includes discussion on: policy, advocacy, and coordination highlights, grantee highlights, other technical assistance, knowledge and generation.
• Management and Administration report (table format), which includes the following categories: activity, description, status, and action. This is followed by a narrative report over viewing highlights.
• Actual Expenditures on a Cash Basis - a financial update that includes actual expenditures (year to date) compared to proposed budget. Table also includes a balance of funds remaining by line item funding to PFIP and co-funding. Table has sufficient detail for executive reporting.
• Resources Raised to Date - including direct and co-funding by source, amount, expense type, and purpose.

PFIP staff reported that the UNDP Atlas system provided no additional value to management. Managers report “cutting and pasting” PFIP quarterly reports into the Atlas system in order to comply with UNDP reporting requirements.

Technical and capital investment decision making. As projects are still new, PFIP has not yet had to rely greatly on data from M&E to</td></tr>
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EVALUATION QUESTION No. 5: PROGRAMME MANAGEMENT	How effective has management of the IF programme been?
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	make technical assistance and capital investments. The exception to this is the MPN grant, which has yet to fulfill its grant obligations. As the second phase of grants take place this year, M&E data will be used if current grantees seek second rounds of support. **Lesson learning.** As most projects are relatively new, PFIP does not have significant data with which to derive lessons learned (though much is anticipated as the grantee services mature). PFIP's learnings in mobile banking, for example, will provide important input to the RBs' developing appropriate regulatory regimes and to the IF sector, both within the region and globally. Learning from evolving MNO business models is critical and at least one MNO will provide PFIP an in depth study on their experience.[74] More broadly, PFIP's approach provides significant lessons learned. Undertaking market assessments identifying and supporting the exploitation of market opportunities has proved to be an effective development methodology. While not entirely new, the approach is somewhat novel to IF programmes, and PFIP's early success is based on being "opportunistic and flexible" both following and leading markets. This differs from the late 1990s IF development strategy of backing winners— established MFI— or the more recent (but now somewhat conventional) approach where programmes work with a range of existing, geographically diverse IFIs and/or create Greenfield organizations. The PFIP approach also involves UNCDF taking risks together with grantees on new market developments. Able and extensive networking supported with technical assistance and advisory provided critical underpinnings to the methodology. <u>Source of information</u> ▪ Documents ▪ Interviews ▪ Data system used by PSU and by M&E unit ▪ M&E reports, interviews with M&E and PSU staff

[74] Vodafone is contractually obligated to provide PFIP up to a 20-page review of their experience.

EVALUATION QUESTION No. 6: PARTNERSHIP AND COORDINATION	How well have partnerships with donors and governments supported the programme?
Sub-questions & Indicators	**Findings and sources of information**
EQ 6.1 Has the partnership mobilized additional resources for program implementation / replication? ▪ Evidence of synergies with other programmes as a result of UNCDF's intervention / complementary efforts with relevant initiatives in the sector (related to specific geographic markets or nationally). ▪ Establishment of new donor/government/ private sector partnerships established with local market and/or national actors ▪ Leveraging of additional investment funds into the sector (Additional donors' resources ratio to UNCDF; Additional private sector investments in sector traceable to programme; Increased IF sector savings ▪ Up-scaling and replication (Increased client outreach - see measures above 3.7; Number of IFIs in new market areas; Number of IFI products being copied / replicated; Number of SSO copied / replicated)	In addition to its original USD 2.2M PFIP has raised USD 3.7M for the programme, USD 2.6M of project co-funding, and USD 1.8M from grantee in-kind contributions, for a total of USD 10.3M for sector development. (See Table 13 – In kind contributions: USD 335K DataNets, USD 544,500 Digicel, USD 397,500 NMB, $65,000 NBV and USD 499,000K Vodafone - actual amount of true cost sharing is likely higher in some cases (NBV, Vodafone) and lower in others (NMB and DataNets according to management). This underestimates the total partner contributions as Digicel, Vodafone and NBV have significant capital expenses related to their PFIP projects. Tables do not calculate the extensive time and energy investment of RBs, donors and governmental officials. Because the PIC IF sector was small prior to PFIP, it may be more appropriate to ask how complementary are other programs with PFIP rather than how appropriate PFIP was to other programmes? The extent to which others joined with PFIP varies in degrees from stakeholder to stakeholder and there are at least 4 major (in terms of importance and/or scale) complementary initiatives emerging to align PFIP's work (AusAID general commitment to IF, AusAID-IFC Pacific Microfinance Initiative, New Zealand Aid Agency work with seasonal workers MPAG, and various ADB activities, notably NBV and NMB). Early in PFIP's tenure, donors agreed to share market research costs for 6 FFSA studies critical to market opportunity identification. PFIP coordinated or collaborated with other donors on other studies, including with the IFC on cash points and the ADB on microinsurance in Fiji. PFIP shares strong complementary with AusAID, particularly since late 2009, when the agency announced long-term support for IF sector development in the Pacific. This included a USD 2.7M investment in PFIP as of the evaluation. PFIP is actively engaged with AusAID and the IFC related to the design and development PMI. The PFIP grants to NMB and NBV supports the ADB's work with the organization and their general commitment to market led IF sector vision in the region. PFIP has also provided informal advisory services to other donors on significant initiatives including, for example, providing feedback on AusAID IF strategy, NZ Aid Agency on various initiatives, and the World Bank work with the Fiji DSW. At a regional level, PFIP work complements that the Pacific Financial Inclusion Donors Group, the MPAG (formation and support of regional meetings, work plan, etc.). Nationally, PFIP complements RB financial literacy and regulatory work in 7 countries and in Fiji NFIT. It is of note that the Programme stakeholder survey found that stakeholders believed PFIP had not supported capacity development among donors (not including UNDP/UNCDF). At this point, there are no products and services being replicated by other suppliers, however, commercial banks in the Pacific are increasingly interested in participating more fully in mobile banking. Digicel plans to roll out its Flex Pacific product in 3 more PIC in the coming year. Source of information ▪ Document analysis ▪ Interviews ▪ Sample IFI/SSOs

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<tr><td></td><td>▪ PSU data
▪ Programme documents and reports: PSU reports / Quarterly Outreach and Performance Reports
▪ UNCDF and other relevant donors’ staff
▪ Donors’ programme documents and reports
▪ IFIs and SSOs
▪ PSU
▪ Donors
▪ UNCDF / UNDP</td></tr>
<tr><td>EQ 6.2 Has the partnership favoured the harmonization of donor’s interests?

