

MOBILE MONEY FOR THE POOR

MID-TERM EVALUATION

DECEMBER 2018



G:ENESIS
UNLOCKING VALUE



Unlocking Public and Private
Finance for the Poor

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MID-TERM EVALUATION: MOBILE MONEY FOR THE POOR (MM4P)

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PROGRAMME DATA SHEET

Country:	Benin, Lao PDR, Liberia, Malawi, Malaysia, Nepal, Senegal, Sierra Leone, Uganda, Zambia	
Programme Title:	Mobile Money for the Poor (MM4P)	
Programme Atlas Code (by donor):	Donor	Code
	UNCDF	01853
	AUSAID	00471
	BMGF	10012
	MCF	11539
	USAID	10480
	MetLife	12351
	Belgium	00061
	Sierra Leone USAID	10480
	LMFT SL	01853
	LMFT MM4P	00555
	LMTF-Laboremus	00555
	Core SL	01853
FSDU	12801	

Financial Breakdown (by donor)

Commitments	As per Prog Doc (USD)	Actual project budget (USD)
UNCDF	1,866,127	858,940
UNCDF Sierra Leone	n/a	590,671
DFAT	563,071	1,002,884
BMGF	5,801,926	10,769,498
FSD Uganda	n/a	92,383
MCF	24,922,231	24,922,231
MetLife Foundation Nepal	n/a	250,000
MetLife Foundation Innovation	n/a	5,000,000
USAID	n/a	1,380,000
USAID Sierra Leone	n/a	480,000
LMTF MM4P	n/a	278,302
Belgium	n/a	1,294,594
Sida	1,807,375	4,359,564
Total	34,960,750	47,479,067

Delivery to date¹ (per donor)

Donor	2012	2013	2014	2015	2016	2017	S1 2018
UNCDF	42,000	44,324	79,698	229,698	195,796		75,163
UNCDF Sierra Leone						297,671	154,841
DFAT	237,200	210,056	181,594	157,805	12,406	310,421	-
BMGF			760,444	1,410,803	3,174,854	3,722,769	1,198,539
FSD Uganda						29,994	-
MCF			156,495	2,193,059	5,673,335	5,505,061	2,609,470
MetLife Nepal				32,050	41,363	47,283	79,786
MetLife- Innovation						-	132,920
USAID				101,875	443,406	278,287	130,493
USAID Sierra Leone						74,207	181,981
LMTF MM4P						104,320	155,593
Belgium					577,392	272,929	226,017
Sida	815,300	990,022	1,153,044	1,076,046	482,418	-	-
Total	1,094,500	1,244,402	2,331,275	5,201,335	10,600,972	10,642,942	4,944,802

Total delivered to date: USD 36 060 228

Executing Agency	UNCDF
Implementing Agency	UNCDF
Key Project Partners	Please refer to partner list and project pipeline
Approval Date of Project	14th December 2011
Project Duration as per Project Document	8 years
Project Amendment	26th November 2014
Evaluation Date	April – September 2018

¹ As at 30 June 2018.

Other current UNCDF projects in-country	Detail provided in country reports in Appendix
Previous UNCDF projects (if relevant)	PFIP
Previous evaluations (if relevant)	N/A
Dates of audits	2012; 2013; 2014; 2015; 2016; 2017

Evaluation Date: April – September 2018

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 DFS Expert, Nepal: Suman Gelal
 DFS Expert, Senegal: Agnès Fall
 DFS Expert, Uganda: Rashmi Pillai

ACRONYMS

APS	Annual Provider Surveys
BASIF	Banlieue Action Solidarité Immobilier Finance
BMGF	Bill & Melinda Gates Foundation
BoU	Bank of Uganda
BoZ	Bank of Zambia
BTCA	Better Than Cash Alliance
DFAT	Department for Foreign Affairs and Trade
DFS	Digital Financial Services
EOI	Expressions of interest
FGD	Focus group discussions
FIPA	Financial Inclusion Practice Area
FSD	Financial Sector Deepening
FSDA	Financial Sector Deepening Africa
FSDU	Financial Sector Deepening Uganda
FSDZ	Financial Sector Deepening Zambia
HCD	Human-centred design
KII	Key informant interviews
LDC	Least developed countries
MAFIPP	Making Access to Finance more Inclusive for Poor People
MCF	Mastercard Foundation
MM4P	Mobile Money for the Poor
MNO	Mobile network operators
NBFI	Non-bank financial institutions
NRB	Nepal Rastra Bank
ODK	Open-data kit
OTC	Over-the-counter
PDA	Personal digital assistants
PFIP	Pacific Financial Inclusion Programme
PoWER	Participation of Women in the Economy Realized
RFA	Request for applications
RMF	Results Measurement Frameworks
RUFEP	Rural Finance Expansion Programme
TA	Technical assistance
TOR	Terms of Reference

UCC	Uganda Communication Commission
UNCDF	United Nations Capital Development Fund
UNDP	UN Development Programme
UNHCR	UN High Commissioner for Refugees
USAID	United States Agency for International Development
USSD	Unstructured Supplementary Service Data
WAEMU	West African Economic and Monetary Union
WFP	World Food Program

EXECUTIVE SUMMARY

UNCDF's Mobile Money for the Poor (MM4P) programme was originally launched in 2012 with funding from Sida and the Australian Department for Foreign Affairs and Trade (DFAT). The first phase involved programming in four least developed countries (LDCs) in Africa and Asia: Lao PDR, Liberia, Malawi and Nepal. **The programme originally sought to develop digital financial services (DFS) in these more challenging markets by providing policy support to regulators and grant support to DFS providers, as well as bulk users of DFS in some cases.** This phase was focused on testing and adapting the programme, which was based on UNCDF's Pacific Financial Inclusion Programme (PFIP), and raising funds for full-scale implementation.

The outcome of this phase was a shift in focus from a primarily grant-led programme with a policy component, to a market development approach focused on building the overall DFS ecosystem. This required a move away from being a thematic initiative to having strong in-country technical teams with operational support provided by a hub in Brussels. In 2014, this revised approach was expanded to Uganda with Bill and Melinda Gates Foundation (BMGF) funding; and to Benin, Senegal and Zambia with Mastercard Foundation (MCF) funding. Funding from the United States Agency for International Development (USAID) and the MetLife Foundation have also contributed support to the Nepal programme since 2015.

MM4P's core strategy focuses on supporting shifts between DFS market development stages, categorized into inception, start-up, expansion and consolidation phases. MM4P has characterized each stage using eight indicators and set milestones, allowing for the measurement and monitoring of progress as DFS markets evolve. MM4P activities aim to contribute to shifts between market development phases, alongside other factors, through work in the following areas: providers of DFS (providers and infrastructure); distribution (agents); users (retail customers and high-volume users); and policy and regulation. At the core of this work is ecosystem development – a range of interdependent measures (information provision, consensus building, awareness raising, partnership building) that bring stakeholders together to build a sector that can reach the poor.

Evaluation objectives, scope and approach

In April 2018, UNCDF contracted Genesis Analytics ("Genesis") to conduct a mid-term evaluation of MM4P. **The overarching objective of this evaluation was to assess the relevance and performance of the MM4P programme to date.** This was necessary to help UNCDF and its funding partners meet their accountability and learning objectives; to support ongoing attempts by the programme and its funders to capture good practice and emerging lessons in DFS programming; and to provide forward-looking operational and strategic recommendations that inform the remaining years of MM4P's implementation, or subsequent UNCDF programming. The scope of the evaluation covered the full DAC evaluation criteria of relevance, efficiency, effectiveness, likelihood of impact and sustainability. However, the evaluation focused on going beyond an assessment of whether UNCDF is executing and managing the programme appropriately, toward an assessment of the appropriateness of MM4P as the right approach to achieving the higher-level objectives that were framed in the initial phase of its design.

To understand the relevance and performance of the programme, Genesis adopted a theory-based evaluation approach, rooted in the programme theory of change. The approach provides a coherent framework where change can be evaluated at the different levels envisaged in market development programmes like MM4P, as well as providing a means of understanding how the programme has contributed to change within a complex market system. An evaluation matrix guided the design of data collection instruments and subsequent stakeholder consultations according to a set of evaluation questions. The majority of this work was conducted through desk analysis and interviews with global stakeholders, but visits to Nepal, Senegal, Uganda and Zambia were conducted to deepen the evaluation's understanding of

programme results. While these countries were a focus, the evaluation also reflected on progress made in other MM4P countries, including Benin, Lao PDR, Liberia, Sierra Leone and Malawi, through desktop research and interviews with the MM4P teams in those countries.

The Genesis team made use of a mixed set of methods and tools to conduct the evaluation. The evaluation relied heavily on a series of interviews with key informants drawn from a range of stakeholder groups, conducted in-person in the four focus countries and telephonically to cover stakeholders working outside these countries. A total of 114 interviews were conducted with the MM4P programme teams, other UNCDF staff, funders of the MM4P programme, MM4P partner organizations, external organizations, and consultants contracted to assist on MM4P engagements with partners. In addition, detailed case studies were selected in each focus country to better understand how technical and financial support is impacting partners and the DFS market. These case studies were supported by beneficiary engagements in each focus country to better understand client needs, their experiences with digital platforms, and to confirm the value and relevance of the services offered to them. Lastly, the Genesis team conducted a detailed review of a comprehensive set of MM4P programme documents and data provided by the MM4P team and structured according to the evaluation matrix. The team also consulted secondary data sources that provide an indication of key demand-side and ecosystem outcomes at a national level.

Relevance findings

MM4P plays a unique role in the markets where it operates by bringing strong technical knowledge and DFS experience locally, accentuated with international experience; in its responsiveness and level of engagement with partners; and in its role as convener and honest broker within the ecosystem.

While DFS has been demonstrated to have a development impact in LDCs, there are a number of constraints – regulatory, digital infrastructure bottlenecks, and on the demand and supply side – that may limit a market’s potential to realize these gains. **MM4P’s ecosystem approach is designed to address these binding constraints. However, the ability to adequately address all of these binding constraints in each country is constrained** by funding limitations and in some instances the mandates of the funding donor.

These limitations aside, **the programme’s design, partner selection and phasing of engagement have been appropriate for the LDC market contexts where the programme has operated.** The TOC has played out as expected with some potential for changes going forward. The use of TA in combination with small grants has been relevant to the needs of both partners and the programme. While external consultants have been effective, in-country technical teams have been critical to the success of TA by managing external relationships or delivering the TA directly.

The programme has collaborated well with other UNCDF programmes, with the broader UN system, and with other development stakeholders. Despite a few challenges with some partnerships and room for improvement in cross-programme collaboration, these partnerships have been built on synergies between development stakeholders and have removed duplication of effort when supporting the same partner organisations. In addition, MM4P has provided critical learning and a number of institutional assets which will assist UNCDF in the execution of its new strategic vision of digital innovation to support the sustainable development goals.

Efficiency findings

MM4P’s TA support (both from its staff and consultants) is considered to be one of the most valuable activities by the programme. Partners particularly valued the MM4P team’s level of expertise, professionalism, and availability on-the-ground to help guide the partners throughout the implementation of a project and also keep implementation on track. The DFS Working Group has been an important contributor to DFS development and established MM4P as a go-to DFS expert in most of its markets.

Implementation delays at inception, and short project durations could negatively affect MM4P's results in the future. MM4P's internal processes were cited as being cumbersome for partners. While MM4P took a decision to work collaboratively with partners to develop projects that align their business objectives with MM4P's goals, MM4P also faced a challenge with having to spend more time than anticipated to negotiate with some partners and third-party partners before implementation. Projects were also a year-long on average and were considered too short to achieve the anticipated results. In Uganda, this was also exacerbated by the mandate from and delays in funding negotiations with BMGF.

MM4P's hub-and-spoke model/structure creates some operational and cost efficiencies. The centralized Brussels team provides a valuable strategic and operational support function to teams in 11 countries, and also helps with quality assurance, results measurement, and being a mid-point between the country teams and headquarters in New York. However, a few donors were unaware of the total amount of programme overhead, which amounts to 23% of overall MM4P funding, composed of the standard 8% UNCDF overhead, plus the cost of the Brussels hub structure. This indicates that UNCDF needs to better communicate its overhead costs to funders at the outset. A more detailed analysis of the direct versus indirect charges related to Brussels and the countries may also help clarify for funders the relative cost effectiveness of the programme and help identify if any efficiencies can be gained.

The results measurement function of MM4P has achieved a number of successes thus far. MM4P has done well at measuring changes within partner institutions and tracking market development shifts, however, not all outcomes of MM4P's ecosystem activities are systematically captured in the RM framework. Staff find it easier to report on set indicators and outcomes of TA and grant work in comparison to the informal DFS advice offered to different ecosystem players (which is where many important market system contributions are being made).

Effectiveness findings

The TA support provided by MM4P to its private-sector partners, including MNOs, financial institutions and FinTechs has successfully contributed to building all of their capacity to develop and/or improve DFS. Partners attribute changes in organisational processes, strategy and increased managerial buy-in and investment in DFS to the TA provided by the MM4P team and/or the external consultants, and particularly value the ongoing support and conversations they receive from the local MM4P team of Technical Specialists and DFS experts². Although the grants were also beneficial in conducting research and piloting digital solutions, partners reported that the TA was more valuable in effecting how organisations approach DFS.

In a few instances, the MM4P programme has also contributed to positive changes in regulatory environments through its relationships with regulators. The provision of formal and informal TA, benchmark visits and supporting improvements in internal practices has resulted in an increase in regulators' commitment to building a supportive environment for providers to offer digital financial solutions.

The key success drivers of the programme include the local presence of the MM4P programme; the MM4P team's DFS expertise and experience working with private sector organizations; and the flexibility in programming approach to suit the respective markets of intervention.

Likely impact findings

The DFS systems in all MM4P countries have developed and availability and usage of relevant and responsible-delivered DFS products for men and women has increased, as shown below.

Table 1: Percentage of adult population with an active registered DFS account in MM4P's countries

² Each MM4P country team includes a Technical Specialist, DFS expert and Knowledge Management team member based in-country.

Country	Baseline year	2018
Benin	2%	33%
Senegal	13%	21%
Zambia	2%	24%
Uganda	26%	44%
Nepal	<1%	5.5%
Malawi	0%	22%
Lao	0%	<1%

Table 2: Number of providers that offer DFS on a sustainable basis and # of active agents per 100,000 adults

Country	Baseline year		2018	
	DFS providers	Active agents	DFS providers	Active agents
Benin	2	10	4	200
Senegal	2 ³	12	11	238
Zambia	0	13	7 ⁴	243
Uganda	2	43	19	412
Nepal	0	0	5	100
Malawi	0	<1	3 ⁵	184
Lao	0	0	2	5

However, it is insufficient to use national statistics for active DFS accounts as a headline measure of success of the programme (and the programme's contribution to market development). Rather, these indicators are important as diagnostic tools for understanding the market context and how the DFS market is shifting in each country. Following challenges in aggregating quantitative project results across the country portfolios⁶, this evaluation focused on the programme's theory of change and building a qualitative narrative of contribution.

Evidence from this evaluation shows that some positive linkages can be made between MM4P's activities and sector and customer outcomes, as well as the programme's ultimate goal. MM4P's direct financial and technical support to partners, facilitated by strong in-country technical teams and partnerships with good consultants, has contributed to greater interest among partners in DFS, improvements in partners' capacity, the formation and improved implementation of partnerships, and specific instances of increased investment in DFS. DFS offerings have been made more accessible and available (rural outreach is still proving to be a challenge) with MM4P support, but continue to struggle with affordability (largely due to high MNO charges), reliability (due to poor MNO coverage), and customer understanding (prevalence of low customer trust, awareness, literacy and financial capability). This suggests that more effort could have been placed on customer-centered design of products so that they are delivered based on the needs and characteristics of the actual and potential clients. These challenges have meant that a number of MM4P-supported projects have struggled to achieve commercial sustainability. As a result, there is little evidence that increasing access to DFS is occurring within *non-MM4P partners* as a result of demonstration effects.

In **Nepal**, MM4P has operated within a difficult LDC market context, one that was particularly thin on DFS market development at the time the programme started. Thus far, the programme has facilitated

³ Two MNOs initial investment in the market but not sustainable

⁴ 7 out of 9 providers report to be commercially sustainable according to the APS

⁵ 3 out of 5 providers report to be commercially sustainable according to the APS

⁶ More detail is provided in the main report in Section 5.4: Likely impact

significant shifts in the market including the establishment of a payment systems department and a non-bank digital payments provider licensing regime within the central bank, and the establishment of digital payment rails among two of the country's largest financial consortiums. DFS awareness and trust among customers in Nepal remains low, given the nascent stage of the market, and it is not yet clear how successfully supported providers will be able to scale up their products after the pilot stage.

In **Senegal**, MM4P has achieved progress in line with the programme's theory of change up to DFS stakeholder outcomes. MM4P's contribution to the development of the DFS market in Senegal has predominantly been achieved, not through projects with partners, but through the ecosystem building activities (convenings, particularly the DFS Working Group, training and market information) the programme provides, which have raised the profile of DFS and improved providers' and regulators' understanding, capacity and interest in expanding and improving DFS. MM4P Senegal's relationships and understanding of the private sector has been an important input into its credibility and influence at the ecosystem level.

In **Uganda**, MM4P's direct support to partners and the DFS Working Group have promoted buy-in within providers and the broader ecosystem, improved the capacity of its partners, decreased the perceived risk of investing in rural areas (the MNOs have both grown the teams responsible for rolling out mobile money in rural areas), and also increased the level of engagement and partnerships between the different actors. Other donors such as FSD Uganda, USAID, GIZ, and CGAP have also played a role in promoting financial inclusion in the country, but MM4P was one of a few organisations that worked at the micro level, having a dedicated in-country team to implement projects with the partners. Commercial sustainability remains a challenge in Uganda, but there is emerging evidence of client-level benefits of MM4P-supported projects.

In **Zambia**, MM4P has influenced partner and ecosystem DFS providers' willingness and ability to develop, improve or expand DFS to unbanked customers, especially rural populations and women. The programme is well-positioned to achieve its intermediate goal of supporting ecosystem actors to gain scale, reach sustainability and increased investment in DFS within the program's timeframe (Airtel has already increased investment in mobile money following successes in client uptake following MM4P-supported HCD research).

MM4P's contribution to the DFS markets in each country is a **result of both the programme's direct support to partners and MM4P's ecosystem activities**, specifically industry data and information, convening and facilitation, and formal and informal support and capacity building provided to regulators.

Considering MM4P's theory of change, and achievements at the DFS stakeholder outcome level, **it is likely that MM4P will contribute (and has already contributed in specific instances) to increasing access to DFS for underserved clients.**

MM4P has had a significant impact on how UNCDF is approaching future programming and is considered critical to the agency's new strategy, which is centered on leveraging digital solutions to support the achievement of the Sustainable Development Goals.

Likely sustainability findings

The sustainability of the projects MM4P has supported is mixed across the portfolio. **Provider projects tend to have commercial viability built in as a consideration** due to the operating nature of for-profit providers, but there is not yet much evidence that provider projects are commercially sustainable. In comparison, **regulator and policymaker projects tend to have a slower pace of change, requiring longer-term support and engagement, but are sustainable for a period of time once achieved.** At the client level, the programme is still in the early stages to assess client outcomes, but a significant challenge

thus far has been the **client preferences for agent-assisted transactions rather than conducting transactions using a mobile phone**, although this is beginning to change.

Overall, **the type of support and nature of engagement provided by MM4P is better for the continuation of partner outcomes compared to other types of donor support**, such as large grant-making that subsidises providers' costs of operation.

At the ecosystem level, there is an **ongoing need for a market facilitator to catalyse DFS development to the tipping point at which market development takes off organically**. This suggests a strong potential role for MM4P to play going forward, particularly within the regulatory and policymaker space and playing a strong convening role within the ecosystem. Where funding and programming will end, this means MM4P requires a plan to continue the programme's convening role in its absence. However, the programme's early ecosystem work has already generated outcomes which are contributing to the momentum of DFS market development.

Conclusions and recommendations

MM4P's work can be categorised into two core components/approaches: The first is MM4P's work at the micro level, working with providers to implement projects (e.g. bulk payments, digitising loan officers, digitising municipal payments, agency banking, etc.). The second component is work at the meso and macro/ecosystem level where MM4P seeks to promote a more enabling environment, improved market infrastructure, and greater awareness, knowledge, and engagement between the various ecosystem actors.

At the provider level, MM4P's TA (internal and consultant) and grants supported DFS market development by promoting greater institutional buy-in, increasing capacity to implement projects, and also led to greater investment in DFS. **At the ecosystem level, the DFS Working Group was one of the most important contributors to DFS development** by creating more awareness and enabling greater engagement between different market actors. However, while the programme adopted a market systems approach, funding restrictions limited the extent to which MM4P could focus on policy/regulation and infrastructure. As a result, although MM4P achieved some success at the regulatory level, **overall the programme achieved greater traction among providers than regulators**.

A review of MM4P's projects to date shows that **it is still difficult to sustainably roll-out DFS in LDC markets**. In addition to the traditional financial access challenges apparent in developing markets, there are a number of challenges specific to DFS that prevail, including a lack of digital infrastructure, an unfavourable regulatory environment, and demand-and-supply-side issues. As a result, **the necessary building blocks for DFS (or the "rails") are still insufficient in the selected countries**. Because of these prevailing constraints, **MM4P's projects have had mixed results in terms of DFS uptake**. While uptake has generally increased – partly through MM4P's support to partners, regulators, and the broader ecosystem - it has been slower than anticipated for many of MM4P's projects, and in turn, most projects have not yet been proven to be commercially sustainable.

While some projects were delayed due to MM4P's internal procurement processes, they also experienced delays due to partner-related challenges, including the amount of time to negotiate and capacitate them, as well as high staff turnover. These challenges, and those in the previous paragraph suggest **more could have been done to assess the market opportunity (e.g. feasibility, customer numbers) and the readiness of partners (e.g. staff and technical capacity, and stability in the top structures) before funding partners to roll out new products/platforms**. Learning from the programme suggests that this is best carried out through short TA (e.g. strategy work) to get to know a partner and assess their feasibility, before providing significant and longer-term support.

Where MM4P was most impactful and successful at contributing to DFS development was through its capacity building at the partner level and convening role at the ecosystem level, which promoted

greater buy-in and engagement in the market, and convinced providers to accelerate their plans to roll-out a wider set of DFS offerings in the programme countries – leading to positive market results. Given these findings, the programme could have placed more emphasis on getting the building blocks in place (e.g. through small TA, convening, research) and promoting a more enabling regulatory environment for MNOs and banks to invest in infrastructure. However, it is important to acknowledge that implementing and testing solutions in the market has been important in generating learnings that can inform the programme’s future ecosystem/market facilitation activities.

Although it is still too early to measure the impact of MM4P’s projects at the client level, **some anecdotal evidence from beneficiary interviews shows a positive impact on livelihoods by DFS**. Beneficiaries of high volume payments in Uganda reported an increased ability to save through mobile money as a store of value, which also enabled them to invest in their businesses, spend on their children’s education, and have more financial freedom (especially women). Bank agents and mobile money kiosks in Uganda, Senegal and Zambia reported they were able to diversify their income, and saved some of that additional income for the future.

MM4P’s performance has been supported by strong knowledge management, results measurement and programme management functions delivered through a mix of in-country teams and the Brussels hub. MM4P’s hub-and-spoke model has introduced some efficiencies in terms of cost and operations. This hub-and-spoke model however has faced some challenges, particularly the increased complexity of budgeting from eleven different sources of funds. MM4P’s knowledge management function, through its events and the sharing of publications, has influenced the development of the broader ecosystem. MM4P has a comprehensive RM framework which enables it to track various indicators and market shifts. However, programme staff struggled to capture all the outcomes of their ecosystem activities more systematically, a significant gap for the framework.

In conclusion, MM4P was right to adopt the dual approach (i.e. provider level and ecosystem level) in order to influence all levels of the market. Its in-country team set up was an effective way of building strong relationships with providers and regulators and keeping abreast of market shifts. However, the programme’s decision to roll-out DFS before ensuring the necessary building blocks were in place has given rise to mixed results and DFS uptake. Evidenced by its success as an ecosystem-wide convenor, more emphasis may have been placed at the infrastructure and regulatory level, and more time may have been spent on assessing the commercial viability of projects rolling out DFS products/platforms before implementation.

The following strategic recommendations follow from these findings and conclusions:

- **The programme TOC and country results chains should be updated to reflect what has been learnt in each market.** Examples identified in this evaluation include the role of innovation as a potential workstream, and the need to better articulate gender outcomes at the customer outcome level.
- **MM4P will have to incorporate innovation into its work stream as DFS markets develop and new types of providers emerge.** MM4P is already thinking about how to encourage and engage with non-traditional financial service providers, such as fintechs, which should be continued and formally built in to the programme design.
- **MM4P should articulate the impact of its programming beyond financial inclusion to account for shifting funding priorities.** These include improvements in the livelihoods of specific customer segments and the support of priority sectors to better capture the impact that donor funding is aiming to create.
- **MM4P needs to develop careful sustainability plans for its ecosystem facilitation role, and start implementing this plan now to provide enough time before programming winds down.**

Learning from MM4P Malawi, the formation of an industry association with funding contributed by members appears to be a sustainable approach to having MM4P's ecosystem convening role continued.

- **MM4P can better incorporate the mainstreaming of gender from its strategy through to its programming activities over the second half of the programme.** This can be achieved by including gender in all aspects of the programme's strategy, theory of change, results management framework, and programming activities. Programming should focus on building the business case for collecting sex-disaggregated data (in addition to making this data collection a requirement for provider partners); and on use cases or sectors that are known to have a livelihood impact on women in particular. The programme should encourage policy makers/regulators to consider the gendered impacts of policy/regulation changes, and the programme's unique ecosystem convening role can be used to address non-financial barriers to access and usage for women and girls.
- **Knowledge management activities need to capture and disseminate lessons on project failures as well as project successes.** Information about challenges and failures experienced by providers is equally useful for stakeholders in the ecosystem to learn from the experience of other providers, and more focus should be placed on covering these lessons on failure.

The following operational recommendations follow from these findings and conclusions:

- **UNCDF's procurement and selection process for partners should be reviewed given the changing dynamics in the market.** In particular, the emergence of dynamic financial service providers, such as fintech, which tend to be fast and flexible may require different approaches to partnership.
- **MM4P country teams will have to assess the capacity of their technical staff given the importance of longer-term TA provided directly by DFS experts in-country.** In cases where current technical specialists' contracts are ending, it is important for the programme to replace these with in-country specialists that can develop long term relationships with partners. In countries where a greater focus on policy/regulatory work is required, the programme may need to consider widening its skill set to include staff with experience in policy and regulatory issues. The programme should also consider the human capital requirements for a greater focus on gender through the programme's strategy and activities.
- **The programme should consider how to strengthen its pre-project feasibility assessment to improve the likelihood that investments will lead to sustainable customer outcomes.** Learning from the programme suggests that short TA projects (e.g. strategy consulting) with a new partner are a successful way of assessing the partner's feasibility for further support to roll out new products/platforms.
- **MM4P should simplify its RM framework and significantly reduce the number of indicators it tracks.** This should include enhancing the existing bottom-up approach within the RM framework by focusing less on national statistics and aggregating, for example, the number of new active DF accounts formed through MM4P support; systematically tracking MM4P's ecosystem activities by collecting examples of where ecosystem activities have led to fruitful developments, combined with outcome harvesting at periodic intervals; meeting together as a team on a bi-annual or annual basis consider the biggest shifts in the market and the range of factors that have contributed to them (including MM4P activities); and making use of an analytical framework for measuring systemic change (crowding in of non-MM4P supported stakeholders).

1. INTRODUCTION

The Mobile Money for the Poor (MM4P) programme is the largest of the United Nations Capital Development Fund's (UNCDF's) initiatives in digital finance. MM4P, launched in 2012 and adapted in 2014, was designed as a global programme to demonstrate how a mix of technical, financial, and policy support can assist in scaling digital financial services (DFS) that reach the poor in very low-income countries. In April 2018, UNCDF contracted Genesis Analytics ("Genesis") to conduct a mid-term evaluation of MM4P.

This evaluation report is the key output of the evaluation and is structured as follows:

- **Section 2** introduces the objectives and scope of the evaluation;
- **Section 3** summarizes the main features and current status of the MM4P programme;
- **Section 4** describes the methodological approach of the evaluation;
- **Section 5** presents the main findings structured according to the five key evaluation criteria of relevance, efficiency, effectiveness, likely impact, and (prospects for) sustainability;
- **Section 6** provides the main conclusions, lessons learnt recommendations based on the findings; and,
- **Section 7** outlines how the design, implementation and results of the programme have incorporated a gender equality perspective and human rights-based approach.

The appendix includes four country reports, which present the key findings from each of the evaluation focus countries, namely Nepal, Senegal, Uganda and Nepal.

2. OBJECTIVES AND SCOPE OF THE EVALUATION

The overarching objective of this mid-term evaluation was to assess the relevance and performance of the MM4P programme to date. Taking into account the original design of MM4P in 2012, as well as the subsequent changes in approach in 2014, the mid-term evaluation aimed to assess both the results from 2014 onwards, as well as the likelihood of the programme achieving impact and sustainability at the partner institution, beneficiary and ecosystem levels. This assessment is made based on the programme's current design, human resource structure, broad implementation strategy and relevance to the market and ecosystem in each country in which MM4P is being implemented.

The objectives of the mid-term evaluation are:

- To help UNCDF and its funding partners meet their accountability and learning objectives by assessing the relevance, efficiency, effectiveness, (likely) impact and (prospects for) sustainability of the MM4P programme in the different countries in which it has been, and is being, implemented.
- To support ongoing attempts by the programme and its funders to capture good practice and emerging lessons in the area of DFS as they are relevant to meeting the objectives of the Sustainable Development Goals and as they shape the conceptualisation of UNCDF's New Strategic Framework 2018-2021.
- To provide forward-looking operational and strategic recommendations that can guide and inform the remaining years of MM4P implementation and/or subsequent programming on the basis of a validated and/or refined theory of change, an understanding of the evolution of MM4P's broader market and internal UNCDF context, and its operational performance.

As these objectives highlight, and in line with UN evaluation practice, the scope of the evaluation covers all five standard UN/OECD DAC evaluation criteria: relevance/appropriateness of design, efficiency, effectiveness, (likelihood of) impact and sustainability. The scope of the evaluation is also focused on going beyond a superficial assessment of whether UNCDF is executing and managing the programme

appropriately toward an assessment of the appropriateness of MM4P as the right approach to achieving the higher-level objectives that framed the initial phase of its design. As such, while there is a more comprehensive list of evaluation questions, priority questions include:

- To what extent is the current MM4P approach relevant to the programme countries and key stakeholders the programme supports? Are any adjustments required?
- What has been the overall contribution to date of MM4P's direct financial and technical support to its partners, and to the development of strong digital finance systems in the programme countries?

The scope of the evaluation also encompasses an assessment of the progress made by the entire programme, from its original design, to its current performance and future direction. The majority of this work was conducted through desk analysis and interviews with global stakeholders, but to deepen the evaluation's understanding of programme results, visits to four focus countries were conducted. These included Nepal, Senegal, Uganda and Zambia. While these countries were a focus, the evaluation also reflected on progress made in other MM4P countries, including Benin, Lao PDR, Liberia, Sierra Leone and Malawi, through desktop research and interviews with the MM4P teams in those countries. Overall, the evaluation included 114 key informant interviews (KIIs) with MM4P staff, UNCDF HQ and sister programme staff, partners, funders, consultants and external DFS experts, composed of:

- 16 interviews in Nepal
- 23 interviews in Senegal
- 26 interviews in Uganda
- 20 interviews in Zambia
- 29 global interviews (conducted telephonically)

The evaluation team also conducted focus group discussions and in-depth interviews with beneficiaries of two MM4P-supported projects in each of the focus countries.

Gender analysis and other key cross-cutting themes were embedded in the evaluation process to assess the extent to which MM4P adopted these along the programme life-cycle (design, implementation, monitoring, etc.). Specific considerations on gender issues (and the other cross cutting themes) are provided in *Section 7: Gender and Human Rights*.

3. PROGRAMME PROFILE

3.1. PROGRAMME DESCRIPTION

3.1.1 Original conception

MM4P was launched in 2012 with funding from UNCDF, Sida and the Australian Department for Foreign Affairs and Trade (DFAT) in four least developed countries (LDCs) in Africa and Asia: Lao PDR, Liberia, Malawi and Nepal. The initial motivation for the programme was based on increasing evidence regarding the positive role of DFS in driving financial inclusion in some markets in sub-Saharan Africa, DFS becoming increasingly a part of UNCDF's financial inclusion agenda⁷, and the experience of UNCDF's regional Pacific Financial Inclusion Programme (PFIP), which was the first in UNCDF to support DFS.

The first two and a half years of the programme sought to apply the PFIP approach of providing policy support to regulators and grant support to DFS providers and, in some cases, bulk users of DFS (e.g.

⁷ UNCDF's financial service provider partners and UNCDF's funders see DFS as the most promising means to reach the poor with financial services

government, microfinance institutions) in the selected LDCs. Importantly, this phase was focused on testing and adapting the programme, and raising funds for full scale implementation. LDCs generally suffer from higher costs of service delivery due to poor physical, technological and financial infrastructure, shallow banking systems, dispersed populations, lower levels of economic activity and disposable incomes, less developed business and regulatory environments that are less conducive to innovation, and economic and political instability. MM4P, as it was originally conceived, was thus focused on the development of digital financial services (mobile money and branchless banking initially) in these more challenging markets by working with providers, regulators and on common issues such as distribution, strategy, improving product design and interoperability (depending on market readiness). MM4P was originally designed to be a thematic initiative, similar to other UNCDF programmes like MicroLead and YouthStart that were implemented across multiple countries, and was predominantly focused on providing grants to providers. The original programme document did not specifically mention the barriers facing women in accessing mobile money, and the proposed outcome referred only to extending services through branchless banking to un- and under-served individuals and small/micro enterprises in the target LDCs. Two of the four outputs did, however, mention women in that group of individual and small/micro enterprises and the need to provide gender disaggregated data in all research conducted.

Following a scoping of LDCs and an assessment of the factors that would make mobile money succeed and where UNCDF had a presence, the four initial countries were selected. Proof of concept began in Malawi in June-July 2012, where opportunities for the programme were identified due to the presence of two large mobile network operators (MNOs) and strong banks. The team issued an open call for proposals, but was disappointed by the responses received. Three projects were pursued, none of which went forward due to unrealistic business plans, lack of willingness to invest by partners, and/or changes in management and ownership. In 2013, an internal assessment led UNCDF to realise that managing the Request for Application process from afar was not the right approach. Further, there was a need to have strong technical personnel on the ground, and to focus on providing technical assistance (TA), rather than grants. In 2013, three of the four UNCDF country programmes, including Malawi, Liberia and Nepal, were also closed, which led to the centralisation of operational support for the programme in Brussels, with technical staff being located in each focus country. MM4P funds were used to maintain an office and in-country presence in Malawi and Liberia (with a single post in each).

3.1.2 Changes to approach

In 2014, the programme shifted from a primarily grant-led programme with a policy component to a market development approach focused on building the overall DFS ecosystem. However, MM4P retained a heavy emphasis on direct support to DFS providers, although this became more technical than financial, with TA being provided by consultants (predominantly through long-term agreements with consulting firms like MicroSave, Enclude and PHB Development) or directly by MM4P staff.

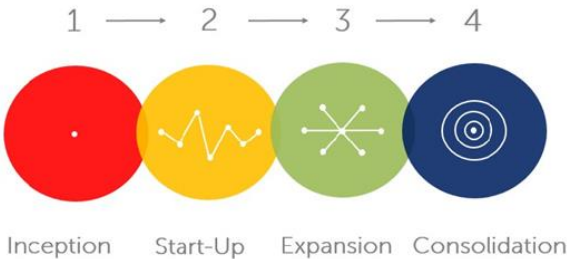
The early experience of MM4P led the team to believe that more time was needed when entering a market to build relationships and get buy-in from stakeholders, in part by supporting the improvement of partners' existing operations. As such, MM4P identified three phases of country programme development, which also applies to one-on-one engagement with stakeholders:

1. **Phase 1 Buy-in:** Build relationships with all stakeholders in the sector through market research involving key stakeholders and trainings, workshops and forums to build industry dialogue.
2. **Phase 2 Improve:** Support key stakeholders through smaller engagements in expanding and improving their current business and building credibility and trust at the partner level.
3. **Phase 3 Innovate:** Based on credibility and trust built in the market, work with several stakeholders to design and launch innovative concepts and partnership models to further reach rural, female, and unbanked customers.

Given this new approach, the Bill & Melinda Gates Foundation (BMGF) began supporting MM4P in Uganda in early 2014, and the Mastercard Foundation (MCF) agreed to support MM4P’s expansion into Benin, Senegal and Zambia in late 2014. United States Agency for International Development (USAID) and the MetLife Foundation have also contributed support to Nepal since 2015. Funding sources and budgetary allocations per country vary greatly across the programme and consequently so does implementation; Benin, Senegal and Zambia, for example, are fully-funded ecosystem development programmes supported by MCF, while Uganda is a large programme focused on digitizing payments, as funded by BMGF. Nepal and the other MM4P countries have more limited interventions. Due to lack of funds, MM4P Liberia is no longer active. In 2017, MM4P began providing technical oversight to UNCDF Sierra Leone, which is focused on identifying opportunities to support the digitization of payments.

MM4P’s core strategy focuses on supporting shifts between stages of market development in digital financial services in partner countries. MM4P has characterized the evolution of the market into four stages: Inception, Start-up, Expansion and Consolidation. Put simply, a market is in **Inception** stage when there are only a few actors with limited outreach working without clear policies or supporting DFS infrastructure. **Start-up** meanwhile is characterised by one or a few DFS providers developing a transformational service, with basic products, available through a network of agents that may achieve a large number of customer registrations, but little customer activity. The **Expansion** stage is a vital period in which the lead providers begin massive expansion and more decentralized agent management, while new providers enter the market and compete for market share. **Consolidation** is when a market has a range of competitive actors and services that are clearly regulated and interconnected within the broader institutional environment.

Figure 2: MM4P market development categorisation



MM4P has characterized the different stages of market development using eight indicators and set milestones for each of the stages (Figure 1). This framework allows MM4P to measure and monitor progress in the level of market development on an annual basis in each country. In 2014, Lao PDR and Nepal were in the Inception phase, Malawi and Liberia were in the Start-up phase, Uganda was in the early expansion stage and Senegal was on the cusp.

Importantly, MM4P does not aim to drive the development of markets through the different stages alone, but to contribute to the shift alongside other factors (which the evaluation will aim to unpack).

MM4P structures its approach into six work streams (the “honeycomb” shown in Figure 2) that identify key elements of the DFS ecosystem, each roughly corresponding to specific stakeholder groups: providers of DFS (providers and infrastructure); users (retail customers and high-volume users); distribution (agents); and policy & regulation. At the centre of these elements is what MM4P terms ‘ecosystem development,’ which encompasses the range of interdependent measures (information provision, consensus building, awareness raising, partnership building) that bring stakeholders together to build a sector that can reach the poor. The combination of these elements, as well as alternative drivers of support, are expected to contribute to the shifts in stages of market development.

Figure 1: MM4P workstreams

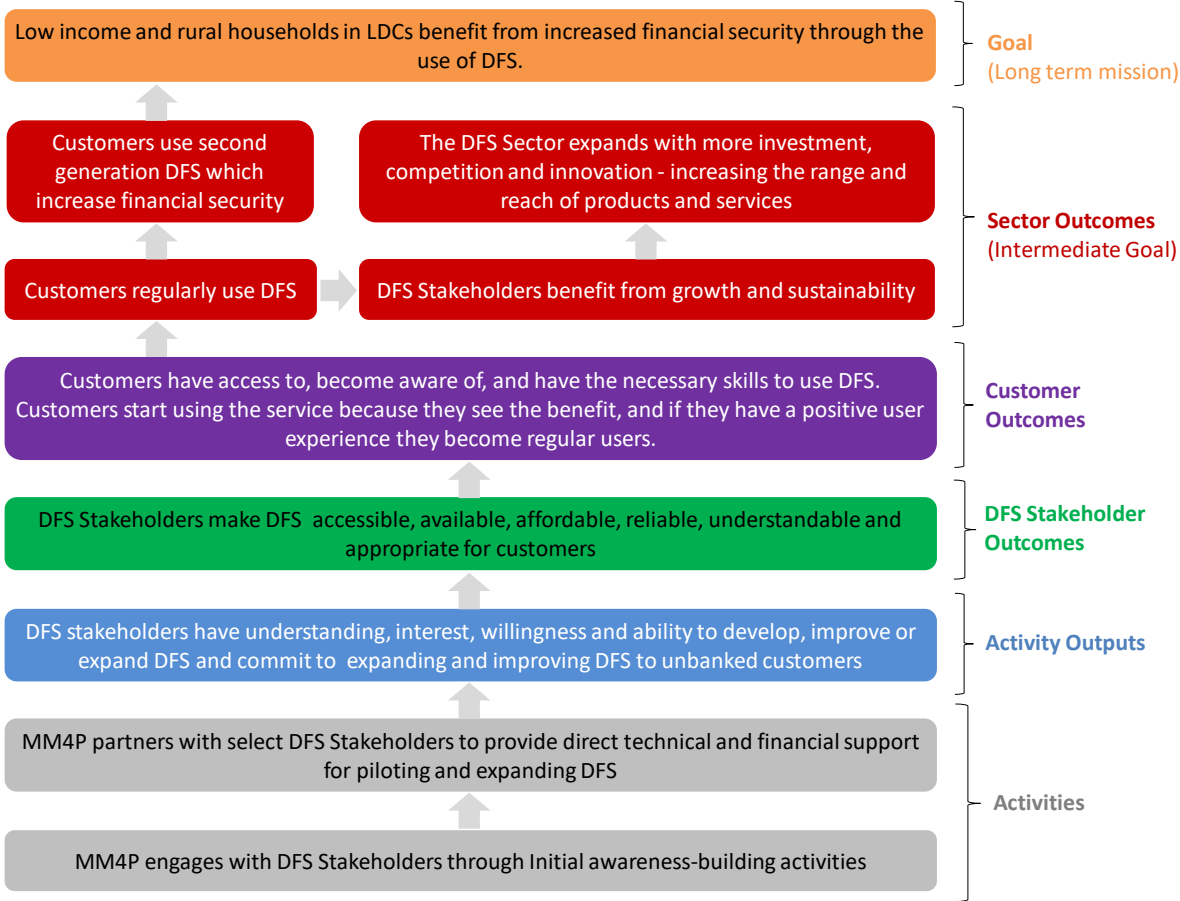


The concept development document that was updated in 2014 details much more explicitly the challenges in reaching women with DFS, alongside the need for DFS providers to not ignore women if they are to

achieve scale and impact in their operations. Women are more likely to receive money than to send it, and are active household financial managers with specific wants and needs. As such, DFS could have strong appeal for women, but (as described in the concept document) face a range of barriers in accessing these services, including low literacy and education levels, lack of easy access to agents, lack of identification documents, lack of confidence and low mobile phone ownership. Promoting activities that serve the unique financial needs of women is described as one of the priority areas of MM4P.

The current MM4P programme-level theory of change (ToC) is captured in Figure 3 below, and is clearly articulated in the programme results measurement framework, including key assumptions. Each country also has a results chain, which provides more detail on the activities and expected results for that country. What is considered by the team to be unique about the ToC is that rather than clients being only the beneficiary at the top of the chain, they are positioned in the middle, also as the drivers of sector change. While the ToC itself does not explicitly refer to women as a priority end beneficiary group, the programme’s headline indicators at the goal and sector outcome level are disaggregated by gender.

Figure 3: MM4P theory of change



3.2. KEY CONTEXTUAL FACTORS

Given the size and complexity of the MM4P programme, the evaluation team identified a set of contextual factors that were important to bear in mind when assessing the achievements of the programme in the different target countries, including:

- The **selection of countries** reflected the priorities of funding partners and the presence of existing UN infrastructure.

- The **budgets allocated per country differ significantly**. The activities in different countries are also funded by **different donors (or combinations of donors), many of whom have their own mandates and limitations**. For example, Benin, Senegal and Zambia, are fully-funded ecosystem development programmes by MCF, however Canadian charity laws stipulate that charities cannot influence or lobby government officials. MCF interpreted this conservatively initially and removed policy work from the MM4P activities it funded. Over time, this position was loosened and the rule evolved to allow for funding of policy activities that enabled public / private dialogue and evidence-based decision making. BMGF's grant to MM4P in Uganda is large and focused on ecosystem development, with a mandate to focus on digitizing specific payment value chains.
- In some countries MM4P works out of a UNCDF regional office (e.g. Senegal), while in others the team is hosted in the local UNDP office (e.g. Malawi). **MM4P overlaps with sister UNCDF FIPA programmes** (such as CleanStart, YouthStart) in some countries, but not all. Similarly, not all MM4P countries are Better Than Cash Alliance (BTCA) member states, and Senegal is the only country where both programmes have in-country presence⁸.
- While **other donor funded programs** with similar objectives are present or operating in all MM4P countries, the approaches, intervention types and thus potential overlap with MM4P differs in different markets. For example, there are Financial Sector Deepening (FSD) programmes in Uganda and Zambia, which also adopt a market system development approach, work with many of the same partners as MM4P and also have a focus on developing digital finance as a vehicle for financial inclusion.
- At the baseline, the MM4P countries were deemed to be at **different market development stages** (i.e. inception, start up, expansion, consolidation) in terms of DFS, which informed the activities and type of support implemented by the programme.
- Each **DFS market displays different dynamics**, which the MM4P team needed to be cognizant of and navigate. For example, the prevalence of over-the-counter (OTC) transfers over mobile wallets in Senegal and Nepal, and the emerging role of fintechs.
- There are also some **common challenges that are characteristic of LDCs** (and exist to different degrees in MM4P countries): poor physical, technological and financial infrastructure; shallow banking systems; dispersed populations; lower levels of economic activity and disposable incomes; less developed regulatory environments infrastructure; and low literacy levels.

