

PROGRAMME FRAMEWORK DOCUMENT
Shaping Inclusive Finance Transformations (SHIFT) in SAARC
 July 2016- July 2021
 1.0 Approved on July 7th 2016



Geographical coverage countries within SAARC

Programme Impact:

Improved livelihoods and reduced poverty among low income people, especially women in SAARC countries by 2021.

Programme Outcome:

At least one million low income people, 65% of whom are women, and 30,000 small and growing businesses access and use financial services to secure opportunities for employment, enterprise development, and increased sustainable consumption.

Programme Outputs:

1. Data and Analysis: Produced, consolidated and analyzed data on supply, demand and regulatory constraints affecting low income consumers, especially women, and real economy businesses in SAARC to strengthen the evidence base for decision making.

2. Capacity Development: Provided capacity building activities on financial products, business models and needs of low income consumers, especially women, and small and growing businesses for regulators, policy makers, Financial Service Providers and businesses higher up in the real economy value chain in SAARC.

3. Policy and Advocacy: Supported regulators and policy makers to develop holistic and inclusive regulatory frameworks, policies and strategies through multi-stakeholder consultative processes, encouraging financial services providers and businesses to target and better serve low income consumers, especially women, and small and growing businesses in SAARC.

4. Innovation Incentives: Provided incentives for Financial Service Providers and businesses to develop, pilot and validate financial products and business models to meet the needs of low income consumers, especially women, and small and growing businesses in SAARC.

Implementing Partner: UN Capital Development Fund

Programme Period: July 7 2016 – July 6 2021 PAC Meeting Date: June 1 2016 Management Arrangement: Direct Implementation	Total resources required: US\$ 20,022,870 Total allocated resources: US\$ 3,968,090 Core funding: US\$ 50,000 Donor: BMGF US\$ 3,918,090 Unfunded budget: US\$ 16,054,780
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Ms. Judith Karl, Executive Secretary UNCDF

Signature

Date: 07 July 2016

List of Acronyms

ADB	Asian Development Bank
AFI	Alliance for Financial Inclusion
ANDE	Aspen Network of Development Entrepreneurs
ASEAN	Association of Southeast Asian Nations
A2I	Access to Information
BB	Bangladesh Bank
BDMS	Bangladesh Dokan Malik Samity
BIBM	Bangladesh Institute of Bank Management
BIMSTEC	Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation
BMGF	Bill and Melinda Gates Foundation
BoP	Base of the pyramid
BTCA	Better Than Cash Alliance
CDF	Credit and Development Forum
CGAP	Consultative Group to Assist the Poor
DFAT	Department of Foreign Affairs and Trade
DFID	Department for International Development
DIM	Direct Implementation
EoI	Expression of Interest
EU	European Union
FBCCI	Federation of Bangladesh Chambers of Commerce
FIPA	Financial Inclusion Practice Area
FSP	Financial Service Providers
GDP	Gross Domestic Product
HQ	Headquarters
LFI	Local Finance Initiative
IC	Investment Committee
ICIMOD	International Centre for Integrated Mountain Development
IFAD	International Fund for Agriculture Development
IFC	International Finance Corporation
ILO	International Labor Organization
InM	Institute for Inclusive Finance and Development
LDC	Least Developed Country
M&E	Monitoring and Evaluation
MAP	Making Access Possible
MBB	Micro Banking Bulletin
MIS	Management Information System
MM4P	Mobile Money for the Poor
MoF	Ministries of Finance
MSME	Micro, Small and Medium Enterprises
PM	Programme Manager
RFA	Request for Application

SAARC	South Asian Association for Regional Cooperation
SE	Social Enterprise
SEC	SAARC Secretariat
SEDP	Social Enterprise Development Programme
SDF	SAARC Development Fund
SDGs	Sustainable Development Goals
SHIFT	Shaping Inclusive Finance Transformations
SIC	SAARC Information Center
SIDA	Swedish International Development Cooperation Agency
SME	Small and Medium Enterprises
TSP	Technical Service Provider
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNESCAP	UN Economic Social Commission for Asia and Pacific S
UNFPA	United Nations Population Fund
UNSIF	United Nations Social Impact Fund (UNSIF)
USAID	United States Agency for International Development
WBG	World Bank Group

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1. Development Challenge

1.1. Background

1. The Shaping Inclusive Finance Transformations programme framework for the SAARC¹ countries (SHIFT SAARC) is a regional market-facilitation initiative that seeks to stimulate investment, business innovations, and regulatory reform to expand economic participation of and opportunities for low-income people², especially women, and small and growing businesses to be active agents in the formal economy. This is expected to contribute to increased growth in income and employment, reduced vulnerability to shocks³ and lower poverty levels.
2. The SHIFT SAARC programme and intervention framework (See Section 3) is based on some of the lessons from a similar initiative in the ASEAN region (SHIFT ASEAN), on-going dialogue with selected opinion shapers in South Asia⁴, complemented by growing evidence of the impact business and market-focused initiatives have on solving a range of development problems. These lessons are discussed in the next section.

1.2. Setting the Stage for SHIFT SAARC - Insights from SHIFT ASEAN and Broader Lessons from within and Outside of UNCDF

3. **It is important to reduce gender disparities in financial markets by taking explicit account of the heterogeneity of women in their interaction with markets.** Traditional market systems approaches to financial inclusion tend to be client-agnostic, focusing on key policy or supply-side constraints in particular product-markets (e.g. credit, deposit, insurance, payment market segments), provider groups (e.g. MFIs, banks, mobile network operators, cooperatives), market location (e.g. rural, urban), and core infrastructure (e.g. credit bureaus, industry associations). While these often result in progress in terms of expanding the frontiers of market access, they tend to do relatively less well in terms of securing actual use of services being made available. This is one of the reasons for significant gender disparities in financial markets (See Figure 6 and Figure 7). And even where programmes target women (such as in conventional microfinance programmes), supply-side consideration tend to drive design (e.g. women are better borrowers). Narrowing the gender gap will therefore require taking a more explicit account of the heterogeneous role women play in relation to their real-market participation and understanding of how such roles impact behaviour. Consultation and real-time feedback from challenge fund applicants under the SHIFT ASEAN programme suggests that there are three ways women interact with markets: a) as *consumers* of various goods and services needed for daily life; b) as *employees* in various types of firms from factories to small businesses; and c) as *entrepreneurs* serving local markets or feeding into established value chains as suppliers or vendors.

¹ South Asian Association for Regional Cooperation. The members include: Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka. The members are joined by observer countries, including Australia, China, the European Union, Iran, Japan, Mauritius, Myanmar, South Korea and the United States of America.

² Includes poor people (i.e. with income of US\$ 3.1 or less per day) and vulnerable non-poor people who are prone to fall in to poverty traps because of shocks (i.e. poverty threshold adjusted for food insecurity and vulnerability). Op.Cit. (ADB, Key Indicators for Asia and the Pacific 2014).

³ International evidence shows that access to quality financial services significantly increases the financial security of the poor, allowing them to better withstand economic shocks and take advantage of economic opportunities (Beck, Demirgüç-Kunt, & Levine, 2004).

⁴ Central Banks in Bangladesh and Nepal, Ministries of Foreign Affairs and Finance of South Asian LDCs, Sankalp Forum, DFID, Bill and Melinda Gates Foundation, Alliance for Financial Inclusion, and selected financial inclusion providers and thought leaders.

Offering financial services to better support the different ways women interact with markets can significantly improve the uptake of well-regulated financial services.

Therefore, the SHIFT SAARC strategy presented in this document incorporates significant behavioural research about women's customer journey and sex-disaggregated data analysis that will improve the evidence base. This evidence will: strengthen the case of serving women clients to businesses and financial service providers, as well as improving the use case to women about products developed by businesses and financial service providers. The strategy also incorporates significant investment in communicating the information so that the information is put into use by women, business and FSPs alike.

- 4. Building on rapidly growing digital ecosystems and platforms.** Increasing investment and growth of digital eco-systems are creating common rails to crowd-in a range of providers offering digitally enabled services that are dramatically increasing financial, social, informational, and commercial transactions. These are bringing new opportunities for women, especially through interoperable digital services that drive down the cost of customer acquisition (value and supply-chain partnerships, affinity group marketing, etc.); use of big data to enable faster and more effective credit decisions (i.e. mobile phone histories, internet and social media data, payment and e-commerce transaction history and ratings, behavioural and psychometric data, and more); raising new sources of capital through online and offline platforms to fill the finance gap; and creating new ways for women to network, connect, and build social and political capital and increase their bargaining power in the market place.

Therefore, the SHIFT SAARC strategy, in the context of an already growing digital eco-system, is to make targeted investments to stimulate new interconnected service models that rapidly increase women's access to financial services or reduce the gender gap in services that already exist.

- 5. Client-centricity requires broader engagement with real-economy market systems where women are/can be active economic agents as consumers, employees, or entrepreneurs/vendors.** Women's economic participation and empowerment is primarily derived from the functioning of real-economy markets where women participate as consumers, employees, or entrepreneurs/vendors. Well-functioning financial markets are important to the extent that these can be binding constraints to the efficient functioning of real-markets (e.g. increasing bargaining power of consumers, or enabling start and growth of small businesses that create jobs) and women's active participation in these markets.

Therefore, building on these lessons the SHIFT SAARC strategy incorporates three key elements to enable women to engage with broader real-market systems while maintaining focus of UNCDF's interventions on financial markets. These include:

- networking and building platforms that bring financial and real economy market actors together to identify market systems in which women are/can be active economic agents as consumers, employees, or entrepreneurs/vendor and understanding the underlying causes of the challenges in markets ('why?'), identifying the system-level changes required to address them ('what?'), and guiding interventions that can bring about sustainable change ('how?').*
- building strategic partnerships with real-economy market facilitators (e.g. ILO on employment, USAID on value-chain development, DFID on inclusive businesses) to create synergies between SHIFT SAARC's work on financial systems and their work of real-economy market systems.*
- incentivizing collaboration between financial and real economy actors through both technical assistance and smart-grants through the challenge fund.*

6. **Data and strategic communication drive discussions and engagement.** People are persuaded by data. When packaged well and communicated, data can work to engage senior level representatives, stakeholders and officials in dialogue on change, generating greater confidence in designing larger programmatic interventions. However, it is often seen that there is too much data available which is not well analyzed, targeted or reliable. Similarly, engagements need constant follow-up with multiple channels of communication used to maintain engagement.

Therefore, the SHIFT SAARC strategy is to apply data and communication as the default entry-point tactic for country-level engagement, leveraging overtime presence and larger programmatic intervention.

7. **Importance of building flexibility in applying a market development approach.** Financial markets, particularly in fast growing economies are inherently unpredictable and they are in a constant state of change — new providers and consumers continually entering and exiting and new regulators and policy makers acting and reacting to change—which makes second guessing market responsiveness a challenging proposition. A market development approach requires being alert to changes to the market and being opportunistic to take advantages of changes even if unplanned. Thus strategies will need to be reviewed regularly, highlighting the importance of bringing together people of shared perspectives but with different skills and constituencies to review strategy on an on-going basis and approve adjustments when necessary.

Therefore, SHIFT SAARC programmatic framework will be implemented with a modular approach and deliberately create structured engagement with a wide range of stakeholders to review and validate strategies and tactics, allowing for flexibility in implementation over time.

8. **A regional approach works well when it combines wide engagement across all the countries with limited set interventions with deep engagements in a limited number of countries with full-spectrum interventions.** One of the major lessons from the SHIFT ASEAN programme is that regional engagements across all the countries are most effective around a limited number of common themes (e.g. gender lens regulations or cross-border remittances) or shared platforms (e.g. ASEAN Working Committee on Financial Inclusion) or shared interests (e.g. pipeline of critical mass of projects from regional challenges). These are helping to create an open environment for market systems change through peer-to-peer collaboration, better access to knowledge and well analysed information, generating momentum around key themes, and attracting investors who are looking for project aggregators. These further need to be complemented with more intensive in-country work in a few selected countries applying the full range of programming interventions to bring about large scale change at the national level, as well as to generate the data, knowledge and constituency to support regional level action.

Therefore, SHIFT SAARC strategy is to intervene across all the countries through information and policy advocacy, while evolving deep engagements across at least 3 countries through the full range of programming interventions across data, policy, capacity development, and incentives.

9. **Stakeholder engagement and facilitation is people intensive.** Working through partnerships, strategic cooperation, coalitions, and alliances (as opposed to directly programming work) is people intensive. This is particularly the case when there are multiple stakeholders across several countries from diverse contexts, historical traditions and interests, which affects interactions among SAARC Governments. This is further complicated by the inclusion of other stakeholders from the private sector, advocacy organisations, research institutions, donors and other supporters of the financial sector. It takes time to build relationships with these partners over time through constant and consistent personal engagement, often face-to-face, across all levels.

Therefore, cognisant of the time and effort it takes to build relationships, the SHIFT SAARC strategy incorporates this lesson with key roles for and emphasis on stakeholder management both at the regional and country levels, deploying SHIFT SAARC staff time where appropriate or influencing others to act on SHIFT SAARC behalf (including the broader UNCDF network as well as allies). Additionally, critical mass of activities and budgets are devoted to workshops and meetings that offer opportunities to engage, understand and persuade stakeholders, while seeking always to broker peers-to-peer engagement between different types of institutions with potentially shared interests (with SHIFT SAARC staff following up to maintain momentum).

