

A man is sitting in the front of a small, orange and grey motorboat on a vast, blue ocean. He is wearing a dark blue raincoat over a white shirt and orange shorts. He is holding a green steering wheel. The boat has a wooden deck in the front. In the background, there are dark, hazy mountains under a cloudy sky. The water is slightly choppy.

PFIP II PROGRAMME FINAL EVALUATION DECEMBER 2019



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EVALUATION AT UNCDF



UNDP EVALUATION POLICY

UNCDF is formally a party to UNDP's Evaluation Policy, which sets out the guiding principles, norms and key concepts for evaluation in UNDP, UNCDF and UNV.



UN EVALUATION

UNCDF is an active member of the UN Evaluation Group, which is the custodian of evaluation quality across the UN system.



UNDP INDEPENDENT EVALUATION OFFICE

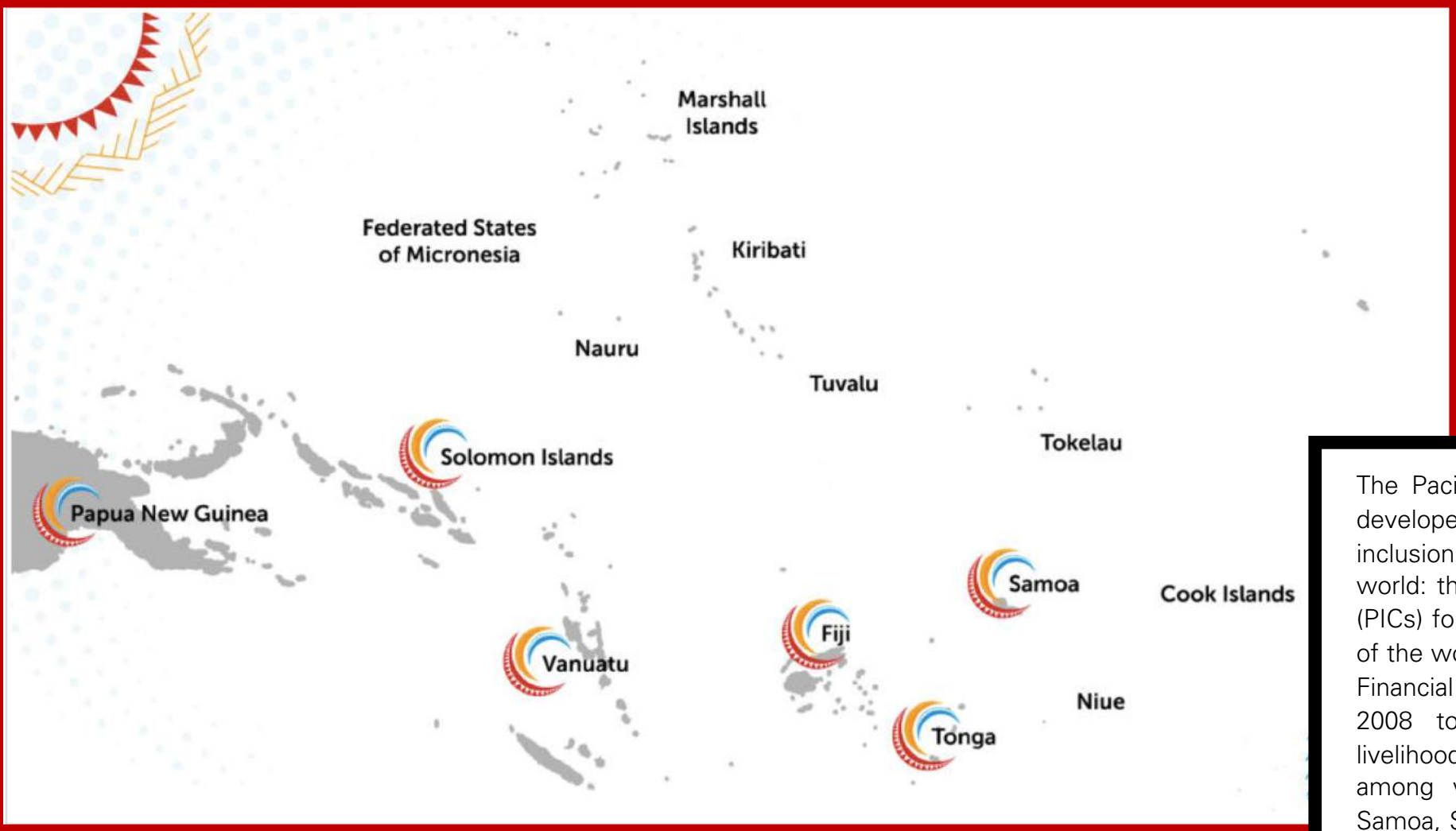
In line with provisions in the Evaluation Policy, UNCDF benefits from a strong partnership with the UNDP Independent Evaluation Office, which provides additional coverage of our work and quality assesses our evaluations.



WITHIN UNCDF

The Evaluation Unit reports directly to UNCDF's Executive Secretary in line with UNEG norms on independence for agencies of UNCDF's size.

PFIP II INTRODUCTION



The Pacific Financial Inclusion Programme (PFIP) was developed to support the expansion of financial inclusion in one of the least-banked regions in the world: the Pacific islands. The Pacific Islands Countries (PICs) form not only one of the least developed regions of the world but also the most underbanked. The Pacific Financial Inclusion Programme (PFIP) 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. PFIP Phase II (PFIP-II) began in 2014 and is slated to end in June 2020.

PFIP II WORKSTREAMS

PFIP-II is organized by macro-, meso- and micro-level interventions implemented through three workstreams: 1) Policy and Regulations, 2) Financial Innovation and 3) Consumer Empowerment. PFIP-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.



EVOLUTION OF PFIP II

2008

Initiated to further financial inclusion in the least banked region in the world-the Pacific Islands.
Provide performance based grants and technical assistance to eligible FSPs.

2008-14

Work in the areas of mobile money, capacity development of central banks, National Financial Inclusion Task Force.

2014

Continue to work in 3 core areas.
Greater focus on gender and impact.

2017

Program funding increased by USD 26.2 million, strategic instruments in theory of change, revision of workstreams of UNCDF, program targets. Working in synergy with regional and national plans and in different contexts-geography and natural disaster, etc.

Achievements (September 2018):

- 2.2 million clients enrolled with access to financial services
- 40% of enrolled clients are women
- 55% used financial products in the last 90 days
- 48% clients were active in August 2018

Phase I - PFIP

Phase II - PFIP

PFIP's objective was to increase the number of low-income Pacific Islanders who adopt formal financial services. PFIP - II planned to achieve this objective by supporting FSPs to innovate with products and services for mass-market consumers, helping governments to create an enabling policy environment for financial innovation, and empowering consumers for example through financial education initiatives.

GOALS OF PFIP II

Goal:

Every Pacific Islander has access to financial services resulting in usage and adoption. The focus is to also improve outreach to and outcomes for women using a gender lens by promoting product and channel innovation.

Recognizing that women make up half of the potential consumer base for financial services providers, PFIP aimed to work with its partners to ensure greater financial access for women through product design, channels for engagement with gender-disaggregated reporting.

Outcomes:

By 2020, the programme intends to reach 1.5 million Pacific Islanders through its direct engagement with service providers of which at least 50% will be women. 50% of the total outreach will also be active users of financial products and services measured through the frequency of use through 30 days and 90 days to define usage and adoption respectively.



Outputs:

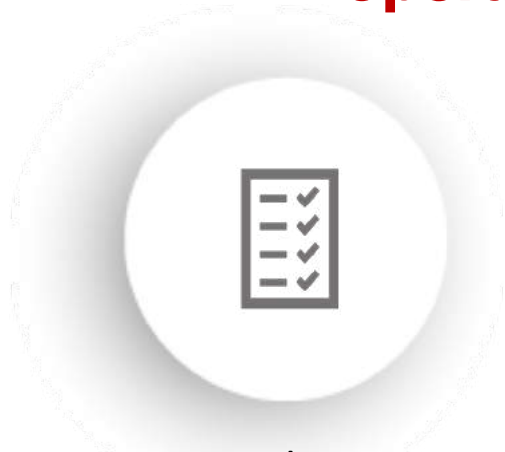
The programme uses a market development approach to create a conducive ecosystem through:

- Testing and scaling of products through at least 30 projects and services suited to the Pacific Context especially leveraging digital technology to overcome geographical barriers unique to the region and enable ease of access.
- Conducive policy and regulatory framework through National Financial Inclusion Strategies for at least 6 countries.
- Consumer empowerment initiatives to propel informed decision making at the last mile through 4 consumer education models embedded as part of product/service delivery.



