

Mid-Term Review – Financial Services for the Poor Strategy

AusAID Agreement No. 64233

Final Report

21st January 2013

Adam Smith International

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Acronyms/Abbreviations

ADB	Asian Development Bank
ADPLan	Annual Development Plan
ADRA	Australian Development Research Awards
AFI	Alliance for Financial Inclusion
AIL	Agent Intermediated Lending
ANCP	AusAID NGO Cooperation Program
ASI	Adam Smith International
AUD	Australian Dollar
AusAID	Australian Agency for International Development
CAPF	Comprehensive Aid Policy Framework
CGAP	Consultative Group to Assist the Poor
DAC	Development Assistance Committee
FinED	Fiji Financial Education Curriculum Development
FS4P	Financial Services for the Poor
G8	Group of Eight
G20	Group of Twenty
GoI	Government of Indonesia
ISS	International Seminar Support
KPI	Key Performance Indicator
OECD	Organisation for Economic Cooperation and Development
M4P	Markets for the Poor
M&E	Monitoring and Evaluation
MDG	Millennium Development Goal

MFI	Micro-Finance Institution
MTR	Mid-Term Review
NGO	Non-Governmental Organisation
PFIP	Pacific Financial Inclusion Program
PNG	Papua New Guinea
QAE	Quality at Entry
QAI	Quality at Implementation
RLF	Revolving Loan Fund
SME	Small and Medium-sized Enterprise
SPM	Social Performance Management
SROI	Social Return On Investment
ToR	Terms of Reference
VSLA	Village Savings and Loan Association

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1. Executive Summary

AusAID's *Financial Services for the Poor: A strategy for the Australian aid program 2010-15* ("the Strategy") was launched in March 2010. It provides a coherent framework to guide the Australian Government in achieving its goal of increasing poor people's access to financial services in developing countries.

An independent Mid-Term Review (MTR) of the Strategy was conducted over the period September 2012 to January 2013 by Lorna Grace and Larry Hendricks of Adam Smith International (ASI).

The MTR Team found that:

- The Financial Services for the Poor (FS4P) Strategy is sufficiently broad to cover many complementary elements that are important to expanding poor people's access to financial services.
- The narrative in the Strategy relating to Outcomes 2 (institutions and infrastructure) and 3 (innovation) is restrictive. For example, the text relating to Outcome 2 ignores semi-formal and non financial institution providers which can play an important role in providing the poor with access to financial services in the absence of formal sector providers.
- The Strategy's Guiding Principles and Priorities in Implementation were widely followed across the projects examined.
- The ability to measure the contribution of the Strategy to AusAID's overarching goal of helping people overcome poverty is presently weak due to limited relevant information/data produced by projects in the FS4P portfolio. This needs to be rectified before the final evaluation in 2015 in order to determine the Strategy's effectiveness.
- While a mixed portfolio of FS4P projects is important and commendable, if AusAID is to achieve the Strategy's objective and is to meet the Comprehensive Aid Policy Framework's (CAPF) target of increasing 2.3m poor people's access to financial services, a larger number of long-term, standalone financial services projects with higher outreach targets is required.

The MTR Team evaluated AusAID's implementation of the Strategy using the Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee (DAC) criteria of Relevance, Effectiveness, Efficiency, Sustainability and Impact, as well as three additional measures that are important to AusAID: Gender, Analysis and Learning, and Monitoring and Evaluation (M&E).

The portfolio of the projects reviewed by the MTR Team scored particularly well in regard to the Relevance and Effectiveness criteria (both $\geq 85\%$). Relevance was the highest scoring dimension (91%) indicating most projects have been designed and conducted in line with AusAID and country/region priorities; the type of intervention seems appropriate; and projects have harmonized

well with other implementers and country strategies. The appropriate allocation of resources and effective harmonisation appear to contribute to good performance. The Gender dimension scored the poorest in the MTR but has improved post-Strategy launch, most likely due to AusAID's notable efforts to mainstream Gender into its programming.

In terms of progress towards to achieving the Strategy's Outcomes, AusAID has performed best in achieving Outcome 1 (policy and regulatory environment). This is due to most of the projects of this type being implemented by global and/or regional bodies, for whom policy and regulatory-related interventions are a comparative strength.

Comparing the content and performance of projects pre- and post-launch of the FS4P Strategy is a useful indicator of AusAID's performance in implementing the Strategy. Projects implemented post launch of the Strategy scored 81% overall, versus a score of 72% for projects implemented prior to the Strategy. While the sample is not large (40 projects), the 9% spread exhibits a positive trend and suggests that AusAID is performing well in implementing the Strategy and has responded to the need to improve project design and evaluation processes and strategic focus.

In the course of undertaking the MTR, the Team observed several cutting-edge, high impact AusAID projects and initiatives that we believe merit highlighting.

At the global level, the Group of Twenty (G20) work involving AusAID and the Treasury, reinforced and complemented by projects working at the policy level in the field, is an impressive combination. Getting financial inclusion on the agenda at the G20 level, followed by the Standard Setting Bodies' attention and finally growing acceptance by country policy-makers in a large part can be attributed to Australia's continued and extensive backing and support of the issue. There is no doubt that this work has been critical in expanding poor and excluded people's access to the formal financial sector.

At the project level, one high performing project of particular note is the Fiji Financial Education Curriculum Development (FinED), an impressive undertaking to develop compulsory curriculum and install it at every grade level in primary and secondary schools systems across Fiji. This project has been supported by AusAID through its Pacific regional desk and Fiji Post. When implementation is completed, it will be one of the first compulsory financial education curriculums in the world. We believe this will be a notable achievement for Australia's Overseas Aid program.

Notwithstanding these successes, the Team believes there are areas for improvement particularly in regard to Strategy implementation and to a lesser extent Strategy content. The focus of our recommendations is primarily to enhance the compliance of existing and future projects with the Strategy, to strengthen their monitoring, evaluation and reporting, and to improve working practices and capacity amongst AusAID staff involved with FS4P projects. Responding to these recommendations along with other Agency changes underway, will, we believe, assist AusAID in managing its increasing FS4P portfolio and in improving the implementation of the Strategy.

Summary recommendations for improving the Strategy

Strategy content

- Amend the narrative relating to Outcomes 2 (institutions and infrastructure) and 3 (innovation) so that it is less restrictive, noting that the existing indicators and the priorities would remain applicable.
- Amend/update the Strategy to properly acknowledge the role and contribution of the informal delivery financial services, recognising that where the formal sector is not present and/or does not want to operate, the provision of local, informal financial services can provide solutions.
- Increases focus on agriculture, rural and SME finance and assesses options to do so both at the policy and program (country) level. Once assessed and the preferred option(s) agreed upon, an amendment/addendum to the Strategy should be drafted.

Strategy implementation¹

Type and content of projects in the FS4P portfolio

- While a mixed portfolio of FS4P projects is important and commendable, if AusAID is to achieve the Strategy's objective and is to meet the target of increasing 2.3m poor people's access to financial services as stipulated in the CAPF, a larger number of long-term, standalone financial services projects with higher outreach targets is required. AusAID should design and implement more projects with the scale and outreach of the Pacific Financial Inclusion Program (PFIP) for example.
- AusAID's success in its financial inclusion work involving working at multiple levels, such as in the case of the G-20 work on policy and regulation that is mirrored at both regional (Alliance for Financial Inclusion) and local (Central Banks) levels, should be replicated in other themes of interest, such as remittances or financial education.
- Engage intensively with multilateral partners in the early stages to assert the Strategy on project design, whilst recognising that a pragmatic approach is necessary. Insist that large value projects with significant complexity have a local presence.
- Tailor the Quality At Entry (QAE) and Quality At Implementation (QAI) reports and the associated "Process Guideline: How do I assess and report on Quality at Implementation?" use modify some of the scoring factors to specifically address financial inclusion. The MTR's Scoring Tool could be adapted for this.

¹ These recommendations have been organised into categories and do not therefore follow the same order as the detailed recommendations in Section 3.

Monitoring and evaluating the poverty impact of FS4P projects

- Commission at least three poverty impact studies of a selection of larger FS4P projects to assist in assessing the Strategy's goal-level impact and its contribution to achieving AusAID's overarching goal of helping people overcome poverty.
- Wherever appropriate, future AusAID FS4P projects should be designed from the outset with an explicit poverty reduction goal, with a supporting theory of change/results chain/impact logic that sets out how poverty impact will be achieved by the project's intervention(s). Poverty indicators should also be disaggregated by gender.
- Create a contractual obligation, or at a minimum, clear guidelines for FS4P projects over AUD3m² to develop consistent M&E frameworks that are designed to capture poverty and gender impact and system-wide changes. Ideally the M&E framework championed by AusAID, wherever possible, would be the Standard for Results Measurement laid down by the Donor Committee for Enterprise Development (DCED).
- Resource allocation for M&E should be determined primarily by the significance of a project in terms of AusAID's total investment, but there should be allowance for increased resources where projects work in innovation or are 'flagship' programs for AusAID.

Improving the reporting of FS4P projects

- Clarify those FS4P projects which are required to report against the double bottom line indicators, and take measures to enforce compliance.
- FS4P projects implemented under the AusAID NGO Cooperation Program (ANCP), as far as possible, and while preserving their independent implementing structure, should be subject to more rigorous specialized M&E and reporting requirements – perhaps, for example, the DCED Standard – as well as an obligation to engage in the learning agenda.
- Where the financial services component of a multi-component project is less than AUD3m in value, AusAID should develop a set of minimum (but non-burdensome) reporting criteria and guidelines specifically for their financial services component and obligate the implementing organisation to report periodically against them.
- Where the financial services component of a multi-component project is over AUD3m we recommend that AusAID obligates these projects to fully comply with the Strategy and to report in full against the relevant indicators.

² The value of AUD3m has been selected because this is the level at which AusAID is required to conduct a Quality at Entry (QAE) assessment, thus implying projects over this threshold have a greater degree of 'significance'.

- Promote successes within AusAID and publicly of FS4P initiatives that have scale and/or innovation.

Improving coordination amongst AusAID staff involved in FS4P activities

- Find new ways to improve working practices in relation to FS4P projects between AusAID staff in different locations and in different sections. Given AusAID's structure and the diversity of programs and people, establish a simple operating framework for use by all staff involved in FS4P activities to drive consistency between the design and implementation of FS4P projects and the Strategy.
- Develop and implement a plan to engage staff in country offices in the implementation of the Strategy, through awareness raising, involvement in related technical trainings, development of an in-house network, access to a central FS4P project database and training in the use of technical monitoring tools.
- Further establish and institutionalize the informal relationships that exist amongst AusAID staff working on FS4P activities across complementary disciplines such as agriculture, rural development, Markets for the Poor (M4P) and social protection.

Strengthening human capacity and knowledge management in AusAID in relation to FS4P

- Build internal (breadth and depth) capacity of AusAID staff working on FS4P activities in relation to the size of the portfolio and complexity i.e. increase staff numbers and their technical skills as the portfolio increases in size and complexity.
- Take additional measures to capture AusAID's technical capacity in a systematic, permanent way, using tools and trainings and knowledge management. Technical notes, lessons learned and training should be documented and made available on the intranet.
- Develop a knowledge management function which preserves the corporate knowledge of the FS4P projects. A database of all AusAID FS4P along many dimensions both proactively and reactively. The list prepared for the MTR of the Strategy is a good starting point.

2. Introduction

2.1. Overview of the Strategy³

Goal

Increase access to financial services by the poor in developing countries.

Outcomes

1. Policy – A policy and regulatory environment that allows institutions offering financial services to the poor to enter the market and grow.
2. Institutions and Infrastructure – Financial services providers and infrastructure that have the capacity to provide high quality financial services for the poor.
3. Innovation – Innovation models of providing financial services that effectively reach regions and groups currently lacking access.
4. Financial Education – Increased capacity of clients to understand and use financial services effectively.

Guiding Principles

The Australian Government will:

1. Support will complement, not crowd out, private capital and stakeholders
2. Support the provision of a range of financial services in addition to the provision of credit
3. Work with microfinance providers that demonstrate potential to become financially self-sustainable
4. Strongly encourage partners to measure and report on both their financial and social performance
5. Work with partner governments to develop enabling environments for microfinance
6. Pursue the advancement of gender equality wherever possible through the provision of financial services

Priorities in Implementation

1. Performance measurement
2. Evidence-based programming
3. Context-specific programming
4. Alignment with partner government priorities
5. Working in partnership
6. Coordination and collaboration
7. Skilled, knowledgeable and effective staff

³ Readers of this report are advised to familiarise themselves with the FS4P Strategy document available on the AusAID website http://www.usaid.gov.au/Publications/Pages/3645_1909_4834_7583_9490.aspx

2.2. How the Strategy is implemented by AusAID

The Strategy is implemented by AusAID using a variety of modalities including:

- Australian NGOs, working under the AusAID-NGO Cooperation Program (ANCP), implementing projects that AusAID FS4P staff have little influence over design, implementation and value of;
- Local and/or Australian NGOs and other implementing organisations working at the country-level on projects financed and managed by AusAID Post;
- Multilaterals at the global level, managed by AusAID HQ;
- Multilaterals at the regional level, managed by AusAID regional desks;
- Multilaterals at the country level; and
- Research projects that are designed, managed and evaluated by a separate section of AusAID.

AusAID's financial inclusion specialists are based in Canberra in and provide inputs to projects as required.

2.3. The Mid-Term Review

The Scope of Services for the MTR is included in Annex 9. The objectives of the MTR were to:

- Assess the performance of AusAID's FS4P programs against the four outcomes in the Strategy; The five OECD DAC evaluation criteria: Relevance, Effectiveness, Efficiency, Impact and Sustainability; the contribution of these programs to AusAID's overarching goal of helping people overcome poverty; and performance against the cross-cutting issues of gender equality, effectiveness of program monitoring and evaluation and the level of analysis and learning underpinning the programs.
- Make recommendations about how AusAID might improve its implementation of the Strategy to better achieve its goals by 2015.

2.4. MTR Methodology

2.4.1. Desk Review

The Team began by undertaking a comprehensive desk review of 75 AusAID-funded financial inclusion programs and projects. The 75 programs and projects are hereafter referred to as "projects". The projects were categorized based on three types presented in Table 1 below.

Table 1. Categories of Projects

Category	Project description	No. of projects
A	Mostly related to rural livelihoods or social protection but may have a related or small micro-finance component.	29
B	"Leverage" projects such as research and support of networks and support of global policy bodies and networks such as CGAP/AFL.	17
C	Primarily finance of any size OR are multi component and have a large financial services component.	29

The sampling was conducted as follows:

- For Category A, the Team selected 20% of the projects through random number generation (6). Of those six, only three had any information related to their financial services component readily available.
- For Category B projects, the Team stratified the universal set into two subsets: 1) Global network/policy support; and 2) All others (research and conferences). The entire population of the first subset was taken (7) and a 20% sample of the second subset of 10 (2), selected through random number generation. The second subset is smaller (in AUD value) hence the reason why the Team took a sample.
- For Category C the Team reviewed all 29 projects, visited or were visited by 18, but were unable to obtain sufficient information on 4⁴.

In total, therefore, the MTR Team reviewed 41 projects from the three different categories.⁵

2.4.2. Field Visits

Visits were made to four countries: Indonesia, Fiji, Myanmar and Papua New Guinea. The purpose of the country visits was to obtain additional information and insights, fill information gaps and help inform other review questions including implementation issues. Aide Memoires were submitted to AusAID by email after each country visit.⁶ The Team worked with AusAID in preparing for the field visits, providing as much information as possible on the amount of work/time that would be involved, so that field staff could make arrangements in advance. Additional information related to the country and project selection is included in Annex 1.

2.4.3. Analysis

The Team used two types of analytical processes:

4 Financial Literacy in the Solomon Islands and 3 projects under the CUFA.

5 Of the 41 projects under review, not all were entered into the two analytical processes; this was dependent on the quality of information we received, and when we received it.

6 Please see Annex 7 for Aide Memoires.

1. The first process was the analysis of projects in relation to the Strategy Outcomes i.e. their 'strategic fit'; and
2. The second process was to analyze the performance of the projects vis a vis AusAID's evaluation criteria.⁷

The Team's analysis included quantitative (where possible) and qualitative analysis when reading/interviewing both primary and secondary sources.

⁷ The Team used a hybrid of AusAID's evaluation criteria and the scoring factors as suggest by *CGAP's technical guide for portfolio reviews*.

3. Recommendations for Improving the Strategy

3.1. Improving Strategy content

3.1.1. Strengths

The MTR Team believes the content of AusAID's FS4P Strategy is relevant and practical. It articulates four broadly encompassing expected Outcomes for the purpose of achieving the overall goal of increased access to financial services by the poor in developing countries. It has modern elements that go beyond traditional institutional capacity building, for example, and takes a *systems approach* to building the financial services context for the poor. Key strengths we identified in the MTR include:

- The Strategy gives weight to both supply (institution) and demand (client) sides of the marketplace, as well as the policy context (enabling environment) within which the market operates;
- The Strategy recognizes the need for innovation as a way to expand access, reduce costs (and ideally prices) and increase the overall extent and quality of access;
- The Strategy values the need for financial service delivery institution building, which remains an important, and in some places still immature element, of the overall sector;
- The Strategy pays significant attention to coordination among other donors/governments and adherence to country strategies.⁸ While a systems approach is important to build an inclusive financial system, in most cases it is country specific, therefore each project, whether they contribute to all Outcomes or only one, should be designed with their specific context in mind; and
- The Strategy emphasizes the need to reach the most excluded and especially women, in doing so highlighting the unique role financial services can play in achieving gender equality.

3.1.2. Weaknesses

The narrative supporting Outcomes 2 and 3

While each of the four Outcomes encompass a range of activities and priorities to provide the Strategy with sufficient breadth, the narrative relating to Outcomes 2 and 3 is restrictive. The text relating to Outcome 2 (institutions and infrastructure) implies limitations in the type of institutions to be supported, ignoring semi-formal or non financial institution providers, which in the absence of formal sector providers, can provide a form of financial access for the poor. This might include, for example, value chain providers of financial services and grassroots

⁸ A number of mechanisms are in place to coordinate among donors/governments and align along national strategies including Donor Coordination Groups, Post Country Strategy documents, Country "gap" analysis shared among donors, and QAEs and QAIs.

organisations such as Village Savings and Loan Associations (VSLAs), but for now these are considered contributing to Outcome 3. Similarly, the narrative supporting Outcome 3 (innovation) refers to technology-based innovations, such as mobile phones, ATMs and other hard technology, but does not allow for product development, risk mitigation arrangements and methodological adaptations, all of which can be useful to expand financial access.

We recommend that the narrative supporting these two Outcomes is amended so that it is less restrictive, noting that the existing indicators and the priorities could remain applicable.

Acknowledgement of Informal Financial Services in the Strategy

Organisations currently working with AusAID including Consultative Group to Assist the Poor (CGAP), the Alliance for Financial Inclusion (AFI) and the G20 tend to promote the more formal aspects of financial sector development. AusAID's involvement with these organisations does not mean that it should overlook the important role the informal sector can play in providing financial services in situations where the formal sector is not present and/or does not want to operate. An example includes the informal provision of financial services by VSLAs. While we acknowledge the intent underlying the Strategy is to integrate the poor into the formal and semi-formal financial sector, there are times and contexts where this is not feasible. Therefore **we recommend** that AusAID amends/updates the Strategy to properly acknowledge the role and contribution of the informal delivery financial services. In doing so AusAID can reiterate that the purpose of the Strategy remains increasing the poor's access to formal financial services but that working with informal providers is an appropriate and possibly transitional measure. This adjustment is important also because food security and rural development are two of AusAID's priorities, and informal financial services often play an important role in the rural sector and in achieving these priorities.

Agriculture, Rural and SME Finance

37% of the world's poor or approximately 610 million people derive their main income from agriculture.⁹ Agriculture economics and business cycles are different from urban cycles; products and financial services therefore need to reflect that. Not all countries/regions reflect a similar split between urban and rural, but many which are of interest to AusAID do, including Myanmar, Indonesia, PNG, Latin America and Africa. With a significant proportion of the world's poor, many unbanked, involved in this type of activity, financial inclusion projects should focus on agriculture finance in a substantive way.

Small and Medium-sized Enterprises (SMEs) provide employment and income opportunities to many people in developing countries, but often face similar growth constraints to micro-enterprises including access to financial services. Typical constraints include: lack of collateral; unwillingness to lend against alternative collateral; undeveloped collateral registry systems; and weak understanding by the financial sector of small business risks and opportunities. Working with financial sector

⁹ Bill and Melinda Gates Foundation study conducted by Oliver Wyman (2008).

institutions to develop better products and offset risks using innovative mechanisms could be a focus for new AusAID projects to improve Strategy implementation, yet the Strategy itself is not explicit about the role of SME finance.

We recommend that AusAID increases its focus on agriculture, rural and SME finance and assesses its options to do so both at the policy and program (country) level. Once assessed and the preferred option(s) agreed upon, an amendment/addendum to the Strategy should be drafted.

3.2. Improving Strategy implementation

Increase the focus of projects on pursuing, measuring or reporting poverty impact

While it was possible for the MTR Team to assess the contribution of projects to achieving the four Outcomes in the Strategy, it was not possible to determine their contribution to the Strategy's goal of increasing poor people's access to financial services and thus their contribution to AusAID's overarching goal of helping people overcome poverty. This is because of the 41 projects reviewed by the Team, 25 were unable to provide information relating to their impact. While in some cases this is because projects have not been operational for long enough, many others did not/do not report poverty impact, nor have undertaken credible poverty impact assessments. A few notable exceptions exist:

- PNPM in Indonesia which specifically targets, and has achieved, poverty reduction, in part due to its revolving loan funds. Nonetheless the sustainability and strategic 'fit' of this type of FS4P program is questionable (see Annex 4 Case Study 8).
- The Livelihoods and Food Security Trust Fund (LIFT) in Myanmar which reported in a recent field visit that the "change in the clients' position illustrates that they are finding loans are increasing their incomes and thus reducing their poverty". We note, however, there is no supporting quantitative data.
- The Peru Mibanco Financial Literacy project which while designed without an explicit poverty reduction objective, undertook an interim study to determine poverty impact. The report, however, concluded that they could not yet find a link between the project and changes in household income.
- The Nepal MEDEP program which specifically targets micro-entrepreneurs below the poverty line. Which MEDEP is able to attribute some poverty impact to the program's interventions, it is a multi-component program and did not identify specifically the impact on poverty of its financial services component.

Hence there was limited information or data available to the Team to make an informed assessment on the Strategy's impact at the goal level and thus on poverty reduction. Measuring AusAID's success (or failure) in: 1) achieving the Strategy's goal of increasing poor people's access to financial services; and 2) whether increased access led to poverty reduction, is clearly crucial to determining

the effectiveness of the Strategy. To do so requires credible poverty impact data and information generated by the projects in AusAID's FS4P portfolio. **We recommend** the following measures are taken up by AusAID—and completed—well before the final evaluation of the FS4P Strategy:

- Commission at least three poverty impact studies of a selection of larger, standalone FS4P projects. We suggest the projects selected are those that have been designed with an explicit poverty reduction goal and have an M&E system that seeks and captures the relevant information. Otherwise it will be time-consuming and costly (and perhaps impossible) for the impact studies to obtain credible data and to determine attribution.
- Wherever possible, future AusAID FS4P projects should be designed from the outset with an explicit poverty-related goal, with a supporting theory of change/results chain/impact logic that sets out how poverty impact will be achieved by the project's intervention(s). We acknowledge, however, that AusAID will not be able to place these obligations/conditions on multilateral implementing partners and that some projects (such as remittances for example) will not be able to report at this level.
- AusAID creates a contractual obligation, or at a minimum, clear guidelines for FS4P projects over AUD3m to develop consistent M&E frameworks that are designed to capture poverty and gender impact and system-wide changes. Ideally the M&E framework championed by AusAID, wherever possible, would be the DCED Standard for Results Measurement.