10. **Strategic management to build and maintain momentum potentially brings larger market development gains.** Deep market knowledge, relationships, principled 'opportunism', and strategic focus are central to building momentum for change. Yet market development approaches have multiple components from the heavy lifting of research, to organising conferences, to creating funding pipelines and the like. As the programme grows, it is important to create capabilities to deliver the transactional work through partnerships and long term agreements with contractors, while keeping the SHIFT SAARC team nimble, focused on looking at trends, managing relationships and influencing people, and creating and taking opportunities for change. This has worked particularly well in developing the pipeline for the SHIFT ASEAN Challenge Fund and in undertaking national financial inclusion diagnostics and road-mapping in cooperation with the UNCDF MAP team and wider infrastructure of partners and consultants.

Therefore, the SHIFT SAARC strategy is to "staff-up" as agreements are signed with programme donors, while maintaining and using a pool of consultants under short and long term agreements. The strategy is also to leverage implementation capability (consultants) and opportunities to share resources (e.g. shared staff positions) with other UNCDF programmes whether in-country in the region or outside of the region.

11. Learning, monitoring and evaluation drives the programme. While there is growing consensus on the conceptual and theoretical underpinnings of the private sector and market development approach bringing about large scale and sustainable impact by changing the behaviour of and the incentives provided to financial institutions and the ecosystem around them, there remains reticence about wide-scale adoption. This is partly because of pressures for 'quick results', partly because market development approaches do not follow a simple linear path, and partly because of measurement concerns around attribution and contribution.

Therefore, the SHIFT SAARC strategy will prioritise constant learning, monitoring and evaluation of programme results. Close monitoring will help to identify failures early in order to exit those interventions which are found not to be working and understanding the reasons for why they failed, to enable the programme to adjust its strategy and refocus on delivering results and ultimate impact. This will also contribute to wider understanding of the impact of market development approaches.

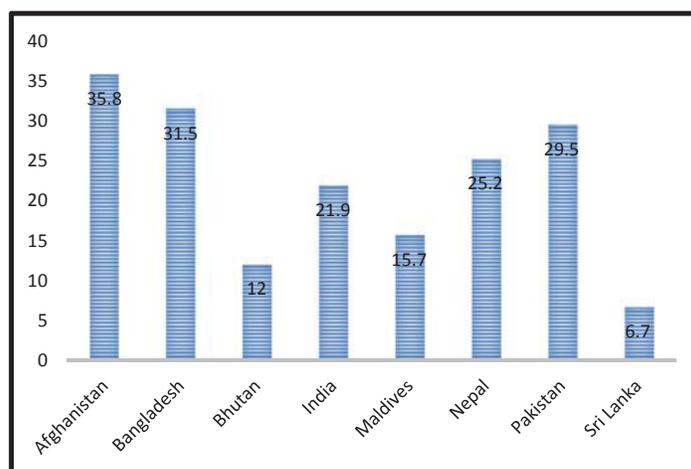
The SHIFT SAARC strategy will also document, capture lessons and actively disseminate knowledge to support changes in practices of other financial institutions and policy / regulation to ensure that wider systemic change can be affected. The programme will apply the results of the on-going partnership between UNCDF and Consultative Group to Assist the Poorest (CGAP) to pilot methodologies to measure of market systems approaches to financial inclusions through the SHIFT ASEAN programme.

2. Situation Analysis

2.1. Socio – Economic Context in the SAARC Countries

12. SAARC is home to more than 1.7 billion people spreading across 8 sovereign territories with a combined gross domestic product (GDP) of US\$ 2.4 trillion with strong growth projections for the next decadeⁱ.
13. Countries in SAARC have experienced **sustained growth rates** over the last decade and SAARC hosts some of the world's most vibrant economies such as Bangladesh, India and Maldives. Over the period 2005-2014, SAARC has achieved an average GDP per capita growth rate of 5.6% per annumⁱⁱ.
14. Sustained growth together with significant progress in health and education attainment has contributed to a dramatic fall in the share of population living in poverty within SAARC. The percentage of people living below US\$ 1.90 per day in SAARC has reduced from 50.6 percent in 1990 to 18.8 percent in 2012ⁱⁱⁱ. Similarly, the percentage of low income people living below US\$ 3.1 per day has declined from 81.8 percent to 54.5 percent over the same period^{iv}.

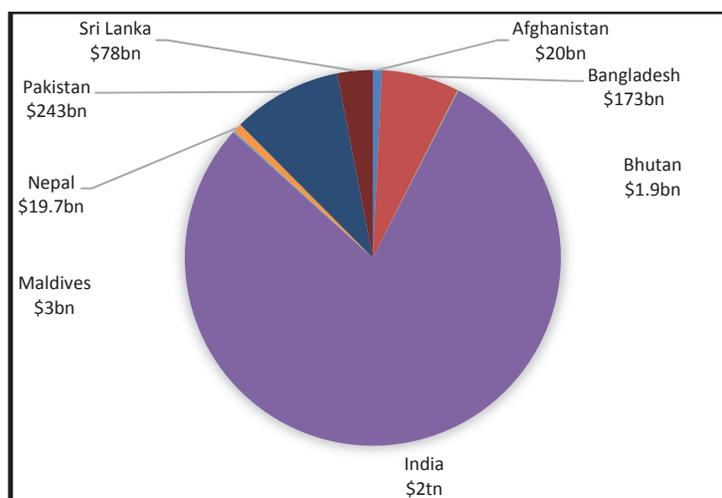
Figure 1 Poverty Headcount ratio at national poverty lines (%)



Source: World Bank (2016). Development Indicators.

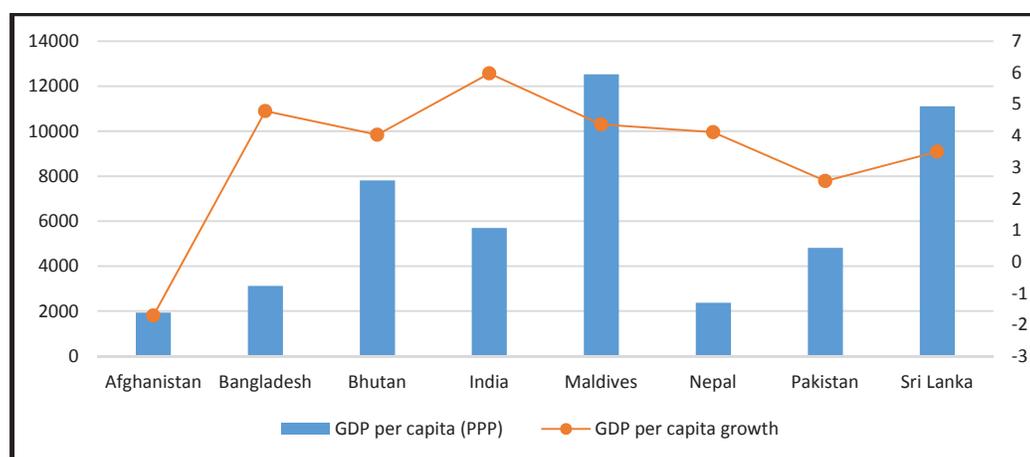
15. Despite growth and progress, there are significant contrasts among and within the SAARC member countries. SAARC is home to four Least Developed Countries (Afghanistan, Bangladesh, Bhutan, Nepal), and four Middle income countries (India, Maldives, Pakistan, Sri Lanka). There are also significant differences in the size of the economies (as shown in *Figure 2*) rates of economic growth (as shown in *Figure 3*), and proportions of people living in poverty (as shown in *Figure 1* above).

Figure 2 GDP size in US\$ in SAARC countries



Source: World Bank (2016). Development Indicators.

Figure 3 GDP per capita in US\$ in SAARC countries



Source: World Bank (2016). Development Indicators.

16. Besides the fact that almost 322 million people live below the international poverty line, there are widening inequalities in economic opportunities and incomes across the region as shown in *Table 1*. Considering the variances among countries, on average the richest 10% of the population hold between 26 percent to 32 percent of income compared to the poorest 20 percent who hold between 7 and 10 percent of income.

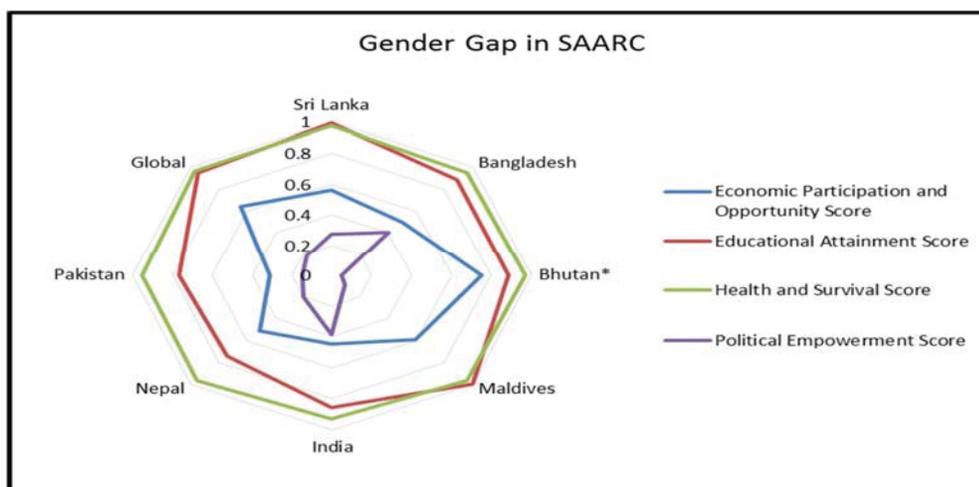
Table 1 Percentage of Income Inequality in selected SAARC countries

Variable	Bangladesh	Bhutan	India	Nepal	Pakistan	Sri Lanka
% of income share held by poorest 20% the people	8.9	6.8	8.2	8.3	9.6	7.3
% of income share held by richest 10% of the people	26.8	30.6	30.0	26.3	25.6	31.8

Source: World Bank Development Indicators, Bangladesh, Nepal, Pakistan (2010), India (2011), Bhutan and Sri Lanka (2012)

17. Women are greatly impacted by widening economic, income and political inequalities (as shown in Figure 4). While there is near parity between women and men in key areas of health, survival and educational attainment across almost all countries in SAARC^v (except notably Pakistan and Nepal)⁵, the significant gender inequalities in political and economic participation persist. Evidence shows (Becker 1984^{vi}; World Bank 2012^{vii}; Goldman Sachs 2014^{viii}) that these inequalities **can result in lower levels of growth and social welfare** as higher consumption and labour productivity is foregone and women's greater propensity to invest in health and education is not captured. Countries with more equal access to employment and education for women benefit from lower child mortality, as well as from more thriving businesses and faster economic growth.

Figure 4 Gender Gap in SAARC



Source: The Global Gender Gap Report (World Economic Forum 2014)

2.2. The Opportunity through Financial Inclusion

Figure 5 Definition of Financial Inclusion

What is Financial Inclusion?		
Universal access for individuals and SMEs, at a reasonable cost, to a wide range of financial services, provided by responsible and sustainable institutions		
	INDIVIDUALS/ MICRO-ENTERPRISES	SMALL AND MEDIUM ENTERPRISES
Credit	<ul style="list-style-type: none"> Consumption smoothing Investment in human development (health, education, etc.) 	<ul style="list-style-type: none"> Financing for working capital and investment From financial institutions or through supply chain
Savings	<ul style="list-style-type: none"> Cushion in case of shocks Low risk source of self-financing 	<ul style="list-style-type: none"> Firms rely primarily on retained earnings (savings) for financing
Insurance	<ul style="list-style-type: none"> Risk management tool for managing shocks 	<ul style="list-style-type: none"> Lowers risk of business activity
Payments	Electronic/innovative retail payments. Government payments (including Conditional Cash Transfers) and remittances	<ul style="list-style-type: none"> Firms rely on payments for efficient, low cost, safe transactions

⁵ No data available on Afghanistan.

18. **Access to and use of regulated financial services** can drive low-income people's move out of poverty. With the support of financial services, individuals and micro-entrepreneurs are better able to secure opportunities to build equity, invest in businesses and in themselves (e.g. on health care, education and skills), better manage their small and irregular incomes, and more easily send and receive money. Similarly, small and medium businesses can secure opportunities to invest and grow, creating jobs for the region's young and growing workforce,⁶ helping individual employees to secure regular income flows and better plan and manage their finances.
19. Financial services can also have powerful impacts when used to support specific development priorities such as gender equality, health, and education. For example, regulated financial services to **individual women and businesses led by, employing or serving women** can expand women's choices as consumers and employees by increasing their earning, purchasing power and consumption. These also help to transform society by fostering greater investments in child wellbeing, reducing household poverty, and enhancing aspirations for the next generation of girls and women (World Bank, WRD 2012)^{ix}.
20. While consumers and enterprises require a full range of financial services, there is growing evidence that the absence or inadequate access to some services create greater binding constraints for some market segments than others and these vary according to gender. **Capital constraint is one of the main reasons for the suboptimal size of female-owned firms**, compared with male-owned ones (Sabarwal & Terrell, 2008)^x and it is more generally a binding constraint to the growth of all small firms (IFC, 2013)^{xi}.
21. In contrast the absence of **well-functioning deposit and savings markets is a binding constraint for women in the individual consumer and micro-enterprise market segments**,⁷ where there is a greater preference internally generated for equity rather than debt (Fafchamps, McKenzie, Quinn, & Woodruff, 2014)^{xii}.
22. Expanding financial inclusion further creates opportunities for **national economies** to grow. As more savings are captured for investment, greater business activity and transactions through the formal system can widen the base for employment and taxation. Additionally, there is growing evidence of financial inclusion creating **more stable financial systems and economies** (Morgan & Pontines, 2014), which in turn helps economies grow more quickly and in ways that are more favorable to low-income people and businesses. The growth impact of financial inclusion can be further enhanced when combined investments in local infrastructure investments provided through fiscal decentralization and syndicated project finance⁸.

