

**PROGRAMME DOCUMENT**

**Shaping Inclusive Finance Transformations (SHIFT) in the ASEAN Region  
2014 - 2020**

Geographical Coverage: ASEAN

**Programme Goal:** To contribute to reducing poverty and vulnerability directly, and indirectly increase employment and inclusive economic growth in ASEAN.

**Programme Outcome:** At least 6 million low-income individuals, micro-entrepreneurs, and small and medium businesses, including women and young people transition from using informal financial mechanisms to more formalized financial services by the year 2020.

**Programme Outputs:**

- 1. Fund Facility:** Support financial service providers to develop new prototypes and bring to scale viable business models that serve low-income individuals, micro-entrepreneurs, and small and medium businesses, especially women within these markets, in the ASEAN frontier economies.
- 2. Learning and Skills Development Portal:** Support business development service providers by leveraging ICT solutions to develop and bring to scale viable e-learning models for professionals in financial institutions to improve productivity and professionalism
- 3. Data and Analysis Hub:** Produce, consolidate and communicate data and information on supply, demand and regulation in financial markets to strengthen the evidence base and investment decisions of providers, regulators and policy makers, specifically targeted towards low-income individuals, micro-entrepreneurs, and small and medium business, especially women within these markets.
- 4. Policy and Advocacy:** Influence policy makers, financial service providers and governments to enable financial markets to be more responsive to the wider development priorities of governments and its people.

**Programme Plan**

Plan Period: 05/19/2014 – 31/12/2020  
Atlas Award ID (UNCDF Core): 00080730  
Atlas Award ID (DFAT): 00081703  
Atlas Award ID (FMO): 00086566  
PAC Meeting Date: 06/01/2015  
\*Note that the Plan Period included the PIP period.

Total resources required: US\$ 33,433,574

Total allocated resources: US\$ 7,694,220

- Regular: US\$ 547,500
- Other:
  - DFAT: US\$ 2,526,363
  - FMO: US\$ 200,000
  - DFAT 2: US\$ 4,420,357

Unfunded budget: US\$ 25,083,836

In-kind contributions US\$ 655,518

Agreed by:

  
Judith Karl  
UNCDF Executive Secretary

12 June 2015





## Acronyms

ADB	Asian Development Bank Institute
AEC	ASEAN Economic Community
AFI	Alliance for Financial Inclusion
AFITC	ASEAN Financial Inclusion Technical Committee
AFITC	ASEAN Financial Inclusion Technical Committee
ASEAN	Association of Southeast Asian Nations
AVID	Australian Volunteers for International Development
BTCA	Better Than Cash Alliance
CEO	Chief Executive Officer
CGAP	Consultative Group to Assist the Poor
CLMV	Cambodia, Lao PDR, Myanmar and Viet Nam
COO	Chief Operating Officer
DCED	Donor Committee for Enterprise Development Standards
DFAT	Department of Foreign Affairs and Trade
DFS	Digital Financial Services
DIM	Direct Implementation
DPM	Deputy Programme Manager
EFA	Expanding Financial Access
Eoi	Expression of Interest
ERIA	Economic Research Institute for ASEAN and East Asia
FIPA	Financial Inclusion Practice Area
FMO	Netherlands Development Finance Company
FSD	Financial Sector Development Programme
FSP	Financial Service Providers
GDP	Gross Domestic Product
GIIN	Global Impact Investing Network
GSMA	Groupe Special Mobile Association
GWEE	Gender Equality and Empowerment of Women
IC	Investment Committee
ICT	Information and Communications Technology
IF	Inclusive Finance
IFC	International Finance Corporation
LDC	Least Developed Country
LFI	Local Finance Initiative
LIFT	Local Infrastructure For Transition
LTA	Long-term Agreement
M&E	Monitoring and Evaluation
MAP	Making Access Possible
MBB	Micro Banking Bulletin
MFI	Micro Finance Institution
MIC	Middle Income Countries

MMU	Mobile Money for the Unbanked
MoF	Ministries of Finance
MSE	Micro and Small Enterprises
MSME	Micro, Small and Medium Enterprises
PM	Programme Manager
PMC	Programme Management Committee
PSU	Programme Support Unit
SDGs	Sustainable Development Goals
SHIFT	Shaping Inclusive Finance Transformations
SME	Small and Medium Enterprises
SPV	Special Purpose Vehicle
SSA	Sub-Saharan Africa
TOR	Terms of Reference
TSP	Technical Service Provider
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Programme
UN-SWAP	UN system-wide Action Plan

# Contents

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<b>01</b>	<b>Executive Summary</b>	<b>1</b>
<b>02.</b>	<b>Situation Analysis</b>	<b>6</b>
2.1.	The Challenges in CLMV Countries	6
2.2.	The Opportunity through Financial Inclusion	7
2.3.	The Challenges in CLMV Financial Markets	8
2.4.	The Opportunity for Change	10
2.5.	UNCDF Engagement in ASEAN in Support of Financial Inclusion	11
<b>03.</b>	<b>Programme Strategy</b>	<b>13</b>
3.1.	Initiation and Evolution of the SHIFT Programme	13
3.2.	Initial Results from the SHIFT Programme Initiation Phase	13
3.3.	Insights from the SHIFT Initiation Plan and Broader Lessons from within and Outside of UNCDF	15
3.4.	Theory of Change	18
3.5.	Intervention	19
3.6.	Sphere of Influence	20
3.7.	Partnerships and Linkages	20
3.8.	SHIFT in the Context of ONE UNCDF and ONE UN	21
3.9.	Mainstreaming Gender Considerations and Responsible Finance	22
<b>04.</b>	<b>Results Framework</b>	<b>25</b>
4.1.	Indicative Results for Output 1: Fund Facility	25
4.2.	Indicative Results for Output 2: Learning and Skills Development Portal	29
4.3.	Indicative Results for Output 3: Data and Analysis Hub	34
4.4.	Indicative Results for Output 4: Policy and Advocacy	38
4.5.	Results and Resources Framework	41
4.6.	Sustainability of Results	41
<b>05.</b>	<b>Annual Work Plan</b>	<b>42</b>
5.1.	2015 Annual Work Plan	42
<b>06.</b>	<b>Management Arrangements</b>	<b>45</b>
6.1.	Governance and Oversight	45
6.2.	SHIFT Programme Team Roles and Responsibilities	47

07.	Fund Management Arrangements	51
7.1	Transfer of cash to national Implementing Partners	51
08.	Visibility And Outreach	52
09.	Monitoring, Evaluation And Reporting	53
9.1	Monitoring	53
9.2.	Evaluation	55
9.3.	Reporting	56
10.	Legal Context	58
11.	Budget Summary	59
	Defined Terms	61
	Works Cited	62

## ANNEXES

1. Detailed Situation Analysis
2. Theory of Change
3. Funding Facility Design
4. Results and Resources Framework
5. Terms of Reference of the SHIFT Programme Management Committee
6. Programme Monitoring Framework
7. Detailed Budget
8. Data and Analysis Hub Outreach Assumptions
9. Learning and Skills Development Portal Survey Summary Report
10. Risk Log

# 01

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## Executive Summary

### Background

1. Following initial consultations throughout 2013, recommendations from financial inclusion market-leaders and further desk research on the constraints and opportunities in small-scale financial systems in the ASEAN region, a programme concept was developed outlining UNCDF's strategic intent to establish a regional financial-market facilitation, technical assistance and funding facility, called – **“Shaping Inclusive Finance Transformations (SHIFT)”** - that aimed to deliver a rapid improvement in the level of financial inclusion<sup>1</sup> as a means of reducing poverty and vulnerability in the Association of Southeast Asian Nations (ASEAN) region.
2. The SHIFT Programme Initiation Plan (PIP) launched in May 2014 with initial seed funding from UNCDF to undertake deeper market assessments and consultations with key stakeholders<sup>2</sup> to validate need for SHIFT, to design interventions that are appropriate and relevant to the context of ASEAN, and which add value to the work of existing market players. Additional seed funding was secured in 2014 from the Australian Government, Department of Foreign Affairs and Trade (DFAT) and the Netherlands Development Finance Company (FMO).
3. Consultations with key stakeholders in ASEAN has validated the need for a regional response to accelerating financial inclusion in the ASEAN countries and the broad areas of intervention including data, funding and technical assistance, capacity development, and policy advocacy, while preliminary scoping and assessment of the market has confirmed the demand for and value-addition of focusing on women's economic empowerment, SMEs, and regional funding facility and learning portal that can achieving some scale economies of working across national boundaries.

### The Challenge

4. **Less than 20 per cent of people use formal financial services** in the frontier economies of CLMV. Technological progress has allowed some outreach (particularly in Cambodia) but generally the financial sectors in CLMV are small, bank-led, high-cost, fragmented and lacking in business models to effectively serve the poor.

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1 Financial inclusion is universal access for individuals and micro, small and medium enterprises (MSMEs), at a reasonable cost, to a wide range of financial services, provided by responsible and sustainable institutions. As a measurement tool, financial inclusion measures the proportion of individuals and firms that use financial services. SHIFT applies a narrower definition of access to regulated accounts to measure financial inclusion.

2 ASEAN governments, ASEAN Secretariat, donors, financial institutions and other market makers such as the Bank or regional forums such as AFI and the Mekong Business Initiative.

5. For the poor, informal services like moneylenders and unregulated remittance providers fill the gaps that the formal sector has not reached. While the formal access frontier has been successfully extended, usage remains low due to a lack of appropriate financial solutions and low financial literacy.
6. For the region's enterprises, there is a missing middle of funding between traditional microfinance loans to microenterprises and bank finance to larger enterprises. Less than 20 per cent of firms use banks to finance investments, while financing of working capital is even lower. Given the importance of MSMEs in the wider economy, this funding gap has profound impact on investment, employment and growth. Closing the gap in a sustainable way requires developing incentives for microfinance institutions to upscale and banks to downscale, while also encouraging alternative funding sources, such as venture capital and impact investors, to enter the market.

### Space for Change

7. There is a growing momentum for financial inclusion among Governments and financial sector professionals across most ASEAN countries as the regional integration process takes shape. The ASEAN Deputy Finance Ministers and Deputy Governors have agreed to prioritise financial inclusion contributing to the on-going support for the region's integration of financial markets and SME development.
8. 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.
9. Alternative financing vehicles including venture capital, social and impact investors, are looking at the opportunities provided by ASEAN's 600 million consumer market that is significantly shaped by purchasing decisions women make or influence, as well as by SMEs that account for over 90 per cent of business enterprises in ASEAN, which is also the largest group of job providers in the region.
10. Furthermore, new demographic and social trends are increasing the demand for financial services (e.g. increasing women's mobility, purchasing power, skilled-labour, and growth of SMEs) as a result of the regional integration, and a growing young population.

## SHIFT Programme Goal, Outcome and Theory of Change

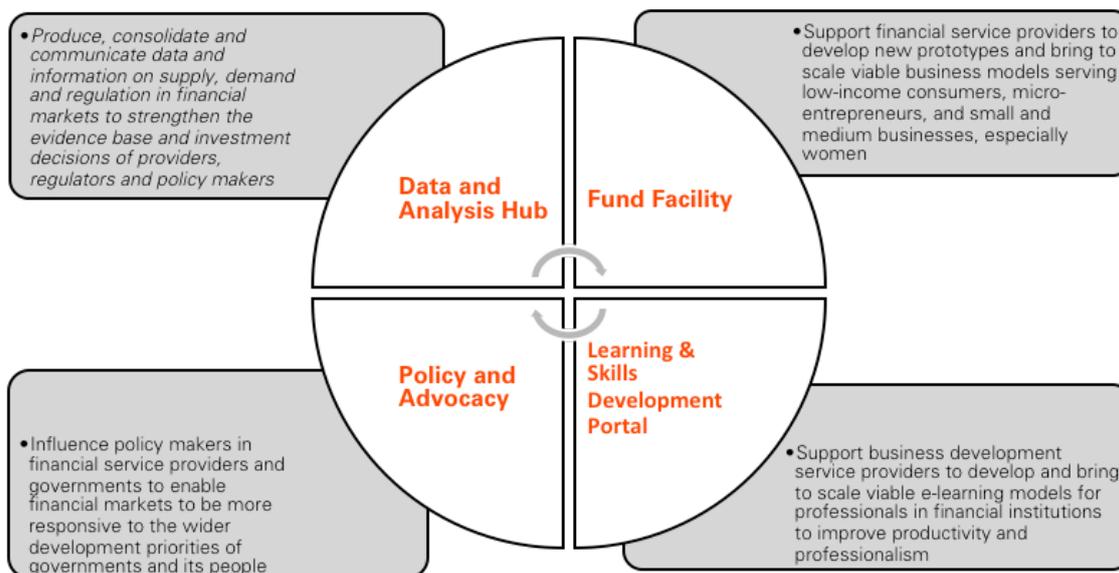
11. The **SHIFT Programme goal** is to contribute to increased income and employment, reduced vulnerability to shocks<sup>3</sup> and reduced poverty by enabling the inclusion of low-income people,<sup>4</sup> especially women, and businesses to be active agents in the formal economy.
12. The **impact-level theory of change** is that low-income people, especially women, and businesses can be active agents in the formal economy when they have access to and use of well-regulated<sup>5</sup> and affordable financial services.
13. The SHIFT programme outcome is to assist least **6 million low-income people, micro-entrepreneurs and SMEs by 2020**, of whom at least **65 per cent will be women consumers and 100 per cent of the enterprises** will be led by, or primarily employing or serving women. The **outcome level theory of change** is that large scale and sustainable access to and use of well regulated and affordable financial services is possible when financial institutions, regulators, customers, and other actors in complementary markets are incentivised and supported to change their behaviour.
14. Greater incentives and behaviour change of financial institutions and the broader eco-system will be delivered through SHIFT's four inter-related **interventions** as seen below:

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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 Includes poor people (i.e. with income of US\$ 1.25 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).

5 SHIFT recognises that there exists a wide spectrum between institutions that offer products regulated by the central bank or the Ministry of Finance (in case of non-bank financial institutions) at one end and unorganised and informal services at another, including registered institutions that offer unregulated products (e.g. agricultural banks under ministries of agriculture, cooperatives under cooperative ministries, and microfinance institutions in certain circumstances), user managed institutions that are externally facilitated (e.g. savings groups or self-help groups), user-managed and self-regulated institutions (e.g. ROSCAs), informal but institutionalised service providers (e.g. informal money lenders, pawn brokers, deposit collectors and remitters), and unorganised informal reciprocity-based financial intermediation (e.g. transactions with friend and family). SHIFT's sees financial inclusion as offering each category a pathway towards ultimately using regulated products where these available and useful to the money management needs of low-income individuals and entrepreneurs, and small and medium enterprises.



As depicted in the previous page, SHIFT’s four inter-related interventions include:

- **Providing credible data and analysis** to inform and influence decisions of financial institutions and regulators;
- **Offering matching funds to the private sector** to make smart investments in developing new prototypes and bring to scale viable business models;
- **Coordinating relevant market actors and public interest groups** to build momentum and political will to reform policies and regulations; and,
- **Developing e-learning applications and modules** that will be used to increase the capacity of professionals working in financial and adjacent markets.

