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# DFID's Financial Inclusion Programmes

A mapping of current project trends and opportunities

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## Abbreviations

DFID – Department for International Development  
DFS – Digital Financial Services  
EPS – Electronic Payment Services  
FSDA – Financial Services Deepening Africa  
FSP – Financial Service Provider  
M4P – Making Markets Work for the Poor

# 1 Introduction

An accessible, efficient and equitable financial system is a key driver of inclusive growth. Actors at all levels of the economy - from households to governments - need reliable access to finance to support their day to day activities. Poor people especially benefit from access to basic financial services as these help them to smooth and manage their incomes, and build up a resilience to economic shocks. At the macroeconomic level financial inclusion can support growth and employment, primarily by reducing transaction costs and distributing capital and risk more efficiently across the economy.<sup>1</sup>

Strong progress has been made in recent years with regards to financial inclusion. The World Bank estimates that between 2011 and 2014, the number of people worldwide with an account has grown by 700 million.<sup>2</sup> This is huge progress, due in no small part to a rapid expansion of mobile money. Despite this rapid growth, 2 billion people still have little to no access to reliable financial services. The majority of those who remain excluded live in developing countries, primarily in rural areas. And though access has improved for most population groups, women and young people continue to be particularly disadvantaged.

The Department for International Development (DFID) has long recognised the potential benefits of strong financial markets and currently has a substantial portfolio dedicated to financial sector development. Key achievements have been made in financial inclusion especially, as between 2010 and 2015 UK aid initiatives provided 68.9 million people - including 35.9 million women - with access to financial services.<sup>3</sup>

The new UK Aid Strategy, released in November 2015, underlines a continued commitment to financial sector development and financial inclusion. It highlights efforts to support a scale-up of financial inclusion by harnessing technology, as well as a strong commitment to the Sustainable Development Goals (SDGs), which include several indicators relating to financial access<sup>4</sup>. The strategy also contains a renewed focus on supporting the rights of women and girls, and continued efforts to mainstream gender into multiple areas of programming:

## UK Aid Strategy: November 2015

*"...throughout all its development spending the government will continue to prioritise the needs of girls and women, which has been fundamental to the UK's approach to development over the last three years. No country can develop successfully if half its population is left behind."<sup>5</sup>*

This overview of DFID's financial inclusion programmes aims to map out how investments in financial inclusion are currently allocated, and offer insights regarding general trends that emerge from programmes managed both centrally and in different countries. In addition to a general overview of portfolio characteristics and programme performance, the review has looked at the level of focus on women and girls, common challenges among programmes and opportunities for greater coherence.

<sup>1</sup> Cull, Robert; Ehrbeck, Tilman; Holle, Nina. 2014. *Financial inclusion and development: recent impact evidence*. CGAP focus note; no. 92. Washington, DC; World Bank Group.

<sup>2</sup> Global Findex 2014

<sup>3</sup> UK AID: tackling global challenges in the national interest, DFID, November 2015, pg 6

<sup>4</sup> UK AID: tackling global challenges in the national interest, DFID, November 2015, pg 17

<sup>5</sup> UK AID: tackling global challenges in the national interest, DFID, November 2015, pg 18

## 1.1 Summary of Findings

DFID currently manages a significant portfolio of financial inclusion programmes, with a total investment of more than £426 million. There is a wide geographic spread within the portfolio, but a distinct focus on Sub-Saharan Africa. Across programmes there is a strong emphasis on market facilitation and development, including strengthening enabling environments and promoting digital financial services and tech enabled business models. Annual reviews indicate that most financial inclusion programmes are performing very well, but there are a number of areas that emerge as common challenges for programmes, including consistently applying robust monitoring and evaluation systems, effectively targeting women and girls, and balancing direct outreach with supporting systemic change. At the same time, the depth and breadth of the portfolio means there are significant opportunities for programmes to learn from each other and work together to further enhance their outreach and impact.

## 1.2 Methodology

This paper, carried out under the DFID Economics and Private Sector Professional Evidence and Applied Knowledge Services (EPS-PEAKS) framework reviews current financial inclusion programmes funded by DFID. The paper seeks to understand how investments are currently allocated, and present general trends that emerge from DFID programmes managed both centrally from London and from country offices. It further seeks to highlight what challenges programmes face, where there is a risk of incoherence and what opportunities for learning exist. The paper is the result two separate helpdesk requests, one to review country managed programmes and one to review centrally managed programmes. The final analysis has been combined into a single paper, to give a more holistic overview of the financial inclusion portfolio and allow some comparison across different types of programmes.