EVALUATION METHODOLOGY

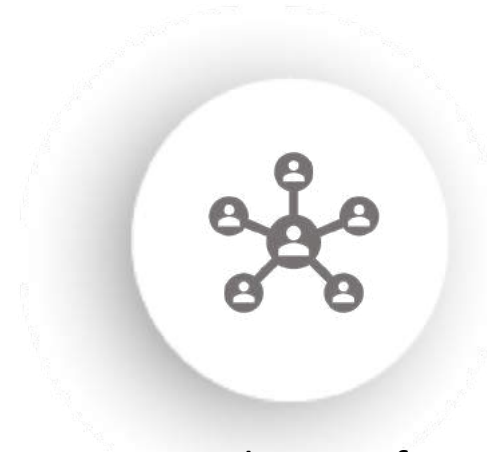
The evaluation used a mixed-method research design, operationalized through:



Cross-Sectional Quantitative Study and Sampling Study



Gender Lens



Theory of Change



Evaluation Matrix

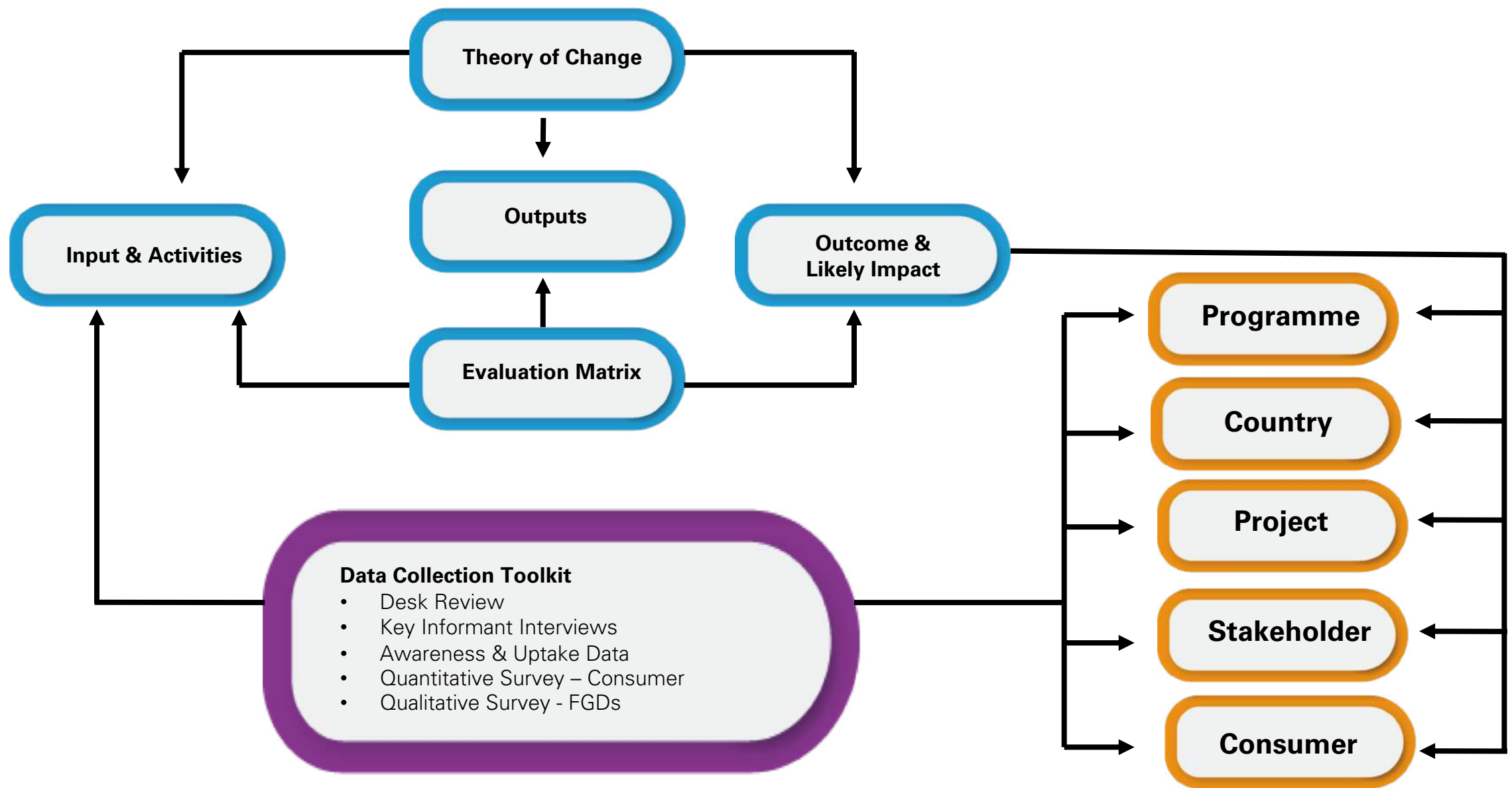
The sampling method used for selecting the samples for the study followed a multi-stage convenience sampling technique. The two levels of stratifications used during sampling were location – rural & urban and gender and were used to ensure representativeness of population. Finally, the sample was drawn using a convenience sampling technique by the enumerators.

The evaluators adopted an approach to discern the gender-based impact of the programme. In addition, the evaluation aimed to examine, to the extent possible, the changes of underlying layers of empowerment resulting in gender parity in the access, usage, and adoption of formal financial services by women, with the available data for the same.

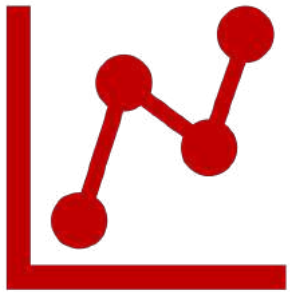
The evaluation team used the ToC to complete the results chain, develop the evaluation matrix and to attempt to draw the causal linkages between programme activities, output, outcome and impact. Overall, a participative and inclusive approach was adopted by the evaluation team to ensure that the evaluation was flexible and responsive to the nature of interventions in the markets that PFIP Phase II is trying to influence.

Overall, the programme evaluation of PFIP -II applied the following approaches: Adoption overall of the UN/DAC framework for programme evaluation; Developing causal linkages and attribution/contribution of PFIP interventions to results seen Evaluation of market development approach in focus countries and PFIP's contribution to it; Estimation of the heterogeneity of consumer-level impacts – disaggregated by gender and location

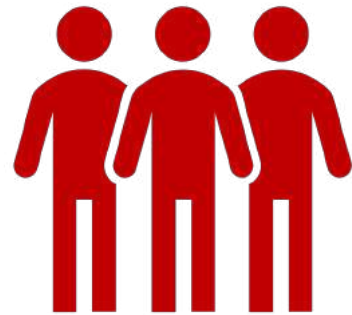
METHOD OF ANALYSIS



LIMITATIONS AND CHALLENGES OF THE EVALUATION



**ABSENCE OF
BASELINE DATA**



**LIMITED
QUANTITATIVE
SAMPLE SIZE**



**AVAILABILITY
AND
RELIABILITY OF
PFIP DATA**

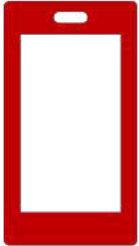


**LIMITED ABILITY
TO DETERMINE
SUSTAINABILITY OF
INTEVENTIONS AT FSP
LEVEL**

**EVALUATION
FINDINGS
RELEVANCE**



SYNERGY WITH GLOBAL AND REGIONAL OBJECTIVES



PFIP-II strategic focus on digital channels not only aligns with UNCDF's strategic framework but is also highly relevant for Pacific Island Country's context.



United Nations Development Programme



PFIP being a joint programme with UNDP also fits in with UNDP's focus on "Digital Economy" and in a few areas benefited from it.

PFIP-II has a synergetic relationship with other global and regional initiatives such as PIRI and AFI that focus on financial inclusion. PFIP's policy and regulation workstream through its provision of technical support to policy makers for strengthening the digital finance ecosystem is closely aligned with the annual regional priorities of PIRI.

PFIP's work in building synergies with other global initiatives is evident through its push for PNG, Solomon Islands and Fiji to sign up to the Better than Cash Alliance (BTCA) as well as adoption of Money Pacific Goals by almost all PICs.

RELEVANT TO THE PACIFIC ISLAND CONTEXT

At the national level, PFIP's relevance to the PIC context is best exemplified through its work on National Financial Inclusion Strategies.