▪ Evidence of coordination and partnership arrangements
▪ Pooled funding mechanisms
▪ Sectoral/thematic platforms
▪ Joint national/global initiatives
▪ Evidence of cross-fertilization among programmes</td><td>The Asian Pacific region is a small region for most funders with the exception of AusAID and the New Zealand Aid Agency. AusAID is the largest overall contributor to inclusive finance work, supporting ADB, IFC and PFIP. Despite its relatively small size, PFIP has been the primary IF implementing donor agency in Asia Pacific IF sector (save PNG where ADB is more involved) and as such has been responsible for, or at the centre of, several donor harmonization efforts. (See Figure 10) In the absence of their own in-house expertise, AusAID, the EU and ADB have consistently relied on PFIP to support their strategic IF interest in the region (e.g., ADB and the EU rely on PFIP for advocacy, training services etc. Instead of developing its own capacity, AusAID Invested in PFIP). Additionally, PFIP has provided a pooled funding mechanism for AusAID, EU/APC on IF matters.

Figure 10: PFIP Knowledge Generation
Formal
Six country Situational Analysis
• Fiji Financial Services Sector Assessment
• Women's Financial Inclusion Significantly Improves Household Wellbeing
• Financial Capability, Financial Competence and Wellbeing in Rural Fijian Households
• Building a Mobile Money Distribution Network in Papua New Guinea
• Reducing Risk: Microinsurance in the Pacific (Video)
• Can Fiji Micro Finance Institutions be Sustainable?
• Support to MPN for website/document sharing/sector information portal
• Creation of PFIP website
• Scholarships for 10 partners to a variety of conferences (e.g., Governors RBF, Boulder Training in microfinance for RB employees, attendance at GSMA MM Summit)
Informal
• Bringing CGAP mobile banking expert to region
• Piloted Microinsurance in PNG
• Bringing AFI expertise to RB
• Constant technical advisory meetings
Through common and complementary endeavors, often organized by AusAID and PFIP leadership (e.g., PFIDG, joint FSSA studies, etc.) there has been a great deal of coordination among donors in the IF sector. Donors have, for the most part, avoided duplication and competing programs as evidenced by a division of interest in the region and, in some cases by country. For example, AusAID and the EU has used PFIP as a</td></tr>
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	primary conduit for funding, the New Zealand Aid Agency has focused on migrant labour and SME development issues, and ADB has focused primarily on PNG and various projects related to better collateral and contract enforcement. PFIP is credited by all donor stakeholder groups as a pivotal donor community member, helping to shape and bring interests together for a coordinated and comprehensive sector approach. PFIP's work to introduce AFI to the region resulted in increasing harmonization among donors on an appropriate regulatory environment for the region. Coordinated FSSAs underpinned a common market development vision and agenda among donors. The multi-donor fund and significant joint efforts through co-funding arrangements—some lead by PFIP, some by other donors—is further evidence of a common framework for interventions. Source of information ▪ Document analysis ▪ Interviews ▪ UNCDF and UNDP staff ▪ PSU ▪ Donors representatives ▪ Donors' programmes documents and reports ▪ Government officials
EQ 6.3 Has the partnership enhanced UNCDF positioning and catalytic function? ▪ Effective partnership with UNDP and other key actors in place [e.g. Awareness/appreciation by staff and key stakeholders; evidence/ recognition of value-adding synergies and joint implementation mechanisms] ▪ Effective advocacy mechanisms in place [e.g. degree of generation/diffusion of innovative knowledge; Effective strategic alliances at the corporate level in place] ▪ Degree of recognition of UNCDF's approach and role among partners [Standing of UNCDF within donors	As one of the largest and most influential donors in the region, the participation of AusAID as a programme partner has bolstered PFIPs position as the "go to" IF organization. The UNDP partnership provided credibility across the region, particularly at the beginning of the programme. The PFIP UNCDF – UNDP partnership is fairly limited in scope as there is no specific joint programme implementation mechanism. As the two organizations largely share the same procedures, it is difficult to distinguish UNDP, UNCDF and PFIP. PFIP consists of both UNCDF and UNDP staff who are paid through funds from (or channeled through) both parties. The partnership is at the level of joint funding and some management support to PFIP from UNDP, primarily via the Pacific Centre.[75] The UNDP offers PFIP a unique and positive value-added advantage via the Pacific Center. This provides PFIP a highly professional office environment (scale and scope of equipment, services, informal networking, etc.), as well as intimate proximity to a range of UNDP formal and informal services (e.g., support from peers/colleagues to navigate UNDP procurement and related policies, Atlas users, etc.). The UNDP partnership also helps PFIP through credibility support and knowledge sharing via its web site. The UNDP is well recognized and respected in the region, whereas UNCDF is not particularly well known. This has helped, particularly at the outset of the programme, to open doors and to facilitate meetings. Conversely, the Pacific Centre, specifically, and the UNDP, generally, has benefited from PFIP's networking effectiveness, which internal UNDP stakeholders feel has reciprocally enhanced the UNDP's outreach and reputation. Exposure to PFIP activities has also encouraged UNDP staff in other programmatic areas to think about more robust output measurement.

[75] The Pacific Centre is the office for the South Pacific (though there are some country offices as well). The Centre works in the areas of Crisis Prevention and Recovery; Democratic Governance; and MDG Achievement and Poverty Alleviation and is complemented by two additional centres, one in Bangkok and the other in Colombo. The Centre provides UNCDF a physical location as well as many support services.