### SHIFT Programmatic Approach

15. SHIFT will adopt a **market development approach**. This involves looking at the whole eco-system around the delivery and use of financial services and what drives behaviour of market actors - low-income people, businesses and excluded sections within these markets such as women and young people, financial institutions, business development service providers, and regulators. This helps to better understand the constraints that prevent the delivery and use of financial services, and also to understand and use opportunities to transform financial market to allow large numbers of people and businesses to benefit from and contribute to the delivery and use of financial services (Hammond, Kramer, Tran, Katz, & Walker, 2007). In taking a more systemic approach, SHIFT is seeking to bring benefit to individuals and businesses beyond the life of the SHIFT programme.
16. SHIFT will also apply a **regional approach** by taking advantage of policy processes at the regional level and by achieving economies of scale in addressing common constraints across a number of countries, while reducing the restrictions that cannot be addressed cost-effectively through work in individual

countries alone.<sup>6</sup> While the SHIFT programme will work first and foremost in countries with the smallest financial systems, CLMV, to address countries and markets in greatest need; a regional approach means that SHIFT will also work in lower-middle-income countries (Indonesia and the Philippines) when intervention in these countries can have a multiplier effect in the rest of the ASEAN region or create potential for south-south cooperation that benefit the smallest financial markets.

17. SHIFT contributes to the strategic objectives in the UNCDF Strategic Framework 2014-2017, including:

- Increasing financing for basic services and sustainable and inclusive growth through Influencing behaviour change of market actors and incentivising investments;
- Effective financing mechanisms to increase resilience to economic and environmental shocks 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;
- Fostering policy environments conducive to sustainable financing for sustainable development through driving collective action and high-level political change in coalition with others, leading to systemic market change.

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<sup>6</sup> This includes for example the market for training where the size of the market is a binding constraint to the development of viable markets for training that can operate on a commercial basis.

## 02.

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### Situation Analysis

#### 2.1. The Challenges in CLMV Countries

18. The ASEAN region is home to more than 600 million people spreading across 10 sovereign territories with a combined gross domestic product (GDP) of US\$ 2.4 trillion and strong growth is projected for the next decade.
19. At national poverty lines **92.6 million people remain in poverty**, split approximately evenly between the Cambodia, Lao PDR, Myanmar and Viet Nam (CLMV) countries, and Indonesia and the Philippines.
20. Overall, income inequality in Asia has risen faster than anywhere else in the world, leading to social and income polarisation. Poverty elasticity of economic growth has fallen,<sup>7</sup> and income shocks have increased,<sup>8</sup> as has vulnerability,<sup>9</sup> which means that **opportunities to escape and remain out of poverty for the region's poorest people have narrowed** (Income Inequality in ASEAN: Perceptions on Regional Stability from Indonesia and the Philippines, 2014).
21. Inequalities of opportunities between **women and men remain significant with women's economic activity rates substantially lower than men's** across the ASEAN 6 countries, which means **lower levels of growth** as higher consumption is foregone and also **lower social welfare** as women's greater propensity to invest in health and education is not captured.<sup>10</sup>
22. Despite the overall dynamism of the region, **there are significant contrasts between and within the ASEAN member countries**, with three LDCs and one lower middle income country, Viet Nam, juxtaposed with some of the world's most populous and most vibrant economies.
23. The development gap between the CLMV countries and the rest of ASAN is widening, and there is growing uncertainty about the reliability of traditional growth strategies to narrow the development gap,

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7 Oxford Policy Management. 2003. Trends in Growth and Poverty in Asia: An Economic Background Paper for ASREP

8 Recent history (the typhoon in Lao PDR in 2009, Myanmar's cyclone 'Nargis' in 2008 and Cambodia's flooding in 2011) demonstrate the exogenous risks facing the poor and the near poor in ASEAN countries.

9 Estimates from the ADB suggest that though the poverty headcount for Southeast Asia (i.e. with income of US\$ 1.25 or less per day) numbers over 39 million people, when the poverty threshold is adjusted to include food insecurity and vulnerability, the population under the poverty line increases more than four-fold, to 185 million (ADB, 2014) .

10 Countries with more equal access to employment and education for women benefit from lower child mortality, as well as more thriving businesses and faster economic growth (Goldmans Sachs, Global Markets Institute, Giving credit where it is due, Feb 2014) The World Bank. (2012). Country Gender Assessment for Lao PDR: Reducing Vulnerability and Increasing Opportunity. Mandaluyong City, Philippines and Washington DC: Asian Development Bank and The World Bank.

especially in the context of post-global financial crisis, bilateral trade deals, and a strident China (UNCDF, 2015).

## 2.2. The Opportunity through 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
<b>Credit</b>	<ul style="list-style-type: none"> <li>• Consumption smoothing</li> <li>• Investment in human development (health, education, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>• Financing for working capital and for investment</li> <li>• From financial institutions or through supply chain</li> </ul>
<b>Savings</b>	<ul style="list-style-type: none"> <li>• Cushion in case of shocks</li> <li>• Low risk source of self-financing</li> </ul>	<ul style="list-style-type: none"> <li>• Firms rely primarily on retained earnings (savings) for financing</li> </ul>
<b>Insurance</b>	<ul style="list-style-type: none"> <li>• Risk management tool for managing shocks</li> </ul>	<ul style="list-style-type: none"> <li>• Lowers risk of business activity</li> </ul>
<b>Payments</b>	<ul style="list-style-type: none"> <li>• Electronic/innovative retail payments. Government payments (including Conditional Cash Transfers) and remittances</li> <li>• Firms rely on payments for efficient, payments, Government payments low cost, safe transactions</li> </ul>	<ul style="list-style-type: none"> <li>• Firms rely on payments for efficient, low cost, safe transactions</li> </ul>

24. **Access to and use of regulated financial services** can drive low-income people’s move out of poverty and stay out. 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,<sup>11</sup> helping individual employees to secure regular income flows and to better plan and manage their finances.

25. Financial services can also have powerful impacts when used to support specific development priorities

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 11 ASEAN’s MSMEs are vital for broad-based economic growth through self-employment and regular paid employment, both of which can result in poverty reduction. Between 89-99 per cent of the firms in ASEAN member States are SMEs. Together, they create between 52-97 per cent of employment, and contribute between 23-58 per cent to GDP, and 10-30 per cent of total exports (ERIA SME Research Working Group, 2014).

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.<sup>12</sup>

26. While individual consumers, micro-entrepreneurs and SMEs all 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), and it is more generally a binding constraint to the growth of all small firms (IFC, 2013).
27. 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**,<sup>13</sup> where there is a greater preference internally generated for equity rather than debt (Fafchamps, McKenzie, Quinn, & Woodruff, 2014).
28. 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 help economies grow more quickly and in ways that are more favorable to low-income people and businesses.
29. Expanding financial inclusion enables local economies to grow through widening the base of the financial system to be able to mobilise domestic resources in the form of savings, while creating opportunities for people and businesses to access creating and payment services at low cost to start and operate 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 finance.<sup>14</sup>

### 2.3. The Challenges in CLMV Financial Markets

30. Despite the opportunity presented by financial markets to unlock key constraints in the lives of the poor through finance for individuals and businesses, **few people or firms have the opportunity to use formal**

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12 World Bank. 2012. World Development Report 2012: Gender Equality and Development. World Bank, Washington, DC.

13 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.

14 Where appropriate SHIFT will aim to increase its impact through collaboration with UNCDF programmes in local development finance, including the Local Infrastructure For Transition (LIFT) programme.

**financial markets**, because markets do not reach them or are not interested in them.

31. Only about a **quarter of the population are included** in the formal financial system in the CLMV countries, despite past efforts to widen the formal banking and finance net, and **women's financial inclusion trails the national average at nearly 20 per cent** (Global Findex, 2014).
32. Fewer than **20 per cent of SMEs in ASEAN use banks to finance investments**, with financing for working capital even lower, but only between 15-20 per cent of firms in ASEAN identified access to finance as a major constraint (World Bank , 2014). **Financial inclusion is a greater problem for businesses at the lower end of the market** – employing 5-20 employees, and women headed SMEs<sup>15</sup> when compared with SMEs headed by men, despite having similar patterns of performance, size, and employees (Mishra, 2015). It is at this point in the market where a lack of finance for SMEs stymies the investments needed to boost productivity and business growth and create employment opportunities.
33. Most ASEAN countries have marginally higher levels of financial inclusion than Sub-Saharan African countries and have better reach to women in rural areas, but tend to be less pro-poor (Stewart, van Rooyen, Dickson, Majoro, & de Wet, 2010).
34. The **differences between Sun-Saharan Africa and ASEAN regions are generally marginal except in the use of digital financial services**, which significantly trails a number of African countries (except Cambodia) despite having generally higher mobile usage and digital adoption in Asia. This is both a challenge and an opportunity.
35. For individuals and microenterprise, as well as SMEs, 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.
36. Limited access to and use of regulated financial services reflects relatively **weak financial markets, emerging largely from planned or highly regulated economies** and dominated by banks and other providers of debt products and services,<sup>16</sup> operating in **very small-scale financial systems**, with all but

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15 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.

16 Indonesia, Malaysia, the Philippines, Singapore, and Thailand have on average 10 branches per 1,000 adults, compared with 36 in the US and 32 in Europe; the number is even lower in Cambodia, Lao PDR, Viet Nam and Myanmar, with on average close to 3 branches per 1,000 adults. Additionally, Malaysia, Singapore and Thailand's average of 64 ATMs per 100,000 adults, compare favorably to middle-income countries such as Hungary and Mexico. In contrast, the number is less than 5 for Cambodia and Lao PDR, which is lower than the average for Sub-Saharan countries.

Viet Nam well below 100 per cent (bank assets as a proportion of GDP).<sup>17</sup> The level of financial market development of CLMV economies rank in the lowest third of global performers on the World Economic Forum Global Competitiveness Report, and requires significant investments in market infrastructure.

37. Building upon the issue of small-scale banking systems, is the problem of fragmented financial markets that include 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 are 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 offering opportunities to primarily receive and send cash, and sometimes store money electronically through their extensive network of agents and retail outlets.
38. While all these institutions collectively add up to a substantial supply and distribution landscape, the **whole represents less than the sum of its parts** because each provider-type is more or less evolving along independent and **parallel regulatory and supervisory structures**, and industry support arrangements for capacity and liquidity. There is also an **absence of cross-border financial services**, despite the active cross-border labour migration seen in the region. Public funding and investment also operate within the narrow sectorial corridors with little or no inter-connections. This results in **inefficient capital allocation and usage, and a higher usage costs to consumers**, which deters participation in the financial system.
39. None of the CLMV countries, except Myanmar, have clear **financial inclusion targets with accompanying roadmaps** to deliver on targets. Also, none of the countries, except Cambodia, have signed up to the Maya Declaration on Financial Inclusion.<sup>18</sup> As a result, **gender remains more or less invisible**.

#### 2.4. The Opportunity for Change

40. There is a **growing momentum for financial inclusion**, which occupies a significant place in the post-2015 development discussions centred on the Finance for Development (FfD) and Sustainable Development Goals (SDGs).<sup>19</sup>
41. The importance of financial inclusion has been recognized **among Governments and financial sector professionals** across most ASEAN countries, as the regional integration process takes shape. The ASEAN Deputy Finance Ministers and Deputy Governors have agreed to prioritise financial inclusion contributing

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17 Banking assets as a percentage of GDP is only 64 per cent in the Philippines, 41 per cent in Indonesia, 31 per cent in Cambodia, 24 per cent in Lao PDR, and only 5 per cent in Myanmar. In monetary terms, bank assets range from more than US\$ 14 billion in Malaysia and Singapore, to almost US\$ 10 billion in Thailand, but less than US\$ 3 billion in other member states.

18 Internal working notes from the 2015 Chair of ASEAN and Chair of the ASEAN Financial Inclusion Technical Committee.

19 Once the FfD and SDG discussions are agreed and finalized, the SHIFT programme will seek to create linkages with the wider architecture for delivering on FfD and SDG commitments, ensuring that the programme contributes to and benefits from global commitments.

to the on-going support for the region's integration of financial markets and SME development. (UNCDF, 2014).

42. **Women are especially prioritised**, 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.
43. **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.
44. **Alternative financing vehicles** including venture capital, social and impact investors, are looking at the opportunities provided by ASEAN's 600 million consumer market that is significantly shaped by purchasing decisions women make or influence, as well as by SMEs that account for over 90 per cent of business enterprises in ASEAN, which is also the largest group of job providers in the region.
45. **New demographic and social trends** are increasing the demand for financial services (e.g. increasing women's mobility, purchasing power, skilled-labour, and growth of SMEs) as a result of the regional integration, and a growing young population.

## 2.5. UNCDF Engagement in ASEAN in Support of Financial Inclusion

46. **UNCDF has extensive experience working in the ASEAN region** through comprehensive country programmes, discrete thematic project initiatives, strategic alliances with governments and networks/forums, and longstanding networks with market leaders. These include:
  - **Comprehensive country programmes** in Lao PDR and Myanmar that seek to build inclusive financial sectors with deeper thematic interventions in national financial inclusion diagnostic and road-mapping, savings-market development, and digital financial services;
  - **Discrete thematic project initiatives** in Cambodia with clean energy financing and in Thailand with national financial inclusion diagnostics (in collaboration with the ADB);
  - **Strategic alliances** in Indonesia and the Philippines through the Better than Cash Alliance;
  - **Networks with market leaders** in Cambodia (Aclea Bank), the Philippines, (CARD Bank), and Myanmar (PACT Myanmar Microfinance Company);
47. In addition to these programmes, UNCDF also has experience working in the area of local development finance in the ASEAN region, contributing to both the demand for and supply of financial services. Improved social service infrastructure (e.g. in schools and hospitals) can contribute to higher net disposable incomes as fewer work days are lost because of illnesses, while unplanned health care

expenses can be avoided. Similarly, availability and improvements in market infrastructure (e.g. transportation links, physical markets etc.) can lower the operating costs for business and their supply and marketing chains, increasing the demand for loans to start or expand businesses. Such infrastructure investment can also increase the access frontier of financial services as lower transaction costs can make it attractive for financial institutions to invest in expand their financial distribution networks.<sup>20</sup>

48. UNCDF's traditional **engagement in ASEAN is now being complemented with the SHIFT Programme** launched in May 2014. SHIFT is further extending UNCDF's engagements in the region to maximize UNCDF's reach and potential influence with:

- **New engagements** with ASEAN Financial Inclusion Technical Committee, which coordinates and supports financial inclusion efforts in the ASEAN countries. SHIFT's role as a technical partner to the Committee is deepening UNCDF's engagement with and reach into the ASEAN Secretariat, and the Deputy Ministers of Finance and Deputy Governors of Central Banks of Malaysia and Indonesia, who Co-Chair the Committee;
- **New strategic partnership** with the AFI is enabling SHIFT to facilitate regulators without membership of AFI to use AFI's capacity building support, while AFI is facilitating SHIFT's access to regulators globally to validate and support SHIFT's policy research and advocacy positions;
- **New alliances** with the World Bank Group is enabling joint policy work on cross-border issues such as remittances, while allowing for a smart division of labour at the national level where UNCDF undertakes financial inclusion diagnostics and road-mapping. Additionally, the World Bank contributes funding and technical assistance to the implementation of key elements of the roadmap.

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20 In Cambodia the Commune / Sangkat fund was designed by UNCDF and is now financed by governments and international development banks.

## 03.

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### Programme Strategy

#### 3.1. Initiation and Evolution of the SHIFT Programme

49. The SHIFT programme concept was developed outlining UNCDF's strategic intent to establish a regional financial-market facilitation, technical assistance and funding facility, which aimed to deliver rapid improvements in levels of financial inclusion as means or reducing poverty and vulnerability in the ASEAN region. This followed initial desk research and consultations and recommendations from Southern financial inclusion market- leaders<sup>21</sup> throughout 2013.
50. A 30-month Programme Initiation Plan (PIP) was approved by UNCDF in May 2014 with initial seed funding of US\$ 547,000. The PIP was to undertake set of **preparatory activities**, which broadly included:
- Analysis and design of interventions that respond to the political-economy of the regional policy processes, priorities of policy makers, and dynamics between members;
  - Consultation and coordination with ASEAN Secretariat, policy makers, practitioners and development partners to build a common vision and ownership of the programme and to secure consensus on priorities and sequencing of interventions through multi-stakeholder processes, formal working group meetings, smaller exchanges and individual meetings to develop;
  - Engagement of and collaboration with existing market-leading institutions, networks and alliances, and policy processes in support of priorities identified through multi- stakeholder processes;
  - Deeper assessment of the appropriateness of the competitive funds and training facility.
51. The **expected result of the programme initiation phase** was the development of a full programme document and securing US\$ 5 million non-core funding to move to full programme implementation.