The launch of NFIS across PFIP's focus countries has led to a proactive, central bank-endorsed pathway to achieve financial inclusion and has brought different actors together in achievement of a common goal.



The importance of NFIS and the working groups (varied participation) constituted under it have brought about a unified national vision, often monitored by the government's highest executive offices.



On the regulatory side, PFIP-II has worked in alignment with the Central banks towards strengthening the regulatory regime to foster financial innovation.

DEMAND SIDE STUDIES FOR FINANCIAL INCLUSION



Commissioning of Demand Side Surveys (DSS) by PFIP-II enabled the policy makers to monitor progress against an empirical baseline.

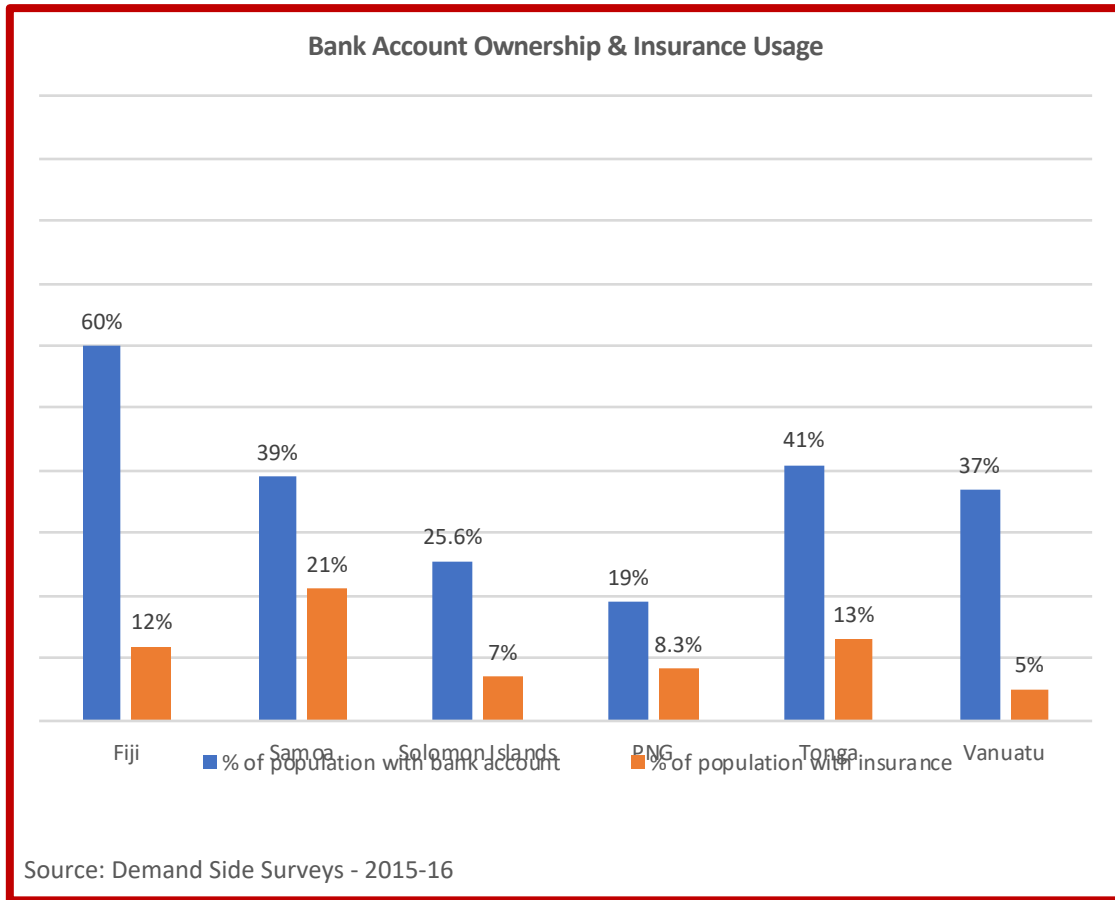


Various studies commissioned under PFIP-II on specific topics have added to a more nuanced understanding about exclusion. The financial innovation workstream of PFIP-II reflects appreciation of the demand side gaps and as such digital projects dominate the product suite funded by PFIP-II.



The focus on digital solutions under PFIP-II is appropriate to the context and fits in with UNCDF's strategic framework as well as the focus of other regional and global initiative like AFI.

BANK ACCOUNT OWNERSHIP AND USAGE



Insights from client surveys and FGDs conducted by the Evaluation Team also provide strong support for the digital strategy.

DIVERSITY OF INSTITUTIONS/AGENCIES SUPPORTED

Workstream	Pro Doc Output indicators	PFIP total achievement	Fiji	Solomon	PNG	Vanuatu
Financial Innovation	30 projects	27 projects of which 15 have been classified as test projects	7 Projects 3 test projects	8 Projects 5 test projects	8 projects 5 Test projects	4 projects 2 Test projects
	14 innovations scaled	3 innovations scaled	1 innovation scaled	1 innovation scaled	1 innovation scaled	None noted
	11 Projects with women segmentation	14 projects with women segmentation	3 Projects with women segmentation	4 Projects with women segmentation	5 Projects with women segmentation	2 Projects with women segmentation
	10 knowledge products	12 knowledge products	5 Knowledge Products	4 knowledge products	2 knowledge products	1 knowledge products
Policy & Regulation	5 PICs with FI strategy	5 PICs with FI strategy (also includes Samoa)	1 (NFIS-2)	1 (NFIS -2)	1 (NFIS- 2 2016-2020)	1 (NFIS 2018-2023)
	23 key policy commitments	10 policy commitments	3 Policy commitments	2 Policy commitments	3 Policy commitments	2 Policy commitments
	11 Policy related TA/Research delivered	11 policy related TA/research delivered	6 Policy related TA	3 Policy related TA	2 policy related TA	None noted
	3 G2P/P2G projects	2 G2P/P2G projects	1 G2P Project	1 G2P/P2G project	None noted.	None noted
	15 Knowledge products	6 knowledge products	1 knowledge product	3 knowledge products	1 knowledge product	1 knowledge product
	20% of G2P/P2G payments through digital channels	Data not captured	Data not captured	Data not captured	Data not captured	Data not captured
Consumer Empowerment	4 Consumer education models embedded in service delivery	None noted	None noted	None noted	None noted	None noted
	3 PICs with FinEd curriculum	3 PICs with FinEd curriculum either in schools or TVET	1 FinEd Curriculum at school level	1 FinEd curriculum at TVET level	1 FinEd curriculum at TVET level	None noted
	5 FinEd projects	4 FinEd projects	2 FinEd projects	1 FinEd	1 FinEd	None noted
	2 Consumer protection mechanisms tests	None noted	None noted	None noted.	None noted	None noted

PFIP-II has engaged with a range of institutions/agencies during the five-year period (2014-2019). The spectrum ranges from Government Ministries to technology companies. The diversity of institutions/ agencies supported by PFIP fits in with the three workstreams of PFIP-II. A positive feature has been sharing of best practices for adoption in other countries. PFIP-II did not adopt the usual process of inviting proposals and selecting partners but followed the practice of having discussions with potential partners and going ahead with the interested agency.

EVIDENT MAINSTREAMING OF GENDER



Efforts on gender mainstreaming is evident in the framework design of the different workstreams- policy, financial innovation, consumer empowerment and is adequately represented through the background documents to guide implementation such as the Performance Based Agreements (PBAs) with the grantees. Under financial innovation, there are few projects which are solely focused on women- though it is more a feature of the institutional focus.

However, it is observed that leaving aside exclusive women-focused interventions – which are few - the gender strategy does not go much beyond outlining the need for gender disaggregated data in PAD and placing a target percentage in PBAs.

Overall, gender, as a cross-cutting theme and as a key strand for the achievement of UNCDF’s strategic objectives has been efficiently incorporated into the design of the PFIP-II architecture.



Vertical Work Stream:

Focused on distilling and sharing knowledge from various projects.

PFIP-II did not have a defined knowledge framework for much of the implementation period which is now being rectified via a dedicated person hired in late 2018. As of now, knowledge management overlaps with the communications work.



Feasibility Studies:

In priority areas and working on recommendations coupled with using tested model from one country to be replicated in another

The second approach of knowledge management has been highly relevant to the objectives of PFIP-II. A range of knowledge products were funded and products rolled out/being considered as part of it. These cases point not only to active knowledge sharing but also making it work in other countries and can be seen as a case of market development.