Improve the reporting of projects against double bottom line indicators

AusAID's FS4P Strategy states that microfinance initiatives need to comply with reporting against the double bottom line. Moreover the MTR Team was informed by AusAID that all financial sector partners are required to report and provide information as specified in the double bottom line. Nonetheless the MTR Team observed a number of projects that were unable to provide the required information. **We recommend** AusAID clarifies those projects which are required to report against the double bottom line indicators, and takes measures to enforce compliance. For example, the double bottom line is not intended to be applicable to government-led projects in policy or financial education. Further, AusAID will need to decide under what circumstances commercial entities, whether financial (e.g. commercial banks) or non-financial (e.g. Mobile Money Operators) would be required to report against these indicators, bearing in mind that there is a high risk that these types of entities would not enter into this type of agreement.

Increase the compliance of ANCP projects with the Strategy

ANCP projects involved in FS4P can play an important role in increasing the poor's access to financial access and thereby the achievement of the Strategy's objectives. These projects can also add value to the internal learning agenda (see Annex 4 Case Studies for examples). These projects, however, are currently monitored in a general way using the Annual Development Plan (ADPLAN) documents and (too) general indicators in the ANCP Annual Performance report. Consequently, little

is learned or understood about these projects that can feedback into AusAID's learning agenda. **We recommend** that the ANCP FS4P projects, as far as possible, and while preserving their independent implementing structure, be subject to a more rigorous specialized M&E – perhaps, for example, the Standard laid down by the DCED – as well as on obligation to engage in the learning agenda. This would increase the consistency of ANCP projects with the Strategy and better leverage their successes and lessons learned.

Addressing multi-component programs with a financial services component

A large number of projects in AusAID's FS4P portfolio are multi-component and in many, the financial services element is small. For example, MEDEP in Nepal is a multi-million dollar project where the financial services component is small relative to the microenterprise element. A similar situation exists in Sri Lanka under the Australian Community Rehabilitation Program Phase 3 project, where the financial services component appears to be less than 1% of the total project commitment. In undertaking the MTR many of these types of projects were ranked "poor" in terms of information availability or could not be reviewed at all as they had no data related to the Strategy Outcomes they are contributing to.

While we acknowledge that projects of this type are unlikely to provide the level of information and data of standalone FS4P projects, they play a contributing role in implementing the Strategy. It is also the case the these projects contribute to AusAID's reporting on expenditure on financial services activities and should therefore be required/encouraged to comply with Strategy. **We recommend** that where the financial services component of a multi-component project is less than AUD3m in value, AusAID develops a set of minimum reporting criteria and guidelines specifically for their financial services component and obligates the implementing organisation to report periodically against them. Where the financial services component is over AUD3m **we recommend** that AusAID obligates these projects to fully comply with the Strategy and to report in full against the relevant indicators.

Implementation of the Strategy requires adequate resources and management

AusAID often contracts to, or forms alliances with, other entities, such as NGOs through the ANCP program, local NGOs or private sector companies, multilaterals, and managing contractors. Project development in partnership *with* other organisations (rather than *by* other organisations) requires harmonization of processes and expectations. The assumption is that multilateral partners require less supervision and may have more technical expertise; therefore given these existing resources more effective programming can be achieved. This is for the most part correct. Multilaterals have procedures and standards that protect and promote many of AusAID interests. However, merging interests with a strong partner has its drawbacks and need for negotiation to ensure the projects' outcomes are both desirable and measurable. In the case of the Pacific region, AusAID was instrumental in developing the Pacific Financial inclusion Donor working group, which meets

regularly to coordinate donor activity and share information. (See Annex 4, Case 4: Harnessing the Multilaterals).

Implementing AusAID's FS4P Strategy falls under the responsibility of staff in three types of locations: Financial Inclusion Specialists that are part of AusAID's Private Sector Development Department in Canberra, Country and Regional Branches in Canberra and AusAID country Posts (some of which are more autonomous than others). It also involves the participation of the G20 Section, Research and the NGO Sections. Each of these Sections has different areas of responsibility, program budgets, and have different management responsibilities. Given this structure, and the diversity of programs (in part as a result of this structure) and people, **we recommend** that AusAID establishes a simple operating framework for use by all staff involved in FS4P activities to drive consistency in developing project objectives, defining indicators and reporting results. This framework would:

- State that the FS4P Strategy is the guiding document;
- Develop technical leadership and implementing staff capacity in order to understand the issues and the questions to ask (capacity building);
- Develop and/or modify the technical, monitoring and management tools to further guide the project development and implementation process (tools/training and systems); and
- Establish a coordination role and knowledge management unit.

We recognise that implementing this recommendation would require both a budget allocation and a human resource commitment.

Additional staff with financial services expertise

Concurrent with the development and implementation of its FS4P Strategy, AusAID has increased its technical capacity with the addition of a part-time, and now a full-time technical adviser, as well as impressive, relevant skills in the staff of the Food Security, Infrastructure, Mining and Trade Branch. As the portfolio increases further this human capacity will also need to expand. Relative to the increase of the financial services portfolio **we recommend** AusAID further enhances its human resources using as a guide the value of the FS4P portfolio, adjusted for the complexity of implementation partners and total number of unique projects. The roles and responsibility of this technical post(s) would serve as a backstopping technical resource for all parts of the FS4P project development and implementation process. They could also serve as a focal point for undertaking training needs assessments of AusAID staff involved in FS4P projects and would source/create/adapt training as appropriate. They could be responsible for developing and/or adapting the technical tools to guide FS4P projects through the design, implementation and evaluation processes, and could manage the coordination and knowledge management functions.

Capacity Development

The Team notes that AusAID has invested in building technical capacity at all levels and that this could be expanded and developed further as the number of programs and the total portfolio value expand. Some investment in capacity development has been made. AusAID has coordinated with CGAP to deliver donor trainings and there have also been field visits by technical staff to countries and projects, for the purposes of project design and monitoring.¹⁰ These have proven useful and have had a direct effect in places such as Laos and Fiji and Latin America as examples. Ad hoc training and networking has also been conducted and a communication flow is evident between many financial service project implementers and AusAID's financial inclusion specialists in Canberra.

Presently there is a level of transience in capacity at different positions. It moves as people move from post to desk, from section to section. This was a recurring theme noted by the Team throughout the MTR. In some cases as the capacity moves, it can be leveraged into other sections/countries/programs. In other cases it is lost. With this as an ongoing theme, **we recommend** that AusAID takes additional measures to capture some of the technical capacity in a systematic, permanent way, using tools and trainings and knowledge management. For example, a short technical note might be developed which illustrates the issues related to financial inclusion project design and how to incorporate best practices and guiding principles during the design process.

Capacity development is a combination of on the job training as well as more formal course or workshop settings. Financial services-related competencies should be added to the standard competency profile for positions which are implementing or expect to implement the financial service strategy. These need not be exhaustive or highly technical, but the rule of thumb should be "Can I ask the right questions? And understand the answers?" Training should focus on these job competencies.

Creating awareness of, and “buy in” to, the Strategy

Projects which are managed by AusAID staff are easier to influence, structure and report on due to enhanced engagement and this is reflected in AusAID devolving of much of the program responsibilities and budgets to the country level. Achieving compliance with the Strategy at the post level can be difficult to achieve especially at the posts where staff are often not hired specifically for their financial services expertise yet are involved in the implementation of financial services projects. If their "buy in" to the Strategy can be developed, however, it could significantly enhance implementation. The rationale for AusAID's decentralized structure (efficiency, local context and relationships) can also be effective when “piggybacking” a Strategy on top of it, as evidenced by the “buy-in” the MTR Team observed in Indonesia, Fiji, and in Latin America where locally based AusAID staff are very engaged and interested technically in the work. In many other countries, however, “buy in” has not been achieved for one or a combination of the following reasons:

¹⁰ AusAID technical staff accompanied the Support to the AusAID Integrated Sustainable Rural Livelihoods Programme through MAFIPP, Lao PDR.

- Some AusAID country strategies preclude investment in financial inclusion projects;
- Some country programs have limited resources for FS4P projects even where the host government believes financial inclusion is important (which appears to be case in PNG for example, where AusAID focuses primarily on the priority sectors of education and health);
- Post has an increased workload due to the decentralization strategy¹¹; and
- A lack of awareness and tools to incorporate the FS4P Strategy into their work.

We recommend that AusAID headquarters develops and implements a plan to engage staff in country offices in the implementation of the Strategy, through awareness raising, involvement in related technical trainings, development of an in-house network, access to a central FS4P project database and training in the use of technical monitoring tools. If AusAID country programs do not include FS4P activities then decision to do so should be an informed one rather than a default one.

Improving the design, monitoring and evaluation of FS4P projects

AusAID staff need tools to guide them through the technical elements of FS4P project development, implementation and learning processes. Tools help keep design and M&E processes systematic and consistent. On some occasions, AusAID enters after the project is conceptualized and designed. This can make AusAID the less proactive partner from the beginning.

There are several points during the process through which AusAID can influence the development of the project as well as M&E. Currently the project process has two internal monitoring reports which are followed: Quality at Entry (QAE) and the Quality at Implementation (QAI).¹² Both are geared to the OECD/DAC reporting framework and includes the standard evaluation criteria: Relevance, Effectiveness, Efficiency, Impact and sustainability as recommended by CGAP. They also cover cross cutting elements such as gender equality and analysis and learning. They also require an assessment of the M&E framework proposed/being used by projects.

We recommend that AusAID provides additional guidance on how to complete the QAE and QAI for FS4P projects. A starting point could be questions relating to the dimensions drawn from the Scoring Tool developed for this MTR (see Annex 8). AusAID has developed similar guidance under the Gender Section, which provides a useful starting point for improving QAEs and QAIs for FS4P projects. AusAID could also adapt the Scoring Tool to help automate the process.

We recommend, however, that projects that focus on financial innovation, or do innovative work within the other Outcomes, may require greater attention when it comes to the evaluation, analysis and learning dimensions compared to non-innovation projects. For example FinED in Fiji is a

¹¹Source: ANAO survey of AusAID staff, March 2009 and reflected in conversations with AusAID post staff during the Mid term Review.

¹² There are also some generic tools available for the design process, but many projects reviewed by the MTR were subscribed to by AusAID after the design work was essentially completed.

unique, “flagship” AusAID project that should be assessed as to its applicability to other contexts and promoted outside the agency. Some of AusAID supported research projects should also be considered for applicability to other contexts. Sufficient resources should be allocated to innovative and unique projects for evaluation purposes.

Strengthen coordination of AusAID staff working on FS4P activities

The FS4P Strategy covers a diverse range of Outcomes, over many regions and countries and with a variety of implementing partners, leading to a degree of complexity in the FS4P portfolio. Some projects contribute to all Outcomes of the Strategy, others only one. This complexity and diversity requires a significant coordinated effort in terms of planning and reporting in order to be able to demonstrate and articulate results as well as to provide a feedback loop for project origination and management. It also requires effective coordination and communication between AusAID advisers and branch and post staff. In addition, it requires coordination and collaboration between AusAID’s financial inclusion specialists and advisers/managers from other disciplines including food security, rural livelihoods and agriculture. It appears to the MTR Team that at present, coordination is generally conducted informally.

We recommend that coordination be improved by further establishing and by institutionalising the informal relationships that exist amongst AusAID staff working on FS4P activities. This has been achieved to some degree by AusAID with mainstreaming gender as a cross cutting issue, which could serve as a model for FS4P projects in future. Secondly, the Laos Rural Development Delivery Strategy, which includes a significant financial services component, and which is being championed by AusAID as a model delivery strategy, provides an excellent example of an effective coordination process leading to the design of a sound FS4P project (component) that is consistent with Strategy.

Improving knowledge management of FS4P projects

AusAID has supported hundreds of FS4P projects in the last 10 years. Yet the organisation of the documentation for these projects requires improvement. Collecting, categorizing and analysing this information is critical to use for feedback and leverage into the AusAID-wide knowledge base. Staff movement in an era of growth and decentralization leads to transient agency memory. **We recommend** attempts should be made to better capture this memory, noting that this challenge is relevant to other development agencies as well.

In a similar vein, other knowledge management initiatives could also be considered including, for example, an FS4P intranet website (or a new area of AusAID’s existing intranet), staff technical workshops, publication of case studies and lessons learned across projects.

We recommend that AusAID develops a database of all of FS4P projects. The list prepared for the MTR of the Strategy is a good start point. **We recommend** that AusAID invests in a data collection exercise to record elements which may or may not drive Strategy implementation, and to create a

database for capturing this information. A suggested (but not exhaustive) set of data categories and fields are provided in the table below.

Data Category	Fields
Outcome(s) expected	Budget per outcome expected (\$ and % of total)
	Agreed to targets per outcome expected
Implementation structure	NGO (ANCP)
	Multilateral Manager
	Local NGO or government partner
	Private Sector
	Global
	Other
Overall Size of Financial Component	\$ value
	percent of total project
Key cross cutting depts /sections involved	
Report (QAI, QAE)	Scores
Documents (links)	QAI (annual)
	QAE (one time)
	Evaluations
	Mid terms
	Impact
	Research Findings
Promotions and Publications	Press Releases
	Quarterly/Monthly/Semi Annual bulletins
	Special requests

Once completed the utility of the database would be significant. The database could, for example:

- Report on cumulative impact and costs
- Generate reports for Senior Management in response to special requests
- Act as a useful tool for improving the links between advisers, sections, posts and branches
- Assisting time planning for oversight and technical assistance
- Generate information for knowledge management and learning
- Assist with "portfolio" planning (size, country/region, value, outcome)
- Identify weaknesses in reporting quality and frequency by project.

As the initial task of collecting data might be time consuming, AusAID might consider outsourcing the data collection and then take over operation once it is completed. Once functional, AusAID staff involved with FS4P activities would need to periodically upload information.

3.3. Global progress in the developing of financial inclusion performance indicators

In recent years a significant body of work has emerged regarding performance indicators related to micro-credit and to some degree, micro-savings. For other financial inclusion products and services, however, such as insurance, payments, transfers and financial literacy, limited consensus has been reached on an appropriate set of performance indicators. This has been complicated further by the entry of new players into these markets such as insurance providers and Mobile Money Operators. Nonetheless, the best practice financial inclusion indicators that have emerged can be summarised in three important categories:

1. *Access* to financial services and reach of financial infrastructure;
2. *Use* of financial services; and
3. *Quality* of financial services.

The G-20 development working group has developed five general financial inclusion measures which provide a basic platform for countries, programs and donors to measure financial inclusion. They represent significant work, debate and discussion by members of the working group (including AusAID). Two of the indicators relate to SME services. The five are as follows:

Categories	Indicators	Dimension of Financial Inclusion
1. Formally Banked Adults	• % of adults with an account at a formal institution	Usage
	• Number of depositors per 1,000 adults OR number of deposit accounts per 1,000 adults	
2. Adults with credit by regulated institutions	• % of adults with at least one loan outstanding from a regulated financial institution	Usage
3. Formally Banked Enterprises	• % of SMEs with an account at a formal financial institution	Usage
	• Number of SMEs with deposit accounts/number of deposit accounts OR number of SME depositors/number of depositors	
4. Enterprises with outstanding loan or line of credit by regulated institutions	• % of SMEs with an outstanding loan or line of credit	Usage
	• Number of SMEs with outstanding loans/number of outstanding loans OR number of outstanding loans to SMEs/number of outstanding loans	

Categories	Indicators	Dimension of Financial Inclusion
5. Points of service	<ul style="list-style-type: none"> • Number of branches per 100,000 adults 	Access

These are broadly structured and pertain primarily to access to the formal sector's financial services offerings. Further, they do not encompass any mobile banking "accounts" access, transactions or non-financial institution offerings such as VSLAs and/or value chain finance. Nor do they encompass any quality dimensions. Nonetheless, they are termed by those interviewed by the MTR Team as "a start".

As the global trends in developing indicators further evolve, we suggest that AusAID considers the following:

1. An overall volume indicator, while interesting, does not reflect quality of participation, nor is it an appropriate measure for some outcomes such as financial education.
2. Projects working in areas of innovation may not achieve the volume indicators in a short time frame. Measurement of tendencies towards that indicator may be more appropriate.
3. When projects work under an overarching volume goal, they may make investment, human resource and/or management decisions which overlook what could be interesting and viable and scalable endeavours that may not be able to contribute substantively to the overall goal over the established time frame.

4. Our Analysis

4.1. Process 1: Strategic Fit of Projects

Projects were analyzed to determine the extent to which they are contributing to, or have contributed to, the achievement of the FS4P Strategy Outcomes. The Team examined the activities implemented to achieve the Strategy Outcome (as outlined in the Strategy document) and reviewed the extent to which the Key Performance Indicators are tracked as well as achieved. The Team analyzed whether they follow/ed the Guiding Principles and Priorities in Implementation.

This process involved the use of a questionnaire tool that was used to measure the extent to which the projects ‘fit’ with the Strategy. The Team used this questionnaire/guide in their interviews at the field, via telephone and through review of documentation.

4.1.1. Contribution of Project Types to Outcomes

During the desk review and field visits we identified seven types of projects in the FS4P portfolio: 1) AusAID NGO Cooperation Program (ANCP); 2) Australian Development Research Awards (ADRA); 3) AusAID; 4) Global; 5) International Seminar Support Scheme (ISS); 6) Joint Venture; and 7) Multilateral. The definitions are included in Annex 2. Table 2 below demonstrates the relationship between each project type and the FS4P Strategy Outcomes they contribute to.

Table 2. Outcomes Contributed to by Project Type

Project type	No. of projects	Outcomes 1-4 ¹³					
		1	2	3	4	Total	Outcomes / Project type
ANCP	10	1	8	6	3	18	1.8
ADRA	2	0	0	2	0	2	1
AusAID	4	0	2	1	1	4	1
Global	7	5	4	4	3	16	2.3
ISS	1	0	1	0	0	1	1
Joint Venture	3	0	2	1	0	3	1
Multilateral	13	8	11	7	5	31	2.4
Total	40	14	28	21	12	75	

¹³ Note some projects contribute to more than one Outcome.

Interpretation

Of the 40 projects reviewed, 35% contributed to Outcome 1, 70% to Outcome 2, 53% to Outcome 3 and 30% to Outcome 4. ANCP projects are more likely to contribute to Outcome 2 (Institution and Infrastructure) and Outcome 3 (Innovation). Multilaterals had a fairly even spread across all Outcomes, and were more likely to contribute to multiple Outcomes (2.4 Outcomes per project) than other project types. They were closely followed by global projects (2.3 Outcomes per project). Outcome 1 (Policy) is primarily contributed to by multilateral and global projects types.

The analysis demonstrates that cumulatively, projects in AusAID's FS4P portfolio contribute to all Outcomes but are more concentrated on Outcomes 2 and 3. Global and multilateral projects contribute to multiple Outcomes which is in line with their comparative advantage in interacting with different players at all levels, and that they have the interest and capacity to engage in a wide range of interventions.

4.1.2. Guiding Principles

The Strategy's Guiding Principles were specified earlier in the Strategy overview on page 6. Tables 3 a-d below demonstrate the relationship between projects contributing to each Outcome and the Guiding Principles. Guiding Principles may be more relevant to certain Outcomes than others and we have denoted the more relevant ones in **green** in the tables. The column titled "Total" indicates the number of Guiding Principles followed projects. The column Guiding Principles per project denotes the average number of principles followed per project.¹⁴

Table 3a. Guiding Principles being followed by projects contributing to Outcome 1 (Policy)

	No. of Projects	Guiding Principles 1-6							
		1	2	3	4	5	6	Total	Guiding Principles / Project
Outcome 1	14	10	10	5	6	10	5	46	3.3

¹⁴ Guiding Principles in themselves do not have a direct relationship to Outcomes. Guiding Principles are a general set of criteria that apply to all aspects of the Strategy.

**Table 3b. Guiding Principles being followed by projects contributing to Outcome 2
(Institutions and Infrastructure)**

	No. of Projects	Guiding Principles 1-6							
		1	2	3	4	5	6	Total	Guiding Principles / Project
Outcome 2	28	27	20	15	15	15	14	106	3.8

**Table 3c. Guiding Principles being followed by projects contributing to Outcome 3
(Innovation)**

	No. of Projects	Guiding Principles 1-6							
		1	2	3	4	5	6	Total	Guiding Principles / Project
Outcome 3	21	19	19	15	15	15	14	97	4.6

Table 3d. Guiding Principles being followed by projects contributing to Outcome 4 (Financial Education)

	No. of Projects	Guiding Principles 1-6							
		1	2	3	4	5	6	Total	Guiding Principles / Project
Outcome 4	12	9	10	6	5	8	4	42	3.5

Interpretation

Projects that contributed to Outcome 1 (Policy and Regulatory) used Guiding Principles 1, 2 and 5 more frequently. Guiding Principles 3, 4 and 6 were less relevant to projects contributing to this Outcome.

More projects contributing to Outcome 2 (Institutions and Infrastructure) were following Guiding Principles 1 and 2 but all principles, with the exception of 5, were relevant to projects contributing to this Outcome.

Outcome 3 (Innovation) had a similar profile to Outcome 2 and almost all relevant principles were followed by at least two-thirds of the projects. Projects contributing to Outcomes 2 and 3 which were usually implemented through financial institutions, NGOs and/or other non-government partners, adhered to the majority of the guiding principles, but those projects contributing to the innovation Outcome showed an even higher incidence of adhering to all guiding principles.

Projects contributing to Outcome 4 (Financial Education) followed a pattern of distribution similar to Outcome 1 but adhered more firmly to requiring partners to measure and report on performance (in part because financial education is sometimes conducted through financial institutions which have a social performance element embedded).

Gender equality was the least adhered to principle of the six; this finding was also reflected in the second analytical process used by the MTR Team (see Section 4.2 below).

4.1.3. Priorities in Implementation

The Strategy's Priorities in Implementation were specified earlier in the Strategy overview on page 6. Table 4 below demonstrates how projects contributing to each Outcome comply with Priorities in Implementation. Priorities in Implementation in themselves do not have a direct relationship to the Outcomes. Priorities in Implementation are a general set of criteria that apply to all aspects of the Strategy.

Table 4. Priorities in Implementation

Outcome	No. of Projects	Priorities in Implementation 1-7								
		1	2	3	4	5	6	7	Total	Priorities/ project
1. Policy	14	9	10	10	10	11	11	11	61	4.4
2. Institutions & Infrast.	28	22	24	24	20	23	21	22	156	5.6

Outcome	No. of Projects	Priorities in Implementation 1-7								
		1	2	3	4	5	6	7	Total	Priorities/ project
3. Innovation	21	19	20	19	17	20	16	16	127	6.0
4. Education	12	10	12	11	8	12	11	9	73	6.1
Total	75	60	66	64	55	66	59	58		

Interpretation

Table 4 shows that the Priorities are in general being followed by projects contributing to the four different Outcomes. Broad compliance with the Priorities would suggest that we should observe the maximum number of projects against each Priority. For example, for projects contributing to Outcome 1, we should observe 14 under each of the 7 Priorities, for a total of 98 counts, (as opposed to 61 in the total column). This means that projects contributing to Outcome 1 (policy) were less likely to comply with all 7 Priorities, possibly because they are usually government-related projects. In projects contributing to Outcomes 2, 3 and 4, compliance to all Priorities was better. Projects contributing to Outcome 4 (financial education) demonstrated highest rate of compliance with all the Priorities (73/84 or 87%).

