Management Response to the End-of-Programme Evaluation of the Pacific Financial Inclusion Program – Phase II (PFIP II II)

The Pacific Financial Inclusion Programme (PFIP II) was developed to support the expansion of financial inclusion in one of the least -banked regions in the world: the Pacific islands. PFIP II was launched in 2008 to increase financial inclusion and improve livelihoods among low-income populations, particularly among women, in Fiji, Papua New Guinea (PNG), Samoa, Solomon Islands (SOI), Tonga and Vanuatu with recent entry into Kiribati and Tuvalu. The first phase of PFIP II (PFIP II-I) was implemented between 2008 and 2014 and the second phase (PFIP II-II) began in 2014 and is to end in June 2020. This report outlines the findings from the end of programme evaluation (Evaluation) of PFIP II-II and the agreed Management Responses of the Investment Committee of PFIP II II.

PFIP II-II Investment Committee are its current funders and include the United Nations Capital Development Fund (UNCDF), United Nations Development Programme, the Governments of Australia and Zealand, the European Union's Papua New Guinea (PNG) delegation and the UNDP-Russian Federation powered RESPAC. PFIP II–II is organized by macro, meso and micro level interventions implemented through three work streams: 1) Policy and Regulations, 2) Financial Innovation and 3) Consumer Empowerment. PFIP II-II also emphasizes the importance of financial inclusion through a gender- and human rights-lens, which are aligned with the United Nation's goal of "Leaving No One Behind" in pursuit of the achievement of the Sustainable Development Goals.

The Evaluation has provided a thorough assessment of the program highlighting key issues. While achieving seven of the 14 targets set across the three work streams, the Evaluation has found the programme to be highly relevant and points out quite clearly that the demand for financial inclusion services remains high and is exemplified through the replication of certain financial products in a number of countries. PFIP II II was cost efficient, with cost per new client to be USD 25. As more projects come online (from March 2019), these approximations will be reduced further. The report clearly outlines the various phases and focus of the program at each stage and the alignment to the UNCDF strategy. The evaluators found the program approach to be the best fit given the nature of the work and context in which the program operates, however, there are many lessons that the program could take from the implementation modality – *market systems approach*. The issues of capacity, lack of buy-in and poor partnership models need to be addressed in any subsequent program, especially if similar approach is to be employed in a subsequent phase. PFIP II II has established itself well in each of the program countries, with extended networks and reach with stakeholders nationally, regionally and internationally which should be built on in the new program. PFIP II II has actively engaged with other global and regional initiatives – AFI, BCTA to name a few to spur on implementation in the Pacific. The review attributes the work of the program in policy and regulation as a catalyst for elevating the issues of Financial Inclusion in this region; however, the Central Banks capacity to move the issue has impeded some of this progress in certain places. The Evaluation also found that there was no evidence of gender specific products being developed. M&E and data collection was not able to capture enough to actually assess impact. Knowledge Management did not manage to capture a large amount of what PFIP II II achieved.

DFAT strongly recognises the need to embed and deepen the work in the digital financial inclusion space to improve reach and increase usage as a prerequisite to any work in the development of the broader digital economy through the Pacific Digital Economy Programme (PDEP). DFAT also recognises and supports a focus on climate insurance programme and looks forward exploring alternative options for building disaster risk resilience in the Pacific through PICAP.

Moving into the next phase, DFAT highlighted a number of issues that have been capture in the combined management response. As the Evaluation highlighted, a focus on the 'payments ecosystem' is important for the future program and given the increased importance of migration in the PICs, there is work required on introducing innovative remittance products to bring down the high costs of remittances in the Pacific. SME financing is also a key domain for subsequent programs, however, the extent to which this is addressed in future phases should be considered in the context of other programs in the Pacific focusing on SME finance/market development, e.g. Market Development Facility, Pacific Private Sector Development Initiative etc. to ensure this work is well targeted. Any credit expansion interventions should be designed carefully and integrate/be done in parallel with financial education and consumer empowerment elements. The continuation of successful initiatives such as the FinEd program needs to be reconsidered, as these need to provide a clear link to the attainment of the overall program outcomes through either strengthened integration of consumer awareness initiatives in innovation projects and to drive compliance to consumer protection framework as an industry practice. Build the capacity in Central Banks in data collections and analysis of financial inclusion data to produce more reliable statistics that inform policy and implementation as well as the need to support the capacity needs of policy makers and regulators in reviewing and amending policies and regulations affecting financial inclusion and the development of the Digital Economy. DFAT welcomes the suggestion to explore products and channels identified under PFIP II II such as the 'interoperable-shared agency network platform' as a valid approach for small and constrained markets like that of Pacific economies. DFAT supports the move to employ innovative approaches to identify partners who are willing to be catalytic agents of change, as it has been challenging to find financial service providers with a genuine appetite and more risk to innovate. It is important that any subsequent programmes provide necessary resources to strengthening knowledge management and monitoring and evaluation to ensure that these produce the outputs required of them to better support, build and guide program implementation into the future.