Research for this paper consisted of a short desk review of programme documents agreed in consultation with DFID (Annual Reviews, Business Cases, logframes and Mid-Term Reviews where relevant) to understand the overall portfolio size, characteristics and geography, as well as general trends within portfolio objectives and activities. The desk review was complemented by a small number of interactions with programme managers and advisors overseeing centrally managed programmes. A total of 24 programmes from DFID's financial inclusion portfolio were reviewed as part of the assignment, and general descriptions of these can be found in Annex 1.

Financial inclusion definitions commonly include both households and businesses of different sizes, but following initial discussions with DFID this analysis has focused on financial inclusion for individuals and households (and where necessary microenterprises). SME finance initiatives and broader financial sector development work have not been included, with the view that these types of programmes, though crucial, have an indirect impact on increases in financial inclusion for individuals. A number of programmes initially included in the mapping were therefore excluded from the final portfolio analysis, as they focus exclusively on increasing access to finance for small and medium enterprises. A subset of 19 programmes<sup>6</sup> (16 country managed, 3 centrally managed) from the initial 24 were analysed in more depth and are included in the findings presented in subsequent sections.

Section 1 of this paper presents an introduction, a summary of key findings and explains the methodology used. Section 2 looks at country managed financial inclusion programmes

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<sup>6</sup> BFP-B (Bangladesh); PEPE (Ethiopia); Punjab Education Support Programme (India); PSD Programme (DRC); and BEEP (Zimbabwe) have been excluded.

and key trends within this part of DFID's portfolio. Section 3 analyses DFID's centrally managed financial inclusion programmes while Section 4 provides concluding remarks.

### 1.3 Limitations of the Analysis

The objective of this analysis is to provide a "light touch" overview of DFID's financial inclusion investments, including their key activities and impact. The review is limited in that it has involved a review of programme documents that are publicly available (business cases, annual reviews, logframes) but which may not capture the full nuance of individual programmes. The resources available for country managed programmes for example do not include comprehensive lists of interventions or breakdowns of budgets, and in some cases the most recent documents available were a few years out of date. Additional programme documents (mid-term reviews, intervention proposals etc) were made available for several of the centrally managed programmes, given their added complexity, but there was insufficient time to look at all areas in-depth. The analysis of the total value of the portfolio as well as its aggregate outreach is similarly limited by the fact that most programmes are structured differently, and many have evolved and changed during implementation. The figures and conclusions set out in the review are therefore general, and a more detailed analysis of the full portfolio would be required in order to validate them. This paper does not attempt to offer an in-depth evaluation of the full portfolio of financial inclusion programmes currently funded by DFID, but rather an overview of aggregate trends, potential gaps and opportunities for greater collaboration and impact.

## 2 Country Managed Programmes

### 2.1 Portfolio Characteristics

DFID's current portfolio of country level financial inclusion programmes is extensive both in terms of its size and its geographic spread. The total portfolio value of country managed programmes is over £340 million, though this is an indicative figure as many programmes cover multiple areas where financial inclusion makes up only a sub-set of components. Programmes are currently being implemented in Sub-Saharan Africa and South Asia (LIFT Myanmar is the only exception to this) and the vast majority include a number of complementary components to support greater financial inclusion. Currently, the portfolio has reached over 4.1 million people and households directly, and contributed to the provision of financial services for a further 18 million. This is an impressive achievement considering a number of programmes are only just emerging from their start-up phases and have yet to begin implementing activities in earnest. Outreach figures also don't capture strong contributions by many programmes to improving enabling environments and facilitating innovation within financial services.

DFID's financial inclusion programmes are generally performing very well, with the majority of programmes achieving scores of A or A+ in their latest annual reviews. Only 2 out of 16 programmes scored B's. Many reviews highlight that programmes are seen as adding significant value by local stakeholders, for example by providing previously unavailable market data to financial sector participants (Access to Financial Services surveys in Nigeria) or funding important innovations (such as M-shwari in Kenya). This is especially the case for programmes such as FSDP Nigeria; FSD Tanzania; FSD Uganda; AFFORD Kenya; LIFT Myanmar & FIP Pakistan, but also others.