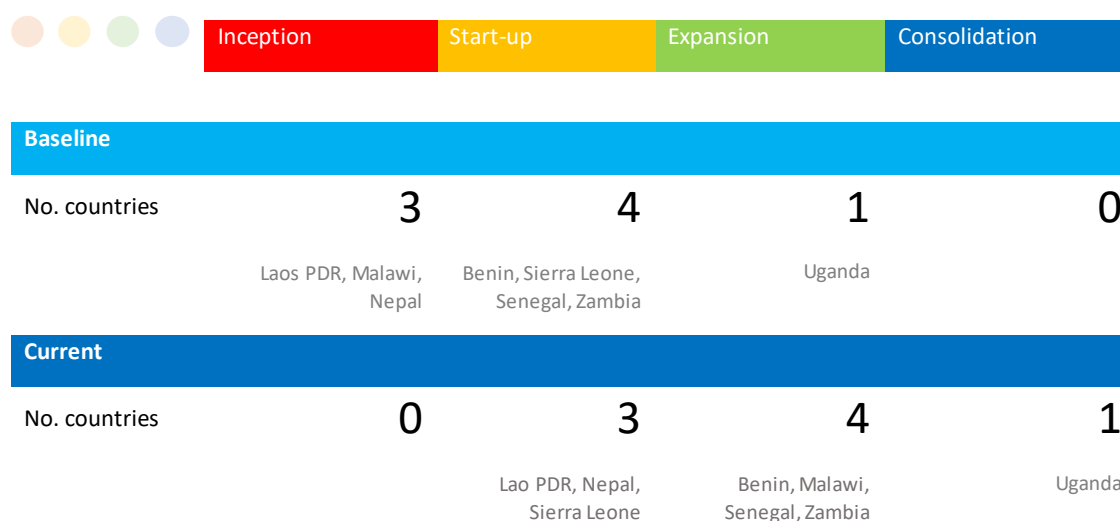
3.3. CURRENT IMPLEMENTATION STATUS

According to the latest MM4P semi-annual report (January - June 2018), there have been notable shifts in the market development stage of the programme countries, as shown in Figure 4 below.

⁸ More detail on these overlaps are provided in the country reports in the Appendix.

Figure 4: Market development stage of programme countries (Baseline and Current)

DFS Market Development



Source: MM4P semi-annual report (January – June 2018)

An overview of the number of projects supported by MM4P is provided in Table 3 below. The largest project budget has been allocated to Uganda, where the highest number of projects have been completed. The lowest project budgets allocated to date have been to Malawi, Liberia, Lao PDR and Sierra Leone.

Table 3: Number of MM4P agreements by status (as at 7 June 2018)

Country	Closed	Cancelled	Active	In pipeline	Allocated budget (USD)
Benin	2	1	7	4	1 302 799
Global	7		4	1	4 619 902
Lao PDR	5		3		439 336
Liberia	7				336 569
Malawi	6	1	1		263 640
Nepal	15	4	14	12	1 271 084
Senegal	4	1	7	7	1 678 820
Sierra Leone	0		3	3	523 300
Uganda	21	3	18		5 877 149
Zambia	5		6	10	2 134 133
Total	72	10	63	38	18 461 731

Source: MM4P pipeline 7 June 2018; Note: in some cases, a single project may have multiple agreements, e.g. due to it comprising both a grant and TA component, and these are listed as separate line items in the pipeline document. This table includes agreements for KM activities.

As per the MM4P pipeline document on 7 June 2018, the largest number of closed and ongoing projects have been with **governments, banks, fintechs, MNOs and non-bank financial institutions (NBFIs)**. The majority of closed and ongoing projects have been under the **high volume payments, providers, and distribution workstreams**. The majority of the policy & regulation work is not formalised with an agreement. Where policy & regulation agreements have been implemented, the majority to date have been in Nepal (where there are no funding restrictions to doing so and where 11 agreements were related to one project, the Nepal Rastra Bank GIS project). No projects have been completed or are ongoing under the infrastructure workstream. There have been double the number of TA projects as grant projects, however,

the budget allocated to the provision of grants (which includes knowledge management and global research projects) is slightly higher than that allocated to TA.

Table 4: No of closed and ongoing agreements by partner type and workstream

	Academia	Bank	FinTech	Gov	MNO	NBFI	NGO	Other	Trader	UN Agency	Total
Customer			1		2	1		1		3	8
Distribution		4	5		10	6	1	2			28
Ecosystem			3			1	1	2		3	10
High Volume Payments		4	5	10	2		3		7	5	36
Policy & Regulation	1			15						1	17
Providers		16	5		3	9		2			35
Total	1	24	19	25	17	17	5	7	7	12	134

Source: MM4P pipeline 7 June 2018; Note: The majority of policy and regulation activities are not formalised with agreements and so are not reflected in this table. These activities included meetings with policymakers to provide advice, responding to requests from regulators to comment on policies or regulation, and regulators' participation in working groups. The MM4P team in each market aimed to have at least two engagements with the regulator per month.

3.4. CURRENT FINANCIAL STATUS

The table below provides an overview of the funds received and spent from the start of the programme to 30 June 2018. All funders share a portion of the costs for key functions that support all the MM4P countries, such as management, operations, knowledge management and results management. *Section 5.2: Efficiency* below provides more information on cost allocation and overhead costs.

Table 5: MM4P financial status as at 30 June 2018 (USD)

Funding source	Funds received from start to 30 June 2018	Cash expenditure through 30 June 2018	Remaining funds as at 30 June 2018
UNCDF	858,940	714,103	144,837
UNCDF Sierra Leone	590,671	452,512	138,159
DFAT	1,002,884	998,288	4,596
BMGF	10,769,498	10,209,100	560,398
FSD Uganda	92,383	29,994	62,389
Mastercard Foundation	24,922,231	16,731,080	8,191,151
MetLife Foundation Nepal	250,000	202,428	47,572
MetLife Foundation Innovation	1,200,000	132,920	1,067,079
USAID	1,380,000	1,000,363	379,637
USAID Sierra Leone	480,000	256,188	223,812
Last Mile Finance Trust Fund (LMTF) MM4P	278,302	262,912	15,389
Belgium	1,294,594	1,059,184	235,410
Sida	4,359,564	4,355,087	4,477
Total	47,479,067	36,404,158	11,074,909

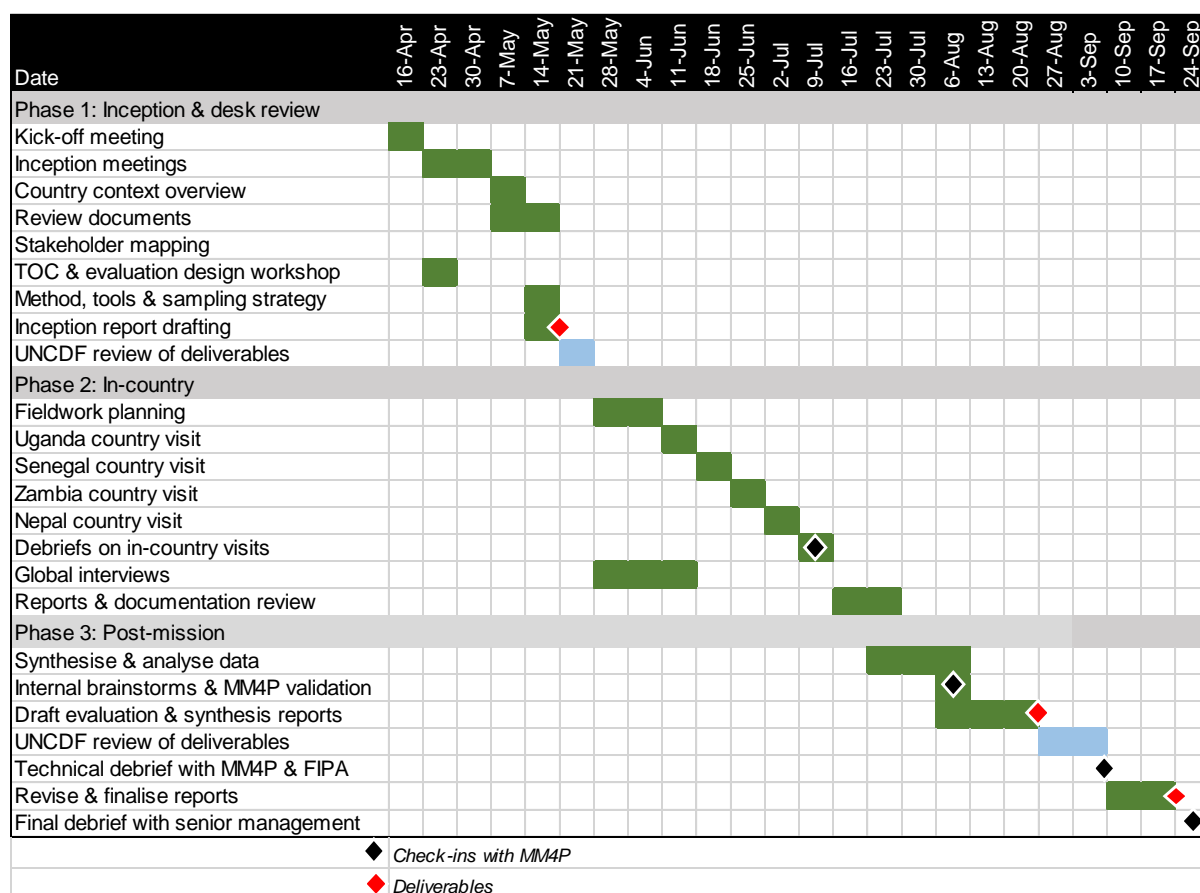
Source: MM4P semi-annual report (January – June 2018) Note: Cash expenditure is higher than total allocated budget provided in Table 1 as this includes non-project costs, including those incurred during buy-in phase, while Table 1 only includes project spend.

As shown above, a large portion of funds received to date have been spent. Funds from BMGF and the government of Belgium will terminate at the end of 2018 and the MCF grant (supporting programme activities in Senegal, Benin and Zambia) will come to an end in 2019. MM4P continues to raise new additional funds to continue in-country presence and project implementation, and to expand into new geographies. For example, in December 2017, UNCDF received the first tranche of USD 1.2 million from MetLife Foundation for a new programme in China and Malaysia, and preliminary scoping missions and staff selection were conducted in the first semester of 2018.

4. EVALUATION APPROACH AND METHODOLOGY

4.1. OVERALL APPROACH

To understand the relevance and performance of the programme, Genesis adopted a theory-based approach, rooted in the programme ToC. Market development programmes like MM4P seek to stimulate change at multiple levels and a theory-based approach provides a coherent framework within which different parts of the causal chain can be observed and empirically tested. The approach also provides a means of understanding why and how things work - the complexity of market systems means that it is necessary to understand how a programme has interacted with other factors to achieve change, as attribution of market development to one programme or intervention (and the formulation of a counterfactual) is seldom possible. Therefore, the evaluation focused on uncovering changes at the partner institution, ecosystem and beneficiary levels and whether and how MM4P has **contributed** to the development of the DFS markets in the target countries. The evaluation followed the following timeline:



4.2. EVALUATION MATRIX

The mid-term evaluation was based on an evaluation matrix that guided the design and development of data collection instruments and subsequent stakeholder consultations, and ensured that UNCDF and the evaluation team had a shared understanding of the evaluation's scope, focus and ultimate output. The matrix was structured according to the OECD/UN DAC criteria of relevance, efficiency, effectiveness and (likelihood of) impact and sustainability. Under each of these criteria, key learning questions were developed to unpack and interrogate whether UNCDF is currently implementing and managing the programme correctly and whether the right approach is being used to achieve the higher-level objectives as initially set out. The key evaluation questions were developed as per the evaluation Terms of Reference (TOR) and in consultation with the MM4P team during the inception phase. The matrix also provides transparency on how each question will be answered, drawing on multiple data sources that include both primary and secondary data, to ensure triangulation of data, and was used to interpret the findings of the evaluation, thus ensuring objectivity and consistency throughout the evaluation process. It is included in the Annex accompanying this report.

4.3. METHODS AND TOOLS

4.3.1 Document and data review

The Genesis team conducted a detailed review of a comprehensive set of MM4P programme documents and data provided by the MM4P team and structured according to the evaluation criteria. This included:

- Programme design documents
- Donor agreements
- UNCDF strategic frameworks
- Programme and Country Results Measurement Frameworks (RMFs)
- Knowledge management strategy, workplans, dashboard and documentation
- Overviews of projects and partners
- Detailed project documentation
- Semi-annual reports
- Annual Provider Survey Results (2015 -2018)
- Financial and administrative documents and data
- Senegal impact assessment TOR, proposal and inception report

Included in this list is baseline data gathered by MM4P on key metrics in their RMFs. The team also consulted secondary data sources that provide an indication of key demand-side (especially financial inclusion, access and usage) and ecosystem outcomes at a national level, specifically World Bank FinDex and the Economist Intelligence Unit Inclusive Internet Index. These data points help contextualise the performance of the programme's activities, outputs and outcomes against the state and development of DFS markets in the countries in which MM4P is active, and are presented (along with MM4P data) in the country reports in the Appendix as data dashboards.

4.3.2 Key informant interviews (KIIs)

The evaluation relied heavily on a series of interviews with key informants drawn from a range of stakeholder groups, conducted both in-person in the four focus countries and telephonically to ensure coverage of the other programme countries and to incorporate the views of stakeholders working outside these focus countries. These stakeholders are categorised as follows:

- **The UNCDF MM4P programme team:** These interviews were conducted in-country for the four focus countries and telephonically with the Brussels team and representatives for the other countries, and aimed to understand how UNCDF was designed, how it has operationalised its approach, its offer to the various stakeholders, the implementation and operational management of the programme (including its knowledge and results measurement components) as well as the performance of MM4P to date and how it can be improved.
- **Other UNCDF staff:** including representatives of UNCDF HQ and Financial Inclusion Practice Area (FIPA), as well as programmes that are complementary or a source of future synergies with MM4P. These interviews aimed to understand how MM4P contributes to UNCDF's strategic objectives and how it complements other UNCDF thematic initiatives or efforts in the countries in which MM4P is focused.
- **Funders of the MM4P programme:** to gain insight on the relevance of MM4P, achievements and challenges of the programme to date and how MM4P contributes to the broader ecosystem. These interviews were also important to situate MM4P in the context of other initiatives or programmes supported by MM4P principal donors.
- **MM4P partner organisations** in the focus countries, including financial service providers (banks and MFIs), MNOs, regulators, policy makers, non-governmental organisations and other donor initiatives. These engagements formed the primary source of data for the evaluation. Our approach to drawing a representative sample from all the partners that MM4P has engaged is described below.
- **External organisations** with a view on the DFS market and ecosystem in each of the focus countries, including those that have participated directly or indirectly in MM4P's ecosystem development efforts.
- **Consultants** contracted to assist on MM4P engagements with partners, to understand from their perspective what role MM4P has had in impacting the DFS ecosystem in each country, but also how efficient and effective it has been in carrying out its programme activities and meeting objectives.

In total, 114 KIIs were conducted. The details of these interviews are provided in the Annex accompanying this report.

4.3.3 Case studies

To enable the evaluation team to gather a deep understanding of the impact of the technical and financial support provided by MM4P on partner institutions and the DFS market, a series of case studies (two per country) that capture lessons arising from the experience of partners in each of the focus countries have been presented in the country reports in the Appendix. The data sources for each case study included the relevant KIIs, beneficiary engagements and a review of partner and programme documentation.

4.3.4 Beneficiary engagements

As part of each case study, and to better understand client needs, their experiences with digital platforms, and to confirm the value and relevance of the services being offered to them, the Genesis team engaged with a sample of end beneficiaries in each of the four focus countries. These client "voices" add important context to our assessment of the relevance of MM4P's activities and the rationale of its support for certain types of providers.

The projects selected for end-beneficiary engagements included:

- Nepal: IME pay and Prabhu dairy value chain agents and clients
- Senegal: agents and credit officers from Orange youth kiosks (BASIF and PAMECAS) and Caurie Microfinance

- Uganda: agents and clients from Centenary Bank and Agroways
- Zambia: Airtel and Kazang agents

The team engaged with beneficiaries in two different ways. The first was through focus group discussions (FGDs) with clients or end beneficiaries of DFS products or services provided by MM4P partner banks, microfinance institutions, MNOs or other DFS providers. The second was with agents or field officers that distribute the products or services supported by the programme. Since agents are typically owner-operated micro or small businesses, a group-based FGD in a single location would have been difficult to arrange and the evaluation team instead conducted a series of one-on-one interviews with selected agents/field officers.

For client-focused FGDs, the evaluation team ensured, as far as possible, that the participants were grouped according to gender, recognising that there may be cultural barriers that may hinder discussions related to the role of finances in the household, especially when discussed in a group setting, and to allow for greater comfort and ease in discussing personal experiences of the digital solutions supported by MM4P.

4.4. SAMPLING STRATEGY

To provide a representative view of the performance of MM4P across its different activities and market contexts, and within the time and budget available for the evaluation, the Genesis team collected data from a sample of market actors MM4P has supported to date. Sampling for the evaluation data collection occurred at two levels:

1. The **partner organisations** to be interviewed in each country were sampled from the most recent MM4P pipeline document made available to the Genesis team. The team selected a mix of partners to interview based on the following selection criteria, applied to the project list: workstream, status, partner type, type of support and allocated budget. The final sample per country was agreed on in collaboration with the MM4P team in each country and the rationale was documented in the evaluation inception report.
2. Two projects from the broader sample of partners were selected in each focus country to serve as representative **case studies** of the type of support provided by the programme and the impact of its support on the partner, the broader ecosystem and on end-beneficiaries or clients. The case study partners were selected based on the stage of implementation of the project (and hence where end beneficiaries had been reached), their proximity to end beneficiaries, and their geographic proximity to the major urban centres which the evaluation team visited.

4.5. DATA SYNTHESIS AND ANALYSIS

The starting point for the process of consolidation and synthesis was a debrief with key MM4P staff and the UNCDF Evaluation Unit on initial findings and questions arising from the in-country phase of work. Upon conclusion of the desktop review, KIIs and FGDs, all qualitative and quantitative information was then captured and stored in a central location on the Genesis file directory and categorised according to the data source, country and data collection method. The collated data was then analysed and processed according to the evaluation matrix. All qualitative data was analysed using ATLAS.ti, a qualitative data analysis software that assign 'codes' to primary data (the transcribed KIIs and FGD outputs) and other secondary data (UNCDF reports and other external documentation) in line with the main questions contained in the evaluation framework. The coded data was subsequently extracted into Microsoft Word to be analysed and inputted into the evaluation report. All quantitative data obtained in the course of the evaluation was analysed using Microsoft Excel.

The evaluation team then participated in a series of internal brainstorming sessions whose purpose was to review and discuss all evaluation findings and to interpret what these mean in the context of the programme and the objectives set for the evaluation. These sessions preceded any drafting of the evaluation report and were used to test early lessons and develop practical recommendations, which were later included in the draft evaluation report and discussed with UNCDF through a process of feedback and review.

4.6. GENDER RESPONSIVENESS

The evaluation team aimed to abide by the United Nations Evaluation Group's guidelines on Integrating Human Rights and Gender Equality in Evaluations. These guidelines provide an overarching framework that guides evaluations to ensure they are gender sensitive.

When conducting FGDs, the evaluation team grouped participants according to gender, recognising that there may be cultural barriers that may hinder discussions related to finances in the household, especially when discussed in group. This allowed for greater comfort and ease in discussing personal experiences of digital financial solutions supported by UNCDF.

4.7. LIMITATIONS

The evaluation team encountered the following challenges while conducting the evaluation, none of which are considered to affect the validity of the findings presented in this report:

- **Limited engagement with market actors that have not received MM4P support.** The evaluation team focused its limited time during country visits on engaging the stakeholder groups articulated under *Section 4.3.2: Key informant interviews* above. As such, there was limited engagement with market actors (specifically MNOs, banks, MFIs, fintechs) that have not yet received MM4P support, which would have been helpful to supplement the team's understanding of the DFS market evolution and contributing factors. The interviews with consultants and external DFS experts operating in the target markets aimed to provide this context.
- **Inability to conduct an independent survey with partner organisations.** The evaluation team originally intended to conduct an online survey with all of MM4P's partners. However, discussions with MM4P staff in Brussels during inception revealed that the programme's Annual Provider Surveys (APS) provide insight into the state of the market in each country, as well as the views and perceptions of MM4P's partners on the contribution of the programme. These discussions also concluded that MM4P's partners may not be very responsive to a subsequent and separate survey conducted specifically for this evaluation due to survey fatigue and the fact that online surveys usually yield low response rates. As such, the APS results were used as a replacement data source.

5. EVALUATION FINDINGS

5.1. RELEVANCE

MM4P plays a unique role in the markets where it operates by bringing strong technical knowledge and DFS experience locally, accentuated with international experience; in its responsiveness and level of engagement with partners; and in its role as convenor and honest broker within the ecosystem. While DFS has been demonstrated to have a development impact in LDCs, there are a number of constraints – regulatory, digital infrastructure bottlenecks, and on the demand and supply side – that may limit a market's potential to realise these gains. MM4P's ecosystem approach is designed to address these binding constraints. However, the ability to adequately address

all of these binding constraints in each country is constrained by funding limitations and in some instances the mandates of the funding donor.

These limitations aside, **the programme's design, partner selection and phasing of engagement have been appropriate for the LDC market contexts where the programme has operated. The TOC has played out as expected with some potential for changes going forward.** The use of TA in combination with small grants has been relevant to the needs of both partners and the programme. While external consultants have been effective, in-country technical teams have been critical to the success of TA by managing external relationships or delivering the TA directly.

The programme has collaborated well with other UNCDF programmes, with the broader UN system, and with other development stakeholders. Despite a few challenges with some partnerships and room for improvement in cross-programme collaboration, these partnerships have been built on synergies between development stakeholders and have removed duplication of effort when supporting the same partner organisations. In addition, MM4P has provided critical learning and a number of institutional assets which will assist UNCDF in the execution of its new strategic vision of digital innovation to support the sustainable development goals.

As currently designed, to what extent is the MM4P approach relevant to the programme countries and key stakeholders the programme supports?

MM4P plays a unique and valuable role that other development stakeholders are not filling in the countries where it operates. The uniqueness stems from the following characteristics of MM4P's programming which other developments stakeholders are not covering in the same combination:

- **A global programme with country implementation:** in-country teams with strong technical knowledge and DFS experience have an understanding of the local market with the ability to bring in learning from other DFS markets. Compared to programmes with individual country implementation, MM4P was able to share learnings and resources among countries through annual team meetings, more frequent country technical specialist meetings, joint conferences and consulting, and agreements with partners that operate in more than one country.
- **Responsiveness and engagement with partners:** the country teams are willing to assist partners with a range of problem, help partners scope out and design projects, and work hand-in-hand with partners on all aspects of the projects that are supported.
- **Convener and honest broker:** by developing relationships with the key stakeholders in the DFS ecosystem, MM4P is able to play a convening role between public and private sector, and by connecting providers together.
- **UN market facilitator programme:** as a UN programme, MM4P is perceived as a neutral party, is able to leverage wider UN infrastructure and relationships at the local level, and participate with credibility at the global level.

“They have really good technical people, everyone I have met is persuasive and technically strong – that is not always the case with a market facilitator.”

- External stakeholder

Almost all of MM4P's partners (both public and private) articulated a strong vision of the potential for DFS within their market. However, there are a number of challenges within LDC markets that limit this potential by undermining the sustainability of DFS. In addition to the traditional financial access challenges apparent in developing markets, there are a number of challenges specific to DFS, many of which were raised by MM4P partners as barriers to their projects being financially sustainable:

“We aim to reach a certain level of financial inclusion and need the right channel for that – mobile telephony is an important way to promote financial inclusion.”

- Partner

- **Digital infrastructure:** limited mobile phone penetration or access to mobile phones among women; poor network coverage or connectivity quality, particularly in rural areas; and limited supply or affordability of electricity among poor consumers.
- **Regulatory environment:** regulations are often not aligned with best practice in the promotion of DFS.
- **Demand-side issues:** low awareness of financial services generally, and DFS specifically, particularly in rural areas; exclusion of key populations due to documentation / KYC, fraud, agency network development and affordability; and low levels of literacy and financial capability among poor consumers.
- **Supply-side issues:** shortage of DFS expertise, undeveloped or absent mobile network infrastructure and digital payment platforms.

The programme's ability to address binding constraints differ between markets. Two of the programme's donors have specific focus areas or limitations – Mastercard Foundation chose not to fund direct policy and regulatory engagement in Benin, Senegal and Zambia⁹; and Gates Foundation funding in Uganda focused strongly on bulk payments at the expense of regulatory or infrastructure work (based on a mutual belief that focusing on value chains was the best 'bet' to move the needle in active rural adult DFS usage). Country teams have developed workarounds in some cases – using UNCDF funding to support central bank training in Senegal and developing MoUs with the FSDs in Uganda and Zambia. Even in countries like Nepal, where donor limitations were not as apparent, MM4P's budget in country has been limited, restricting the potential for funding larger projects in areas such as infrastructure which tend to be costly.

Although MM4P has achieved successful policy/regulator partnerships in some countries, overall the programme has achieved greater traction among providers than in the policy/regulation and infrastructure space. This is evidenced by the greater number of agreements in the provider/distribution

“The bar for working with providers should be set very high – if the private sector is not stepping in to the space, there is likely some other constraint preventing them from jumping in.”

- Funder

workstreams than in the policy/regulation or infrastructure workstreams, although many of the activities in policy and regulation were not under a formal agreement and are not always systematically documented. As such, some external and donor stakeholders believe the programme has been limited in what it can do to address the binding constraints of DFS development in LDC markets relating to regulatory barriers, proactive government policies, shared payment infrastructure to interconnect players, and adequate digital infrastructure.

MM4P's ecosystem role (convening, capacity building and conducting research) and provision of TA could also be relevant to infrastructure and other kinds of policy work. To address the binding constraints of limited

⁹ As a registered charity in Canada, the Mastercard Foundation is not able to fund work that directly influences policymakers or regulators. The Foundation took a conservative approach to this initially, but over time, this position was loosened and the rule evolved to allow for funding of policy activities that enabled public / private dialogue and evidence-based decision making.

digital infrastructure and affordability of DFS among poor consumers, the programme could have considered how to support telecom authorities and the infrastructure side of MNO businesses to improve digital infrastructure development. Similarly, these tools could have been considered to support policymakers on issues related to competition and pricing to address issues of affordability among poor customer segments. In addition, interoperability will become an important longer-term programming objective once the DFS markets are sufficiently developed so that encouraging interoperability does not alienate a market-leading provider.

MM4P’s programme design has been playing out as expected, with potential for some small changes going forward. According to the MM4P team, donors and external stakeholders, the honeycomb has been a useful organizing principle for categorizing MM4P’s work across the ecosystem. Country teams noted that “innovation” may develop as an additional element in the honeycomb as programming shifts to building new use cases around established payment rails. The programme’s TOC is logical and articulates the expected outcomes from programming. There are a number of assumptions implicit in the programme’s results chains – for example that capacitated providers will have the incentive to introduce new access points, products or services that meet client needs and at a price point that is affordable for customers and commercially viable for providers; and that appropriate product design and marketing is sufficient for customers to take up DFS products. The impact of mainstreaming gender within programming and the dissemination of knowledge products to non-partner stakeholders within the ecosystem is not articulated in the results chains. Several UNCDF stakeholders suggested that the programme’s TOC could be simplified and made more flexible by focusing on the types of partners that are being engaged, and the use cases that partners are developing. Taking the example of MM4P’s sister programme in the Pacific, PFIP, a simplified TOC can potentially better articulate impact pathways around specific use cases, which can even be linked to specific sustainable development goals.

The phasing of MM4P’s partner engagement in each country has contributed to the programme’s credibility. Programming started with a buy-in phase where the provision of research and workshops allowed the MM4P country team to learn the local context, build relationships with key stakeholders, and develop credibility within the market while building the capacity of ecosystem players. While this ecosystem role continued, programming shifted to bilateral partnerships where the focus was first on building scalable payment rails, and then on developing innovation around these rails as they scaled. **However, the early focus on projects in rural areas may have been premature in some countries.** Given that the binding constraints to DFS development discussed above are strongest in rural areas, some of the programme’s early partner work in rural areas (such as PEAS and Pegasus in Uganda, MTN bulk payments in Zambia, and InTouch in Senegal) have faced significant challenges. In markets like Uganda with high levels of access and usage in urban areas, encouraging usage in rural projects was appropriate given that this was where much of the market opportunity existed. In less developed markets, the programme’s early provider work may be more relevant to urban and peri-urban areas, where binding constraints are less acute, until the building blocks required for project success are better developed in rural areas.

The programme’s approach to partner selection has allowed the programme to work with a diverse set of provider types. Partners were first selected through calls for proposals, but this approach later changed to sourcing partners through ecosystem engagements. However, the programme was sufficiently flexible to continue with calls for proposals in Senegal where, according to the country team, this allowed for more partnerships to be developed. According to the other country teams, the shift to developing longer-term organic relationships has been useful in providing the country teams with more influence over the partner’s decision making, leading to more programming opportunities. However, the country teams have noted that consideration has been given to whether this kind of longer-term support would create a monopoly or the perception that MM4P supports only one kind of provider. To that end, external stakeholders and funders have noted that the programme has attracted

“MM4P is unique in that it works with non-traditional stakeholders in the DFS space.”

- External stakeholder

a good mix of partner types and is often known for engaging with partners that no other development stakeholder is engaging with (such as Zampost in Zambia or Tootle in Nepal). These partners are perceived by the country teams to offer significant potential, but have not received support from other development actors because they are not typical players in the DFS ecosystem.

MM4P’s programming tools have been well suited to the needs of partners and the programme. The programme has mostly consisted of TA delivered by external consultants and the MM4P country teams. When external consultants are used, the MM4P team still plays an important role in managing the engagement and ensuring that the output is useful for the partner. According to country teams, becoming embedded within partners’ organisations has been critical to the programme’s ability to influence partners,

“To get movement with DFS providers, you have to be embedded within their teams – you can’t be seen as external advice.”

- MM4P team

particularly providers. In addition to the TA, small grants have been valuable to allow providers to develop their own DFS capabilities. Country teams have noted that the combination of TA and grants in the right context has worked well – starting with TA allows the team to learn about the partner’s priorities and earn their trust; once they are on the right track, a grant is useful to develop their capability. This also adds to continuity as delivering TA without any follow-on activity can diminish the impact of the TA.

How complementary is the MM4P approach to other initiatives aimed at supporting the development of digital financial service markets in the LDCs?

MM4P has successfully collaborated with a number of other development stakeholders within the markets where it operates. These stakeholders include the World Bank, CGAP, IFC, DFID, USAID, GSMA, Mercy Corps AgriFin Accelerate and three Financial Sector Deepening (FSD) trusts. The country reports (Appendices 1-4) provide detail on how MM4P has directly engaged and collaborated with these partners in each country. The nature of this collaboration has been different for each stakeholder, ranging from formal MoUs (as was the case with the FSDs), to informal but regular meetings (such as with Mercy Corps AgriFin Accelerate in Zambia), to ad-hoc opportunistic engagements (such as with GSMA). These partnerships have built on complementarities and have reduced duplication among donor support for the same partner sets.

“MM4P are good at co-ordinating with others and trying to reduce duplication. So far, our collaboration has been ad-hoc and opportunistic, but this is probably a good thing.”

- External stakeholder

In some cases, other development stakeholders acted as competition to MM4P or otherwise frustrated MM4P programming. MM4P’s relationship with the FSDs in Zambia, Uganda and Sierra Leone has been mutually beneficial, but challenging. The two sets of organisations have had to navigate the boundaries between policy and regulatory work and partner work in the course of their partnerships and compete for funding from a similar set of donors. While this has caused tension at times, in all three cases a productive working relationship has been developed overall, as noted by both MM4P and FSD in-country teams. In other cases, other donor programming can frustrate MM4P programming, such as the case of Nepal where excessive donor funding in the agency banking space has saturated the market and made it difficult for MM4P to work with bank partners.

To what extent is programme design sufficiently taking cross-cutting issues such as gender and human rights and social and environmental performance into account?

Please see Section 7 on Gender and human rights.

To what extent does MM4P support other UNCDF programmes and broader UNCDF strategy?

MM4P has collaborated successfully with a number of other UNCDF programs, lending support through MM4P’s technical knowledge and DFS expertise. This has included direct collaboration on projects with YouthStart, Microlead, CleanStart; implementing portions of UNNATI Access to Finance (A2F), Making Access to Finance more Inclusive for Poor People (MAFIPP) and Local Development funds; collaboration with the Better Than Cash Alliance (BTCA) on policy/regulatory work and digital G2P payments (particularly in Senegal where there was direct overlap in focus countries between the two programmes, but also in Malawi and Nepal where MM4P implemented G2P payments advocacy on behalf of BTCA); and ad-hoc engagement with the Pacific Financial Inclusion Programme (PFIP) when appropriate opportunities arose. This collaboration has built on the synergies between MM4P and other UNCDF programmes, with MM4P providing advice and technical expertise on DFS and digital innovation more broadly, and the other programmes bringing expertise in specific areas such as youth inclusion, energy, and policy influence.

However, there has been some challenges with cross-programme collaboration within UNCDF and areas where synergies could have been better developed. A number of UNCDF stakeholders recognised that UNCDF programmes have worked in silos in the past and that there could be more opportunities for cross-programme engagement. An example is BTCA, which is a natural ally for MM4P in markets where funding limitations prevent extensive regulatory engagement.

According to UNCDF stakeholders, this could have been better facilitated through more structured communication around what each programme was undertaking and better alignment of fundraising efforts. Another UNCDF stakeholder mentioned that other issues, such as personality clashes among staff in country teams, have frustrated natural channels of communication that could develop between other UNCDF programmes operating in the same country. This suggests that UNCDF programmes could better build in cross-programme collaboration into their design from the beginning. However, UNCDF stakeholders also noted that MM4P is the leader in UNCDF cross-programme implementation given the collaboration described in the previous paragraph and the utilisation of other UNCDF funds for MM4P programming.

“It comes down to communication, we are not always mutually aware of the activities of other UNCDF programmes.”

- UNCDF stakeholder

Going forward, MM4P will be a key resource within UNCDF to better drive cross-programme collaboration and direct UNCDF’s future strategy. Learning from the past, UNCDF is looking to streamline its Financial Inclusion Practice Area and focus collaboration around a central theme of “Digital@UNCDF” – the use of digital innovation for development. This suggests a central role for MM4P within this future direction since MM4P has built important organisational assets in its network of technical experts, lessons on digital programming in LDC markets, and existing relationships within the digital ecosystem.

“Going forward we are focusing on removing operational silos within FIPA, and this means MM4P has greater potential to expand.”

- UNCDF stakeholder

In addition to MM4P’s digital expertise, the program has also contributed important programming innovations which other UNCDF programmes can follow in the future. These include the use of long-term agreements for external consultants, which has improved procurement speed and allowed MM4P to develop a network of consultants on specific topics, such as human-centered design; and the appointment of technical specialists that are not technically UN staff but are seconded to the programme, allowing MM4P to develop a strong team of technical expertise.

In addition to supporting other UNCDF programmes, MM4P has collaborated with a number of other UN agencies in the broader UN system. The MM4P teams have developed relationships with the local

UN Development Programme (UNDP) offices in many of the countries, being located in the same site. MM4P has also collaborated with the UN High Commissioner for Refugees (UNHCR) and UN World Food Programme (WFP) on a number of programmes relating to digital payments. According to the project teams on these joint projects, MM4P has been an important resource for these programmes on understanding what is technically possible with regards to digital payments and digital financial inclusion and helping them develop their own DFS capacity. Other UNCDF stakeholders have noted that this has also helped position UNCDF as a key resource on DFS and digital innovation within the broader UN system.

5.2. EFFICIENCY

MM4P's TA support (both from its staff and consultants) is considered to be one of the most valuable activities by the programme. Partners particularly valued the MM4P team's level of expertise, professionalism, and availability on-the-ground to help guide the partners throughout the implementation of a project and also keep implementation on track. The DFS Working Group has been an important contributor to DFS development and established MM4P as a go-to DFS expert in most of its markets.

Implementation delays at inception, and short project durations could negatively affect MM4P's results in the future. MM4P's internal processes were cited as being cumbersome for partners, but MM4P also faced a challenge with having to spend more time than anticipated to negotiate with partners and third-party partners before implementation. Projects were also a year-long on average and were considered too short to achieve the anticipated results. In Uganda, this was also exacerbated by the mandate from BMGF to identify and conclude up to ten value chain projects within 16 months—which was ultimately extended through negotiations for another year, six months before the original agreement expiration date.

A few donors were unaware of the total amount of programme overhead, which amounts to 23% of overall MM4P funding, composed of the standard 8% UNCDF overhead, plus the cost of the Brussels hub structure. This indicates that UNCDF needs to better communicate its overhead costs to funders at the outset. A more detailed analysis of the direct versus indirect charges related to Brussels and the countries may also help clarify for funders the relative cost effectiveness of the programme and help identify if any efficiencies can be gained.

The results measurement function of MM4P has achieved a number of successes thus far. MM4P has done well at measuring changes within partner institutions and tracking market development shifts, however, not all outcomes of MM4P's ecosystem activities are systematically captured in the RM framework. Staff find it easier to report on set indicators and outcomes of TA and grant work in comparison to the informal DFS advice offered to different ecosystem players (which is where many important market system contributions are being made).

How well has the programme delivered its expected results (outputs) to date?

MM4P's TA support (both from its staff and consultants) is noted as one of the most valuable activities by the programme. The DFS experts were commended by partners for their technical knowledge, professionalism, and availability to attend to arising issues. Similarly, partners spoke positively of the TA received from the external consultants. Through the TA support, MM4P staff were viewed as valuable strategic partners which could be consulted on any DFS related issues, and the consultants also delivered good quality work which improved partners' capacity to implement projects (see section 4.3: Effectiveness).

“MM4P are open and accessible – we can pick up the phone to them at any time with any questions.”

- Partner, Senegal

The fact that the MM4P team is based in-country was particularly valued by partners, and was even admired by other UNCDF programmes, given that the team was better able to stay up to date with shifts in the market and also react quickly to potential opportunities and challenges.

Partners found MM4P’s approach to implementation a useful way to keep projects on track. The governance framework on projects (i.e. having a project steering committee and regular check-in meetings), having well framed workplans and milestones, and the rigor in result monitoring, were particularly valued by partners. There were, however, a few partners who thought MM4P was too inflexible and demanding in its project monitoring (quarterly reports, bi-weekly meetings, etc.) and did not always take the partners’ data and implementation challenges into account – for example, instances where the partner struggled to obtain data from MNOs in time or had not made progress due to internal constraints. That said, those partners also appreciated and understood the need for MM4P to do so, since it was a way to make sure the projects were going according to plan.

The DFS Working Groups are viewed as a key driver of DFS engagement and have in most markets been a catalyst for engagement and collaboration. MM4P, as the main convener of the DFS working groups, is noted as an important contributor to DFS development in the respective markets. As a result of the DFS working groups, the knowledge dissemination activities, and relationship brokering, MM4P is considered as one of, or the go-to expert organisation(s) on DFS. In Senegal for example, the BCEAO continuously consults MM4P on DFS issues and also refers prospective DFS providers to MM4P for advice on how to approach their product development. Beyond the DFS working group, MM4P has also assisted the creation of closer collaboration between private sector institutions (for example, supporting the formation of an association between MNOs in Uganda).

“MM4P is very good at assessing who they should be talking to and figuring out where they need to be making relationships”

- Partner, Zambia

Through its various capacity building efforts (trainings and technical assistance), publications and media, events, and the DFS Working Groups, **MM4P has made a positive contribution and improvement to the level of stakeholders’ understanding, interest, willingness, and ability to develop, improve, or expand DFS** (articulated as outputs in the MM4P theory of change). Providers and regulators have also shown greater commitment and have prioritized expanding and improving DFS to the unbanked, particularly among rural customers. Although stakeholders in most of MM4P’s countries were already considering and planning to introduce or expand DFS products, MM4P served as an accelerator and incubator of these initiatives and helped to not only expedite the implementation of DFS projects, but also made the process more efficient by improving the ability of stakeholders to do so.

While active DFS usage has increased in MM4P’s countries, it is still too early to evaluate the contribution of many of the MM4P-supported projects to these results - and where evidence is available, there have been some mixed results. In Uganda for example, where the period of project implementation has been longer and the market is more developed than other countries, some projects have shown positive results in client uptake (e.g. MoKash, Kyagalanyi Coffee, McLeod Russel, and Agroways), but most are expected to show results at a later stage. The potential of these projects, however, can only be realised if the prevailing market constraints are addressed (see section 4.1: Relevance) and if the projects can prove to be commercially sustainable (see section 4.5: Sustainability). It is still too early to assess the continued usage of the products and their impact on consumer livelihoods.

A number of projects experienced delays due to internal (MM4P related) and partner related issues.

In terms of MM4P, some partners and consultants considered MM4P's procedures to be cumbersome. For

“The paperwork is quite laborious and it took a long time to get going – from approval to contracting it took 10 – 11 months”

- Partner, Uganda

example, in Nepal, some partners noted that at project inception, they were overwhelmed by MM4P's procedures which they considered as being tedious and slow moving. These experiences in Nepal were echoed by some partners in Uganda and Senegal. It should be noted however that in Nepal, much of the banks' frustration with the process was not directly from MM4P but with UNNATI's processes. In Uganda and Senegal however, partners and consultants such as Heifer, Mukwano, Mobipay, and Amarante did note delays in their projects due to MM4P's processes.

Some partners also reported that MM4P focused mainly on project planning and less on adequately integrating the recruitment and contracting period of the consulting firm providing TA – thus delaying some projects. However, according to MM4P, the delays were not just internal but also due to the amount of time it took to negotiate with partners, the partners' partners, and ensuring that they were all ready to implement the project. This negotiation time was often underestimated.

Staff turnover at the partner institutions (e.g. Tigo Senegal, MTN Zambia, Airtel Uganda, Direction générale de la Comptabilité publique et du Trésor Senegal, Airtel Zambia, ZANACO, and others) also caused delays since MM4P had to spend more time getting buy-in from the new senior officials. The MM4P teams agreed that more time should have been allocated to project inception, which would have avoided having to request for no-cost extensions from headquarters in New York.

In summary, MM4P may have had some internal inefficiencies which caused project delays, but much of these delays appear to be partner driven, with MM4P having to take longer than anticipated to conduct due diligence, approve a project, and get partners ready for implementation. This largely speaks to the limited capacity of financial institutions in MM4P's countries, which means project inception will take longer and should be appropriately factored into project timelines.

Fanned by delays at inception, partners in Uganda felt the projects were short in duration and more time was needed for implementation. The perceived short implementation time was a concern for a number of partners. Some of the partners interviewed believe the projects should have been at least two years in duration and were concerned that this could affect project results. In Uganda, there was a challenge with the time it took to receive a no cost extension from BMGF. BMGF began funding MM4P in 2014 and the initial two years were focused on ecosystem development. Three months before that contract ended, more funding was granted by BMGF to focus on value chain work in a 16-month timeframe. This put pressure on the team to disburse funds in a shorter period of time. The team acknowledged that working in agricultural value chains takes a long time, and that if one wanted to test the impact of a project, they should allocate about 3 years to doing so. The MM4P Uganda team requested a no cost extension, which was granted in June 2017, but reported that they believe they could have conserved funds and spent more wisely if they had resolved these challenges with BMGF sooner. While the market was able to absorb the funds, the “rush” to implement led to some projects being implemented without adequate pre-implementation research being conducted in the farmer areas (e.g. Heifer/ Pegasus and Mobipay/ Agroways). In both these projects, partners said the assumptions that were made at inception turned out to be significantly different from the results on the ground, because the inception research was not adequate.

What is the quality of the programme management, including the appropriateness of the results measurement process to capturing the results (outputs and outcomes) of the programme, as well as the cost of MM4P compared to other initiatives in the area of DFS and to UNCDF's broader portfolio?

Programme management and costs

MM4P's hub-and-spoke model (i.e. centralised management and operations in Brussels and country teams reporting to the centre) is viewed by staff as an effective model which has introduced operational and cost efficiency. The Brussels team is viewed by the country teams as a valuable strategic and operational support function that also helps with quality assurance, results measurement, and being a mid-point between the country teams and headquarters in New York. According to the MM4P skills mapping sheet, only a few of MM4P's country staff members have skills in project management, operations, and results measurement, which supports the value provided by the Brussels team.

Having this hub-and-spoke model, however, has had its challenges. For example, since 2016, MM4P's budgeting process has become increasingly fragmented with eleven different donors and funding dedicated to specific countries and projects. This has resulted in a more complicated budgeting process with each of the country teams having to develop their respective business plans and budget requests, submitting them to Brussels, and Brussels having final decision-making powers. The country teams only have a say on variable programme costs (i.e. projects), while Brussels is responsible for fixed costs (i.e. rent, salaries). While the process is complicated, the finance team highlighted that it is generally smooth with few challenges. There are, however, instances where tensions arise between the country and Brussels teams around the budget allocated to Brussels for overheads and global activities such as impact assessments and evaluations (which are required donor milestones managed from Brussels).

According to staff, a few donors were unaware of the total amount of programme overhead, which amounts to 23% of overall MM4P funding, composed of the standard 8% UNCDF overhead, plus the cost of the Brussels hub structure. This indicates that UNCDF needs to better communicate its overhead costs to funders at the outset. A more detailed analysis of the direct versus indirect charges related to Brussels and the countries may also help clarify for funders the relative cost effectiveness of the programme and help identify if any efficiencies can be gained.

“If one primary component of the investment is to work on policy change or market coordination across the ecosystem, it is difficult to articulate or justify a particular cost in relation to the outputs”

- Donor

tackles barriers, at micro, meso, and macro level, that are relevant for the specific market in which it operates.

Internally, MM4P can be considered as costlier than other UNCDF programmes. This is mainly because it has a dedicated team in each of the countries due to its large technical assistance component (vs grant) and therefore a larger staff complement. However, many of the UNCDF programmes that primarily make grants also include provision for a technical service provider. While considered as costlier, staff members of the other UNCDF programmes see the MM4P approach as a more effective way to implement programming, because MM4P can be more responsive to the needs of each country.