EVALUATION QUESTION No. 6: PARTNERSHIP AND COORDINATION	How well have partnerships with donors and governments supported the programme?
Sub-questions & Indicators	**Findings and sources of information**
community/appreciation by key SH; Alignment/ involvement in implementation of national/ donors strategies/priorities; Opportunities for further engagement/ strategic partnership]	At a programme management level the partnership suffers from a range of irritations common to joint agency programmes: duplication of reporting, unfamiliar or varying procurement and hiring processes and policies, multiple reporting structures, and a small variety of other inconveniences. Project start up was particularly difficulty when PFIP staff had difficulty accessing UNCDF funds due for several months as well. An on-going frustration is the internal control framework in both organizations; in UNDP the Project Manager lacks authority over UNDP funds (consistent with a policy that prohibits a non-UNDP staff member from authority over UNDP funds) and in the UNCDF the authorities have been changed repeatedly leading to confusion and delays while determining who, in fact, has approval authority. In one instance, an accounting error by the UNDP delayed funding work and required many months significant management time, both on the part of UNDP and UNCDF, to resolve and leaving the programme without adequate cash funds to fulfill its early 2009 work plan. A more critical problem occurred when a UNDP funded position could not provide sufficient salary to attract a quality local technical expert, which caused some delay in hiring and ultimately led PFIP to hire an international consultant to fill the role. An on-going constraint is the restriction on the use of UNDP (or UNDP channeled funds) for grant making which requires carefully budgeting of grants from different sources. Programme Managers report spending significant time on "unnecessary" administrative matters. The evaluation could not measure or substantiate this claim but there are two specific instances where dual bureaucracies do consume significant Programme Manager time: duplications of reporting made more complex by multiple reporting timelines, and the complexity of learning UNDP systems. Managers report it took a year just to learn the UNDP and UNCDF processes and several more months to manage them efficiently and effectively. They also report that while the UNCDF systems are generally simpler to understand and use, they too can cause long delays getting vital even simple work getting done (i.e., getting a signature on a modest budget line item change) or getting payments approved. While these issues are of concern, they have not had significant demonstrable impact on programme effectiveness. The probable negative impact has been some (mostly minor) delays and lost opportunity cost of management time. Positive UNCDF – UNDP partnership impacts on effectiveness likely outweigh the negative, particularly the credibility and professional workplace aspects. It is critical to underscore that the positive balance achieved is enhanced by programme staff capacity and Pacific Centre Management. In the case of PFIP, having a highly capable Project Manager with strong networking skills and a Advisor with over 18 years experience in the UNDP system greatly enhanced the partnership. Other programs with a different management structure (e.g., external programme manager) or less capable/experienced staff may not have been able to deliver the same results. It is not within the scope of this evaluation to determine the extent to which structural and systemic managerial/systems challenges embedded in a UNDP-UNCDF programme union are avoidable. To some extent, the effectiveness of any UNDP - UNCDF partnership is predicated, in part, on the abilities of the lead manager. Moreover, no management system is perfect and, in this case, when two systems are combined in what seems like an *ad hoc* manner with little direct process/systems training, inefficiencies are inevitable. Both UNDP and UNCDF senior managers admit that there is no detailed manual or training for navigating procurement and other processes in either institution and no formal training for incoming advisors and project managers. To summarize, the UNDP-UNCDF joint programme enhanced PFIP effectiveness overall, but particularly in the start up phase of the project when drawing on the UNDP Pacific Centre's staff and resources. Value-adding synergies have been limited, however, by minor negative effects on effectiveness related to management time opportunity costs, some procurement delays, and budgeting issues. On balance the partnership

EVALUATION QUESTION No. 6: PARTNERSHIP AND COORDINATION	How well have partnerships with donors and governments supported the programme?
Sub-questions & Indicators	**Findings and sources of information**
	must be seen as positive for both parties. PFIP has played a significant advocacy role for the development of an inclusive financial sector in the region. Advocacy has taken place in a variety of venues both formally and informally. Formally, the program has worked through various stakeholder groups (RB working groups, AFI, MPAG, FEMM, FEdMM, FTIF, MPN etc.) to advocate for the creation of market driven, good practice approach to inclusive finance. PFIP has also published several documents critical to IF market development, particularly the FSSAs, but also baseline financial literacy studies and mobile money in PNG. PFIP provided trainings and scholarships to key stakeholder groups, including, for example, paying for RB executives to attend the Boulder Institute for microfinance. PFIP also had numerous informal points of advocacy through knowledge creation/ distribution. Team management participated as a technical and strategic advisor in dozens of meetings around the region as well as in one-on-one meetings with RB Governors, corporate executives, and donors. The programme also brought in experts, such as the CGAP technology expert, to speak with key stakeholders. The microinsurance pilot in PNG provided knowledge to other regional stakeholders. PFIP has brought together donors in a common and comprehensive strategy for IF development in the region. The UNCDF engineered and championed strategy is the de facto IF strategy in the region, in large part due to AusAID's development of a similar strategy, and one that re-energized earlier efforts to establish the sector, based on conventional microfinance providers. PFIP's market opportunity approach has brought in mobile banking, both via the MNOs and via the mixed "bricks and mortar-technology" approach of NMB and NBV. Neither approach had been tried at any scale in the region previous to the programme. PFIP is also on the cusp of catalyzing the introduction of more broadly available microinsurance. PFIP's role has been recognized as seminal and pivotal by all stakeholders. This recognition has translated into new funding and access to decision-makers. Source of information ▪ Document analysis ▪ Interviews ▪ PSU ▪ SSOs/IFIs ▪ National government, policy documents ▪ Ministry of Ministry of Finance, other relevant ministries and departments ▪ Policy/legal documents ▪ IF regulatory research documents (e.g., from Microfinance Gate Way, etc.)

<table>
<tr><th><u>EVALUATION QUESTION No. 7</u>:
POLICY AND STRATEGY</th><th>To what extent were piloted approaches conducive to IF regulatory/policy/strategy developments?</th></tr>
<tr><th>Sub-questions & Indicators</th><th>Findings and sources of information</th></tr>
<tr><td>EQ 7.1 Did programmes induce policy improvements in the inclusive finance sector? (if relevant/applicable)

▪ Awareness/appreciation of national decision-makers and other key stakeholders
▪ Sectoral reforms initiated/completed
▪ New IF sector appropriate regulations enacted
▪ IF sector appropriate norms and procedures applied</td><td>The programme has increased awareness and appreciation of national decision-makers and other key stakeholders of the need for a sound regulatory environment for inclusive finance and is laying the tracks for future developments. To date there are only two notable and concrete regulatory/policy changes in the IF sector in the countries where PFIP operates; the first was necessary and the second beyond the control of PFIP.

The first advance is the previously discussed RBs' "no objection" response to piloting and launching limited mobile banking by MNOs. This is most advanced in Fiji, with the issuance of specific guidance on e-money, MNOs, and customer diligence, but has led to other policies and "permissions" throughout the region. The "no objection" gave MNOs the ability to sign up clients without the same KYC and AML information required of conventional banks. This is part of the RBs market evolutionary approach to mobile banking regulation, where RBs try not impede IF sector growth with ill-timed or ill conceived regulation, preferring instead to watch the market develop and act only in the case of need (e.g., systemic risks to the financial markets, client savings put at risk, savings are intermediated as credit, etc.). This is a widely accepted good practice approach to IF regulation development generally, particularly if the regulators can see no systemic risks to the economy, financial sector or to clients. The approach provides a control period for the regulator, to ensure certainty of a regulatory process and provide a level and open market.

