

12th February 2020

## Management Response (Pacific Financial Inclusion Programme – Phase II – Final Evaluation)

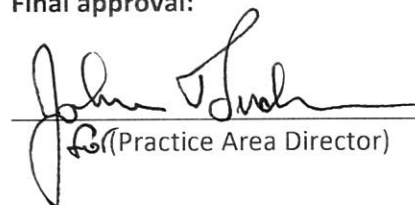
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**ERC Tracking:** Programme Managers and/or Regional Technical Advisors responsible for the evaluated project/programme are responsible to formally track progress against the committed key actions until all key actions have been completed.

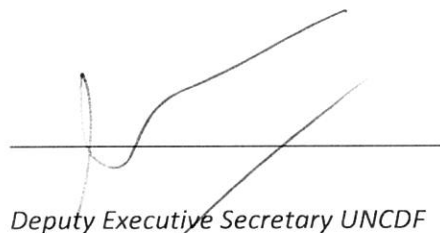
**Final approval:**



(Practice Area Director)

Place: UNCDF, New York

Date: 12/2/2020

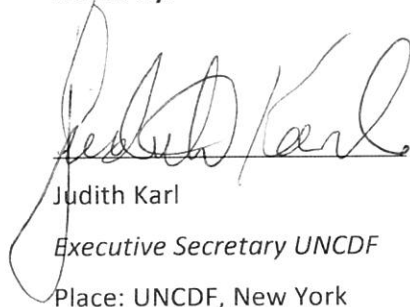


Deputy Executive Secretary UNCDF

Place: UNCDF, New York

Date: 23/02/20

**Noted by:**



Judith Karl  
Executive Secretary UNCDF

Place: UNCDF, New York

Date:

**UNDP Management Response Template**  
**Final evaluation – Pacific Financial Inclusion Programme – Phase II**

Date: 12 January 2020



**Overall comments:**

PFIP considers this final evaluation as a positive evaluation, which highlights the contributions of the programme team and reflecting the impact the programme has had on various levels in the Pacific markets. The programme management believes the conclusions and the recommendations provided are in line with the strategic orientation of UNCDF and as such has already taken steps to implement many of them, either under PFIP-II's remaining time left, or is incorporating these within the new programme proposals that are currently under development.

**Evaluation Recommendation or Issue 1:**

PFIP Phase II has clearly registered success through the support offered to central banks and national governments in establishing the NFIS and the relevant architecture for steering the policy discourse, including working groups to bring together various strands under financial inclusion.

- a. **Data management to guide strategic decisions:** KIIs with central bank showed that central banks look to PFIP and its team for technical and management guidance. While multi-stakeholder working groups and their coordination may not be entirely under PFIP's purview, specific guidance around data management that can help guide discussions more proactively within these groups should definitely be considered as part of the next phase of programme design.
- b. **Global technical expertise:** The evaluators did not come across very strong evidence in the form of regular, nuanced and credible data that is being reported by central banks on a periodic basis for a standardized list of output, outcomes and impact metrics. PFIP can play a critical role in bringing together global best practices, technical advisory and management experience to ensure that the implementation of NFIS is more nimble and data driven.
- c. **Continue to support knowledge products like the Demand Side Surveys** that have been singularly responsible for establishing credible baselines for countries where PFIP is operational and for offering valuable insights into the informal sector that still remains a grey area for many FSPs and other stakeholders. The next phase should continue to build this database to drive decision making and relevant intervention design for low income segments, particularly in rural areas and especially for women.

**Management Response:**

Agree with the recommendation.

Financial Inclusion data collection and reporting has been a challenge faced by all regional Central Banks. PFIP II started addressing this challenge with technical assistance to Central Bank of Solomon Islands, Central Bank of Samoa and Reserve bank of Vanuatu by developing a common generic reporting template to track key indicators aligned to their National Financial Inclusion Strategies, and it assisted the Central Banks in conducting workshops with reporting FSPs. More recently Reserve Bank of Fiji has requested support from PFIP and AFI for another DSS, which is foreseen to take place in 2020. Despite these various types of support from PFIP and other development partners standardization of output, outcomes and impact metrics remains a challenge in the region.

Going forward, under the Pacific Digital Economy Programme (PDEP), one of PFIP's successor programmes, which will focus on the Pacific digital economy, the

management aims to put extra focus on supporting the statistics bureaus and central banks in the region to strengthen the capacity of national statistical systems to produce better, more reliable statistics that are internationally comparable. To this extend it seeks to partner with UNCTAD, which is leading the global efforts standardize measuring and data collection for the digital economy.

Key Action(s)	Time Frame	Responsible Unit(s)	Tracking*	
			Status	Comments
1.1. Organize second Demand Side Survey in Fiji by Reserve Bank of Fiji and Fiji Bureau of Statistics with TA support from PFIP	Dec 2020	PFIP	Initiated	Procurement of TA support for DSS pending
1.2 Partnership agreement signed between UNCDF and UNCTAD, which covers support to statistics bureaus and central banks as part of PFIP's successor programme focusing on Pacific digital economy	July 2020	PFIP	Initiated	Negotiations between UNCDF and UNCTAD pending and activity included in the draft ProDoc under workstream "Enabling policy and regulation", activity 1.1

#### Evaluation Recommendation or Issue 2:

Bringing payments system to the centre stage: Digital payments and building the ecosystem to support it was one of the key areas of intervention for PFIP- II but not many initiatives have been taken up in this space. It is an important use case in the PICs where technology driven platforms to facilitate transactions can potentially address challenges around geographical dispersion, high operational costs and low quality of infrastructure, among others. Global examples from countries like India have shown that driving the payments ecosystem creates immediate use case and helps onboard consumers to use digital financial services.<sup>1</sup> Developing the payments ecosystem in a context like the Pacific region could be a significant nudge in the direction of creating use cases that will drive access to adoption. The next phase of PFIP should bring the payments ecosystem to the centre stage of its work as one of its key domain areas.