#### 3.2. Initial Results from the SHIFT Programme Initiation Phase

52. Consultations with key stakeholders in ASEAN has validated the need for a regional response to accelerating financial inclusion in the ASEAN countries and the broad areas of intervention including data, funding and technical assistance, capacity development, and policy advocacy,<sup>22 & 23</sup> while preliminary scoping and assessment<sup>24</sup> of the market has confirmed the demand for and value-addition of

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21 UNCDF "Doubling Financial Inclusion in the ASEAN Region by 2020", (Bangkok, 2014).

22 Government of the Union of Myanmar "Yangon Outcome for Financial Inclusion in ASEAN", (Yangon, November 2014).

23 UNCDF "ASEAN Financial Inclusion for What?: Connecting the Region's prosperity with People's Prosperity"(Bangkok, upcoming July 2015).

24 The assessments and design are being undertaken by consultants contracted by SHIFT; final submission of reports are due in July 2015. Preliminary submissions have made a compelling case for the Fund Facility and Learning Portal, summary of which are presented in the

focusing on women's economic empowerment,<sup>25</sup> SMEs,<sup>26</sup> and regional funding facility and learning portal that can achieving some scale economies of working across national boundaries.<sup>27</sup>

53. **ASEAN Governments have confirmed the need for a regional programme on financial inclusion** as an outcome of the Myanmar's Chairmanship of ASEAN in 2014,<sup>28</sup> subsequently endorsed by the ASEAN Deputy Finance Ministers and Deputy Governors under the Chairmanship of ASEAN by the Malaysian Government.
54. **Key priorities of policy makers have been identified and validated** through deeper research and consultation undertaken by the SHIFT programme with ASEAN Governments, financial institutions and wider institutions in the eco-system around financial institutions. Key public policy themes including: financial inclusion within the framework of regional integration, national financial inclusion strategies, deposit markets for individuals and micro-enterprises and credit market development for SMEs, role of data (including surveys and big data), women's economic empowerment, and cross-border issues from remittances to mobile-based switches.
55. **SHIFT's role as a market facilitator and coordinator has been confirmed** through requests by the ASEAN Financial Inclusion Technical Committee to act as a technical partner, by the Central Banks of the Governments of Myanmar, Malaysia and Lao PDR to support the promotion of financial inclusion as part of their Chairmanships of ASEAN in 2014, 2015 and 2016 respectively, and by the Alliance for Financial inclusion (AFI) and the World Bank seeking to collaborate on capacity building of regulators, joint research on cross-border issues, and smart-division of labour on the development and implementation of national financial inclusion roadmaps (e.g. SHIFT facilitating diagnostics while the World Bank committing resources for implementation).
56. SHIFT has facilitated a growing pipeline of **national financial inclusion diagnostics and roadmaps across five out of the seven least developing and lower middle income countries**. This offers a unique set of comparable data to influence strategies of governments and financial institutions in these countries, but also a baseline to track progress of financial inclusion roadmaps as well as the performance of the SHIFT programme. The progress on data has been supplemented by **market research** to assess the demand for and **design of a Fund Facility to incentivise financial institutions and a Learning and Skills Portal** productivity and effectiveness of financial sector professional.
57. SHIFT has also generated **momentum with growing numbers of development partners seeking to**

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SHIFT Results Framework.

25 UNCDF "Markets at Full Speed: Women Accelerating Real Economy Markets, Fuelled by Women", (Bangkok, upcoming July 2015).

26 National Bank of Cambodia and UNCDF "Migration, Economic Power and Women in ASEAN: Harnessing the Potential for Cross-border Mobility to Maximise Women's Economic Empowerment by Expanding Regulated Remittances and Financial Inclusion in the ASEAN Region", (Bangkok, upcoming July 2015).

27 National Bank of Cambodia, UNCDF and DFAT "Phnom Penh Outcomes for Women and Enterprises in ASEAN", (Bangkok, upcoming July 2015).

28 Government of the Union of Myanmar "Yangon Outcome for Financial Inclusion in ASEAN", (Yangon, November 2014).

**engage with and support financial inclusion in the ASEAN region.** The programme has **secured funding** of over \$7m from DFAT and FMO, while the programme is in discussion with a range of institutions to support the changes SHIFT seeks to bring about either directly through the programme or in parallel but in a coordinated manner. Discussions continue with Goldman Sachs, ANZ Bank, Rabobank, Metlife, USAID (for credit guarantees and collaboration on SME and gender lens impact investing), and the UN Social Enterprise Facility.<sup>29</sup>

**3.3.** Insights from the SHIFT Initiation Plan and Broader Lessons from within and Outside of UNCDF

58. **Data and strategic communication drives 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. 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.

*The SHIFT strategy incorporates data, analysis and communication as cross-cutting into all interventions and allocates investment in producing well-researched and targeting communication and knowledge products.*

59. **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. This is the case with ASEAN Governments, which is 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.

*The SHIFT strategy incorporates this lesson with key roles for stakeholder management both at the regional and country levels, deploying SHIFT staff time where appropriate or influencing others to act on our 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 staff following up to maintain momentum).*

60. **Limited success of traditional approaches to extending financial inclusion.** Traditional approaches that focused on direct funding of institutions or direct support in financial markets which in the past were more commonly promoted by DFIs, development partners, INGOs and NGOs, foundations and

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29 SHIFT realizes that various partners hold different value propositions, in this regard SHIFT is expected to create clear value propositions which align with various partners objectives.

philanthropic institutions led to concerns that interventions were creating: (i) market distortion and crowding out private sector activities; (ii) rent seeking and donor dependency on the part of recipients; (iii) a lack of significant impact; (iv) a wasteful attempt to “pick winners”; and (v) limited achievement of positive systemic change on markets for finance and others for which the poor depend on for their livelihoods and pathways out of poverty.

*The SHIFT strategy is to adopt a market development approach where the aim will be to identify and prove that a market for inclusive financial products and services can be reconfigured, in a way that both overcomes a failure of some kind, and can also be commercially viable. Commercial viability ensures sustainability.*

61. **Importance of building flexibility in applying a market development approach:** Financial markets, particularly in fast growing economies such as CLMV countries are inherently unpredictable and financial markets 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 advantage 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.

*The Board of SHIFT will be developed to ensure that it brings in key capabilities needed for the governance of SHIFT. Additionally, because SHIFT is being implemented in a modular approach, the programme is built to inherently allow for flexibility in implementation over time.*

62. **Strategic management to build and maintain momentum potentially brings larger market development gains:** Deep market knowledge, relationships, principled ‘opportunism’, and maintaining 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 etc.

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 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 undertaking national financial inclusion diagnostics and road-mapping in cooperation with the UNCDF MAP team and wider infrastructure of partners and consultants.

*The SHIFT strategy is to staff-up as agreements are signed with programme donors, while maintaining and using a pool of consultants under short term both 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.*

63. **One size does not fit all:** It is important to understand low-income consumers. For example, Safaricom's M-Pesa mobile money platform has become one of star interventions in the field of financial inclusion. Its success in Kenya was the result of a perfect storm of factors, which other countries in the region have struggled to initially replicate. Thus, the less successful initial rollout of M-Pesa in Tanzania was because Safaricom did not fully appreciate that Tanzanians have less use for urban-rural money transfers than Kenyans; Mpesa in Tanzania is now doing much better having understood what drives the market. Overall, it points to the importance of analysing and undertaking careful market research before rolling out successful interventions into other countries.

*The SHIFT strategy will make significant use of market research, combining UNCDF MAP diagnostic with deeper thematic research to understand the complex financial habits and demands of low-income consumers, before rolling out successful interventions. The SHIFT's strategy is to make data and analysis inform the priorities and interventions to support financial institutions, influence regulators, and design training programmes.*

64. **A Challenge fund instrument may not itself achieve systemic change.** The challenge fund, through the provision of competitively sourced matching grants, can overcome market failures that would otherwise prevent a grantee from making an initial investment, either from the cost of information discovery, costs of mitigating risks or simple lack of available funding. There are now growing concerns that even where a matching grant may successfully given a kick start to a commercial initiative that would not otherwise have gone ahead, the benefits of support do not go beyond the partners who received the initial challenge fund grant. Besides concerns about systemic change, other questions are being raised about whether even the partners who receive the grant is able to grow beyond the life of the grant. Traditionally, challenge funds have not concerned themselves with the fate of the recipient project, once the final payment trigger has been attained. This is not dissimilar to UNCDF's use of the Performance Based Agreement (PBA) instrument to tie payments to results. The argument is that if a project is successful, then its sustainability is to a large extent assured. Yet any successful project is likely to need additional liquidity and fixed capital to scale up its operations, and/or expand into new markets or related areas of business where it has expertise. This does not always happen and many projects do not grow beyond the period of funding.

*The SHIFT strategy will take the conventional challenge fund model to a new area. It will seek, rather like private equity and venture capital investors do, to place as much emphasis on the exit route of the grant funding as with the point of entry, successfully 'tee up' grantees for larger funding – such as through private equity, venture capital, credit lines or other debt and equity agreements<sup>30</sup> – once the grant agreement has been concluded.*

*The SHIFT 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.*

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30 Including through collaboration with other UNCDF programmes such as the local Finance Initiative, which provides for direct project finance to businesses.

65. **Adopting a market systems approach to financial inclusion requires taking risks, but to also manage them through a portfolio approach.** Achieving impact through a market systems approach is less certain and requires others market players or stakeholders to deliver the change. The nature of these programmes requires the pursuit of innovation, which carries a certain degree of risk. Failures should be expected, and a programme that has too few failures could be too risk averse, compromising potential impact. A balance needs to be struck between high risk and lower risk interventions - targeting too many smaller scale interventions with more certain impact could fail to deliver the larger market wide change that SHIFT is intended to target.

*The SHIFT strategy will deliberately seek to support a diverse portfolio of projects with different scope and risks.*

66. **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.

*The SHIFT strategy will prioritise constant learning, monitoring and evaluation of programme results. Close monitoring will help to identify failures early in order to exit 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.<sup>31</sup>*

### 3.4. Theory of Change<sup>32</sup>

67. The **SHIFT Programme goal** is to contribute to increased income and employment, reduced vulnerability to shocks and reduced poverty by the inclusion of low-income people, especially women, and businesses to be active agents in the formal economy.
68. The **impact-level theory of change** is that is that low-income people, especially women, and businesses can be active agents in the formal economy when they have access to and use of well-regulated and affordable financial services.

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 31 SHIFT will work closely with the UNCDF Evaluation Office in HQ , which has both an independent evaluation function, as well as a support function to build an evaluation culture throughout the organisation, which also includes supporting improved programme design and strengthening of monitoring and reporting systems, as well as, of course, designing and managing external evaluations and internal reviews

32 The detailed Theory of Change, including further supporting evidence, can be found in Annex 2.

69. The SHIFT **programme outcome** is therefore to assist at least **6 million low-income people, micro-entrepreneurs and SMEs by 2020**, of whom at least **65 per cent will be women consumers and 100 per cent of the enterprises** will be led by, or primarily employing or serving women, to transition from using informal financial mechanisms to more formalized financial services.
70. The **outcome level theory of change** is that large scale and sustainable access to and use of well regulated and affordable financial services is possible when financial institutions, regulators, customers, and other actors in complementary markets are incentivised and supported to change their behaviour.
71. The SHIFT programme will contribute to the outcome-level change process through:
- **Providing market incentives<sup>33</sup> to financial institutions and actors in complementary markets such as training or data analytics services for greater investment in building financial products and services** that serve low-income people, micro-entrepreneurs and SMEs, specifically women within these market-segments. Approximately 40 financial institutions will be supported with matching-grants. All deals will be secured by 2020, resulting in at least 800,000 low-income individual and businesses using regulated financial services by 2020, while a further 2.8 million low-income individuals and businesses to be reached by 2025.<sup>34</sup> Additionally, an indicative 2-3 training institutions will be supported with matching grants to develop tailored commercial training and learning and interaction opportunities as a public good, resulting in an indicative 500,000 users.
  - **Influencing behaviour change in financial institutions and broader eco-system supporting financial institutions** in ASEAN to support greater inclusion of low-income people and micro-entrepreneurs and SMEs, specifically women in the financial system. At least an additional 5 million low-income people and businesses will be financially included indirectly as a result of availability of better information and knowledge to customers about products and services, to financial institutions in terms of understanding the different segments of the poor to innovate products and services, and to regulators in terms of better understanding and responding impact of policies on the behaviour of customers and financial institutions; more functional complementary markets such as training services and data analytics services; and greater pressure that lead to smarter and more coordinated policy responses.

### 3.5. Intervention

72. Greater incentives and behaviour change of financial institutions and the broader eco-system will be delivered through SHIFT's four inter-related interventions, including:
- Providing credible **data and analysis** to inform and influence decisions of financial institutions and regulators;
  - Offering matching **funds** to the private sector to make smart investments in developing new prototypes

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33 Incentives primarily involve co-funding of financial institutions that affect the risk adjusted returns of investments by financial institutions and investors, thereby encouraging them to make an investment that they otherwise would not make. Such co-funding incentives need to try and align business incentives and development objectives, without unduly diluting the aims of both.

34 See Annex 3 for further details.

- and bring to scale viable business models;
- Coordinating relevant market actors and public interest groups through **policy research and advocacy** to build momentum and political will to reform policies and regulations; and,
- Developing e-learning applications and modules that will offer **skills and learning opportunities** to professionals working in financial and adjacent **markets**.

### 3.6. Sphere of Influence

73. SHIFT will work with partners principally in the financial inclusion space but will also work with those in other markets complementary to financial markets that can support SHIFT to reach its desired outcome and impact. These will include market actors - policymakers, regulators, financial sector professionals, financial service providers (FSPs) and technical service providers (TSP) – as primary partners and the main drivers of change and thus, the target audiences of UNCDF’s work. Additional critical partners are other funders and investors that have an interest in supporting the scale-up of programme activities, as well as other affiliated partners including special interests or advocacy groups and network institutions.
74. In this context, **SHIFT seeks to deliberately play the role of market facilitator – informing, influencing, incentivising and supporting changes in the behaviour of market actors to provide the missing or under-performing functions of the market – and offer a flexible regional platform for external partners and UN-system agencies seeking to engage in ASEAN**. UNCDF’s deep knowledge of markets and market-leaders in the least developing countries, technical capacity to prove concepts and develop/scale viable models, neutrality of a UN agency intermediating between governments/regulators and private sector and funders, enables the crowding in of investments and funding needed to go to scale.