Lastly, value for money for a programme such as MM4P is difficult to measure, particularly given that it is aiming to achieve results at ecosystem level, which are not always easy to capture in the results measurement framework (see discussion on results measurement below). Not only is it difficult to measure value for money, it is also difficult to use it to compare a programme with other programmes to determine whether there are any best practices. Due to these challenges, a few donors either do not have an accepted way of calculating value for money or have deprioritised it as a way of justifying one investment versus another. What gives donors confidence in MM4P, and similar programmes, is that it adopts an M4P approach, which means it is flexible in terms of making sure it

“We've missed a lot of opportunities for the mere fact that we didn't have resources on the ground. I like the way MM4P is set up”

- UNCDF stakeholder

Results measurement

The results measurement function of MM4P has achieved several successes thus far. MM4P has invested in building the capacity of programme staff to understand the importance of measuring results and how to effectively incorporate this into the design phase of each project. MM4P is aware of the need for better alignment between the knowledge management and results measurement functions, and the respective teams are working on improving this.

When MM4P received the Mastercard Foundation grant in 2014, an external consultant was hired to develop the programme's ToC and results measurement framework. This framework reflected the Mastercard Foundation's interests in the market development approach, ecosystem, research and knowledge management. The framework was considered too detailed and complex and was subsequently revised and applied to the other countries. In Uganda and Nepal, the RM frameworks are activity-based as per donor interests in both countries. The current results measurement framework measures data at three levels: programme-, country- and project-level. At the country-level, the framework aims to capture the market development stage and how the DFS ecosystem is developing because of the program. At the project-level, the framework captures the outputs because of the direct support provided by MM4P to partners.

Key programme donors shared that they are satisfied with the results measurement framework as it captures key aspects of a complex programme and provides a view of key indicators of interest across multiple countries. However, the MM4P team raised concerns around the time it takes to complete the framework at project and country level. The team would like to simplify the framework so that it is easier to report on programme activities and results without overburdening programme staff. The team would also like to improve the internal use of the RM data to ensure improved evidence-based decision-making.

MM4P has done well at measuring changes within partner institutions and tracking market development shifts. In addition to using project indicators, MM4P tracks outcome indicators using the APS, which also captures their partners' view of the programme's contribution to their organisation and the DFS Market. MM4P partners reported that it is possible that some of the quantitative APS data, such as gender data, are difficult to measure and so are not accurately captured in the APS. Partners find it easier to report on the qualitative data. Where possible, the team draws on external data sources to populate the country-level RM frameworks, and conducts the APS if there is a lack of data on DFS in the market. For example, in Uganda the programme uses FinScope, while in Nepal, the programme collects data from providers on the Nepal Rastra Bank's (NRBs) Data Connect application, the development of which MM4P supported.

At a project level, one concern raised by some of MM4P's development/donor-funded partners was the risk of double counting. These partners reported that UNCDF wanted to attribute reach numbers of a particular project to MM4P, when the partner would have achieved that reach regardless of working with MM4P or not. In other cases, partners are receiving support from multiple donors to develop or test their digital solutions, and the measurement of results achieved as a result of MM4P support becomes complicated. This increases the risk of double-counting, but MM4P works closely with partners to agree on how to count these numbers.

Stakeholders shared that it is also more difficult to measure and capture programme results as partnerships and the market evolve. MM4P staff revealed that **not all outcomes of their ecosystem activities are systematically captured in the RM framework** and that it is easier to report on set indicators and outcomes of TA and grant work in comparison to the informal DFS advice offered to different ecosystem players. Evidence that is not captured includes conversations that lead to new partnerships or small changes within a regulator. Given that the DFS ecosystem is developing and there are other developmental actors and market forces working to influence the markets' development, it is accepted that attributing market shifts to MM4P is not possible, and measuring MM4P's contribution is appropriate. However, given some of the challenges listed above, **the MM4P team and programme donors believe MM4P could better measure this contribution.**

What is the contribution of MM4P’s knowledge management framework to the broader objectives of the programme and to broader communities of practice active in DFS promotion at the global level?

The objective of MM4P’s knowledge management component is to contribute to the achievement of the programme’s objectives by disseminating insights and learnings and building communities of practice on DFS. MM4P has aimed to create a ‘one-stop-shop’ for DFS learning and best practices to be captured, stored and shared with partners to help them make more informed decisions.

UNCDF has operationalized its knowledge management strategy at the global and local levels. Using offline and online media channels the programme has managed to distribute content through online reports, publications, blogs, a weekly digest and social media (Twitter, Facebook and LinkedIn), while offline it hosts events, workshops and trainings in all its focus countries. The table below illustrates the wide range of knowledge dissemination channels used by the programme. From the table below, the programme has been successful at reaching partners and interested parties through both online and offline events.

Table 6: Heatmap of reach of MM4P Knowledge Management resources

MailChimp	1837 subscribers	Twitter	5000+ followers
LinkedIn	1600+ connections	Dgroups	1800+ members
Newsletter	20 issues	News	179 issues
Publications	113	Videos	61 Published
Podcasts	2 Published	Workshops, events and training	4502 people attended
Weekly digest	48 per year since 2016	Website	Ave. 1600 per month
Webinars	9 held		

Source: MM4P communication strategy 2018

The key strength of the MM4P programme is the **team’s on-the-ground knowledge and experience in their respective markets, and ability to share those insights across all the countries** where they have a presence. External stakeholders consider these insights unique and valuable knowledge resources that provide information on DFS in LDC markets, particularly in francophone Africa where there are not as many resources on the topic available.

In country face-to-face knowledge management events are considered to be the biggest contribution made by the programme to the development of the countries’ DFS ecosystems. These events, particularly the DFS working groups, bring stakeholders from the public and private sectors together in a central space in which knowledge can be shared and discussed and coordination of donors and policymakers can be facilitated. MM4P staff and partners in Sierra Leone, Senegal and Zambia reported that these events had facilitated partnerships in the markets and fostered valuable engagements on policy and regulatory issues facing the sector.

“The DFS working group is also very helpful. And we receive the newsletter to learn about what’s going on in other countries.”

- Partner

Stakeholders in all countries reported that they found MM4P’s online resources and content very useful. The research compiled by UNCDF is considered trustworthy, for example the Bank of Zambia and the Zambian government have quoted the *State of the Market in Zambia* report in speeches and reports.

“It would be natural that we would come across MM4P reports when looking at a particular issue. But I think that as an industry we are producing too much. I have every interest to look at these reports, but just don’t have the time”.

- External

In Sierra Leone, the results of the APS were shared with the Bank of Sierra Leone and for the first time the country had DFS performance data that could be used to bench mark themselves against other countries. Organisations stated that they had used documented project experiences and experiences from other markets to motivate for the development of DFS within their own organisation. This is because the content provided is tailored to different elements of the ecosystem – topics that were considered particularly helpful were: *Human Centred Design, the Digital Journey of MFIs, or Financial education for masses.*

While the majority of stakeholders interviewed reported that they found the online information provided by MM4P useful, some reported that the way in which this material is disseminated and

consumed can be enhanced. According to partners, the **biggest constraint to knowledge consumption is the partners’ capacity to absorb and use this information.** This constraint is two-fold (and likely symptomatic of the broader industry): firstly, partners and external stakeholders reported that they don’t have enough time to read publications and reports, and secondly, the information may not be imminently relevant to their business needs and so they do not engage with it deeply. UNCDF could address this constraint by pulling out key lessons generated by their knowledge activities related to a specific topic they know is relevant to a specific group of stakeholders, and to share those directly with that group through, for example, personalized emails (that link to the full report) or smaller thematic knowledge sharing events.

“Challenges are part of the programme’s success because you cannot understand how the market operates without experiencing these challenges”.

- MM4P

Country partners and MM4P staff also reported that they **wanted to learn and share not just project successes, but failures and unintended consequences.** These are valuable insights as it provides a deeper understanding of how the market works, or *why* an intervention or product failed. This allows stakeholders to then avoid making these mistakes in their own contexts. In Senegal, partners requested for more information to be made available in French.

“When I looked at it and shared it with colleagues I felt that it was too much self-promotion... it’s not constructive for knowledge exchange”.

- External

In the industry, there are many resources available from other actors such as CGAP, GSMA, the FSDs, FiDA, Cenfri and GPFI. Some external stakeholders reported that the generation and sharing of research and information from multiple organisations has led to a **“saturation of knowledge”** in the DFS space.

Some external stakeholders also reported that MM4P knowledge material is heavily branded and is skewed towards illustrating project successes, and so is perceived to be too self-promoting, which is not conducive for knowledge exchange.

5.3. EFFECTIVENESS

The TA support provided by MM4P to its private-sector partners, including MNOs, financial institutions and FinTechs has successfully contributed to building all of their capacity to develop and/or improve DFS. Partners attribute changes in organisational processes, strategy and increased managerial buy-in

and investment in DFS to the TA provided by the MM4P team and/or the external consultants. Although the grants were also beneficial in conducting research and piloting digital solutions, partners reported that the TA was more valuable in effecting how organisations approach DFS.

In a few instances, the MM4P programme has also contributed to positive changes in regulatory environments through its relationships with regulators. The provision of formal and informal TA, benchmark visits and supporting improvements in internal practices has resulted in an increase in regulators' commitment to building a supportive environment for providers to offer digital financial solutions.

The key success drivers of the programme include the local presence of the MM4P programme; the MM4P team's DFS expertise and experience working with private sector organizations; and the flexibility in programming approach to suit the respective markets of intervention.

To what extent is MM4P contributing to building capacity of various DFS ecosystem participants (DFS providers, regulators, users of DFS) in the various countries in which it is being implemented? What are the drivers of success and challenges in doing so?

MM4P's capacity building activities, including training workshops, scholarships and learning exchanges, contributed to building the capacity of DFS providers and regulators in the programme countries. The majority of partners reported that they greatly appreciated the training workshops facilitated by MM4P, such as those provided by the Helix Institute, and that these improved their awareness and understanding of DFS provision. Regulators and policy makers also reported an improvement in their understanding of the possibilities of DFS after participating in MM4P-facilitated forums (most notably the DFS Working Groups) and learning exchanges. For example, representatives from regional BCEAO were sponsored by MM4P to visit Kenya to learn more about M-Shwari and representatives from DGCPST in Senegal were sponsored to visit South Africa to learn about digitising social grant payments.

The TA and grant support provided by MM4P to partners have helped organisations improve their internal processes, strategic focus and capacity. Given that all four countries are still in the early stages of DFS market development, there was a great need for improvements in knowledge and capacity building of providers. Partners in Senegal reported that they appreciated a combination of TA and grant support as it allowed them to be better equipped to implement DFS and also take ownership of the projects post-UNCDF's support. For example, in Senegal, MM4P's grant and TA assistance helped accelerate the design and piloting of DFS solutions by partners such as PAMECAS, InTouch and Caurie Microfinance. As a result of this support, Caurie Microfinance, through the use of tablets supported by MM4P, has improved its efficiency and reduced the time of village banking meetings by 30%. Kazang Spargris in Zambia was able to implement the use of the open-data kit (ODK) following TA support, which has improved how the organisation manages its agent network and analyses data. **MM4P also supported staff capacity to drive project implementation.** Through MM4P's grant support, PEAS in Uganda hired a project manager to work on the sensitisation of parents in the SchoolPay mobile school fee payment project and to create awareness of the solution. Other key project stakeholders, such as school directors and accountants, were trained to improve their knowledge on digitisation.

Furthermore, **MM4P's support has positively influenced how organisations conduct product design and implementation.** In particular, support on human-centred design (HCD) and TA to Equity Bank to conduct research on their partners has helped partners use a customer-centric approach to design and pilot appropriate DFS. MM4P supported HCD research for pensioners in Senegal, to Moov and MTN in Benin, and to Airtel Money, FINCA and Zoono in Zambia. The project learnings from the HCD support were also disseminated to the broader ecosystem. Partners interviewed reported that initially, they did not see the need to invest in customer awareness and acquisition. Where partners understood the importance of using a customer-centric approach, they did not have the capacity to execute these principles. Most

partners across the four countries of focus shared that they are better equipped to analyse the types of customers and their behaviours and needs to inform product design to meet the needs of customers. Customer-centricity has been mainstreamed across their projects and is recognised as valuable amongst partners. The outcomes of this TA were an increase in partner's capacity to design appropriate services but also respond to the needs of DFS users as they arise. Through the TA provided by consultants, partners have implemented agent training that builds the capacity of agents to educate customers on DFS and also improves customer experience when served through agents. The Kazang and Airtel agents interviewed in Zambia noted that the agent training and use of agent managers has resulted in a quick response rate of providers to address issues that arise. Agents also shared that an outcome of being equipped to conduct better business is the increase in demand and use of DFS amongst customers. The challenges that remain in relation to customer awareness and use of DFS are infrastructural, for example, frequent electricity outages and poor mobile networks which were reported to affect agents offering DFS and frustrates customers. However, partners have also implemented various strategies to overcome this. For example, Siddhartha Bank in Nepal helps agents provide more reliable services by providing solar panels to overcome electricity problems and allow agents to conduct transactions offline. Additionally, the Bank regularly communicates with its customer base to share information and build trust with the use of DFS. Partners in the Uganda shared that HCD was not always incorporated into project design for bulk payments in the agricultural sector, which is believed to have led to a lower than anticipated uptake of DFS by customers.

The most commonly cited contribution of the programme by partners is **MM4P's influence in increasing buy-in and investment from senior management to either introduce, expand or improve DFS**. This was achieved through showcasing the successful outcomes of the TA and grant support provided to partners. As a result of successfully convincing management to invest in DFS, MTN and Airtel in Uganda reported to have increased the number of staff that work on the roll out of mobile money to rural areas. Likewise, following the success of the HCD research supported by MM4P Zambia, which resulted in an increase in mobile money revenues, partners reported that Airtel management increased their investment into the mobile money unit from USD 2 million to USD 36 million per annum. In addition to this, MM4P Zambia provided DFS providers with reports and conducted tailored workshops on the performance of partners in the Zambian DFS market and how this could be improved. This not only allowed the programme to establish itself as the "go-to" DFS in the markets but also helped build relationships with senior management and in turn their buy-in to develop and/or improve DFS.

Many of MM4P's partners already had DFS solutions or were thinking of pursuing these. However, partners shared that this would have taken longer and at a lesser quality without MM4P's support. For small organisations with limited DFS expertise, such as Kazang Spargris in Zambia, and IME and Prabhu in Nepal, the additionality of MM4P was high, as their support was instrumental in formulating a strategy for the partner's DFS offering.

Success drivers at the partner level

Building good relationships is a key success driver of MM4P's partner engagements. Across all four countries, three themes were noted as contributing factors to the success of the program: local presence, in-house DFS expertise, professionalism and commitment of the MM4P team and flexible approach to programming.

- **Local presence of MM4P team:** This has enabled the team to develop close relationships with partners and establish its presence in the market. Partners, consultants and external stakeholders value MM4P's in-country presence as it eases the provision of strategic advice and discussions on project ideas, both formally and informally. MM4P's successful establishment in-country as a trusted broker and go-to market player for DFS has improved partners' willingness to share organisational data

"It's great that the MM4P team can easily pop into the office and give insights on a particular idea."

– Partner

and made it easier for partners to request assistance. From a programme perspective, having a local presence has enabled the MM4P teams to assess potential partnerships and has been valuable in allowing MM4P to assess the impact and sustainability of the partners. Additionally, it provides the team with opportunities for MM4P to monitor implementation as well as find more partner opportunities.

- **MM4P team’s DFS expertise, professionalism and reliability:** The MM4P team is highly valued for their technical skills and experience in the DFS sector. In Zambia, partners reported that the

“We see MM4P as a trusted friend. They do not push their own agendas without taking the specific needs of the partner into consideration.”

– Partner

MM4P team plays a strategic role in their everyday thinking through the open channels of communication that allow for feedback and discussions. Partners also valued the MM4P team’s professionalism, openness, willingness to help and reliability. Partners also shared that the MM4P team has a rigorous approach to project management that is beneficial in ensuring that both parties are aware of project deliverables, developments and any potential challenges as implementation is carried out. As a result, partners consider MM4P as their strategic, thinking partner and value both the formal and informal support provided. Partners

also reported that the TA support offered through external consultants was found to be highly valuable. Prior to UNCDF’s intervention, most partners had not engaged with consultancy services due to financial constraints and the availability of local consultants in the market. Partners were impressed with the engagements with the consultants and quality of outputs produced. The MM4P team played a key role in ensuring the success of the TA provided by consultants. Both partners and the consultants interviewed shared that the projects were framed as a tripartite agreement between the partner, consultant and the MM4P team which allowed for buy-in and a shared understanding of the objectives of the project across all stakeholders. The MM4P team enhanced the success of the projects by establishing and managing the relationship between the consultant and the partner which allowed partners to see the consultants as a part of their team and not externals. Additionally, the MM4P team’s provision of project oversight allowed any projects challenges that arose to be dealt with in a timely manner.

“The consultants helped us move into the right direction. They still make themselves available when we need help”

– Partner

- **Flexibility:** Partners and external stakeholders believe that MM4P is good at assessing the market and adapting their implementation strategy to accommodate the different market needs and dynamics, for example the partner selection process. MM4P Senegal implemented the request for applications (RFA) approach to uncover innovations and market actors they could partner with (which they did not feel were emerging from the short-term TA and concept note process employed by the other country teams). In Nepal, the programme shifted its partner focus to working with different financial institutions other than banks where there was high donor dependency and, as a result, risks of non-unsustainable solutions.

Challenges

The implementation of projects experienced delays due to a number of reasons, such as:

- **Contextual challenges that interfere with the time allocated for project implementation:** For example, partners in Uganda stated that given the contextual challenges that inhibit the DFS market, it was difficult to see any impact of the projects or report on set key performance indicators due to delays in implementation or challenges in rolling out their solutions. For example, the Heifer project on digitising farmer payments in the livestock value chain was a year-long project that required more time as the mobilisation of booster teams and sensitisation of farmers took 6 months. While the project was able to show farmers the value of DFS, customer uptake was low. The Mukwano project also experienced delays in implementation due to a longer than anticipated time

to finalise agreements and the challenging nature of the agricultural sector. This resulted in partners feeling rushed to complete the project within the set timelines. Other examples of projects in Uganda that experienced this challenge include Laboremus and DanChurchAid. This challenge is particularly difficult where technical assistance is contracted through consulting firms, who are not always as flexible in accommodating delays given their structure and workflows.

- **High staff turnover in large organisations, such as financial institutions and MNOs:** This challenge was mostly prevalent in Senegal and Zambia. According to KIIs, key staff in these institutions rotate around the market, which affects continuity in projects. To overcome this challenge in Senegal, MM4P established a steering committee with various stakeholders to build and maintain relationships across the organisation, and preventing the loss of institutional capacity when staff leave.
- **Time taken for partners to establish third-party agreements:** Under the Mukwano project in Uganda, there was a lag in the time it took for Yo! Uganda to sign agreements with MNOs, which led to a delay in project implementation. In Senegal, the Orange youth kiosk project was delayed due to prolonged negotiations between BASIF and PAMECAS.
- **Lack of capacity to implement projects.** Where partners did not have the appropriate resources, the implementation of projects was challenging. For example, an MNO in Zambia had a small team who were required to provide oversight and implementation of the TA project implemented by a partner. Both the partner and consultant reported that staff struggled to balance their set daily tasks with what was considered to be an “extra” work under the MM4P project. A number of projects in Uganda also required more time than anticipated, as partners did not have the necessary staff and systems in place to implement the projects.
- **Varying commitment of partner senior management to implement project recommendations.** While partners found the support provided by MM4P valuable and well-tailored to meet organisational needs, there were instances of a lack of commitment and buy-in from senior management to implement recommendations and make additional investments (which is exacerbated in instances of high staff turnover). This in turn poses a threat to the success and ultimate sustainability of the projects. For example, MM4P had to stop providing TA to Living Goods in Uganda due to the lack of commitment from management. As mentioned above, MM4P Nepal’s programming was also affected by the lack of commitment of banks to invest in the scaling up of their agency banking solutions due to a heavy reliance on donor funding.
- **Competing organisational priorities and changes in strategy.** For example, the TA provided to NCell in Nepal was negatively affected by the sale of the company. This led to delays in the piloting of the digital solution and in turn the cancellation of the partnership between MM4P and NCell.
- **Partner readiness to commit to projects.** For example, the partnership between BASIF and PAMECAS experienced delays in the pilot of the Orange youth kiosk project due to BASIF not having the necessary DFS expertise required to manage an agent network.
- **Low customer awareness and adoption of DFS.** The main challenge that partners face in offering DFS is low consumer awareness and trust of DFS, especially in rural areas. Partners, MM4P and consultants reported the need to invest resources to sensitise customers on the use and value of DFS. Through the HCD research conducted in Zambia, and Prabhu’s use of word-of-mouth marketing and training of agents, there has been an improvement in the uptake of digital services. Overall, ecosystem actors reported that there has not been sufficient investment in customer awareness, financial and digital literacy by partners and regulators, which continues to threaten the uptake of DFS. MM4P’s role in this regard should draw on its existing strengths – convening stakeholders and providing data and information on the importance of building the financial and digital capacity of consumers – as well as supporting distinct initiatives within partners through TA.

To what extent have MM4P’s ecosystem activities contributed to building awareness, interest and commitment of stakeholders in expanding DFS? What are the drivers of success and challenges in doing so?

Initial programme activities in each country revolved around changing the perception of DFS in the market and sensitising ecosystem players on issues surrounding DFS, and included information and knowledge sharing, capacity building workshops and establishing DFS forums for the public and private sectors. Partners specifically noted their appreciation for the capacity building workshops as they are useful in knowing what digital solutions are being tested in the market, highlight best practices from other markets and provide a source of information where information is not readily available in-country. **Partners and external stakeholders have improved awareness and understanding of DFS thanks to the capacity building workshops.**

“The workshops presenting industry best practices from other countries were relevant as they were in line with Senegal’s regulatory framework.”

– Partner

MM4P has influenced the policy and regulatory environment by building the capacity of regulators. Through the provision of trainings such as the Digital Frontiers Institute on Mobile Money, MM4P has strengthened the knowledge and capacity of regulators on DFS. **By successfully building relationships with the Central Bank and providing TA, MM4P has contributed to the increase in the regulators’ commitment to building a supportive environment for providers to offer digital solutions.** Through work with MM4P and FSDA, the government in Sierra Leone has implemented the development and piloting of the Sandbox framework which has allowed for the crowding-in of smaller players, such as fintechs, and has encouraged the innovation and testing of new products. In Uganda, MM4P works closely with the Bank of Uganda’s Financial Inclusion unit and the government now recognise the importance of DFS and has resulted in the development of policy on social protection and mobile money. In Nepal, MM4P has made a significant contribution to the DFS ecosystem through its partnership with the Nepal Rastra Bank (NRB). MM4P support NRB with the development of the NRB Data Connect application, which collects data from all banks in Nepal and is input into a central system. This application allows the NRB to map out financial transaction in bank branches and is a source of information for policy making. The application has benefits of tracking agent liquidity, collection of gender disaggregated data and allows NRB to advise banks on where to expand their agent networks. Another positive outcome of MM4P’s partnership with NRB is the development of the Nepal Payment System Strategy. This strategy resulted in the established of the payment system department and licensing policy for payments. As a result of the licensing policy, non-bank wallet providers are allowed to design, test and implement their DFS to the Nepali public.

“MM4P and FSDZ) were very helpful in providing us the regulatory support as they have a good relationship with BoZ and know how they work.”

– Partner

In line with the above, **the strategy and advisory services provided by MM4P to its partners has assisted partners to effectively lobby for changes in the regulatory environment.** In both Uganda and Zambia, the MM4P programme has successfully helped partners engage with the Central Bank. For example, MM4P in collaboration with FSDZ provided Zoono with information and support on how to successfully engage with the Bank of Zambia. This had positive outcomes, including the Central Bank revising the accepted monetary limits of mobile wallets, thereby enabling Zoono to successfully launch its Sunga wallet - a mobile savings function. In Uganda and Zambia, MM4P provided support to DanChurchAid and UNHCR to lobby for changes in KYC requirements for refugees allowing for the disbursement of digital cash-based transfers in the absence of the required IDs.

MM4P has played a vital role in building partnerships amongst players in the ecosystem. It was reported that private sector providers were initially reluctant to enter into partnerships with other players in the market. MM4P has successfully influenced providers to leverage off each other’s strengths and weaknesses with the goal of providing sustainable, scalable solutions. Changes such as large organisations (financial institutions and MNOs) entering into partnerships with smaller organisations such as fintechs can

be attributed to the MM4P program. For example, in Zambia Airtel Money partnered with Zanaco and Bank ABC to help solve the agent liquidity problem. Through the formation of these partnerships, partners are better able to develop and test digital solutions. **Given that the MM4P program has a small budget that results in project funding constraints, the program has leveraged other programs in the market that provide grant funding.** This has been beneficial to partners in continuing to implement projects once MM4P support has come to an end. In Nepal, MM4P has collaborated with UNCDF's UNNATI challenge fund. Partners such as Lamxi Bank and Siddharta Bank have accessed funding from UNNATI to pilot an agency banking product and rural agent expansion respectively as a result of MM4P's assistance.

The knowledge outputs and learnings that MM4P shares with the ecosystem have been successful in changing the perceptions of private providers and increasing senior management buy-in in expanding DFS. Many partners reported that MM4P's knowledge outputs and events have contributed to them thinking about new markets, such as underserved, rural populations. Partners and external stakeholders also noted that MM4P is generating useful lessons around reaching vulnerable populations, such as refugees and smallholder farmers. MM4P's knowledge management function has also led to increased exposure and opportunities for partners. For example, Caurie Microfinance in Senegal was invited to present their experience of digitising their village banking process at a conference in Morocco.

All stakeholders interviewed shared that **MM4P plays a key convening role in the respective DFS markets through the DFS Working Groups in each country.** These Working Groups are considered valuable as they bring a range of stakeholders in the private and public sector together. This gives them an opportunity to share developments and knowledge on DFS, and provides providers an opportunity to engage with regulators on key regulatory issues and barriers to the development of digital financial solutions. Both DFS providers and regulators shared their appreciation for being able to share information in these forums, which have resulted in positive outcomes in each country. For example, In Senegal it was reported that the DFS Working Group contributed to the telecommunications authority (ARTP) opening USSD access to non-MNO providers, an important development in reducing MNO market dominance. Partners in Zambia also shared that the Working Groups have increased the Bank of Zambia's commitment and response time in developing policies to guide the DFS sector.

MM4P in Senegal, Benin and Zambia is unable to directly influence the policy and regulation environment, due to Mastercard Foundation funding restrictions. This has been challenging given that policy and regulation play a key role in creating an enabling environment for DFS provides and bringing about sustainable change in the market. However, MM4P has sourced additional funding to formally support regulators, and has also worked to maintain informal partnerships with the local regulators (which Mastercard Foundation funding allows). **The programme has formed good relationships with the regulators in Zambia and West Africa - MM4P provides regular informal, strategic advice and shares relevant information on the DFS market with the regulators, which has contributed to the regulators interest and commitment to DFS in their respective countries.** For example, in Senegal, MM4P played a valuable role in forming a donor working group to discuss a common approach to working with the BCEAO on their regional financial inclusion strategy.

“When people ask me questions about DFS, I call MM4P.”

– Regulator

5.4. LIKELY IMPACT

Partners: MM4P's direct financial and technical support to partners, facilitated by strong in-country technical teams and partnerships with good consultants, has contributed to greater interest among partners in DFS, improvements in partners' capacity, the formation and improved implementation of partnerships, and specific instances of increased investment in DFS. However, commercial sustainability remains a challenge for many MM4P-supported projects.

DFS systems: The DFS systems in all MM4P countries have developed and availability and usage of DFS products has increased. However, it is insufficient to use national statistics for active DFS accounts as a headline measure of success of the programme (and the programme's contribution to market development). Rather, these indicators are important as diagnostic tools for understanding the market context and how the DFS market is shifting in each country. This evaluation did not attempt to quantify MM4P's contribution to national DFS usage numbers, but instead focused on the programme's theory of change and building a qualitative narrative of contribution. Evidence from this evaluation shows that some positive linkages can be made between MM4P's activities and some sector and customer outcomes, as well as the programme's ultimate goal. MM4P's activities have increased the level of awareness, capacity and commitment to DFS within the sector. At the DFS stakeholder outcome level, DFS offerings have been made more accessible and available (rural outreach is still proving to be a challenge) with MM4P support, but continue to struggle with affordability (largely due to high MNO charges), reliability (due to poor MNO coverage), and customer understanding (prevalence of low customer trust, awareness, literacy and financial capability). These challenges have had a negative impact on the commercial viability of a number of MM4P's partnerships. As a result, there is little evidence that increasing access to DFS is occurring within non-MM4P partners as a result of demonstration effects (sector outcome level).

MM4P's contribution to the DFS markets in each country is a result of both the programme's direct support to partners and MM4P's ecosystem activities, specifically industry data and information, convening and facilitation, and formal and informal support and capacity building provided to regulators.

Clients: Considering MM4P's theory of change, and achievements at the DFS stakeholder outcome level, it is likely that MM4P will contribute (and has already contributed in specific instances) to increasing access to DFS for underserved clients. However, at this stage, sustained uptake and usage of DFS remains a challenge in many MM4P-supported projects.

UNCDF: MM4P has had a significant impact on how UNCDF is approaching future programming and is considered critical to the agency's new strategy, which is centered on leveraging digital solutions to support the achievement of the Sustainable Development Goals.

What has been the overall contribution to date of MM4P's direct financial and technical support to its partners, and to the development of strong digital finance systems in the programme countries?

Partners

Overall, MM4P's direct financial and technical support to partners, facilitated by strong in-country technical teams and partnerships with good consultants, has contributed to the following:

- **Stimulated or catalyzed greater interest** among partners in DFS, and encouraged senior management buy-in and investment in DFS;
- **Improvements in partners' capacity** to design, pilot and implement DFS that is based on customer research and good project management principles;
- **Stimulated greater investment into DFS in specific instances** – Airtel management in Zambia increased investment in the mobile money unit significantly following MM4P-supported HCD research that helped improve customer uptake numbers, and MTN and Airtel in Uganda have increased the number of staff that work on the roll out of mobile money to rural areas; and,
- **Fostered the formation and implementation of partnerships**, which are considered by donors and external stakeholders to be vital in extending DFS to the poorest.

These contributions have meant that projects that would have gone ahead at some stage without MM4P support, were **implemented at a faster pace and to a higher quality**.

“The projects with MNOs might be small, but they have helped with structure, getting incentives right, installing super agents. This has a greater impact on the market.”

– Donor

While projects are sometimes small, partners and donors consider many of these to be essential in laying the rails that are foundational to achieving greater depth in the market, and testing new use cases.

However, **commercial sustainability remains a challenge for many MM4P-supported projects**. Some of these are because prevailing binding market constraints, such as infrastructure and low literacy levels, are still too severe, while others are because the projects still in the early stages of

implementation. The challenge now is getting these projects to a point that achieves affordability for clients and viability for the provider, through additional tailored support to partners or directing ecosystem activities towards the structural constraints.

DFS systems

The DFS systems in all MM4P countries have developed and availability and usage of DFS products has increased. As shown in the tables below, most of MM4P’s countries have seen a significant increase in the percentage of adults actively using DFS, driven by an increase in the number of providers offering DFS and the number of active agents. The regulatory environment has also improved in most markets with governments adopting more DFS-friendly regulations.

Table 7: Percentage of adult population with an active registered DFS account in MM4P’s countries

Country	Baseline year	2018
Benin	2%	33%
Senegal	13%	21%
Zambia	2%	24%
Uganda	26%	44%
Nepal	<1%	5.5%
Malawi	0%	22%
Lao	0%	<1%

Table 8: Number of providers that offer DFS on a sustainable basis (# of active agents per 100,000 adults)

Country	Baseline year		2018	
	DFS providers	Active agents	DFS providers	Active agents
Benin	2	10	4	200
Senegal	2 ¹⁰	12	11	238
Zambia	0	13	7 ¹¹	243
Uganda	2	43	19	412
Nepal	0	0	5	100
Malawi	0	<1	3 ¹²	184
Lao	0	0	2	5

¹⁰ Two MNOs initial investment in the market but not sustainable

¹¹ 7 out of 9 providers report to be commercially sustainable according to the APS

¹² 3 out of 5 providers report to be commercially sustainable according to the APS

The % of the adult population in each programme country with an active registered DFS account is the only indicator that has been assigned a target by MM4P. The data used to populate this indicator is gathered from external sources (e.g. local regulator data, Findex, FinScope), or the APS. The target has been adjusted in some countries, depending on the evolution of the market.

However, it is **insufficient to use national statistics for active DFS accounts as a headline measure of success of the programme (and the programme’s contribution to market development), for the following reasons:**

- Some external stakeholders mentioned that “*the only really honest indicators are at output level when working to change a system*”. While still helpful for understanding the market context, there are a range of other factors that can influence these statistics, including other donor programmes and the activities of providers and regulators that would have occurred regardless of MM4P’s presence.
- There is likely to be a delay between MM4P’s activities and changes in these indicators. In some cases, MM4P was still in the buy-in phase when these numbers began growing significantly, making the direction of causality unclear (i.e. were the numbers already climbing when MM4P entered the market or did MM4P meaningfully contribute to the growth?).
- These numbers are the result of the achievements of key players in the market, the majority of whom MM4P has worked with. However, to say that MM4P has worked with these providers and has thus contributed to these numbers paints an incomplete picture and is insufficient in assessing MM4P’s range of contributions to market development.
- These indicators also do not necessarily capture impact among the poor. For example, if the % of active users in a country expands from 2% to 10%, but most of those users are middle-income clients, it would be considered a success of the programme, but would not necessarily make any impact among the poor.

These indicators are, however, important as diagnostic tools for understanding the market context and how the DFS market is shifting in each country. Identifying MM4P’s contribution to those shifts (and its success as a market development programme) requires close examination of achievements at the outcome levels of the programme’s theory of change (specifically among DFS providers and policy makers and regulators) and consideration of the external factors that have also contributed to those achievements.

Given this, as well as challenges experienced by the evaluation team in aggregating project level results¹³, this evaluation did not attempt to quantify MM4P’s contribution to national DFS usage numbers, but instead focused on the programme’s theory of change and building a qualitative narrative of contribution.

As shown in the table below, when the evaluation team did attempt to aggregate project level results for Senegal and Zambia, there was either insufficient data to make an assessment or the data that does exist shows minimal contribution by MM4P to market-level statistics (0.22% using proxy results in Senegal), despite qualitative data indicating more significant contribution. This suggests that the programme would benefit from a revision of its RM framework where certain project level results are systematically captured and aggregated up to country level (further elaborated on in *Section 6.2: Recommendations*).

Table 9: Summary of achieved and target market-level and MM4P project results in Senegal and Zambia

Indicator	Senegal	Zambia
Adult population	8800000	9100000
Active DFS users in 2018 (market-level)	21%	24%
Target DFS users in 2019 (market-level)	30%	31%

¹³ These challenges included unavailability of project RM data, differences in project results (e.g. village banking clients whose loan process is now digitised using tablets versus individuals actively using mobile money). More detail is provided in the Senegal and Zambia country reports in the Appendix.

Increase in active DFS users from MM4P-supported projects (achieved by 2018)	0.22% ¹⁴	Insufficient data
Target DFS users from MM4P-supported projects (2019)	1.68%	1.95%
Active agents per 100 000 adults in 2018 (market level)	238	243
Increase in active agents per 100 000 adults from MM4P-supported projects (achieved by 2018)	2	Insufficient data
Target no. agents per 100 000 adults from MM4P-supported projects (2019)	11	100

Source: MM4P project data and documentation. Note: Grey cells indicate MM4P project targets, white cells indicate actual achievement to date.

However, qualitative evidence from this evaluation shows that **some positive linkages can be made between MM4P's activities and some sector and customer outcomes, as well as the programme's ultimate goal**. MM4P's activities have increased the level of awareness, capacity and commitment to DFS within the sector (output level). At the DFS stakeholder outcome level, DFS offerings have been made more accessible and available (rural outreach is still proving to be a challenge) with MM4P support, but continue to struggle with affordability (largely due to high MNO charges), reliability (due to poor MNO coverage), and customer understanding (prevalence of low customer trust, awareness, literacy and financial capability). These challenges have had a negative impact on the commercial viability of a number of MM4P's partnerships. As a result, there is little evidence that increasing access to DFS is occurring within non-MM4P partners as a result of demonstration effects (sector outcome level). However, there is evidence of increased investment in DFS by providers in Uganda and Zambia (also sector outcome level) following MM4P support. Where previously unserved customers have been able to access DFS through MM4P's projects, there are examples of positive outcomes in their lives, including improved knowledge and understanding of DFS, increased ability to save, reduced risk of theft, and increased investment in businesses and children's education (goal level).

In **Nepal**, MM4P has operated within a difficult LDC market context, one that was particularly thin on DFS market development at the time the programme started. Thus far, the programme has facilitated significant shifts in the market including the establishment of a payment systems department and a non-bank digital payments provider licensing regime within the central bank, and the establishment of digital payment rails among two of the country's largest financial consortiums. DFS awareness and trust among customers in Nepal remains low, given the nascent stage of the market, and it is not yet clear how successfully supported providers will be able to scale up their products after the pilot stage.

In **Senegal**, MM4P has achieved progress in line with the programme's theory of change up to DFS stakeholder outcomes. MM4P's contribution to the development of the DFS market in Senegal has predominantly been achieved, not through projects with partners, but through the ecosystem building activities (convenings, particularly the DFS Working Group, training and market information) the programme provides, which have raised the profile of DFS and improved providers' and regulators' understanding, capacity and interest in expanding and improving DFS. MM4P Senegal's relationships and understanding of the private sector has been an important input into its credibility and influence at the ecosystem level.

In **Uganda**, MM4P's direct support to partners and the DFS Working Group have promoted buy-in within providers and the broader ecosystem, improved the capacity of its partners, decreased the perceived risk of investing in rural areas (the MNOs have both grown the teams responsible for rolling out mobile money in rural areas), and also increased the level of engagement and partnerships between the different actors. Other donors such as FSD Uganda, USAID, GIZ, and CGAP have also played a role in promoting financial inclusion in the country, but MM4P was one of a few organisations that worked at

¹⁴ This took a broad definition of active DFS use as this figure predominantly comes from Caurie Microfinance village banking customers whose loan process is now digitised (credit officers make use of tablets provided with MM4P support)

the micro level, having a dedicated in-country team to implement projects with the partners. Commercial sustainability remains a challenge in Uganda, but there is emerging evidence of client-level benefits of MM4P-supported projects.

In **Zambia**, MM4P has influenced partner and ecosystem DFS providers' willingness and ability to develop, improve or expand DFS to unbanked customers, especially rural populations and women. The programme is well-positioned to achieve its intermediate goal of supporting ecosystem actors to gain scale, reach sustainability and increased investment in DFS within the program's timeframe (Airtel has already increased investment in mobile money following successes in client uptake following MM4P-supported HCD research).

- MM4P's contribution to the DFS markets in each country is a result of both the programme's direct support to partners (listed above), as well as (and in some countries, such as Senegal, more importantly) MM4P's ecosystem activities, namely: **Industry data and information**, provided through workshops and KM outputs – this has increased market actors' awareness and knowledge of DFS, but also contributes to competition in the sector (as organisations can benchmark themselves against other players through, for example, State of the Market reports), and provides a means for improved data-driven decision making (for example, regulators reported to use MM4P supported data to identify where access needs to be improved and thus where efforts need to be directed).
- **Convening and facilitation** – this helps raise awareness of DFS issues in the market and is considered by all stakeholders to be vital in facilitating discussion, coordination and partnerships among policymakers, regulators, donors and private providers.
- **Support and capacity building provided to regulators** – both formal (e.g. learning exchanges, MM4P Nepal's support to NRB on NRB Data Connect) and informal (e.g. MM4P Senegal's informal advice provided to BCEAO) support is considered by market actors to have inputted into improvements in regulatory environments.

“MM4P's support helped bring government and private sector stakeholders together for the first time, showing them how differently each functions.”

– External

“UNCDF is well placed to be seen as a neutral, credible party who can bring the ecosystem players together.”

– Donor

These successes are driven by the credibility MM4P has built in each market, largely due to its strong teams of technical experts based in-country. MM4P teams are considered to have a good understanding of local contexts while also being able to draw on experiences in other markets, as well as the perceived neutrality of UN. And all this is in the context of an emerging industry, where there is a lack of DFS expertise in programme countries and regulators are considered to be moving slowly. However, the digital finance systems in these countries still have a long way to go before they can be considered 'strong', and **there will**

continue to be a need for the role MM4P currently plays in these countries, particularly as convener and market facilitator.

Overall, the evaluation team suggests that MM4P review and revise the programme theory of change, more clearly articulating its dual approach of direct support to partners and ecosystem/market development work, and the outcomes anticipated to emerge from each (and associated assumptions). In addition, the country results chains can be simplified to echo the programme level theory of change, but reflecting what has been learnt in each market, as well as the relevant market constraints in each country. These can then form the basis of a revised RM framework and measurement of MM4P's market contribution (more guidance is provided in Section 6.2: Recommendations).

What will be MM4P’s likely contribution to increasing access to digital financial services, in general and specifically for low-income, rural, un- (and under-) banked, and female clients and with what effects?

Considering MM4P’s theory of change, and achievements at the DFS stakeholder outcome level, **it is likely that MM4P will contribute (and has already contributed in specific instances) to increasing access to DFS for underserved clients.** However, it is not possible to quantify this contribution at this stage.

To date, MM4P projects have had mixed results in terms of sustained DFS uptake and use. While uptake has generally increased, it has been slower than anticipated for many projects, and in turn, most projects have not yet been able to become commercially sustainable. Key barriers to uptake and use include low levels of customer trust and literacy, as well as financial capability.

“MM4P overestimated how quickly it would scale up”

- Partner, Uganda

“When I get paid on MobiPay, I go home and plan my next steps. Those days when I was paid in cash, I would end up in a bar, eat karanga and waste my money”

- Client, Uganda

Where clients are using MM4P-supported DFS, they have derived benefits from doing so, including increased convenience and security among clients in Nepal, and a greater ability to save and pay for healthcare and children’s school fees in Uganda. There are also examples of individuals being able to diversify their businesses and increase their revenue streams as a result of becoming an agent through MM4P-supported projects in Uganda, Senegal and Zambia (more detail is provided in the respective country reports in the Appendix).

However, **the DFS clients are accessing remain largely OTC or first generation solutions.** The MM4P teams are looking to stimulate interest in and support more second generation products in those markets at considered to be at an appropriate level of development, which many stakeholders believe hold more opportunity for greater financial security of low-income and rural households. However, for these to succeed and generate impact for both clients and providers, stakeholders feel that more innovation and non-traditional market players (e.g. fintechs) need to be involved, the next stage of partnerships need to be formed (e.g. enabling digital payments at merchants), and binding market constraints (literacy, connectivity, electricity access, interoperability) need to be addressed to prevent a widening digital divide. It thus may be premature for MM4P to support these solutions given the stages of market development of its current programme countries, and the prevailing market constraints.

What impact has MM4P’s approach and successes had on broader UNCDF strategies and programing?

UNCDF recognizes DFS as a critical pillar in its new Strategic Framework (2018 - 2021), which states that: *“UNCDF will pursue innovative finance solutions through: (a) financial inclusion that expands the opportunities for individuals, households, and small and medium-sized enterprises to participate in the local economy, with a focus on digital financial services...”*

However, UNCDF stakeholders described how **UNCDF is embracing the digital revolution as part of a broader agenda, not just in financial services,** but in recognising digital as an economic and social mobiliser. Core to this is providing programming to support LDCs countries catch up with regards to the digital revolution, and the agency’s new strategy – “Digital@UNCDF” – is focused on leveraging digital solutions to support the achievement of the Sustainable Development Goals.

Stakeholders reported that the UN has not necessarily been a front-runner on the adoption of innovation or new technology, but that **UNCDF is a leader on digital technology within the UN system, and that MM4P and BTCA have helped position UNCDF in this way.** Stakeholders reported that MM4P’s experiences of partnering with other agencies on digital issues (such as with UNHCR on refugee payments) has helped UNCDF think through how to incorporate digital in other aspects of UNCDF programming, and provides a strong platform to integrate UNCDF work going forward. This more unified digital approach will mean tapping into the strong technical competency of digital experts across the UNCDF network, many of whom reside within MM4P.

“MM4P has had a tremendous impact on how UNCDF is thinking about all of their future programming.”

- UNCDF stakeholder

MM4P’s structure and approach are important drivers of the programme’s success and should be adopted in future FIPA and UNCDF programming where possible. UNCDF stakeholders agree that MM4P’s establishment of in-country teams of local experts, adoption of an ecosystem approach, and greater use of TA as a mode of support to partners, which was a significant change to how most FIPA programmes had been structured in the past, has been successful, and should and will inform the design of future programming.

How UNCDF’s new digital strategy will be operationalized is still being determined, and UNCDF stakeholders realise that it will be complicated by different mandates from many donors, as well as historical siloes within the agency.

5.5. SUSTAINABILITY

The sustainability of the projects MM4P has supported is mixed across the portfolio. Provider projects tend to have commercial viability built in as a consideration due to the operating nature of for-profit providers, but there is not yet much evidence that provider projects are commercially sustainable. In comparison, regulator and policymaker projects tend to have a slower pace of change, requiring longer-term support and engagement. At the client level, the programme is still in the early stages to assess client outcomes, but a significant challenge thus far has been the client preferences for agent-assisted transactions rather than conducting transactions using a mobile phone, although this is beginning to change. Overall, the type of support and nature of engagement provided by MM4P is better for the continuation of partner outcomes compared to other types of donor support, such as large grant-making that subsidises providers’ costs of operation.

At the ecosystem level, there is an ongoing need for a market facilitator to catalyse DFS development to the tipping point at which market development takes off organically. This suggests a strong potential role for MM4P to play going forward, particularly within the regulatory and policymaker space and playing a strong convening role within the ecosystem. Where funding and programming will end, this means MM4P requires a plan to continue the programme’s convening role in its absence. However, the programme’s early ecosystem work has already generated outcomes which are contributing to the momentum of DFS market development.