#### Management Response:

Agree with the recommendation.

The payment ecosystem in the Pacific remains under-developed as compared to other regions in the world and except for PNG, which has only recently launched their REPS payments system, no country in the Pacific has yet deployed fully interoperable payment systems. The World Bank group, in partnership with the Central Banks in the region, has been leading the work in establishing inter-operability and national payment switches. This is still work in progress and present timelines indicate at least 2 to 3 more years for this to be fully completed across the bigger countries in the region. Given that the World Bank group is leading this area of work, PFIP management has been of the opinion that its role should be restricted to advocacy, facilitating partnerships and providing direct support to private sector Financial Service Providers, such as MNOs and banks to develop and launch their own payment services and where possible support interoperability between FSP's, or use alternative digital platforms to facilitate low value retail payments, such as the use of mobile airtime credits in Solomon Islands. Where possible support could be provided to those partner FSP's to connect to payments systems as established by the World Bank Group and the central banks across the region. However, this is still not feasible as these have not been commissioned yet, or as in the case of PNG, are in very early stage.

The management acknowledges the need for more emphasis in this area and to that extend this topic will receive specific attention through a dedicated workstream (Open Digital Payment Ecosystem) under the Pacific Digital Economy Programme, one of PFIP's successor programmes. Activities proposed under this

<sup>1</sup> <https://assets.kpmg/content/dam/kpmg/in/pdf/2019/08/Fintech-in-India%E2%80%93Powering-mobile-payments.pdf>

workstream will seek to complement the work of other development partners, such as the World Bank group and will specifically focus on interventions in digital payments that can unlock the Pacific digital economy, such as ‘open banking’ platforms and e-commerce payments aggregation.				
Key Action(s)	Time Frame	Responsible Unit(s)	Tracking	
			Status	Comments
2.1. Market assessment study for regional payments aggregation and Open Banking to support a digital economy in the Pacific	Aug 2020	PFIP	Initiated	ToR currently under development and follow on activities are included in the draft ProDoc under workstream “Open Digital Payment Ecosystems”, activity 3.2
<b>Evaluation Recommendation or Issue 3:</b> <u>Contextualise agency banking for PICs:</u> Regulations allowing banks and nonbank e-money issuers to appoint agents have been in place for a decade in quite a few countries. These regulations were often inspired by Brazil’s experience dating back as far as the 1970s. In 2006, for example, India first adopted its “business correspondent” (agent) regulations. <sup>2</sup> However, in the PICs, there is still a lot of uncertainty around the selection of agents, criteria thereof, the infrastructure pre-requisites, accountability matrix to consumers, de-risking cash management, especially in countries like PNG where security is an issue. Among the PICs, Fiji has an Agent Banking Guideline that it introduced in 2013, but it has not been updated since and provides very generic guidelines around agent selection and transactions allowed through branchless banking. PFIP’s next phase could focus on studying lessons from some of these global practices around agency banking regulations and help central banks contextualize it for the PICs.				
<b>Management Response:</b> Agree with the recommendation.  The management acknowledges the need for more support to central banks in this area and to that extend in 2019 it has at the request of the Central Bank of Solomon Islands (CBSI), already done an assessment on the feasibility for an interoperable shared agency network platform (One liquidity, one agent interface), to be utilized by traditional and non-traditional financial service provider. In 2020 this will be followed with additional TA for CBSI to conduct a technology assessments/system audits and prepare technical design elements of the shared agency banking service in Solomon Islands.  Additionally, it will develop a KM product to document lessons learned from PFIP’s existing initiatives, looking at the market constraints of PIC versus global best practices around agency banking.  Furthermore, this topic will receive specific attention through activities in a dedicated workstream (Enabling Policy and Regulatory Environment) under the Pacific Digital Economy Programme, one of PFIP’s successor programmes. These activities proposed under this workstream will seek to “support capacity building of policy makers and regulators and assist in review and amendments of policies and regulations affecting the Digital Economy”.				
Key Action(s)	Time Frame	Responsible Unit(s)	Tracking	
			Status	Comments
3.1 Conduct a technology assessment/system audit and prepare technical design of shared agency banking network for CBSI in Solomon Islands.	June 2020	PFIP	Initiated	Consultant for TA has been procured. Work expected to start in Feb 2020.