Recommendation	Agree / Partially Agree / Disagree	Explanation	Action Plan	Timeframe
PFIP II has clearly registered success through the support offered to central banks and national governments in establishing the National Financial Inclusion Strategies (NFIS) and the relevant architecture for steering the policy discourse, including working groups to bring together various strands under financial inclusion. a. **Data management to guide strategic decisions:** Key Informant Interviews (KIIs) with central bank showed that central banks look to PFIP II and its team for technical and management guidance. While multi-stakeholder working groups and their coordination may not be entirely under PFIP II's purview, specific guidance around data management that can help guide discussions more proactively within these groups should definitely be considered as part of the next phase of programme design. b. **Global technical expertise:** The evaluators did not come across very strong evidence in the form of regular, nuanced and credible data that is being reported by central banks on a periodic basis for a standardized list of output, outcomes and impact metrics. PFIP II can play a critical role in bringing together global best practices, technical advisory and management experience to ensure that the implementation of NFIS is more nimble and data driven. **Continue to support knowledge products like the Demand Side Surveys** that have been singularly responsible for establishing credible baselines for countries where PFIP II is operational and for offering valuable insights into the informal sector that remains a grey area for many FSPs and other stakeholders. The next phase should continue to build this database to drive decision-making and relevant intervention design for low-income segments, particularly in rural areas and especially for women.	**Agree**	Financial Inclusion data collection and reporting has been a challenge faced by all regional Central Banks. PFIP II started addressing this challenge with technical assistance to Central Bank of Solomon Islands, Central Bank of Samoa and Reserve bank of Vanuatu by developing a common generic reporting template to track key indicators aligned to their National Financial Inclusion Strategies, and it assisted the Central Banks in conducting workshops with reporting FSPs. More recently, Reserve Bank of Fiji has requested support from PFIP II and AFI for another DSS, which is foreseen to take place in 2020. Despite these various types of support from PFIP II and other development, partners' standardization of output, outcomes and impact metrics remains a challenge in the region. Going forward, under the Pacific Digital Economy Programme (PDEP), one of PFIP II's successor programmes, which will focus on the Pacific digital economy, the management aims to put extra focus on supporting the statistics bureaus and central banks in the region to strengthen the capacity of national statistical systems to produce better, more reliable statistics that are internationally comparable. To this extend it seeks to collaborate with UNCTAD, which is leading the global efforts standardize measuring and data collection for the digital economy.	PFIP II has initiated the process and has begun the procurement process of TA support for the Demand Side Survey for Fiji. PFIP II has started negotiations between UNCDF and UNCTAD, which covers support to statistics bureaus and central banks as part of PFIP II's successor programme focusing on Pacific digital economy.	December 2020 September 2020
<u>Bringing payments system to the centre stage:</u> Digital payments and building the ecosystem to support it was one of the key areas of intervention for PFIP II- II but not many initiatives have been taken up in this space. It is an important use case in the PICs where technology driven platforms to facilitate transactions can potentially address challenges around geographical dispersion, high operational costs and low quality of infrastructure, among others. Global examples from countries like India have shown that driving the	**Agree**	The payment ecosystem in the Pacific remains under-developed as compared to other regions in the world and except for PNG, which has only recently launched their REPS payments system, no country in the Pacific has yet deployed fully interoperable payment systems. The World Bank group, in partnership with the Central Banks in the region, has been leading the work in establishing inter-operability and national payment switches. This is still work in progress and present timelines indicate at least 2 to 3 more years for this to be fully completed	Market assessment study for regional payments aggregation and Open Banking to support a digital economy in the Pacific.	September 2020