The "no objections" are an appropriate approach for the RBs to take. There are minimal risks if:

• Clients' savings may be at risk to fraud, technological failure, or bank failure (recall savings are held on account at WestPac, a large commercial bank account);
• Savings transfers become larger or international financial systems pressure/force RBs to reconsider lenient KYC and AML rules; and
• Investments in mobile banking do not conform to future regulations.

Given the anticipated small dollar value of savings per client, AML and KYC risks are small. Sector investments in mobile banking could be at risk if future regulations require business model "retrofitting" or new information demands (e.g., around KYC and AML). PFIP's work with the RBs, drawing on expert help from AFI and CGAP, among others, greatly mitigates these risks. Continued strong leadership in this area will be required to ensure that capital and credibility invested in mobile banking is protected.

The second notable change was the proclamation by the RBF that all commercial financial institutions must attend to inclusive finance in some way in 2010. Interpreted variously by commercial banks, this proclamation has led to modest financial literacy programs by BSP and WestPac; ANZ continues it truck-based mobile banking commitment. PFIP was neither involved in, nor had any influence over this decision, which is generally viewed as not good practice. Fortunately, RBF had not specified what financial institutions must do nor has it significantly enforced its proclamation.

Technical advisory and training support has helped embed good practice IF sector development as a priority in appropriate national government institutions, particularly PIC RBs. There have been some specific management arrangements resulting from PFIP's work,</td></tr>
</table>

EVALUATION QUESTION No. 7: **POLICY AND STRATEGY**	**To what extent were piloted approaches conducive to IF regulatory/policy/strategy developments?**
Sub-questions & Indicators	**Findings and sources of information**
	including, for example, the aforementioned creation of the Fiji NFIT (and its working groups), the delegation of responsibility for financial literacy to the Deputy Governor of the RB in Samoa. With PFIP and AusAID's assistance the Fiji Ministry of Education is adding financial literacy training to its core curricula and the Department of Social Welfare will ensure financial literacy training of its beneficiaries. The Bank of PNG has created a microfinance working group to oversee the development of enabling policies for microfinance. BPNG is also working ADB and PFIP to establish an enabling environment for inclusive finance. Also, in Fiji, PFIP continues its work with the Department of Social Welfare to develop an electronic/mobile mass payment system. At the regional level, IF sector interests have been strategically inserted into the FEMM through the Money Pacific Group. Finally, PFIP is supporting the work of six PIC governments to begin national IF sector strategic plans (at various stages of early development, even in Fiji, where work is now being implemented). 207. 74% of Stakeholders surveyed believe that PFIP has good to very good support of appropriate regulation, policies, and strategies. (See Annex 8, Stakeholder, Question 12) PIFI's PIFIs have a more mixed opinion, with 33% feeling support has been poor with 33% good, and 34% very good to excellent. (See Annex 8, PIFI, Question 2)
EQ 7.2 To what extent did policy improvements lead to growth or sustainability of the sector? ▪ Clear and efficient regulations ▪ Clear and applicable enforcing mechanisms and rules ▪ Complementary initiatives, i.e. appropriate low-income economic support programmes	The "no objection" response by the RBs, particularly in Fiji, was critical to the piloting and offering of basic mobile banking via MNOs. As noted, however, clear and efficient and enforceable regulations may need to be developed if the sector moves beyond basic savings and transfer products. At the same time, there is minor concern that government could create or revamp existing credit programmes. In Fiji, there are two government subsidized microfinance institutions offering credit that have very poor repayment records. There are talks to revive these institutions and PFIP is among the participants to find a solution that replaces them with something stronger but protects clients in the transition. The concern is that the IFIs must be supported in a way that increases their commitment and good IFI management practice towards sustainability, and not become a conduit for poorly managed government credit. It is more likely that the "no objection" response and the resultant laying of financial services infrastructure tracks will induce a commercial bank to enter the market either alone or in partnership with a MNO. There are few examples of this yet in the world, although as noted, ANZ in Fiji has wanted to introduce their mobile banking product Wing. <u>Source of information</u> ▪ Document analysis ▪ Interviews ▪ National government representatives (e.g., Ministry of Economic Development, Ministry of Agriculture etc.) ▪ Policy /legal documents, manuals/regulations ▪ Donors and partners representatives ▪ Key sector stakeholders (e.g., academics, investors etc.) ▪ IFIs/SSOs

EVALUATION QUESTION No. 7: POLICY AND STRATEGY	To what extent were piloted approaches conducive to IF regulatory/policy/strategy developments?
Sub-questions & Indicators	**Findings and sources of information**
EQ 7.3 Did programs foster governments' commitment towards pursuing the MDGs? • National strategies/strategic partnerships. • Public commitments to IF as part of MDG strategies. • IF sector development linked to other government initiatives	The primary impulse of RB interventions in the IF market is to facilitate the development of basic banking services to the poor. And while financial services do not alone ensure poverty alleviation, RBs understand financial services can provide income smoothing during times of crisis (i.e., access to loans and secure savings accounts) and they help the poor take advantage of economic opportunity when it arises. The commitment to IF by RBs is *de facto* a public commitment to poverty alleviation goals of the MDGs. Moreover, as women are often the beneficiaries of IF services, advancing the IF sector advances MDG gender goals. Source of information ▪ Document analysis ▪ Interviews ▪ Government strategic documents and plans ▪ Government officials ▪ Donors' representatives
EQ 7.5 Are the project's results known and **influential** among key IF sector stakeholders in the region? ▪ IFIs/SSO organizations opinion ▪ Citations in new standards and guidelines for IFI/SSO management among sample IFIs ▪ Question key stakeholder or decision-makers in the field of IF	Given the small size and tight knit nature of financial sector networks in PICs, project's results are widely known and influential among predominate IF sector stakeholders who uniformly support regulatory changes. Source of information ▪ Interviews ▪ Document analysis ▪ Central Government ▪ Main donors

ANNEX 7 GRANTEE FINANCIAL PERFORMANCE OVERVIEWS

Nationwide Microfinance Bank Performance Comparison[76]