### Stakeholder feedback: FSD Tanzania

“Overall FSDT is highly appreciated and seen as a unique player in Tanzania given especially the scope of research, policy & regulatory and advocacy work. FSDT is seen as filling a void with market data of high credibility that is largely publically available, informing and influencing policy and regulatory choices and private sector financial services, the ‘go to’ institution on financial inclusion covering a scope in this sector that is unique in Tanzania”. – **FSDT Annual Review 2015**

## 2.2 Portfolio Trends

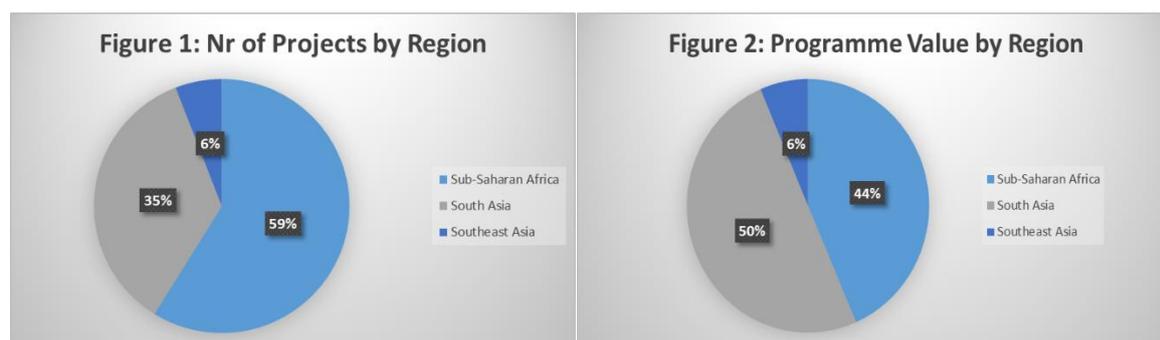
Across the whole portfolio there is a strong focus on creating an enabling environment, and most programmes include interventions aimed at informing and strengthening financial sector policies and regulatory frameworks. Similarly a majority of programmes across the portfolio have individual components targeting rural populations and smallholder farmers, either by directly supporting financial product innovation or by funding financial institutions to strengthen their offerings in this area. This is the case both for programmes where financial inclusion is one of several components (LIFT Myanmar), and for standalone financial inclusion programmes (FSD Zambia; FSD Mozambique; PROSPER Bangladesh). Given the significant constraints in most countries with respect to effectively reaching rural populations at any scale, there could be an opportunity here for learning between these different programmes, as well as possibilities to apply successful solutions in different contexts.

Two thematic areas where programmes are less overtly active are building financial capabilities and microinsurance. Supporting financial literacy and other capability related initiatives features in many business cases as well as general programme objectives, but explanations for how this translates to individual interventions vary, and not all programmes seem to invest systematically in this area. Financial literacy is a key activity for AFP Nepal for example, which has reached nearly 100,000 households with financial education products, but outreach is harder to quantify in most other programmes. Several reviews highlight that building financial capability should be more of a focus for different programmes, notably for AFFORD Kenya but also others.

Similarly only a couple of programmes (FSD Zambia for example) seem to be very active in microinsurance currently. Access to Finance for the Poor (Nepal) is implementing recommendations to pursue more work in this area, and several of the FSD's highlight insurance as a type of financial service they focus on and fund, but it's not clear how prevalent insurance is in existing interventions and investments. This could be due to a number of reasons however, including challenges in providing these services commercially and sustainably.

There is generally a strong emphasis on market systems within the portfolio, especially in Africa, where the majority of programmes are structured according to the M4P (Making Markets Work for the Poor) methodology. This is less the case in Asia (possibly because a number of programmes here are older) with the notable exception of Access to Finance for the Poor (AFP) in Nepal.

The portfolio shows other interesting regional trends. The number of projects is highest in Sub-Saharan Africa, but the value of the portfolio in South Asia is greater (at £172 million as opposed to £149 million). There is also a higher concentration of countries with active programmes in South Asia. Regional differences are illustrated in figures 1 and 2 below.



Source: DFID Annual Reviews

Modalities of implementation tend to differ as well, with programmes across Asia generally taking a pro-active role supporting financial institutions (providing funds for on-lending and engaging in capacity building among others) compared to programmes in Africa which often have a more facilitative role (provision of market data or co-funding pilots) and a greater focus on innovation and digital service delivery. Similarly programmes in Asia are more likely to use guarantee schemes (barring a few exceptions) whereas programmes in Africa tend to use challenge funds or directly fund financial product pilots.

