



## UNDP Management Response Template

### Final Evaluation of the Merchants Development Driving Rural Markets (MDDRM) in Bangladesh part of the Shaping Inclusive Finance Transformations (SHIFT) in the South Asian Association for Regional Cooperation (SAARC) programme

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Prepared by: Tahsin Ifnoor Sayeed

Position: Project Officer

Unit/Bureau: IDE/Asia/Bangladesh

Cleared by:

Position:

Unit/Bureau:

Input into and update in ERC:

Position:

Unit/Bureau:

#### Overall comments:

Management would first like to thank the evaluation team for their evidence, analysis and insights presented in the Final Evaluation of the Merchants Development Driving Rural Markets (MDDRM) in Bangladesh, a component of the Shaping Inclusive Finance Transformations (SHIFT) in the South Asian Association for Regional Cooperation (SAARC) programme. The Country Team and broader UNCDF Management Team found the recommendations provided useful feedback to consider while planning for the next phase of programming in the country.

One of the goals of the SHIFT SAARC programme and its MDDRM component is to stimulate investment, business innovations, capacity development, data analysis and regulatory reform to bring about lasting changes for low-income people. Specifically, it aims to expand economic participation and opportunities for women, and small and growing businesses to be active agents in the formal economy. The evaluation acknowledges that the MDDRM component has delivered several activities and outputs over the past five years including impactful research, ten innovation grants, capacity development of policy makers, regulators, partners, and entrepreneurs. It has built a coalition of public and private stakeholders in the DFS ecosystem.

The evaluation recognized that overall, the MDDRM component can be considered a successful initiative. In Bangladesh, MDDRM/UNCDF effectively acted as a catalyzer and facilitator, stimulating an interest in the micro-merchants' segment and engaging micro-merchants' for last mile outreach. Adopting a market development approach, it invested important resources and leveraged partnerships towards supporting the micro-merchants'/DFS ecosystem at all levels (albeit more at the micro and market level and less at the macro and meso level).

The team acknowledges some of the limitations highlighted by the evaluation team such as the need of combining in a more explicit manner financial and real economy sector work and allocate sufficient resources for this as well as the need of conducting a capacity assessment of the private sector partners and make provision for technical assistance during the implementation of the various business models to increase the impact in the market. The team recognizes that other aspects such as gender intentionality should be maintained during the whole implementation of the project and should be resourced properly with experts' support. Another aspect that requires further attention for future is the M&E framework, which should include relevant indicators and targets related to all levels of the results chain (i.e. outputs, outcomes and impact).

Overall, UNCDF management accepts the recommendations of the evaluation. The evaluation's recommendations will also be applied as UNCDF designs the next phase of its programming in the region under its new integrated "Leaving no one behind in the digital era" strategy.

<b>Evaluation Recommendation or Issue 1: Promote Focus on Real Economy Sectors</b>				
(i) Include considerations for combining financial and real economy sector work in its strategic planning (including the upcoming UNCDF strategic framework for the 2022-2025 period) (ii) Allocate dedicated resources to the implementation of similar initiatives; targeting not only the retail sector, but also other sectors (e.g. agribusiness, manufacturing, education, etc.) or sub-sectors depending of the priorities and needs of the country.				
<b>Management Response:</b>	Agreed. The focus of the EU funded initiative was to target micro-merchants but UNCDF as part of its strategy “Leaving no one behind in the digital era” is targeting a number of real economy sectors and will continue to do so in Bangladesh.			
<b>Key Action(s)</b>	<b>Time Frame</b>	<b>Responsible Unit(s)</b>	<b>Tracking*</b>	
			<b>Status</b>	<b>Comments</b>
1.1 Bangladesh Country strategy 2021 -2025 updated to include considerations of combining financial and a real economy sectors (such as agritech, MSMEs etc.) as part of the priorities in the coming years..	Q4 2021	IDE Bangladesh	Initiated	The strategy aims to “support development, incubation, and acceleration of digital solutions that provide solutions addressing health, education, agriculture and trade opportunities.” Going forward, UNCDF support will leverage digital as an enabling factor that will tie in real economy aspects across several priority sectors.
1.2 Expand the innovation work (currently mostly undertaken in the retail space) to other sectors such as agribusiness, education etc. with the aim of attracting further funding.	Q1 2022	IDE Bangladesh	Initiated	IDE Bangladesh team has started looking into ways of diversifying investments to other sectors rather than the retail and the team is in the process of finalizing a Request for Applications with the aim of attracting perspective partners in the Agri-tech space in Bangladesh, Cambodia and Nepal. The RFA, to be funded by UNCDF flexible non-core, should be launched in November with the aim of finalizing agreements with partners beginning of next year. The hope is to be able to