	Nepal	Pacific Is	Pakistan	Philippines	Sri Lanka	Vietnam	Nationwide MB
Institutional Characteristics							
Number of MFIs in Sample	14	3	8	50	5	11	1
Average Age	13	7	4	20	9	10	6
Total Assets ('000 US Dollars)	6,128	2,760	14,363	6,272	48,919	604	20,636
Offices	19	9	33	11	48	1	13
Personnel	106	103	430	137	440	32	148
Financing Structure							
Capital/Asset Ratio	8.20%	11.00%	31.00%	18.00%	11.00%	50.00%	23.94%
Debt to Equity Ratio	10.50%	1.10%	2.30%	4.20%	7.90%	1.00%	579.31%
Deposits to Loans	12.90%	35.10%	43.70%	34.50%	74.90%	3.00%	329.34%
Deposits to Total Assets	7.20%	28.30%	13.40%	22.80%	57.40%	2.40%	84.59%
Portfolio to Assets	61.20%	55.30%	36.00%	66.50%	74.20%	91.70%	75.44%
Outreach Indicators							
Number of Active Borrowers	16,951	7,082	31,682	15,095	91,565	4,691	4,974
Number of Loans Outstanding	17,455	7,082	31,682	15,095	119,634	4,691	26,705
Gross Loan Portfolio ('000 US Dollars)	2,469	2,227	5,369	4,091	34,551	551	6,328
Ave. Loan Balance/Borrower	163	240	187	186	244	94	1,272
Ave Loan Balance Per Borrower/GNI per Capita	42.10%	26.30%	22.50%	11.20%	13.30%	11.80%	n/a
Number of Voluntary Depositors	19,786	10,732	8,850	9,936	187,502	1,586	87,869
Voluntary Savings Deposits ('000 US Dollars)	319	782	342	1,574	13,287	9	20,842
Average Deposit Balance	15	73	116	165	63	na	237
Overall Financial Performance							
Return on Assets	1.20%	-4.60%	-12.10%	6.00%	-1.70%	1.00%	0.94%
Return on Equity	20.40%	38.70%	27.90%	42.90%	17.90%	16.70%	6.40%
Operational Self-Sufficiency	119.50%	95.70%	70.10%	111.30%	112.50%	143.10%	101.98%
Financial Self-Sufficiency	118.80%	86.30%	50.80%	105.70%	97.90%	106.80%	97.28%
Efficiency							
Operating expense/Loan Portfolio	12.00%	44.50%	45.40%	31.30%	10.10%	7.90%	30.00%
Personnel Expense/Loan Portfolio	8.00%	23.40%	23.30%	16.70%	5.50%	4.90%	13.09%
Cost Per Borrower	15	117	84	68	28	8	382

[76] Source – Micro Banking Bulletin, Mix Market

Cost Per Loan	15	117	84	68	19	8	71
Productivity							
Borrowers Per Loan Officer	272	208	181	211	393	219	199
Deposit Accounts per Staff Member	232	283	64	89	538	10	594
Risk and Liquidity							
Portfolio at Risk > 30 days	1.40%	0.90%	3.50%	2.50%	2.50%	0.00%	17.60%
Non-Earning Liquid Assets as % Total Assets	9.30%	14.40 %	2.00%	4.00%	1.70%	7.50%	n/a

Nationwide Microfinance Bank	
Reconstructed Balance Sheet as of December 31, 2009	
Assets	
Current Assets	
Cash on Hand and in Banks	33,808,525
Consumer Loans Receivable	12,947,659
Other Receivables	1,148,483
Total Current Assets	47,904,667
Non Current Assets	
Consumer Loans Receivable	2,872,908
Capitalized Pre-Operating Expenses	-
Deferred Tax	151,436
Security Deposit with BPNG	6,808,904
Goodwill on Acquisition	170,271
Fixed Assets	3,688,053
Total Non current Assets	13,691,572
Total Assets	**61,596,239**
Liabilities	
Current Liabilities	
Payables	161,233
Depositors	52,105,612
Provision for Employee Benefits	39,102
Provision for Taxation	267,967
Total Current Liabilities	52,573,914
Shareholders' Equity	
Issue Share Capital	8,350,203
Reserves	672,122
Total Shareholders' Equity	9,022,325
Total Liabilities and Equity	**61,596,239**
Capital/Asset Ratio	14.65%
Debt/Equity Ratio	579.31%

PFIP Grantee Financial Performance Indicators

USD M

	2009	2008	Sources
NBV			
Profit	0.7	1.6	http://www.nbv.vu/en/about-us.html
Income	7.7	8.1	Currency conversion: http://coinmill.com/USD_VUV.html#VUV=764,693000
Vodafone*			
Profit	4,900	10748	http://www.vodafone.com/static/annual_report10/financials/consolidated_financial_statements.html
Income	65,000	56,436	
			Currency conversion: http://www.xe.com/ucc/
Digicel			
Profit	2200	1935	http://www.digicelgroup.com/en/media-center/press-releases/achievements/digicel-group-increases-first-half-profit-by-10
Income	364**	434	http://www.jamaicaobserver.com/business/Digicel-drums-up-US-2-2-billion-in-revenues_7721173

* Consolidated statements
** Consolidated statements
** 2009 profits first half only

ANNEX 8 CGAP APPRAISAL LIGHT

Given that the application of this modified CGAP Lite Analysis is usually applied over a very short period of time and that often times not all information is available, the purpose is not necessarily to offer an exhaustive analysis. Rather, the spreadsheets *act as a guide for the evaluator* to assess where information is available and time permits major elements of an IFIs performance. As a result, final analysis spreadsheets can look quite different from the sheets below. This version is not accredited or sanctioned by CGAP and is a product of ES Global Consulting. Time and data limitations are most often found around management performance.

PFI Performance & Outreach									**Page 1**
	ANSWER FOR ALL PFIS	**Period -- or "P" usually expressed in years**							
Age (in years)									
Project start date	month/year								
Project close date	month/year								
Institutional Type									
No Status	If this is status indicate with a "1"								
Self Help (including ROSCAs)									
NGO rotating credit (not a formal MFI)									
Financial Cooperative (savings)									
Non Financial Cooperative (no savings)									
Credit Union									
Non Bank Financial Institution									
Commercial Bank Government Owned									
Commercial Bank Private									
Development Bank (non agricultural)									
Development Bank (agricultural)									
Specialized MFI(government owned)									
Specialized MFI (non governmental)									
Community Group									
Local Government									
Wholesale fund (government)									
Wholesale Fund (private)									
Other									
Micro Product Offering									
Credit	Indicate incidence with a 1								
Individual									
Group									
Consumption Lending									
In-Kind Lending									
Individual									
Group									
Savings									
Voluntary									

Demand									
Term									
Bonds									
Obligatory									
Other Products									
Remittances									
Insurance									
Project Type									
Financial Stand Alone									
Mixed Financial and Non Financial									