<sup>2</sup> <https://www.cgap.org/blog/its-time-deregulate-agent-cash-incash-out>

3.2 Develop a KM product with lessons learned from PFIP's existing initiatives on agency banking, looking at the market constraints of PIC versus global best practices around agency banking.	June 2020	PFIP	Not initiated	ToR to be developed.
3.3 Partnership agreement signed between UNCDF and UNCTAD, which covers capacity building of policy makers and regulators and assist in review and amendments of policies and regulations affecting the Digital Economy.	July 2020	PFIP	Initiated	Negotiations between UNCDF and UNCTAD pending and activity included in the draft ProDoc under workstream "Enabling policy and regulation", activity 1.3

#### **Evaluation Recommendation or Issue 4:**

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

- a. For insurance and pension products, the programme should focus on regional expansion using successful examples (Fijicare, SINPF) and drive factors to ensure long term sustainability of these programmes.
- b. Domains such as energy financing, climate resilience financing should be enabled within the PFIP management to align with needs of the PIC context and to bring in more professional rigor and accountability for the results realized through such project commissions both from the PFIP and the partner management perspective.
- c. Credit has clearly emerged as an urgent domain for PFIP to focus on, especially from consumers as a stakeholder group that continue to reach out to informal sources that are exploitative albeit convenient, to access credit. All countries in the PICs exhibit severe deficiencies in the credit market – be it microfinance or small enterprise financing. It is suggested that within the well-suited Digital strategy, PFIP-III should focus on expanding credit outreach- which will have a multiplier effect on payments and insurance.
- d. Domain for channel innovation that can look at increasingly agile ways to facilitate the reach and adoption of financial services. This often requires collaboration between multiple entities such as MNOs, FSPs, commercial banks, white label agent/infrastructure solutions that has been enabled for different projects in the current programme phase. Examples such as CBSI pilot project to use airtime for payments and savings is one such project that shows the efforts put in by PFIP and its partners to create innovative, consumer centric service. However, as also observed through other projects such as HFC, Westpac, more rigor needs to be brought in to detect early on during project implementation about channels that do not work and the possible alternatives that can be plugged in suited to the environment within which consumers, especially those from low income segments and especially women, exist.
- e. Digitization of G2P payments will also feed into agency banking volumes and should be a focus area for the subsequent phases of PFIP. There is also

support and collaboration available in this space due to the work taken up by other development agencies such as IFC and can be leveraged to drive ecosystem level changes that will ultimately help drive better use cases for last mile consumers.

- f. SMEs are clearly a focus for most national governments that PFIP engages with. SME guidelines/policies also focus primarily on agri value chains that primarily employ the low-income informal sector- the key outreach for PFIP projects. Hence, it would merit to enable SME financing as a key domain area under the subsequent phases of PFIP.
- g. The remittance sector remains underserved in spite of migration being a key feature defining the economies of various PICs, - both at intra and inter country levels especially where seasonal workers are a significant constituent of the demography. Insights gathered through FGDs show that recipients of remittances still travel large and inconvenient distances to access funds.<sup>3</sup>

#### **Management Response:**

Agree with the recommendations

- a. On insurance and pension products: Bundled micro-insurance, through FijiCare subsidiary in Vanuatu (VanCare) has already been launched and FijiCare, with PFIP support has already applied for a license to operate in Solomon Islands to roll-out micro-insurance. Equally, the lessons learned from those experiences in Fiji and Vanuatu have been used to inform the design for a similar micro-insurance service in PNG with LIC and UCPNG as well as in Kiribati

The successful SINPF micro-pension project is already being replicated in Vanuatu with VNPF; completing the pilot phase in Oct/Nov 2019 and planning for a national scale up from early 2020. And in PNG, the feasibility assessment for NASFUND has been completed for which a pilot is being prepared.

- b. On energy financing, climate resilience financing: This is a domain that UNCDF has a strong track-record through its CleanStart programme in Asia and Africa and the projects with SolaPayGo and Nationwide Microbank in PNG are successful and less successful attempts by PFIP to get clean energy financing into the Pacific. Leveraging this experience from PNG as well as the expertise from UNCDF's CleanStart programme, the PFIP management as part of the PDEP successor programme, aims to support the development and scaling of off-grid energy solutions as electricity is seen as a critical element of last-mile distribution in a digital economy eco-system.

The PFIP management acknowledges that Pacific islands and its communities are highly vulnerable to climate risks and other natural hazards. As an extension of the successful micro-insurance portfolio under PFIP II, a partnership with the Munich Climate Insurance Initiative (MCII) has been established. Together with MCII the PFIP team has prepared the ground work for a new Pacific Insurance & Climate Adaptation Programme (PICAP) and a concrete programme proposal is currently under development. The PICAP will address the following areas: (1) Increasing resilience through integrated disaster risk management (2) Establishing national disaster risk financing strategies (3) Insuring individuals and governments (4) Developing market-based parametric insurance and other disaster risk financing solutions for meso and micro clients

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<sup>3</sup> PFIP has set up remittance focused projects like in Tonga (Tonga Development Bank). TDB is reported to be a very successful example of how remittance solution has been scaled up within one year and reducing costs of remittances. Tonga was not covered as part of evaluation and lessons from the project could be used to scale PFIP's work in the remittances space going forward

- c. On credit: FSPs in the Pacific region are generally very risk averse and despite efforts from PFIP to spur innovations in the sector, they have remained very cautious to apply more bold innovations in the delivery of credit. Although the PFIP currently supports National Bank of Vanuatu to digitize the underwriting and other credit related processes for its SME credit portfolio, more courageous attempts by our FSP partners to innovate, such as through the partnership between HFC and Vodafone Fiji to develop a mobile loan product linked to the M-PAiSA wallet are unfortunately still an exception, whereas in Asia and Africa these type of services have seen widespread adoption in recent years and do not require interventions from development partners anymore, other than to support consumer protection related to these digital credit products.