2.3. The Financial Inclusion Context in the SAARC countries

23. Despite the opportunity presented by financial markets to unlock key constraints in the lives of the poor, **few people have the opportunity to use formal financial markets.**

⁶ SAARC MSMEs are vital for broad-based economic growth through self-employment and regular paid employment, both of which can result in poverty reduction. Over 90 per cent of the firms in SAARC member States are SMEs, creating on average 50 per cent of employment (IFC SME Indicators).

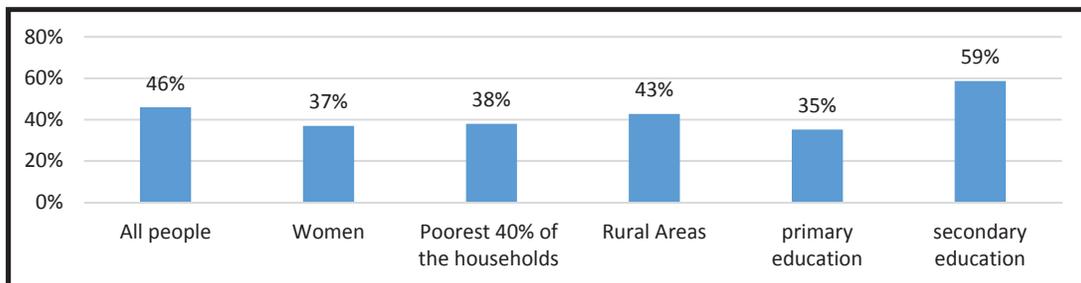
⁷ Savings works better for women's microenterprises compared to credit for men's microenterprises, while savings also generate relatively more positive economic outcomes for women consumers. (World Bank, 2014). This is true except for credit markets that transfer capital in-kind such as leasing, hire purchase, and inventory purchases.

⁸ This will be through UNCDF's Local Development Finance Practice and their portfolio of local infrastructure investments targeted towards Women's Economic Empowerment; Food Security; Climate Change & Clean Energy; and Local Economic Development. UNCDF works with central and local government in Bangladesh, Bhutan and Nepal to establish sustainable mechanisms for public and private infrastructure finance that unlocks and develops primarily domestic capital markets. One feature of this is municipal investment finance, that applies this methodology in urban contexts.

Only about half of the population is included in the formal financial system across South Asia with major differences in levels of access countries. Sri Lanka's (83 percent) and India's (53 percent) populations having highest access among the SAARC countries, followed by Nepal (34 percent), Bhutan (34 percent), Bangladesh (31 percent), Pakistan (13 percent) and finally Afghanistan (10 percent) having the lowest access^{xiii}.

24. **Poorer households have a much lower account ownership than middle and high income households**, as shown in *Figure 6*. This figure also shows that people with primary education have lesser access to bank accounts in SAARC when compared to people with secondary education (35 percent vs 59 percent respectively). *Figure 7* further illustrates that women have lower access to credit and savings products compared to their male counterparts. Women in SAARC member countries are less likely to have borrowed money in the last 12 months and to do so from financial institutions. However, some countries like Nepal and Bhutan have reduced the gender gap in access to credit compared to other SAARC countries.

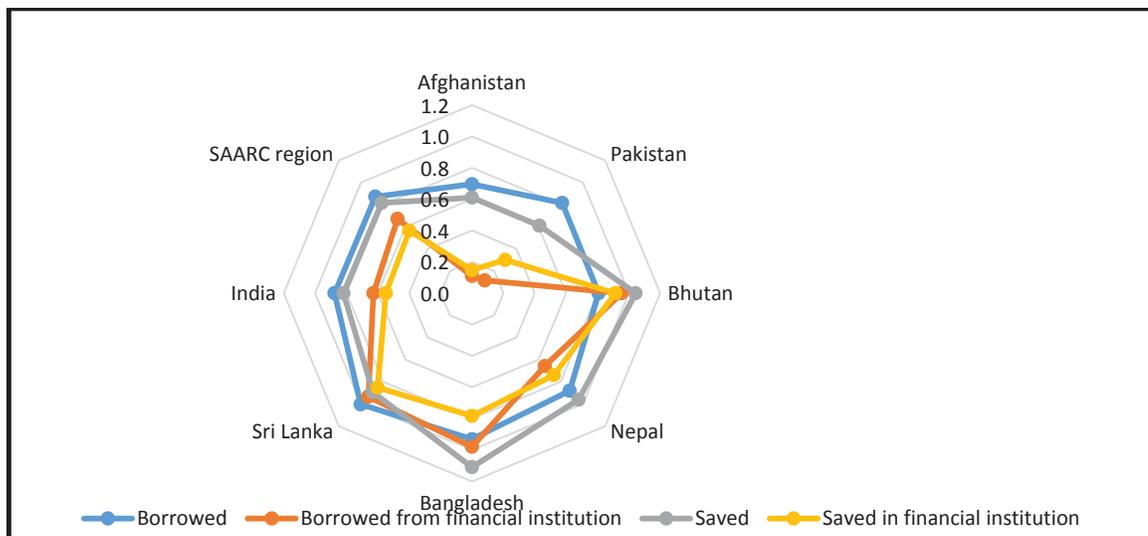
Figure 6 Percentage of People in SAARC with Access to Account in 2014



Source: The Global Findex Database 2014.

25. **Women's financial inclusion trails national averages at nearly 20 per cent.** Women remain unbanked with only 37 percent of them owning an account compared to 55 percent of men (Global Findex, 2014) as shown in *Figure 7*.

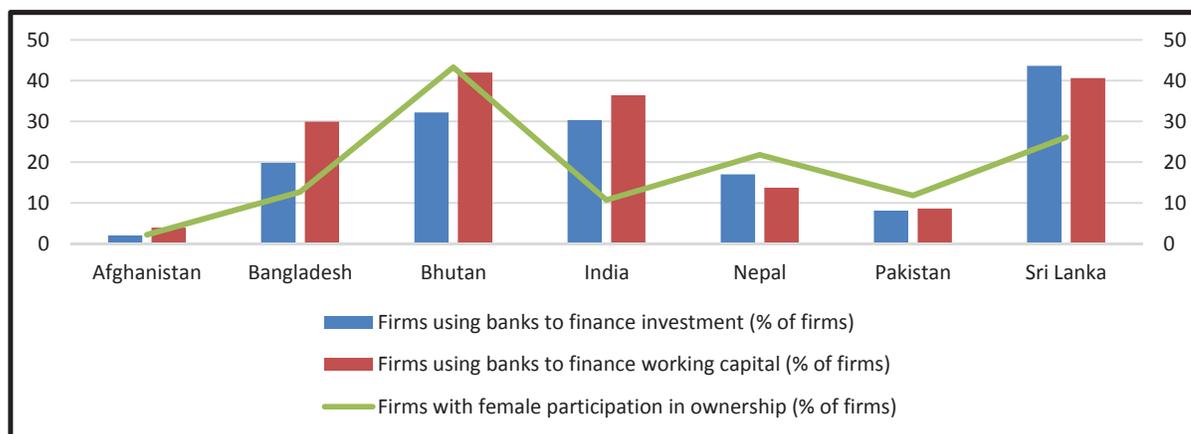
Figure 7 Women's Borrowing and Savings in SAARC



Source: The Global Findex Database 2014.

26. Just over a **quarter of businesses in South Asia use banks to finance working capital** with significant variations across the region, as shown in *Figure 8*. Financing for investment is even lower at just over 21 percent, while women’s participation in business ownership is only 18 percent. This data is suggesting that businesses, like individuals do not have full access to financial services.

Figure 8 Business use of financial services in SAARC



Source: World Bank Financial Sector indicators database

27. **Financial inclusion is a greater problem for businesses at the lower end of the market** (i.e. those employing between 1 and 50 employees), which account for more than 98 percent of all micro, small and medium enterprises (MSMEs)^{xiv} and women headed SMEs⁹ when compared with SMEs headed by men, despite having similar patterns of performance, size, and employees (Mishra, 2015)^{xv}. It is at this stage of business growth where a lack of finance for SMEs stymies the investments needed to boost productivity and business growth and create employment opportunities.
28. Access to finance by micro and small enterprises is additionally exuberated by a generally **challenging business environment** with Bhutan ranked 71st in the World Bank’s “Ease of Doing Business Index”, followed by Nepal (99), Maldives (128), India (130), and Pakistan (138) and the much lower ranked Bangladesh (174) and Afghanistan (177).
29. For individuals and microenterprise, as well as MSMEs, there is a significant **problem of usage of financial services**, even when the access frontier has been extended to such groups. For individuals and micro-entrepreneurs, these often relate to **problems of knowledge and information**, which can be addressed through financial literacy, while for SMEs the problem of usage is more related to **institutional capacity to meet the requirement of the financial sector**, which can be solved through business development and incubation. Usage is also driven by the **value of services** provided by financial institutions, which often relate to the characteristics of financial products (alignment of product terms with need), ease of access (transaction costs to the customer), and quality of services (customer experience).

⁹ The IFC estimates that as many as 70 per cent of women-owned SMEs in the formal sector in developing countries are unserved or under-served by financial institutions.

2.4. Key Constraints in Financial Market Systems in the SAARC countries

30. Consultations with financial inclusion market leaders and selected governments suggests that the member countries of SAARC share three key constraints in their financial market systems that limit both the expansion of access as well as use of financial services by consumers and enterprises within countries and the region as a whole. These include constraints imposed by relatively small market systems, inadequate investments arising from information asymmetries and risk aversion of FSPs, weak inter-connections between financial and real-economy markets and between countries, with policy and regulatory fragmentation and patchy capacity across market actors crosscutting the issues.

- a. Relatively small market systems offering relatively modest distribution infrastructure:** Despite the size of some of the economies, the financial systems in most of SAARC countries is relatively small and in some of the economies relatively weak. These are foundational constraints that require significant, often public, investments in market infrastructure, which the private sector is commonly not willing to absorb alone giving the significant sunk costs in building out such infrastructure. For example, bank assets with the private sector as a percentage of GDP (a measure of financial depth) is only on average 57 percent in India and Nepal, 43 percent on average in Bangladesh and Bhutan, just over 21 percent in Pakistan and Sri Lanka, while Afghanistan languishes at close to 8 percent (World Bank Development Indicators Database).

Consequently, Bhutan, India and Sri Lanka, the middle-income countries in the region, have on average nearly 16 branches per 100,000 adults, compared with 36 in the US and 32 in Europe; the number is even lower in Bangladesh, Nepal and Pakistan, with on average close to 9 branches per 100,000 adults, while Afghanistan extends just over 2 branches to 100,000 adults. Additionally, Bhutan, India and Sri Lanka average 19 ATMs per 100,000 adults, while Bangladesh, Nepal and Pakistan average just over 8 ATMs per 100,000 adults, lower than the average for Sub-Saharan countries.

- b. Inadequate investments arising from information asymmetries and lack of incentives for FSPs to extend last-mile infrastructure:** Despite the small size of financial markets in the SAARC countries relative to GDP, in monetary terms the financial system holds over \$1.2 trillion in assets¹⁰, part of which can be deployed to extending the frontiers of access. This dwarfs net ODA receipts of \$1 billion a year in the region. Similarly, complementing bank assets, there is an alternative investor market growing in the region (including venture capital, social and impact investors) with close to \$900 million already deployed and looking to deploy further. Narrowing information asymmetries through better data and knowledge offers one way to incentivise private sector to deploy its capital to invest in extending last mile infrastructure to new customer markets as well as improve service offering, while offering to share risk through smart-grants and others forms of capital can offer further incentives to tip them over the edge from a 'no go' to a 'go' investment decision.
- c. Fragmented financial market systems within and across national markets and weak inter-connections between financial and real-economy markets:** The region's financial markets are highly fragmented with a diverse set of providers operated and regulated within narrow corridors with little or no interconnection.

¹⁰ For example, South Asian banks hold over \$1.2 trillion in assets with the private sector alone. Excluding India, Bangladesh holds over \$72 billion followed by Pakistan (\$38 billion), Sri Lanka (\$21 billion), and Nepal (\$12 billion), and under a billion dollars each for the others (World Bank Development Indicators Database).

These include traditional commercial banks, state banks and other state supported non-bank institutions and arrangements such as post-offices, savings-institutions, village funds, and other actors. There is also a growing number of both for-profit and not-for-profit commercial microfinance institutions, user-owned microfinance cooperatives, credit unions, and savings-groups. More recently, mobile network operators are joining these and other branded retailers and e-commerce platforms offering opportunities to primarily receive and send cash, and sometimes store money electronically through their extensive network of agents and retail outlets. Collectively, these present a significantly wide network that can help part-resolve problems of last-mile distribution infrastructure and more efficient pooling and allocation of resources if these were more tightly inter-connected. More connected financial markets can also significantly lower the cost to the final client, helping to narrow the gap between access and use of financial services.

Weak interconnects within financial markets extend beyond national boundaries, constraining the potential transformational impact of **cross-border remittances**, leveraging the active cross-border labour migration context in the region. Better interconnection between national markets can significantly impact on women by offering an on-ramp to financial inclusion, particularly where women tend to be the recipients of remittances. Finally, financial markets are also weakly connected to real-economy markets, particularly where poor people and women participate, except where financial institutions are required to serve priority sectors as part of public policies in each of the SAARC member countries.