**EVALUATION
FINDINGS
EFFICIENCY**

AVERAGE COST PER CLIENT = USD 19.8

Total Programme Expense (March 2019)	Programme Outreach	Per client cost (USD)
23.48 million	1,183,228(max outreach during programme cycle)	19.8
23.48 million	779,663 (current outreach at the time of the evaluation)	30.1

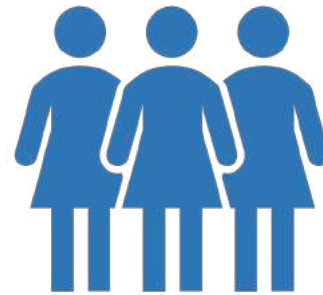
Workstream	% of total committed budget	% of disbursed amount for workstream
Policy & Regulation	15%	83%
Financial Innovation	76%	51%
Consumer Empowerment	9%	91%

The **average cost per PFIP -II client reached is USD 19.8**. However, this fails to adequately measure PFIP-II's contribution as it **discounts the work done under Policy & Regulation workstream**, which has otherwise been highly effective in supporting the financial inclusion aspirations of the PIC governments in addition to shaping them in the first place.

EFFICIENCY IN RFA/PBA PROCESS



Identification and formulation of projects during PFIP-II was efficient and the appraisal documents clearly describe the intervention logic, justification for funding as well as progress indicators.



PFIP -II had defined processes for eligibility criteria, pre-approval process and selection criteria for collaborating with partners though these were rarely followed due to operational complexities and market conditions in PICs. The market is catered by a small number of players and generating interests via Expression of Interest or Request for Application was reported as an ineffective way of developing partnerships in the region by the programme team. The evaluation team concurs with the view.



The Resident Representative of UNDP is part of the IC and the higher visibility brought by UNDP helped PFIP widen the canvas of institutions it worked with. However, the documentation leading to the final approval of an implementation partner does not compare the selected institution/agency with other market players and establish a clear logic for preferring one over another.

STRONG PROGRAMME MANAGEMENT IN PLACE

PFIP-II has a strong programme management and supervision structure in place. The programme coordination is vested in the Joint Investment Committee (JIC) with regular deliberations on project approval, programme expenditure, reports to donors and close oversight of programme progress and challenges.



United Nations



As validated by stakeholders such as the UN Resident Coordinators in PIC, for PFIP-II and other UN agencies to have optimal impact, greater inroads need to be built to facilitate cross fertilization of ideas between UN agencies and joint implementation efforts.

The evaluation team recorded evidence of close coordination between the regional team at Suva and in-country teams.

The programme made efficient use of linking disbursements with achievements with fairly strong decisions made when requisite outcomes were not recorded for projects and partners.

PROGRAMME MONITORING MODERATELY EFFICIENT



Programme monitoring during PFIP -II can be considered only moderately efficient with many of the partners not reporting on the complete indicator list mandated in the data collection tool.



Evaluators noted during the stakeholder interviews that the Data Collection tool used, while comprehensive, is also painstaking to compile.

HIGH QUALITY PLANNING AND MANAGEMENT

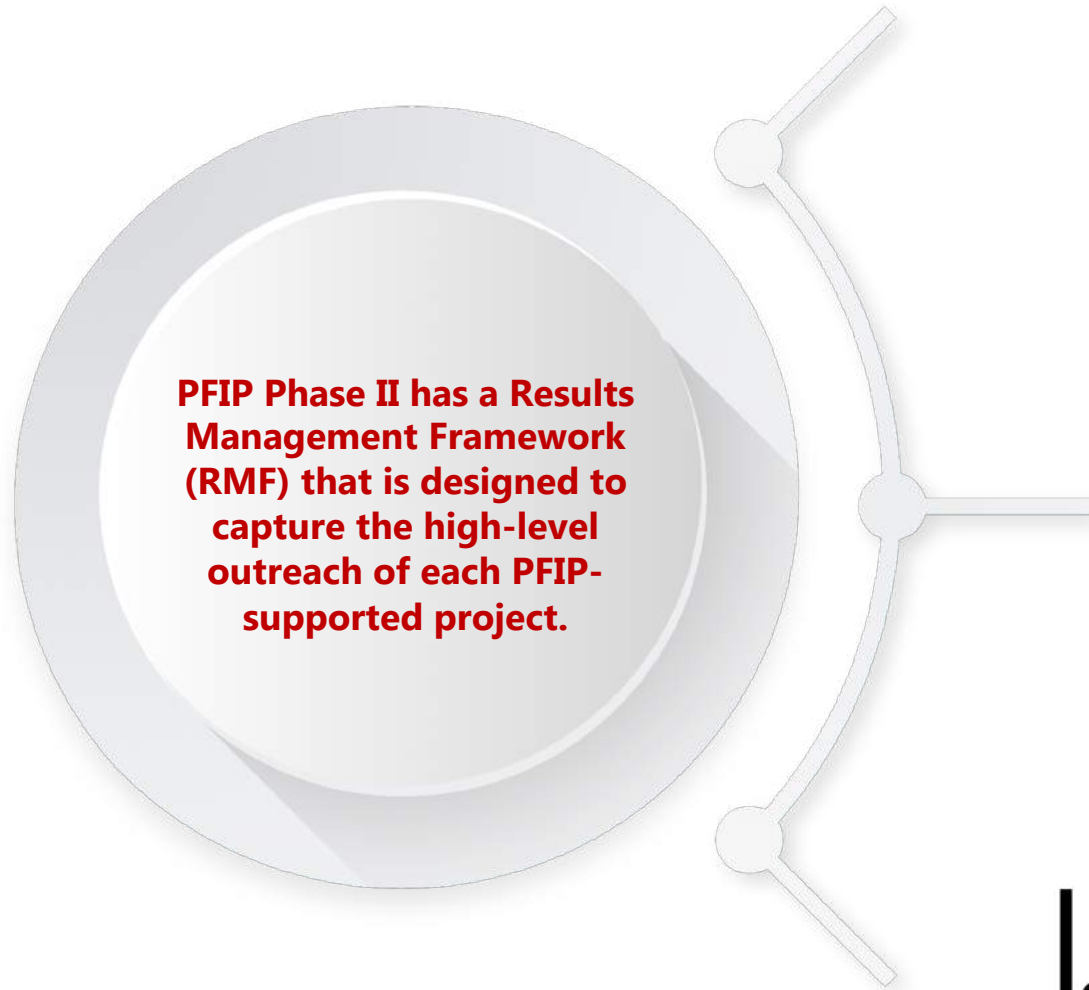


The planning and management of programme activities by PFIP -II has been of high quality and it was acknowledged by stakeholders across the programme countries.



Fund disbursement for grantees was found largely efficient and timely with most of the grantees not expressing any concerns with disbursement. However, in a few cases such as the Ministry of Education in Fiji, grantees highlighted it as a concern.

RESULTS MANAGEMENT FRAMEWORK



PFIP Phase II has a Results Management Framework (RMF) that is designed to capture the high-level outreach of each PFIP-supported project.



It was revised on the basis of recommendations received during the midterm review of the programme and designed with quantifiable indicators at output, outcome and objective level aimed at capturing programme's impact.



In each project appraisal document, reporting requirements were clearly mentioned under the section of Monitoring, Evaluation and Reporting.



However, as noted during field-mission and during stakeholder consultations, data collection and reporting was a challenge.

TECHNICAL ASSISTANCE SUPPORTED GRANTEEES



Quality of TA through TSPs during PFIP -II was found to be of adequate quality and it was acknowledged during stakeholder consultations across programme countries. The evaluation team also observed that in many cases, it has efficiently led to evidence-based decision-making, development of product or services and an overall increase in operational efficiencies of FSPs.

Technical Assistance Provided Under PFIP-II

Supported the grantee institutions in strengthening their systems, providing capacity-building support, conducting needs assessment, market research, product development, financial education curriculum development and conducting training of trainers.

UNCDF Maturity Model

Delivery channels in line with the UNCDF maturity model to foster innovation for proof of concept, leverage learnings to unlock private and public resources and scale-up of successful business models.

Technical Assistance Provided to Grantee Institutions

During PFIP -II, TA was provided to grantee institutions at two levels: PFIP Team and Technical Service Providers.

26 KNOWLEDGE PRODUCTS CREATED



26 Knowledge Products Developed



5 Demand Side Surveys

A total of 26 knowledge products were developed under Policy and Regulations and Financial Innovation workstream of PFIP -II. Most of these knowledge products were well received by partners and intensively used in the development of policy and regulations, product/service development across the programme countries. PFIP -II also supported training and knowledge sharing by sponsoring partner staff for courses at the Boulder Institute, exposure visits and scholarships through Reuben James Summerlin scholarships to facilitate learning and knowledge transfer within the region and globally.