In PFIP's successor programme, the PDEP this will receive specific attention where digital credit solutions, integrated with e-commerce platforms and digital payments solutions are key to drive the development of a nascent Pacific digital economy

- d. On channel innovation: Under PFIP II a good number of projects involved innovations on delivery channels. Despite failures valuable lessons have been learnt, most notably that FSP's have been trying to compete in small markets in the Pacific with business models that require significant scaling before they can be financially sustainable. Given the limited market size in the Pacific, collaboration between FSP's is critical. The project in the Solomon Islands, where multiple stakeholders (i.e. central bank, provident fund, 2 telecom operators, tax authorities and PFIP) are collaborating to establish a common platform using airtime credit is expected to provide valuable additional insights for replication in other markets.

The PFIP successor program PDEP will have specific activities under the Open Digital Payments Ecosystem workstream, which seek to establish shared last mile infrastructure for a digital economy and seek to innovate on the back of those channels to ensure a healthy market development with sustainable competition on services delivered at the last mile.

- e. On digitization of G2P payments: Under the first phase of PFIP a good amount of work has been done to digitize social welfare payments in Fiji. Despite the fact that three countries within PFIP's remit (Fiji, PNG and Solomon Islands) became member countries of the Better Than Cash Alliance, which implies government commitments with specific targets for digitization of G2P and P2G payments, PFIP has not been able to leverage this to its full extend. The PFIP experience in this area, although limited primarily to the first phase of PFIP, provide good opportunities for further engagement with government stakeholders. It is recognized however, that this type of interventions have long gestation periods as they typically not only need changes at policy level, but also at government systems and processes.

The PFIP management recognizes the increasing interest from various Pacific governments for eGovernment initiatives and it is specifically linked to these initiatives that explicit activities for G2P and P2G are foreseen under the PDEP, the successor programme. More specifically support in piloting and scaling of eGovernment initiatives and G2P/P2G payments initiatives. We also note to collaborate and leverage the work of other development partners already active in this area, such as IFC.

- f. On SMEs: In Samoa, PFIP in partnership with UN-ESCAP is now providing technical assistance to the Central Bank and Ministry of Industry to review the current credit guarantee scheme for MSMEs. In Vanuatu PFIP is currently providing support to NBV to digitize and optimize its credit operations for SME lending. Additionally, and following the research in Fiji to assess the feasibility for setting up a dedicated SME financing bank in Fiji, PFIP is preparing to engage with the RBF and HFC bank to realize this in 2020.

Since MSME's will be one of the focus segments of PDEP, it is foreseen that similar and associated activities will continue under PFIP's successor

programme. For that reason UNCDF will also recruit a dedicated resource (MSME and Blended Finance Specialist) to support these activities.

- g. On remittances: Under PFIP II, there are four projects that have a specific focus on remittances. While some are underway and seeing good early results, others are in their nascent stages.

For example, the project with Tonga Development Bank to support the scaling and marketing of their international remittances product Ave Panga Pau (APP), which complements the support that TDB received from IFC, has received good traction with over 2,700 clients registered and over NZ\$ 7 million flowing as remittances in a one year period. The APP is now being enhanced by TDB to cater for the Australia-Tonga corridor as well.

Under the National Bank of Vanuatu digital banking project, PFIP has supported the development of a mobile banking app. The app allows both seasonal workers as well as other users to open and manage their AUD and NZD accounts and send remittances from Australia or New Zealand without exchange rate losses. Uptake numbers are on the increase, while NBV is using targeted marketing campaigns under the departing seasonal workers in Vanuatu to increase further uptake.

PFIP has supported the National Bank of Samoa to connect their accountholders with Digicel's mobile wallets, allowing inward remittances from New Zealand to be channelled into an NBS bank account. Although the uptake has been somewhat disappointing, joint efforts from NBS and Digicel, with support from the project are underway to turn the tide.

Lastly, under the Innovation Lab initiative Vodafone Fiji is developing their International Money Transfer Hub (IMT Hub). This will leverage the connections that Vodafone Fiji already has with a wide range of Money Transfer Operators to connect inward remittances flows to be settled in their M-PAiSA wallet in Fiji, as well as other e-wallets of Vodafone-ATH group of companies in Kiribati, Samoa, Cook Islands and Vanuatu. The inward remittances from the Europe/Australia/NZ corridors into Fiji is already happening with average monthly remittances in excess of FJ\$2 million (~US\$1 million). PFIP considers this the initiative with the most potential for a regional impact on the Pacific markets.

Notwithstanding these efforts, the PFIP management agrees with the recommendations from the evaluators. Therefore under the PDEP, it specifically targets the Pacific seasonal workers and diaspora to be part of an inclusive digital economy.

Key Action(s)	Time Frame	Responsible Unit(s)	Tracking	
			Status	Comments
4.1 VNPF to launch copy of SINPF's youSave product and pilot in Vanuatu.	Feb 2020	PFIP	Completed	Pilot launched by VNPF
4.2 FijiCare to open office in Solomon Islands and launch bundled micro-insurance in Vanuatu	June 2020	PFIP	Initiated	Application pending for insurance license in SOI pending with CBSI and pilot for marketing of bundled micro-insurance product to start in Q1 2020
4.3 LIC/UCPNG to launch pilot on micro-insurance product in Papua New Guinea	June 2020	PFIP	Initiated	PAD approved by PFIP IC. Preparations for launch ongoing.
4.4 Support the scaling of at least one of PFIP's existing off-grid energy solution partners into another Pacific country through TA	June 2021	PFIP	Not initiated	PFIP looking to support SolaPayGo from PNG to enter SOI market