				develop a pipeline of investable projects in the agri-tech sector and attract other donors potentially interested in it.
<b>Evaluation Recommendation or Issue 2: Maintain Holistic Approach of Interventions.</b>				
Continue to (i) support policy/regulatory assistance at the macro level, (ii) capacity building of support organizations at the meso level, (iii) funding for business innovations and solutions at the market level, (iv) training of final beneficiaries at the micro level, etc.				
<b>Management Response:</b>	Agreed. UNCDF has already started to tackle these recommendations as part of the other ongoing initiatives in the country. We are already extensively engaging with the policy makers/regulators for Bangladesh's Inclusive Digital Economy Scorecard (IDES) Assessment. This is positioned as an annual exercise that will support the government in assessing progress and identifying interventions needed to build Bangladesh's digital economy. We are also funding business innovations and solutions through the Women Enterprise Recovery Fund (WERF) and planning to further strengthen similar initiatives in the country. For training of final beneficiaries at the micro level, we have developed literacy modules with VISA's support and will soon launch the modules for final beneficiaries to access and benefit from.			
<b>Key Action(s)</b>	<b>Time Frame</b>	<b>Responsible Unit(s)</b>	<b>Tracking</b>	
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2.1. Conduct IDES Assessment, working with the Government of Bangladesh, aimed at identifying intervention areas (such as skills, innovation, infrastructure and policy & regulation) needed to further strengthen the country's inclusive digital economy (capturing macro, meso and miso-levels recommendations).	Q2 2022	IDE Bangladesh	Initiated	IDES 2021 consultations conducted with relevant Government stakeholders to incorporate their feedback. Working with the government to finalize the scores and the IDES 2021 launch date is planned for Q2 2022.
2.2. Support GoB in leveraging digital finance for managing fiscal gaps in the financing of SDG-7 (a priority SDG of UNCDF as part of the Integrating National Financing Framework (INFF) initiative) with financial support from the SDG Fund (Macro-level)	Q2 2022	IDE Bangladesh	Initiated	Under the INFF project, UNCDF is working on the Development Finance Assessment and Financing Strategy Roadmap for SDG 7. UNCDF will also work to identify new fiscal spaces and support the government in mobilizing resources from the identified fiscal spaces.
2.3. Launch and institutionalize a Financial Innovation Lab (FinLab BD) with UNDP supported initiative Access to	Q4 2021	IDE Bangladesh	Initiated	UNCDF has been partnering with a2i and MicroSave to

Information (a2i) working towards identification, mentoring and acceleration of private public sector stakeholders, their business models and digital solutions that accelerates inclusive digital economy and achievement of SDGs (meso-level)				form a FinLab BD. The Lab will provide the critical platform for supporting innovations in the financial sector of Bangladesh and will focus specifically on startups and incumbents, enabling them to cater to the financial needs of the low- and middle-income (LMI) population.
2.4. Continue to fund innovative projects at the market level by leveraging on the innovations funded as part of the MDDRM initiative	Q1 2022	IDE Bangladesh	Initiated	UNCDF is looking to fund additional partners in the Agri-tech space and has in this regard prepared a Request for Applications which will be launched soon. In addition, UNCDF is looking to build an investable pipeline proposing a mix of blended finance solutions.
2.5. Build up digital and financial literacy skills of 200,000 Small and Medium Businesses (SMBs) through digital platforms (out of which 25% should be women owned or led SMBs) with funding from VISA ( micro level)	Q2 2023	IDE Bangladesh	Initiated	UNCDF has been working with two selected partners, EkShop and ShopUp to develop 5 basic modules for the digital financial literacy skills training. The 5 modules have recently been finalized and should be launched in October 2021. UNCDF will continue to work with the partners to improve the training content and develop advanced learning modules by Q3 2022 and aim to reach the targeted beneficiaries by Q2 2023.
<b>Evaluation Recommendation or Issue 3: Assure In-country Presence.</b>				
(i)UNCDF/IDE management should allocate resources to maintain or strengthen its in-country presence. (ii) program/project management teams to rely on competent local consultants, as they are particularly important for building and maintaining relationships with national counterparts and implementing partners				
<b>Management Response:</b>	Accepted and UNCDF has already started acting on these recommendations			