ONE-PERSON COMMUNICATIONS TEAM-HIGHLY EFFICIENT

With a one-member team, the communications function at PFIP -II was found highly efficient in terms of generating high-quality communication and marketing material for the programme with significant contribution to the knowledge management activities as well.

One-Member Communications Team



The specialist worked to document best practices, videos, impact stories, pamphlets on innovation products and press releases for PFIP-II.

PFIP has active social media accounts on Facebook, LinkedIn, and Twitter.

A woman with dark skin and short black hair is smiling warmly while weaving a basket. She is wearing a vibrant, patterned shirt with red, orange, and green floral designs. Her hands are skillfully manipulating a light-colored woven material, likely bamboo or rattan, to form the rim of a basket. The background is softly blurred, showing the interior of a traditional wooden structure with large windows that let in natural light.

EVALUATION FINDINGS EFFECTIVENESS

EFFECTIVE IN DEVELOPING UNDERSTANDING OF NEEDS



HELPING PARTNER FSPs

PFIP -II interventions have been found to be effective in helping partner FSPs develop a deep understanding of financial needs of low-income communities across the countries.

ACHIEVEMENT OF TARGETS

PFIP -II mostly achieved its programme targets as per the information available in RMF document.



LOW-INCOME SEGMENT

However, many FSPs still perceive the low-income segment as an economically unviable segment and treat their offerings for this segment as part of their corporate social responsibility.

FOCUS ON ALTERNATE CHANNELS FOR BANKING



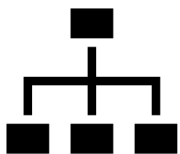
PFIP-II HAS, THROUGH ITS INTERVENTIONS, FOCUSED ON IMPROVING ALTERNATE CHANNELS FOR BANKING GIVEN THE UNIQUE, GEOGRAPHICAL AND INFRASTRUCTURE RELATED CHALLENGES THAT DEFINE THE PICs.

Mobile Financial Services that saw a surge in registrations since 2010, when they were first launched in countries like Fiji and PNG, quickly wound down after the initial uptake with most of the subsequent usage restricted to mobile phone recharge. PFIP -II was able to promote and support such ideas across countries as was also deeply acknowledged by stakeholders during the KIIs. These new delivery channels developed under PFIP -II were moderately effective in expanding access and usage mostly with mixed results.



PFIP-II WAS ALSO ABLE TO FACILITATE THE CONVERGENCE OF PUBLIC AND PRIVATE SECTOR PLAYERS IN THE DEVELOPMENT OF ALTERNATIVE DELIVERY CHANNELS AND BUSINESS MODELS.

Pilot use of airtime for payments and savings in SOI is one such example, which brought together private sector – MNOs, public sector – SINPF & billers and regulator – CBSI in designing and testing the concept.



AGAINST A TARGET OF FOUR VIABLE BUSINESS MODELS BY MARCH 2019, PFIP-II DELIVERED ONE.

During the discussion with the Results Management Advisor, it was also noted that PFIP -II has not been able to identify metrics to define the indicator for this particular key performance area.

EFFECTIVE IN SUPPORTING DEVELOPMENT CHANNELS

Overall, PFIP -II was largely effective in supporting the development of alternate delivery channels with its partners in PICs and was successful in expanding financial services through many of them.



Some of them did not yield desired results, though they contributed to the ecosystem development by demonstrating the value of the low-income segments as a valuable business proposition at scale.



PFIP-II can be considered moderately effective in development of viable business models.



The progress against the targets was satisfactory - considering the operational complexities and business challenges associated with PICs.

HIGH OVERALL EFFECTIVENESS FOR FIN-ED

PFIP -II employed a multi-pronged approach to deliver financial education across the PICs. It made a concerted effort to integrate a consumer empowerment focus in most of its grants under the Financial Innovation workstream. Also, it led to integration of Financial Education into the educational curriculum in 3 of PICs.

Overall, the effectiveness of PFIP -II was high for the Financial Education projects across the 3 countries – Fiji, SOI and PNG.



However, the effectiveness of customer education under financial innovation grants under PFIP -II was found not commensurate with the programme's ambition when compared to other consumer empowerment initiatives. In most of the cases, the PADs included a component of customer education but lacked quantifiable performance indicators.

LINKAGES OF FSPs WITH INFORMAL SAVINGS GROUPS

PFIP-II SUPPORTED AN INITIATIVE WITH SAVINGS GROUPS THROUGH WORLD VISION IN SOLOMON ISLANDS



73 Savings Clubs



1,825 Members



55% Women

After the successful completion of the pilot, the project correctly did not take the next step to scale-up, since the cost-benefit analysis showed that the impact of the project at client level was not commensurate with the investment required in terms of funding (cost of pilot was USD 250,000 for the beneficiary count of 1,825 clients taking the per client cost to USD 137 vis a vis programme average of USD 19.8).

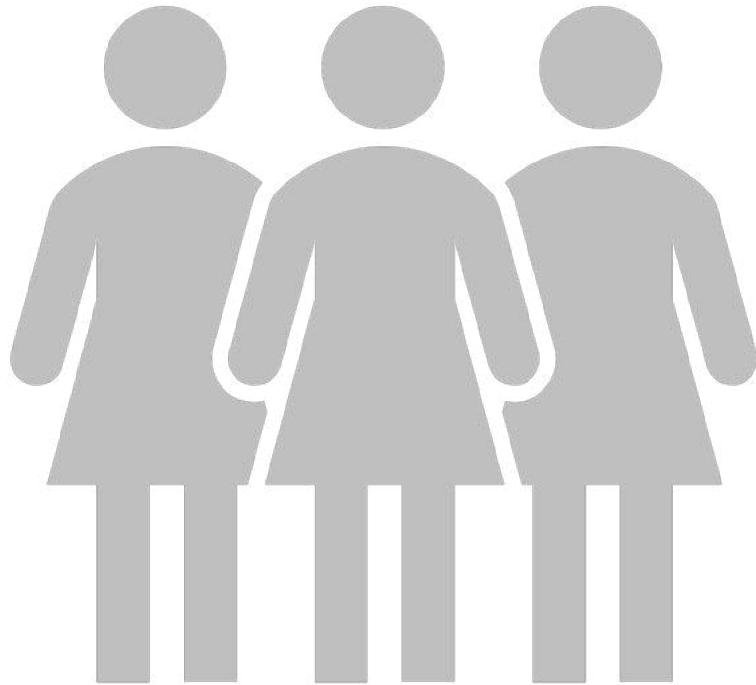
CLIENT PROTECTION ON THE GROUND



INTEGRATING CLIENT PROTECTION PRINCIPLES IN GRANT AGREEMENTS

UNCDF integrated Client Protection Principles (CPP) in all the grant agreements as a standard clause and encouraged its partners to endorse the CPPs. However, it is difficult for the evaluators to assess how rigorously the FSPs followed the client protection principles on the ground. Overall, there is little evidence of partner level disclosure on their adherence to responsible finance practices and the evaluation did not find evidence to support implementation of CPP on ground.

INTEGRATION OF GENDER



PFIP -II adopted a gendered approach during the implementation phase and aimed to strengthen partner capacities in reaching out to and serving women



Research/
Technical
Assistance



Integrating PBA
Targets in Terms of
Gender Disaggregated
Reporting

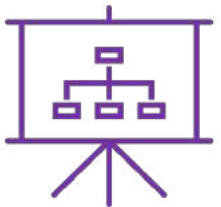
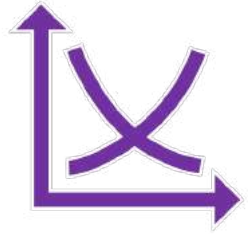


Ensuring that the
partners develop
strategies to reach
out to women



Continued monitoring
of gender targets and
FSPs on achievement
of the same

EFFECTIVE DEMAND SIDE SURVEY



The demand side survey across PICs (excluding PNG) was effective in estimating the gender gap in access to financial services in individual countries and provided the baseline for measuring the progress. Furthermore, it further helped the NFIS for respective countries to develop quantifiable gender-specific targets.