or financial support, or a combination of both.				
4.5 Sign agreement with MCII to develop new programme proposal addressing disaster risk management, disaster risk financing and insurance	June 2020	PFIP	Initiated	ProDoc under development and new MoU with MCII under discussion
4.6 Market assessment study for regional payments aggregation and Open Banking to support a digital economy in the Pacific (=copy action 2.1)	June 2020	PFIP	Initiated	ToR currently under development and follow on activities are included in the draft ProDoc under workstream “Open Digital Payment Ecosystems”, activity 3.2
4.7 Regional scoping study on opportunities for eGovernment initiatives and potential links to G2P/P2G payments	Dec 2020	PFIP	Not initiated	ToR to be developed and follow on activities to be included in the draft ProDoc under workstream “Open Digital Payment Ecosystems”, activity 3.1
4.8 Regional scoping study for partner organization to collaborate with existing co-working spaces and innovation hubs across the Pacific to develop incubation and/or acceleration programmes for Pacific MSME’s (both established and start-up) to acquire the right skills for e-commerce, digital marketing etc.	June 2020	PFIP	Not initiated	ToR to be developed and follow on activities to be included in the draft ProDoc under workstream “Inclusive Innovation”, activity 4.2
4.10 Recruit MSME and blended finance specialist	Dec 2020	PFIP	Not initiated	Role is included in the future organizational structure in the draft ProDoc
4.9 Launch International Money Transfer Hub with Vodafone Fiji.	June 2020	PFIP	Initiated	PAD approved by IC. Implementation currently ongoing.
<b>Evaluation Recommendation or Issue 5:</b> <u>Setting up agency banking for success:</u> Agency banking remains a highly debatable area in the PICs with no distinct model showcasing a sustainability in the long run. However, it is also one of the few engagement channels that can help onboard low income, rural consumers on digital platforms using a human interface. In spite of the model currently not yielding results, it is a necessary recourse. PFIP should focus on setting up this model for success especially by ensuring there is enough agility and use case in the forward, backward linkages wherein such agent networks are plugged in.				
<b>Management Response:</b> Agree with the recommendation  PFIP II did initial exploration of establishing sector specific agency networks, for example through the ANZ goMoney project in Solomon Islands and connecting these with specific agricultural value chains, such as the coconut value chain. Additionally, the ongoing project in PNG with Mi-Bank will pilot three distinct agency models with a view to establishing critical success factors that will feed into the scale up and replication with other partners.  The PFIP management believes that for the financial sustainability of agency banking solutions, a shared last mile infrastructure is a stronger enabler for the development of a healthy digital economy with sustainable competition on services delivered at the last mile. Therefore, in 2019 it has done an assessment on the feasibility for an interoperable shared agency network platform in Solomon Islands. In 2020 this will be followed with additional TA for CBSI to conduct a technology assessments/system audits and prepare technical design elements of the shared agency banking service in Solomon Islands. PFIP successor program PDEP will have specific activities under the Open Digital Payments Ecosystem workstream, which seek to establish shared last mile infrastructure.				
<b>Key Action(s)</b>	<b>Time Frame</b>	<b>Responsible</b>	<b>Tracking</b>	

		Unit(s)	Status	Comments
5.1 Conduct a technology assessment/system audit and prepare technical design of shared agency banking network for CBSI in Solomon Islands. (= copy 3.1)	June 2020	PFIP	Initiated	Consultant for TA has been procured. Work expected to start in Feb 2020.
5.2 Develop a KM product with lessons learned from PFIP's existing initiatives on agency banking, looking at the market constraints of PIC versus global best practices around agency banking. (= copy 3.2)	June 2020	PFIP	Not initiated	ToR to be developed.
<b>Evaluation Recommendation or Issue 6:</b> <u>Bringing gender centerstage through focused implementation designed to further financial inclusion for women:</u> Gender remains an area of great concern since PFIP Phase II clearly mentioned outreach to women as a key focus area in line with UNCDF's policy around addressing and human rights through all of its programmes. However, the means to achieve the purported end remains extremely vague for the programme with reporting gender disaggregated data being the only indicator that is somewhat reported against. Apart from projects like SPBD in SOI and WMBL in PNG that happen to focus entirely on women, there are no other instances where a gender focus can be observed. Using available tools like the PoWER diagnostic studies for SOI and PNG under the supervision of a dedicated gender expert, strategies and implementation design for gender focus programming for PFIP-III should be an urgent priority.				
<b>Management Response:</b> Partially agree with the recommendation.  The PFIP management acknowledges that the programme has not lived up to its expectations with respect to the mainstreaming of gender within its projects. Besides data collection on gender outreach, which has proven to be a significant challenge in its own right for the PFIP team, a more specific gender strategy, focused on the impact on the economic and social well-being of women and girls using Human Centred Design will be incorporated in both of PFIP's successor programmes; PDEP and PICAP. For that reason a Gender and Social Inclusion Specialist will be recruited to ensure that the impact of the programme interventions on women and girls is consistently considered at project design phases and throughout the implementation cycle.				
Key Action(s)	Time Frame	Responsible Unit(s)	Tracking	
			Status	Comments
6.1 Recruitment of Gender and Social Inclusion Specialist to support both of PFIP's successor programmes	Dec 2020	PFIP	Not initiated	Awaiting approvals and funding commitment for both programme proposals
6.2 Develop strategy on gender focus programming for both of PFIP's successor programmes	June 2021	PFIP	Not initiated	Dependency on action 6.1
<b>Evaluation Recommendation or Issue 7:</b> <u>Recommendation to build a stronger accountability framework for implementation partners:</u> While the risk associated with partnerships under the financial innovation workstream is acknowledged and documented even, the PADs do not offer insight into why projects are commissioned to some partners over others. PFIP management has mentioned in the past about paucity of enough viable players in the market which dissuades the usual EOI route that most UNCDF projects adopt. However, it is important that stronger accountability features are built into PBAs and PADs for ensuring the partners remain equally responsible for the envisaged results. Convenience cannot be the only prerequisite guiding decisions around partnership, as made evident through many cases in the current programme cycle.				