Addressing information asymmetries and offering incentives can alter the risk adjusted returns of private sector to create stronger links, and improved coordination between policy makers (central banks, ministries of finance and line ministries that regulate and promote the development of real economy systems) and private sector actors.

31. Addressing these key constraints can **make the existing system more efficient, competitive and attractive to investors and providers of financial services**. In turn, they may be more willing to invest in market infrastructure. SHIFT SAARC programme framework therefore takes a market systems approach.

2.5. The Opportunity for Change

32. There is a **growing momentum for financial inclusion**, which occupies a significant place in the Sustainable Development Goals (SDGs), Agenda 2030, and the Addis Ababa Action Agenda.¹¹
33. The importance of financial inclusion has been recognized **among Governments and financial sector professionals** across most SAARC countries. SAARC Finance, a formal network of Central Bank Governors and Finance Secretaries of SAARC countries, has prioritized financial inclusion and south-south cooperation.
34. **Women are especially prioritized**, particularly in their role as consumers and employees, as increased earnings and consumption benefit women and transform society by fostering greater investments in child well-being, reduced household poverty, and enhanced aspirations for the next generation of girls and women (World Bank, 2012). This is a new development from the important traditional focus on equality.

¹¹ The SHIFT programme will seek to create linkages with the wider architecture for delivering these, ensuring that the programme contributes to and benefits from global commitments.

35. **Innovative models are emerging** that address financial exclusion of individuals and businesses. These include innovative partnerships that drive down the cost of customer acquisition (e.g. value and supply-chain partnerships, affinity group marketing, etc.), use of big data to enable faster and more effective credit decisions (i.e. mobile phone histories, internet and social media data, payment and e-commerce transaction history and ratings, behavioural and psychometric data, and more), and raising new sources of capital through online and offline platforms to fill the finance gap.
36. **Alternative financing vehicles** including venture capital, social and impact investors, are looking at the opportunities provided by SAARC's consumer and business markets, both of which are significantly shaped by purchasing decisions of women.
37. **New demographic and social trends^{xvi}** are increasing the demand for financial services (e.g. rapid urbanization, growth youth bulge, transition from agriculture to trade, services and manufacturing, increasing women's mobility).
38. These opportunities, and aforementioned challenges, form a basis for programme framework and strategy as described below.

3. Programme framework and strategy

3.1. Strategic Intent

39. As the capital investment agency of the UN, UNCDF through the SHIFT SAARC programme framework will focus its efforts on specifically **removing market constraints limiting women's equal access to economic opportunities and participation in the markets**. **SHIFT SAARC** will particularly focus on **interlinked financial markets** which continue to exhibit constraints to accessing economic opportunities in **real-economy markets**. By **changing the behaviour of market actors** (private and public), UNCDF will **stimulate investment, business innovations, and regulatory reform** to expand economic participation of and opportunities for low-income people, especially women, and small and growing businesses to be active agents in the formal economy. This is expected to contribute to increased growth in income and employment, reduced vulnerability to shocks¹² and lower poverty levels.

3.2. Overall approach

40. SHIFT SAARC will apply a **regional approach** by taking advantage of regional-level policy and cooperation processes, in particular through SAARC Secretariat, SAARC Finance, SAARC Development Fund, and the SAARC Social Enterprise Development Programme. The regional approach seeks to take advantage of the economies of scale in addressing common constraints across a number of countries (e.g. knowledge and information asymmetries), while reducing the restrictions that cannot be addressed through work in individual countries alone (e.g. cross-border remittance and digital information and communication markets). SHIFT SAARC creates a platform to share knowledge and lessons, favors peer-interactions and facilitates countries to reach a broader range of institutions and partners. In addition, SHIFT SAARC's regional approach brings cost efficiency gains through, for example, applying a single challenge fund mechanism covering several countries as opposed to setting up country-by-country challenge fund mechanisms.

¹² International evidence shows that access to quality financial services significantly increases the financial security of the poor, allowing them to better withstand economic shocks and take advantage of economic opportunities (Beck, Demirgüç-Kunt, & Levine, 2004).

By adopting a regional approach, SHIFT SAARC is best placed to discover and engage potential investors and providers from a neighboring country to invest and work across borders, taking advantage of deep understanding of cultural and political-economy contexts as well as leveraging on financial flows changing from north-south to south-south among neighboring countries.

41. SHIFT SAARC will apply a **client-centric approach** to increase use of financial services. This can be achieved in three ways:
- working on the demand side by providing information to low income people, especially women, and small and growing businesses to improve their understanding of the value of more regulated financial services in addressing their money management, investment and risk-mitigation needs;
 - working on the demand side by providing financial education of low-income people, especially women, to improve their ability to use and manage financial services and by providing a range of incubation services¹³ to small and growing businesses to improve their prospects for attracting investments needed for business growth;
 - working on the supply side by incentivizing financial service providers to adapt their business models for low-income people, especially women, and small and growing businesses that best leverage women's economic participation through better understanding the behaviour of and opportunities in these market segments, design of product and delivery channels, marketing, customer acquisition and retention strategies, customer services orientation.

In each country, UNCDF will identify which one or a combination of these have the greatest prospect to drive use and will prioritise these (e.g. in the case of Bangladesh, digital account usage has been identified as a priority while poor understanding among financial service providers of the behaviour and opportunities in low-income consumer and small business markets has been identified as one of the key constraints driving usage).

SHIFT SAARC work to address both demand and supply side constraints, depending on context, but will work primarily through financial service providers to address these (i.e. UNCDF will not directly work with consumers or businesses but work through supply-side providers).

42. SHIFT SAARC contributes to the following outcomes of the UNCDF Strategic Framework 2014-2017:
- Outcome 1: Financing increased for basic services and inclusive growth/local economic development through Influencing behavior change of market actors and incentivizing investments.
 - Outcome 2: Effective financing mechanisms established to increase resilience to economic and environmental shocks in the last mile through increasing the availability and use of a range of regulated financial services to low income people, micro-entrepreneurs, and SMEs, especially women within these markets.
 - Outcome 3: Policy environments fostered that enable last mile financing for development through driving collective action and high-level political change in coalition with others, leading to systemic market change.

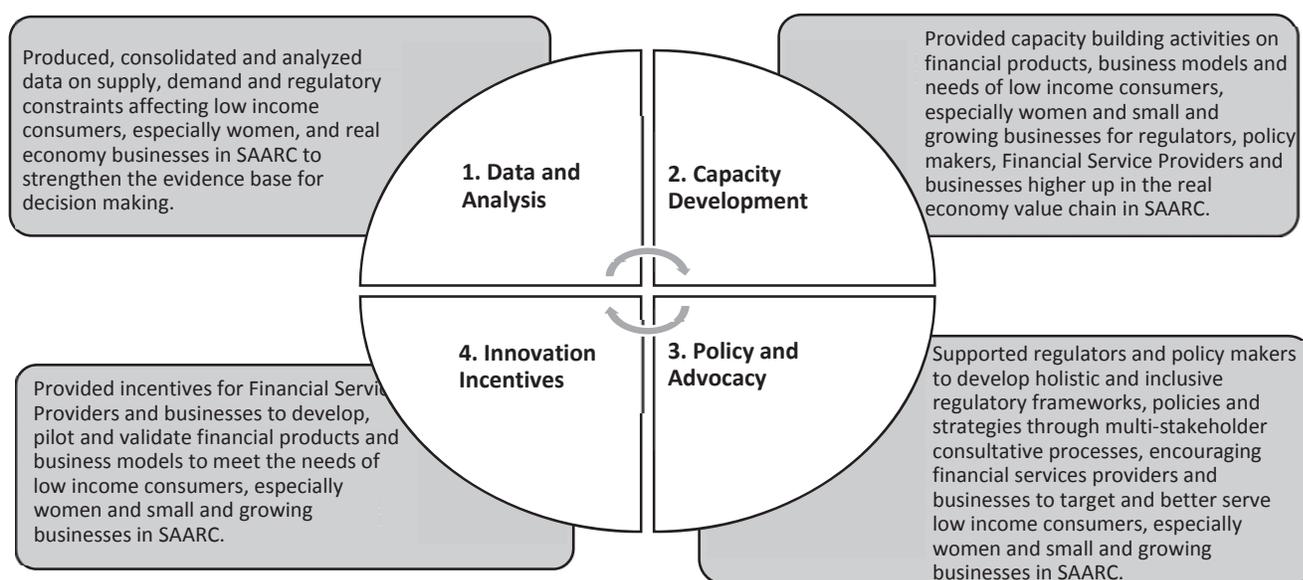
¹³ Incubation services include shared spaces, market intelligence, business planning, business process development, mentoring and coaching, and linkage with investors.

3.3. Intervention Framework

43. SHIFT SAARC will influence behaviour change of market actors through SHIFT SAARC's four **interventions** designed to change the incentives and capacities of market actors. These interventions include (see *Figure 9* below):

- **Providing credible client-centric and sex-disaggregated data and analysis** (Output 1: Data and Analysis) to inform and influence decisions of financial institutions, real-economy businesses, investors, and regulators.
- **Support capacity building activities including training, mentoring and knowledge exchange visits** (Output 2: Capacity Development) will improve the skills and capacity of policymakers, regulators, FSPs and businesses higher up in the real economy value chain.
- **Coordinating public and private interest groups and supporting regulatory and policy changes** (Output 3: Policy and Advocacy) to create enabling environment and build advocacy capacity and political will to reform policies and regulations.
- **Offering financial and non-financial incentives to market actors and improving their awareness about government policies, business models, products and services** (Output 4: Innovation Incentives) to support interest and innovation as well as to boost replication and expansion of products and business models.

Figure 9 SHIFT SAARC intervention framework



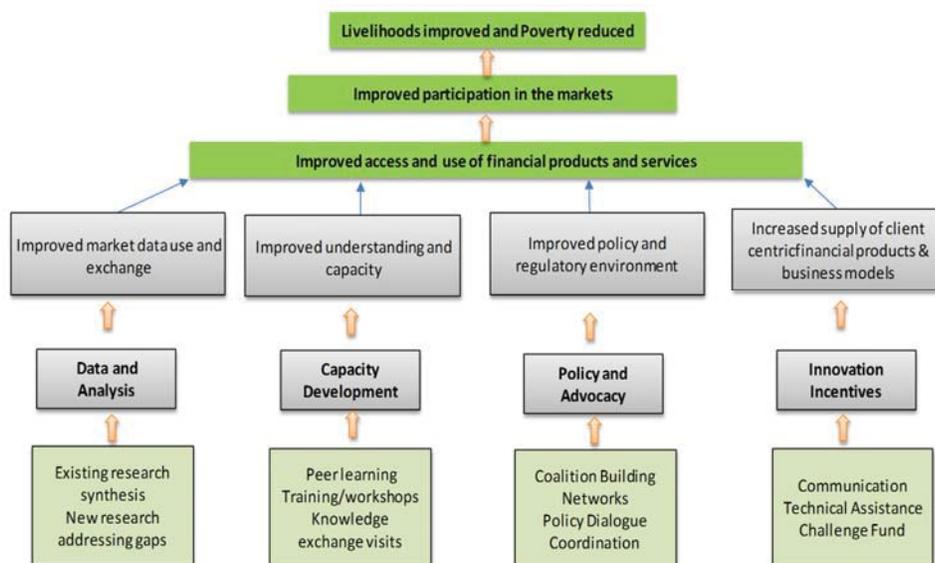
3.4. SHIFT SAARC Theory of Change

44. SHIFT SAARC Theory of Change (ToC) is a conceptual model of how SHIFT activities lead to short (output), intermediate (outcome) and long term (impact) changes. SHIFT SAARC ToC is based on an understanding that markets are of fundamental importance in the livelihood strategy of low income people, women and small and growing businesses. Markets are where low income people and women, as employees and businesses owners, earn their income and where, as consumers, they spend their income to buy food, invest in education, housing, retirement.

45. Low income households, particularly women, have diverse livelihood strategies, encompassing a range of activities. For most, using financial services is a key strategy to achieve livelihood goals and interact with real economy markets. Financial services enable households to take advantage of employment, entrepreneurship and investment opportunities. Interacting with financial markets is therefore an important aspect of the livelihood strategies for many low income households. However, low income people and especially women, for one reason or the other, are unable to equally participate in financial markets and therefore cannot take full advantage of real markets (be employed, start a business for example) and improve their living standards. For these reasons, improved access to financial markets and better use of financial products is critical in assisting low income people and women to fully benefit from real economy markets, and therefore improving market access is an important element of SHIFT SAARC ToC and strategy.
46. The ToC (see below *Figure 10*, and a more detailed ToC in Annex 1) hypothesizes that linking real economy markets with financial markets will enable low income people, women and small and growing businesses to access employment, entrepreneurship and investment opportunities to improve their livelihoods.

Based on secondary research, ToC starts with an understanding that in many SHIFT SAARC markets there is a lack of data, capacity, enabling policy and regulatory environment and innovation incentives for financial inclusion which in turn impacts ways low income people, especially women, access and participate in the financial and real economy markets. To change this, it is important to improve market data and information availability and exchange; improve understanding and capacity of providers, small and growing businesses and regulators; facilitate policy and regulatory changes in financial and real economy markets and improve products, services and business models. These improvements will lead to better access and use of financial products and services affecting the terms and conditions of market participation for low income consumers, women and small and growing businesses: increasing employment, entrepreneurship and investment opportunities. As a result of these changes, low income people, women and small and growing businesses will be able to improve their livelihoods.