It is important to note that few of DFID's programmes are pure financial inclusion programmes, in terms of targeting mainly households. Most combine objectives of increasing access to financial services for both households and enterprises. Classifications of enterprise targets vary, but most programmes focus on micro, small and medium enterprises (MSME's). FSD Zambia has a combined target for increasing access to financial services for individuals and microenterprises (as well as a separate target for SMEs), which is an interesting approach as there is often an overlap between household and enterprise finances at the micro level.

## 2.3 Focus on Women and Girls

Most programmes have some form of emphasis on women, stated either in their general objectives or overarching targets, but the extent of this focus varies greatly across the portfolio. Several programmes (LIFT Myanmar, AFP Nepal, PSIG India) have articulated gender strategies and make efforts to mainstream gender across their interventions. A number of programmes operating in Sub-Saharan Africa make reference to the importance of expanding financial access for vulnerable groups and women in their general objectives, but it's difficult to determine the extent to which women are the focus of specific interventions and activities. This could in part be because many of these programmes are facilitating interventions, as opposed to directly funding interventions themselves. Reviews of a few programmes (including AFR Rwanda) highlight challenges around monitoring and evaluation, and that this can impact effective understanding of how well women are being targeted. The fact that there is such a range in how programmes work with women implies there could be an opportunity to facilitate cross-country learning around women's economic empowerment, i.e. looking at how to effectively and systematically target women, and how gender can be better integrated across different interventions and areas of work.

Although several programmes (AFR Rwanda; FSD Tanzania; EAGR Pakistan) target youth, only one (FIP Pakistan) specifically mentions young women.

## 2.4 Common Challenges

The M4P approach is used by a number of programmes and Annual Reviews generally view it as successful in. However several reviews (FSD Zambia; FSD Uganda among others) highlight key challenges as well, such as pressure for programmes to move quickly from scoping to funding interventions, and constraints in building robust, well-designed pipelines. Both of these factors are crucial to implementing sustainable, impactful activities and if not done well can carry reputational risks.

#### **Incentives within Financial Inclusion Programmes: FSD Zambia**

"targets can provide perverse incentives, for example, to irresponsibly make grants in order to achieve rapid scale which, with respect to financial services, can be very damaging. FSDZ has managed to avoid this, but the pressure is there." - **FSDZ Annual Review 2014**

A related challenge links to a focus on numerical targets and the expansion of access, as opposed to proactive usage of financial services by informed consumers. This links to earlier points relating to financial capability, and reflects wider debates within the financial inclusion sector. An annual review for AFFORD Kenya captures the challenge as follows:

#### **Access versus Usage: Afford Kenya**

"Financial sector deepening programmes need to move beyond access, to adoption, usage and quality of the financial services being offered. The interviews and field visits showed that while access has grown significantly, dimensions of quality such as consumer protection and cost of service/credit need further attention particularly if the programme is to maximise its support to poor Kenyans." -**AFFORD Kenya Annual Review 2014**

Related to this, several of the programmes applying a market systems approach have struggled to build robust, long term pipelines of projects and pilots to support. One solution proposed has been to bring in technical assistance earlier in the process to create strong projects and proposals from the start, but several reviews highlight that FSD programmes for example are perceived as being slightly weaker as investors, as opposed to facilitators of knowledge and thought leaders. Conversely, in Nigeria EFinA was highlighted as being a strong supporter of innovations, but less successful in supporting scale-up.

## 2.5 Risks for Overlap

There is a strong focus by most programmes on innovation, and specifically on digital solutions for delivering financial services. Although institutional environments vary greatly between the different countries, there could be a risk that different programmes are funding very similar innovations that end up competing with one another as they try to go to scale. Arguably this could improve choice and pricing for consumers over time, but there may also be an opportunity cost associated with funding similar innovations as opposed to additional innovations better able to reach more marginalised populations.

Similarly Challenge Funds are used widely within the portfolio as a way to stimulate innovation and support investment in pro-poor financial products and approaches. In some cases (i.e. Pakistan) there are several challenge funds active in the same country, which again could involve overlaps depending on each fund's objectives and funding windows.