PFI Performance & Outreach									
	ANSWER FOR ALL PFIs - INFORMATION TO COME FROM QUESTIONAIRES								
Performance & Outreach		**PFI 1**			**PFI 2**			**PFI 3**	
	Answer guide	**T 1**	**T 2**	**T 3**	**T 1**	**T 2**	**T 3**	**T 1**	**T 2**
Client Information									
Number of active borrowers (active loans as of date of information)	#								
Percentage of borrowers that are women	%								
Number of active voluntary savers (where savings are not tied to disbursement)	#								
Percentage of savers who are women	%								
Credit Data									
Average Loan Size (outstanding)									
Product One									
Product Two									
Savings Data									
Value of voluntary savings balance (does not include forced savings or cash collateral)	$								
Average savings balance	$								
Portfolio Data									
Value of loan portfolio (current not cumulative, lent to clients and not yet repaid)	$								
Portfolio at Risk (30 days: if not available state period)	%								
If PAR is not available report other indicators used (e.g., arrears rate, repayment rate)									

Indicator 1	%								
Indicator 2	%								
Average Outstanding Loan Size	$								
Average Outstanding Balance/GNI per Capita	$								
Profitability									
Operational Self Sustainability Ratio (see def below)	%								
FSS Ratio (if data is available)	%								
Efficiency and Productivity									
Administrative Efficiency (administrative costs excluding financial costs as % of avg. net portfolio)	%								
Number of active loans per loan officer (end of period)	#								
Outstanding portfolio per loan officer (end of period)	$								
Savings Balance per staff member	$								
Yield Gap (Actual Yield as a percent of portfolio) / (Expected Yield as a percent of portfolio)	%								
Liquidity									
Non-earning liquid assets/Total Assets	%								
Cash as a percent of total savings	%								
Capital Adequacy									
Equity as a percent of Total Assets	%								
Liabilities									
Total Liabilities	$								
Total Commercial Liabilities	$								
Net Commercial Liabilities as a percent of Total Assets	%								

PFI Performance & Outreach									**Page 3**
	Answer guide	**PFI 1**	**PFI 2**	**PFI 3**					
Product or Service	Describe new product, product methodology or service introduced as a result of UNCDF project (e.g. individual lending, remittances, etc.)								
Technology	Describe new technology introduced as a result of the UNCDF project (e.g. mobile banking, cell phones, hand-held technology, etc.)								
Other	Describe								

Reports									
Annual Financial Reports	Specify if financial activities are separated or part of a multi-sector programme.								
Audited Financial Statements	Note if audited or unaudited								
Rating	Specify if the rater is a commercial or microfinance-specific rater								
Government Involvement									
Level of government involvement	No government involvement, local government, regional/state/provincial government, national government, via development bank								
Attribution Indicators									
Total UNCDF Financing % Funding	$ financing (i.e., not grant funds)								
Total UNCDF Grant Contribution % of Total Funding	%								
IFADs Contribution as a % of total non savings Funding	%								
Technical Service Provision By IFAD	Indicate selection with a 1								
None									
Some (1-4 weeks/year)									
Moderate (<4 > 12 weeks/year)									
Significant (<12 weeks/year)									
Technical Service Provision By Other Source	Indicate selection with a 1								
None									
Some (1-4 weeks/year)									
Moderate (<4 > 12 weeks/year)									
Significant (<12 weeks/year)									
UNCDF Presence	Indicate selection with a 1								
Local Representative (non FI)									
Local Representative (FI experience)									
CPM with no FI experience									
CPM with FI experience									
Grant Use	Indicate selection with a 1								
Technical Services									
Non Financial Assets									
Financial Assets									
Operational Losses									

PFI Performance & Outreach									Page 4
	ANSWER FOR MISSION COUNTRY PFIS ONLY								
CGAP Lite	**Answer guide**	**PFI 1**	**PFI 2**	**PFI 3**					
Governance and ownership;	Licensed and regulated								
	Board members represent shareholders								
	Board meets as least three times per year								
	Board reviews financial performance								
Mission;	Mission covers key elements of what, where and for whom								
	Mission known to all management								
	Mission understood by all staff								
	Mission reflected in business plan								
	Mission in line with best practice MF								
Organizational structure;	Organizational chart clear and logical								
	Job descriptions in line with organizational chart								
	Institutional practice reflected by organizational chart								
Human resource management;	Existence and implementation of a human resource manual								
	Clear staff recruitment, performance, disciplinary, promotion and termination policies								
	Staff incentive system encouraging quality and quantity								
	Staff training and promotion practices encouraging high levels of staff performance								
Planning processes of the MFI;	Existence of a business plan								
	Evidence of use and updating of the business plan								
	Business plan is realistic and demonstrates significant growth								
	Evidence that staff were involved and informed about planning process								
Products and Lending Methodology;	Does the lending methodology have in-built incentives for repayment?								
	Is loan classification undertaken, loans diligently followed-up accordingly?								

	Is the product mix right for the growth stage of the organization?								
	Are products demand driven?								
	Does the MFI have a seemingly sustainable competitive advantage?								
Financial Management;	Accurate financial statements produced each month								
	Financial statement used by management and board for decision making								
	Ratio analysis undertaken and used								
	Diversification of funding sources								
MIS systems; and	System able to produce daily data on portfolio and arrears by product and loan officer								
	System has various levels of authorization depending on responsibilities of position								

PFI Performance & Outreach									**Page 5**
	ANSWER FOR MISSION COUNTRY PFIS ONLY								
CGAP Lite (continued)	**Answer guide**	**PFI 1**	**PFI 2**	**PFI 3**					
	System able to produce reports from previous time periods with accuracy								
	Portfolio balance reconciled regularly with accounting system								
Internal control and audit	Existence of internal audit function, reporting to the board								
	Basic reconciliations in place of portfolio, loan balance, cash, bank accounts and insurance balances								
	Basic cash handling policies in place and implemented, including cash counts, loan officers not handling cash and double signature on check								
	Evidence that fraud is dealt with in a timely and appropriate manner								

Client Impact

Target Clients	**PFI 1**	**PFI 2**	**PFI 3**	
Describe Project's Target Clients	**Use comment feature**			
Credit Products (all project products)	**PFI 1**	**PFI 2**	**PFI 3**	
Percentage Poor Clients	%	%	%	
Percentage of borrowers that are women	%	%	%	
Average Loan Size	$US	$US	$US	
Average Loan/GNI per capita	%	%	%	
Savings Products (all project products)	**PFI 1**	**PFI 2**	**PFI 3**	
Percentage of savers who are women	%	%	%	
Average savings size	$US	$US	$US	
Other Indicators	**PFI 1**	**PFI 2**	**PFI 3**	
Client Asset Growth Impact	0 to 5	0 to 5	0 to 5	Note: subjective indicators based on RES and CE evaluation
Client Income Growth Impact	0 to 5	0 to 5	0 to 5	Note: subjective indicators based on RES and CE evaluation
Client Health Impact	0 to 5	0 to 5	0 to 5	Note: subjective indicators based on RES and CE evaluation
Client Education Impact	0 to 5	0 to 5	0 to 5	Note: subjective indicators based on RES and CE evaluation

Other Indicator Index

0 = not enough information to make and informed observation

1 = Low & 5 = High

Lessons Learned

Please note that the following list is representative and not comprehensive.
Please add ideas and items as they occur.