Figure 10 Theory of Change



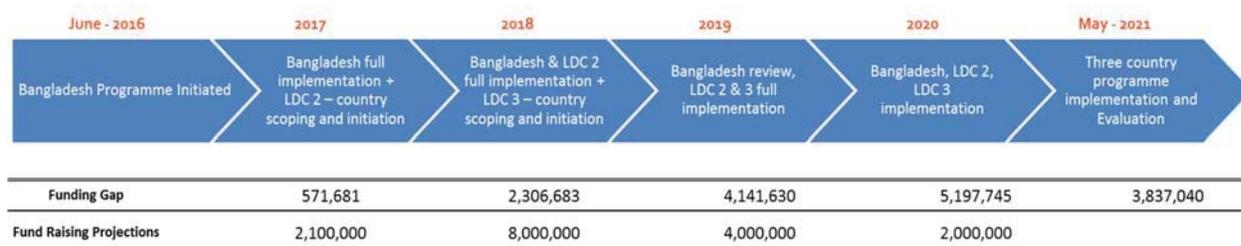
47. SHIFT SAARC supports four types of interventions: 1. *Improving* data and market information exchange; 2. *Improving* understanding and capacity; 3. *Improving* policy and regulatory environment; and 4. *Increasing* supply of financial products and business models through incentives.

3.5. SHIFT SAARC roll-out methodology

48. SHIFT SAARC intervention framework offers a broad scope and flexibility to discover and address distinctive market challenges faced by low-income people, especially women, in each of the SAARC countries. The nature and extent of these interventions will vary from country to country and these interventions will further be refined based on a specific market context by applying modular approach to rolling-out the programme, investigating how particular systems work and continually adapting interventions through monitoring and learning so that these can be adjusted to the new understanding of the systems (Jenal and Cunningham 2013: 5^{xvii}). In alignment with UNCDF’s mandate, SHIFT SAARC programme will prioritize interventions first and foremost in LDCs, specifically Bangladesh, Bhutan, Nepal and potentially Afghanistan. SHIFT SAARC will focus on building strategic partnerships and networking at the regional level, hence non-LDC countries may benefit directly from these partners, from participation to regional events, from UNCDF’s knowledge and experience shared with all countries in the region.

49. The roll out methodology is summarized in *Figure 11* below:

Figure 11 SHIFT SAARC Roll out Methodology



50. A fundamental principle for country presence that SHIFT SAARC will consider is expressed demand from LDC governments or key market actors. Beyond this and as outlined in the lessons informing SHIFT SAARC’s strategy (Section 1.2), targeted time-bound data and communication activities will be the default entry-point tactic for country-level engagement, which is expected to leverage larger programmatic intervention over time at the ratio of 1:10. In countries with significant presence and technical infrastructure (i.e. country portfolio greater than \$5 million - \$10 million depending on country context), SHIFT SAARC would ordinarily require a minimum investment of \$100,000-\$200,000 to initiate country-level activities. Countries with modest presence and technical infrastructure (i.e. country portfolio less than \$5 million), SHIFT SAARC will ordinarily require a minimum investment of \$200,000-\$300,000, while in countries with no presence a minimum of \$350,000 - \$500,000.
51. The minimum UNCDF investment would support specific research, analytics and communication on key constraints in interlinked financial markets affecting women’s economic participation, which in turn will contribute to engaging key stakeholders and influencing national dialogue and policy processes. This entry-level would leverage development of larger programme within the country, while also contributing to regional data and engagement of peers from other countries.

52. As SHIFT SAARC is adopting a market development approach, the programme will be alert to changes in the market and opportunistic in taking advantage of changes even if unplanned. In fact, markets, particularly in fast growing economies, are inherently unpredictable and are in a constant state of change — new providers and consumers continually entering and exiting and new regulators and policy makers acting and reacting to change — which makes second guessing market responsiveness challenging. Bangladesh is a case where confluence of circumstances has created an important space to significantly shape incentives and capacities of market actors to transform financial markets for women through expansion of digital accounts (Annex 8 for specific interventions in Bangladesh).

4. Beneficiaries, partnerships and sphere of influence

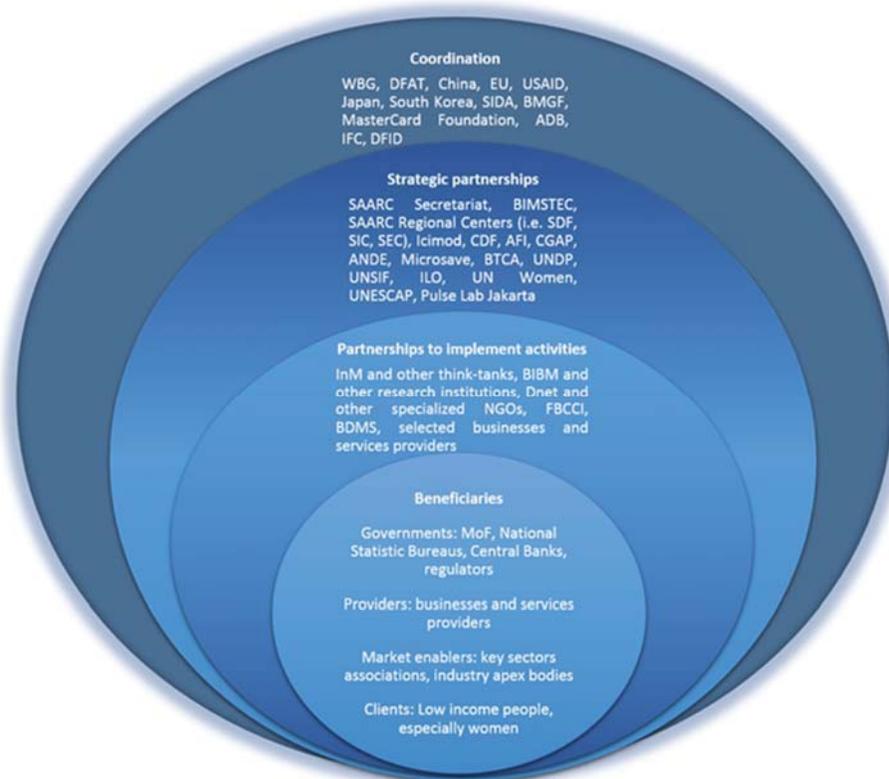
4.1. Beneficiaries, partnerships and coordination

53. UNCDF will engage with a wide range of inter-governmental, governmental, commercial and non-commercial partners including with donors and UN system partners. The root of UNCDF's appeal is in its commitment to and long experience with market systems approach, neutrality as a UN agency, existing on the ground presence in SAARC, and a dynamic and technically capable in-house team. Beyond this, UNCDF's proposition varies from stakeholder to stakeholder. Specific opportunities for UNCDF to leverage its investment through partnerships, strategic partnerships and coordination are described in *Figure 12* below.

54. SHIFT SAARC will **benefit** four groups of market actors:

- **Governments:** in each target county, UNCDF will liaise with Government counterparts, in particular the Central Banks, Ministries of Finance and relevant ministries responsible for driving policies in key real-economy markets where women significantly participate as economic actors. The aim will be to: a) facilitate learning opportunities and strengthen their capacities to carry out their core functions; b) provide greater access to existing and new research for evidence-based decision making; c) promote an enabling policy and regulatory environment, and; d) support innovation to favor financial and real markets expansion.
- **Financial service providers and real-economy businesses:** businesses and services providers will benefit from SHIFT SAARC support in terms of products and business models innovation adopting a client centric approach. In addition, SHIFT SAARC will: a) strengthen providers' capacities through training and technical assistance; b) promote access and usage of data and research to inform products and business models innovations, and; c) support an enabling environment for products innovation and businesses scale up.
- **Market enablers:** SHIFT SAARC will benefit market enablers (key sectors associations, industry apex bodies among others) by: a) promoting a more enabling environment for innovation and businesses scale up, and; b) widening data access in support to informed decision making.
- **Low-income people and small and growing businesses, especially women:** SHIFT SAARC will adopt a client centric approach to address constraints in market systems that offer the greatest opportunities for women. Through SHIFT SAARC, low income people, especially women will benefit from greater opportunities to participate in the financial and real-economy markets as consumers, employees and entrepreneurs, reducing their vulnerability to shocks and poverty.

Figure 12 Beneficiaries, partnerships and coordination



55. When implementing SHIFT SAARC, UNCDF will take a nuanced approach building on existing national efforts to advance financial inclusion. Specifically, UNCDF will:
- **Partner** with national organizations to deliver some of the programme’s activities to build national capacity through grants and/or technical assistance.
 - **Establish** strategic partnerships with national organizations to align activities and leverage of each other work in the fields of financial inclusion and market systems development.
 - **Coordinate** with donors and funders to maximize synergies and improve shared learning in respective areas of interest and expertise.
56. Among the strategic partners, SHIFT SAARC will work very closely with SAARC Secretariat in Kathmandu Nepal, as well as the SAARC development Fund (SDF) in Thimphu, Bhutan through partnership agreements with UNDP and UNSIF. SHIFT SAARC activities are in line with the SAARC Charter, in particular on accelerating economic growth, promoting active collaboration and mutual assistance. In addition, UNCDF will promote financial inclusion through various SAARC events such as the SAARC Summits (every two years), the meetings of the SAARC Finance Ministers, the activities of SAARC Finance (a regional network of SAARC Central Bank Governors and Finance Secretaries). UNCDF will also develop partnerships with SDF in collaboration with UNSIF (see section 4.3. below).

4.2. South-South and Triangular Cooperation

57. South-South and Triangular Cooperation has become a prominent agenda for international development cooperation in the recent years. UNCDF through the SHIFT SAARC programme will be promoting cooperation among LDC countries within and between regions (i.e. ASEAN, Pacific, Africa) and provide opportunities for mutual sharing and exchange of development solutions between and among countries in the global South such as knowledge, experiences and good practices, policies, technology and the like. Additionally, UNCDF will also seek to engage in partnerships between two or more developing countries along with a third partner willing to fund these exchanges of experiences and learning (Triangular Cooperation).

SHIFT SAARC will therefore focus its efforts on:

- Facilitating the exchange and sharing of financial inclusion solutions, providing practical guidance and support to ensure high quality knowledge sharing (short, medium and long-term exchanges, learning routes, study tours and training).
- Fostering knowledge management and networks, connecting South-South solution providers with seekers (supply and demand), scaling up knowledge sharing and enhancing two-way learning among a wide range of southern actors.
- Facilitating upstream policy support, including policy dialogue and knowledge sharing among policy-makers in close collaboration with other strategic partners (e.g. CGAP, AFI and the like).
- Fostering an enabling environment, mobilizing broader partnerships and resources.

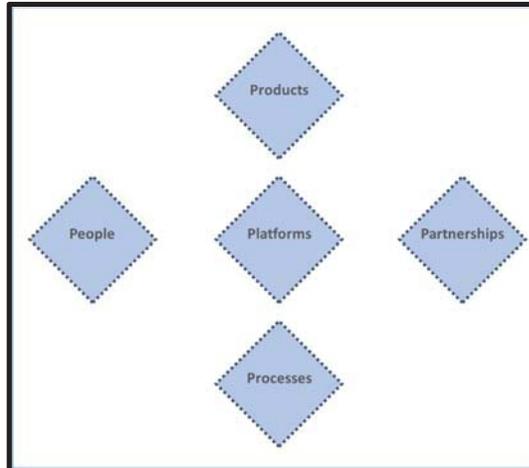
4.3. Knowledge Management and Sharing

58. Learning and knowledge management will be an important aspect of the SHIFT SAARC programme to ensure the programme remains responsive to regional needs and circumstances as well as to encourage and maintain interaction and cross - programme learning with other UNCDF and non-UNCDF initiatives in SAARC. SHIFT SAARC will increase knowledge flows among BTCA, MM4P and SHIFT SAARC and seek to find ways to compliment knowledge products produced by BTCA and MM4P.

SHIFT SAARC will favour knowledge exchange across the region through disseminating data and research generated in the programme; facilitating capacity building and exposure visits; favouring networking and peer-to-peer dialogue; sharing business models and products innovations promoted by the financial and non-financial incentives offered by SHIFT SAARC. This will contribute to the adoption of common approaches in the regional financial inclusion agenda and will ensure that UNCDF is able to crowd in other development partners in cementing its market development approach.

59. SHIFT SAARC knowledge management plan will be focused on the 5Ps of the knowledge management strategy: People, Processes, Products, Platforms and Partnerships (see *Figure 13* below).

Figure 13 Knowledge management plan - 5P



People: Training and capacity building. Training and development will be focused on building the capacity of SHIFT SAARC government counterparts, FSPs, businesses and other relevant stakeholders.

Processes: Streamline SHIFT SAARC operational processes. SHIFT SAARC will synthesize and generate a significant amount of information during its implementation in the form of data, analysis and researches. Processes for regularly and consistently collecting and disseminating data, learnings and best practices will be developed during the programme.

Products: SHIFT SAARC aims to disseminate data, research and knowledge to promote low income people and women active participation in real-economy and financial markets in SAARC countries. As part of the programme, knowledge products will be produced, published and widely disseminated. These will include research papers, short articles to maintain interest and continuity, policy briefs among others.

Platforms:

- Intranet: SHIFT SAARC reports, legal documents and the like will be stored in the UNCDF intranet.
- UNCDF website: SHIFT SAARC website presence will be developed in close coordination with UNCDF and relevant stakeholders. Any website presence will be directly linked to the UNCDF website.
- Knowledge management and sharing among other programmes and relevant stakeholders and access to relevant documents: SHIFT SAARC will endeavor to enhance communication among its stakeholders and FIPA and to facilitate discussions among experts (i.e. through Dgroups).
- Webinars: learning and sharing of knowledge and lessons learned will take place through webinars to discuss new ideas with UNCDF staff and relevant stakeholders when needed.