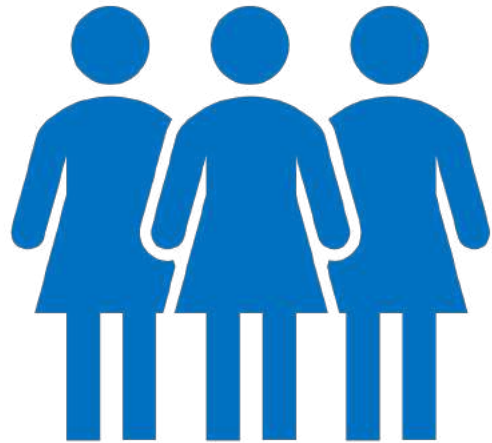
ENGAGEMENT WITH WOMEN—FOCUSED ORGANIZATIONS

Evaluators didn't find any evidence of the development of such products or services under PFIP –II. However, PFIP -II did engage with multiple women-focused organizations such as Women's Micro Bank, South Pacific Business Development, World Vision across the programme countries albeit through a regular product suite Channel of delivery, especially as innovated by WMBL has helped solve for access barriers for women which is a positive step towards improving usage and adoption of financial products by women.



A country-specific assessment using the PoWER toolkit was conducted in SOI and PNG to understand the barriers faced by women in accessing financial services. By the end of June 2019, the results were not yet disseminated among the programme partners and hence the insights could not be applied to the innovation projects.

40% OF NEW CUSTOMERS WERE WOMEN



Approximately 40% of the new customers under PFIP -II were women and 11 projects, against a target of 14, report outreach with segmentation for women. PFIP -II tracked the gender-specific targets to measure the progress and advised partners in achieving the same. Evaluators findings reports it at 35%.

Overall, PFIP -II made concerted efforts in reaching out to women and strived to bridge the persistent gender gap in access to financial products and services in PICs. Utilization of results from research such as PoWER study for future programming will be pertinent to ensure a gendered approach and can be used for the development of gender curated products and services.

HIGHLY EFFECTIVE IN KNOWLEDGE MANAGEMENT



DSS, Micro-pension research, development of resource books under FinEd initiatives, savings club manual and focus note on financial products and services are examples of knowledge products as tools for deepening understanding of low-income population across the PICs in a bid to innovate relevant and effective solutions.

A significant gap, however, is that the knowledge management efforts did not focus on creating institutional memory for project setbacks and failures, internal and external factors affecting thereof, and strategic changes required going forward. The evaluation team finds this to be a risk area as unexpected transitions in management and leadership within PFIP may derail the repository of information and knowledge necessary for the programme effectiveness.



MARKET DEVELOPMENT - NO EVIDENCE YET OF CROWDING IN EFFECT



PFIP- II has had a limited market demonstration effect to date in terms of influencing other FSPs in the programme countries to adopt targeting low-income households and develop custom products/ channels for them. Across the programme countries, mainstream FSPs have been circumspect about the commercial viability of products/ services targeting the low-income segment. The evaluation team didn't find any evidence yet of a crowding-in effect in these countries.



PFIP-II's demonstration effect at policy level can be classified as highly effective as it played a central role in the policy landscape across the programme countries. Similarly, consumer empowerment initiatives have found endorsement among relevant stakeholders like the government with commitment to replicate the model.

SUCCESSFUL DEMONSTRATION ON OTHER DEV. ORGS

At the wider sectoral level, owing to flexible programme design and active management by UNCDF, PFIP -II successfully engaged with the market. This had a demonstration effect on other developmental organisations working on the issue of financial inclusion—notably ADB in Solomon Islands and IFC in Papua New Guinea.

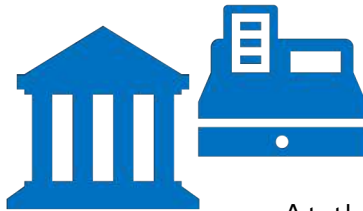
PFIP -II has certainly enhanced UNCDF's comparative advantage and positioning within the area of financial inclusion and digital finance in the region.





**EVALUATION
FINDINGS
LIKELY IMPACTS**

AT THE OUTCOME LEVEL: SUCCESSFUL IN DRIVING NFIS



At the output level, the programme has been extremely successful in ensuring that each focus country has a NFIS in place that provides a structured policy pathway towards determined financial inclusion goals. This is attributable to PFIP II, with part of the attribution also shared with Phase I of the programme which first supported NFIS development for SOI, Fiji and PNG.

Further, the knowledge management initiatives by PFIP II led to the recognition of lack of access and usage of financial services as a pertinent development problem. Overall, PFIP -II was effective in enabling data-based decision making amongst policymakers, regulators and FSPs in the region.

AT THE OUTCOME LEVEL: IMMEDIATE OUTCOME OF NFIS



WORKING GROUPS

An immediate outcome of the NFIS was the institutionalisation of National Financial Inclusion Task Force and working groups to steer policy, implementation and for ensuring due attention to different strands of financial inclusion work. . These are also largely attributable to PFIP II that helped the central banks structure these groups through the NFIS.



PFIP-II PARTICIPATION

These are also largely attributable to PFIP II that helped the central banks structure these groups through the NFIS. PFIP is also an active participant in implementation of the strategy in PICs. The NFIS at the policy level and NFITs and working groups to steer the implementation of the financial inclusion strategy has led to endorsement of financial inclusion as a key contributor to the overall economic growth of the respective countries by the national governments and development agencies alike.

These efforts have created further interest in private sector players who are increasingly seeing a better policy-level architecture to support their venture into servicing rural, low-income Pacific Islanders from the informal sector.



AT THE OUTCOME LEVEL: ECOSYSTEM SUPPORTED



The Policy and Regulation workstream effectively supported the development of a **financial inclusion ecosystem** in Pacific Island countries. Some components of a well-rounded financial inclusion ecosystem that PFIP -II did not focus on policy and regulation level included **remittances and microcredit**, both of which are needed in the region.



AT THE OUTCOME LEVEL: PROMOTED DFS IN 3 COUNTRIES



PFIP -II effectively promoted digital financial services in PICs through its intervention under the policy and regulation workstream and has worked on this across both macro and meso levels. Evidence of such collaboration was found across the countries.



However, evaluators didn't find much evidence of work done in PNG at the policy and regulation level to promote or expedite digital financial services. None of the TA provided in PNG were in the domain of digital finance and there was no progress on G2P/P2G payments despite it being a key focus area according to the Pro-Doc. This seemed partly a conscious choice as there were other significant interventions on DFS by other developmental organisations such as IFC in PNG.

AT THE OUTCOME LEVEL: INNOVATIONS AT FSPs LEVEL



Support by PFIP II to financial innovations at the level of FSPs were offered through different operational models to suit the local context, operational model of the partner and the need to integrate digital technology in order to achieve outreach to rural and underserved areas.



**Technology to Support Innovations
at FSP Level to Suit Local Context**



**Human Network to Assist
Technology: Agent Network**

Projects under PFIP II have mostly used a hybrid model that deploys technology but is also assisted by a human interface, such as an agent network, to enable customer on-boarding and ongoing engagement to ensure product usage and adoption. This recognizes the low awareness levels of consumers across these markets, a lack of access exacerbated by poor state of infrastructure and connectivity with business centers- especially for the informal sector.

AT THE OUTCOME LEVEL: MODELS WITH IMPACT



While some of these models showed great promise in the beginning, there are only a few examples that show long term impact through a sustainable operational model. Impact is seen as strongest for projects that address the needs of a sector/client segment rather than introducing mass market products and services. Projects like SolarPayGo respond directly to the electricity needs of PNG in a context where 85% of the country is still off-grid.



AT END CONSUMER LEVEL: MODERATE IMPACT



Overall, the PFIP II programme has had moderate impact to date on customer outreach, product uptake, usage and adoption.

The programme has achieved 52% of its outreach targets with 779,633 consumers enrolled into formal financial services against a target of 1,500,000. This outreach pertains to consumers who are currently part of the different financial innovation projects commissioned under PFIP II.

AT THE CLIENT LEVEL: IMPACT OF PFIP-II INITIATIVES



Overall, at the client level, changes through the results chain can only be mapped for a very linear pathway due to the paucity of data and absence of in-depth impact studies commissioned either by PFIP or conducted internally for the projects by the partners themselves.



Evidence for financial services to create one or more development impact(s), especially leading towards, if not the achievement of other SDGs cannot be discounted and should ideally be enabled through effective data collection.



EVALUATION FINDINGS SUSTAINABILITY



STRONG, SUSTAINABLE EFFORT TO SUPPORT FI



On the policy front, PFIP- II has created a strong and sustainable framework to support financial inclusion efforts through the NFIS for five countries.