Stakeholder Participation	
Processes for involving poor	
Processes for decision making	
Representing the poor	
Differentiated Financial System	
Institutional Level	
Legal & Regulatory Level	
Supporting PFI Performance	
Internal tools or techniques	
External tools or techniques	
Innovations	
Product	
Service	
Marketing	
Management	
Technology	
Credit Methodology	
Project Management	
Process	
Tools	

ANNEX 9 PFIP SURVEYS

	PIFI - Partner Inclusive Financial Institutions/Sector Service Organizations Survey	1*	2	3	4	5	%				
1	Rate the extend to which the programme meets the needs of the inclusive finance sector.	0	0	3	2	1	0%	0%	50%	33%	17%
2	Rate the extent to which the programme helps to embed inclusive financial sector interests in government institutions.	0	2	2	1	1	0%	33%	33%	17%	17%
3	Rate the extent to which programme investments correspond to your FSP's or SSO's priorities and needs.	0	0	1	4	1	0%	0%	17%	67%	17%
4	Rate the extent to which funds/services from the programme have been effectively transferred to your FSO or SSO.	0	1	1	2	2	0%	17%	17%	33%	33%
5	Rate the extent to which technical assistance (TA) or other services have been effectively delivered to your FSP or SSO.	0	1	3	2	0	0%	17%	50%	33%	0%
6	Rate the extent to which the programme has improved the long-term planning, management and governance processes at your FSP or SSO.	0	0	3	2	1	0%	0%	50%	33%	17%
7	Rate the extent to which the programme has supported the development of needed inclusive financial sector infrastructure developments.	1	0	1	3	1	17%	0%	17%	50%	17%
8	Has the programme support helped to mobilize additional resources for FPSs and SSOs beyond those of programmed funding?	0	2	2	1	1	0%	33%	33%	17%	17%
9	Rate the extent to which inclusive financial sector market areas are being served as a result of the project:						0%	0%	0%	0%	0%
	a. New geographic markets.	0	0	4	1	1	0%	0%	67%	17%	17%
	b. New IFI/Service type markets (savings, credit, insurance, etc.).	0	1	2	3	0	0%	17%	33%	50%	0%
10	Rate the extent to which there is greater competition in the inclusive financial sector.	0	2	1	3	0	0%	33%	17%	50%	0%
11	Rate the extent to which current inclusive finance sector services meet the needs of low-income clients.	0	1	3	2	0	0%	17%	50%	33%	0%
12	Rate the extent to which FSPs/SSOs provide appropriate products & services to women.	0	1	3	2	0	0%	17%	50%	33%	0%
13	Rate the extent to which FSPs/SSOs are aware of existing environmental finance regulations, environmental risks to portfolio and/or significant environmental impacts due to lending activities.	0	1	2	3	0	0%	17%	33%	50%	0%
	Total	1	12	31	31	9					
14	Will your business be:		Yes		No						
	a. financially viable before participation in the programme?		2		4						
	b. reach/maintain financially viability after the completion of the programme?		3		3						
	c. be financially viable not long after the completion of the programme?		2		4						

*** 1 = very poor 2 = poor 3 = good 4 = very good 5 = excellent**

	Stakeholder - Programme Stakeholders Survey	1*	2	3	4	5	%				
1	Rate the consistency of the programme design with Asia Pacific regional and country specific national poverty reduction priorities.	0	0	3	4	1	0%	0%	38%	50%	13%
2	Rate the extent to which the programme design is aligned with government(s) financial sector development plans/strategy.	0	1	2	3	2	0%	17%	25%	38%	25%
3	Rate the extent to which the programme meets the needs of the finance sector.	0	0	2	4	2	0%	0%	25%	50%	25%
4	Rate the extent to which the following actors are engaged in the programme:										
	a. Government and/or Central Bank and/or Bank Superintendence.	0	0	1	4	3	0%	0%	13%	50%	38%
	b. Private Sector (non finance).	0	1	4	3	0	0%	17%	50%	38%	0%
	c. Inclusive finance sector business.	0	1	2	3	2	0%	17%	25%	38%	25%
	d. Non governmental organizations/associations.	0	1	4	3	0	0%	17%	50%	38%	0%
5	Rate how well the programme has strengthened the capacities of the following actors in the inclusive financial sector:										
	a. Financial Service providers.	0	0	1	4	3	0%	0%	13%	50%	38%
	b. Government agencies.	0	1	3	2	0	0%	17%	50%	33%	0%
	c. Central Bank/Bank Supervisor.	0	0	4	4	0	0%	0%	50%	50%	0%
	d. Donors (not including UNDP/UNCDF).	2	2	1	0	0	33%	33%	20%	0%	0%
	e. Donors (not including UNDP/UNCDF).	0	0	0	0	0	0%	0%	0%	0%	0%
6	Rate how effectively funds from the programme have been transferred to financial service providers and/or other project partners.	1	0	1	1	0	17%	0%	33%	33%	0%
7	Rate how effectively programme services/support has been delivered to the financial service provision partners and or other project partners.	0	0	0	2	2	0%	0%	0%	50%	50%
8	Rate the extent to which the programme has enhanced the market for inclusive financial services.	0	1	2	2	1	0%	17%	33%	33%	17%
9	Rate the extent to which the programme supported the development of financially viable financial service providers.	1	1	2	3	1	17%	17%	25%	38%	13%
10	Rate the extent to which financial services offered by financial service providers participating in the programme meet the needs of low-income clients.	1	1	1	2	1	17%	17%	17%	33%	17%
11	Rate the performance of the programme's partnership.	0	1	2	2	1	0%	17%	33%	33%	17%
12	Rate the extent to which the programme supported appropriate inclusive finance sector regulatory/policy/strategy developments.	0	1	3	3	1	0%	17%	38%	38%	13%
13	Rate the extent to which financial service providers met the needs of women.	1	2	1	1	1	17%	33%	17%	17%	17%
14	Rate the extent to which financial service providers are aware of existing environmental finance regulations, environmental risks to portfolio and/or significant environmental impacts due to financing activities.	0	2	2	1	1	0%	33%	33%	17%	17%

*** 1 = very poor 2 = poor 3 = good 4 = very good 5 = excellent**

ANNEX 10 MANAGEMENT RESPONSE MATRIX

- **The Evaluation Team Leader** will use this Evaluation Follow-up Matrix to summarise the key findings and recommendations of the evaluation, and propose responsibilities and timeline for follow up.
- **The Portfolio Manager** will subsequently discuss the recommendations and proposed follow-up responsibility and timeline with programme stakeholders and record agreed follow-up actions, responsibilities and timelines in this matrix, and use it monitor their implementation.
- **The Director of Practice Division** is responsible for oversight, to ensure timely implementation of agreed follow up actions.
- **The Evaluation Unit** will periodically report to UNCDF Senior Management and the Executive Board on progress in implementing agreed follow up to evaluations, as part of its accountability function.