To what extent are programme outcomes at the level i) of participants in the market for digital financial services, ii) policymakers and market regulators and iii) beneficiaries of digital financial services likely to continue over time?

The sustainability¹⁵ and commercial viability of the provider projects that MM4P has supported appears mixed across the portfolio. The nature of for-profit private sector organisations is such that projects tend to have strong commercial viability considerations before being embarked on. However, DFS projects in markets where business cases have yet to be proven have an inherent level of risk, but if they fail still contribute to DFS development through learnings generated for the ecosystem. While MM4P makes a concerted effort to invest in financially sustainable projects, and incorporates evidencing the business case in many of these projects, having a mix of project outcomes in terms of financial sustainability in the early stages of market development is to be expected. However, this requires the programme to be intentional about sharing learning about failures, as well as successes, within the ecosystem.

While many of the projects are still being implemented or in the early stages of scale up, there are a number of providers that feel confident about their DFS ventures. These are typically projects that have moved beyond the pilot or research phase and where the provider has invested significant resources in implementing the solution beyond the pilot. Examples are the IME project in Nepal, the Zoono project in Zambia, the Equity and Centenary Bank projects in Uganda, and the Sudpay project in Senegal.

However, there are also a number of cases where the projects have failed to be sustained, or where sustainability is not clear from the pilot stage. These include the Ncell and Laxmi Bank projects in Nepal, the Pegasus, Mobipay, Laboremus and PEAS projects in Uganda, and the Caurie Microfinance and BASIF-Orange projects in Senegal. The factors that have contributed to this include donor saturation in the market leading to a dependence on grant funding (in Nepal); external regulatory constraints; changes in senior management and other internal partner constraints; the short amount of time allocated to projects with insufficient time for market research; and the slow uptake of products among clients given challenging DFS ecosystems.

“Acquisition costs are very high because of low population density and far distances, we know these areas won’t be very profitable. We need to find a solution that helps with this.”

- Partner

The type of support and nature of engagement provided by MM4P is better for the continuation of partner outcomes compared to other types of donor support. These other types of support include large grant-making that subsidises the cost of providers’ operations, and once-off engagements that do not take the partner’s capacity to continue implementation into account. According to country teams, MM4P specifically selects partners that have the capacity to scale their projects (with some assistance), and focuses their support on proof of concept and piloting to motivate the partners to expand and scale up, rather than providing grants for the actual scale-up. MM4P’s TA also has a capacity building component which means providers are more likely to continue with progress once a project closes, as noted by some provider partners. The country teams also need to manage a fine balance between being embedded enough in provider organisations to influence their decisions, but not too embedded to be relied upon when MM4P support ends. Some MM4P partners have noted that this balance is being successfully achieved.

¹⁵ In the development of MM4P’s results chain, the team struggled with the definition of sustainable given the range of market actors and their own difficulties in measuring this. The team used ‘willingness’ to invest or continued investment as a proxy for sustainability. In this evaluation, the team defined sustainability as a product or service operationally being continue and costs being covered but recognise that there may be instances where a project contributes to overall sustainability (e.g. increased efficiency) but is not linked to a particular profit centre.

Generally, work with policy makers and regulators is slower, and this pace of change can be a challenge for sustainability as it requires much longer-term support. MM4P's work with governments on G2P payment digitisation, for example, has required a large amount of hand-holding and government partners have noted their need for continued support from MM4P for some time. MM4P has been able to

“The e-payment of government cash transfers is still at a very basic level, therefore we need MM4P support to implement a new system and build capacity at the local level.”

- Partner

address this in some cases. For long-term projects, such as the GIS mapping and regulatory data reporting project in Nepal, MM4P ensured that the platform captured the bank's main liquidity reporting data which is critical to the central bank's primary operation, and that the platform was designed as open source so the central bank can add any functionality required easily going forward. In Zambia, with the costly prospect of introducing a similar platform with Bank of Zambia, MM4P shifted focus to unlocking short-term wins for the bank by improving their data consolidation process using macros in their excel files.

At the client outcome level, the programme is in the very early stages since much of the work has focused on building the relevant payment rails first, and work on developing the use cases around these rails is still ongoing. One of the challenges for a number of providers is the stickiness of client preferences for agent-assisted transactions in these markets, although this is starting to change as customers become more comfortable with conducting transactions themselves using wallets. According to external stakeholders, many of the transformational customer outcomes envisaged with DFS market development relate to second-generation DFS where ecosystems are developed around mobile wallets, rather than customers conducting agent-assisted transactions. A range of factors noted by MM4P partners and external stakeholders - including the level of mobile phone usage, low literacy among clients, and mobile network coverage – is contributing to this stickiness. While there are some client benefits to first-generation DFS usage (such as time and cost saving) which will encourage clients to continue using the service, there are also many cases reported by MM4P partners of clients receiving payments digitally and cashing out the value immediately. This highlights the importance of developing additional use cases around mobile wallets, such as merchant payments, to encourage active usage and improve the sustainability of client outcomes.

However, this preference for agent-assisted transactions is positive for agent outcomes, and most of the agents interviewed during this evaluation are positive about the sustainability of their agent activities going forward. Supporting a shift to wallet usage may have an impact on this sustainability as clients become able to purchase airtime, pay bills and use e-money stored in wallets to make purchases at merchants using their mobile phones rather than at agents. However, given the strong role of cash in LDC markets, this is unlikely to significantly diminish the sustainability of agent outcomes in the medium term because there will still be a need for clients to cash in and out of these digital ecosystems.

How sustainable are the changes in DFS market development that MM4P contributes to?

MM4P's own diagnostic framework for DFS market development suggests the MM4P countries are still at the stage of market development where catalytic support is required. With the exception of Uganda, the MM4P countries are still in the start-up and expansion phases of market development. They have not, therefore, reached the tipping point where market development will continue to take place organically at a satisfactory pace according to MM4P's diagnostic framework. This suggests that there is still a role for MM4P to play in ecosystem development for some time. Since enabling regulation is a critical requirement for DFS market development, there is a significant role MM4P can continue to play in championing enabling policies. Similarly, there is a strong role for MM4P to continue playing as convenor, facilitating connections between stakeholders and introducing learning to the ecosystem.

“For the market to take off on its own, it needs to be at a certain level of maturity. In my view, current rates of financial inclusion are not sufficient and there is still a need for a market convenor. The question is – who can fill this role?”

- UNCDF stakeholder

Taking the DFS working groups as an example, MM4P is still playing a critical role as funder and administrator of the groups. It is not clear whether the central bank or Ministries of Finance will be able to take over the running of these groups should MM4P exit the market. Regulatory stakeholders in countries with working groups have noted that they still need time before being able to take on this responsibility, and others do not think they would realistically be able to adopt this role. The programme therefore requires a sustainability plan when funding and programming ends. To this end, Malawi provides a positive example where good progress has been made on getting industry players to commit financial resources to convert the DFS working group into a sustainable industry association.

The outcomes of early ecosystem work are likely to contribute to the momentum of ecosystem development for the remainder of MM4P programming. According to MM4P teams, partners and external stakeholders, some of the outcomes of MM4P's early ecosystem work are already having catalytic impact. MM4P's network of ecosystem connections have fostered partnerships through MM4P's facilitation. Country teams have been able to share learnings and solutions with other country teams. For example, MM4P Nepal's support to the central bank on regulatory reporting and GIS mapping has influenced MM4P Zambia's support to the central bank in Zambia on a similar project. In addition, the open source platform built for the central bank in Nepal can be adapted for use by other central banks relatively easily. Lastly, the programme has resulted in capacity building among a variety of ecosystem stakeholders, including stakeholders that the programme did not originally consider as capacity building recipients. For example, external consultants have noted that one of the outcomes of their engagement with MM4P is acquiring the right experience and credentials to continue supporting other ecosystem players.

6. CONCLUSIONS, RECOMMENDATIONS AND LESSONS LEARNED

6.1. OVERALL ASSESSMENT

MM4P's work can be categorised into two core components/approaches: The first is MM4P's work at the micro level, working with providers to implement projects (e.g. bulk payments, digitising loan officers, digitising municipal payments, agency banking, etc.). The second component is work at the meso and

macro/ecosystem level where MM4P seeks to promote a more enabling environment, improved market infrastructure, and greater awareness, knowledge, and engagement between the various ecosystem actors.

While the programme adopted a market systems approach, articulated in its honeycomb, funding restrictions limited the extent to which MM4P could focus on policy/regulation and infrastructure. As a result, although MM4P achieved some success at the regulatory level, **overall the programme achieved greater traction among providers than regulators**. As such, the programme has been limited in what it can do to address the binding constraints of DFS development relating to regulatory barriers, proactive government policies, and adequate digital infrastructure.

At the provider level, **MM4P's TA (internal and consultant) and grant supported DFS market development by promoting greater institutional buy-in, increasing capacity to implement projects, and also led to greater investment in DFS**. Partners valued the MM4P team's knowledge/expertise, availability and professionalism, which helped oversee and guide the implementation of projects. At the ecosystem level, the **DFS Working Group was also an important contributor to DFS development** by creating more awareness and enabling greater engagement between different market actors. This in-house expertise and ability to walk hand-in-hand with providers was noted as a particularly unique attribute of the programme, and partners felt more capable to continue working on DFS projects going forward. Although there may have been some initial friction with FSDs around regulatory advocacy in Zambia and Uganda, MM4P mostly had a collaborative engagement with other donors, even signing MoUs with some of them. Ultimately, where FSDs existed in the market, MM4P opted to focus more on work with providers (while still hosting DFS Working Groups), and the FSDs focused mainly at the regulatory level.

A review of MM4P's projects to date shows that **it is still difficult to judge the sustainability of the roll-out DFS in LDC markets**. In addition to the traditional financial access challenges apparent in developing markets, there are a number of challenges specific to DFS that prevail, including a lack of digital infrastructure, an unfavourable regulatory environment, and demand-and-supply-side issues. For example, in most rural villages there is still inadequate mobile network infrastructure, such as reliable electricity supply and mobile towers, to support DFS. In addition, few poor households, including urban ones, have access to smartphones - and even feature phones are largely owned by men. In Nepal, Zambia and Senegal, DFS is also constrained by a high customer preference for OTC rather than wallet-based transaction – although this has started to shift in Zambia. Large portions of the population, particularly in rural areas, also cannot read, write or understand the long number strings necessary to transact on mobile phones, which rely on USSD. In summary **the necessary building blocks for DFS (or the “rails”) are still insufficient in the selected countries**. Which suggests that the programme's early focus on projects in rural areas may have been premature.

Because of the prevailing constraints, **MM4P's projects have had mixed results in terms of DFS uptake**. While uptake has generally increased – partly through MM4P's support to partners, regulators, and the broader ecosystem - it has been slower than anticipated for many of MM4P's projects, and in turn, most projects have not yet been able to become commercially sustainable. While most providers report improved capacity and are confident that the products will become profitable in the future, some providers (especially those in high volume payments projects) are already voicing concern that the projects will not be sustainable. This is mainly because the providers are not willing to cover all the costs of continuing the service in the absence of continued funding from MM4P. These results suggest that there may have been some overly positive assumptions at the beginning of the programme regarding the readiness of the LDC countries and the speed at which they would adopt DFS, and the commercial viability of those projects.

Even for a more sophisticated market like Uganda, the programme's results also suggest that more was needed to “build the rails” – which mainly needed greater investment by the MNOs to extend mobile infrastructure to rural areas. According to a BMGF study on the economics of mobile money (2012), the business case for MNOs (and even banks) to go further downstream is undermined by the high on-going cost of converting cash to electronic value (and vice-versa). This underscores the pressing need to not only

convince them of the business case but to also help them explore different revenue/ cost models that make rural outreach more attractive.

Where MM4P was most impactful and successful at contributing to DFS development was through its capacity building at the partner level and convening role at the ecosystem level, which promoted greater buy-in and engagement in the market, and convinced providers to accelerate their plans to roll-out a wider set of DFS offerings in the programme countries. This support has led to positive market results, as outlined in the ToC, which include increased knowledge, ability, and interest of providers and government in DFS; a more enabling regulatory environment in some countries; and the expansion of DFS products and services in rural areas. This was enhanced by the credibility and relationships the programme was able to build with private sector providers. Based on this, the programme could have placed more emphasis on getting the building blocks in place (e.g. through small TA, convening, research) and promoting a more enabling regulatory environment for MNOs and banks to invest in infrastructure. For example, MM4P could have spent more time funding research into the barriers and opportunities within rural areas, studying the network and provider economics of rolling out DFS in those areas, and also potentially helping partners to source longer term capital from other providers of grant or blended finance. The evaluators, however, do acknowledge that part of the programme's learnings could only be generated from implementing and testing solutions in the market.

While some projects were delayed due to MM4P's internal procurement processes, they also experienced delays due to partner-related challenges, including the amount of time to negotiate and capacitate them, as well as high staff turnover. These challenges, and those in the previous paragraph suggest **more could have been done at inception phase to assess the market opportunity (e.g. feasibility, customer numbers) and the readiness of partners (e.g. staff and technical capacity, and stability in the top structures)**.

Although it is still too early to measure the impact of MM4P's projects at the client level, **some anecdotal evidence from beneficiary interviews shows a positive impact on livelihoods by DFS**. Beneficiaries of high volume payments in Uganda reported an increased ability to save through mobile money as a store of value, which also enabled them to invest in their businesses, spend on their children's education, and have more financial freedom (especially women). Bank agents and mobile money kiosks in Uganda, Senegal and Zambia reported they were able to diversify their income, and saved some of that additional income for the future.

In conclusion, from this review, MM4P was right to adopt the dual approach (i.e. partner support and market development work) to influence the DFS markets in the target countries. Specifically, MM4P's work with providers was important in building MM4P's credibility and influence at ecosystem level. MM4P's in-country teams were also an effective way of building strong relationships and keeping abreast of market shifts. However, the programme's decision to roll-out DFS before ensuring the necessary building blocks were in place may have been misplaced. Evidenced by its success as an ecosystem-wide convenor, more emphasis should have been placed at the infrastructure and regulatory level, and more time should have been spent on assessing the commercial viability of projects before implementation.

Programmatic considerations

MM4P's hub-and-spoke model has introduced some efficiencies in terms of cost and operations. In particular, the Brussels team provides a valuable central quality assurance, operations, and financial management function which is considered efficient by country teams. This hub-and-spoke model however has faced some challenges, particularly the increased complexity of budgeting from eleven different funds. The overall fixed cost of the programme is estimated to be 23%, inclusive of the 8% paid to UNCDF for the use of the UN infrastructure..

MM4P's knowledge management function, through its events and the sharing of publications, has influenced the development of the broader ecosystem. Some positive outcomes include new

partnerships formed through the workshops and changes in perceptions and investment to pursue DFS in the private sector. Partners however expressed the need for more critical knowledge outputs, which also includes examples of failures to help providers avoid the same pitfalls when implementing their projects.

MM4P has a comprehensive RM framework which enables it to track various indicators and market shifts. The RM framework however had some shortcomings. Firstly, while MM4P's RM framework comprehensive, it is also very detailed and difficult for the country teams to complete at a partner and country level. Secondly, the programme tracks the percentage of adults actively using DFS as a key performance indicator, which is broad, and difficult to attribute to MM4P. Thirdly, programme staff also struggled to **capture all the outcomes of their ecosystem activities more systematically** (given that MM4P's ecosystem work is one of the key drivers of MM4P's success, this is a significant gap for the programme). Lastly, in terms of gender, addressing gender issues and promoting access to DFS for women is noted as a priority to MM4P, but the programme struggled to collect gender disaggregated data from partners. To date, the programme mainly has focused on gender in data more than in programming.

6.2. RECOMMENDATIONS

Strategic

- **The programme TOC and country results chains should be updated to reflect what has been learnt in each market.** MM4P has been operating in each market for some time and has generated important learning about the market context, the key barriers to DFS market development, and programming opportunities that have arisen in each country. Since the programme's TOC and country results chains were developed at inception when programming activities had not been rolled out, there is now an opportunity for these to be updated. These should also explicitly state assumptions, risks and possible external factors for each link in the ToC, to assist with future assessments of MM4P's contribution to market development shifts. The learning generated from this mid-term review should provide some input to this process, such as the role of innovation as a potential workstream and the need to incorporate KM and ecosystem work as casual links in the chain, as well as better articulating gender outcomes at the customer outcome level. However, each country team should consider how the state of the market has evolved since inception, and where results chains need to be updated and adapted as a result.
- **MM4P will have to incorporate innovation into its work stream as DFS markets develop and new types of providers emerge.** Innovation here relates to the development of new business models for financial services providers, such as fintechs, and other service providers where digital payments form part of the new business models. Examples of innovation already emerging from the programme include fintechs (agile tech-focused financial service providers that use technology to change or improve the way financial services are produced and consumed) and digital platforms and marketplaces in the sharing economy that make use of digital payment options (such as Tootle in Nepal). Once digital payment rails are in place and the focus shifts to developing use cases around these rails, supporting innovation becomes an important activity for DFS market development. MM4P is already thinking about how to incorporate this into its programme design from the outset, including how to encourage and engage with non-traditional financial service providers, such as fintechs, which should be continued and formally built into the programme design.
- **MM4P should articulate the impact of its programming beyond financial inclusion to account for shifting funding priorities.** The funding of financial inclusion activities within the donor community has shifted from considerations of financial inclusion as the end objective, to a broader focus on financial inclusion as a means to other objectives. These include improvements in the livelihoods of specific customer segments – such as women, refugees, and the youth – and

the support of particular sectors – such as energy, food security, and agriculture. MM4P should monitor these shifting funding priorities among key donors and articulate the impact its work has on these priority segments/sectors in order to attract funding going forward.

- **Given funding restrictions and donor priorities that have resulted in limitations on regulatory/policy and infrastructure work in some countries, MM4P needs to have plans in place to work around these limitations.** The table below provides a few examples from the programme of where policy/regulatory impact was created despite the limitations, in countries where these limitations existed. These examples should be replicated across the programme where possible. Importantly, these plans need to be in place at the outset of programming and built in to the programme design. They also need to be supported by MM4P in-country teams with sufficient experience and skills to engage with policy makers and regulators effectively. MM4P can also draw on its existing strengths at ecosystem-level, namely information provision and convening to focus stakeholders' attention on these limitations, even where MM4P does not have funding or resources to directly address these limitations.

Mechanism	Country	Description
Supporting providers to engage with regulators	Zambia	MM4P in collaboration with FSDZ provided Zoona with information and support on how to successfully engage with the Bank of Zambia. This had positive outcomes, including the Central Bank revising the accepted monetary limits of mobile wallets, thereby enabling Zoona to successfully launch its Sunga wallet - a mobile savings function.
Utilizing own funding sources	Senegal	MM4P utilized core UNCDF funding to provide direct training support to the Central Bank of West African States (BCEAO) in Senegal to get around the funding limitations of the main funding contributors.
Partnering with other organizations	Zambia	MM4P partnered with FSD Zambia to engage with policymakers and regulators on DFS issues. This partnership resulted in the Feedback2Action workshops where FSDZ brought in regulatory stakeholders and MM4P brought in provider stakeholders to discuss industry regulation.
Convening industry stakeholders	Senegal	MM4P convened a DFS working group bringing industry stakeholders together. The group played an important role in influencing the telecommunication authority's decision to open USSD channels to address MNO market dominance.

- **MM4P needs to develop careful sustainability plans for its ecosystem facilitation role, and start implementing this plan now to provide enough time before programming winds down.** MM4P is playing a critical convening function within the DFS ecosystem, for example with the formation of DFS working groups. However, MM4P is often the only stakeholder playing this convening role and so needs to develop mechanisms for stakeholders to continue collaborating once the programme ends. Taking a lesson from MM4P in Malawi, the formation of an industry association with funding contributed by members appears to be a sustainable approach to having this convening function continued. MM4P should look to set up similar industry associations in countries with DFS working groups, and in Nepal where a DFS working group has yet to be formed.
- **MM4P can better incorporate the mainstreaming of gender from its strategy formulation through to its programming activities over the second half of the programme.** There are a number of avenues through which MM4P could achieve this:
 - At a **strategic level**, the programme needs to consider gender throughout its strategy and not just at the activity or output levels. Gender outcomes should be clearly articulated in the programme's vision, incorporated throughout the programme's theory of change and results management framework, and worked down into all aspects of the programme design (e.g. in each aspect of the honeycomb).

- At the **provider level**, requiring providers to collect sex-disaggregated data has been a tick-box exercise rather than encouraging providers to make use of the data. Programming should therefore focus on building the business case for using sex-disaggregated data among providers as part of MM4P support. This could include capacity building/TA or research such as market sizing and opportunity analysis for female customers, encouraging providers to make use of their data to tap in to latent opportunities, or using the data to show providers where women are desirable clients to attract. In addition, as programming matures to specific DFS use cases, there is scope for the programme to focus on use cases and sectors that are known to have a livelihood impact on women in particular, such as digital education and healthcare payments. The work that has been completed already on Zambian mothers and female farmers in Nepal, as well as the DFS4Women partner even that led to Orange Liberia rolling out a pilot on onboarding female agents, is promising in this regard.
- At the **regulatory/policy level**, MM4P should encourage considerations of the potential gendered impacts of policy and regulatory changes in their engagement with policymakers and regulators. In addition, MM4P may consider encouraging more opportunities for women and girls in recruitment, retention and advancement within partner regulatory and policymaking bodies.
- At the **ecosystem level**, MM4P can make use of its unique ecosystem convening role to create a greater focus on gender within DFS markets. This could include conducting more research on women and girls in their different economic roles and lifecycle stages so as to ensure that the design and delivery/marketing of products meets these differentiated needs. It could also include bringing together organisations beyond the ambit of financial regulators/policymakers (e.g. civil society, development organisations, UN agencies) to address non-financial barriers to women and girls accessing, using, and controlling the benefits of financial services.
- **Knowledge management activities need to capture and disseminate lessons on project failures as well as project successes.** Thus far, MM4P's KM activities have largely focused on successful projects with limited coverage of the challenges and failures experienced by providers. This information is equally useful for stakeholders in the ecosystem to learn from the experience of other providers, and more focus should be placed on covering these lessons on failure. KM activities can also disseminate learnings on failures throughout a project's lifecycle, rather than waiting for the end of a project to publish lessons¹⁶.

Operational

- **Country teams will have to carefully consider which stakeholders to partner with as programming matures.** Since MM4P has established its credibility in the markets where it operates, country teams are receiving more requests for support. This evaluation has found that MM4P support is most impactful when it is longer-term and where in-country DFS experts are embedded in the partner organisation. While it was appropriate for the programme to experiment with different partner types at the beginning of the programme, this suggests that MM4P should now focus on fewer projects with larger budgets and longer ongoing technical support. This does not necessarily mean that MM4P should only partner with a particular partner type, or those that it has partnered with before. For example, working with fintechs may become a priority in the future as DFS market development continues. Given that fewer partners equate to higher risk, these

¹⁶ See <http://www.cgap.org/blog/series/embracing-failure-ultimate-success-branchless-banking> and <https://www.raflerning.org/post/smallholder-finance-big-learnings-start-sharing-real-failures>

partnerships must have a high focus on sustainability and demonstration of a viable business case as selection criteria.

- UNCDF’s procurement and selection process for partners should be reviewed given the changing dynamics in the market.** With the emergence of new types of financial service providers, such as fintechs which tend to be more innovative and also fast and flexible, UNCDF will have to adapt its procurement process for partners to reflect these changing market dynamics. This should be achieved through a review of the current process against its ability to respond to the current and future needs of the DFS market.
- MM4P country teams will have to assess the capacity of their technical staff given the importance of longer-term TA provided directly by DFS experts in-country.** Most of the country teams are currently coping with the pipeline of projects, but would require additional in-country staff should this pipeline increase further. In cases where current technical specialists’ contracts are ending, it is important for the programme to replace these with in-country specialists that can develop long term relationships with partners. In countries where a greater focus on policy/regulatory work is required, the programme may need to consider widening its skill set to include staff with experience in policy and regulatory issues. As gender is better mainstreamed in the programme, expertise in gender and women’s economic empowerment, specifically how to apply it on the context of DFS and financial inclusion, should be an essential part of the team’s technical capacity. While this does not require a gender expert in each country, there should be high-level technical expertise in the programme to support strategy and design.
- The programme should consider how to strengthen its pre-project feasibility assessment to improve the likelihood that investments will lead to sustainable customer outcomes.** In several cases, projects were unable to be implemented as they were planned in the design phase. The table below provides a few examples from the programme where this was the case. MM4P undertakes a thorough assessment of prospective partners before providing support, including a peer review of the project document by a technical specialist in another country and review by the investment committee. However, these examples suggest that the programme could benefit from other tools or frameworks for assessing viability, particularly methods for assessing whether the economics of a project makes sense (sufficient customer numbers and appetite, adequate infrastructure coverage, right regulatory approval processes in place, etc.). Learning from the programme thus far suggests that the first project with a partner should be short, with a relatively short feasibility assessment, since the team learns most about a partner and their feasibility by working directly with them. These small projects can act as the feasibility assessment for larger projects going forward.

Partner	Country	Description
Mobipay	Uganda	The digitizing the maize value chain project with Mobipay was impacted by a short project timeframe and insufficient inception period allocated at planning. The pilot was implemented without sufficient pre-implementation research being conducted due to delays in the allocation of funding from MM4P’s main funder in the country. As a result, the assumptions that were made at inception turned out to be significantly different from the results on the ground, because the inception research was not adequate
Mukwano	Uganda	More time was required at the inception phase of the seed farmer payment digitization pilot than was planned because Mukwano did not have the necessary systems and staff in place to implement the project. Another cause for delay was the friction between Yo! Uganda and the MNOs due to existing arrangements with other master/super agents of the MNOs. Lastly, the lack/insufficiency of some necessary DFS building blocks (e.g. electricity, network coverage, agent network, mobile phone penetration, appropriate pricing structures, agent cash management, etc.), particularly in remote, hard-to-reach areas, negatively affected product roll-out and uptake.

NCell	Nepal	The partnership agreement with NCell and MM4P to introduce a mobile wallet was eventually cancelled by mutual agreement. The pilot was frustrated by NCell's sale to another holding company, but ultimately the lack of regulatory approval for the mobile wallet lead to NCell cancelling the pilot.
BASIF	Senegal	Structural weaknesses within BASIF were identified since the youth kiosk project rolled out. BASIF has experience in working with young people in rural areas but has no DFS experience, and liquidity management, operational efficiency and skills management have continued to be challenges, despite the TA provided. In light of these challenges, MM4P has recommended reducing the scope of the project in terms of number of kiosks and areas, and to reframe the TA provided to BASIF to help achieve the redefined targets.

- **MM4P should not focus solely on its market development indicators, and should simplify its country and project RM frameworks by significantly reducing the number of indicators it tracks.** Priority indicators should be decided on by identifying a) priority outcomes for donors, b) indicators that the MM4P team frequently uses to make strategic and operational decisions. The programme's market development stages provide a helpful framework for understanding market dynamics to inform programming decisions, but do not adequately capture MM4P's contribution to shifts along the spectrum. Rather than assigning a target to the current headline indicator of % adult population with an active registered DFS account, which does not sufficiently capture impact among the poor nor MM4P's contribution, the team could take the following actions to assist in capturing the programme's contribution to DFS market development:
 - Enhance the existing bottom-up approach within the country-level RM framework by focusing less on national statistics and aggregating project RMF results (for the shortened list of country-level indicators), for example, the number of new active DF accounts (among rural, women, underserved) formed through MM4P support to partners (agreed on a case by case basis with each partner on the numbers that would not have been achieved without MM4P's support))
 - Systematically track MM4P's ecosystem activities by setting up a central email address that team members can email with examples of where ecosystem activities have led to fruitful developments e.g. new partnerships, conversations, requests for support, etc. Alternatively, staff whatsapp groups could be used to capture this information. This is a strategy adopted by a number of the FSDs. These emails/whatsapps can then be reviewed semi-annually and categorised according to market and outcome. Conducting outcome harvesting¹⁷ evaluations on an annual basis could also assist with this (and the APS is already a good contribution towards this).
 - Continue to meet together as a team on a bi-annual or annual basis to consider each country's ToC against the greatest shifts in the DFS markets in each country, but adjust the format of the discussions to focus more on MM4P's contribution in the context of other external factors, and the ToC assumptions and risks. Parameters for the most important shifts for the team to include are already examined by MM4P and may include i) access and usage, ii) new providers, iii) new investments, and iv) changes to the policy and regulatory environment. This is a useful practice for assessing these shifts against the programme's activities. For each significant shift, the team can consider the range of factors that may have contributed to this (including shifts in the global environment, the activities of other programmes in the country, other national government or policy changes unrelated to MM4P) relative to MM4P-related activities. The outcome of this consideration is not to quantitatively measure MM4P's contribution. Rather, the purpose is to construct a

¹⁷ Outcome harvesting collects evidence of what has changed, and then works backwards to determine whether and how an intervention contributed to these changes. For information, please see: https://www.betterevaluation.org/en/plan/approach/outcome_harvesting

narrative to account qualitatively for ecosystem contribution; whereas the bottom-up approach is useful in providing quantitative results which can be descriptively linked to broader systemic shifts.

- As part of this exercise, investigating whether MM4P support to providers is crowding in other DFS providers can be aided by an analytical framework that measures systemic change. An example is the “Adopt, Adapt, Expand, Respond” (AAER) framework used by the FSDs to monitor their contribution to systemic change.¹⁸ The “Adopt and Adapt” phases cover market facilitator support to a partner to pilot an innovation or new approach (“Adopt” examines a partner’s take up and future plans to continue a project that is viable and “Adapt” examines a partner’s investment in the adopted project, independent of MM4P support); and the “Expand and Respond” phases cover the crowding in phase (“Expand” examines replication and improvements of the original project by competitors or similar organisations as the partner, as well as competition and collaboration in the ecosystem, while “Respond” examines how non-competing players, e.g. regulators, adjust their own practices in response to the original project). Such approaches are useful because they structure to the question “what would happen if the market facilitator left now” throughout each phase of systemic change, with corresponding indicators assigned to each. Some key principles for measuring contribution to market system change in financial inclusion programmes are provided below, and useful resources are provided in a footnote¹⁹.

- The **theory of change is the bedrock** of the measurement system and should be based on regular market analysis and sets out systemic constraints to market development.
- The **measurement lens needs to be recalibrated**, moving beyond a focus on end numbers (e.g. level of financial access) to how the underlying structures, behaviours and incentives of the market have changed, or are changing, to support these outcomes. Thus, some outcomes and indicators should measure progress toward systemic change - some will relate to changes within program partners, while others will go beyond partners to other actors that are affected. Focusing exclusively on quantitative targets can lead program staff to ‘chase the numbers’ rather than explore more long-term, less easily quantifiable, but more sustainable outcomes.
- Expected systemic change outcomes often relate to changes in capacity, practices, institutional processes and structures, and relationships between actors. These types of outcomes are often highly context-specific and nuanced, and thus difficult to standardize. Ratings scales can be used to try and measure degrees of change, but **qualitative narratives are important to include**.
- **Program managers and funders need to take a long-term view toward systemic change** as achieving sustainable financial inclusion at scale can be slow and not necessarily linear. Due attention should be given to the intermediate steps in the theory of change, rather than looking for quick results at the top levels of the theory of change.
- Measurement needs to be closely integrated with project and program management (which MM4P has made excellent strides in achieving, through project design and documentation, team meetings, and the integration of RM responsibilities with technical team member responsibilities).

¹⁸ For more detail see: <http://www.springfieldcentre.com/wp-content/uploads/2014/06/2014-03-Adopt-Adapt-Expand-Respond-Briefing-Paper1.pdf>

¹⁹ Useful resources are available here: http://www.fsdafrica.org/wp-content/uploads/2016/01/16-01-07-MRM-for-M4P-Impact-Orientated-Measurement.sv_.pdf; http://www.cgap.org/sites/default/files/Technical-Guide-Measuring-Market-Development-Oct-2017_0.pdf

6.3. LESSONS LEARNED

This section documents lessons on DFS programming for a broader audience (funders, other programmes, FSPs and regulators). Many of these lessons were generated through prior UNCDF programming (e.g. PFIP) and formed part of the MM4P programme design at the outset, but have been confirmed as the programme was rolled out.

Market learning

- **LDCs are difficult market to understand the specific contexts to work in, with a number of challenges that can significantly limit the potential for DFS to impact the poor.** Although each market context is different, LDCs often have poor digital infrastructure and relatively low levels of digital and financial literacy among customers which severely impacts the trust in and uptake of DFS among poor customers.
- **Supporting DFS in LDCs can be a crowded space with a number of development stakeholders active.** This provides additional opportunities in some cases where there are synergies that can be developed and where complimentary support can be provided to the same partners. In other cases, it can create challenges as development actors compete for the same resources or negatively influence key stakeholders in the ecosystem.
- **LDCs that already have an MNO presence in the DFS market are easier to catalyse than countries where MNO rails do not exist.** MNOs have been able to leverage their existing technology (sim cards) with their distribution network of airtime sales agents to quickly scale up DFS. In markets where MNOs have not been allowed to or are not interested in developing DFS networks, there is significant ground work required to develop these rails among other provider types (e.g. banks or remittance providers) which delays the realisation of customer outcomes.
- **Customers in some LDCs markets prefer conducting agent-assisted transactions OTC rather than using a mobile wallet.** These customers are less literate and digitally-savvy, live in areas where mobile network coverage is thin, and are concerned about the affordability of smartphone apps due to data and electricity costs. As such, they prefer conducting transactions with agents OTC rather than using digital wallets on a mobile phone. This limits the impact potential of DFS, particularly around second-generation products such as digital credit, savings and insurance.
- **DFS has the potential to exclude customers that do not have access to the digital economy, unless carefully managed.** These are customer segments that cannot read, write, or understand long number strings necessary to transact on mobile phones, which rely on USSD, let alone smartphones.

Programmatic learning

- **Donor priorities and limitations have a material impact on programming activities and outcomes.** While some donors are very flexible in determining how funds are spent, others have specific focus areas where they would like to see funds channelled, or limitations on the types of engagement they are able to fund. This can limit a market facilitator's ability to address the most pressing constraints in the ecosystem. In these cases, workarounds can be achieved by utilising other funding sources or partnering with other donors projects operating in the same space.
- **TA and grants are useful in different contexts, but are most impactful when combined and phased appropriately.** Beginning with a small piece of TA (e.g. strategy work) allows the country

team to learn about the partner's priorities and earn their trust. If appropriate, this can be followed by more focused TA and a small grant to develop the partner's capabilities.

- **Provider outcomes are easier to achieve with an in-country team of DFS experts that are embedded in the provider's organisation.** Having a technical team in-country that is able to develop a long-term relationship with the partner generates trust and the ability to influence the partner's organisation. It also allows for the ability to steer project implementation.
- **Convincing providers to prioritise female customer segments is difficult in the early stages of DFS development.** Providers are more focused on establishing and consolidating payment rails rather than designing for specific customer segments. It is therefore valuable for provider support to include a demonstration of the business case for serving female customer segments, including the value of using sex-disaggregated data and developing use cases that impact female clients.
- **In early DFS markets, partner support needs to include contingency plans for stakeholder changes.** One of the features of a nascent DFS market with a shortage of DFS expertise is a high churn among the senior leadership of DFS providers. This represents a significant challenge for partner support, leading to delays in project implementation or changes in partner priorities. Developing relationships with multiple stakeholders in the partner organisation is critical to address this.
- **Working with regulators and policymakers requires a mix of activities across the ecosystem in order to accelerate the pace of policy change.** Although the gains from regulatory reform are large, generally regulators and policymakers have less capacity to understand DFS issues and to make progress on DFS policy and regulation when compared to private providers' DFS implementation. This requires a larger degree of hand-holding and more long-term support. Achieving policy reform requires a balance of local presence, brokering dialogue with industry, providing research and evidence, and aligning government incentives with private sector investment.
- **Convening stakeholders within the ecosystem is an important contribution to DFS market development by co-ordinating stakeholders and creating collaboration and connections.** An example of successful convening is the formation of DFS working groups, bringing public and private stakeholders together. To make this convening role sustainable, the formation of paid-membership industry associations is a promising approach.
- **Ecosystem development activities are useful tools for creating buy-in and establishing credibility when starting a programme in a new country.** When entering a market for the first time, activities such as workshops and generating useful research can help build the capacity of ecosystem stakeholders while developing relationships and building trust and credibility that later becomes useful when partner programming starts.
- **Knowledge management products are useful for bringing learnings in from other markets or providers, but should focus on failures as much as successes.** While positive success stories are valuable, sharing lessons on challenges and failures are essential to prevent other stakeholders from making the same mistakes²⁰.

Rather than using aggregate statistics as the key measure of programme contribution, **combining bottom-up measurements of projects with simple tools for capturing ecosystem outcomes is better able to capture the value created through market facilitation work.**

²⁰ See <http://www.cgap.org/blog/series/embracing-failure-ultimate-success-branchless-banking> and <https://www.raflerning.org/post/smallholder-finance-big-learnings-start-sharing-real-failures>

7. GENDER AND HUMAN RIGHTS

7.1. GENDER

Both UNCDF and its respective donors are committed to reaching women through the provision and regular use of DFS that increase the financial security of rural, low-income households. Additionally, UNCDF considers gender a cross-cutting priority area through its programming and operations as reflected in the Strategic Framework 2018- 2021.

While MM4P has achieved a 62% female participation of its staff and 42% of the external consultants engaged under the programme, **MM4P has not mainstreamed gender into its programme activities to the extent envisioned during the design phase.** While the programme's theory of change does not explicitly refer to women as a priority end beneficiary group, the programme's headline indicators at the goal and sector outcome level are disaggregated by sex. In line with this, MM4P includes gender-related targets for each project and this is captured through results measurement indicators and project documentation. However, the MM4P teams shared that although gender considerations are included in project design, it is challenging to get partners to incorporate gender targeting in their solutions as opposed to mass market targeting. Programme activities also focused on ensuring buy-in and improving providers' current offerings before providing support to segment users of DFS.

Many MM4P partners shared that the DFS offered are gender neutral and assumed to reach the wider population without intentionally targeting clients by demographic characteristics. Existing DFS client bases are predominately male and DFS providers reported to not have an incentive to directly target women. As seen in demand side data (see Appendix 1-4 for country reports and data), while active use of DFS is growing in the programme countries, there is a prevailing gender gap. However, some partners are targeting women either by developing DFS solutions for women or encouraging women to work in their organisations. For example, partners such as IME's Mobile Krishi, Prabhu Management's Sun Farmers, PAMECAS and MobiPay have products with a strong focus on women as a result of MM4P's support in the DFS sector. Tootle on the other hand reported that 30% of their customer base represents women and they are actively looking to hire more female motorbike drivers while Caurie youth kiosks are ran by women.

Across all four target countries, the main challenges that prevent DFS providers from targeting women is the lack of data to show the use case for targeting women and information on how to address the issues that exclude women from accessing DFS. Partners also experience challenges in capturing and analysing sex- disaggregated data. Despite this, it is apparent from the discussions with MM4P partners that they are aware of the challenges specific to women. A few of challenges that partners mentioned that affect women's use of DFS are detailed in Box 1 below.

Box 1: Challenges specific to women

The challenges specific to women as perceived by MM4P partners include:

- Targeting rural women through mobile phones is challenging as a large proportion are illiterate, which makes the usage of USSD or applications very difficult.
- Traditional and cultural norms prevent women from household and financial decision-making, and many women do not own their own mobile phones.
- Women perceive cash to be more convenient than money stored on a wallet as it is easily accessible for daily needs or emergencies.

The MM4P team reported that while gender is in the back of their minds for all activities, the **focus to date has been on data as opposed to programming.** However, some MM4P team members believe that the programme could have invested more upfront in getting partners to see the value in sex-disaggregated

data. The team mentioned that while partners commit during contracting to report to MM4P on sex-disaggregated indicators, they often don't comply with this requirement once the project is being implemented. This is a challenge when the team has to complete their results measurement frameworks and the data for each gender-disaggregated indicator.

Despite this, **there are examples of gender-specific programming.** MM4P hosted a successful DFS4Women learning event to explore data and the reason for low DFS usage amongst women. MM4P Senegal supported a diagnostic study on access, usage and control of financial services among girls and women, as part of the UNCDF Participation of Women in the Economy Realized (PoWER) strategy and held a workshop on the challenges experienced by women in accessing DFS. GSMA recently signed an agreement with Orange to increase its female client base, and MM4P Senegal is engaging with Orange on how to assist them. MM4P Nepal supported Prabhu Bank to design financial literacy programmes targeting women.

Overall, the initial focus of the MM4P programme was on supporting partners to 'build the rails for all' and develop sustainable digital solutions that meet the needs of the general population, which was appropriate given the country contexts and market development stages. As the respective DFS markets develop and providers are seeking to differentiate themselves by segmenting their market, MM4P has the opportunity to be more intentional about integrating gender in their partner engagements beyond data and reporting.

7.2. OTHER CROSS-CUTTING ISSUES

The evaluation team found that MM4P in all countries of implementation has taken cross-cutting issues, such as gender, human rights and social and environmental performance into account and has worked to support partners to extend products and services to rural, underserved and vulnerable populations such as women, smallholder farmers and refugees.

Research has found that DFS can play an important role in extending financial inclusion into areas where the conventional provision of financial services would not otherwise be possible. There is also evidence that DFS use has environmental benefits as less resources are used as a result of reduced physical cash in circulation. DFS use can also contribute to a reduction in greenhouse gas emissions and pollution as people no longer need to travel long distances to conduct financial transactions.

The following are some examples that emerged during the evaluation that highlight MM4P's inclusion of cross-cutting issues such as human rights and social performance in the design of the programme:

- MM4P's HCD TA to DFS providers in Benin, Senegal and Zambia has enabled partners to design solutions that are people-centred, thereby ensuring that the DFS provided are relevant to the needs of customers and address barriers that prevent adoption and active usage of DFS. In Nepal, IME developed the Mobile Krishi application through MM4P support. The application design uses graphics and a chat format to make it more user friendly for illiterate populations and to overcome technological and language barriers that prevent customers from actively using DFS. Following MM4P's support, IME also received support from Mercy Corps to conduct financial literacy training to educate farmers on the benefits of using DFS in relation to savings, cost and convenience.
- UNCDF has also supported PEAS schools in Uganda in providing the pay-as-you-learn school fee payment solution. The use of an incremental, digital school fee payment solution helps to alleviate the burden that school fees bring in low income households. This is also a cheaper mode of payment as it reduces the time and money spent travelling long distances to make the fee payments in person.

- MM4P is working to enable the successful disbursement of social payments to extremely vulnerable populations, such as refugees through its projects with UNHCR in Uganda and Zambia, and cash transfer recipients with WFP in Senegal.
- Interviews with mobile Airtel Money and Kazang agents in Zambia and Orange youth agents in Senegal revealed that the expansion of agent networks has provided economic opportunities and empowered young people to own their own businesses.
- MM4P has also supported DFS providers in Uganda (Heifer, Mukwano and MobiPay) and Nepal (Prabhu and IME Bank) in extending financial services to smallholder farmers. Smallholder farmers in LDCs have historically been excluded from formal financial markets, which are vital to the development of the agricultural sector and subsequent uplifting of rural populations. The provision and regular use of DFS by smallholder farmers allows them to build a financial history, purchase inputs and better mitigate against risks.