payments ecosystem creates immediate use case and helps on-board consumers to use digital financial services.[1] Developing the payments ecosystem in a context like the Pacific region could be a significant nudge in the direction of creating use cases that will drive access to adoption. The next phase of PFIP II should bring the payments ecosystem to the centre stage of its work as one of its key domain areas.		across the bigger countries in the region. Given that the World Bank group is leading this area of work, PFIP II management has been of the opinion that its role should be restricted to advocacy, facilitating partnerships and providing direct support to private sector Financial Service Providers, such as MNOs and banks to develop and launch their own payment services and where possible support interoperability between FSP's, or use alternative digital platforms to facilitate low value retail payments, such as the use of mobile airtime credits in Solomon Islands. Where possible support could be provided to those partner FSP's to connect to payments systems as established by the World Bank Group and the central banks across the region. However, this is still not feasible, as these have not been commissioned yet, or as in the case of PNG, are in very early stage. The management acknowledges the need for more emphasis in this area and to that extend this topic will receive specific attention through a dedicated work stream (Open Digital Payment Ecosystem) under the Pacific Digital Economy Programme, one of PFIP II's successor programmes. Activities proposed under this work stream will seek to complement the work of other development partners, such as the World Bank group and will specifically focus on interventions in digital payments that can unlock the Pacific digital economy, such as 'open banking' platforms and e-commerce payments aggregation.		
<u>Contextualise agency banking for PICs:</u> Regulations allowing banks and nonbank e-money issuers to appoint agents have been in place for a decade in quite a few countries. These regulations were often inspired by Brazil's experience dating back as far as the 1970s. In 2006, for example, India first adopted its "business correspondent" (agent) regulations.[2] However, in the PICs, there is still a lot of uncertainty around the selection of agents, criteria thereof, the infrastructure pre-requisites, accountability matrix to consumers, de-risking cash management, especially in countries like PNG where security is an issue. Among the PICs, Fiji has an Agent Banking Guideline that it introduced in 2013, but it has not been updated since and provides very generic guidelines around agent selection and transactions allowed through branchless banking. PFIP II's next phase could focus on studying lessons from some of these global practices around agency banking regulations and help central banks contextualize it for the PICs.	**Agree**	The management acknowledges the need for more support to central banks in this area and to that extend in 2019 it has at the request of the Central Bank of Solomon Islands (CBSI), already done an assessment on the feasibility for an interoperable shared agency network platform (One liquidity, one agent interface), to be utilized by traditional and non-traditional financial service provider. In 2020, this will be followed with additional TA for CBSI to conduct a technology assessments/system audits and prepare technical design elements of the shared agency banking service in Solomon Islands. Additionally, it will develop a KM product to document lessons learned from PFIP II's existing initiatives, looking at the market constraints of PIC versus global best practices around agency banking. Furthermore, this topic will receive specific attention through activities in a dedicated work stream (Enabling Policy and Regulatory Environment) under the Pacific Digital Economy Programme, one of PFIP II's successor programmes. These activities proposed under this work stream will seek to "support capacity building of policy makers and regulators and assist in review and amendments of policies and regulations affecting the Digital Economy".	Conduct a technology assessment/system audit and prepare technical design of shared agency banking network for CBSI in Solomon Islands. Develop a KM product with lessons learned from PFIP II's existing initiatives on agency banking, looking at the market constraints of PIC versus global best practices around agency banking. Partnership agreement signed between UNCDF and UNCTAD, which covers capacity building of policy makers and regulators and assist in review and amendments of policies and regulations affecting the Digital Economy.	September 2020 September 2020 September 2020

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

[2] https://www.cgap.org/blog/its-time-deregulate-agent-cash-incash-out

<u>Recommendation to deep dive into sectors, products and channels identified through PFIP II-II:</u> The Financial Innovation work stream under PFIP II II focused on many products with the focus primarily being on savings through access to bank accounts, pension and insurance through branchless banking, mobile money and agent networks as the popular engagement channels. Projects using PAYG models to access solar energy products, particularly home solutions have also been offered through the programme. Lessons drawn from the programme until date should drive the PFIP II team to realign the key product/service domains for the subsequent phase of the programme to focus efforts on where inputs are required the most. Domains such as the following should be clearly delineated with adequate focus provided for each. For example, **<u>For insurance and pension products,</u>** the programme should focus on regional expansion using successful examples (Fijicare, SINPF) and drive factors to ensure long-term sustainability of these programmes. **<u>Domains such as energy financing, climate resilience financing</u>** should be enabled within the PFIP II management to align with needs of the PIC context and to bring in more professional rigor and accountability for the results realized through such project commissions both from the PFIP II and the partner management perspective. **<u>Credit has clearly emerged as an urgent domain for PFIP II</u>** to focus on, especially from consumers as a stakeholder group that continue to reach out to informal sources that are exploitative albeit convenient, to access credit. All countries in the PICs exhibit severe deficiencies in the credit market – be it microfinance or small enterprise financing. It is suggested that within the well-suited Digital strategy, PFIP II-III should focus on expanding credit outreach-, which will have a multiplier effect on payments and insurance. **<u>Domain for channel innovation that can look at increasingly agile ways to facilitate the reach and adoption of financial services.</u>** This often requires collaboration between multiple entities such as MNOs, FSPs, commercial banks, white label agent/infrastructure solutions that has been enabled for different projects in the current programme phase. Examples such as CBSI pilot project to use airtime for payments and savings is one such project that shows the efforts put in by PFIP II and its partners to create innovative, consumer centric service. However, as also observed through other projects such as HFC, Westpac, more rigor needs to be brought in to detect early on during project implementation about channels that do not work and the possible alternatives	**Agree**	**On insurance and pension products:** Bundled micro-insurance, through FijiCare subsidiary in Vanuatu (VanCare) has already been launched and FijiCare, with PFIP II support has already applied for a license to operate in Solomon Islands to roll-out micro-insurance. Equally, the lessons learned from those experiences in Fiji and Vanuatu have been used to inform the design for a similar micro-insurance service in PNG with LIC and UCPNG as well as in Kiribati. The successful SINPF micro-pension project is already being replicated in Vanuatu with VNPF; completing the pilot phase in Oct/Nov 2019 and planning for a national scale up from early 2020. Moreover, in PNG, the feasibility assessment for NASFUND has been completed for which a pilot is being prepared. **On energy financing, climate resilience financing:** This is a domain that UNCDF has a strong track-record through its CleanStart programme in Asia and Africa and the projects with SolaPayGo and Nationwide Microbank in PNG are successful and less successful attempts by PFIP II to get clean energy financing into the Pacific. Leveraging this experience from PNG as well as the expertise from UNCDF's CleanStart programme, the PFIP II management as part of the PDEP successor programme, aims to support the development and scaling of off-grid energy solutions as electricity is seen as a critical element of last-mile distribution in a digital economy eco-system. The PFIP II management acknowledges that Pacific islands and its communities are highly vulnerable to climate risks and other natural hazards. As an extension of the successful micro-insurance portfolio under PFIP II II, a partnership with the Munich Climate Insurance Initiative (MCII) has been established. Together with MCII, the PFIP II team has prepared the groundwork for a new Pacific Insurance & Climate Adaptation Programme (PICAP) and a concrete programme proposal is currently under development. The PICAP will address the following areas: (1) Increasing resilience through integrated disaster risk management (2) Establishing national disaster risk financing strategies (3) Insuring individuals and governments (4) Developing market-based parametric insurance and other disaster risk financing solutions for meso and micro clients. **On credit:** FSPs in the Pacific region are generally very risk averse and despite efforts from PFIP II to spur innovations in the sector, they have remained very cautious to apply more bold innovations in the delivery of credit. Although the PFIP II currently supports National Bank of Vanuatu to digitize the underwriting and other credit related processes for its SME credit portfolio, more courageous attempts by our FSP partners to innovate, such as through the partnership between HFC and Vodafone Fiji to develop a mobile loan product linked to the M-PAiSA wallet are unfortunately still an exception, whereas in Asia and Africa these type	VNPF to launch copy of SINPF's youSave product and pilot in Vanuatu.	September 2020
			FijiCare to open office in Solomon Islands and launch bundled micro-insurance in Vanuatu	September 2020
			LIC/UCPNG to launch pilot on micro-insurance product in Papua New Guinea	September 2020
			Support the scaling of at least one of PFIP II's existing off-grid energy solution partners into another Pacific country through TA or financial support, or a combination of both.	September 2020
			Sign agreement with MCII to develop new programme proposal addressing disaster risk management, disaster risk financing and insurance.	September 2020