### 3.7. Partnerships and Linkages

75. UNCDF and SHIFT offer an attractive value proposition to a range of commercial and non-commercial stakeholders. Understanding this value proposition is crucial in order to build mutually beneficial relationships, forge partnerships for systemic change and crowd in different kinds of funding.
76. The root of UNCDF’s appeal is its commitment to the market systems approach (evidenced through the success of MAP), neutrality as a UN agency, and existing presence on the ground in ASEAN, 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 strategic partnerships and linkages are highlighted below:

	POTENTIAL PARTNERS	UNCDF/SHIFT'S VALUE PROPOSITION
Donors	DFAT, World Bank Group, DFID, USAID, SIDA	An established and flexible vehicle for financial inclusion in ASEAN
Donor-funded organisations	AFI, CGAP, FSD Africa	Sharing best practice, coordinating south-south learning
Foundations	MasterCard Foundation, Gates Foundation	Flexible facility, neutral agency, existing relationships around DFS
Development Finance Institutions	ADB, IFC, CDC	Ability to deploy funding and TA flexibly and quickly
Governments and national/regional institutions	Ministries of Finance (MoFs), national statistic bureaus, Central Banks, regulators, ASEAN, ASEAN Financial Inclusion Technical Committee (AFITC), MBI, FinMark Trust and Cenfri	Knowledge of international best practice, funding and technical expertise to overcome policy and regulatory challenges
Financial service providers	Local and international banks e.g. Bank Negara Malaysia, MFIs, insurance companies, etc.	Co-fund innovative projects, building capacity and improving enabling environment
Impact Investors	Bamboo finance, ACCION, Triple Jump	Funding facilities will generate a pipeline of high performing projects seeking further debt/equity investment
Academic	Universities and business schools, research institutions	Sharing best practice, coordinating south-south learning, research and knowledge dissemination
Training institutions and TSPs	ACLEDA Training Centre (Cambodia), Asian Institute of Management (Thailand), CARD (the Philippines), ASEAN Institute of Management (Thailand), Davidson Institute (Australia), MicroSave (India), MIX (USA), Emerging Markets Entrepreneurs (Cambodia), Idea Box (Myanmar), Irrational Labs (USA), 17 Triggers (Cambodia)	Sharing best practice, coordinating south-south learning and co-funding for innovative models

### 3.8. SHIFT in the Context of ONE UNCDF and ONE UN

77. SHIFT will be offering a strategic platform for the **existing UNCDF network of country programmes, discrete project initiatives and strategic alliances in the region** to maximize the coherence and impact of UNCDF's work. SHIFT will do this by:

- Facilitating establishment of and support to UNCDF’s network in the region with resources and expertise, acting as a repository of information and facilitating knowledge sharing across the network of programmes;
  - Partnering with on projects with UNCDF’s network, providing co-funding and technical support, bringing regional learning, and expanding investments across borders;
  - Facilitating UNCDF’s network to engage with regional and global stakeholders and push forward policy agenda, lessons learnt, and good practices.
78. Where possible and feasible, SHIFT will to draw on **UNCDF’s capability beyond the region in specific market segments to support the delivery of SHIFT’s outputs**, including in the areas of savings market development, digital financial services, youth employment, and clean energy financing. Specifically, sharing human resources and consultant/expert networks to allow for cost savings in terms of staffing, while also allowing for improved application of lessons learned across programmes. Additionally, SHIFT will achieve this by collaborating with UNCDF’s complementary regional programmes such as LIFT.
79. In the context of the ASEAN Economic Community’s commitment to narrow the development gap between the CLMV countries and the rest of ASEAN, SHIFT will also proactively explore opportunities to **create space for and collaboration with UNCDF’s capability in small infrastructure investment and project finance**. Combining investments in infrastructure with investments in financial inclusion for SMEs can have a multiplier effect in turning infrastructure corridors into economic corridors for SMEs.
80. Furthermore, SHIFT will also draw on the knowledge and experience of and seek to collaborate with the following UN agencies:
- UNDP in the area of policy research and advocacy on inclusive growth;
  - IFAD in the area of remittances and financing rural micro-entrepreneurs and SMEs;
  - ILO in the area of better work and women, migration, and micro-insurance;
  - UNESCAP in the area of financing for development;
  - UN Women in the area of women’s economic empowerment.

### 3.9. Mainstreaming Gender Considerations and Responsible Finance

#### Gender

81. Women make up the largest share of unbanked adults worldwide. According to the Global Financial Inclusion (Global Findex) database, 47 per cent of women versus 55 per cent of men in developing countries are banked (Global Findex, 2013). There is ample evidence of how women’s financial inclusion can serve as a catalyst to greater women’s economic empowerment. It can increase women’s economic opportunities, asset ownership, bargaining power, as well as reduce vulnerabilities.
82. The barriers that stand between women and the provision of financial services are a function of both supply and demand, and can be separated into issues around capacity, resources, connections and culture/norms as depicted in the chart below.

	SUPPLY SIDE	DEMAND SIDE
<b>Capacity</b>	<ul style="list-style-type: none"> <li>Limited access to knowledge, reducing participation in market segments and opportunities</li> </ul>	<ul style="list-style-type: none"> <li>Lower education and levels of financial literacy</li> <li>Time poverty, less time to engage in economic activities</li> </ul>
<b>Resources</b>	<ul style="list-style-type: none"> <li>Capital constraints, specifically hindering MSME transition to larger more established enterprises</li> <li>Low representation of women in senior level management</li> <li>Women more likely to have pressure to spend earnings on other purposes</li> </ul>	<ul style="list-style-type: none"> <li>Limited ownership and control of assets for collateral</li> <li>Less likely to have surplus from economic activity</li> </ul>
<b>Connections</b>	<ul style="list-style-type: none"> <li>Higher transaction costs to reach fragmented and remote markets (urban migration is disproportionately more likely among men than women)</li> </ul>	<ul style="list-style-type: none"> <li>Constraints in mobility and social/business networking opportunities</li> <li>Distance from information, lagging in use of technology</li> </ul>
<b>Culture /norms</b>	<ul style="list-style-type: none"> <li>Women perceived and treated as riskier, less profitable population</li> </ul>	<ul style="list-style-type: none"> <li>Negative household power dynamics</li> <li>Discriminatory practices</li> </ul>

83. To ensure gender is mainstreamed into SHIFT interventions, from design, through implementation, monitoring and evaluation, UNCDF has aligned its strategy with both the United Nations Development Programme (UNDP) Gender Equality Strategy, as well as the UNCDF strategy on Gender Equality and Empowerment of Women (GEEW).
84. UNCDF will specifically look at issues that restrict women from accessing regulated financial services, working to ensure that practices of financial service providers comply with and promote gender equality.
85. The SHIFT programme aims to go beyond simply mainstreaming gender into performance targets, but aims to develop interventions that positively promote a closing of the gender finance gap over the long term. In order for the SHIFT programme to draw conclusions and understand how greater financial inclusion can lead to improvements in women’s livelihoods, the programme will support the following:
- i. Women as clients of financial service providers needing to manage individual and household financial needs (the household route);
  - ii. Women as entrepreneurs and business owners seeking to manage finances or grow their business (the women in business route);
  - iii. Women as employees of businesses that can benefit from increased financial inclusion (the employment route);

- iv. Women as customers of businesses that can benefit from increased financial inclusion (the indirect route).

#### Good Governance on Financial Inclusion and Responsible Finance

86. UNCDF recognises accountability, transparency, participation, non-discrimination, and efficiency as the principles of good governance. UNCDF is engaged in promoting responsible finance as a member of the Smart Campaign Steering Committee, and in developing with CGAP a set of principles around “responsible digital finance” with particular attention to payments. UNCDF will draw on its experience on Client Protection, to safeguard clients from over-indebtedness and predatory lending, to ensure its partnering financial service providers adapt responsible finance practices as well as ensure that their services and products are transparent, easy to understand and appropriately priced.
87. UNCDF will:
- Embed client protection principles, such as responsible pricing and transparency issues within all technical assistance training initiatives to program partners, as well as within every programme based approach;
  - UNCDF will monitor financial arrangement on fairness vis – a – vis stakeholders, especially women and disadvantages groups;
  - UNCDF will demand transparent pricing mechanisms and ensure all partners abide to transparent pricing;
  - UNCDF will request all financial institutions to adopt client protection principles within their bylaws and link its fund distribution to acceptance and implementation of these principles.
88. UNCDF will also require partnering FSPs to report to the MIX Market on certain social performance indicators in their quarterly reporting. The intention of tracking social performance is based on the maxim “we manage what we measure.” By requiring FSPs to measure their own social performance, UNCDF expects they will pay more attention to these areas and increase additional efforts to improve performance in these areas.

## 04.

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### Results Framework

#### 4.1. Indicative Results for Output 1: Fund Facility

89. The Fund Facility will support financial service providers to develop new prototypes and bring to scale viable business models that serve low-income individuals, micro-entrepreneurs, and small and medium businesses, especially women within these markets, in the ASEAN frontier economies.
90. As a result, proven business models, which serve low-income customers, will inspire replication and adoption by financial service providers.

#### The rationale for UNCDF Intervention

91. Though there have been improvements in recent years, in ASEAN's poorest countries fewer than 20 per cent of people use formal financial services. Technological progress has allowed some gains in outreach (particularly in Cambodia) but generally the financial sectors in CLMV are small, bank-led, high cost, fragmented and lacking in business models to effectively serve the poor. For the region's enterprises, less than 20 per cent of firms use banks to finance investments, while financing of working capital is even lower.
92. Financing Investment, resilience and money management - For business investments, likely to have a quicker and more predictable payback, the fact that only 7 per cent of Vietnamese and 6 per cent of Malaysians have borrowed to start, operate or expand a business is indicative of low financial inclusion for micro-enterprises across the ASEAN region. On average, 15 per cent of people have borrowed for health and medical purposes, implying an absence of appropriate mechanisms with which to build resilience. Transactions that are currently not catered for by the financial sector include receiving government transfers and payments for agricultural products. Only between 20-40 per cent of domestic remittances in CMV countries are facilitated by the financial sector.
93. The traditional donor approach of supporting MFIs has gradually been replaced with piecemeal programmes and country-based approaches. More recently, private capital has entered the impact investment space. However, this is still characterized by high levels of risk aversion, little innovation, lack of market segmentation and product differentiation and a vanilla, credit-driven product mix focused on wealthier and urban populations.

#### The gaps that Fund Facility will target

94. Extending the access frontier to economically and socially marginalised populations - Extending the access frontier to women and other excluded groups means finding and supporting new delivery models that can extend services to harder to reach, rural areas while keeping costs sufficiently low to still allow

profitable service delivery. To do this, FSPs need to be supported to develop the ideas and take them to scale.

95. Account dormancy: Taking access to usage - Dormancy is a problem of both demand and supply, both of which SHIFT will work on. Financial literacy is a challenge and dormancy may result from people not understanding how or why they might use the financial service. Dormancy may also result from product design that does not meet the needs of the client.
96. Changing the product mix for financial inclusion - The evidence suggests that increasing financial inclusion will not come from only microcredit models but by providing more of the savings, payments and insurance services that are both more demanded and more needed by target populations. Digitising payments and leveraging fast-growing progress in ICT to reach the poor should also be a priority.

#### Fund Facility initial framework

97. The fund will operate as a modified Challenge Fund mechanism. The fund will have a clear exit strategy and crowding-in of investments (debt, equity, quasi-equity etc.) as part of grant arrangements with FSPs. Based on identified issues related to access and usage in CLMV, rounds of applications will be sought and proposals appraised for grantee selection.
98. SHIFT will work both on increasing financial access and usage in a staged approach to achieving genuine financial inclusion. The Scale Fund's primary objective is largely one of 'spread'; widening the scope of financial service provision to a larger number of people in the CLMV. The Innovation Fund's primary objective is one of 'depth'; extending the range of useful financial products and services to those who are currently unable to access such instruments.
99. SHIFT will fund investments with: i) a higher appetite for risk than commercial money (i.e. greater tolerance for failure); and ii) acceptance of a lower economic return on investment in exchange *for gains in social and socio-economic outcomes (e.g: income, employment, investments in health and education, thereby ensuring sustainable livelihood of the household)*. The 'additionality' rule means that SHIFT should not provide any funding to a grantee project that would be able to tap commercial, or any other available funding instead (e.g: banks are funding such capital requirement within the given collateral requirements, but this particular grantee is not able to access it due to non-provision of required information, not meeting governance/management requirements).
100. Through the challenge fund mechanism, there are a number of ways in which SHIFT can achieve its goals:
  - *Frontier funding* to help underwrite the start-up costs of developing innovative solutions. These could take the form of small-scale pilot projects or incubators that – if successful – have the potential to be 'game changers' (for e.g: WING in Cambodia – a mobile payment system was initiated by ANZ supported by Australian Government, and later sold off to Inter Logistics, and which is now leading DFS entity in Cambodia). These are high risk investments, with a healthy tolerance of failure in return for the prospect of a small number of disruptive innovations;

- Providing *funding to fill viability gaps* for projects (as traditional models might take longer to reach break-even) that provide strong social impacts – for example, financial solutions that focus on economically deprived regions that suffer from disproportionately high transaction costs (due to sparse population, low financial literacy, inadequate infrastructure, small capital mobilisation etc.);
- Funding initiatives that have *regional spill-overs* that markets and governments cannot capture. By funding proof of concept and supporting crowding in (both internal, to the project, and external, to the idea) the fund can broaden its impact considerably at a regional level, for example by formalizing cross-border remittances or supporting partnerships for south-south knowledge transfer (e.g. like leasing and warehouse finance services available in Asian countries, digital finance from Africa, etc.);
- Supporting models with *established proof of concept to scale to new geographies and markets*. Scalability has emerged as a major challenge for financial inclusion initiatives. This means tweaking and tailoring proven models based on an understanding of changing demand preferences, and providing the funding to drive outreach in large numbers (e.g. supporting MFIs to finance higher amount thereby addressing capital needs of micro and small enterprises);

### Sustainability

101. To achieve systemic change, the fund will ensure that exit strategies exist to all of its successful investments that promote the crowding-in of external investment, particularly by matchmaking projects with impact investors and other longer-term debt and equity financing. In this way, SHIFT acts as a market catalyst and ensures the sustainability of its investments. The social and socio-economic outcomes are, in effect, SHIFT's 'return' on the funding provided. In the longer term, the fund facility can also be transformed into a Special Purpose Vehicle. A regular monitoring, learning and evaluation will be undertaken of the funds provided, to inform about its success and future sustainability.

### Design work being undertaken

102. The design of the funding facilities is currently underway, due to be completed by end of June 2015. Detailed information on the outreach assumptions can be found in Annex 3.

**Outcome 1: Fund Facility:**

Proven business models, which serve low-income customers, inspire replication and adoption by financial service providers.

**Output 1: Fund Facility:**

Support financial service providers to develop new prototypes and bring to scale viable business models that serve low-income individuals, micro-entrepreneurs, and small and medium businesses, especially women within these markets, in the ASEAN frontier economies.

**Targets**

Additional 800,000 low-income people, micro-entrepreneurs and SMEs financially included through matching innovation-grants to an estimated 20 financial institutions by 2020.

(Indicative) Additional 2,800,000 low-income people, micro-entrepreneurs and SMEs through by crowding-in investors and funders to support an estimated 20 financial institutions to upscale proven inclusive business models by 2025.