4.1.4. Performance Measures

Table 5 shows whether projects contributing to each Outcome are using the Strategy's Performance Measures. These Performance Measures are a general set of criteria that apply to all projects in the FS4P portfolio.

Table 5. Performance Measures

Outcome	No. of Projects	Performance Measures 1-3				
		1	2	3	Total	Performance Measures / Project
1. Policy	14	7	9	10	26	1.9
2. Institutions & Infrast.	28	15	21	21	57	2.0

Outcome	No. of Projects	Performance Measures 1-3				
		1	2	3	Total	Performance Measures / Project
3.Innovation	21	14	20	18	52	2.5
4. Education	12	8	8	8	24	2.0
Total	75	44	58	57		

Interpretation

Across all projects it can be observed that Performance Measure 1 is being adhered to the least, particularly for those projects contributing to Outcomes 1 and 2. Projects contributing to Outcome 3 (innovation) are performing the best in complying with the Strategy's Performance Measures.

4.1.5. Double Bottom Line

The Strategy states: "The Australian Government is committed to measuring both the financial and social performance of microfinance initiatives over the lifetime of programs."¹⁵ Please refer to Annex 2 for a list of the financial and social indicators associated with the double bottom line.

Table 6 shows how projects contributing to each Outcome conform to the Double Bottom Line. Double Bottom Line measurements which include both financial and social elements do not have a direct relationship to Outcomes.

Table 6: Projects contributing to Double Bottom Line indicators

Outcome	No. of Projects	Double Bottom Line				
		\$ ¹⁶	Social ¹⁷	Total	N/A	Double bottom line indicators / Project
1. Policy	14	6	4	10	6	0.7

¹⁵ Rosenberg, Richard, *Measuring Results of Microfinance Institutions: Minimum Indicators That Donors and Investors Should Track – A Technical Guide*, Consultative Group to Assist the Poor, The World Bank, 2009.

¹⁶ "\$" represents that financial indicators have all or partially been met

¹⁷ "Social" represents that social indicators have all or partially been met.

Outcome	No. of Projects	Double Bottom Line				
		\$ ¹⁶	Social ¹⁷	Total	N/A	Double bottom line indicators / Project
2. Institutions & Infrast.	28	20	17	37	7	1.3
3. Innovation	21	16	14	30	2	1.4
4. Education	12	5	4	15	6	1.3
Total	75	47	39		21	

Interpretation

The incidence of not available (N/A) responses¹⁸ for projects was higher in this criteria than any other, implying that in many cases these indicators are not used by projects. There is a low incidence of projects reporting social performance. Projects contributing to Outcomes 1 (policy) and 4 (financial education) had the highest incidence of N/A responses.

Projects contributing to Outcomes 2 (institutions and infrastructure) and 3 (innovation) have the highest incidence of reporting against the double bottom line indicators. However the incidence of reporting social indicators is less likely to occur than the incidence of reporting financial indicators in projects contributing to these Outcomes, suggesting that the implementers are either not required (by default or by design) to measure and report against the social indicators.

Based on both the low number of projects reporting against the social indicators and a high number of projects that did not respond (N/A), projects contributing to Outcome 1 (policy and regulatory) and Outcome 4 (financial education) are either not collecting this information, or it is not a priority for such projects. It is likely that institutions implementing policy work or financial education (in the case of government departments for example) would find these indicators less relevant as they are designed for institutions providing financial services such as MFIs.¹⁹

4.1.6. Key Performance Indicators

Each Outcome has a number of underlying Key Performance Indicators stated in the Strategy.²⁰ Tables 7a-d below show the performance of projects contributing to each Outcome in meeting the

¹⁸ Not available means not provided.

¹⁹ <http://sptf.info/images/makingthecaseforspminvestordonors.pdf>

²⁰ It is not essential that a project report against all indicators under each Outcome as the indicators may not be relevant.

relevant indicators (KPI1-4). The second column in each table shows the number of projects reporting against a KPI. The final row indicates the total number of times a Key Performance Indicator was reported against, and is followed (in brackets) by the average number of Key Performance Indicators used per project contributing towards that Outcome.²¹

Table 7a. Key Performance Indicators (Outcome 1 – Policy)

The KPIs for Outcome 1 (policy) are:

1. Identification of regulatory and legal barriers that limit poor people's access to financial services in target regions
2. Reforms to regulatory and legal environment in target regions
3. Entrance of new microfinance service providers into the market and performance of institutions in areas where regulatory and policy changes have been made

	Projects Meeting KPI
KPI 1	10
KPI 2	7
KPI 3	1
Total:	18 (1.3)

Table 7b. Key Performance Indicators (Outcome 2 – Institutions and Infrastructure)

The KPIs for Outcome 2 (Institutions and Infrastructure) are:

1. Financial and social performance of targeted financial service providers
2. Capacity of targeted institutions within the broader financial infrastructure

	Projects Meeting KPI
KPI 1	16
KPI 2	21
Total:	37 (1.3)

²¹ The Total column does not include the number of projects which did not provide information.

Table 7c. Key Performance Indicators (Outcome 3 – Innovation)

The KPIs for Outcome 3 (Innovation) are:

1. Level of access to financial services resulting from integration of new technology into the market
2. Number and nature of new partnerships between formal financial service providers and non-traditional stakeholders to deliver microfinance services
3. Establishment of replicable demonstration projects to expand outreach and improve efficiency

	Projects Meeting KPI
KPI 1	16
KPI 2	9
KPI 3	14
Total:	39 (1.9)

Table 7d. Key Performance Indicators (Outcome 4 – Financial Education)

The KPIs for Outcome 4 (Financial Education) are:

1. Level of client capacity in target regions
2. Level of client awareness of protection mechanisms in target regions
3. Level of integration of financial education into national governments' strategies and plans
4. Number of poor attending financial education programs in targeted regions

	Projects Meeting KPI
KPI 1	3
KPI 2	7
KPI 3	4
KPI 4	4
Total:	18 (1.5)

Interpretation

Of the 14 projects pursuing Outcome 1 (Policy) 71% and 50% reported against KPI1 and KPI2 respectively. Only one project contributing to this Outcome reported against the Outcome's third KPI: Entrance of New Microfinance service providers into the market.

Of 28 projects pursuing Outcome 2 (Institutions and Infrastructure), almost 75% reported against the target of increasing capacity of institutions within the broader financial infrastructure (KPI2) and 57% reported against financial and/or social performance (KPI1). For those projects contributing to Outcome 3 (Innovation) 76% were reporting changes in level of access to financial services and 67% were developing demonstration projects to expand outreach. These projects also reported against almost 2 out of the 3 indicators provided (1.9).

Projects involved in Outcome 1 (Policy) primarily focus on objectives such as identifying regulatory and legal barriers and reforms to the enabling environment. They may not be able to measure the contribution of their project(s) to the entrance of new microfinance providers to the market over the life of the project, which is more of an impact of reforms rather than an activity under the control of the implementers.

Projects contribute to Outcome 2 (Institutions and Infrastructure) show that although the two KPIs have similar patterns of incidence, the priority in terms of measurement is the capacity of financial institutions. This could be because projects interpret financial capacity as part of institutional capacity.

Results pertaining to projects contributing to Outcome 3 tend to suggest that innovative projects are more focused on new technology and demonstration projects than on new partnerships.

Projects contributing to Outcome 4 (Financial Education) were more likely to focus on objectives related to client awareness of protection mechanisms (KPI 2).

4.2. Process 2: Project Performance vis a vis AusAID's evaluation criteria

For the MTR's second analytical process a project quality assessment tool was developed and is referred to as "Scoring Tool: Project/Program Performance", a 'snapshot' of which is included in Annex 8. We advise readers of this report to refer to this Annex when reading this section to enable comprehension of the scoring factors that were applied by the MTR Team.

The tool was designed to assess the quality of projects relative to standard evaluation criteria as provided by AusAID. The tool has a series of questions aligned with the standard evaluation criteria (termed "dimensions" in the tool). When developing the dimensions consideration was taken of the *CGAP Technical Guide: Portfolio Reviews*. A number of "hybrid" scoring factors were developed to address the fact that many projects are not institutional capacity projects and therefore many CGAP

suggestions for scoring factors would not apply. Where there were applicable similarities the concepts were merged.

The following tables and analysis refers to data collected using the Scoring Tool. In total 40 projects were evaluated using the Scoring Tool.

4.2.1. Geographic implementation and overall performance

Overall results across all projects and by type of geographic implementation are as follows:

Table 8. Performance by Geographic Implementation and Overall Performance

Global/Regional/Country	Relevance	Effectiveness	Efficiency	Impact	Sustainability	Gender	M&E	Learning/Analysis	Overall Score
Country	91%	81%	68%	82%	70%	64%	77%	74%	76%
Global	90%	97%	80%	65%	65%	46%	87%	90%	78%
Regional	95%	89%	76%	69%	76%	65%	67%	86%	78%
Grand Total	91%	85%	71%	77%	70%	63%	76%	78%	77%

The 40 projects analysed using the Scoring Tool achieved high scores in terms of Relevance and Effectiveness (> 80%). Relevance was the highest scoring dimension (91%) which indicates that most projects have been designed and conducted in line with AusAID country/region priorities; the type of intervention seems appropriate; and implementers have performed well in harmonizing with other players. The care in terms of how to allocate resources and harmonizing with others seems to be paying off.

In terms of geographic implementation, the most distinguishing dimensions of these projects is the grading on effectiveness, where the Global projects ranked the most effective vis a vis what they are designed to do. They ranked the lowest in terms of sustainability which reflects the overall lack of need, interest or push for sustainability at that level. For example, CGAP calls its work a "public good". In terms of the gender dimension, Global projects scored poorly, in part because gender has not a focus for many of them (CGAP as example) or it is subsumed under their other objectives. Global projects score highly in Monitoring and Evaluation (M&E) and Learning and Analysis, primarily because they are heavily monitored, with substantial reporting obligations, and with significant dedicated resources to play a substantive role in contributing learning.

Regional projects scored poorly on M&E and we believe that this is, in part, due to the variety of monitoring regimes supported by the implementers and need for harmonization.

An interesting finding is the score of the Impact dimension, where Country projects scored well for impact. This is likely because local impacts can be better attributed to local projects, whereas for Global and Regional projects the attribution is weaker for some of the scoring factors.

4.2.2. Effectiveness

Effectiveness was measured by:

1. Has the project implemented, or is implementing the anticipated activities (e.g. open branches, improve MIS, develop new products, hold trainings, develop curriculum, install payments, etc.)? (ES1)
2. Are/were the project's objectives met (e.g. number of active clients, size of loan portfolio, groups formed, people trained, laws passed, increase in outreach in specific area, etc.)? (ES2)
3. Is the project and/or its clients meeting their covenants? (ES3)
4. In the time of the implementation of the project, have any risks been flagged, and if so, have appropriate risk mitigation strategies put into place? (ES4)

Table 9. Performance by Factor - Effectiveness

	Average of ES1	Average of ES2	Average of ES3	Average of ES4	Average of ES
Total	89%	73%	88%	84%	85%

The table shows that projects in general are meeting their expected objectives. We note that in scoring this dimension we only looked at how projects are meeting their targets to date, thus there is a lower score under scoring factor ES2, which measures whether the project's objectives were met (e.g. number of active clients, size of loan portfolio, groups formed, people trained, laws passed, increase in outreach in specific areas, etc.)

4.2.3. Efficiency

Efficiency was measured by:

1. Has the project suffered from any delays in implementation, whether against the implementation plan, the budget, or both? (EY1)
2. Does the funder's monitoring system (e.g. calls, reporting, evaluation missions, sanctions, etc.) incentivize performance against targets? (EY2)
3. Where appropriate, are implementation arrangements harmonised with other donors and aligned with partner government systems? (EY3)

Table 10. Performance by Factor – Efficiency

	Average of EY1	Average of EY2	Average of EY3	Average of EY
Total	60%	60%	91%	71%

Efficiency overall scored 71% but the good performance of the third scoring factor was hampered by EY1 and EY2 which scored significantly lower. This indicates that delays are an issue in some cases (though not in the majority) and that incentivizing the performance of implementers could be strengthened.

4.2.4. Sustainability

Sustainability was measured by:

1. Were strategies for achieving sustainability explicit in the project design and to what extent are they acted on, measured and assessed? (S1)
2. Do beneficiaries and/or partner country stakeholders have sufficient ownership, capacity and resources to maintain the activity outcomes after Australian Government funding has ceased? Has anything changed for the better or worse? (S2)
3. Extent to which funded microfinance institutions have increased their financial sustainability (Operational and Financial Self-Sufficiency - OSS & FSS, Return on Assets - RoA) over period of funding, and have the financial capacity to address recurrent costs (if possible will get). (S3)
4. Does the project have the potential for scalability after execution? (S4)

Table 11. Performance by Factor – Sustainability

	Average of S1	Average of S2	Average of S3	Average of S4	Average of S
Total	71%	80%	50%	74%	70%

In terms of sustainability, overall this dimension scored 70%, dragged down by the factor S3. When the Scoring Tool was designed, this factor was not expected to have high compliance and while the N/A responses were removed from the calculations, those few projects remaining which were reporting on this scored an average of 50%. The number of projects which reported against this factor was minimal and shows the trend towards either bigger projects with their own sub-portfolios of institutions, or projects supporting partners which would not in any case have reported against this factor (policy, financial education etc).

4.2.5. Gender

Gender was measured by:

1. How well does the activity integrate gender equality into objectives, monitoring and considerations of risk and sustainability? (G1)
2. What progress has been made in addressing/resolving any gender equity issues at design (or identified subsequently)? (G2)
3. What progress has been made on the development of the capacity regarding gender equity objectives of: program staff, counterparts, development partners, and/or the broader community? (G3)

Table 12. Performance by Factor – Gender

	Average of G1	Average of G2	Average of G3	Average of G
Total	63%	68%	44%	63%

With the exception of Gender, all other dimensions score $\geq 70\%$ which indicates that projects overall are performing satisfactorily based on the evaluation criteria. Only in the Gender dimension has performance been weak; it scored 63%, or 16% less than the average score for all projects, primarily due to the low performance of projects in terms of factor G3.

4.2.6. Performance by Outcome

Table 13. Performance of AusAID FS4P Projects by Outcomes²²

Outcomes	Relevance	Effectiveness	Efficiency	Impact	Sustainability	Gender	M&E	Learning/Analysis	Overall Score
Policy&Regulatory	94%	90%	84%	79%	83%	68%	81%	88%	84%
CapacityBuilding	90%	86%	77%	77%	78%	67%	75%	75%	78%
Innovation	95%	84%	71%	84%	78%	64%	79%	88%	80%
Financial Education	92%	91%	70%	82%	77%	63%	80%	90%	80%

The 13 projects contributing to the Policy and Regulatory Outcome (1) scored higher than the average project reviewed, scoring 84%. In particular the 13 projects scored higher in Relevance, Sustainability, Efficiency than projects not involved with this Outcome. In the dimension of Sustainability, their score was 83% probably due to the interpretation that most achievements along the adoption of new laws and policies are likely to endure. Financial sustainability was determined to be non-applicable in many of these cases. Under Efficiency these projects scored higher than projects contributing to other Outcomes, due to high scores for alignment with government systems against which, each project would have to score well. They also scored highly in Learning and Analysis as in part these projects tend to learn from other field examples, through workshops and exchanges, so there is a high degree of learning built into each of these projects. AusAID's global policy projects are included so we would expect a high performance from many this category.

Of the 40 projects reviewed, 27 contributed to the Capacity Building Outcome (2).²³ Capacity building related projects scored the lowest overall with 78%. There are a significant number of NGOs and local institutions implementing these projects and the quality may therefore be lower. We note that it was not within the remit of the MTR to analyse this aspect.

The 21 projects contributing to Outcome 3 (Innovation) scored higher than projects pursuing other Outcomes especially in terms of relevance and impact. The differences in scores around the Impact dimension likely indicate that projects pursuing innovation (if successful) will have a greater impact on the industry, than just a 'typical' project i.e. one that is not pursuing innovation. The risk of contributing to this Outcome may be greater than other projects, but innovative methodologies or

²² Overall scores are not directly comparable to Table 8, due to multiple outcomes per project. This a blended score, i.e. projects can be included against more than one outcome.

²³ There may be small discrepancies between this Performance analysis and the Strategic Fit Analysis in terms of projects being analysed, as some projects did not make the cut for the preparation of one analysis vis a vis the other.

technologies, can have far reaching implications. Relevance may also be affected as these projects are usually specifically designed to meet a market need in a new and thoughtful way.

Finally Outcome 4 (Financial Education) scored the highest in terms of effectiveness. This dimension includes meeting scheduled activities and objectives and in a financial education project, for example, it is likely that these factors are controllable by the implementer. The other factors, meeting covenants and the risk element, are probably not applicable to most of these projects so they do not enter into the calculation. Financial education also scored well in Learning and Analysis; this may be due to the fact that these types of projects are still somewhat experimental and that a "research" element exists.

4.2.7. Pre and post-Strategy launch

Table 14. Results across Dimensions Pre- and Post-FS4P Launch

Implementation Phase	Relevance	Effectiveness	Efficiency	Impact	Sustainability	Gender	M&E	Learning/Analysis	Overall Score
Pre	90%	79%	76%	64%	63%	54%	74%	78%	72%
Post	93%	90%	78%	78%	78%	72%	79%	79%	81%
Grand Total	91%	85%	77%	71%	70%	63%	76%	78%	77%

Data sorted along pre and post implementation lines shows an overall improvement in performance of projects which started in 2010 and after: 81% overall for post-Strategy launch and 72% for pre-Strategy projects. There could be several explanations for this improvement, including the fact that the Strategy promoted clearly defined Outcomes, measurements and Guiding Principles which served as a guide for AusAID (at all levels) in working with and monitoring their implementers. This we could see in the Pacific region and in Latin America. The projects were better able to define their objectives and contributions and AusAID was better able to focus on getting the FS4P agenda in place.

Impact dimensions improved significantly, as did effectiveness and sustainability. There was also an agency-wide move by AusAID to improve programming focus and results reporting and the Strategy made it easier to do so.²⁴

Table 15. Gender Dimension - Pre and Post

	Average of G1	Average of G2	Average of G3	Average of G
Pre	50%	62%	29%	54%
Post	74%	75%	55%	70%
Total	63%	68%	44%	63%

²⁴ 40 projects entered into this scoring, which means that of the pool of possible projects (approximately 75), over 50% were scored. For a variety of reasons (sampling, time constraints, information availability), the projects which did not enter this scoring would have been predominantly multisector, non-financial service focused as well as those less financial ANCP projects. Nonetheless several of the research and conference projects also did not enter and they are more specifically related to financial inclusion work. However, one can say that the majority of financial inclusion projects were included in this review, and all of the ones that involved significant dollar investment.

The gender dimension improved post-Strategy launch along all three scoring factors. In particular G3 (see page 34 for definition) which, while still scoring below the average, improved between pre and post Strategy implementation.

4.2.8. Learning and analysis

Learning and analysis was measured by:

1. Is there a learning and analysis component of the project/program? Does it capture and disseminate lessons learned both internally and externally? (L1)
2. Are lessons from previous experience in the sector and/or country taken into account in both design and the implementation of the project? (L2)

Table 16. Learning and Analysis Dimension (pre and post)

	Average of L1	Average of L2	Average of L
Pre-Strategy	79%	67%	75%
Post-Strategy	78%	85%	81%
Total	78%	77%	78%

The table above notes that while the overall scoring for this dimension did not change dramatically, one of the factors (L2) showed a significant improvement in recent projects, which demonstrates that there is an active learning agenda, but also that some projects are follow on phases, which by nature would learn from previous phases.

There could be several explanations for the improvement along all dimensions as noted in Table 13, including the fact that the Strategy promoted clearly defined Outcomes, measurements and Guiding Principles which served as a guide for AusAID (at all levels) in working with and monitoring their implementers. This we could see in the Pacific region and in Latin America. The projects were better able to define their objectives and contributions and AusAID was better able to focus on getting the FS4P agenda in place.

Annex 1: Overview of the MTR Methodology

Information Collection Process

Where projects had multiple components the Team focused their analysis on the financial services dimension.

The process of information collection was as follows:

Stage	Description
Stage 1	Reviewed documentation provided by AusAID, requested complementary information from head office if available.
Stage 2	Contacted field ²⁵ to request further documentation and arrange follow up phone interviews, and/or mail questionnaire. AusAID head office interviews also took place. The designated AusAID representatives were emailed and were asked for documentation and information directly. The AusAID representative could refer the team member to the implementing agency by providing the phone number, email, Skype.
Stage 3	Field visits for selected projects/programs.
Stage 4	Final collection of data, dependent on information gaps.

In selecting the country visits we considered the following factors:

- Importance of selecting projects that ‘fit’ within one or more of the four Strategy Outcomes of AusAID’s FS4P Strategy;
- Projects that were being implemented, have been initiated, or have been completed vis a vis the implementation of AusAID's FS4P Strategy;
- Project types:
 - Category A: Those that have a micro-finance/finance component as part of a larger project
 - Category B: "Leverage"
 - Category C: Primarily finance
- Type of implementing partner(s): AusAID only (via contractor), multilateral, NGO, government; In countries to be visited where these partners are active we will seek to interview these partners. Where possible clients were also interviewed to enable the team to assess impact and sustainability.

²⁵ Interviewees could include AusAID officials, implementers such as government, consulting firms and/or NGOs (among others) and other stakeholders (end clients etc.). For global programs the interviews may be conducted with relevant officials in the organizations.

- Two countries (Fiji and Indonesia) were requested by AusAID and others were selected by the Team based on the above factors.

The countries visited and the timeframe are presented in the table below.

Country	Project Name	Relevant Strategy Outcomes	Team Member	Date
Indonesia	<ul style="list-style-type: none"> • PNPM • PENZA • SADI • AIPD • Microfinance services in East Sumba 	<ul style="list-style-type: none"> • Outcome 2, Large, multilateral, component • Outcome 3, Start up all finance • Outcome 2, Closed, multilateral, component • Outcome 2, start up phase, multilateral, component • Outcome 4, closed stand alone MF 	Larry Hendricks	15 th to 19 th Oct
Mynamar	<ul style="list-style-type: none"> • Livelihood and Food Security Trust Fund • PFHAB • SPARC (subject to security issues) 	<ul style="list-style-type: none"> • Outcome 2, multilateral finance component, ongoing • Outcome 2, multilateral NGOs finance component, ongoing • Outcome 4, component, NGO 	Larry Hendricks	22 nd to 24 th Oct
Fiji	<ul style="list-style-type: none"> • PSDI-2 • PFIP • PMI • Financial Inclusion Initiative 	<ul style="list-style-type: none"> • Outcome 1 Large multilateral, Regional, finance only • ALL outcomes multilateral, regional • Outcome 2 and 3 multilateral, regional • ALL outcomes multilateral, regional 	Lorna Grace	15 th to 19 th Oct
Papua New Guinea	<ul style="list-style-type: none"> • PFIP • PFIP (technical advisor) • PMI • MEP 	<ul style="list-style-type: none"> • ALL outcomes multilateral, regional • Outcome 1, 3, & 4 • Finance only, multilateral, regional • Outcome 1, 2, 3 and 4 multilateral 	Lorna Grace	22 nd to 26 th Oct
Australia	AusAID debrief meetings	n/a	Larry & Lorna	29 th Oct

Annex 2: Additional Information relating to the ‘Strategic Fit’ Section

Definition of Projects

Project type	Definition	No. of projects reviewed
Australian NGO Cooperation Program (ANCP)	Projects are managed as a separate program where certified NGOs implement smaller projects	10 ²⁶
Australian Development Research Awards (ADRA)	Projects within the sample used an online application to undertake a research study. These projects tend to be longer than two years.	2
AusAID	Projects which are larger than the above two types of projects. These projects are designed and fully financed by AusAID.	4
Global	Projects where AusAID provides selected international organizations core funding, project funding and in some cases sponsors workshops.	7
International Seminar Support (ISS)	Projects that AusAID chooses to sponsor	1
Joint ventures	Projects where AusAID collaborates with other bilateral donors e.g. USAID and DFID	3
Multilateral	Projects where AusAID funds a portion of a large project implemented by organizations such as the Asian Development Bank (ADB)	13

Outcomes

1. Policy – A policy and regulatory environment that allows institutions offering financial services to the poor to enter the market and grow.
2. Institutions and Infrastructure – Financial services providers and infrastructure that have the capacity to provide high quality financial services for the poor.
3. Innovation – Innovation models of providing financial services that effectively reach regions and groups currently lacking access.
4. Financial Education – Increased capacity of clients to understand and use financial services effectively.