that can be plugged in suited to the environment within which consumers, especially those from low income segments and especially women, exist. **<u>Digitization of G2P payments</u>** will also feed into agency banking volumes and should be a focus area for the subsequent phases of PFIP II. There is also support and collaboration available in this space due to the work taken up by other development agencies such as IFC and can be leveraged to drive ecosystem level changes that will ultimately help drive better use cases for last mile consumers. **<u>SMEs are clearly a focus for most national governments</u>** that PFIP II engages with. SME guidelines/policies also focus primarily on agriculture value chains that primarily employ the low-income informal sector- the key outreach for PFIP II projects. Hence, it would merit enabling SME financing as a key domain area under the subsequent phases of PFIP II. **<u>The remittance sector remains underserved</u>** in spite of migration being a key feature defining the economies of various PICs, - both at intra and inter country levels especially where seasonal workers are a significant constituent of the demography. Insights gathered through FGDs show that recipients of remittances still travel large and inconvenient distances to access funds.[3]		of services have seen widespread adoption in recent years and do not require interventions from development partners anymore, other than to support consumer protection related to these digital credit products. In PFIP II's successor programme, the PDEP this will receive specific attention where digital credit solutions, integrated with e-commerce platforms and digital payments solutions are key to drive the development of a nascent Pacific digital economy. **On channel innovation:** Under PFIP II II a good number of projects involved innovations on delivery channels. Despite failures valuable lessons have been learnt, most notably that FSP's have been trying to compete in small markets in the Pacific with business models that require significant scaling before they can be financially sustainable. Given the limited market size in the Pacific, collaboration between FSP's is critical. The project in the Solomon Islands, where multiple stakeholders (i.e. central bank, provident fund, 2 telecom operators, tax authorities and PFIP II) are collaborating to establish a common platform using airtime credit is expected to provide valuable additional insights for replication in other markets. The PFIP II successor program PDEP will have specific activities under the Open Digital Payments Ecosystem work stream, which seek to establish shared last mile infrastructure for a digital economy and seek to innovate on the back of those channels to ensure a healthy market development with sustainable competition on services delivered at the last mile. **On digitization of G2P payments:** Under the first phase of PFIP II a good amount of work has been done to digitize social welfare payments in Fiji. Despite the fact that three countries within PFIP II's remit (Fiji, PNG and Solomon Islands) became member countries of the Better Than Cash Alliance, which implies government commitments with specific targets for digitization of G2P and P2G payments, PFIP II has not been able to leverage this to its full extend. The PFIP II experience in this area, although limited primarily to the first phase of PFIP II, provide good opportunities for further engagement with government stakeholders. It is recognized however, that this type of interventions have long gestation periods as they typically not only need changes at policy level, but also at government systems and processes. The PFIP II management recognizes the	Market assessment study for regional payments aggregation and Open Banking to support a digital economy in the Pacific. Regional scoping study on opportunities for eGovernment initiatives and potential links to G2P/P2G payments. Regional scoping study for partner organization to collaborate with existing co-working spaces and innovation hubs across the Pacific to develop incubation and/or acceleration programmes for Pacific MSME's (both established and start-up) to acquire the right skills for e-commerce, digital marketing etc.	September 2020 December 2020 September 2020