INPUTS	ACTIVITIES	PARTICIPANTS	OUTPUTS	PROVIDER OUTCOMES	MARKET OUTCOMES
<p><b>Financial:</b> US\$ 16,448,729</p> <p><b>Human Resources:</b> UNCDF Staff, consultants and institutional engagements</p> <p><b>Infrastructure:</b> Funding windows</p>	<p><b>Initial</b> Detailed design of Innovation Fund Facility, including feasibility, rules and operations.</p> <p>Set up the Innovation Fund Facility, including the investment committee.</p> <p>Marketing of fund facility and scoping assessments in target countries.</p> <p>Identification and sourcing of innovative approaches through Project concept Notes/EoIs and shortlisting.</p> <p>Issue Request for Application, technical assistance to short listed applicants on business plans and exit strategic, due diligence and submission to the Investment Committee for review.</p> <p>Provide grants to approved projects, conclude performance-based agreements targets.</p> <p>Support grantees to achieve results on</p>	<p>Fund management contractor</p> <p>Financial service providers</p> <p>Research firms</p> <p>Technical service providers/contractors</p>	<p><b>Initial</b> Accelerated the development of new and innovative business models for financial inclusion through funding and technical assistance to FSPs</p> <p><b>Advanced</b> Investors are crowded in, further supporting and accelerating FSP business innovation and scale</p> <p>Lessons learned generated for wider application</p>	<p><b>Initial</b> Innovations increase market share of the financial institutions</p> <p><b>Advanced indirect:</b> Proven business models and technologies are scaled-up and new entrants imitate and replicate models and technologies</p> <p>Funders and private equity investors crowded into the financial sector to fund FSPs</p>	<p>Greater competition</p> <p>Increased number, diversity and affordability of financial services and products</p> <p>FSPs introduce improved or new business models and technologies into the market to serve low-income consumers</p>

	<p>time, and facilitate access to technical service providers.</p> <p>Establish robust monitoring and evaluation procedures for all stages of the fund facility.</p> <p><b>Advanced</b></p> <p>Systematically document and communicate lessons learnt for wider application and policy making.</p> <p>Engage development partners in the Innovation Fund pipeline development process and offer opportunities to co-invest in projects.</p> <p>Crowd-in and attract investors to capitalize on grantees expansion and scale, and their need for further mainstream capital.</p>		<p>and further improvement.</p>		
<p><b>Key Indicators:</b></p> <p># of FSPs supported</p> <p># of new prototypes that serve low-income consumers, micro-entrepreneurs, and small and medium businesses, especially women</p> <p># of scale viable business models that serve low-income consumers, micro-entrepreneurs, and small and medium businesses, especially women</p>					

#### 4.2 Indicative Results for Output 2: Learning and Skills Development Portal<sup>35</sup>

103. The ultimate aim of the Learning and Skills Development Portal is the availability of commercially viable training, knowledge and skills building services, contributing to the development of a more dynamic complementary market that can support financial markets to become more efficient and productive. The portal will leverage ICT solutions, by crowding in existing knowledge content and e-learning models, as well as incentivising the development of new innovative learning materials to improve the productivity and professionalism of FSPs and TSPs. The learning portal is designed to complement in-house training, allowing staff at all levels to use the tools on a continuous basis, even in remote areas.

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35 The Learning and Skills Development Portal combines demand side initiatives to boost professional, managerial and technical skills within financial institutions, and supply side initiatives to strengthen the regional infrastructure, as a public good, for financial training.

### The rationale for UNCDF Intervention

104. Lowering costs and providing the means to reach scale across functions and levels can be transformative within any agency, enabling a higher quality and capable staff to respond to changing market conditions. The costs of information and communications technology (ICT) learning and the infrastructure required for delivering high quality, continuous learning opportunities are decreasing rapidly, just as ICT usage rates are increasing dramatically. Additionally, internet usage is rapidly advancing in the ASEAN region, with few exceptions. CLMV countries are advancing with the recognition of the importance of narrowing the digital divide, and moving ahead on ICT innovations in education, as well as other sectors.
105. An ICT learning platform offers the flexibility to reach individuals and organizations that have different information and knowledge needs and priorities, and the flexibility to implement different learning methods that suit a variety of people and their learning preferences. Specifically, tools such as e-learning can complement traditional training by offering a variety of creative learning tools to bolstering the effectiveness of face-to-face in-house training, the method of professional development that all FSPs in the CMLV region use most often for staff development. FSPs in CLMV also rely on peers and colleagues more than any other source, with individual training professionals coming in as a close second (UNCDF, 2015). Additionally, linking practitioners from the demand side of knowledge seekers, and the supply side of expertise can be transformative, encouraging them to work together to identify and develop curricula and methods of learning preferred by portal users.
106. Furthermore, capacity building budgets are always the first to be cut, with most FSPs and other financial sector stakeholders relying exclusively on subsidies to support staff skills development. The SHIFT survey results<sup>36</sup> indicated that the majority of FSPs rely on grants and scholarships to cover more than 50 per cent of the costs for staff capacity building.

### Learning and Skills Development Portal Design and Implementation

107. **Defining Target Stakeholders:** The learning and skills development portal is designed to reach a variety of financial sector stakeholders in the ASEAN region, and technical services providers globally.<sup>37</sup>
108. The portal considers a phased approach to reaching scale through phasing of opportunely designed surveys, social marketing campaigns to engage participants, and incentives, such as co-branding, outreach in the market, and carefully placed grants to develop innovative learning activities in partnership with practitioner content experts and ICT media experts. The programme will pilot such activities with established training institutions in the region that have the knowledge, expertise and the mandate to serve a broader regional market.

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36 The Learning and Skills Development Portal Survey Summary Report can be found in Annex 9.

37 These stakeholders include: financial services providers, stakeholders that support the financial sector infrastructure, such as policy makers and regulators, credit bureaus, rating agencies, audit firms, bankers' associations and micro finance institution (MFI) networks, as well as specialized educational and training institutions, such as business schools, universities, research institutes, and global consulting firms and networks dedicated to financial inclusion.

109. Traditionally FSPs prefer to develop their own in-house learning facilities for staff. Learning from peers and colleagues, as well as on-the-job training are mainstay features of in-house training and skills development. As discussed, the learning portal is designed to complement in-house training. ICT mentors will be established as staff of FSPs and staff of other financial sector stakeholders that have participated in the learning portal, and can share curricula and mentor human resources and training staff in new methods of accessing knowledge and skills for the benefit of all staff. This approach is already well developed in the region, particularly in Singapore and Australia, where the programme intends to access expertise.

### Sustainability

110. The portal will utilize a scalable communications and learning platform. After 2017 when user surveys and additional needs assessments have been undertaken, the portal will aim to expand its reach and quality of service. Innovation grant windows will be available to users to enhance portal offerings and improve user experience by creating improved and state-of-the-art ICT tools and creative media. This will consist of portal updates, redesign (if necessary based on survey results), and ICT learning media innovations. The portal will also provide support to ensure that high impact content is translated into local languages to ensure maximum impact.

111. For cost effectiveness and in order to capitalize on a shared user-base, the portal will be housed under the Data and Analysis Hub discussed in Output 3. In this regard, in order to ensure platform sustainability, SHIFT will aim to develop partnerships with innovators and/or existing platforms to build on and enhance existing content, as well as develop new content and tools. Full management of the platform will be handed over to relevant partners upon the close of the project.

112. Joint learning and modelling will also be elaborated around the design and development of the Data and Analysis Hub, and Learning Portal, in order to enhance UNCDF internal collaboration between relevant project/programmes in the region.

**Outcome 2: Learning and Skills Development Portal:**

The increased number, diversity and affordability of training services, leading to improved productivity and service quality of FSPs and TSPs.

**Output 2: Learning and Skills Development Portal:**

Support business development service providers by leveraging ICT solutions to develop and bring to scale viable e-learning models for professionals in financial institutions to improve productivity and professionalism

**Targets**

Additional 800,000 low-income people, micro-entrepreneurs and SMEs financially included through matching innovation-grants to an estimated 20 financial institutions by 2020.

INPUTS	ACTIVITIES	PARTICIPANTS	OUTPUTS	PROVIDER OUTCOMES	PROVIDER OUTCOMES
<p><b>Financial:</b> US\$ 3,475,920</p> <p><b>Human Resources:</b> UNCDF Staff, consultants and institutional engagements</p> <p><b>Infrastructure:</b> Expanding the ICT portal structure of Output 3 with content such as: - Apps - E-learning - Translated manuals and tools - Videos - Games - Etc.</p>	<p><b>Initial</b> Needs assessment of FSPs/TSPs (including non- traditional ones) and stakeholders in the region</p> <p>Investigate partnerships with existing ICT learning platforms to plan for sustainability at programme end</p> <p>Identify FSP innovators and early adopters in ASEAN, with a particular focus on CLMV</p> <p>Design an open source, scalable ICT learning platform for accessible, tailored ICT tools</p> <p>Undertake social marketing campaign using social media and traditional marketing tools</p> <p>Organise regional stakeholder conference on the Learning and Skills Development in ASEAN</p> <p>Engage TSP and FSP staff to use and contribute to the ICT platform</p>	<p>Business development service providers for ICT development</p> <p>FSPs in ASEAN with an initial focus on CLMV</p> <p>TSPs globally, identified for providing excellent know-ledge building skills or innovative curricula.</p> <p>Marketing firm</p> <p>Universities and business schools with established reputations and mandate to serve the financial sector</p>	<p><b>Initial</b> An ICT knowledge platform is developed, which increases the reach and access to information for FSP/TSP professionals.</p> <p>Individuals, specifically staff of FSPs and TSPs, contribute and acquire information and knowledge to/ from the ICT platform.</p> <p><b>Advanced</b> Education and training professionals in the financial services sector create tailored, commercially</p>	<p><b>Initial</b> More capable staff across functions and levels due to an improved environment for learning and sharing information</p> <p>Professionals working in financial inclusion have improved capacity to address the needs of low-income consumers, micro-entrepreneurs, and small and medium businesses, especially women</p>	<p>More knowledgeable, skilled and capable financial sector that responds well to changes in market demand and supply</p> <p>Increased number, diversity and affordability of training and learning products</p> <p>Increased collective dialogue and shared will within and between policy making institutions and private sector actors about the delivery of products and services appropriate</p>

	<p>Facilitate FSP/TSP working partnerships for on-line content contribution &amp; fForm user-based learning groups to expand and innovate</p> <p>Expand social marketing campaign to new users and contributors, using social media</p> <p>Document evidence of FSPs/TSPs response to interventions, user and contributor satisfaction with services and next steps</p> <p><b>Advanced</b> Develop accessible, tailored platforms and ICT tools, reaching a broader stakeholder audience.</p> <p>Encourage education and training professionals to become “ICT mentors” working with FSP human resource and training departments to create a sustainable culture of learning.</p> <p>Pilot tailored, commercially viable ICT training with 1-2 existing TSPs in CMLV with established training expertise in financial services content by brokering Innovation Fund grants.</p> <p>Engage universities and business schools to develop on-line curricula</p>		<p>viable, training and capacity building programme</p>	<p><b>Advanced</b> FSPs and TSPs incentivised and able to develop relevant and targeted content and training Professionals working on financial inclusion have improved information, knowledge and skills to respond to the needs of the underserved</p> <p>Lower cost for training and development of entry level staff leads to efficiencies in operations</p>	<p>for low income segments</p>
<p><b>Key Indicators:</b></p> <ul style="list-style-type: none"> <li>• # of professionals that use and contribute to the learning platform.</li> <li>• # of countries engaged in contributing materials and expertise to the ICT learning platform.</li> <li>• # of staff of FSPs and other stakeholders having access to quality training materials</li> </ul>					

### 4.3 Indicative Results for Output 3: Data and Analysis Hub

113. The data and analysis hub will support the undertaking of country based data gathering through UNCDF's MAP diagnostic programme and data surveys, which aim to support the development of national financial inclusion roadmaps. The hub will produce, consolidate and communicate data and information on supply, demand and regulation in financial markets to strengthen the evidence base and investment decisions. The Hub's target audience includes FSPs, regulators and policy makers who are specifically targeting low-income individuals, micro-entrepreneurs, and small and medium business.
114. It is expected that the Hub's publically available data and analysis will improve the basis for informed decisions and creates a level playing field.<sup>38</sup>

#### The rationale for UNCDF Intervention

115. According to Consultative Group to Assist the Poor (CGAP), it is seen that financial institutions significantly lack market information and economic data. This lack of information and capacity among FSPs is seen to be one of the biggest barriers to financial inclusion. Furthermore, information gaps and weak data can have significant negative impacts on market development, and can be seen as the root cause to market failure.
116. Undertaking quality national level data collection and analysis, which can feed into a regional data collection and synthesis, will support the setting and measurement of national financial inclusion targets across the region, facilitating regional policy dialogue and decision-making at the level of ASEAN Finance Ministers and Central Bank Governors' Forums, as well as facilitating investment decisions by financial institutions, investors and donors for cross-border funding. An important ingredient of such analysis will be to locate financial inclusion within a wider and complementary set of policies designed to reduce poverty and inequality in the region as a whole. This will allow a closer understanding of the contribution of financial inclusion to the overall poverty reduction and inequality management policy, as well as its main drivers within a rapidly changing global financial environment.
117. The use of big data is on the rise, due to mobile phone penetration, availability of consumer information and technology used to capture it. The effective management of big data enables innovation and the creation of new business models, allows for products to be developed for very specific market segments, and supports data automation, which is essential to client oriented financial inclusion strategy development. Based on the SHIFT survey conducted with FSPs and TSPs in CLMV countries, it is seen that limited attention is currently given to research and product development.

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38 In order to ensure the information available is well rounded, UNCDF will explore opportunities to collaborate with others, specifically drawing data from diagnostics in markets that are complementary to financial markets (e.g. training market assessment and assessment of infrastructure finance market assessment), including diagnostic undertaken by other UNCDF programmes, such as the LOOKING (Locally Owned Knowledge = Inclusive Growth) programme which assesses the way that local authorities function and helps them find appropriate solutions for management and governance challenges.

## Data and Analysis Hub Implementation and Design

118. Due to a lack of data in some CLMV countries, improved, quality, data gathering systems, such as MAP, will support CLMV countries and the region in understanding regional trends and basing policy decisions on up-to-date data and research. Data will be aggregated, analysed and summarized to identify trends and undertake thematic research. As gender is a major component of the SHIFT programme, gender disaggregated data will also act as a major input to trend development and theme studies. Financial inclusion data and analysis will cover a range of financial inclusion issues, including but not limited to:
- Individual households and consumers (disaggregated also by gender and age)
  - Agricultural producers and enterprises
  - Micro, small and medium enterprises
119. The hub will also support the training to national statistics offices/research centres to undertake research, secure approval of questionnaires for national surveys from relevant national authorities, provide for quality control and overall management of the research process undertaken by national counterparts, conduct data analysis, co-publish research results with national counter-parts, and prepare and disseminate reports. The hub will also act as the main communications tool under the SHIFT programme in which data, research and training tools can be disseminated. Furthermore, data and analysis undertaken will directly contribute to thematic cross-broader research, policy studies and longitudinal research on financial behaviour.
120. The data and analytics hub is a cross-cutting output that will feed each programme output, through housing content such as the learning tools, and by providing data and information to inform decision making. The hub will be comprised of a coalition of partners for the undertaking of activities such as MAP diagnostics, research, etc., and it will also be developed as an ICT tool that will act as a means for communicating data and research, while also hosting a dedicated learning and skills development portal.
121. In addition to developing partnerships with existing platforms, grant and technical assistance will be provided on an as needed basis to a consortium of national bureaus of statistic and university/research centre, to assist in the co-creation of the regional data and analysis hub, applying the established UNCDF MAP methodologies, through partnership with organizations such as FinMark Trust and Cenfri.
122. The data and analysis hub further supports the development of informed policies and regional dialogue on financial inclusion trends in ASEAN and will provide key data, information and thematic cross-broader research to support to Output 4.

## Sustainability

123. Technical assistance will be provided by FinMark Trust and Cenfri for contextualising the MAP methodology to the ASEAN context, embedding technical requirements and standards within the Hub's existing capacity and service offering, and enhancing the capability of the Hub to advise, support and assure the quality of new and repeat diagnostics across all ASEAN countries, as well as support the setting of national targets and roadmaps.

124. Furthermore, partnership remains an important component across the SHIFT programme, specifically in terms of developing the data and analysis hub. In order to maximize financial resources, benefit from the lessons learned from other developers and capitalize on existing user bases, SHIFT will aim to develop partnerships with existing platforms to enhance existing content, as well as develop additional content and tools appropriate to achieve SHIFT’s goals.