## 2.6 Potential Synergies and Opportunities for Greater Coherence

Several programmes (EFinA Nigeria; FIP Pakistan) are currently supporting interventions and pilots in Islamic Finance (non-interest finance) aimed at low-income individuals. Given the potential impact that these services could have for poor households globally, there

could be synergies between these initiatives in terms of the types of investments made, as well as significant opportunities for learning across different country programmes.

There seem to be similar possibilities to leverage the skills and learning that some programmes have made around effectively targeting women, which could be disseminated more widely for the benefit of the overall programme portfolio. Comparisons between different types of programming could also be beneficial, to see what models most effectively reach women. FIP Pakistan highlights that the majority of MFI borrowers in Pakistan are women, but that evidence suggests they are more likely to borrow from NGOs and access smaller loans. Elsewhere, there is evidence that men are more likely to have access to mobile phones than women. Understanding what impact these dynamics may have on women's access to finance would be highly beneficial for future programme design.

Sharing learning around building financial literacy and capabilities could also have benefits, as programmes currently seem to approach this quite differently. A number of programmes have invested heavily in financial literacy initiatives and there could be great learning here in terms of innovative approaches for delivery, targeting literacy for different customer segments etc. In general work in this space seems to be appreciated by stakeholders, as exemplified by the Access to Finance Programme for the Poor in Nepal.

### **Financial Literacy Interventions: AFP Nepal**

"Work on financial literacy and capability, and the contribution this makes to take up and usage of financial services, has been particularly welcomed by the stakeholders met during the Annual Review, especially banks who see it as one of the key areas of 'value added' by the programme. Interactive Voice Response delivery of financial literacy training is innovative and reaching large numbers [of beneficiaries] cheaply" **-AFP Nepal Annual Review 2015**

Separately there is a subset of financial inclusion programmes (including FIP Pakistan, FSD Tanzania, and Finmark Trust) that seem to be working especially well with government, and which have had significant traction in proposing changes to policy and regulations. This might be another area where synergies could be found, in terms of greater regional collaboration and information sharing.

Lastly, a challenge which emerged among a number of the market systems programmes was related to monitoring and evaluation, i.e. whether targets fully reflected the objectives and activities of different programmes, and the extent to which systemic changes and improvements (in rates of financial inclusion for example) could be attributed to DFID funding. As many programmes currently seem to have quite different approaches to monitoring and evaluation, here as well there could be an opportunity to streamline approaches to be able to better monitor impact and compare performance across programmes. The centrally managed SIMBA (FSDA) programme has already made important progress in this area, strengthening coordination between country FSD's and investing in tools for improved results measurement among other things, but much more could be done in this area.

## **3 Centrally Managed Programmes**

### **3.1 Portfolio Characteristics**

There are currently three main financial inclusion programmes that are centrally managed by DFID from London. These are *Harnessing Innovation in Financial Inclusion* (HiFi), *Financial Sector Reform and Strengthening Initiative Phase III* (FIRST), and *Skills and*

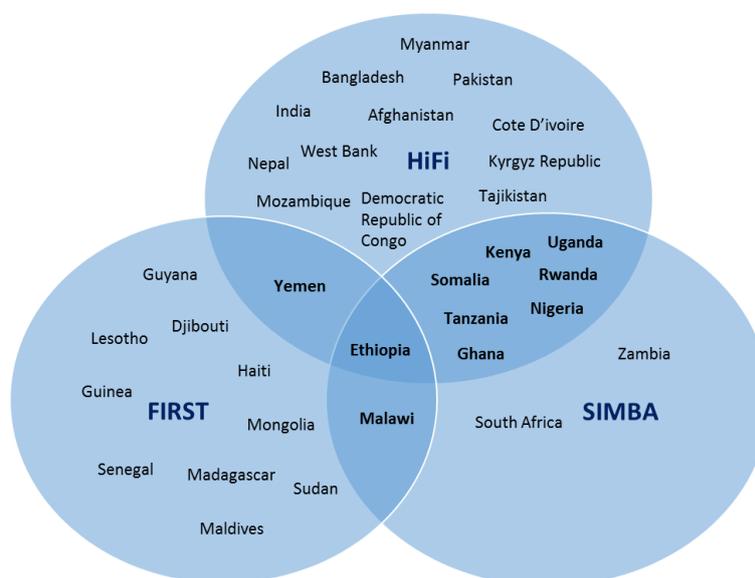
*Innovation for Micro-banking in Africa* (SIMBA) which is managed by the Financial Sector Deepening Trust for Africa (FSDA). They have a combined budget of over £86 million and a broad geographic footprint, though all three have a particular focus on Sub-Saharan Africa. Table 1 below provides a snapshot of each programme and its key objectives. A more detailed overview of the programmes is included in Annex 1.