UNCDF Management Response Template
[Name of the Evaluation] Date:

Prepared by: Marc de Sousa Shields	Position: Team Leader	Unit/Bureau: ES Global
Cleared by:	Position:	Unit/Bureau:
Input into and update in ERC:	Position:	Unit/Bureau:

Overall comments:
The Programme is relevant and well accepted by stakeholders and is on a positive performance trajectory towards meeting the terms of its mission, purpose and outcomes. While most grants have not yet been fully implemented, advances have been made at each of the low income financial service provision (micro), financial infrastructure (meso) and at the policy and regulatory (macro) levels of the inclusive finance (IF) sector. Programme supported savings, fund transfer and mobile/electronic banking services are having (and are expected to have) a positive poverty alleviation impact, it is still unclear if they will lead to the full array of service required to fully integrate the poor into the financial system. The sector is also somewhat dependent on PFIP as a driving force behind sector development and needs to devolve some of its networking and advocacy functions. The following sections presents recommendations.

Evaluation Recommendation 1: Develop an Exit Strategy PFIP should develop a exit strategy designed to ensure sector leadership roles are passed on to sustainable institutions able and willing to take on various networking, advisory, funding and advocacy roles.				
Management Response:				
Key Action(s) proposed by the evaluation team	**Time Frame**	**Responsible Unit(s)**	**Tracking***	
			Status	**Comments**
1.1 Stakeholder interviews to identify critical leadership roles to be devolved to other institutions.	Q1 2011			
1.2 Identify requisite institutions	Q1 2011			
1.2 Draft exit strategy/plan	Q1 2011			
1.3 Assess feasibility/viability of PFIP closure, if not, go to recommendation 2.	Q2 2011			
Evaluation Recommendation 2: Extend Programme UNCDF should extend programme to the end of 2012 and consider a second phase if critical sector developmental activities (e.g., networking functions, knowledge generation, advocacy, networking and strategic grant making) devolved to other credible institutions or taken up by parallel programmes.				
Management Response:				
Key Actions proposed by the evaluation team	**Time Frame**	**Responsible Unit(s)**	**Tracking**	
			Status	**Comments**
2.1 Develop extension strategy with phasing out as core activity	Q2 – Q3 2011			
2.2. Ensure adequate financial and management resources are available to manage to same level.	Q2 – Q3 2011			
Evaluation Recommendation 3: Enhance IF Product & Services Potential Expand market research on mobile banking, including intensive study of PFIP grantee experience to prepare donors, the private sector and regulators for the expansion of more mobile IF sector products and services, particularly the development of credit services. Initiate research on access and relevance of mobile phone banking to women. -				
Management Response:				
Key Actions proposed by the evaluation team	**Time Frame**	**Responsible Unit(s)**	**Tracking**	
			Status	**Comments**
3.1 Commission review of mobile phone projects focusing on a) the	Q2 2011			

sustainability of the services/business model and b) potential for supporting a broader range of financial services.				
3.2 Commission review of how/if the financial and other interests of women are served by mobile phone and or electronic banking services.	02 2011			
Evaluation Recommendation 4: MPN Improves Performance or Cut Funding State acceptable good practice management and governance terms MPN must achieve or cut funding and seek alternative solutions to the sector's networking organizational needs.				
Management Response:				
Key Actions proposed by the evaluation team	**Time Frame**	**Responsible Unit(s)**	**Tracking**	
			Status	**Comments**
4.1 Prepare a quantitative and qualitative brief of MPN performance	Q1 2011			
4.2 Convene meeting with MPN and FCD to discuss brief	Q1 2011			
4.3 If no viable scenario is proposed for sustainability during the meeting end funding.	Q1 2011			
Evaluation Recommendation 5: Monitoring and Reporting For all new grants standardize and clarify key indicators in contracts and appraisals; increase/refine grantee financial reporting to ensure comparability of data and to provide more precise outcomes/outputs reporting. Mindful of corporate information security, financial data on MNO products should be collected to ensure knowledge/experience is available for other projects/programmes and the sector generally.				
Management Response:	**Time Frame**	**Responsible Unit(s)**		
Key Actions proposed by the evaluation team			**Tracking**	
			Status	**Comments**
5.1. Review appraisals and contracts for key indicators and reporting data	Q1 2011			
5.2 Prepare list of key indicator definitions with qualifications (e.g., for different jurisdictions and or MIS systems	Q1 2011			
5.3 Prepare list of minimum reporting indicators for PIFIs, SSOs, and other business organization grantees.	Q2 2011			
5.4 Develop policy for application of definitions and reporting indicators and consistently apply	n/a			
Evaluation Recommendation 6: Improved file management PFIP is working with multinational corporations with high sensitivities to corporate security/secrecy. The programme needs to bring its file management system				

up to commercial security levels.				
Management Response:	**Time Frame**	**Responsible Unit(s)**		
Key Actions proposed by the evaluation team			**Tracking Status**	**Tracking Status**
6.1 Consult with file security expert including file management and information processes.	Q2 2011			
6.2 Develop file security policy and information management process policy.	Q2 2011			
63. Share policy with other UNCDF programmes if desired.	n/a			
Evaluation Recommendation 7: Appoint mentor/point person and programme champion. For all new managers/programmes appoint a UNDP/UNCDF point person or mentor to help minimize the learning curve" around procurement, budget and other procedural challenges. A senior management champion within one or both institutions can be appointed to help resolve policy issues during the life of the programme.				
Management Response:				
Some Key Actions proposed by the evaluation team	**Time Frame**	**Responsible Unit(s)**	**Tracking Status**	**Comments**
Assess practicality of appointing mentor and point person for new managers of UNCDF programme (joint with UNDP or indepent)	n/a			