²⁶ 3 were eliminated from the data analysis due to lack of information.

Guiding Principles

In June 2004, the Group of 8 (G8) endorsed The Key Principles of Microfinance. The Consultative Group to Assist the Poor (CGAP) translated these principles into concrete practical guidance through publication of The Good Practice Guidelines For Funders of Microfinance. It is on these guidelines that the Strategy Guiding Principles were developed:

1. Australian Government support will complement, not crowd out, private capital and stakeholders
2. support the provision of a range of financial services in addition to the provision of credit
3. work with microfinance providers that demonstrate potential to become financially self-sustainable
4. strongly encourage partners to measure and report on both their financial and social performance
5. work with partner governments to develop enabling environments for microfinance
6. pursue the advancement of gender equality wherever possible through the provision of financial services

Priorities in Implementation

Responding to the Priorities in Implementation is the expected approach when delivering AusAID's Financial Services projects. These Priorities are:

1. Performance measurement
2. Evidence-based programming
3. Context-specific programming
4. Alignment with partner government priorities
5. Working in partnership
6. Coordination and collaboration
7. Skilled, knowledgeable and effective staff

The Double Bottom Line

The Strategy states: "The Australian Government is committed to measuring both the financial and social performance of microfinance initiatives over the lifetime of programs."²⁷

²⁷ Rosenberg, Richard, *Measuring Results of Microfinance Institutions: Minimum Indicators That Donors and Investors Should Track – A Technical Guide*, Consultative Group to Assist the Poor, The World Bank, 2009.

Partners are required to report against the following **financial indicators**, in line with international standards:

- number of clients served
- client poverty level
- portfolio quality
- profitability
- efficiency.

Social performance can be defined as ‘the effective translation of an institution’s mission into practice in line with accepted social values’²⁸.

General **social indicators** include:

- social mission and objectives of the organisation
- internal systems to promote achievement of the organisation’s mission, including: governance, leadership, human resources, training, incentive structure, market research and marketing, range of products, impact assessments and exit interviews
- results, including: client retention, outreach (percentage of female clients, level of poverty among clients, geographic coverage), poverty impact, and impact on employment, education and women’s empowerment.

Key Performance Indicators are:

Outcome 1:

- Identification of regulatory and legal barriers that limit poor people’s access to financial services in target regions
- Reforms to regulatory and legal environment in target regions
- Entrance of new microfinance service providers into the market and performance of institutions in areas where regulatory and policy changes have been made

Outcome 2:

- Financial and social performance of targeted financial service providers
- Capacity of targeted institutions within the broader financial infrastructure

Outcome 3:

²⁸ Social Performance Task Force www.sptf.info

- Level of access to financial services resulting from integration of new technology into the market
- Number and nature of new partnerships between formal financial service providers and non-traditional stakeholders to deliver microfinance services
- Establishment of replicable demonstration projects to expand outreach and improve efficiency

Outcome 4:

- Level of client capacity in target regions
- Level of client awareness of protection mechanisms in target regions
- Level of integration of financial education into national governments' strategies and plans
- Number of poor attending financial education programs in targeted regions

Annex 3: Additional Tables related to Strategic Fit

Pre / Post Strategy Approval²⁹

The table below is designed to determine if there have been significant changes in project design with the Strategy in place. The table shows the number of key indicators that were used before the Strategy was approved in March 2010 and after. Those projects identified as ‘Post’ were new projects.

The four rows with 1-4 in column 2 listed are all results from projects that existed before the Strategy but were still active when the Strategy was approved. The last four rows with 1-4 listed in column 2 are all results from projects that started after the Strategy was approved.

Pre / Post Strategy Approval	Outcome s 1-4	No. projects	KPIs met for each Outcome: The first no. is the Outcome; the second is the no. of KPIs						
			1	2	3	4	N/A	Total	KPIs /Project
Pre Strategy Approval	1	7	7	6	0	X	0	13	1.9
	2	16	10	13	X	X	1	23	1.4
	3	10	9	6	9	X	0	24	2.4
	4	7	2	5	3	2	0	12	1.7
Post Strategy Approval	1	7	4	2	1	X	2	7	1
	2	12	7	8	X	X	4	14	1.4
	3	11	7	3	5	X	3	15	2.4
	4	5	1	2	1	2	1	6	1.7

Note: ‘X’ indicates where there were no additional indicators under that outcome.

Analysis

The table shows that although projects contributing to Outcome 1 remained the same pre and post-Strategy launch, the number of KPIs being reported against per project fell by almost half.

²⁹ The Strategy was approved in March 2010. Projects that started before this date are referred to as ‘Pre’ and ‘Post’ refers to project that started after the Strategy was approved.

It can also be seen that the number of projects contributing to Outcome 2 increased post-Strategy launch but the number of KPIs being reported against remains the same, indicating that project type has stayed consistent.

Projects contributing to Outcome 3 demonstrate that KPI 2 remains the least reported against KPI pre and post-Strategy launch.

Outcome 4 shows that that the post-Strategy launch projects reporting against KPIs 2 and 3 have fallen.

Interpretation

One of the interesting aspects about this analysis is that some projects are listed as being contributing to a particular Outcome but does not report against any of the KPIs. This is largely due to the information not being available during the desk review.

When examining the KPIs for Outcome 2 it should be noted that both indicators refer to the financial nature of the Outcome: both financial service providers and infrastructure. KPI 1 includes financial and social performance while KPI 2 includes capacity of institutions and financial infrastructure. It is possible that project implementers may be ingoring KPI1 because of the focus on social performance and responding to KPI 2 because it only refers to financial performance.

AusAID may want to consider if these KPIs fit well with livelihood and food security projects. These projects are working with the poorest of the poor, and VSLAs and similar projects do not easily fit the KPIs.

Layers

In the Strategy following each Outcome is a list of the Australian Government's priorities related to the Outcome. There are two embedded tables both of which are highlighted. These additional tables are related to Outcome 2 and Outcome 3. These additional tables were developed because these Outcomes have two components to AusAID's priorities.

Outcome	No. of Projects	Australian Government Priorities								
		1	2	3	4	4b	5	6	Total	Priorities/Project
1. Policy	14	11	3	10	7	X	10	8	49	3.5
2. Institutions & Infrast.	28	22	21	9	5	13	X	X	70	2.5
3. Innovation	21	18	16	11	X	X	X	X	45	2.1
3b. Innovation	21	5	5	6	8	X	9	5	47	2.2
4. Education	12	6	8	2	7	X	4	X	27	2.3

Outcome 1: A policy and regulatory environment that allows institutions offering financial services to the poor to enter the market and grow.

Where possible, the Australian Government will:

1. support the development of legal and regulatory frameworks conducive to the growth of financial services for the poor (from both a consumer and provider perspective)
2. encourage policies leading to the removal of interest rate ceilings in microfinance and to the improvement of consumer protection, ensuring that clients are not exposed to exploitation and unfair practices
3. assist national governments to implement strategies to expand poor people's access to financial services
4. provide assistance to develop the technical expertise of regulatory authorities responsible for the oversight of the financial services sector
5. support a regulatory environment that enables institutions offering financial services to the poor to play an increasing role in encouraging deposits mobilisation and micro-insurance
6. assist regulators to examine how new technology can be integrated into the delivery of financial services to the poor in a manner that will ensure sustainable growth and protect clients' rights and interests.

Outcome 2: Financial service providers and infrastructure that have the capacity to provide high quality financial services to the poor.

The Australian Government is committed to building the capacity of institutions to expand financial services to the poor by:

a) Financial institutions that have the capacity to provide high quality services to the poor

1. supporting improvements to governance, management information systems, risk management
2. systems and performance measurement of institutions that offer microfinance services
3. promoting the development of a range of demand-driven products and services
4. encouraging commercial banks to target poorer clients and expand outreach.

b) Financial infrastructure that has greater capacity

A wide array of infrastructure and institutions is needed to connect the provision of pro-poor financial services to the broader banking system and provide essential support functions. These include credit bureaus, secured transaction frameworks, registries, accountants and auditors, microfinance training institutes, technical assistance service providers, associations, microfinance rating agencies, networks of microfinance institutions as well as other institutions involved in advocacy and information dissemination. In many contexts, these structures and institutions are

inadequately resourced and lack technical capacity to effectively perform the functions required. Accordingly, the Australian Government will seek not only to build the capacity of financial service providers but also to strengthen the broader financial infrastructure. This support will provide the necessary enabling environment for the sector to expand in a sustainable manner.

Outcome 3: Innovative models of financial service provision that are used effectively to extend outreach to underserved regions and groups.

To achieve this outcome, the Australian Government will:

1. provide support to institutions offering financial services to the poor to increase their capacity to adopt innovative technologies that can expand their outreach
2. create incentives to expand the use of new technology that can be easily used by poor people with low literacy levels in instances where private sector support is not forthcoming
3. support and build the capacity for partnerships between banking service providers, technology companies and non-bank institutions to encourage innovative models of financial service delivery.

Risk Management

Projects that are particularly but not limited to working with the private sector are expected to access their approach to work with the private sector using the following criteria:

1. assistance should not distort the market, but should demonstrate what can be achieved and serve as a catalyst for further market development
2. it needs to be demonstrated that the institutions supported could not receive commercial funding or that the project would not proceed without donor support
3. selection processes need to be transparent and based on merit, and conflicts of interest should be avoided
4. support will be provided in response to demonstrated unmet demand among clients and/or potential clients
5. support will be provided to initiatives that demonstrate the potential to become sustainable
6. supported institutions should contribute resources to the project.

Outcome 4: Increased capacity of clients to understand and utilise financial services effectively.

To achieve this outcome, the Australian Government will, where appropriate:

1. support governments to formulate and implement national policies for financial education for the poor
2. assist organisations to launch and expand targeted financial education programs

3. encourage public–private partnerships in financial education for the poor
4. where appropriate advocate the provision of financial education in conjunction with financial service delivery by a range of service providers
5. sponsor research, analysis and dissemination of information on the effectiveness of targeted financial education programs.

Analysis

Outcome 1 has the highest multiple project connection to the government priorities with 3.5 connections. The remaining Outcomes have more than 2 parts of their project fit with the government priorities.

In Outcome 1 priority 2 is the least involved in project activities.

In Outcome 2 priority 5 is the least involved in project activities

Priorities 1 and 2 in Outcome 3 are consistent with most projects involved innovation

Priorities in Outcome 3 b are quite level with priorities 4 and 5.

In Outcome 4 priority 3 is the least involved in project activities.

Interpretation

The table shows that for the most part projects support government priorities and where they do not it appears that projects, for whatever reason, are not involved in those aspects of the priorities.

With regard to the risk management component of Government priorities; encouragement by donors to have the private sector participate in development will make these risk management criteria more and more relevant. As the private sector becomes more involved in development these criteria will need to be updated.

Annex 4: Case Studies

Case 1: India – Microfinance Beyond Group Lending: An experimental approach (Monash University) an ADRA Funded Research

Strategic Fit

The project began in 2009 based on a research proposal to AusAID. As yet the project is not completed. The project is taking place in India.

The primary research questions revolve around the concept of group lending, a microfinance methodology through which individuals receive loans as long as they are a part of a group with the group as a whole being responsible for repayment (joint liability). It has long been used by many NGOs and microfinance institutions around the world to provide credit to the poor. In recent years there has been a shift back to individual lending.

The research question is: *How does one solve the problems of moral hazard and adverse selection when making individual loans?* This project uses economic experiments to design and analyse innovative alternative lending contracts that can address issues of informational asymmetry.

The important feature of the model is the use of a local agent, who recommends borrowers to the microfinance institution (MFI). This agent is incentivized to participate and recommend creditworthy borrowers through a system of deposits and commissions: For each recommended borrower who is selected by the MFI to receive a loan, the agent must deposit a small lump-sum amount. In return, the agent earns a commission equal to 75% of the interest paid back by the borrower. The team calls this the Agent Intermediated Lending (AIL) model. They have tested their model with two different types of agents: 1) The TRAIL (trader agent-intermediated lending) model, where they select agents from among the traders and shopkeepers who interact with farmers in the village; and 2) The GRAIL (gram panchayat agent-intermediated lending) model where a person nominated by the local government is appointed as an agent. The two types of agents have very different kinds of links with potential borrowers: the former mainly economic links, while the latter have social and political links.

The analysis to date shows three interesting findings:

1. It appears that AIL is effective. Agents were properly incentivized and recommended safe borrowers.
2. AIL appears to work better than GRAIL in terms of the conventional MFI analysis and repayment.
3. Both overall contribute to financial inclusion and repayment is higher under AIL.

An assessment of the impacts of AIL loans on crop cultivation, profits, household incomes and assets is pending, and so it is premature to comment on the broader welfare implications.

The research team's findings suggest that despite not using collateral or group lending, the AIL model is able to target credit-worthy borrowers and thus generate high repayment rates. It also imposes lower costs on borrowers, because there are no savings requirements or time-intensive group meeting requirements which are typically used to assess potential borrowers. This suggests that the AIL model could provide an alternative to traditional microfinance that is accessible to the agricultural poor (who form the majority of the world's poor). This could increase the outreach of microfinance and have significant impacts on poverty.

From a policy perspective the AIL approach resembles the recent policy recommendation by the Reserve Bank of India to set up a network of banking correspondents (BCs) and banking facilitators (BFs) in order to expand financial services to rural areas, remote locations and uncovered households. How to appoint the loan intermediary agent is an important question, since the selection process is likely to be very different depending on what type of agent to be selected. Policy makers are concerned that the power and influence these agents or intermediaries are likely to have may result in the abuse of such power. As yet, no solution has been recommended.

Another part of the research examines why group lending fails so frequently. Currently this research is at the laboratory stage. The research focuses on repayment incentives in group lending with joint liability, and allow groups to sanction defaulters, by excluding some members from the benefits of a group activity which takes place after repayment occurs.

Performance

Professor Pushkar Maitra presented the results of his early research to a microfinance conference in India. According to the Professor, after his presentation he was approached by the CEO of the largest MFI in India who is very interested in the results of the research. The Professor also made a presentation about his research at the Federal Reserve Board in Minneapolis in early October.

Other Strategic Issues

This project fits the FS4P Strategy very well. One of the interesting features of this case study and other research projects financed by AusAID is that they can put AusAID at the leading edge of FS4P thinking and practice. Although the final project report requires information on dissemination by the researchers; the question is, does AusAID take advantage of its opportunity to promote their contribution both inside and outside its FS4P project environment?³⁰

30 Sources: application, Learning and Earning: Evidence from a Randomized Evaluation in India; Intermediated Loans: A New Approach to Microfinance; Repayment and Exclusion in a Laboratory Microfinance Experiment; and a power point presentation to a conference in India.

Case 2: Philippines – Building Social Performance Management Capability

Strategic Fit

Opportunity International Australia's Social Performance Management (SPM) program enables its partners to assess, measure and refine their programs to ensure that their donations are making the greatest impact possible in the lives of people living in poverty.

Opportunity International Australia has been working for the last three years with its Indian partners on implementing an SPM program. Twelve of Opportunity's microfinance partners in India began or continued with the SPM program with the assistance of external experts. In 2012, another two partners began implementing SPM. The project fits Outcomes 2 (Financial service providers and infrastructure that have the capacity to provide high quality financial services to the poor) and 3 (Innovative models of financial service provision that are used effectively to extend outreach to underserved regions and groups).

The project also seeks to support Millennium Development Goal 1A – “to halve the proportion of people whose income is less than \$1 per day”.

Performance

The project consists of two complementary elements: the first element is an innovative partnership between Opportunity and two Microfinance Institution (MFI) partners in the Philippines but primarily with ASKI. In this partnership they assess current SPM capabilities, identify and action a program of support that will build SPM capability, and implement innovative SPM tools to measure and report social performance.

Social Performance Management refers to tools and techniques that optimise an organisation's strategy, product and service design, and product and service delivery in order to ensure the following social outcomes:

- clients reached are from target groups, i.e. people living in poverty and lacking access to affordable financial services
- services are designed and delivered in a way that is client-focused, protects clients, and meets clients' needs
- clients are enabled by products and services offered to lift themselves out of poverty
- ASKI is using the results to develop more client-focused programs.

The second element is a pilot of a **Social Return On Investment (SROI)** evaluation methodology at ASKI. SROI is a framework for understanding, measuring and reporting on the value created by an organisation, an activity or a service. SROI is a highly innovative evaluation technique which draws on data gathered using SPM tools such as the Progress Out of Poverty Index (PPI). SROI helps financial institutions to tell the story of how change is created by measuring the outcomes and using monetary values to represent them. The end result is an index or ratio that compares monetised outcomes to the investment required to generate it. This pilot looked at the effectiveness

of a new microfinance loan product recently launched by ASKI. ASKI's commitment to product reform and flexibility provides an opportunity to act on lessons learned. The application of this innovative evaluation technique informs the way microfinance is evaluated in the Philippines and will be of interest to MFIs, social investors, and microfinance funders and supporters globally.

Other Strategic Issues

The CEO of Opportunity International sits on the Microfinance CEO's Working Group – (MBWG) at The Center for Financial Inclusion. A representative from Opportunity Australia, Calum Scott, leads the global SMP initiative for Opportunity International. This includes working with Social Performance Taskforce on the Universal Standards for Social Performance Management.

Opportunity believes that their approach to SPM is to develop a 'core set' of indicators that are relevant and important. These new tools will make it easier for socially-focused MFIs and support networks to improve social performance management.

Opportunity has a 2012 – 2015 SPM Strategy 'Manual' that explains their Social Indicators Dashboard.

Outcome	No. of Indicators	Indicators	How to Measure?	How to Report?
Client Outreach	7	Income (3) Demographics (4)	PPI Scorecard Additional Survey Indicators	Quarterly for new clients from survey data
Range of Services	3	Range of Financial Products offered Range of Non-financial Products offered % of clients receiving financial literacy training	Point System	Annual list of products and services offered
Client Protection	3	Responsible Pricing Client retention Staff retention	MFT data Partner Measure Partner Measure	Quarterly data
Client Satisfaction	2	Client satisfaction tools in use Client satisfaction measure	TBC	Reported annually by partner Quarterly data (tbc)
Client Transformation	9	Increased Income Job Creation Improved access to Health care Improved Sanitation Improved children's participation in school Increased empowerment (Participation in decision making) Increased participation in the community Increased love for God/ neighbour Vulnerability	PPI scorecard Transformation Survey	TBC
External Reporting	1	No. of external reports submitted	No. of external reports	Annual list of reports completed
SPM Implementation	5	Compliance with the 5 Key USSPM indicators	Self-Assessed Rating by partner	Reported annually by partner

This Case Study demonstrates that ANCP projects, even if the project funding is small, can contribute to the development of the microfinance industry and that AusAID's current work on improving its management of ANCP projects is worthwhile.³¹

³¹ Source: In addition to project review material, information was obtained from Opportunity Australia and their Website.

Case 3: Indonesia – Enhancing Tanaoba Lais Manekat Foundation's (TLM) capacity to serve clients in very remote regions - West Timor / East Nusa Tenggara – Opportunity Australia

Strategic Fit

TLM has two partners associated with AusAID, Opportunity Australia and UnitingWorld. A third partner is Kiva, an internet lender. TLM is a Christian microfinance business that seeks to improve the quality of life of poor communities in the province of East Nusa Tenggara (NTT).

TLM has both a rural bank and a cooperative:

- **Bank:** Consecutive changes in legislation in 2001 and in 2004 passed by the Indonesian Government prohibits Foundations from providing Microfinance services after 2007. TLM conducted a study and found that a Rural Bank (BPR) was the best formal financial institution structure that will support TLM to continue providing microfinance services to the poor. A feasibility study was then completed in 2006 to understand the existing market and future operations of the BPR. The speed at which the central bank is allowing the BPR to establish new branches is too slow to allow TLM to achieve its expansion targets.
- **Cooperative:** Changes to the legislation overseeing microfinance in Indonesia has meant that TLM needed to restructure to ensure it meets Indonesian legal requirements, positions itself well for growth in the future and maintains its focus on its vision.

TLM continues to also expand through its BPR and uses this organization to provide a wider range of services. To avoid competing with the BPR the Cooperative is restricted to serving clients that can only utilise loans less than 15 million Rp. (about \$1,500 AUD). Clients that require loans above this will be served through TLM's BPR.

The projects with TLM typically fit into Outcome 2 (Financial service providers and infrastructure that have the capacity to provide high quality financial services to the poor) and Outcome 3 (Innovative models of financial service provision that are used effectively to extend outreach to underserved regions and groups).

Performance

TLM has been providing microfinance services in NTT for over 15 years. The organization is well known and respected in eastern Indonesia. TLM, at the end of 2011 had 26,595 active borrowers.

TLM has undergone a turnaround which has seen many enhancements including improved product designs, the development of a challenging strategic plan which is on track to being achieved, improved controls and the implementation of a real time MIS. The organisational change has also occurred which has resulted in an increased focus on clients' needs, retention and impact monitoring. In 2012 TLM will finalize its strategic plan for the next four years.

TLM's Board of Directors is committed to ensuring that as the organisation expands it will maintain its focus on the poor. There is therefore a focus on developing their capacity to measure impact and build into their portfolio savings and lending products which meet clients' needs.

Savings is an essential part of the program and all clients are encouraged to save part of their income. Many clients have never been able to save money before and intend to use their savings in the future to buy for their children's education, home improvements and to support themselves in old age.

TLM has implemented a mobile banking initiative which sees two mobile vans and 5 Points of Sale machines providing secure, convenient financial transactions to many of their clients living in remote villages. Each van travels to strategic places, such as markets, to provide access to savings and loans for people who are out of reach to TLM's standard branches. The vans also play an educational movies which teach the importance of savings and other local issues.