**Table 1: Overview of Centrally Managed Programmes**

Programme	Size	Duration	Implementing Partner	Key objectives
FIRST	£10mn	5 years	World Bank	Support national policy-making and regulatory bodies to improve the enabling environment for financial inclusion
HIFI	£44mn	7 years	World Bank; CGAP; IFC	To sustainably scale-up financial inclusion using technology and innovation
SIMBA	£32mn	5 years	FSDA	To reduce poverty in Sub-Saharan Africa (SSA) by increasing economic resilience and opportunity through financial inclusion

The three programmes work across 34 countries in total, with FIRST investing in 13 countries, SIMBA in 11 countries and HiFi in up to 22 countries<sup>7</sup>. Although the greatest number of programmes are in Sub-Saharan Africa, there are also significant investments in Haiti and Bangladesh, among others.

**Figure 3: Country investments by centrally managed programmes, and where they coincide**



HiFi is the largest of the three programmes, both in terms of budget and in terms of anticipated outreach. Via its interventions it aims to provide access to financial services for 90 million unbanked and underbanked people, as well as providing 14 million people with access to more affordable and secure international remittance services. SIMBA aims to provide access to finance for 3 million poor people in Sub-Saharan Africa, primarily via active use of savings accounts (2.3mn), but also via access to loans from SIMBA supported

<sup>7</sup> Only countries with financial inclusion investments (as defined in this paper) have been included. SIMBA invests in additional countries through other pillars for example.

financial institutions. FIRST, which is the smallest of the three programmes, does not have overall target outreach, though some interventions under its new programmatic window<sup>8</sup> aim to impact financial access for individuals and households.

Like most country managed programmes, the centrally managed initiatives are all performing well based on DFID's Annual Review measures. HiFi, which started up in 2015, was rated A in its first review based on its initial activities. FIRST was also rated A after its second year of implementation, tracking well on its main indicators. Finally SIMBA, which is nearly in its fifth year of implementation, has made very strong progress across most of its output areas and achieved an A+ in its most recent review.

## 3.2 Portfolio Trends

DFID's centrally managed programmes have a broad remit, each focusing on slightly different aspects of financial sector strengthening. However all three programmes have a strong focus on facilitating a strong enabling environment: promoting financial sector stability (FIRST), increasing the capacity of regulators and market actors (FIRST; SIMBA), supporting responsible adoption of digital financial services (HiFi; SIMBA) and electronic payments (FIRST; HiFi), and deepening financial markets (SIMBA). All three also engage in market development for financial services and support the expansion of more inclusive financial sectors (albeit to different degrees).

The geographic footprint of the three programmes naturally skews towards DFID priority countries, though FIRST, a multi-donor facility, also has many interventions outside this list. While this creates significant opportunity for complementary interventions and knowledge sharing, it also creates a certain risk of saturation, especially where there are also activities being implemented by large country managed programmes. SIMBA and HiFi overlap in East and Southern Africa for example, generally in countries that also have their own financial inclusion programmes.

The complexity of the centrally managed programmes makes them difficult to aggregate and compare. One component of this analysis for example has been to calculate the current level of outreach achieved by DFID programmes, but this only captures one dimension of the activities being carried out, especially in the case of the centrally managed programmes. Catalytic interventions, supporting improved regulations or skills development can be crucial for long term financial sector development, without translating directly to financial access for households, at least not in the short term. This challenge is clearly presented in SIMBA's Mid-term Review, but applies to all three centrally managed programmes.

### **Assessing market facilitation programmes: SIMBA**

"Many of FSDA's inputs are addressing market failures which may not immediately translate into increased financial inclusion and financial sector development...[interventions] may have very little to show in terms of direct outreach; yet each of these is critical to making SSA financial markets work better for the poor in the medium to long term" – **SIMBA Mid-term Review**

Although the centrally managed programmes all work at multiple levels of the market system, their overarching objectives tend to fall within a number of themes, such as digital financial services and delivery channels (HiFi; SIMBA), electronic payment systems (FIRST; HiFi) and strengthening financial sector supervision (FIRST; SIMBA). There is also commonality between key programme components and activities, especially with respect

<sup>8</sup> As part of Phase III of FIRST a programmatic window of interventions was introduced alongside the existing catalytic window of interventions. The programmatic window implements larger, more in-depth reforms involving multiple interventions across interrelated areas. Interventions are higher value and longer term than those under the catalytic window.

to knowledge sharing and stakeholder management. While this is in-line with DFID priorities and allows for scaled investments in key areas, it can also lead to duplication between initiatives (both those managed centrally and those managed at country level). There was insufficient time and scope within this mapping to fully assess the level of this risk, but it serves to underline the importance of communication and coordination between different DFID funded projects.