**Management Response:**

Partially agree

The challenge of limited financial service providers in the Pacific has been a significant problem under both phases of PFIP. Especially if one has to seek for viable partners amongst these that have a genuine appetite for more risk to innovate.

Under both phases of PFIP the management has used the Support Facility Policy, which specifically caters for a Standing Expression of Interest, which has been published on the PFIP website to guide potential partners wanting to present a proposal for PFIP funding. The same policy provided for unsolicited proposals, and allowed for proactively encouragement of potential partners to present proposals.

What is more, with current trends in the markets, where even in the bigger Pacific markets, established commercial banks, such as ANZ are completely turning their back on the retail market. This will make the pool of potential partners even smaller. For exactly that reason it started the Financial Innovation Challenge early 2019; to connect with FinTech innovators from Malaysia, Singapore, Australia and New Zealand and de-risk their entry into the Pacific. This is just one way how PFIP management believes it has adapted to the realities of the Pacific market and looked into innovative ways of seeking new partners for its programme.

Going forward and using the experience from both phases of PFIP as well as from UNCDF's experience in other markets, an updated and well-documented, transparent partner selection process will be developed and which will be part of the new Investment Committee policy and governance framework for both of PFIP successor programmes; PDEP and PICAP.

Key Action(s)	Time Frame	Responsible Unit(s)	Tracking	
			Status	Comments
7.1 Develop updated partner selection process as part of the IC policy and governance framework for both PFIP successor programmes	July 2020	UNCDF FIPA	Initiated	Currently under development at UNCDF FIPA

**Evaluation Recommendation or Issue 8:**

Recommendation to compare programme costs with peers to streamline budgetary allocations: On budget management, the evaluators noted that the total implementation support costs of PFIP administration/operations of 21%. This 21% is comprised of i) indirect costs (8% for 'facilities and admin') in the programme document that covers the required UNCDF's general management services costs and also ii) direct costs (13%) for the running of the programme in the Pacific. While the evaluators note the 'curse of lack of economies of scale' in the Pacific that lead to higher transportation and logistics costs' (p.25), it is recommended that the programme should monitor these costs relative to other development agencies with programming covering multiple countries operating in the Pacific to ensure that PFIP is in line with peers. It is also recommended that PFIP keep a clearer breakdown of direct administrative costs and TA provided to the workstreams by PFIP staff to clearly show what are the Pacific related costs.

**Management Response:**

Agree with the recommendations.

This is noted for guidance on the development of our successor programmes. Although this means potential changes to our accounting practices and coding in the ATLAS system for cost allocation, this will be factored and undertaken in the successor programmes.

Key Action(s)	Time Frame	Responsible	Tracking
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		Unit(s)	Status	Comments
8.1 Develop new policy for cost allocation with a clearer focus on separation of administrative costs versus TA provided by expert/specialist programme staff	July 2020	UNCDF FIPA	Initiated	Currently under development at UNCDF FIPA
<b>Evaluation Recommendation or Issue 9:</b> <u>Replicate and scale FinEd initiatives to other PICs:</u> The FinEd integration into mainstream education curriculum in schools in Fiji and SOI has been appreciated widely by different stakeholders. Similarly, the TVET project in PNG helps prepare the youth that is on the verge of joining the workforce in making sound financial choices from the beginning of their careers. The spillover effects of such initiatives also cannot be discounted because of the household level changes that can be powered by children and youth who are exposed to such FinED courses. KIIs with Central Banks also shows that consumer empowerment is one of the most prominent areas where they see PFIP playing a role going forward. As part of its regional expansion plans, it would merit PFIP to scale such efforts across the different countries where it is operational as part of its subsequent programme phase.				
<b>Management Response:</b> Agree with the recommendations.  The FinEd interventions of PFIP are now recognized as a best practice and we have received requests from the Pacific and beyond. PFIP has supported ADB in 2019 with a scoping mission to integrate financial literacy into the school curriculum in Nauru and recently it has approached PFIP to expand this partnership and include other Pacific Island Countries, such as RMI. The recent partnership agreement with Australia-Pacific Training Cooperation (APTC) is one such example where it will see the incorporation of FinEd in all the skills development courses offered by APTC, including its labour mobility scheme students. Another example is the partnership with Catalpa International to digitize the content of the financial literacy training to be able to offer it beyond the current Rural Technical Colleges that PFIP works with in Solomon Islands. These initiatives are aimed to have long-term sustainable impact on Pacific households and improve their personal money management.  Also other development partners have requested support from PFIP on this particular area to replicate FinEd into the national curriculum. have requested regions and countries that recently have requested for PFIP's expertise and support in this area through the respective UNCDF offices in these countries (for example in Bangladesh and Senegal). Similarly  Within the Empowered Consumers workstream of PDEP, the PFIP management is planning to continue to engage national and sub-national stakeholders in progressing FinEd, both through formal school curriculum, university and TVET institutions. Moreover, it seeks to extend the scope to include digital literacy and other specific topics relevant for the development of a digital economy.				
Key Action(s)	Time Frame	Responsible Unit(s)	Tracking	
			Status	Comments
9.1 Partnership with Catalpa International to digitize the content of PFIP's financial literacy training and pilot in Solomon Islands	Jan 2020	PFIP	Completed	LoE signed and pilot ongoing in SOI
9.2 Partnership with Australia-Pacific Training Cooperation (APTC) to incorporate FinEd in all the skills development courses offered by APTC, including its labour mobility scheme students.	Dec 2019	PFIP	Completed	LoE signed and curriculum development ongoing