<b>Outcome 3: Data and Analysis Hub:</b> Publicly available data and analysis improves the basis for informed decisions and creates a level playing field.					
<b>Output 3: Data and Analysis Hub:</b> Produce, consolidate and communicate data and information on supply, demand and regulation in financial markets to strengthen the evidence base and investment decisions of providers, regulators and policy makers, specifically targeted towards low-income individuals, micro-entrepreneurs, and small and medium business, especially women within these markets.					
<b>Immediate target:</b> at least 1 new study carried out per year taking into consideration gender disaggregated data					
<b>Long Term Policy Targets:</b> Contribute to an additional 8,404,750 low-income people, micro-entrepreneurs and SMEs financially included by 2020 through the policy intervention of supporting the development and implementation of national Financial Inclusion Road Maps. Within this target 4,609,103 low-income people and entrepreneurs will be women. <sup>39</sup>					
INPUTS	ACTIVITIES	PARTICIPANTS	OUTPUTS	USER OUTCOMES	PROVIDER OUTCOMES
<b>Financial:</b> US\$ 7,364,175  <b>Human Resources:</b> UNCDF Staff, consultants and institutional engagements  <b>Research:</b> Theme studies, reports and roadmaps	<b>Initial</b> Undertake national diagnostic and roadmap in Cambodia and scope Viet Nam.  Accelerate the use of big data by having performance-based agreements with selected institutions to develop data and analytics  Identify innovative approaches to presenting data and attracting data users, using marketing, social and electronic media, and systematic	National bureaus of statistic  Universities and business schools with established reputations and mandate to serve the financial sector  Finmark Trust and Cenfri	<b>Initial</b> Financial inclusion demand survey and market diagnostic gathered in all CLMV countries  The availability and use of big data and analytics is strengthened	<b>Initial</b> National governments establish baselines and targets  <b>Advanced</b> Professionals, TSPs, policy makers and regulators have access	Increased collective dialogue and shared will within and between policy making institutions and private sector actors about the delivery of products and services appropriate for

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39 These estimates are based on a baseline created from FinDex 2014 data and projections discounted schedule of diagnostic and completion of roadmap preparation (estimated 12 months based on Myanmar and Thailand). There 43,463,753 million people currently financially included in CLMV countries out of a total eligible population of 164,872,814 million people. Please see Annex 8 for calculations and details.

<p><b>Data Collection:</b> MAP and country level surveys</p> <p><b>Infrastructure:</b> ICT portal development</p>	<p>scoping assessments in target countries. Research is disseminated and strategically communicated to market actors.</p> <p><b>Advanced</b> Support the hub with development of a business plan and present to the Programme Committee for review and approval.</p> <p>Market the data and analytics hub among ASEAN member countries to host and cost-share the analysis and dissemination</p> <p>Contextualizing the MAP methodology in the ASEAN context with technical assistance support from organisations like FinMark Trust and Cenfri. Identify and undertake research and analysis on thematic cross-regional issues on specific market segments.</p>	<p>FSPs in ASEAN with an initial focus on CLMV</p> <p>Marketing firm</p> <p>ASEAN governments and legislators, including the ASEAN Finance Ministers and Central Bank Governors' Working Group</p> <p>Clients which act as survey respondents and providers of data</p>	<p>Regional thematic cross-border research strengthens sector products which drive and impact financial inclusion</p>	<p>and exchange information and resources with peers Professionals working in financial inclusion have improved market opportunities and constraints to address the needs of low-income consumers, micro-entrepreneurs, and small and medium businesses, especially women</p>	<p>low income segments</p> <p>Greater market transparency Regional online data hub established for the consolidation and communication of data, information and learning</p> <p>Improved and more responsive policy and regulatory environment</p>
<p><b>Key Indicators:</b></p> <ul style="list-style-type: none"> <li>• # of Financial Inclusion demand survey and market diagnostic gathered</li> <li>• # of Regional thematic cross-border researches produced</li> <li>• # of studies elaborated and disseminated</li> <li>• # of low-income people, micro-entrepreneurs and SMEs financially included</li> </ul>					

#### 4.4 Indicative Results for Output 4: Policy and Advocacy

125. The policy and advocacy component of the project aims to influence policy makers, financial service providers and governments to enable financial markets to be more responsive to the wider development priorities of governments and its people.
126. As a result financial inclusions strategies will be accelerated at the national level, and will be supported by improved regional coordination of economic integration and financial inclusion policies and regulations.

#### Policy and Advocacy Implementation

127. **The programme will capitalise on UNCDF and SHIFTs engagement and reach in ASEAN and further increase its visibility and strategic position.** The position UNCDF takes in the landscape in which it operates, relative to others in a network, will enable UNCDF to influence and guide others towards action. This includes advocating for improved use of data and research and supporting special interest groups (e.g. policy activists, network of women Chief Executive Officers (CEOs) and Chief Operating Officers (COOs)) to drive change. UNCDF also aims to drive change by supporting national and regional coordination, and collaboration around financial inclusion. This combined resources and manpower will help ensure that a coherent opinion will be voiced on the challenges and solutions facing low-income individuals, micro-entrepreneurs, and small and medium business, especially women.
128. **UNCDF will also identify and deliberately make alliances with influential coalitions or international networks to advocate for change** (e.g. Financial Inclusion Technical Committee for the ASEAN Forum and the Alliance for Financial Inclusion (AFI) and ASEAN Connectivity Through Trade and Investment) within the region and internationally. To foster these strategic relationships and influential position, UNCDF staff actively attends national, regional and international events. UNCDF staff will also support FSP and private actors to be more effective (e.g. Mekong Business Initiative) in how they engage with policymakers and regulators to ensure that their views are represented in reforms.

#### Sustainability

129. To ensure the issue of inclusive finance gains more visibility, it is necessary to have **high-level political awareness, buy-in and push from senior staff and political champions.** In order to elevate issues related to inclusive finance in regional and international fora, UNCDF will ensure that it utilises multiple forms of media to communicate, using convincing data to reach out to multiple audiences, and the Data Hub to house and disseminate relevant research and information for application and future use.
130. In order to ensure that lessons learned are applied and understood beyond the SHIFT project, SHIFT will undertake multi-stakeholder consultations and reviews, as well as strong results monitoring in order to disseminate lessons learned both regionally and globally as applicable.

**Outcome 4: Policy and Advocacy:**

Financial inclusions strategies are accelerated at the national level, and supported by improved regional coordination of economic integration and financial inclusion policies and regulations.

**Output 4: Policy and Advocacy:**

Influence policy makers, financial service providers and governments to enable financial markets to be more responsive to the wider development priorities of governments and its people.

**Immediate Targets**

At least 1 policy note, 1 conference, 1 think-shop, 1 ASEAN Conference on FI, and 1 regional workshop organized per year

At least 3 strategic partnerships developed by the end of the programme

**Long Term Policy Targets**

Robust national financial inclusion strategies across 6 low-middle income ASEAN countries.

Leading financial institutions have gender strategies and operational plans.

ASEAN Economic Integration policies have integrated financial inclusion as a key priority backed by resources and plans.

INPUTS	ACTIVITIES	PARTICIPANTS	OUTPUTS	PROVIDER OUTCOMES	MARKET OUTCOMES
<p><b>Financial:</b> Financial: US\$ 6,144,750</p> <p><b>Human Resources:</b> UNCDF Staff, consultants and institutional engagements</p> <p><b>Research:</b> Theme studies, policy research</p> <p>Advocacy and communications (workshops, conferences, forums, policy dialogues)</p>	<p><b>Policy Research</b> Undertake policy-research and consultation on the potential impacts of ASEAN Economic integration priorities and policy-making processes on building pro-poor financial markets.</p> <p>Publication and dissemination of policy research and MAP synthesis across ASEAN.</p> <p>Policy notes produced, published and disseminated in a phased approach over the course of 3 years</p> <p><b>Workshops and Meetings</b> Stakeholder workshops to seek feedback on policy research topics identified and their pro-poor impact in the context of ASEAN regional integration</p> <p>Support participation of CLMV governments in regional/ global policy dialogue</p> <p>Co-organisation of the ASEAN Conference on Financial Inclusion.</p> <p>Institutionalization of Financial Inclusion in the Financial Integration Agenda of AEC through</p>	<p>Chair of ASEAN</p> <p>Universities and research institutions with established reputations and mandate to serve the financial sector</p> <p>ASEAN FI Technical Committee</p> <p>ASEAN governments and legislators, including the ASEAN Deputy Finance Minister and Central Bank Governors</p>	<p><b>Initial</b> Initial Accelerated</p>	<p>All CLMV regulators are members of AFI</p> <p>Thematic research enhances collaboration on cross-regional issues faced by specific market segments</p> <p>National FI policies, regulations and strategies are developed or redesigned in response to the needs of low-income segments</p> <p>Accelerated implementation of national</p>	<p>Enhanced alignment on economic integration and financial inclusion policies and regulations across ASEAN, specifically for women.</p> <p>National FI policies, regulations and strategies are developed or redesigned in response to the needs of low-income segments</p> <p>Accelerated implementation of national</p>

	<p>consultation meetings and participation in the ASEAN FI Technical Committee</p> <p>Organise a multi-stakeholder meeting to present a synthesis of the policy research, UNCDF country diagnostics and roadmaps and secure validation for recommendations, priorities.</p> <p>Organization of policy dialogues, conferences and workshops for better understanding and integration of financial inclusion in to wider development and women’s rights agenda</p> <p><b>Communications and Advocacy</b> Develop communications and media strategy, engaging key stakeholders in financial inclusion, to support advocacy for increased pro-poor financial sector development, and reinforce existing and new policy frameworks.</p> <p><b>Government and Partnership Support</b> Support the Chair of ASEAN in building new areas of policy development.</p> <p>Support the implementation of financial inclusion roadmaps.</p> <p>Develop strategic partnerships for the development of coherent standards, policies and strategies ( i.e. AFI, World Bank Group, and ADB’s MBI</p> <p>Supporting the integration of CLMV government in relevant learning and partnership development for enhanced understanding and participation in the regional policy agenda.</p>	<p>Working Group</p> <p>Finmark Trust and Cenfri</p> <p>World Bank, ADB and AFI</p> <p>Women’s economic empowerment networks and organizations/ networks working in cross cutting development areas</p>	<p>implementation of national financial inclusion strategies in ASEAN countries</p> <p>Advanced Improved coordination and policy cooperation between financial inclusion actors and actors pursuing a wider development agenda</p>	<p>and evaluated outreach to low income segments</p>	<p>financial inclusion strategies</p> <p>A supportive business regulatory environment for FSPs is created that aims to serve low income consumers</p>
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**Key Indicators:**

- # of research studies produced and disseminated
- # of MAP synthesis produced
- # of stakeholder workshops conducted
- # of regional workshops/conferences/think-shops organized
- # of strategic partnerships developed

#### 4.5. Results and Resources Framework

131. SHIFT's intervention will focus on four key outputs which are presented in the detailed results and resources framework attached in Annex 4.

#### 4.6. Sustainability of Results

132. The SHIFT programme approach includes a strong advocacy component to influence behavioural change of partners and incentivise investments. In this regards, 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, micro-entrepreneurs and small and medium 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.
133. 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.
134. As there will be a progressively increased alignment on economic integration and financial inclusion policies and regulations across the ASEAN 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.
135. This will ultimately lead to reduce poverty and vulnerability to shocks, as well as increase income and employment of low-income people.
136. 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 will be sustainable and will continue long after the completion of the programme. In addition, it is expected that, by strengthening financial inclusion in the region, at least 6 million people will become financially included and will be able to access diverse, affordable, good quality financial services and products.

## 05.

### Annual Work Plan

#### 5.1. 2015 Annual Work Plan

Work in Progress ○  
Milestone/ Deliverable ○

INDICATIVE ACTIVITIES FOR EACH OUTPUT	2015				2016				TOTAL (in USD)	BUDGET PER DONOR				
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		DFAT	FMO	UNCDF	UNCDF Parallel <sup>40</sup>	Unfunded
Output 1 Fund Facility	○	○	○	○	○	○	○	○	2,952,818	2,400,508	-	18,000	129,310	405,000
Output 1.1 Accelerated the development of new and innovative business models	○	○	○	○	○	○	○	○	2,351,159	1,886,962	-	-	64,198	400,000
Output 1.2 Investors are crowded in, further supporting FSP			○	○	○	○	○	○	347,163	281,213	-	-	60,950	5,000
Output 1.3 Lessons learned generated for wider application		○	○	○	○	○		○	254,496	232,333	0	18,000	4,163	0
Output 2 Learning and Skills Development Portal	○	○	○	○	○	○	○	○	734,455	75,000	0	304,391	68,063	287,001
Output 2.1 An ICT knowledge platform is developed.	○	○	○	○	○	○	○	○	616,426	75,000	0	238,323	51,103	252,000
Output 2.2 Individuals, specifically staff of FSPs and TSPs, contribute and acquire information and knowledge to/from ICT platform.				○	○	○	○	○	105,363	0	0	59,763	10,600	35,000

40 UNCDF parallel funding represents in-kind (non-financial) contributions provided by UNCDF, this specifically includes staff time attributed to each activity.

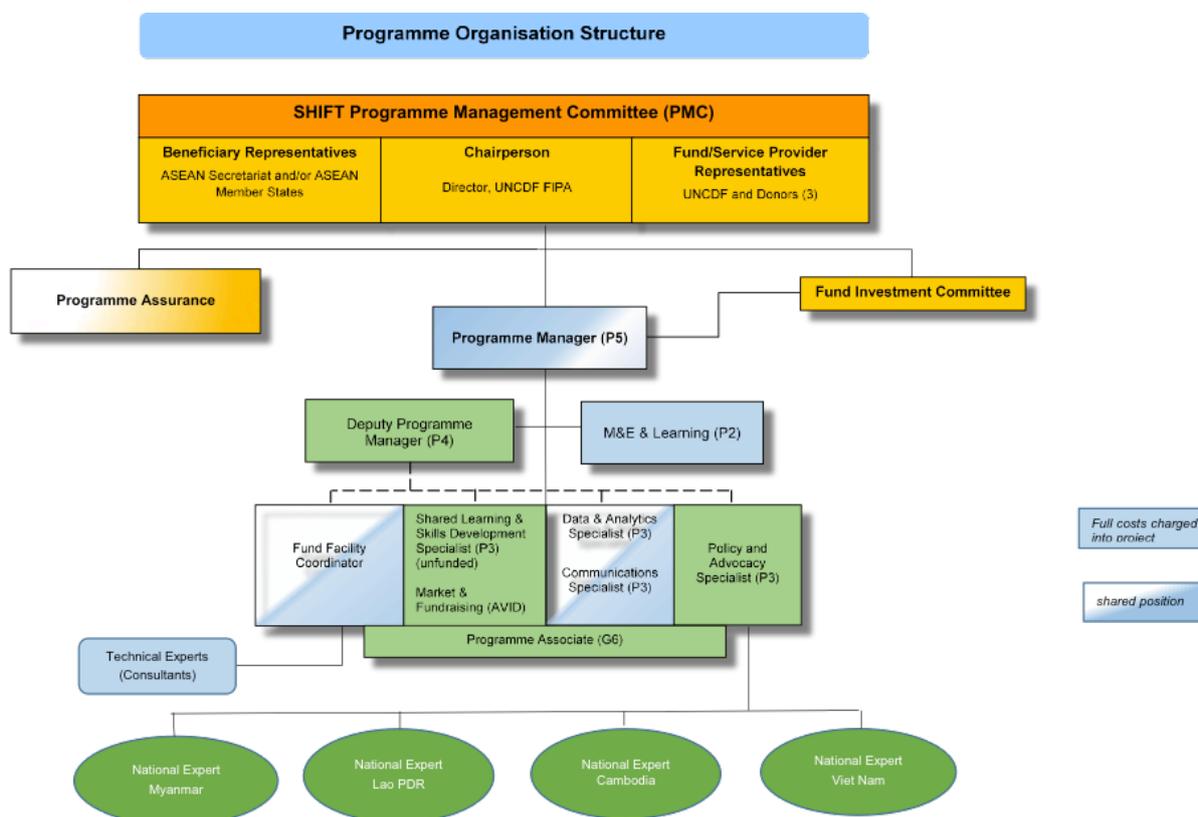
Output 2.3	Education and training professionals in the financial services sector are incentivised to create tailored, commercially viable, training programmes									12,665	0	0	6,305	6,360	0
Output 3	Data and Analysis Hub	○	○	○	○	○	○	○	○	2,963,650	785,548	185,185	98,000	68,916	1,826,000
Output 3.1	Financial inclusion demand survey and market diagnostic gathered	○	○	○	○	○	○	○	○	2,845,997	691,358	185,185	98,000	59,454	1,812,000
Output 3.2	Availability and use of big data and analytics is strengthened			○	○	○	○	○	○	62,142	42,842	0	0	5,300	14,000
Output 3.3	Regional thematic cross-border research strengthens sector products which drive and impact financial inclusion					○	○	○	○	55,511	51,348	0	0	4,163	0
Output 4	Policy and Advocacy	○	○	○	○	○	○	○	○	1,729,936	1,273,352	0	0	73,084	383,499
Output 4.1	Improved coordination and policy cooperation between financial inclusion actors and development actors	○	○	○	○	○	○	○	○	647,531	520,698	0	0	10,833	116,000
Output 4.2	Accelerated implementation of national financial inclusion strategies in ASEAN countries.		○	○	○	○	○	○	○	1,082,405	752,654	0	0	62,251	267,500
<b>Sub Total</b>										<b>16,761,718</b>	<b>9,068,816</b>	<b>370,370</b>	<b>840,782</b>	<b>678,748</b>	<b>5,803,001</b>
<b>Indirect Costs</b>										<b>508,608</b>	<b>261,673</b>	<b>14,815</b>	<b>0</b>	<b>0</b>	<b>232,120</b>
<b>Total</b>										<b>17,270,325</b>	<b>9,330,489</b>	<b>385,185</b>	<b>840,782</b>	<b>678,748</b>	<b>6,035,121</b>