### 3.3 Focus on Women and Girls

Both HiFi and SIMBA have a stated sub-focus on increasing access to financial services for women. HiFi's objective is for a third of its outreach to be to women, while SIMBA is targeting for nearly 60% of its overall outreach to be to women.

HiFi's Business Case and recent Annual Review don't break down in detail how the programme is approaching achieving its target, though the Business Case argues for the implementation of scoping work around the constraints faced by women when accessing financial services and a better understanding of women's financial behaviour. Programme data are gender disaggregated however, allowing the programme to track its progress in most (though not all) areas.

SIMBA's targets with respect to reaching women are very ambitious, and the programme initially struggled to mainstream gender into its work. Some workstreams (such as capital markets) continue to have less of an emphasis on women, and while this may be justified for catalytic activities that have an indirect impact on financial inclusion, gender implications should ideally still be considered. Overall the programme is making significant efforts to increase its gender focus, though progress on outreach targets - especially increasing women's access to loan products - has been slow. The latest Annual Review for SIMBA highlights a number of options for how access for women could be improved (offering credit guarantees for women borrowers or working with smaller scale FSPs with a higher risk appetite, among other things), though these approaches involve their own risks and trade-offs.

FIRST does not have a specific objective or target relating to increasing access to financial services for women, perhaps because a lot of its focus is on financial sector supervision as opposed to individual outreach. According to the latest Annual Review the World Bank is also still developing an overall gender policy for financial sector work, which can serve as a useful framework once finalised. The programme is in the process of introducing gender mainstreaming to its work, and exploring where there may be needs for technical assistance around macro/financial sector stability and its gender implications.

A key challenge for the centrally managed programmes with regards to targeting women and girls comes from the difficulty of measuring and effectively disaggregating outreach in some subcomponents and activities, for example HiFi's work on increasing the affordability and security of international remittances or the general supervisory activities implemented by FIRST. Another challenge could be the need for these three programmes to work at scale, which is difficult to balance with working with excluded populations which are seen as especially high risk by FSP partners.

Much like the country managed programmes it seems the centrally managed programmes approach targeting women in different ways, and with variable levels of success. While the efforts of most financial inclusion programmes to gender disaggregate their data are laudable, in quite a few cases this seems to be the full extent of activities around gender, which could lead to poor outcomes over time. Several programmes across the overall portfolio could benefit from developing and implementing systematic gender strategies, as well as integrating gender more consistently into their monitoring and evaluation systems.

## 3.4 Common Challenges

Both FIRST and HiFi were preceded by related programmes, which has allowed them to benefit from past experiences and address (or mitigate) challenges that these earlier programmes faced. A key learning which emerges from the business cases of both programmes is the need for increased rigour around monitoring and evaluation, especially in terms of assessing the impact of access to financial services on the quality of life and poverty levels of target populations. Annual reviews for all three centrally managed programmes highlight the progress that has been made with respect to evaluating impact, but M&E continues to crop up as an area in need of continued improvement (similar to many country managed programmes).

Evaluating the additionality and impact of complex programmes working at different levels of financial sector development and across numerous country contexts is inevitably difficult, but is still an area that could be further developed together with implementing partners.

### Monitoring & Evaluation Challenges: HiFi

"The HiFi programme is relatively complicated, pulling together a number of different but inter-related components together under one umbrella. Monitoring and evaluation is a key challenge for HiFi, ranging from issues around attribution of impact given multiple actors to the impact of results on poverty reduction." – **HiFi Annual Review 2015**

Effective measurement of additionality and attribution will be particularly important in countries where there are many programmes and donors working on financial sector development, for example Nigeria and Ghana. HiFi's latest Annual Review highlights the risk of duplication in these two countries in particular, and recommends greater coordination and information sharing between programmes. This could include looking at output and impact indicators, to make sure programmes are not using vague or similar measures which run the risk of double counting outreach (for example a general increase in access to financial services in a given country).