8. APPENDIX 1: NEPAL COUNTRY REPORT

Nepal

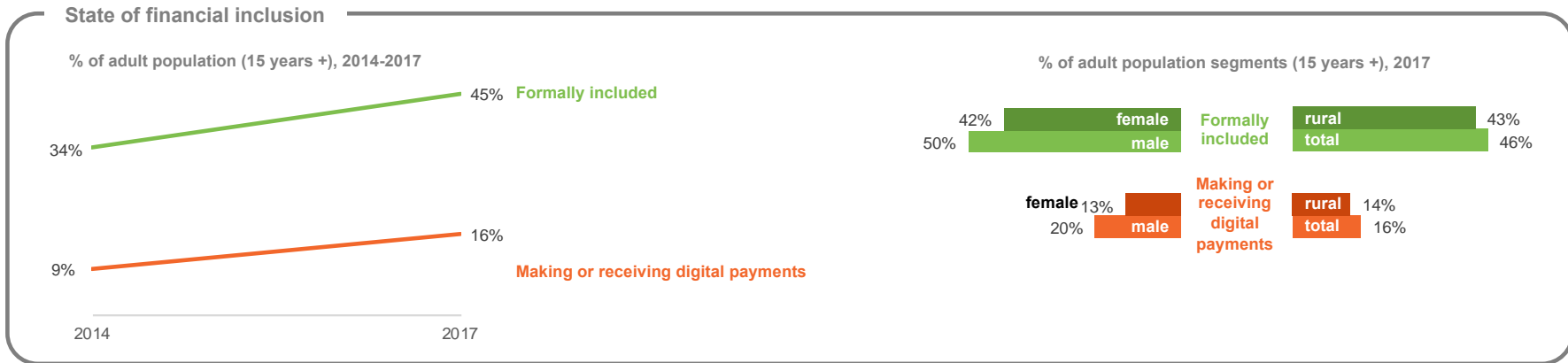


G:ENESIS
UNLOCKING VALUE

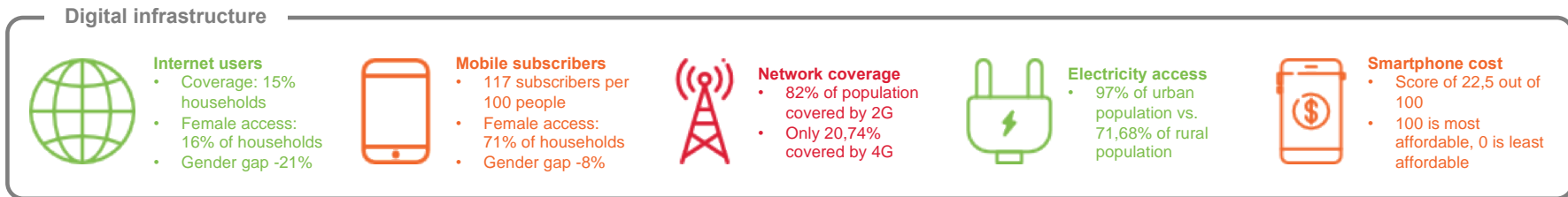


Unlocking Public and Private
Finance for the Poor

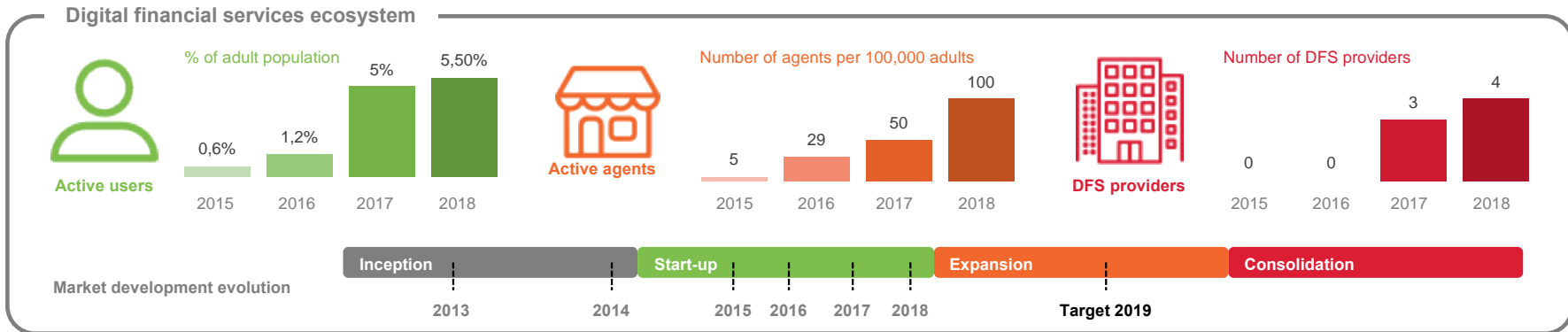
8.1. OVERVIEW OF THE DFS MARKET



Source and notes: Global Findex Database, 2014-2017, World Bank. Usage statistics are reported over a period of 12 months | There was no 2017 data for mobile money and therefore it has been excluded



Source and notes: Inclusive Internet Index, Economist Intelligence Unit, 2018; Statistics are reported for the year 2017



Source and notes: Annual Provider Survey, UNCDF MM4P, 2014-2017; Active users, agents and DFS provider figures are the latest available for the year 2017

DFS was introduced to the Nepal market in 2012 when the central bank, Nepal Rastra Bank (NRB), introduced e-banking guidelines that allowed for agency banking. One of the objectives of the guidelines was to expand financial services to underbanked consumers through digital channels. In 2012, the focus was on expanding financial services to rural customers through agent banking, so agents were only permitted in rural areas. Banks were the major players active in the DFS space in the first few years following this regulation. However, the regulation limited the access of non-bank participation in the DFS market, as it was not broad enough to include non-bank institutions. While this represents a market environment that is distinct from many African countries (where MNOs have taken the lead in developing the DFS ecosystem), Nepal's early market context is similar to many of its regional peers where central banks have not been permissive of non-banks entering the DFS market.

However, a unique feature of the Nepali market was NRB's decision to licence payment service providers and payment system operators in 2016, providing access to non-banks looking to develop DFS products. This is distinct from Nepal's regional peers where the DFS market has remained bank-led due to the lack of regulatory oversight of non-bank providers. A key feature of Nepal's market is the presence of large, horizontally-integrated payment service providers around whom much of the payment's ecosystem is centered - in particular the significant domestic and international remittance flows.

As a result of these market features, the distribution opportunities for DFS in Nepal largely focus on cooperatives/credit unions and money transfer agents, making Nepal distinct from other markets where distribution opportunities are centered around MNOs. The DFS product set of these payment service providers is largely focused on bill, utility and airtime top-ups conducted over-the-counter (OTC). Only the two large remittance service providers (IME and Prabhu) that together control approximately 85% of the remittance market have shifted to mobile wallets. However, there is some early experimentation around second generation DFS with providers looking to introduce digital PAYG irrigation solutions and bulk payments.

In 2015, Nepal was devastated by a severe earthquake. While this disrupted policy momentum, the earthquake promoted the use of DFS as government needed a way to get disaster relief money to people across the country. Stemming from this, and with MM4P support, Nepal now has electronic money regulation, payment systems laws and an advanced data collection and visualisation system. This accelerated change in policy and regulation in a period of 24 months.

The DFS ecosystem in Nepal is therefore relatively nascent and still requires a large amount of development. Prevailing market constraints affecting this development include the country's low levels of literacy and financial literacy, patchy telecommunication infrastructure which results in poor mobile connectivity, compounded by irregular electricity connections. In addition, because the market is nascent, there is a shortage of both skills and experience relating to DFS across the private and public sectors in Nepal. Furthermore, regulatory reporting and monitoring capacity on DFS is limited, although this is improving with the introduction of digital GIS mapping and streamlined regulatory data capturing.

8.2. MM4P IN NEPAL

MM4P was established in Nepal in 2013 with the appointment of a DFS expert consultant who was later hired as a Technical Specialist. The first year of MM4P's activities in Nepal were focused on ecosystem development, to sensitise relevant stakeholders to DFS and to establish the programme's presence in the market. This involved a number of workshops and conducting research on agency banking (the only type of DFS active in the market at the time) to develop relationships with providers and regulators.

When the programme shifted to engaging with partners in 2015, it started by funding strategy engagement with providers on agent networks, product development and customer journeys. The programme also started engaging formally with government partners, particularly around digitising G2P payments. From

2016 onwards, the programme shifted to scaling bilateral partnerships and additional DFS technical experts were added to the team to manage these partnerships. Although the early ecosystem work continued, it did so at a slower pace, with the most focus going to scaling the DFS network of providers (such as IME and Prabhu Management) and facilitating connections between market players. More recently, the focus of programming has expanded to include the development of use cases around the digital payment rails that have been established to encourage customer and agent activity. The intention of this is to move the DFS market in Nepal to second generation products, beyond the airtime top ups and bill payments that are currently most prevalent. Apart from establishing these local ecosystem partnerships, MM4P encouraged Nepal to join international organisations such as the Alliance for Financial Inclusion (AFI) and commit to making digital financial one of its goals. It also helped Nepal join the Better Than Cash Alliance (BTCA) which works with governments to transition away from cash and towards digital payments. These partnerships have ensured that there is now a mandate for DFS at the government level.

The MM4P programme in Nepal has a relatively small budget within the MM4P portfolio, with the bulk of funding provided by USAID and additional funding by MetLife Foundation. The team in Nepal consists of four staff members. Staff include two full time consultants and one full time staff member, who oversees knowledge management within MM4P, and one Technical Specialist. The staff also benefit from the presence of the regional technical specialist who oversees activities in Nepal, Lao and Malaysia. These funding constraints have been addressed by focusing on technical assistance and ecosystem development rather than grant-making. However, the programme was also able to leverage the funding of an existing UNNATI- Access to Finance (A2F) programme in Nepal to fund some of MM4P's early programming. In addition, MM4P has collaborated with UNCDF's UNNATI challenge fund to act as the point of contact for MM4P partners receiving funding. This has allowed MM4P to combine TA with larger grant funding from UNNATI to support DFS development.

8.2.1 Results chain

The results chain maps out the logical pathways for MM4P's activities contributing to the achievement of the overall programme goal, which is to increase the financial security of households in Nepal.

Activities are split across three main stakeholder groups – financial service providers (including payment services providers), stakeholders in high-value payment chains (input suppliers, aggregators, remittances) and actors in different use cases which are not high volume payments but where a demonstrable market exists, and policymakers/regulators. By targeting these main groups, MM4P Nepal hopes that its work with each stakeholder group will contribute towards changes in the broader ecosystem. This work includes:

Providing knowledge, technical expertise and funding to help providers improve their business strategies, develop organisational structures and processes and develop distribution networks required to launch successful DFS products

1. **Identifying opportunities for and connecting stakeholders together** in order to digitise high volume payment chains, including in the agricultural and remittance markets
2. **Improving the regulatory and policymaking environment** by supporting the central bank to implement enabling regulations that support DFS development, collect and monitor data on DFS to improve decision-making, supporting the government to digitise G2P payments, and creating better co-ordination between the government and central bank on financial inclusion policy.

While assumptions are not explicitly articulated in the results chain, there are some key underlying assumptions, including (but not limited to):

- The lack of investment among providers in DFS is a result of technical knowledge and capacity shortages within Nepal. By filling these gaps, MM4P support will create an incentive for providers to invest in DFS product development, including the development of appropriate distribution networks,

which are appropriate and affordable for customers in Nepal. A key assumption is that MM4P support will allow providers to develop these products and networks at a price points that is both affordable for the customer and commercially viable for the providers.

- The central bank's ability to enact enabling regulation is limited by poor data on the DFS market in Nepal. By supporting the central bank to collect regulatory reporting data on DFS, MM4P assumes that this will improve the bank's ability to make decisions and enact enabling policy. A key assumption is that the bank will have the capacity to use the data to inform decision-making, and the knowledge and experience of what appropriate decisions to make based on the data are. This emphasises the importance of the planned activities on direct support for the central bank to improve understanding and ability.
- The envisaged customer outcomes are driven by providers in engaging in customer awareness and education campaigns and designing relevant products. This assumes that appropriate product design and marketing is sufficient for customers to find DFS products useful. It therefore does not take into account the role of other ecosystem considerations, such as mobile network coverage, mobile phone penetration, or affordability of data or electricity, on the customer experience and ability to take up DFS. The results chain does not make mention of the importance of human-centered design in ensuring that DFS products are appropriate and relevant for customers, although this has been a strong theme of MM4P programming. The results chain also does not make mention of the role of improved DFS regulation in protecting consumer outcomes.
- As MM4P support results in providers establishing innovative DFS products and networks, and as customers take up DFS products and change their behaviour, other providers are crowded in to develop their own DFS products and networks. This assumes that successful examples and observable changes in customer behaviour constitutes the demonstration of a viable business case which other providers can replicate.
- Gender is an important component for the MM4P programme, however, no explicit reference is made to it in the results chain. Indicators for gender are however, present in the RM framework.
- Not all KM activities are explicitly referenced in the results chain. Knowledge sharing activities take the form of training with providers, workshops and study tours. It assumed that these activities will be successful at transferring knowledge to the relevant stakeholders (such as providers or the central bank) who will be able to adapt the knowledge to their own operating environments. However, knowledge management activities such as the development and disbursement of blogs, articles, and reports which are circulated to the broader DFS ecosystem and non-partner stakeholders are not articulated in the results chain.

8.2.2 Partnerships

MM4P has engaged a variety of players in the Nepali DFS market over a number of projects. Out of the 16 projects listed in the MM4P pipeline document 7 June 2018, two were cancelled, six have successfully been closed out, **another five are still on-going** and 2 are in the pipeline.

MM4P in Nepal has worked with partners across the DFS ecosystem. According to the pipeline document, MM4P has 11 projects across six partnerships that span both the public and private sector, these partnerships can be classified according to the partner type represented in Figure 5 below. The heatmap illustrates the number of projects MM4P has with each type of partner, the darker the shade of green, the higher the number of projects. The spread of projects is evenly distributed between banks, MNOs, government, and the regulator, with the highest number of projects with remittance providers.

MM4P has worked on projects that cover high volume payments, providers, distribution channels, policy and regulation, and customers. This indicates that they have worked on projects that cover five out of the six workstreams in the MM4P honeycomb. The only workstream MM4P Nepal has not worked on is infrastructure.

Figure 5: Number of closed and ongoing projects in Nepal by workstream and partner type (n =11)

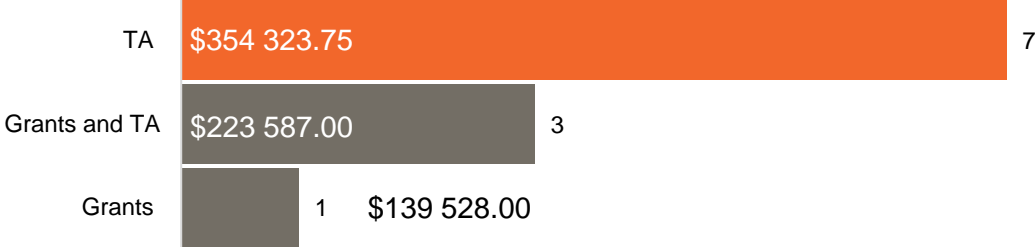
	Bank	MNO	Private provider	Government	Public/regulator	Remittance provider
Customer						1
Distribution		1	1			1
High Volume Payments				2		1
Policy and Regulation					2	
Provider	2					

Source: MM4P pipeline 7 June 2018

The dominant form of assistance provided by MM4P Nepal (by number of projects and allocated budget) is TA. Out of the 11 closed and on-going projects, 64% (or 7 out of 11 projects) have involved TA only.

Figure 6: Technical assistance vs grants in Nepal (n = 11)

The majority type of assistance provided by MM4P is **technical assistance**



Source: MM4P pipeline 7 June 2018

8.3. FINDINGS AND ANALYSIS

8.3.1 Partnership level

MM4P’s early provider work in Nepal focused on banks with an existing agency banking proposition. This was appropriate since, at the time, banks were the only providers with DFS operations (branchless banking), and to leverage MM4P’s early ecosystem work on agency banking research in Nepal. The support included TA for Laxmi Bank to refresh their agency banking strategy; and TA for Siddhartha Bank to improve its agent network for digital education grant payments alongside grant funding from UNCDF’s Local Development facility.

The outcome of this support was mixed, while the banks valued the grant and technical support, the assistance provided by MM4P did not lead to the banks scaling up their interventions. For Laxmi Bank, the report generated by the MicroSave consultant was useful in considering how they could revive their struggling agency banking product hosted on the Hello Paisa system. Although the bank did not pursue developing its Hello Paisa-based product, **the bank later incorporated some of the recommendations into a separate agency banking product** which it is currently piloting with funding from UNCDF’s UNNATI challenge fund. For Siddhartha Bank, the grant funding to conduct training for their agent banking manager and agency management staff provided them with **useful exposure on agent management techniques which they are making use of today, including in their rural agent expansion** supported by UNNATI funding.

However, **this early work with banks has not resulted in significant scale up of agency banking.** Banks in Nepal are accustomed to donor support when rolling out agency banking, and do not see their agency channel in rural areas as commercially viable without donor funding. MM4P’s conversation with bank partners therefore ended up revolving around grant funding. MM4P made the decision that supporting these partnerships would not be sustainable, primarily because bank partners did not view scaling agency banking as being commercial viable. As such, MM4P shifted its partner focus to non-bank players that were not, at the time, operating in the DFS space but had the potential to develop new digital payment rails. This included NCell, an MNO, and the two major remittance providers in Nepal, IME and Prabhu.

The TA support provided to NCell to develop a mobile money product and launch a **pilot was frustrated by the sale of NCell to a new corporate group which severely delayed progress on the pilot.** The partnership was later cancelled by mutual agreement after NCell was unable to acquire an e-money licence from NRB and the pilot was put on hold indefinitely. The partnerships with the two remittance providers has been more fruitful – in both cases MM4P has supported the providers with **strategy and product formulation through to pilot of new DFS offerings, and both providers are convinced of the commercial viability of scaling up after the pilots.**

The role of MM4P support has been different for each remittance provider, appropriate given their different contexts. IME had no exposure to DFS, so **MM4P’s TA on their DFS strategy development was critical in shortening the provider’s DFS learning curve.** The appointment of a full-time consultant to develop the technological platform for its DFS services was equally critical given that the provider’s technology arm only had experience in developing cash-based remittance platforms. Another consultant’s support on designing the product architecture for an interest-bearing super wallet was also **valuable in considering how the business case of the basic digital wallet can be developed going forward.** The external consultants have built up the IME team’s capacity for designing and executing DFS products. In addition, the close integration of MM4P’s DFS expert with IME’s operations, and in co-ordinating external consultants’ activities, **has provided the business with assurance that their approach to breaking in to the DFS market is the correct one.** More detail on IME’s DFS product and the role of MM4P support is provided in Case Study 1 below.

Box 2: Case study 1 - IME Pay

The IME group was identified by MM4P as a strategic partner during the buy-in phase of programming because of its network of remittance agents’ potential as a distribution network, and because the group was interested in understanding how DFS could expand its revenue-earning potential further. Initially MM4P had to convince IME that expanding products on a DFS platform would not cannibalise the revenue of its remittance channel. However, once MM4P was able to demonstrate the commercial viability to IME, it paved the way for the development of IME digital. This is a new venture within the group aiming to develop a digital wallet bundled with financial services. MM4P procured a consultant (for IME) from Amarante Consulting that had experience designing the mobile money platform for Airtel in a number of African markets. **The consultant worked with IME Digital and the group’s technology arm, Swift, for a year to develop the underlying technical platform for IME Digital’s wallet offering, called IME Pay.** This was critical for IME since the group only had experience developing the technology for remittance systems, and needed TA on how to develop the right platform for a digital payment system. The consultant was highly valued by IME and Swift, evidenced by the fact that the consultant is now working for Swift in Malaysia.

MM4P’s relationship with NRB also provided critical support for IME’s DFS operations. MM4P had assisted NRB with the development of a non-bank payment service provider licencing regime which provided IME with confidence in expanding into a new market segment. In addition, **MM4P’s close relationship and knowledge of the working style of the regulator was useful in guiding IME**

through the process of acquiring regulatory approval from NRB for the pilot of IME's digital wallet.

In March 2018, IME launched its OTC product line which is distributed through the agent network. By the end of June IME Pay had 193 486 active registered customers doing OTC transactions with agent wallets and 98 000 registered customers using their own wallets.

IME Pay has been able to develop a network of agents relatively quickly by leveraging its existing network of remittance agents as cash-in/cash-out points and its trusted brand in the remittance market in Nepal. Distributors which source and manage multiple agents have been a useful model for scaling up IME Pay's agent network quickly as distributors are able to locate and onboard agents quickly, are the first port of call for agent issues, and help agents manage their liquidity.

IME Pay customers are currently conducting airtime top-ups and bill payments, largely OTC as opposed to using a mobile wallet through the IME Pay app. P2P transfers have been limited because IME Pay has introduced a transaction limit for P2P payments, largely in an attempt to not cannibalise revenue from the IME remittance business. For IME Pay to successfully migrate customers from OTC to wallet transactions, it will have to develop more use cases for mobile wallet use beyond airtime top ups and bill payments, particularly functional P2P transfers and the ability to use the wallet to pay merchants. IME faces a number of challenges with scaling up its agent and customer network.

As a result, IME has stated that they are still in need of MM4P's assistance to help them scale their operations. In a market where DFS is new, the market players are faced with a lot of uncertainty and need reassurance from those who have significant experience in this sector.

Agents

The agents interviewed in the field had been using IME Pay from between four and seven months. They reported that the distributor who had on-boarded them onto the system had provided them with basic training. However, they stated that they would like more training to completely understand the system and training on how to attract and onboard more customers. Onboarding more customers onto the IME Pay system will result in receipt of a higher commission for agents from products sales.

For the distributor, the preferred agents are those who operate existing businesses such as stationary shops, cyber cafes and recharge shops. These locations are preferred as they are centrally located and are likely to have access to the internet. Many of these owners are happy to be associated with the IME brand and have welcomed IME Pay into their stores. However, as these agents are also business owners, the distributor runs the risk of the agent becoming inactive if their business starts doing well.

The distributor and the agents fully understood the commission structure of IME Pay, however they were not completely satisfied with it. Although one agent stated that he had switched from e-Sewa and iPay to IME pay because commission margins were higher, he also stated that he did not earn a commission from his electricity sales and instead charged his own commission when he sold electricity. Another agent stated that because he had a small customer base of only ten people per day that the commission he received was not high enough and that he made more money from selling recharge cards. The distributor stated that he manages over 100 agents and that the 10% commission he earns is not enough to cover the costs he incurs to on-board, train and manage the liquidity of all his agents.

The agents found the IME Pay system easy to use and any challenges were raised first with the distributor and then the IME Pay help desk. These challenges included connectivity issues that can cause transactions to be unsuccessful. However, where this was the case, the agent reported that the transaction was cancelled and neither him nor the customer lost any money.

Agents reported that they managing their liquidity was not a major challenge. The distributor has tried to link the agents' bank accounts to the IME Pay system and states that approximately 30% of his agents are using this method to manage their liquidity. In this way they can phone him, and he can remotely top-up their e-float. Another agent stated that they use the closest IME remit counter at the local cooperative to top up their e-float. These two examples indicate that the system is becoming more integrated and allowing the agents to top-up their e-float using a variety of different online and offline methods.

The distributor indicated that about 10% of agents were female and 90% were male, and he noted that there was no noticeable difference in their experience of the system nor in their performance as agents.

Customer

Most of the customers interviewed were between the ages of 30 and 40. They reported to have started using IME Pay because they had seen the posters and knew of IME remit, which they had used before. This shows that IME Pay was able to leverage off their existing brand when introducing a new DFS product in the market.

The type of transactions performed by these customers on the IME Pay platform are mobile top-up payments, internet bill payments, electricity payments and sending money to different parts of the country. The transaction least performed is P2P money transfers. Although they enjoy the new SMS feature that confirms the transaction for both sender and receiver, they feel that the limit on how much money you can send is too low.

For customers the biggest impact IME Pay has had on their lives is the reduction in the amount of time and money needed to pay their electricity bills. Customers stated the before IME Pay they would have to go to the local electricity office to pay their bill. This often required them to travel far distances from their homes, with one customer stating that it would cost her Rs 200 to travel from her home to the local office and that she would need to pay for her travel, water and tea on top of her electricity bill. Now with IME Pay she simply pays at the agent and can use the Rs 200 for other financial needs.

Customers preferred going to an agent as opposed to using a mobile application, largely because of power supply and mobile connectivity. Customers were concerned with the number of applications that their mobile phones could support and felt that too many applications would drain the battery. This, in combination with lack of electricity, means that if their phone dies they are not able to use the application to make payments, and they therefore prefer to go to an agent. Another customer stated that she did not have a smart phone and mobile connectivity is an issue in her area. The agents have the platform installed on their computers and have a more stable internet connection, which give her peace of mind that that the transaction will be successful.

In the case of Prabhu Management, the underlying infrastructure for a digital card-based wallet had already been developed within the Prabhu group, but the provider lacked the knowledge and experience of using this infrastructure to roll out a DFS product, particularly within co-operative value chains. Given that the Prabhu Management team was very small, **the MM4P grant facilitated a project management team dedicated to conducting the research, strategic planning and financial modelling necessary to determine where a pilot should take place (i.e. which client segment to target) and what the product should entail.** The grant also covered the cost of establishing partnerships and capacity building of dairy co-operatives, agents and merchants necessary for the pilot to be successful. In addition, **TA provided by the MM4P DFS specialist has improved Prabhu's capacity to develop card and distribution management strategies, financial forecasting tools, and financial literacy training for clients.** More detail on the dairy value chain digitisation pilot and the role of MM4P support is provided in Case Study 2 below.

Box 3: Case study 2 - Prabhu Management

Prabhu Management is part of the Prabhu group, one of the largest financial conglomerates in Nepal. Prabhu Management's core business is agent network management for Prabhu Money Transfer. It also co-ordinates with the other companies in the group to offer financial services through its agent network. It manages a network of 7,000 remittance agents including cooperatives.

Since 2015, Prabhu Management had engaged informally with MM4P by taking part in learning events that covered topics such as rural DFS and DFS for women. This early engagement helped MM4P understand the group and its needs better. Prabhu Management's formal partnership with MM4P started in February of 2017, with UNCDF's commitment for technical assistance and a grant. Prabhu Management had been looking to increase its revenue through its agent network and relationship with cooperatives throughout rural Nepal. The company had already established a digital transaction and record-keeping solution for cooperatives with Prabhu Technology and was **looking to expand into a mobile wallet offering leveraging Prabhu Bank's payment switch**. The wallet can be offered through a card and a mobile application and can be used to conduct P2P payments, merchant payments, and bulk payments among the members of rural cooperatives.

MM4P has supported Prabhu Management in the execution of its cooperative digital wallet product through a mix of TA and grants. The first phase of support focused on identifying the right customer segment for Prabhu Management to target with its product. Once dairy value chains had been identified, the project team then conducted research on the customer-facing financing needs of dairy cooperatives, what the value proposition would be for each stakeholder in the value chain (dairies, cooperatives, farmers, merchants, agents), and the development of a strategic plan for the first dairy value chain pilot. The second phase of support covered the cost of Prabhu Management's **engagement with potential cooperative partners, merchants, billers, schools and input suppliers to convince them of the business case of joining the digital ecosystem** that was being developed. The third phase supported the project team to develop training material and business pitches for the dairy cooperative and Prabhu Management agents that would facilitate the cash-in/cash-out services for the wallet. The last phase then looks to support Prabhu Management to run the first set of pilots with dairy cooperatives in Nepal.

By the end of 2017, Prabhu Management finalised most of the preparation necessary for the pilot. However, the company has **experienced unexpected delays with its technology vendor** which has prevented the prepaid cards offered to cooperative clients from integrating properly with Prabhu ATMs and POS devices. This prevented the pilot from launching as expected in February 2018. To mitigate against this, Prabhu simultaneously started working on an independent mobile solution that did not rely on cards. This solution has been launched in the market and is available to customers.

Prabhu Management has convinced three dairy cooperatives and two SACCOs to take up the product, and installed cloud-based dairy cooperative ledgers in two of the dairy cooperatives to facilitate their adoption of the DFS product. The project team has also conducted sales pitches to a number of dairy cooperatives and merchants to facilitate bulk payments. **Pilot implementation has been further delayed due to the deferred delivery of a new management information system platform** for cooperatives by Prabhu Management's vendor, meaning the pilot will likely only take place in the second half of 2018.

The cooperative that the evaluation team visited in Nepal was at the intermediate stage of deploying an OTC agent model. This means that as per its agricultural value chain digitisation approach, Prabhu Management has completed the first stage of establishing the required infrastructure at cooperatives and setting up e-Prabhu agents that currently offer OTC payment services. The next stage is to enrol cooperative members for Prabhu Rupaiya prepaid cards and set up merchant points that accept

digital payments. The cooperative has three points of representation located close to ward-level services centres, which also provide access to public healthcare, education and agriculture extension support.

Cooperative and Customers

The cooperative's early experience with the MM4P-supported project with Prabhu Management was challenging as the information disseminated by Prabhu Management about the product was limited and the uptake of the remittance services and bill payment/top-up product was slow. Members believed that the cooperative would receive a commission from the transactions and that they would bear that cost of this commission. To overcome this the cooperative had to go "door-to-door" to communicate the proposition to its members, a process which required a lot of training and awareness building. This illustrates that shifting customers onto a DFS platform incurs a high start-up cost to build awareness and create trust within the system.

For cooperative members the new system had various positive impacts on their daily lives. According to the cooperative, older members see the most value in the ability to top-up their mobile phones with airtime and make bill payments, whereas before they would have to travel long distances to access a point to perform the same transactions. However, the cooperative found that young members "only want to use a digital product". Therefore, the pilot indicates that the youth segment of their target market is more open and willing to use DFS while the importance for mature adults is minimising the time spent traveling to a pay point.

The cooperative reported that the users of the Prabhu Management's products and services are generally repeat customers, especially for remittances. This is a positive finding and illustrates uptake and continued use of DFS products. The cooperative reported that transaction amounts keep increasing each day as word of mouth spreads – particularly for electricity payments, which illustrates that customers trust the system and think that other people should be using it too. The cooperatives further indicated that customers do see value in a card-based payment proposition because it improves their ease of access to and use of payment services. For example, customers can pay for TV services from their home instead of having to come into the cooperative office or visit a far-away agent.

The cooperative confirmed that the biggest challenge to financial inclusion for its members was geographic distances, with distances to a bank branch cited most frequently by participants. In addition, they mentioned that bank savings product minimum balance requirements were too high and that banks do not offer microcredit. Limited financial literacy among members was also cited as a constraint to the uptake of DFS, especially when those DFS include credit products (and will thus be a particular challenge in the case of second generation DFS products).

The introduction of new products and services was challenging for the cooperative as they were not aware of Prabhu Management's processes and onboarding requirements. The cooperative staff also needed significant training to become comfortable with the product set. This improved over time as Prabhu Management provided a support centre to offer phone-based support to the cooperative staff.

The customers were initially hesitant to use new services and were afraid that the cooperative would take a large commission on the payments, indicating the need for awareness building and customer education. The customers are also sometimes frustrated by internet failures or electricity outage, which happen frequently. These are ecosystem level issues that are largely out of Prabhu Management's control.

Both remittance providers reported that although they were planning on heading in this direction anyway, **MM4P's support has allowed them to reach this stage more quickly and with fewer mistakes**. The outcome of MM4P's support has been the **establishment of new digital payment rails, from which a variety of use cases can be developed**. While both providers are confident of the sustainability of their

products – citing 4-5 years as the time period required for the investment to break even – this hinges on their ability to scale up and develop these additional use cases. There are a number of issues which will make this difficult. For IME, **poor infrastructure and low user trust in digital solutions** means that most customers are conducting IME Pay transactions OTC. This diminishes the ability to develop more use cases (and revenue) for wallet customers. For Prabhu Management, low uptake and trust in digital technology among cooperative communities is a challenge for getting input suppliers and merchants on board, a critical requirement for encouraging active usage among dairy farmers and cooperatives.

With two non-bank providers establishing digital payment rails, MM4P shifted its provider focus more recently to establishing partnerships that develop use cases around these rails. In the case of IME, **a grant to the group's technology arm, Swift, funded a project team to conduct solution prototyping and technology development, demand and supply-side research, and awareness and capacity building** necessary to pilot a mobile payment and market information solution for farmers built on to IME Pay's digital wallet. The TA provided by **MM4P's DFS expert was critical in coordinating and driving the research and pilot, and in the user-interface design of the product** given Swift had no experience with customer-facing app design. In addition, MM4P helped connect IME/Swift with two ecosystem partners – MFIs to provide input credit to farmers, and Mercy Corps to conduct financial literacy training among farmers – which the group would not ordinarily have been exposed to. Although the project is still in pilot stage, Swift is confident that the app will break even within 2-3 years after scaling up to the rest of Nepal. However, a number of challenges are being experienced – **poor and unstable network connectivity** led to delays in customer enrolment during the pilot; and the typical users of the app have **very low literacy rates**. The latter is being addressed by the use of human centred design that has incorporated graphics for instructions in the app rather than written instructions.

In the case of Prabhu Management, MM4P has facilitated a partnership with SunFarmer to develop digital PAYG irrigation and value chain payments using the ePrabhu digital wallet. MM4P's grant support to SunFarmer funded a **project team for the provider to test whether their proposed model could feasibly be scaled up, including a strategy for scale up after the pilot**. The TA provided by MM4P's DFS expert was critical since SunFarmer had no DFS experience and needed assistance with understanding what was possible and how it could technically be undertaken. MM4P's established relationship with Prabhu Management **generated trust with the partnership and sped the process up considerably**. The partnership is still in its early stages and the pilot is scheduled for late in 2018. There are a number of risks which MM4P is aware of and is trying to mitigate – these include SunFarmer's lack of experience with contract farming, cartels within Nepal's vegetable value chains hampering farmers' direct integration with buyers, and potentially a poor appetite for DFS uptake among farmers.

Most recently, MM4P has partnered with Tootle to investigate a range of financial and non-financial use cases for delivery services using digital wallets. **MM4P's TA was necessary for Tootle to envisage how it could broaden its ecosystem**, particularly bringing in international practice from Uganda. MM4P's existing ecosystem partnerships with digital wallet providers will also be instrumental in Tootle's ability to develop ecosystem connections.

Across the provider partnerships, the following MM4P attributes are valued by providers:

- **MM4P's TA is highly valued because of the quality of technical knowledge and depth of expertise.** This value is accentuated when the TA is provided by DFS experts, rather than external consultants, because the DFS experts' closeness to the business allows them to provide influential advice, and their responsiveness to provider needs means they are trusted advisors so that the advice has impact. In addition, MM4P's international experience is highly valued given the immaturity of Nepal's DFS market and the lack of domestic learnings from other providers.
- **MM4P's grant support is valued by providers with limited DFS knowledge** that need to spend significant time and resources on market research, product design and prototyping, and customer and agent enrolment and awareness to get to pilot stage. The role of MM4P's DFS experts as

project co-ordinators, and in influencing the pace of project implementation that the grant funds, is also valued.

- **MM4P's convening power through its network of ecosystem partners is highly valued** because MM4P supports connections between private providers, and because MM4P's relationship and influence with the regulator has assisted providers with the process of obtaining e-money licences.

8.3.2 Ecosystem level

Policy and Regulation

In 2014 MM4P supported the NRB with the development of the **'Nepal Payment System Strategy'** that would give rise the payment system department and the licensing policy for payment related institutions. The new payment systems department ensures that the infrastructural component and markets for the provision of payment system work smoothly, efficiently and fairly for all participants. The licensing policy has allowed non-bank wallet providers to design, pilot and implement their new services to the Nepali public with confidence as a regulated activity. The policy is cited as one of the key successes of MM4P and, since the development of the payment systems department, it has received 96 applications for PSP licenses, it has issued ten letters of intent, and has issued licenses to three non-bank providers (IME Digital, e-Sewa and Prabhu Management). The license has allowed non-banks to provide e-money wallets, thus extending the reach of DFS to rural populations and allowing providers to move from the pilot phase of their projects to a full-scale launch of their product.

MM4P has also supported the NRB with the development of an application called 'NRB Data Connect', built by Smart Solutions, which **collects data from all regulated banks and non-bank providers in Nepal, stores the data in one central system, and provides NRB users (and limited public access) to a data analytics dashboard**. The system has undergone a soft launch and has three main benefits:

"One of the key successes of the new system is that it is easier to report the data, there is a check and balance to ensure that all the information is submitted."

– Partner

- (i) **It is GIS enabled allowing it to map out financial transactions through bank branches and agent networks and provide data for more informed policy decisions.** This is a key success of MM4P as the NRB did not have a full map of the financial system and therefore could not accurately determine which regions of the country had limited access to financial services. However, with this oversight they can better inform their engagement with providers around adequate financial service coverage, and provider are better able to plan where to set up branches or agent networks given population densities and existing gaps.
- (ii) The system houses all of the country's financial data and tracks the liquidity of all banks regularly. It **has thus become integral to the NRB's supervisory function**, and the use of the application is therefore sustainable since the bank depends on it for its everyday operations.
- (iii) **The system has ensured the collection of gender disaggregated data**, whereas, previously banks had not been required to report on gender. It is now a key reporting element of the system, which will build a database of financial services users that can be disaggregated by gender.

In addition to the work with the central bank, MM4P (in conjunction with the World Bank) has assisted the Department of Civil Registration with the development of its e-payment strategy. **The strategy will see the digitization of the county's social security payments to 2.1 million people**. The strategy has been approved and a letter of no-objection was received from NRB. Commercial banks can apply to deliver social security payments alone or in a consortium with other financial institutions. The delivery of social security

payments through DFS **has seen the promotion of linkages between different types of the financial institutions**, and the strengthening of the DFS ecosystem.

Market Convenors

MM4P has facilitated the formation of partnerships within private stakeholders in the ecosystem through its network of connections. For Nepal, where the DFS market is relatively nascent, this convening role is particularly useful since collaboration between different players usually occurs in markets further down the DFS market development path. MM4P has played this convening role in three notable cases:

1. On Mobile Krishi, MM4P facilitated connections between IME/Swift and the MFIs required to provide loans to partners, as well as with MercyCorps to provide financial literacy training to smallholder farmers on the Mobile Krishi platform;
2. For the SunFarmer PAYG irrigation project, MM4P facilitated the connection of SunFarmer with Prabhu Management to provide farmers with a digital wallet; and
3. For Tootle, MM4P's existing relationship with digital wallet providers is helping Tootle to expand its plans for digital payment services from a closed-loop service to offering customers the ability to make payments with multiple digital wallet options.

Furthermore, data from the 2018 APS and indicates that providers feel that **one of UNCDF's biggest contribution is the improved collaboration with other DFS stakeholders.** Therefore, one of the key successes of MM4P Nepal is its ability to convene key market players and establish successful partnerships.

By working with various partners across the ecosystem, MM4P has been able to assist private providers with obtaining the licence that enables them to operate as regulated DFS providers in Nepal. MM4P has supported the NRB with the implementation of a payment service provider and system operator licencing regime. With this knowledge and influence, MM4P was able to assist IME secure their e-money licence. This shortened the process as MM4P knew what was needed for IME to be compliant with the regulation.

Unlike many of the other MM4P countries, the convening role in Nepal has not resulted in a DFS working group. Together with the World Bank, MM4P has convened stakeholders together for knowledge sharing workshops. However, these did not constitute a DFS working group and, although this was original part of MM4P's work plan in Nepal, the decision was made to delay this. This was largely due to the NRB undergoing organisational change, and the fact that the payment's department had not yet been established, meaning there was not yet a natural home for the working group to be housed.

Knowledge Management

The relationships developed in the Nepal DFS ecosystem are maintained through the communication and knowledge management channels of MM4P. Knowledge is disseminated through newsletters, blog post and social media (Facebook and Twitter) as well as through UNCDF's programme website where MM4P Nepal has its own page. Data from the APS in 2018 indicates the four out of four providers that responded felt that **UNCDFs publications had influenced their organisation's work in DFS. The greatest contribution made by MM4P publications and events is that the organisation applied/used lesson learnt and benchmarks from DFS in other countries shared by UNCDF**, this illustrates that organisation have valued the information and used it to inform their own DFS development. The least contribution the knowledge sharing has made is to the

“We have increased our capacity to communicate with ecosystem players on a more regular basis, to do this we use newsletters to capture the state of financial inclusion.”

- MM4P

increased interest from senior management to introduce, expand or improve DFS. This indicates that publications are either not targeted at senior management or that they have not been influential in senior management's decision making. Based on this information, MM4P should focus its knowledge sharing effort on sharing lessons learnt from other markets as this is seen as the most valuable information.

“MM4P’s events are valuable to raise awareness of DFS issues in the market and encourage them to conduct more of these workshops to stimulate discussion and coordination among policymakers, regulators, donors and private providers.”

– External

However, the team in Nepal understands that key stakeholders, such as **people in government or CEOs of organisations, have limited capacity to absorb large quantities of information** that is not immediately relevant to business outcomes. To overcome this constraint, the team reported to set up face-to-face meetings or to tag stakeholders directly on micro-blogging sites, such as Twitter, where content relevant to their operations is produced.

The information disseminated by MM4P chronicles successful case studies that MM4P has contributed to. According to the APS, in 2017, the most valuable publications were the IME journey and the Tea Value chain. However, **market players indicated that they wanted more balanced content of what worked and what did not work.** From the former, market players would like

to see examples of international projects that have been successful, as well as information as to whether these would work in the Nepali context. From the latter, they can extract the key lessons of what to avoid doing when developing their own DFS product.

During the early phase of the programme, MM4P organised various activities such as coordinating workshops related to DFS. **These events were considered valuable in raising awareness around DFS issues in the market.** The discussions were useful to not only share knowledge but to promote discussion and coordination among policy makers, regulators, donors and private providers. However, the events became too expensive to host and have since reduced.

8.3.3 Programmatic

MM4P’s early activities focused on generating buy-in were considered necessary for the programme to establish its presence and sensitise stakeholders within the financial ecosystem to DFS issues. In addition to this ecosystem development, this buy-in phase was useful for MM4P to become acquainted with potential partners and to assess their businesses. The early partnerships stemming from this evidenced the value of small pieces of TA on strategy advisory to gain a partner’s buy-in. By earning the partner’s trust at the same time as learning about their business, MM4P was able to assess whether a partnership was unlikely to yield further results – as was the case with the banks – or where to prioritise further support, as with the case of IME.

Once viable partnerships had been established, MM4P’s shift from using external consultants to having in-house DFS experts conduct most of the TA was a valuable strategic decision. MM4P realised that developing close relationships with its partners was critical. Having one MM4P DFS expert conduct a range of short and longer-term TA for a partner resulted in relationships of trust being developed where providers opened up about their confidential data, providing the DFS expert with more opportunity to influence decisions as a trusted expert. Being closely embedded within partner organisations has also facilitated more programming opportunities for MM4P. For example, developing close relationships with the entire IME Group resulted in MM4P being approached to support the Mobile Krishi project. In addition, since MM4P has established a reputation in Nepal, particularly for this type of TA rather than grant-making, it has become easier to find partners as more stakeholders are making requests for this type of support.

MM4P Nepal’s limited budget has meant that the focus of programming has been on TA rather than grants. This focus on TA has been successful at getting partners to invest in DFS activities.– For example, the IME Group has invested far more into its digital wallet product than the value of TA provided by MM4P. However, small grants have also been useful to create an incentive for providers to grow their own capabilities. The grants provided in Nepal have focused on preparing providers for executing pilots – this has allowed providers to grow their own in-house DFS expertise, and the focus of grant funding in areas where providers would not typically invest funds. In addition to formal TA and grants, **the presence of a strong in-country team of DFS experts allows for low-effort engagements which can have a relatively large impact on the ecosystem** – such as introducing partners to one another, helping providers put together funding applications, and facilitating relationships between providers and regulators.

The programme’s focus on ecosystem development from the beginning was critical given the nascence of Nepal’s DFS market. As the DFS market is still in the early stages of development, support for ecosystem development will likely be required for some time. In addition to supporting regulatory developments, **the programme’s future contribution to ecosystem development is likely to be in the development of further use cases around the digital payment rails that have been developed.** This focus on use cases will also provide the programme with the **opportunity for greater impact around gender outcomes.** In the early phase of the programme, gender issues were not a prime focus of partnerships, largely because providers were focused on building the rails first before focusing on specific client segments. However, gender is becoming a larger focus of programming with the shift to use cases, e.g. female farmers groups with Mobile Krishi, and Tootle actively looking at how to hire more female drivers.

“UNNATI provides financial assistance, through this funding we have opened 5 new branches in rural areas”

- Partner

MM4P has successfully collaborated with other UN programmes in Nepal. MM4P was able to leverage the existence of the UNCDF A2F UNNATI challenge fund in Nepal to fund its early programming. MM4P has a formal relationship with A2F whereby the MM4P team manages engagements with beneficiaries that are also MM4P partners. This prevents having multiple contact points for UNCDF within these partners, and also allows the MM4P team to provide ad-hoc DFS support for these partners. Although MM4P does not have formal partnerships with other UN programmes in Nepal, the MM4P

team participates in monthly meetings in Nepal to understand what the other UN programmes are achieving, and other UN programmes in Nepal are invited to MM4P’s stakeholder workshops when they occur.

MM4P has also collaborated successfully with other donor programmes. The World Bank has been a useful partner for MM4P on G2P digital payments. The World Bank already funds the government for the digitisation of their databases and, although the partnership with MM4P is informal, MM4P is listed as the technical partner for payments within the World Bank’s MoU with the Nepal government. MM4P and the World Bank also co-funded a cost/benefit study of digital G2P payments. MM4P also co-operates with other donors in the government’s social protection task team (IFC/WB, DFID and UNCDF) and the cash relief beneficiary groups (donors bringing in cash for emergencies). There are a variety of other donors operating in the financial inclusion space in Nepal. However, most of these donors are known for providing large grants, so there is little competition with MM4P in terms of programming opportunities. However, other donor programmes can sometimes frustrate MM4P’s activities in Nepal, e.g. the donor saturation of banks around agency banking, and donors aggressively pushing government to shift to digital G2P payments when the necessary prerequisites are not in place. On the latter, MM4P was able to develop a relationship with the donor in question and to mitigate these effects through the relationship.

MM4P Nepal’s current staff capacity is sufficient but may become insufficient if new partners are on-boarded, which may be required given the shift in programming to uses cases. The approach of having one team member dedicated to various partners has worked well in building relationships of trust, so the team is currently looking to hire another resource to replace one of the DFS experts whose contract is

expiring. There is a benefit of hiring someone who is based locally in being available to develop long-term relationships with providers.

8.3.4 Revisiting the theory of change

MM4P Nepal has largely carried out the activities envisaged in its results chain, in the phasing articulated in the programme TOC. The first phase of buy-in activities were successful at establishing MM4P's presence in the market, and allowing the team to assess which partners to work with. Direct activities supporting providers have had mixed results. In particular, the work with banks and the MNO has not resulted in the providers having the willingness and ability to expand DFS significantly, largely due to issues around commercial viability. Work with the remittance providers, however, has resulted in the providers investing significantly in the pilot of new DFS products, with the intention to scale up after pilot phase. Direct support of regulatory and policymaker stakeholders has yielded the expected results, with the central bank having introduced an enabling DFS licencing regime, and with the government of Nepal committing to an e-payment strategy.

These DFS stakeholder outcomes are expected to lead to positive customer outcomes as providers make DFS more accessible, affordable, reliable and understandable to clients, supported by the right regulatory oversight. There are some examples thus far where providers have used human-centred design to implement relevant DFS products for poor consumers, or engaged in customer education and awareness campaigns to build the understanding and buy-in of DFS among customers. However, **DFS awareness and trust among customers in Nepal remains low, given the nascent stage of the market, and it is not yet clear how successfully supported providers will be able to scale up their products after the pilot stage.** One of the largest issues at the client outcome level is the range of exogenous factors which mitigate customer trust in and uptake of DFS – including poor mobile phone coverage, reluctance to make use of smartphones due to data and electricity costs, and a preference for agent-assisted transactions.

The achievement of sector outcomes, as articulated in the MM4P theory of change, is dependent on the regular use of DFS by customers and the growth and sustainability of DFS providers, resulting in the crowding in of other market actors. **The programme in Nepal has not yet reached these objectives since DFS providers are still in the pilot phase of introducing their DFS offerings, and as a result customers have not yet become regular users.** Once these products have been scaled up, there is the potential that, if sustainable, this evidences the business case of using DFS to reach underserved customer segments for other providers. In combination with an improved regulatory environment, this has the potential to crowd in other DFS providers at a later stage of the programme. However, the programme's shift to building additional use cases around these new digital payment rails shows promise as a more diverse set of stakeholders are getting involved in the DFS ecosystems. Furthermore, should the government e-payment strategy go forward as planned, this will add impetus to providers (particularly banks) to develop their distribution channels for high volume payments through an added commercial incentive.