5	Operations and Management	YEAR 1				YEAR 2			
		1	2	3	4	1	2	3	4
5.1	HUMAN RESOURCES								
5.1.1	Recruit Deputy Program Manager				○	○			
5.1.2	Recruit Shared Learning and Skills Development Specialist								○
5.1.3	Recruit Data and Analytics Specialist		○	○					
5.1.4	Recruit Communication Specialists		○	○					
5.1.5	Recruit Policy and Advocacy Specialist								○
5.1.6	Recruit National Expert - Cambodia						○	○	
5.1.7	Recruit National Expert - Lao PDR								○
5.1.8	Recruit National Expert - Myanmar								○
5.1.9	Recruit - National Expert - Viet Nam								○
5.1.10	Recruit Fund Facility Coordinator		○	○					
5.1.11	Recruit External Fund Manager (Organisation)		○	○					
5.1.12	Procurement of LTA (Policy Advocacy, Data and Analysis, Strategic Communications, Capacity Building)			○	○	○			
5.2	Management								
5.2.1	Conduct Scheduled Programme Board meetings			○		○		○	
5.2.2	Ad Hoc Investment Selection meetings as needed				○	○		○	
5.3	Planning and Reporting								
5.3.1	Development and review of Annual Work plans				○				○
5.3.2	Dash Board development and updating			○	○	○	○	○	○

## 06.

### Management Arrangements

137. SHIFT, as a regional programme, 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, UNCDF will collaborate very closely with a wide range of national and regional stakeholders notably with ASEAN Secretariat, specific ASEAN member countries, etc.



#### 6.1 Governance and Oversight

##### Programme Management Committee

138. The SHIFT Programme will be governed by a Programme Management Committee (PMC) consisting of contributing donors, a representative of the ASEAN Secretariat and/or ASEAN member countries, and

chaired by the UNCDF Director of the Financial Inclusion Practice Area (FIPA). The PMC is responsible for making management decisions by consensus for the SHIFT programme, including approval of Annual Work plans and revisions as well as authorises any major deviations from the agreed plans. PMC is also the authority that signs off on the completion of activities and ensures that required resources are made available.

139. The PMC will be composed of:

1. **Chairperson:** The UNCDF FIPA Director, as the Chairperson, is ultimately responsible for the programme supported by the other PMC members. The Chairperson's role is to ensure that the programme remains focused throughout its life cycle on achieving its objectives and delivering outputs that will contribute to higher level programme outcomes. The Chairperson has to ensure also that the programme gives value for money, ensuring a cost-conscious approach to the programme, balancing the demands of the beneficiary and supplier of services.
2. **Representatives from Beneficiaries:** In order to ensure maximum stakeholder participation, a representative of the ASEAN Secretariat and/or ASEAN member country will hold at least one seat on the board. The selected representatives will represent the interests of those who will ultimately benefit from the programme activities (poor people, micro-enterprises and SMEs, etc.) Their primary function in the PMC will be to ensure the realization of programme results from beneficiaries' perspective.
3. **Representatives from Donors/Service Providers:** Representatives from UNCDF and the SHIFT Programme donors will undertake the role of Fund/Service Providers. The top 3 donors based on the size of funding commitments, including DFAT as the initial donor, will become permanent members of PMC. Their primary function within the PMC will be to provide guidance regarding the technical feasibility of programme activities, in addition to the provision of funding and advisory support. Additional members may be requested to act as advisors to the PMC, especially to the Chairperson, based on their expertise in relevant areas of the SHIFT Programme. This may include representatives from the following organisations: AFI, USAID, and Gates Foundation, etc.

140. The PMC will consider case-by-case approval of additional members, if a major donor commits significant funding and requests a seat on the PMC. The PMC will meet at least once a year, in person or virtually. In cases when the Programme Manager requires further guidance and decisions on critical issues additional meetings may be convened. The terms of reference for the PMC can be found in Annex 5.

### Programme assurance

141. The overall responsibility of programme assurance is with each member of the PMC. The PMC will be supported from the Regional Office in Bangkok for the programme assurance functions by carrying out objective and independent programme oversight and monitoring functions. This role ensures that appropriate programme management milestones are managed and completed in line with the decisions made by PMC members.

## Fund Investment Committee

142. The Fund Facility is one of the key components of the SHIFT Programme. Hence SHIFT PMC will establish an Investment Committee (IC) consisting of financial experts from the ASEAN region, as well as experts on cross-cutting issues including gender. DFAT, as one of the major donors, has requested to become a member of IC, at least until their funds are fully utilised.
143. As part of the due-diligence process, the IC is expected to review applications received through the call for funding proposals process, and make recommendations as to which proposals should be presented to the SHIFT PMC for their review and approval. The IC is expected to meet a minimum of two times per year or as requested by the Chairperson of the SHIFT PMC.

## 6.2 SHIFT Programme Team Roles and Responsibilities

144. The SHIFT Programme team will be based in the UNCDF Regional Office in Bangkok. Given the importance of this regional programme, the UNCDF Senior Regional Technical Advisor will be assigned as the SHIFT Programme Manager and gradually delegate more functions to the Deputy Programme Manager for the day-to-day implementation of activities. Based on subsequent reviews of the programme, PMC may decide to hire a full time Programme Manager depending on the volume of work and availability of funding.

## Programme Manager

145. The Programme Manager (PM) has the authority to run programme activities on a day-to-day basis as per decisions made by PMC. The PM's prime 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.
146. The PM will have the overall responsibility for management of the programme and in particular providing strategic guidance to the programme team, including the Fund Facility, engagement with donors and key stakeholders, fund-raising, reporting and communications.
147. As referenced in the organizational structure, under the Programme Manager's direction, and with day-to-day support from the Deputy Programme Manager, a programme implementation team will be established along the streams of programme outputs: 1) Fund Facility; 2) Learning and Skills Development Portal; 3) Data and Analysis Hub and 4) Policy & Advocacy. Some of the positions will be cost shared with the CleanStart and other Projects (see table below for more details). The team will be supported by a Programme Associate that provides operational, budget and administrative functions. In addition, a Monitoring and Evaluation (M&E) and Learning staff member will support the PM with the overall monitoring of all components of the programme and ensuring that overall strategic targets are being met.
148. The programme team will draw on the UNCDF field resources and several other expert consultants for the programme's technical implementation (long-term agreement (LTAs), request for proposals (RFPs),

individual contract/reimbursable loan agreements, roster of consultants, etc.) and will expand based on additional funds mobilised, but also as required as per programme plans. In addition, National Experts will be hired in four target countries (Lao PDR, Cambodia, Myanmar and Viet Nam), initially in two countries, where the programme is more advanced, followed gradually by recruitment in the other countries. The key positions funded through the SHIFT Programme have been described below:

TITLE	RESPONSIBILITIES
<b>Bangkok</b>	
<b>Programme Manager (P5)</b>	The Programme Manager (PM) has the overall authority to run programme activities on a day-to-day basis as per decision made by PMC outlined in the annual work plan. The PM's prime 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. PM will be delegating some of these functions gradually to the Deputy Programme Manager, but will retain the supervision of the cost shared positions with the CleanStart Project.
<b>Deputy Programme Manager (P4)</b>	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. DPM will build a technical and support team to assist implementation and will be supervising the programme team (except for the cost shared positions which will be supervised by the PM). DPM will also be responsible to maintain a roster of vetted consultants or long-term contracts with relevant experience.
<b>M&amp;E and Learning (P2)</b>	The M&E Officer 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 M&E Officer will also support the UNCDF Evaluation Unit in HQ in conducting the evaluation assessment of the programme as well as in preparing the TORs, selecting the team of experts to carry on the mid-term and final evaluations.
<b>Fund Facility Coordinator</b> <i>[Shared position with the CleanStart Project]</i>	UNCDF will seek to engage an expert for a LTA to coordinate both fund facilities (of SHIFT and CleanStart), and with External Fund Manager to ensure development, implementation, quality assurance and achievement of deliverables for each of the fund facilities. The Coordinator will ensure the fund facility meets programme's objectives and aligns with decided portfolio composition and location, risk and capacity strengthening.

<p>Shared Learning &amp; Skills Development Specialist (P3)</p>	<p>This position would be assisting with the establishment of learning platform, launch of social marketing campaign, support preparations for the regional events, etc. In addition, the Specialist will ensure that lessons learned from the learning platform will be widely disseminated and contribute to the implementation of other programme outputs.</p>
<p>Market and Fundraising (AVID)</p>	<p>Strategic partnerships will be explored with complementary programmes such as the Australian Volunteers for International Development (AVID), to source appropriate candidates for this role in the programme.</p>
<p>Data Analytics Specialist (P3) <i>[Shared position with the CleanStart Project]</i></p>	<p>The Data and Research Specialist will provide support to PM in terms of organising the scoping country missions, assist with financial inclusion demand survey and market diagnostics (i.e. MAP), support conducting of research in the region and in-depth country research, generating financial market data and analytics among ASEAN member countries, sharing of data/research results with key stakeholders, support implementation of national Financial Inclusion Roadmaps, identifying cross-regional issues related to inclusive finance</p>
<p>Communications Specialist <i>[Shared position with the CleanStart Project]</i></p>	<p>This position will support the design of SHIFT internal and external strategies for communications and outreach, as well as its implementation; design of the publication material; facilitate knowledge building and knowledge sharing through dissemination, ensuring high visibility of programme activities, etc.</p>
<p>Policy and Advocacy Specialist (P3)</p>	<p>The Policy Specialist will support PM in conducting policy-research and consultation on potential impacts of ASEAN economic integration priorities and policy-making processes, support preparations of key events (i.e. conferences, workshops, high-level dialogues, multi-stakeholder meetings, etc.) on policy related topics and/or to present policy research findings, etc. This position will supervise the 4 National Experts in the field.</p>
<p>Programme Associate (G6)</p>	<p>Programme Associate will support the implementation of SHIFT activities through operational and administrative support to the programme team.</p>
<p>Quality Assurance (P4) <i>[20 per cent charged to the SHIFT Programme]</i></p>	<p>This position will be responsible for programme assurance, ensuring that risks and critical issues are monitored and managed on regular basis; approving budget revisions, payments, purchase orders, ensuring regular financial monitoring; timely reporting to PMC and other development partners, etc. In addition, this position will support programme team to unblock any bottlenecks during implementation of activities, make sure that funds are made available to the programme and ensure that resources entrusted to UNCDF are utilized appropriately following UNCDF rules and regulations.</p>

<b>Field</b>	
<b>National Experts</b> <ul style="list-style-type: none"> <li>• Myanmar</li> <li>• Lao PDR</li> <li>• Cambodia</li> <li>• Viet Nam</li> </ul>	<p>The national experts will support the Policy and Advocacy Specialist to build and strengthen partnerships with key stakeholders in their respective countries, engage in policy discussions related to inclusive finance, provide in-country support for the financial inclusion demand survey and market diagnostics (i.e. MAP) as well as the implementation of roadmaps, advocate and raise awareness in country about the Incentivising Innovation Fund, share with local partners lessons learned from the fund, etc.</p>
<b>Non staff positions</b>	
<b>External Fund Manager</b>	<p>UNCDF will seek to obtain services of companies on long-term contracting arrangements, to manage the process of identification to selection to closure of grants. This contracted organisations termed as “External Fund Manager” will undertake design and planning, marketing, to support applicants and grantees, and reporting.</p> <p>The External Fund Manager in brief will work on the following aspects of Fund Facility:</p> <ul style="list-style-type: none"> <li>• Develop and manage potential grantees pipeline</li> <li>• Marketing the fund to range of stakeholders at the country, ASEAN and global level.</li> <li>• Market Scoping, identification and recommendations on thematic areas for the fund windows</li> <li>• Launch and solicitation of proposals.</li> <li>• Provide Technical Assistance to potential grantees for business planning and exit strategy</li> <li>• Evaluation of request for application, engagement with potential grantees, and development of due diligence reports comprising technical, regulatory, institutional, financial and on-field verification aspects.</li> <li>• Crowd-in investors and partnerships for scaling up projects as part of exit strategy</li> <li>• Undertake field validation to assess performance of grantees; Develop closure report for each funding facility and ‘windows’</li> <li>• Develop processes, tools or systems to support the collection of data (including gender disaggregated) related to partner’s performance, including indicators and lessons learned</li> </ul>

## 07.

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### Fund Management Arrangements

149. The programme is financed through partnerships with donor agencies (i.e. DFAT, FMO) and aims to engage additional donors, private foundations and impact investors. The fund management modality will be **parallel with standard cost-sharing agreements signed by donors and UNCDF**.
150. UNCDF will programme the funds and manage the activities specified in the Resources and Result Framework (RRF) in line with its established rules and regulations. DIM will be the implementation modality for all activities under this programme. The administration of this Programme shall be governed by UNCDF's policies, rules and regulations, as defined in the UNCDF Operations Manual (OM).
151. The Fund Facility will be formally approved by UNCDF's Executive Office. Additionally, clearance from the UNDP legal office will also be sought only if and when the Fund Facility seeks to operate outside of the programme environment, such as operating as a special purpose vehicle.<sup>41</sup>

#### 7.1 Transfer of cash to national Implementing Partners

152. UNCDF's standard performance-based agreements (PBAs) will be used for all grant recipients. After reference and data checks (including unqualified financial audit reports). In most cases, larger cash grants, loans or guarantees will require a more thorough due diligence process, including on-site visits to the partners under consideration, to verify the information provided as well as their management and operational abilities to perform according to the anticipated agreement. Funds will be released in tranches over the life of the funding agreement based on the partners' meeting targets and disbursement conditions.

