

Management Response

This is a Management Response of the Australian Department of Foreign Affairs and Trade (DFAT) for the Mid-term Review on the second phase of the Pacific Financial Inclusion Program (PFIP II).

The aim of PFIP II is to sustainably increase financial inclusion in the Pacific, especially for rural and low-income women, youth and micro-entrepreneurs. PFIP II began in July 2014 in Fiji, Papua New Guinea, Samoa, Solomon Islands, Tonga, and Vanuatu. This second phase builds on achievements during the first phase (2008 to 2013) and is jointly implemented by United Nations Capital Development Fund (UNCDF) and the United Nations Development Programme (UNDP). The European Union and New Zealand also contribute to PFIP. Development partners and program implementers govern the program through an investment committee (IC).

The mid-term review was conducted by an independent consultant, Ms Claudia Huber to provide an assessment of programme performance using evidence-based analysis to inform decisions about the strategic priorities and financing during the remainder of PFIP II.

The mid-term review found the programme to be highly successful having achieved five out of its end of program targets. It highlighted PFIP's collaborative and holistic approach as important in increasing financial inclusion for low-income populations. It acknowledged how the programme has evolved its work streams and approach to ensure relevance and the ability to meet the expectations of policy makers, regulators and financial institutions. However, it noted that the financial services developed with financial service providers (FSPs) had not reached the same level of sustainability for its interventions at the policy level. Among the mid-term review's recommendations, was the revision and refocusing of the Theory of Change and Results Management Framework to more explicitly show how access to financial services contributes to improving livelihoods of Pacific Islanders.

DFAT agrees or mostly agrees with the findings and recommendations of the mid-term review. PFIP II aligns well with Australia's stepped up in engagement with the Pacific and DFAT's proposed Pacific Development Strategy particularly around increasing access to financial services including low cost remittances.

We commend PFIP for achieving nearly the entire end of program targets in just over half the program time. We also acknowledge PFIP's efforts to fine-tune the focus of the program and recognise how the various work streams align to achieve overall objectives. While improved data collection has led to a better demonstration of progress, continued efforts are needed to accurately measure the impact of activities on beneficiaries – Pacific people. DFAT supports the link that has been made between access to and usage of tailored financial services and, improving people's livelihoods. Pleasingly, the review has identified opportunities to improve monitoring and evaluation.

DFAT is pleased that Pacific policy makers and regulators in partner countries value PFIP's support given the importance of financial inclusion to their national and regional development agendas. While PFIP has contributed greatly to the adoption of sustainable financial policies, the financial services developed by service providers have not achieved the same level of sustainability. This will be a focus of any additional DFAT funding for PFIP II.

Recommendation	Response [Note: Select one option from the column below, delete others]	Explanation	Action plan	Timeframe
<p>Recommendation 1</p> <p>Revised Theory of Change and results Management Framework</p> <p><i>It would be helpful for PFIP to revise its monitoring instruments to more explicitly stipulate how access to financial services contributes to improving livelihoods of Pacific Islanders. At the same time, it is important to clearly spell out at what level of the impact chain PFIP's direct responsibility ends and where context factors generate a so-called attribution gap.</i></p>	Agree	<p>Agree to the revision of the Theory of Change and the Results Management Framework, to be able to better monitor the progress of the work of the program</p>	<p>DFAT to ensure that PFIP revises its <i>Theory of Change and results Management Framework</i> to more explicitly show how access to financial services contributes to improving livelihoods of Pacific Islanders</p>	<p>Revision to be completed by December 2017</p>
<p>Recommendation 2</p> <p>Review and update set of indicators on all levels</p> <p><i>A manageable and measurable set of indicators should be defined for all work streams at the outcome level.</i></p>	Agree	<p>Agree to the review and revision of the program indicators to help monitoring and evaluating progress</p>	<p>DFAT to ensure that PFIP defines manageable and measurable set of indicators for workstreams at the outcome level.</p>	<p>Revision to be completed by December 2017</p>

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<p>Recommendation 3</p> <p>Document program adjustments</p> <p><i>For further adjustments to programme strategy, implementation approach, indicators and monitoring instruments (TOC, indicators, etc.), it is highly recommended to thoroughly document these changes and their rationale, including dates (added within documents) and respective approvals</i></p>	Agree	Agree to Program Document adjustments	DFAT to ensure that PFIP thoroughly documents the changes to the programme documents and their rationale including dates and respective approvals	January 2018

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<p>Recommendation 4</p> <p>Donor reporting and project proposals</p> <p><i>Some potential for improvement was mentioned by donor representatives during consultation meetings:</i></p> <ul style="list-style-type: none"> • <i>Improve on reporting of gender disaggregated data and include gender information not only on clients, but also for example on female banking agents;</i> • <i>Improve reporting on geographical location of clients, i.e. urban versus rural clients;</i> • <i>In project proposals, be explicit about context and reasons for partner co-funding versus PFIP contribution;</i> • <i>Be explicit about both, the business case for the financial service provider, as well as the developmental impact for clients in project proposals.</i> 	Agree	Agree to improvements on gender and demographics in donor reporting and, more context and rationale in project proposals	DFAT to ensure that PFIP updates its reports and project proposals to include those areas recommended by development partners	Mostly completed in July 2017 but improvements are ongoing

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<p>Recommendation 5 Grant Management</p> <p><i>In some cases, partners mentioned that grants involving several partners should be developed and implemented in a collaborative approach between all partners to be able to assess all risk factors and get all partners equally engaged in the project.</i></p>	Agree	Agree with recommendation to collaborate with partners in developing proposals	DFAT to ensure that PFIP establishes a collaborative approach in developing grant proposals	Implement immediately
<p>Recommendation 6 Staff efficiency</p> <p><i>In terms of staff efficiency, programme management should think about developing functional expertise at the level of country representatives which has already been the case with the Samoan country representative</i></p>	Agree in part	We agree that PFIP should review its use of expertise for better efficiency, but it is appropriate for the program to determine and recommended any major staffing reforms to its investment committee	DFAT to ask PFIP to review its human resource capacities and advise its investment committee on best use of staff.	December 2017

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<p>Recommendation 7 Topics</p> <p><i>Assess whether topics newly integrated in National Financial Inclusion Strategies (NFIS) and relevant to PIC governments, such as SMEs, green finance, and access to finance for youth, should be taken up by PFIP in the future.</i></p>	Agree	Agree that the program consider the integration of emerging issues in future programming.	DFAT to ask PFIP to scope explore integrating SME financing, Green finance, access to finance for youth.	December 2018