8.4. OVERALL ASSESSMENT

- MM4P has operated within a difficult LDC market context, one that was particularly thin on DFS market development at the time the programme started. Thus far, the programme has facilitated significant shifts in the market including the establishment of a payment systems department and a non-bank digital payments provider licencing regime within the central bank, and the establishment of digital payment rails among two of the country's largest financial consortiums.
- MM4P has developed a strong technical team that is trusted as DFS advisor amongst a variety of ecosystem stakeholders within the market. The use of permanent DFS experts in particular has been leveraged to develop long-term relationships with key private and public partners that are contributing to the development of the DFS market in Nepal.

- MM4P support has had mixed outcomes amongst its partners. In some cases, projects have not lead to any sustainable scaling up of DFS activities, or have been cancelled due to a mix of partner and external constraints. In other cases, results are more promising as partners invest in the scale-up of DFS solutions, and as new use cases surrounding the digital payment rails that are emerging evolve. Overall, the nascence of Nepal's DFS market has meant that progress is slow, but the pace of progress is picking up as the DFS environment becomes more enabling and as customers become more familiar with DFS products.
- The programme still faces a challenging market context, and significant funding constraints, which has the potential to limit further development. This includes poor digital infrastructure, low awareness and trust in DFS among customers, and customer preferences for OTC rather than wallet-based transactions. This suggests that there is a strong role for MM4P to play going forward for some time still as market facilitator and convenor to address these constraints which are apparent across the DFS ecosystem.

8.5. RECOMMENDATIONS

- **MM4P should consider the phasing of its provider work based on thorough feasibility assessments**, particularly ensuring that the necessary prerequisites are in place (or likely to be in place) before supporting a partner to pilot a new DFS product. In the example of NCell, while MM4P knowingly took the risk to begin the pilot before licensing was approved, not having regulatory approval in place before launching the pilot contributed to the project being cancelled with a sunk investment cost that did not contribute to any customer outcomes. In Uganda, MM4P took a similar approach with respect to agent banking, but (unlike Nepal) approval was granted when the legal framework was instituted and the pilots with two commercial banks proved successful.
- **It may be appropriate for MM4P to include the formation of a DFS working group in its schedule of programming** over the second half of the programme. DFS working groups have been a key success in a number of other MM4P countries, and the NRB and a number of DFS providers are now in a position where they will be able to actively participate. The programme should consider the sustainability lessons from other MM4P countries by encouraging the formation of an industry association from the beginning that could take over the running of the working group once MM4P programming ends.
- **There is room to adapt the country's results measurement framework as programming progresses** by incorporating new programming developments and capturing a fuller range of outcomes. This could include the role of innovation as a specific channel in the results chain as programming focuses on supporting innovation around additional uses cases, as well as including the role of knowledge management outputs in the existing results chain. It may also include a better articulation of gender outcomes within the customer outcomes of the results chain as the programme shifts to a greater focus on gender (e.g. female farmer groups in the Mobile Krishi project, and female drivers with Tootle).
- **MM4P's knowledge management outputs need to capture lessons learnt on project failures as well as project successes.** This is important to inform ecosystem stakeholders about the full range of lessons the programme generates, and to prevent the same mistakes taking place among other stakeholders. These should include lessons regarding cancelled projects (e.g. NCell) as well as factors that contribute to ongoing project delays, or changes in project design that have been conducted in hindsight.
- Since MM4P has gained greater traction among partners where a long-term relationship with a DFS expert has been developed, rather than an external consultant, **MM4P should ensure it has sufficient permanent staff on long-term contracts available to manage partner relationships.** This is particularly important given that one of the programme's technical specialist's contract is ending soon, and given the increase in programming opportunities that are being presented as the programme matures.

9. APPENDIX 2: SENEGAL COUNTRY REPORT

Senegal



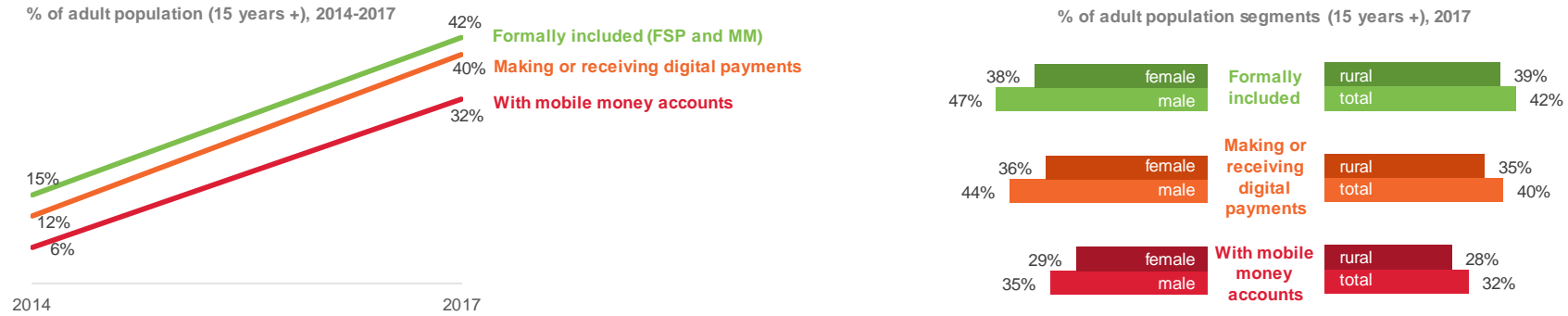
G:ENESIS
UNLOCKING VALUE



Unlocking Public and Private
Finance for the Poor

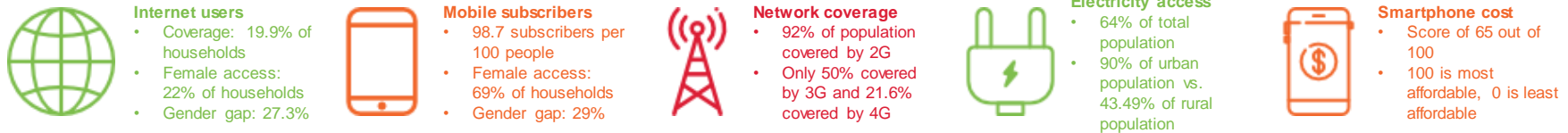
9.1. OVERVIEW OF THE DFS MARKET

State of financial inclusion



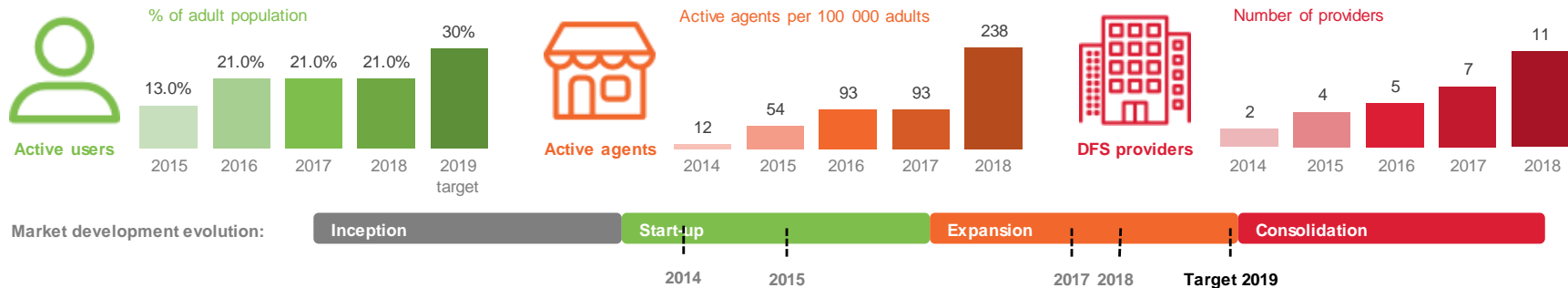
Source and notes: Global Findex Database, 2014-2017, World Bank. Usage statistics are reported over a period of 12 months

Digital infrastructure



Source and notes: Inclusive Internet Index, Economist Intelligence Unit, 2018; Statistics are reported for the year 2016/17

Digital financial services ecosystem



Source and notes: MM4P Senegal RM framework; Active users, agents and DFS provider figures are the latest available for the year 2018;

Senegal is the second strongest economy in the West African Economic and Monetary Union (WAEMU) after Côte d'Ivoire with an evolving financial sector. As shown above, the percentage of the adult population with an account at a formal financial institution rose from 11.9% in 2014 to 20.4% in 2017. When accounting for mobile money accounts, that increases from 15.4% in 2014 to 42% in 2017, indicating that mobile money is now playing a significant role in financial inclusion in the country. To date, the DFS market in Senegal has been dominated by OTC transfers, launched by Wari (who remains the market leader) in 2008. Orange launched its mobile money offering, Orange Money, in 2010. There are now two MNOs with e-money licenses in the country (Orange, Tigo) and a third, Espresso, working with its bank partner's license. Mobile money and OTC agent networks have expanded access points considerably (agent exclusivity is prohibited). However, while uptake of DFS is growing, usage remains relatively low, particularly among women and in rural areas, and remains limited to first generation products (cash-in/cash-out, airtime top-up and P2P transfers).

In recent years, OTC providers have begun diversifying their offer, and some banks are starting to roll out their own mobile banking apps and merchant payment solutions. Besides traditional financial service providers, the market has also seen the rise of numerous fintechs in sectors such as payment aggregation, goods vouchers, crowdfunding, mAgri and mHealth. On the policy and regulatory front, Banque Centrale des Etats de l'Afrique de l'Ouest (BCEAO) was considered an early mover among central banks globally when it came to mobile financial services and branchless banking. However, a number of regulatory challenges persist, namely the absence of an agency banking framework for MFIs, payment interoperability, and guidelines on digital credit within a capped interest rate environment. In April 2018, the telecommunications authority opening Unstructured Supplementary Service Data (USSD) access to non-MNO providers, which is considered an important advancement in curtailing MNO market dominance.

Some of the commonly cited constraints to greater DFS uptake include lack of sufficient infrastructure and education (and literacy and numeracy rates). While mobile penetration is high, there is a prevailing gender gap, and network coverage and electricity access is low in rural areas. Gender inequality in financial decision making also leads to the exclusion of women - in the World Bank's Financial Capability Survey, only 23% women reported to be in charge of everyday household expenditures, compared to 36% of men²¹.

9.2. MM4P IN SENEGAL

MM4P launched in Senegal in April 2015 as one of the three countries (along with Benin and Zambia) included in the Mastercard Foundation grant to MM4P (USD 24,922,231 total), focused on ecosystem development. The first two years were predominantly focused on generating awareness and buy-in from the market actors. This included sharing demand- and supply-side research; establishing the DFS Working Group in collaboration with BCEAO and the Ministry of Economy, Finance and Planning; hosting workshops on different DFS business model options for FSPs; and providing various training sessions for stakeholders. A couple of projects involving the provision of technical assistance and/or grant funding to partners began in late 2015/early 2016 (one of which was subsequently cancelled), but the bulk of programming began in 2017.

The MM4P team has four staff members based in the UNCDF regional office in Dakar – a Technical Specialist, DFS Expert, KM Consultant and Programme Assistant. MM4P Senegal has worked closely with the YouthStart team, and Senegal is the only MM4P country where BTCA also has an in-country presence. MM4P and BTCA have worked together on ecosystem events and dedicated projects with the Direction Générale de la Comptabilité Publique et du Trésor (DGCPT) and the National Bureau of Statistics (ANSD).

²¹ World Bank, 2016, Enhancing Financial Capability and Inclusion in Senegal

A longitudinal study at customer level is being conducted in Senegal, with support from the Mastercard Foundation. The research is being conducted by MicroSave and aims to understand pathways to adoption, usage, and impact of DFS using qualitative and quantitative data collection methods.

9.2.1 Results chain

As with all MM4P countries, MM4P Senegal has a detailed and complex results chain. Activities are categorised according to initial and advanced activities, as well as direct support. There are two broad areas contained in the results chain – one for support provided to the Central Bank, and another for support provided to DFS providers. While assumptions are not explicitly articulated in the results chain, there are some key underlying assumptions, including (but not limited to):

- Increased knowledge, ability and interest among providers, distribution partners and government will lead to greater investment in improved and innovative products and distribution models for expanding DFS, and that this will lead to improvements in accessibility, affordability, reliability and customer experience with DFS. Implicit in this is the assumption that partners are incentivised to introduce new access points, products or services that meet client needs, and that MM4P catalyses these investments. A critical assumption is that these can be delivered at a price point that is affordable for customers and financially viable for providers.
- At customer level, awareness of DFS leads to understanding of its benefits, then to knowledge of how to use DFS, and this (combined with access) leads to uptake.
- Crowding in of other providers occurs when the business case is proven (i.e. customer regularly use DFS and the products or services are financially viable without MM4P support).
- MM4P reports a strong focus on supporting providers to understand and meet client needs through human-centred design, which is not explicitly described in the results chain.
- Gender dynamics (and the barriers facing women in particular) and women-focused programming are not described in the results chain, but are reflected in RM indicators and project documentation.
- The DFS Working Group is only included in the section/chain that relates to the regulator and achieving improvements in the policy and regulatory environment for DFS. In reality, the objectives of the Working Group go beyond this, and include convening stakeholders from across the sector, providing a forum for sharing knowledge and experiences and encouraging the formation of new partnerships.

Given the early stage of many of the projects supported by MM4P, and the time spent on generating buy-in, it is difficult to assess the programme's fulfilment of the full results chain. Some activities have not yet been implemented, some engagements are only just starting to produce outputs, while others are starting to produce stakeholder and customer outcomes.

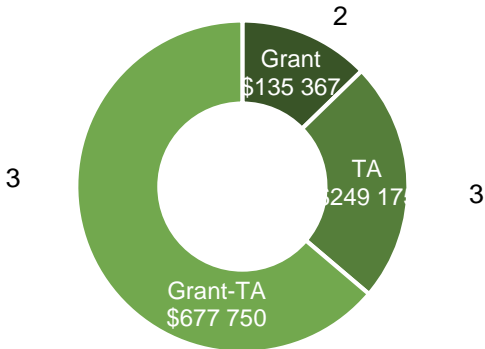
9.2.2 Partnerships

The figures below provide an overview of the projects supported by MM4P in Senegal to date. As at 7 June 2018, 3 projects had been completed, 5 were ongoing and 7 were in the pipeline. One project, to support Tigo with the development of a digital saving and lending product, was cancelled following changes in leadership and strategic direction within the team that oversees Tigo Cash. To date, projects supported by MM4P in Senegal have been focused on Distribution, High Volume Payments and Providers. The pipeline includes projects in these workstreams, as well as one each in Policy and Regulation and Customers.

The bulk of MM4P's allocated project budget has gone towards projects that include both a grant and TA component. These include supporting Caurie Microfinance to pilot the digitisation of the credit process for its village banking product, supporting the set-up of 150 brand new Orange Kiosks managed by young entrepreneurs in peri-urban and rural areas (in partnership with YouthStart), the expansion of rural agents

with InTouch, and supporting the launch of a digital credit and saving products with PAMECAS (an MFI) and InTouch (a fintech).

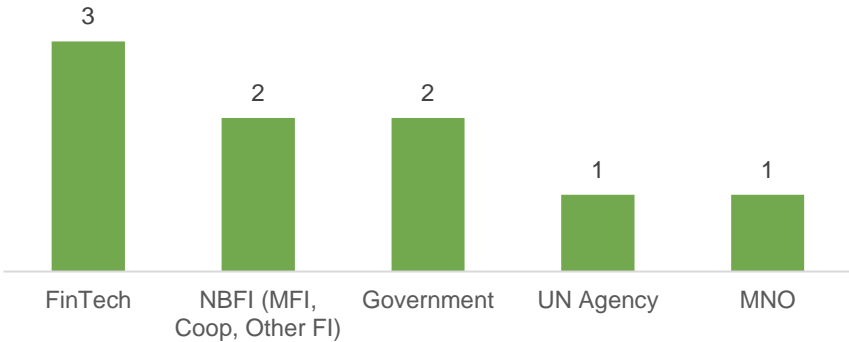
Figure 7: Number and value of closed and ongoing Senegal projects by type of support



Source: MM4P Pipeline 7 June 2018

MM4P Senegal’s closed and ongoing projects have been spread across a range of stakeholder types, predominantly fintechs, non-bank financial institutions and government. Excluding the cancelled project with Tigo, MM4P is supporting one project with an MNO (Orange) and is working with the World Food Program (WFP) on the digitalisation of payments of social cash transfers in Senegal.

Figure 8: Number of Senegal projects (closed and ongoing) by type of partner



Source: MM4P Pipeline 7 June 2018

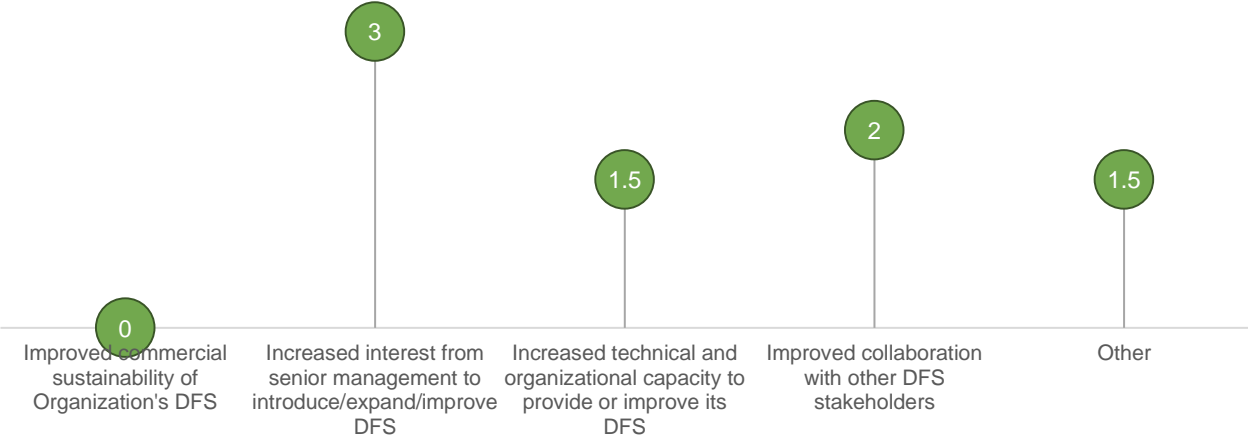
9.3. FINDINGS AND ANALYSIS

9.3.1 Partnership level

For many MM4P partners, such as PAMECAS, InTouch, Caurie Microfinance, WFP and SUDPAY, **the project MM4P is supporting was already part of their business plan or strategy (as intended in the ‘improve’ phase of MM4P’s engagement methodology)**. In these cases, MM4P provided them with the means to implement the project, helped shape how the project should be designed and/or accelerated its rollout. Partners also reported that working with MM4P has resulted in an **increase in their knowledge and capacity with regards to DFS**, particularly government agencies (who may not traditionally work in this sector) and regulators (who appreciate being informed and up to date with developments in a fast-moving sector that is considered to play an important role in financial inclusion).

The most recent APS completed with stakeholders in Senegal (3 out of 6 respondents have received direct support from MM4P Senegal) found that the most commonly cited contribution of MM4P to their organization was 'increased interest from senior management to introduce/expand/improve DFS', followed by 'improved collaboration with other DFS stakeholders', as shown in Figure 9 below.

Figure 9: Ranking by APS participants of how MM4P has contributed to their organization's work in DFS (weighted average) n=6



Source: MM4P APS 2018

None of the APS respondents reported that MM4P had contributed to the commercial sustainability of their organisation's DFS. This is consistent with interview findings, where the **sustainability of the projects supported by MM4P remains uncertain**. This may be due to it being too early in the implementation of the project to make an assessment of success and sustainability, while in other cases, future sustainability will depend on further external support that has not yet been confirmed, or on overcoming structural weaknesses within partners. More detail on some of these challenges are highlighted in the Caurie Microfinance and BASIF-Orange youth kiosk case studies detailed in Box 4 and Box 5 below.

Box 4: Case study 3 – MFI credit process digitisation

Following MM4P-hosted workshops with 15 MFIs operating in Senegal, Caurie Microfinance was asked to submit a concept note and was selected to receive MM4P support. In November 2016, MM4P facilitated an individual workshop with Caurie, including representatives from their senior management team, to frame the project - piloting the digitisation of the credit process for Caurie's village banking product, by using personal digital assistants (PDAs). The project included both a grant and TA components. PHB Development was selected to provide the TA, which included a customer study, training of staff, the development of a procedure manual, and ongoing support through the pilot process.

The pilot was launched in May 2017. Despite initial resistance from staff members, 29 credit officers were trained to use the PDAs and at the end of Q3 2017, 19 468 clients (predominantly women) were served using the new tablets and credit procedures. **The project has resulted in greater efficiency** – on average, group meeting times have reduced by approximately 30%, saving time for credit officers and group members, who now have more time for their other activities and have more confidence in the data and process. Caurie staff members have also reported time saving for accounting reconciliation, improved data accuracy, reduced approval time for new loans or loan roll-outs, and reduced operational costs (although these have yet to be quantified). However, other components of the credit process are still manual. For example, disbursements are still made in cash, and credit applications are assessed manually. Caurie has an IT team that is able to maintain the PDAs purchased as part of the project, but it is unclear if Caurie will be able to purchase more PDAs without additional financial support.

The project has reportedly **raised Caurie Microfinance's profile in the DFS ecosystem** in Senegal and beyond - following the release of MM4P KM material on the project, Caurie was invited to present on it in Morocco.

This project was **part of a global digitization project that has been part of Caurie's development plan** since 2015, and MM4P's support helped them speed up the process. However, Caurie has also received ongoing support from French NGO, PAMIGA, for a range of other activities. The next steps in digitization are to launch bank-to-wallet and mobile banking solutions and roll out an agent network, and Caurie is looking for partners (e.g. fintechs) and technical support (from MM4P and other organisations) for this. There will be a number of challenges to overcome in the next phase - credit officers report that connectivity is a challenge in the field and most of the group members they work with don't use mobile money, largely due to low literacy levels. **Financial viability thus remains unproven.** One of Caurie's key competitors, Microcred, has successfully expanded its Baobab agent network with support from Mastercard Foundation and this has helped demonstrate to Caurie that their future plans are possible.

Box 5: Case study 4 - Youth DFS agents

Following a request for applications (RFA) issued by MM4P Senegal in 2017, Banlieue Action Solidarité Immobilier Finance (BASIF) SARL, in collaboration with an MFI, Partenariat pour la Mobilisation de l'Épargne et du Crédit Au Sénégal (PAMECAS), were selected to set up 150 new Orange kiosks managed by young entrepreneurs in peri-urban and rural areas of the country. The project included both grant and TA support. This was a joint collaboration between MM4P and YouthStart and the TA was provided by representatives from both teams, as well as Amarante Consulting. Dimagi was also hired to develop an application to monitor the kiosks, including transactions and cash flow. BASIF acts as the franchisor – they select and train the young people and act as surety for the loan provided to the youth by PAMECAS receives. BASIF receives a proportion of the agents' commission. BASIF also provides stock to the kiosks that can be sold to customers, such as headphones and mobile accessories, the profit of which is shared between the agent and BASIF.

The Genesis team interviewed two of the youth agents, both of whom are young women and reported that being an agent in their own community has helped them build relationships with community members, who are happy to support them and their business. Both agents are now able to **save for the future and provide some money to their parents.** Challenges raised by the agents included network connectivity and technical challenges where transactions either don't go through, or do go through but the system says it has failed. Liquidity was not mentioned as a challenge as BASIF provides cash management support to the agents, and one of the agents is located very close to a PAMECAS branch. Both agents would like to grow their business by stocking more items for sale in their kiosk, such as beauty products, but Orange currently limits what they can stock.

Despite the intention of rolling the pilot out with 15 kiosks in 2017, **the project was delayed** and only 6 kiosks were up and running at the end of June 2018 (all of them run by young women). Delays were caused by a prolonged negotiation between BASIF and PAMECAS and delays in obtaining authorisation from local authorities to open the kiosks. Some of the youth were unable to meet the initial financial requirements to become kiosk owners or supervisors, BASIF had to provide small loans to those who could not make the mandatory deposit to open the account at PAMECAS, and some supervisors hired by BASIF did not have the mode of transport needed to make their rounds. **Structural weaknesses within BASIF** have also been identified. BASIF has experience in working with young people in rural areas but has no DFS experience, and liquidity management, operational efficiency and skills management have continued to be challenges, despite the TA provided. In light of these challenges, **MM4P has recommended reducing the scope** of the project in terms of number of kiosks and areas, and to reframe the TA provided to BASIF to help achieve the redefined targets.

Sustainability is a concern with this project. While BASIF is the owner of the Dimagi application, MM4P is currently covering the cost of it for the 150 kiosks. Beyond that, BASIF would need to pay CFA 1 million per year for the application, and it is currently unlikely that will be possible without external support. The franchise model may be a good one, and Orange already works through distributors for its other access points/kiosks, but organisations like BASIF (with limited financial resources or DFS experience), are likely not well placed to act as franchisors at scale. Orange supports this project given its focus on growing young entrepreneurs and expanding financial inclusion in Senegal. **The biggest benefit for Orange has been the Dimagi application, which allows close monitoring of service points from a distance and has generated interest from senior management, and they are looking to replicate this in other parts of their business.** The number of Orange service points has grown rapidly in recent years, but this has traditionally been in urban areas through commercial arrangements with distributors. Orange is now looking to expand more into more peri-urban and rural areas and the early successes from this project (the first youth kiosk in Sebikotane processed transactions worth CFA 1 million on its first day) reinforced that thinking. Previously, Orange reported that agents were hesitant to enter rural areas, but this is changing, and Orange is eager to move quickly to capitalize on these opportunities. MM4P has also been approached by an MFI, Microcred, who are interested in the youth kiosk concept.

These cases studies and other partner interviews also highlight some of the common challenges facing these projects and their prospects of sustainability, many of which are external factors, such as:

- Despite high mobile penetration rates, **connectivity and low literacy levels** affect agent and customer uptake and use, particularly in remote areas.
- **Large distances between access points** in rural areas requires aggregators like InTouch to invest considerable time in traveling between them.
- **Agent liquidity management** is a challenge in rural areas, where there are no FSPs to assist in cash management, but partners, like InTouch, are investigating alternative solutions, such as a master agent and roving agent model.
- **Regulatory barriers**, including delays in obtaining authorisation from local authorities on the youth kiosk project; formal documentation requirements to become a formal enterprise has been a challenge for InTouch to onboard merchants; BCEAO is moving slowly on digital credit and there is currently no guidance provided on the topic.
- **Actions of the market leader** – In 2018, Orange reduced its distribution commissions by 40%, which led to agents boycotting Orange Money and lower usage among customers. Orange also has strict limitations on what can be sold through its kiosks, limiting the youth entrepreneurs from growing their businesses. Orange Money also introduced a new customer acquisition strategy using their own application, which has de facto prevented InTouch from registering customers on Orange Money's behalf. While negotiations are in progress for renewed integration, this has caused delays for InTouch to scale up their solution.

Other challenges reported by partners and the MM4P team have been internal to the project team or partner organisation, namely:

- **Staff turnover and changes in strategy** away from the intervention being supported by MM4P, such as the digital savings and credit project with Tigo that was ultimately cancelled.
- **Contractual delays**, such as delays in procurement and contract signing.
- **Partner readiness** - in the youth kiosk case, negotiations between BASIF and PAMECAS resulted in considerable delays to the pilot process. BASIF's lack of DFS expertise has also been a challenge to liquidity management and operational efficiency, and could have been better assessed in the initiation phase of the project.
- The digitisation of pension scheme payments in partnership with DGCPT has been delayed following a change in leadership. In May 2018, delays in student grant payments through a large

bank also sparked protests, resulting in the death of one student. This has increased hesitance within government to further digitise other state payments.

When asked what they value most about working with MM4P, partners mentioned **MM4P's professionalism, responsiveness, knowledge and expertise, DFS sector focus, reliability, openness**

“We've had no challenges with MM4P – they were really available, I can call them anytime to get information or feedback despite our delays. I appreciate their availability, responsiveness and their generosity.”

– Partner

and **flexibility**, all of which makes them an easy partner to work with. A few partners also highlighted the value of **MM4P's rigorous approach to project management**, including periodic meetings, fixed agendas and monitoring of project action plans. However, one partner did report that “MM4P asks for too many reports, it is very demanding.” While some partners may find the programme demanding, MM4P's strict project management is one of the programme's drivers of success and is necessary for keeping the projects it supports on track, especially when working with partners that are juggling multiple competing priorities.

While partners have been impressed with the quality of their engagements and the outputs produced by the consultants contracted by MM4P to provide TA, the majority of these positive responses relate to the MM4P team specifically, who are actively involved throughout the project lifecycle. One partner reported that the methodology proposed by MM4P and the consultants, which included customer research, piloting and staff training, was very practical and easy for their organisation to adopt. A couple of partners mentioned that they are able to access support from other organisations - GSMA was mentioned specifically - but they value MM4P's **ongoing local support, global view of the digital ecosystem, insight into what is working well or not, and their good understanding of their partners' challenges.**

“MM4P say what they do and do what they say. They are really trying to make value for both parties.”

– Partner

9.3.2 Ecosystem level

All stakeholders interviewed as part of this evaluation, as well as all APS 2018 survey respondents, **believe that MM4P has contributed to the development of Senegal's DFS market and has become the “go-to” organization for DFS for financial inclusion** (see Figure 10 below).

“MM4P are contributing positively to raising the profile of DFS in the market.”

– External

The most commonly cited contribution or value addition made by MM4P is the **DFS Working Group**. The Working Group is considered valuable because of the opportunity it provides to engage with and learn from other market actors that may be working in different areas. Bringing together representatives from the private and public sectors is considered particularly helpful, with providers appreciating the opportunity to discuss their experiences and perspectives with regulators, and regulators appreciating being able to share information about relevant regulatory frameworks.

The MM4P team, regulators and some partners also mentioned that the DFS Working Group was an important contributor to the telecommunications authority (ARTP) opening USSD access to non-MNO providers, which is considered an important advancement in curtailing MNO market dominance. A representative from ARTP participated regularly in the DFS Working Group meetings and was frequently asked to report back on progress with USSD-opening, which stakeholders believe was important in driving the decision to do so.

“MM4P has ownership of DFS for financial inclusion.”

– Partner

Many partners also highlighted the value they have derived from the workshops and training provided by MM4P. Government agencies and regulators specifically mentioned the learning exchanges to other countries they were able to attend with MM4P’s support, which improved their understanding of how G2P payments have been digitized in other contexts and how regulatory frameworks have been updated to create an enabling environment for DFS.

MM4P has also built a strong relationship with national and regional BCEAO and provide ongoing informal support on issues and questions relating to DFS. At a regional level, other donors reported that MM4P played a valuable role in creating a donor working group to discuss a common approach to working with BCEAO on their regional financial inclusion strategy. National and regional BCEAO consider MM4P an important partner and report to have benefited from the studies and training provided to them, which have increased their knowledge and understanding of DFS, and allowed them to make more informed recommendations regarding DFS regulations.

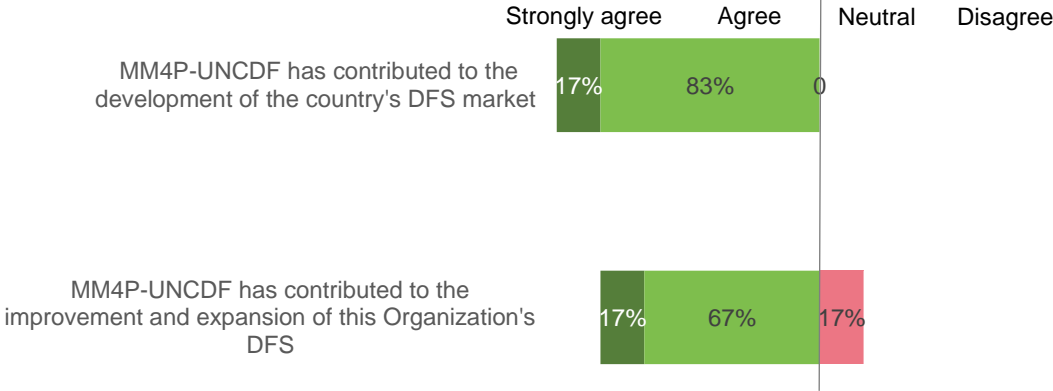
“When people ask me questions about DFS, I call MM4P.”

- Regulator

Overall, many of the partners felt that MM4P’s ecosystem approach and their engagements with all stakeholders (from providers to regulators), is what sets them apart from other donors / partner organizations.

Going forward, stakeholders believe that there will continue to be a need for the convening role that MM4P provides and that this should be planned for. While MM4P is exploring whether or not BCEAO could take over this function, external stakeholders worry that this may not be appropriate as the regulator is less pragmatic and agile.

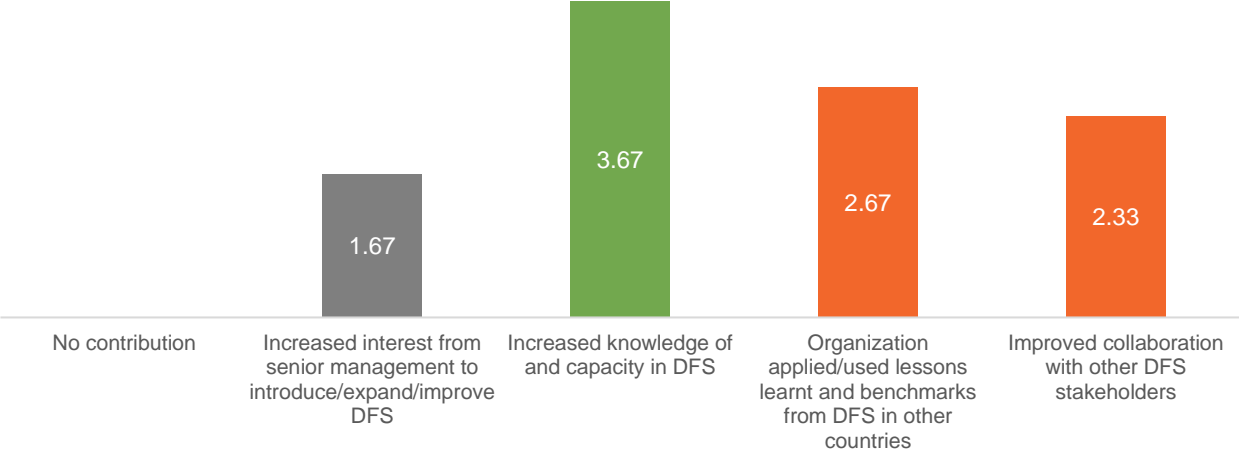
Figure 10: Senegal APS feedback on MM4P’s contribution (n=6)



Source: MM4P APS 2018

The majority of stakeholders interviewed responded positively to MM4P’s knowledge management activities. Consistent with this, all APS respondents in 2018 agreed that the events and publications shared by MM4P influence their organization’s work in DFS. The most commonly cited contributions were ‘increased knowledge of and capacity in DFS’ and ‘organization applied/used lessons learnt and benchmarks from DFS in other countries’ (see Figure 11 below).

Figure 11: Ranking by APS participants of how MM4P publications and events has contributed to their organization's work in DFS (weighted average) n=6



Source: MM4P APS 2018

“There is much less information in francophone Africa, so what MM4P produces is very helpful and useful in the region.”

– External

Apart from the DFS Working Group, most partners and external stakeholders referred to MM4P’s weekly newsletter when asked about the programme’s KM outputs. The newsletter is considered helpful to stay updated on what is happening in the sector and to learn from experiences in other countries.

One key concern raised by stakeholders was that many of the KM outputs are in English, and that they would appreciate if more of these were also available in French, which is an industry-wide concern.

9.3.3 Programmatic

The MM4P team and external stakeholders believe that **MM4P’s honeycomb approach was the right one for the Senegalese market**. Considerable time was invested in the buy-in phase, with a slower transition to programming, but this is considered by the team to have been critical in raising their profile, generating awareness of DFS and obtaining traction in the market. However, **it may have been helpful to invest more in other components of the honeycomb earlier on, particularly infrastructure and policy and regulation**. This is particularly true given the challenges MM4P-supported projects face in Senegal regarding the achievement of sustainability where binding constraints are proving particularly challenging to overcome.

While Mastercard Foundation is MM4P’s core donor in Senegal, and chose not to fund certain direct policy and regulatory engagements²², the programme has successfully built a strong relationship with the BCEAO, which has been an important factor in its contribution to the Senegalese market. UNCDF used some of its own funding to support some of the trainings and learning exchanges for BCEAO, and the Technical Specialist in Senegal has invested significant time in building an informal relationship with staff at the regulator. **The MM4P team and other UNCDF programmes reported that Mastercard Foundation was**

²² Canadian charity laws stipulate that charities cannot influence or lobby government officials. MCF interpreted this conservatively initially and removed policy work from the MM4P activities it funded. Over time, this position was loosened and the rule evolved to allow for funding of policy activities that enabled public / private dialogue and evidence-based decision making.

sufficiently flexible in their funding to allow for this relationship with BCEAO to grow, which was critical to MM4P's ecosystem approach.

MM4P Senegal had to adapt its partner selection process to account for market dynamics. As in other MM4P countries, the Senegal MM4P team began selecting partners through wide engagements with market actors, then asking a small number of those actors to submit short concept notes and then moving to full projects, designed in collaboration with the partner. However, the MM4P team in Senegal found that this approach wasn't working very well – market players were very competitive and were “keeping their cards close to their chests”, and the team suspected that there was more going on in the market that they weren't aware of. As a result, the team requested to adopt the request for applications (RFA) approach in some cases, which did produce a number of interesting projects. However, some of these have still faced challenges, as described above, such as delays in negotiations between partners. This adjustment to partner selection demonstrates MM4P's willingness to adapt to market conditions, and was likely the right decision in the Senegalese context. However, the short engagement/concept note approach has proven to be successful and preferable in MM4P's other target countries.

From the perspective of the MM4P Senegal team, **the central Brussels hub is supportive and efficient.** Project cycles are clearly defined and there are templates across the project lifecycle, which improves internal efficiency with partners, as long as supporting documents are in place. Most delays with partners are due to delays in obtaining the due diligence documents needed by UNCDF, which is less of a challenge with smaller, more agile organizations, such as fintechs. Almost all members of the team based in Brussels are also bilingual, which enhances the support provided to the MM4P teams based in francophone markets.

MM4P has built good working relationships with other UNCDF programmes. The YouthStart programme is also headquartered in the regional UNCDF office in Dakar, and the two programs have worked very closely together on the youth kiosk project – each contributing their relative expertise in DFS and youth. Senegal is the only MM4P country where BTCA also has an in-country presence and the two programmes are working together to support projects related to G2P payment digitisation and payment flow diagnostics, as well as hosting an ecosystem event where the Prime Minister is the key note speaker. The MM4P team believe that BTCA has made an important difference in terms of their engagement with the Senegalese government, given their team's considerable advocacy experience (which is not a strength of the MM4P team). Within the UN group, WFP is the only other UN agency that MM4P is currently engaged with, supporting a pilot it on the digitization of social cash transfer payments.

MM4P is unique and complementary to other donor-funded programmes in Senegal, which include CGAP, IFC, GSMA and World Bank. CGAP is predominantly focused on research and learning and only has representation at regional level, in Cote d'Ivoire. MM4P and CGAP have partnered on some research and events where there has been the opportunity to do so. GSMA does provide support to some of MM4P's partners but this will be delineated from MM4P support by geographic area or intervention. GSMA also does not have a team based on the ground, which partners appreciate about MM4P. IFC is also active in Senegal, and has an office in Dakar, but they predominantly work at the institutional level, for example with MFIs, rather than at the ecosystem level. The World Bank is implementing some targeted interventions at the meso and macro levels (for example, the establishment of a credit reference bureau and collateral registry), but provides fewer workshops than MM4P. Stakeholders cautioned against donor 'turfiness' and recommended MM4P coordinate with World Bank where there is the potential for overlap. So far, at a regional level, other donors reported that MM4P played a valuable role in creating a donor working group to discuss a common approach to working with BCEAO on their regional financial inclusion strategy.

9.3.4 Revisiting the theory of change

Based on the findings and analysis presented in this report, MM4P Senegal has achieved progress in line with the programme's theory of change up to DFS stakeholder outcomes. MM4P has engaged with DFS stakeholders through its awareness-building activities and has partnered with a selection of those

stakeholders to provide technical and financial support for piloting and expanding DFS. As discussed above, these partnerships have contributed to an improvement in partner's understanding, capacity and interest to develop, expand or improve their provision of DFS.

MM4P then anticipates that this will lead to DFS stakeholders making DFS accessible, affordable, reliable, understandable and appropriate for clients. While some of MM4P's partners may be on track to achieving this, and MM4P's inclusion of human-centred design aspects in its projects has helped in doing so, this has not been consistently demonstrated by the existing DFS partnerships, apart from the digitisation of Caurie Microfinance's village banking credit process. Given sustainability challenges in many projects, affordability has not yet been determined, and structural challenges regarding connectivity and low literacy levels mean that current solutions are not yet appropriate for clients. This then hinders the achievement of outcomes at customer level. If we consider agents as customers in the context of the ToC, the youth kiosk project has resulted in the achievement of customer level outcomes, as the young entrepreneurs have been given the skills to regularly provide DFS, which has resulted in greater savings and contributions to their families' livelihoods.

The achievement of sector outcomes, as articulated in the MM4P theory of change, is dependent on the regular use of DFS by customers and the growth and sustainability of DFS providers, resulting in the crowding in of other market actors. However, regular use is still a major challenge in the Senegalese market. The longitudinal impact assessment being conducted by MicroSave with MM4P's support will be a highly valuable contribution to the market's understanding of what drives DFS uptake, use and impact.

It is important to place the realisation of the programme's theory of change within the Senegalese market context. Financial inclusion in Senegal has increased significantly since 2014, largely as a result of mobile money. Initially these numbers were being driven predominantly by OTC transfers, but stakeholders agree that Orange Money, as market leader and through its marketing campaigns, has played a significant role in improving customer awareness and uptake of mobile wallets. The MFI sector in Senegal has consolidated, professionalised and reduced its dependency on donor subsidies. There has been less transformation in the banking sector, which external stakeholders attribute to banks focusing on the implementation of Basel regulations rather than new innovative initiatives. However, there is an impression that the dynamism of the financial sector is growing, driven by smart, skilled people, a regulator that wants to be seen as moving on DFS, new fintechs entering the market and new partnerships being formed (which was often cited as a major barrier previously). While some regulatory aspects remain unclear or incomplete, stakeholders believe these are converging, and there has been growing momentum within government to digitise the economy. While some stakeholders are concerned that Orange's dominance may have hindered the development of the DFS market, the MNO has a business imperative to continue increasing its customer base and so will be an important driver of future progress.

Most stakeholders believe that many of these developments would have taken place regardless of MM4P's presence in the market, but are unable to say if they would have been achieved at the same pace or quality. **There is agreement among all stakeholders, validated through this evaluation, that MM4P has contributed to the development of the DFS market in Senegal**, and that to date this has been achieved, not through projects with partners, but through the ecosystem building activities (convenings, training and market information) the programme provides, which have raised the profile of DFS and improved stakeholders' understanding, capacity and interest in expanding and improving DFS. However, MM4P's relationships and understanding of the private sector is an important input into its credibility and influence at the ecosystem level. MM4P's approach intentionally mixes partner support with market development work, based on the belief that without strong partner engagement the programme would lack credibility for the market development work, which has been validated by the findings of this evaluation. The tables below provide an overview of the key results achieved or targeted by MM4P Senegal projects (where data was shared with the evaluation team) and confirms this finding. The achievements of projects to date have had a minimal impact on the programme's headline indicator of active DFS users to date, but this is intended to increase over time.

Table 10: Key results per MM4P Senegal project

Partner/project	# of active DFS clients	# active agents	Comments
Caurie MF (closed)	19355		Achieved. This refers to no. of village banking clients conducting transactions using digital solution
PAMECAS and InTouch digital credit (active)	2460	1000	Target for June 2019. No. of clients refers to no. of new credits
Pensions digitalisation (pending)	30000		Target for 2019
InTouch rural agents (active)		164	Achieved. No data for # of clients
WFP (active)	63000		Target for 2019 (no. of beneficiaries of digital payments)
Orange youth kiosks (active)	52542	22	# of clients is goal for end 2018 and is not necessarily new clients
TOTAL	167357	1186	

Source: MM4P project data and documentation. Note: Grey cells indicate targets, white cells indicate actuals. Given the diversity of the projects, some results are proxies of number of active DFS users, as described in the comments column.

Table 11: Comparison of national statistics versus achievements of MM4P-supported projects in Senegal

Indicator	Senegal
Adult population	8800000
Active DFS users in 2018 (market level)	21%
Target DFS users in 2019 (market level)	30%
Increase in active DFS users from MM4P-supported projects (achieved by 2018)	0.22%
Target DFS users from MM4P-supported projects (2019)	1.68%
Active agents per 100 000 adults in 2018 (market level)	238
Increase in active agents from MM4P-supported projects (achieved by 2018)	2
Target agents from MM4P-supported projects (2019)	11

Source: MM4P project data and documentation. Note: Grey cells indicate MM4P project targets, white cells indicate actuals.

9.4. OVERALL ASSESSMENT

- Buy-in took longer than anticipated in Senegal, and following the cancellation of the support to Tigo due to factors beyond the programme's control, the transition to programming only took place in earnest in 2017. As such, many of the projects the programme has supported are still in their early stages.
- MM4P Senegal has a strong team, and their support, responsiveness and ecosystem approach is widely appreciated by partners and external stakeholders.
- MM4P's direct support to partners, through TA and grants, has helped speed up the implementation of planned DFS activities within partners, improved partners' DFS knowledge and capacity and stimulated interest from partner senior management in DFS.
- There is anecdotal evidence of benefits experienced by agents and MFI members that have been reached through MM4P-supported interventions, including increased income and time saving respectively.
- However, the sustainability of solutions supported by MM4P Senegal is an overarching concern. Prevailing structural constraints challenge the sustainability of solutions and heighten the risk of a growing digital divide – specifically infrastructure challenges, literacy levels, unclear or incomplete regulatory aspects, and the difficulty of managing agent networks in rural areas.