Key Action(s)	Time Frame	Responsible Unit(s)	Tracking	
			Status	Comments
3.1. Hire a dedicated International Digital Expert for Bangladesh to lead the IDE portfolio in the country for ensuring regular engagement with key government and private sector stakeholders	Q2 2021	IDE Bangladesh	Completed	An International Digital Expert came on board in Q2 2021 to oversee the whole IDE portfolio in the country and expand UNCDF strategic partnerships.
3.2. Maintain a support team for IDE Bangladesh comprising of dedicated programme and operations focal points	Q3 2021	IDE Bangladesh	Completed	Despite the biggest programme in terms of funding (MDDRM) came to an end in Bangladesh, UNCDF has decided to maintain a core team in country (one national officer and one operations consultant) to ensure the continuation of its operations for the future.
<b>Evaluation Recommendation or Issue 4: Foster Effective Partnerships</b> (i) Program/project management teams and/or in-country UNCDF representatives should carry out at least some basic/preliminary capacity (and commitment) assessments of potential implementing partners (including sector-specific associations in the case of integrated interventions) and, possibly, base the selection/involvement against some predefined criteria (e.g. a commitment to a certain amount, or type, of staff to be engaged in the implementation of an intervention) (ii) Some resources within UNCDF/IDE interventions should be dedicated to support the effective capacity building of implementing partners.				
<b>Management Response:</b>	Accepted and UNCDF has already started acting on these recommendations			
Key Action(s)	Time Frame	Responsible Unit(s)	Tracking	
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4.1. Ensure partners' selection follows UNCDF best practices and is undertaken through Requests for Applications which have standard templates for submissions with standardized criteria for evaluation as well as provisions for co-financing commitments. It also allows for due diligence prior to private sector partners' selection.	Q1 2022	IDE Bangladesh	Initiated	UNCDF is in the process of finalizing a Request for Applications to attract private sector partners working in the Agri-tech space and is requesting at least 30% co-financing from the partners as well as due-diligence to be undertaken prior to finalize partners selection
4.2 Ensure provisions are made to provide technical assistance to private sector partners to carry on the agreed interventions	Q3 2022	IDE Bangladesh	Initiated	UNCDF has been providing technical assistance to two partners EkShop and ShopUp

				<p>selected as part of the digital financial literacy initiative to finalize basic training modules and will provide further assistance to finalize the advanced training modules by Q3 2022.</p> <p>In addition, partners selected under the Women Enterprise Recovery Fund will also benefit from some specific technical assistance to support them targeting women businesses to recover from COVID-19 impacts.</p>
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**Evaluation Recommendation or Issue 5: Build Business Innovation Initiatives**

(i) Arrange provisions for follow-up support to a selected number of successful pilots instead of the provision of only pilot support to a larger number of initiatives (ii) UNCDF/IDE interventions should finance pilots through challenge grant funding - as traditionally supported by UNCDF – instead of procuring them as services i.e. it should be the market that proposes solutions to defined challenges, rather than UNCDF/IDE identifying which services should be provided.

<b>Management Response:</b>	Accepted and UNCDF has already started acting on these recommendations. However, it is important to highlight that the procurement modality for innovations under MDDRM was due to certain contractual obligations.			
Key Action(s)	Time Frame	Responsible Unit(s)	Tracking	
			Status	Comments
5.1 Support the scale up of at least one of the successful innovation pilots that UNCDF supported through grant financing - preferably in the space of agriculture value chain enhancement	Q4 2021	IDE Bangladesh	Initiated	UNCDF is in the process of topping up a successful local partner focused on the agriculture sector to strengthen outreach to women farmers and increase their income and livelihoods.
5.2 Leverage UNCDF private sector selection best practices by adopting Requests for Applications allowing to co-create the solution together with the private sector partners	Q1 2022	IDE Bangladesh	Initiated	IDE Bangladesh team is in the process of finalizing a Request for Applications with the aim of attracting perspective partners in the