Other Strategic Issues

Performance Indicators	December 2011	<pre> graph TD TLM[TLM Foundation] --> BPR[BPR] TLM --> Cooperative[Cooperative] BPR --> IL1[Individual loans > 15 mil Rp] BPR --> Savings1[Savings] BPR --> CL[Consumer loans] Cooperative --> Lending[Lending & Savings Unit] Cooperative --> BU[Business Unit] Lending --> KUM[KUM (group) loans] Lending --> IL2[Individual loans < 15 mil Rp] Lending --> Saving[Saving] BU --> Cattle[Cattle] BU --> Other[Other] </pre>
Active borrowers	26,595	
Outstanding loan portfolio (A\$ 000) ³²	5,190	
Number of branches	24	
Operational sustainability	113%	
PAR ³³	6.5%	

This Case Study demonstrates two important observations regarding these ANCP projects:

1. Implementing partners can be well developed.
2. As demonstrated by TLM, cooperatives with good management and governance can operate well as a multipurpose organization; and that credit unions can be an effective tool to assist the poor.³⁴

³² Exchange rate used is A\$1: Rp. 8,030

³³ Portfolio at risk (PAR) is a measure of an MFI's loan portfolio quality. It calculates the total value of the outstanding loan balances for loans with at least 1 payment being overdue by more than 30 days. PAR is used to highlight potential future repayment problems.

³⁴ Source: In addition to project review material and interviews, information was obtained from Opportunity Australia and their website; United World website and from TLM's website.

Case 4: Global – Harnessing the Multilateral Implementers

Working with the multilateral implementers has several advantages for AusAID. They are well aligned with AusAID's FS4P Strategy and Guiding Principles for implementation. In many cases the desired Outcomes are the same, so there is opportunity for mutually beneficial projects. They are good partners because AusAID can rely on their management and accounting systems to be well developed and transparent. They can implement the strategy on multiple fronts as they are well versed in dealing with institutions that can impact the four outcomes, consequently able to take a systems approach within one project (see section on Strategic Fit). And in many cases multilaterals have the structure on the ground to provide local management context. It is attractive to work with them because they are able to manage large program budgets, implement across countries and outcomes and easier to "connect" with them on so many levels.³⁵

While overall, multilateral implementers scored well, application and attention to the cross cutting issues: Gender, Analysis and Learning and the M&E vary across and within institutions (and sometimes people). The sample size is limited (1-3 projects per multilateral) so we could only make observations.

Observations

Gender

The UNOPs project scores well on gender equality programming as does ADB's MEP projects which has painstakingly examined the issues and integrated gender.³⁶ IDB (IDB-AusAID trust fund) scored poorly in the original QAE for the gender equality dimension. Their commitment to gender equality is subsumed under their selection criteria "Focus on Marginalized Populations". However, it has improved over the last year as noted in the recent QAI and confirmed by the completed Scoring Tool, in part through persistent pressure from the AusAID officer of putting it on the agenda. Their separate project Strengthening Women Entrepreneurship in Peru focuses exclusively on women. For others it is more of a work in progress. UNCDF (PFIP) under the regional PFIP program have started to focus on the gender issue, recognizing AusAID's concerns and considering how to best incorporate this into the programming going forward. IFC (PMI) has recently developed a gender strategy, but apart from collecting gender disaggregated data, little has been done in proactively incorporating gender equality into the objectives, monitoring and risk assessment. However IFC scored very well in addressing gender equality in their PENSA project in Indonesia. World Bank also scored poorly in gender as the only project entering this was PNPM in Indonesia.

Analysis and Learning

Almost every multilateral implementer has learned from previous projects in the country, region or theme. In that sense, they have refined their approach well. However, the interest or tendency to share analysis and learning varies. UNCDF (PFIPs) scores very well on this front and has a robust

³⁵ For the purposes of this analysis we only looked at multilaterals who were implementing regional or country projects so this does not include: AFI, CGAP, WWB, ILO, And the WB remittance project.

³⁶ See completed Scoring Tool and QAE dated August 2010.

knowledge management function, where they have a dedicated person who works on publication, publicity and promotion. IADB also scores well here and interestingly IDB (IDB-AusAID trust fund and Mibanco -Peru) is eager to learn what they can from AusAID's successes in other areas, including the financial literacy activities and they recognize AusAID as a leader in financial inclusion regulatory and policy work. Other multilaterals are not as explicit on how or what they intend to share, sometimes quoting privileged information.

Sometimes it appears there is an absence of strategic thought. Implementers get absorbed in day to day operations, but time and resources must be dedicated not only to what elements are working but also the key driving processes and management influencing change. This is rarely reflected in the M&E framework or the project management cycle.

Monitoring and Evaluation

IDB seems to have a rigorous project process, including project design and a monitoring and evaluation framework. They have produced a useful comparison chart of how their selection criteria compare with AusAID's in advance of the AusAID-IDB trust fund approval. They have also analysed how they mesh their project development processes with AusAID's. They have considered M&E concerns throughout the project cycle, with quarterly reports expected from the trust fund's investments along agreed to reports against established targets. They also expect to produce impact studies to make the link to poverty alleviation and other expected outcomes. Their monitoring and evaluation dimension, while scoring low in the QAE report conducted by AusAID, has over the course of the last year improved, still falling short only on the impact activities.³⁷ ADB (MEP) project has also given a lot of thought to merging the monitoring and evaluation framework and scored well with the scoring tool and under the QAE although it still needs to set overall targets for the project (as do all the multilaterals).

The other multilaterals are mixed in terms of adequate monitoring evaluation frameworks in line with AusAID's priorities. UNCDF (PFIP) is now recognizing the need for a more rigorous monitoring and evaluation framework as well as the ultimate link to poverty alleviation. IFC (PMI) and the World Bank (PMPN) have struggled to recognize AusAID's concerns and incorporate them into the M&E framework.

Recommendations Going Forward

1. Engage early and in a committed way but be pragmatic

Getting AusAID's FS4P agenda on table at the initial stages of project development is essential. While it has been done with some projects (for example with the ADB's MEP program, there is a tendency, however, to be reactive instead of proactive during this phase. Apart from the QAE, AusAID should develop some simple tools to help harmonize the two sets of expectations under each dimension. IDB has developed a number while working with AusAID prepare the trust fund which can be used to build on. IDB characterizes the AusAID-MIF trust fund design stage as extremely positive and pragmatic. The key time to impact the project is at the design stage, and if that is not possible, at the negotiation stage. Time and resources should be allocated accordingly.

³⁷ See completed Scoring Tool and QAI dated May 2012.

The alternative is to labour long and hard during implementation to get changes in place. Planning for the following phase is also important; this is the time to really analyze what's working and what are the driving forces. That is happening in some of the upcoming regional projects. (UNCDF (PFIP) and ADB (PSDI)).

2. The principle of Materiality and resources

AusAID should not expect robust monitoring and evaluation covering all dimensions, with associated impact reports, lessons learned, mid-term evaluations, extensive impact studies for very small projects necessarily. It has recognized this in other documents.³⁸ In the case of the AusAID-IDB trust fund, there is an agreement to limit the comprehensive impact evaluations to "emblematic" or innovative sub-projects and to ensure sufficient resources are dedicated to this. This decision is ideally made upon sub-project approval but there is a recognition, that unintended benefits may emerge worth study. For large money outlays, AusAID should ensure within the budget there is sufficient resources to have good monitoring and evaluation in place. This was not done for example in the case of UNCDF (PFIP). This materiality should also be reflected in resources dedicated to AusAID's oversight.

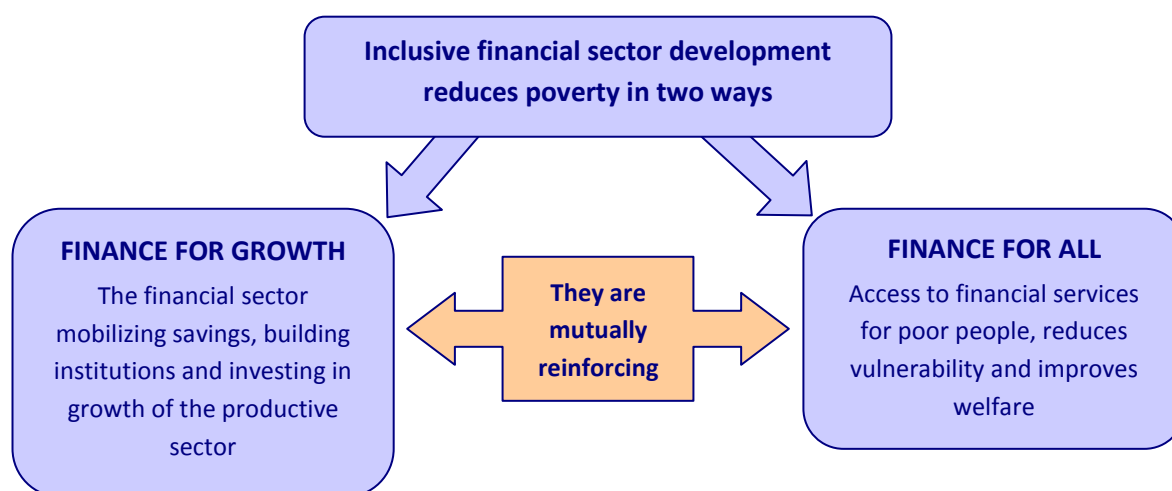
3. Large, complex projects require a local presence

The multilateral projects are typically large covering a variety of outcomes. These projects, regardless of whether they are country-based or regional, need to have a presence on the ground where the activities take place. Local presence means a tighter and focused responsibility. Most of the multilaterals have offices in the countries, so it's a matter of providing the human resources that can be exclusively dedicated to the project implementation. UNCDF (PFIP) does this very well and is expanding their presence as their budget grows. Others rely on staff based at regional posts (Sydney) and a cadres of international consultants which are less effective at provide continuity and developing relationships.

³⁸ AusAID's Management of the Expanding Australian Aid Program The Auditor General Audit Report No.15 2009–10 Performance Audit

Case 5: Connecting FS4P with other AusAID priorities

Financial services is not an end, but it's a means to an end. Financial inclusion helps economies grow and reduces vulnerability and improves welfare.



"They are complementary because financial inclusion enables the previously excluded to connect to the formal economy and contribute to economic growth,³⁹ while economic growth facilitates the inclusion of more people in the economy and in the financial system."⁴⁰ Linking financial inclusion with social protection, for example, can produce dramatic results in terms of cost savings and efficiency on the part of the grantor and the grantee, reducing vulnerability and improving welfare.

In Fiji, work with the Department of Social Welfare (DSW) supported by Westpac Bank has led to a dramatic impact in the social protection area of welfare transfers. In a nutshell, PFIP (an AusAID supported project) has been working with DSW and Westpac, to streamline their social welfare payments. These income support payments had been previously delivered in a rather laborious fashion. Every six months, recipients were required to line up at appropriate offices to collect their vouchers. This could take several hours, not including travel time. These vouchers were then used on a monthly basis at the post office and like all voucher systems, subject to abuses such as theft, fraud, and counterfeit. Further to this, recipients were vulnerable to theft after cashing in the vouchers.⁴¹

PFIP in conjunction with DSW and Westpac designed a system where Westpac opened almost 20,000 bank accounts (corresponding with 25,000+ welfare recipients) to support the automation of the disbursement of monthly welfare payments. In the process of doing so, they were able to reduce the amount of fraudulent recipients and the cost to service the accounts, providing a model going forward for other government transfer payments.

³⁹ Even if this is simply through increased consumption per Johnston and Murdoch (2008).

⁴⁰ Until relatively recently, people focused mainly on microcredit when discussing finance for the poor, but it is now recognised that financial inclusion needs to encompass a wide range of financial services in addition to credit, such as savings, insurance and money transfer services.

⁴¹ <http://www.pfip.org/what-we-do-in-pacific/success-stories/>

From the client perspective, they have reduced the amount of time (monthly) waiting in lines and have helped expand Westpac's outreach through a commitment of constructing additional POSs (Points of Sale). They have seen changes in their vulnerability through completely cashless transactions, with ability to access their accounts in up to 3,000 electronic cash out points. They have seen declines in their time and financial costs; it took an average of 28 hours (including travel and queuing time) for a recipient to cash a voucher compared to 44 minutes using the electronic bank card and up to 50% of the welfare payment can be spent on transport alone for rural recipients.

Unintentional Outcomes

Typically G2P (government to person) payments are an end game. They often do not result in significant leverage in terms of growth. However, this structure has attracted other governments and departments which are interested in reducing costs (not only operationally but also in terms of fraud/ghost payments). In Fiji the Department of Transport estimated that of the F\$180m dedicated to transport children to schools through a paper voucher program, F\$60m are lost through fraud. A partnership with Vodafone (using software developed by PFIP and supported by AusAID) to automate the transit voucher program will reduce fraudulent losses. Further, all the students (and by extension their families) receiving the electronic vouchers (activated by near field communications technology and/or mobile phones) will be part of the financial inclusion structure.

This project is the first G2P undertaking in the country (and in the region) and has now paved the way for a range of e-payment applications being rolled out by the Fiji government - including food supplementation for the poor (replacing food vouchers); subsidized public transport for elderly and school children (replacing cash) and lease payments to traditional communal land owners (replacing cash).

Links to Social Protection

The recent AusAID paper on Social Protection details the pillars of Social Protection Focus. Any one of these can be supported by financial inclusion efforts, especially around the payment systems. The above example of the Department of Transport and Vodafone is a good example of meeting Social Protection Pillar 2: Reducing financial barriers to accessing and completing basic education. The distribution of DSW payments to welfare recipients can assist in achieving Pillar 3. Reducing financial barriers to accessing health services to improve health outcomes.

Other Applications

With careful consideration, lessons learned from activities under the FS4P Strategy can be used to facilitate the outcomes not only for social protection programs, but also other thematic priorities for AusAID including agriculture and education. For example, an AusAID post (dedicated only to Education and Health) staff stated that he could see how financial inclusion could facilitate the payment of teachers salaries, who currently spend a couple of workdays traveling to and from a distant bank branch on a biweekly basis. If the teachers could receive their paychecks into their mobile phone accounts they could then use that account to pay for groceries at the local shop acting as an agent for the phone company. That allows them to go back to work. Coordination between programming priorities can: 1) increase the effectiveness of the corresponding activities; and 2)

increase financial inclusion numbers overall, bringing people (who otherwise might never have a bank or phone account or other financial access), into the mainstream.

Recommendation

Look for mechanisms to interact with complementary programs such as agriculture and social protection elements throughout the programming processes. This can be done during the design, and throughout the M&E processes. Establish common indicators to illustrate the mutual results. For example: `Number of countries with newly established or improved social protection systems`⁴² can be modified to `Number of countries with newly established or improved social protection systems through the establishment of automated payments systems`. As gender is involved in programming, as a cross cutting theme, so too can financial inclusion be considered complementary to other thematic areas.

⁴² AusAID's Social Protection Framework June 2012

Case 6: Pacific Region - "Regional Done Right" -The case for Regional Projects with Presence

The Pacific Financial Inclusion Program (PFIP)⁴³ was formulated in 2007 to focus on the Least Developed Countries (LDC) in the South Pacific. The theory behind the PFIP model of interaction is the “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.”

The program contributes to all four strategy outcomes and it does this through a combination of grant investments in partners, knowledge sharing through publication and promotions, trainings and informational exchanges, and some technical assistance to partners. They also coordinate and interact with policy makers primarily (but not exclusively) at the government department level and coordinate working groups made up of government representatives and donors as well as various members of civil society.

The overarching goal is to provide financial access to 500,000 clients.

Initial Findings

PFIP has engaged several governments (six) in promoting the importance of financial inclusion and this is seen through the participation of the governments (usually central bank personnel) in various working groups and trainings as well as the usually central bank lead interest in financial literacy. PFIP has an excellent reputation among the two reserve banks interviewed (PNG and Fiji) and there is a relatively strong understanding of financial inclusion issues among these central banks.

PFIP has developed a number of relations with mobile money providers (the following only pertains to Fiji) but the actual use of mobile money (active users) as provided by the phone company partners, Vodafone and Digicel is low. It was not until Vodafone (using the same platform and software developed as a grantee of PFIP) won a government contract to provide smart cards in lieu of an antiquated paper voucher system for the Ministry of Transport, that the use of smart cards and related phones will really start to take off. The Ministry of Transport and Vodafone will use near field communication technologies to distribute and control the use of transport vouchers which almost every Fijian school child uses to go to and from school each day. This will push through the use of mobile technology and lead to wider adoption of mobile money (phones linked to smart cards) with the added expected benefit of saving the Fijian government \$60 million Fijian dollars in voucher fraud yearly. This platform will also be used when Vodafone and Bred Bank team up to convert registered M-Paisa (Vodafone’s brand name for mobile money) clients to a bank product.

PFIP has also teamed up with DSW and Westpac to expand access to bank accounts in some of the lowest income population on Fiji, those receiving welfare payments. In a monumental effort, some 20,000 welfare recipients opened bank accounts with Westpac to accept their welfare voucher payments in lieu of spending hours in lines both to receive voucher books and then to cash them. This will have less of a leveraged impact in the future due to the nature of the end users, but it is an impressive undertaking nonetheless.

⁴³ PFIP is a program implemented by UNCDF, and co-funded by the Fiji Post, the PNG Post, AusAID pacific region and UNDP.

Given the "small country" characteristic, a regional project is probably the best vehicle for program delivery of technical assistance and training for inclusive finance. There are several reasons why:

1. Although the financial inclusion context is usually country specific, when it comes to policy and regulatory environments, these countries will have similar starting points, capacity development, obstacles and concerns. A regional program is well-placed to provide cost effective technical assistance, training and other support to reserve banks and regulatory bodies. Mechanisms and techniques in one country can often be adapted and easily transferred to others. This regionalism is reflected in international forums and workshops where it is seen that Pacific based reserve and central bank officials often group together to offer one voice.

2. Small countries have particular economic forces at work. The large corporations are not really that large in terms of employment and economic footprint and often the government may be the biggest employer. When adopting a new technology platform, MNOs and financial institutions are going to look for the easiest way to expand for minimum investment and in small countries, a government contract is an excellent way to increase the numbers rapidly, cover fixed costs and make the best business case. PFIP has managed to leverage the work they've done with platforms and MNO and banks, to capture government payment contracts. Specifically, their work with the Department of Social Welfare and Westpac in Fiji was the forerunner of other contracts (such as Vodafone and Department of Transport) won in part due to the fact that the platforms (development supported by PFIP) were available.

3. The small market/economy will also impact the feasibility of delivering microfinance services in a sustainable way. Lack of investment opportunities and a weak legal environment for moveable property and other collateral instruments increase costs and risks for potential deliverers of finance. Creative, perhaps non-traditional methods, which piggyback on other service or product deliveries (banks/finance companies/value chains) may need to be considered.

4. PFIP follows the same structure as many multinationals. While governments are unique to one country, there is usually good communication or strong business links between franchises or branches of banks, MNOs etc between small countries.⁴⁴ They also seek benefits of grouping together small countries as a business unit or to launch products. Software development and business models in Fiji can be applied to Tonga and vice versa.

5. Establishing and Recognizing a brand. The fact that the project has a history and track record is now becoming a real asset to AusAID as PFIP enters a new phase of leveraging the work they have done to other places and other potential clients. When trying to effect change, especially innovation, it takes more than just throwing money at private sector. The private sector needs to see that the entity "selling" the idea has a good track record and an established reputation. For the most part PFIP has that, particularly in Fiji and other islands. Recent and upcoming expansion of on the ground presence to PNG and Vanuatu will leverage PFIP's networks and relationships.

6. Analysis and Learning are central. Regional projects have a benefit in that the analysis and learning can easily be part of the package and can be transferred. PFIP has taken that up a notch

⁴⁴ The tightness of communication and association depends on the business structure of the multinational. It can range from branches to joint ventures to franchises.

through a fairly rigorous published knowledge management program. More strategic thinking could take place to really get the most out of this. Planning for the next phase can develop that thinking and help the program focus for the best results.

Case 7: Global – Leveraging the financial inclusion agenda through Global Partners

AusAID supports several global partners including AFI, CGAP, the World Bank, ILO, WWB, and UNCDF. Their support of CGAP and AFI coordinate with their work on the G20.

In September 2009 at the Pittsburgh Summit the G20 Leaders made a statement establishing the G20 Financial Inclusion Experts Group. "This group will identify lessons learned on innovative approaches to providing financial services to these groups, promote successful regulatory and policy approaches and elaborate standards on financial access, financial education, and consumer protection."⁴⁵ At the same time they established its two sub-groups on Small and Medium-sized Enterprise Finance and Access through Innovation. Australia has been serving on the Access through innovation subgroup since 2010. In late 2010, the Access through Innovation subgroup produced a document entitled "Principles and Report on Innovative Financial Inclusion from the Access through Innovation Sub-Group of the G20 Financial Inclusion Experts Group ". This document along with work from the subgroup on SME Finance lead to G20 establishing "Global Partnership for Financial Inclusion" (GPFI), which is lead by AFI, CGAP and IFC.

The GPFI has a wide mandate which includes the development and implementation of a strategy for improving awareness of the G20 Principles for Innovative Financial Inclusion in order to expand participation in efforts to improve financial inclusion consistent with the principles. This will include:

- Promoting the G20 Principles with governments, the private sector, international organizations and other stakeholders.
- Highlighting the benefits of increased financial inclusion to economic and social welfare through households and firms. Examples include outlining the link to job creation, risk management by the poor, women empowerment, and improved health and education outcomes.

As part of the GPFI, a task force on Financial Inclusion Data and Measurement was launched, to improve the quality and quantity of financial inclusion data relevant for households/individuals and MSMEs.

AusAID continues to support this global policy work on inclusive financial policies through specific funding mechanisms for CGAP and AFI. AusAID, apart from its core funding of CGAP, has earmarked a special fund to support two activities of the GPFI. One, the task force on Financial Inclusion Data and Measurement, and two, the promotion of the G20 principles among the International Finance standard setting bodies (SSBs). Though its support of AFI, AusAID specifically finances work on the GPFI interaction with SSBs as well as expansion of the g20 principles on financial inclusions by developing case studies of how to get these principles functioning at the individual country level. This is complemented by support to AFI to fund the Pacific Islands Working Group (a collection of the senior financial policy and regulators) forum

⁴⁵ (Excerpt from the G20 Leaders' Statement, The Pittsburgh Summit, 24 – 25 September 2009)

through which policy exchange and peer learning, make a contribution to creating an enabling regulatory environment that leads to successful design and implementation of financial inclusion policies that promote increase in access to financial services for the poorest populations on the Pacific Islands. To be more specific, this support at a global level has also reinforced work done at a programming level and not just towards Outcome 1: Policy and Regulation.

The Pacific Island Working Group meets twice a year to agree on a regional work programme focusing on a common priority issues. For 2012 it is focusing on strengthening collection and analysis of data on financial inclusion (led by Samoa); supervision of ODTIs (led by Fiji); consumer protection (led by Vanuatu); e-money trust arrangements (supported by PFIP – with PNG and Fiji as model) and microinsurance regulation reform (supported by PFIP – with Fiji as model). There is ongoing sharing and learning between all the central banks – i.e. PNG, Solomon Islands and Vanuatu have visited the Fiji FinED project. PNG visited Fiji on organizing microfinance expos.

Australia is considered by many, a leader in, and a faithful supporter of, the G20 financial inclusion work. This is in no small part due to its sizeable contributions at senior policy levels as well as at the technocrat level where much of the real work is done. It continues to participate in the GPFI working groups to advance the agenda not only at the Standard Setting Bodies, but also at the implementation level: the country. This interest is also paralleled in some of its country and regional programming. This is a well integrated multi level approach to achieving the first outcome: A policy and regulation environment that allows institutions offering financial services for the poor to enter the market and grow. And results have been excellent. All the Standard Setting Bodies (5) now have financial inclusion as part of their agenda. Of the 95 member institutions representing 81 countries to AFI, 34 countries to measurable commitments related to financial inclusion, which may but do not have to relate to one or more of the following four policy areas, which are aligned with the G20 Principles for Innovative Financial Inclusion. How does this trickle down into the daily lives of people? One notable element is the ability to qualify for a bank account. In the past, there was a significant barrier to opening up a deposit account based on the FATF⁴⁶ guidelines, especially in the Know Your Customer (KYC) standards. In conjunction with the GPFI, FATF has issued a "guidance" in which it explores ways of how the Standards can be read and interpreted to support financial inclusion.