Partnerships: Build knowledge and research partnerships. To complement UNCDF advocacy efforts, SHIFT SAARC will seek to build further partnerships with knowledge focused organizations, think tanks, academia and advocacy groups, where possible. Robust knowledge management will also ensure SHIFT SAARC programme long term relevance.

4.4. SHIFT SAARC in the Context of ONE UNCDF and ONE UN

60. SHIFT SAARC will **offer a strategic platform for the existing UNCDF’s ongoing programmes, discrete project initiatives and strategic alliances** both regionally and globally to maximize the coherence and impact of UNCDF’s work as a whole. SHIFT SAARC will do this by:
- Facilitating establishment of new and support to the existing UNCDF networks in the region and globally with resources and expertise and by acting as a repository of information and facilitating knowledge sharing across the network of programmes.
 - Partnering with ongoing projects within UNCDF’s network, providing co-funding and technical support, bringing regional and global learning, and expanding investments across the borders.
 - Engaging regional and global stakeholders and push forward policy agendas, and good practices.
61. SHIFT SAARC will also proactively explore opportunities to **create space for leveraging current and expanding future UNCDF’s capabilities in small infrastructure investment and project finance**. In fact, combining investments in infrastructure with investments in financial inclusion for small and growing businesses can have a multiplier effect in turning infrastructure corridors into economic corridors for small and growing businesses supporting innovation in products and business models¹⁴.
62. Impact on women’s financial inclusion depends on interventions at country, regional and global levels:
- At the country level, SHIFT SAARC will complement on-going funded financial inclusion activities in the SAARC countries with a relevant UNCDF presence. The regional programme will work with UNCDF financial inclusion country coordinators to align activities through current development of country frameworks, ensuring complementarity, coherence and synergy of financial inclusion activities to solve country needs.
 - At the regional level, SHIFT SAARC will offer a single coherent entry-point to regional institutions and processes as well as to SAARC countries with limited UNCDF presence facilitating networking, knowledge sharing through UNCDF’s financial inclusion capabilities¹⁵.
 - At the global level, SHIFT SAARC will contribute to developing an agenda to influence global policy processes (e.g. G20) in financial inclusion involving key LDCs, together with countries from other regions and programmatic initiatives.
63. **SHIFT SAARC will partner with UNDP Regional Office for the Asia and Pacific in Bangkok**. The programme will work through UNDP’s existing MOU and institutional relationships with SAARC, the SAARC Development Fund (SDF) and other regional entities to leverage support on financial inclusion issues relevant to SAARC and its membership. This would include but not be limited to issues such as financial inclusion for MSMEs, women's economic empowerment, youth empowerment, local economic development, post-disaster early recovery and climate change. Potential activities that UNDP may leverage through this partnership include local and regional-level capacity building, policy dialogues and roundtables, knowledge exchange initiatives, prototype development and scaling up, and South-South learning.

¹⁴ This will be through UNCDF’s Local Development Finance Practice and their portfolio of local infrastructure investments targeted towards Women’s Economic Empowerment; Food Security; Climate Change & Clean Energy; and Local Economic Development. UNCDF works with central and local government in Bangladesh, Bhutan and Nepal to establish sustainable mechanisms for public and private infrastructure finance that unlocks and develops primarily domestic capital markets. One feature of this is municipal investment finance, that applies this methodology in urban contexts.

¹⁵ UNCDF FIPA capabilities include product area expertise such as savings and remittances; client-group expertise such as women, youth and micro and small enterprises; real-markets expertise such as agriculture and energy; functional and complementary-markets expertise such as digital ecosystem development, data and research; and investment expertise such as syndicated project finance, challenge funds, and pre-investment accelerator services.

The partnership with UNDP will be based on comparative advantages in the different areas of work. One example will be to proactively explore connections with IELD, the joint UNDP, UNWomen and UNCDF women's economic empowerment global programme in the area of investment finance.

UNCDF has been rated by CGAP the highest in terms of institutional systems and standards for managing financial inclusion projects, which both attracts very strong technical expert in financial inclusion into UNCDF and provides UNCDF with credibility and influence across the industry. UNCDF has strong relationship with Central Banks and Ministries of Finance in countries where it works, while the partnership with the Alliance for Financial Inclusion extends UNCDF reach to these constituencies globally.

UNDP has a broader presence in non-LDCs and shares with UNCDF presence in LDCs. In addition, UNDP has a broader engagement with policy makers and SAARC institutions.

In the case of SHIFT SAARC, the details of the partnership may vary in relation to the different contexts but could envisage UNDP undertaking activities such as demand side capacity building of recipients of financial institutions, organizing conferences and convening meetings with wider policy circles, and providing local procurement and HR services.

64. **SHIFT SAARC will collaborate with the United Nations Social Impact Fund (UNSIF)**, a Multi-Partner Trust Fund partnership between UNDP, UNCDF, UNEP, and UNFPA. SHIFT SAARC will act as an implementing partner to upstream investors syndicated through UNSIF, including with the SAARC Social Enterprise Development Programme (SEDP), which aims to build and scale social enterprises and micro-small and medium enterprises (MSMEs) by using a mix of grants and concessional returnable capital. UNSIF has been selected to develop and implement the SEDP. UNSIF, through the implementing partners, including UNCDF, intends to fund around 100 enterprises and businesses across the 8 SAARC countries by the end of its mandate (see Annex 7 for description of UNSIF's partnership arrangements with SEDP).
65. SHIFT- SAARC will also leverage of collaborations with other UN agencies established under SHIFT ASEAN and will seek to **expand the collaborate with the wider UN system**:
 - IFAD in the area of financing rural micro-entrepreneurs and SMEs.
 - ILO in the area of better work and women and micro-insurance.
 - UN-ESCAP in the area of financing for development, South-south and triangular cooperation.
 - UN Women in the area of women's economic empowerment.
66. UNCDF will also rely on the support from national partners (e.g. central banks, ministries of finance among others) to implement programme activities for which UNCDF will be providing funding. Additional funding will be provided to strategic partners as well as other grantees in each country.

4.5. Good Governance on Financial Inclusion and Responsible Finance

67. UNCDF recognises accountability, transparency, participation, non-discrimination, and efficiency as the good governance principles. UNCDF promotes responsible finance principle as a member of the Smart Campaign Steering Committee, and by developing a set of principles around "responsible digital finance" with particular attention to payments together with CGAP.

UNCDF will also draw on its experience in applying Client Protection principles to: safeguard clients from over-indebtedness and predatory lending; ensure its partnering financial service providers adapt responsible finance practices, and; ensure that terms of their services and products are transparent, products features are easy to understand and are appropriately priced.

68. UNCDF will:

- Incorporate client protection principles within the overall programme approach, as well as include in technical assistance training initiatives targeting the programme partners.
- Monitor whether financial arrangements are fair vis – a – vis stakeholders, especially women and other disadvantaged groups.
- Encourage partners to employ transparent pricing mechanisms and monitor the extent to which programme partners abide to the principle of transparent pricing.
- Advise and encourage financial institutions it partners with to adopt client protection principles within their bylaws by linking it's grant assistance with the acceptance and implementation of these principles.

69. UNCDF will also require that partnering FSPs report to the MIX Market on selected social performance indicators as a part of their quarterly reporting. The intention of tracking social performance is based on the maxim “we manage what we measure.” that is by requiring FSPs to measure their own social performance, UNCDF expects them to pay more attention to selected social performance areas and increase their efforts.

5. Results Framework

70. The guiding framework for SHIFT SAARC results capturing the vision behind the initiative is presented in the *Table 2* below. This framework acts as a guidance under which specific SHIFT SAARC country results framework will be developed. SHIFT SAARC's intervention will focus on four key outputs which are presented in the results and resources framework attached in Annex 2.

Table 2 Broad Resources and Results Framework SHIFT SAARC

5.1. Indicative Results for Output 1: Data and Analysis

Output 1: Data and Analysis: Produced, consolidated and analysed data on supply, demand and regulatory constraints affecting low income consumers, especially women, and real economy businesses in SAARC to strengthen the evidence base for decision making.					
Inputs	Activities	Participants	Outputs	Regulators and Providers Outcomes	Financial and Real Market Outcomes
Financial: US\$ 3,373,588 Funded: US\$ 897,312 Unfunded: US\$ 2,476,045	1.1. <u>Synthesize</u> existing research findings into formats tailored to government, FSPs, businesses, and donors. 1.2. <u>Identify</u> data needs among regulators, FSPs and businesses. 1.3. <u>Capture</u> new data, especially customer centric data on women and businesses practices among different market segments which are not well captured by existing research and; identify market drivers. 1.4. <u>Sponsor</u> national research organizations in undertaking case studies, consumer centric behavioural research, and big data analytics. 1.5. <u>Promote</u> use of credible research practices and tested analytical tools to collect data and generate robust analytics (e.g. MAP, ANDE entrepreneurial ecosystem diagnostic toolkit, BTCA payment-system diagnostic etc.) 1.6. <u>Prepare</u> reports targeting policy makers/regulators and market providers.	National bureaus of statistics MAP Programme ANDE FSPs in SAARC Real-economy businesses Research think tanks and policy institutes in SAARC SAARC regulators ¹⁶ (i.e. Finance Ministers and Central Bank Governors' Working Group)	Synthesized existing research products on supply, demand and regulations. Produced targeted research products on supply, demand and regulations.	Improved data, (supply and demand) quality and availability for regulators, FSPs, meso level organizations and small and growing businesses.	Increased use of evidence for decision making among regulators, FSPs, meso level organizations to meet the needs of low income consumers, especially women, and small and growing businesses in SAARC by 2021.

¹⁶ Regarding data ownership, government institutions will own some of the data, while others such as providers have proprietary rights on data they generate.

5.2. Indicative Results for Output 2: Capacity Development

Output 2: Capacity Development: Provided capacity building activities on financial products, business models and needs of low income consumers, especially women, and small and growing businesses for regulators, policy makers, Financial Service Providers and businesses higher up in the real economy value chain in SAARC.					
Inputs	Activities	Participants	Outputs	Regulators and Providers Outcomes	Financial and Real Market Outcomes
Financial: US\$ 3,883,030 Funded: US\$ 953,200 Unfunded: US\$ 2,929,645	2.1 Facilitate capacity self-assessment undertaken by regulators to identify knowledge gaps and learning objectives. 2.2 <u>Engage</u> development partners to co-invest in supporting regulators, FSPs, businesses to meet learning objectives. 2.3 <u>Facilitate</u> peer-to-peer learning among regulators, FSPs and businesses in SAARC. 2.4 <u>Facilitate</u> participation of regulators, FSPs and businesses in relevant learning opportunities (e.g. training, conferences, South-south exchanges).	Regulators, policy makers in relevant real-economy markets, financial service providers and real-economy businesses. AFI and other networks of relevant regulators and policy makers in real-economy markets.	Conducted capacity assessments. Facilitated participation of regulators, FSPs, businesses in peer-to-peer exchanges, training and events. Provided trainings and workshops on regulations, advocacy, innovation among others.	Increased knowledge and skills of regulators, FSPs, businesses and meso level organizations to develop financial products, business models and policies addressing the needs of low income people, especially women, and small and growing businesses.	Increased adoption of sustainable market strategies and business practices among regulators FSPs and meso level organizations to develop solutions to meet the needs of low income consumers, especially women and small and growing businesses in SAARC by 2021.

5.3. Indicative Results for Output 3: Policy and Advocacy

<p>Output 3: Policy and Advocacy: Supported regulators and policy makers to develop holistic and inclusive regulatory frameworks, policies and strategies through multi-stakeholders' consultative processes, encouraging financial services providers and businesses to target and better serve low income consumers, especially women, and small and growing businesses in SAARC.</p>					
Inputs	Activities	Participants	Outputs	Regulators and Providers Outcomes	Financial and Real Market Outcomes
Financial: US\$ 3,938,207 Funded: US\$ 1,245,693 Unfunded: US\$ 2,692,045	<p><u>Networks and Platforms</u></p> <p>3.1 <u>Scope</u> national and regional networks, platforms and individual opinion-shapers with wide constituencies in financial and real-economy markets where women are significant participants.</p> <p><u>Communication & Advocacy</u></p> <p>3.2 <u>Engage</u> and facilitate networks, coalitions and individuals to convene on financial and real economy market constraints and opportunities and ways policy processes can be leveraged to address these issues, particularly as they affect women's participation in these markets.</p> <p>3.3 <u>Undertake</u> perception surveys among policy makers and regulators to assess the openness and responsiveness to policy processes.</p> <p><u>Direct Support for Policy Development</u></p> <p>3.4 <u>Support</u> the financial market regulators and relevant ministries backing real-economy markets to develop specific strategies and policies to support pro-poor, pro-women, and pro-small business market development in SAARC</p>	<p>Central Bank governors in SAARC</p> <p>National Advocacy Coalitions</p> <p>Industry Apex Bodies</p> <p>World Bank, CGAP, DFID, AFI, UNSIF</p> <p>Women's economic empowerment networks and organizations/networks working in cross cutting development areas</p> <p>Communication company</p>	<p>Supported networks and coalitions to convene dialogue on financial and real economy market constraints and opportunities.</p> <p>Developed national strategies and policies for financial inclusion and their support to real-economy markets where women significantly participate.</p> <p>Facilitated partnerships among SAARC governments and regional/international bodies for enhanced collaboration on interconnected market for women across the region.</p>	<p>Improved policy and advocacy environment, coalitions and partnerships between public/private sector, financial and real economy markets to meet the needs of low income people, especially women, and small and growing businesses.</p>	<p>New policy, regulatory and normative frameworks stimulating innovation and expansion of products and services among FSPs and real economy businesses to meet the needs of low income consumers, especially women, and small and growing businesses in SAARC by 2021.</p>

	3.5 <u>Support</u> participation of national governments in regional/ global policy dialogues			
	3.6 <u>Facilitate</u> collaboration between SAARC governments and other regional/international bodies to peer-review and support the development of specific strategies and policies targeting pro-poor, pro-women, and pro-small business market development.			