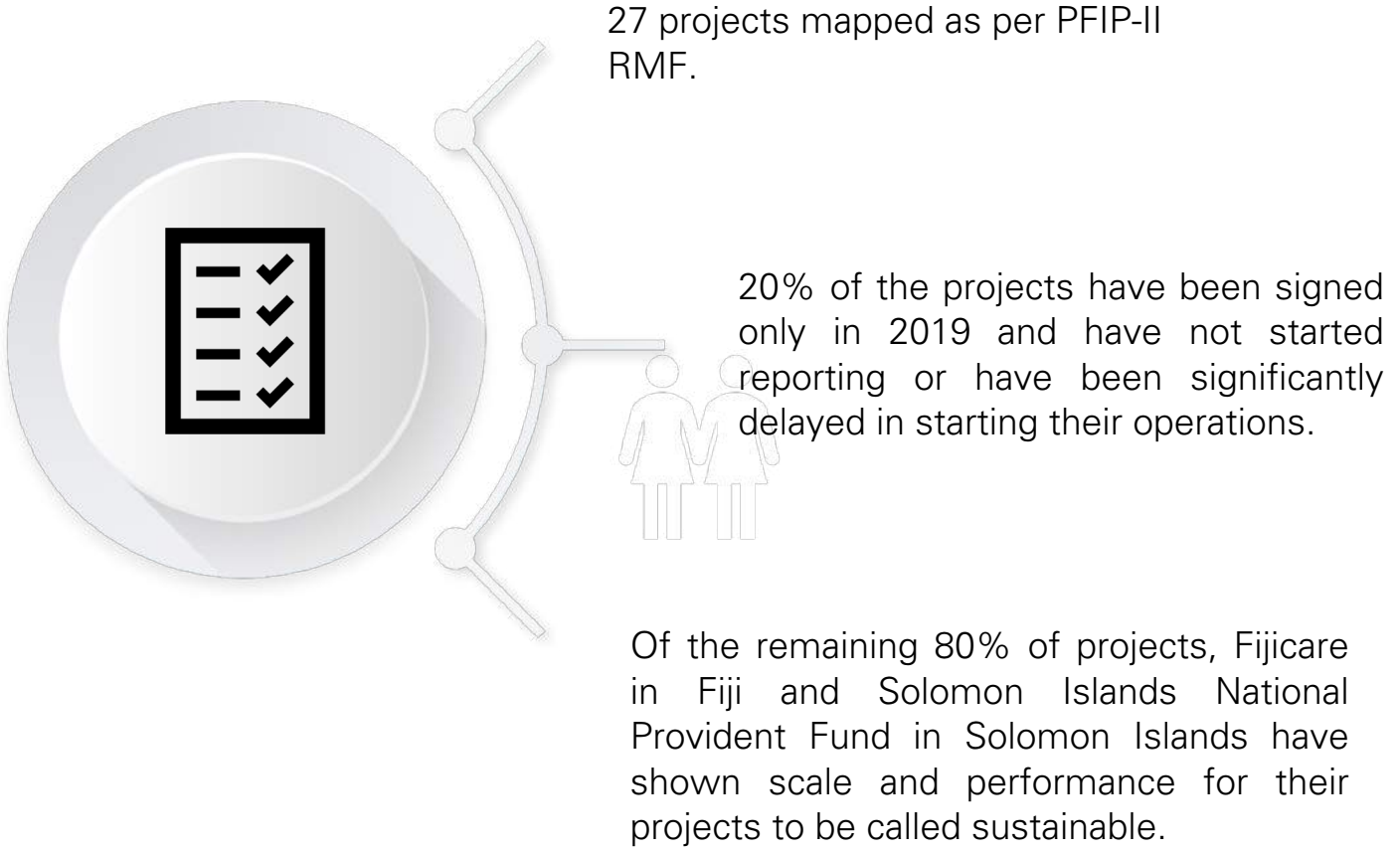


MODERATE PERFORMANCE ON SUSTAINABILITY



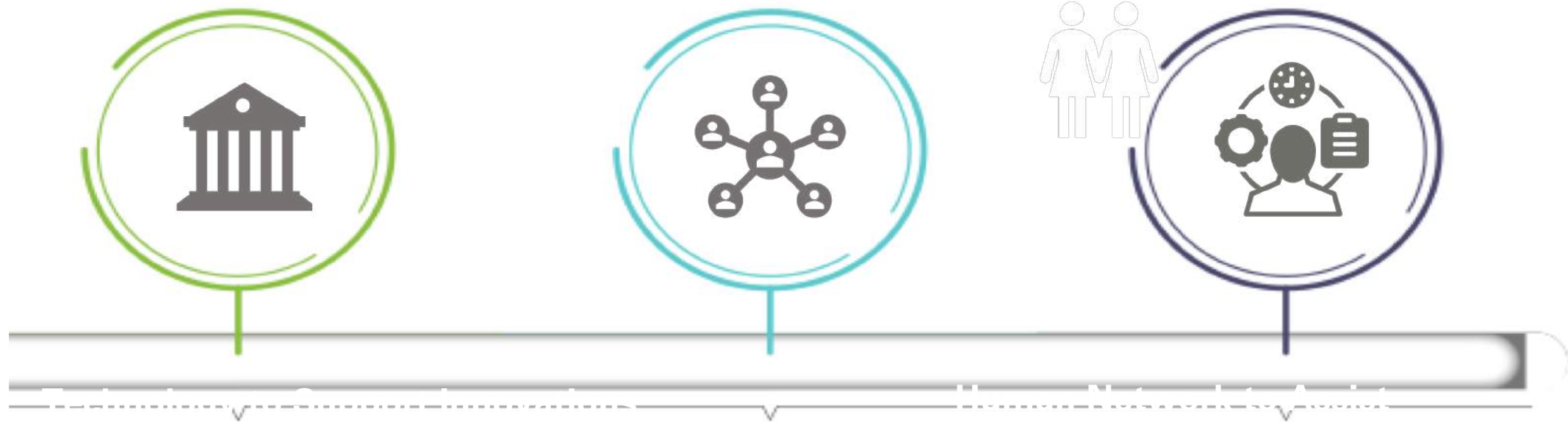
On the financial innovation front, the evidence points to moderate performance on the sustainability of the different projects that have been supported under PFIP Phase II.

Overall, in terms of financial sustainability, most projects have not been able to pass through all the stages of UNCDF's maturity model at a level of scale that can confidently peg them as long-term sustainable models.



DEEP TECHNICAL EXPERTISE LEVERAGED FOR TA

This has shown that management intent from the partner organization, TA consultant's ability to mentor, coach and institutionalize technical expertise are some of the important factors determining sustainability of such efforts.



On the policy front, TA provided towards the drafting of NFIS and the midterm reviews of NFIS in PNG and SOI have been appreciated deeply by the central bank and other stakeholders. These have lent a critical lens through which financial services can be viewed and the progress mapped for each country.

One of the important inputs provided by PFIP-II is deep technical expertise in the financial services space. TA was provided to many partners through the programme duration to administer the innovation hub for projects, to provide technical guidance to set up digital platforms for consumer engagement and process re-engineering, digitization of systems, use of HCD principles for product and engagement design, among others.

Further, PFIP-II has fostered an environment for innovation in the sector through concepts such as regulatory sandboxes to enable partners to think out of the box and try solutions to maximize outreach to the last mile consumers.

CONSUMER EMPOWERMENT THROUGH TA



For consumer empowerment, TA inputs from BASIX have helped shape the FinED content suited for integration into TVET courses in PNG. Since the TVET programme focuses on improving job readiness of youth through skilling programmes, the juxtaposition of financial education at this important juncture improves the chances of application of knowledge gained in day to day lives as these youth join the workforce.

LOW INCOME SEGMENTS AS VIABLE CONSUMER BASE



In terms of sustainability of intent and interest to continue developing products for low income segments, it is important for the different stakeholders, most importantly the implementing partners themselves to view the low income, informal segments as a viable consumer base and not simply as their social responsibility as some partners reported during KIIIs.

The sustainability of the consumer empowerment initiatives can be seen through two lenses.



Policy Level Work

To bolster the consumer protection framework and the resultant incorporation of such measures in the implementation practices of the various players in the market.



Informed Engagement of Clients

With financial services, products and their providers. Most PADs have incorporated a component of consumer education however, the only evidence found in the field, especially through FGDs was of product marketing.

SUSTAINABILITY IS WORK IN PROGRESS

Commercial and business viability is a strong consideration in the programme design and in the choice of partners that are mostly for-profit, commercially strong organisations with a pan national presence

PFIP-II has also driven sustainability by ensuring partners' contribution to the project development and implementation instead of simply subsidising costs through grants leading to an urgency among many partners to move beyond just proof of concept



Given the challenges in the PICs, the traditional outreach for most of these entities are predictably in a few urban or peri-urban pockets and it is PFIP-II that is helping them push their boundaries to reach low income populations, especially women, particularly from the informal sector.