## 3.5 Risks for overlap

Although DFID's centrally managed programmes are generally working towards different and complementary objectives, there are a number of areas where programmes may overlap and where coordination will be important to make sure there is coherence between different interventions. Both HiFi and FIRST are supporting the development and oversight of payment systems in Ethiopia for example. The fact that both programmes are being implemented by the same partner should support good communication between them, but where programmes coincide they should still be monitored to ensure value for money. Other overarching activities supporting enabling environments also appear similar (especially for FIRST and HiFi) though there wasn't sufficient time within this mapping to examine these in detail and determine the extent of overlap.

Work on tech-enabled business models and digital finance (supported by both HiFi and SIMBA, as well as other DFID-funded facilities across the continent) is another area where there is a risk of overlap, given the challenges many programmes face in building robust pipelines. This could drive different facilities to target the same partners and institutions with funding. A related risk links to additionality, as illustrated below:

### Risks around Additionality: HiFi

"As projects are difficult to identify, there is a risk that implementing partners work with already well-advanced projects and providers, which might have occurred anyway without support from the implementing partners, so additionality may be limited. This is an issue for two reasons: i) the programme may be less catalytic of change than it might be; and ii) implementing partners may seek to claim all the results from the project and motivate their working on well-advanced projects. DFID needs to encourage implementing partners to work on projects where there is substantial additionality."

- HiFi Annual Review 2015

## 3.6 Potential Synergies and Opportunities for Greater Coherence

The fact that many objectives and activities of DFID's centrally managed programmes are interlinked is both an advantage and disadvantage. As highlighted above, this can lead to risks of duplication and a saturation of funds in certain area. However it can also prove a significant advantage, with programmes able to fund complementary or sequenced interventions, and potentially achieve more than they would be able to as individual programmes. The fact that 2 programmes (HiFi and FIRST) are managed by the same implementing partner should hopefully facilitate information sharing and coordination between these programmes in particular.

As with country level programmes, there also seems to be an opportunity for the centrally managed programmes to share knowledge and progress on their gender work, both with regards to mainstreaming gender into interventions focused on the enabling environment, and with regards to effectively reaching women with financial services and products. Given the size and reach of DFID's programmes there are likely to be huge opportunities for better understanding the financial needs of women, and for taking a leadership role in narrowing the gender gap in financial access over time.

Sharing approaches for effective monitoring and evaluation could also be beneficial, given that so many programmes are seeking to strengthen their performance in this area. Strong M&E frameworks should help to isolate the impacts of individual programmes, and also demonstrate which components and sub-interventions are having the most impact. As noted in the preceding section SIMBA is already working to improve sharing among FSDs, but much more can be done in this area.

## 4 Conclusions

This aim of this review has been to map out how DFID's current investments in financial inclusion - both at country level and centrally - are allocated, and to analyse general trends, risks and opportunities that emerge. DFID currently manages a significant portfolio of financial inclusion programmes, with a total investment of more than £426 million. Based on their latest Annual Reviews programmes are largely performing well and though many remain in initial stages of implementation, if successful they will achieve an outreach well in excess of the 68.9 million people who were reached with financial services between 2010 and 2015. Programmes in the portfolio are diverse in terms of both geographic and thematic footprint, but remain closely aligned with DFID priorities.

Across both country and centrally managed programmes there is a strong emphasis on market facilitation and development, including strengthening enabling environments and promoting digital financial services and tech enabled business models. In aggregate, many programmes face similar challenges, especially with regards to effectively demonstrating impact given a wide range of activities, and with regards to targeting women and girls.

The close alignment of geographic and thematic priorities, particularly in Sub-Saharan Africa, also suggest a risk of saturation (of initiatives and activities) especially in countries where it is difficult to source robust partners. This risk can to some extent be offset with good communication and coordination between programmes managed from different parts of DFID, but broadening programme focus (increasing investments in financial capability or targeting marginalised populations) should also be considered.

Separately, the size and spread of the financial inclusion portfolio highlights significant opportunities for increased coordination and knowledge sharing, both among overlapping programmes and with the wider financial inclusion community. Sharing learning around successful strategies for targeting women and girls for example, could have significant benefits for the broader sector. Some examples of growing collaboration are already evident, but there is considerable scope to increase this.

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