5.4. Indicative Results for Output 4: Innovation Incentives

Output 4: Innovation Incentives: Provided incentives for Financial Services Providers and businesses to develop, pilot and validate financial products and business models to meet the needs of low income consumers, especially women, and small and growing businesses in SAARC.					
Inputs	Activities	Participants	Outputs	Regulators and Providers Outcomes	Financial and Real Market Outcomes
Financial: US\$ 8,828,046 Funded: US\$ 871,886 Unfunded: US\$ 7,957,045	<u>4.1 Innovation-driven communication</u> a. Above the line communication: • Widely showcase innovative business products and practices b. Below the line communication: • Facilitate communication of financial products and business models best practices in SAARC countries and globally for targeted providers and businesses <u>4.2 Modified Technical Assistance Challenge</u> • Expression of interest (Eoi) based identification of selected providers and businesses, and supporting an active learning-action process, analysing provider/businesses data and facilitating reflections	Communications company Fund management contractor Financial service providers Real-economy businesses Research firms Technical service providers/contractors	Disseminated market data on supply, demand and regulations to FSPs and medium-large businesses through campaigns and conferences. Formed a community of practice with FSPs and businesses.	Increased quality and supply of a wide range of client-centric financial, products, business models and services meeting the needs of low income people, especially women, and small and growing businesses.	Increased investments from the private sector leading to enhanced diversification and replication of products and services, and business models focusing on meeting the needs of low income people, especially women and small and growing

	<p>of potential areas of business process/product/business-model improvements, identifying information gaps, assumptions and risks, and development of costed plans to test assumptions and risks of new business process, product or business model.</p> <ul style="list-style-type: none"> • Request for application (RFA) process, assessed and finalised through an independent assessment panel of experts, for technical assistance to selected providers implement plans to test assumptions and risks of new business process, product or business model. • Select partners taking into consideration the social and environmental screening procedure. • Sign input-based technical assistance agreements with close monitoring and capturing of lessons for wider dissemination. <p>4.3 Second Generation Challenge Funding</p> <ul style="list-style-type: none"> • Request for application (RFA) process, assessed and finalised through an independent assessment panel of experts, for matching funds to selected providers implement plans to test innovations at moderate scale. • Sign performance-based funding agreements with close monitoring and capturing of lessons for wider dissemination keeping in consideration the social and environmental screening procedure. <p>4.4 Engage development partners in supporting the innovation of products and business models development process and offer opportunities to co-invest in projects.</p>		<p>Provided technical assistance and matching-funds to FSPs and businesses to develop, test and roll out innovative products and business models.</p>	<p>businesses in SAARC by 2021.</p>
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	4.5 <u>Crowd-in</u> and attract investors to capitalize on financial services providers and real economy businesses expansion and scale, and their need for further mainstream capital.				
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6. Sustainability of Results

71. The SHIFT SAARC programme approach includes a strong advocacy component to influence behavioural change of partners and incentivise investments. In this regard, it aims at improving national and regional policy coordination and coherence between institutions working in financial inclusion as well as strengthening the capacity of financial inclusion professionals to address the needs of low-income individuals and small and growing businesses, with a particular focus on women. These aspects, combined with strengthening FSPs capacity to develop and pilot appropriate models and technologies, contribute to a high level political change through awareness and push to promote financial inclusion strategies targeting low-income segments as well as a collective dialogue and shared will between policy making institutions and the private sector actors.
72. The political change will bring about a systemic change leading to an improved and more responsive policy and regulatory environment in which national financial inclusion policies, regulations and strategies are implemented to improve outreach to low-income segments and improved business models and technologies are introduced in the market by FSPs targeting particularly low income consumers.
73. As there will be a progressively increased alignment on economic integration and financial inclusion policies and regulations across the SAARC countries, national financial inclusion strategies will be more effectively implemented and, together with the scaling-up of proven business models and technologies, will increase the number, diversity and affordability of financial services and products bringing to a widened access and usage.
74. This will ultimately lead to reduce poverty and vulnerability to shocks, as well as increase income and employment of low-income people.
75. To sum up, due to the scale and reach of the results foreseen by the programme, it is expected that the changes brought about by SHIFT SAARC will be sustainable and will continue long after the completion of the programme. In addition, it is expected that, as a result of SHIFT SAARC, at least one million low income people, women and small and growing businesses access and use financial services to secure opportunities for employment, enterprise development, and increased sustainable consumption.

7. Governance and Management Arrangements

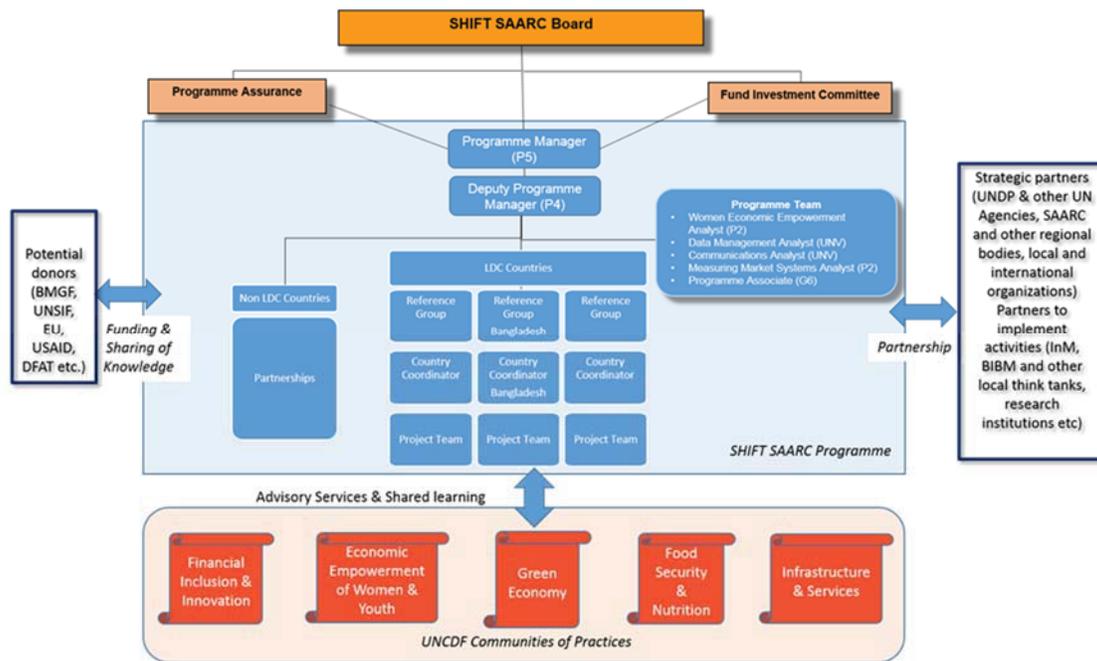
76. SHIFT SAARC will be managed directly by UNCDF following the Direct Implementation (DIM) rules and procedures. UNCDF, as the Implementing Partner, will be entrusted with the implementation of the UNCDF assistance specified in the programme document along with the assumption of full responsibility and accountability for the effective use of UNCDF resources and the delivery of outputs. However, as described above, UNCDF will collaborate very closely with a wide range of national, regional stakeholders and key strategic partners.

7.1. Governance and Oversight

SHIFT SAARC Board

77. The SHIFT SAARC Programme will be governed by a Board consisting of: FIPA Director, as the Chairperson, but also initially representing the beneficiaries; the contributing donors. However, those donors that have earmarked funding for specific countries, would only have a right to vote in decisions that pertain to activities within their specific country, but they will be able to participate in discussions on all the activities. SHIFT SAARC will also look to include country/SAARC representatives in the Board. Refer to *Figure 14* below. See Annex 6 for Board Terms of Reference.
78. The SHIFT SAARC Board will meet at least once a year, in person or virtually. In cases when the Programme Manager requires further guidance and board decisions on critical issues than additional meetings may be convened. Each member of the Board has the overall responsibility of the programme assurance. The Board will be supported from the Regional Office in Bangkok for the programme assurance functions by carrying out objective and independent programme oversight and monitoring. This will ensure that appropriate programme milestones are managed and completed in line with the decisions made by the Board members. In addition, SHIFT SAARC will benefit like other projects from the contributions from HQ (UNCDF Policy, Partnership, and Communications (PPC) Unit, Management Support Unit (MSU) and Evaluation Unit).
79. At the national level, reference groups will be established to provide strategic guidance for activities in the respective countries. The reference groups will be chaired by SHIFT SAARC Programme Manager and will include the key national stakeholders to ensure their agreement with the prioritization of intervention and the direction of actions in the country programmes. This will also ensure that the beneficiaries' voices are well represented in the implementation of SHIFT SAARC activities.

Figure 14 SHIFT SAARC Programme Structure



Innovation Incentives Facility Investment Committee

80. Subject to funding availability, SHIFT SAARC plans to create multiple investment windows. To that end, as a part of the due-diligence process, SHIFT SAARC will establish an Innovation Incentives Facility Investment Committee (IC) consisting of financial experts from the SAARC countries, as well as experts on cross-cutting issues including gender.
81. The IC will review applications received through the call for funding proposals process, and make recommendations as to which proposals should be presented to the SHIFT SAARC Board for their review and approval. The IC is likely to meet a minimum of two times per year or as requested by the Chairperson of the SHIFT SAARC Board.

7.2. Management

82. The SHIFT SAARC programme team will be based at the UNCDF Regional Office in Bangkok. Initially the team will be composed of the Programme Manager, a Measuring Market Systems Analyst, and a Programme Associate. Given the importance of this regional programme, the UNCDF Senior Regional Technical Advisor will be assigned as the SHIFT SAARC Programme Manager. Apart from the Programme Manager, all the other positions indicated in the organogram are new posts and currently unfunded. In addition to the staff identified above as initial team, priority positions are the Data Management Analyst (UNV), the Communications Analyst (UNV) and the Women Economic Empowerment Analyst (P2) as highlighting constraints in interlinked financial markets affecting women’s economic participation has been identified as a key opportunity for entering new countries as it will contribute to engaging key stakeholders and influencing national dialogue and policy processes. The Deputy Programme Manager (P4) will be hired when SHIFT SAARC is implemented in two countries and expanding to a third one.
83. In addition to the regional structure, national teams will be hired in the LDC countries of intervention (initially in Bangladesh, the first country of implementation, followed by gradual recruitment in the other countries as the programme expands). The national team in Bangladesh, fully funded, will include: Country Coordinator; Data Analyst; Project Officer; Project Associate; Driver (see Annex 8 and 9 for further details). UNCDF plans to establish strategic partnerships with national and international partners for implementation of activities in non LDC countries. In addition, SHIFT SAARC will draw upon the technical expertise and knowledge from other UNCDF regional and global programmes (e.g. Digital Financial Services expertise, etc).

Programme Roles and Responsibilities

Title	Responsibilities
Regional Office, Bangkok	
Programme Manager (P5)	The Programme Manager (PM) has the overall authority to run programme activities on a day-to-day basis as per decision made by the Board outlined in the annual work plan. The Manager’s key responsibility is to ensure that the programme produces the intended results specified in the programme document, to the required standard of quality and within the specified constraints of time and cost.

Deputy Programme Manager (P4)	<p>The Deputy Programme Manager (DPM) will support PM in the day-to-day implementation of activities. DPM will be directly responsible for the programme delivery, budget, programme activity implementation, providing support in terms of operations and in particular procurement.</p> <p>DPM will build a technical and support team to assist implementation and will be supervising the programme team. DPM will also be responsible to maintain a roster of vetted consultants or long-term contracts with relevant experience.</p>
Measuring Market Systems Analyst (P2)	<p>The Measuring Market Systems Analyst will ensure regular monitoring of activities taking place within the programme framework, support progress and donor reporting by making sure that the reports are accurate and submitted on time. The Measuring Market Systems Analyst will also liaison with the UNCDF Evaluation Unit at HQ when it undertakes specific country or programme evaluations, as well as in preparing the Terms of References (TOR)s, selecting the team of experts to carry on the mid-term and final evaluations.</p>
Women Economic Empowerment Analyst (P2) -Cost shared with SHIFT ASEAN	<p>Women Economic Empowerment Analyst will support the Manager to develop processes, tools or systems to support the collection of genders disaggregated data in close coordination with the Data Management Analyst, promote and ensure women empowerment throughout the programme implementation. Corresponding to the section on UN synergies, this staff will coordinate with the joint UNWomen, UNDP and UNCDF Women’s Economic Empowerment programme.</p>
Data Management Analyst (UNV)	<p>The Data Management Analyst will provide support to PM in terms of organizing the scoping country missions, support conducting of research in the region and in-depth country research, generating financial market data and analytics among SAARC member countries, sharing of data/research results with key stakeholders, identifying cross-regional issues related to inclusive finance etc.</p>
Communications Analyst (UNV) - Cost shared with SHIFT ASEAN	<p>The Communications Analyst will be responsible for all the communications activities of SHIFT SAARC, ensuring visibility of the results achieved by the programme and advocating for women’s increased access to real and financial markets.</p>
Programme Associate (G6)	<p>Programme Associate will support the implementation of SHIFT SAARC activities through operational and administrative support to the programme team.</p>
Country Offices, Field	
Country teams	<p>In each target country UNCDF will appoint a Country Coordinator to lead the implementation of in-country activities, providing guidance on strategic issues, forging and maintaining strategic partnerships, facilitating knowledge management and sharing.</p>

	The country teams will be recruited to support the core SHIFT SAARC team in the implementation of the programme activities in respective countries, engage in policy discussions related to more inclusive financial and real-economy markets, provide in-country support for data gathering and dissemination, studies, researches, advocate and raise awareness in country about the innovation of product and business models, share lessons learnt with local and the like.
UNCDF Communities of Practices	SHIFT SAARC will draw upon the technical expertise and knowledge from other UNCDF regional and global programmes.