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

		increasing interest from various Pacific governments for eGovernment initiatives and it is specifically linked to these initiatives for G2P and P2G. More specifically support in piloting and scaling of eGovernment initiatives and G2P/P2G payments initiatives. We also note to collaborate and leverage the work of other development partners already active in this area, such as IFC. **On SMEs:** In Samoa, PFIP II in partnership with UN-ESCAP is now providing technical assistance to the Central Bank and Ministry of Industry to review the current credit guarantee scheme for MSMEs. In Vanuatu PFIP II is currently providing support to NBV to digitize and optimize its credit operations for SME lending. Additionally, and following the research in Fiji to assess the feasibility for setting up a dedicated SME financing bank in Fiji, PFIP II is preparing to engage with the RBF and HFC bank to realize this in 2020. Since MSME's will be one of the focus segments of PDEP, it is foreseen that similar and associated activities will continue under PFIP II's successor programme. For that reason, UNCDF will also recruit a dedicated resource (MSME and Blended Finance Specialist) to support these activities. **On remittances:** Under PFIP II II, four projects have a specific focus on remittances. While some are underway and seeing good early results, others are in their nascent stages. For example, the project with Tonga Development Bank to support the scaling and marketing of their international remittances product	Recruit MSME and blended finance specialist	December 2020
			Launch International Money Transfer Hub with Vodafone Fiji.	December 2020

		Ave Panga Pau (APP), which complements the support that TDB received from IFC, has received good traction with over 2,700 clients registered and over NZ$ 7 million flowing as remittances in a one year period. The APP is now being enhanced by TDB to cater for the Australia-Tonga corridor as well. Under the National Bank of Vanuatu digital banking project, PFIP II has supported the development of a mobile banking app. The app allows both seasonal workers as well as other users to open and manage their AUD and NZD accounts and send remittances from Australia or New Zealand without exchange rate losses. Uptake numbers are on the increase, while NBV is using targeted marketing campaigns under the departing seasonal workers in Vanuatu to increase further uptake. PFIP II has supported the National Bank of Samoa to connect their accountholders with Digicel's mobile wallets, allowing inward remittances from New Zealand to be channelled into an NBS bank account. Although the uptake has been somewhat disappointing, joint efforts from NBS and Digicel, with support from the project are underway to turn the tide. Lastly, under the Innovation Lab initiative Vodafone Fiji is developing their International Money Transfer Hub (IMT Hub). This will leverage the connections that Vodafone Fiji already has with a wide range of Money Transfer Operators to connect inward remittances flows to be settled in their M-PAiSA wallet in Fiji, as well as other e-wallets of Vodafone-ATH group of companies in Kiribati, Samoa, Cook Islands and Vanuatu. The inward remittances from the Europe/Australia/NZ corridors into Fiji is already happening with average monthly remittances in excess of FJ$2 million (~US$1 million). PFIP II considers this the initiative with the most potential for a regional impact on the Pacific markets. Notwithstanding these efforts, the PFIP II management agrees with the recommendations from the evaluators. Therefore, under the PDEP, it specifically targets the Pacific seasonal workers and diaspora to be part of an inclusive digital economy.		
Setting up agency banking for success: Agency banking remains a highly debatable area in the PICs with no distinct model displaying a sustainability in the long run. However, it is also one of the few engagement channels that can help on-board low income, rural consumers on digital platforms using a human interface. In spite of the model currently not yielding results, it is a necessary recourse. PFIP II should focus on setting up this model for success especially	**Agree**	PFIP II II did initial exploration of establishing sector specific agency networks, for example through the ANZ goMoney project in Solomon Islands and connecting these with specific agricultural value chains, such as the coconut value chain. Additionally, the ongoing project in PNG with Mi-Bank will pilot three distinct agency models with a view to establishing critical success factors that will feed into the scale up and replication with other partners.	Conduct a technology assessment/system audit and prepare technical design of shared agency banking network for CBSI in Solomon Islands	December 2020

by ensuring there is enough agility and use case in the forward, backward linkages wherein such agent networks are plugged in.		The PFIP II management believes that for the financial sustainability of agency banking solutions, a shared last mile infrastructure is a stronger enabler for the development of a healthy digital economy with sustainable competition on services delivered at the last mile. Therefore, in 2019 it has done an assessment on the feasibility for an interoperable-shared agency network platform in Solomon Islands. In 2020, this will be followed with additional TA for CBSI to conduct a technology assessments/system audits and prepare technical design elements of the shared agency banking service in Solomon Islands. PFIP II successor program PDEP will have specific activities under the Open Digital Payments Ecosystem work stream, which seek to establish shared last mile infrastructure.	Develop a KM product with lessons learned from PFIP II's existing initiatives on agency banking, looking at the market constraints of PIC versus global best practices around agency banking	December 2020
Bringing gender centre-stage through focused implementation designed to further financial inclusion for women: Gender remains an area of great concern since PFIP II Phase II clearly mentioned outreach to women as a key focus area in line with UNCDF's policy around addressing and human rights through all of its programmes. However, the means to achieve the purported end remains extremely vague for the programme with reporting gender disaggregated data being the only indicator that is somewhat reported against. Apart from projects like SPBD in SOI and WMBL in PNG that happen to focus entirely on women, there are no other instances where a gender focus can be observed. Using available tools like the PoWER diagnostic studies for SOI and PNG under the supervision of a dedicated gender expert, strategies and implementation design for gender focus programming for PFIP II-III should be an urgent priority.	**Agree**	The PFIP II management acknowledges that the programme has not lived up to its expectations with respect to the mainstreaming of gender within its projects. Besides data collection on gender outreach, which has proven to be a significant challenge in its own right for the PFIP II team, a more specific gender strategy, focused on the impact on the economic and social well-being of women and girls using Human Centred Design will be incorporated in both of PFIP II's successor programmes; PDEP and PICAP. For that reason, a Gender and Social Inclusion Specialist will be recruited to ensure that the impact of the programme interventions on women and girls is consistently considered at project design phases and throughout the implementation cycle.	Recruitment of Gender and Social Inclusion Specialist to support both of PFIP II's successor programmes. Develop strategy on gender focus programming for both of PFIP II's successor programmes	December 2020 June 2021