**Can this mutually reinforcing multi level approach be replicated for the other outcomes?
Does Australia and AusAID have a role to lead globally in financial education for example?**

One of the G20 Principles for Innovative Financial Inclusion is: Empowerment - Develop financial literacy and financial capability. AusAID is doing some very interesting (and replicable) work in financial literacy both in terms of embedding financial literacy into compulsory curriculums in

⁴⁶ The Financial Action Task Force (FATF) is an inter-governmental body established in 1989 by the Ministers of its Member jurisdictions. The objectives of the FATF are to set standards and promote effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and other related threats to the integrity of the international financial system. The FATF is therefore a "policy-making body" which works to generate the necessary political will to bring about national legislative and regulatory reforms in these areas.

schools (PFIP FinED) as well as innovative work through financial institution financial literacy delivery (ANCP-Opportunity International Philippines). Can these programming successes be leveraged into learning and replication opportunities for others? Would a global forum be an appropriate and effective way to do so? Alternatively, Australia is about to put remittances on the G20 agenda, how will it follow it up on the programming side? Right now they have two projects heavily involved in remittances which are on the regional and global levels; we recommend they complement this element on the programming side where it makes sense.

Case 8: Indonesia – National Program for Community Empowerment (PNPM) Mandiri Revolving Loan Funds (RLFs) Capacity Building and Sustainability Project

Strategic Fit

Australia and Indonesia share a close bilateral relationship, particularly through development cooperation. Given the geographic proximity and mutual interests in a peaceful, stable and prosperous region, both countries have worked on shared objectives and increased their collaboration on environmental issues (including natural disasters), threats from transnational crime and pandemics.

PNPM started in 1998 in response to the 1997 Asian financial crisis. Although the Government of Indonesia (GoI) finances much of the project, the World Bank is the primary implementer. A portion of AusAID's involvement in PNPM involves capacity building in the pilot Revolving Loan Fund (RLF) component.

PNPM uses government budgetary mechanisms, supplemented with a broad range of fiduciary controls and monitoring systems.

PNPM plays a key role in social stability across Indonesia through its ability to provide large-scale responses in post-disaster and post-conflict situations and to provide a nationwide mechanism to transfer resources during economic shocks. PNPM's importance has risen significantly as a result of the recent global economic crisis. Along with an emergency cash transfer program, PNPM is expected to be the main vehicle that the government will use to mitigate poverty and social fallout from changing global economic conditions. PNPM is a community driven development program which comes directly from community proposals. The development activities – from small-scale infrastructure and microcredit schemes to health, education and agriculture projects – are planned and carried out by communities themselves.

PNPM was expected to reach all of Indonesia's 80,000 rural and urban villages, benefiting at least 35 million people by the end of 2010. The program provides block grants to villages for basic infrastructure needs and other community services.

AusAID's support of the PNPM is currently made through the World Bank. The Bank established the PNPM Support Facility (PSF) as a way to manage other donors contributions for PNPM – including that of AusAID's.

The over-riding objective of AusAID support to PNPM is to identify critical areas within the program's architecture where additional assistance could improve Indonesia's ability to sustain project effectiveness.

The GOI has for decades had a strong interest in supporting microfinance for the poor. The GOI's microfinance action program consists of the following main steps:

- Consolidate and restructure the existing microfinance funds operating within PNPM;
- Build regional mid-tier oversight and support institutions that provides training, supervision, audit, and a mandatory Management and Information Systems;

- Provide management in exchange for cost recovery plus ownership and profit sharing;
- Build in links to formal financial sector to bring in new products, services, and funds;
- Provide a legal status for local-level microfinance groups;
- Subsidize restructuring through grants but require self-financing expansion.

AusAID's support for the PNPM's financial services components primarily focuses on capacity building to the Facilitators, RLFs with an additional small amount for sustainability.

Performance

An independent assessment (Micro-Credit Ratings International Limited – M-CRIL) of 508 urban and rural RLFs in the project's 4 pilot provinces found a number of weaknesses, particularly in the urban RLFs, including declining loan repayments with a significant proportion of the portfolio classified as non-performing; widespread perception that loans as government grants do not need to be repaid; unclear legal ownership of the funds, and weak management capacity in most RLFs. About half of the RLFs assessed have realistic potential to become sustainable operations, assuming adequate support in capacity building. Other RLFs need to make significant efforts to improve performance, and many are not sustainable. The pilot's activities focus on the first group while strategic and technical advice is provided for all.

The team has established and is implementing a loan loss reserve system to assist with loans that have not been repaid. This will help determine performance based allocations of additional grants to RLFs in 2013. The team is also working on a simplified rating system that will be introduced in 2013 to more easily assess the financial health of all RLFs.

Recently the GoI established an MOU with Bank Rakyat Indonesia BRI a large and experienced bank providing microfinance services. The MOU's purpose is to provide larger loans for PNPM clients who have grown their businesses to a point where the RLF cannot provide sufficient funds for continued growth. This will assist some clients to transition to a more formal banking structure and attract funds for their growing needs.

Other Strategic Issues

According to the Deputy Minister responsible for PNPM, the Government views the PNPM as a mechanism to reduce conflict between the various ethnic and tribal groups by demonstrating that it is treating everyone equal and that the Government is concerned about the whole country. The GoI also wants to encourage community cohesion. The government has a plan that will allow the cohesion to stay in place and the group members become bankable.

During the field visit the strong social cohesion within groups was observed. It is clear why the Government values the outcome of community solidarity and would like to preserve it to continue services in the event another financial crisis should occur.

In the recently released ‘National Strategy for Financial Inclusion’ there was a small section under the heading titled ‘Initiatives in Support of MSMEs’ the following was stated regarding strengthening existing programs.

“PNPM-RLFs should consider how to become more sustainable. PNPM has a community-level Revolving Loan Funds (RLFs) component. The main challenge of PNPM is its future after 2014. In the remaining time the program needs to plan the future sustainability of the RLFs, in terms of governance, operational and financial performance and legal status.”

Although PNPM does not ‘fit’ the FS4P Strategy very well, it is clear that the Australia Government’s relationship with the Indonesian Government takes priority over the FS4P. However, the Indonesian draft Financial Inclusion Strategy could make PNPM more consistent with AusAID’s FS4P Strategy in future.⁴⁷

⁴⁷ Source: In addition to project review material, AusAID publications, particularly Australia Indonesia Partnership Country Strategy 2008-2013; and Strategy for Support to Indonesia’s National Program for Community Empowerment (PNPM); and interviews, field visit and observation of RLF groups.

Annex 5: List of Projects Reviewed

List of Sample Projects Reviewed

ADRA Funded Research

Microfinance Beyond Group Lending: An experimental approach (Monash University)

Afghanistan

Afghanistan Business Innovation Fund

ANCP

An Opportunity for All: Financial Education in the Philippines

Good Return online loan portal by World Education Australia Limited

Innovation in Microfinance Evaluation – Building Social Performance Management (SPM) Capability in the Philippines (including pilot Social Return On Investment Evaluation)

Myanmar

Rakhine Rural Household Livelihood Security Project

Livelihoods and Food Security Trust Fund (LIFT)

Cambodia

Cambodian Credit Union Outreach Program: Building Institutional Capacity - Kandal, Takeo, Prey Veng, Preah Vihear, Banteay Meanchey, Kratie, Battambang, Kampong Thom, Kampong Chhnang, Kampot, Kampong Speu & Siem Reap Provinces (Phase Two).
NGOID: Credit Union Foundation Australia. Partner Organisation: Cambodia Community Finance Network (CCFiN); Canadian Co-Operative Association; Co-operative Association of Cambodia (CAC) credit unions

East Timor

UNCDF - Inclusive Finance for the Underserved (INFUSE)

Fiji

Fiji Financial Inclusion Initiative

Global

Women's World Banking (Core funding)

Alliance for Financial Inclusion (core funding)

UNCDF - Mobile Money (Project funding)

ILO Micro Insurance Innovation Facility (Project funding)

Consultative Group to Assist the Poor (Core funding)

Access Through Innovation Workshop, Windsor UK

Indonesia

Program for Eastern Indonesia Small and Medium Enterprise Assistance, or PENSA (IFC Advisory Support Program)

Enhancing TLM's capacity to serve clients in very remote regions - West Timor / East Nusa Tenggara. NGOID: Opportunity International Australia. Partner Organisation:

Microfinance services in East Sumba - Nusa Tenggara Timur (NTT) Indonesia. NGOID: UnitingWorld. Partner Organisation: Tanaoba Lais Manekat Foundation (review combined with above as same implementer and in same location)

Livelihood - Microfinance services in Betun

Australia-Nusa Tenggara Assistance for Regional Autonomy program (ANTARA)

AIPRD Smallholder Agribusiness (SADI)

National Program for Community Empowerment (PNPM)

Iraq

Iraq Rural Microfinance

International Seminar Support Scheme

Pacific Credit Union Technical Congress 2011 [13-16 September 2011]

Laos

Establishment of a Rural Microfinance Institution - Saravan province. NGOID: World Education Australia Limited. Partner organisation: World Education Laos.

Latin America

Latin America Microfinance Initiative - Strengthening Women Entrepreneurship in Peru

AusAID-MIF Microfinance Trust Fund

Multilateral Policy

World Bank CHOGM Remittances' Trust Fund

Nepal

Micro-Enterprise Development Programme (MEDEP)

Pacific Regional

Pacific Microfinance Initiative

Private Sector Development Initiative Phase 2

UNCDF - Pacific Financial Inclusion Program

Reducing the Cost of Remittances

Papua New Guinea

PNG Microfinance Expansion Project

Pacific Financial Inclusion Technical Adviser

Philippines

Market-led Product Development for More Client-Focused Microfinance - Visayas and Luzon. NGOID: Opportunity International Australia. Partner organisation: Taytay sa Kauswagan, Inc.(TSKI), Tulay sa Pag-Unlad, Inc. (TSPI), and Alalay Sa Kaunlaran, Inc. (ASKI)

Sudan

Community Managed Microfinance (CMMF) ---- only incorporated in the scoring tool

Projects “n/a” or insufficient information collected

ANCP

Australian NGO Cooperation Program (AusAID program – not a project)

Timor Leste Credit Union Development and Capacity Building - Dili,Bacau,Manatuto, Aileu, Ambeno,Viqueque,Manufahi,Bobonaro,Liquisa,Los Palos. NGOID: Credit Union (Information is not available until 2013)

Logica 2 (no finance component) field visit East Timor

Solomon Islands

Solomon Islands Building Institutional Capacity - Honiara, Guadalcanal, Makira, Isabel, Malaita. NGOID: Credit Union Foundation Australia. Partner organisation: Solomon Islands Credit Union League (SICUL) (Information is not available until 2013)

Financial Literacy in Sustainable Rural Livelihoods - Southern Malaita Province, Solomon Islands. NGOID: International Women's Development Agency. Partner organisation: West Are Are Rokotanikeni Association (WARA) (available information did not come on time)

Sri Lanka

Australian Community Rehabilitation Program Phase 3 (tiny financial access component)

Vietnam

VANGOCA WV Reduce Flood Vulnerability (no information on the finance component)

Projects added

ADRA

Targeting the Poor with Microfinance: Testing Strategies for Enrolling Poor Households in the Philippines (Innovations for Poverty Action) - Reviewed before sampling

Myanmar

CARE SPARC (has been on hold for about a year due to local conflicts and is being redesigned – not included) Myanmar

Periodic Funding for Humanitarian Assistance to Burma (PFHAB) – field visit Myanmar

Indonesia

NTT Agroforest Community Development Program ANCP – field visit Indonesia

Smallholder Agribusiness Development Initiative (SADI) – field visit Indonesia

Annex 6: Stakeholders Met, Interviewed by Phone, or Corresponded With

NAME	ORGANIZATION	POSITION
Alopi Latukefu	AusAID	Director, Food Security and Rural Section
Fareeha Ibrahim	AusAID	Manager, Rural Livelihood
Ruth Goodwin-Groen	AusAID	Senior Sector Specialist: Financial Services for the Poor
Christine Groeger	AusAID	Financial Inclusion Specialist
Alopi Latukefu	AusAID	Director, Food Security Policy
Vanja Jukic	AusAID	Coordinator, International Seminar Support Scheme
Kate Shanahan	AusAID	Manager, Women in Leadership Unit Indonesia
Katherine West	AusAID	Australian NGO Cooperation Program & Innovations Fund
Ross Townson	AusAID	Multilateral Policy Section
Elena Rose	AusAID	Multilateral Policy Section
Joanna Larvin		Program Officer, NGO Section
Rani Noerhadhie	AusAID	Senior Program Manager, Rural Development Unit
Lulu Wardhani	AusAID	Program Manager, Poverty Reduction
Tamsin Coryn-Willie	AusAID	Senior Program Officer, Burma Section
Rebecca Bryant	AusAID	Assistant Director General, Food Security, Infrastructure, Mining and Trade Branch
Sue Connell	AusAID	Assistant Director General, Pacific Bilateral Division
Kerry Burrridge	AusAID	Country Manager, Pacific - Business Mentors New Zealand
James Sweeting	AusAID	Director, South and West Asia Division
Peter Wilson	AusAID	Policy Program Manager, Food Security Branch
Steve Taylor	AusAID	Manager, Development Research Program, Development and Gender Policy Section
Natsuda Pittman	AusAID	Program Officer, Africa and Community Programs
Ross Townson	AusAID	Policy Program Manager, International Policy and Partnerships
Emily Meagher	AusAID	Senior Policy Officer, Middle East, North Africa, Latin America and Caribbean Section
Catherine Herron	AusAID	Policy Program Manager, South Asia Bilateral Section
Rebecca Lannin	AusAID	Governance Program Manager, Afghanistan Section

Malcom Bossley	AusAID	Program Manager, Pacific Bilateral Desk, Suva
Timothy Gill	AusAID	First Secretary, Pacific Bilateral Desk, Suva
Vili Caniogo	AusAID	Policy Program Manager, Pacific Regional Branch
Jim Tomecko	AusAID	Senior Advisor AIPD Rural
Joel Tukan	AusAID	Program Manager, Rural Development
Arief Noviar Sugito	AusAID	Unit Manager, PNPM
Scott Guggenheim	AusAID	Social Policy Advisor
Irene Insardjaja	AusAID	Program Manager, Decentralization
Fiona MacIver	AusAID	Poverty Reduction Programs Coordinator
Thomas Pratomo	AusAID	Program Manager, Social Protection
Tilman Ehrbeck	CGAP	CEO
Eric Duflos	CGAP	Regional Representative for East Asia and the Pacific
Alexia LaTortue	CGAP	Deputy CEO
Tim Lyman	CGAP	Senior Policy Advisor
Sung-Ah Lee	Alliance for Financial Inclusion	Director, Strategy and Network Development
Katherine Miles	Alliance For Financial Inclusion	Strategic Program Manager
Clemencia Aramburu	AusAID	Senior Program Manager
Svante Persson	IADB	
Maria Luisa Hayem Breve	IADB	
Shane Nichols	World Education Australia	Program Director
Carlo Corazza	World Bank	Payments Group
Doug Pearce	World Bank	Payments Group
Jonathan Capal	Developing Markets	Send Money Pacific project manager
Pushkar Maitra	Monash University	Professor
Indonesia		
Dr. Ir. Sajana Royat, DEA	PNPM	Deputy Minister for Poverty Alleviation and Community Empowerment
Ir. Magdalena, MM	PNPM	Assistant Deputy for Microfinance Development and Utilization of Appropriate Technology
Taufik Rinaldi	PNPM	Good Governance and Anti Corruption Specialist
Yoko Doi	World Bank	Financial Sector Specialist, PNPM
Kiyotaka Tanaka	World Bank	Financial Sector Analyst, PNPM
Vicki Peterson	World Bank	Consultant, Senior Operations Officer, PNPM
Fajar Pane	World Bank	Research Analyst, PNPM
Idee Sasongko	PNPM	Provincial Coordinator of PNPM Rural
Retno Siti Rohayati	PNPM	HR Development Specialist Provincial

		PNPM Rural
Sri Umhthti	Sub-district	Director
Auvs Manmmud	Sub-district	Deputy
Ihjan Ichumaid	PNPM	Manager, Jetis UPK
Atika Musrifah	PNPM	Secretary, Jetis UPK
Saiful Huda	PNPM	Facilitator Kouaugan Kab.Bantul
Sugeng Riyanto S.St	PNPM	Manager, Imogiri UPK
Suharsi. S.Ip	PNPM	Secretary Imogiri UPK
Nor Haryanto S.Ip	PNPM	Treasurer Imogiri UPK
Anggrek 2Group	PNPM	Loan application verification 7 people
Mardikono	PNPM	Inter-village Coordination Board Imogiri UPK
H. Haryono	PNPM	Inter-village Coordination Board Imogiri UPK
Nurwatoni	PNPM	Inter-village Coordination Board Imogiri UPK
PKK RT 01 Jetis Group	PNPM	Village distribution of loan funds 11 people
Sanjay Sinha	Micro-Credit Ratings Int'l	Managing Director
Rudy Tomaso	Micro-Credit Ratings Int'l	Senior Analyst and Indonesia Representative
Ian Crosby	IFC	Manager, Sustainability Business Advisory
Ernest E. Bethe III	IFC	Program Manager, Agribusiness
Rudy Prasetya	IFC	Consultant, IFC Advisory Services Agribusiness
Myanmar		
Myint Kyaw	LIFT	Business Development and Microfinance Officer
Joseph Kodamanchaly	CARE	Assistant Country Director (programs)
Daw Nilar Soe	CARE	Operations Manager - Health
Dr. Le Kyaw Aurg	CARE	Field Officer Coordinator – Health
Dr Yekywaung	CARE	SPO - Health
Ei Shwi Yi Win	CARE	Operations Manager – Livelihood
Waw Om Khaw	CARE	Senior Program Officer – Livelihood
Daw Mar Lar Oo	CARE - Mindat	Finance & Admin Officer - Livelihood
PNG		
Trudi Egi	NMB	Head of Sales and Customer Service
Gima Kepi	NMB	Women's Banking
Tony Westaway	NMB	Managing Director
Paul Thornton	BSP	Deputy General Manager - Retail Banking
Kili Tambua	BSP	Head of BSP rural Banking
Kymberley Kepore	ADB	Private Sector Development Coordinator
Sabine Sphon	ADB	Private Sector Development Specialist
Eric Aelbers	ADB	Pacific Liaison & Coordination

		Office
Conrad Bulenda	AusAID Fiji	Second Secretary
George Awap	Bank of PNG	Head of Supervision
Louis Miria	National Farmers Savings and Loan Society	Operations Manager
Anton Banit	National Farmers Savings and Loan Society	CEO
Londe Maingi	National Farmers Savings and Loan Society	Senior Accountant
Madhu Moullick	Microsave	Lead Specialist
Saliya Ranasinghe	Microsave	Product Innovation and Market Development Specialist
Ghandi Katao	Microsave	Product Innovation and Market Development Specialist
Krishna Uma Mahesh Thacker	Microsave	Senior Analyst
George Mathew	PML	Chief Executive Officer
Ellison Pidik	Kokopo Microfinance	CEO
Joep Roest	PFIP	Representative in PNG
Carolyn Blacklock	IFC	Representative in PNG
John Vivian	IFC	Senior Officer
Philippa Roberts	IFC	Operations Analyst
Julian M Tilley	OCL	Mobile Transactions Manager
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Annex 7: Aide Memoires

Aid Memoire for Financial Services for the Poor Mid term Review - FINAL

PNG Field Visit

October 22-26, 2012

A. Mid-Term Review Background

AusAID's *Financial Services for the Poor: A strategy for the Australian aid program 2010-15* ('the Strategy') was launched in March 2010. It provides a coherent framework to guide the Australian Government in achieving its goal of increasing poor people's access to financial services in developing countries. This in turn will strengthen the overall effectiveness of Australia's aid program.

The Strategy focuses on achieving four core outcomes that will support the goal of increasing poor people's access to financial services (financial inclusion):

Policy – A policy and regulatory environment that allows institutions offering financial services to the poor to enter the market and grow.

Institutions and Infrastructure – Financial services providers and infrastructure that have the capacity to provide high quality financial services for the poor.

Innovation – Innovation models of providing financial services that effectively reach regions and groups currently lacking access.

Financial Education – Increased capacity of clients to understand and use financial services effectively.

The objectives of the Mid-Term Review are to:

- a) Assess the performance of the Financial Services for the Poor programs against the four outcomes in the Strategy; the contribution of these programs to AusAID's overarching goal of helping people overcome poverty; and performance against the cross-cutting issues of gender equality, effectiveness of program monitoring and evaluation of the level of analysis and learning underpinning the programs.
- b) Asses the performance of Financial Services for the Poor programs against the standard evaluation criteria developed by the OECD/DAC: Relevance, Effectiveness, Efficiency, Impact and Sustainability, as recommended by CGAP.
- c) Make recommendations on how AusAID might improve its implementation of the Strategy to better achieve its goals by 2015.

B. Description of Evaluation Activities

Under the Pacific region umbrella, AusAID finances several large programs with a number of “subprojects” underneath. Under this type of classification, in PNG we reviewed the Pacific Financial Inclusion Program (PFIP/UNCDF), Pacific Microfinance Initiative (PMI/IFC) and the Private Sector Development Initiative (Phase 2) (PSDI/ADB).

AusAID post finances one financial access project entitled Microfinance Expansion Project (MEP/ADB), which we reviewed and the salaries and living expenses related to the full time person from PFIP living in PNG.

There is a good deal of cross over between funding projects and the partners. That is, some organizations have been funded by two or more of the projects, usually at different times. While there are mutual partnerships, there does not seem to be significant duplication of efforts.

PFIP

PFIP's footprint in PNG has been relatively small compared to their footprint in other parts of the Pacific. PFIP has been primarily involved in two areas: Mobile money and financial literacy (diaries). PFIP supported the work with NMB to establish MiCash. This is mobile money product combining a bank account with a phone. We visited three agencies which had this product in place within a 35 km radius around Port Moresby. Under the NMB initiative PFIP also partnered with Oceanic Communications Limited (OCL), an agent network. MiCash is delivered through the OCL agent network. We also interviewed management from OCL.

PMI

PMI is a AusAID funded (primarily) IFC initiative which covers the Pacific Region. Its sub projects are in Bank of South Pacific and OCL (PNG), Morris Rasik (Timor Leste --not part of AusAID's Pacific coverage, but funded under this project) and SPBD (Tonga and Samoa). They also have a variety of other "investments" in the concept/project development stage. During this trip, we met with OCL, Bank of South Pacific and PNG Microfinance (project in development phase).

PSDI

PSDI's portfolio of subprojects are primarily regulatory and business access, with a portion going to financial access. PSDI in PNG has supported the design of the MEP as well as the NMB MiCash project. They have also supported the legislation of the Personal Property Securities Bill, which is essentially a collateral registry. As noted, we visited the NMB MiCash project.

MEP

MEP was developed to support the microfinance and small finance industry in PNG. It is a large project (approximately 23 million US dollars) and has several components, including: technical assistance and training, a risk sharing fund, support to a Centre of Excellence for microfinance, and financial literacy. During this trip, in addition to visiting NMB and speaking with Reserve Bank of PNG's head of regulation and supervision, we also visited the site of two institutions receiving technical assistance and training on New Britain island. This project is supported by AusAID post.