9.3 Partnership with ADB to support ADB with integration of FinEd in national curricula in countries beyond PFIP scope.	June 2020	PFIP	Initiated	Discussion with ADB ongoing
<b>Evaluation Recommendation or Issue 10:</b> <u>Strengthen integration of consumer awareness initiatives in innovation projects:</u> Consumer level FGDs conducted by evaluators found very low levels of awareness among last mile consumers about different financial products. Bank accounts is now common knowledge, but the access that it creates for consumers to build a history with the financial institution thereby creating further access to more products, especially credit, is not very commonly known. There is also a bigger focus by partner institutions to mobilize savings and discourage too many withdrawals often creating a perception of money getting ‘locked’ or ‘trapped’ in a bank account. In addition, most PADs have embedded consumer education as part of the partner deliverables, but very little evidence has been found in the field about concerted efforts made in offering streamlined financial education except for a few instances of marketing collateral in the form of brochures etc. The gap further widens in the absence of any measurement of consumer education initiatives at the partner level or by PFIP as part of its RMF. For an area of intervention which is a key workstream, there is very little evidence available to map the results chain and show the outcomes thereof at partner or programme level. The next phase of PFIP should add some key indicators to measure outcomes of consumer education initiatives.				
<b>Management Response:</b> Agree with the recommendations.  Low levels of awareness and knowledge on financial services remains an issue in the Pacific and this is perhaps reflected in the low uptake of some of the services developed under PFIP II. For this reason, this will be specifically addressed in the RMF linked to a dedicated group of activities under the Consumer Empowerment workstream, which both of PFIP’s successor programmes (PDEP and PICAP) will have.				
Key Action(s)	Time Frame	Responsible Unit(s)	Tracking	
			Status	Comments
10.1 Map results chain and update PAD template to include specific indicators for partners to measure outcome of consumer education initiatives under PFIP’s successor programmes.	July 2020	PFIP	Not initiated	Incorporated in the draft ProDoc
<b>Evaluation Recommendation or Issue 11:</b> <u>Drive compliance to consumer protection framework as an industry practice across PICs:</u> Consumer protection is still work in progress in PICs with some countries like PNG having made some headway by drafting Financial Consumer Protection guidelines that are currently under review. Full disclosure of products, their pricing and breakup of costs to customers are key elements that have been found to be missing for partners like SolaPayGo in PNG, NBV in Vanuatu, however well-intentioned their motives may be. This also includes means and methods of grievance redressal for customers should there be any complaints. Examples such as the BIMA project in Fiji and PNG that had a high outreach to low income customers, provided no avenues for customers to report back post BIMA’s exit wherein an independent agency or even stakeholders like PFIP could record, collect and analyse customer reactions for further action. It is therefore recommended that PFIP’s next phase should focus not only on strengthening the ratification of consumer protection guidelines at a policy level but also offer assistance in creating reporting and compliance level framework and operational models.				

**Management Response:**

Agree with the recommendations.

Pacific countries and its regulators have nascent consumer protection frameworks. A very common challenge is that some of the financial service providers, such as microfinance institutions are not regulated and therefore out of the ambit of the Central Banks. Multiplicity of supervisory agencies also lead to confusing situations in terms of responsibility and accountability (for example in Fiji there is the Consumer Council, the Fiji Consumer and Commerce Commission as well as the Reserve Bank).

The PFIP management recognizes that there still is a lot of work to be done in the area of consumer protection, whilst some efforts are already underway. However, under the Consumer Empowerment workstream of PDEP, the successor program of PFIP focused on the digital economy, specific activities are planned to support the development and implementation of consumer protection and data privacy policies and regulations.

Key Action(s)	Time Frame	Responsible Unit(s)	Tracking	
			Status	Comments
11.1 Conduct gap analysis on consumer protection and data privacy policies and regulations with focus on reporting capacity and compliance monitoring.	Dec 2020	PFIP	Not initiated	ToR to be developed and follow on activities to be included in the draft ProDoc under workstream “Empowered Customers”, activity 5.3 and 5.4

**Evaluation Recommendation or Issue 12:**

Recalibrate the Knowledge Management function and the reporting formats thereof: The difference between knowledge management and communications should not be blurred. While communications should focus on publishing PFIP work and achievements as well as supporting programme partners through communication collaterals, KM has to focus on distilling best practices across projects documenting key metrics of success under varied projects. At the moment, the Knowledge Management initiatives have not been found to be commensurate with the quantum of work that has been done by PFIP Phase II and the institutional experience gained thereof. KIIs with key donors have also pointed to the gaps in establishing outcomes and impact of the programme through the reports that are shared with them. It is recommended that PFIP should focus on recalibrating its reporting format to donors and other key stakeholders to include outcome and impact metrics to showcase the accomplishments of different projects, lessons learnt thereof. As shared by donors, bringing out such clarity in reporting will further help in building a case for future funding for PFIP in the region.