Recommendation to build a stronger accountability framework for implementation partners: While the risk associated with partnerships under the financial innovation work stream is acknowledged and documented even, the PADs do not offer insight into why projects are commissioned to some partners over others. PFIP II management has mentioned in the past about paucity of enough viable players in the market, which dissuades the usual EOI route that most UNCDF projects adopt. However, it is important that stronger accountability features are built into PBAs and PADs for ensuring the partners remain equally responsible for the envisaged results. Convenience cannot be the only prerequisite guiding decisions around partnership, as made evident through many cases in the current programme cycle.	**Agree**	The challenge of limited financial service providers in the Pacific has been a significant problem under both phases of PFIP II. Especially if one has to seek for viable partners amongst these that have a genuine appetite for more risk to innovate. Under both phases of PFIP II the management has used the Support Facility Policy, which specifically caters for a Standing Expression of Interest, which has been published on the PFIP II website to guide potential partners wanting to present a proposal for PFIP II funding. The same policy provided for unsolicited proposals, and allowed for proactively encouragement of potential partners to present proposals. What is more, with current trends in the markets, where even in the bigger Pacific markets, established commercial banks, such as ANZ are completely turning their back on the retail market. This will make the pool of potential partners even smaller. For exactly that reason, it started the Financial Innovation Challenge early 2019; to connect with FinTech innovators from Malaysia, Singapore, Australia and New Zealand and de-risk their entry into the Pacific. This is just one way how PFIP II management believes it has adapted to the realities of the Pacific market and looked into innovative ways of seeking new partners for its programme. Going forward and using the experience from both phases of PFIP II as well as from UNCDF's experience in other markets, an updated and well-documented, transparent partner selection process will be developed and which will be part of the new Investment Committee policy and governance framework for both of PFIP II successor programmes; PDEP and PICAP.	Develop updated partner selection process as part of the IC policy and governance framework for both PFIP II successor programmes.	September 2020
Recommendation to compare programme costs with peers to streamline budgetary allocations: On budget management, the evaluators noted that the total implementation support costs of PFIP II administration/operations of 21%. This 21% is comprised of i) indirect costs (8% for 'facilities and admin') in the programme document that covers the required UNCDF's general management services costs and also ii) direct costs (13%) for the running of the programme in the Pacific. While the evaluators note the 'curse of lack of economies of scale' in the Pacific that lead to higher transportation and logistics costs'(p.25), it is recommended that the programme should monitor these costs relative to other development agencies with programming covering multiple countries operating in the Pacific to ensure that PFIP II is in line with peers. It is also recommended that PFIP II keep a clearer breakdown of direct administrative costs and TA provided to the work streams by PFIP II staff to clearly show what the Pacific related costs are.	**Agree**	This is noted for guidance on the development of our successor programmes. Although this means potential changes to our accounting practices and coding in the ATLAS system for cost allocation, this will be factored and undertaken in the successor programmes.	Develop new policy for cost allocation with a clearer focus on separation of administrative costs versus TA provided by expert/specialist programme staff	September 2020

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<tr><td rowspan="3">Replicate and scale FinEd initiatives to other PICs: The FinEd integration into mainstream education curriculum in schools in Fiji and SOI has been appreciated widely by different stakeholders. Similarly, the TVET project in PNG helps prepare the youth that is on the verge of joining the workforce in making sound financial choices from the beginning of their careers. The spill over effects of such initiatives also cannot be discounted because of the household level changes that can be powered by children and youth who are exposed to such FinED courses. KIIs with Central Banks also shows that consumer empowerment is one of the most prominent areas where they see PFIP II playing a role going forward. As part of its regional expansion plans, it would merit PFIP II to scale such efforts across the different countries where it is operational as part of its subsequent programme phase.</td><td rowspan="3">Agree</td><td rowspan="3">The FinEd interventions of PFIP II are now recognized as a best practice and we have received requests from the Pacific and beyond. PFIP II has supported ADB in 2019 with a scoping mission to integrate financial literacy into the school curriculum in Nauru and recently it has approached PFIP II to expand this partnership and include other Pacific Island Countries, such as RMI.