The contribution of PFIP-II in creating a momentum to create rigor and continuity in the market ecosystem for financial services in the PIC cannot be discounted even though there are areas across the workstreams that still need interventions before the market forces entirely take over in the region.

RECOMMENDATIONS AND MANAGEMENT RESPONSES



KEY RECOMMENDATIONS

Policy and regulation: provide specific guidance around data management and enhance engagement with central banks; bring payment system development to the center stage and contextualize agency banking for Pacific Island countries.

Financial innovation: focus on financial products/services/channels that need attention (e.g.: insurance, digitization of G2P; SME financing); develop agency banking; bring gender center stage through focused implementation; build a stronger accountability framework for implementation partners; compare programme costs with peers to streamline budgetary allocations.

Consumer empowerment: replicate and scale FinEd initiatives to other PICs; strengthen integration of consumer awareness initiatives in innovation projects; drive compliance to consumer protection framework as an industry practice across PICs.

Knowledge management: recalibrate knowledge management function and the reporting formats; strengthen field monitoring by country staff.

MANAGEMENT RESPONSES

Recommendation:

Policy and regulation: enhance engagement with central banks; bring payment system development to the center stage and contextualize agency banking for Pacific Island countries.

Response:

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

Going forward, under the Pacific Digital Economy Programme (PDEP), one of PFIP's successor programmes, which will focus on the Pacific digital economy, the management aims to put extra focus on supporting the statistics bureaus and central banks in the region to strengthen the capacity of national statistical systems to produce better, more reliable statistics that are internationally comparable. To this extend it seeks to partner with UNCTAD, which is leading the global efforts standardize measuring and data collection for the digital economy.

KEY ACTIONS

- Organize second Demand Side Survey in Fiji by Reserve Bank of Fiji and Fiji Bureau of Statistics with TA support from PFIP—Initiated
- Partnership agreement signed between UNCDF and UNCTAD, which covers support to statistics bureaus and central banks as part of PFIP's successor programme focusing on Pacific digital economy—Overdue/Initiated

MANAGEMENT RESPONSES

Recommendation:

Financial innovation: focus on financial products/services/channels that need attention (e.g.: insurance, digitization of G2P; SME financing); develop agency banking; bring gender center stage through focused implementation; build a stronger accountability framework for implementation partners; compare programme costs with peers to streamline budgetary allocations.

Response:

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

The management acknowledges the need for more emphasis in this area and to that extend this topic will receive specific attention through a dedicated workstream (Open Digital Payment Ecosystem) under the Pacific Digital Economy Programme, one of PFIP's successor programmes. Activities proposed under this workstream will seek to complement the work of other development partners, such as the World Bank group and will specifically focus on interventions in digital payments that can unlock the Pacific digital economy, such as 'open banking' platforms and e-commerce payments aggregation.

MANAGEMENT RESPONSES

Recommendation: (Cont'd)

Financial innovation: focus on financial products/services/channels that need attention (e.g.: insurance, digitization of G2P; SME financing); develop agency banking; bring gender center stage through focused implementation; build a stronger accountability framework for implementation partners; compare programme costs with peers to streamline budgetary allocations.

Response:

KEY ACTION:

- SHIFT SAARC arranged different kinds of interventions, including the development of a DFS module that can be tailored to the needs of the regulators and handed it over to the training academy. —Initiated
- The programme will also work towards raising resources or collaborate with institutions having resources on stakeholder capacity building to draw up a comprehensive plan for capacity building of regulators and critical providers as well, especially addressing how decision-makers consult data and evidence and how gender issues and needs of the left-behind segments are viewed on a policy level—Initiated
- Market assessment study for regional payments aggregation and Open Banking to support a digital economy in the Pacific—Overdue/Initiated

MANAGEMENT RESPONSES

Recommendation:

Consumer empowerment: replicate and scale FinEd initiatives to other PICs; strengthen integration of consumer awareness initiatives in innovation projects; drive compliance to consumer protection framework as an industry practice across PICs.

Response:

Agree with the recommendations.

The FinEd interventions of PFIP are now recognized as a best practice and we have received requests from the Pacific and beyond. PFIP has supported ADB in 2019 with a scoping mission to integrate financial literacy into the school curriculum in Nauru and recently it has approached PFIP to expand this partnership and include other Pacific Island Countries, such as RMI.

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

Also other development partners have requested support from PFIP on this particular area to replicate FinEd into the national curriculum. have requested regions and countries that recently have requested for PFIP's expertise and support in this area through the respective UNCDF offices in these countries (for example in Bangladesh and Senegal). Similarly, within the Empowered Consumers workstream of PDEP, the PFIP management is planning to continue to engage national and sub-national stakeholders in progressing FinEd, both through formal school curriculum, university and TVET institutions. Moreover, it seeks to extend the scope to include digital literacy and other specific topics relevant for the development of a digital economy.

MANAGEMENT RESPONSES

Recommendation: Cont'd

Consumer empowerment: replicate and scale FinEd initiatives to other PICs; strengthen integration of consumer awareness initiatives in innovation projects; drive compliance to consumer protection framework as an industry practice across PICs.

Response:

KEY ACTION

- Partnership with Catalpa International to digitize the content of PFIP's financial literacy training and pilot in Solomon Islands—Completed
- 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—Completed
- Partnership with ADB to support ADB with integration of FinEd in national curricula in countries beyond PFIP scope—Not applicable
- Map results chain and update PAD template to include specific indicators for partners to measure outcome of consumer education initiatives under PFIP's successor programmes—Overdue/Not Initiated
- Conduct gap analysis on consumer protection and data privacy policies and regulations with focus on reporting capacity and compliance monitoring—Not Initiated

MANAGEMENT RESPONSES

Recommendation:

Knowledge management: recalibrate knowledge management function and the reporting formats; strengthen field monitoring by country staff.

Response:

Agree with the recommendations.

On the KM function and reporting formats: The PFIP Management has the ambition to incorporate the learnings from its current programme into the development of its successor programmes. This has been the main driver to schedule the final evaluation of the current phase of PFIP earlier than originally anticipated. Therefore, it acknowledges the recommendation to recalibrate reporting format to the Investment Committee and donors and for that reason this will be re-designed for the successor programmes. Furthermore, specifically for the purpose of deriving important learnings from the projects currently ongoing, and which are about to finish as part of the current phase of PFIP, a new project closure report has been developed, which is focusing specifically on learnings from the projects, and which is currently being implemented. These lessons will be collected and incorporated into an end of programme report which will highlight the most important lessons for the successor programmes.

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

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

MANAGEMENT RESPONSES

Recommendation:

Knowledge management: recalibrate knowledge management function and the reporting formats; strengthen field monitoring by country staff.

Response:

Agree with the recommendations.

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

KEY ACTION:

- Redesign project closure report for currently ongoing PFIP projects and publish an end-of-programme report with consolidated lessons learned from the innovation project—Initiated
- Publish additional KM products on Impact Pathways; a focus note, an associated blog, 4 explainer tools and an updated toolkit--Initiated
- Include the use of UNCDF's Inclusive Digital Economy Scorecard (IDES) into PFIP's successor programme—Overdue/Initiated
- Redesign reporting format to include specifically outcome and impact metrics for the Investment Committee and donors from PFIP's successor programmes—Overdue/Not Initiated

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SN	Evaluation	Evaluation Type	Planned Year	Completion Year	Status	Management Response
1.	Mid-Term Evaluation of Mobile Money for the Poor (MM4P)	Others	2017	2018	Completed	Yes
2.	Mid-Term Evaluation of Shaping Inclusive Finance Transformations (SHIFT) Programme in Asean	Others	2018	2018	Completed	Yes
3.	Local Climate Adaptive Living Facility	Others	2017	2018	Completed	Yes
4.	Local Finance Initiative Global Programme	Others	2017	2017	Completed	Yes
5.	Mid-term Evaluation of the CleanStart Programme Accessing Clean Energy for the Poor	Others	2017	2017	Completed	Yes
6.	Évaluation finale du Programme d'appui au développement local (PADEL) – Niger	Project	2016	2017	Completed	Yes
7.	Mid-Term Evaluation of the Making Access to Finance More Inclusive for Poor People Program	Others	2015	2016	Completed	Yes

To access our completed evaluations, which include management responses and key actions:

<https://erc.undp.org/evaluation/units/255>

Thank You

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