8. Visibility and Outreach

84. To the extent possible, SHIFT SAARC will acknowledge the important role played by collaborating partners and donor agencies in supporting the implementation of the SHIFT SAARC initiative, while ensuring such branding and attribution remains in compliance with UNCDF branding standards and requirements.

9. Monitoring and Evaluation

85. The SHIFT SAARC Programme will adopt a results-based management approach which means that it will regularly tracking progress against programme activities and outputs ensuring their timely realization and their contribution to the outcome and goal of the programme.
86. Given that The SHIFT SAARC Programme is a market – systems approach it will comply with CGAP guidelines namely “A market systems approach to Financial Inclusion: Guidelines for Funders” and “Measuring Market and Impact”.
87. CGAP’s guidelines highlight the following principles:
- Funder’s interventions should aim for systemic changes in the market: changes that are significant in scale, sustainable, and resilient.
 - Results frameworks should be based on a well-articulated theory of change and the framework should measure change at various levels: development outcome(s), financial inclusion targets, changes in the market system, and outputs from program interventions.
 - The results frameworks should be seen as living documents that allows for institutional learning and flexibility to revisit results and underlying assumptions, based on feedback loops.
 - The focus of evaluations should be on contribution rather than attribution as much of the impact of these interventions is indirect and involves influencing actors in the system to behave in certain ways, making attribution difficult.
 - Funders and their implementing partners should apply bottom-up and top-down measurement approaches that create more credible impact narratives.

88. UNCDF will develop a Monitoring and Evaluation (M&E) plan during the inception phase to outline, in more detail, the proposed system for results measurement. UNCDF will use the findings of its monitoring and reporting for programme management and decision-making. For example, UNCDF will adjust its annual work plans and interventions based on monitoring and reporting results.
89. For the monitoring activities, UNCDF will adopt a comprehensive and multi-faceted approach using both quantitative and qualitative data collection methods, using gendered financial inclusion and economic vulnerability lens by disaggregating data by sex, age, and other characteristics, to regularly track progress against the expected results of the programme.
90. In accordance with UNCDF's programming policies and procedures, SHIFT SAARC will be monitored through the following:

Within the annual cycle

- **Track Progress.** On a regular basis, progress on data against the results indicators will be collected and analyzed to assess the progress of the project in achieving the agreed outputs. National data sources should be used whenever possible. Slower than expected progress will be addressed by the programme management.
- **Monitor and Manage Risk.** The programme risk log will be actively maintained, including by reviewing the external environment that may affect the programme implementation. Risk management actions will be identified and monitored using the risk log. This includes monitoring social and environmental management measures and plans. Audits will be conducted in accordance with UNCDF's audit policy to manage financial risk.
- **Evaluate and Learn.** Evaluations shall be conducted during the third year of implementation (mid-term) and during the last year of the programme (final). Knowledge, good practices and lessons will be captured and shared, as well as actively sourced from other projects and partners, and integrated back into the programme.
- **Review and Make Course Corrections.** The programme management will review the data and evidence collected on a regular basis within the annual cycle, and make course corrections as needed. An internal review of the available progress data against the results indicators will be done on a quarterly basis. Any significant course corrections that require a decision by the Board will be raised in the following Board meeting.

Annually

- **Annual Programme Review and Report.** The Board shall hold a review at least once per year to assess the performance of the programme and appraise the Annual Work Plan for the following year. An annual report will be prepared, consisting of progress data showing the results achieved against pre-defined annual targets at the output level and any evaluation or review reports prepared over the period. Any quality concerns or slower than expected progress should be discussed by the programme and management actions agreed to address the issues identified.

Closure

- In the programme's final year, the Board shall hold an end-of project review to capture lessons learned and discuss opportunities for scaling up.

Audits

- The programme will be subject to internal and external auditing procedures provided for in the financial regulations, rules, policies, and procedures of UNCDF. The audits provide UNCDF with assurance that resources are used to achieve the results described in the Programme Document.

10. Legal Context

91. This project forms part of an overall programmatic framework under which several separate associated country level activities will be implemented. When assistance and support services are provided from this Project to the associated country level activities, this document shall be the "Project Document" instrument referred to in: (i) the respective signed SBAs for the specific countries; or (ii) in the Supplemental Provisions attached to the Project Document in cases where the recipient country has not signed an SBA with UNDP, attached hereto and forming an integral part hereof.
92. This project will be executed by UNCDF (as "Implementing Partner") in accordance with its financial regulations, rules, practices and procedures only to the extent that they do not contravene the principles of the Financial Regulations and Rules of UNCDF. Where the financial governance of an Implementing Partner does not provide the required guidance to ensure best value for money, fairness, integrity, transparency, and effective international competition, the financial governance of UNCDF shall apply.
93. The responsibility for the safety and security of the Implementing Partner and its personnel and property, and of UNCDF's property in the Implementing Partner's custody, rests with the Implementing Partner. The Implementing Partner shall: (a) put in place an appropriate security plan and maintain the security plan, taking into account the security situation in the country where the project is being carried; (b) assume all risks and liabilities related to the Implementing Partner's security, and the full implementation of the security plan. UNCDF reserves the right to verify whether such a plan is in place, and to suggest modifications to the plan when necessary. Failure to maintain and implement an appropriate security plan as required hereunder shall be deemed a breach of this agreement.
94. The Implementing Partner agrees to undertake all reasonable efforts to ensure that none of the UNCDF funds received pursuant to the Project Document are used to provide support to individuals or entities associated with terrorism and that the recipients of any amounts provided by UNCDF hereunder do not appear on the list maintained by the Security Council Committee established pursuant to resolution 1267 (1999). The list can be accessed via http://www.un.org/sc/committees/1267/aq_sanctions_list.shtml. This provision must be included in all sub-contracts or sub-agreements entered into under this Project Document.

11. Funding and Budget Summary

95. The initial funding has been provided by the Bill and Melinda Gates Foundation focusing on SHIFT SAARC activities in Bangladesh. Given that the Government of Bangladesh is the Chair of LDCs and has been playing an active role in SAARC, UNCDF will support them to convene a number of events which would contribute to share experiences within SAARC, but also with other regions such as ASEAN. Hence the pilot country will also serve initially as a platform to launch regional dialogue. In the case that resources required as per the funding gap are not secured, UNCDF will continue to utilize Bangladesh, wherever possible, as the pilot country to drive regional events, peer learning, sharing of experiences/lessons learned within SAARC as well as build on UNCDF's SHIFT work in ASEAN to leverage the impact of activities in SAARC.
96. Efforts are well underway to mobilize additional resources needed to implement foreseen activities and achieve the results, especially at the regional level. UNCDF is currently seeking donors interested in Triangular Cooperation with SAARC countries, which has a potential for delivering on some of the key SAARC activities related to data analysis, capacity development and peer-learning, policy and regulations, innovation.
97. Furthermore, UNCDF will be exploring strategic partnerships that will complement SAARC activities (parallel funding), hence contributing to achieving higher impact on target countries, with LDCs being the top priority. UNCDF's knowledge, experience and lessons learned from SHIFT ASEAN programme would be very useful in this regard. Given that some of the strategic partnerships identified by SHIFT ASEAN are in the final stages of negotiation, this will provide an opportunity to expand them further to include SAARC countries as well with minimum efforts required from the SAARC team.
98. SHIFT SAARC has divided potential donors among high-priority prospects as the EU and SAARC Development Fund; middle priority prospects as Citi Foundation, Shell, Omidyar, IKEA Foundation, USAID, Government donors (with a focus on emerging bilaterals in the region), multilateral agencies, impact investors; and low priority prospects as Cherie Blair, WalMart among others. To attract funding, SHIFT SAARC plans to elaborate a fundraising detailed plan, prepare donor specific materials, target high priority prospects, engage current partners and their networks, maximise on potential parallel funding opportunities.
99. As part of its fundraising efforts, SHIFT SAARC will seek to persuade and promote the channeling of additional resources raised through the Last Mile Finance Trust Fund "Economic Empowerment for Women and Youth" window to actively contribute to the positioning and resourcing of the Trust Fund.

Table 3 Budget Summary Output wise

						Amount in USD
Total (2016 - 2021)						
		Output 1	Output 2	Output 3	Output 4	Total
61300	International Staff	642,422	642,422	642,422	642,422	2,569,687
71400	National Staff	412,683	412,683	412,683	412,683	1,650,730
71500	UNV	108,138	108,138	108,138	108,138	432,553
71200	Consultant					
	National/International	685,317	874,317	976,417	1,321,750	3,857,800
	<i>Consultant - Individual</i>	308,650	317,650	869,750	141,750	1,637,800
	<i>Consultant-Companies</i>	376,667	556,667	106,667	1,180,000	2,220,000
72600	Grant	740,000	830,000	767,500	5,125,000	7,462,500
75700	Meetings/Trainings/Workshop	148,000	310,800	367,300	188,000	1,014,100
74200	Communications/Publications	125,000	135,000	115,000	95,000	470,000
71600	Travel	106,632	126,632	101,632	126,632	461,528
72500	Rent, Maintenance, Communication, Supplies	156,125	156,125	156,125	156,125	624,500
	<i>Comms & Equipment</i>	4,625	4,625	4,625	4,625	18,500
	<i>Vehicle</i>	12,500	12,500	12,500	12,500	50,000
	<i>Furniture</i>	2,250	2,250	2,250	2,250	9,000
	<i>Rent and Utilities</i>	136,750	136,750	136,750	136,750	547,000
	Indirect Costs (8%)	249,271	286,914	290,991	652,296	1,479,472
	Total (2016 - 2021)	3,373,588	3,883,030	3,938,207	8,828,046	20,022,870

Table 4 Budget Funded

Funded (2016 - 2021)						
		Output 1	Output 2	Output 3	Output 4	Total
61300	International Staff	104,916	104,916	104,916	104,916	419,665
71400	National Staff	113,615	113,615	113,615	113,615	454,461
71500	UNV	9,577	9,577	9,577	9,577	38,307
71200	Consultant	272,817	281,817	496,417	389,250	1,440,300
	<i>Consultant - Individual</i>	166,150	175,150	389,750	49,250	780,300
	<i>Consultant-Companies</i>	106,667	106,667	106,667	340,000	660,000
72600	Grant	140,000	80,000	80,000	0	300,000
75700	Meetings/Trainings/Workshop	68,000	170,800	227,300	68,000	534,100
74200	Communications/Publications	15,000	15,000	15,000	15,000	60,000
71600	Travel	30,382	30,382	30,382	30,382	121,528
72500	RMCS	77,375	77,375	77,375	77,375	309,500
	<i>Comms & Equipment</i>	4,625	4,625	4,625	4,625	18,500
	<i>Vehicle</i>	12,500	12,500	12,500	12,500	50,000
	<i>Furniture</i>	2,250	2,250	2,250	2,250	9,000
	<i>Rent and Utilities</i>	58,000	58,000	58,000	58,000	232,000
	Indirect Costs (8%)	65,630	69,718	91,111	63,770	290,229
	Funded (2016 - 2021)	897,312	953,200	1,245,693	871,886	3,968,090

Table 5 Budget – unfunded

		Unfunded (2016 - 2021)				
		Output 1	Output 2	Output 3	Output 4	Total
61300	International Staff	537,506	537,506	537,506	537,506	2,150,022
71400	National Staff	299,067	299,067	299,067	299,067	1,196,269
71500	UNV	98,561	98,561	98,561	98,561	394,246
71200	Consultants	412,500	592,500	480,000	932,500	2,417,500
	<i>Consultant - Individual</i>	<i>142,500</i>	<i>142,500</i>	<i>480,000</i>	<i>92,500</i>	<i>857,500</i>
	<i>Consultant-Companies</i>	<i>270,000</i>	<i>450,000</i>	<i>0</i>	<i>840,000</i>	<i>1,560,000</i>
72600	Grant	600,000	750,000	687,500	5,125,000	7,162,500
75700	Meetings/Trainings/Workshop	80,000	140,000	140,000	120,000	480,000
74200	Communications/Publications	110,000	120,000	100,000	80,000	410,000
71600	Travel	76,250	96,250	71,250	96,250	340,000
72500	RMCS	78,750	78,750	78,750	78,750	315,000
	<i>Comms & Equipment</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
	<i>Vehicle</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
	<i>Furniture</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
	<i>Rent and Utilities</i>	<i>78,750</i>	<i>78,750</i>	<i>78,750</i>	<i>78,750</i>	<i>315,000</i>
	Indirect Costs (8%)	183,411	217,011	199,411	589,411	1,189,243
	Unfunded (2016 - 2021)	2,476,045	2,929,645	2,692,045	7,957,045	16,054,780

ⁱ World Bank data.

ⁱⁱ World Bank data.

ⁱⁱⁱ The Global Index Database 2014.

^{iv} The Global Index Database 2014.

^v The Global Index Database 2014.

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