				Agri-tech space in Bangladesh, Cambodia and Nepal. The RFA should be launched in November and the partners' selection should be completed by early next year. Through the Request for Applications it will be possible for the partner and UNCDF to co-create the solutions to the proposed challenges in the Agri-tech sector.
<b>Evaluation Recommendation or Issue 6: Strengthen the M&amp;E System beyond the Output Level.</b>				
(i) M&E systems of UNCDF/IDE interventions should include relevant indicators and targets related to all levels of the results chain (i.e. outputs, outcomes and impact) (ii) With regard to impact, selected UNCDF/IDE interventions could include provisions for the implementation of impact assessments one or two years after closure.				
<b>Management Response:</b>		Accepted although the second recommendation is more difficult to implement with the funds available within the project cycle		
<b>Key Action(s)</b>	<b>Time Frame</b>	<b>Responsible Unit(s)</b>	<b>Tracking</b>	
			<b>Status</b>	<b>Comments</b>
6.1. Leverage the global IDE M&E framework, indicators and Theory of Change in all the interventions at country level.	Q1 2022	IDE Bangladesh	Initiated	Through UNCDF annual reporting, country results are presented in an harmonized way against IDE M&E framework and UNCDF Integrated Results and Resources Matrix (IRRM) contributing to a cohesive reporting of results at all levels (outputs, outcomes and impact) within UNCDF.
6.2. Make provision for more formalized measurement of impact as part of UNCDF programming in country	Q2 2022	IDE Bangladesh	Initiated	UNCDF recognizes the importance of impact assessments however within the current tight resources it is quite hard to find dedicated funds for these assessments which should happen one or two years after the end of the

				<p>project implementation when the initial donor funds are no longer available to be used.</p> <p>In any case UNCDF commits to conduct IDES annual exercise to measure Bangladesh's progress in becoming an inclusive digital economy. This should indirectly capture the progress the country and our partners have made over the years with contributions from UNCDF.</p>
<p><b>Evaluation Recommendation or Issue 7: Reinforce the Knowledge Management Function</b></p> <p>(i) Microentrepreneurs Asia portal be maintained and expanded, perhaps under the auspices of the UNCDF Regional Office for Asia. If not abandoned but rather built upon, this platform can serve as a valuable source of information covering numerous sectors and countries in Asia (or beyond). Since program/project related sites usually do not survive long after completion, a regional/global depository would allow DPs, governments, private sector actors, academia, etc. to access data and information as well as valuable lessons learned and best practices also after interventions have been implemented.</p>				
<b>Management Response:</b>		Accepted and UNCDF has already started acting on these recommendations		
<b>Key Action(s)</b>	<b>Time Frame</b>	<b>Responsible Unit(s)</b>	<b>Tracking</b>	
			<b>Status</b>	<b>Comments</b>
7.1. Incorporate all knowledge materials, data sets from the MDDRM projects into UNCDF website.	Q1 2022	IDE Bangladesh	Initiated	UNCDF has already uploaded most of the knowledge management and comms products of the MDDRM initiative in the UNCDF website. In addition, UNCDF plans to link the Microentrepreneurs Asia portal to UNCDF website.
<p><b>Evaluation Recommendation or Issue 8: Sustain Gender Engagement beyond the Design/Preparatory Phase</b></p> <p>(i) It is recommended that program/project management teams are supported by gender experts - either in-house staff from UNCDF's regional offices or headquarters (and hence funded by regional/global budgets) or consultants engaged for specific interventions (and hence financed by individual program/project budgets) - not only in the design or initial phase of interventions, but also throughout the course of implementation. (ii) Furthermore, towards measuring effective change, the M&amp;E systems of UNCDF/IDE interventions should move beyond output level indicators by including gender related indicators and targets also at the outcome and impact level.</p>				
<b>Management Response:</b>		Accepted and UNCDF has already started acting on these recommendations		



Key Action(s)	Time Frame	Responsible Unit(s)	Tracking	
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8.1. Ensure UNCDF projects gather inputs/insights from Global Gender Expert/s who will be responsible for ensuring gender-intentionality of interventions at both design and implementation stages of projects	Q2 2022	IDE Bangladesh	Initiated	As part of the digital literacy training initiative, IDE Bangladesh team benefited from the guidance of UNCDF global gender team and their engagement is planned to be extended in the future.
8.2. Conduct training sessions on UNCDF Gender Playbook for the IDE Bangladesh team	Q2 2021	IDE Bangladesh	Completed	A session on UNCDF Gender Playbook was arranged by UNCDF Gender team for the benefit of all the UNCDF colleagues. In addition, the IDE M&E framework which is the base of each initiative M&E framework focuses on sex disaggregated data at all levels (outputs, outcomes, impact)

\* The implementation status is tracked in the ERC.