The recent partnership agreement with Australia-Pacific Training Cooperation (APTC) is one such example where it will see the incorporation of FinEd in all the skills development courses offered by APTC, including its labour mobility scheme students. Another example is the partnership with Catalpa International to digitize the content of the financial literacy training to be able to offer it beyond the current Rural Technical Colleges that PFIP II works with in Solomon Islands. These initiatives are aimed to have long-term sustainable impact on Pacific households and improve their personal money management.

In addition, other development partners have requested support from PFIP II on this particular area to replicate FinEd into the national curriculum. have requested regions and countries that recently have requested for PFIP II's expertise and support in this area through the respective UNCDF offices in these countries (for example in Bangladesh and Senegal). Similarly, within the Empowered Consumers work stream of PDEP, the PFIP II management is planning to continue to engage national and sub-national stakeholders in progressing FinEd, both through formal school curriculum, university and TVET institutions. Moreover, it seeks to extend the scope to include digital literacy and other specific topics relevant for the development of a digital economy.</td><td>Partnership with Catalpa International to digitize the content of PFIP II's financial literacy training and pilot in Solomon Islands</td><td>September 2020</td></tr>
<tr><td>Partnership with Australia-Pacific Training Cooperation (APTC) to incorporate FinEd in all the skills development courses offered by APTC, including its labour mobility scheme students.</td><td>Completed</td></tr>
<tr><td>Partnership with ADB to support ADB with integration of FinEd in national curricula in countries beyond PFIP II scope.</td><td>September 2020</td></tr>
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Strengthen integration of consumer awareness initiatives in innovation projects: Consumer level focus group discussions conducted by evaluators found very low levels of awareness among last mile consumers about different financial products. Bank accounts is now common knowledge, but the access that it creates for consumers to build a history with the financial institution thereby creating further access to more products, especially credit, is not very commonly known. There is also a bigger focus by partner institutions to mobilize savings and discourage too many withdrawals often creating a perception of money getting 'locked' or 'trapped' in a bank account. In addition, most PADs have embedded consumer education as part of the partner deliverables, but very little evidence has been found in the field about concerted efforts made in offering streamlined financial education except for a few instances of marketing collateral in the form of brochures etc. The gap further widens in the absence of any measurement of consumer education initiatives at the partner level or by PFIP II as part of its Results Management Framework (RMF). For an area of intervention, which is a key work stream, there is very little evidence available to map the results chain and show the outcomes thereof at partner or programme level. The next phase of PFIP II should add some key indicators to measure outcomes of consumer education initiatives.	**Agree**	Low levels of awareness and knowledge on financial services remains an issue in the Pacific and this is perhaps reflected in the low uptake of some of the services developed under PFIP II II. For this reason, this will be specifically addressed in the RMF linked to a dedicated group of activities under the Consumer Empowerment work stream, which both of PFIP II's successor programmes (PDEP and PICAP) will have.	Map results chain and update PAD template to include specific indicators for partners to measure outcome of consumer education initiatives under PFIP II's successor programmes.	September 2020
Drive compliance to consumer protection framework as an industry practice across PICs: Consumer protection is still work in progress in PICs with some countries like PNG having made some headway by drafting Financial Consumer Protection guidelines that are currently under review. Full disclosure of products, their pricing and breakup of costs to customers are key elements that have been found to be missing for partners like SolaPayGo in PNG, NBV in Vanuatu, however well intentioned their motives may be. This also includes means and methods of grievance redress for customers should there be any complaints. Examples such as the BIMA project in Fiji and PNG that had a high outreach to low income customers, provided no avenues for customers to report back post BIMA's exit wherein an independent agency or even stakeholders like PFIP II could record, collect and analyse customer reactions for further action. It is therefore recommended that PFIP II's next phase should focus not only on strengthening the ratification of consumer protection guidelines at a policy level but also offer assistance in creating reporting and compliance level framework and operational models.	**Agree**	Pacific countries and its regulators have nascent consumer protection frameworks. A very common challenge is that some of the financial service providers, such as microfinance institutions are not regulated and therefore out of the ambit of the Central Banks. Multiplicity of supervisory agencies also lead to confusing situations in terms of responsibility and accountability (for example in Fiji there is the Consumer Council, the Fiji Consumer and Commerce Commission as well as the Reserve Bank). The PFIP II management recognizes that there still is a lot of work to be done in the area of consumer protection, whilst some efforts are already underway. However, under the Consumer Empowerment work stream of PDEP, the successor program of PFIP II focused on the digital economy, specific activities are planned to support the development and implementation of consumer protection and data privacy policies and regulations.	Conduct gap analysis on consumer protection and data privacy policies and regulations with focus on reporting capacity and compliance monitoring.	December 2020