- Despite being limited by MCF funding on direct policy and regulatory engagements, MM4P has built an excellent relationship with BCEAO, and has coordinated with other donors on important developments, such as the regional financial inclusion strategy.
- While there have been a range of other factors that have influenced the evolution of the DFS market in Senegal, MM4P has contributed to its development, predominantly in creating awareness in DFS and convening different market actors that are able to share lessons and experiences.

9.5. RECOMMENDATIONS

- Given the success of the DFS Working Group, and the ongoing need for this convening role/forum in the market, MM4P Senegal needs to develop a sustainability plan for the Group, bearing in mind that it is unlikely BCEAO is the appropriate partner for this.
- Endeavour to share more project failures through knowledge management activities and outputs, and don't wait until a project is at its end to share lessons.
- MM4P Senegal should approach future project opportunities with a more critical assessment of likelihood of sustainability. While MM4P undertakes a thorough assessment of prospective partners before providing support, including a peer review of the project document by a technical specialist in another country and review by the investment committee, some examples in Senegal, such as the BASIF Orange youth kiosks project suggest that the programme could benefit from a better assessment of potential partners' capacity and expertise. Learning from the programme thus far suggests that the first project with a partner should be short, with a relatively short feasibility assessment, since the team learns most about a partner and their feasibility by working directly with them. These small projects can act as the feasibility assessment for larger projects going forward.
- MM4P Senegal can look for opportunities at ecosystem level to help address some of the prevailing constraints that limit project sustainability – many of which relate to an enabling regulatory framework, infrastructure, client literacy, numeracy and financial capability. This may require the programme to focus on fewer projects with larger budgets and longer ongoing technical support.
- To address the binding constraints of limited digital infrastructure and affordability of DFS among poor consumers, the programme could have used its strong convening role within the ecosystem to consider how to support telecom authorities and the infrastructure side of MNO businesses to improve digital infrastructure development, or policymakers on issues related to competition and pricing to address issues of affordability among poor customer segments. In addition, interoperability will become an important longer-term programming objective once the DFS markets are sufficiently developed so that encouraging interoperability does not alienate a market-leading provider.

10. APPENDIX 3: UGANDA COUNTRY REPORT

Uganda



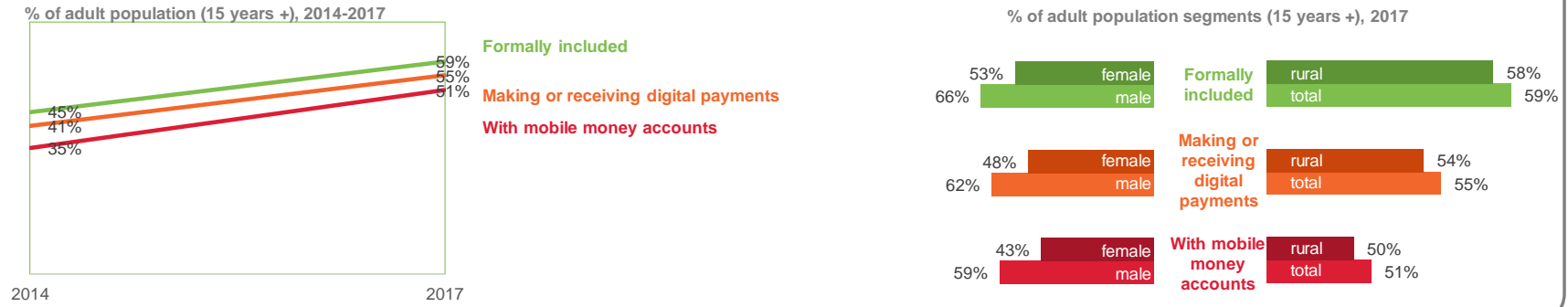
G:ENESIS
UNLOCKING VALUE



Unlocking Public and Private
Finance for the Poor

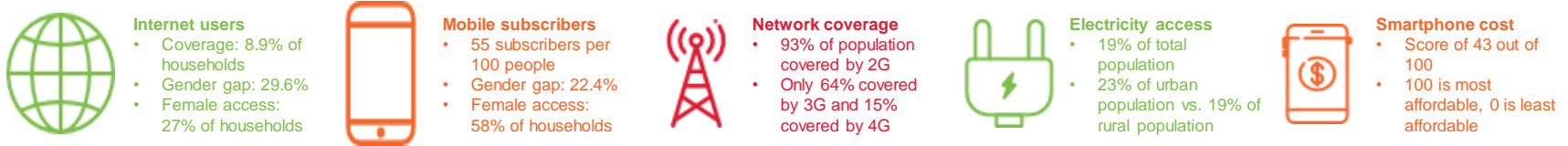
10.1. OVERVIEW OF THE DFS MARKET

State of financial inclusion



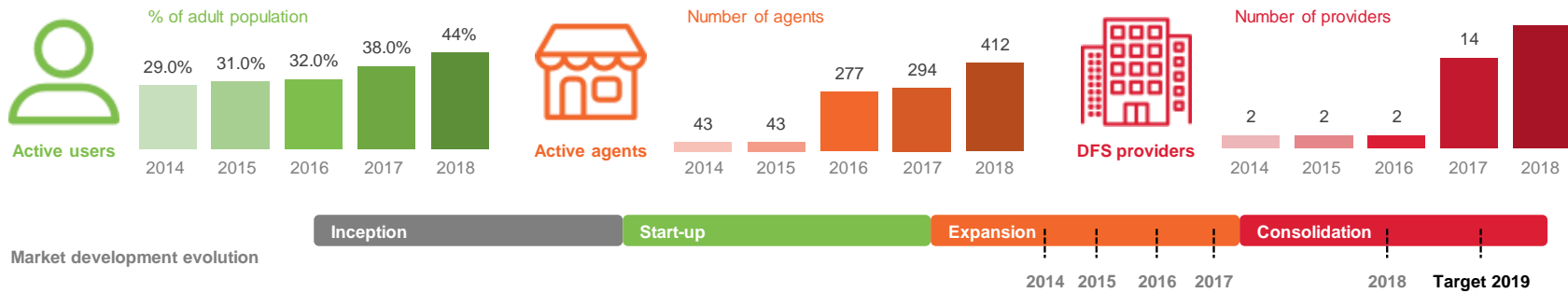
Source and notes: Global Findex Database, 2014-2017, World Bank. Usage statistics are reported over a period of 12 months

Digital infrastructure



Source and notes: Inclusive Internet Index, Economist Intelligence Unit, 2018; Statistics are reported for the years 2013 - 2016

Digital financial services ecosystem



Source and notes: Annual Provider Survey, UNCDF MM4P, 2014-2018; Active users, agents and DFS provider figures are the latest available for the years 2014 - 2018

For almost two decades between 1992 and 2010, Uganda had maintained a high rate of real economic growth (on average 8%²³). This growth has since slowed down after the slump of 2011 to average around 4.5%²⁴, which is still higher than the sub-Saharan Africa average. In spite of this high economic growth rate, poverty is still widespread and is a particular challenge in rural areas due to the high population growth rates (on average 3%) coupled with low rates of urbanisation (24%) and formal employment (13%).²⁵ These macro dynamics played a role in shaping the level of financial inclusion in the country, with traditional formal financial services providers (i.e. banks, MFIs, Insurers) serving a small, higher income, and urban based segment of the population.

To address the high levels of financial exclusion, and in line with their neighbouring economies, Ugandan authorities adopted a “regulatory sandbox” approach, allowing MNOs to offer financial services. Since its introduction in 2009 by MTN (followed by Airtel and others), mobile money has been a watershed for financial inclusion in Uganda. According to the latest World Bank Findex data, formal financial inclusion increased from 45% in 2014 to 59% in 2018, with the bulk of this increase coming from mobile money account uptake.

The growth in financial inclusion was largely concentrated around P2P mobile money payments – and the market has only recently been working to broaden the range of financial services available through digital channels – e.g. savings, credit, insurance, P2B, etc. Since 2016, the dynamism of MNOs and the entrance of the banks and fintechs in the digital finance sector enabled this shift – with support from a number of donor organisations, including MM4P, FSD Uganda, USAID, CGAP, GIZ, and others. In 2017, the government further supported this shift with the promulgation of the Financial Institutions (Amendment) Act, enabling agency banking; and the launch of the National Financial Inclusion Strategy 2017–2022, which includes digital finance as a key pillar.

That said, recent regulatory events have posed a threat to the inroads that have been made within the DFS ecosystem. In March 2018, the Uganda Communication Commission (UCC) temporarily stopped SIM sales in an attempt to ensure that all SIM cards were correctly registered and that registration details matched ID details. This had a negative impact on customer adoption and caused friction for existing customers who wanted to acquire new SIM cards. Furthermore, at the end of May 2018, the parliament approved a new law introducing a tax on mobile money transactions, which is expected to negatively impact the usage of mobile money.

10.2. MM4P IN UGANDA

MM4P was officially launched in Uganda in the third quarter of 2014 with the arrival of a Country Technical Specialist and two DFS experts. Given the maturity of the market and the need to move quickly, MM4P issued a call for expressions of interest (EOIs) prior to the arrival of the CTS and started working on designing projects with several applicants supported by MicroSave. At the same time, the team also worked on building buy-in, and was actively promoting the industry through co-founding the DFS Working Group, engaging with the Ministry of Finance and Bank of Uganda, and coordinating with other funders.

²³ IMF, World Economic Outlook, 2018

²⁴ The slowdown has been prolonged due to a plateau in private sector investment, a decrease in credit extension to the private sector amidst rising non-performing loans, as well as poor rainfall and regional political uncertainty and instability. The Government has acknowledged these concerns, with President Museveni announcing that the main objectives of his administration include commencing oil production and achieving middle-income status by 2020. As a result, Government has scaled up infrastructure investment to address key bottlenecks in key sectors such as electricity and transport.

²⁵ UBOS, 2015, Urban Labour Force Survey Fact Sheet (Revised on 10th April 2017)

Since entering the market, the programme has grown to 9 staff members with a total committed budget of about USD 5.9 million for projects – the largest team and budget among the MM4P countries.²⁶ The Bill and Melinda Gates Foundation (BMGF) is the largest funder of MM4P in Uganda (USD 4.7 million – 80%), followed by the Belgian Technical Cooperation (BTC) (USD 1 million), and the Last Mile Finance Trust Fund (LMTF) (USD 70,000).

In Uganda, MM4P has also worked with UNCDF's CleanStart in a recent partnership to extend access to energy solutions (e.g. solar) in rural societies using MM4P partners' distribution networks. MM4P also worked with the Development Initiative for Northern Uganda (DINU) to digitize local revenue collections in Northern Uganda

10.2.1 Results chain

MM4P Uganda has a comprehensive and complex results chain which hinges on 3 core key activities: Initial activities - which aim to get buy-in and start engagement with various stakeholders through research and some early TA to build awareness; Advanced activities - which involve providing training to regulators and policymakers to capacitate them to engage on technical DFS topics; and Direct support - in the form of TA and financial support to the private and public sector to implement projects in the different workstreams.

Although not explicitly defined, the Uganda results chain is based on a number of assumptions about the market, namely:

- The level of technical capacity in Uganda is low, and providing technical assistance will help build awareness and institutional knowledge which in turn will enable providers and regulators to start promoting DFS (e.g. introduction of more favourable regulation and launching of new products, better use of data/ human centered design to drive decisions).
- The risks involved in reaching rural low-income segments are a deterrent to DFS providers from investing in new products and/ or scaling up their products. Therefore, financial and technical support will help mitigate these risks and ultimately entice providers to invest more of their resources to design and expand their DFS offering.
- As customers are made more aware of DFS products, try these products, and have positive experiences with these products, they will regularly use the DFS products, thus making the DFS offering financially sustainable.
- As more customers access and make use of DFS and the ecosystem continues to support this growth through enabling regulation and crowding in (through the demonstration effect), households will increasingly benefit from increased financial security.

The results chain is broad, enabling the country team to be flexible in its programming, but also could create some risk of being unfocused – i.e. not having a short list of priority barriers to address in the market. However, MM4P is confident that its approach (i.e. conducting market diagnostics, and research prior to implementing projects) and being focused on one element of financial services (DFS) helps keep the team focused on the most pertinent market challenges and opportunities.

Lastly, although the results chain does not make explicit mention of KM or gender, these are dealt with more broadly, and are also measured as part of the Uganda Indicators. For example, in term of KM, MM4P mentions workshops, trainings, videos, and research as part of its core activities – with the DFS Working Group forming part of these activities. In terms of gender, women form part of 'customers' in the results chain, but explicit indicators are included in the RM framework.

²⁶ MM4P, Q1 2018 pipeline, 7 June 2018

10.2.2 Partnerships

As at June 2018, MM4P Uganda had 42 projects that were either active, closed, or cancelled (17 of which are still active). MM4P Uganda had an equal distribution of projects that were either grant or TA support, which speaks to the general approach that MM4P has applied in the market (i.e. to mix capacity building with financial support when implementing projects – though not standard across all projects). Although grant projects were twice the size of TA projects in value, it should be noted that part of that grant funding was often meant to procure the services of a consultant to provide TA.

Nearly half of MM4P Uganda's projects were focused in the high volume payments workstream, followed by providers (29%). According to interviews with MM4P staff, this concentration was largely shaped by a mandate from BMGF to digitise payments in rural agricultural value chains. To enable those rural payments, MM4P worked primarily with fintechs (mainly payment aggregators who can link farmers to MNOs), banks (for agency banking), and traders (farmer aggregators able to process one-to-many payments). As a result of this mandate from BMGF, MM4P Uganda had a limited focus on the ecosystem, distribution, and policy and regulation workstreams.

The main TA providers in Uganda were Microsave, PHB Development, Seven Delta, Enclude, and Positive Planet – whom combined have worked on 16 of MM4P Uganda's projects (41% of the portfolio by value). PHB Development also plays an internal programmatic role since two of MM4P Uganda's technical staff are PHB Development consultants.

10.3. FINDINGS AND ANALYSIS

10.3.1 Partnership level

MM4P promoted greater buy-in of DFS within its partner institutions. A common thread across the various partners interviewed is that MM4P (including staff and consultants) was instrumental in influencing them to make DFS more of a strategic priority. This influence was at different levels of the organisations, particularly at senior/ executive level. On the supply side, MM4P helped larger organisations (e.g. MNOs) see the potential and prioritise DFS for underserved rural clients. And on the demand side, MM4P support helped farmers, farmer based organisations, and NGOs see the value of shifting from cash to digital transactions. It should be noted, however, that since most partners were already thinking of introducing DFS internally - in the long term, MM4P served more as an accelerator and incubator than an introducer of these initiatives.

“DFS has now become a formidable part of our business model which Management is 110% committed to.”

- Partner

Capacity building activities increased partners' ability to implement DFS projects. Several partners acknowledged that they did not have the technical knowledge and/ or the internal capacity to implement the MM4P-supported projects on their own. The benefits from MM4P's capacity building interventions and support are two pronged: Firstly, partners valued the technical and strategic support of the consultants.

“Working with the UNCDF has tremendously increased our capacity to deal with and manage challenges associated with DFS.”

- Partner

Both large and small partners stated that working with the consultants hired by MM4P helped them increase their ability to implement the projects and they are confident that they will be able to carry out the projects going forward. Secondly, partners valued the technical and strategic support provided by MM4P staff members. Partners viewed MM4P as a strategic partner and valued that MM4P's staff supported them throughout the project cycle and were always available to provide them with expert advice.

MM4P partners have made internal changes as a result of working with MM4P. Related to the previous point, MM4P's support has also led to partners investing more resources or changing the way they do business in order to continue and/ or expand their projects. For example, both MTN and Airtel have now placed dedicated staff (at headquarters and booster teams on the ground) to prioritise and roll out mobile money to rural areas and have also reviewed some of their pricing structures. There are also examples of aggregators (Mobipay and Yo! Uganda) employing more people or setting up permanent office space in the regions where a project was implemented.

When asked what they valued most, **partners highlighted the knowledge/ expertise, professionalism, and on-the-ground support provided by the DFS experts.** The MM4P team is said to always be available to answer any questions that arose and provided valuable guidance throughout project implementation. The DFS Working Group was also valued as a way to meet with and also learn from other actors in the market.

Implementing projects took longer than expected and most of MM4P's projects were delayed due to a number of reasons. For example, because a number of the partners did not have the necessary systems and/ or staff in place to implement the projects, more time was required at the inception phase. In some instances (e.g. Mukwano), to address these institutional constraints, MM4P helped fund the recruitment of a project manager to drive project implementation.

Apart from technical challenges, projects were also often delayed due to the amount of time it took to get buy-in from the senior management structures of the partners at project inception. For example, it took longer than expected for MTN to sign-off on the Kyagalani project and the Dalberg Data Insights portal because they were unsure of the business case and had other internal priorities. Similarly, in the Living Goods project, MM4P had to halt the TA due to the limited commitment of its management. At government level, it took MM4P longer than expected to build the requisite relationships within the Bank of Uganda (BoU), specifically the supervision division – in part due to existing support the division was already receiving from GIZ.

Another cause for delay, which was not anticipated by MM4P, was the amount of time it took for partners to negotiate their third-party partnerships. For example, in the Mukwano project, there was some initial friction between Yo! Uganda and the MNOs due to existing arrangements with other master/ super agents of the MNOs working in the same areas. However, partners such as DanChurch, Heifer, and Kyagalanyi commended MM4P for supporting them through these negotiations and also helping them identify alternative partners in instances where an agreement was not being reached.

Lack of prerequisite product enablers had a negative impact on project results. The lack/ insufficiency of some necessary DFS building blocks (e.g. electricity, network coverage, agent network, mobile phone penetration, appropriate pricing structures, agent cash management, etc.), particularly in remote, hard-to-reach areas, negatively affected product roll-out and uptake. This came out as a common concern for most of MM4P's partners, including Pegasus, PEAS, DanChurch, Mukwano, Agroways, and the MNOs. Rural Uganda is still largely characterized by these challenges, and suggests that more work is still needed in terms of "laying the rails" (i.e. building network towers, growing the agent network, reviewing pricing structures, etc.) in those areas before launching a DFS pilot. A large part of establishing these building blocks is determined by whether MNOs, and banks to some extent, are convinced of the business case for investing in those areas. Currently this is still a challenge, but it is hoped that the learnings generated by MM4P through its projects will be able to influence this.

Getting customers to adopt DFS took longer than expected. Consumer awareness and trust in DFS is still low in rural areas. As a result, significant time and resources (financial and physical) had to be dedicated to sensitizing customers on how DFS works and the value that it can add to their lives. This took longer than expected, which has resulted in lower uptake than anticipated (e.g. PEAS and Heifer). According to interviews with Mobipay and Centenary Bank clients, there hasn't been sufficient investment in marketing and consumer awareness/ education by partners and this is a major stumbling block for uptake.

In addition, in rural areas, the development of the DFS ecosystem is limited in terms of use cases, therefore offering limited opportunities for customers to use their money digitally to pay merchants, buy food, etc. Most of the time, the only option they have is to go to an agent and withdraw cash, bearing the withdrawal fee. Thus, customers still perceive a limited value in being paid digitally.

Projects have had mixed results in terms of commercial viability and sustainability. Since most of MM4P's partners are profit-driven, private sector organisations, most projects are entered into with a view that they will be financially sustainable. While MM4P makes a deliberate effort to invest in projects that will be sustainable, the team noted that some room is made to invest in riskier projects, in the hope that, even if they fail, they will provide valuable learnings for the ecosystem. However, the evaluation team found it difficult to determine the thresholds applied by the team when making these decisions.

With this in mind, while some projects are expected to be continued (mainly agency banking), most of the partners were uncertain that the projects will continue after MM4P's support – and this is due to a number of reasons. Firstly, some partners (particularly the fintechs and farmer based organisations) were concerned with the short amount of time that was allocated for the projects. While most of the projects had a duration of about 12 months, the partners thought a period of at least two years would have been more appropriate to improve the likelihood of sustainability of the project. As a result, partners and the MM4P team think the projects were rushed and not enough time was dedicated to implement each of the project phases effectively. This rush was, to a large extent, driven by the delay in receiving funds from BMGF, and the delay in getting approval for a no cost extension. The team acknowledged that working in agricultural value chains takes a long time, and that if one wanted to test the impact of a project, they should allocate a longer period of time to doing so (about 3 years). The team emphasised that the funding from BMGF had a short implementation time-frame, which is why MM4P Uganda requested a no cost extension – approval of which also faced delays. As a result, in some cases, for example with Mobipay, implementation occurred in parallel to the market research. As a result, some assumptions were made at project inception that had to be revised with the project already underway.

Secondly, partners were unclear of how the project's operational costs would be covered once MM4P's funding ended. Since MM4P's funding was used to pay for staff or some of the operational costs of running a network, and most of the projects were yet to break-even, there was a recurring concern that these projects would either be stalled or stopped entirely.

“These projects are quite costly but UNCDF usually only supports technically. We also need support for operations also if we are to spread faster.”

Lastly, the slow uptake of the products affected the commitment of providers. Private sector partners (especially MNOs) tend to have a short-term horizon for profitability, which does not align well with the amount of time generally needed to get consumer buy-in and start seeing an uptick in transactions. Because of this, the threat of termination has come up in a number of projects. For example, the project with Pegasus had to be terminated because of a diminishing level of commitment by the partner due to low returns. Mobipay is also facing a similar threat, but has explored a number of opportunities to remain sustainable – including obtaining three additional grants from Youth Leadership in Agriculture (YLA), Technoserve, and Palladium. These financial sustainability challenges faced by MM4P's partners are echoed by the responses from the annual provider survey. Out of 15 respondents, 9 of them (60%) reported that they do not consider their current DFS offering to be commercially sustainable. However, a similar number of them also reported that the extent to which the DFS offer is commercially sustainable had improved compared to a year ago – further confirming the need for providers to have a longer term horizon for profitability.

Box 6: Case study 5 - Digitising the maize value chain

In June 2017, MM4P awarded a grant of USD 611,680 to Mobipay (a payments aggregator) and AgroWays (a farmer aggregator) to digitise payments to 20,000 smallholder farmers along the maize

value chain in the Busoga region. This was after a delayed engagement/ procurement process which started in December 2016, and was initially meant to be finalized in February 2017. The grant funding was mainly used to fund the operational costs of developing the platform, recruiting field staff, customer sensitisation, and the tools of trade (e.g. laptops and tablets for the field team). No technical assistance was included in this project.

Since the project was launched, MobiPay recruited 178 active mobile money agents for both Airtel and MTN, and 11,405 unique farmers were paid digitally. Despite exceeding the partners' target of 9,000 for the quarter, the number of farmers reached is still considered low by the partners due to a number of challenges that were faced, including:

- Delays in starting the project due to delays in receiving funds from MM4P, which ate into the maize harvest season, resulted in partners not being able to make many payments before the season came to an end.
- Difficulty in getting the traders (middlemen) on board, largely due to daily limits on mobile money set by MNOs, BoU, and the Uganda Communications Commission (UCC) (about UGX 50 million).
- Customer related challenges arising from limited financial and mobile phone literacy, as well as a lack of trust in DFS.
- Agroways aggregation centres and traders continuing to use cash during grain purchase as opposed to using digital payments. This caused confusion among farmers because they were being sensitized on digital payments but being paid via cash.
- MNOs taking long to respond to issues like commission breakdown, blocked lines, SIM card replacements and others.
- High costs of transacting, which affected farmer uptake.

Due to challenges with Agroways (i.e. persistent cash usage and failure to meet set milestones) their contract with MM4P was terminated. With MM4P funding ending, Mobipay was also not certain that it would continue with the project since it was not yet self-sustainable.

Despite these challenges, focus group discussions with clients revealed that farmers valued being paid digitally and that since being paid via mobile money they've experienced some personal benefits. For example, farmers reported that they are able to save better – and are investing the savings into their business; women participants reported having more control over their income and more power to pay for important expenses, such as school fees; digital payments reduced the cost of traveling long distances to collect payments; and customers said they've gained more knowledge on digital financial services. Some farmers have also become mobile money agents themselves, thus increasing their revenue stream.

“Me as a woman I've had no challenge. Instead I'm proud that when I get my money, I keep it and still ask my spouse for money to assist in solving domestic problems”

- Beneficiary

Box 7: Case study 6 – Centenary Bank agents

In 2015, MM4P completed bank agency development strategies with two market leaders (Equity Bank and Centenary Bank) with TA provided by Planet Finance. As in Nepal, MM4P Uganda began working on agent banking before the legal framework was in place. When the Financial Institutions Amendment Act was passed in early 2016, MM4P then entered into projects with the two banks to support agency implementation, and also started work with 3 other banks. MM4P awarded Centenary Bank a grant of USD167,400 to develop its agency strategy, design a pilot plan, and test the agency expansion in the pilot plan.

After some delay from the BoU, Centenary Bank obtained approval to carry out agency banking in October 2017. Trainings were then provided to customers in all 63 branches and to the deployed sales team of 59 staff. The bank also provided financial inclusion information to customers and communities where it is active through social media and TV spots. The pilot was launched in January 2018 and Centenary recruited and trained 850 agents. At the end of June 2018, 303 agents were active. The pilot also reported 19,252 registered customers and 77,434 transactions for a value of UGX42 billion. The fastest growth in transactions was observed where agents were near branches; account-opening campaigns occurred; and where there were no banks at all.

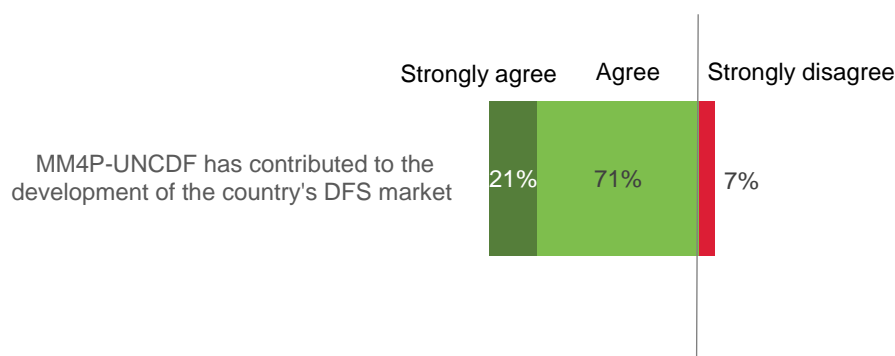
Although the bank is confident agency banking will have a positive impact on customer acquisition and revenue in the future, the pilot has faced a number of challenges. On the bank side, these included the costs of educating consumers on agency banking in order to grow customer numbers; regulatory requirements for banks to bear the cost of the device instead of sharing it with the agent; and regulatory requirements to provide a printed receipt to customers. On the agents' side, challenges included network issues; the long time it takes to get customers to trust the services; inadequate branding material; liquidity when far from a branch; and minor system errors.

Despite these challenges, agents report that customers are happy that they no longer have to stand in long queues at the bank, and the agents report that the commission earned helps fund their businesses.

10.3.2 Ecosystem level

MM4P has stimulated engagement between various DFS players. MM4P has established itself as one of the leading drivers of DFS in Uganda, with the DFS Working Group recognised by partners and external stakeholders as a contributor to DFS development in the country. Although there are other programmes in the market (e.g. FSD Uganda, CGAP, USAID), partners saw MM4P as a unique contributor through its highly engaged team which is considered to be professional, knowledgeable, and willing to “get their hands dirty”.

Figure 12: APS survey: UNCDF has contributed to the development of this country's digital financial services market

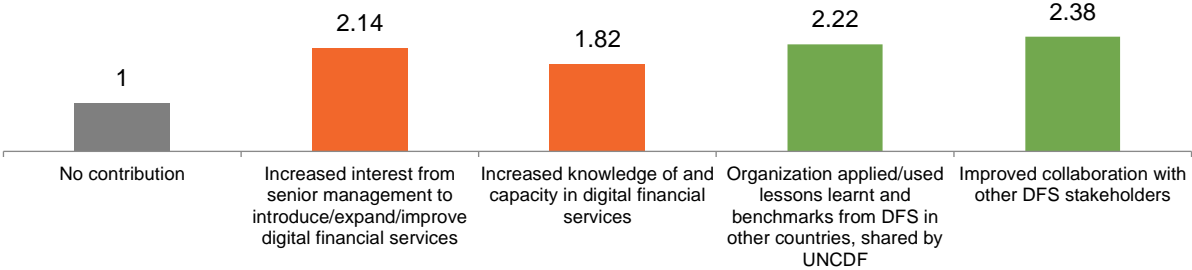


As shown above, the majority of APS respondents agree that MM4P has contributed to the Ugandan DFS market. The two most cited contributions of MM4P are helping partners improve commercial sustainability of DFS offerings, and improved collaboration with other DFS stakeholders. The latter is considered an important ecosystem contribution, especially through MM4P's role as a neutral and honest relationship broker, which has shown some evidence of generating a crowd-in effect. For example, MM4P and some of its partners have been approached by other private and donor organisations looking for advice on how to replicate some of their projects (e.g. refugee payments).

When asked what they considered to be unique about MM4P, **stakeholders mentioned the expertise of the team, and their ability engage with the private sector to help them to make some steps in areas that are developmental but also have commercial benefit.** Having full time experts in-country helped build relationships and ensured that DFS becomes an agenda within the organisations. MM4P also had the advantage of being considered a neutral partner by the market, and was also able to leverage its UN affiliation to convene meetings with key senior stakeholders.

MM4P’s role will still be needed over the coming years. As a driving force behind the DFS working group, and considering the contribution this ecosystem engagement has had on the market, most partners think MM4P’s role is still needed in the market. In addition to its convening role, partners and external organisations also valued the knowledge outputs generated by MM4P, which have played a role in promoting buy-in, crowd-in, and collaboration within the country, as shown in the figure below.

Figure 13: APS survey: How have the events and publications shared by UNCDF contributed to your Organization's work in digital financial services? (weighted average)



According to the APS and interviews, partners valued the weekly digests, videos, blogs, and newsletters produced by MM4P the most, but also requested more in-person workshops. There appears to be a preference for face-to-face engagement in the sector and partners thought such workshops would be more effective as opposed to reading material.

There was limited engagement in the policy and regulatory environment in the last two years. During the first two years of entering the market, MM4P played a role in supporting a more enabling regulatory environment, for example, MM4P provided TA to the BoU in preparation for the National Financial Inclusion Strategy; advocated for open Application Programming Interfaces (APIs); reviewed the agency banking guidelines; and conducted a national payments diagnostic. Since 2016, however, driven by mandate from BMGF to focus on high volume payments, and an increasing regulatory role played by FSD Uganda, MM4P limited its regulatory engagement to brokering dialogue between different industry players (e.g. interoperability, and liaising with MoF and UCC to create closer collaboration). With this shift, there may have been some missed opportunities for MM4P to support the regulatory environment and MM4P senior management in Uganda confirmed that more could and should have been done. Although MM4P built and maintained good relationships with the regulator, its regulatory work was also limited by the level of capacity within the regulators to drive the DFS agenda. It should be noted however, that with the presence of FSD Uganda in the market, it may have created some friction within the sector (and some duplication) to have both organisations conducting policy and regulatory advocacy around common issues.

10.3.3 Programmatic

The mandate from BMGF strongly shaped MM4P’s approach. MM4P’s staff and partners view the programme’s honeycomb approach to be appropriate, but also acknowledge that the programme was highly concentrated in high volume payments projects due to the mandate provided by BMGF – thus having limited activity in other important components of the honeycomb, such as infrastructure and regulation. With no budget available for regulatory work, MM4P had to in some instances leverage FSD Uganda’s work (e.g.

agency banking regulation). However, this was not always the best approach because FSD Uganda may have had its priorities (e.g. microinsurance regulation, chattels securities legal and regulatory framework, microfinance and moneylenders regulation, etc.) – which were not directly linked to MM4P's projects. As a result, the MM4P team would have liked to have invested more at the policy and regulatory level.

Partner selection evolved to suit the market context. One of MM4P's first activities when it entered the market was to issue a call for expressions of interest to source projects. However, according to MM4P staff this approach yielded a limited number of project opportunities (mostly agency banking and early work with MTN), and instead, the team found that it was better to use its broad ecosystem engagements and small technical assistance. This included, for example, workshops and training (e.g. DFS & Fraud, Branchless & Mobile Financial Services Workshop, DFS goes rural, and other), as well as TA to banks on agency banking strategy, and to MNOs on master agent models). These short term engagements were used to develop high potential partnerships. Therefore, MM4P Uganda found it more effective to help partners develop small concept notes and then move to designing a full project.

There is a need for more time to be spent on distilling learnings from DFS experts. MM4P's knowledge outputs are valued by the market, but the MM4P team, particularly the DFS experts, acknowledged that more time could be spent on capturing some of the learnings that have emerged from their project work. This knowledge can be taken for granted, since it is part of their day-to-day work. The DFS experts currently meet weekly to share learnings, but agree this could be made more systematic to ensure that these learnings can be shared more widely. MM4P has also only recently increased engagement between knowledge management and results management with a view to better integrate the two.

MM4P has collaborated with other UNCDF programmes. MM4P has worked with CleanStart on linking their MM4P's value chain partners with CleanStart's solar solution partners. MM4P also worked with YouthSart on a programme to provide DFS to adolescent girls with Finance Trust Bank, as well as with the Development Initiative of Northern Uganda on tax collection. The UNCDF staff are of the perception that there has been no duplication, and that they have tried where possible to leverage each other's work to avoid that duplication and also explore potential opportunities. The other UNCDF programmes value MM4P's unique approach of having a team of in-country experts who are able to build relationships and also respond more rapidly to changes on the ground. To this end, they have leaned on MM4P to introduce them to potential partners where possible.

Similar to internal synergies, MM4P has also tried to ensure complementarity with other donor programmes. MM4P has actively tried to create synergies with the other donors in the market. For example, it signed MoUs with FSD Uganda and USAID to collaborate on DFS. According to the team, where MM4P avoids duplication is in project design, where it maps out the different stakeholders and tries to avoid recreating things that are already in existence. The team tries to find partners that are already working in specific areas and see whether there are ways to accelerate or amplify those activities.

UNCDF's management structure provides some benefits but also some challenges. According to the MM4P team, having a central office in Brussels helped with operational and financial efficiency. The Brussels team helps the Uganda team from an administrative and quality assurance perspective and serves as a mid-point between the country teams and headquarters in New York. However, the team faced challenges in relation to how delayed projects are processed internally. Most of MM4P's projects were delayed because they had not managed to meet their procurement requirements in time. This is a costly delay since there are internal processes that have to be followed to get an extension on a project – i.e. the extension needs to be approved by New York. In hind sight, the MM4P team believes that more time should be allocated to the inception phase of projects to allow for these delays. In an attempt to address this, MM4P started initiating the procurement process (without execution) for some of its projects prior to full internal project approval, which helped reduce project delays.

The partner selection process could also have been more competitive. Compared to other UNCDF programmes, CleanStart is said to allocate a lot more time between partner identification to implementation, which MM4P could aim to replicate. There was potentially a need for MM4P to achieve more balance between streamlining identification, finding the right partner to meet the objective, and also having enough time for implementation - especially when working in an LDC country with contextual challenges.

10.3.4 Revisiting the theory of change

In reviewing MM4P's theory of change against progress to date, **some positive linkages can be made between MM4P's activities and some sector and customer outcomes, as well as the ultimate goal** – although this is limited to a few projects. MM4P's activities have garnered buy-in from the private sector (and public sector to some extent) and have increased the level of DFS awareness and capacity within the sector.

As a result, providers have shown interest and ability to expand and improve their DFS distribution and have also committed resources to do so. At the regulatory level, because MM4P has had limited engagement, it is difficult to assert that MM4P has contributed to shifts in the regulatory environment, but there are some examples where positive contributions have been made (e.g. APIs and NFIS).

Since entering the market in 2014, financial inclusion in Uganda has increased significantly. This was largely driven by increased investment in mobile money infrastructure by MNOs. In most instances, MM4P's support was an accelerator and helped its partners prioritise DFS in rural areas – which would have taken longer to convince them of the business case. Other donors such as FSD Uganda, USAID, GIZ, and CGAP have also played a role in promoting financial inclusion, but MM4P was one of a few organisations that worked at the micro level, having a dedicated in-country team to implement projects with the partners.

With MM4P's support, DFS offerings have been made more accessible and slightly more available (rural outreach is still a challenge), but have fallen short in terms of affordability (largely due to high MNO charges), reliability (due to poor MNO coverage), and customer understanding (prevalence of low customer awareness, literacy and financial capability). These challenges have had a negative impact on the commercial viability of a number of MM4P's partnerships. Parliament also recently passed a tax (which BoU publicly opposed), which is likely to be detrimental to the progress that has been made in DFS – suggesting that government priorities (at the political level) are not always in favour of DFS.

Where previously unserved customers have been able to access DFS through MM4P's projects, there are examples of positive outcomes in their lives, including improved knowledge and understanding of DFS, increased ability to save, reduced risk of theft, increased investment in businesses and children's education, and greater financial decision making.

In summary, most of MM4P's projects have not been able to prove the linear progression through the theory of change. However, it is also still early days for most of them and more time is needed to realise some of the anticipated results.

10.4. OVERALL ASSESSMENT

MM4P has contributed positively to the development of DFS in Uganda, largely driven by a strong team of experts that are on the ground and have been able to walk the journey with the partners and the broader ecosystem. In particular, through the grants, TA, and DFS Working Group, MM4P has promoted buy-in within its partners and broader ecosystem, improved the capacity of its partners, decreased the perceived risk of investing in rural areas, and also increased the level of engagement between the different actors.

BMGF's mandate to focus on high volume payments may have led to some missed opportunities in the other workstreams, particularly infrastructure and regulation. Although MM4P had established good

relationships with the BoU and MoF, this mandate, and the capacity of regulators and policymakers limited the extent to which MM4P could engage at the regulatory level..

Internal and external challenges affected the projects and pose a threat to the commercial viability of the DFS offerings. Most importantly, rural Uganda has proven difficult to reach, mainly because those remote areas still require significant capital overlays to ensure that the infrastructure (i.e. the rails) are in place for providers to offer DFS to a critical mass of consumers.

Lastly while Uganda is the most sophisticated of MM4P's focus countries, the country will still need a neutral convener for the medium to short term, and the sector engagement is likely to be stalled in MM4P's absence.

10.5. RECOMMENDATIONS

Based on these findings, the evaluation team has made the following recommendations:

- Adequate time should be allocated at project inception. Based on project experience to date, MM4P needs to allocate enough time to meet its internal procurement processes and also factor in the time it takes to negotiate with partners and third-party partners.
- Project design should also be improved to ensure that the project duration is adequate to implement the project effectively. Most partners in Uganda felt the projects were short and that they should have had a period of at least two years. Therefore, MM4P may need to consider whether to i) invest in projects that do not need a long implementation period before seeing results (e.g. quick testing and learning), or ii) revise its programme design to account for longer term projects. This could involve modifying agreements to be more open-ended to allow for more adaptation along the way.
- The theory of change needs to be more specific in articulating the specific barriers that MM4P seeks to address, and at the same time simplified to focus on MM4P's two main workstreams: direct partner level work and market development work (including KM).
- The DFS experts need to spend more time distilling learnings which can be shared internally within UNCDF and with the sector. This knowledge can often be taken for granted and this process of extracting learnings could be made more systematic.

11. APPENDIX 4: ZAMBIA COUNTRY REPORT

Zambia

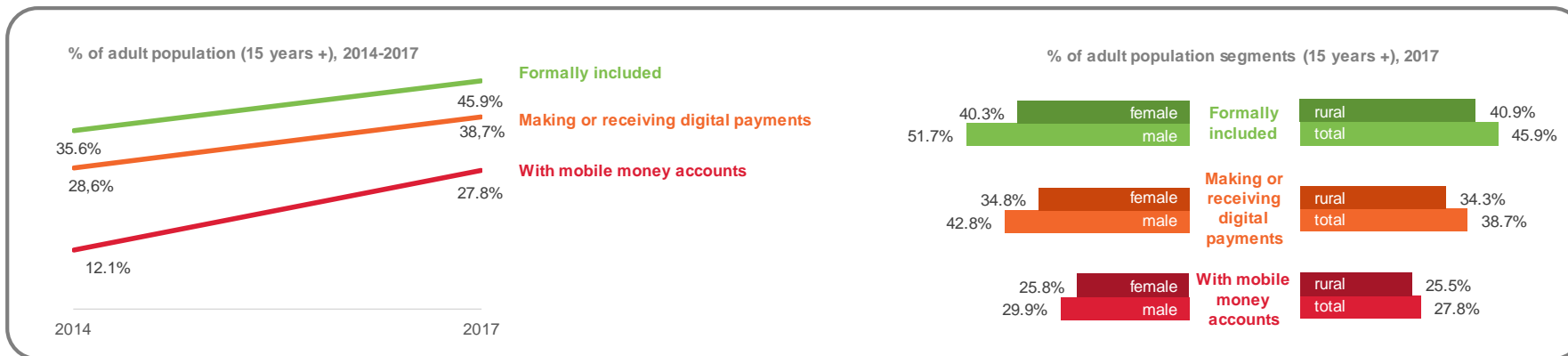


G:ENESIS
UNLOCKING VALUE



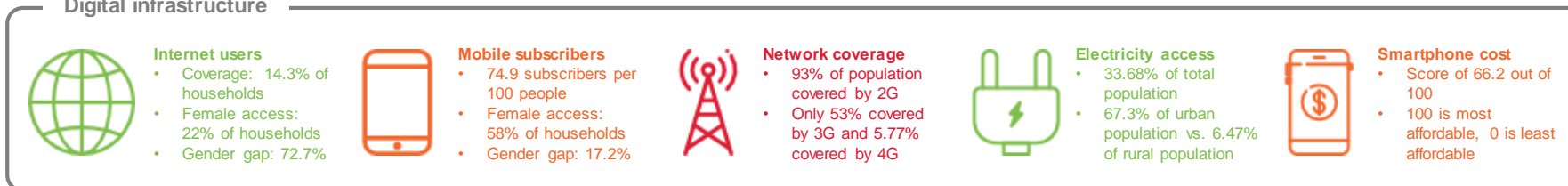
Unlocking Public and Private
Finance for the Poor

11.1. OVERVIEW OF THE DFS MARKET



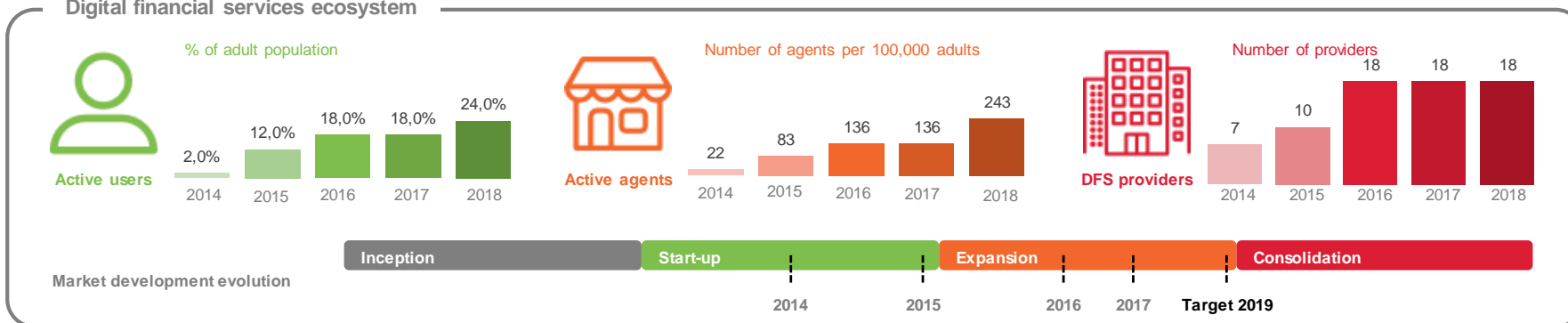
Source and notes: Global Findex Database, 2014-2017, World Bank. Usage statistics are reported over a period of 12 months

Digital infrastructure



Source and notes: Inclusive Internet Index, Economist Intelligence Unit, 2018; Statistics are reported for the year 2018

Digital financial services ecosystem



Source and notes: Annual Provider Survey, UNCDF MM4P, 2014-2017; Active users, agents and DFS provider figures are the latest available for the year 2017

Zambia was the earliest adopter of DFS in Africa when Celpay launched Zap (a microfinance credit repayment product) in 2002. The country then lagged behind for some time due to a sub-scale trap where DFS providers were unable to scale their digital solutions because of low customer awareness and poor adoption of DFS. The development of DFS gained traction again in 2009 when Zoono introduced its person-to-person (P2P) transfers via a mobile platform. Today, the Zambian DFS market is competitive with a diverse group of providers, including MNOs (Airtel, MTN and Zamtel), banks and MFIs (Ecobank, FINCA, InvesTrust, and Zanaco) and third-party operators (543 Konse Konse, Kazang and Zoono). Customer awareness and adoption of DFS has also increased from 2% in 2014 to 24% active, registered users of DFS in 2018 served by approximately 22 965 agents.²⁷ Although the majority of DFS products in the market remain first generation over-the-counter (OTC) payment tools, OTC revenue has declined by 30% as pockets of opportunity are emerging with an increase in the development and testing of second-generation DFS such as credit and savings e-wallets, solar pay-as-you go solutions and bulk payments.

Despite the recent progress on the increase in active users of DFS, much remains to be done about the limited DFS reach, scale and awareness in Zambia, mostly led by MNOs in the market. However, this growth faces challenges that may inhibit innovation and adoption. Zambia's low population density and poor physical infrastructure frustrate agency network development with profitability and liquidity challenges that affect the user experience and thus adoption of DFS. As a result, a key challenge for providers has been maintaining the activity of its agents and DFS users.