C. Initial Findings

PFIP

PFIP has not had a lot of traction so far in PNG, (in part due to its lack of on the ground presence). This is changing as they (with extra support from AusAID) have placed someone full time in PNG. Their work here tends to be focused on the mobile money (Post PNG, NMB, OCL) and they are just starting a financial diaries project with the support of the Central Bank. Their mobile money partnership with NMB is innovative in that the operating platform is phone based, but avoids the mobile money wallet, thereby, in theory reducing transaction costs (to and from wallet and then to and from bank account) and technical risk. However, while sign ups are increasing, most transactions are "top ups" of mobile phone accounts (which doesn't demonstrate a lot of value added over a mobile wallet) and there have been some technology glitches. NMB is working on its marketing and promotion with assistance from PSDI/Microsave.

PMI

PMI has a significant portion of its "investments" in PNG. One of the more interesting investments is in the Bank of South Pacific rural expansion. Through supporting BSP rural with an investment of approximately: \$770,500 Aus dollars, BSP has now 25 rural branches, with 4 people in each branch. They have approximately 8,000 POS's and 274 ATMs across PNG.⁴⁸ By the end of 2012, they expect to have opened 40 rural branches, and have 10,000 POS's in place. While at this point in time, the expansion is savings driven, there is some support internally to expand lending services through these points. The savings product is similar to others (no or minimal interest and monthly service charges) but they have recently opened up a new savings product that requires only to pay per transaction. While this is not a true savings account (more of a current account), this at least implies the balances will decapitalize at a slower rate than others.

The OCL project was just signed and is intended to support expansion of its agent and merchant network in PNG. It has fairly aggressive targets to be achieved in a short period of time. The idea is that the network will provide the distribution backbone to three financial service providers: Post PNG, NMB and (soon) ANZ.

⁴⁸ Figures related to the overall system, not only the BSP rural expansion as financed by PMI.

PMI is due to finish mid next year. While it seemed to have a slow start, a three year project horizon is probably not sufficient to cover these types of activities.

PSDI 2

The most significant work in PNG under the PSDI project has been the support of the Personal Property Securities Bill, which, once the registry has been constructed will allow people and businesses to pledge alternative forms of collateral for loans. Since most of the land in PNG is customary and difficult to pledge, and the banks/MFIs use collateral based lending, this may help open up the investment opportunities.

MEP

The MEP project has the potential to become an important catalyst of rural financial service outreach, supporting existing institutions with a rural footprint to develop financial products (both credit and savings and potentially insurance). The product development focus, along with a risk sharing fund may allow for expanded financial services access in the rural areas, leading to a deepening of penetration into areas and sectors currently poorly served. However, there is a high risk in working with the smaller institutions in rural areas as they tend to have significant needs beyond just new products and market research. These initial activities will be window dressing and unsustainable, unless they fundamentally restructure and strengthen their systems, administration and human resources across the whole business.

D. Overall Comments:

1. The support for microfinance and financial access in PNG is pretty comprehensive. The different projects contribute to different strategy outcomes, including building systems, policy and regulatory environment activities, institutional support, innovation and financial education.
2. Having said that, there is a good deal to do in PNG. It's a large (by Pacific standards) slightly unwieldy country, which has some distinct challenges, including rather significant endemic security issues and a poor history of a government involvement in agriculture lending. The microfinance industry (the term microfinance is used loosely and much of the support work is for small and medium finance as well) is new, has suffered initial growing pains and does not have a robust, diversified portfolio of services/projects. It is not actively involved in agriculture/rural finance and seems constrained to the urban or regional towns.
3. The financial services industry overall can be depicted as an immature industry with limited savings and insurance products, supporting a limited product line of investments. This has translated into an unstable structure going forward with elevated prices on few assets, demanding higher revenues from the liability side resulting in negative interest rates and

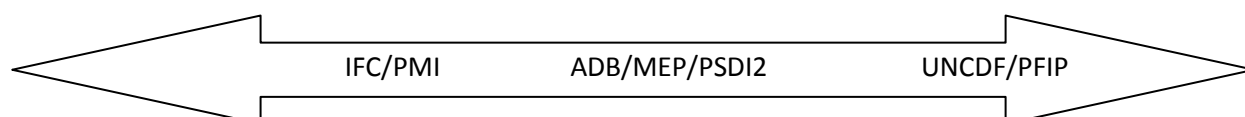
decapitalization on client savings, particularly small savers. Further, portfolio write-offs and pressure on the spread has resulted in low profitability and significant insolvency among MFIs in particular.

4. AusAID supported work has been focused on the systems (credit bureau, registry), delivery platforms and liability side of the balance sheet, and working with primarily urban based institutions. However, this is changing with MEP and to a certain extent some elements of the PFIP and PMI projects.

5. A big risk for AusAID in PNG is duplication between their various projects' forces. There *is* potential for significant overlap. The partners attempt to manage this risk through a donor working group, held approximately every six months. Further the donors definitely have their comparative advantages, specific interests and associated tools. The PMI under the IFC tends to "invest" in regulated partners, usually lower risk partners. PFIP has experience in financial literacy and mobile operators, and tends to use internal staff to provide technical assistance. ADB on the other hand, has a greater ability to hire consultants and engage the government. Both ADB and IFC's work has also supported their real investments: PNG Microfinance and BSP (in the case of IFC) and NMB (in the case of ADB).

6. Related to 5 is the presence of people on the ground managing the projects. Both ADB and PFIP have permanent staff in PNG overseeing the projects. IFC is expected to place staff in PNG early next year. This should help facilitate communication between IFC and AusAID. At certain levels of funding, AusAID should insist on significant ground presence.

7. Reporting, governance and relationships between each project and AusAID is inconsistent. On a continuum (with left being less integration and right being more), we would place the projects/relationships in the following manner:



The differences in relationships between these multilaterals and AusAID are a combination of internal policies, working styles and people, unique to each multilateral. These can be managed by having clear, systematic approaches toward partners, in terms of design, governance and monitoring and evaluation frameworks.

E. People/Institutions Met

NAME	ORGANIZATION	POSITION
Trudi Egi	NMB	Head of Sales and Customer Service
Gima Kepi	NMB	Women's Banking

Tony Westaway	NMB	Managing Director
Paul Thornton	BSP	Deputy General Manager - Retail Banking
Kili Tambua	BSP	Head of BSP rural Banking
Kymberley Kepore	ADB	Private Sector Development Coordinator
Sabine Sphon	ADB	Private Sector Development Specialist
Eric Aelbers	ADB	Pacific Liaison & Coordination Office
Conrad Bulenda	AusAID PNG	Second Secretary
George Awap	Bank of PNG	Head of Supervision
Mr. Louis Miria	National Farmers Savings and Loan Society	Operations Manager
	National Farmers Savings and Loan Society	CEO
Madhu Moullick	Microsave	Lead Specialist
Saliya Ranasinghe	Microsave	Product Innovation and Market Development Specialist
Ghandi Katao	Microsave	Product Innovation and Market Development Specialist
Krishna Uma Mahesh Thacker	Microsave	Senior Analyst
George Mathew	PML	Chief Executive Officer
Eliseo Pidik	Kokopo Microfinance	CEO
Joep Roest	PFIP	Representative in PNG
Carolyn Blacklock	IFC	Representative in PNG
John Vivian	IFC	Senior Officer
Philippa Roberts	IFC	Operations Analyst
Julian M Tilley	OCL	Mobile Transactions Manager
John Hill	OCL	Head of Sales and Distribution

Aid Memoire for Financial Services for the Poor Mid-Term Review

Myanmar Field Visit

October 22-25, 2012

Mid-Term Review Background

AusAID's *Financial Services for the Poor: A strategy for the Australian aid program 2010-15* ('the Strategy') was launched in March 2010. It provides a coherent framework to guide the Australian Government in achieving its goal of increasing poor people's access to financial services in developing countries. This in turn will strengthen the overall effectiveness of Australia's aid program.

The Strategy focuses on achieving four core outcomes that will support the goal of increasing poor people's access to financial services (financial inclusion):

Policy – A policy and regulatory environment that allows institutions offering financial services to the poor to enter the market and grow.

Institutions and Infrastructure – Financial services providers and infrastructure that have the capacity to provide high quality financial services for the poor.

Innovation – Innovation models of providing financial services that effectively reach regions and groups currently lacking access.

Financial Education – Increased capacity of clients to understand and use financial services effectively.

The objectives of the Mid-Term Review are to:

- a) Assess the performance of the Financial Services for the Poor programs against the four outcomes in the Strategy; the contribution of these programs to AusAID's overarching goal of helping people overcome poverty; and performance against the cross-cutting issues of gender equality, effectiveness of program monitoring and evaluation of the level of analysis and learning underpinning the programs.
- b) Assess the performance of Financial Services for the Poor programs against the standard evaluation criteria developed by the OECD/DAC: Relevance, Effectiveness, Efficiency, Impact and Sustainability, as recommended by CGAP.
- c) Make recommendations on how AusAID might improve its implementation of the Strategy to better achieve its goals by 2015.

Description of Evaluation Activities

The Mid-Term Review of the Financial Services for the Poor is only interested in the financial components of projects. To obtain a good understanding of these components it is necessary to

look beyond the financial services aspects of projects. In Myanmar the following projects and activities were reviewed.

Livelihoods and Food Security Trust Fund (LIFT) The LIFT project has a number of pillars, one of which is a credit program. The financial pillar has 3 NGOs working in different locations, PACT, Save the Children and GERT. PACT is operational. The other two NGOs are just starting up. Save the Children has not yet developed an agriculture loan. GERT is still conducting a community survey to determine its approach. As a project for the very poor PACT is using compulsory and voluntary savings and loans groups. At this early stage the NGOs are hands-on in their operation but hope to have the groups become sustainable before the end of the project. PACT has also initiated a micro-insurance program. When a client dies, PACT writes off the loan to be paid by that client and provides immediately Ks. 50,000 (slightly less than \$60 USD) as a grant to the client's family. All the saving are returned to the family of the client. In order to protect the equity of the fund, PACT repays the loan on behalf of the client from the beneficiary welfare fund. The beneficiary welfare fund was established by contributions from all clients who choose to participate. The amount of the contribution paid by participating clients to the beneficiary welfare fund is 1% of the loan. Not all clients are participating. In addition to social protection, writing off the client's loan and repaying the loan themselves PACT does not affect the portfolio at risk (PAR).

Rakhine Rural Household Livelihood Security Project 2 (RRHLSP 2) closed in February 2012. The financial component closed earlier after a review- January 2011⁴⁹. The financial services in the form of Savings Mobilisation and Income Generation (SMIG) did not work well because there was a lack of ownership on the part of the clients. The loan capital came from CARE but due to the methodology the members did not have any sense of ownership. The high interest rate and the loan default rate contributed to SMIG being cancelled. The savings were returned and the funds from CARE were distributed equally to the group members except those who defaulted on loans; they received no additional capital. In acknowledging the lessons learned from SMIG, CARE has phased out SMIG and begun to pilot Village Savings and Loans Associations (VSLAs) in CARE's subsequent program Strengthening Partnerships and Resilience of Communities (SPARC).

Strengthening Partnerships and Resilience Of Communities (SPARC) started in late 2011 as a follow on project of RRHLSP 2. In June 2012, just as the staff were mobilized, the project was suspended due to ethnic conflict in the region. The project has been on hold for 6 months. CARE currently has a team in Rakhine working on how the project can be restructured. It is apparent to CARE that the design of the new project will not look at all like the previous project. Of particular importance will be getting a balanced staff from both ethnic groups at all

⁴⁹ Activity Completion Report, March 2012; Page 11

levels in the implementation of the project. Another important feature will be making sure the beneficiaries are balanced in numbers and support. The other important feature is whether the project can contribute to peace building. CARE hopes to have AusAID's approval in early 2013.

Periodic Funding for Humanitarian Assistance to Burma (PFHAB) is made up of four components. Three components are based on health, Mobilizing Community Capacity for Health (CARE) and Strengthening HIV Responses through Partnership (Burnet Institute); Mobilising access to sexual and reproductive health in Myanmar (Marie Stopes International). The other component emphasizes livelihoods, Southern Chin Livelihood Security (SCLSP). It is this component that is of interest to the FS4P Strategy MTR as it contains the financial subcomponent. After SMIG's varied results, CARE phased out SMIG and has begun piloting Village Savings and Loans Associations (VSLAs). The VSLAs range in membership from 10-30. The average size of a VSLA is currently 25 members. Presently the project has 58 VSLAs, 1037 members of whom 988 are women; the members have accumulated a total \$31,000 USD. The focus has been on women but in some cases there are families without any adult female so the project adjusted to include these men which explains the small number of men involved in VSLAs. Based on the MTR completed in May 2011 the Southern Chin Livelihood Security component was extended for 1 more year as some activities needed more time.

In both the health and the financial components, as was used in the RRHLSP 2, project Management Committees have been established. These committees consist of part time local people who coordinate the operations in either component. CARE provides the committees with a performance based grant on an annual basis to carry on activities and set up and operate a small business. Seventy percent of the profit from the small business operated by the Management Committee members goes to the Committee members. The remaining 30% goes to offset the costs of the Management Committee. The intent is that the Management Committees will become sustainable.

Initial Findings

Both LIFT and CARE believe that compulsory saving is a tool that promotes a sense of ownership among the clients which, in turn, leads to sustainability. The Strategy's micro-insurance work is considered an innovation. The PACT micro-insurance fits this innovative approach but its methodology is a variation on the ILO work on micro-insurance. The ILO methodology includes clients purchasing insurance whereas PACT's compulsory savings promotes a sense of ownership among the clients. The clients are also well aware that saving is connected with client welfare mechanisms e.g. micro insurance for death of a client. The method used by PACT fits the project's requirements but will be difficult to replicate unless other organizations have additional capital to repay such loans.

The CARE and LIFT projects both fit well with the FS4P Strategy's Outcome 2 (Institutions and Infrastructure) and Outcome 3 (Innovation). Although it was not indicated during the interviews, in both projects, client capacity to use financial services appears to be taking place at an informal level which implies the projects are also contributing to Outcome 4 (Financial Education).

Acknowledgement

I would like to thank Myint Kyaw of LIFT and Joseph Kodamanchaly and his team from CARE for their involvement and assistance. Without them the assessment of the projects would not have been as effective or efficient.

It was not possible to meet with AusAID staff in person due to competing priorities Craig Gilbert, Livelihoods Program Manager at Yangon Post has made himself available for any follow up questions after the field visit.

Annex 1 Team member

Larry Hendricks

Annex 2 People Met

NAME	ORGANIZATION	POSITION
Myint Kyaw	LIFT	Business Development and Microfinance Officer
Joseph Kodamanchaly	CARE	Assistant Country Director (programs)
Daw Nilar Soe	CARE	Operations Manager - Health
Dr. Le Kyaw Aung	CARE	Field Officer Coordinator – Health
Dr Yekywaung	CARE	Senior Program Officer - Health
Ei Shwi Yi Win	CARE	Operations Manager – Livelihood
Waw Om Khaw	CARE	Senior Program Officer – Livelihood
Daw Mar Lar Oo	CARE - Mindat	Finance & Admin Officer - Livelihood

Aid Memoire for Financial Services for the Poor Mid-Term Review

Indonesia Field Visit

October 15-19, 2012

Mid-Term Review Background

AusAID's *Financial Services for the Poor: A strategy for the Australian aid program 2010-15* ('the Strategy') was launched in March 2010. It provides a coherent framework to guide the Australian Government in achieving its goal of increasing poor people's access to financial services in developing countries. This in turn will strengthen the overall effectiveness of Australia's aid program.

The Strategy focuses on achieving four core outcomes that will support the goal of increasing poor people's access to financial services (financial inclusion):

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Innovation – Innovation models of providing financial services that effectively reach regions and groups currently lacking access.

Financial Education – Increased capacity of clients to understand and use financial services effectively.

The objectives of the Mid-Term Review are to:

- a) Assess the performance of the Financial Services for the Poor programs against the four outcomes in the Strategy; the contribution of these programs to AusAID's overarching goal of helping people overcome poverty; and performance against the cross-cutting issues of gender equality, effectiveness of program monitoring and evaluation of the level of analysis and learning underpinning the programs.
- b) Asses the performance of Financial Services for the Poor programs against the standard evaluation criteria developed by the OECD/DAC: Relevance, Effectiveness, Efficiency, Impact and Sustainability, as recommended by CGAP.
- c) Make recommendations on how AusAID might improve its implementation of the Strategy to better achieve its goals by 2015.

Description of Evaluation Activities

The Mid-Term Review of the Financial Services for the Poor is only interested in the financial components of projects. To obtain a good understanding of these components it is necessary to look beyond the financial services aspects of projects. In Indonesia the following projects and activities were reviewed.

PNPM started in 1998 in response to the financial crisis. Although the Government of Indonesia finances much of the project the World Bank is the primary implementer. AusAID's involvement in PNPM partially involves capacity building in the pilot Revolving Loan Fund (RLF) component. Meetings were held with AusAID staff, the World Bank and received a presentation by the Micro-Credit Ratings International Limited (M-CRIL) who conducted the Consolidated Assessment of UPK Revolving Loan Funds. A field visit was undertaken to Yogyakarta. While there, we were hosted by the PNPM District Coordinator. Visits were made to medium and high level performing UPKs. As part of the visit the group observed a loan application verification process and the distribution of loan funds.

It was noted that the problems identified by the World Bank about the RLF pilot are real and that the World Bank is trying to resolve the issues. The method that the World Bank wants to use is transformation of the RLF groups into microfinance institutions or connect them to banks in order to develop best practices in the operation and management of the RLF funds.

According to the Deputy Minister in charge of PNPM, the Government views the PNPM as a mechanism to reduce conflict between the various ethnic and tribal groups by demonstrating that it is treating everyone equal and that the Government is concerned about the whole country. It also wants to encourage community cohesion. In order to maintain the community cohesion the government has a plan that will allow the cohesion to stay in place and the group members become bankable.

The reason the Government will not accept the RLFs transforming into MFIs⁵⁰ is that they believe the MFIs' intentions are to get the money from the people and use it for purposes other than the PNPM. What the Government will accept is the RLF groups becoming credit unions if the group members decide to institutionalize their RLF to become more sustainable⁵¹. The government wants its people to become and remain unified through the PNPM program.

During the field visit the incredibly strong social cohesion within groups was observed. The cohesion was formidable and well worth keeping. Although it may not be financially good practices, it is clear why the Government values the outcome of community solidarity. Not for political purposes does the government want to keep the solidarity but for surviving events like the financial crisis that motivated the PNPM in the first place.

The Government is interested in eliminating corruption and failure to repay loans in the RLF component and appears willing to bear the extra cost to keep the community cohesion it has encouraged and developed through PNPM.

NTT Agroforest Community Development Program is a project being implemented by YMTM, a local NGO operating in TNN. This project has a savings and loan component for

⁵⁰ According to the draft the National Strategy for Financial Inclusion around 80,000 MFIs, of which 45 per cent are savings and loan cooperatives and 33 per cent are unregulated informal MFIs including deposit-taking entities

⁵¹ Draft the National Strategy for Financial Inclusion, page 31

their clients. They are starting a credit unions so their clients can finance themselves. Instead of becoming members of an RLF group their credit unions is borrowing from the RLF to increase the capital they have so they can operate independently.

AIDP Rural is just starting. It was thought that the project had a finance component but in meeting with a representative of the project it was learned that instead of having a finance component the project will work with manufacturers, equipment dealers and input dealers to provide financing to the farmers. It is too early in the project to determine whether this approach will be successful.

TLM is an NGO working in NTT. It is a partner of Opportunity Australia and Uniting World. TLM develops credit unions and is able to one year to attract 1,000 members to a branch and to establish a standalone management. The interview with TLM staff demonstrated that they are very open and transparent. They have received local and national awards for their cooperative development work.

SADI and **PENSA** projects were/are implemented by IFC. SADI was an agriculture development project. The financial component identified lead companies to help farmers produce higher quality products using a contract farming approach. The project established a warehouse receipts system and tried to getting banks interested. Generally, after the 2008 financial crisis, banks had little interest in financing commodities. The IFC was successful in getting necessary regulations in place for warehouse receipts. They also conducted a feasibility study on weather index insurance but could not find any banks that would work with them. PENSA has been working to get a private credit bureau established with the approval of Bank Indonesia (central bank). They have continued work with BTEN Bank lending to farmers. IFC is one of the organizations working to establish mobile banking in Indonesia.

Logica2 was thought to have a microfinance component but it was learned that this was not the case. They provide vocational training and provide machinery to members of MFIs.

The **Social Inclusion** group within AusAID Indonesia provided information about their work on mobile banking and Government's Draft Financial Inclusion Strategy. They also have a role in evaluation of the Government's evaluation of the Micro-Credit Guarantee Program.

Initial Findings and Recommendations

It was noted that some of the projects thought to have financial components did not (AIPD Rural and Logica 2) and there were projects and activities that had financial components (Nusa

Tenggara Timur Agro-forestry Community Development Program and Social Protection) but Canberra was not aware they existed.

Although most of the time was spent with the PNPM it is clear that AusAID projects in Indonesia that have a financial services component are appropriate for the situation in which the project is implemented.

AusAID capacity building assistance to PNPM is operating in a non partisan manner and is not getting caught in the differences between the Government and the World Bank. In fact, AusAID should consider expanding its capacity building to include financial literacy. This financial literacy can continue to assist the facilitators in their work with group members but it should emphasize business development training from a financial perspective for the facilitators and group members. With this capacity the group members can learn how to expand their businesses. They will increase their skills and profitability. These clients will outgrow the RLF loan size and be able to obtain bank loans because they will have accumulated the necessary collateral to qualify for a loan from the BRI MFI or a commercial bank.

AusAID might also consider financing Technical Assistance (TA) to BRI who has an MOU with the government to lend to graduating RLF clients. Based on the complaints by clients about BRI wanting collateral TA to BRI would be helpful in assisting BRI in developing alternative methods of obtaining collateral to meet the needs of the graduating clients.

Acknowledgement

I would like to thank Fareeha Ibrahim and Lulu Wardhani for their involvement and assistance. Without them the assessment of the project and the field visit would not have been as effective or efficient.