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41 The Fund Facility will be a grant mechanism and function within the legal identity of the SHIFT programme document, and executed through a budget line under the SHIFT programme. The Fund Facility will have a specific investment committee that will undertake technical review of applications to ensure thorough review and analysis of applications, and make recommendations for approval by the SHIFT Programme Management Committee (PMC).

## 08.

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### Visibility And Outreach

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

## 09.

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### Monitoring, Evaluation And Reporting<sup>42</sup>

#### 9.1 Monitoring

154. The SHIFT Programme will adopt a results-based management approach, regularly tracking progress against programme activities and outputs ensuring their timely realization and their contribution to the outcome and impact of the programme.
155. The SHIFT Programme will comply with the Donor Committee for Enterprise Development Standards (DCED) for Results Measurement. This standard outlines eight areas of compliance:
- 1) Articulating the result chain;
  - 2) Defining indicators of change along the results change;
  - 3) Measuring changes of indicators;
  - 4) Estimating attributable change;
  - 5) Capturing wider changes in the system;
  - 6) Tracking associated programme costs;
  - 7) Reporting results;
  - 8) Managing the system/process
156. Through the on-going design of the fund facility and learning portal, result chains are currently being developed. Additionally, for UNCDF purposes, a detailed logical framework has been developed as to ensure that the eight principles are duly covered. This will allow the monitoring of progress towards the objectives and better measure changes, manage implementation, and demonstrate results. Please see Annex 6 for the detailed M&E framework as well as well as the draft results chains for each output.
157. The Theory of Change included in the document provides the conceptual framework for the M&E system with assessment of programme performance planned to take place regularly.
158. UNCDF will develop an M&E plan during the inception phase to set out, 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.
159. For the monitoring activities, UNCDF will adopt a comprehensive and multi-faceted approach using both quantitative and qualitative data collection methods, disaggregating information by age and gender, to regularly track progress against the expected results of the programme.

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42 See Annex 6 for the detailed M&E Framework using DCED standards.

160. UNCDF will also reach out to other programme partners as, given the considerable focus of the programme on research and policy outputs, a wider group of stakeholders and beneficiaries are expected and will be involved in the monitoring process. In this regard, to the extent possible, UNCDF will conduct joint studies, assessments and monitoring activities with other stakeholders.
161. Regular monitoring of the programme and reporting will be conducted through various methods and tools including:
- Monitoring and technical backstopping provided by the programme team;
  - Quarterly meetings reviewing progress on activities and outputs;
  - Annual review meetings for assessing performance against expected results, deciding on financial inclusion priorities for the following year and detailing an annual work plan for programme activities;
  - Annual progress reports by the programme team used to disseminate learning and ensure accountability to external partners;
  - In terms of reporting of FSPs - all FSPs supported will be required to report quarterly to UNCDF using a standard performance reporting format, including indicators on outreach, portfolio, savings, and other indicators relevant to the SHIFT Programme. Annually, FSPs will provide audited financial statements. UNCDF will verify and analyse the data before reporting on partner's results. As a condition of the UNCDF support FSPs will consent to reporting to the MIX Market and forwarding their data to the Micro Banking Bulletin (MBB) for national, regional and global benchmarking. Other types of participating FSPs will be asked to collect and share comparable indicators. In instances where indicators cannot be collected, UNCDF will undertake qualitative assessment of progress. All grantees will also provide multi-year business plans to UNCDF;
  - All FSP partners are strongly encouraged to endorse the Client Protection Principles of the Smart Campaign. All FSPs will report biannually to UNCDF on their client protection activities;
  - At the time of signing agreement, all participating FSPs will agree to provide necessary data and collaboration for research activities, case studies, monitoring and evaluations that will be produced as part of the overall monitoring and learning agenda;
  - Research outputs.
162. It is expected that the combination of data available from quarterly reporting, monitoring and periodic research outputs will contribute to learning within the programme and provide a demonstration effect of access to finance as articulated through the Theory of Change.
163. UNCDF will include monitoring and evaluation responsibilities across the team roles as well as dedicate a person to track the progresses of SHIFT implementation.
164. Additional support will be provided from UNCDF HQ. UNCDF Evaluation office in HQ has a dual role: it manages an independent evaluation function, in accordance with the United Nations Evaluation Group norms and standards, reporting directly to UNCDF's Executive Secretary, and it also works with UNCDF Practice Areas to build an evaluation culture throughout the organization – some of this work includes supporting improved programme design and strengthening of monitoring and reporting systems with evaluation in mind, as well as, of course, designing and managing external evaluations in line with

commitments agreed under UNCDF's biennial external Evaluation Plan.

## 9.2. Evaluation

165. In order for the organisation to remain sharp and relevant, evaluation has long been a priority in UNCDF, with a separate evaluation function reporting directly to the Executive Secretary since 1996. Formally, UNCDF is party to UNDP's Evaluation Policy which sets out the guiding principles, norms and key concepts for evaluation in UNDP, UNCDF and United Nations Volunteers. The policy in turn draws upon the Norms and Standards of the United Nations Evaluation Group - a professional network of some 46 UN evaluation offices - whose objective is to strengthen the objectivity, effectiveness and visibility of the evaluation function across the UN system and to advocate the importance of evaluation for learning, decision making and accountability.
166. In terms of process, UNCDF Evaluation Unit manages evaluations and reports directly to the Executive Secretary so ensuring the operational independence of the function. Typical phases for evaluation design and management in UNCDF include:
- a. Inception Phase**
    - Development of terms of reference in collaboration with partners
    - Partners' consultations and briefing
    - Desk review of relevant documentation
    - Inception Report outlining research approach, timelines and deliverables
  - b. In-country phase**
    - In-country briefing with programme stakeholders
    - Fieldwork
    - Debriefing initial findings in country - Aide Mémoire/Power Point presentation
  - c. Finalization**
    - Draft report and summary including stakeholders' comments
    - UNCDF Debriefing
    - The Final Report
    - National Debriefing with a wider range of stakeholders
    - Publication
167. In line with best practice elsewhere in the UN, the evaluation process is participatory to the extent possible. The participatory process involves Practice Area colleagues, Development Partners and national counterparts who jointly participate in determining the focus of the evaluation and then – when relevant – participating as members of Advisory Groups once the evaluation has started, as well as providing feedback to and revisions of evaluations reports. Participatory approach builds ownership of evaluation findings and improves the relevance, credibility and utility of the final evaluation report for the stakeholders.

168. The Programme will be subject to a mid-term and a final evaluation managed by the UNCDF Evaluation Unit. The mid-term evaluation will assess the programme's overall performance, the outputs and outcomes produced against its initial targets, while the final evaluation will assess the impact and the changes the programme has brought about and if the foreseen targets have been met.

### 9.3. Reporting

#### UNCDF Reporting

169. Reports shall be governed by the regulations, rules and directives of UNCDF and, where applicable, the regulations, rules and procedures of the Donor/Implementing Partner. UNCDF shall provide to the Donors the following reports prepared in accordance with UNCDF accounting and reporting procedures.

- Annual status reports of project progress for the duration of the Agreement, as well as the latest available approved budget.
- Annual certified financial statement as of 31 December submitted by 30 June of the following year.
- Final reports summarizing project activities and its impact, as well as provisional financial data.
- Certified financial statements submitted by 30 June of the year following the financial closing of the project.

170. In addition, UNCDF has agreed to report to the Investment Committee on:

- **Annual Work Plans and Budget** - Annual work plans contain a list of planned activities, at the country and programme level. These are based on the calendar year and approved by the Investment Committee.
- **Programme Dashboard** - On a semi-annual basis, SHIFT will complete a programme dashboard which will provide a snapshot of key indicators and SHIFT progress against its work plan.
- **Agreement indicators** - All agreements (TAAs and PBAs) include a set of required indicators against which the partner must report on a quarterly basis during the active life of the agreement.

171. In addition, UNCDF will strive to meet the UN system-wide Action Plan (UN-SWAP)<sup>43</sup> reporting requirements as directed by the UNCDF Focal Point and will provide relevant performance indicators on the SHIFT project.

#### Partners Reporting

172. Partners receiving funding from the programme will submit **quarterly progress reports** to the programme on performance against standard indicators and targets as set in the TAAs and PBAs, as well as a brief summary of activities during the quarter. This will include performance data on financials as

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43 The UN-SWAP constitutes the first accountability framework for gender mainstreaming in the UN system. It is designed to define, monitor and drive progress towards a common set of standards to which to aspire and adhere for the achievement of gender equality and the empowerment of women.

well as non-financial services provided. Data reported will depend on the kinds of services provided by the partner.

173. The baseline for calculating outreach of the programme will be a starting point of zero<sup>44</sup> (0) clients with the measurement based on partners extension of services during the period of engagement with the programme. There is no global benchmarking for mobile money at present. If such develops, partners will be required to report to the benchmarking agency.

174. The programme will compile the reports received into a consolidated semi-annual report for the Investment Committee.

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44 The baseline measurement is artificially set at zero (0) based on the current number of clients a service provider holds in its client portfolio (e.g. if the institution has 10,000 clients and is able to reach 11,000 through SHIFT's intervention the outreach is calculated to be 1,000 clients reached).

## 10.

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### Legal Context

175. The programme document shall be the instrument envisaged and defined in the Supplemental Provisions to the Programme Document, attached hereto and forming an integral part hereof, as the “Programme Document”.
176. UNCDF as the Implementing Partner shall comply with the policies, procedures and practices of the United Nations safety and security management system.
177. UNCDF agrees to undertake all reasonable efforts to ensure that none of the UNCDF funds received pursuant to the Programme 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](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 Programme Document.

# 11.

## Budget Summary

178. The SHIFT budget overview can be found below. To ensure that commitments are only for the funded portion, UNCDF has included in Annex 7 a detailed budget for the funded portion of the budget, and will update this as additional funding becomes available. In order to secure the additional funding required, UNCDF will intensify ongoing dialogues with Governments, development partners, and will source funding from various internal UNDP sources.

### Donor Summary

	DFAT	FMO	UNCDF	UNCDF PARALLEL	UNFUNDED
2014	356,500	0	27,200	27,200	27,200
2015	2,037,415	200,000	217,111	217,111	217,111
2016	2,758,666	0	203,280	203,280	203,280
2017	1,793,991	0	99,602	99,602	99,602
2018	0	0	0	0	0
2019	0	0	0	0	0
2020	0	0	0	0	0
<b>Total</b>	<b>6,946,572</b>	<b>200,000</b>	<b>547,193</b>	<b>547,193</b>	<b>547,193</b>

### Output Wise Summary Total (2014-2020)

	OUTPUT 1	OUTPUT 2	OUTPUT 3	OUTPUT 4	TOTAL	
61300 Staff	2,495,240	1,558,344	833,954	2,680,429	7,567,968	24%
71200 Intl. Consultant	1,945,750	474,000	1,404,500	714,200	4,538,450	15%
72600 Grant	10,000,000	575,000	4,159,185	710,000	15,444,185	50%
75700 Workshop	324,000	295,000	180,000	1,118,000	1,917,000	6%
74200 Comms/Publ	63,000	62,000	166,000	87,500	378,500	1%
71600 Travel	309,000	220,000	118,000	191,000	838,000	3%
72500 RMCS	135,000	45,000	0	182,000	362,000	1%
<b>Sub-Total</b>	<b>15,271,990</b>	<b>3,229,344</b>	<b>6,861,639</b>	<b>5,683,129</b>	<b>31,046,103</b>	<b>100%</b>
<b>Indirect</b>	<b>1,176,739</b>	<b>246,576</b>	<b>502,536</b>	<b>461,621</b>	<b>2,387,471</b>	
<b>Total</b>	<b>16,448,729</b>	<b>3,475,920</b>	<b>7,364,175</b>	<b>6,144,750</b>	<b>33,433,574</b>	
	49%	10%	22%	18%	100%	

### Funded (2014-2020)

	OUTPUT 1	OUTPUT 2	OUTPUT 3	OUTPUT 4	TOTAL	
61300 Staff	1,167,870	315,266	361,874	880,763	2,725,772	35%
71200 Intl. Consultant	701,250	173,000	288,500	331,200	1,493,950	19%
72600 Grant	1,600,000	50,000	559,185	350,000	2,559,185	33%
75700 Workshop	84,000	0	55,000	318,000	457,000	6%
74200 Comms/Publ	28,000	10,000	13,000	48,500	99,500	1%
71600 Travel	131,500	46,000	56,500	98,500	332,500	4%
72500 RMCS	90,000	0	0	62,000	152,000	2%
<b>Sub-Total</b>	<b>3,802,620</b>	<b>594,266</b>	<b>1,334,059</b>	2,088,963	7,819,907	<b>100%</b>
<b>Indirect</b>	<b>259,189</b>	<b>35,770</b>	<b>60,330</b>	174,088	529,376	
<b>Total</b>	<b>4,061,809</b>	<b>630,035</b>	<b>1,394,388</b>	2,263,051	8,349,283	
	49%	8%	17%	27%	100%	

### Un-funded (2014-2020)

	OUTPUT 1	OUTPUT 2	OUTPUT 3	OUTPUT 4	TOTAL	
61300 Staff	1,327,370	1,243,079	472,080	1,799,666	4,842,195	21%
71200 Intl. Consultant	1,244,500	301,000	1,116,000	383,000	3,044,500	13%
72600 Grant	8,400,000	525,000	3,600,000	360,000	12,885,000	55%
75700 Workshop	240,000	295,000	125,000	800,000	1,460,000	6%
74200 Comms/Publ	35,000	52,000	153,000	39,000	279,000	1%
71600 Travel	177,500	174,000	61,500	92,500	505,500	2%
72500 RMCS	45,000	45,000	0	120,000	210,000	1%
<b>Sub-Total</b>	<b>11,469,370</b>	<b>2,635,079</b>	<b>5,527,580</b>	<b>3,594,166</b>	<b>23,226,195</b>	<b>100%</b>
<b>Indirect</b>	<b>917,550</b>	<b>210,806</b>	<b>442,206</b>	<b>287,533</b>	<b>1,858,096</b>	
<b>Total</b>	<b>12,386,920</b>	<b>2,845,885</b>	<b>5,969,787</b>	<b>3,881,700</b>	<b>25,084,291</b>	
	49%	11%	24%	15%	100%	

## Defined Terms

TERM	EXPLANATION
Financial Inclusion	Financial inclusion is universal access for individuals and micro, small and medium enterprises (MSMEs), at a reasonable cost, to a wide range of financial services, provided by responsible and sustainable institutions. As a measurement tool, financial inclusion measures the proportion of individuals and firms that use financial services. SHIFT applies a narrower definition of access to regulated accounts to measure financial inclusion.
Efficient	SHIFT's interventions are designed to improve operating efficiencies, as demonstrated by cost per client ratio and number of clients per staff, allowing financial services providers to better compete in the market.
Incentives	Incentives primarily involve co-funding of financial institutions that affect the risk-returns of investments by both financial institutions themselves and other investors in the financial sector. These help to crowd in investments and funding that would otherwise not be made.
Innovation	Change processes that lead to new products and services or ways of doing business; or that encourages investment in underserved markets; or that allows government to introduce new policies or regulation that change the regulatory status quo; or that result in information products that shed new light on how financial markets operate.
Low-income people	Includes poor people (i.e. with income of US\$ 1.25 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).
Professionals	Professionals include financial service providers, technical service providers, donors, policy makers and regulators.
Skills Development	The Learning and Skills Development Portal combines demand side initiatives to boost professional, managerial and technical skills within financial institutions, and supply side initiatives to strengthen the regional infrastructure, as a public good, for financial training.

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