The Zambian DFS market is guided by the National Payments Systems Directives on Electronic Money Issuance, 2015. The Bank of Zambia (BoZ) is open to dialogue around regulation, with the needs of private sector players being addressed when voiced collectively. The BoZ has positively responded to the requests of providers, such as the revision of the monetary limits that can be held on a mobile wallet, and the authorization to use refugee IDs or Alien IDs as part of the KYC requirements for mobile money accounts. The National Financial Inclusion Strategy (2017 – 2022) in place is a first version with limited capacity and DFS expertise within the Ministry of Finance and BoZ to support its implementation around DFS. In addition to public-sector interest, there has been increasing donor involvement in DFS, including activity by development organisations such as Financial Sector Deepening Zambia (FSDZ), Mercy Corps AgriFin Accelerate (also funded by Mastercard Foundation) and the Rural Finance Expansion Programme (RUFEP) in addition to UNCDF. This improving landscape is giving rise to increased partnerships amongst the key players in the ecosystem.

11.2. MM4P IN ZAMBIA

MM4P was launched in Zambia in 2014, funded by the Mastercard Foundation, and aims to increase the active use of DFS within the adult population from 2% in 2014 to 35% by 2019. The MM4P Zambia team has six staff members based in the UNCDF regional office in Lusaka. The team is under the leadership of a Regional Technical Specialist (who supports both MM4P Zambia and Malawi), and includes two DFS experts, a KM consultant, operations assistant and driver.

To reach its target, the MM4P programme provides TA and grant-based support to multiple key stakeholders to strengthen the foundations for DFS, support industry growth in terms of improving efficiency of agent networks, and accelerate next generation DFS. At the start of the programme, MM4P focused on providing information and data to the Zambian DFS sector (including research such as an agent network assessment, DFS analysis in collaboration with FinScope and the state of the DFS market in Zambia). Additionally, the programme supported the capacity building of regulators on exchange trips and GSMA

²⁷ ICTworks (2017). The State of Digital Financial Services in Zambia. Available at: <https://www.ictworks.org/the-state-of-digital-financial-services-in-zambia/#.W3Zol-gzZPY>

conferences. The aim of providing this support and data was to establish UNCDF's presence in the market and improve organisational capacity and investment in DFS amongst providers.

Following this, MM4P used a phased approach to provide technical and financial support to providers to improve their business strategies, organisational structure and processes to influence the development and/or improvement of DFS. During the first phase, MM4P's partner engagements were focused on DFS strategies and business plan development. Following these initial engagements, MM4P used Human-centred design (HCD) research to encourage customer-centricity in the design and implementation of DFS amongst providers. MM4P provided TA to Airtel Money, FINCA and Zoono through an external consultant, 17Triggers, who conducted customer experience research and design to influence customer acquisition and the agent network model.

Given the success of the first phase of MM4P partner support, the second phase of partner engagements included the provision of TA to improve partner strategies surrounding the agent network and liquidity management challenge. MM4P worked with partners such as Kazang Spargis and Airtel Money to provide support the development of organisational strategy, training of the agent network and improving operations through agent data collection. Through these activities, MM4P has successfully established itself as a trusted broker and source of knowledge and DFS expertise in Zambia. Initial engagements with partners were focused on providing solutions to the general DFS market. This has evolved to include other customer segments, such as refugees and smallholder farmers. The programme's current partner engagements include the continuous improvement of the DFS distribution model and strategy support on high-volume payments through MTN's go-to-market strategy on bulk payments.

MM4P also plays a convening role bringing both private and public-sector players together through knowledge sharing sessions, called Feedback2Action Workshops. These workshops are used to share knowledge and project learnings on DFS, facilitate discussion between DFS providers and the BoZ on specific issues around regulation and encourage partnerships between organisations offering complementary products or services.

11.2.1 Results chain

The MM4P programme's results chain in Zambia includes three components- initial activities, advanced activities and direct support. The MM4P programme works in two areas, (i) providing TA and/or grant support to various DFS providers to develop or improve business strategies, organisational structure and processes so as to improve the provision of innovative DFS; develop partnerships across ecosystem players; and improve distribution networks, and (ii) supporting the BoZ and other regulatory bodies to develop and improve DFS regulation and policy, data collection and supervision of DFS.

There are no definitive assumptions stated in the results chain. The following are examples of some key underlying assumptions:

- The Zambian market does not have readily available DFS skills and expertise and therefore providing technical assistance will increase partner awareness and knowledge of DFS; building their capacity thereby enabling successful piloting and scaling of DFS.
- The successful provision of DFS will strengthen the business case and will result in crowding-in of other providers. The rise in competition in the market will lead to the diversification in DFS offered and increase in innovation to second-generation products.
- The MM4P programme aims to reach underserved rural, populations but there are contextual and infrastructural challenges that prevent DFS providers from offering appropriate, reliable and affordable products and services. There is a need for MM4P to partner with the government and key regulatory authorities and invest in the development of physical infrastructure to help increase awareness of DFS as an alternative channel to reaching underserved rural populations.

- Although not explicitly stated in the results chain, the programme aims to address gender specific challenges that prevent women from accessing DFS. This is reflected in project documentation, set as partner engagement key performance metrics and results measurement framework.
- MM4P aims to facilitate the dissemination of learnings and knowledge to the broader ecosystem by conducting research on customers, distribution and high-volume payments. MM4P partners will be a part of this process by generating evidence on what is required to sustainably provide DFS to unbanked populations both from a service providers perspective as well as the client perspective. The provision of information and evidence on the potential return on investment of using DFS as an alternative channel to reach underserved, rural populations with DFS enabling buy-in and increased investment of providers to introduce DFS.
- At the client level (both DFS agents and customers), the provision of financial literacy education and marketing campaigns leads to increase in understanding the use and importance of DFS. Additionally, providing support to providers to strengthen the agent network results in improve customer acquisition and experience. The activities above will in turn lead to not only the uptake of DFS but active usage.
- The knowledge management function is not explicitly stated in the results chain. Although core programme activities such as workshops, trainings and study tours are reflected, the sharing of project learnings and knowledge outputs is not highlighted. The MM4P programme plays a key role in documenting project learnings, hosting DFS working groups etc.

Given that the Zambian DFS market is still in the early stages of development, the current results chain allows for programming in key areas- customer-level, provider-level, distribution and policy and regulation, thereby addressing barriers at all levels of the ecosystem. The majority of the projects supported by MM4P are still in the early stages of piloting or implementing recommendations, and so it is too early to measure the extent to which the programme has attained all its envisioned outcomes.

11.2.2 Partnerships

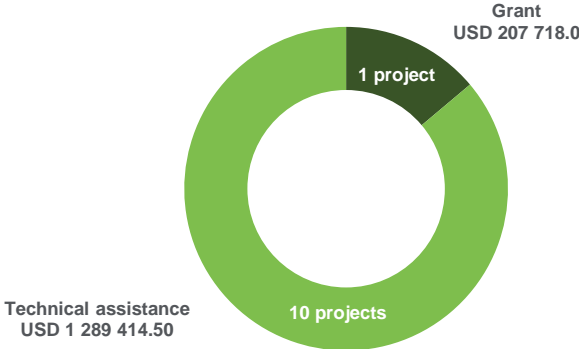
MM4P Zambia works with partners in three main categories, including mobile network providers, banks and MFIs, and third-party providers. To date, majority of the projects supported by MM4P in Zambia have been focused on High volume payments, Providers and Distribution. According to the programme's pipeline document, MM4P Zambia has completed 5 projects, 6 are ongoing and 10 are in the pipeline. A number of projects have been research studies for the programme's use and dissemination with the market, which together with projects with UNHCR and WFP constitute the majority of projects (collectively classified as UN agencies). All of the ongoing or closed partner agreements have been implemented by an external consultant with oversight by the MM4P team.

The MM4P programme in Zambia is funded by the Mastercard Foundation and as a result, they are unable to directly provide financial support to organisations in the policy and regulatory environment. Given that policy and regulation play a key role in shaping the DFS market and bringing about sustainable change in the market, the MM4P team works in collaboration with FSDZ to address the policy and regulatory needs of DFS providers in Zambia. Linked to the above, the evaluation team found that MM4P does not work in the infrastructural environment due to programme priorities. The MM4P Zambia team has made a trade-off to focus on providing direct support to DFS providers. The team shared that infrastructural projects require significant budgetary investments which may limit the programme's ability to work in other workstreams. Since there are other developmental actors such as FSDZ working in the infrastructural space, MM4P regularly shares project information relating to infrastructure with hopes of leveraging their work. Despite the above, MM4P has provided TA to Zoona on core infrastructure.

The nature of the partner engagements varies from small, short-term engagements that require UNCDF's DFS expertise with minimal staff time and budgetary implications, to larger engagements that require both UNCDF staff time and procuring a consultant. As at 7 June 2018, 25% of MM4P's total spend went towards grant-making, for one project (Customer experience Research and Design by 17Triggers for Airtel Money,

FINCA and Zoona) where 75% went towards TA across ten projects. KIs revealed that given the nature of the Zambian market, a project is more likely to be successful if the MM4P staff or consultants are embedded in the service providers' teams in comparison to giving light-touch external advice. This has the benefit of transferring DFS knowledge, capacity building and ensuring there is buy-in across the partner organisation.

Figure 14: Number and value of MM4P Zambia projects by type of support



Source : MM4P pipeline document, 7 June 2018

11.3. FINDINGS AND ANALYSIS

11.3.1 Partnership level

The MM4P partners interviewed during the evaluation shared that they have a good relationship with UNCDF, and that the support provided to them, either through informal expert advice or TA on a partner project, was highly valued. Despite some partners, such as Zanaco being in the project development phase, they shared that the ease of access and availability of the MM4P team to provide sector and strategy advice is not only beneficial in getting DFS providers to think about developing or improving their products and services, but also useful in stimulating increased management buy-in, which has the potential to speed up the implementation of a project.

Feedback from MM4P partners, as well as other players in the ecosystem, is immensely positive, reflecting that the Zambian DFS ecosystem values MM4P's contribution to the development of the DFS market in Zambia. The following are the key drivers of success of the MM4P programme, as well as what makes the programme unique:

“The MM4P DFS experts have very good knowledge of the DFS sector and is always available to chat about this.”

– Partner

“In comparison to other market players who just provide high-level assistance, MM4P is able to provide a long-term resource that is stationed within the bank to assist with our needs, but also assist with capacity building.”

– Partner

organisations which has contributed to quick turnaround in the change in organisational strategy and development of DFS.

Partners also shared that the **MM4P team has a high-level of commitment to partner engagements and is considered to be a good strategic partner.** Interviews with stakeholders highlighted that most partners appreciate the consistency of MM4P’s assistance.

“We see MM4P as a trusted friend. Most organisations have a negative perception of donors coming into organisations and pushing their own agendas without taking into consideration the specific needs of the partner.”

– Partner

One of the key factors that makes MM4P unique is the **in-house technical knowledge and expertise on DFS.** Partners appreciate MM4P’s in-country presence as they feel that they can easily contact MM4P for advice and discuss product ideas with the team. The MM4P team is valued for their skills, private-sector experience and willingness to help. MM4P plays a strategic role in partners’ day-to-day work regarding DFS, including partners such as Zoono and Zanaco, where MM4P is part of the product journey from development to piloting, and external stakeholders such as GIZ, where MM4P provides input on a particular sectoral issue. Additionally, having a local presence allows the MM4P to embed staff into partner

“The MM4P team has a great response time. They are open to providing input and avail themselves to participate in organisational discussions on DFS.”

– Partner

The MM4P team checks in on partners regularly and is actively involved in project design all through to implementation. Additionally, MM4P is responsive to the needs of its partners as they provide a good balance between the partner objectives and their own organisational objectives.

Challenges experienced by partners

The following are some of the common challenges highlighted by partners during KIIs:

All partner organisations found the technical assistance provided by MM4P to be valuable and well-tailored to meet their organisational needs. **However, Airtel Money shared that given their organisation type and structure, the implementation of the HCD project was seen to be burdensome to partner staff due to the lack of human resources.** This is explained in detail in Box 8: Case study 7 – Airtel Money below.

Another challenge that affects project implementation is the **high staff turnover in partner organisations, particularly financial institutions and MNOs.** According to KIIs, senior staff in these institutions rotate around the market every year. This poses a challenge to implementation as it is difficult to maintain relationships with key staff in these organisations. As different individuals enter a role, they have new organisational strategies, which affects the implementation of MM4P projects. For example, there was a delay in the implementation of MTN’s high volume payment project due to high staff turnover in their management team and staff committed to the project.

Box 8: Case study 7 – Airtel Money

Overview of project

Airtel Money (Airtel) launched its mobile money service in 2011 with the aim of expanding financial inclusion specifically to unbanked and underbanked populations in Zambia. Airtel has countrywide presence and provides bill payments, bulk payments for corporate customers, virtual cards for online payments, cross-border remittance services and insurance premium payments using the agency model.

In order to increase the reach of DFS in both urban and rural areas, Airtel Money received 6 months of TA from MM4P through an external consultant, 17Triggers. The basis of this assistance was to develop and test HCD-based strategies for marketing and communication, acquisition, on-boarding and training for its customers and mobile money agents. More specifically, 17Triggers assisted Airtel with improving Airtel's understanding of the customer journey in adopting Airtel Money, becoming a regular user of the service as well as the agent's journey in becoming a promoter of Airtel Money. This involved field research through a participatory approach where agents were trained on how to use mobile money and increase customer awareness.

MM4P support came to an end in June 2017. Through the HCD research, Airtel received valuable insights on how to improve customer acquisition. Airtel implemented 17Trigger's recommendations and tested three liquidity management models namely: super-agent model; agent-to-agent transfers; and agent lending through financial institutions. In addition to this, Airtel encouraged agents to own multiple booths rather than individual booths as this allows agents to hire staff, making the business more reliable and rebalancing floats less challenging.

Key performance metrics

The key project performance indicators included:

1. Increased adoption and usage of digital financial services.
2. Increased awareness of functionality of mobile wallet and better management of the DFS operations.

Implementation challenges

Airtel Money experienced a few challenges during the implementation of the customer acquisition research. This was mainly around the contribution of Airtel staff time for oversight, supervision and implementation of the project. Airtel Money has a small team of eight staff that were required to contribute time to provide support to 17Triggers during the HCD research. Both Airtel and 17Triggers expressed that **although the HCD research was beneficial to improving mobile money services, the lack of internal capacity and resources was challenging for both Airtel management and staff members as staff were unhappy with the burden of balancing their set KPIs and daily tasks.** Staff saw the HCD work required as an "extra project". In some instances, Airtel staff worked long hours to provide the necessary support to 17Triggers while meeting deadlines in their daily job.

This challenge can also be attributed to the limited senior management buy-in. Airtel Money is a small unit in Airtel and the lack of adequate staff impacted capacity building and delayed the implementation of recommendations. However, this challenge did not have a significant outcome on the success of the project. Airtel was committed to the project and understood the importance of customer-centricity in the success of their DFS offering but did not have the capacity to execute this effectively within the allocated project timeframe.

Implementation successes

MM4P played a key role in managing the relationship between 17Triggers and Airtel. The MM4P team also regularly engaged with Airtel management to build the value proposition of using a customer-centric approach to improve Airtel Money's customer acquisition and buy-in.

The outcomes of the project resulted in the increase in customer uptake of mobile money services after changes to the operations and processes. In addition to the three agent models implemented, Airtel implemented the training of agents on the functionality of mobile money, and improving the customer experience. Additionally, **the project also resulted in increased partnerships with financial institutions to improve agent liquidity especially in rural areas.** Airtel partnered with JUMO, Barclays Bank and Zanaco to provide agents with cash in exchange for e-value.

Through MM4P's support, Airtel changed its customer acquisition and agent management strategy which resulted in an increase in mobile money revenues and customer base from **USD 90,000 to USD 1 million** and **35,000 to 850,000 active mobile money customers.** The mobile money department had a business case and proof of concept that positively impacted management perceptions about the value of mobile money in the business model. Management buy-in resulted in an increase in investment into Airtel Money from **USD 2 million to USD 36 million per annum.**

Following MM4P's support, Airtel Money is no longer a small division of Airtel and has increased commitment to test and innovate DFS that reach underbanked populations in Zambia.

The agent voice

During FGDs with Airtel Money agents, the majority of respondents shared that they have had a positive experience with Airtel and that the agent training received has been a key success driver. Agents also shared that being an agent has been beneficial as it provides an income in a tough economy. Airtel agents reported that the implementation of a super-agent model and agent-to-agent transfers have been useful in overcoming the liquidity challenge. Despite this, agent liquidity still remains a challenge for agents, and affects their ability to retain customers and in turn profitability.

“I am a proud owner of three mobile money booths that I have managed to acquire within three months of being an agent.”

- Female agent

Box 9: Case study 8 – Kazang Spargris Limited

Overview of project

Kazang Zambia is an electronic micro-payments company, established in 2007, that distributes point of sale terminals through an agent network. Kazang is a third-party provider and works in partnership with MNOs (Airtel, MTN, Zamtel and Vodafone), banks (Zanaco, InvesTrust, Access Bank, FNB), Multichoice, Africonnet, Zesco, insurance companies and sports betting companies to offer their digital solutions. Examples of these services include prepaid airtime, bill payment, pay-as-you-go solar and money transfers.

Kazang received TA from MM4P through an external consultant, Horus, to implement effective agent training and develop a strategic plan that enables Kazang to position itself as the leading third-party provider in the market. This project aimed to address the following challenges:

- Improve product awareness of the agents by training them on the value proposition of the product and how to market the services to the customers;
- Increase the financial incentive for agents; and,
- Build the DFS skills of internal staff.

Through a consultative process, Horus and Kazang developed a training manual to train both Kazang staff and agents on the functionality of Kazang's service and customer acquisition with the aim of improving product awareness of both agents and end-user customers and building the DFS skills of the internal team. Horus also provided Kazang with support to build the Kazang's staff skills in agent data

collection and management using the open-data kit (ODK). This enabled Kazang to effectively track its agents in urban and rural areas, but also improve the management of the agent network.

Additionally, with support from both UNCDF and Horus, Kazang developed a strategic plan to improve the business model, organizational processes and plan on how to pilot and scale up the agent network, and explore new partnerships.

Key performance metrics

The key project indicators included:

1. Review of existing training content to understand current operations, value proposition
2. Development of agent training manual
3. Facilitation of a training workshop for internal staff and agents
4. Design of Kazang strategy – business model, agent commissions, value propositions, dealer management.

Implementation challenges

The challenges experienced included difficulty in executing the strategy review due to the lack of data and implementation delays due to the cholera outbreak. Kazang previously had no data on its agent network. This lack of data affected the consultant's ability to conduct a gap analysis, and thus the development of an agent management model. To overcome this, the consultant assisted Kazang to set up ODK to allow for the collection of relevant agent data and grow the agent database. This involved the deployment of Kazang staff into the field to manually capture agent data, which included a picture of the agent, location, transaction volumes etc.

Further to this, project implementation was affected by the cholera outbreak at the beginning of 2018. This led to delays in implementation as the business had to be shut down as per regulatory requirements. Despite the above, the project was implemented successfully as described below.

Implementation successes

The embedding of the consultant into Kazang was beneficial in building the staff's capacity surrounding data collection and agent management. According to Kazang, **staff are now better equipped to go into the field and effectively train agents. The use of ODK as a data collection and analysis tool has improved agent management by 80%**. As a business, Kazang is better able to communicate with agents to resolve any issues on the ground, as well as inform agents on new services.

A training manual was developed and this was piloted by hosting four training sessions in Lusaka and Copperbelt provinces. A key lesson from implementation was the use of a train-the-trainer model, where Kazang focuses on training its staff, who then pass on knowledge to agents on the ground, as opposed to hosting large workshops to train agents.

Through the organisational strategy development and MM4P's assistance, there is increased buy-in and agreement on how to effectively conduct business processes and drive the agent model further.

Overall, MM4P's assistance has led to capacity building and increased DFS knowledge within the business. There is high additionality of MM4P as Kazang intended to conduct agent research and implement data collection tools but would have financially struggled to do this alone. Moreover, Kazang established a relationship with RUFEP through MM4P's network and has acquired grant funding that will assist in the scaling of the agent data collection and analysis.

The agent voice

All agents interviewed shared overwhelmingly positive feedback about Kazang's high response rate to agent grievances. The use of a call center and agent manager enables Kazang to quickly respond to the needs of its agents. Agents report that the challenges associated with providing digital services are mainly infrastructural. Agents shared that poor network connectivity affects the provision on their services. Agent liquidity is not a threat to the Kazang model as the agents use various financial institutions or MTN Mobile Money agents to balance their daily float.

“I was previously an agent for Kazang competitors but I moved to Kazang once I heard they manage their agents better. I do not have to go all the way to town to speak to the head office to resolve any challenges on the ground.”

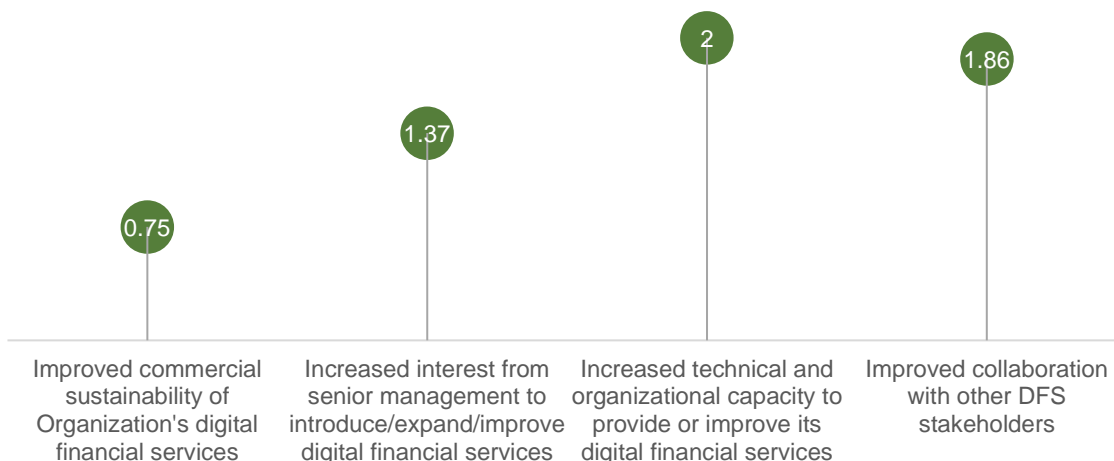
– Agent

11.3.2 Ecosystem level

MM4P's influence on DFS providers

The Zambian DFS market has experienced developments with many providers increasing their investments in developing or improving their DFS. Partners and external stakeholders interviewed shared the MM4P has contributed to these developments as they have built the capacity of providers and DFS knowledge of partners. The programme has helped develop DFS solutions such as FINCA's agent loan solution and is assisting ZamPost develop and e-wallet for its Switchcash product (government to person transfers via a mobile wallet). MM4P has also provided support to several DFS providers to improve their already existing products. Examples of these include Zoono's Sunga wallet, MTN's bulk payments product, Airtel's mobile money service, WFP's Maano agricultural platform and UNHCR's high volume payments to refugees. According the 2018 APS survey, the following are the contributions that the MM4P programme has had on the DFS providers in the market²⁸:

Figure 15: APS survey: UNCDF's contribution to organisation's work in DFS (weighted average) n=10



MM4P, through its research, TA and partnership building has been able to influence how private sector organisations approach DFS development. As a result of the successful rollout of DFS by these organisations, there is an increase in competition amongst providers. The Zambian market was previously

²⁸ 7 out of 10 APS 2018 respondents in Zambia have received direct support from MMP Zambia.

dominated by MNOs but fintechs such as CGrate, Zoono and Kazang are now competing against large financial institutions and MNOs in the provision of DFS.

Despite the progress being made in developing and/or improving DFS, the current DFS offered in the country are primarily first-generation products. That being said, there have been developments of second-generation products such as MTN's Kongola product (microcredit solution), and Zoono's Sunga (a savings function) and Boost service (a combined savings and loan facility product). **Through its provision of HCD research to assist partners develop customer-centric solutions, MM4P has contributed to the successful piloting and roll out of second-generation products.** For example, MM4P provided HCD support to Zoono and Airtel to improve customer acquisition through the agent network. Both partners successfully implemented the project recommendations which resulted in high consumer uptake of the respective products.

MM4P's influence on policy and regulation of DFS

MM4P, through its partnership with FSDZ, influences policy and regulation at the ecosystem level.

While the influence of UNCDF-FSDZ on the ecosystem is not monitored, there are changes in the policy and regulatory environment that can be directly linked to MM4P.

“Nandini (MM4P) and Charity (FSDZ) were very helpful in provided us with DFS context and regulatory support as they have a good relationship with the Central Bank and know how they work.”

– Partner

UNCDF and FSDZ regularly share information on a number of projects with the aim of influencing the Central Bank and regulators in the market. An example of this is UNCDF-FSDZ support to the development of agency banking in Zambia. Under this project, FSDZ works on the regulation on agency banking while UNCDF works with its partners to develop the strategy around agent liquidity. From evaluation team's interviews with the BoZ, it emerged that both UNCDF and FSDZ have been influential in lobbying with providers on the revision of KYC requirements. This has resulted in the Central Bank making changes to the regulation of DFS. MM4P plays an active role in advising partners on how to effectively engage with regulators based on the advisory

relationship that the program has with the BoZ. For example, MM4P and FSDZ both played a key role in assisting DFS providers with the revision of the monetary limits that can be held on mobile wallets allowing for high value transactions.

MM4P also brings together private and public-sector organisations that would not otherwise engage regularly, to discuss issues around the Zambian DFS market. Through the Feedback2Action workshops, UNCDF plays an important role of creating an open space to discuss issues of concern and to lobby regulators in relation to desired changes in the policy and regulatory space. It was reported by the Central Bank that through UNCDF's intervention are more aware of the pain points and problems faced by service providers. As a result of these discussions, the Bank has recently centralised KYC for people to easily tap into the data and supported the implementation of agent loan models. MM4P partners also shared that they have formed an association of DFS players in the Zambian ecosystem that aims to lobby with regulators. Another example is the organisation of a City Council workshop to address the confiscation of agent booths during the cholera outbreak in February 2018. This meeting sought to address the implications of closing operations of agents on profitability. According to partners, both UNCDF and FSDZ were instrumental in driving the discussion against the confiscation of licenses set by the City Council to operate agent booths, which resulted in agents being able to trade.

“Conversations around creating a group to lobby with regulators have been going on for 2-3 years but with UNCDF's help this has been finalised within a short period of time.”

– Partner

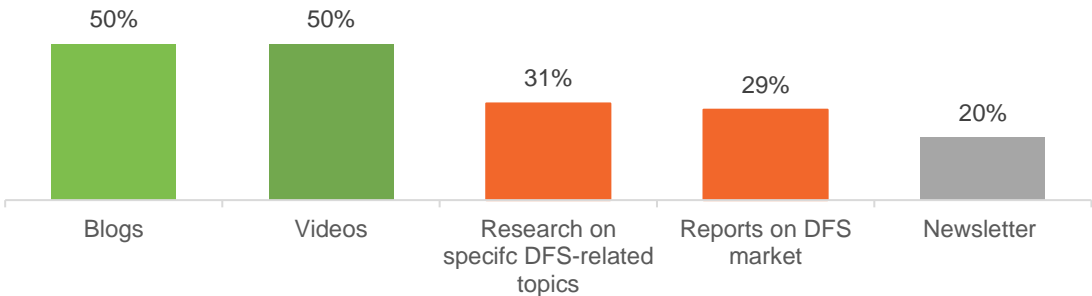
Lastly, MM4P provided TA to the Central Bank by embedding a DFS expert within the bank to build the capacity of staff and support the improvement of DFS data collection and sectoral supervision. The embedding of MM4P staff within the Central Bank has resulted in quick implementation and success of the project, but has also built a solid foundation for the relationship between MM4P and BoZ.

MM4P’s influence on the broader ecosystem

Initially, private sector organisations in Zambia were competition focused and did not interact with other players in the DFS market. According to MM4P partners, financial institutions had approached MNOs prior to MM4P to expand financial access to agent loans, but the response from MNOs was low. This low response rate has been a constraint to the agent liquidity problem. However, **MM4P has played a crucial role in fostering partnerships amongst different players in the market and there is increased evidence of partnerships in areas of common concern amongst financial institutions, MNOs and fintechs.** For example, as a result of 17Triggers support to develop a strategy on agency liquidity, Airtel has entered into partnerships with banks such as Zanaco, Barclays and Bank ABC to increase the availability of e-float value and cash for agents around the country. Similar to this, FINCA Zambia has established partnerships with Zoono, MTN and Airtel to provide agent loans. The partnerships formed in the DFS ecosystem as a result of MM4P’s support are crucial for organisations to scale and in turn achieve sustainability post-MM4P’s intervention.

MM4P also influences the development of the Zambian ecosystem through the events and publications produced under its Knowledge Management function. The evaluation team found that the learnings shared by MM4P were appreciated by all stakeholders. According to the 2018 APS, the most valuable KM products shared by UNCDF are the blogs and videos. Interview respondents shared that this information has been helpful in providing updates on any changes in the market and lessons learnt from other projects being implemented, all in a format that is easy to engage with and is not time consuming. The diagram below shows which products shared by MM4P have been the most valuable sources of market information, from the perspective of partners.

Figure 16: Valuable MM4P sources of information in the DFS market (n=10)



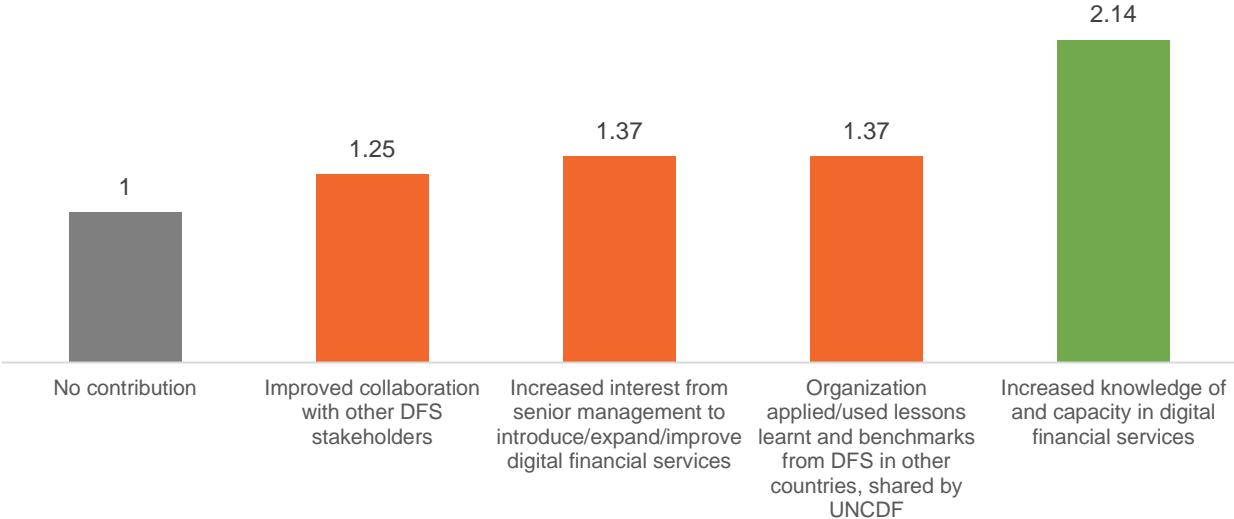
Source: MM4P Zambia Annual Provider Survey, 2018

It was also reported that MM4P’s knowledge management function has played a key role in influencing senior management buy-in in private sector organisations, such as MNOs and banks. Particularly, the individual reports and workshops on the State of the Zambian DFS market were key in proving the value of offering DFS. These reports presented how well organisations were performing in the market and highlighted areas of opportunity to grow market share and improve business operations. Both Airtel and Zanaco shared that they used the learnings to influence internal strategy on the provision of DFS and as a benchmark to measure the organisation’s performance in the market. Additionally, partners

reported that the learning pieces have been beneficial in providing knowledge of DFS and the identification of potential partners based on what changes are developing in the market. **Having a key source of information that showcases the work that is being done in the digital finance space, and learning from what other countries are doing, has contributed to MM4P’s influence on the ecosystem.** Our discussions with external organisations such as GIZ also highlighted that they engage with the learning materials and are more open to exploring new markets and willing to engage with other stakeholders to expand DFS in Zambia.

According to the APS 2018, the majority of the respondents responded positively to the events and publications produced by MM4P. The mostly commonly cited contributions were ‘increased knowledge and capacity in DFS’. These results are reflective of the feedback received from partners during KIIs. The additionality of the learning outputs is high as DFS providers value the provision of access to data and information that is relevant to assist them to develop or improve their digital solutions.

Figure 17: Contribution of MM4P events and publications to organisation’s DFS work (weighted average) n=10



Source: MM4P Zambia Annual Provider Survey, 2018

11.3.3 Programmatic

Country-level programme design

MM4P has applied adaptive management of the honeycomb to suit the Zambian market. The Mastercard Foundation’s interests have shaped MM4P’s approach in which workstreams to work in. **The programme team and partners find the honeycomb approach to be suitable in effecting change in the Zambian DFS market. However, it was acknowledged that not focusing in key areas such as policy and regulation, and infrastructure only shifts the ecosystem to a particular level.** Infrastructural challenges prevent providers from offering appropriate, reliable and affordable DFS to underserved, rural populations. Additionally, policy and regulation are important to create a supportive environment that enables providers to development and rollout digital solutions. Although MM4P works with FSDZ to leverage their work in these two areas, this has the risk of not being the most effective approach as the two organisations may not have the same objectives and quality assurance is not always guaranteed in informal agreements.

Partner selection

One of the key factors that makes MM4P unique is their partner selection process. MM4P works with a mixture of private and public-sector organisations. **It was reported that MM4P is good at assessing the**

market and assisting different players in improving their DFS offering. MM4P actively seeks opportunities and are willing to work with non-traditional players, such as ZamPost’s microfinance division and refugees through UNHCR’s high volume payment program.

As per interviews with the MM4P Zambia team, MM4P partners are selected using a partner selection matrix that considers value for money and potential impact on the ecosystem. MM4P uses formal contracts to guide the engagements with partners. Partner support is provided either through short-term engagements by the MM4P team, TA provided by external consultants or grant-making according to the needs of the partner. While having a formal agreement is important in guiding MM4P’s engagement with partners, the evaluation team found the MM4P team has adjusted this to reflect the needs of the Zambian market. For example, MM4P also provides short-term, informal assistance by providing expert advice on DFS related issues. The provision of informal assistance has been important in building and maintaining relationships with partners and ensuring there is continuity in the implementation of digital solutions. However, MM4P provides this informal assistance where partners may be working with other development actors, making it difficult to attribute MM4P’s impact or the value of this assistance. Given that these informal engagements are considered valuable to DFS providers, it would be beneficial to measure MM4P’s contribution to the development of the ecosystem by directly linking the outcomes of these engagements to the programme’s core activities as depicted in the results chain.

Procurement process

The evaluation team found that there is a strong support structure within the MM4P local team, with support from the central office in Brussels that assists partners through the procurement process. While partners appreciate the support that the MM4P team provides in the development of procurement documents, a couple of partners shared that the procurement process is very technical and lengthy, particularly where data protection policies are a concern. Lengthy procurement processes can also delay partners’ ability to source their own funds to contribute to project implementation, which can be an equally lengthy process. However, UNCDF has recently completed revisions to shorten the process. The local presence of the MM4P team helps kick-start the project by working on the strategy component of the project while a consultant is being onboarded. This strategy ensures that the procurement process is rigorous and is aligned to the objectives of the program while still maintaining partner interest.

Method of engagement

MM4P uses both grant-making and TA to support partners. Large private sector partners shared that they found the TA more valuable than grant-making as it informs organisational strategy and capacity building around developing or improving DFS solutions, and is the foundation on which partnerships and sourcing of funds is built on. The only major concern around the dominant provision of TA is that smaller organisations such as fintechs need more financial support for staffing and the implementation of the outcomes of the projects.

Organisational capacity

Stakeholders shared that MM4P’s core strength lies in the technical expertise that they offer partners, which is largely attributed to the relevant skills of the team, their experience in other markets and extensive networks in the sector. There has been an increase in ad-hoc, short-term engagements provided by the MM4P team as they have established themselves as the source of DFS expertise in the market. As the pipeline of partners grows, and longer-term partner engagements are required, this may lead to staffing constraints and implementation efficiencies, and the team will need to develop a plan to address this.

Gender

The MM4P programme considers women to be a key beneficiary group and promoting activities that serve the unique financial needs of women is described as one of the programme's priority areas. Despite this, the evaluation team found that majority of MM4P partners do not have any set objectives to actively reach women despite this being included as a target in their agreements with MM4P. Partners shared that their current focus is on developing sustainable digital solutions that meet the needs of the general Zambian population. Private sector providers also do not see the business case in targeting women specifically and thus are not incentivised to do so. There is currently limited commitment amongst partners to address the needs of women, and where partners did show interest in extending products to women, they reported that a major barrier was the lack of information on the needs of the population and the lack of capacity to collect and analyse sex-disaggregated data prevents them from doing so.

MM4P aims to effect change in this area by shifting programming to encourage partners to collect sex disaggregated data and providing research and information building a business case to segment customers.

11.3.4 Revisiting the results chain

The MM4P programme has successfully achieved the engagement of various DFS stakeholders in the Zambian market through initial awareness-building activities, such as the provision of research and data on agent networks and the state of DFS in the market. Through these knowledge and learning outputs, the programme was able to build partnerships with DFS stakeholders in both the private and public sector and provide direct TA and grant support to develop and improve DFS.

The MM4P programme has partially been able to achieve its ToC up to influencing DFS providers' willingness and ability to develop, improve or expand DFS to unbanked customers, especially rural populations and women. This incomplete achievement of the ToC is due to the Zambian DFS market still being in the early stages of development. In order to meet the needs of the rural and underserved population, there is a need to address infrastructural challenges and build a business case for providers to develop digital solutions. MM4P has been providing support to DFS providers to develop or improve their solutions to rural areas, and there is a developing interest in expanding this beyond urban areas. While there is evidence of growth in the provision of DFS to unbanked customers, the likelihood of this occurring at sustainable scale during the programme timeframe is low. Similarly, the programme has only partially achieved the provision of accessible, affordable and appropriate DFS for customers. There are a few partners such as Airtel and Zoono who have successfully rolled out their DFS to both urban and rural areas. However, extended provision of these products and services across the sector are limited. This is mostly due to contextual challenges such as poor network connectivity, low customer awareness and financial literacy that Zambia faces that require influencing the policy and regulation and infrastructure surrounding the provision of DFS. These challenges negatively affect the financial viability for providers to provide these services reliably and at an affordable price.

In the three years of implementation, **the impact of the MM4P programme has been experienced by MM4P partners who have received support to influence their organisational strategy, increased their investment in DFS and developed and improved the provision customer-centric DFS**, which is relevant given the needs of the Zambian market and has resulted in an increase in client uptake of DFS.

The evaluation team was unable to validate these findings with quantitative data collected from individual MM4P Zambia projects. This is largely due to data being unavailable at project level to aggregate up to portfolio level. The tables below provide an overview of the data that is available, which is insufficient to assess MM4P Zambia's contribution to the market.

Table 12: Key results per MM4P Zambia project

Partner/project	# of active DFS clients	# active agents	Comments
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Airtel Money customer experience research and design (closed)	150 902	4 683	Only projection data included for 2018.
FINCA liquidity (active)		3 140	Target for end of 2018. No # clients data captured in documentation shared with evaluation team
MTN Mobile Money (active)	26 650		Target for end of 2018. No. of clients refers to no. of customers receiving bulk payments
Kazang Zambia (active)		1 250	Target for end of 2018
UNHCR (active)			No data captured in documentation shared with evaluation team
Zampost (active)			No data captured in documentation shared with evaluation team
TOTAL	177 552	9 073	

Source: MM4P project data and documentation. Note: Grey cells indicate targets, white cells indicate actuals. Given the diversity of the projects, some results are proxies of number of active DFS users, as described in the comments column.

Table 13: Comparison of national statistics versus achievements of MM4P-supported projects in Zambia

Indicator	Zambia
Adult population	9100000
Active DFS users in 2018 (market level)	24%
Target DFS users in 2019 (market level)	31%
Increase in active DFS users from MM4P-supported projects (achieved by 2018)	Insufficient data
Target DFS users from MM4P-supported projects (2019)	1.95%
Active agents per 100 000 adults in 2018 (market level)	243
Increase in active agents from MM4P-supported projects (achieved by 2018)	Insufficient data
Target agents from MM4P-supported projects (2019)	100

Source: MM4P project data and documentation. Note: Grey cells indicate MM4P project targets, white cells indicate actuals.

11.4. OVERALL ASSESSMENT

MM4P has achieved considerable success since inception. The following section presents the key findings of the programme:

- **The DFS expertise, experience and networks of the MM4P team is one of the strengths of the programme, as well as their in-country presence**, which not only makes the programme unique but is a driver of the programme's success.
- **The additionality of the MM4P programme is high.** Although most partners shared that they would be pursuing the development or improvement of DFS, they have benefited from MM4P's support as this increased the rate and quality of these developments. The TA and knowledge outputs provided by MM4P, in particular, are highly valued by partners. Partners may have been able to access funding elsewhere to implement their solutions, but TA and DFS research are less easily accessible.
- **The support provided by MM4P has positively impacted its partners.** Examples of the impact include partners having more efficient organisational processes, there has been capacity building of partner staff to collect and analyse data, partners have adopted a customer-centric approach to the design and implementation of products, MM4P has guided the partner's strategic focus and increased management buy-in to develop DFS, and lastly, partners are forming new partnerships across the sector.
- **At the ecosystem level, MM4P is considered to be a necessary market facilitator through its convening role of public and private sector organisations to address issues surrounding**

DFS. MM4P's collaboration with FSDZ has effected change through its extensive knowledge of DFS in the policy and regulatory environment as seen by the commitment of the Central Bank to revise KYC requirements, e-wallet limits and active participation in conversations with the private sector. While FSDZ works in this area, MM4P is unique as it has internal knowledge of DFS and does not always have to engage external consultants.

- **The MM4P programme currently has a favourable relationship with other developmental actors in the DFS ecosystem such as Mercy Corps and FSDZ.** Exchanging information and working together on engagements has not only effected change in areas that MM4P cannot directly provide support in and those that are not necessarily areas of focus, but is important for the development of the ecosystem. Additionally, this ensures that there are no duplication of efforts.
- **MM4P's knowledge management function, through its events and the sharing of publications, has influenced the development of the broader ecosystem.** Some positive outcomes include new partnerships formed through the workshops and changes in perceptions and investment to pursue DFS in the private sector.
- Agents reached through MM4P-supported projects expressed their satisfaction and success of digital solutions offered. However, there are still a range of supply and demand side challenges that limit adoption and usage of DFS. For example, on the supply side, infrastructural challenges such as poor network and agent liquidity that affect the reliable delivery of DFS. On the demand side, customer awareness and usage of DFS has increased in the last few years but there is still a need for more customer awareness campaigns and improvement of financial literacy.
- Addressing gender issues and access to DFS for women is a priority to UNCDF and the Mastercard Foundation. Although MM4P sets targets and has indicators to target gender, there is varying commitment amongst partners to address the challenges that prevent women from accessing DFS. The current program focus has been to assist partners build a business case to offer DFS and improve these solutions. Moving forward, the MM4P intends to produce more research to provide partners with a business case to target women and actively design products that meet the needs of women.
- **The MM4P programme is well-positioned to achieve its intermediate goal of supporting ecosystem actors to gain scale, reach sustainability and increased investment in DFS within the program's timeframe.** There have been significant strides amongst DFS providers in the market as observed by increased investment and management buy-in in private sector organisations to provide DFS and the development of partnerships amongst providers.
- The main challenges of the programme include lengthy procurement processes which result in partner fatigue or implementation delays. The strategy by the MM4P team to counter these challenges by providing DFS expertise as the procurement process is finalised has been effective in good partner management. Another challenge that poses a risk to program implementation is the high turnover of senior staff in financial institutions and MNOs. This affects the continuity of project implementation and may result in delays as relationship building and management take a considerable amount of time. Lastly, while partners are willing to engage and see value in the support offered by MM4P, the lack of institutional capacity and resources within partners may affect the effectiveness of project implementation and take up of recommendations.

11.5. RECOMMENDATIONS

- When working with a partner for the first time, a short project with a small amount of support (e.g. strategy advice) should be provided to assess the partner's capacity and readiness for further support. Additionally, during project implementation, the MM4P team and partners should discuss feasible implementation plans that suit the organisational type and structure of the partner thereby allowing for effective capacity building and successful project implementation.
- The knowledge management function and type of support offered by the programme needs to adapt to the changes in partner's needs as the Zambian market develops. Now that partners have

increased capacity and access to data and information, there is a need for MM4P to provide a mixture of TA and grant-based support as this will enable partners to innovate and test products. The knowledge management function should also look to provide more relevant outputs as per the markets stage of development.

- The MM4P programme needs to assess the current state of the market and look to find approaches to addressing contextual and physical constraints such as an enabling policy environment, infrastructure- on the supply-side and influence customer awareness and financial literacy- on the demand side. To address supply-side challenges, MM4P can continue working with other developmental actors in the DFS ecosystem such as Mercy Corps AFA and FSDZ. The MM4P team can reflect on strengths (supporting DFS providers) and weaknesses (addressing contextual challenges such as infrastructure and policy) and partner with different organisations that are best suited to work in areas that MM4P cannot. Further to this, lessons can be learnt from other countries where the MM4P team used the working groups to influence areas that the MM4P programme cannot influence directly. MM4P Senegal managed to successfully influence the telecommunication authority to open up the use of USSD for digital solutions through these working groups.
- The provision of informal assistance has been important in building and maintaining relationships with partners and monitoring the implementation of digital solutions. However, the outcomes of these engagements are not formally documented and it is difficult to attribute MM4P's impact or assess the value of this assistance.
- MM4P is currently the main development actor spearheading the development and improvement of DFS in the Zambian market. The programme needs to develop a sustainability plan to ensure there is continued collaboration amongst the various ecosystem actors. While the BoZ has shown commitment in addressing the needs of the providers, they lack the capacity to provide the appropriate support required by the ecosystem.

ANNEXES:

MM4P RESULTS FRAMEWORK

EVALUATION MATRIX

STAKEHOLDERS CONSULTED

DOCUMENTS CONSULTED

Included as an attachment to this report.