Build basic evaluation metrics for innovation projects with reporting accountability held by implementation partners: Knowledge and data management needs to be strengthened for sharing lessons and knowledge transfer. Projects executed by PFIP II in PNG offer rich experience in processes, systems, project management and overall outcomes and impact through varying degrees of success. However, it is not easy to map these experiences, lessons learnt thereof, application to other project contexts and wider sharing among stakeholders and across the region. For example, the lessons from BIMA in Fiji, PNG, Westpac in PNG are important to be documented and are being sought out by stakeholders like DFAT and EU. The next phase of PFIP should also encourage partners to collect baseline and endline data for simple but relevant metrics. At the moment it is not easy to glean any client level behavioural change leading to adoption of financial services that can be attributed to the programme, simply because of lack of such data. Further, as a validation measure, PFIP should also look to commission more impact studies that not only validates outputs for different projects, but also map outcomes and impact to inform stakeholders of behaviour change among consumers that may lead to adoption of financial services and engagement channels (especially digital) in the long run.

**Management Response:**

Agree with the recommendations.

On the KM function and reporting formats: The PFIP Management has the ambition to incorporate the learnings from its current programme into the development of its successor programmes. This has been the main driver to schedule the final evaluation of the current phase of PFIP earlier than originally anticipated. Therefore, it acknowledges the recommendation to recalibrate reporting format to the Investment Committee and donors and for that reason this will be re-designed for the successor programmes.

Furthermore, specifically for the purpose of deriving important learnings from the projects currently ongoing, and which are about to finish as part of the current phase of PFIP, a new project closure report has been developed, which is focusing specifically on learnings from the projects, and which is currently being implemented. These lessons will be collected and incorporated into an end of programme report which will highlight the most important lessons for the successor programmes.

On evaluation metrics for innovation projects with reporting accountability held by implementation partners: As already mentioned under point 1 of the recommendations, data collection and reporting on financial inclusion has been a significant challenge faced by PFIP, as well as many regional Central Banks. This equally applies to our implementation partners and is not something unique to PFIP as the management has been made aware that similar challenges exist in some of the other UNCDF programmes.

To get more insights into client level behavioural change related to adoption of financial services and that can be attributed to the programme, as well as impact studies PFIP has invested significant resources in innovative research on exactly these topics through its Impact Pathways initiative. This initiative has also been adopted by UNCDF colleagues in Zambia and has attracted significant attention from the development practitioners working on financial inclusion. A popular blog post and associated focus note on Impact Pathways were recently voted as “Most influential article of 2019” on the Next Billion forum website, a platform for discussion of business ideas and innovations that address poverty-related challenges and reshape entire economies, and is an initiative from the William Davidson Institute at the University of Michigan.

In 2020, PFIP, together with colleagues from UNCDF Zambia, will publish additional Knowledge Management publications on Impact Pathways, more specifically a focus note, an associated blog, 4 explainer tools (one for each partner organization working with us on this initiative) and an updated toolkit. Furthermore, under one of PFIP’s successor programmes, which will focus on the Pacific digital economy, the management aims to do a continuous impact assessment to measure and track the level of inclusiveness of digital economies at country level through the use of UNCDF’s Inclusive Digital Economy Scorecard (IDES), which will create the necessary indicators for inclusiveness to be embedded into the National Digital Economy Strategies.

Key Action(s)	Time Frame	Responsible Unit(s)	Tracking	
			Status	Comments
12.1 Redesign reporting format to include specifically outcome and impact metrics for the Investment Committee and donors from PFIP’s successor programmes.	July 2020	PFIP	Not initiated	Successor programmes are currently under development
12.2 Redesign project closure report for currently ongoing PFIP projects and publish an end-of-programme report with consolidated lessons learned from the innovation projects.	June 2020	PFIP	Initiated	New project closure report has been developed and currently new lessons learned are being collected from projects that have been closed already.

12.3 Publish additional KM products on Impact Pathways; a focus note, an associated blog, 4 explainer tools and an updated toolkit	March 2020	PFIP	Initiated	Draft KM products have been developed and are under review
12.4 Include the use of UNCDF's Inclusive Digital Economy Scorecard (IDES) into PFIP's successor programme	July 2020	PFIP	Initiated	Incorporated in the draft ProDoc
<b>Evaluation Recommendation or Issue 13:</b> <u>Strengthen field monitoring by country staff:</u> Further to the recommendation around improving data collection from partners, there is also a need for PFIP teams to strengthen their field monitoring for verifying progress and reporting key highlights and observations in quarterly reports instead of simply accepting self-reported data from partners as the final data for programme reporting.				
<b>Management Response:</b> Agree with the recommendations.  The PFIP management believes that this issue has its roots in weak enforcement of project governance principles that should stipulate regular reporting that is underpinned by clear demarcation of responsibilities and accountabilities between PFIP staff in country and the regional office, as well as its partners.  For PFIP's successor programmes, the project governance framework will have to be reviewed and updated with a specific focus on practicalities to turn project governance from "on paper" into reality. Furthermore, programme staff will need to be upskilled regarding project governance and more importantly, the implementation thereof.				
Key Action(s)	Time Frame	Responsible Unit(s)	Tracking	
			Status	Comments
13.1 Review and update project governance frameworks for successor programmes	July 2020	PFIP	Not initiated	Alignment required with other UNCDF FIPA programmes
13.2 Training of programme staff on practical implementation of project governance principles	July 2020	PFIP	Not initiated	Alignment required with other UNCDF FIPA programmes