Recalibrate the Knowledge Management function and the reporting formats thereof: The difference between knowledge management and communications should not be blurred. While communications should focus on publishing PFIP II work and achievements as well as supporting programme partners through communication collaterals, KM has to focus on distilling best practices across projects documenting key matrices of success under varied projects. At the moment, the Knowledge Management initiatives have not been found to be commensurate with the quantum of work that has been done by PFIP II Phase II and the institutional experience gained thereof. KIIs with key donors have also pointed to the gaps in establishing outcomes and impact of the programme through the reports that are shared with them. It is recommended that PFIP II should focus on recalibrating its reporting format to donors and other key stakeholders to include outcome and impact metrics to showcase the accomplishments of different projects, lessons learnt thereof. As shared by donors, bringing out such clarity in reporting will further help in building a case for future funding for PFIP II in the region. **Build basic evaluation metrics for innovation projects with reporting accountability held by implementation partners:** Knowledge and data management needs to be strengthened for sharing lessons and knowledge transfer. Projects executed by PFIP II II in PNG offer rich experience in processes, systems, project management and overall outcomes and impact through varying degrees of success. However, it is not easy to map these experiences, lessons learnt thereof, application to other project contexts and wider sharing among stakeholders and across the region. For example, the lessons from BIMA in Fiji, PNG, Westpac in PNG are important to be documented and are being sought out by stakeholders like DFAT and EU. The	**Agree**	**On the KM function and reporting formats:** The PFIP II Management has the ambition to incorporate the learnings from its current programme into the development of its successor programmes. This has been the main driver to schedule the final evaluation of the current phase of PFIP II earlier than originally anticipated. Therefore, it acknowledges the recommendation to recalibrate reporting format to the Investment Committee and donors and for that reason, this will be re-designed for the successor programmes. Furthermore, specifically for the purpose of deriving important learnings from the projects currently ongoing, and which are about to finish as part of the current phase of PFIP II, a new project closure report has been developed, which is focusing specifically on learnings from the projects, and which is currently being implemented. These lessons will be collected and incorporated into an end of programme report, which will highlight the most important lessons for the successor programmes. **On evaluation metrics for innovation projects with reporting accountability held by implementation partners:** As already mentioned under point 1 of the recommendations, data collection and reporting on financial inclusion has been a significant challenge faced by PFIP II, as well as many regional Central Banks. This equally applies to our implementation partners and is not something unique to PFIP II as the management has been made aware that similar challenges exist in some of the other UNCDF programmes. To get more insights into client level behavioural change related to adoption of financial services and that can be attributed to the programme, as well as impact studies PFIP II has invested significant resources in innovative research on exactly these topics through its Impact Pathways initiative. This initiative has also	Redesign reporting format to include specifically outcome and impact metrics for the Investment Committee and donors from PFIP II's successor programmes.	September 2020
			Redesign project closure report for currently ongoing PFIP II projects and publish an end-of-programme report with consolidated lessons learned from the innovation projects.	September 2020
			Publish additional KM products on Impact Pathways; a focus note, an associated blog, 4 explainer tools and an updated toolkit	September 2020

next phase of PFIP II should also encourage partners to collect baseline and end line data for simple but relevant metrics. Now it is not easy to glean any client level behavioural change leading to adoption of financial services that can be attributed to the programme, simply because of lack of such data. Further, as a validation measure, PFIP II should also look to commission more impact studies that not only validates outputs for different projects, but also map outcomes and impact to inform stakeholders of behaviour change among consumers that may lead to adoption of financial services and engagement channels (especially digital) in the long run.		been adopted by UNCDF colleagues in Zambia and has attracted significant attention from the development practitioners working on financial inclusion. A popular blog post and associated focus note on Impact Pathways were recently voted as “Most influential article of 2019” on the Next Billion forum website, a platform for discussion of business ideas and innovations that address poverty-related challenges and reshape entire economies, and is an initiative from the William Davidson Institute at the University of Michigan. In 2020, PFIP II, together with colleagues from UNCDF Zambia, will publish additional Knowledge Management publications on Impact Pathways, more specifically a focus note, an associated blog, 4 explainer tools (one for each partner organization working with us on this initiative) and an updated toolkit. Furthermore, under one of PFIP II’s successor programmes, which will focus on the Pacific digital economy, the management aims to do a continuous impact assessment to measure and track the level of inclusiveness of digital economies at country level through the use of UNCDF’s Inclusive Digital Economy Scorecard (IDES), which will create the necessary indicators for inclusiveness to be embedded into the National Digital Economy Strategies.	Include the use of UNCDF’s Inclusive Digital Economy Scorecard (IDES) into PFIP II’s successor programme	September 2020
Strengthen field monitoring by country staff: Further to the recommendation around improving data collection from partners, there is also a need for PFIP II teams to strengthen their field monitoring for verifying progress and reporting key highlights and observations in quarterly reports instead of simply accepting self-reported data from partners as the final data for programme reporting.	**Agree**	The PFIP II management believes that this issue has its roots in weak enforcement of project governance principles that should stipulate regular reporting that is underpinned by clear demarcation of responsibilities and accountabilities between PFIP II staff in country and the regional office, as well as its partners. For PFIP II’s successor programmes, the project governance framework will have to be reviewed and updated with a specific focus on practicalities to turn project governance from “on paper” into reality. Furthermore, programme staff will need to be upskilled regarding project governance and more importantly, the implementation thereof.	Review and update project governance frameworks for successor programmes	September 2020
			Training of programme staff on practical implementation of project governance principles	September 2020