Annex 1 Team member

Larry Hendricks

Annex 2

NAME	ORGANIZATION	POSITION
Lulu Wardhani	AusAID	Program Manager, Poverty Reduction
Jim Tomecko	AusAID	Senior Advisor AIPD Rural
Joel Tukan	AusAID	Program Manager, Rural Development
Arief Noviar Sugito	AusAID	Unit Manager, PNPM
Scott Guggenheim	AusAID	Social Policy Advisor
Irene Insardjaja	AusAID	Program Manager, Decentralization
Fiona MacIver	AusAID	Poverty Reduction Programs Coordinator

Thomas Pratomo	AusAID	Program Manager, Social Protection
Yoko Doi	World Bank	Financial Sector Specialist, PNPM
Kiyotaka Tanaka	World Bank	Financial Sector Analyst, PNPM
Vicki Peterson	World Bank	Consultant, Senior Operations Officer, PNPM
Fajar Pane	World Bank	Research Analyst, PNPM
Dr. Ir. Sajana Royat, DEA	PNPM	Deputy Minister for Poverty Alleviation and Community Empowerment
Ir. Magdalena, MM	PNPM	Assistant Deputy for Microfinance Development and Utilization of Appropriate Technology
Taufik Rinaldi	PNPM	Good Governance and Anti Corruption Specialist
Idee Sasongko	PNPM	Provincial Coordinator of PNPM Rural
Retno Siti Rohayati	PNPM	HR Development Specialist Provincial PNPM Rural
Sri Umhthti	Sub-district	Director
Auvs Manmmud	Sub-district	Deputy
Ihjan Ichumaid	PNPM	Manager, Jetis UPK
Atika Musrifah	PNPM	Secretary, Jetis UPK
Saiful Huda	PNPM	Facilitator Kouaugan Kab.Bantul
Sugeng Riyanto S.St	PNPM	Manager, Imogiri UPK
Suharsi. S.Ip	PNPM	Secretary Imogiri UPK
Nor Haryanto S.Ip	PNPM	Treasurer Imogiri UPK
Anggrek2 Group	PNPM	Loan application verification 7 people
Mardikono	PNPM	Inter-village Coordination Board member Imogiri UPK
H. Haryono	PNPM	Inter-village Coordination Board member Imogiri UPK
Nurwatoni	PNPM	Inter-village Coordination Board member Imogiri UPK
PKK RT 01 Jetis Group	PNPM	Village distribution of loan funds 11 people
Sanjay Sinha	Micro-Credit Ratings Int'l	Managing Director
Rudy Tomasoa	Micro-Credit Ratings Int'l	Senior Analyst and Indonesia Representative
Ian Crosby	IFC	Manager, Sustainability Business Advisory
Ernest E. Bethe III	IFC	Program Manager, Agribusiness
Rudy Prasetya	IFC	Consultant, IFC Advisory Services Agribusiness

Aide Memoire for Financial Services for the Poor Mid term Review – Final

Fiji Field Visit

October 15-19, 2012

A. Mid-Term Review Background

AusAID's *Financial Services for the Poor: A strategy for the Australian aid program 2010-15* ('the Strategy') was launched in March 2010. It provides a coherent framework to guide the Australian Government in achieving its goal of increasing poor people's access to financial services in developing countries. This in turn will strengthen the overall effectiveness of Australia's aid program.

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- c) Make recommendations on how AusAID might improve its implementation of the Strategy to better achieve its goals by 2015.

B. Description of Evaluation Activities

In the Pacific region, AusAID finances several large programs with a number of "subprojects" underneath. In Fiji we reviewed the Pacific Financial Inclusion Program (PFIP) and the Financial Literacy Project under the Consumer Council of Fiji.

The PFIP was formulated in 2007 to focus on the Least Developed Countries(LDC) 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. Only the three largest LDCs (Solomon Islands, Samoa and Vanuatu) and two non-LDCs (Fiji and Papua New Guinea) were ultimately included in the program's focus. These countries were chosen because they combine to have 90% of the region's population and have the most advanced financial infrastructure, key element to achieving financial services economies of scale required to overcome high transaction costs of providing commercially viable financial services. The theory behind the PFIP model of interaction is the "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.

The program works along the three dimensions of : Micro, Meso and Macro and has 4 outcomes:

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

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

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

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.

They do this through a combination of grant investments in partners, knowledge sharing through publication and promotions, trainings and informational exchanges, and some technical assistance to partners. They also coordinate and interact with policy makers primarily (but not exclusively) at the government department level and coordinate working groups made up of government representatives and donors as well as various members of civil society.

Their overarching goal is to provide financial access to 500,000 clients.

During this visit, the consultant met with representatives from the Reserve Bank of Fiji, Department of Social Welfare (DSW), Vodafone, PFIP staff members, Ministry of Education, Westpac, Life Insurance OF India, Partners in Community Development Foundation (community partner for microinsurance).

Consumer Council of Fiji

This is primarily a financial literacy project and the support is given through AusAID post. The Consumer Council of Fiji works to ensure transparency and fairness in pricing, expose deficiency in services, and encourage quality of products. The project which the AusAID is supporting (value \$275,000) is targeted towards the hire purchase industry in Fiji whose predatory and untransparent pricing of primarily household appliances (but also cars and phones) has become a big issue. The support has been in consumer education (through point of sale posters, pamphlets and television episodes) as well as the review of the law around the consumer credit act. There are no targets but they do track outreach and gender splits as well as complaints.

C. Initial Findings and Recommendations:

PFIP:

Overall PFIP contributes to AusAID's financial services for the poor strategy along all four expected outcomes.

PFIP has done some remarkable work in financial literacy. In both Samoa and Fiji, they have been able to collaborate with the governments to introduce financial literacy in the curriculums of the public schools. Fiji is the more dramatic result as the curriculum is compulsory for grade 1-12 students. Groundbreaking.

PFIP has engaged several governments (six) in the importance of financial inclusion and this is seen through the participation of the governments (usually central bank personnel) in various working groups and trainings as well as the usually central bank lead interest in financial literacy. PFIP has an excellent reputation among the two reserve banks interviewed (PNG and Fiji) and there is a relatively strong understanding of financial inclusion issues among these central banks.

PFIP has developed a number of relations with mobile money providers (the following only pertains to Fiji) but the actual use of mobile money (active users) as provided by the phone company partners, Vodafone and Digicel is low so far. It was not until Vodafone (using the same platform and software developed as a grantee of PFIP) won a government contract to provide smart cards in lieu of an antiquated paper voucher system for the Ministry of Transport, that use of smart cards and related phones will really start to take off. The Ministry of Transport and Vodafone will use near field communication technologies to distribute and control the use of transport vouchers which almost every Fijian school child uses to go to and from school each day. This will push through the use of mobile technology and lead to wider adoption of mobile money (phones linked to smart cards) with the added expected benefit of saving the Fijian government \$60 million Fijian dollars in voucher fraud yearly. This platform will also be used when Vodafone and Bred Bank team up to convert registered M-Paisa (Vodafone's brand name for mobile money) clients to a bank product.

Digicel in Tonga has been trying to increase their numbers through international remittances (with another partner: KlickEx) using Near Field Communications (Beep and Go).

PFIP has also teamed up with DSW and Westpac to expand access to bank accounts in some of the lowest income population on Fiji, those receiving welfare payments. In a monumental effort, some 20,000 welfare recipients opened bank accounts with Westpac to accept their welfare voucher payments in lieu of spending hours in lines both to receive voucher books and then to cash them. This will have less of a leveraged impact in the future due to the nature of the end users, but it is an impressive undertaking nonetheless.

PFIP is also piloting a microinsurance (death benefit) with a private insurer and two institutional agents (NGO/religious society). This is in the early stages.

Consumer Council of Fiji:

This project contributes to Outcome #4 of the Financial Services for the Poor Strategy.

This project albeit small takes on a unique advocacy role in Fiji. Due to the strong leadership of the Council, they have been able to take the hire purchase industry to task arguing for more transparency in pricing. This is an important role to keep separate from other financial service/literacy activities due to the fact that it takes on some of PFIP's partners (banks as an example).

General Comments:

The financial services for the poor strategy in Fiji (and in truth the entire Pacific region) is heavily weighted in the savings, payments and remittances business. There is little work being done on credit related services. MFIs in Fiji are weak with limited footprint. However there is a general consensus that there is a demand for credit among the lower income levels including in the rural areas but those types of services are not being developed and expanded although some efforts have been made. The fact that payment platforms are starting to reach that population, may lead to more interest in the provision of credit.

AusAid Fiji and AusAid Pacific regional have a keen interest in this theme (financial inclusion) and are working to support, and to some degree guide, the programming strategy of PFIP going forward (next phase planning).

AusAID should resist the impulse to try and use these bigger (and proven) programs such as PFIP as a conduit for any projects or assistance which have financial inclusion in them. Where it makes sense, yes. Where it doesn't, resist the temptation.

Other regional projects which AusAID is supporting which are expected to have financial inclusion themes and should touch Fiji are the Pacific Microfinance Initiative (PMI-IFC) and the Private Sector Development Initiative (PSDI-ADB). Neither of these two projects have touched Fiji (with the exception of the PSDI small contribution on microinsurance to PFIP) despite expectations, particularly of the IFC initiative.

Other more broad recommendations (not Fiji specific) will be offered in the debriefing in Canberra.

List of Contacts Interviewed:

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Annex 8: Scoring Tool

The Scoring Tool is divided into eight dimensions corresponding to the evaluation criteria. The extent to which the project/program complies or contributes to each dimension is encompassed in the scoring factors. For example, under Dimension 1: Relevance, there are four scoring factors, one of which is: "Project objectives are aligned (and adjusted to accommodate changes in) with funder's strategy/expectations (thematic focus, regional/country focus, instruments and delivery approaches, target beneficiaries, etc.)." The project would be reviewed and a score would be attributed to that factor between 1 and 3 depending on how the project met or complied with the factor.⁵² It is possible that a project could not be scored against some factors as a "Not Applicable" could be entered. Those factors with not applicable would not be incorporated into the scoring for that project. The Scoring Tool also allows for comments to be inserted related to each scoring factor.

Screen shots of the Scoring Tool are provided on the following pages.

Scoring Tool: Project/Program Performance

Project title		
Beneficiary country		
Strategy outcome		will be 4 fields not one
Starting date		
Phase of implementation		
Instructions		

Please select a score in the cells of the "Scores (1, 2, 3)" column. The selected number represents the following criteria:

1: No compliant/ False/No progress

2: Partially compliant/ Ambiguous/Some progress

3: Compliant/ True/Extensive Progress

R	Dimension 1 - Relevance	Scores (1, 2, 3)
R1	Project objectives are aligned (and adjusted to accommodate changes in) with funder's strategy/expectations (thematic focus, regional/country focus, instruments and delivery approaches, target beneficiaries, etc.).	1 ▼
R2	Project intentionally address specific market needs and is in line with national strategies and adjusted to accommodate changes in partner/country circumstances.	1 ▼
R3	Does the activity target priority needs not addressed by other development partners, and/or how is Australia otherwise seeking to harmonise its assistance?	1 ▼
R4	Does the type and level of intervention (e.g. direct vs. indirect lending, greenfielding vs. working with existing MFIs, retail vs. market infrastructure vs. policy work) matches the project objectives	1 ▼
	Weighted score of Dimension 1	1
ES	Dimension 2 - Effectiveness	Scores (1, 2, 3)
ES1	Has the project implemented, or is implementing the anticipated activities (e.g. open branches, improve MIS, develop new products, hold trainings, develop curriculum, install payments, etc.).	1 ▼
ES2	Are/were the project's objectives met (e.g. number of active clients, size of loan portfolio, groups formed, people trained, laws passed, increase in outreach in specific area, etc.).	1 ▼
ES3	Is the project and/or its clients are meeting their covenants.	1 ▼
ES4	In the time of the implementation of the project, have any risks been flagged, and if so, have appropriate risk mitigation strategies put into place?	1 ▼
	Weighted score of Dimension 2	1
EY	Dimension 3 - Efficiency	Scores (1, 2, 3)
EY1	Has the project suffered from any delays in implementation, whether against the implementation plan, the budget, or both?	1 ▼
EY2	Does the funder's monitoring system (e.g. calls, reporting, evaluation missions, sanctions, etc.) incentivize performance against targets.	1 ▼
EY3	Where appropriate, are implementation arrangements harmonised with other donors and aligned with partner government systems?	1 ▼
	Weighted score of Dimension 3	1

I	Dimension 4 - Impact	Scores (1, 2, 3)	Comments
I1	Has the project has increased outreach to clients (net change # clients).	1 ▼	N/A may be applied
I2	Does/has the project improved the quality of access (e.g. product and service innovation, reaching out to new markets, etc.).	1 ▼	N/A may be applied
I3	Has the project had a positive impact on microfinance/financial access industry and policy in country (e.g. contribution to building strong institutions, regulatory reform, etc.)	1 ▼	N/A may be applied
I4	need client impact measure	1 ▼	
	Weighted score of Dimension 4	1	
S	Dimension 5 - Sustainability	Scores (1, 2, 3)	Comments
S1	Were strategies for achieving sustainability explicit in the project design and to what extend are they acted on, measured and assessed?	1 ▼	
S2	Do beneficiaries and/or partner country stakeholders have sufficient ownership, capacity and resources to maintain the activity outcomes after Australian Government funding has ceased? Has anything changed for the better or worse?	1 ▼	
S3	Extent to which funded microfinance institutions have increased their financial sustainability (Operational and Financial Self-Sufficiency - OSS & FSS, Return on Assets - RoA) over period of funding, and have the financial capacity to address recurrent costs (if possible will get).	1 ▼	N/A may be applied
S4	Does the project has the project potential for scalability after execution?	1 ▼	N/A may be applied
	Weighted score of Dimension 5	1	
G	Dimension 6 - Gender	Scores (1, 2, 3)	Comments
G1	How well does the activity integrate gender equality into objectives, monitoring and considerations of risk and sustainability?	1 ▼	
G2	What progress has been made in addressing/resolving any gender equity issues at design (or identified subsequently)?	1 ▼	
G3	What progress has been made on the development on the capacity regarding gender equity objectives of: program staff, counterparts, development partners, and/or the broader community?	1 ▼	
	Weighted score of Dimension 6	1	
M	Dimension 7 - Monitoring and evaluation	Scores (1, 2, 3)	Comments
M1	Were outcomes clearly specified, with baseline values, performance target and relevant monitoring indicators?	1 ▼	
M2	Extent to which monitoring and evaluation arrangements provide timely and meaningful information in support of management, accountability and lessons-learning needs?	1 ▼	
M3	Do the implementers have the tools to monitor and evaluate in place?	1 ▼	
M4	Where AusAID is jointly implementing with other partners and/or funders, are there AusAID specific objectives for engagement in the activity/partnership, and do monitoring and evaluation arrangements address this?	1 ▼	
	Weighted score of Dimension 7	1	
L	Dimension 8 - Learning and analysis	Scores (1, 2, 3)	Comments
LA1	Is there a learning and analysis component of the project/program? Does it capture and disseminate lessons learned both internally and externally?	1 ▼	
LA2	Are lessons from previous experience in the sector and/or country taken into account in both design and the implementation of the project?	1 ▼	
	Weighted score of Dimension 8	1	
OVERALL PROJECT SCORE		1	

Annex 9: Scope of Services for MTR

SCHEDULE 1 – SCOPE OF SERVICES

Mid-Term Review – Financial Services for the Poor

1. BACKGROUND

- 1.1 AusAID's *Financial Services for the Poor: A strategy for the Australian aid program 2010–15* ('the Strategy') was launched in March 2010. The strategy provides a coherent framework to guide the Australian Government in achieving its goal of increasing access to financial services for the poor in developing countries. This in turn will strengthen the overall effectiveness of Australia's aid program.

- 1.2 The Strategy focuses on achieving four core outcomes that will support the goal of increasing poor people's access to financial services (financial inclusion):

Policy – A policy and regulatory environment that allows institutions offering financial services to the poor to enter the market and grow.

Institutions and Infrastructure – Financial service providers and infrastructure that have the capacity to provide high quality financial services to the poor.

Innovation – Innovative models of providing financial services that effectively reach regions and groups currently lacking access.

Financial Education – Increased capacity of clients to understand and use financial services effectively.

Objectives

- 1.3 The objectives of the Mid-term Review are to:
- (a) Assess the performance of the Financial Services for the Poor programs against the four outcomes in the Strategy; the five OECD DAC evaluation criteria; the contribution of these programs to AusAID's overarching goal of helping people overcome poverty; and performance against the cross-cutting issues of gender equality, effectiveness of program monitoring and evaluation and the level of analysis and learning underpinning the programs.
 - (b) Make recommendations on how AusAID might improve its implementation of the Strategy to better achieve its goals by 2015.
- 1.4 To meet these objectives, the review team will identify and analyse:
- (a) the key success factors, lessons learned and shortcomings in implementation of the Strategy;

- (b) the effectiveness of AusAID-funded programs in delivering appropriate financial products and services to poor people;
- (c) the social and other development impacts of AusAID-funded financial services programs on the lives of poor people; and the effects on development within program countries more generally (where possible);
- (d) the ability of AusAID's management and reporting systems to capture both financial inclusion and broader development impacts (positive and negative) on poor people and economies more broadly;
- (e) performance indicators that are in use or being developed by other donors/organisations that might also be applied to the outcomes of AusAID's Financial Services for the Poor Strategy;
- (f) the continuing relevance and appropriateness of the Strategy to the changing development context and AusAID's strategic priorities, as detailed in 'An Effective Aid Program for Australia' (link), AusAID's response to the Independent Review of Aid Effectiveness, released in July 2011;
- (g) the extent to which AusAID-funded financial inclusion policy development and implementation has influenced the international agenda; and
- (h) the adequacy and efficiency of resources allocated to AusAID's implementation of the Strategy, in the context of the aid program priorities outlined in 'An Effective Aid Program for Australia'.

2. SERVICES

- 2.1 The Contractor shall provide Mr Larry Hendricks and Ms Lorna Grace ('the Review Team') to perform the following Services in accordance with the terms and conditions of this Contract:

Inputs

- 2.2 The inputs shall be:

- (a) Up to a maximum of 100 days' input between both members of the Review Team to complete all tasks, in the consultants' home country, Australia and countries for case studies, as required.
- (b) A detailed methodology and criteria for (i) desk assessment of AusAID's portfolio of financial inclusion programs and projects from 2010 to March 2012, both active and completed; (ii) consultations with AusAID personnel in Australia and overseas Posts, implementing partners, partner governments, beneficiaries and other relevant stakeholders; and (iii) more in-depth analysis in three to four countries, including field visits. Selection of countries for field visits will be decided in consultation with AusAID. Field visits may be split between the two consultants. The Review Team will be expected to draw on all

existing reports and analysis and use field visits to build on this information. Field visits may be split between the two consultants.

(c) A draft a workplan, developed in consultation with AusAID, clearly identifying the work tasks to be done by the Team Leader and/or the Team Member, and the days required by each. The draft workplan will be submitted to the Mid-term Review's Steering Committee for comment/approval.

(d) A comprehensive desk review, in accordance with the approved work plan and following the agreed methodology and criteria, of material provided by AusAID and additional material sourced by the Review Team from websites/implementing partners/AusAID managers etc, directly. As required, consult with staff and partners in Australia and program countries (phone/email). The Review Team may request additional AusAID documentation. The total time estimated for both members of the Review Team to complete 2.2 (b), (c) and (d) is not more than 34 days.

(e) Use both quantitative and qualitative analyses, and both primary (ie, provided by AusAID and the direct beneficiaries of AusAID support) and secondary (ie, provided by third parties such as other core funders of Pacific Financial Inclusion Program or Women's World Banking) sources of information to answer the assessment questions.

(f) Assess global progress in the development of financial inclusion performance indicators for financial inclusion policy interventions, financial education, innovation and provider capacity and infrastructure, and comment on their usefulness to AusAID in the Review Report.

(g) Undertake field visits as agreed in the workplan for face-to-face or phone consultations with AusAID Post staff, project partners, relevant government representatives and project beneficiaries, to inform the in-depth country analysis. Aides memoire reports must be submitted to AusAID immediately after each country visit. The total time estimated for both members of the Review Team to complete 2.2 (g) is not more than 32 days.

(h) Collate and provide all data and other information collected throughout the Mid-term Review process, to AusAID.

(i) Draft the Mid-term Review Report and present review findings and recommendations in a debrief meeting to key AusAID staff and Steering Committee. The total time estimated for both members of the Review Team to complete 2.2 (i) is not more than 20 days.

(j) Submit final Mid-term Review Report after incorporating all comments, to the standard specified in 2.3 (e), 3.2 and in compliance with clause 7, Part A of this contract. The total time estimated for both members of the Review Team to complete 2.2 (j) is not more than 6 days.

(k) Up to 8 days is included as a contingency measure, to accommodate changes to the estimates above as directed by AusAID.

Outputs

2.3 The outputs shall be:

- (a) Detailed methodology, assessment criteria and workplan for the Review, as per clause 2.2(b) and 2.2(c).
- (b) Aides memoires, no more than 3 pages each, submitted at the conclusion of each country visit. Format provided by AusAID.
- (c) Draft Mid-Term Review Report, with Executive Summary no more than three (3) pages in length and main text of the report not exceeding 25 pages (excluding annexes). Reports must be clear, concise and well-structured. Where technical terms are used, they should be explained in 'plain English' (for the understanding of non-technical readers) at the first usage.
- (d) Final Mid-Term Review Report.
- (e) All reports should be written in 'plain English' using Times New Roman 12 point font and submitted to the program manager electronically as Microsoft Word documents. The final Mid-Term Review Report should be submitted in both PDF and Microsoft Word formats.
- (f) All data and information gathered in the course of the producing the Mid-Term Review Report should be submitted to the program manager electronically, on a flash drive/thumb drive.

Roles and Responsibilities

2.4 The Team Leader, Mr Larry Hendricks, will:

- (a) Plan, guide and develop the overall approach and methodology of the Mid-term Review.
- (b) Be responsible for directing, managing and coordinating the review's activities, representing the review team and leading or guiding consultations with stakeholders.
- (c) Be primarily responsible for overall drafting of the review report; managing and editing inputs from the Team Member to ensure high quality of outputs; ensuring comments provided by AusAID on draft reports are incorporated; and liaising with AusAID in Canberra and at Posts to organise schedules prior to in-country visits.

2.5 The Team Member, Ms Lorna Grace, will:

- (a) Have responsibility for providing financial inclusion technical expertise, including any quantitative analysis required.
- (b) Undertake data collection, compilation, analysis and drafting of report components, as directed by the Team Leader.

(c) Assist the Team Leader with preparation for in-country visits and conduct components of field visits as directed by the Team Leader.

2.6 AusAID:

(a) Will provide assistance to the Review Team, including providing all available information on Financial Services for the Poor programs/projects, key internal and external stakeholders and other AusAID-specific information.

(b) Posts will have a role in coordinating country visits and providing input on their Financial Services for the Poor programs.

(c) A Steering Committee will provide a quality assurance and review role, including commenting on the workplan, methodology and draft Review Report. The Steering Committee will comprise two senior AusAID representatives, the CGAP East Asia and Pacific representative and a consultant proficient in Donor Committee on Enterprise Development results measurement methodology and with financial inclusion expertise.

(d) Will prepare a management response to the Reviews findings and recommendations.

3. REPORTING REQUIREMENTS

3.1 The Contractor must also provide the following reports by the date, in the format and the number of copies indicated:

	Description of Report	Format	Qty	Due Date
(a)	Draft workplan, methodology and assessment criteria	Electronic submission, Microsoft Word	1	One week after commencing contract, or as agreed with AusAID.
(b)	Final workplan, methodology and assessment criteria	Electronic submission, Microsoft Word	1	Two days after receiving feedback from AusAID on draft workplan.
(c)	Aides Memoires	Electronic submission, Microsoft Word	1	Immediately after each country visit.
(d)	Draft Mid-term Review Report	Electronic submission, Microsoft Word	1	As per agreed workplan.
(e)	Final Mid-term Review Report	Electronic submission,	1	December 2012, or as per workplan agreed with

		Microsoft Word		AusAID.
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3.2 All reports must:

- (a) be provided in accordance with the specification under Standard Condition clause headed **Reports**;
- (b) be accurate and not misleading in any respect;
- (c) be prepared in accordance with directions provided by AusAID;
- (d) allow AusAID to properly assess progress under the Contract;
- (e) be provided in the format, number and on the media approved or requested by AusAID;
- (f) not incorporate either AusAID or the Contractor's logo;
- (g) be provided at the time specified in this Schedule; and
- (h) incorporate sufficient information to allow AusAID to monitor and assess the success of the Services in achieving the objectives of AusAID's policy framework.